

The Planning and Budget Process at MSU

The Office of Planning and Budgets establishes and maintains the approved university budget for the general fund. In addition, it has responsibility for establishing budgets for MSU AgBioResearch, MSU Extension Services, and Intercollegiate Athletics. For fiscal year (FY) 2015-16, the combined budgets total \$1.46 billion.

Throughout the planning and budget process, MSU maintains the values of quality, inclusiveness, and connectivity, and individual budget decisions are directed by available data. Within this context, the institution operates under a series of planning imperatives reflected as Bolder by Design. These imperatives are:

- Enhance the student experience
- Enrich community, economic, and family life
- Expand international reach
- Increase research opportunities
- Strengthen stewardship
- Advance our culture of high performance

Additionally, MSU develops budgetary priorities within the context of its long-range financial framework, which includes consideration of the following areas: academic competitiveness, computing, research, critical space, just-in-time maintenance, power and utilities, health care, and financial aid.

Annually, MSU utilizes incremental budgeting, building on the recurring budget from the prior year. The recurring, or continuing, base budget includes salaries and general operating resources for the various departments, but does not include nonrecurring funds (described below). The university also has a set of general fund operating accounts, which cover such items as fringe benefits, financial aid, and utilities and energy costs, and which are not allocated to the separate units within the general fund.

Recurring salary increments are provided to general fund units, related to the budgets as well as the estimated costs of known contracts or other agreements. Recurring general operating funds are allocated in the same fashion, based on the prior year's budget. Units may also receive nonrecurring funding for a year or other short specified period. These funds do not accrue to the base and are deducted from the budget each year in order to arrive at the "continuing" base. Nonrecurring allocations are generally related to items that require short-term support to catalyze a new initiative, revenue-based initiatives, off campus (including virtual course) credit instruction, and research facilitation.

MSU routinely reallocates internally one percent of recurring budgets. Funds generated through this process are reallocated across the university for strategic initiatives identified through the planning process. Total funds from this program were approximately \$5.6 million in FY 2015-16, with approximately 80 percent of the funds coming from academic units. That percentage of the total funds generated, returns to the academic units

(colleges, academic support units) on a recurring basis, with the remaining 20 percent reallocated to support units such as business operations, advancement, or governmental affairs.

A subset of the budget that pertains to overall university operations was noted above, for expenditures such as fringe benefits, utilities, financial aid, and other general university expenditures that are strongly affected by external variables, particularly variables not subject to change in a single year. A series of profiles is developed by the managers of these accounts in conjunction with the Budget Office each year, and the profiles capture information about current expenditure levels and projected effects of the various markets on ongoing expenditures.

An example of a separately reviewed account is health care. Health care coverage is provided for faculty and staff. Each year the actual cost of providing this benefit is carefully monitored both for actual cost and budget variance. The account profile then provides the best estimate of future costs based on enrollments (size of families), experience of our population (claims activity), and market conditions. Other account profiles are constructed in a similar fashion, using the specific factors that affect costs for other types of expenditures. These profiles and the requisite incremental funding for recurring needs allow MSU to build the expenditure side of the annual budget.

Simultaneously, the revenue components of the budget are monitored and estimated for the future. Primary revenue components for the FY 2015-16 general fund budget include tuition and fees at 70.5 percent and appropriation support from the State of Michigan at 21.2 percent. The 8.3 percent balance is comprised of indirect cost recovery, investment income, and other revenues.

During the year, actual tuition revenue is compared to budget estimates, taking into account enrollments and special program fees. Tuition revenue for the following year is then forecast using these variables as well as potential changes in rates.

State support is also carefully monitored. Each university provides financial and program information requested by the State to assist in the budget development process. The governor proposes funding levels and the legislature ultimately approves the funding. Generally the level of support, or at least the range of possible support, is known during the end of the period of time budgets are being formulated by the university. For FY16, incremental funding provided by the State to its 15 public universities was allocated based on a six metric performance funding formula and restricts eligibility to institutions who restrain undergraduate tuition increases to less than 3.2 percent.

Using the best available information on required expenditures and estimated revenues, detailed draft budgets are updated in early spring for the next two fiscal years and beyond for review by senior administrators. Revenues and expenditures must balance, and any initial imbalance must be addressed by an increase in revenues, a reduction in expenditures, or some combination of the two. Ultimately, the Board of Trustees acts on

the university budget and tuition rates. Throughout the year the Board of Trustees as well as stakeholders across the university are closely involved in the planning and budget process.

The Planning Office serves as a resource to the MSU community for university-wide planning efforts and works to create opportunities for change through planning and assessment. Through its collection and dissemination of information, planning provides a conceptual framework to help understand:

- **MSU's external environment, stakeholders and the realities that imposes**
- **MSU's intentions and priorities**
- **MSU's sense of direction and "dreamscape"**
- **How to think about and select alternatives given current conditions to guide decision-making and keep on course toward long-range goals**

Planning helps to establish university and college/departmental goals. The purpose of this activity is to help units and the university make choices and assign priorities within the context of organizational or institutional values. The planning process should yield a road map for moving the university generally in the right direction without proscribing or constraining how one reaches a particular destination. Finally, planning is a continual assessment of academic, research, and outreach programs -- how they fit into the university missions, and how each of these functions should be supported.

The planning process over the course of the year requires units to align planning, assessment and improvement initiatives. Through the efforts of the Planning Office, units should be better able to articulate their priorities and resource needs, and should understand the potential for enhanced collaboration among units for strategically-focused planning across missions. On a broader scale, the planning process should allow units to see their priorities within the institutional priorities and to manage unit expectations. The Planning Office provides the vehicle for the allocation of resources that are consistent with programmatic and institutional priorities, as well as to aid the university in establishing its unique/distinctive advantages.

