

Budgeting and Finance 101

Business Day

March 28, 2019

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GOALS FOR TODAY

University Governance

Higher Education Finance

Overview of State Education Law

UB Resources

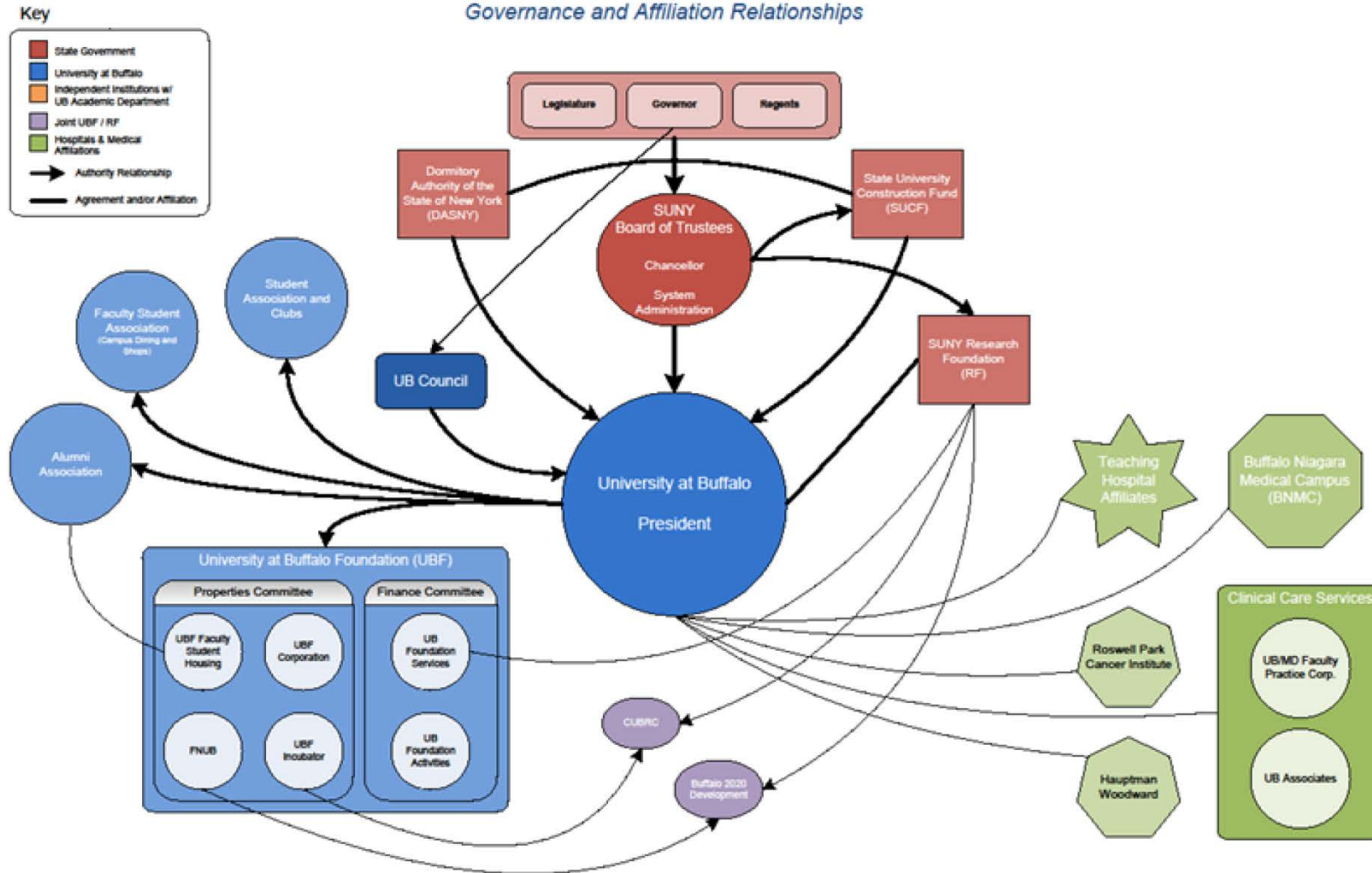
Overview of Annual Resource Planning Process (ARPP) and Budget Model

