Budget Planning Resource Group Report

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NIU
Northern Illinois University

Foreword: Budget Planning

During the past decade, the university has been confronted by unforeseen challenges that have completely altered the landscape in which it operates. These challenges, which could have never been anticipated, included a two-year state budget impasse, a pandemic, significant enrollment declines, and reduced state support for institutional operations and facilities. In addition, the university is now facing a new set of challenges such as supply chain delays, inflation levels not seen in 40 years, and a variety of societal, political and workforce availability issues. These environmental factors and external events have seriously affected the university and the students it is designed to serve.

To confront these unprecedented challenges, the university has implemented cost-control measures aimed at managing its shrinking pool of resources, and has undertaken Program Prioritization initiatives to target its limited revenues toward strategic priorities. Despite these efforts, the university is currently facing a multimillion-dollar annual operating budget deficit. To address this budget deficit, the university must resume – and strengthen – budgetary efforts aimed at increasing its financial strength and accountability.

A number of public universities in Illinois have recognized the need to reexamine their budget development and planning strategies to overcome the lingering financial effects of the past several years. To achieve financial sustainability, NIU also must improve its current budgeting practices, processes, and procedures and specifically must reduce spending, reallocate internal resources to innovation, and target strategic investment toward student needs and expectations.

The attached report, developed by the Budget Planning Resource Group, recommends a multiyear budget model which rests on three pillars that include innovative revenue generation, deficit reduction and operational support. The report was developed and informed utilizing an intensive, inclusive stakeholder feedback process and includes thorough, thoughtful and important recommendations that will help realize the aspiration of multiyear planning, a balanced budget, and ultimately, financial sustainability. The report is a call to action for universitywide commitment, shared leadership, resource development and fiscal responsibility.

Executive Summary

Introduction: Facing a multimillion-dollar annual operating budget deficit, the university must take significant action to bring operational expenses in line with available revenues. Following the shared leadership model, President Lisa Freeman created the Budget Resource Planning Group to seek stakeholder input and ideas for a new budget process, and to recommend a plan for a transparent, inclusive, multiyear budget model that balances the budget and promotes the long-term financial health for the university.

Priorities: Based on extensive stakeholder feedback, the Planning Group identified the following six priorities for the successful implementation of a new institutional, balanced budget model. Achieving these priorities will be a multiyear endeavor.

- Prioritization. The budget process must be iterative and equitable, and must focus on and support NIU's mission, vision and values. The budget process should foster a culture that emphasizes the pursuit and adoption of strategies that advance university priorities.
- Equity. Financial decisions should support student outcomes, particularly for students who represent underserved populations.
- Rightsizing. The multiyear budget process should produce a balanced budget that reduces expenditures and eliminates the multimillion-dollar budget deficit within three years.
- Innovation. Create a shared revenue and rollover budget structure through "gainsharing" that incentivizes innovation and net revenue generation.
- Education. Education, onboarding and training for key staff – budget, finance, accounting and leadership positions – should be expanded and a consistent budget terminology developed and adopted.
- Timeline. Establish a consistent institutional timeline for developing budget scenarios, processes and procedures based on realistic financial and enrollment projections.

Budget Planning Group Recommendations

"At the highest level, we recommend a multiyear budget model that equitably and predictably results in financial sustainability while providing incentives for innovation."

The new budget model should consist of two main components: a structural component and a nonstructural component. The structural component would fund the basic operations of the university, and the nonstructural component would include one-time revenues and expenditures and an innovation fund to promote innovation and programmatic evolution.

In the initial year, the implementation of the new budget model should begin with a zero-based budget whereby budget development for all units will start "from scratch." The budget should be developed with an equity lens that focuses on the university's mission, vision and values. Budget planning should be a multiyear process spanning at least three years, preferably five. Multiyear budgets should be revisited annually, and a model should be developed to promote innovation via revenue sharing between units sponsoring the innovation. The current structural deficit should be eradicated over three fiscal years primarily through expense reduction, but assisted by revenue generation.

Three Pillars: The three pillars upon which the budget model rest include revenue generation, deficit reduction and operational support.

