

What Is Budgeting?



Making Decisions that Distribute Resources to Enable Actions

Dr. Richard L. Brown, Jr.
Executive Vice Chancellor

We Shall Achieve

THE UNIVERSITY of TENNESSEE **UT**
CHATTANOOGA

The Budget

- **The budget is the device by which an organization:**
 - Carries out its plans
 - Signals its priorities
- The primary mechanism to create incentive for positive change.
 - Planning is typically conducted at the **strategic level**.
 - Budgeting is typically focused at the **operational level**.

Approach to Strategic Budgeting

- Develop a stronger “**student-centered**” approach.
- Become more **responsive to employer needs**.
- Address the particular needs of **underserved clients**:
 - Minorities
 - Geographically remote areas
 - Academically poorly prepared
- Improve **retention** and **graduation** rates.
- **Focus on organizational mission**.

Linking the Budget to the Strategic Plan

- The budget structure should **explicitly reflect** the areas of responsibility of strategic level decision makers.
 - Base/Continuation Expenditures – Adjusted for Inflation
 - Strategic Planning Initiatives
 - Contingency Reserve Funds
 - Cost Going Forward Items
 - Asset Maintenance Funds
 - Revenue Creation/Deletion – Changes in asset structure
- The budget process requires established guidelines to each component prior to initiating unit level budget building.

Evaluation of the Budget

To evaluate the budget, ask the following questions:

- What about changes in the revenue and operational structure?
- How will staffing patterns change?
- How will materials acquisitions be affected?
- How will the stock of instructional and operating equipment change?

Evaluation of the Budget

What about asset/plant maintenance?

- What is the relationship between current expenditures and renovation and renewal of the physical plant?
- What is the replacement value of plant?
- What is rate of replacement of equipment?
- What about energy management?
- Capital Expenditures
- Master Planning

Evaluation of the Budget

What about operating expenditures?

- Do you have a viable compensation plan?
- What is the ratio of personnel development – market value and equity – to compensation?
- What is trend in expenditures on curriculum development and program expansion?
- What level of financial reserves is being maintained?
- How effective is the institutional investment in student financial aid and scholarships?

Evaluation of the Budget

To further evaluate the budget, ask questions regarding:

- What is the evidence state/system priorities are being achieved?
- What is the evidence institutional priorities are being achieved?
- Is the institution fulfilling its mission?
- What about the contingency fund?
- How large is the contingency fund relative to the operations budget?

The Focus of Budget Decisions

Assets

- What kinds will we have/own?
- In what quantities/how many?
- Of what quality?
- At what prices?
- What are assumptions about levels of utilization?

Consumables – Utilities, insurance, supplies, etc.

- In what quantities?
- At what prices?

Revenues – Diversification of funding stream

- In what amounts?
- From what sources?

Budget Allocations

- To which units?
- To what ends? The basis of accountability.

Strategic Planning Priorities & Themes

Characteristics

- Generally, are broad institutional issues that cannot be addressed by a single unit.
- Are long-term and cannot be resolved in a single year.
- Require responses through basic institutional processes and are not programmatic “add-ons.”
- Require broad based participation.

