

Ferris State University
Employee Leadership Development Program

Financial Management at FSU
Budget Fundamentals

January 24, 2020

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Session Overview

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

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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
 - Strategic Plan
- Widespread Involvement
 - Strategic Planning and Resource Council (SPARC)
 - Individuals (Expertise in their areas)



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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)
 - Also responsibility of the Finance Office

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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

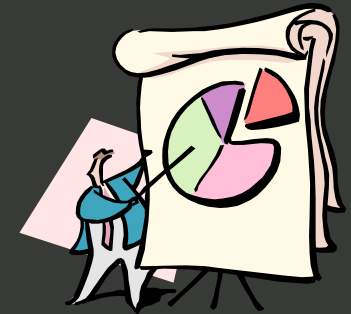


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Key Fiscal Analysis Tools

- Constant analysis of the fiscal health of an organization is crucial to success
 - Monthly budget comparisons
 - How are we 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



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



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, patients, public, etc
- Key responsibilities
 - Financial integrity, due care, loyalty, good faith, full and fair disclosure



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Laws & Procedures

- The gambit of regulatory agencies
 - IRS, DOL (FLSA), OSHA, EPA, ect, ect, ect
(www.federalregister.gov/agencies) >500
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
- 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



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Reporting

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



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FSU Budget Fundamentals

- Ferris is a major industry
 - Customer base of 12,472 students
 - Just over 1,400 full-time employees
 - Annual operating revenue of \$295 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



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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.)



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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

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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 used to support operations.

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FSU Non-Operating Funds

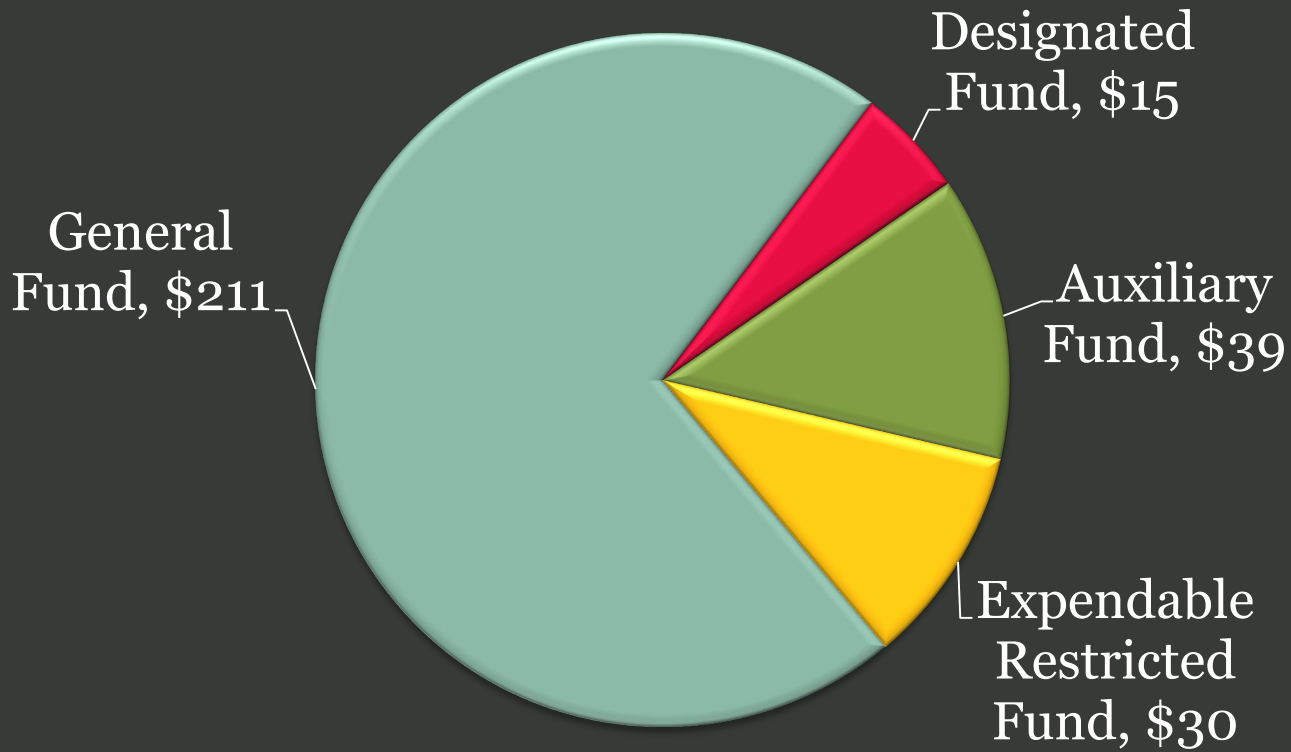
- **Plant Fund** - Consists of Four Units
 - Unexpended Appropriations - records assets available for new construction or major repairs/renovations
 - Reserve for Maintenance and Replacement
 - Reserve for Debt Service
 - Physical Properties - Value of physical properties
- **Pension Obligation Fund**
 - GASB 68 and 75
- **Agency Fund**
 - Represents funds held in custody for students and University related organizations.
 - Residence Hall Association

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Current Operating Funds Revenues - FY 2019 - \$295 Million

(Amounts in Millions)

