



# FOAC Knowledge Builder Series #2

## Budget Build

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# Desired Training Outcomes



You gain a clear understanding of the budget build process, enabling effective dialogue and serving as informed ambassadors to relay insights to your constituents.





# Common Budget Models

# Budget Models



## Incremental



- **How It Works:** Each department or unit receives a budget allocation based on the previous year's budget, with an increase or decrease applied uniformly. Adjustments might be made to reflect changes in student enrollment, inflation, or specific strategic initiatives.



- **Simplicity:** Easy to understand and implement.
- **Stability:** Departments can plan activities more predictably, knowing that their budgets won't drastically change.



- **Inefficiency:** Encourages departments to spend their entire budget.
- **Limited Flexibility:** Does not easily accommodate major shifts in strategic priorities or emerging needs.

# Budget Models



## Zero-Based

- **How It Works:** Budgeting starts from a “zero base,” with all expenses needing justification as if the budget were being proposed for the first time. Departments must provide a detailed rationale for each line item, evaluating its necessity and contribution to institutional goals.



- **Promotes Efficiency:** Encourages critical evaluation of every expense, ensuring that funds go to high-priority needs.
- **Supports Strategic Alignment:** Resources are directed based on necessity and alignment with institutional goals.

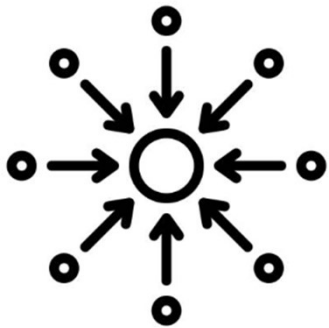


- **Resource-Intensive:** The process requires significant time and effort and extensive documentation and analysis.
- **Potential for Short-Term Focus:** May lead to a focus on justifying existing programs rather than investing in long-term strategic initiatives.

# Budget Models



## Centralized



- **How It Works:** The central administration has full control over the budget and allocates funds to departments based on institutional priorities. Departments have little autonomy in financial decisions, and budget adjustments are made centrally.



- **Strategic Alignment:** Resources are easily directed toward the institution's goals and can be quickly reallocated as needed.
- **Simplified Oversight:** Easier to manage resources centrally, reducing the complexity of budget management.



- **Limited Flexibility:** Departments may feel constrained in their ability to pursue new initiatives or respond to changing needs.
- **Potential for Disconnect:** Units may feel disengaged from the budgeting process, which could reduce buy-in and motivation.



# Other Budget Models

**Performance-Based:** Funding is allocated based on the achievement of specific outcomes or performance metrics. Institutions may reward high-performing departments or programs with additional funding.

**Responsibility Center Management (RCM):** Individual units are responsible for generating their own revenue and managing their expenses and pay a “tax” or fee to support shared services.



# Oregon Tech Budget Model



## Modified Incremental/Hybrid



- **How It Works:** Combines elements from various models, for Oregon Tech combines incremental, zero-based, and centralized approaches.
- **Flexible and Adaptive:** Can be adjusted to suit different areas of the institution, providing both control and autonomy where needed.
- **Customizable:** Allows institutions to experiment and optimize their budgeting approach over time.



- **Complexity:** Managing a hybrid system can be challenging, especially in communicating roles, expectations, and financial responsibilities.
- **Requires Strong Communication:** Effective communication and clear guidelines are essential to ensure all units understand the hybrid model.



# Oregon Tech Budget Model



## Modified Incremental/Hybrid

- Incremental in aggregate
  - Overall budget is adjusted up or down based revenue projection and planned net (use of reserve or balanced budget)
- Hybrid at the Division level
  - Each Division is a stand-alone unit, and the VP can choose the budget model that best fits their situation
- Centralized in certain inputs
  - Permanent salary increases
  - Strategic investments



# Budget Build Process

# FY 2025-26 BUDGET BUILD TIMELINE

## January

- Budget planning senior leadership
- 1st TRC meeting
- FOAC planning discussion
- 2nd TRC meeting
- 2025 Legislative Session

