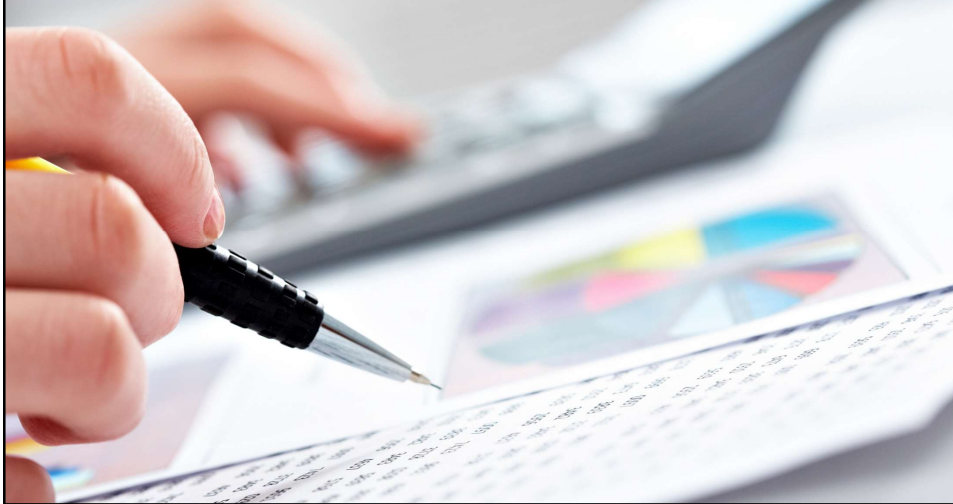


BUILDING A MORE STRATEGIC BUDGET FOR YOUR ACADEMIC DEPARTMENT

#Altraining



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ai ACADEMIC
IMPRESSIONS



LEARNING OUTCOME

After participating...

You will be able to take a more strategic approach to budgeting within your department.

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IMPRESSIONS 2

AGENDA

- Strengthening your budgetary model
- Aligning your department activities with you university or college strategic priorities
- Building a strategic departmental budget model
- Key takeaways and resources to enhance your strategic approach

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STRENGTHENING YOUR BUDGETARY MODEL



3 WAYS TO STRENGTHEN YOUR BUDGET MODEL

1. Linking your department activities to the strategic priorities of the institution
2. Analyzing the cost structure of your department and programs
3. Demonstrating the strategic value of your department using both non-financial and financial measures



POLL

**Which budget model do you
use at your institution?**

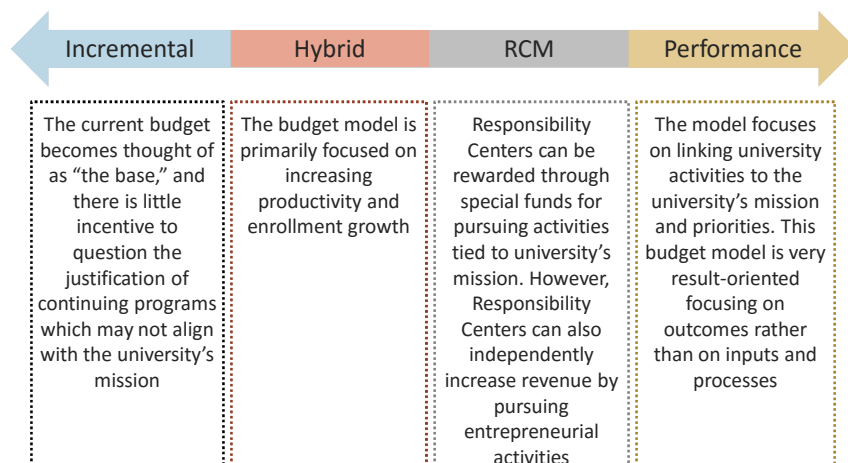
SURVEY OF INSTITUTIONAL BUDGET MODELS

- All budget models have strengths and limitations.
- Consult with other institutions that have adopted the budget model you are interested in exploring.
- Listen to your faculty, support units, and senior leadership before deciding on any model.