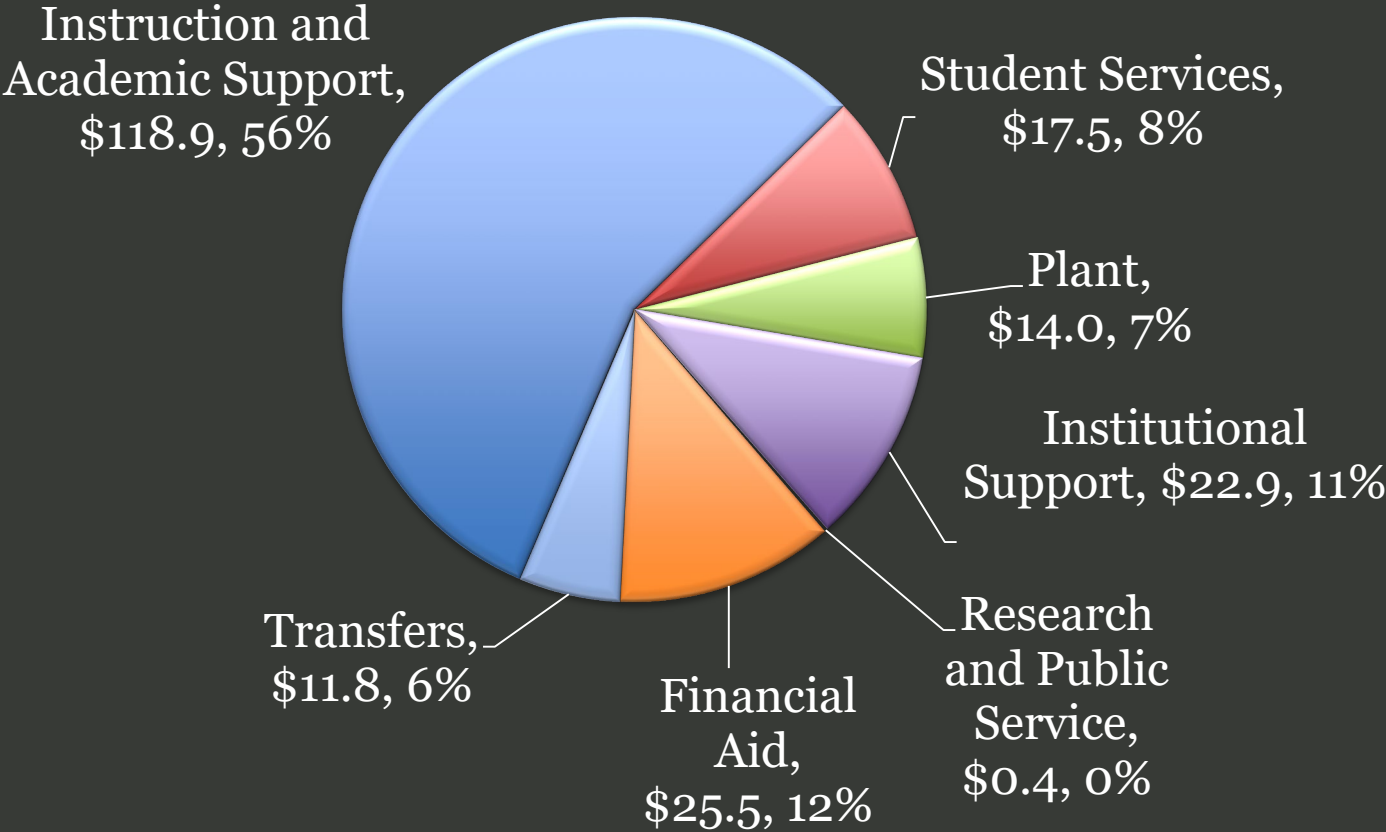


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FSU FY 19 General Fund Spending - \$211M

(Amounts in Millions of Dollars)

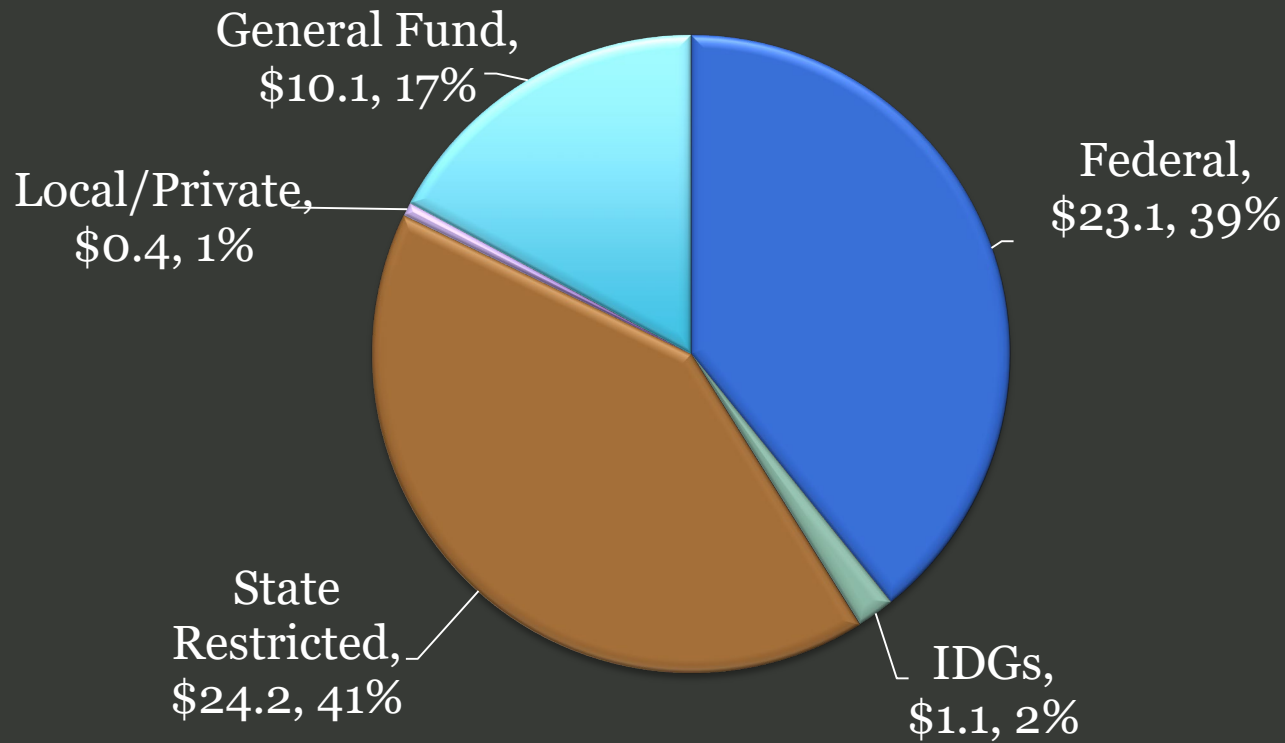


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State of Michigan Budget Sources FY 2020 - \$59 Billion

