

# “Managing Budgets in Tough Fiscal Times. II”

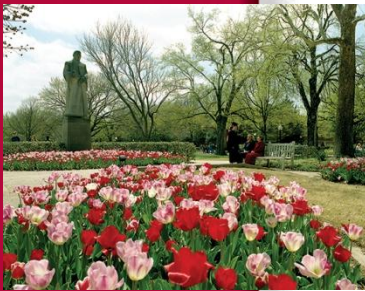
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ACHE Annual Conference and Meeting

Orlando, FL

October 13-15, 2011



University OUTREACH

College of Continuing Education

College of Liberal Studies



# Objectives

## Discussion

- **Last year's session was a pretty broad overview of Budgeting**
  - **Thought we'd focus on key topics and allow time to discuss how these issues are handled in your institutions**
  - **Time limited due to session length—45 min**



## Mission Statement...

*The University of Oklahoma College of Continuing Education and Liberal Studies is a lifelong learning organization dedicated to helping individuals, businesses, groups and communities transform themselves through knowledge.*

- Learning, broadly defined, is our organizing principle
- Helping (giving service) is our historical and current principal function
- Working with every aspect of the “people” enterprise -- from individuals to communities
- Transforming through knowledge sharing, is our basic task



## Context for OU Outreach Budgeting...

- ❖ Created “Outreach,” combining Colleges of Continuing Education and Liberal Studies into a “business oriented division” of engagement for OU
- ❖ Budget of over \$100+ million of which less than 2% is state allocated funds
- ❖ Has over 30 program units with 1,100 staff and professionals
- ❖ Offers credit programs with over 55,000 enrollments
- ❖ Holds over 400 conferences annually (250+ in Oklahoma)
- ❖ One of eleven Kellogg Centers (ten in the U.S. and one at Oxford University)



**A formalized budgeting process necessitates a change in “organizational culture” to become more knowledgeable in financial language and processes. It’s as important as programming... particularly critical in tight times as we cannot be as casual as we typically would be...**





## **Negotiation is key to the budgeting process...**

- **Negotiating is acceptable social behavior**
- **Negotiation is up, down and across**
- **Be prepared for every interaction**
- **Know your “numbers and vision”**
- **Argue for outcomes or targets (don’t focus on details)**
- **Be aware of risks, rewards and opportunity costs**
- **Assume most academics, administrators, “audiences,” are often naïve about real costs (e.g., Secretary’s time paid for by an E&G budget is not “free”)**



## **Negotiation is key to the budgeting process (Cont'd)...**

- **Use analogies and real life examples (e.g., cost of a cup of coffee)**
- **Recognize the value of time (e.g., hourly wage)**
- **“Paper trail” all negotiations, e.g., contract, memo, e-mail, meeting minutes**
- **Build in flexibility if possible**
- **Eliminate losers or consciously limit “Robin Hood” programs**
- **Keep your word, assume others won’t**
- **If possible take the “long view”**

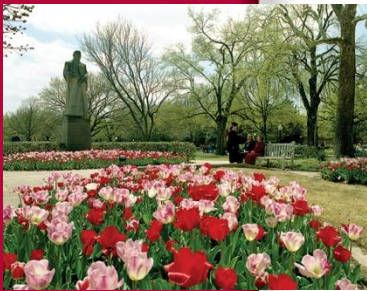


## Types of Budgets...

- ✓ Traditional (Expense)
- ✓ Zero-based
- ✓ Responsibility
- ✓ Fixed
- ✓ Auxiliary Model
- ✓ Program/Activity based
- ✓ MBO
- ✓ **“Montage” Funding**



# Administrative Tools and Questions for Planning and Monitoring Budgets



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# Purpose of Budgets...

