

# 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 curtailed when needed
- Commitment
  - Promise to deliver services, employ people, etc.
- Performance Measure
  - Assessing performance on deliverables



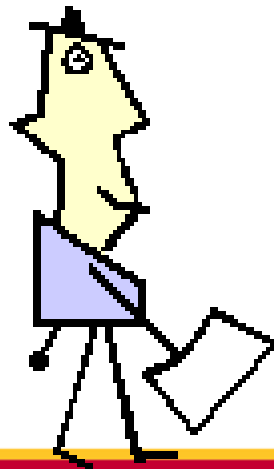
# Planning and Budgeting

- 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



# Who's Involved?

- Planning and Budgeting must be directed from the top
  - CEO/President/Governing Board
  - Expectations
    - <https://ferris.edu/strategic-planning2/pdfs-docs/2017-18Expectations.pdf>
  - Critical Success Factors
    - <https://ferris.edu/strategic-planning2/pdfs-docs/5CriticalSuccessFactors12072017.pdf>
- Widespread Involvement
  - Strategic Planning and Resource Council (SPARC)
  - Individuals (Expertise in their areas)



# 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)
    - Also responsibility of the Finance Office

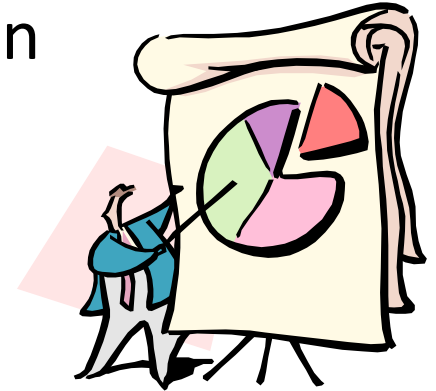
# How are Budgets Developed?

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



# Key Fiscal Analysis Tools

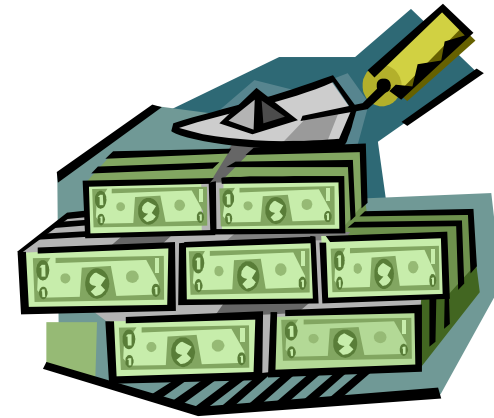
- Constant analysis of the fiscal health of an organization is crucial to success
  - Monthly budget comparisons
    - How are we performing compared to budget
  - Annual financial statements
    - Comparison over time compared to prior years
  - Assessment of how budget supports mission/goals
    -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





# Operational (Base) VS One-Time Budget

- Operational budget is annual, recurring categories of revenue and expense
  - Positions, scholarships, utilities, as examples.
- One-time budget is temporary. Once it's gone, it's gone.
  - Classroom remodel, construction projects, department carryover



# Questions on Budgeting Concepts?

# Fiscal Management

## Guiding Principles:

- Financial responsibility
- Laws and policies
- Internal Controls



## Reporting:

- The Board of Trustees
- The State
- Other agencies

# Financial Responsibility

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



# Laws & Procedures



- The gambit of regulatory agencies
  - IRS, DOL (FLSA), OSHA, EPA, ect, ect, ect  
([www.federalregister.gov/agencies](http://www.federalregister.gov/agencies)) >500  
[www.Michigan.gov/som/0,1607,7-192-29701\\_29702\\_30045---,00.html](http://www.Michigan.gov/som/0,1607,7-192-29701_29702_30045---,00.html) = 18
- Budget Management Policy
- Business & Special Expense Policy
- Travel & Expense Policy

# 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.businessdictionary.com](http://www.businessdictionary.com)
- What are some examples?
  - Separation of duties, limiting access, requiring approvals, budget to actual reconciliations, locking your office/computer, ect
- Who do internal controls protect?
  - The University
  - Employees
  - Stakeholders



# Reporting

- Financial Statements - [www.ferris.edu/finance](http://www.ferris.edu/finance)
  - Balance Sheet
  - Income Statement
- Board Reports
  - Budget to actual
  - Internal audit reports
- IPEDS, HEIDI, CAFR, ect

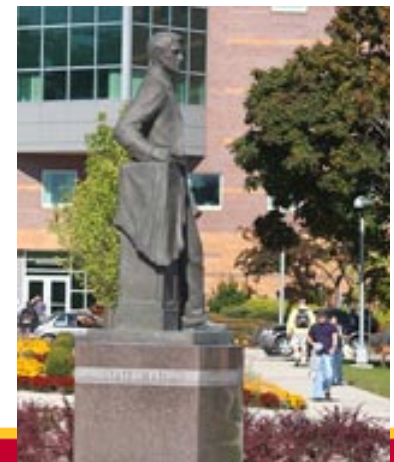


# Questions on Fiscal Management?



# FSU Budget Fundamentals

- Ferris is a major industry
  - Customer base of 13,798 students
  - Just over 1,500 full-time employees
  - Annual revenue of \$296 million
  - Ferris has an annual payroll of over \$123 million
- Ferris is the largest employer in Mecosta County
  - Growing Grand Rapids presence
  - Locations across the State



# Where do Ferris' Dollars 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.)



# FSU Operating Funds

- **General Fund:** Primary support from State of Michigan and student tuition; supports 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:** Restricted State and Federal Grants and Contracts