1. **Revenue Generation and Energizing Innovation**. Establish a campuswide goal for enhanced revenue generation in the range of $2 million to $4 million annually. This will reduce the structural deficit and reduce the scale of drastic expense reductions. To move ahead with revenue generation, impediments to advancing these activities should be explored, clarified and addressed. A multiyear budget will not work if operational and tactical impediments are not removed. A full understanding of state roadblocks, institutionally imposed restrictions and unit-level budget implementation practices must be clarified and focused more on supporting revenue generation. In addition, a university revenue sharing plan, or "gainsharing," must be developed that incentivizes units, helps address the deficit and builds an investment pool. Specific revenue-generating options include enhanced credit-hour generation, exploring potential new funding sources for graduate assistant tuition waivers and better utilization of NIU facilities.
2. **Deficit Reduction**. To address the $10 million annual, structural budget deficit, the university must identify expense reductions of $3.3 million per year each year for the next three fiscal years. To achieve financial sustainability, expense reductions will be the most important step of reducing the university's structural deficit. Specific strategies for reducing the deficit to be considered at the university and unit levels include: reduce instructional costs by reducing costs per credit hour; continue to evaluate outsourcing opportunities where service will not be reduced; eliminate academic and administrative programs that are outdated or poorly subscribed; and move any auxiliary operation not central to the university mission off university general funds or eliminate its funding.
3. **Operational Support**. The third pillar of the new model comprises an array of activities that serve as the "nuts and bolts" of the model. These include development of a budget timeline and review, addressing the conflation of financial and budgetary processes, ensuring ongoing financial education, and provision of forecasting and modeling tools.

Multiyear Budgeting: The successful implementation of a multiyear budgeting process relies heavily on multiyear planning efforts. To facilitate long-range planning and the development of long-term, aspirational budgets, units should submit their projected three-year changes along with their annual budgets. A thorough review of budgeting and accounting practices is needed, expanded fiscal education should be established and financial information should be made readily available to the entire university community to increase transparency and accountability.

Conclusion: Managing change will require a great deal of everyone involved in campus leadership. Implementing a multiyear budgeting process will also require significant time and effort from staff at all levels. The university must change in order to survive; therefore, this initiative requires universitywide commitment, shared leadership, resource development and fiscal responsibility.

BUDGET RESOURCE PLANNING GROUP

Section 1. Background and Introduction

Facing a nearly $10 million annual budget deficit, NIU must take significant and painful steps to bring operational expenses in line with revenue projections. All the university's key stakeholders, especially university leaders and faculty, need to rally to preserve the important mission of our university in a sustainable way.

There are several reasons why we have budget deficits; most notably, the budget has not been adequately adjusted to offset the significant enrollment decline experienced over the past decade. The primary response has been to allow deficits to continue. There have been many consequences to this strategy: Programs that are most important to our mission and/or that generate significant net revenue are harmed by frequent cuts; new initiatives that enhance equity and student success suffer; core administrative services decline in quality; and the physical plant deteriorates. Important investments in new initiatives are not possible, and the university's ability to respond to opportunities and crises is substantially depleted.

Continuing the current path means that every aspect of the university will deteriorate until all assets are depleted. There is no alternative but to confront these issues now. The administration has advocated for state funding to serve our students and meet our mission; however, there is no guarantee that state funding will grow. Similarly, fundraising can only help modestly as it often supports specific programs and is not reliable.

Given the financial challenges that NIU, as well as the state of Illinois, have faced in recent years, there is a notable culture of risk aversion across campus. However, in recent years, we have seen much greater support for higher education in Illinois, and NIU must turn the page on past challenges and move forward in the new higher educational environment in our state.

In addressing our budget, the campus community needs to embrace a collective, shared responsibility for both revenue generation and expense reduction as well as new approaches to budget management. This will be a culture shift for the entire NIU family, but is necessary to protect the university for generations to come. As noted by the provost and executive vice president of Academic Affairs during one of the stakeholder discussions, "Not doing anything is a greater risk."

NIU must develop a balanced budget responsive to our mission that incorporates deficit reduction and revenue generation. We must address our budget challenge in several ways:

