

Ferris State University
Employee Leadership Development Program

Financial Management at FSU
Budget Fundamentals

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Session Overview

- Budgeting Concepts
- Fiscal Management
- FSU Budget Fundamentals
- Current Budget Overview

What is a Budget?

- Plan
 - Roadmap for the future
- Control
 - Monitored - spending is curtailed when needed
- Commitment
 - Promise to deliver services, employ people, etc.
- Performance Measure
 - Assessing performance on deliverables



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Planning and Budgeting

- Processes are directly linked
 - Plans influence budgets
 - Budgets influence plans
- Dynamic activities
 - Internal and external forces influence planning and budgeting on an ongoing basis
- Statement of businesses priorities
 - Resources reallocated from low- to high-priority needs



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The Ferris Budget Planning Model

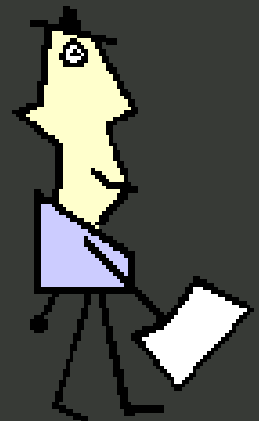
- Ferris' budget model is a planning function reporting directly to the President.
- The model encompasses four basic fiscal functions:
 - Budget Development (Planning)
 - Short-term (annual) budget development
 - Long-term (four-year) budget planning
 - Budget Allocation and Analysis
 - Fiscal Control of the allocated resources
 - Responsibility of Finance Office
 - Provides checks and balances
 - Audit (GASB)
 - Responsibility of the Finance Office



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Who's Involved?

- Planning and Budgeting must be directed from the top
 - CEO/President/Governing Board
 - Strategic Plan
- Widespread Involvement
 - Strategic Planning and Resource Council (SPARC), Tuition and Student Fees Committee
 - Individuals (experts in their areas), University VP's, Deans, Managers, etc.



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How are Budgets Developed?

- Prior Experience is used to Project the Future
 - Annual financial statements
 - Prior year budget is compared to actual results
 - Generally incremental in nature
- Based upon Planning Assumptions
 - Projected Revenues and Expenses
 - Sources of revenue
 - Tuition and State Funding
 - Anticipated changes
 - Enrollment/New Initiatives/External Support



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Budget Assumptions



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Ferris Budget Components

- Revenues
 - State Appropriations
 - Tuition and Fees
 - Departmental Revenue
- Expenses
 - Salaries/Benefits
 - Supply & Expense
 - Utilities
 - Debt Service
 - Student Aid



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Operational (Base) vs One-Time Budgets

- Operational (Base) budgets include annual, recurring categories of revenue and expenses
 - Positions, scholarships, supplies, utilities, etc.
- One-Time budgets are temporary
 - Once it's gone, it's gone!
 - Classroom remodel, construction projects, department carryover



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Questions on Budgeting Concepts?

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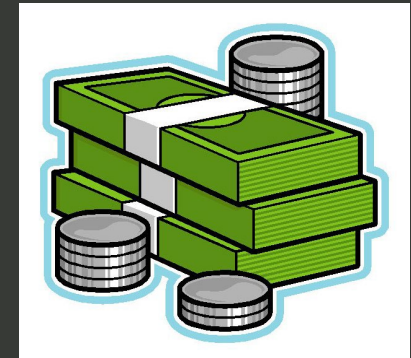
Fiscal Management

Guiding Principles:

- Financial responsibility
- Laws and policies
- Internal Controls

Reporting:

- The Board of Trustees
- The State
- Other agencies



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Financial Responsibility

- Who does Ferris have a responsibility to?
 - Federal and State government, taxpayers, students, granting agencies, donors, employees, vendors, public, etc.
- Key responsibilities
 - Financial integrity, due care, loyalty, good faith, full and fair disclosure



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Laws & Procedures

- The gambit of governmental regulatory agencies
 - IRS, DOL (FLSA), OSHA, EPA, + many more
 - www.federalregister.gov/agencies (432 federal agencies)
 - www.Michigan.gov/som/O,1607,7-192-29701_29702_30045---.00.html (18 state agencies)
- Budget Management Policy
- Business & Special Expense Policy
- Travel & Expense Policy



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Internal Controls

- Definition:
 - Systematic measures to conduct business in an orderly and efficient manner; safeguard its assets and resources; deter and detect errors, fraud, and theft; ensure accuracy and completeness of its accounting data; provide reliable and timely financial and management information; and ensure adherence to its policies and plans. *www.business dictionary.com*
- What are some examples?
 - Separation of duties, limiting access, requiring approvals, budget to actual reconciliations, locking your office/computer, etc.
- Who do internal controls protect?
 - The University
 - Employees
 - Stakeholders



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Budget Controls

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Reporting

- Financial Statements - www.ferris.edu/finance
 - Balance Sheet
 - Income Statement
- Board Reports
 - Budget to Actual reports
 - Internal Audit reports
- IPEDS, HEIDI, ACFR, etc.

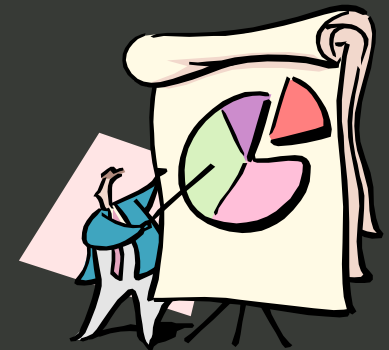


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Key Fiscal Analysis Tools

- Constant analysis of the fiscal health of an organization is crucial to success
 - Monthly budget comparisons
 - How we are performing compared to budget
 - Annual financial statements
 - Comparison over time compared to prior years
 - Assessment of how budget supports mission/goals
 - Progress on strategic planning goals



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Questions on Fiscal Management?



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FSU Budget Fundamentals

- Ferris is a major industry
 - Customer base of 10,361 students
 - Just over 1,025 full-time employees
 - Annual operating revenue of \$196 million
 - Ferris has an annual payroll of over \$136 million
- Ferris is the largest employer in Mecosta County
 - Locations across the State

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Where does Ferris' Money Come From?

- State of Michigan
 - FSU is a public university, supported in part through State budgets
 - State operating appropriation
 - State capital appropriation
- Students
 - Tuition and Room/Board
 - Books and Supplies
- Public
 - Grants, Contracts, Gifts
 - Consumers of products and services (golf course, etc.)



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FSU Operating Funds

- **General Fund**
 - Primary support from State of Michigan and student tuition; supports the academic mission of the University
- **Designated Fund**
 - Supported from gifts and grants for designated purposes
- **Auxiliary Fund**
 - Self-supporting operations of the University (housing, dining, golf course, etc.)
- **Expendable Restricted Fund**
 - Restricted state and federal grants and contracts

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FSU Non-Operating Funds

- **Student Loan Fund**
 - Provides students with the means to help meet their financial obligations in obtaining their education. Major sources of revenue are private gifts and government grants.
- **Endowment Fund**
 - Amounts for which the donor or Board of Trustees has specified that the principal may not be expended. Interest income is used to support operations.
- **Pension Obligation Fund**
 - GASB 68 and 75

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FSU Non-Operating Funds – cont.