# FSU Non-Operating Funds

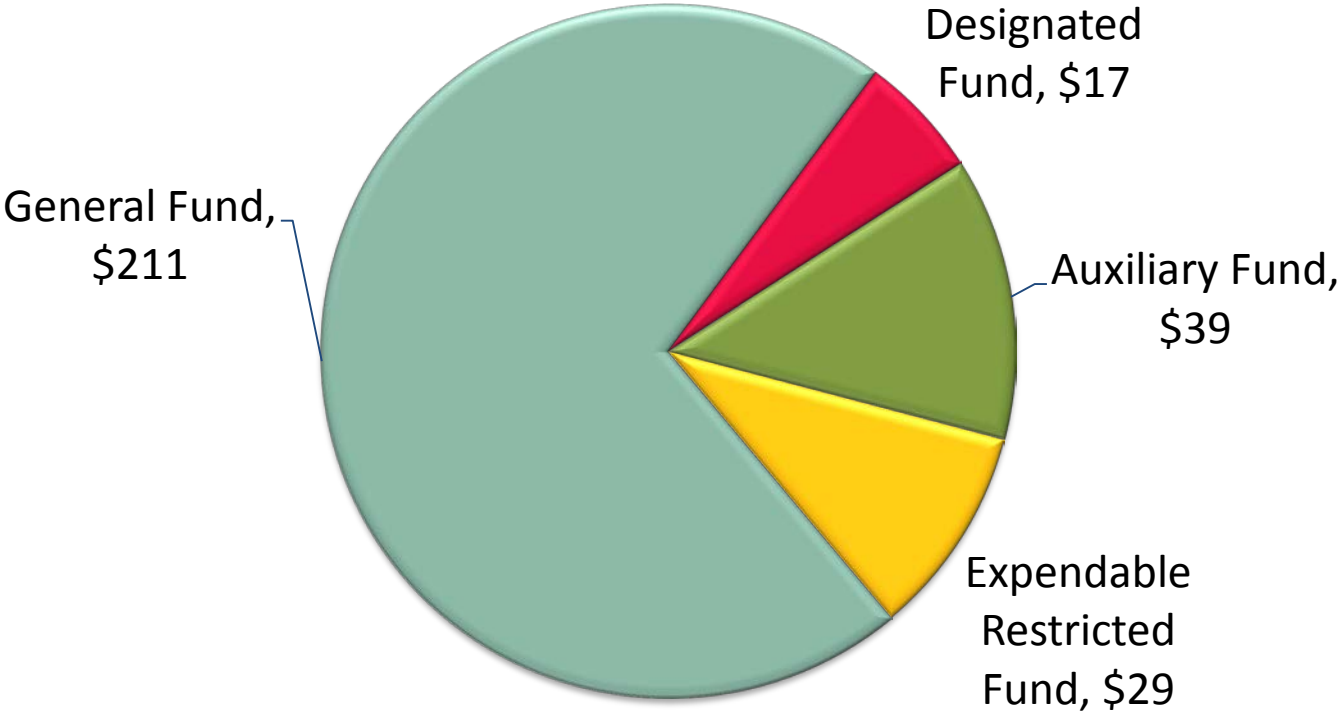
- **Student Loan Fund**
  - Provides students with the means to help meet their financial obligations in obtaining their education. Major sources of revenue are private gifts and government grants
- **Endowment Fund**
  - Amounts for which the donor or Board of Trustees has specified that the principal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

# FSU Non-Operating Funds

- 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
- Pension Obligation Fund
  - GASB 68
- Agency Fund
  - Represents funds held in custody for students and University related organizations.
    - Ferris Professional Women
    - Residence Hall Association

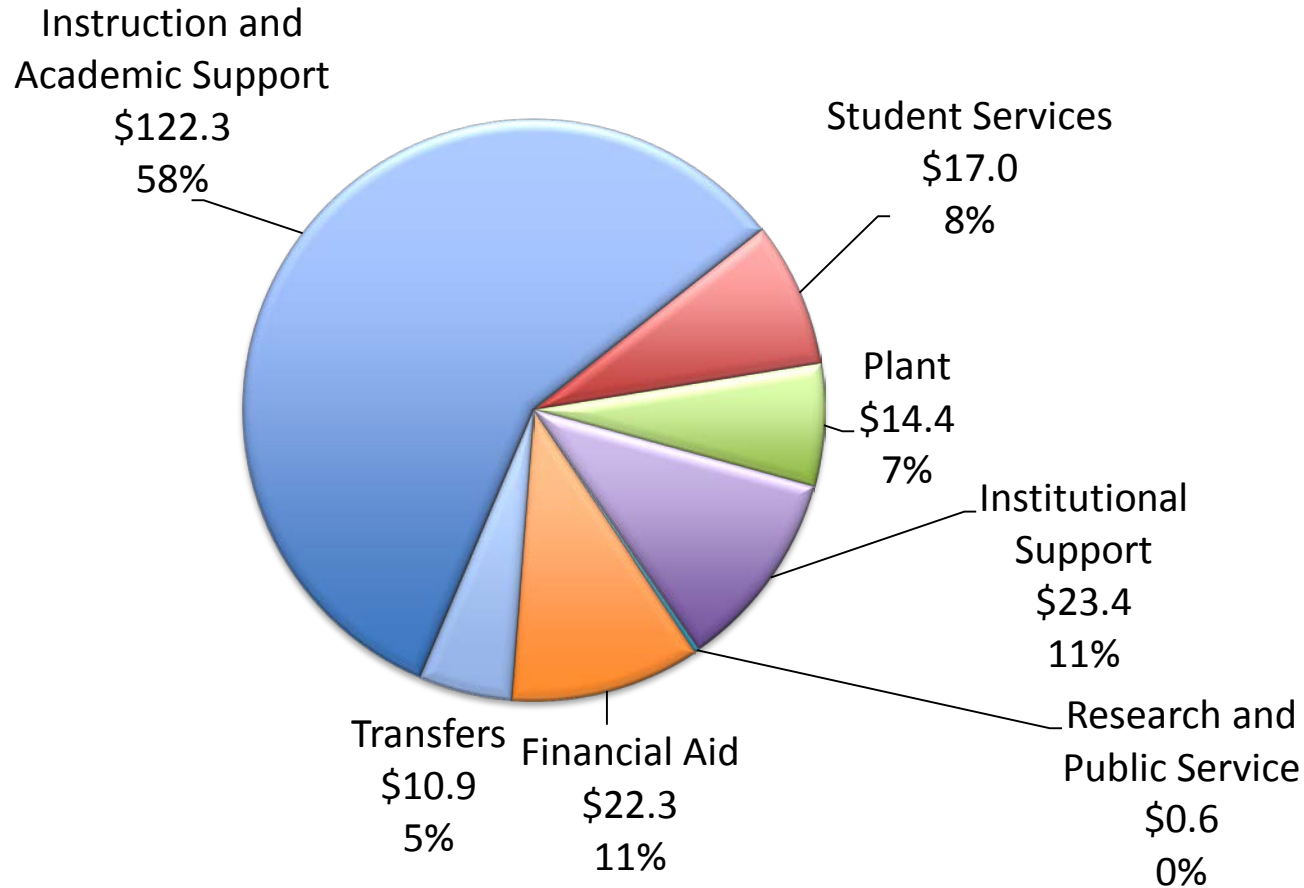
# Current Operating Funds Revenues - FY 2017 - \$296 Million

(Amounts in Millions)