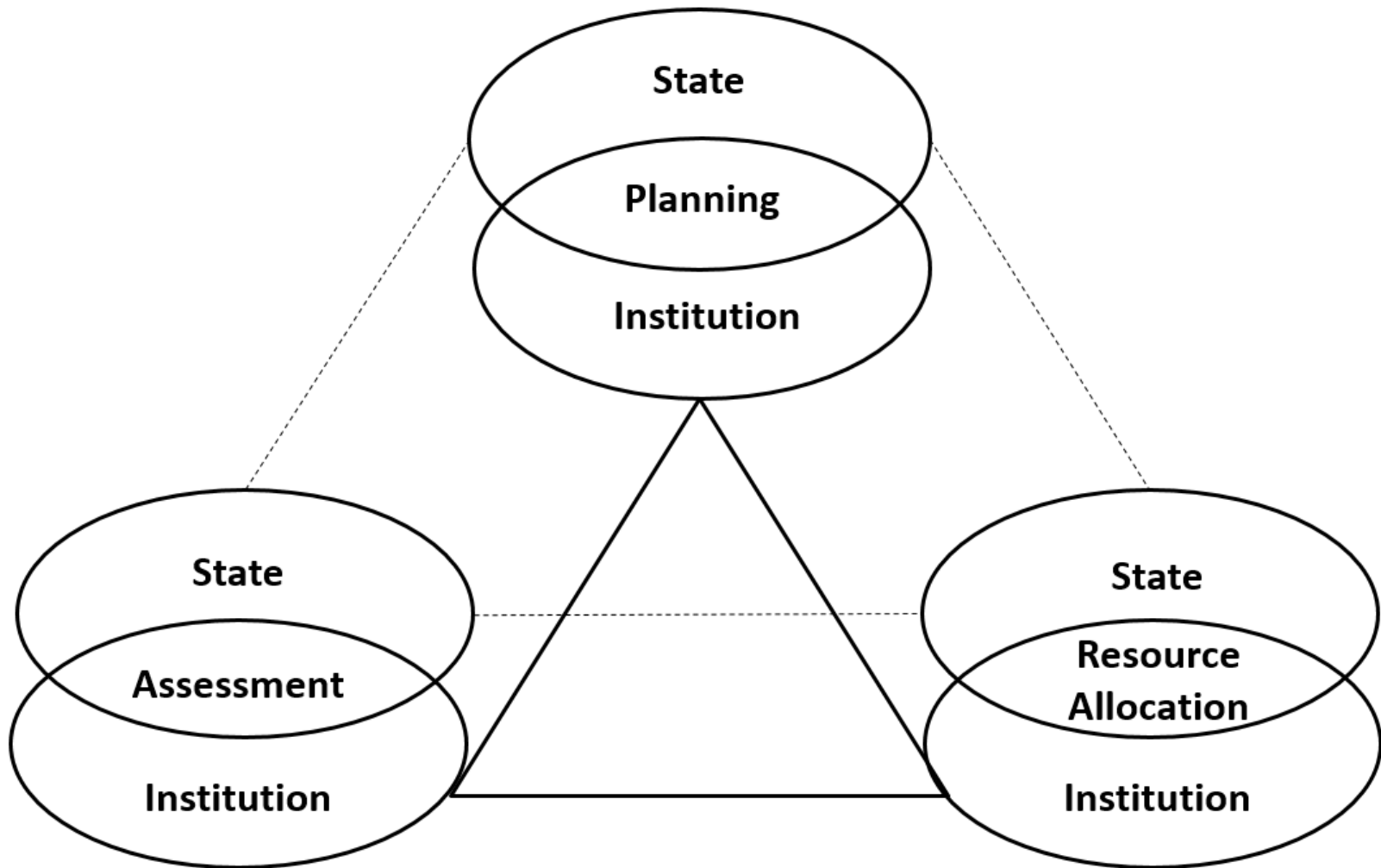
Strategic Planning Priorities & Themes

Planning

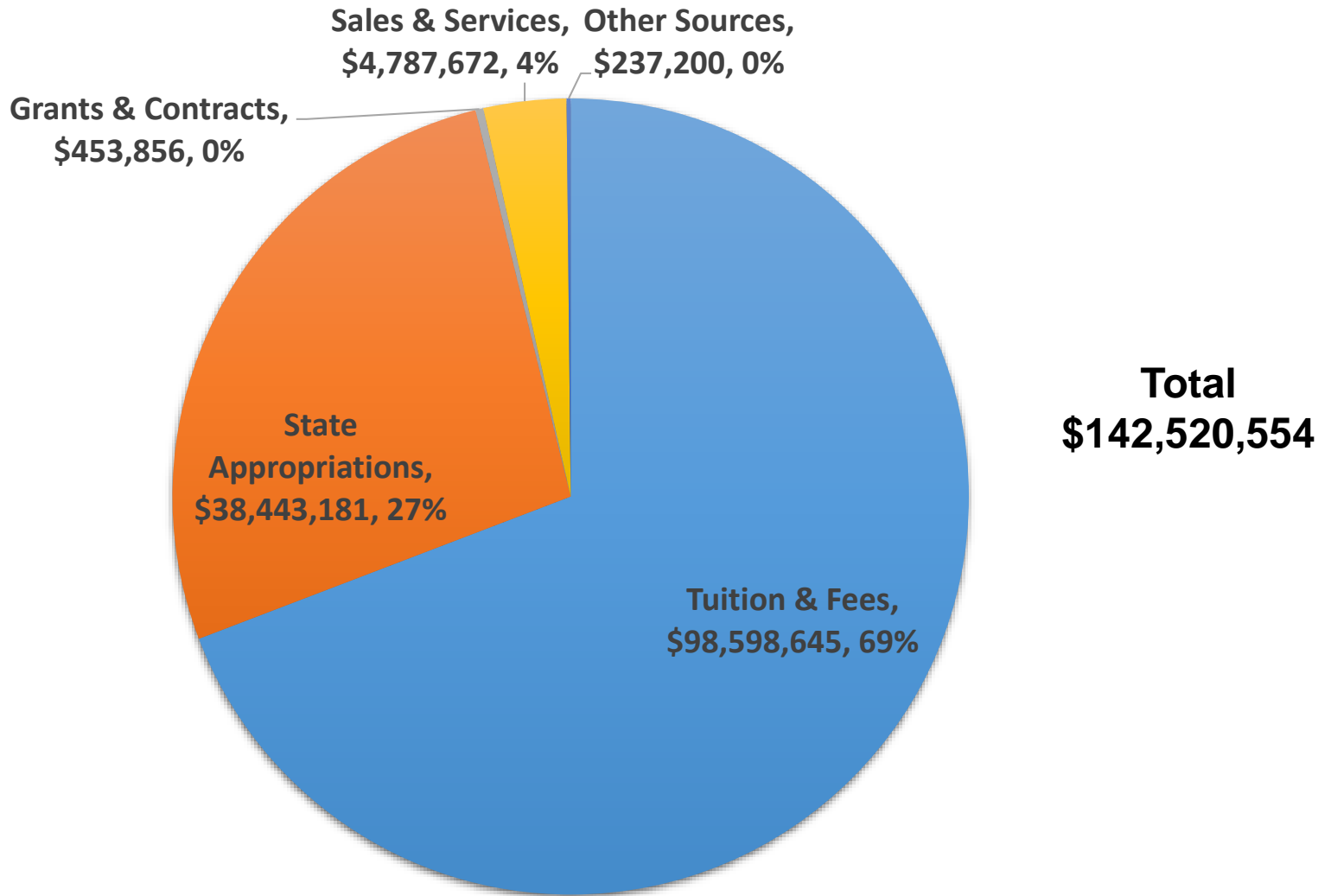
- Making decisions about organizational priorities that specify what changes in intentions, competencies, or behavior the organization will pursue. It is the mechanism through which organizational values and methods of identifying them are affirmed.
- Aligns resources to decisions.
- Ensures efficiency and effectiveness.
- Planning must result in decisions.
- Planning is fundamentally a change process.

Basic Mission	Basic purposes of the enterprise and its guiding principles for behavior.