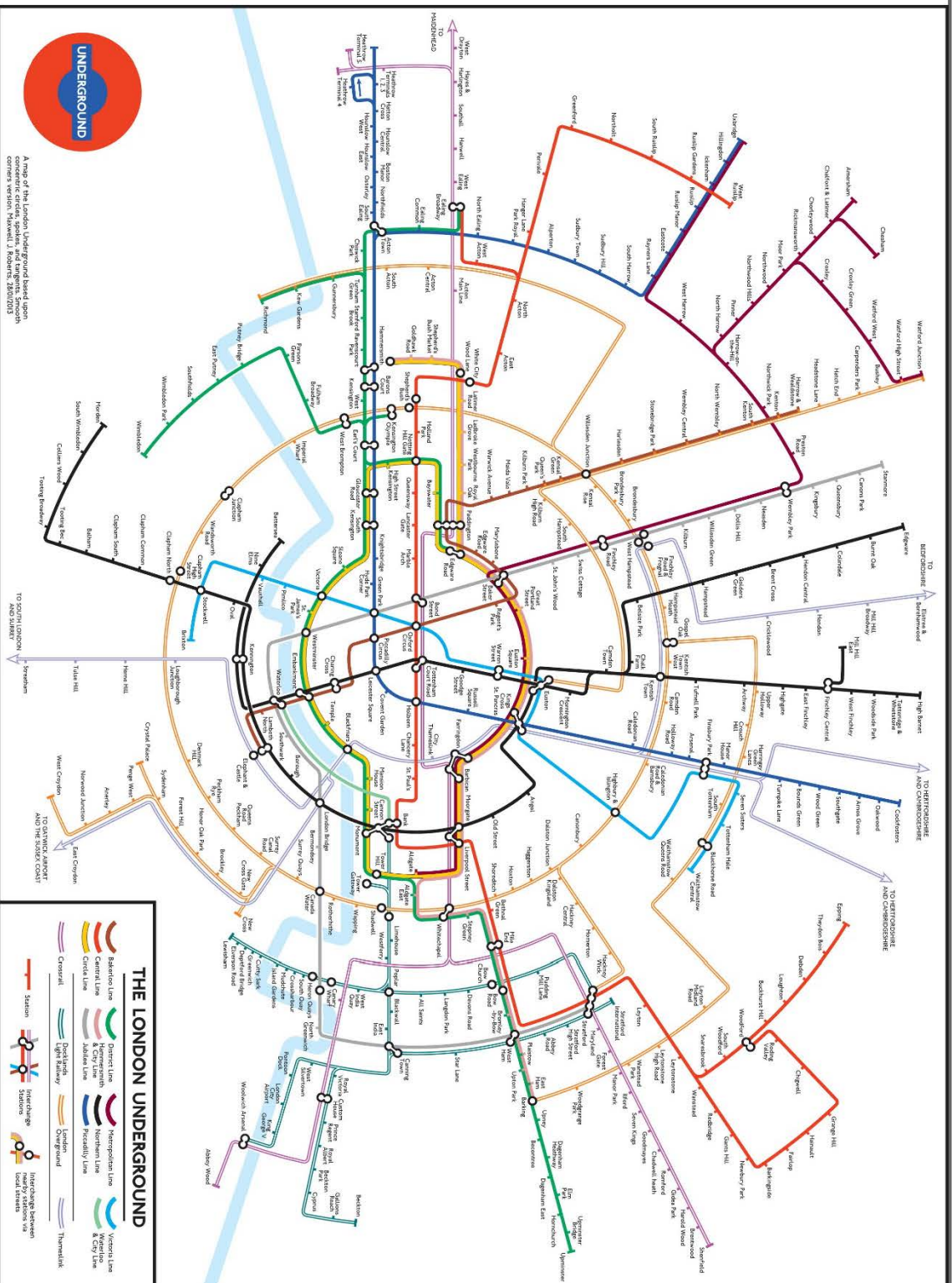
Business System Enhancements

Questions

University Governance

University at Buffalo Governance and Affiliation Relationships





A map of the London Underground based upon concentric circles, spokes, and tangents, through corners versus Harvard, J. Roberts, 2002(13)

University Governance (See appendix for more information)

SUNY Board of Trustees – 17 members; 15 appointed by Governor & 1 student member elected by peers

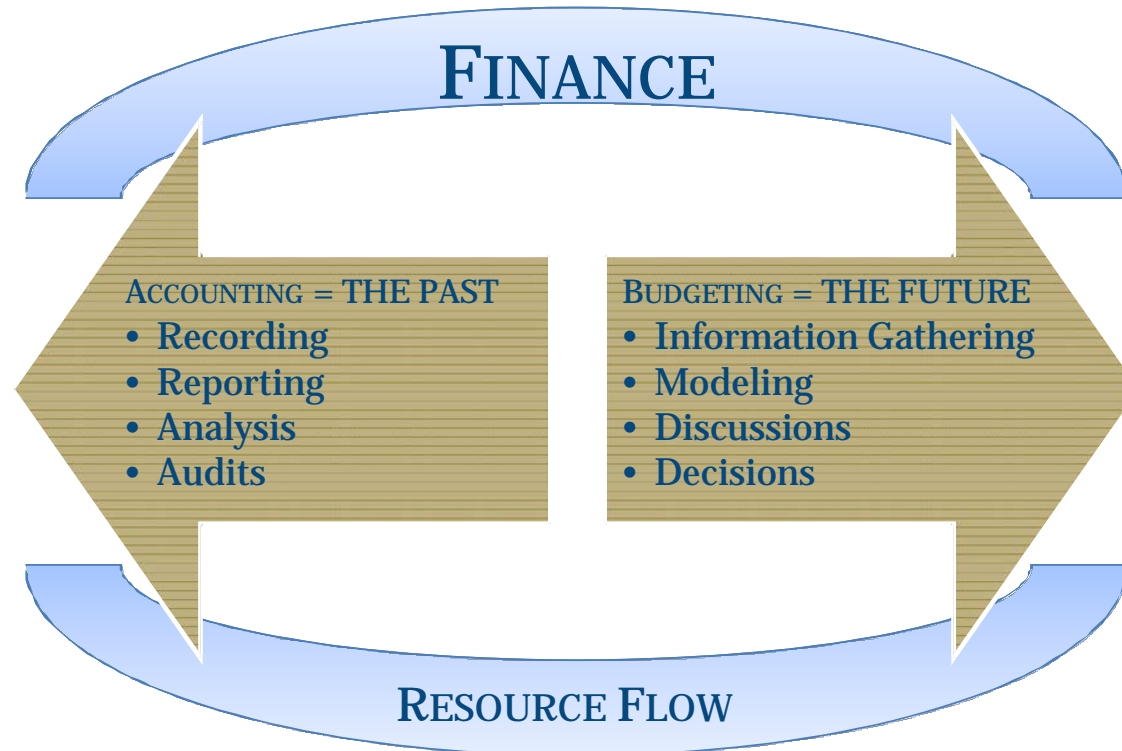
UB Council – 10 members, 9 appointed by governor, 1 student elected by peers

UB Operations – regulated by State Education Law

- Operation Budget Planning and Distribution (state operating allocation)
- Tuition Rate Setting and Fees
- Capital Budget and Issuance and Management of Debt
- Labor Management Relations and Collective Bargaining Negotiations (salary raises)

Higher Education Finance

What is the difference between accounting, budgeting, and finance?



It is also important to be aware of the timing and duration of your funding

Both Sources and Uses

	Sources	Uses	Fund Balance or Reserve
Recurring On-Going or Permanent			
One-Time or Temporary			

Remember: No money is guaranteed!