Amounts in Billions



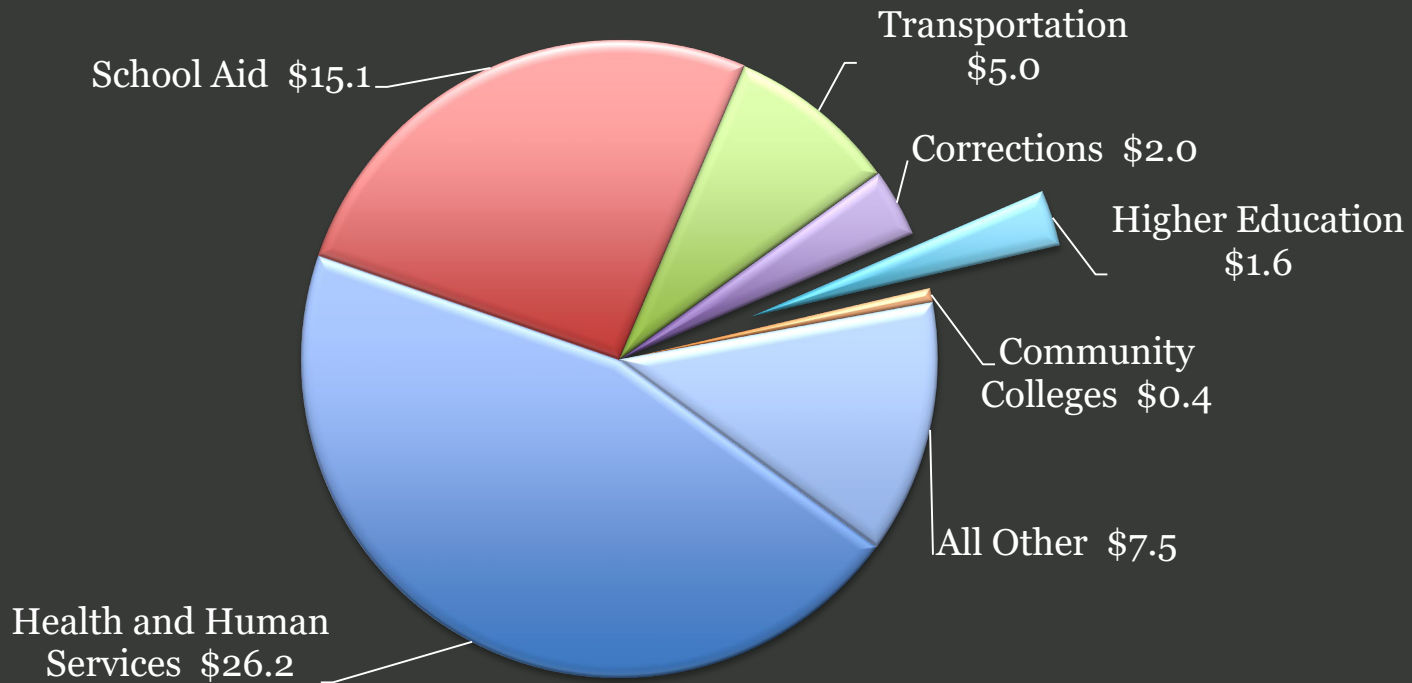
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State of Michigan Budget Uses