- Showing relationship with college or university
- **Strategic planning/Annual operating plan**
- Prioritizing unit activities
- Clarifying relationships of subunits
- **Allocating administrative costs**
- Coordinating staff functions and time
- Setting performance targets/expectations
- Allocating subsidies, losses, developmental costs
- **Reporting progress and results**

ANNUAL OPERATING PLAN & FORECAST - FY03				
DEPARTMENT:				
ACCOUNTS(s):				
As of :				
Annual Operating Plan / Forecast				
	Revenue	Exp	Net	Cum Net
JUL			\$0	\$0
AUG			\$0	\$0
SEP			\$0	\$0
OCT			\$0	\$0
NOV			\$0	\$0
DEC			\$0	\$0
JAN			\$0	\$0
FEB			\$0	\$0
MAR			\$0	\$0
APR			\$0	\$0
MAY			\$0	\$0
JUN			\$0	\$0
<b>ANNUAL TOTAL</b>	\$0	\$0	\$0	\$0
Margin Target:	% of Revenue			
Unit Head				Date
AVP				Date



## Strategic Planning/Annual Operating Plan

- **How many of you do annual fiscal planning for your CE unit?**
  - If so, do your department/unit staff find it helpful or something they feel they have to do but don't see the benefit?
- **Do you also do any sort of regular updating to your annual plan such as a forecast?**
  - If so, how often do you require it be updated?
- **What level of tracking do you plan on formally budgeting and reporting?**
  - By Unit/Department
  - By Activity





# Allocating Administrative Costs aka Admin OH

- ◆ What methodologies have you found to be “acceptable” by the department/unit staff?
  - ◆ Allocation schemes
    - ◆ FTE, % of exp or rev, by total activity volume
- ◆ Do your department/unit staff understand the need/basis for this real cost?
  - ◆ Do your departments feel they are receiving *value* for what their payment of Admin Overhead?



## **Fiscal Reporting**

- **Do your institutional reports meet your needs?**
  - **Do the reports have a statement of operations, which reports revenue & exp and net?**
  - **If it doesn't meet your needs, have you developed some sort of reporting schema that does meet your needs?**
- **Have you decided what level you want to be able to track your revenue and expenses?**
- **Have you thought about what kinds of reports your programmatic staff would find helpful?**
  - **Have you asked them?**



## Issues of concern and Strategies during “difficult times”...

- ✓ **Faculty involvement: time/effort accountability; use of adjuncts**
- ✓ **Recruitment and “incentive” pay accreditation restraints**
- ✓ **Endowment and developmental gift losses**
- ✓ **Discounted and reduced pricing by competitors**





## Issues of concern and Strategies during “difficult times” (Cont’d)...

- ✓ Beware of no risk and conservative programming
- ✓ Staff job and program protection (a natural reaction)
- ✓ New institutional and marketplace competitors
- ✓ Demand for additional central and departmental contributions
  - Limited understanding of costs
  - Internal competitions and “poaching”



## New Strategies...

- ✓ **Proactive negotiating with central/departmental administrators**
  - **Review of cost budgets**
  - **Pre-establish “success” or incentive criteria**
  - **Promote sharing the losses**
  - **Challenge “new” administrative costs**
  - **Understand the risks in questioning (but may be better than de facto actions)**





## **New Strategies (Cont'd)...**

- ✓ **A chance for program and position elimination**
  - **Attrition and retirements**
  - **Pre-establishing targets for retaining programs**
- ✓ **Low risk/low cost flanking and extension programming**
- ✓ **Outsourcing of functions, e.g., software, Marketing**
- ✓ **Lower cost conference sites, amenities**
- ✓ **Use of social media, new electronic marketing**



## **New Strategies (Cont'd)...**

- ✓ **Asking staff to do more, e.g., add one new program each**
- ✓ **Do careful budget planning (sloppy costing, poor margins must be eliminated)**
- ✓ **Be willing to “let go” of precedences, history, audiences**
- ✓ **Hold “top ten” ways to save the budget meetings**
- ✓ **Strategically budget for new lines of business**

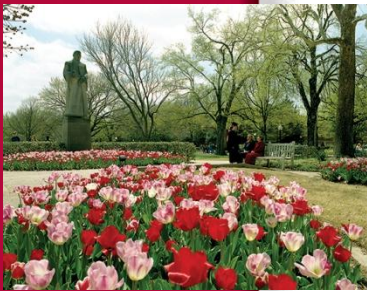


## **New Strategies (Cont'd)...**

- ✓ **Re-negotiate with instructors, presenters, consultants**
- ✓ **Reward staff innovators (cooperations) with incentives, e.g., bonuses, staycations, furniture, conferences**
- ✓ **Have continuous staff communications and discussions**
- ✓ **Institute true cost cutting measures and savings**
- ✓ **Cost based pricing (with indirect cost inclusion)**