# FSU FY 17 General Fund Spending - \$211M

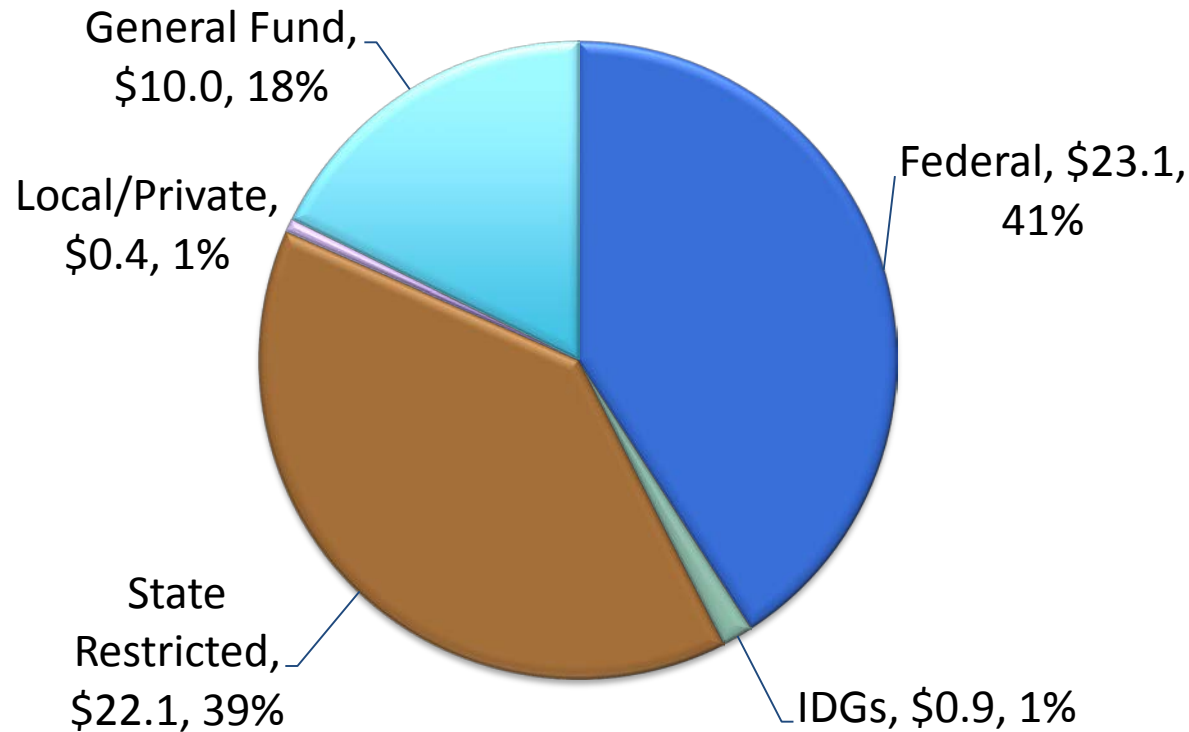
(Amounts in Millions of Dollars)



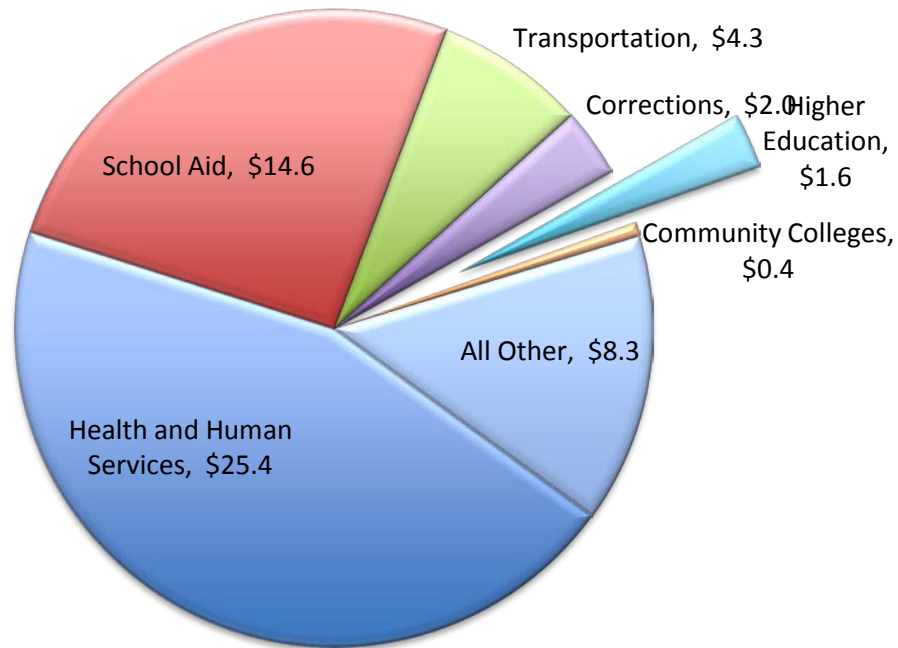
# Questions on FSU Budget Fundamentals?