FY 2020 - \$57.8 Billion

Excludes Interdepartmental Grants

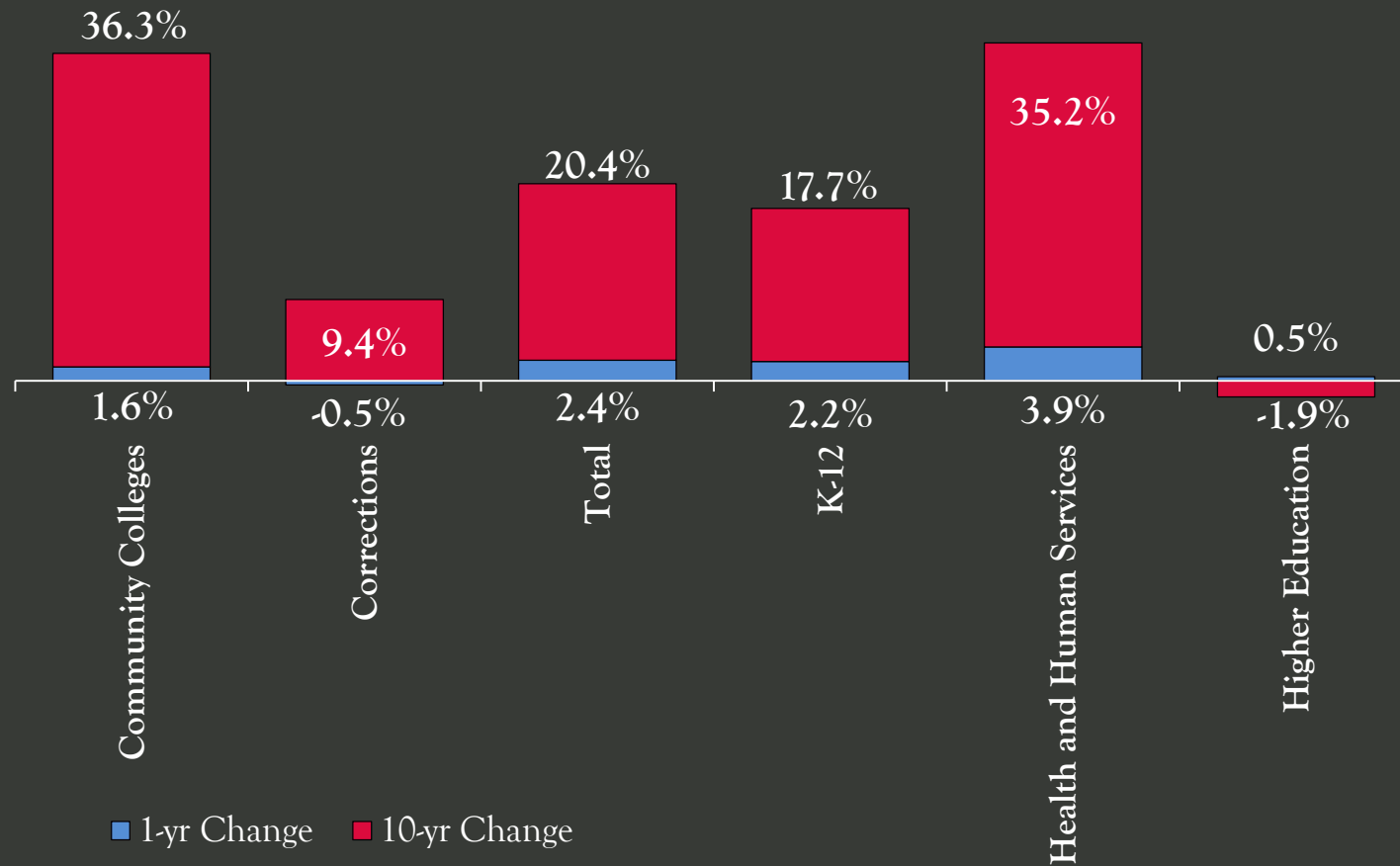


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Michigan Budget Priorities

One-Year (2020) and Ten-Year (2009-2019 actual) Change in State Appropriations from State Resources

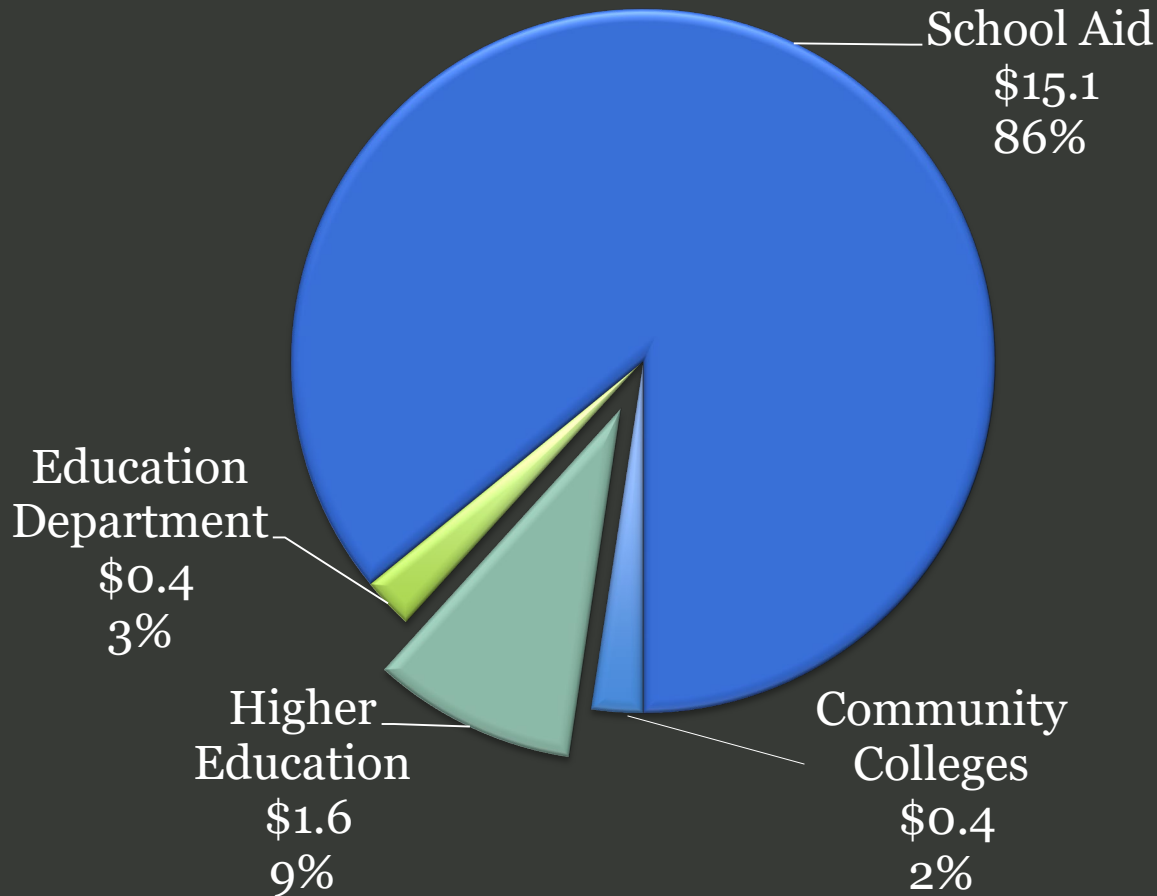


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State of Michigan Spending

FY 2020 Education Budget \$17.6B



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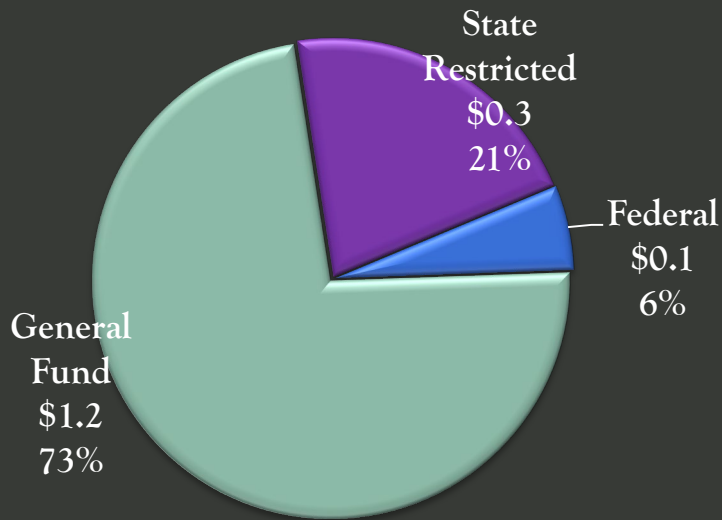
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2019-20