# Specific Administrative Tools and Budgeting



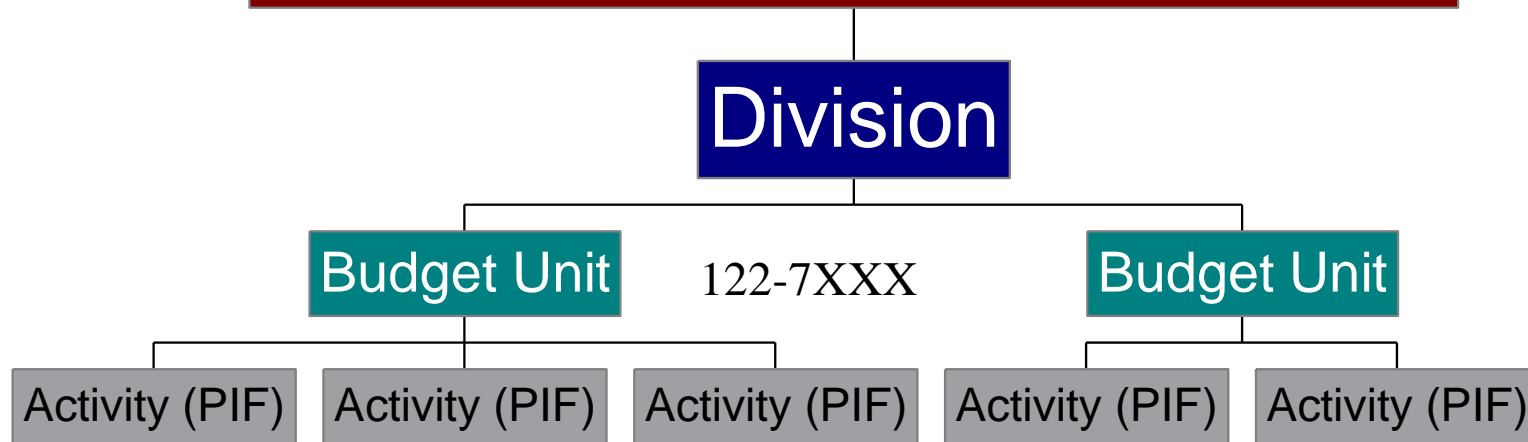
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# College of Continuing Education



562-0001-1001

ENGL 1000 101



**ACTIVITY PLANNING SHEET**

PROGRAM UNIT \_\_\_\_\_ UNIT BUDGET NUMBER \_\_\_\_\_  
 ACTIVITY NUMBER \_\_\_\_\_ ACTIVITY DATES \_\_\_\_\_  
 ACTIVITY TITLE \_\_\_\_\_ SUBMITTED BY \_\_\_\_\_

A. DIRECT COSTS		PLAN		ACTUAL		
<b>PERSONNEL</b>						
Instructional Costs _____						
Other Personnel Costs _____						
TOTAL PERSONNEL COSTS _____						
<b>TRAVEL</b>						
University Vehicle _____						
Other Travel _____						
TOTAL TRAVEL COSTS _____						
<b>COMMUNICATIONS</b>						
Postage _____						
Telephone _____						
Other _____						
TOTAL COMMUNICATIONS _____						
<b>SUPPLIES, MATERIALS, AND EQUIPMENT</b>						
Printing and Binding _____						
Program Materials _____						
Books _____						
Xerox _____						
Other _____						
TOTAL SUPPLIES, MATERIALS, AND EQUIPMENT _____						
<b>PROMOTION</b>						
Brochures _____						
Mailing Costs _____						
Advertising _____						
Mailing Lists _____						
Other _____						
TOTAL PROMOTION _____						
<b>CONTRACTUAL AND OTHER</b>						
Facility Rental _____						
Equipment Rental _____						
Refreshments _____						
Other _____						
TOTAL CONTRACTUAL AND OTHER _____						
<b>SALES AND SERVICES</b>						
Participant Travel _____						
Food _____						
Lodging _____						
Other _____						
TOTAL SALES AND SERVICES _____						
TOTAL DIRECT COSTS _____						
INDIRECT COSTS/OVERHEAD _____						
TOTAL ACTIVITY COSTS _____						
<b>B. INCOME</b>		<b>PLAN</b>		<b>ACTUAL</b>		
	122-7	127-9	Total	122-7	127-9	Total
# Enrollments _____ x Fee _____						
Food and Housing _____						
Other _____						
TOTAL ACTIVITY INCOME _____						
NET OF ACTIVITY INCOME LESS ACTIVITY COSTS _____						
APPROVED BY _____			DATE _____			