- **Plant Fund** - consists of four units
 - Unexpended Appropriations - records assets available for new construction or major repairs/renovations
 - Reserve for Maintenance and Replacement
 - Reserve for Debt Service
 - Physical Properties - value of physical properties
- **Agency Fund**
 - Represents funds held in custody for students and University related organizations
 - Residence Hall Association

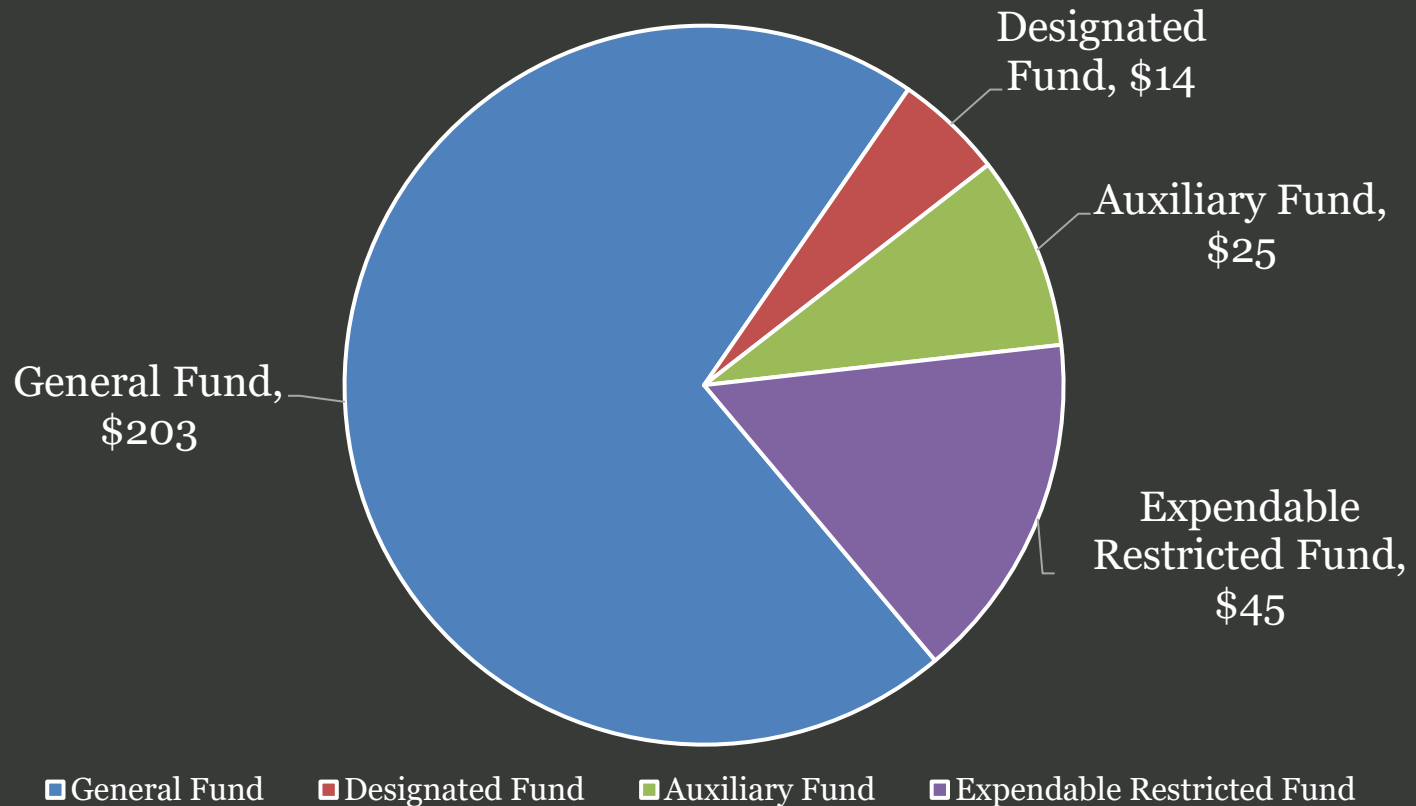
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Operating Fund Revenues

FY 2021 Actual - \$287 Million

(Amounts in Millions)



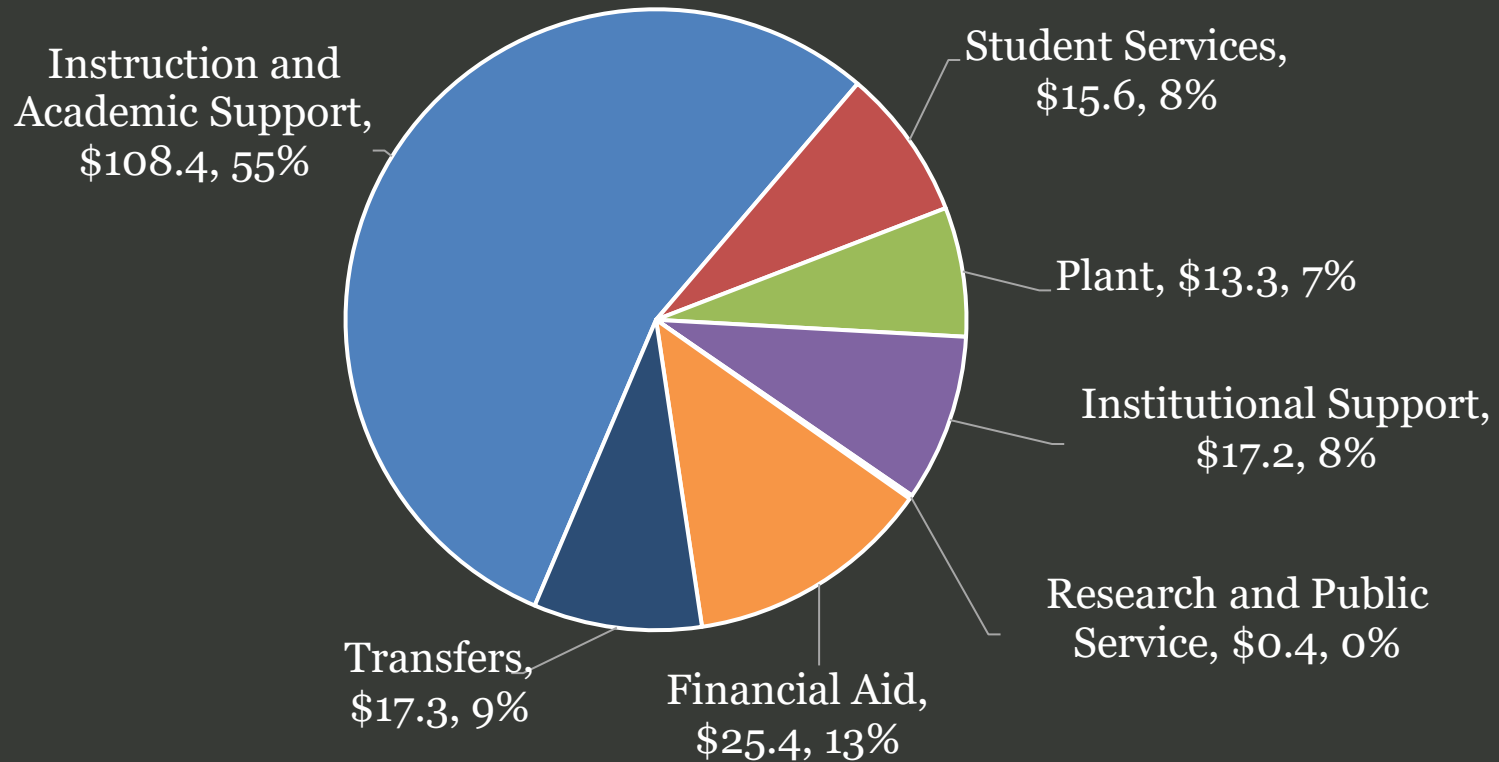
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General Fund Expenditures