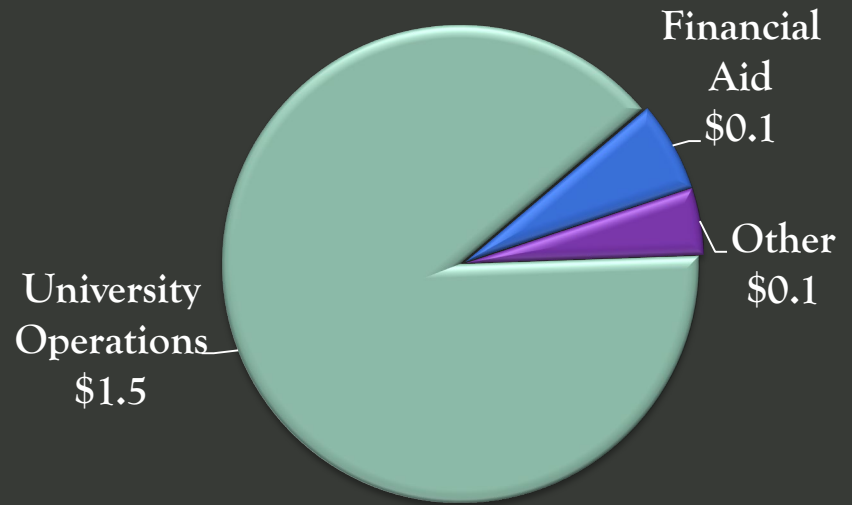
Higher Education Appropriations - \$1.6 B

(Billions of Dollars)

Source of Funds



Use of Funds



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State of Michigan University Funding Models

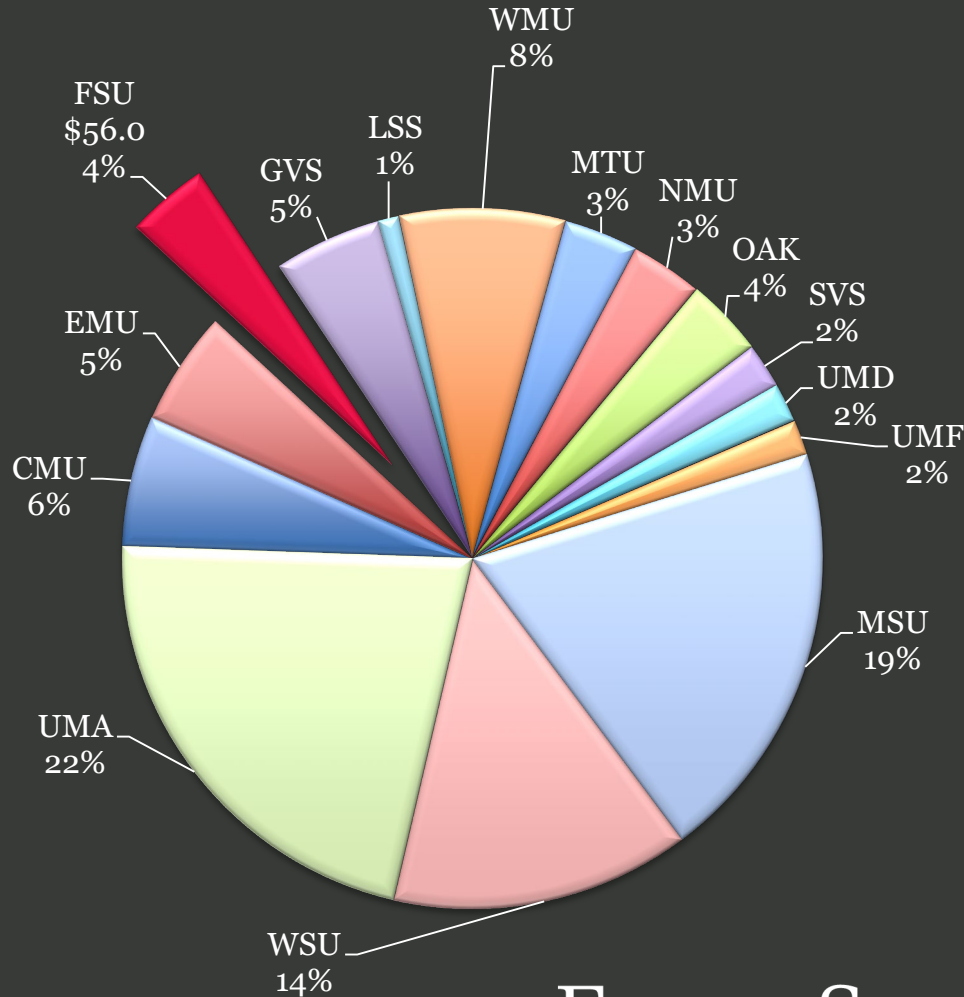
- Various models have been used by Michigan to allocate university appropriations
 - Political/Incremental
 - Formula Funding
 - Beginning with FY 2012-13 – Performance Funding
 - Performance funding – 6 measures
 - Critical Skills Undergraduate Degrees/Certificates
 - Research and Development Expenditures
 - 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 twice the rate of CPI
 - Non-compliance – 1 university in FY15; 2 universities in FY16
 - FY 2019-20 Higher education budget included a \$22 million (1.3%) decrease
 - (\$38M scholarship veto offset with 1% increase to university operations distributed through the performance funding model)