SURVEY OF INSTITUTIONAL BUDGET MODELS

- Effective budget models take time to implement and mature (3 - 5 years).
- Figure out what works well and what does not for your institution. If there was an ideal model that worked for well for all institutions, your probably would have already adopted the model.
- “Winners” and “Losers” are often relative to the budget model, not the fundamentals.

Linkage Between Budget and the University’s Mission



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**ALIGNING YOUR DEPARTMENT
ACTIVITIES WITH YOUR UNIVERSITY OR
COLLEGE STRATEGIC PRIORITIES**



POLL

**Do you know the strategic
priorities established for your
institution?**



UNBC CASE STUDY

- Founded in 1990 as the first university to serve the northern region of British Columbia
- 4,000 students (headcount) primarily from Northern BC (67%) and lower mainland (15%)
- 190 tenure-track and clinical faculty
- Annual budget of \$106 million that is 67% government funded





UNBC CASE STUDY

- Named the #1 “primarily undergraduate university” in Canada in 2015 and 2016 in the prestigious Maclean’s Magazine rankings
- Facing increasing financial pressures due to declining enrollment and government funding
- Integrated Planning process began in 2015 to engage the community in the development of a University Strategic Plan and development of a budget model that will link resource allocations to strategic priorities

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UNBC CASE STUDY







Strategic Road Map

Appendix 1 – Strategic Road Map

Strategic Road Map:
Stewarding our Resources to Support our Vision, Mission and Signature Areas



En Cha Huna
En (that person) Cha (also) Huna (lives)

Our Vision
A destination University, personal in character, that transforms lives and communities in the earth and around the world.

Our Values

- Experiential learning, exploration and discovery
- Inclusiveness and diversity
- Community
- Integrity

Our Signature Areas

- Environment and Natural Resources
- First Nations and Indigenous Priorities
- Health and Quality of Life
- Northern Community Sustainability and Development
- Innovative and Quality Distributed Delivery Programs

Strategic Priorities

Attract, retain and develop outstanding students, faculty and staff

SP1

Enhance the quality and impact of academic programming and delivery

SP2

Enhance the research culture

SP3

Ensure financial accountability, sustainability and operational effectiveness

SP4

Desired Outcomes 2017 - 2021

- Enroll 3,443 FTE by 2020 while ensuring a diverse, talented and engaged student body. Increase:
 - Domestic students by 250
 - Graduate students by 50
 - Aboriginal students to 30% of the total
 - International students to 20% of the total
 - First Year student retention rate to 80%
- Promote an inclusive and vibrant community.
- Establish and implement a development strategy for faculty, staff, students and leaders.
- Promote student success.

- Ensure UNBC academic programming is relevant, engaging and of high quality.
- Ensure UNBC's pedagogical practices meet the highest standards.
- Ensure academic programming equips graduates with skills and breadth of knowledge including those unique to the signature areas.
- Strengthen the student experience, with a particular focus on first year.

- Increase the proportion of faculty members holding external research funding by 25%.
- Increase the opportunities for student participation in scholarly activities by 25%.
- Increase the number of active international research University partnerships by 10.
- Externally fund an additional 6 Research Chairs.
- Profile the breadth and quality of research activities.
- Increase research intensity.

- Ensure resources are allocated to support the strategic priorities.
- Develop sustainable infrastructure to support the mission.
- Raise 110 M of donations through a comprehensive campaign by 2018.
- Increase annualized fundraising by \$1 M per year.
- Ensure financial equilibrium by 2023.
- Ensure processes, policies, systems and services are efficient and add value.

September 27, 2016



RESOURCE

ACTION PLANNING TEMPLATE SPREADSHEET # 1

This will help you to identify the actions your department or program will take to support the institution's strategic priorities, the resources that will be required, and the measures that you will use to determine your success.



UNBC CASE STUDY

University Action Planning Template

- The University Action Planning Template is a method for collecting and submitting the department and college prioritized goals, actions, anticipated outcomes and key success measures.