Clientele	Target audiences of the institution.
Program/Service Mix	Program offerings and priorities of the institution.
Comparative Advantage/ v. Competitive Advantage	“Differential advantage” sought over other organizations engaged in similar activities.
Assets	Changes needed in human, physical, information or intangible assets of the enterprise.
Objectives	What the organization must accomplish in order to move from the <i>existing</i> to <i>desired</i> state of affairs.

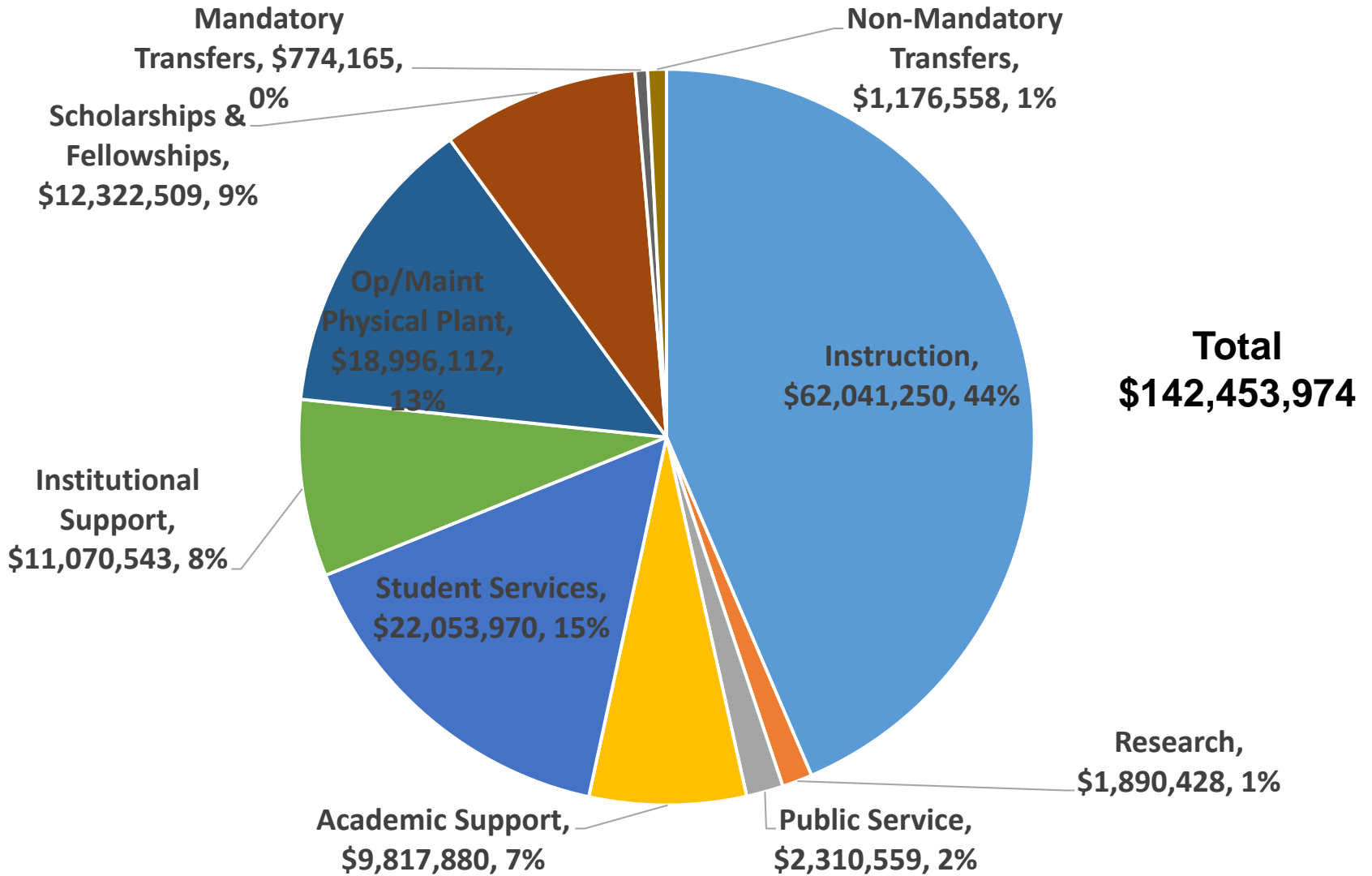
The Management Cycle in a Public Institution