# State of Michigan Budget Sources FY 2018 - \$56.5 Billion

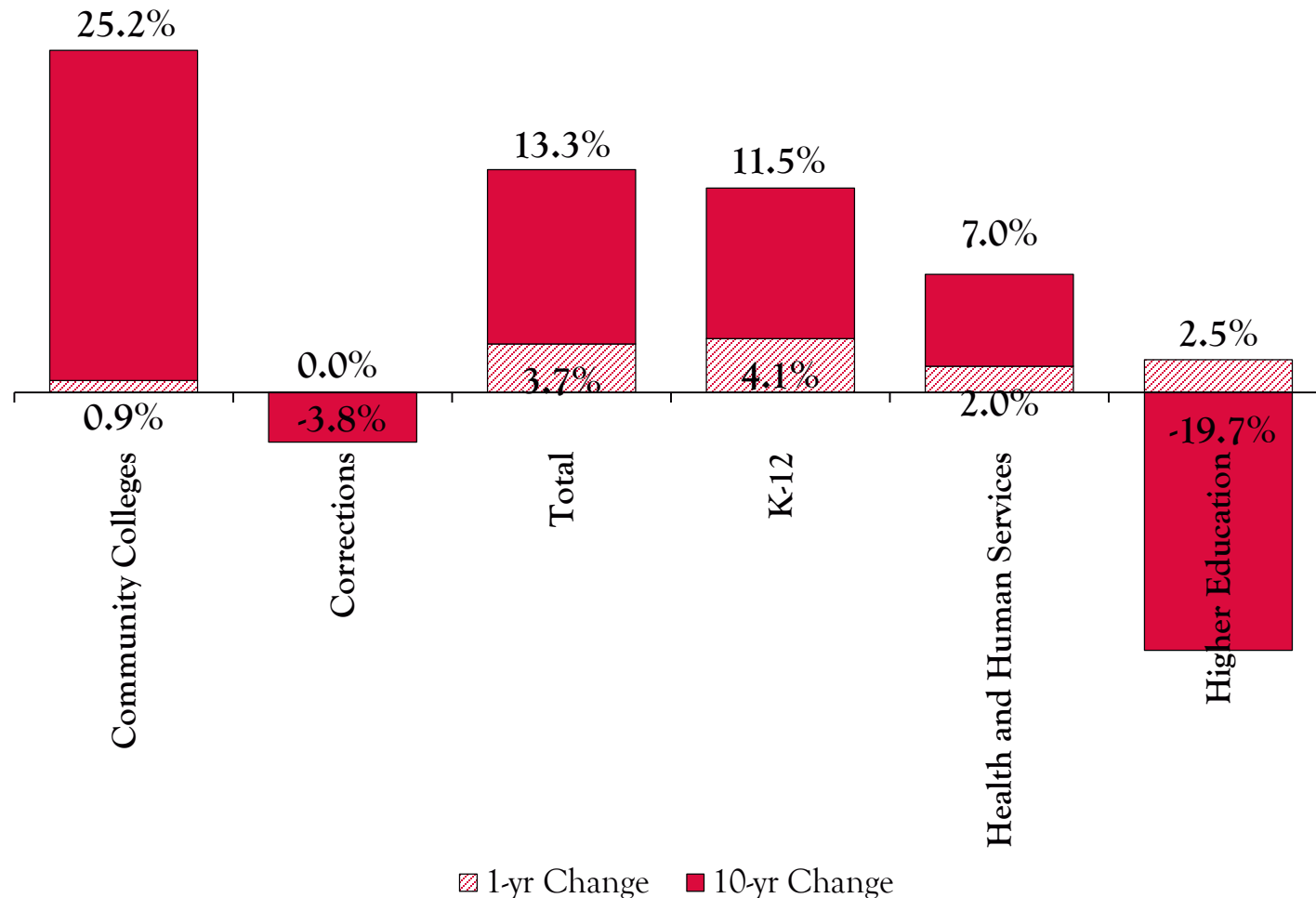


# State of Michigan Budget Uses FY 2018 - \$56.5 Billion



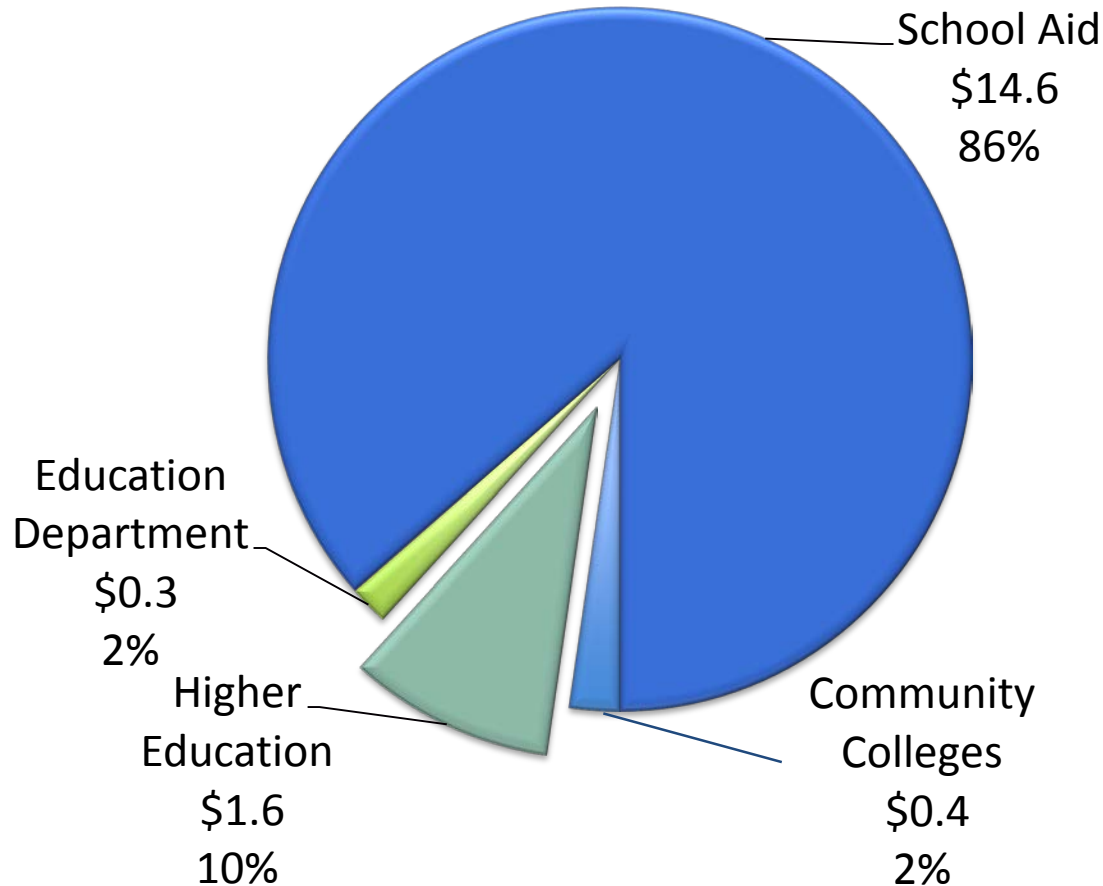
# Michigan Budget Priorities

One-Year (2018) and Ten-Year (2008-2018) Change in State Appropriations from State Resources



# State of Michigan Spending

FY 2018 Education Budget \$16.9B

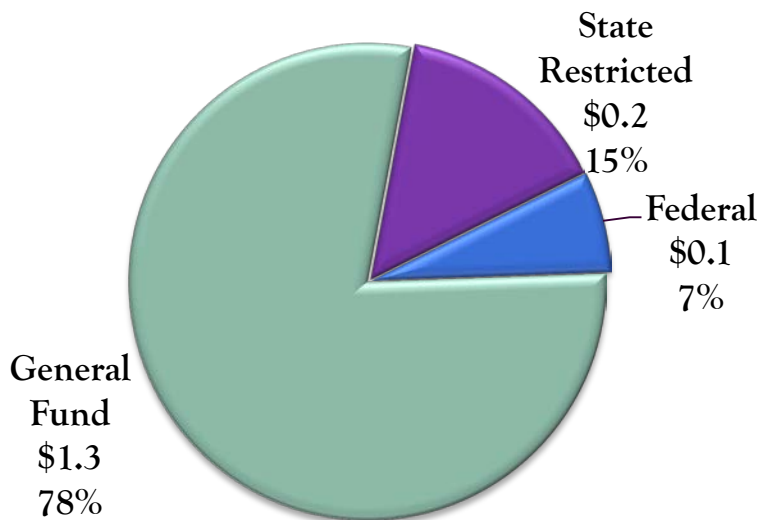


# 2017-18

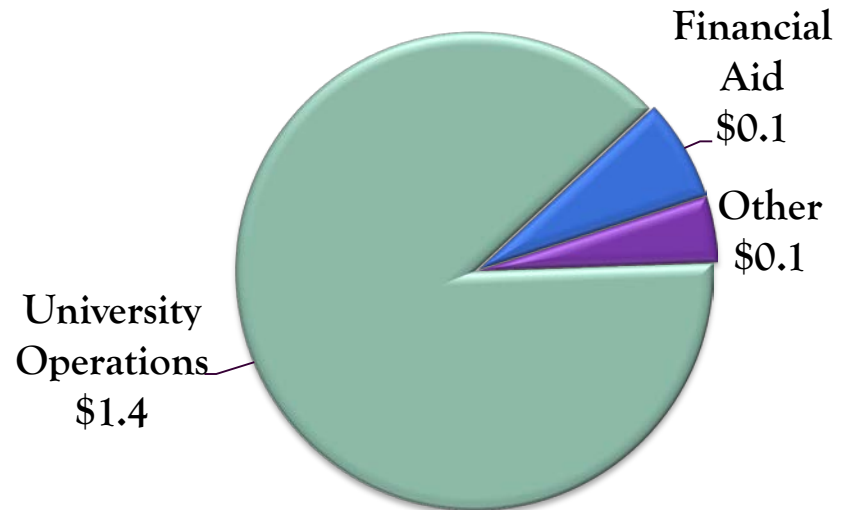
## Higher Education Appropriations - \$1.6 B