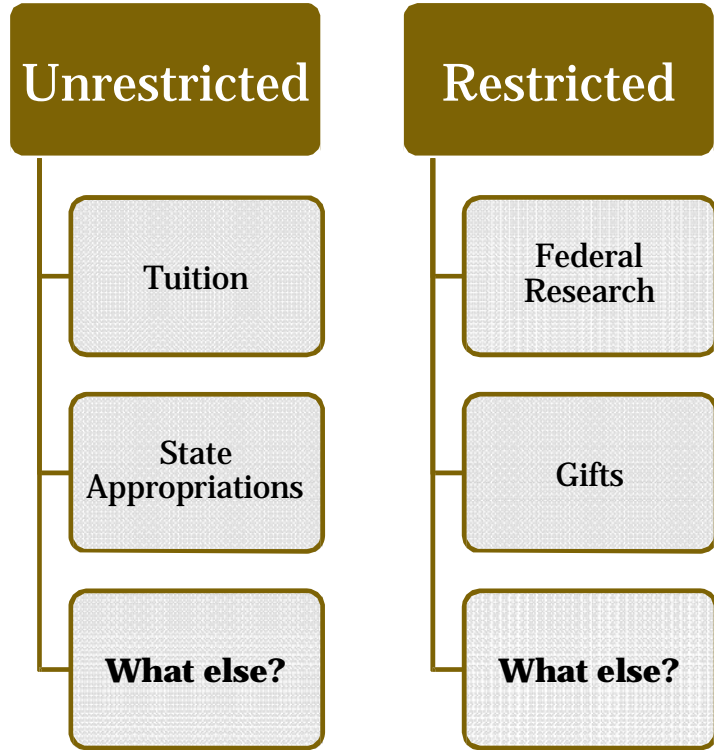
Fund type tells us where our money comes from

TYPICAL EXAMPLES:

Tuition	• Students, _____
Appropriations	• State Agencies, _____
Research support	• Federal Government, _____
Private support	• Donors, _____
Auxiliary income	• Students, _____
Sales and service	• General Public, _____
Interest income	• Endowments, _____

We keep track of the restrictions on our funds to make sure we are accountable to their source

Sources



We use “natural classifications” to group and manage our expenses

Uses

- Salaries and wages
- Employee benefits
- Scholarships and fellowships
- Supplies and services
- Utilities
- Rent
- Depreciation

We also use “functional classifications” to show how our expenses support our mission

Uses

- Instruction
- Research
- Public Service
- Academic Service/Support
- Student Services
- Institutional Support
- Auxiliary Enterprises
- Service Centers
- Scholarships and Fellowships
- Operation and Maintenance of Plant
- Libraries
- Hospitals

This attribute is used to group funds according to the nature of the current fund expenditure as defined by the National Association of College and University Business Officers (NACUBO) publication *College and University Business Administration*.

They also assist with our overhead rate negotiations with the Federal Government.

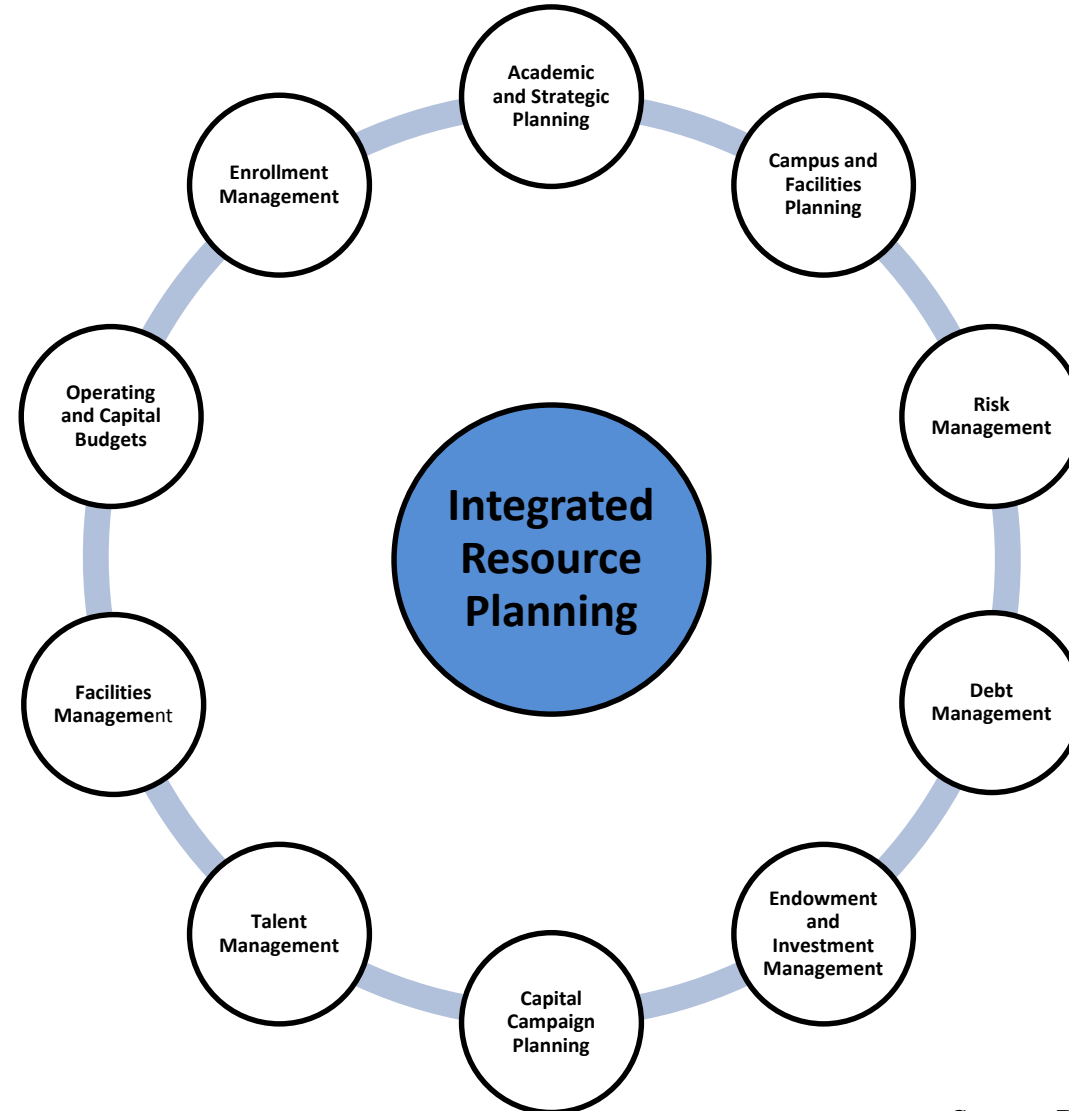
Annual Resource Planning Process (ARPP) and Budget Model