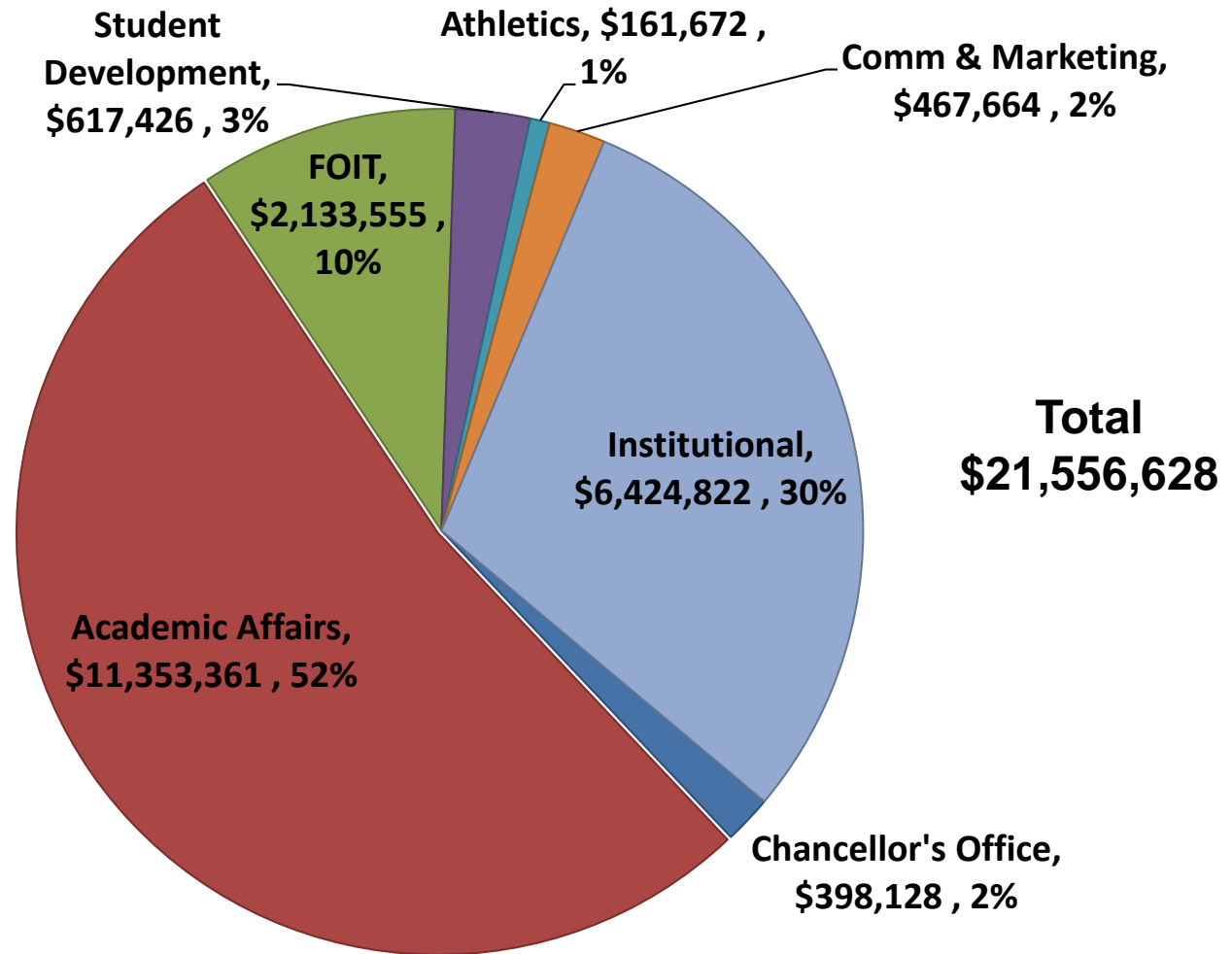
FY 15 E&G Original Budget - Revenue



FY 15 E&G Original Budget - Expense

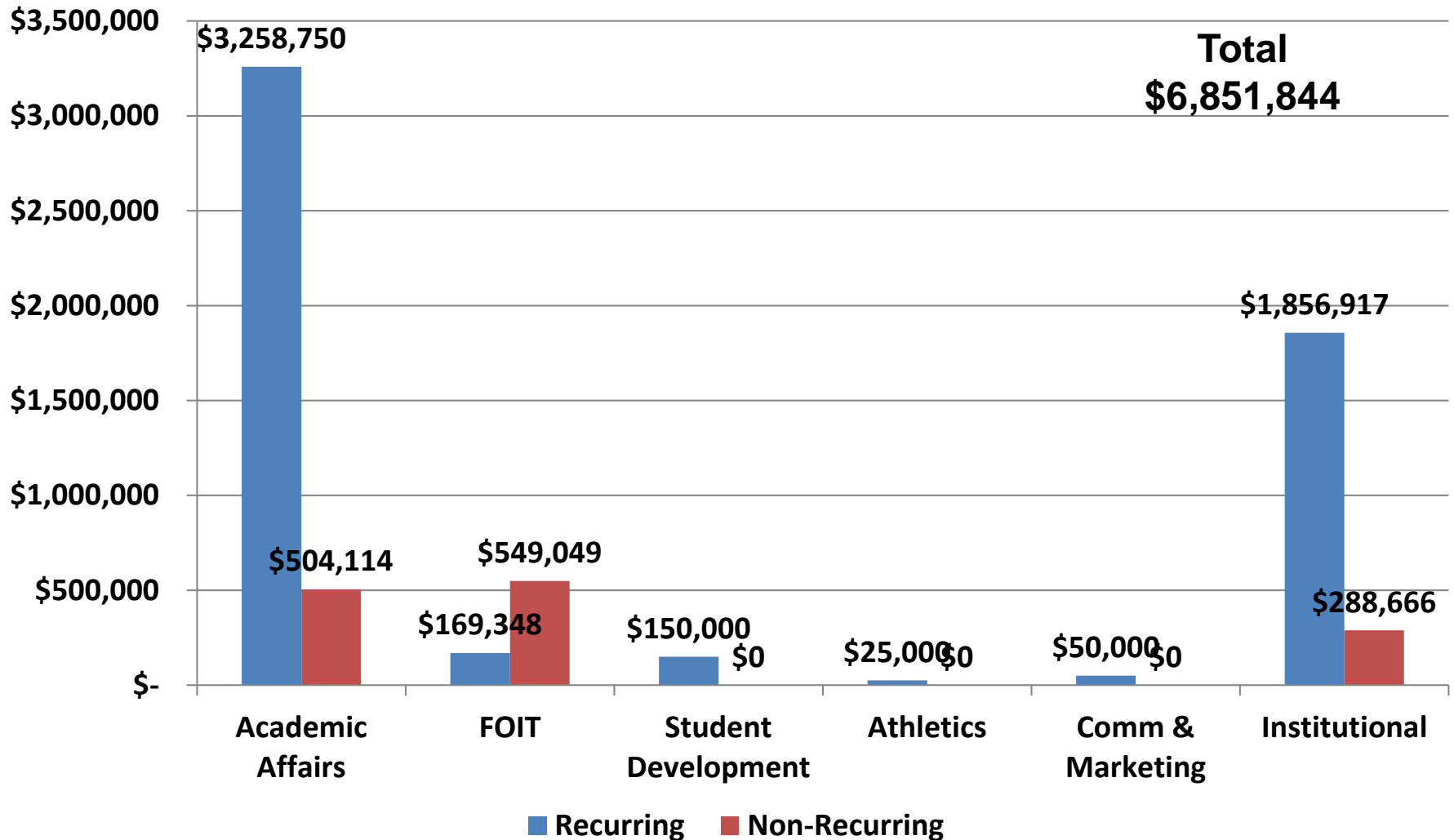


FY 09-15 New Recurring Budget Allocations



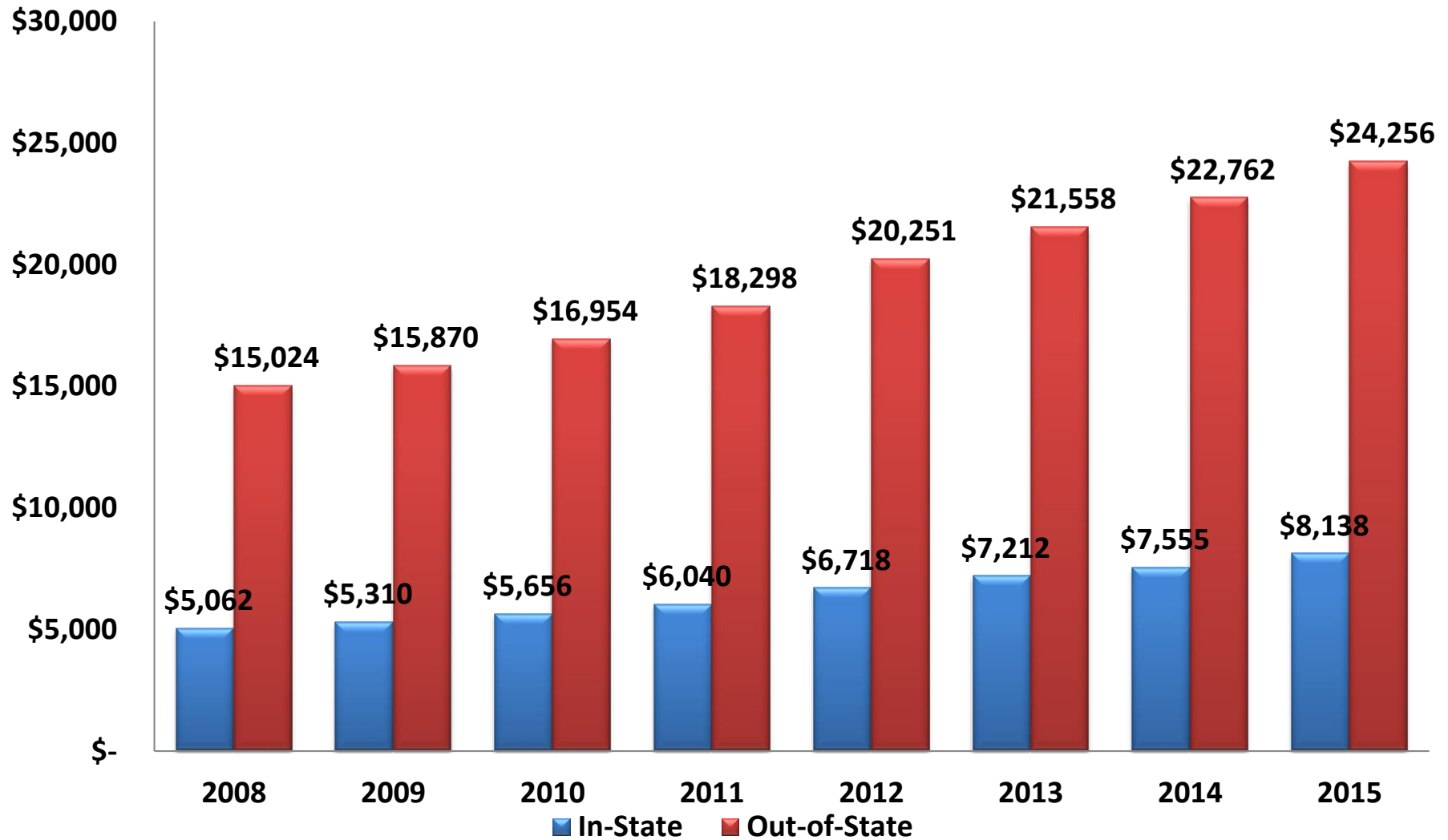
Allocations don't include ATB pay raises, automatic scholarship increases, new fee revenue or non-recurring funds.