- The president and other senior administrators of the university must show executive leadership in proposing the difficult strategic choices that must be made and in supporting major changes in how financial decisions are made.
- The process by which budget decisions are made must be strengthened, including enhancing the university's analytic capacity and establishing a budget model, policies and practices that provide incentives for revenue growth and tools for making expense reductions.
- We must recognize that the core mission of NIU – student education and degree generation – provides support for the budget. As such, we need to work to maintain and grow enrollment where possible through normal investments in high-enrollment programs as well as through innovation investments in new high-growth areas.
- NIU mixes financial accounting and budgeting practices in a way that prohibits innovation. For example, the resistance to obligating funds across fiscal years prevents investments in innovation. As a necessary precursor to developing a multiyear budget process, we must conduct a review of institutional finance and accounting processes, systems, procedures and processes as well as a thorough review of state of Illinois financial guidelines and restrictions. Our goal should be to develop recommendations that strengthen current and future operations and financial reporting needs, including a clear delineation of internal functions and separation of financial operations for strategic budgeting.
- The university's finances and its choices must be described to the university community in an inclusive and transparent manner. We cannot expect all faculty, students and alumni to support every decision, but they should be able to understand why such decisions are deemed necessary and to have a voice in the changes proposed and implemented.

In this document, we describe the inclusive process taken to develop a sustainable multiyear budget model responsive to the university mission. The three pillars on which the model rests – revenue generation, deficit reduction and operational support – are described in detail below.

Section 2. The Budget Resource Planning Group

Following the shared leadership model, President Freeman appointed the Budget Resource Planning Group (Vice President Jerry Blazey, Vice President Vernese Edghill-Walden and Dean Bob Brinkmann) to seek stakeholder input and ideas for a new budget process that can balance the budget consistent with NIU's mission, vision and values. The group's charge was to recommend a plan for a transparent, inclusive, multiyear university budget process – based on best practices research and stakeholder feedback – that would result in balanced budgets and long-term financial health for the university.

Based on the stakeholder feedback, the planning group identified priorities for successful implementation of a new institutional, balanced, multiyear budget model:

Prioritization: Budget choices must focus on NIU's mission, vision and values while facilitating the choices necessary to balance revenue and expense consistent with those themes.

Equity: Financial decisions should be tested against the institution's strong commitment to equity: "Northern Illinois University strives to improve outcomes for all students, identifying and removing barriers that disproportionately hinder the academic achievement and student experience of historically and currently underserved populations."

Rightsizing: Produce a balanced budget based on NIU's current and forecast enrollment realities. The model must eliminate the $8 million to $10 million annual structural budget deficit within three fiscal years.

Innovation: Create a shared revenue and rollover budget structure that incentivizes innovation, net revenue generation and hard choices within a multiyear planning framework.

Education: Develop consistent budget terminology/nomenclature along with initial onboarding and annual training for key stakeholders such as budget managers, account leaders, all finance and administration staff, and deans and directors.

Timeline: Establish a consistent institutional timeline which includes a guiding role from leadership regarding strategy and choices; budget scenarios based on likely state subsidies and conservative enrollment predictions; and support for multiyear planning for all institutional areas.

Section 3. Working Group Activities

Process and Methods

- Held virtual and in-person meetings with a wide variety of stakeholders using guiding questions.
- Presented opportunities and challenges in our current budgeting process, deficit and multiyear budgeting.
- Met with key budget and finance stakeholders, college and divisional leaders, unit and departmental leaders.
- Held a table-top activity with universitywide leadership with structured discussion questions for each group.
- Met with senior leadership (the chief financial officer, provost and president) to provide feedback from stakeholder meetings and to receive feedback on current opportunities and challenges, as well as a vision for the future process.
- Received feedback from each group.

Stakeholder Consensus Themes

- Encourage and incentivize innovation through revenue sharing.
- Examine and reduce impediments to process.
- Encourage termination of poorly performing academic and administrative programs, as well as initiation of new programs. Poor performance was defined as "more resources than justified by outcome" or "less central to the university mission than other programs."
- Enable full utilization and multiyear retention of 41 funds (defined as local funds) and differential tuition funds moving forward.
- Increase staff salaries to market levels to encourage recruitment and retention, recognizing that to do so requires funding by expense reductions and possibly new revenue.
- Implement a timely budget process that supports hiring decisions and programmatic developments around the academic calendar.
- Familiarity with the financial system is low, and financial education is unavailable.

Section 4. A Sustainable, Multiyear Budget Model

At the highest level, we recommend a multiyear budget model that equitably and predictably results in financial sustainability while providing incentives for innovation.

