

Guidelines for Planning and Budgeting

Institutional Effectiveness
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*Oklahoma Baptist
University*

*Continuous Quality
Enhancement*

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Purpose

The purpose of this document is to outline the guidelines and overall process for planning and budgeting at Oklahoma Baptist University. This document contains the philosophy and instructions for budget directors in coordinating their budget requests with OBU's mission and strategic plan, as well as with other assessment including budget unit assessment and the assessment of student learning.

The guidelines for the University Planning Advisory Council (UPAC) are located in a separate document. These processes are related closely, but this document focuses on the specific mechanics of the unit level planning and budgeting process.

The definitions and responsibilities outlined in this document pertain to the University Planning and Budgeting Process. They should not be perceived to override or limit the requirements of other applicable university agreements, handbooks, or expectations.

Introduction

Oklahoma Baptist University is committed to continuous improvement in pursuit of excellence. This cannot be accomplished without a robust planning and budgeting process.

Additionally, OBU recognizes the importance of linking processes for assessment of student learning, evaluation of operations, planning, and budgeting. Sound planning and budgeting cannot be accomplished apart from awareness of the resources needed to improve student learning and daily operations.

The guidelines described in the document are designed to assist Budget Directors in navigating the University's expectations for the planning and budgeting process. They are also intended to help Budget Directors make explicit the connections between various streams of assessment and budget requests.

Definitions

Budget Committee

The Budget Committee consists of the Executive Leadership Team (ELT) and those whom the ELT deems necessary for feedback and guidance on the budgeting process. Normally, this group will include the University President (Chair), Provost, Chief Financial Officer, VP of University Advancement, VP for Information Integration & CIO, Director of Executive Offices, AVP for Finance and Administrative Services, and AVP for Institutional Effectiveness. Others may be added by the President as necessary.

The Budget Committee is responsible for:

1. Reviewing all revenue predication and Budget Requests.
2. Evaluating and ranking Quality Contingencies.
3. Developing a Budget Proposal that will be sent to the Board of Trustees for review and approval.

Budget Unit

To best facilitate administration and monitoring of financial needs, OBU uses a number of budget units (sometimes called budget orgs) to itemize budget requests and expenditures. A Budget Director may be responsible for more than one budget unit. A Budget Unit is most clearly identified by a five-digit number (often called the "org number") with an accompanying title.

Budget Director

A Budget Director is the individual charged with the responsibility of overseeing the expenditures and Budget Requests for one or more organizations on campus.

Budget Request

The Budget Director is responsible for making a budget request to the Budget Committee. The Budget Director should provide specific data in explanation for the budget request and should make those requests on the basis of assessment of student learning and operational assessment. Budget proposals should clearly indicate how requests are linked to assessment processes. Budget proposals should also clearly link to OBU's mission and OBU 2020.

Assessment Plan

The Budget Director is responsible for developing an assessment plan of 3-5 objectives, with supporting targets and measures for the budget year under consideration. Guidelines for developing these assessment plans is located in the Developing Administrative Unit Assessment Plan document, which is available on the Assessment Resources page of OBU's website. Assessment Plans and reports shall be housed in WEAVE.

Most budgets requests will have an accompanying Assessment Plan. However, there are cases where multiple budget requests developed to track expenses, but a common set of objectives is appropriate. For example, there are separate budgets for different dorms, but the objectives of residential life should be assessed as a single entity. Contact the AVP for Institutional Effectiveness with questions about combining assessment plans.

Core Expenses

Budget Directors should seek to determine the actual baseline core expenses for quality ongoing operations. Within the budget request, these are the line items or budget amounts without which acceptable levels of quality would not be possible.

For example, certain software subscriptions are absolutely essential to continued operation of the campus and therefore must be considered Core Expenses. Continuing training necessary to retain certifications required for continued operation of the institution should be considered Core Expenses. Basic maintenance to keep facilities safe and presentable should be considered Core Expenses.

The general rule of thumb for Core Expenses is that Core Expenses could not be eliminated from a given year's budget if a budget reduction were required.

The fact that a particular service has been historically offered or that an amount has been previously budgeted is an insufficient basis for labeling something a Core Expense. Budget Directors must rigorously question the return on investment and actual necessity of budgeted items.

In the Budget Request spreadsheet, the Budget Director should use the "Concise Explanation of Overall Use of Account" field to indicate both (1) the general purpose of the requested funds and (2) the amount of the funds that are considered to be Core Expenses. Listing this information in this column does not indicate that only the Core Expenses will be funded; it is intended to ensure budgets are appropriately allocated and help prioritize Quality Contingencies.