FY 09-15 Enrollment Growth Allocations

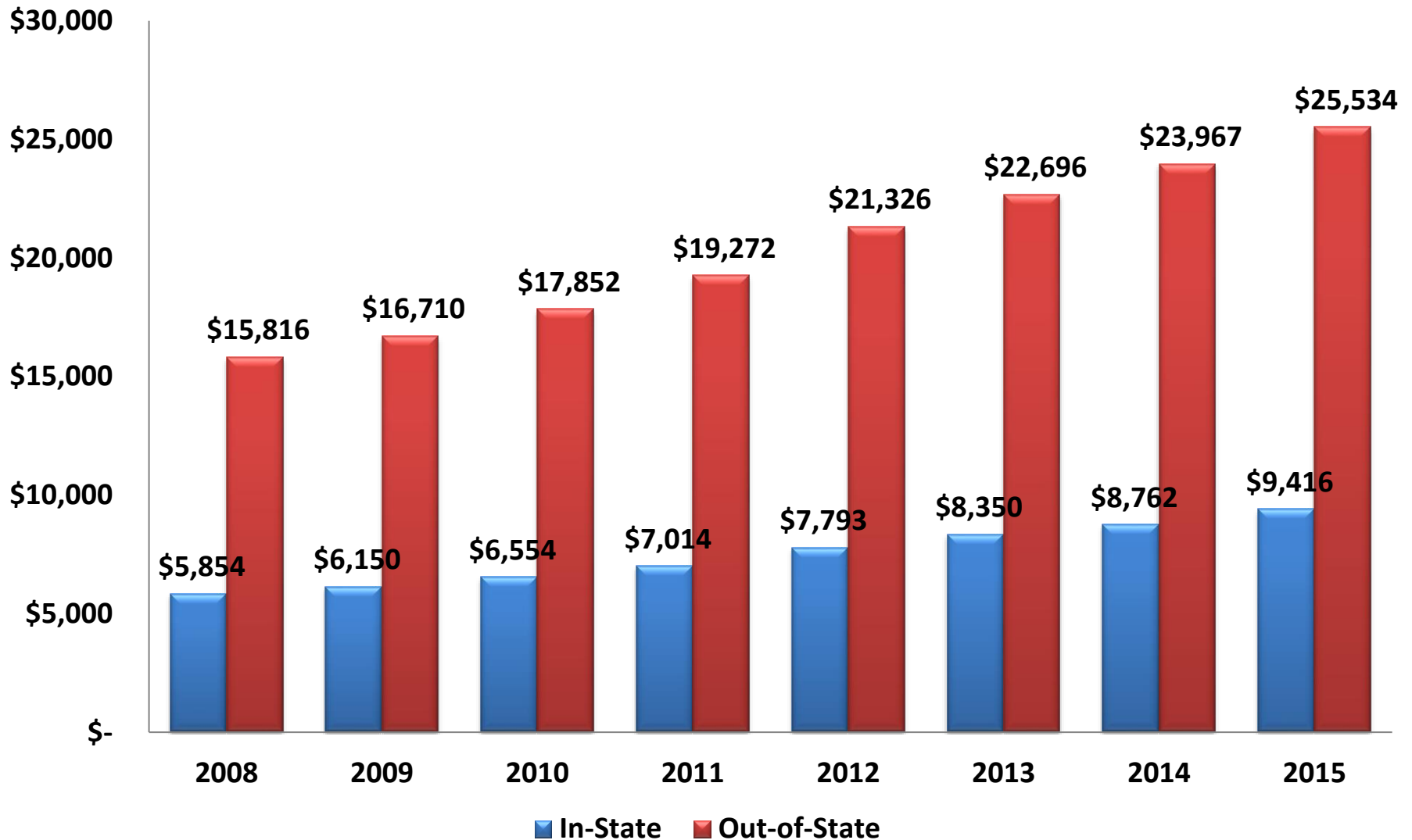


In addition to the above, funds have also offset base budget reductions and scholarship cost since FY 2009.