# AOP Process Timeline

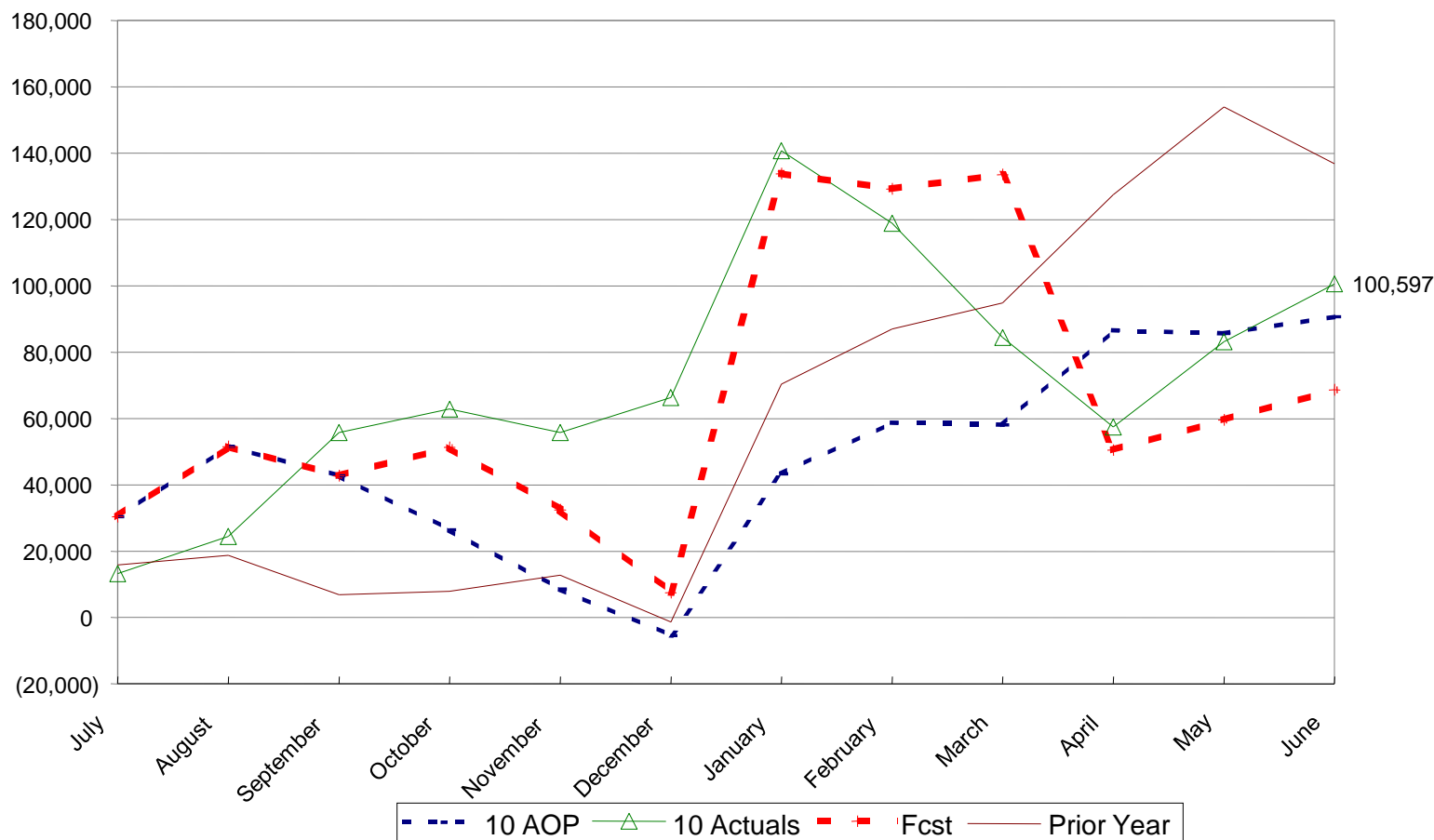
AOP Process Timeline												
Task	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>Calculate Admin Costs for Next FY</b>		■										
<b>Set Rate for Unit Overhead</b>			■									
<b>Indirect Cost Revenue Estimate (twice)</b>		■		■								
<b>University Budget Process</b>				■								
<b>Annual Operating Plan</b>							■					
<b>Forecast Updates</b>	■				■					■		





# Monthly Graph of Net Results Provided to Units, AVP, & VP Year-end

Credit & Non Credit Unit 1





# Monthly Statement of Operations Provided to Units

Provided to Units  
each month.