(Billions of Dollars)

### Source of Funds



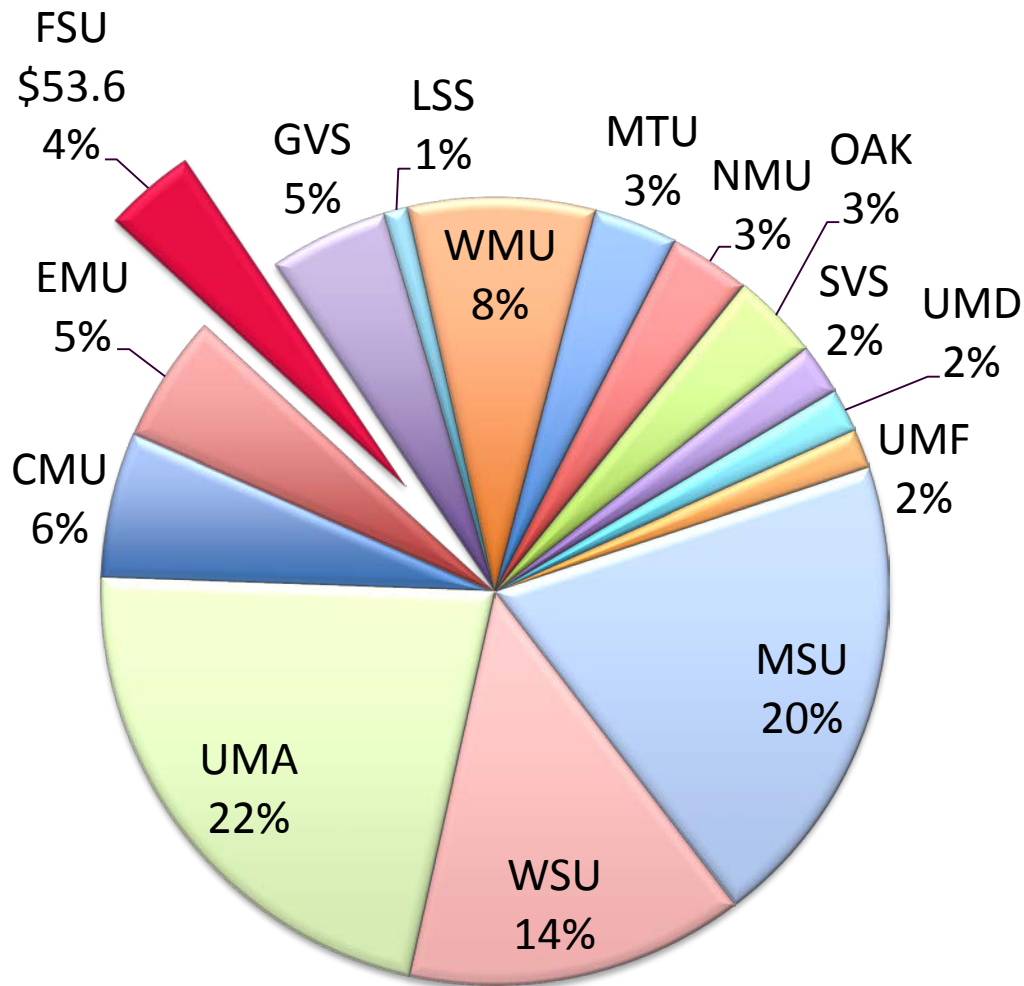
### Use of Funds



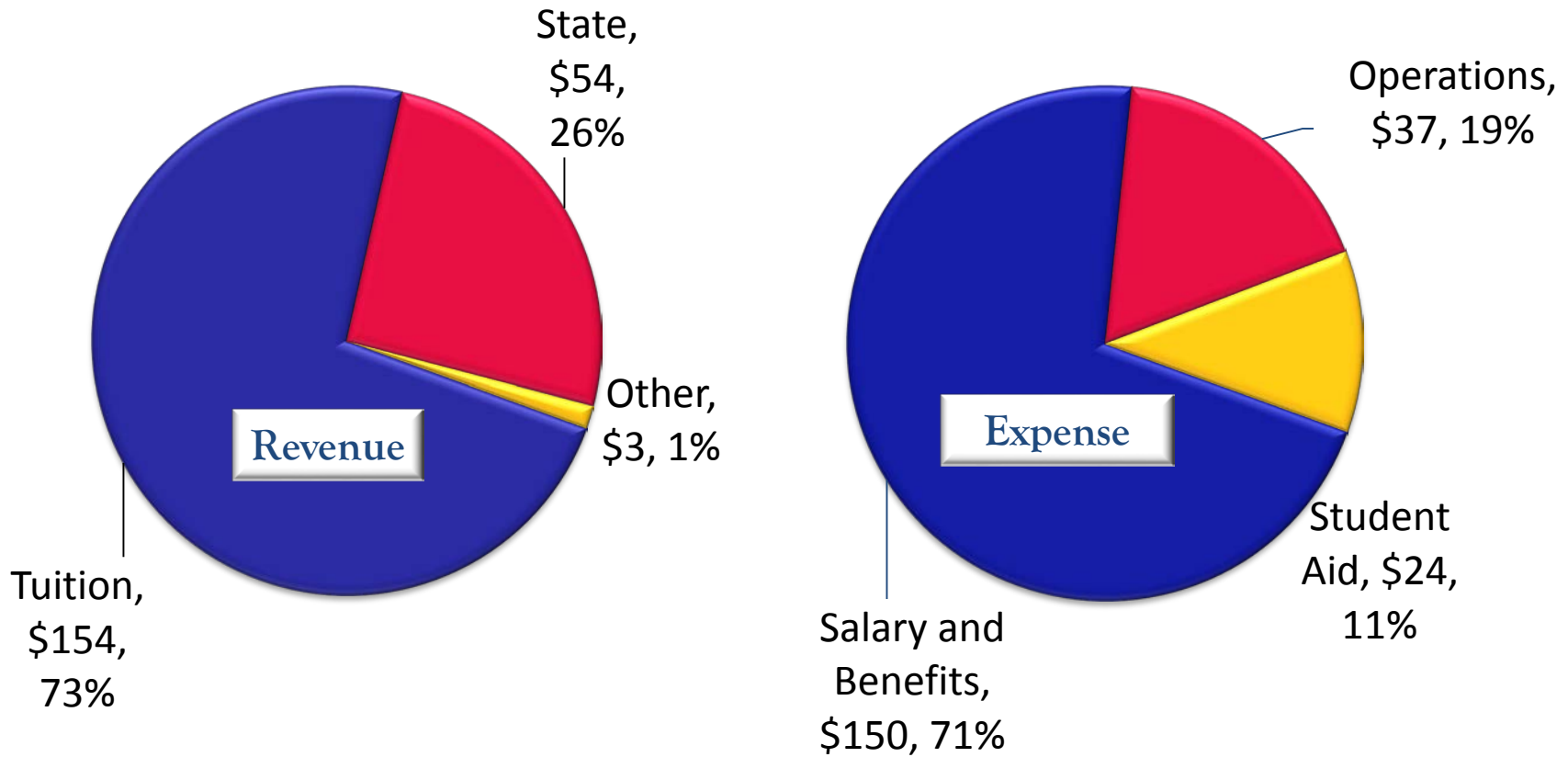
# Michigan University Funding Models

- Various models have been used by Michigan to allocate university appropriations
  - Political/Incremental
  - Formula Funding
  - Beginning with FY 2012-13 – Performance Funding
  - Performance funding – 6 measures
    - Critical Skills Undergraduate Degrees/Certificates
    - Research and Development Expenditures
    - Four measures scored against Carnegie Peers
