DESCRIPTION	ACTION
UNIVERSITY OF IDAHO	
New Position and Reactivation of Position – Office of Planning & Budget	Motion to approve

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UNIVERSITY OF IDAHO

SUBJECT

New position and reactivation of position

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Polices & Procedures Sections II.B.3 and II.G.1.b

BACKGROUND/DISCUSSION

The University of Idaho requests approval for:

- One (1) new Chief Planning Officer position (1.0 FTE) supported by reallocations of appropriated funds
- One (1) reactivation of Budget Director position (1.0 FTE) supported by reallocation of appropriated and non-appropriated funds

IMPACT

The University has determined that separating the financial management/controller functions from the budget/planning functions is necessary in order to adequately serve the University's needs. Attachment 1 contains an action plan as outlined by the President. A research university with the level of complexity similar to the University of Idaho does not have a single official with responsibility for both financial management and budget.

An Office of Planning and Budget will be established in the office of the Executive Vice President and Provost and will consolidate the key elements surrounding resource allocation.

A new position of Chief Planning Officer will oversee the Office of Planning and Budget and report directly to the Executive Vice President and Provost. The Budget Office will be located in the Office of Planning and Budget, and a new Budget Director will report to the Chief Planning Officer.

This approach will accomplish the following:

1. Establish separation of functions to meet basic standards of the industry
2. Increase cooperation and transparency between planning and budgeting
3. Coalesce planning, budgeting and assessment to achieve strategic operational and capital plans

ATTACHMENTS

Attachment 1 – President's Action Plan Page 5
Attachment 2 – Consultant's Report Page 9

STAFF COMMENTS AND RECOMMENDATIONS

The consultant report (Attachment 2) highlights the fact that both the Provost and Associate Vice President for Strategic Budgeting and Finance have too many other responsibilities to dedicate sufficient time to address strategic, operational and capital planning. By creating the Office of Planning and Budget, the University will have the resources and staffing needed to focus both on the fiscal controls of managing transactions and the controls for strategic planning.

Staff recommends approval.

BOARD ACTION

A motion to approve the request by the University of Idaho to establish one (1) new Chief Planning Officer position (1.0 FTE) and reactivate one (1) Budget Director position (1.0 FTE) supported by appropriated and non-appropriated funds.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

NEW POSITION

Position Title	Chief Planning Officer
Type of Position	Exempt
FTE	1.0 (2080 hours/year)
Term of Appointment	Fiscal Year
Effective Date	May 1, 2009
Salary Range	$120,016.00
Funding Source	Appropriated funds
New or Reallocation	Reallocation
Area/Department of Assignment	Provost Office/Office of Planning and Budget
Duties	Lead the institution's strategic, operational and capital planning processes
Justification	To accomplish critical institution strategic management processes of planning, long and short term budgeting, and related institutional research, assessment and reporting; combine key elements surrounding resource allocation.

REACTIVATION

Position Title	Budget Director
Type of Position	Exempt
FTE	1.0 (2080 hours/year)
Term of Appointment	Fiscal Year
Effective Date	May 1, 2009
Salary Range	$100,006.40
Funding Source	Appropriated
New or Reallocation	Reactivation of PCN 8251
Area/Department of Assignment	Provost Office/Office of Planning and Budget
Duties	Lead and manage the functions of the Budget Office; set annual and long term budgets together with the leaders of the institution
Justification	To accomplish critical institution strategic management processes of planning, long and short term budgeting, and related institutional research, assessment and reporting; consolidate key elements surrounding resource allocation.

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Structures and Staffing for Strategic Planning, Budgeting, and Financial Management: An Action Plan for the University of Idaho

Steven Daley-Laursen, President March 2009

The University of Idaho's planning, budgeting and financial control functions are critical to the institution's strategic advancement and to its management credibility. In his fall 2009 address to the university, the President laid out a vision for a sustainable budgeting system, including establishment of reserves, balanced annual budgets and process linkages between long and short term planning and budgeting. Organizational consultants and an auditing firm were invited to visit the university in the fall and winter of 2008-09, to review our current structures, interview staff and faculty at all organizational levels, and offer recommendations to the President[1].