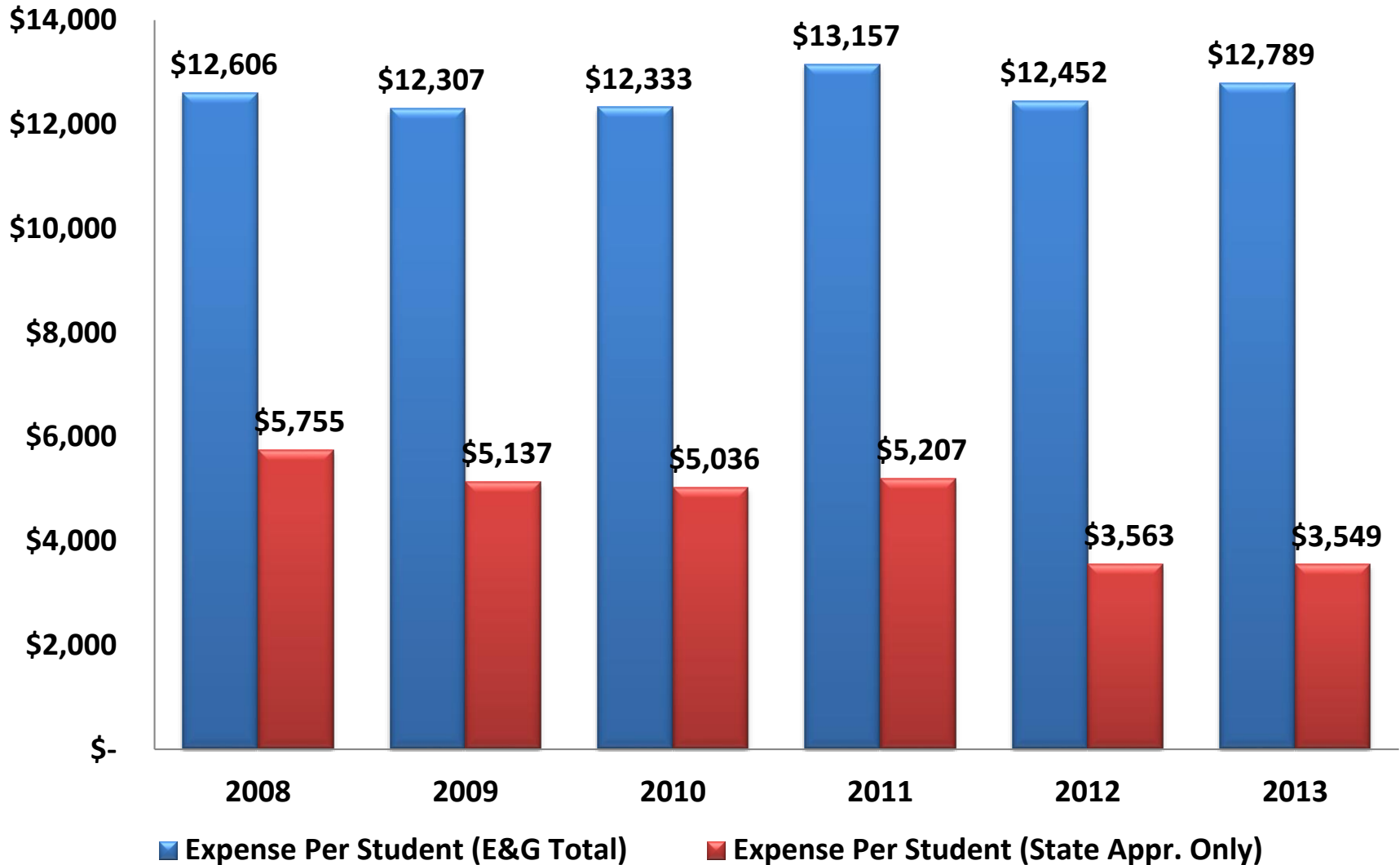
FY 08-15 Undergraduate Tuition & Fees



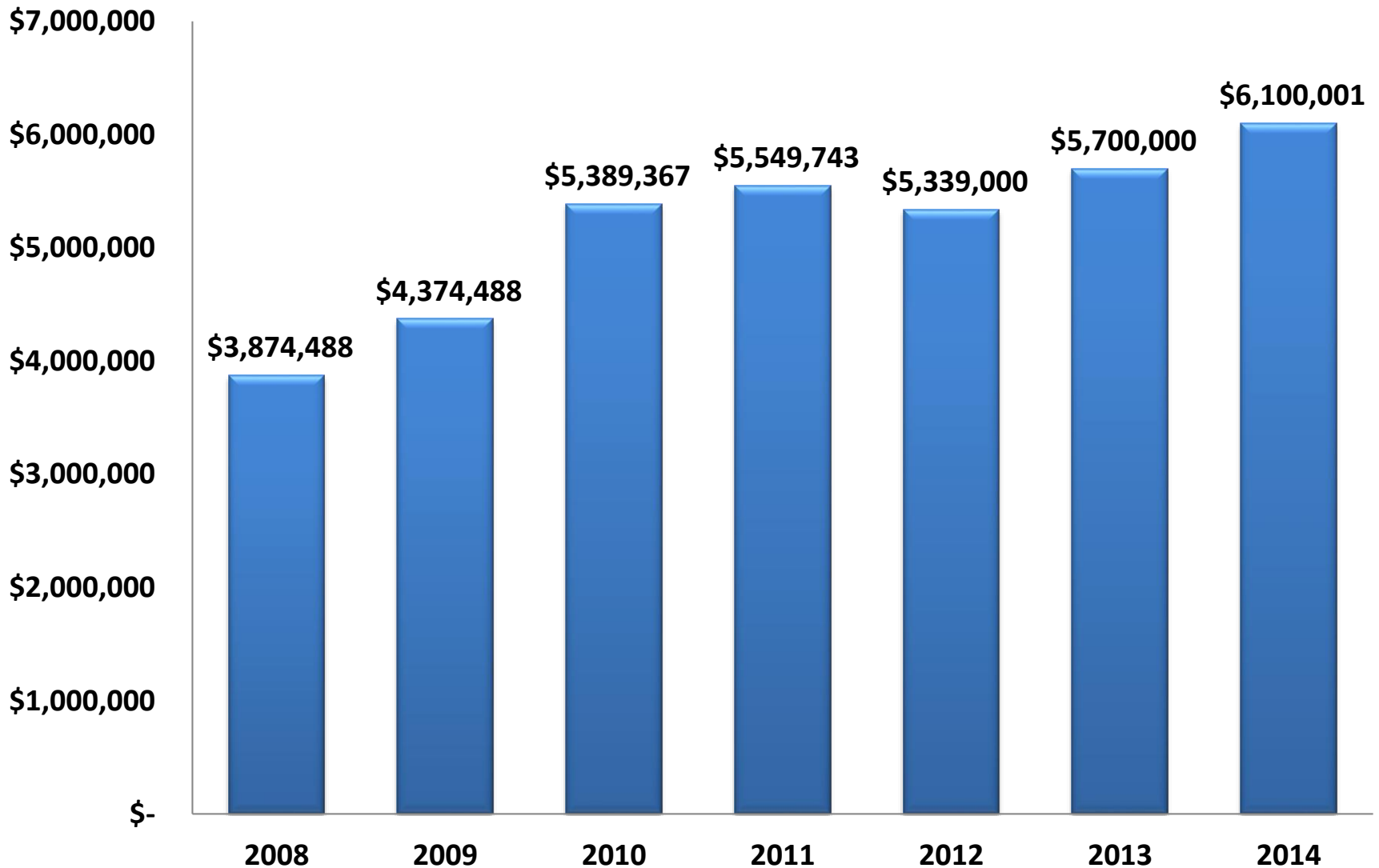
FY 08-15 Graduate Tuition & Fees



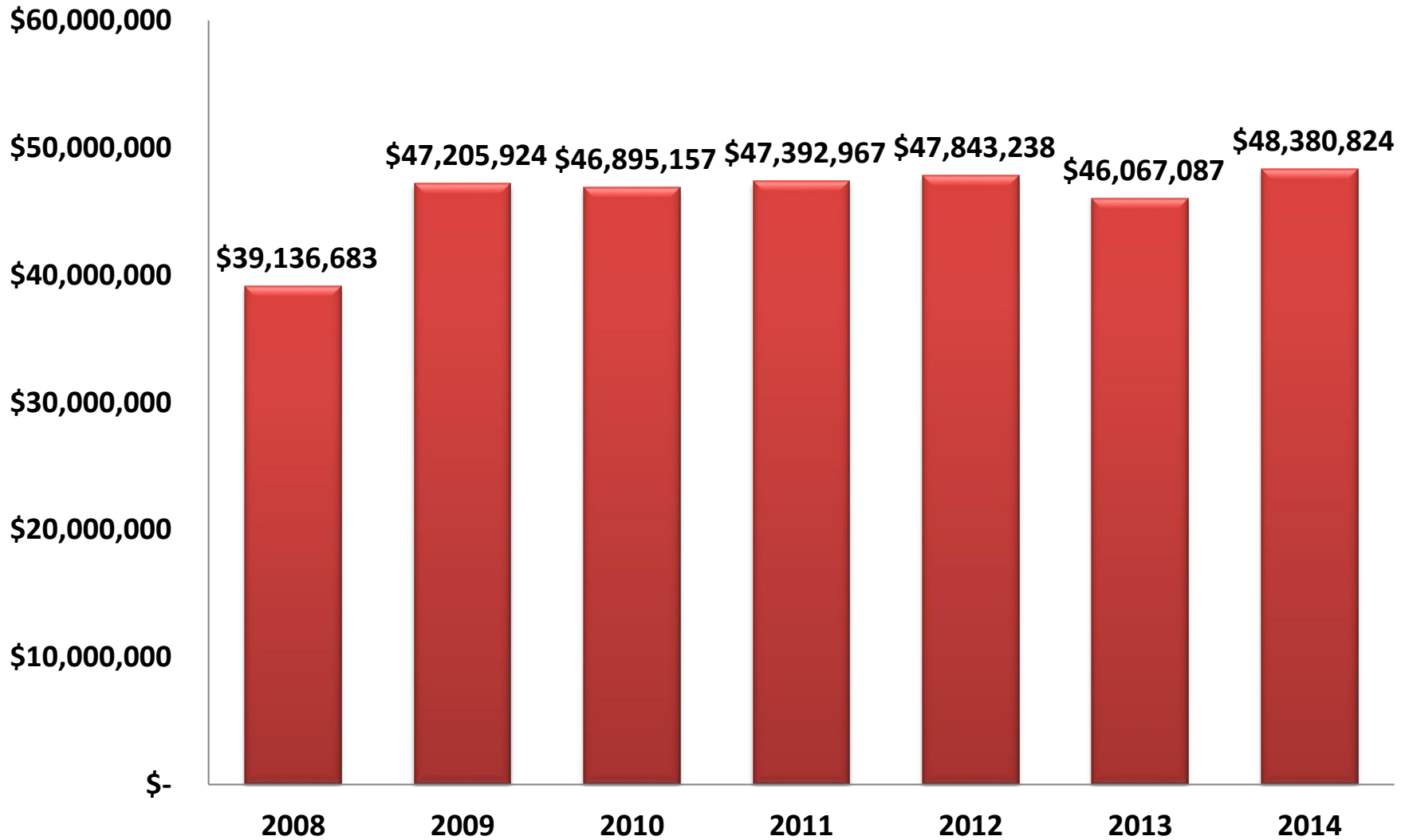