The model should have the following characteristics:

- We recommend two components to the budget:
  - The first – the structural component – would fund the basic operations of the university aligned with mission, vision and value priorities and characterized by moderate change that reflects long-term commitments. These changes should be considered in light of performance and assessment.
  - The second – the innovation component (sometimes referred to as the nonstructural budget) – would promote innovation and programmatic evolution, and accordingly, would be characterized by more rapid change. The component could be implemented through an innovation fund.
- In the initial year, and as needed thereafter, we recommend that the implementation of the new model begin with a zero-base budget that is developed from scratch at all unit levels.
- The model must balance overall (or "all-funds") revenue and expenses over a rolling, three-year target. Reasonable temporary excursions might be intentionally planned to support new initiatives and innovation in alignment with annual and multiyear university goals.
- The budget should be viewed through an equity lens that focses on mission, vision and values priorities as identified in the university's annual and multiyear goals. To test divisional financial decisions, a rubric should be developed to assess equity impacts.
- Budget planning should be a multiyear process spanning at least three years, preferably five, with clear decision points based on evolving revenue and expenses (e.g., tuition revenue or personnel costs).
- The budget model should account for emergency budgetary needs caused by new regulatory developments and other unforeseen uncontrollable factors.
- Multiyear budgets should be revisited annually, and should start with a clear statement from the university's senior leadership that describes the university's strategy and preferred priority choices while also providing units with a picture of the feasibility of requests.
- The university needs to develop a model to promote innovation via revenue sharing between units sponsoring the innovation. Good stewardship of operating and structural funds should also be incentivized through a formal process for carryover of funds between fiscal years.
- The current structural deficit should be eradicated over three fiscal years (with reduction starting no later than FY 2024) primarily through expense reduction but assisted by revenue generation.
- Deficit reduction and innovation should be addressed simultaneously with any new sources of revenue.
- Education about the new budget model and multiyear planning should be widespread and continuous.

Section 5. Pillar 1: Enhancing Revenue and Energizing Innovation

As the first pillar of the new model, we recommend setting a campus goal for enhanced net revenue generation. We suggest a specific goal of $2 million to $4 million annually. We make this recommendation because it will have a significant impact on reducing the structural deficit and significantly reduces the scale of painful expense reductions.

There are many ways that the university can enhance revenue and energize innovation to promote revenue generation. However, impediments to moving ahead with revenue generation activities should be addressed. These include:

- Clarity regarding state roadblocks and NIU-imposed roadblocks. We heard from many stakeholders that NIU puts barriers that might, or might not be, appropriate given state or federal rule compliance.
- A lack of agency. Many stakeholders we spoke with felt that they did not have a green light for moving forward with revenue generation initiatives. Clear central guidance on ways forward would be useful. Leaders should be empowered to take risks. Clear budget guidelines for risk or investment should be provided as examples for how to move forward with ideas.
- Business processes are not oriented to incentivize revenue generation and are related to the blending of financial and budgetary considerations. This issue plays out in several ways. For example, many accounts are swept at the close of the fiscal year or are not given budget authority to spend beyond a single year, which makes incentivizing revenue generation problematic. We also do not have a clear, transparent and uniform policy on revenue sharing.

- Lack of infrastructure for developing external contract programs in Academic Affairs. Each college manages its revenue-generating activities separately without staff. With appropriate support and central organization, revenue generation could increase.
- NIU's track record of launching programs and initiatives, but not ending them when they do not produce revenue. The university should be more aggressive at evaluating revenue-generating programs within an annual (and three- to five-year cycle) to assess if they are successful and to make appropriate decisions regarding continuation.

It is important that the president, provost and chief financial officer demonstrate in their communications and actions that they encourage revenue-generating activities. That message must be a part of their oral and written communications. They need to recognize and reward initiatives. To further energize innovation, we recommend an institutional focus on:

- Identifying and eliminating bureaucratic roadblocks to revenue generation. Creation of policies around carryover is a particularly important example. The management of funds associated with 41 accounts and differential tuition pose a challenging and sensitive situation for the university. Because these and other funds have been used to backfill annual costs, cost center managers have not been given budget authority for more than one year. Thus, the funds are not used strategically on large local projects, which impacts the overall quality of facilities, classrooms and equipment. Furthermore, the inability of units to use these funds represents a demoralizing disincentive for innovation and modernization across campus.
- Soliciting revenue generation ideas from the campus community.
- Providing evaluation and mentorship for promising ideas.
- Developing a university revenue-sharing plan that incentivizes units, helps retire the deficit and builds an investment pool. Revenue generated by any unit should be shared with the university. (We recommend an algorithm where units recover costs for their revenue-generating initiatives, and after recovering costs retain all revenue below a defined threshold. Any funds above the threshold share progressively with the university/colleges/supervisory units.)
- Creating an annual competition for new program investment that prioritizes revenue growth.

