

Immediate Feedback System for Budget Process Decisions

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Abstract

Institution: Brevard Community College

Title: Immediate Feedback System for Budget Process Decisions

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Participative, collegial-style administration requires extensive participation of the entire President's Executive Staff in the budget decision process. Chief Financial Officers no longer have the luxury of spending days and weeks in a back office crunching numbers. The budget needs to be molded by the Executive Administration as a group. As budget issues are considered the financial ramifications must be factored. Brevard Community College created a menu-driven database program which tracks budget decisions and shows budget status after every decision. The system is used during a 2-day budget workshop to provide immediate feedback to budget issues.

The budget modeling program handles across the board salary increases by employee classification, new personnel, merit or other non-standard salary increases, operating expense changes, equipment allocations, and strategic initiatives. The program can handle any desired level of detail. Budgeted fund balance is analyzed and tracked against the desired target. The use of this program allows the non-financial administrators to understand the major decision factors of the budget process, and it helps to build trust that the CFO is not withholding large pots of funding from the budget discussion. It is a useful tool for the financial and non-financial executive administrator.

Introduction to the Organization

Brevard Community College is a large multi-campus institution on the central East coast of Florida. The college offers many two-year associate degrees in transfer and vocational disciplines. The physical division of the college into four full campuses and a virtual campus creates administrative challenges in many aspects. Consideration must be given to campus equality in every decision whether it involves programmatic offerings, student support capabilities, or general funding levels. The college's operating budget totals \$52 million.

Eleven senior administrators comprise the District Cabinet. The Cabinet discusses all major issues and makes recommendations to the District President. Cabinet level administrators include the District President, Vice President for Finance and Administrative Services, Associate Vice President (AVP) for Human Resources, AVP for Public Relations and Marketing, AVP for Student Services, AVP for Institutional Effectiveness, and five Campus Presidents.

Statement of the Problem

Preparing a budget for any higher education institution is a difficult challenge. In the preparation of an operating budget the administration makes many important decisions in a short period of time that will shape the outcome of the school's efforts for the following 12 months. It is critical that the entire administration understands the full context of the budget and the affect each decision has on the available funds. It is also important that

the administration address the budget issues in a manner that allows the most critical priorities to be addressed before the less crucial issues.

The budget process can vary greatly from one institution to another. However, there is always a point in time when the most critical, and frequently the most expensive decisions are made. When the top administrators do not understand the reasons for the decisions, adequate explanations cannot be passed down to the department heads. This frequently creates a high level of dissatisfaction and distrust in the brand new budget. The problem addressed in this best practice was to improve the budget decision process so that every member of the District Cabinet could participate in the discussion, understand the big picture, assist in the prioritization of requests, and be prepared to defend and explain the decisions. Finally, this had to be accomplished with instant feedback on the effects of the decisions.

The following scenario happens far too often in the budgeting process. After the Business Officer evaluates all revenue sources, she totals the revenue budget. Her staff has developed the costs to continue current operations and she totals the amount left for new initiatives. The Business Officer calculates how much it will cost for a 1% raise, then determines the percentage she feels the college can afford to give. She prepares summary documents and presents these to the President of the college with explanation. At this point the President calls a meeting of the senior administration to discuss the distribution of the leftover funds. Only the President and CFO discussed the raises, and the rest of the administration allocates only a small percentage of the overall budget. The best practice described in this document provides a methodology for the entire senior

administration to participate in the entire budget decision process by providing immediate budget impact information on any scenario.

Design

The preparation of a budget involves a great amount of data. A successful process must be accountable to the overall budget picture – in other words, the total budget allocated must not exceed the total dollars available for allocation. A software program was developed to store the information necessary to provide instant financial feedback to budget decisions. The program was developed using Microsoft Access. The Business Officer can set up the program either through a menu driven process or by direct entry into the underlying tables. The program can be set up to work with budget decisions at any level of detail desired.

Implementation

The implementation process for this practice is two-fold. The Business Officer must set up the program to incorporate the specific data for the institution. This requires the compilation of the following summarized information.

