• Decision Making
• Budgeting in Higher Education Environment
• PBA and Budgeting
• Budget Simulation
Decision

- A determination arrived at after consideration
- The act or process of deciding
  – Merriam-Webster Dictionary
Decision Making

• The **cognitive process** leading to the selection of a course of action among variations.
  – Wikipedia

Whenever you see a successful business, someone once made a courageous decision—Peter Drucker

Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice, and discipline.—Jim Collins
Decision Environment

- Collection of information, alternatives, values and preferences at the time of the decision
- Information and alternatives are constrained by time and effort
Decision Streams

• There is a stream of decisions surrounding a given decision
  – Many decisions made earlier have led up to this decision and made it both possible and limited
  – Many other decisions will follow from it
• Every decision
  – follows previous decisions
  – enables many future decisions
  – prevents other future decisions
Group Decision Making Methods
Group Decision Making Methods
Group Decision Making Methods

- Democratic
- Autocratic
- Participatory
- Consensus
Democratic

• Decision by Majority Vote
  – Requires support from at least 50% of group members
  – Encourages either/or thinking
  – Useful if there is insufficient time to decide by consensus
  – Leaves an alienated minority
  – Full commitment to implement the decision is absent
  – No one really “owns” the decision (I didn’t vote for that)

No one will follow someone who won’t take decisive action—Leadership Challenge
Autocratic

• One individual maintains total control and ownership of decision
  – Very fast decision
  – Leader generally does not ask for suggestions
  – Usually best in emergency situations
  – Useful when the expertise of one person is superior and little is gained from group discussion
  – Takes less time than group discussion
  – Group has no commitment to implementation
Participatory

- Leader involves the group members
  - Involvement is solicited
  - Other perspectives, information, and knowledge are discovered
  - Can be time and resource consuming
  - Leader maintains control of the decision and responsibility
  - Does not require agreement from some for others to act
  - Engenders more commitment to implementation

People don’t produce when feeling uninvolved, insignificant, and threatened. Team members felt strong and capable because their input made a difference—Leadership Challenge
Consensus

• Agreement--not necessarily complete agreement but all team members can support
  – Minority agrees to go along with decision
  – Tries to avoid “winners” and “losers”
  – Everyone will not be totally happy
  – Process in which everyone participates
  – Everyone has had opportunity for his/her ideas to be heard
  – Not unanimity but everyone agrees what the decision should be
  – Elicits commitment from all members to implement the decision
  – Takes a great deal of time and energy
Review

• Democratic
• Autocratic
• Participatory
• Consensus

The best groups don’t limit themselves to just one decision-making method—
Resource International
Budgeting--A novel idea!
Budgeting & Decision Making

• Factors Affecting the Budget Process
  – Institutional Character
  – Involvement
  – Openness of Process
  – Decision-Making Authority
  – External Environment and Processes
State Overview of Budgeting

UVU Budgeting Process

PBA → COP → USHE → Regents

Legislative Analysts Office of Planning & Budgeting

Recommendations → Governor’s Budget

Higher Education Appropriation Subcommittee

Executive Appropriations

Budget Bill (House or Senate)

1st Tier (Compensation)

2nd Tier (Institutional Priorities)

Money to Appropriations → Governor’s Signature

U.S. Higher Education

Tuition

1st Tier (Compensation)

Institutions

Line Items

University of Utah

Governor’s Budget

Legislative Analysts Office of Planning & Budgeting

Campus Visits

Campus Visits

Executive Appropriations

Budget Bill (House or Senate)
2009-10 PBA Cycle

State of the University

SDAC - Institutional SWOT Analysis

Legislative Outcomes

SDAC Recommends Institutional Strategic Directions

PBA Outcomes with President Holland

Trustees Approve Institutional Strategic Directions

Campus Conversations (Divisional)

Division/Departmental Conversations and Divisional Prioritization

PBA Conversation Guidelines Distributed to University Community

Institutional & Divisional Planning

PBA

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sept

Oct

Nov

Dec
PBA Process

• Enhances…
  – **Transparency**—information, priorities, strategies, actions are open to all stakeholders
  – **Accountability**—sharing in decisions, partners are accountable to each other
  – **Equity**—groups which are usually excluded from decision-making have opportunity participate
  – **Efficiency**—information is shared and decisions are taken in common; actions are complementary and mutually supportive
Planning and Budgeting

• Not every decision will easily flow from the plans, but the absence of plans will make each decision a struggle.

