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 the Michigan Agricultural Experiment Station, Michigan State University Extension Services, and intercollegiate athletics.

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 funds 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, based on the prior year budgets. Units may also receive nonrecurring funding for a year or other short specified period, but these funds do not accrue to the base, and are deducted from the budget each year in order to arrive at the “continuing” base. Types of nonrecurring allocations are generally related to revenue-based instructional programs, start-up funds for new initiatives, or short-term transition funds.

MSU reallocates one percent internally of the recurring budgets annually for initiatives identified through the planning process. Total funds from this program are approximately $4.5 million, with approximately 85 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 15 percent reallocated to support units such as business operations, development, 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. 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 this type of account referred to as a separately reviewed item is health care. Health care coverage is provided for faculty and staff, and 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, 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 being monitored and estimated for the future. Until recently, state appropriation support comprised the largest share of the general fund revenue budget, but tuition and fees are now the major revenue component.

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 forecasted using these variables as well as potential changes in rates.

State support is also carefully monitored. While each university formulates a request for funding to the state, the governor will propose funding levels and the legislature must ultimately approve the funding. Generally the level of support is known at the time budgets are being formulated by the university.

Using the best available information, a summary budget is drafted in early spring 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. Ultimately, the Board of Trustees must approve the university budget and tuition rates, and they are closely involved in budget discussions.

The Office of Planning and Budgets serves as a resource to the MSU community for university-wide planning efforts, best practices, and accreditation activities, etc., 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
- MSU’s strategic and budgetary planning
- MSU’s sense of direction
- How to think about and select alternatives given current conditions to guide decision-making

The planning process yields a road map for moving the university, without proscribing or constraining how one reaches a particular destination. And finally, planning includes 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 colleges and the Office of Planning and Budgets, 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 Office of Planning and Budgets provides the process for the allocation of resources that are consistent with programmatic and institutional priorities, as well as to aid the university in establishing its unique impact.

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**  
- Update the budget or other changes to unit plans; final budgets approved  
- Faculty raise list distributed - final raises due at end of month  
- Budget line items due with Budget Change Explanations  
- Final appropriations available

**August**  
- Update budget priorities with deans & directors in anticipation of fall strategic planning meetings  
- In conjunction with Provost and Director of Office of Planning & Budgets, develop fall planning questions  
- Faculty market lists distributed-draft proposals due at end of month  
- Final carry forward and promotion funding memos distributed to units  
- Begin state reporting process–information-gathering from units

**September**  
- Expanded Planning Profile Summary data for units being prepared by Institutional Studies  
- Fall strategic planning materials, guidelines and metrics for accountability distributed to colleges. Budget request for appropriation support provided to state  
- State Capital Request Planning and Capital Outlay Request- Facilities Planning  
- Approved market increases 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

**October**  
- Faculty salary book for current year printed
- Faculty salary studies available

**November**
- College strategic planning materials due back to Planning Office
- 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
- Fall planning conversations begin

**December**
- Combined Planning & Budget materials distributed to academic support units (not done every year)
- Salary allocation worksheet prepared

**January**
- 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
- Planning Office prioritizes requests and prepares summaries of present status of commitments to units from the Office of the Provost
- Academic support unit combined planning and budget request materials due back to Planning Office
- Base budget reconciliation to units

*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.
- Preliminary budget models developed

**March**
- College budget materials due back to Planning Office
- 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)
- Distribute research facilitation amounts and Off-Campus SCH materials to units

April
- Budget meetings begin
- 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 technology needs prepared by Libraries, Computing & Technology
- Comprehensive list of facilities needs prepared by Facilities Management
- Final determination of allocations for research facilitation and off-campus and international SCH projections
- Preliminary budget guidelines prepared
- Budget allocation decisions meetings for future year held with Provost and key staff to make preliminary budget allocations to colleges and support units

June-July
- Board approves tuition policy, budget guidelines, salary guidelines
- Preliminary allocation letters disseminated
- Budget Office prepares budget allocation letters and raise list
- Budget Office sets schedule for set-up of next fiscal year’s budget
- Requests prioritized for facilities and alterations; proposed funding plan presented to Provost
- Spending priorities for TLE funds finalized

ADDITIONAL DEADLINES WITHIN PLANNING OFFICE
(Budget planning documents)

Fall:
- **Alterations & Improvements Requests and Space Requests** - (sent directly to Facilities Management, with copies to the Planning Office)
  
  NB: This is outside of the regular budget process but related to the planning process & funding commitments for the upcoming budget year
• Unit fall planning meetings with the Provost-materials and questions sent out by Planning Office

**Early/Mid-February:**
• Unit review and revision (if necessary) of previously-made budget commitments from Provost’s Office---->Preliminary Program Allocations

**Early March:**
• TLE Requests (sent directly to the Office of the Vice Provost for Libraries, Computing & Technology, with copies to the Planning Office)

**Mid-March:**
• Unit planning letter and/or strategic plans
• Prioritized budget requests
• Budget Reduction Template
• Non-TLE Requests (administrative technology, etc.)

**Mid-to-Late June**
• Unit-level budget allocations communicated for next fiscal year
• Unit-level alteration and improvement funding allocations for next fiscal year communicated