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IMPLEMENTING STRATEGIC BUDGETING MODELS FOR COLLEGES AND UNIVERSITIES
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ABSTRACT
This article is a follow-up to a recent ROPS article on strategic budgeting at colleges and universities. In recent years, several colleges and universities have explored alternative strategies for developing operating budgets. In part, this exploration was driven by the desire for transparency among various constituent groups and the need to tie budgeting to campus strategic planning. While developing a new budgeting process can be a very intense and involved process, the ability to implement a new budget process requires the same level of commitment and involvement. A successful implementation process involves an effective communication process combined with training and the commitment of senior campus leadership.

Keywords: Higher Education Finance, Strategic Planning, Budgeting

THE IMPORTANCE OF AN EFFECTIVE IMPLEMENTATION STRATEGY

Once a strategic budget model has been adopted it is critical that a comprehensive strategy for implementing the model be developed. Such a strategy should be transparent and include representatives from all affected constituent groups. Transparency and inclusion are important in that it ensures that all views are represented, and it will greatly facilitate the implementation of the model. An effective implementation strategy also allows units to prepare for the transition to the new model and greatly facilitates training and communication. It also highlights improvements that can be made to the model that will not only improve the process but provide guidance to campus and departmental administrators who are responsible for administering the model.

The implementation process should highlight what is working and where adjustments are necessary. During the functional testing phase successful universities often involve campus units in piloting the model using departmental and institutional data. This phase allows units to see the impact of the model on their operations from both an expenditure and revenue perspective. For this reason, most implementations will run the new model in parallel with the existing budget process.

Outlined below are the steps necessary to ensure that the implementation process is successful.

IMPLEMENTING A NEW BUDGET MODEL

Once a budget allocation model has been developed the task of implanting the model begins. The steps involved in implementing the model should include the following steps:

- Communication
- Functionally Testing the Model
- Training
- Assessment and Governance

The following graphic highlights parts of this process were implemented at the University of Manitoba.[1]

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Phase	Overview
Phase 1: Visioning	Develop a clear understanding of vision through an assessment of current resource allocation practices.
Phase 2: Financial Modeling	Build-out a "pro-forma" model to provide a platform for testing different model alternatives.
Phase 3: Consensus Building	Address change management through methodical, data-driven stakeholder engagement.
Phase 4: Infrastructure Development	Develop supporting tools, processes, and governance to carry out budget development.
Phase 5: Parallel Process	Test a new model to understand outcomes if the new model were implemented.

Communication

Communication with all members of the campus community is essential to the successful implementation of any campus-wide endeavor. In the case of a new budget model, the committee responsible will normally generate a status report. Once the report is made, public outreach to the broader campus community is accomplished either through a series of town hall meetings or through consultation with affected parties such as the Academic Senate or the Council of Deans.

Engagement of the campus' public information or communication manager is essential to the dissemination of information on the new budget model. This can be done through news articles in campus or local publications or through periodic news releases. Some campuses have also developed a website to update the campus community on background information and current developments.