• Budgetary decisions naturally evolve from the planning process. By the time the budget process is under way, the critical decisions already have been made.
• Many plan without even realizing that is what they are doing

• A budget is, in reality, a plan, expressed in dollars instead of the letters of the alphabet

Smart Planning: Why Do Any Other Kind?
By: Terry Calhoun
October 2008
A budget is a map guiding an institution on its journey in pursuit of its mission.

Source: College & University Budgeting, NACUBO
WHAT’S A BUDGET???

• All sources of income (inflows) are identified and expenses (outflows) are planned
• Summary or plan of the intended revenues and expenditures
• Financial plan for the new fiscal year

WHAT A BUDGET IS NOT?

• A record of expenditures/revenues (accounting)
• A guarantee (only as good as projection)
• Real money (allocation based on projections)
• Concrete (responsive, fluid, constantly monitored, iterative)
Roles of a Budget

- Financial representation of the university’s plans
- Contract between management and staff
- Statement of future financial status
- Control mechanism
- Accountability system
- Indicator of risk tolerance
- Political instrument
KEY FACTORS

• **REVENUE**
  - Tax Funds
    - Legislative Process (involves Presidents, Board of Regents, Commissioner’s Office, Legislators, Governor)
  - Tuition
    - Tuition Rate (UVUSA, Trustees, Regents, legislature)
    - Enrollments
Revenue--Price Setting

• First Tier Tuition
  – Generally established as part of appropriation process by Legislature; Regents approval
  – Provides portion of funds for compensation increases

• Second Tier Tuition
  – Provides funds for institutional needs
  – Involves administration, students, and Trustees; Regents approval
  – Statutory requirements
GROWING REVENUE

- Additional Tax Funds from Legislature
- Additional Tuition Revenue
  - Increased enrollments (may increase costs)
  - Increased rates (may decrease enrollments)
KEY FACTORS

EXPENDITURES

• Cost Increases
  – Compensations, fuel & power, etc.

• Maintain Resources
  – Facilities, IT Infrastructure

• Implement New Programs/Services

• Improve Existing Programs/Services

• Emergencies
• Within constrained resources, a financial plan that:
  – Reflects priorities
  – Fiscally responsible
  – Flexible to respond to unanticipated circumstances
  – Applies effect of decisions made through the planning process
Budgeting Process

• Essentially, the process of saying--

--Because requests always exceed available funds

The art of leadership is saying no, not yes. It is very easy to say yes.—Tony Blair
Questions
Constraints/Budget Realities

- **Revenue Outlook**
  - Tax funds
    - 17% base reduction already implemented
    - One-time funds from ARRA shifting
    - Potential small additional reduction pending for 10-11
  - Tuition
    - Enrollment increase = revenue increase
      - One-time funds for 09-10
      - Base for 10-11
    - Tuition rate increase
  - Other Sources
    - Generally tied to specific projects
Appropriated Budget Revenue History
(Initial Base Budget)

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<th>Year</th>
<th>Tax Funds</th>
<th>Tuition &amp; Fees</th>
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<td>2010</td>
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- 2001: 61.46%
- 2010: 45.49%

Tax Funds vs. Tuition & Fees
Appropriated Operating Budget Expenditures

- Instruction: 50.41%
- Public Service: 0.08%
- Academic Support: 8.45%
- Library: 19.05%
- Student Services: 0.47%
- Athletics: 9.53%
- Scholarships: 8.34%
- Institutional Support: 2.10%
- O&M Plant: 1.57%

Legend:
- Instruction
- Public Service
- Academic Support
- Library
- Student Services
- Athletics
- Institutional Support
- Scholarships
- O&M Plant
Education and General Expenditures

- Salaries/Wages: 59.44%
- Benefits: 24.76%
- Travel: 12.20%
- Current Expense: 0.64%
- Capital Equipment: 0.53%
- Fuel & Power: 2.43%

(Chart showing the distribution of expenditures)