FY 2021 Actual - \$198M

(Amounts in Millions)



■ Instruction and Academic Support
■ Institutional Support
■ Transfers

■ Student Services
■ Research and Public Service

■ Plant
■ Financial Aid

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Questions on FSU Budget Fundamentals?

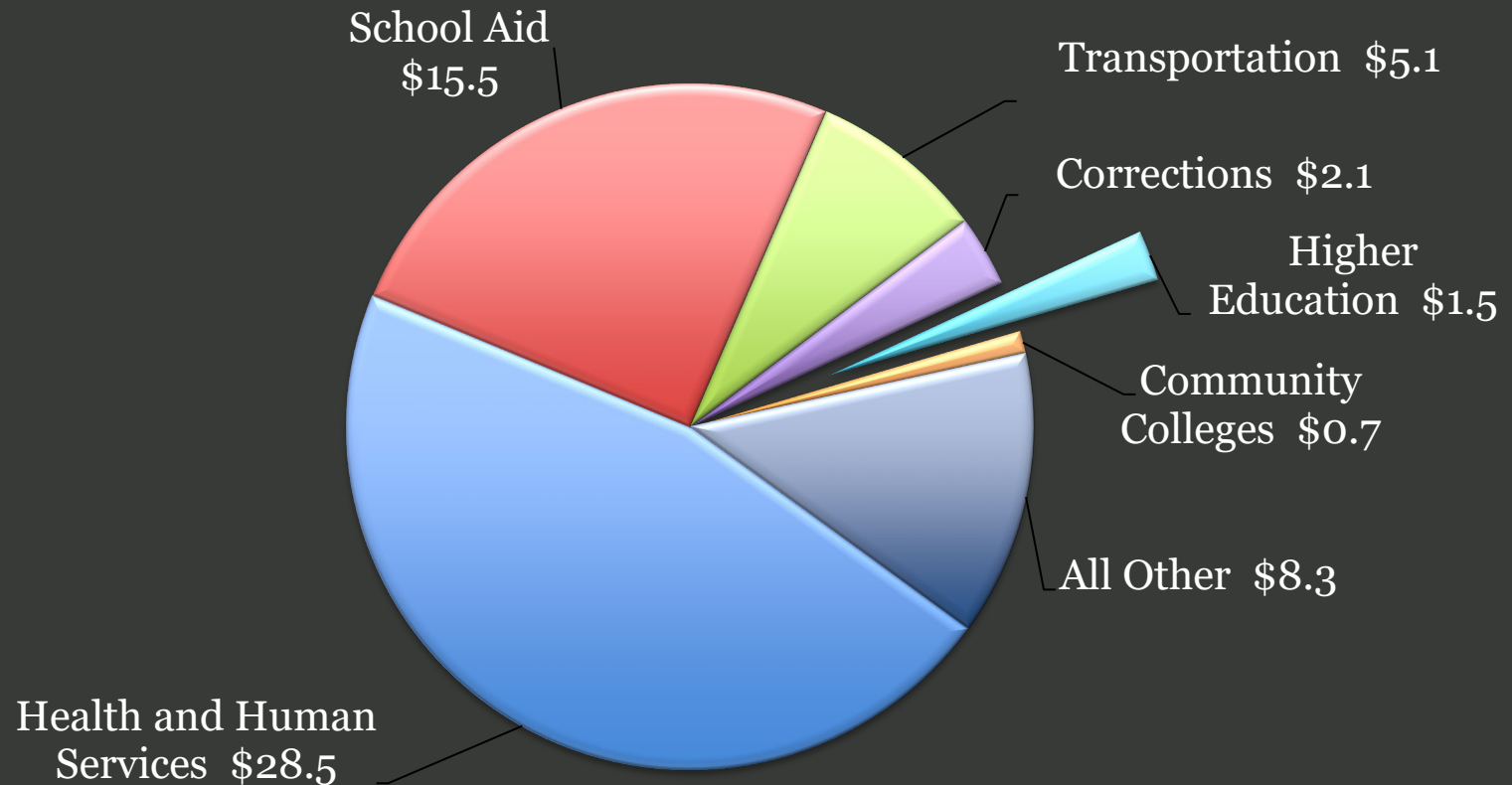
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State of Michigan Budget

FY 2021 - \$61.6 Billion

Excludes Interdepartmental Grants



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Michigan Public Universities