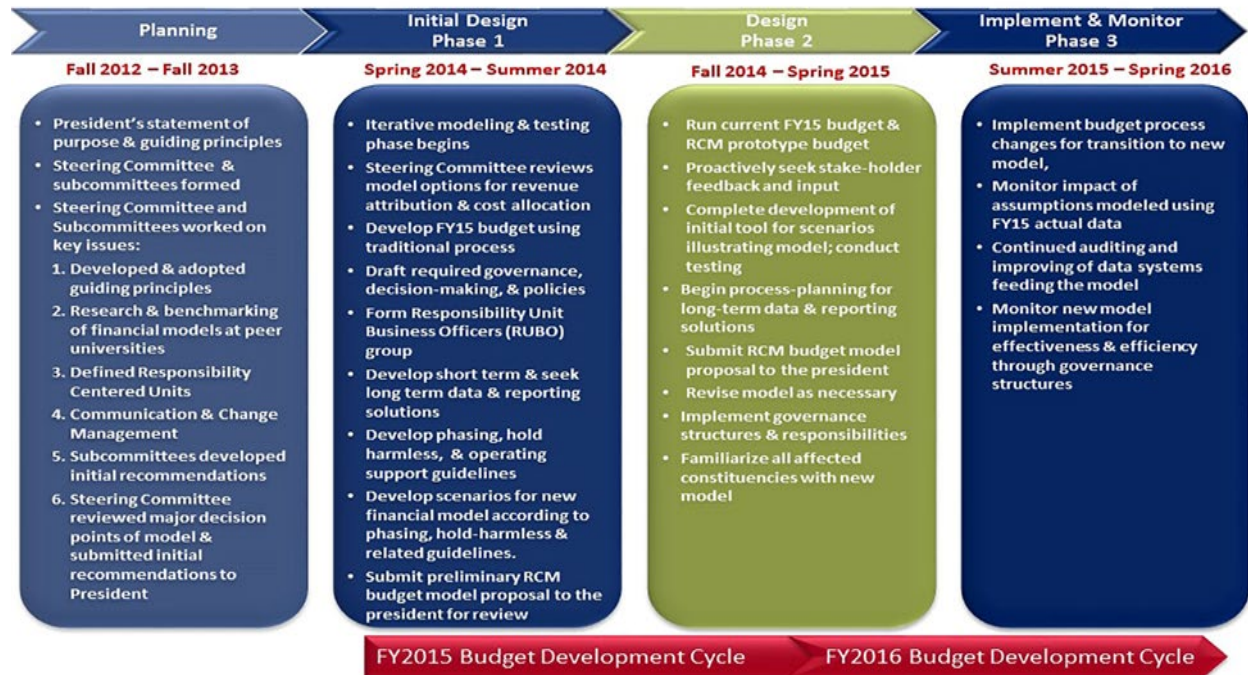*Functionally Testing the Model*

Once the principals and structure of the reallocation model have been agreed to most universities go through a period of testing that can encompass one to two years. In the case of the University of Arizona, the first stage in the development of their Responsibility Center Management (RCM) model was a planning stage between Fall 2012 and Fall 2013. During this stage, the President stated the purpose and guidelines the RCM system should follow. The steering committee and sub-committees were formed and developed guiding principles and initial recommendations where formed.[2]

The second stage was an initial design phase between Spring 2014 and Summer 2014. During this stage, iterative modeling and testing was done to integrate the recommendations from the committee into a single model. The process for communication and reporting was also developed, and potential governance models were discussed.

The third stage was the final design stage between Fall 2014 and Spring 2015. The FY2015 budget was formulated to prototype RCM systems in a pilot modeling year to further examine and compare outcomes before making a final recommendation to the president. This process included several opportunities for campus feedback during Fall 2014. Governance processes and improved reporting were also implemented during the final design stage.

The last stage of the implementation process was implementation and monitoring between Summer 2015 and Spring 2016. Activity during FY2015 was factored into RCM resulting in the FY2016 being the first year that RCM changed a unit's budget (i.e., July 1, 2015). RCM took effect only after the final model was tested, commented on via a campus feedback process, and approved by the president. Reporting mechanisms were also made available to the university community.

A graphic depiction of the process is outlined below:

Planning	Initial Design Phase 1	Design Phase 2	Implement & Monitor Phase 3
Fall 2012 – Fall 2013	**Spring 2014 – Summer 2014**	**Fall 2014 – Spring 2015**	**Summer 2015 – Spring 2016**

• President's statement of purpose & guiding principles
• Steering Committee & subcommittees formed
• Steering Committee and Subcommittees worked on key issues:
  1. Developed & adopted guiding principles
  2. Research & benchmarking of financial models at peer universities
  3. Defined Responsibility Centered Units
  4. Communication & Change Management
  5. Subcommittees developed initial recommendations
  6. Steering Committee reviewed major decision points of model & submitted initial recommendations to President
	• Iterative modeling & testing phase begins
	• Steering Committee reviews model options for revenue attribution & cost allocation
	• Develop FY15 budget using traditional process
	• Draft required governance, decision-making, & policies
	• Form Responsibility Unit Business Officers (RUBO) group
	• Develop short term & seek long term data & reporting solutions
	• Develop phasing, hold harmless, & operating support guidelines
	• Develop scenarios for new financial model according to phasing, hold-harmless & related guidelines.
	• Submit preliminary RCM budget model proposal to the president for review
		• Run current FY15 budget & RCM prototype budget
		• Proactively seek stake-holder feedback and input
		• Complete development of initial tool for scenarios illustrating model; conduct testing
		• Begin process-planning for long-term data & reporting solutions
		• Submit RCM budget model proposal to the president
		• Revise model as necessary
		• Implement governance structures & responsibilities
		• Familiarize all affected constituencies with new model
			• Implement budget process changes for transition to new model,
			• Monitor impact of assumptions modeled using FY15 actual data
			• Continued auditing and improving of data systems feeding the model
			• Monitor new model implementation for effectiveness & efficiency through governance structures

FY2015 Budget Development Cycle ▸ **FY2016 Budget Development Cycle** ▸

Training
If the new budget model will be fully distributed to the campus, training is essential to a successful implementation. The graphic below outlines both stakeholder training and model roll out of the Virginia Commonwealth's new budget model.[3]

Stakeholder Outreach and Training

Model Roll-Out

Training typically involves four components. The first involves the development of training materials that not only highlight the various components of the model but also are tailored to the culture and needs of the campus. Materials can both be in hard copy or online using interactive software.

To assess the effectiveness of training materials a pilot assessment is conducted using a set of pilot departments.

Based on the outcome of these pilots, materials are revised to address any short comings or deficiencies. A schedule of training sessions is then prepared, and training begins. Many campuses also employ a system called "train the trainers" in which a set of administrative users train others in how to use the new system.

Assessment and Governance

To be sustainable and effective, the new resource allocation model must be able to adapt to changes in institutional circumstances and requirements. Many institutions implement a new model and then evaluate it after five years of operation. Other campuses create committees to oversee the operation of the model.

