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# BUDGETING BASICS

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# TODAY'S PRESENTATION

- Broad issues and challenges
- Types of budgeting processes
- Strategies for budget management
- Other income generators
- Your faculty and the college budget
- Q&A



# BROAD ISSUES & CHALLENGES (1/2)

- Remember, it's mostly about managing personnel expenditures
- Know the difference between gold coins vs. other currency in the academy



# BROAD ISSUES & CHALLENGES (2/2)

- Plan your personnel expenses across time
- Plan for change to the institution's budget process every 4 to 5 years - it's inevitable



# TYPES OF BUDGETING

- Incremental
- Program
- Zero-based
- Performance-based
- Decentralized
- Incentive-based
- Responsibility-based



# GENERAL STRATEGIES (1/2)

- To acquire additional resources:
  - Adopt an effective strategy within existing parameters, or
  - Work proactively to alter existing parameters



# GENERAL STRATEGIES (2/2)

- Familiarize yourself with state laws and restrictions on spending for various account classifications
- Know whether your revenue streams are fixed/variable
- Include dedicated time in your weekly/monthly schedule for budget review



# SPECIFIC STRATEGIES: INCREMENTAL BUDGET MODELS (1/2)

- Primary determinant of success → Resource allocator
- Link budget request to university's mission and/or strategic plan whenever possible
- Link budget request to a new revenue stream or the expansion of an existing revenue stream





# SPECIFIC STRATEGIES: INCREMENTAL BUDGET MODELS (2/2)

- Think from a university-level perspective and seek collaboration or synergy if desired
- Craft requests in the preferred language and style of the resource allocator
- Know the resource allocator's vision and his/her critical metrics/ratios of interest



# SAMPLE METRICS

- Fall headcount majors
- Annual degrees awarded
- Annual credit hours
- Fall full-time headcount faculty (TT and non-TT)
- Fall graduate assistant headcount
- Fall FT faculty diversity
- Freshmen retention/graduation rates
- Institutional development
- Sponsored programs, proposals, awards and expenditures by source



# SAMPLE RATIOS OF INTEREST

- Number of majors/Total faculty
- Degrees awarded/Total faculty
- Student credit hours/Total faculty
- Number of sponsored program proposals/TT faculty
- Money from sponsored program proposals/TT faculty
- Number of sponsored programs awarded/TT faculty
- Money from sponsored programs awarded/TT faculty
- Total expenditures/TT faculty
- Federal expenditures/TT faculty



# SPECIFIC STRATEGIES: RCM OR HYBRID BUDGET MODELS (1/3)

- Primary determinant of success → Resource distribution system
- Know the funding formula thoroughly, including any exclusions to the model



# SPECIFIC STRATEGIES: RCM OR HYBRID BUDGET MODELS (2/3)

- Hire and/or train a skilled budget manager who has forecasting abilities
- Provide structure, support and incentives for each key revenue stream for your unit



# SPECIFIC STRATEGIES: RCM OR HYBRID BUDGET MODELS (3/3)

- Establish revenue shares for new potential revenue streams prior to launch
- If senior administration reserves some funding for opportunity investments, see historical budget model strategies



# ACADEMIC PROGRAMS FOR GENERATING ADDITIONAL INCOME (1/2)

- Noncredit academic programs
- Credentialing and certificate programs
- Degree completion and upgrade programs
- Partnerships, alliances and joint ventures



# ACADEMIC PROGRAMS FOR GENERATING ADDITIONAL INCOME (2/2)

- Study abroad programs
- Branch campuses
- Online distance education





# NONACADEMIC AND AUXILIARY OPPORTUNITIES

- Maximizing facilities' utilization
- Other alternative revenue sources, grants and outsourcing
- Technology transfer



# TIPS FOR BUDGET SUCCESS

- Develop strong working relationships with your college budget officer and business manager
- Establish a culture of integrity and openness
- Be mindful of setting precedents
- There are no secrets
- Keep careful records of your commitments



# YOUR FACULTY AND THE COLLEGE BUDGET (1/2)

- Annual Budget 101 for faculty in early fall
- Ensure the college strategic plan responds closely to the university mission and aspirations
- Develop explicit performance metrics for faculty annual review, promotion and tenure, and merit



# YOUR FACULTY AND THE COLLEGE BUDGET (2/2)

- Incentives for faculty retirement
  - Voluntary modification of employment
  - Faculty buyout program
  - Post-tenure reviews
- Require a business pro forma for requests to hire new faculty



# QUESTIONS?

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