      - Six-Year Graduation Rate
      - Total Degree Completions
      - Institutional Efficiency
      - Percent of Students Receiving a Pell Grant
    - Requirement to not increase tuition more than 3.8%
      - Non-compliance – 1 university in FY15; 2 universities in FY16
  - FY 2017-18 Higher education budget included a \$28 million (2%) increase distributed through performance funding model

# 2017-2018 \$1.4 B University Operating Appropriations

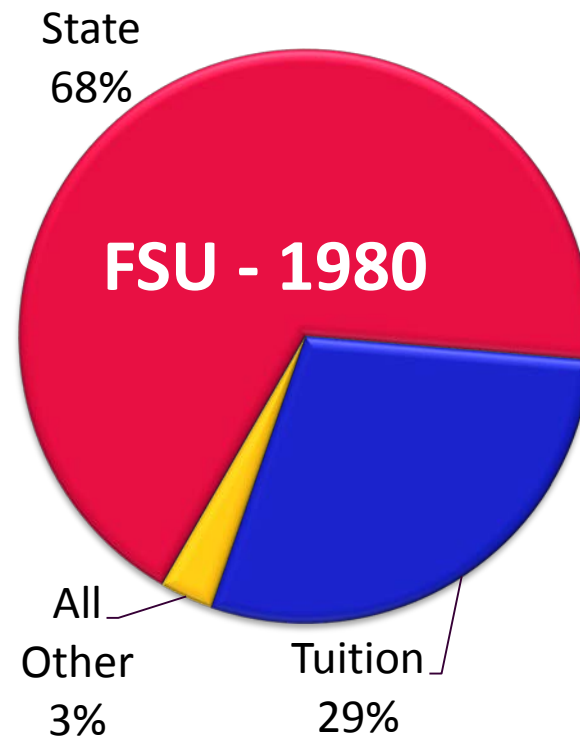
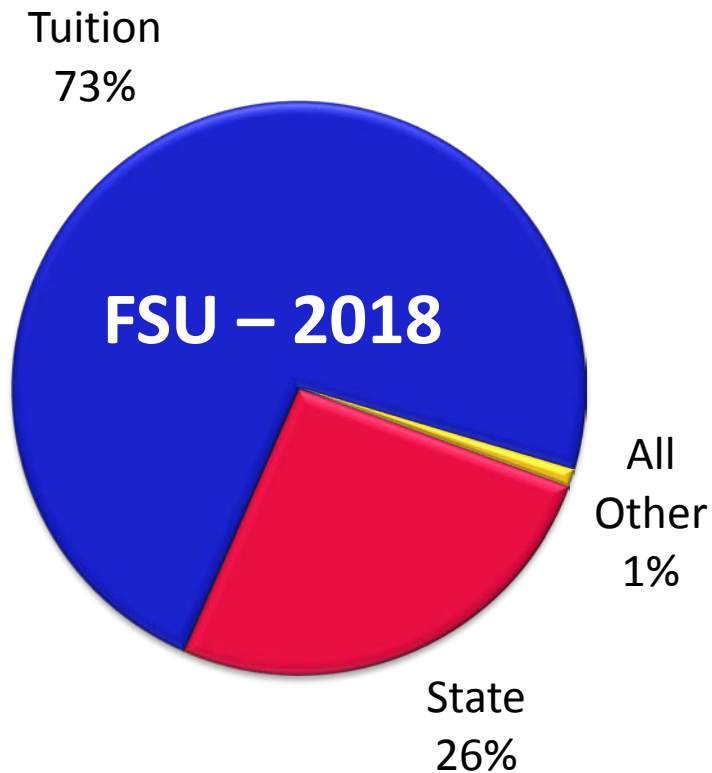