For example:

“\$1,200 for recertification training and examination for required employee qualifications.”

“\$2,000 for maintenance fee for regulatory compliance software.”

“\$10,000 for travel expenses for admissions recruiters.”

“\$50,245 for research database subscriptions, acquisition of necessary volumes, and cost of required user interface.”

The Budget Director is responsible for explaining why certain expenses are truly Core Expenses.

Quality Contingencies

Quality Contingencies are those portions of a Budget Request that allow for enhancements or improvements over Core Expenses. Simply because an item or amount is designated a Quality Contingency does not mean it is unimportant or that it will not get funded.

As a general rule of thumb, a Quality Contingency is a dollar amount or line item in a Budget Request that could be eliminated without threatening the necessary daily operations of the institution in the short term.

Some examples of Quality Contingencies include:

1. Sending additional people to a professional conference to improve their level of knowledge.
2. Replacement of functional, but outdated office equipment.
3. Purchasing additional software or services that advance the quality of the institution’s services.
4. Maintenance or renovation that improve aesthetics of a space.

In the Budget Request spreadsheet, the Budget Director should “Detailed Explanation of Specific Request of Change” field for each account to present a prioritized, enumerated list of the estimated dollar amount and purpose for requests above Core Expenses in the Budget Request.

For example:

“3. \$1,500 for the director’s registration and travel to a professional development conference.”

“5. \$300 for replacement of worn office chairs.”

“1. \$12,000 for a new Charpy V-Notch test machine that will offer students the ability to learn about material properties through experimentation. See associated tab for more details.”

“1. \$5,000 for a new software program that facilitates student recruitment. See associated tab for business case.”

Increases to the Core Expenses in the previous year’s budget above expected inflationary increases should be considered Quality Contingencies unless they are driven by regulatory requirements or correction of recognized deficiencies in basic services.

The critical difference between a Core Expense and Quality Contingency is between “essential” and “important.”

Supporting arguments and data for Quality Contingencies should be included in separate tabs of the Budget Request worksheet as necessary.

The purpose of identifying Core Expenses and Quality Contingencies is to enable the Budget Committee to make the best possible Budget Proposal to the Board of Trustees that funds departments equitably and pursues overall institutional quality by the most efficient means possible.

The Budget Director is responsible for making a business case for all dollar amounts requested above Core Expenses.

Planning and Budgeting Process

Step 1 - Mission and Strategic Planning

The Planning and Budgeting Process must begin with OBU's Mission, Core Values, and Strategic Plan in view. Every dollar OBU budgets should support the Mission of the institution. Budgets should also clearly reflect the strategic priorities of the institution as established in OBU 2020.

In late December or Early January, the CFO should inform Budget Directors of the approximate parameters of the upcoming Budgeting Process.

The Budget Director should begin the budgeting process by considering how the particular budget unit supports the Mission of the institution and can be leveraged to advance the strategic initiatives that make up OBU 2020.

This consideration may take place through individual reflection, but may also include a planning meeting of the personnel in the department. Often the best ideas for improvement and institutional advancement come individuals closest to the daily operations of an organization.

The development of organizational priorities should include assessment data from previous years (both student learning and assessment of organizational performance), external benchmarking of similar organizations, and consideration of the needs of the internal and external constituencies of the university.

The outcome of this step should be a list of Budget Unit objectives that will be included in WEAVE as part of the Administrative Unit Assessment process and a link between at least one of those objectives and an OBU 2020 strategic initiative.

The outcome of this step may also be a 3-5 year plan for improvement of the operations of the Budget Unit. This plan should provide a timeline of significant steps with responsible individuals identified and an estimate of the funds necessary to accomplish those steps.

Step 2 – Development of Budget Request

Having developed a set of objectives for the budget year in question, the Budget Director should then develop a Budget Request for the upcoming year.

Normally, the formal requests for the personnel portions of the budget (i.e., 6xxxxx account numbers) are managed through other processes. However, existing amounts of student work and additional personnel should be justified during Planning and Budgeting Hearings.

The Budget Director should develop a Budget Request that reflects the objectives and plans developed in the previous step.

A key portion of this step is the careful and thoughtful identification of Core Expenses and Quality Contingencies. This element of the process is critical to proper stewardship of the resources God provides the University. Forthright classification of requested budget amounts will help the Budget Committee make the best possible decisions for the entire University community in light of economic realities and the strategic vision of OBU.