Overview of the UB Annual Resource Planning Process

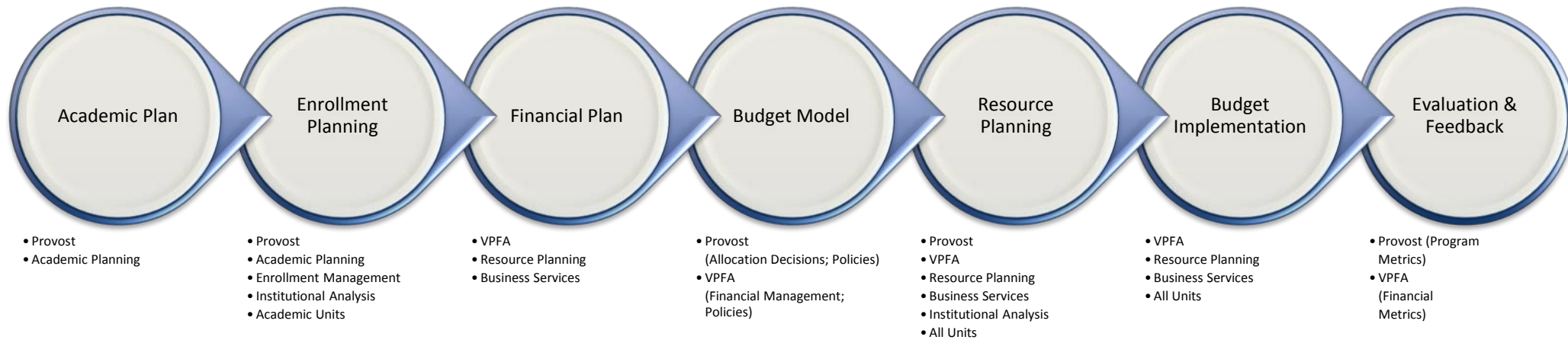
- Integrated Resource Planning
- Roles & Responsibilities
- Calendar
- Base Budget
- Budget Model

Best Practices Model: Integrated Resource Planning

- Comprehensive asset/liability management
- Integrative - single institutional point of view
- Long-term in nature
- Analyzes returns on investments
- Proactive
- Dynamic and scenario-based
- Transparent



ROLES AND RESPONSIBILITIES



UB Annual Resource Planning Process

August

- Prior year carry forward balances loaded in financial system
- Initial 5-Year Financial Plan and planning assumptions completed
- Budget Model solidified for following fiscal year

**September -
December**

- Enrollment, tuition and fee plans solidified
- Hiring plans solidified
- Capital plans solidified

**January -
June**

- 5-Year Financial Plan updated
- Budget meetings
- Resource allocation decisions finalized and communicated to units

July

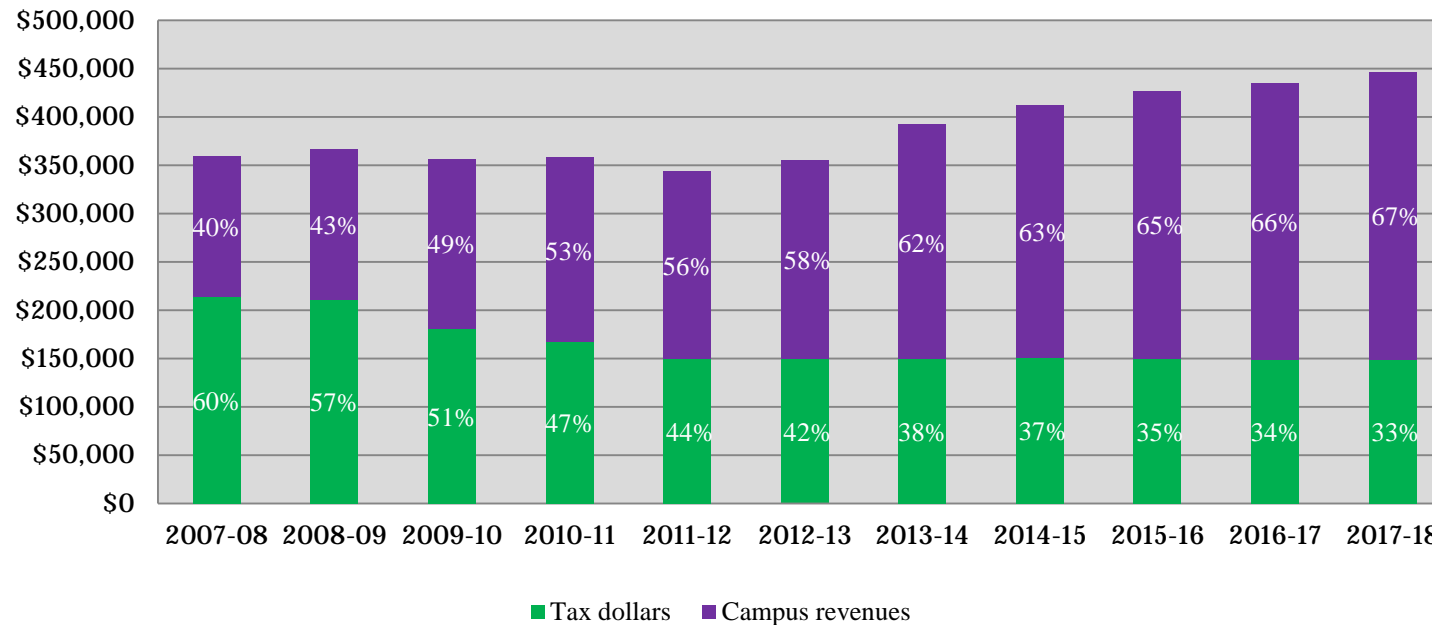
- Prior fiscal year closed
- New fiscal year budgets loaded in financial system
- Units submit spending plans

What is the Base Budget?

Base Budget

- Compilation of historical agreements between former Provosts and Deans, tuition revenue to support base enrollment, shares from tuition increases, investments to support unit and university special initiatives
- Tuition revenue target is the primary metric that determines the base budget for academic units.