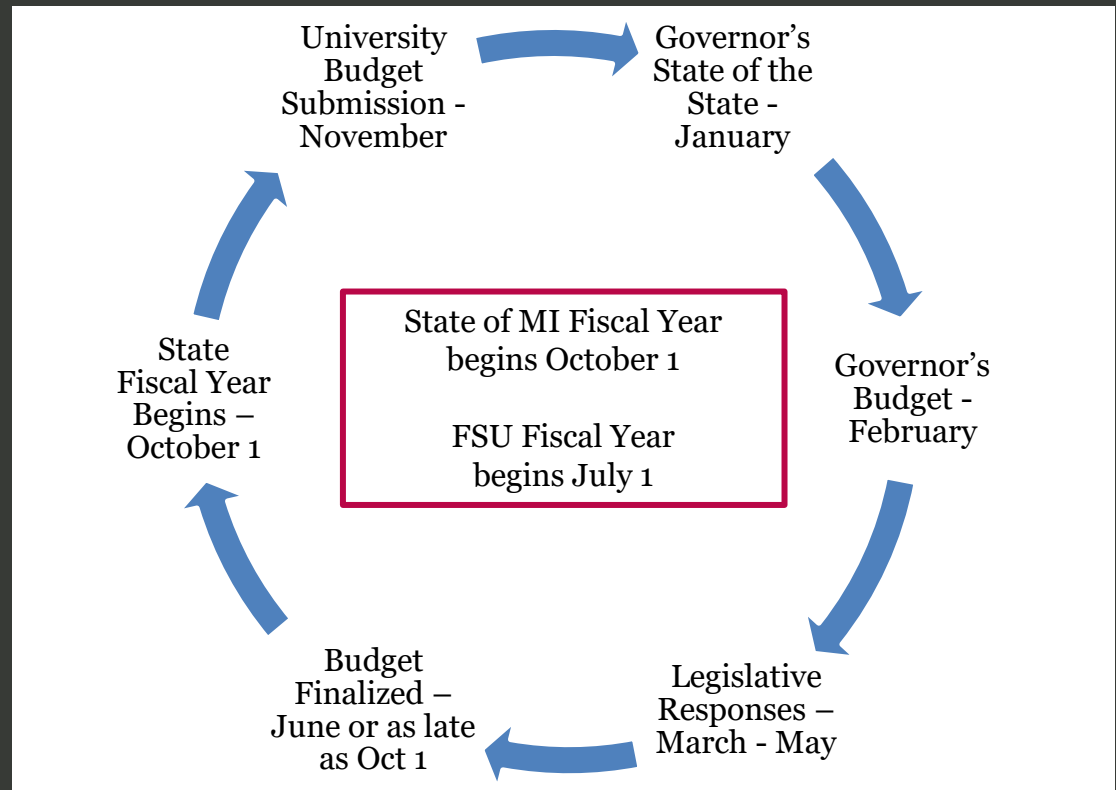
- 15 Public Higher Education Universities in Michigan
- All are impacted by State of Michigan budgets
 - Receive State Appropriations
 - Must follow state guidelines when setting tuition rates
- The State of Michigan fiscal year is different than FSU's fiscal year
 - State of Michigan: October 1
 - Ferris State University: July 1
- Timing of the State budget approval impacts our ability to build balanced budgets in a timely manner

	Central Michigan University
	Eastern Michigan University
	Ferris State University
	Grand Valley State University
	Lake Superior State University
	Michigan State University
	Michigan Technological University
	Northern Michigan University
	Oakland University
	Saginaw Valley State University
	University of Michigan-Ann Arbor
	University of Michigan-Dearborn
	University of Michigan-Flint
	Wayne State University
	Western Michigan University

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State Appropriation Process

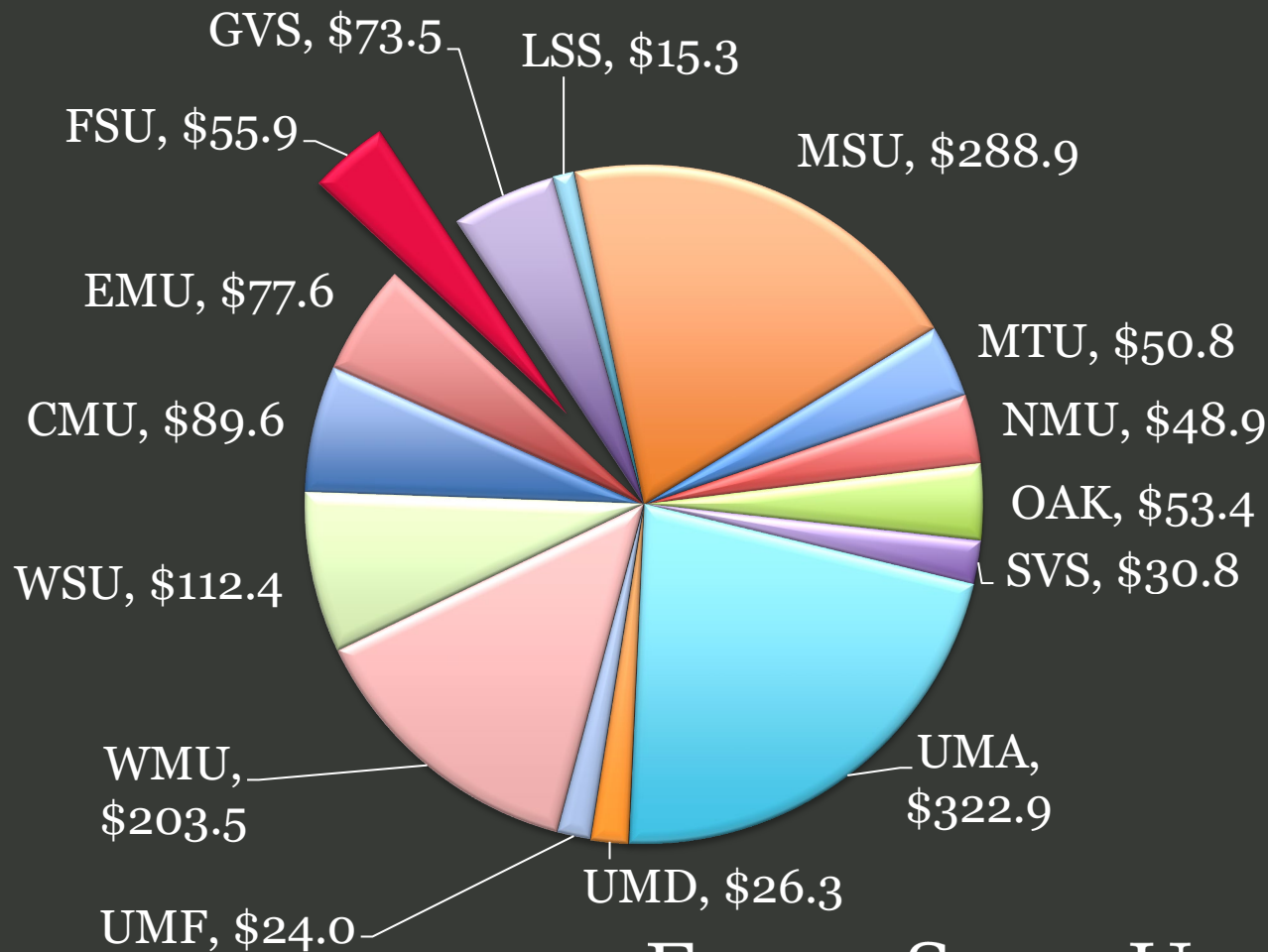


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University Operating Appropriations 2019-2020 \$1.5 Billion

(Amounts in Millions)



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FSU State Appropriation History