Beyond promoting revenue generation through innovation programs, we also offer additional, specific proposals for revenue generation:

- Increase tuition revenue at the undergraduate and graduate levels through enhanced credit-hour generation, which would require the development of new curricular opportunities (particularly at the graduate level) with minimal expenses. While central investment funds might be needed, or some resources diverted locally, units should be encouraged to develop new programs with potential for net revenue growth.
- Take advantage of online offerings to attract new cohorts for key revenue-generating degree programs.
- Enhance contracted degree programs. The university has a range of great businesses, nonprofits and schools in our region, and can find ways to expand contracted degree offerings and training in key areas through educational sales teams.
- Continue to find attractive factors and new markets (including the international marketplace) for recruitment of transfer studies.
- Seek external funding for tuition to reduce graduate assistant (GA) waivers and examine rationale and implementation of waivers. Review the distribution and account of waivers with an eye toward incentivizing external funding of tuition.
- Develop new auxiliary offerings to enhance net revenue generation. These include but are not limited to conferences, training, camps and events.
- Consider how to better use NIU facilities post-COVID-19 to generate revenue. Suggestions include rental of nonbonded and underutilized academic and other spaces to for-profit and nonprofit partners.
- Develop a strategy for sponsored funding and philanthropy for innovative programs.

Section 6. Pillar 2: Reducing the Deficit

Net revenue generation cannot reduce the structural deficit alone. Indeed, net revenue generation will take time – and the outcome is not entirely predictable. To achieve financial sustainability, expense reductions will be the most important step. While this will be painful in the short term, the long-term benefit will be a stable, consistent budget environment.

Deficit reduction is the second pillar of the new plan, and given the uncertainty of net revenue generation, the university should target elimination of $10 million in costs with the understanding that the goal might be modified if net revenue-generation initiatives have sufficient success. Because the timeline is tight for reducing the deficit (three fiscal years beginning in the FY 2024 budget year), the university's senior leadership must identify expense reductions of $3.3 million each year for the following three fiscal years.

As with revenue generation, the president, provost and chief financial officer must demonstrate strong leadership in describing and communicating the necessity of budget reductions for the long-term health of the university, and in clearly articulating the choices to be made to achieve those reductions.

As a precursor to deficit reduction, a "level set" of 41 account funds will be required. Many units have expectations that "banked" funds will be restored to them; however, this is not possible as these funds have already been utilized to offset the structural deficit. We urge a broad reset of these "banked" funds to zero with the understanding that multiyear authority (with a maximum of perhaps five years) will be returned to units. Consistent with revenue sharing, we also believe that a portion of these and other revenue-generating funds should help reduce the deficit.

We offer specific strategies for reducing the deficit that can be considered at the university and unit levels:

- Reduce instructional costs consistent with the university mission by reducing the costs per credit hour.
- Continue to evaluate whether to outsource university operations not central to the university mission and where service will not be reduced.
- Retire or discontinue academic and administrative programs that are outdated or poorly subscribed.
- Move any auxiliary operation not central to the university mission off 02 account funds or eliminate its funding.

NIU has not had a universitywide conversation on these topics in some time, and some units will resist change. However, there is great appetite to move forward in a positive way to eliminate the long-standing, long-term challenges associated with the deficit. As noted elsewhere in this report, the deficit has negatively impacted how units manage a variety of funds, including 41 accounts and differential tuition.

Section 7. Pillar 3: Operational Support

The third pillar of the new model comprises an array of activities that serve as the "nuts and bolts" of the model. These include development of a budget timeline and review, addressing the conflation of financial and budgetary processes, ensuring ongoing financial education and provision of forecasting and modeling tools – all of which resonated with stakeholders. These are described in more detail below.

The Annual Budget Review and Timeline

Many stakeholder groups urged creation of a multiyear budget process incorporating deliberative reviews and timely milestones tied to priorities within the mission, vision and values of the university. Stakeholders expressed concern that optimizing the university mission, vision and values with limited resources requires a universitywide discussion of choices across units. Those charged with budget planning shared their frustration about the release of budget targets late in the academic year after hiring and budgetary decisions were complete.

We recommend adoption of a multiyear (three to five years) budget process in which planning for a fiscal year begins 12 months prior to the beginning of that fiscal year, and includes open discussion during development.