The Budget Director must:

1. Identify proposed dollar amounts that are Core Expenses and briefly document the dollar amount and purpose of the expense in the "Concise Explanation of Overall Use of Account" field of the Budget Request spreadsheet. Expenses in this category that are variable based on student population should be

noted as such with a “(V)” annotation.

2. Identify proposed dollar amounts that are Quality Contingencies, rank them by their priority for the budget unit, and provide a brief explanation of the business purpose of the expense in the “Detailed Explanation of Specific Request for Change” field of the Budget Request spreadsheet. Items tied to strategic initiatives should be identified as such in this column. (E.g., UPAC strategic initiative #1) Items tied to an Administrative Unit assessment plan should be identified as such in this column. (E.g., Objective #3)

NOTE: Ranking of Quality Contingencies for the budget unit should be for the entire spreadsheet, not for the particular account. For example, an account number may have priorities 1, 5, and 9, while another has priority item 2.

3. If necessary, make revenue and expense projections in the appropriate spreadsheet tabs, for example, Course Specific Fees, Adjunct and Overload worksheets, etc.
4. If necessary, make a detailed business case for Quality Contingencies that explains the amount requested, the rationale for the request, and the relationship to UPAC Strategic Initiatives and Administrative Unit assessment plan objectives, and the return on the investment. See the instructions below for guidelines for making a detailed business case.

Making a Detailed Business Case

Every expense at OBU needs to have an impact toward achieving the Mission and Strategic Plan of the institution. In light of that, Budget Directors are responsible for making a business case for Quality Contingencies.

A detailed business case is not required for all Quality Contingencies. For example, a \$50 request for a new tool requires a simple statement, not a lengthy explanation. Or, a larger request for continuation of a service or subscription that provides significant value to the University community needs little explanation.

The process of making a business case serves two purposes:

1. It provides justification to the Budget Committee for budget requests and aids them in prioritizing the distribution of funds.
2. It drives Budget Directors to carefully evaluate their budgets to determine what expenses truly add value to the institution and possibly eliminate unnecessary or inefficient expenses.

As a general rule of thumb, three factors should help determine whether the Budget Director makes a detailed business case for a Quality Contingency:

1. The size of the request: Requests with high dollar amounts are more likely to need an explanation for their possible return on investment than smaller requests.
2. The newness of the request: Services or items the institution has used for a significant time are unlikely to need a detailed business case made. At the same time, Budget Directors should be prepared to explain what the benefits of long-term budget requests are for the quality of the institution.
3. The obvious benefits of the request: Some requests have obvious justification. For example, replacing office furniture, building maintenance, or services that improve enrollment and retention all have a clear rationale.

There is no absolute threshold for when a Budget Director will be asked for a detailed business case by the Budget Committee. The Budget Director must use his or her best judgment, as well as the advice of his or her supervisor to provide justification when necessary.

NOTE: It is important that the Budget Director make clear, written justification for Quality Contingency requests as necessary because of the length of time between the approval of the Budget Proposal by the Board of Trustees and the release of contingency funding by the Budget Committee.

Quality Contingency requests that make a clear, reasonable, and careful justification are more likely to be viewed favorably by the Budget Committee.

A detailed business case for a Quality Contingency should address these topics:

1. The estimated cost and how that cost was determined.
2. The purpose of the expense. Particularly, how does this expense advance the Mission and Strategic Initiatives of the institution and the objectives of the budget unit.
3. The assessment data or market research that supports the need.
4. The potential return on investment. This may be quantitative, as with anticipated revenue or decreased expense elsewhere. It may also be qualitative, as with improved student or employee experience. Note the size of and degree that populations will benefit.
5. Whether this is a one-time or recurring expense and the estimated duration.
6. If applicable, an explanation of offsetting budget reductions that help fund this proposal.
7. If necessary, the process by which the organization will evaluate whether the return on investment has been achieved. (This should result in an objective, measure, and target in WEAVE.)
8. Other options that were considered that could serve the same function and why this option is preferable.
9. Month that the expense is first expected to occur within the budget year or when the order must be placed to ensure timely arrival.

NOTE: At several points during the fiscal year, the Budget Committee will make decisions to release funds based on approved Budget Requests. The written documentation of a detailed business case is important to help make that decision.

Step 3 – Preliminary Review Process

Once developed, the Budget Director should present the Budget Request to his or her supervisor. The assumptions of any analysis and basis for cuts and increases should be clear to the supervisor. This process is intended to ensure requests are reasonable in light of reasonable predictions.