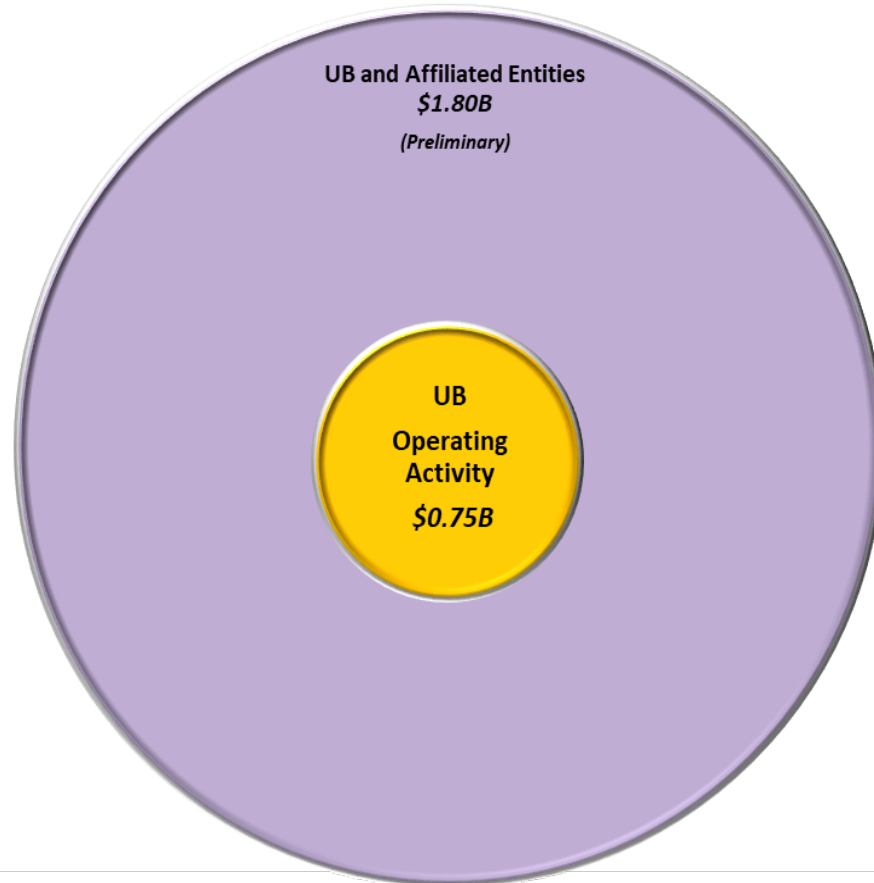
State Appropriation
(\$ in thousands)



UB Resources

Campus Financial Profile

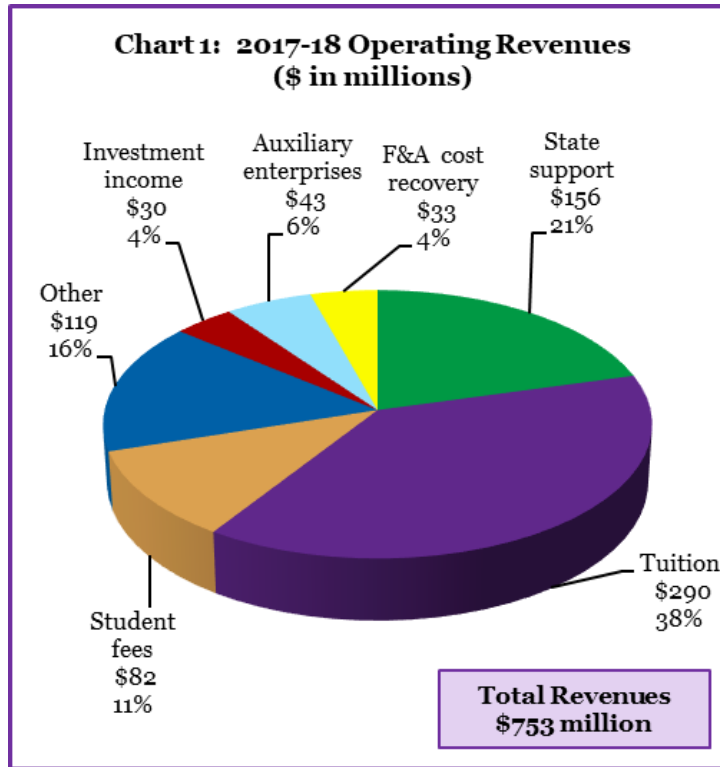
Three Levels of Activity (Revenue 2017/18)



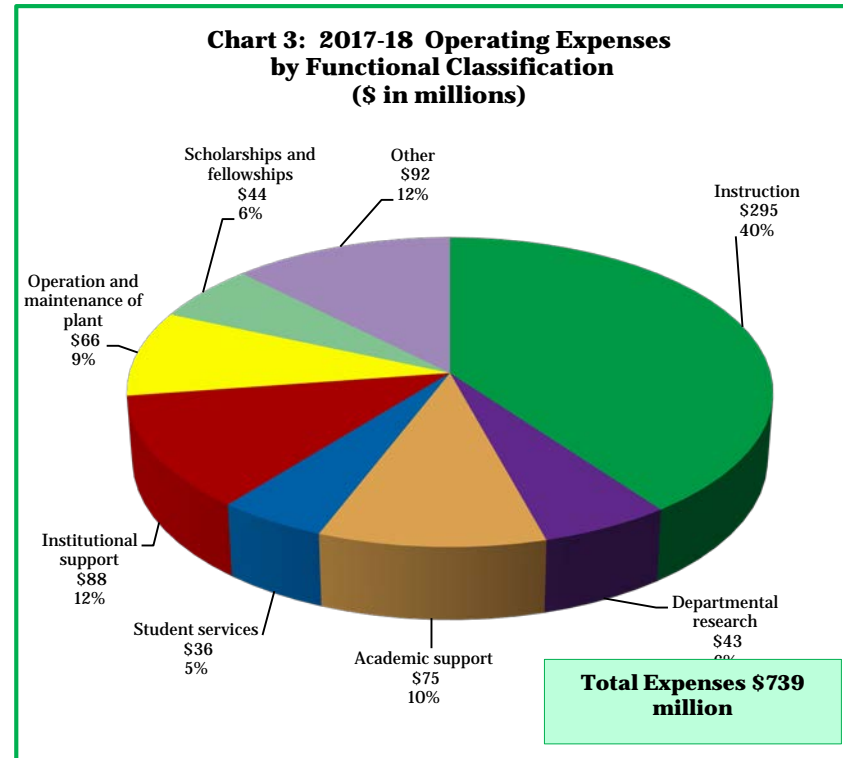
Components	UB Operating Activity	UB and Affiliated Entities
State Operating Budget	X	X
Income Fund Reimbursable Fund	X	X
State University Tuition Reimbursable	X	X
Dorm Income Fund Reimbursable	X	X
UBF Operating Activities	X	X
UBF Housing Corp	X	X
Research Foundation - Indirect Cost Recovery	X	X
Capital Budget Activities		X
Research Foundation - Sponsored Activity		X
UBF Restricted Activities		X
Campus Dining and Shops		X
Clinical Practice Plans		X
Dental and Medical Resident Services		X
Sub Board		X