As a concrete example of our recommendation, planning for FY 2025 (July 1, 2024, to June 30, 2025) should commence in June 2023. The process would be characterized by release – from the president, provost and chief financial officer – of annual university priorities and choices; initial budget targets; divisional preparation; presentations of proposed revenues and expenses; release of final targets; and finally, NIU board of trustees approval. The finalization of division budgets is pivotal as budget implementation for the academic year can start at that time. An example of a notional timeline with major milestones for FY 2025 follows:

- June 2023: Budget priorities, preliminary targets and templates released.

- September 2023:
  - Divisions develop internal processes and submit annual budget templates and narratives as well as a three-year, multiyear budget statement highlighting key initiatives undertaken in the coming three years. The first or second year of the new process should be a full zero-budget build.
  - Division budget hearings (attended by the president, divisional leadership and shared governance leadership).
- October 2023: Senior leadership discussions and feedback.
- November 2023: Budget revisions submitted based on feedback.
- December 2023: Final guidance released.
- February 2024: Divisions submit final budget sheets.
- June 2024: Submission for board approval.
- July 2024: Reconciliation with appropriations and other external impacts, if required. Mechanisms should be in place to adjust.

Two budgets will simultaneously be in process – one in planning and one in implementation. Care will be required to select milestone dates such that the multiple fiscal year budgets are effectively managed.

Discussion of FY 2025 university goals will occur simultaneously and asynchronously with the FY 2025 budget process. Previous-year goals and goals in development will inform the priorities provided in June 2023 at the start of the FY 2025 process. In addition, as the two processes proceed, there will be an opportunity for adjustments to the budgets during October's senior leadership review and feedback.

The Three-year or Rolling Budgets
In multiyear budgeting, multiyear planning must also take place. This means that the process must also consider major investments or disinvestments to plan for a rolling, balanced budget over time. To facilitate long-range planning and the development of long-term, aspirational budgets, units should submit, along with annual budgets, their projected three-year changes to those budgets.

Budget and Accounting Challenges
As noted earlier, we also recommend as a necessary precursor to the new model a thorough review of finance and accounting processes and procedures. Some in the university community often conflate budget and accounting principles; a misunderstanding that does not serve the best interest of the institution. Each budget at NIU is a plan of spending for a specific period and subject to increases and decreases in funding and spending during that time. Accounting is the system of recording and summarizing business and financial transactions and reporting results. The "annual budget" is not an accounting document, just as the balance sheet is not a budget document. Accounting documents must be precise; budget documents are estimates based on assumptions. One should not be confused with the other – yet NIU has historically incorporated accounting principles into the annual budget. To fix this, we recommend:

- Assessment of all regular business practices/procedures across the all-fund groups within the organization that affect budget processes.
- Adoption of established practices/procedures in higher education.
- Review personnel access to financial transactions to attain and ensure compliance including a checks-and-balances system.
- Adoption of best practices needed to operate more efficiently, including suggestions for adoption of technology that leads to higher productivity.

Clearly, there is a strong need to evaluate budget and accounting processes. Thus, we recommend that the president, provost and CFO focus on this important issue prior to rolling out a new budgetary model.

Education
In addition, a frequent theme encountered during stakeholder meetings was the need for continuing education on financial and budgetary nomenclature, concepts and processes. By ensuring a common and continually refreshed knowledge base, the budget process will become demystified, transparent and more agile and efficient. Thus, the university should establish an education sequence to be offered both in person and online that covers, 1) Basic terminology and fundamental budgetary concepts and processes, and 2) Outlines the NIU budget process, timeline and expectations.

As part of the process, the university should identify key stakeholders requiring fiscal education, and then match the content and delivery frequency to those stakeholders. All personnel should receive an onboarding overview of NIU financial principles; those groups with management or financial responsibilities should receive a more-detailed instruction. The educational process should be continuous so that information on policy and procedural updates are properly disseminated.

Fiscal outreach should be accompanied with a review of current budget templates and dashboards to determine if the information released to leaders across campus meets their needs and the need to communicate budgetary information in a transparent way to the campus community.

Reporting and Forecasting
Financial information and status should be easily available to the entire university community and useful for decision-makers. Dashboards reflecting budgeted and actual revenue/expenditures should be developed for the university, and unit levels and should be updated at least quarterly. Multiyear financial management will require the ability to integrate and model a wide variety of data to forecast revenue and expenditures. These data include enrollment, escalation and expectations for state funding, to name just a few. We recommend developing and implementing a strategy for collecting and reporting financial data and modeling, and developing financial forecasts.