This review process should be conducted up the chain of command until the Budget Requests have been presented to the member of the Executive Leadership Team who ultimately oversees the Budget Unit. These meetings may be conducted in the format and groupings that best fits the need of the units under consideration.

This preliminary review process should not be a simple pass through. It should be an intrusive process during which the values of proposed expenses are appropriately considered, efficiencies are pursued, and arguments are prepared for the Budget Committee. A rigorous preliminary review process is essential to ensure a smooth Planning and Budget Hearing process.

A secondary purpose of this preliminary review process is for the Budget Director to present that current status of the current budget year's assessment activities and discuss plans for the remainder of the fiscal year.

The Budget Director must:

1. Present his or her Budget Request and assessment plan as requested.

2. Provide evidence and update argumentation as requested.
3. Present current year assessment updates using data documented in WEAVE.

Supervisors must:

1. Make efforts to ensure Budget Requests are reasonable and support the needs of the Mission and Strategic Plan.
2. Challenge assumptions in Budget Requests.
3. Consider factors such as scalability and efficiency in the Budget Requests.
4. Assist the Budget Director in prioritizing and defending specific items within the Budget Request.
5. Ensure assessment plans are up to date and consistent with the University's standards.

Members of the Executive Leadership Team must:

1. Ensure they understand and can reasonably defend the items in each unit's Budget Request if the Budget Director is not available.
2. Ensure the Budget Requests are reasonable and support the needs of the Mission and Strategic Plan.
3. Challenge assumptions in Budget Requests.
4. Consider factors such as scalability and efficiency in the Budget Requests.
5. Assist the Budget Directors and Supervisors in prioritizing and defending specific items within the Budget Request.
6. Develop a preliminary understanding of the overall priority of items across the Budget Requests in his or her area of responsibility.
7. Identify up to 10 Budget Unit assessment objectives from across his or her area of responsibility that can be proposed as UPAC Annual Strategic Objectives.

Step 4 – Planning and Budget Hearings

Planning and Budget Hearings are formal meetings where Budget Requests are presented to the Budget Committee, which evaluates proposals and rates proposed Quality Contingencies to help determine priority of funding.

Prior to the Planning and Budget Hearing, the individual presenting a Budget Request to the Budget Committee is responsible to fill in a Quality Contingency tab in the Budget Request spreadsheet based on the priorities in his or her budget.

During a Planning and Budget Hearing, a Budget Director or representative is responsible for:

1. Presenting the status of the current year's Administrative Unit objectives using the data in WEAVE.
2. Presenting the Budget Request to the Budget Committee, which will include explaining and defending the proposal.
3. Presenting the unit's assessment plan to the Budget Committee.

During a Planning and Budget Hearing, the Budget Committee members are responsible to:

1. Ensure Budget Requests are reasonable and support the needs of the Mission and Strategic Plan.
2. Challenge assumptions in Budget Requests.
3. Consider factors such as scalability and efficiency in the Budget Requests.
4. Numerically rate the Quality Contingency items.
5. Terminate the Planning and Budget Hearing if it becomes clear that a Budget Request is not ready for review and providing guidance for corrective action.

Once the presentation of the Budget Request has been made, the Budget Committee will conduct a closed-door session and rate the Quality Contingency items. The rubric in Appendix A should inform the final rating of the items.

The Budget Committee may re-designate Core Expenses as Quality Contingencies and vice versa as deemed necessary.

Step 5 – Budget Proposal Development

Once the Planning and Budget Hearings have occurred, the Budget Committee will develop a Budget Proposal that will be sent to the Board of Trustees.

During this process, in accordance with the approved Guidelines for Strategic Planning, the ELT will also develop a list of 10 UPAC Annual Objectives from the Administrative Unit Assessment Plans. UPAC Annual Objectives may also reflect other strategic concerns identified by the ELT.

The Budget Proposal will take into account the Mission, OBU 2020 Strategic Initiatives, and the proposed UPAC Annual Objectives developed from the Budget Unit objectives. It will also consider the economic and marketplace realities at the time, as well as reasonable projections for revenue in the future.

The Budget Committee will seek to develop a Budget Proposal that is reasonable, that funds all of the Core Expenses, and attempts to fund as many Quality Contingencies as possible with due consideration to their priority rating. After seeking further input from Budget Directors, unfunded Quality Contingency items from the previous year may also be considered for funding in the Budget Proposal.

The recommended UPAC Annual Objectives will be sent to the UPAC for consideration. The UPAC will make a final recommendation to the President, who will send a list of proposed UPAC Annual Objectives to the Board of Trustees, typically in the October meeting.