Core Operating Activities

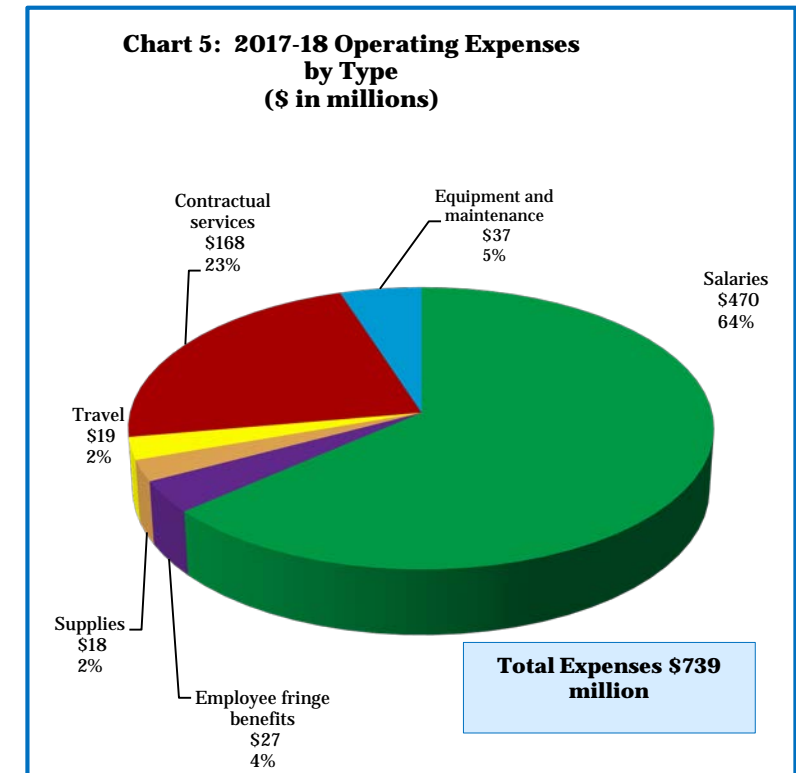
Revenues



Expenses Function



Expenses by Type



UB Operating Activity Source of Funds

	State Operating		State Funds				
Funding Type	State Tax	Tuition Revenue	Income Fund Reimbursable (IFR)	State University Tuition Reimbursable (SUTRA)	Dorm Income Fund Reimbursable (DIFR)	Research Foundation (RF)	UB Foundation (UBF)
Source of Funds	Appropriated by NYS Government allocated to the campus by SUNY	Student tuition payments	Student fee revenue, external funds received for self-supporting programs.	Students participating in Study Abroad, Contract Courses, etc.	Residence Halls rent revenue	Federal, State, Private Grants Indirect Cost Recovery Earnings	Donor support, Student On-Campus Apartment rent revenue, clinic and other self-supporting program revenues
Primary Stakeholder	Students; our main customer at the University, NYS Taxpayers	Students; our main customer at the University	Students; our main customer at the University	Students; our main customer at the University	Students; our main customer at the University	Students; our main customer at the University, grant sponsors	Students, our main customer at the University, donors, community

UB Operating Activity Uses of Funds

Funding Type Uses	State Operating		State Funds				
	State Tax	Tuition Revenue	Income Fund Reimbursable (IFR)	State University Tuition Reimbursable (SUTRA)	Dorm Income Fund Reimbursable (DIFR)	Research Foundation (RF)	UB Foundation (UBF)
Instructional Salary Expenses	X	X		X			
Non-Instructional Salary Expenses / Salary associated with fee revenue	X	X	X	X	X	X	X
Temporary Service Expense	X	X	X	X	X	X	X
Fringe Benefit Expense	N/A	N/A	61.48% on salary expenses	Summer Session Tuition -24% assessed on revenue Other – 61.48% on salary expenses	61.48% on salary expenses	Applicable fringe rate applied to salary expense based on appointment type	Actual fringe cost assessed to account
Non-Salary Expense i.e. Contractual Services, Supplies, Travel, Professional Fee, Equipment	X	X	X	X	X	X	X

UB Chart of Accounts

- + Instruction and Department Research (00)
- + Organized Activities (01)
- + Organized Research (02)
- + Public Service (03)
- + Libraries (04)
- + Student Services (05)
- + Maintenance and Operation of Physical Plant (06)
- + General Administration (07)
- + General Institutional Services (08)
- + Auxiliary Enterprises (09-12)
- + Hospitals and Clinics (13)
- + Scholarships and Fellowships (15)