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2019-2020

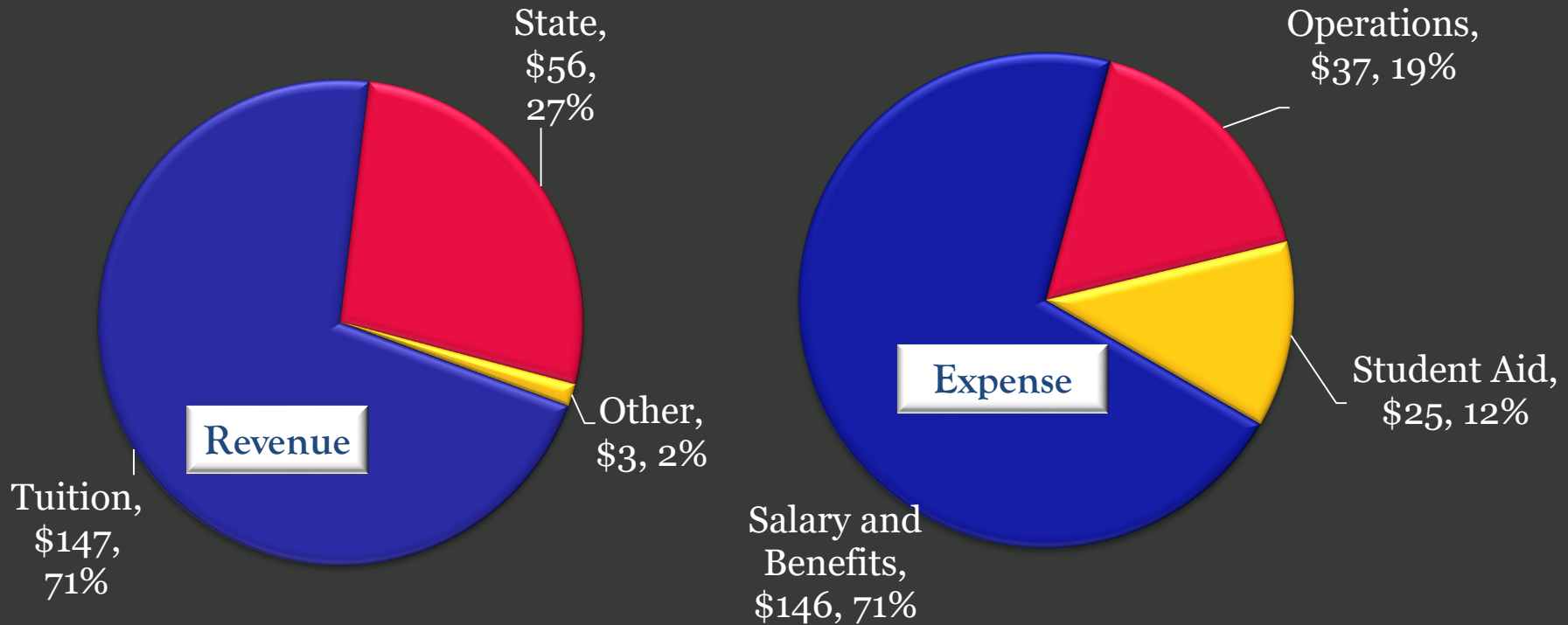
\$1.47 B University Operating Appropriations



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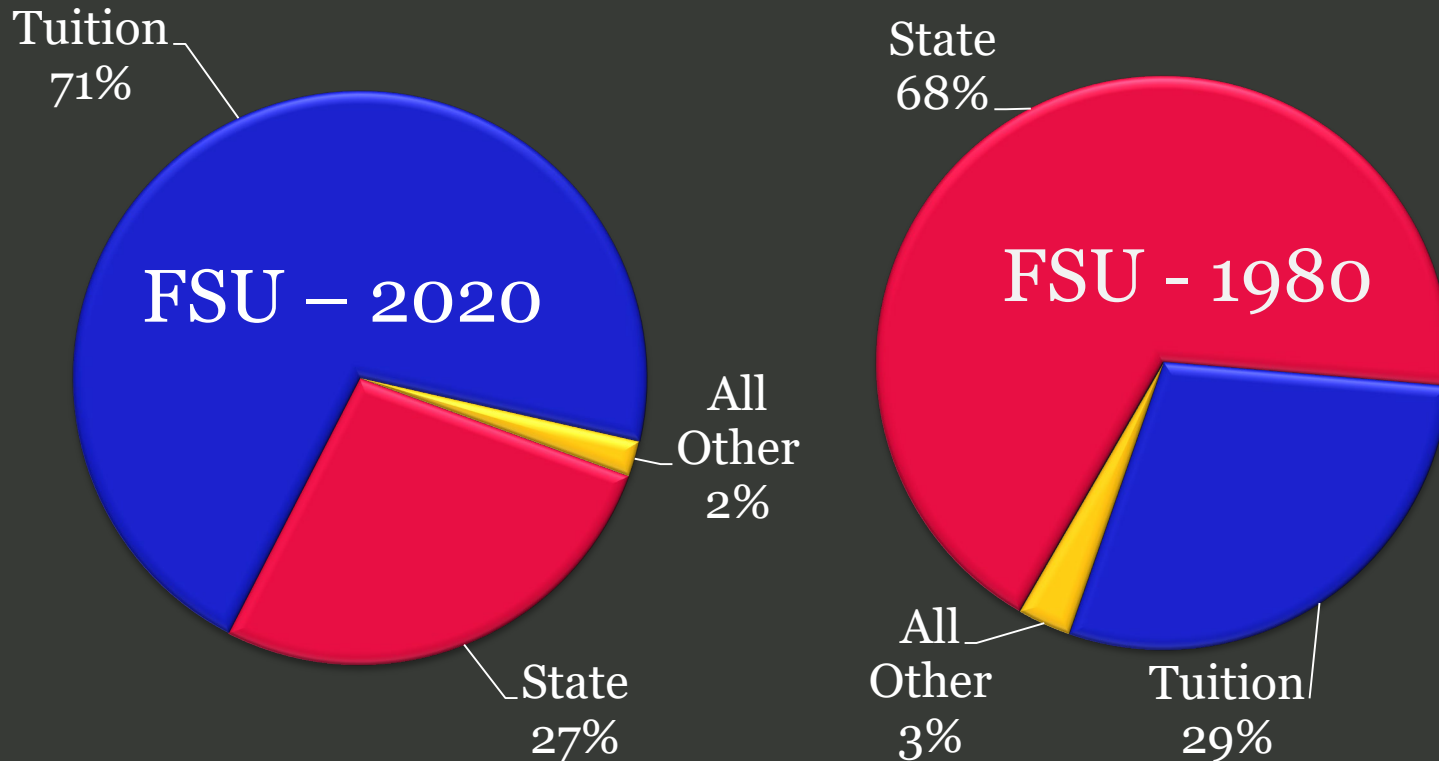
Ferris' FY 20 General Fund Operating Budget - \$206 Million