Section 8. Managing Change and Facilitating a Culture Shift

Managing change will require a great deal of effort by everyone involved in campus leadership. The university needs to change from a culture of conflict avoidance to a culture that can openly discuss difficult choices around the budget. The culture also needs to acknowledge that it is the president's responsibility to provide leadership and offer unpalatable ideas that protect the university's long-term fiscal integrity as well as stop the erosion of all programs.

To keep the initiative moving forward, we envision the creation of a position for a person who will monitor progress, provide oversight and identify resources as needed. The tasks might include advising the president, provost and chief financial officer on their roles within the model and facilitating the work on the three pillars mentioned in this report. The position should be a limited-term appointment. The person in this position is not responsible for performing the work but makes sure that the work is completed.

Communication
Because multiyear budget planning will be a significant culture shift for the NIU campus community, communication is critical for building trust and support. While this process has been inclusive of many stakeholders, it is imperative that the rollout of the plan continues to be transparent and engaging all units of campus.

Audiences
Primary: Faculty, staff, students, board of trustees members.

Secondary: Alumni, donors, legislators, community members.

Goals and Objectives
Goal 1: Secure understanding, among internal campus stakeholders, of the new budget process and multiyear planning.

Goal 2: Maintain consistent, two-way communication with campus constituent leaderships, building trust and support.

Goal 3: Ensure all key budget stakeholders are aware of and utilize the same terminology and processes.

Goal 4: Organize a series of town hall meetings to communicate the plans, timeline and process changes.

Key Messages
- The current structural deficit is not sustainable and is eroding the university's ability to achieve its mission.
- Bringing expenses in line with revenue will involve a painful set of choices that will lead to a stronger university in the long term.
- Multiyear planning is essential to the future growth of NIU.
- The success of this plan requires campuswide buy-in and support.
- Addressing the budget challenges require increasing revenue and decreasing expenses, but revenue alone isn't likely to be sufficient.
- NIU must prioritize innovation over risk aversion, and adjust institutional processes and policies accordingly.
- An ongoing review of the financial projections, compared to the budget plan, is critical so that necessary adjustments can be made.
- All innovation proposals must have a pro forma financial statement and a plan for termination if targets are not met.

Tactics

- Town hall meetings.
- Education/training for budget officers/campus leadership.
- Regular updates at stakeholder meetings.
- Utilize recommended work groups as budget ambassadors.

Section 9. Conclusions

The Budget Planning Resource Group recommends a multiyear budget model that addresses the financial realities facing the institution and that can adjust to future conditions and opportunities. The model rests on three pillars of innovative revenue generation, deficit reduction and operational support, and is responsive to a consistent set of requests from a comprehensive set of university stakeholders. The multiyear budget model provides support for the core functions and funds to incentivize innovation. Proposals and recommendations for increasing revenue and decreasing expenses will jointly address the long-standing structural budget. The initial zero-budget build, followed by a yearly examination, advanced calendar, continuing education and communications plan, will help ensure a resilient process and smooth transition.

Appendix I

Budget Research Plannign Group Charge/Desired Outcome

Empower a cross-functional team (or teams) to develop a transparent, inclusive university budget planning process as part of shared leadership development, that moves resources into activities that advance NIU's mission, vision and values. The goal of the budget resource planning process is to create a balanced and sustainable ongoing budget that supports the university's goals and related strategic initiatives. Accordingly, the process must support strategic investments, assessing capacity and reallocating existing resources to align with divisional and university priorities.

Task Force Purpose

The primary purpose of the task force is to provide input and recommendations regarding components of a new budget planning process. NIU's goal is the creation of data, systems and processes that result in a budgeting environment that promotes:

- Stewardship through inclusive, integrated conversations, planning and financial management.
- Transparency into budgetary decisions that support the university's ability to meet its goals.
- Communication of and access to information.
- Accountability (e.g., data-informed decisions, data-driven review of financial performance).
- Innovation and entrepreneurship in support of strategic goals/priorities (creates the desired incentives).
- Effective practices in higher education budgeting models that will work in our context.
- A longer-term, university-centric outlook.