## February

- 3rd TRC meeting
- TRC forums

## March

- Templates to Divisions
- 4th and final TRC meeting
- FOAC planning discussion
- Budget targets

## April

- BOT meeting-approve tuition & fees
- BPO template review
- All funds budget to FOAC and Senior Leadership for review

## May

- BOT docket due
- Strategic investment decisions

## June

- BOT meeting-budget approval
- Board approved budget loaded into FENXT



# Early Decisions

- Macro Factors
  - Political landscape
  - HECC
  - Board
  - Higher ed market conditions
- Micro Factors
  - Evaluate early forecasts – is a surplus or deficit more likely
  - Evaluate use of reserve – trends, long-range planning, future financial outlook
  - Strategic investment planning



# Revenue Forecasting – State Appropriations

## State Appropriations

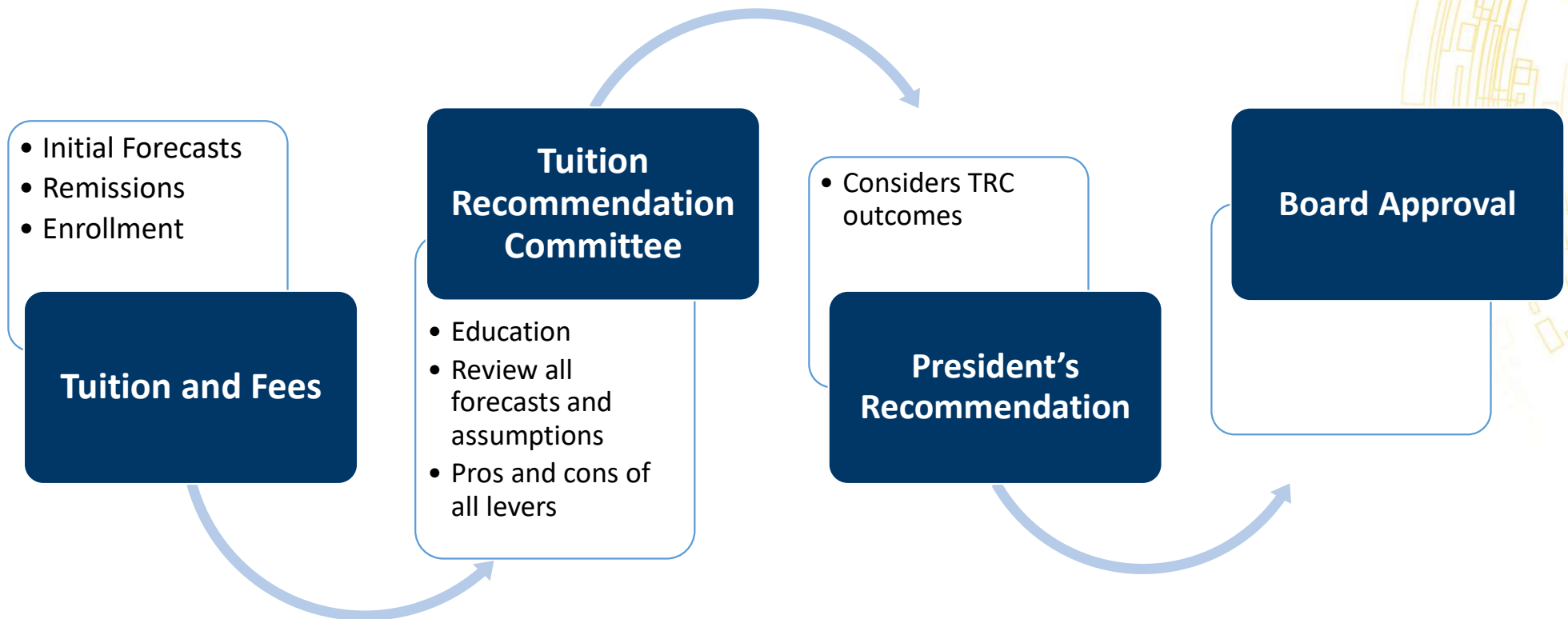
- In the first year of a biennium, estimate the PUSF
  - Gauge political climate in Salem (alignment of GRB and Ways and Means Committee, Legislative priorities, etc.)
  - Review state revenue forecasts
  - Communication amongst Oregon Public Universities
- In the second year of a biennium, estimate October true-up