Month and Year to  
date figures.

Categories are  
CCE-specific.

Statement of Operations  
Unit 515  
Credit & Non Credit Unit  
FY 2010  
Mo 9 Yr 2009

	<u>Monthly Amount</u>	<u>Fiscal YTD Amount</u>
CREDIT CLASSES REV	75,000	325,698
CREDIT FREE CLASSES REV	5,000	8,354
S & S REV - ADMIN	12,000	27,000
WRITE OFFS	-395	-2,360
Total Revenue	91,605	358,692
ADVERTISING	1,483	1,483
DIVISION OVERHEAD	9,161	25,933
DUPLICATING	513	1,945
INDIRECT COSTS	245	690
OTHER COMMUNICATION	10	20
OTHER TRAVEL	22	502
PERSONNEL	783	783
POSTAGE	1,730	8,148
PRINTING	1,106	3,602
SALARIES-ADMIN	19,276	50,564
SPECIAL PAY ADMIN	7,446	33,031
SUPPLIES	615	1,843
TELEPHONE	1,419	4,180
WAGES-ADMIN	17,328	73,348
Total Admin Expenses	64,700	237,629
BOOKS	22,545	101,666
DUPLICATING	1,150	3,454
MAILING COSTS	1,080	2,847
PROGRAM MATERIALS	2,150	2,159
Total Activity Expenses	26,924	110,126
ENCUMBRANCES-ADMIN	-20,319	121,122
Total Revenue	91,605	358,692
Total Expenses	91,625	347,754
Total Encumbrances	-20,319	121,122
Income Before Encumbrances	-20	10,938
Income After Encumbrances	20,299	-110,184