Key Findings from Internal and External Observations and Analyses:

- The processes of planning, long and short term budgeting, and related institutional research, assessment and reporting must be elevated in importance and fully integrated if we are to achieve our strategic goals and optimize our institution. Consultant reports indicate a common perception by unit leaders throughout the university that there is insufficient linkage between planning and resource allocation. Strategic, operational and capital planning all need attention. Current investments in planning do not meet the institution's needs, especially during times when resources are so scarce relative to the demands placed on the University.

- The university must agree upon and implement a budget model to drive allocation of resources and related short and long term fiscal planning.

- Strong, trusting, interdependent relationships between central administration and the units are imperative and stated as priority in the fourth goal of our institutional strategic plan. This is especially important in the financial and budget arenas. Interdependence and trust will be aided by open, transparent and consistent communication, regular information sharing, clear strategic goals and direction, consistency between central and unit goals, agreement on an appropriate budget model to drive allocation and investment decisions, joint planning, adequate reporting, and enforced accountability.

- Separation is needed between the fiscal controls function (controller, accounting and financial management) and the planning and budget function (budgeting and strategic, capital and operational planning). The former is about managing transactions that have occurred, and the latter is about managing for transactions to be made in the future – looking ahead and using budgeting processes to make sure the desired institutional future happens. It is atypical for a research university with the University of Idaho's level of complexity to have a single official with responsibility for both financial management and budget. Interviews indicate the vast majority of individuals do not think the current arrangement adequately serves the University's needs. Consultants concur with the need for reforms. This is an issue of structure, not performance.

Course of Action:

1. The functions of financial management/controller and budget/planning will be separated.

2. The financial management/controller function will continue to report directly to the Vice President for Finance and Administration.

3. An Office of Planning and Budget will be established in the office of the Executive Vice President and Provost. This office will consolidate the key elements surrounding resource allocation. A new position of Chief Planning Officer will oversee the Office of Planning and Budget, and report directly to the Executive Vice President and Provost. The Budget Office will be located in the Office of Planning and Budget, and a new position of Budget Director will report to the Chief Planning Officer.

   The Chief Planning Officer will:
   - supervise the budget director,
   - serve on the President's Executive Team, President's Cabinet and Provost's Council,
   - establish structures, policy, rules and processes for strategic, operational and capital planning that will move the institution forward strategically,
   - lead the institution's strategic, operational and capital planning processes and coordinate institutional planning and budgeting with unit planning and budgeting,
   - conduct/order financial analyses in support of planning processes,
   - prepare all materials to support resource allocation decision making by the executive vice president and provost, president and executive team, and
   - lead and manage in a manner to be trusted, communicate effectively and implement processes that bring people together on a path owned by leaders throughout the institution and for the optimization of the institution as a whole.

   The Budget Director will:
   - supervise all employees in the budget office,
   - serve on the President's Executive Team, President's Cabinet and Provost's Council,
   - establish and chair a university budget committee and advise the executive vice president and provost on all budgeting and resource allocation activity,
   - work with the budget committee to select/implement a budget model for the university,
   - establish structures, policy, rules and processes for institutional budgeting that will move the institution forward strategically,
   - set annual and long term (5-7 year) budgets that most effectively, creatively and efficiently advance the implementation of the University's strategic, operational and capital plans,
   - conduct/order financial analyses in support of budget processes, and
   - lead and manage in a manner to be trusted, communicate effectively and implement processes that bring people together on a path owned by leaders throughout the institution and for the optimization of the institution as a whole.