UNBC CASE STUDY

University Action Planning Template

- The process of arriving at the completed Action Templates may vary depending on the unique needs of each unit, program, department and college.
- Through collaboration, the team determines the collective priorities and prepares and submits Action Planning template.




RESOURCE

REVIEW OF REVENUE AND EXPENSE OPTIONS SPREADSHEET # 2

This will help you to prioritize options for reducing expenses or generating revenues in support of the institution's strategic priorities.





UNIVERSITY OF
NORTHERN BRITISH COLUMBIA

Action Plans
Review Criteria

1. Minimize immediate effects on Academic Mission, Faculty, Staff, Students, Community
2. Flexibility to implement academic planning recommendations
3. Support Strategic Priorities
 - Investments to increase enrolment
 - Investments to increase research activities
 - Achieve financial equilibrium
4. Acceptable to the Board of Governors and the Ministry of Advanced Education

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SP1 Attract, retain and develop outstanding students, faculty, and staff		
Faculty Positions	Seven critical tenured, tenure-track and continuing faculty opened for recruitment	\$497,000 - \$630,000
Student Recruitment Enrolment	Increase recruitment rates through an enhanced support structure and effective application and registration processes	\$73,000
Student Recruitment International Admissions	Enhance support structure for international admissions, streamline processes and increase efficiencies	\$78,000
Student Recruitment International Recruitment and Retention	Increase recruitment rates of international students through an enhanced support structure, and develop high quality and impactful programming in coordination with Academic departments	\$450,000 - \$619,000

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Building a More Strategic Budget for your Academic Department

SP2 Enhance the quality and impact of academic programming and delivery		
College of Arts, Social and Health Sciences	Continue to enhance and integrate first year experience through the IASK program	\$70,000
College of Science and Management	Replace, modernize and enhance weather data collection, and enhance and support teaching undergraduates in high-enrolment first-year Biology Lab courses	\$58,000
Centre for Teaching, Learning & Technology and Regional Programs	Support online, distance, hybrid course delivery and innovation in use of educational technology	\$73,000

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SP3 Enhance the research culture		
Research	Increase international research partnerships	\$155,000

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SP4 Ensure financial accountability, sustainability and operational effectiveness		
Registrar	Create a sustainable organizational structure to enable existing system functionality, implement new online services, find electronic solutions to student communications, and meet Ministry mandated initiatives / projects	\$94,700
Employee Relations, Investigation, Mediation, Facilitation	Meet the requirements of collective agreements, legal, and labour responsibilities	\$130,000
Finance and Business Operations	Implement a framework for financial accountability and develop a culture of leadership and stewardship of resources	\$124,500
University Advancement	Strengthen and align Development and Alumni Programs to support the University's priorities	\$285,800

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QUESTIONS



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BUILDING A STRATEGIC DEPARTMENTAL BUDGET MODEL

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■ ANALYZING THE COST STRUCTURE OF YOUR DEPARTMENT & PROGRAMS

- Direct Costs
- Indirect Costs
- Fixed Costs
- Variable Costs
- Contribution Margin
- Vertical Analysis
- Horizontal Analysis
- Ratio Analysis

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DIRECT EXPENDITURE DATA

Direct expenditure data reflect costs incurred for personnel, compensation, supplies and services use in the conduct of functional areas.

1. Salaries
2. Benefits
3. Other than Personnel Expenditures

DIRECT EXPENDITURE DATA

Major benefits include

- a) retirement contribution, regardless of vesting
- b) medical insurance
- c) disability income protection
- d) tuition for faculty dependents (both waivers and remissions)
- e) dental insurance
- f) social security (FICA)
- g) unemployment insurance
- h) group life insurance
- i) workers' compensation premiums and
- j) other benefits with cash alternatives (moving expenses, cafeteria plans).

DIRECT EXPENDITURE DATA

- Other than Personnel Expenditures include non-personnel items in support of the conduct of an academic budget unit, generally at the discipline level.
- Items include travel, searches, supplies (printing, software), and non-capital purchases (lab supplies, office equipment).