# Monthly Summary of Activities Provided to Units

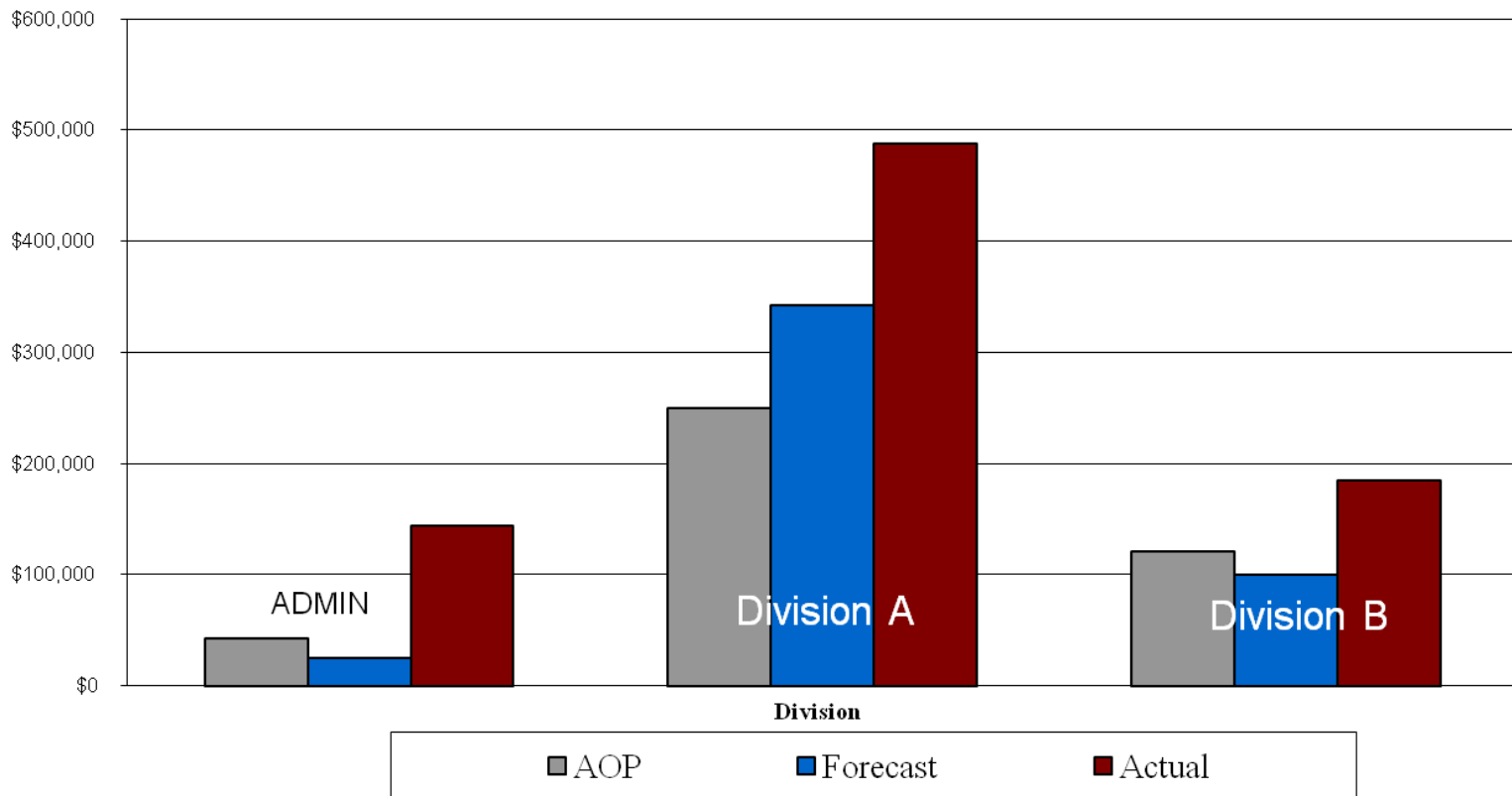
Unit 516  
E-TEAM  
FY 2010

<u>FY</u>	<u>PIF</u>	<u>Section</u>	<u>PIFName</u>	<u>Revenue</u>	<u>Admin. Expenses</u>	<u>Activity Expenses</u>	<u>Encumbrances</u>	<u>Income</u>
2010	516-0000	1000	Admin	6,000	66,460	0	0	-60,460
2010	516-0002	1001	Prof Services Training	5,000	1,399	0	0	3,601
2010	516-0003	1001	SATTRN Key Ind/Rank Doc	11,517	1,967	6,320	0	3,230
2010	516-0005	1001	Voc Rehab Instrument	3,200	916	372	0	1,912
2010	516-0016	1001	Project Development	0	2,851	199	0	-3,050
2010	516-0018	1001	Call Center	33,356	4,266	4,091	0	24,999
2010	516-0019	1001	Dual Language Training Eval	5,250	31	77	0	5,143
2010	516-0026	1001	sattrn faithlink survey	7,000	214	2,503	0	4,283
2010	516-0028	1001	QCI Prof Matter Eval	13,125	2,566	144	0	10,415
2010	516-0029	1001	DHS Data Services Survey Review	0	71	12	0	-83
2010	516-0030	1001	DHS Prof Dev Survey	2,870	1,334	260	0	1,276
2010	516-0031	1001	DHS Child Welfare On-line Test	2,535	232	260	0	2,043
2010	516-0032	1001	DHS Child Welfare Test2	5,500	77	220	0	5,203
2010	516-0042	1001	CECPD-Literacy Project	20,000	263	12,534	0	7,203
2010	516-0044	1001	DHS-Supervisor Academics	0	40	0	0	-40
			Total for FY	115,353	82,685	26,993	0	5,675