4. National searches will be conducted for the Chief Planning Officer and Budget Director.

5. Dr. Jack Morris, Dean of the College of Business and Economics, will take on the temporary assignment of establishing the Office of Planning and Budget and managing the transition from the current structure to the new structure. Dr. Morris will lead a transition team including,

Executive Vice President and Provost Doug Baker, Vice President for Finance and Administration Lloyd Mues, and others to be named. Responsibilities for Dr. Morris are to:

a. establish the new university budget advisory committee,
b. determine the relationship between the university budget advisory committee and the existing university budget and finance committee,
c. work with the university budget advisory committee (in a consultative process with the university community) to identify a budget model for the university,
d. establish policies and processes for annual and long term planning and budgeting, and
e. chair the search for a Chief Planning Officer (the Chief Planning Officer will then chair the search for the University Budget Director).

6. The new university-wide budget advisory committee will be chaired by the budget director and broadly representative of university functional areas, faculty, staff and students. The committee will inform and advise the budget director on all aspects of budgeting and resource allocation. The committee will establish a university budgeting model to drive allocation of resources and related long term fiscal planning. The committee will use workshops and information sharing to ensure institutional buy in, full utilization and adherence to the budgeting model.

7. All current budget office employees will reside within the Office of Planning and Budget and report to the Budget Director.

8. Strategic enrollment management and institutional research and assessment will continue to reside within the office of the executive vice president and provost and have significant ties to the Office of Planning and Budget.

9. Controls, financial management, financial reporting, compliance, financial analysis and related functions will remain within the office of the vice president for finance and administration. The controller's function will monitor and manage to ensure that all units stay within budget. All accounting and related employees will report through the university controller.

10. Vice Presidents for Research, Advancement, and Finance and Administration and the Athletic Director will all have significant, ongoing, working relationships with the Office of Planning and Budget and with the Office of the Controller.

11. The President will be briefed on institutional planning and budget via regular meetings with the executive vice president and provost, director of planning and budget and president's executive assistant/chief of staff.

<u>Rationale and Communications:</u>
The president is communicating with the Executive Leadership Team, President's Cabinet, Provost's Council, Faculty Council, Staff Affairs, Student Government, University Budget and Finance Committee, Executive Vice President and Provost staff, Vice President for Finance and Administration staff, and the broader university community about the need and justification for these actions, especially the addition of new budget and planning leadership positions in very difficult economic times.

The rationale for this approach is that we need to a) establish separation of functions to meet basic standards of the financial industry, b) increase cooperation and transparency between planning and budgeting, and c) coalesce planning, budgeting and assessment to achievement of our strategic, operational and capital plans. Our sustainability and vitality depend upon this action. We must let our imagination about a better condition become a reality, right now.

In the words of consultant Larry Goldstein, *this structure combines and consolidates the key elements surrounding resource allocation… effective approaches to resource allocation must incorporate comprehensive attention to dollars, positions, space and technology. Planning, which is intended to move the institution toward a collaboratively established vision, must drive all resource allocation decisions. Resource allocation decisions must then be assessed to determine the effectiveness of the accomplishments achieved with the resources….and assessment must answer the questions, were the goals achieved and, if not why not? Also… this will bring segregation to the critical processes of developing the budget* (budget office) *and ensuring that is monitored appropriately* (finance office), *and it will and free up needed capacity within the finance office*[1]. Goldstein report available on web: http://www.uidaho.edu/~/media/Files/President/Goldstein%20University%20of%20Idaho%20Budget%20Organization%20Review.ashx.

The university must prioritize, invest and assess to succeed and the Office of Planning and Budget will provide structure and process for prioritization and resource allocation decisions. The Office of Planning and Budget is considered best practice by the national professional association of university business officers. There will be a swift return on investment on this restructuring action; all will see and feel a positive difference at our university, quickly.

The Transition:

A carefully managed transition is imperative. It will take diligence, dedication and cooperation to move budget responsibilities from the vice president for finance and administration office to the executive vice president and provost office, including transfer of people, wisdom and knowledge, and communication and coordination with external stakeholders. The transition team will lead this process.