Financial Statement Amounts – Base Appropriations in Millions



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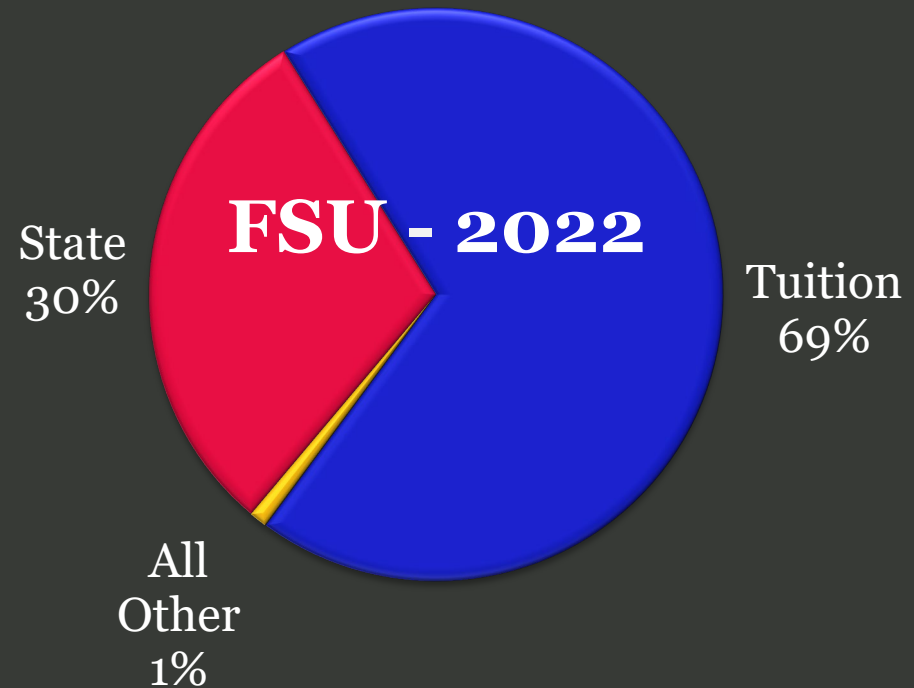
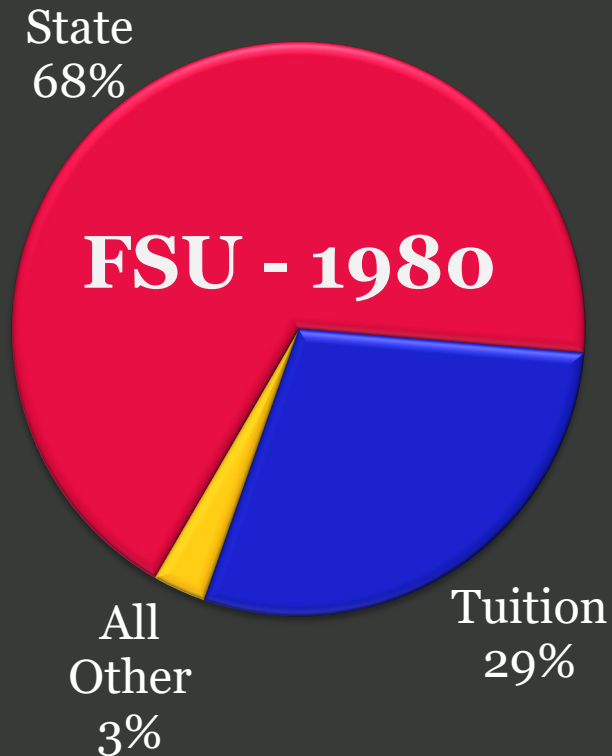
State Appropriation Instability

- Changes since 2002:
 - 2002 to 2012: 10-year annual state appropriation reduction of \$14.2 million (-25.6%)
 - 2002 to 2012: 10-year cumulative change in US inflation was 27.62%
 - 2002 to 2022: 20-year annual state appropriation increase of \$3.2 million (5.7%)
 - 2002 to 2021: 19-year cumulative change in US inflation was 52.5%
 - Mid-Year FY 2007 \$6.1M (12.5% of the FY 07 total) was delayed or eliminated
 - All but \$844k was later repaid in FY08
 - FY 2012 15% decrease from 2011 – largest one year decrease in history
 - Lowest appropriation since 1992
 - FY20 state appropriation surpassed the 2002 level for first time
 - State appropriations currently support 30% of FSU's General Fund budget
 - The rate of state increases have not kept pace with US inflation rates
 - When tuition revenue doesn't grow enough to replace declining appropriations, reductions must be made to achieve a balanced budget

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FSU General Fund Revenue Perspective