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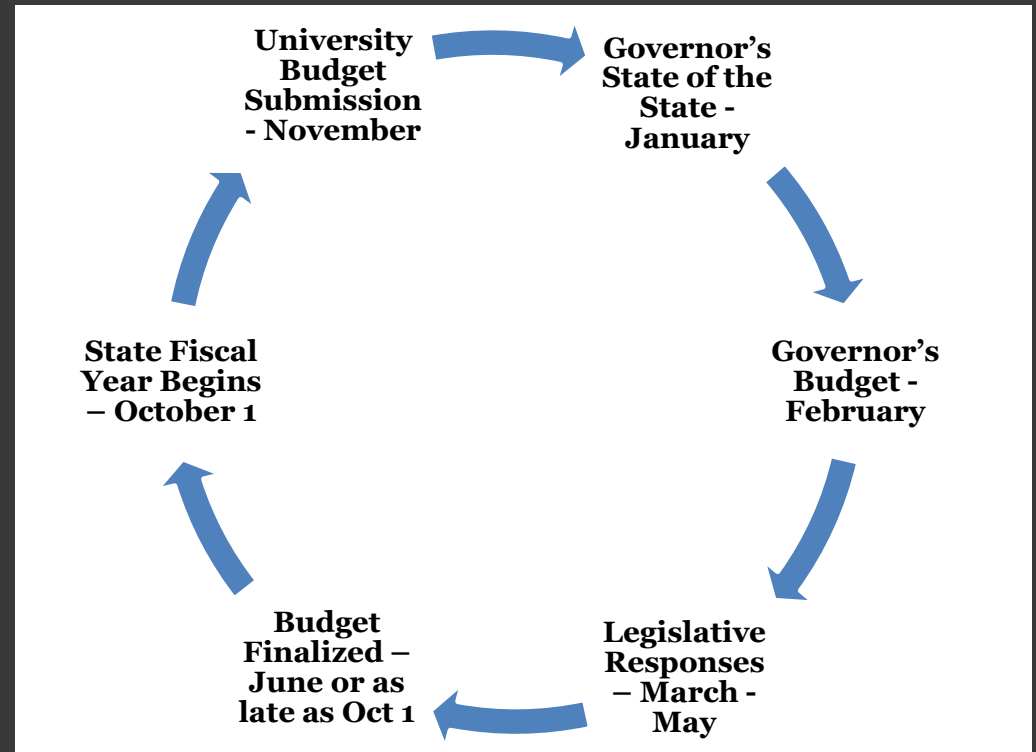
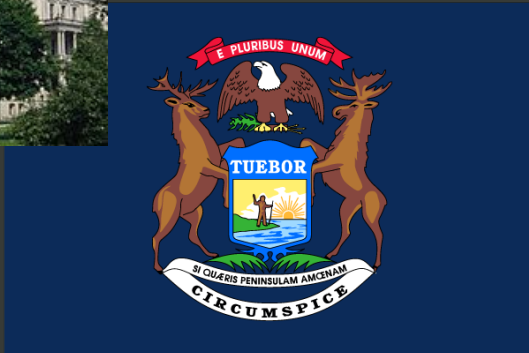
FSU General Fund Revenue Perspective



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State Appropriation Process



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Appropriation History

Financial Statement Amounts – Base Appropriations in Millions



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Appropriation Instability

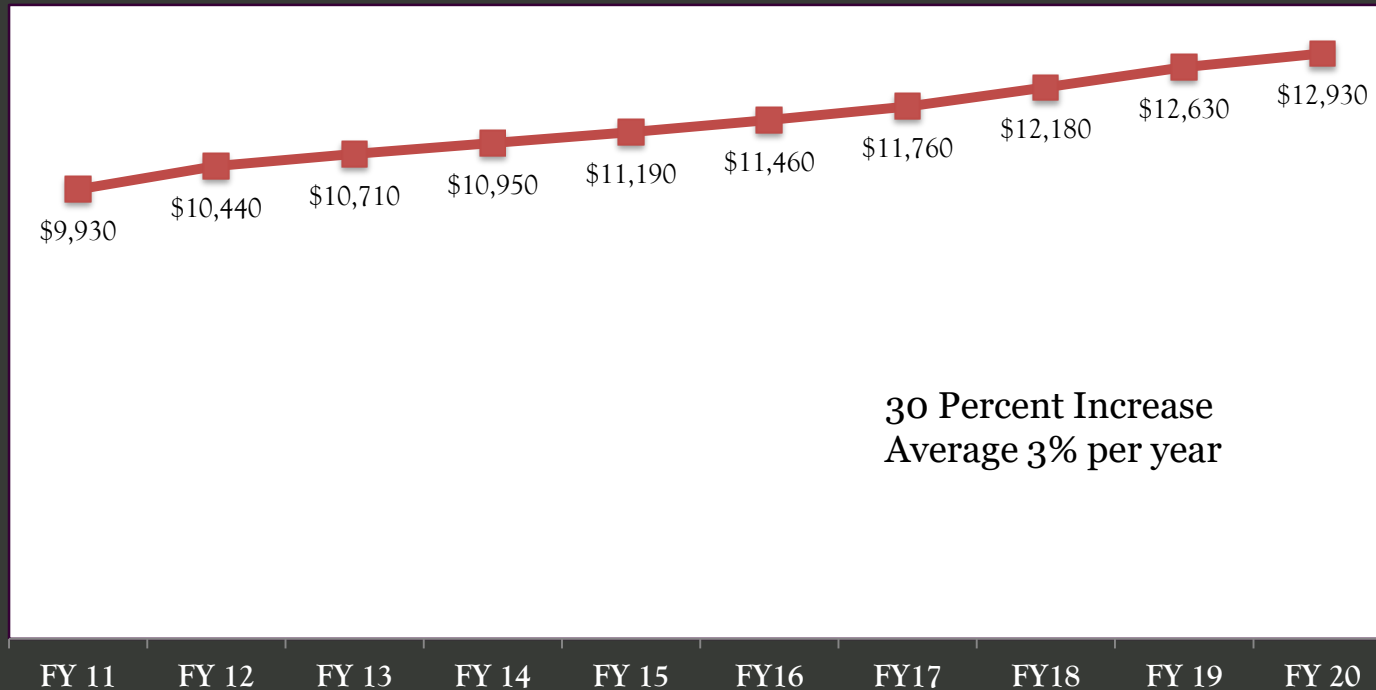
- Between FY 2002 and 2012, Ferris' State base operating appropriation was reduced by \$14.2M (25.6%)
 - University cut costs to offset
 - Mid-Year FY 2007 \$6.1M (12.5% of the FY 07 total) was delayed or eliminated
 - All but \$844k later repaid
 - FY 2008 approved at \$300k less than the initial FY 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%; FY18 2.6%; FY19 2.5%; FY20 2.0%
 - FY20 surpassed 2002 level for first time