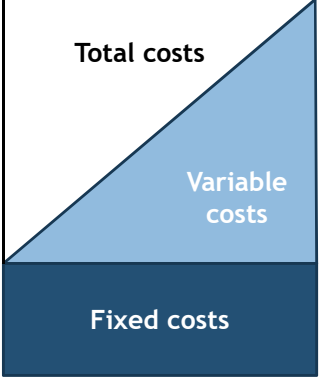


INDIRECT EXPENDITURE DATA

- Administrative (Dean's Office; Central Administration offices)
- Physical Plant (Centrally Administered Facilities and Labs)
- Library (Traditional Media plus Online Services)
- Student Services/Academic Support (Advising, Admissions, Registration)
- Technology (Computing Labs and Campus Network)



**TOTAL COST =
Fixed Cost + Variable Cost**




- **Total cost (TC)** is all the costs incurred in producing something or engaging in an activity. In economics, total cost is made up of variable costs + fixed costs.
- **Variable costs (VC)** are costs that change based on how many goods you buy or how much of a service you use. The cost varies as your usage varies.
- **Fixed costs (FC)** are costs that don't change from month to month and don't vary based on activities or number of goods produced. They stay exactly the same regardless of enrollment.

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**CONTRIBUTION
MARGIN**

- Contribution margin = selling price minus the variable cost
- Net tuition revenue minus instructional cost = contribution margin
- Turning contribution margin into a percentage allows you to more easily compare contribution margins across programs

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RESOURCE

CONTRIBUTION MARGIN BY DEPARTMENT SPREADSHEET #3

This will help you to analyze the relative contribution for departments within a school by examining the average revenue and direct costs for each credit hour taught.



COMMON SIZE FINANCIAL STATEMENT (VERTICAL ANALYSIS)

- The values of line items on the common size statement are expressed as percentages of a statement component, such as total revenue or total expense.
- This type of financial statement allows for easy analysis between companies or between time periods of a company.

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Composition of Expenses

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Salaries and wages	47%	50%	44%	46%	47%	46%	47%	50%	53%
Benefits	8%	9%	8%	8%	9%	9%	9%	9%	10%
Travel & personnel costs	3%	3%	3%	3%	3%	3%	3%	3%	3%
Operational supplies and expenses	7%	10%	8%	8%	7%	9%	9%	10%	10%
Contracted and professional services	7%	9%	7%	8%	7%	7%	7%	6%	7%
Amortization	9%	10%	8%	9%	9%	9%	8%	8%	9%
Other expenses	12%	13%	16%	12%	11%	12%	12%	13%	11%
Consolidated expenses	95%	104%	93%	96%	94%	94%	97%	100%	103%

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HORIZONTAL ANALYSIS

- A horizontal analysis, or trend analysis, is a procedure in which an analyst compares ratios or line items in a department's financial statements over a period of time.
- Horizontal analysis looks at the trend of financial statements over multiple periods, using a specified base period.
- The percentage change is calculated by first dividing the dollar change between the comparison year and the base year by the item value in the base year, then multiplying the quotient by 100%.

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HORIZONTAL ANALYSIS EXPENSES

	2009	2010	2011	2012	2013	2014	2015	2016
Salaries and wages	1.00	1.04	1.03	1.02	1.02	1.07	1.09	1.13
Benefits	1.00	1.06	1.07	1.10	1.10	1.17	1.17	1.27
Travel & personnel costs	1.00	0.89	1.08	1.07	1.01	1.03	1.00	1.01
Operational supplies and expenses	1.00	1.01	0.99	0.85	1.01	1.12	1.16	1.10
Contracted and professional services	1.00	1.04	1.05	0.94	0.92	0.97	0.81	0.91
Amortization	1.00	0.99	1.01	1.00	0.95	0.90	0.91	0.92
Other expenses	1.00	1.39	1.00	0.93	0.96	1.04	1.02	0.92
Consolidated expenses	1.00	1.08	1.03	0.99	1.00	1.05	1.05	1.07