## Conservative Forecasts

- Pros
  - Easier to pivot from worst case to best case (more investment opportunities)
  - Provides lead time for position reductions if necessary
- Cons
  - Can hurt recruitment cycle and strategic investment window
  - Difficult to communicate necessity



# Revenue Forecasting - Tuition



# Expense Calculations



## Known Current-Year Adjustments

- Mid-year changes
- Permanent strategic investments
- Shifts between Divisions
- Permanent adjustments processed in the current year

## Salary Changes

- Current year mid-year adjustments + OPE
- Next year
  - Known CBA obligations
  - Faculty promotions
  - Estimated admin increases (usually follows faculty increases but not guaranteed)
  - OPE on salary changes
  - OPE rate increases

## Strategic Investments & Contingency

- General magnitude of available funds
- Budget cuts to fund, or funded with expected surplus

Initial budget versions generally assume no strategic investments and no change to contingency. I.e., only labor increases are included

# Strategic Investments



Smartsheet  
Form to VPs

Divisional  
Submissions

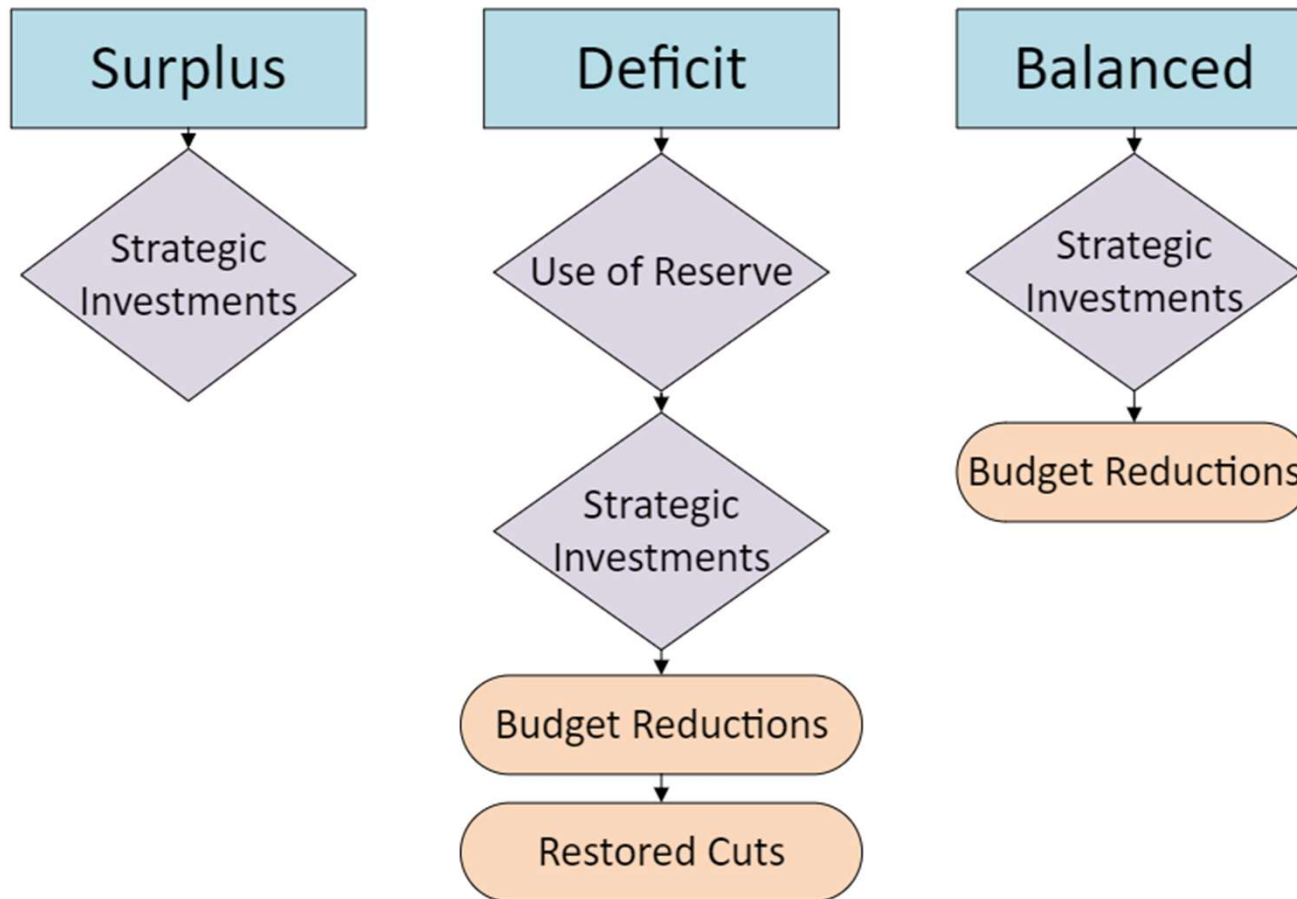
VP Divisional  
Prioritization

VPs Present  
to Senior  
Leadership

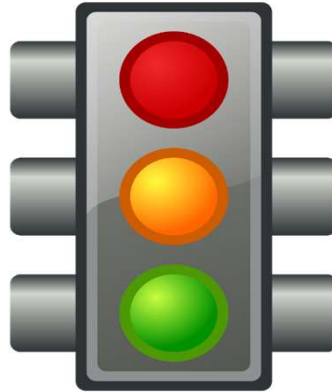
Senior  
Leadership  
Votes on  
Priorities

President  
Makes Final  
Decisions

# Balancing the Budget



## Financial Scenario Planning



### Mid Case Scenario

*Breakeven budget*

- PUSF Increase approved at DAS CSL (7%)
- Enrollment growth continues at slower rate (0.5% increase)
- Moderate increase in salary and other expenditures
- Modest increase in Other Revenue growth (2%)

### Worst Case Scenario

*Budget reductions and/or use of reserve*

- No increase or cut in PUSF
- Enrollment decline (1% decrease)
- Significant increase in salary and other expenditures
- Modest increase in Other Revenue growth (2%)

### Best Case Scenario

*Balanced budget yielding surplus*

- PUSF increase approved at recommended level (9.54%)
- Enrollment growth continues (2% increase)
- Modest increase in salary and other expenditures