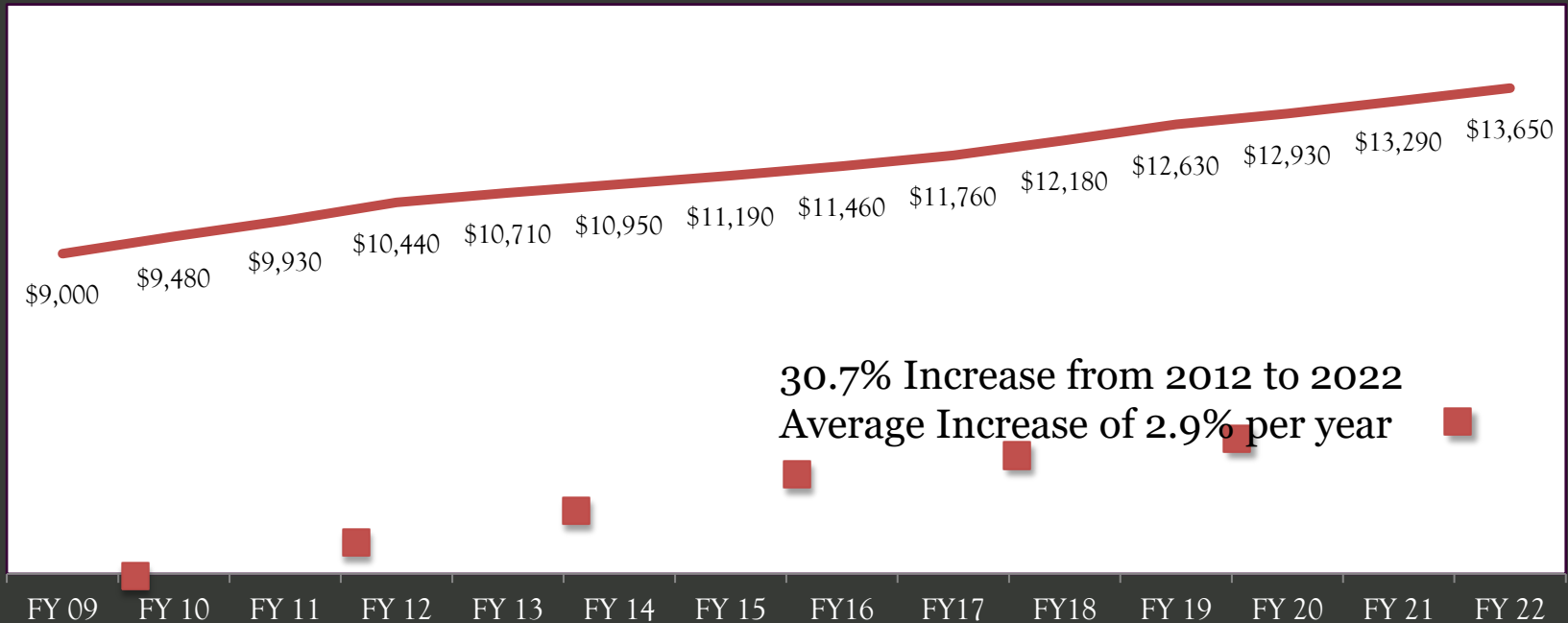


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10-Year Tuition Increase

Resident, Undergraduate, Lower Division - 30 Annual Credits

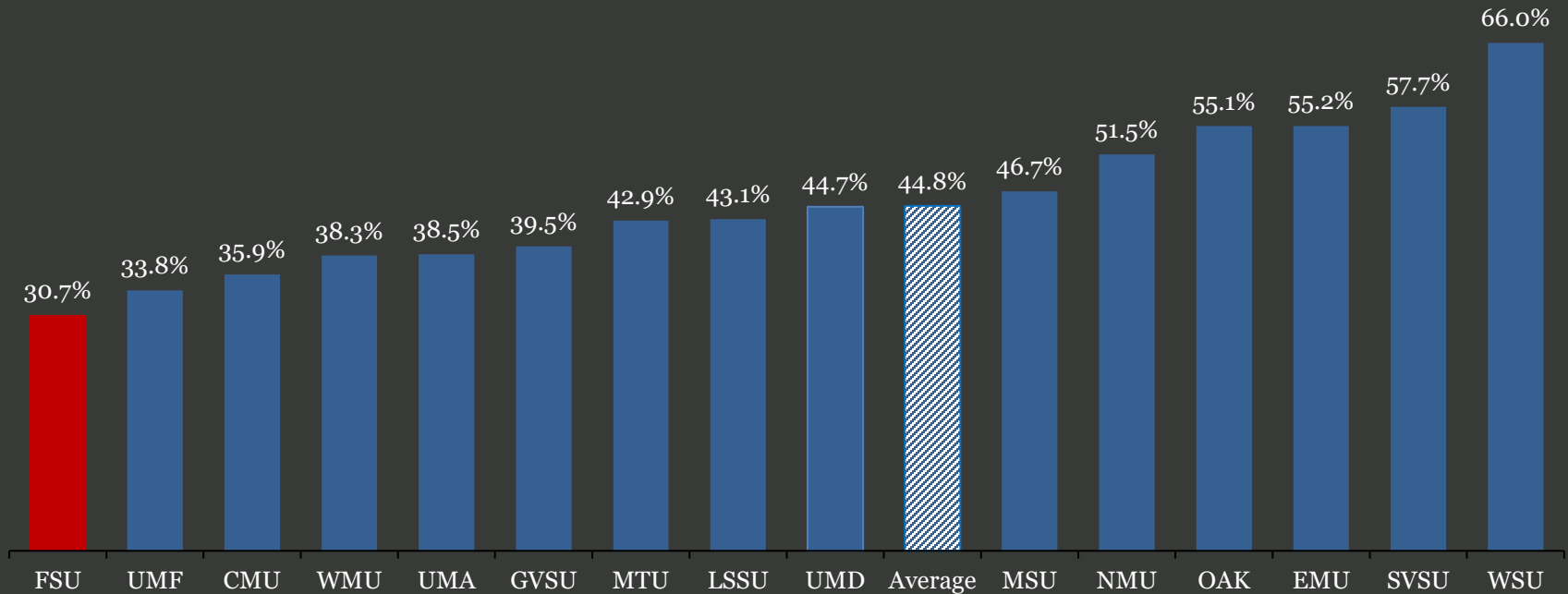


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Michigan Public Universities

Change in Cost of Attendance – Resident, On-Campus 2008-09 to 2019-20



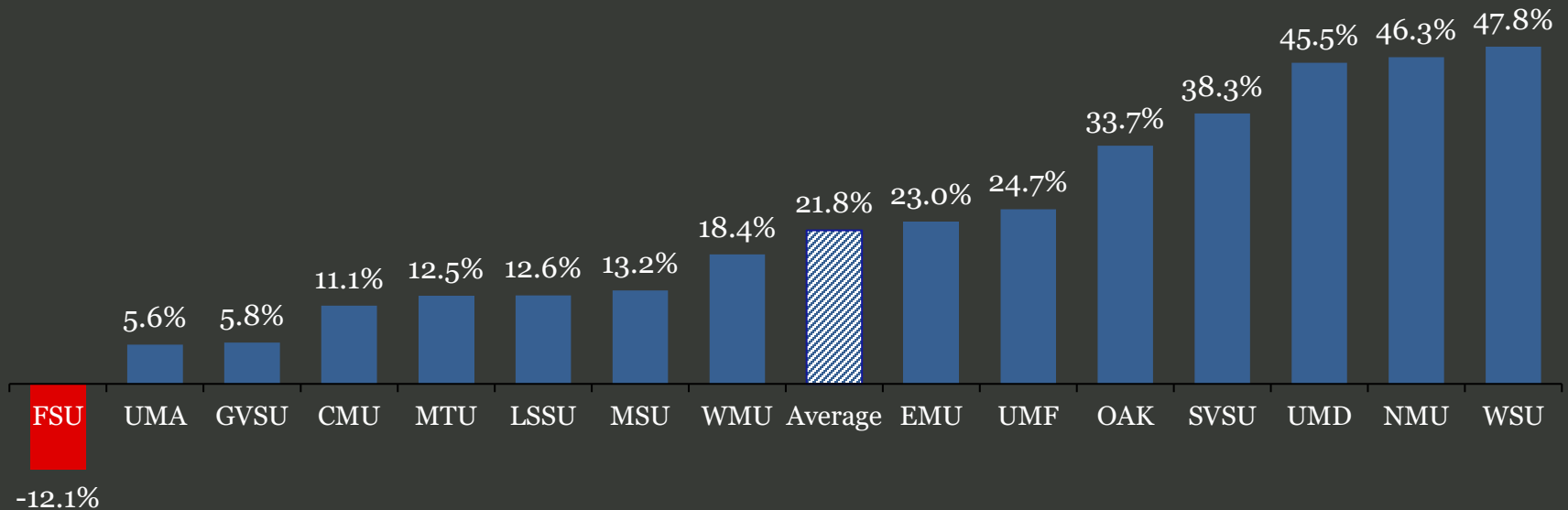
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Change in Net Price of Attendance - Composite