Governance and assessment committees can vary by campuses based on their administrative structures and campus culture. They frequently include a Budget Executive Committee that has oversight responsibility over implementing the model. To ensure central campus and departmental unit involvement in the implementation process most universities establish a Campus Allocations Committee. Since the allocation of space to central campus and departmental units is a critical component of many budget models a Space Management and Deferred Maintenance Committee is frequently part of the implementation process. In addition to these committees the campus curriculum committee is also frequently part of the assessment and governance process.

The University of Washington, Seattle used groups from the Faculty Council to review and assess the success of their resource allocation Activity Based Budgeting system (ABB) . The areas of inquiry included the Faculty Council on Academic Standards which reviewed educational collaboration, with a focus on joint courses/degrees and new academic initiatives. The Faculty Council on Research considered whether ABB affects collaboration in research and the Faculty Council on Teaching and Learning investigated the current treatment of summer quarter as an Educational Outreach endeavor and exploring related implications on faculty salaries and research. The Graduate School Council also discussed cross-college hiring of graduate students and graduate student waivers.[4]

In order to provide high level guidance for next steps, the University of Illinois, Urbana-Champaign established a small steering committee with membership drawn from deans, faculty, and staff with needed expertise in budgeting, indirect costs and a broad view of the campus operations. The steering committee had responsibility for developing a process for creating a detailed set of workable models specific to the Urbana-Champaign campus. The campus also designated a working group that had the financial and technical expertise needed to develop and assess the financial impact of alternative models and that could draft reports and make recommendations to the campus steering committee. It was anticipated that the group might in turn divide into project teams to enable more rapid progress on these analyses. To foster communication and transparency among campus units the campus also created a campus advisory group. This group was made up of campus faculty and staff drawn from a range of academic and nonacademic units, that would review and provide feedback on the working group reports.[5]

At the University of Missouri, Columbia, the Resource Allocation Committee in discussing the need for an assessment and governance process determined that the governance structure should consist of three committees. These committees covered major areas associated with the model including revenue allocations, facilities, and administrative and student services.[6]

Membership in the committees included representation from academic and administrative units and auxiliary operations. Representatives from affected cost and revenue centers were also added to the committee. To improve communication with campus constituencies a graduate student, faculty and staff representatives were added to the group.

The charge to the committees was to address concerns raised by the campus community regarding the various elements of the model and recommend ways of addressing these concerns. Specifically, the committees would provide advice to the Chancellor concerning:

- Changes to resource allocation methodology
- Changes to methodology for covering overhead costs
- Refinement or replacement of key metrics used in the allocation process with an eye to create unit level incentives for advancing the campus' strategic plan.

The Resource Allocation Committee also expanded the membership of the committees to include representatives from the Council of Deans.

The committee also recommended that during the implementation phase of the new model the Resource Allocation Committee would continue in its current role and configuration. The establishment of the advisory committees would take place either during the testing or after implementation

LESSONS LEARNED

In reviewing the implementation strategies outlined above several best practices can be identified. In the case of the University of Arizona it was critical that sufficient time be allocated to the implementation process. This allowed for the model to be thoroughly tested and provided an opportunity for input from central campus and departmental units. This resulted in improvements to the model particularly in the allocation of revenue to individual colleges and the allocation of indirect costs associated with central campus units.

The University of Washington, Seattle and the University of California, Davis provide valuable lessons in assessing a model after it had been in operation for several years. Both institutions highlight the benefit that comes from reviewing revenue and cost allocation strategies. While initial modeling of these strategies may yield valuable insights the review of their impact on actual operations can highlight some areas for improvement or identify areas that were not included in the original model.

The University of Missouri, Columbia and the University of Illinois at Urbana-Champaign highlight the importance of being both transparent and including representatives of multiple constituent groups. This allowed for an assessment of the impact of the model on a variety of academic, administrative and support units and yield a model that addressed the unique concerns and needs of these groups. The inclusion of students' faculty and staff in the implantation process also led to improved communication during the implementation process.

It is important to note that the culture and history of a campus can also result in different approaches to both the development and implementation of strategic budget models. For example, at the University of Washington, Seattle committees of the Faculty Council were directly involved in the assessment of the budget model. Other campuses may have faculty representations on their implementation committees but not include academic senate or faculty councils as an integral part of their implementation process.

SUMMARY

It is essential that the process used in developing a strategic budget model be transparent and involve multiple campus constituencies. A comparable process is even more essential in implementing the model. Implementation, for example, can raise different issues in terms of application of the model to academic units versus administrate units. Other issues include the metrics underlying the model and the process of training faculty and staff. Once the model has been accepted and implemented there also needs to be a process for reviewing the success and shortcomings of the model. Most institutions have chosen a review process that occurs every five years.

Those institutions have successfully developed and implemented new budget models have benefited from the experience of other comparable colleges and universities. They have been successful in implementing their budget model by placing an equivalent priority on both the development and implementation aspects of the budget process.

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