The Budget Proposal will be submitted to the Board of Trustees for review and approval, typically in the October meeting.

Step 6 – Board of Trustees Review and Approval

The Board of Trustees will review, modify, and approve a Budget according to their normal processes.

Step 7 – Budget Implementation

Once a Budget is approved, Budget Directors will be notified of the actual approved budget as soon as practicable. Budget Directors may then ask for clarification as necessary. To be clear, approval of a Budget at this point does not guarantee funding at a particular level, as net revenue projections may change.

June 1 – New Fiscal Year

The new Fiscal Year will begin on June 1. At that point, the funds designated for the Core Expenses in the Budget will be made available. In limited instances, some funds for items with long lead times may be released prior to June 1. A limited number of Quality Contingency items may be approved on a case basis, if they are required prior to firm revenue estimates.

Fall Contingency Funding

When a clearer picture of enrollment is established for the Fall semester, typically in September, the Budget Committee will determine which and how many Quality Contingency items can be funded. This decision will be based on several factors:

1. Anticipated net revenue in relation to projections.
2. Date of required funding for a Quality Contingency item.
3. Priority rating of the Quality Contingency item.
4. The desire to fund as many Quality Contingency items as possible.

5. The desire to fund Quality Contingency items that were not funded in the previous year's budget.
6. Connection to a UPAC Annual Objective.

Because of the connection between these factors, it is possible for items with a lower priority rating to be funded in view of other concerns.

Executive Leadership Team members who oversee a given Budget Unit are responsible to identify prior year Quality Contingency items that may warrant funding.

Spring Contingency Funding

When reasonable projections are possible for the Spring semester enrollment, typically in February, the Budget Committee will determine which and how many Quality Contingency items can be funded. This decision will be based on several factors:

1. Anticipated revenue in relation to projections.
2. Date of required funding for a Quality Contingency item.
3. Priority rating of the Quality Contingency item.
4. The desire to fund as many Quality Contingency items as possible.
5. The desire to fund Quality Contingency items that were not funded in the previous year's budget.
6. Connection to a UPAC Annual Objective.

Because of the tension between these factors, it is possible for items with a lower priority rating to be funded in view of other concerns.

Budget Directors should be informed of Quality Contingency items unlikely to be funded in the current budget year so they can consider them during the ongoing Budget Request process.

Additional Contingency Funding

Based on revenue results, there may be additional opportunities to fund Quality Contingency items. If revenue exceeds original projections, some Quality Contingency items from a future budget year may also be funded.

These decisions will be made the Executive Leadership Team on an *ad hoc* basis.

Timeline for Budget Process

Approximate Dates	Events
End of December – Early January	CFO informs Budget Directors of expectations for future year budget
January – March	Budget Request development and Preliminary Review Process
March – May	Planning and Budget Hearings
June – September	Budget Proposal Development
October	Board of Trustees Review and Approval
June 1	Beginning of Fiscal Year, Core Expense Funding is Released
September	Fall Contingency Funding
February	Spring Contingency Funding

Appendix A - Quality Contingency Rubric

	1 – Very Low	2 - Low	3 - Moderate	4 – High	5 – Very High
Connection of item to Mission and/or OBU 2020	It is unclear how this item supports the mission or strategic plan.		This item indirectly supports the mission or strategic plan.		This item directly and significantly supports the mission or strategic plan.
Connection to Education	This expense does not clearly support the educational purpose of the institution.		This item indirectly supports the educational purpose of the institution.		This item directly supports the educational mission of the institution.
Assessment data or market research	The basis for making this expenditure is unclear.		A reasonable case has been made for this expenditure.		Assessment data or market research strongly support.
Return on investment	Return on investment is low and/or unlikely.		Return on investment is moderate and/or possible.		Return on investment is high and/or probable.
Revenue Neutrality	This is a new expense with no reductions to help fund.		This is a new or increased expense with some other reductions to compensate.		This Budget Director has proposed other reductions that pay for this expense.
Innovation and Quality Improvement	No significant impact on improving organizational quality.		Moderate impact. Strengthens OBU's position in peer group.		High impact item. Puts OBU among industry leaders.
Size of Population Impacted	Benefits of this expense are limited to a small population.		Benefits of this expense are to a moderate sized portion of the community.		This benefits the entire OBU community in some way.
Regulatory Demand	This expense is not required by any external regulator.		This expense is necessary for future certification, or recommended for current cert		This is required for necessary certification by external organization.