FY 08-13 Expense Per Student



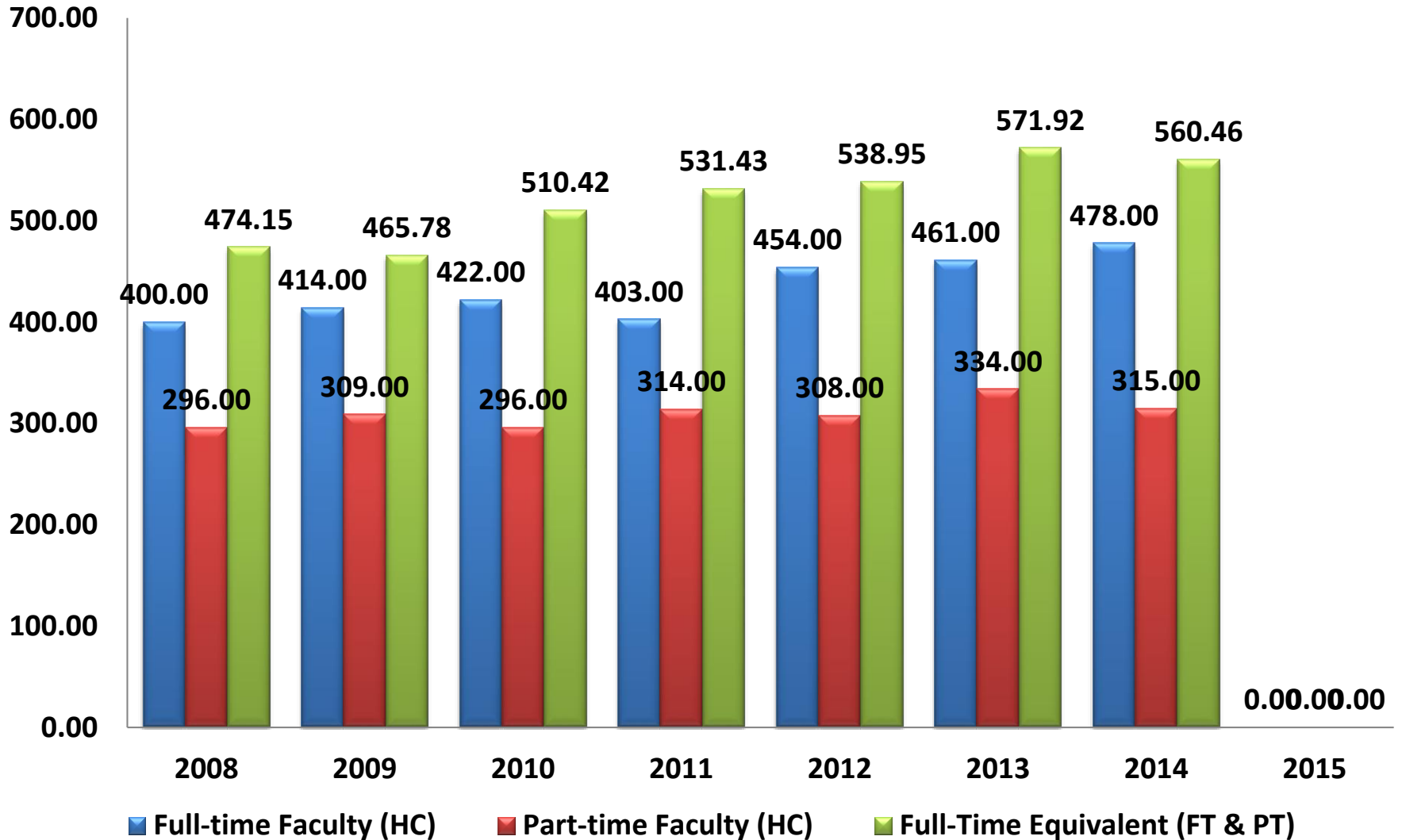
FY 08-14 E&G Fund Balance



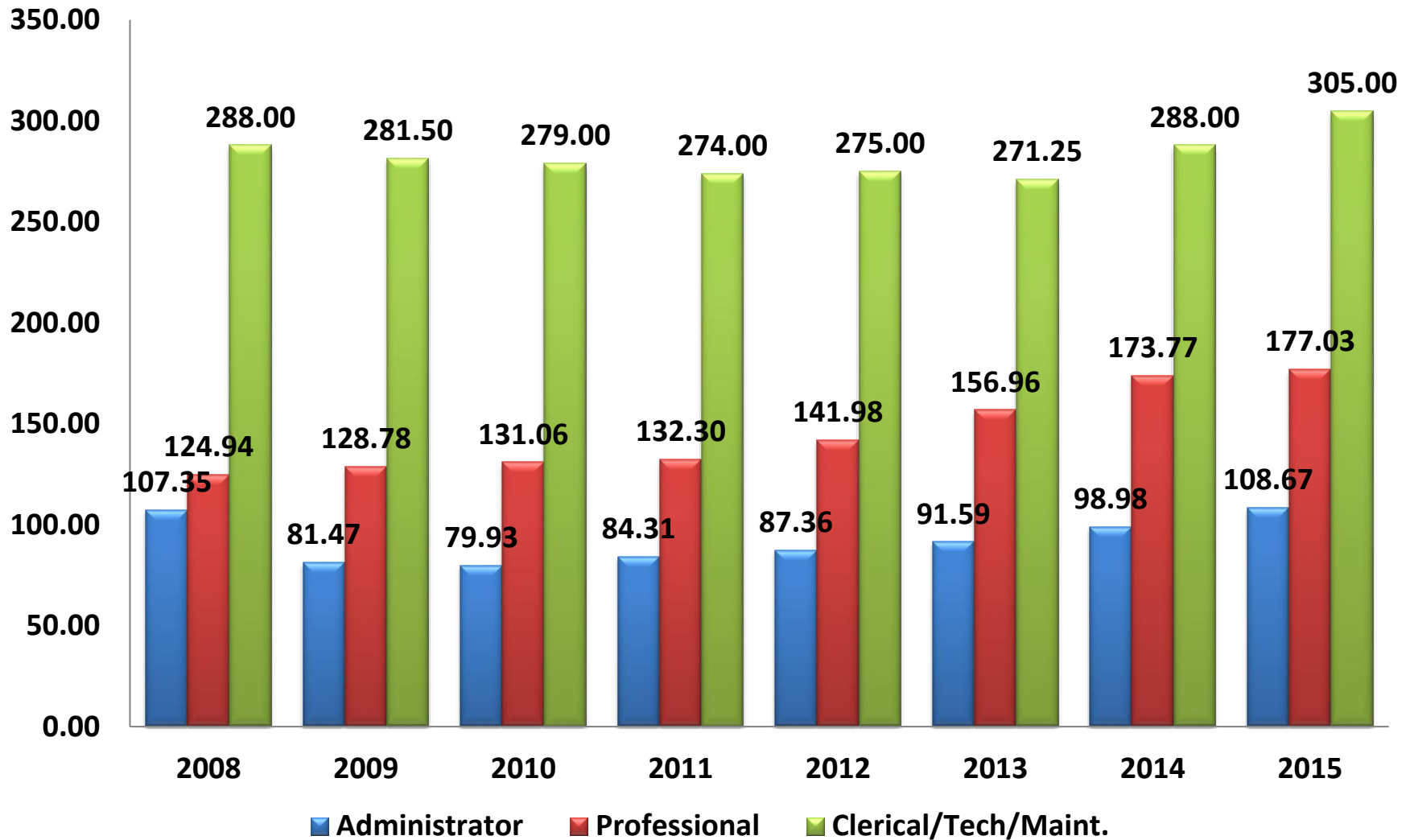
FY 08-14 Notes & Bonds Payable