Account

870903, 901538, 860502

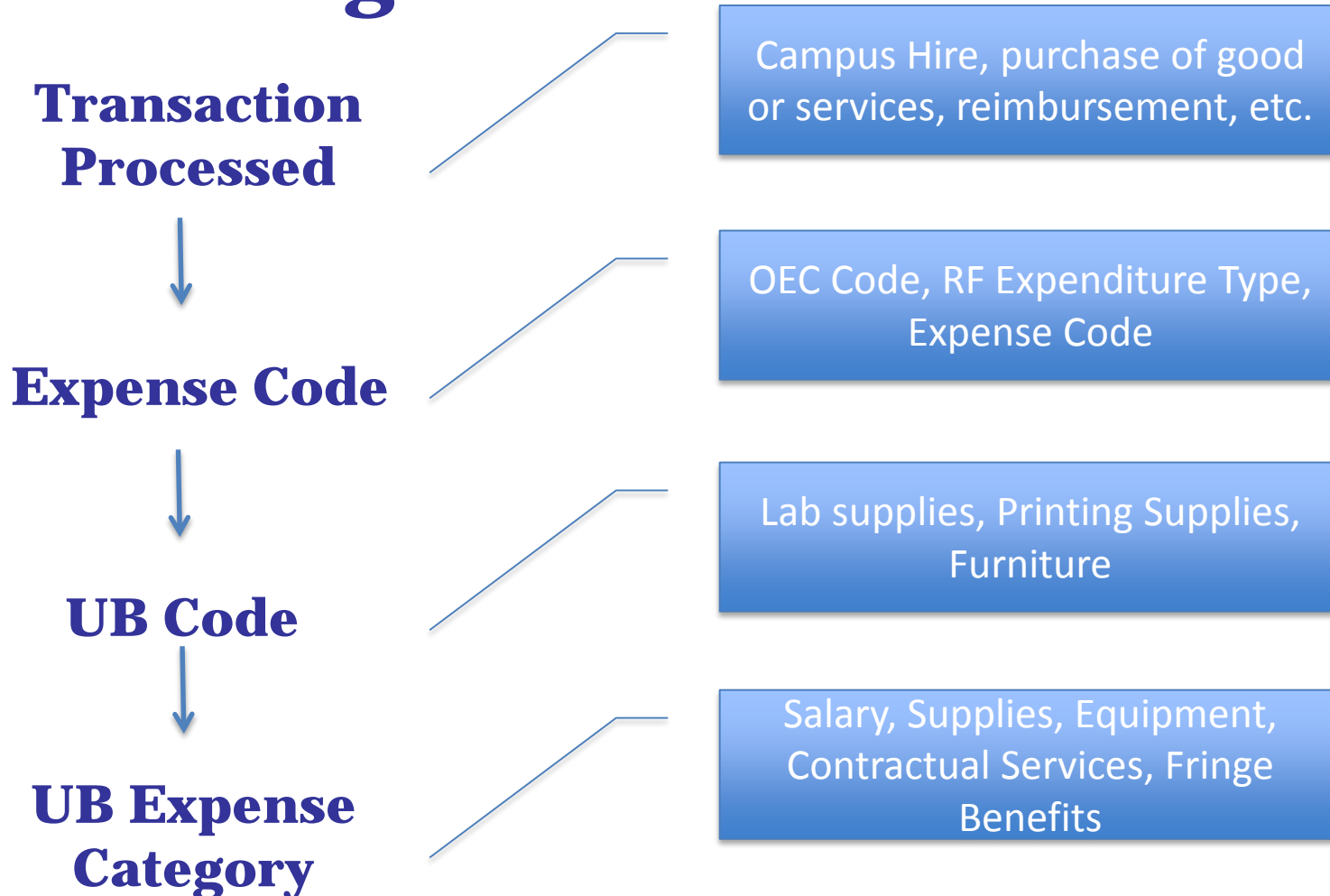
Trial Balance

State Operating, IFR, DIFR

Funding Source

State, RF, UBF

UB Expense Coding



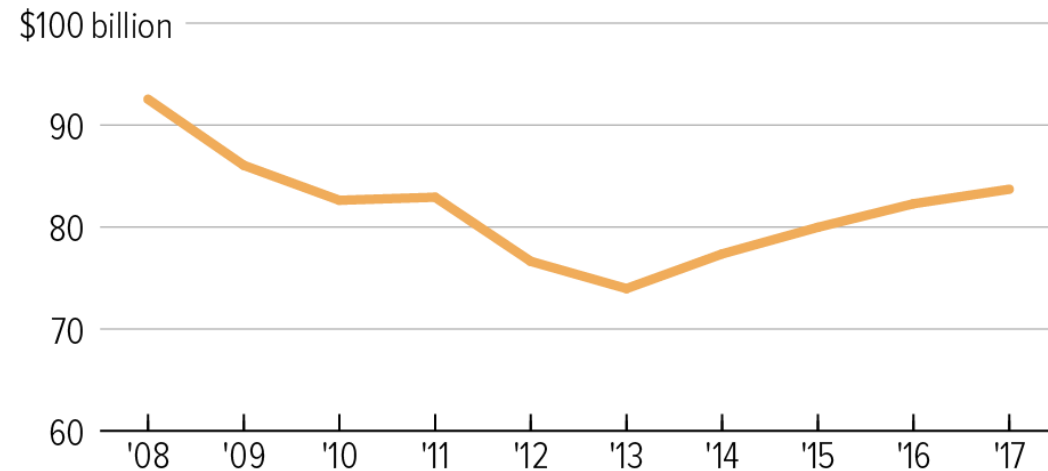
State Spending on Higher Education (2008-17)

State appropriations for public higher education declined by approximately **21%** from 2008 to 2013.

2017 appropriations were more than \$9 billion below 2008.