- Cost to Continue Current Operations (Roll-forward budget)
 - o Personnel (broken down into any desired classification)
 - o Operating Expenses
 - o Equipment/Capital Outlay

- Beginning Fund Balance
- Target Ending Fund Balance
- Target Percentage Distribution by Expenditure Type (optional)
- Target Percentage Distribution by Function (optional)
- Requests for New Personnel (by individual or summarized in any way)
- Requests for Merit/Special Pay Increases/Promotions (by individual or summarized in any way)
- Requests for increased operating expenses (in any level of detail)
- Requests for Equipment/Capital Outlay (in any level of detail)

The program was designed to facilitate a budget summit meeting where the major budget decisions are made over a relatively short period of time (i.e., a one or two day meeting). At Brevard Community College this meeting is run by the Vice President for Finance and Administrative Services, though the program will accommodate any format.

The program tracks the following issues:

- Salary Increases by Classification – the desired percentage increase is entered and the program calculates the total salary and benefit budget necessary. The college has the option of entering different level increases for Administration, Full-time Faculty, Full-time Staff, Part-time Faculty, and Part-time staff.
- Merit Pay/Special Pay/Promotion Salary Increases – each request, whether detailed by individual or summarized, can be updated as “funded” by clicking on a button. The program accounts for the total salary and benefits of all funded requests.

- New Positions – requests for new positions can be considered individually or summarized at any level (i.e., total campus). New positions can be updated as funded by clicking on a button. If the administration wishes to fund new positions at levels other than requested, the request amount can be easily changed. In time of budget reductions this area can accommodate the elimination of positions by entering negative salary amounts instead of positive.
- Operating Expenses – this area can be set up to consider requested increases at the campus level, division level, or department level. If the need arises this section can accommodate expense reductions by entering negative “requests” instead of positive. The funding of additional budget (or acceptance of proposed reductions) are indicated by clicking on a button. The program sums all funded requests automatically.
- Equipment/Capital Outlay – requests can be entered at any desired level of detail. A college may choose to discuss every equipment request, departmental totals, campus totals, or any other summarization that fits the institution. Requested amounts can be easily changed, and the funding of a request is indicated by clicking a button.

At the start of the budget summit the summary screen of the program indicates the beginning fund balance, the target fund balance, and the recurring cost to continue current operations. All requests are viewable, but not funded. The total dollars available for funding is indicated on the summary screen. A college may wish to consider the funding of certain initiatives which involve any combination of new personnel, operating

expenses and/or equipment. Choosing to fund a requested initiative updates the related requests in each area to a “funded” status, and the summary screen is updated accordingly.

As decisions are made in the various areas the summary screen shows the remaining dollars available for allocation. The administration works through all budget requests with the goal of the ending budgeted fund balance equaling the targeted fund balance.

There are no obvious pitfalls to the implementation of this practice. Since every institution has a different budget process, the Business Officer must consider the best way to set up the program to facilitate the budget discussion. Considerations such as the level of request detail, whether decisions will be made at the campus, division, or department level, and what type of budget targets should be set must be made during the preparation stages of the process. The program was built with a great deal of flexibility to accommodate these needs.

Benefits

A high level of understanding and involvement from top administrators during this time creates a high level of satisfaction and support for these decisions as well as the process in general. The use of a customized software program for this process provides efficiencies which allow the finance staff to concentrate on the accuracy of budget detail rather than the computation of many different budget scenarios. The budget overview screen, when projected for the group during the budget meeting, allows all administrators to view the budget targets, summarized allocated resources, and budget remaining to

allocate at any point in time. Finally, the process of preparing the program for use provides assurances to the Business Officer that she has accounted for all significant costs in the process.

Retrospect

This program has evolved to some degree over the past three years. Improvements have been made from year to year, but there have not been changes significant enough to warrant doing anything different if started from scratch. The use of this process provides an efficient budgeting tool for the Business Officer as well as the rest of the senior administration.