2008-09 to 2019-20



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Enrollment - Fiscal Impact

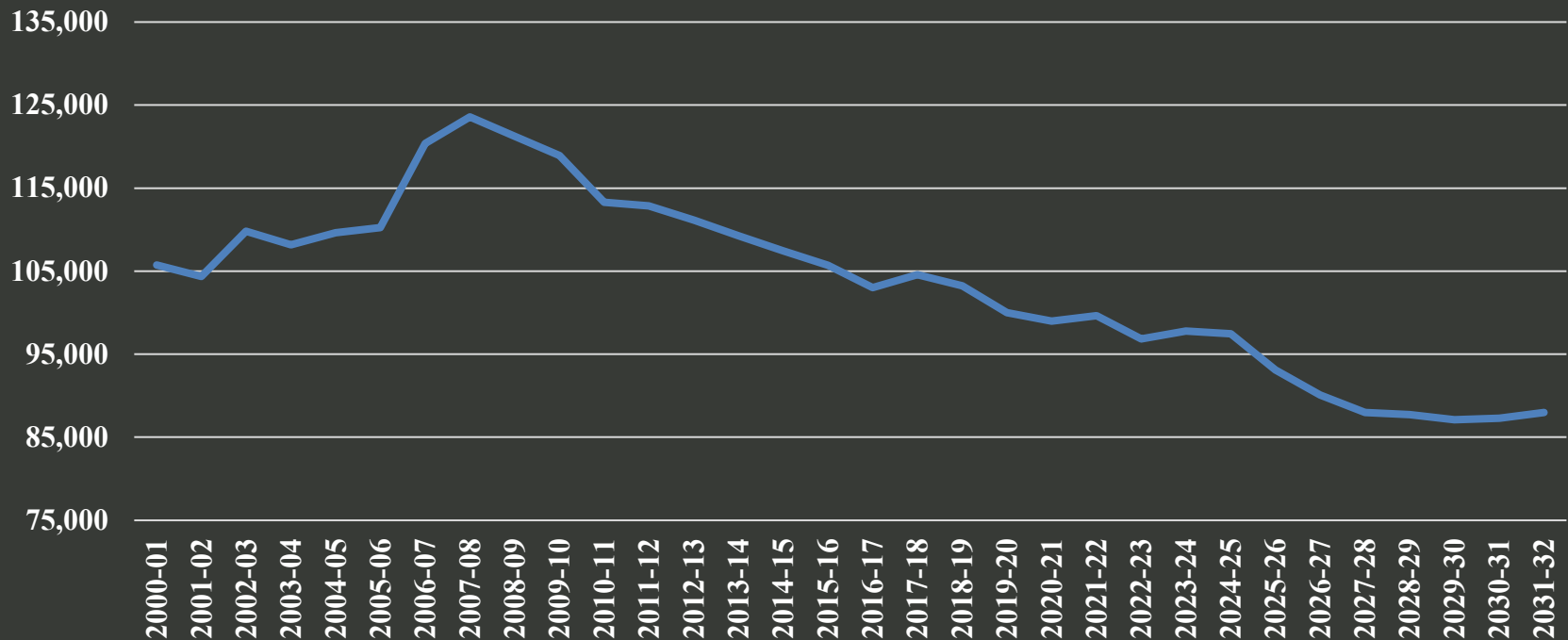
- Six-Year Enrollment Change of 29.6% between Fall 2015 and 2021
 - 14,715 Fall of 2015; 10,361 Fall of 2021
- Tuition revenue declines when enrollment declines
- When enrollment declines, our practice is to cut the budget and not increase tuition

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Michigan High School Graduates

Number of Graduates per Year Michigan Public and Private Schools



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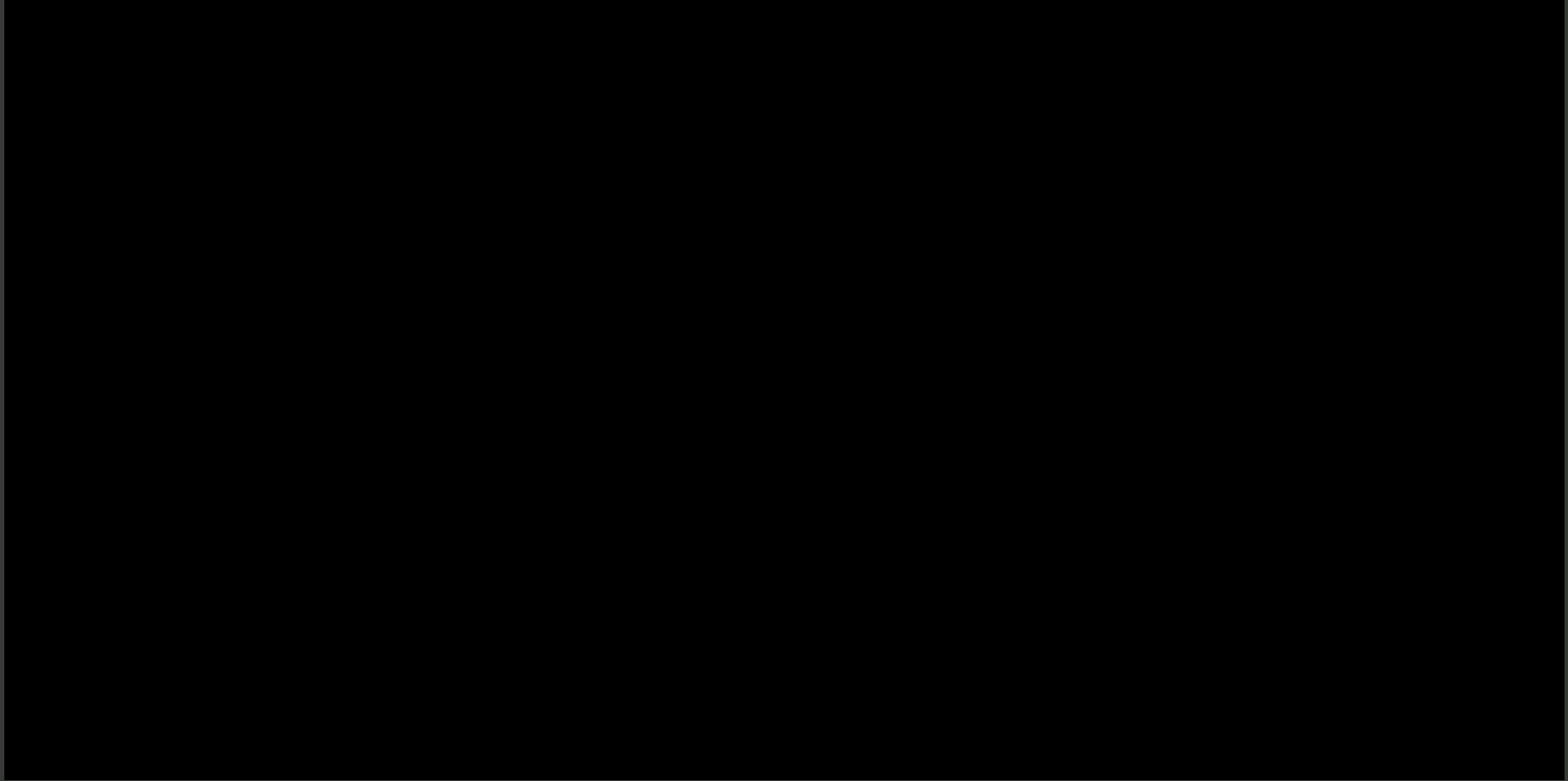
Loss of Revenue - Fiscal Impact