State Spending on Higher Education Well Below Pre-Recession Levels

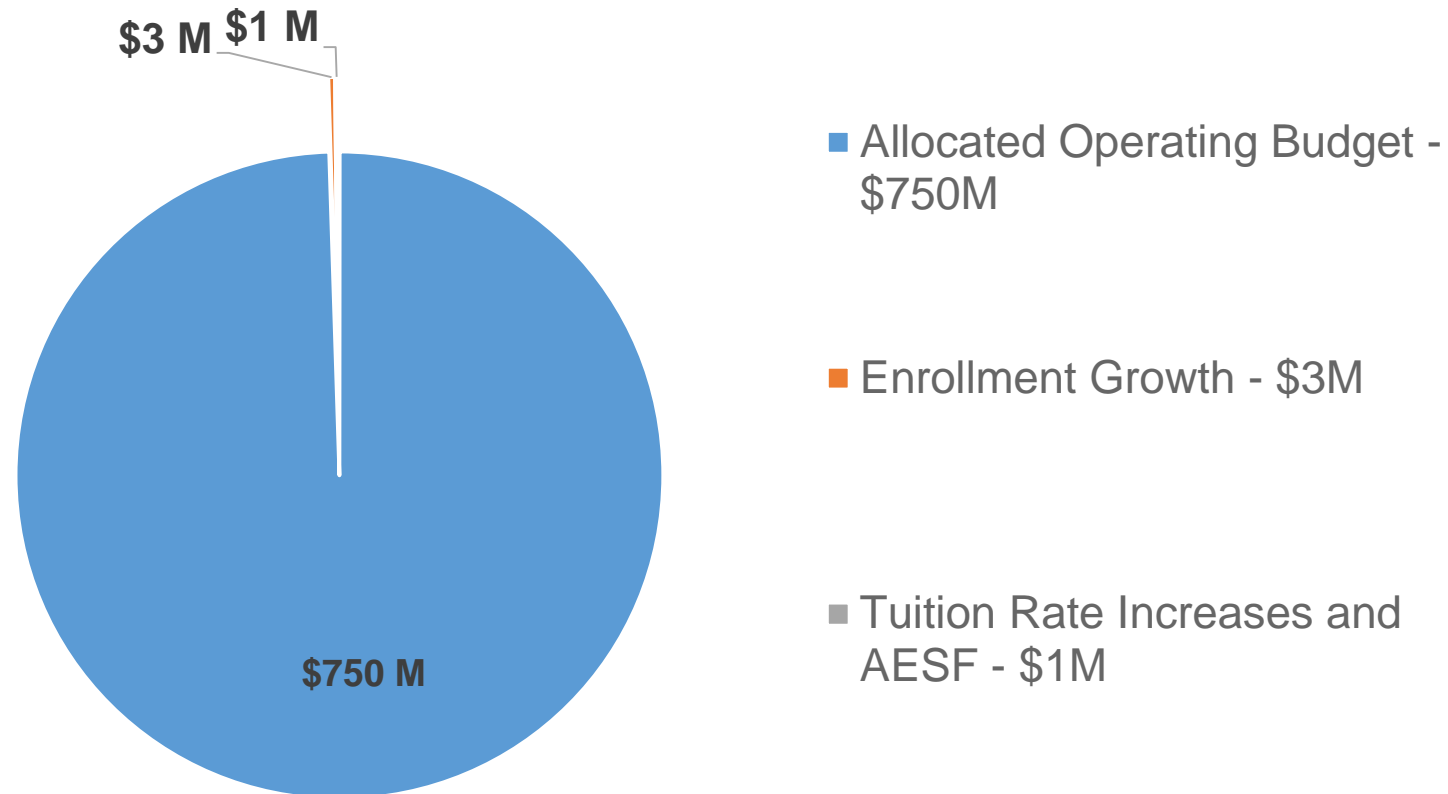
Total state spending, adjusted for inflation



Source: CBPP analysis of data from Grapevine survey and State Higher Education Executive Officers Association, 2017

Financial Capacity: Total University Operating Budget 2017-18 All Funds \$754M

Most of our resources are in existing base budgets – thinking about how we deploy these resources is increasingly important



Budget Model: Guiding Principles

STRATEGIC

- We align incentives with our mission and with strategic behaviors.

PREDICTABILITY

- We build models that provide reliable foundations for planning.

FLEXIBILITY

- We build planning models that anticipate and are responsive to changes in the economic environment; we incorporate appropriate risk management strategies.

INTEGRATION

- We consider the university as a whole and make intentional connections between varying types of organizational needs and priorities.

STEWARDSHIP

- We exercise prudence in managing our resources, diversify revenues to promote resilience, maintain appropriate reserves, and reward efficiency and effectiveness.

What is the 2018/19 Budget Model?

Tuition Rate Increase Revenue Share

- 50% retained by the university to use for investments in special initiatives, academic infrastructure, and academic support needs.
- 50% placed in a pool from which academic units might receive investments based on meeting established performance metrics or other criteria, academic initiatives, or by requesting for these funds.

Criteria for Investments

- Tuition Rate Increases
 - Enhance the education experience, promote student excellence, advance the research enterprise, and strengthen our impact on our broader communities
 - Build a strong, productive, diverse faculty
 - Recruit, educate and graduate talented, diverse, successful students in today's economy
 - Create state-of-the-art infrastructures to achieve our goals

What is the 2018/19 Budget Model?

Enrollment Growth

- **Planned**
 - Units should consult with the Provost before implementing plans for enrollment growth.
 - If requesting central funding, an agreement may be made based on a review and approval of a unit business plan.
 - Results of the agreement will be evaluated for a minimum of two years. If deemed successful, the unit's base budget and tuition revenue target might be increased in the third year.
 - Academic support and information needs are also considered during this pro forma development
- **Unplanned/Unanticipated**
 - If a unit exceeds their tuition revenue target in a given year because of unanticipated or unplanned growth, the university will determine whether or not the unit will receive non-recurring funds the following year.

Criteria for Investments

- **Enrollment Growth (Academic Units Only)**
 - Grow enrollment to expand the university's impact and meet students and market demand.
 - Recruit, educate, and graduate talented, diverse, successful students.
 - Consider overall university financial stability which, while not the only factor, requires attention in today's competitive resource environment.

Enrollment Growth Investment Principles

- An investment agreement, including outcomes and a spending plan based on estimated revenue, will be developed for approval of the Provost, VPFA and Dean.
 - The unit will receive a percent of the tuition revenue generated above the current tuition revenue target.
 - Growth is measured against the current tuition revenue target at actual tuition rates.
 - The unit funds start-up and capital costs.
 - The investment agreement will be reviewed and evaluated annually as part of the Annual Resource Planning Process.
 - Funds will be delivered after the end of the academic year. For example, funds for 2016/17 will be delivered in August 2017 after a review and evaluation of the investment agreement including the tuition revenue above target, outcomes and actual expenses.
- Because the proposed enrollment growth is not yet part of the tuition revenue target, the unit will not be subject to the penalty bands.
- Funds will be delivered as non-recurring for the first two years of the agreement at which time the Provost, VPFA and Dean will evaluate the enrollment and tuition revenue. If the enrollment growth is determined to be permanent, the unit will receive State Annual Operating funding and the unit's tuition revenue target will be adjusted accordingly.

Business System Enhancements

Business System Enhancements

Process Improvement is aimed at identifying the operations or employee skills that could be improved to encourage smoother procedures, more efficient workflow and overall business growth.



Questions ?