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DEPARTMENT	FY 2014 SALARY BUDGET (FACULTY, STAFF, STUDENTS, ADJUNCTS, FRINGE BENEFITS)	TOTAL ENROLLED POINTS (Undergrad/Masters /PhD, FALL 2013)	RATIO \$ labor cost per point enrollment
ADMINISTRATION, LEADERSHIP & TECHNOLOGY	\$3,203,724	2,338	\$685
APPLIED PSYCHOLOGY	\$7,059,639	6,212	\$568
ART AND ART PROFESSIONS	\$5,825,466	7,028	\$414
COMMUNICATIVE SCIENCES AND DISORDERS	\$2,444,705	2,271	\$538
HUMANITIES & SOCIAL SCIENCES	\$3,500,763	3,974	\$440
MEDIA, CULTURE AND COMMUNICATION	\$6,639,762	11,544	\$288
MUSIC & PERFORMING ARTS PROFESSIONS	\$18,013,806	20,289	\$444
NUTRITION, FOOD STUDIES AND PUBLIC HEALTH	\$4,105,576	7,129	\$288
OCCUPATIONAL THERAPY	\$2,067,485	1,922	\$538
PHYSICAL THERAPY	\$1,790,112	2,092	\$428
TEACHING & LEARNING	\$9,238,416	7,126	\$648
	\$63,889,454	71,925	\$444

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QUESTIONS



POLL

Does your department or institution currently use any of these techniques for understanding the cost structure of programs?

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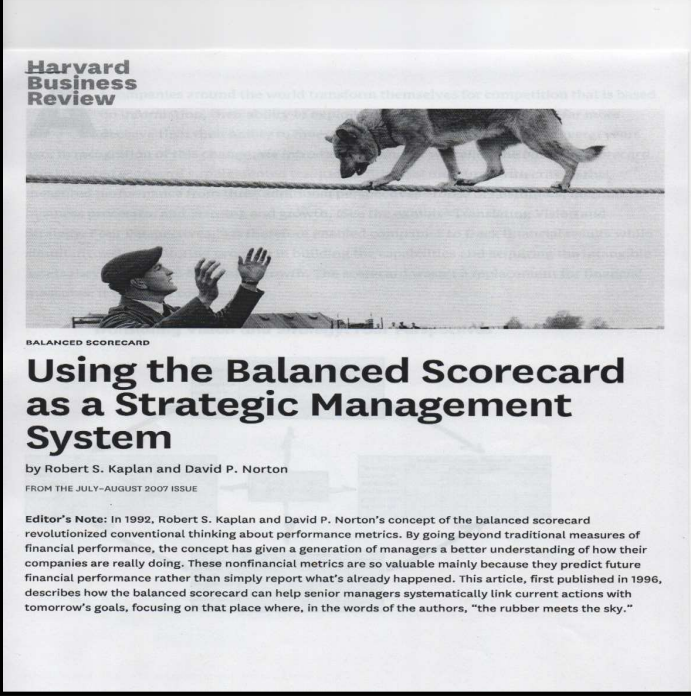
KEY TAKEAWAYS AND RESOURCES TO ENHANCE YOUR STRATEGIC APPROACH



■ ADDITIONAL TECHNIQUES FOR DEMONSTRATING THE STRATEGIC VALUE OF YOUR DEPARTMENT OR PROGRAM

- Balanced Scorecard
- Differentiating your Masters Degree programs
- New program business model
- Five-Year Financial Planning Model with Breakeven Analysis





Harvard Business Review

BALANCED SCORECARD

Using the Balanced Scorecard as a Strategic Management System

by Robert S. Kaplan and David P. Norton

FROM THE JULY-AUGUST 2007 ISSUE

Editor's Note: In 1992, Robert S. Kaplan and David P. Norton's concept of the balanced scorecard revolutionized conventional thinking about performance metrics. By going beyond traditional measures of financial performance, the concept has given a generation of managers a better understanding of how their companies are really doing. These nonfinancial metrics are so valuable mainly because they predict future financial performance rather than simply report what's already happened. This article, first published in 1996, describes how the balanced scorecard can help senior managers systematically link current actions with tomorrow's goals, focusing on that place where, in the words of the authors, "the rubber meets the sky."