- Base budgets are reduced to match revenues: inputs must match outputs
- Five-Year Budget Reductions total \$43.6M (223.5 FTE)
 - FY 17 – 24 FTE - \$5.2M
 - FY 18 – 9.5 FTE - \$3.0M
 - FY 19 – 49 FTE - \$7.3M
 - FY 20 – 37 FTE - \$8.0M
 - FY 21 – 104 FTE - \$20.1M
- State Appropriation instability

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Planning for the Unexpected



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FSU Budget Today

- Challenged
 - Enrollment
 - State disinvestment
- Balanced
 - Representative of the priorities of the University
- Flexible

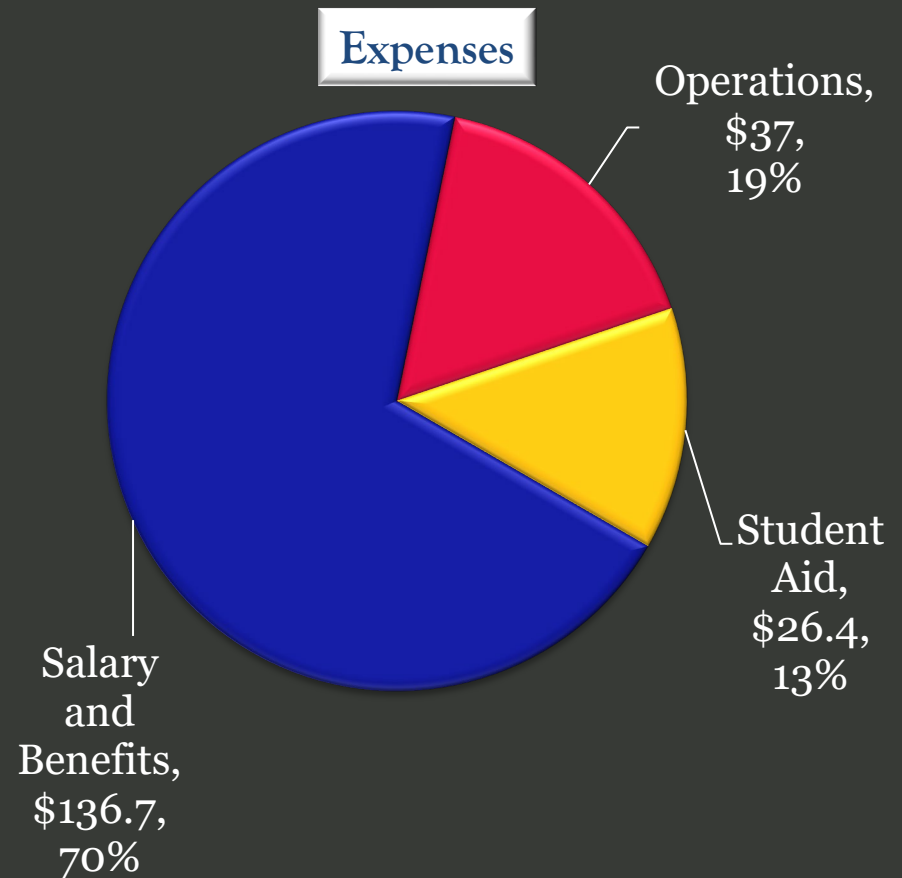
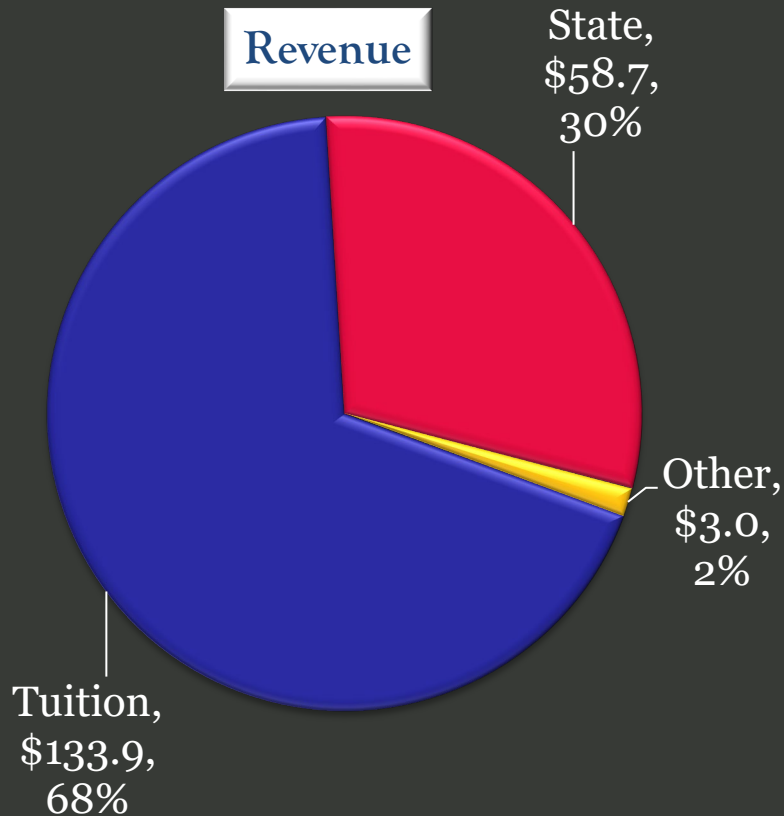
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2021-22 FSU General Fund Budget

\$195.6 Million

(Amounts in Millions)



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Looking Forward

FY 2022-23 Challenges and Goals

- Stop Enrollment declines and the resulting decline in tuition collections
- Increase revenue to break-even point for Housing, Dining and Auxiliaries
- At the state level challenges include:
 - Tuition Incentive Program (TIP) – funding and limits
 - “Free” community college
 - Negative perceptions on the value of college
 - State funding priorities
- Capital Outlay

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Web Reference

- This presentation
 - <https://www.ferris.edu/administration/president/budget-office/LeadershipDevelopmentPresoFY22.pdf>
- Most Recent Budget Forum
 - <https://www.ferris.edu/administration/president/presentations/2021-2022/2021-Budget-Forum-sticky-notes.pdf>
- Strategic Plan Goals
 - https://www.ferris.edu/strategic-planning2/strategicplan19_24/keystrategictargets.htm
- Financial Statements
 - <http://www.ferris.edu/finance/>
- Budget Management Policy
 - <http://www.ferris.edu/htmls/administration/buspolletter/financial/BudgetManagementPolicy.pdf>
- Business and Special Expense Policy
 - <http://www.ferris.edu/HTMLS/administration/buspolletter/financial/BP1510-Business-and-Special-Expense-Policy.pdf>
- Transportation and Travel Policy
 - <http://www.ferris.edu/HTMLS/administration/buspolletter/financial/transportation-travel.pdf>

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Thank You for your Attention!



Questions?

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Leadership Exercise



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