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10-Year Tuition Increase

Resident, Undergraduate, Lower Division - 30 Annual Credits



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FSU Budget Today

- Challenged
 - Enrollment
 - State disinvestment
- Balanced – Representative of the priorities of the University
- State performance funding aligns well with Ferris mission
- Flexible

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Enrollment Fiscal Impact

- Tuition revenue shortfall of \$2.1M projected and included in the FY20 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
 - \$8 Million of base reductions required for FY20
 - \$5.4M completed (32 positions)
 - \$2.6M assigned to be completed by year end

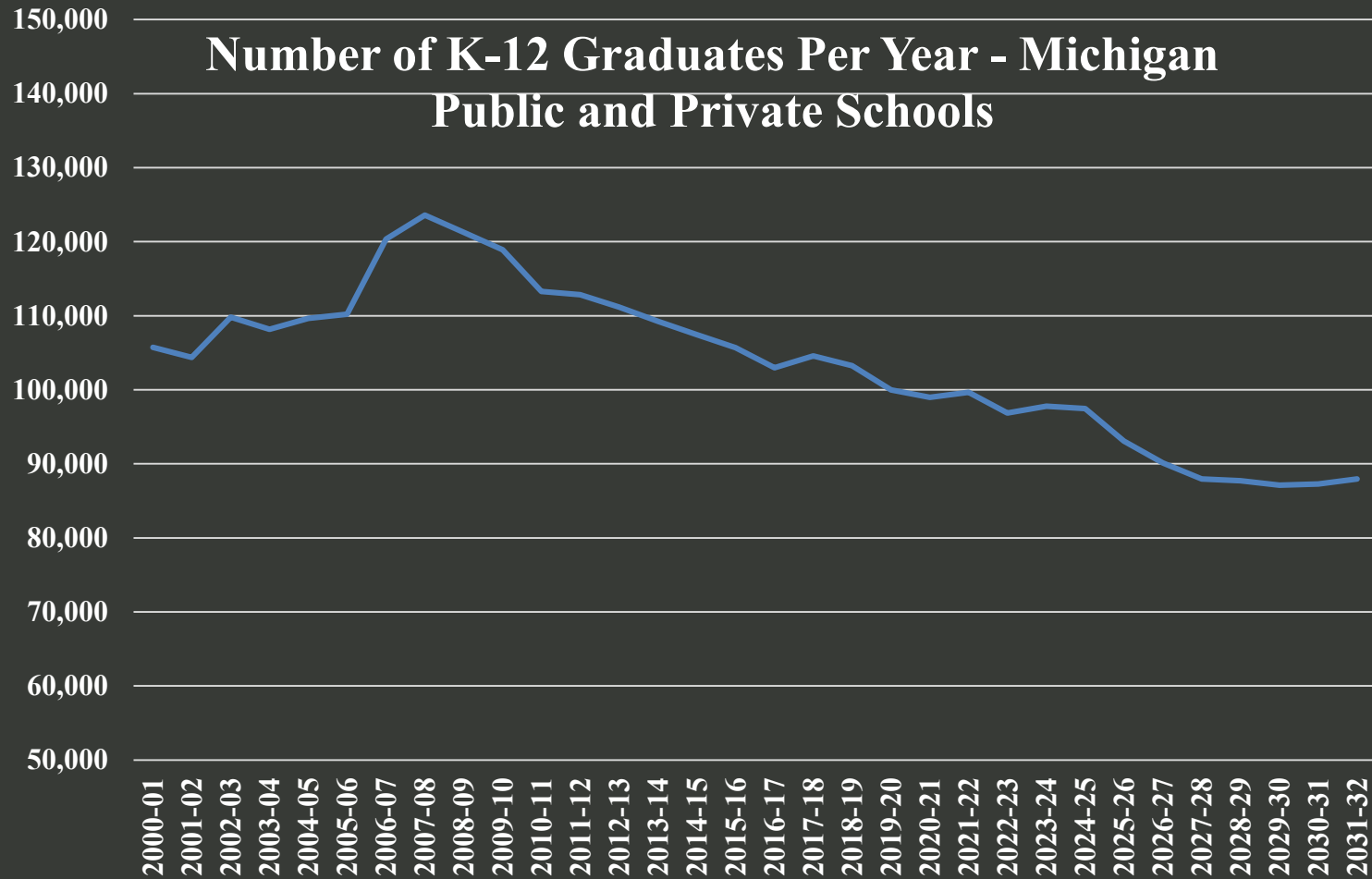
Recent Fiscal Challenge

- Four-Year Enrollment Change of 15.2% between fall 2015 and 2019
 - 14,715 fall of 2015; 12,472 fall of 2019
- Four-Year Budget Reductions total \$23.5M (120.5 FTE)
 - FY17 – 24 FTE - \$5.2M
 - FY18 – 9.5 FTE - \$3.0M
 - FY19 – 55 FTE - \$7.3M
 - FY 20 – 32 FTE - \$8.0M
- Strategies underway to reverse enrollment decline
 - EAB initiatives; marketing/branding campaign; transfer portal

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Application Trends



Source: WICHE data

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Looking Forward

FY 2021 Issues

- Enrollment – until enrollment stabilizes, additional budget reductions will be needed
 - Planning focused on:
 - How are changes in enrollment tied to budgets?
 - Where can we be more efficient?
 - Where can we eliminate duplication and use our resources more effectively?
- Free Community College
- State funding priorities and State tax revenue diversions (roads, homestead property and other tax credits)
- Tuition Incentive Program – Funding and Limits
- Capital Outlay

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Web Reference

- This presentation
 - <http://www.ferris.edu/htmls/administration/president/budget-office/information.htm>
- Most Recent Budget Forum
 - <https://www.ferris.edu/HTMLS/administration/president/presentations/2019-2020/FINALFallBudgetForum1130am.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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