The transition planning under the leadership of Dr. Morris will begin immediately and continue through this semester. However, full implementation of our new planning, budget and financial management structures will not commence until the beginning of the FY2010 fiscal year. All budget office employees will continue reporting through the vice president for finance and administration until the change of the fiscal year. This will honor the current working relationships between the vice president for finance and administration office and the State Board of Education and State Department of Financial Management during the remainder of the very dynamic, current fiscal year.

Full implementation of the new structure and processes and adoption of a new university budget model is expected by the end of fall semester 2009.

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1 A report from consultant Larry Goldstein is an addendum to this document. Dr. Goldstein is cited on the NACUBO website as a leading authority in the area of planning and budget for higher education, and his book is referred to as the definitive work on this subject. He also hosts an on demand workshop on this subject on the NACUBO site. Dr. Goldstein welcomes all inquiries and comments and can be reached at Larry.Goldstein@Campus-Strategies.com.

CAMPUS STRATEGIES, LLC

University of Idaho
Organizational Review
DRAFT

Introduction

Campus Strategies, LLC was engaged to perform a review of the University of Idaho's reporting structure for the Budget Office and other matters related to the budget process. This report presents the results of the review.

Process

The review was conducted by Larry Goldstein. As part of the process, several conversations took place prior to an on-campus visit. Two days were spent on campus conducting interviews with various members of the University community. This was followed by email exchanges with a number of individuals. More than 30 individuals were interviewed during the campus visit. Individuals interviewed included many of the University's senior executives, all of the staff working within the Budget Office, and various individuals who are involved with or interested in the approach to planning and resource allocation. Most of the on-campus interviews were conducted as one-on-one meetings, although there were a few instances when small group meetings occurred.

Findings and Observations

The Budget Office currently reports to the associate vice president for strategic budgeting and finance. In addition to the budget, this associate vice president is responsible for all accounting and related matters as well as benefits administration. The associate vice president reports to the vice president for finance and administration. It is atypical for a research university—especially one with the University of Idaho's level of complexity—to have a single official with responsibility for both accounting (financial management) and budget.

Interview results indicate that the vast majority of individuals do not think the current arrangement adequately serves the University's needs. Some individuals are concerned about a perceived conflict of interest for a unit with responsibility for implementing resource allocation decisions while also overseeing accounting and reporting and the processing of budgetary transactions. By its nature, budget responsibility creates a potential conflict of interest irrespective of how it is assigned organizationally because of the need to both implement resource allocation decisions and generate/enter transactions. What is important in the University of Idaho's case, however, is the pervasiveness of the

perceived conflict of interest. Irrespective of whether the current arrangement results in a conflict of interest, it is of significant concern to a large number of individuals. The traditional guidance related to financial matters is to avoid *even the appearance* of a conflict of interest. Further, the University administration is working to increase transparency and openness with regard to financial and budgetary matters and decisions. This situation suggests that a change in organizational alignment may be appropriate.

Another issue affecting the current arrangement is the quality of effort related to resource allocation issues. Many individuals offer high praise for the staff working in the Budget Office as well as for the associate vice president. In particular, numerous individuals in the Budget Office are singled out for their customer-service attitudes, willingness to help, and knowledge of the budget details within the University.

Although the associate vice president generally is given high marks for effort, dedication, and knowledge of finance and related matters, there is a widespread belief that the position has too much operational responsibility. As currently structured, this position is overseeing three critical aspects of financial administration: accounting and reporting, benefits administration, and budgeting. The sheer workload from this situation prevents the position from adequately addressing the full range of issues within the assigned areas of responsibility. Additionally, several individuals reference the frequent delays in receiving responses to inquiries or requests related to budget and other matters. Of particular concern is the fact that many of the reports generated to support resource allocation discussions contain errors or fail to incorporate the results of past decisions. Although all of these issues are extremely frustrating to the individuals who raised them, almost to a person they point to the excessive workload situation as the cause for the situation.