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BALANCED SCORECARD BASICS

- A planning and management system to align business activities to the vision of the organization and monitor performance against strategic goals.
- Originated by Robert Kaplan (Harvard Business School) and David Norton

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BALANCED SCORECARD BASICS

- Serves as a performance measurement framework that adds non-financial performance measures to traditional financial metrics to give managers a more balanced view of performance.
- Transforms an organization's strategic plan from a passive document into the action agenda for the organization.

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EXAMPLES OF NON-FINANCIAL METRICS

- # of students who graduate within four years
- # of students who are employed within three months of graduation
- # of students who have gone on to graduate school or law school
- # of faculty who have externally funded research grants

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EXAMPLES OF NON-FINANCIAL METRICS

- # of faculty who have been published and/or cited in academic journals
- # of alumni who have made donations to the department or school
- # of alumni who have started new businesses after graduation
- # of alumni who have received awards for business or civic achievement

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DIFFERENTIATING YOUR MASTERS DEGREE PROGRAMS

TRADITIONAL MASTERS

- Full time, residential
- Path to PhD
- Designed around faculty research
- Housed within single department
- Financial aid available
- Younger less experienced students

PROFESSIONAL MASTERS

- Part time, low residence
- Path to employment
- Designed around employer hiring interests
- Cross-disciplinary
- Self pay
- Older students with work experience

3 KEY QUESTIONS

BEFORE LAUNCHING ANY NEW PROGRAM:

1. Are you educating people for careers that don't exist?
2. Has someone else beaten you to it?
3. Are you ready to go to bat for your grads?

<http://academica.ca/forum/three-key-questions-to-ask-before-launching-a-new-program>



RESOURCE

NEW PROGRAM BUSINESS MODEL SPREADSHEET #4

The New Program Business Model spreadsheet will help you to analyze the cash flows and breakeven number of students required for the introduction of a new program



RESOURCE

FIVE YEAR PLAN AND BREAKEVEN ANALYSIS SPREADSHEET # 5

This will help you to prepare a five-year financial plan and a numerical and graphical breakeven analysis for your department or program, by examining the relationship between fixed and variable costs and average revenue per student.



QUESTIONS





POLL

Does your department use any of these non-financial measures for demonstrating the value of your programs?



TAKEAWAYS

- Engage faculty in the preparation of the budget
- The budget model of the institution will drive the allocation of resources, and this may skew the revenue and expense profile of your programs
- The strategic value of your department or program can be demonstrated using both financial and non-financial measures



RESOURCE

- **Education Advisory Board** (Research Briefing). 2014. *Future Students, Future Revenues: Thriving in a Decade of Demographic Decline*. (eab.com)
- **Education Advisory Board** (Research Briefing). 2013. *Exploring Alternative Budget Models: Budget Model Review, Transitions, and Outcomes*. (eab.com)
- **Hanover Research**. 2012. *Alternative Budget Models for Colleges and Universities*.
<http://www.hanoverresearch.com/2012/04/02/6alternativebudgetmodelsforcollegesanduniversities/>
- **Kaplan, Robert and Norton, David**. July-August 2007. "Using the Balanced Scorecard as a Strategic Management System." *Harvard Business Review*
- **Strauss, J. C., & Curry, J. R. (2002)**. *Responsibility center management: Lessons from 25 years of decentralized management*. Washington, D.C.: NACUBO.
- **The Chronicle of Higher Education**. March 19, 2017. *How to Help Your Department Avoid the Ax*.
<http://www.chronicle.com/article/HowtoHelpYourDepartment/>



RESOURCE

Academic Impressions Higher Ed Impact (HEI) Article:

[How One Institution's New Approach to Budgeting is Creating a Culture of High Trust](#)





EVALUATION

Thank you!

Please remember to complete the event evaluation.
Your comments will help us continually improve the
quality of our programs.

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