

NORTHERN KENTUCKY UNIVERSITY
STRATEGIC BUDGETING PRINCIPLES
February 5, 2003

Current Practice

In FY 2002/03, Northern Kentucky University continued a planning and budget process responsive to managerial expectations, public demands for greater accountability, and the distinctive character of the university as an institution of higher learning. In sum, last year continued “a systematic commitment to align the allocation of anticipated funding according to selected priorities prior to the beginning of each budget year.” The planning and budget process followed a clear and well understood schedule that provided timely opportunity for external information, for constituency advice, for presentation, and for decision making.

Strategic Budgeting Defined

First and foremost, linking planning and budgeting is a community and constituency building process. It involves the opportunity for the inclusion of voices from the University’s multiple constituencies. Strategic budgeting emphasizes the generation and preservation of assets as strategic investments. Its purpose is to develop and utilize measures of outcomes to guide decision making. Furthermore, strategic budgeting helps to clarify how each unit adds to and consumes shared resources, and it contributes to the collective work necessary for achieving agreed upon missions and goals. Finally, a strategic approach to budgeting provides incentives for: 1) generating resources and, 2) contributing to collaborative efforts (e.g., Outreach programs, enrollment management, interdisciplinary degrees, etc.). This approach emphasizes budgeting as an open process with full disclosure of information, assumptions, objectives, and criteria.

Budget Principles

With the initiation of Reform ‘98 as the means of strategic planning for the foreseeable future, planning and budgeting in FY 2003/04 and beyond will continue to express more fully the principles expressed in this process.

- 1.) The most important and largest asset of the University are its human resources, and how faculty and staff members use their time is a key consideration in the consumption of resources. It is the faculty and their offerings in partnership with support staff and their services that give the institution its reputation.

- 2.) Decisions need to be made at the executive level in the organization to ensure that collective goals are accomplished, for the concept of strategic budgeting is based on a collective sense of how all the disparate activities add up to something that is intentional, meaningful, and valuable from both an internal and external perspective. For NKU, the vision and strategic priorities represent the framework for planning that must guide budget decisions.

3.) Using the overarching priorities and goals established in strategic planning, institutional priorities exert a strong influence on those at the college, unit, or departmental level. In so doing, negotiation with each of the affected units will be necessary to ensure that the expectations established for that unit are reasonable while, at the same time, contributory to the overall institutional priorities. Once the principals (the President, Provost, Vice Presidents, Deans, Chairs and Directors) agree on reasonable outcome expectations at the unit level, the President, Provost, VP's or Deans, working with their respective administrators, will determine appropriate departmental expectations while ensuring that the overall unit and institutional goals are accomplished.

4.) The FY 2003/04 strategic planning and budget process will have a well-defined link to the new Academic Strategic Plan endorsed by the Board of Regents on November 14, 2001. This plan lays out principles for programming at NKU. Each academic discipline/department will set enrollment goals agreed upon by the Dean and the Provost in conjunction with the Vice President for Enrollment and Financial Planning. Upon successfully achieving the agreed upon enrollment goals for the year, the department will receive incentive funds. *Use of these funds will be at the discretion of the academic department for expenditures to maintain the growth.*

5.) The NKU strategic process assumes that: a) the strongest message the administration sends regarding the priorities of the institution is through the allocation of budgetary resources; and b) what is measured and monitored is what people will regard as imperative. The strategic budget process must provide incentives for units to be entrepreneurial and control cost while increasing quality and productivity.

6.) The budget process should be open and rational, with expected outcomes openly discussed and established. NKU seeks to build a campus community guided by the qualities of a learning organization. Participation by constituents such as the Dean's Council, Faculty Senate Budget Committee, Staff Congress, and the Budget Strategy Group should be ensured. The budget process should provide for continuity regardless of changes in administrative leadership. Participation should include planning, the setting of priorities, the review of budget decisions, and the summative evaluation of the effects of past budget decisions. This entire process is predicated on open and available information. Information must be prepared and provided to the Academic Council, Council of Chairs, Faculty Senate Budget Committee, Staff Congress, and the Budget Strategy Group, and must be generally available to any interested constituent of the university. To ensure that this occurs, the primary stewards of institutional information—the Office of Institutional Research and the Office of Enrollment and Financial Planning and Finance Offices—must work together in new ways to prepare and develop regular reports and analyses that will be useful in this regard.

7.) The planning process should exert a direct influence on the budget process by occurring earlier in the year. Constituency advice regarding budget priorities should pass through the same window. Functional area budget development should be complete by mid-year so that budget presentations can support decision making in advance of fall semester scheduling.

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8.) The budget process should identify funds in order to support strategic priorities. Ideally, the administration of such a fund would be supported by a comprehensive unit review process. While focused primarily on the allocation of recurring funds, the budget process should also influence the strategic investment of a portion of the University's fund balance. However, in the interest of enhancing institutional flexibility and preparedness, such investment should reflect the importance of strengthening the University's fund balance.

9.) There must be a systematic information system providing data on revenue and expenditures, instructional activities (enrollment, etc.), research activities, etc., which can be used to support the decision-making process. It is important that this type of data be readily available to and accessible by both university executives and by the Academic Council, Council of Chairs, Faculty Senate Budget Committee, Staff Congress, and the Budget Strategy Group. Furthermore, this data must be presented in such a way as to make it meaningful to the task at hand. It must provide clear, concise and cogent presentation of trends, and must offer other analyses that will support the budget development and decision-making process. It is recommended that this data be included in an annual report prepared at the conclusion of each fiscal year. Financial statements and other information should present actual budgets and expenditures, actual employee FTE utilization, and space and equipment utilization. The accomplishments produced by these resource investments and other economic impacts produced by the University should be referenced as well.

10.) Allocation decisions should provide incentives to promote a broad consensus which fosters institution-wide planning and shared responsibility. Appropriate accountability mechanisms function at the unit (college, division or departmental) level to ensure that overall institutional goals are achieved. Examples of these types of critical priorities are General Studies, Outreach/Continuing Education and Enrollment Management, three programs that rely upon collective contributions from multiple units, and are critical to institutional development. Participation in these types of activities should become integral to unit planning. In addition, this budget model should recognize the interdependency between the various units and curricula.

11.) So that budgets may in fact operate as a detailed control on unit-level expenditures, detailed monthly reporting should continue to support and enhance careful tracking at both unit and functional area levels. As one authority in the field reminds us, "The only way to hold individuals responsible for spending is to allow them to prepare the budget for their area, defend that budget, and, once approved, to be held responsible for the budget. This approach provides a grassroots buildup of every function within the organization" (Lenington, *Managing Higher Education as a Business*, 49).

12.) In response to FY 2003 state revenue projections, a budget contingency of up to five percent of the FY 2002/03 revised general appropriation will be established during the FY 2003/04 Annual Budget Process. This strategy provides for minimal disruption to major institutional initiatives as well as unit level operations. However, if the state budget recession exceeds five percent for FY 2003 this strategy will be revisited.