# Monthly Graph of Net Results Provided to Dean, Director, VP Net Income

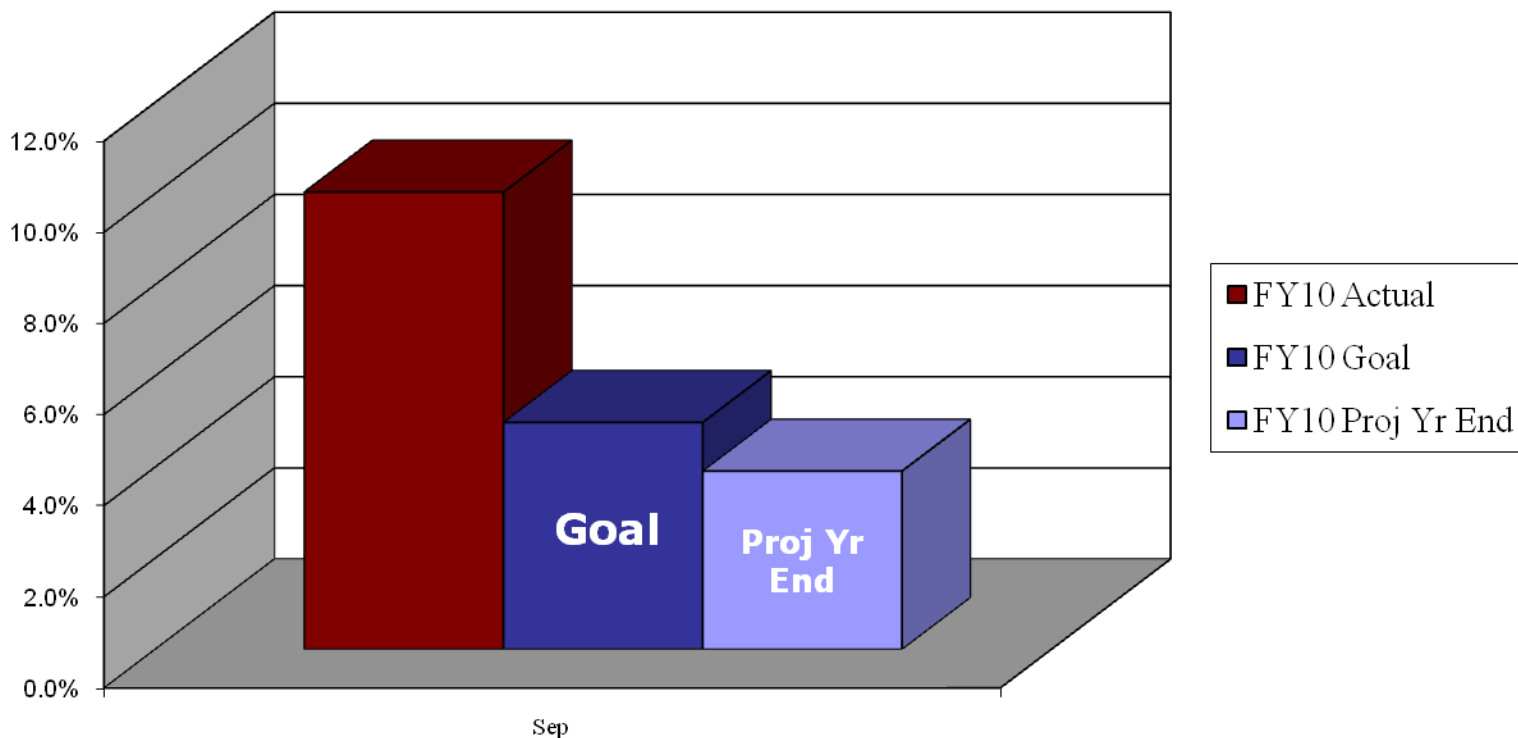
Net Income Before Encumbrances Results As Of 9/2009  
AOP/Forecast/Actual/June 10 Projected Net Income





# Monthly Graph of Net Results Provided to AVP & VP Margin Percentage

Division A Margin %





## Bulleted Analysis Summary Provided to AVP & VP

### Division A Monthly Analysis

September, 2009

### Actual vs. AOP

Division A Net Income **up \$35.1k** from \$453k AOP to **\$488.1K**

Major contributing factors:

- ◆ **Unit Grouping 1** (accounts 255,511,513,553,556) **down \$38.2K** from **-\$251.2K** AOP to **-\$289.4K**
- ◆ **Unit 2** (account 519) **down \$87.1K** from **-\$7.7K** AOP to **-\$94.8K**
  - Timing for both revenue & expenses
- ◆ **Unit Grouping 3** (accounts 551,562,805) **up \$99.5K** from **\$443.3** AOP to **\$542.8K**
  - Credit Revenue is exceeding expectations

*Remainder comprised of various small differences*



## *AOP Future Plans...* *as time & money allow*

### ✦ Integration of financial info from campus & CCE databases

- Data mining

### ✦ Electronic Program Initiation

#### Form (PIF)

- Plan vs. Actual

### ✦ Reporting Enhancements

- Begin & End dates on Dean, Director, VP Activity Summary