It may be helpful to review the list of key dates and actions for the budget and planning process at the university. The following is a summary of a typical year, although it should be noted that the dates are approximate.

KEY DATES AND ACTIONS FOR BUDGET AND PLANNING PROCESS (July 1- June 30)

July

- Salary distribution final run
- Update unit budget allocations including incremental increase and alignment with planning initiatives; final budget allocations approved
- Budget entry available to units; final input due in August
- Academic Human Resources Salary Adjustment Guidelines and University-Level Market Adjustment Funding Pool memorandums released
- Section 245 Budget and Performance Transparency Reporting completed within 30 days of State appropriations approval; updates of “List of All Positions Funded” and HEIDI related charts completed in November/December
- Other State reports required by boilerplate in the Higher Education Appropriations Act – email requests initiated

August

- Faculty raise model available to units; final raises due in September
- Faculty market lists distributed; draft proposals due in September
- Budget line items entered with budget change explanations
- Update budget priorities with deans & directors in anticipation of fall strategic planning meetings
- Special carry forward requests made by units
- Faculty promotion memos distributed to units
- Faculty raise model available to units; final input to be completed by September
- Begin (HEIDI) state reporting process–information-gathering from units
- Budgets are applied to ledgers (KFS) and after budget allocations commence

September

- Planning Profile Summary (PPS) data collection processing initiated by Institutional Studies, including updating OPB crosswalk updates
- In conjunction with Provost, OPB develops fall planning questions
- Approved carry forward funding from previous fiscal year distributed to units
- Fall strategic planning materials, guidelines and metrics for accountability distributed to colleges
- Capital Outlay Request from FPSM included in Budget Request Parameters
- Approved market increases finalized
- Faculty raise process finalized
- Request functional budgets from academic, academic support and administrative units
- Review Provost’s Office prior year budgeted commitments
- Fall planning meetings scheduled by Provost’s Office with college deans and Provost
- Colleges and academic support units asked to update Alterations & Improvements Request and Space Request templates from the prior spring for Facilities Planning & Space Management

- Preliminary Enrollment Report produced- Provost/Board of Trustees
- Budgetary Information and Salary Distribution, All Funds Array, and other budgetary reports available in EBS Business Intelligence System

October

- University Functional Budget available online
- HEIDI reporting to State completed and confirmed
- State budget narrative, including Capital Outlay Request, reviewed by the Board of Trustees
- Budget Development materials sent to the State for subsequent fiscal year
- College strategic planning materials due back to Planning Office

November

- Alternations & Improvement Requests and Space Requests due back to Facilities Planning & Space Management
- Planning discussions with deans, Provost and Director of Planning begin, focusing on:
 1. Specific topics/issues introduced by Dean or Provost
 2. Alignment of college strategic plan with University strategic goals
 3. Update on progress on issues from prior planning discussions
 4. Review of Planning Profile Summary and metrics
- Planning Office prepares Planning Issues summary list and action items

December

- Final completion of Section 245 Budget and Performance Transparency Reporting
- Base Budget Reconciliation and Salary and Wage Allocation applications for subsequent fiscal year released to units
- Provost Market funding budget reallocations submitted by units for approval
- Faculty and Academic Staff Listing provided to Central Library

January

- Faculty Equated Salary Studies completed
- Planning Profiles reviewed
- Budget models updated
- Budget Priorities & Request guidelines (for following fiscal year) distributed to colleges:
 1. Submission of resource requests by units aligned with strategic planning objectives endorsed by Provost
 2. Planning Office prepares summaries of present status of commitments to units from the Office of the Provost
 3. Academic support unit combined planning and budget request materials due back to Planning Office
 4. TLE fund priorities requested closely in conjunction with general fund budget requests

- Spring budget meetings/discussions scheduled by Provost's Office with deans, Provost and Director of Planning

February

- Facilities Planning & Space Management begins process of assembling alteration and improvement requests and space requests as submitted by units; provide feedback to Provost
- State Executive Budget recommendation for subsequent fiscal year released
- Budget models updated
- Request Revenue-Based Initiatives and special program fees from units
- Budget Office sets schedule for next fiscal year's budget and raise process

March

- College budget materials due back to Planning Office (including TLE requests)
- Distribute research facilitation amounts and Off-Campus SCH materials to units
- Budget meetings with deans and directors of academic support units (as needed) held with Provost, Director of Planning and Vice President for Research & Graduate Studies
- Faculty salary comparisons (AAUP)
- Graduate Assistant comparisons (Big 10 and others)

April

- Distribute draft research facilitation amounts and Off-Campus SCH materials to units
- Budget meetings begin; MAU Fiscal Officers meeting
- Planning Office updates Issues list and determines action items after each meeting with deans and directors
- Preliminary budget guidelines
- Budget models updated
- Review tuition policy

May

- Budget meetings finish
- Comprehensive list of facilities needs prepared by Facilities Management
- Preliminary TLE allocations released
- Final determination of allocations for revenue-based initiatives, research facilitation, and off-campus (and virtual) credit instruction
- Graduate Assistant SI rate is determined
- Preliminary budget guidelines prepared
- HR Personnel actions due date
- Budget allocation decisions meetings for future year held with Provost and key staff to make preliminary budget allocations to colleges and support units

June

- Account freeze date (no new or changes to accounts)
- Board approves tuition policy and budget guidelines, including salary guidelines

- Preliminary general fund allocation letters available to units
- Unit-level alteration and improvement funding allocations for next fiscal year communicated
- HR completes entry of personnel actions affecting subsequent fiscal year
- Requests prioritized for facilities and alterations; proposed funding plan presented to Provost