As noted, attention should be given to the question of alignment of incentives, both between the university and colleges/divisions, and between colleges/divisions and their departments. While NIU will not be adopting a Responsibility Center Management (RCM) model, there is interest in incorporating principles that encourage entrepreneurial actions aligned with NIU's mission, vision and values.

Please also note that mechanisms to promote inclusive, integrated conversations and transparency into budgetary decisions should be developed with the expectation that decision authority will not change.

The principles enumerated for the university's budget and allocation of resources across divisions should be adopted and deployed at all levels. Achieving this goal will require additional teams to be empowered as the university model is developed.

Recommendations of this team will be brought forward as part of the transition to multiyear planning, in coordination with the university goals. It is hoped that aspects of the recommendations will be piloted in FY 2023 and expected that there will be movement to full implementation in FY 2024.

Participants

Team Sponsors:

Lisa Freeman, president.

Beth Ingram, executive vice president and provost.

Sarah Chinniah, vice president and CFO.

Initial Team Members: Jerry Blazey, Robert Brinkmann, Vernese Edghill-Walden, staffed by Adrienne King.

This is envisioned as an iterative process with continued communication between the team and the sponsors as work is advanced. The team members were selected because of their varied experiences with higher education planning and budget process; their established commitments to clarity, transparency and accountability; and their demonstrated understanding of the university mission, vision and values.

In addition to their own experiences, the team might (when appropriate) want to consult with members of the NIU executive and academic leadership; President's Budget Roundtable; BRAIN; and faculty and staff with relevant expertise.

Deliverables

- Propose what is needed to create a transparent, inclusive university budget planning process that moves resources into activities that advance NIU's mission, vision and values. Consider the following:
    - Establish a balanced and sustainable ongoing budget that supports the university's goals and related strategic initiatives.
    - Integrated conversations for college/divisional planning and financial management.
    - Regular data-driven review of unit-level financial performance.
    - Creation of a timeline, including calendar and decision points.
- Identify opportunities for participation and input by the university community, including collaborative approaches to resource planning that occur throughout the year. Identify the appropriate mechanisms to promote and foster transparency and accountability. Examples include budget hearings, town hall meetings, reporting, etc. Include the audiences and frequency of the recommended interactions. Identify a set of metrics by which to measure performance (e.g., timeline, budget and effectiveness).
- Recommend ways to align resources to enable the entrepreneurial pursuit of university goals. Detail the alignment of incentives, both between the university and colleges/divisions, and between colleges/divisions and their departments levels.
- Identify how campus data systems such as Tableau are integrated into the budget planning process to enable data-informed decisions. Advise on the alignment of institutional Key Performance Indicators (KPIs)/goals, academic planning and financial management.
- Recommend, if appropriate, a software tool or the desired characteristics of a shared platform that will enable an efficient and effective multiyear budget planning tool.
- Develop a work plan and timeline, including prioritizing recommendations and highlighting key milestones, to implement the recommendations. Starting with the following framework:
    - Initial team convened: November 2021.
    - Review preliminary plan with taskforce sponsors: Ongoing.
    - Final recommendation: No later than May 2023.

Appendix II

FY 2022 University Goals:
Goal 6A: Continue to Implement a Multiyear, Comprehensive Planning and Budget Process

- Continue to engage the NIU board of trustees in a quarterly process to communicate the status and progress toward identified budget milestones and targets.
- Hire a permanent vice president for finance/chief financial officer. Support that individual's transition to NIU, including involvement in the development and implementation of a budget planning process that is equitable, iterative, multiyear and aligned with the university's mission, vision, values and strategic priorities.
- Create an action plan and timeline for enacting the following recommendations received from the budget planning work group:
    - Transition focus of NIU budget process from allocating and accounting for resources to strategic budgeting and planning; (multiyear goal; work started in FY 2023).
    - Distinguish statutory obligations from long-standing NIU practices as a first step toward removing impediments to multiyear budgeting (FY 2023).
    - Advance timeline for annual budget development, review and approval to permit a more equitable, iterative process (multiyear goal).
    - Make available training and education that covers basic budgeting terminology and concepts, and provide more actionable data and decision support (multiyear goal).
    - Create and maintain an innovation fund managed outside of the university's operations and maintenance budget (innovation pitch piloted in FY 2022; plan to repeat in FY 2023).
    - Incentivize innovative revenue generation through gainsharing (propose a strategy, and pilot on a limited basis in FY 2023-2024).

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