FY 2007/08 Strategic Budget Process Overview

Introduction

The Annual Budget Process provides for the collection, development and review of a wide range of information leading to the establishment of the FY 2007/08 University Operating Budget. As described in this overview, the Annual Strategic Budget Process includes, but is not limited to: identification of institutional initiatives; projection of revenue available for recurring budgets; verification of current unit base budgets; verification of current unit faculty and staff personnel position bases; and identification of significant revenue and expenditure issues. The Annual Budget Process supports strategic decision making regarding existing and prospective resource allocations within the context of FY 2007/08 Strategic Budgeting Principles.

Investment Strategy

The investment strategy proposed for FY 2007/08 will use the NKU 2007-2012 Strategic Priorities. We anticipate a draft of the 2007-2012 Strategic Priorities will be available early February 2007. Soon after that date, we will communicate the new Strategic Priorities to all those involved in the Strategic Budget Process.

In addition to NKU's strategic agenda, the investment strategy for FY 2007/08 will focus on initiatives that address Kentucky's Public Agenda: Five Questions – One Mission: Better Lives for Kentucky's People. Within this document is NKU's 2005-2010 Campus Action Plan which details what NKU will do to meet the established goals of Kentucky's Public Agenda. This document was approved by the Council on Postsecondary Education in July 2005 and is on the Vice President's web site http://www.nku.edu/~vpefp/financialplan/.

FY2007/08 University Strategic Budget Priorities

1. Fixed cost increases
2. Faculty and staff salaries
3. Programs and services that support university priorities and address regional and State needs

Fixed Cost Projections

Fixed costs are a collection of expenditures over which the institution has limited direct control such as utility rates, major institutional service contracts, and rates for existing fringe benefits. Administrators responsible for managing activities associated with such fixed costs have the primary responsibility of projecting these costs for the annual budget period. After review by the Office of the Vice President of Planning, Policy and Budget and any further clarification by the area vice president, fixed cost expenditure increases/decreases will be factored into the institutional revenue and expenditure projections as a priority funding issue. Due to the priority funding of institutional fixed costs, central controls are placed on the

expenditure of fixed cost dollars and these dollars are to be used to fund only the fixed cost requested.

Central Revenue Forecasting

It is the responsibility of the Office of the Vice President of Planning, Policy and Budget to forecast and project revenues from all central general revenue sources. Included in this category are: student tuition and fees, state appropriations, and certain other sources of general revenue. For certain general revenue sources, the Office of the Vice President of Planning, Policy and Budget will ask the responsible manager most closely associated with the particular revenue source to prepare revenue projections for review.

Revenue Supported/Auxiliary Enterprise Units

Changes in the revenue and expenditure relationship of all direct revenue-supported budget units are considered during the Annual Budget Process. For example, if an auxiliary enterprise unit proposes to adjust the central revenue support for the upcoming budget year, an explicit communication for the change in revenue/expenditure relationship must be forwarded to the Office of the Vice President for Planning, Policy and Budget.

Special Revenue Lines

A number of revenue codes have been established that have a relationship to a specific expenditure line in a specific budget unit. These are referred to as special revenue lines. While the budgets for these linked revenue codes and expenditure lines might not be set for the same amounts, they are designed to increase or decrease in tandem. Any projected increase or decrease to the revenue and expenditure line item is <u>budgeted in the base</u> in the affected units during the Annual Budget Process.

Operating Base Adjustments

A listing of base adjustments approved during the current fiscal year will be sent to the Vice Presidents on March 27, 2007. (No further recurring base adjustments will be made to the budget after March 27, however, nonrecurring budget adjustments may continue for FY 2006/07). This report should be reviewed closely. If a base adjustment approved during the year does not appear on the list, please communicate the necessary change to the Office of the Vice President for Planning, Policy and Budget.

Position Base Review

The Office of the Vice President for Planning, Policy and Budget has budgetary position control responsibility for the staff position base. Primary responsibility for the faculty position base resides in Academic Affairs. During the course of a fiscal year, actions may occur which result in permanent changes to the University faculty and staff position base. All permanent changes to both the faculty and staff position bases require approval by the President.

Faculty Position Base

Academic Affairs maintains an active, approved list of budgeted faculty positions reflecting any permanent changes made during the year. The Office of the Vice President for Planning, Policy and Budget works closely with Academic Affairs to verify the revised faculty position base budget.

Staff Position Base

The Office of the Vice President for Planning, Policy and Budget will provide information regarding base budgeted staff positions to the vice presidents for review and verification. The information will reflect all approved position actions affecting the permanent base (through the issuance date). All budgeted fringe benefit expenditures are viewed as a component of the compensation cost of each budgeted position based upon the complement of benefits applicable under current policies. It should be noted that the salary component of any vacant position is budgeted at the base rate established by the Office of Human Resources unless otherwise requested in writing by the appropriate provost/vice president.

Budget Request

The Annual Budget Process provides for institutional consideration of: proposed reallocation of current base budgets within and/or between units under a major area; proposed reallocation of current base budgets between major areas; proposed new or amended revenue sources; proposed expansion or reduction of existing programs or services; and proposed new initiatives, programs, or services that are not in the current base budget; and proposals for non-recurring expenditures for the budget year. Any such proposal is expected to demonstrate and document its relationship to the university's strategic direction and priorities.

Permanent internal reallocations within and/or between units under a major area are generally at the discretion of the major area vice president. At the same time, it is essential that consultation occur among major areas prior to implementation of reallocation initiatives when such initiatives have potential impact beyond the major area considering the implementation of such an initiative.

Any proposed reallocation between major areas is anticipated to be jointly identified by the major areas affected. Such proposals will be reviewed by the President relative to institution-wide implications. All reallocations between major areas must be approved by the President.

Proposed new or amended revenue sources/fees are accommodated through the Annual Budget Process. The fee review process considers the impact of fee proposals on both those who would pay the fees and the institution. Additionally, the budget process provides for consideration of proposals related to charge-back services or activities delivered internally by institutional units to other institutional units.

In summary, proposed recurring and nonrecurring new initiatives, programs or services, as well as proposed reallocations, are expected to be identified and reviewed during the Annual Budget Process.

Presentation to the Campus Community and Board of Regents

All budget decision making occurs within a broad context of statewide higher education issues and priorities, University strategic directions and priorities, continuing institutional commitments, and constituent concerns. One or more forums are anticipated with the campus community focusing on institutional directions and resource issues impacting the FY 2007/08 budget. Finally, it is anticipated that the President will present the annual budget recommendation to the Board of Regents for approval at the May board meeting.