# Ferris' FY 18 General Fund Operating Budget - \$211 Million

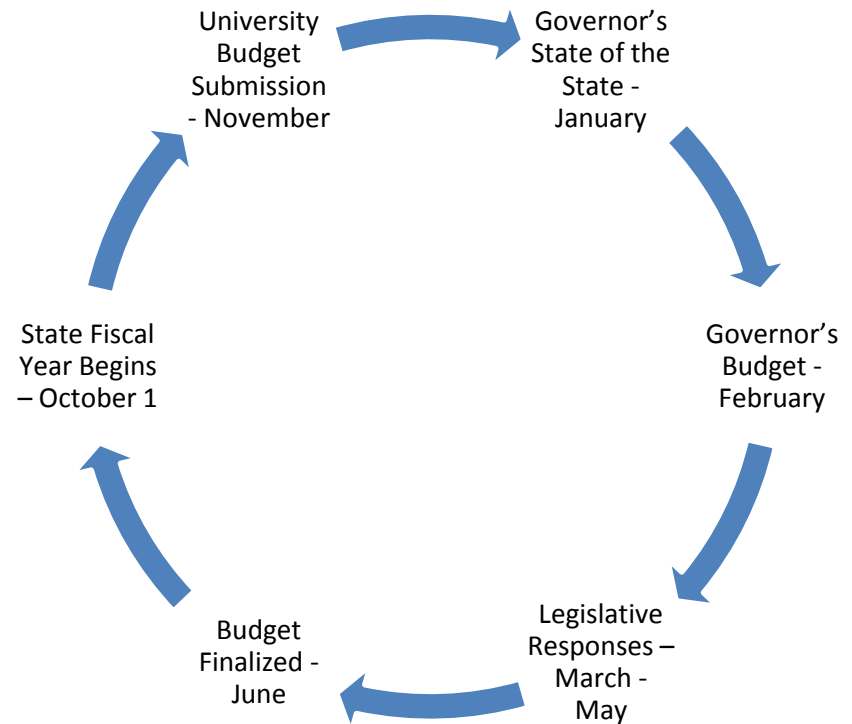




# FSU General Fund Revenue Perspective

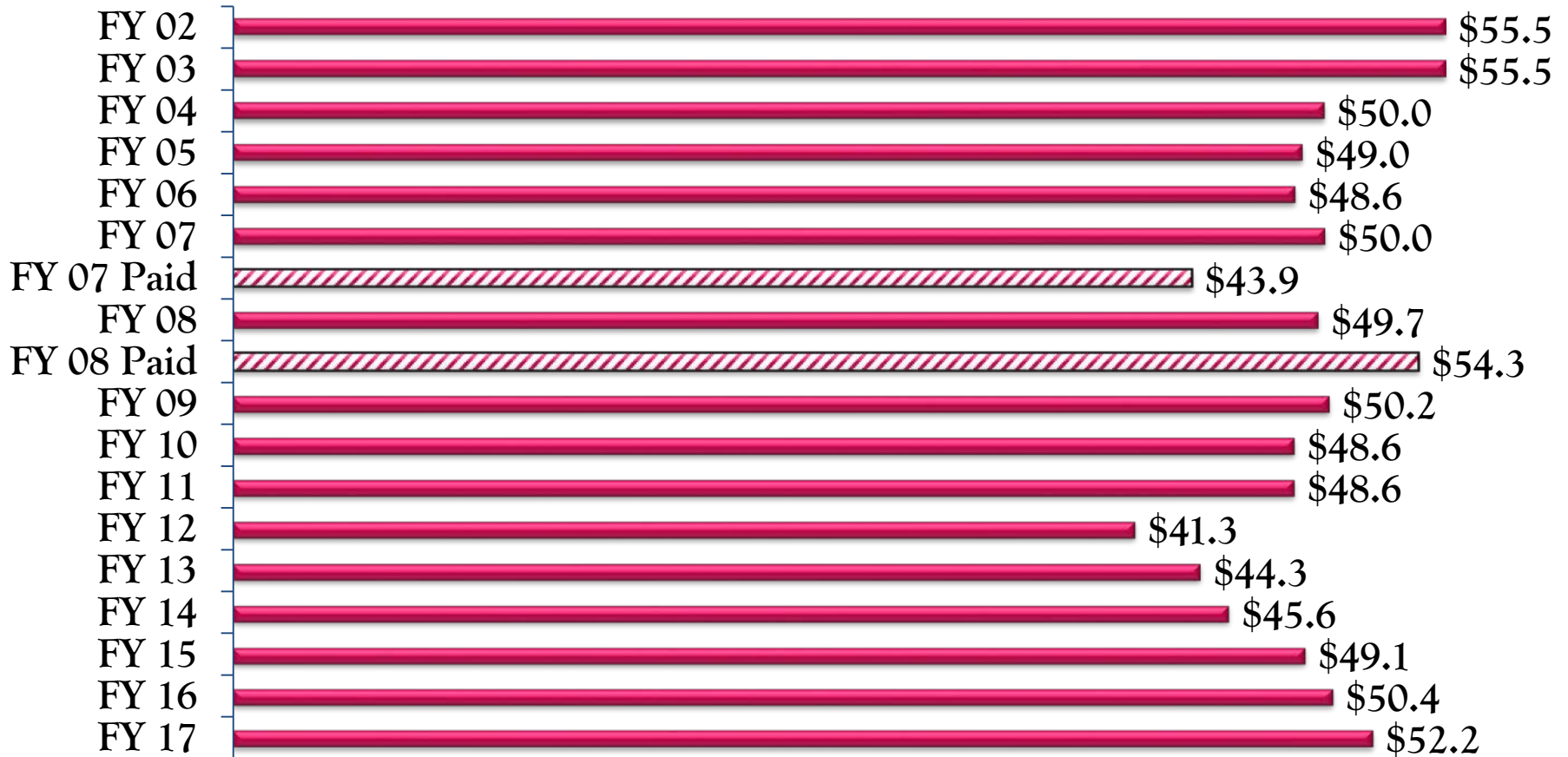


# State Appropriation Process



# Appropriation History

Financial Statement Amounts – Base Appropriations

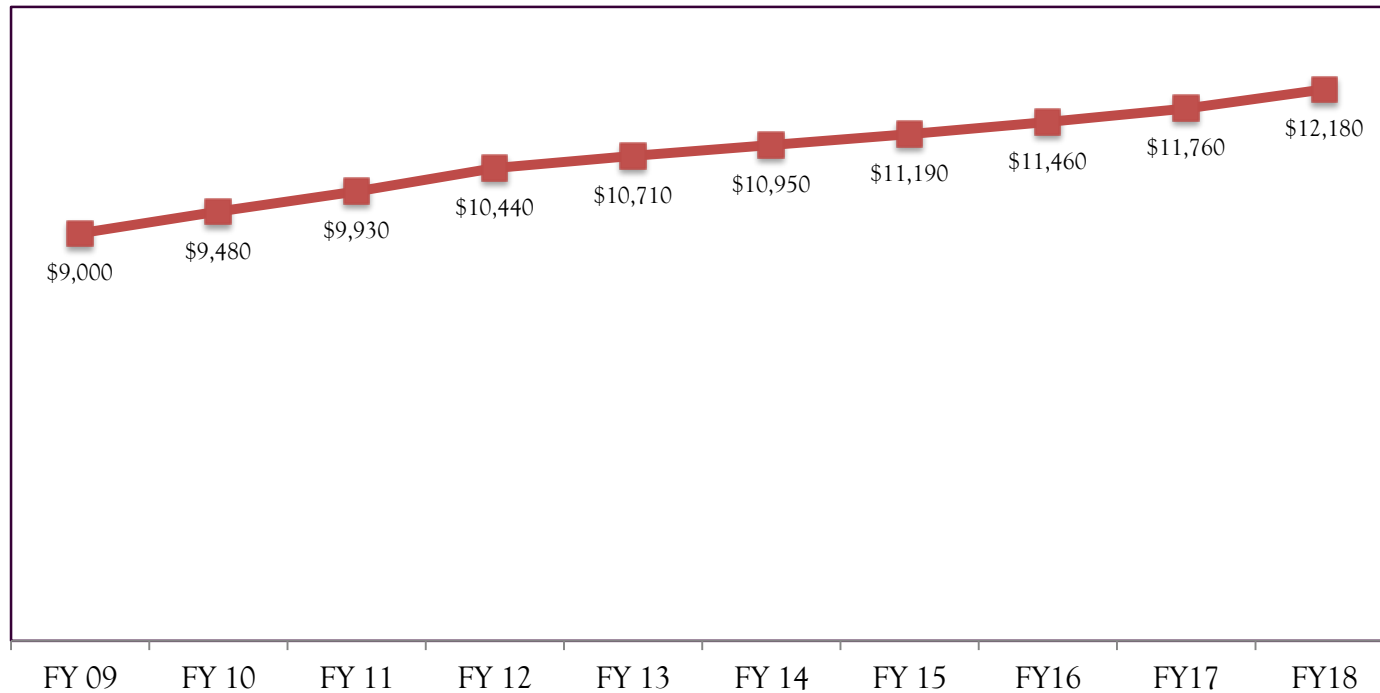


# Appropriation Instability

- Between FY 2002 and 2012, Ferris' State base operating appropriation was reduced by \$14.2M (25.6%)
  - University cut costs to offset
    - Mid-Year FY 2007 \$6.1M (12.5% of the FY 07 total) was delayed or eliminated
      - All but \$844k later repaid
    - FY 2008 approved at \$300k less than the initial FY 2007 appropriation
    - FY 2009 1% increase
    - FY 2010 3% decrease – Federal Stimulus
    - FY 2012 15% decrease – largest in history
      - Lowest appropriation since 1992
- FY 2013 and beyond increases – Performance Funding
  - FY13 8.8%; FY14 10.4%; FY15 7.6%; FY 16 2.3%; FY17 3.8%
  - FY17 still below 2002 level

# 10-Year Tuition Increase

Resident, Undergraduate taking 15 Credits



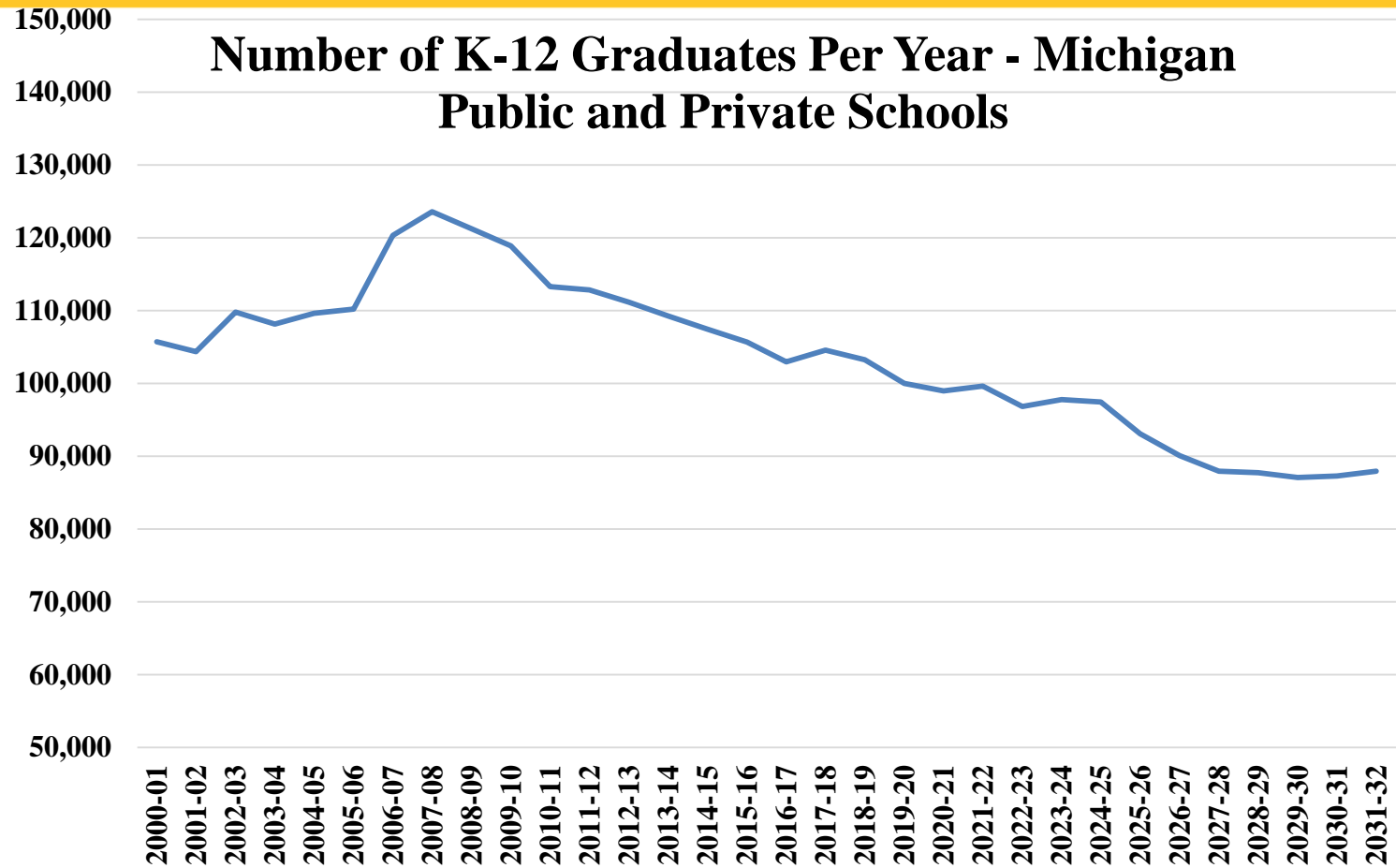
# FSU Budget Today

- Strong – balanced – challenged – representative of the priorities of the University
- State performance funding aligns well with Ferris mission
- Flexible

# Enrollment Fiscal Impact

- Tuition revenue shortfall of \$3.4M projected and included in the FY18 approved budget
