Faculty Senate Presentation

*Strategic Budgeting Model at NMSU*

Revenue-Driven Resource Allocation
March 1, 2007
Strategic Budgeting Concepts

Revenue centers vs. cost centers

- Develop base budget at a percentage of actual revenue produced
- Minimize cost center budgets based upon benchmarked levels of support

Reserve unallocated revenue for strategic growth investments

Increase unrestricted revenue independent of operating costs
Types of Revenue

Total Revenue

- Operating revenue (includes GASB non-operating revenue for discussion purposes)
- Other revenue: capital, gain on permanent endowments

Operating revenue

- Restricted operating revenue (gifts, grants, contracts, federal appropriations)
- Unrestricted operating revenue
Sources of Revenue

FY 2005-06 Actual Revenues (all campuses)

Total Revenue $509 M

Total Operating Revenue $474 M (93% of total)

- Grants & Contracts $184 M (39%)
- State Appropriations $175 M (37%)
- Tuition and Fees $45 M (9%)
- Sales & Services $33 M (7%)
- Other Operating Revenues $28 M (6%)
- Gifts and Non-exchange Grants $6 M (1%)
Sources of Main Campus Operating Revenue

FY 2006-07 Main Campus Operating Budget

Total Operating Revenue $440 M

- Gifts, Grants & Contracts $161 M (37%)
- State Appropriations $158 M (36%)
- Tuition and Fees $55 M (13%)
- Sales and Services $35 M (8%)
- Other Revenues $31 M (6%)
  - Indirect Cost Recovery $15 (3%)
Primary Sources of Main Campus Unrestricted Operating Revenue

FY 2006-07 Main Campus Operating Budget

Total Unrestricted Revenue $277 M

- State Appropriations $158 M (57%)
- Tuition and Fees $55 M (20%)
- Sales and Services $35 M (13%)
- Indirect Cost Recovery $15 M (5%)
Primary Uses of Main Campus Unrestricted Operating Revenue

FY 2006-07 Main Campus Operating Budget

State Appropriations $158 M (57%)

- I&G $113 M (72%)
- Research $16 M (10%)
- Public Service $14 M (9%)
- NMDA $11 M (7%)
- Athletics $4 M (2%)
Primary Uses of Main Campus Unrestricted Operating Revenue

FY 2006-07 Main Campus Operating Budget

Tuition and Fees $55 M (20%)

- I&G $46 M (84%)
- Auxiliary Services $4.5 M (8%)
- Athletics $1.9 M (4%)
- Student Social & Cultural $1.5 M (3%)
Primary Uses of Main Campus Unrestricted Operating Revenue

FY 2006-07 Main Campus Operating Budget

Sales and Services $35 M (13%)

- Auxiliary Services $29 M (82%)
- Athletics $2.4 M (7%)
- Research $1.7 M (5%)
Target Sources of Unrestricted Revenue for Strategic Growth

- State Appropriations: limited by formula
- Tuition and Fees: limited by formula
- Sales and Services: Auxiliary Services
- Indirect Cost Recovery: lower dollar total
- Gifts: lower dollar total
- Other Revenue: lower dollar total
State Funding Formula: Impacts Appropriations and Tuition

- Prior year base funding (two year lag)
- PLUS workload and facilities adjustments
- PLUS or MINUS net capital transfers
- **MINUS tuition credits**
- PLUS compensation increases
- PLUS other inflationary factors
- PLUS incentive funding
State Formula Workload Adjustments

- Instructional Support (enrollment based)
- Student Services Support (enrollment based)
- Physical Plant Support
- Utilities Support

Enrollment-based increases require either a 3% increase in student credit hours or in workload dollars from the base year (2003-04 for NMSU)

Enrollment-based decreases require a 5% decrease in student credit hours from the base year
Initiatives to Increase State Appropriations and Tuition Funding

Focus budget allocation on enrollment growth and management goals

Review factors for inflationary items

- Utilities
- Health Insurance
- Other Risk Management Insurance

Develop break-even models for all internally-funded tuition “waivers”
Initiatives to Reduce Use of Unrestricted Revenues

Salaries and benefits are 65% of operating expense (including depreciation)
- Benchmarked analysis of all staffing structures
- Full compensation review in progress

Review of fixed costs and appropriate funding sources
Hold budgets to revenue-based allocations
Freeze I&G support budgets pending workload adjustments
Questions