- Modest increase in Other Revenue growth (2%)



# Budget Submission



VPs Given Budget Targets

BPO Releases Excel Budget Templates

VPs Determine Divisional Engagement

VPs or Designees Complete Budget Template

BPO Reviews and Requests Corrections If Necessary

# Budget Approval



**VPs Via  
Template  
Submission**

**FOAC**  
(recommendation)

**President**

**Board of  
Trustees**



# Deeper Dive



## Position Budgeting

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Positions are budgeted by name & position number in budget templates

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BPO has a role in position approval at the position description, posting, and hiring stages

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If a position is presented over budget at any stage in HEROES, the BPO will connect with the Director/Dean to identify a funding plan

# Mid-Year Forecasting



- January forecasts might indicate the need for a management response for reductions or investment opportunities
- Mechanisms for managing budgets mid year
- Forecasting remains uncertain; trends need to be well-established



# Special General Funds



- Budget must net \$0, with expenses matching revenues
- Cash balances carry over
- Budget is limited to current year revenue
- Use of reserve (prior year revenue) requires an approval process

# Questions and Discussion?

Thanks!



# Budget Models



## Considerations When Choosing a Budget Model

- **Institutional Size and Complexity:** Larger institutions may benefit from decentralized models, while smaller ones might find centralized budgeting more manageable.
- **Revenue Stability:** Institutions with fluctuating revenues may prefer models that emphasize flexibility and efficiency.
- **Strategic Goals:** The chosen model should support the institution's long-term vision and priorities, whether that means fostering research, enhancing student outcomes, or improving efficiency.
- **Cultural Fit:** The institution's culture, including its appetite for risk, collaboration, and innovation, can influence which model is most effective.