- With enrollment decline the practice is to cut the budget and not increase tuition
- Base budget reduced to match revenues, inputs match outputs
  - \$3 Million of base reductions in place
    - 9.5 Positions - \$.8M compensation; \$2.2M operating support
  - Additional \$442k assigned pending spring enrollment

# Application Trends



Source: WICHE



# Looking Forward

## FY 2019 Issues

- Enrollment
- Performance funding formula stability
  - Measures
  - Political pressures
  - Perceived inequity
- Community College Baccalaureate
- State Tax Revenue diversions (roads, homestead property and other tax credits)
- Strong pressure to restrain tuition
- Competition in the School Aid Fund
- Federal support for Pell grants
- Tuition Incentive Program – Funding and Limits
- Capital Outlay

# Web Reference

- This presentation
  - <http://www.ferris.edu/htmls/administration/president/budget-office/information.htm>
- Most Recent Budget Forum
  - <https://ferris.edu/HTMLS/administration/president/presentations/2017-2018/2017FallForumStickyNotes.pdf>
- Dashboard
  - <http://fsuiws2:6700/idashboards/?guestuser=guest>
- 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>
- Strategic Planning
  - <http://www.ferris.edu/htmls/administration/president/strategic/index.htm>

Thank You for your Attention!



Questions?

# Leadership Exercise