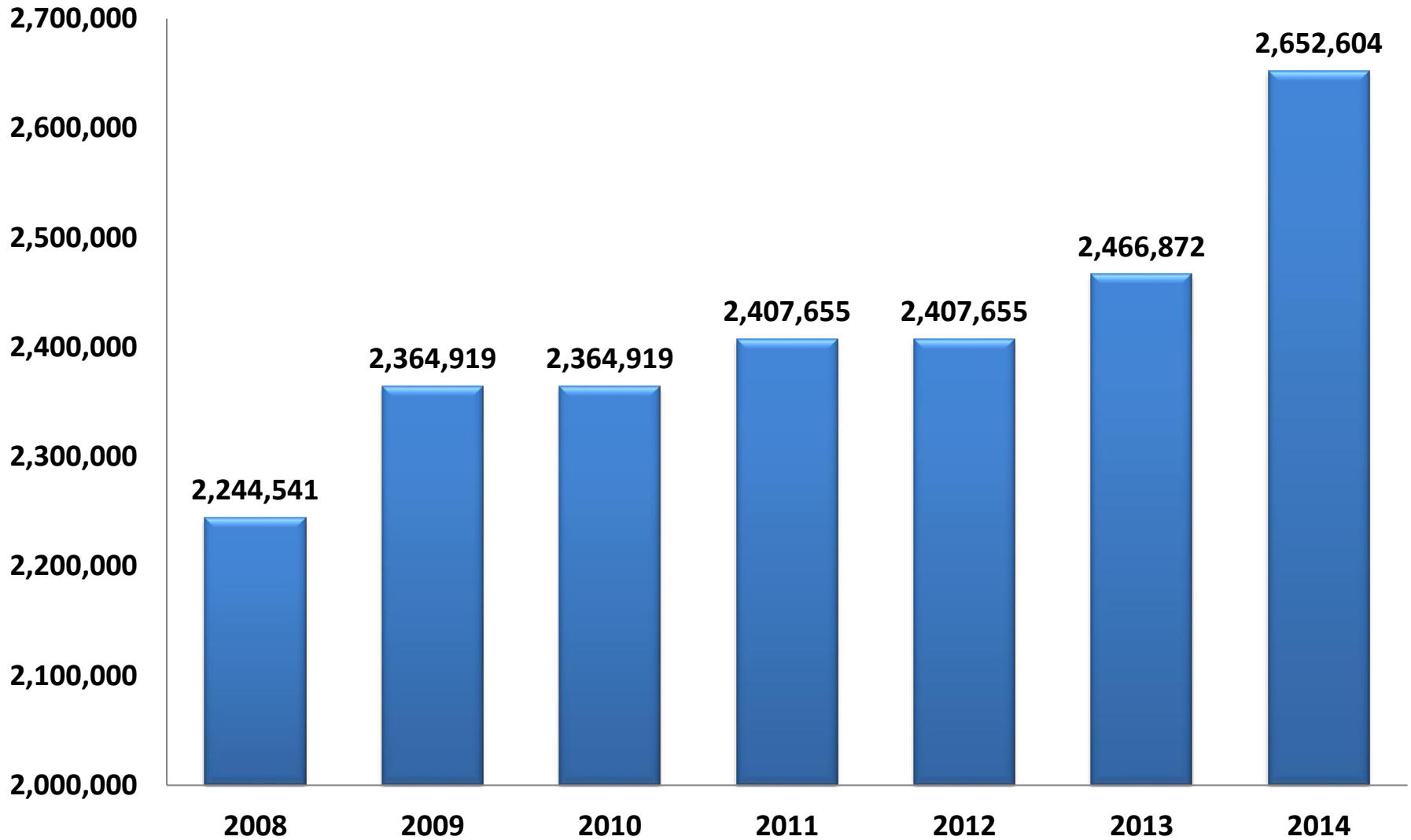
FY 08-15 Faculty Count



FY 08-15 Staff Count



FY 08-14 Physical Plant Square Footage



FY 08-14 Residence Hall Occupancy Rates