Moving away from the details related to the organizational structure for budget responsibilities, there is a larger problem cited by many individuals. When asked whether the current resource allocation model is sufficiently integrated with the University's planning process, the majority of individuals commented that they did not believe the University (1) even has established priorities or (2) a defined resource allocation model.

Taking the latter first, individuals express frustration that, when they have been asked to submit budget requests, the subsequent allocations have not reflected their requests. Moreover, no information has been provided to explain why the requests were not satisfied in the budget allocation process. Individuals express a great deal of frustration about not having access to information that would explain the factors that were considered when the budget allocation decisions were made. The nature of these complaints actually confirms that there is a resource allocation model at work because budgets are being established and money is being expended in support of operations. It is of significant concern, however, that there is not widespread understanding or appreciation of the budget model employed by the University. This clearly is influenced by the fact that the associate vice president does not have sufficient time to devote to

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developing an appropriate resource allocation model for consideration by senior management. The position simply has too many other issues with which to deal.

Turning to the question of established priorities for the University, they exist and are available on the provost's website. They are embodied in the Strategic Action Plan (see http://www.uidaho.edu/provost/strategicactionplan.aspx), which identifies the following major goal areas:

1. Teaching and Learning
2. Scholarly and Creative Activities
3. Outreach and Engagement
4. Organization, Culture and Climate

One can argue that the goal areas are not as well defined as they might be or sufficiently tied to specific themes and actions, but they provide sufficient guidance to support resource allocation decisions. Nevertheless, it is perceived that there is no linkage between these goal areas and resource allocation strategies.

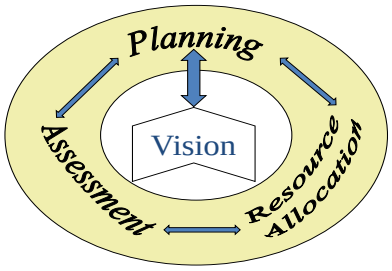
The pervasiveness of the belief that priorities do not exist, and the lack of a clear connection between them and resource allocation decisions, suggest that there is another critical problem within the University. Although the provost has responsibility for overseeing the strategic plan, like the associate vice president he has too many other responsibilities to be able to adequately address the planning process. The University employs a consultant to assist with planning, but this does not meet the University's needs—especially during times when resources are so scarce relative to the demands placed on the University.

Recommendations

The Budget Office should be realigned and report to a new position with the title of budget director. The budget director's reporting line should be to a new position titled chief planning officer. The chief planning officer's portfolio should consist of planning—both strategic and operational, resource allocation, and assessment. As such, in addition to the Budget Office, the Office of Institutional Research and Assessment should report to the chief planning officer. Finally, the chief planning officer should report to the president.

The rationale for the recommended structure is that it combines and consolidates the key elements surrounding resource allocation. As discussed during the workshop conducted early in 2008, effective approaches to resource allocation must incorporate comprehensive attention to dollars, positions, space, and technology. Planning, which is intended to move the institution toward a collaboratively established vision, must drive all resource allocation decisions. Resource allocation decisions must then be assessed to determine the effectiveness of the accomplishments achieved with the resources. Essentially, assessment must answer the questions, were the goals achieved and, if not,

why not? (The image below presents a graphical depiction of the relationships among these critical processes.)



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In addition to the realignment discussed above, it also is suggested that the University create a representative advisory committee to support the processes related to planning, resource allocation, and assessment.

Another factor supporting the recommended realignment is that it will bring segregation to the critical processes of developing the budget and ensuring that it is monitored appropriately. The latter is a traditional responsibility of an institution's finance function. Realigning the budget development responsibilities will free up capacity within Finance and Administration to ensure that funds are expended in a manner that is consistent with plans and the resulting resource allocation decisions. It also should create the opportunity for increased attention to maximizing the value of the Banner system and the standard budget reports obtainable from it.

There is a challenge in implementing the recommendations. The current president is serving in an interim capacity. Although this president recognizes the need for presidential attention to these critical matters, and called for this review of current operations, not all presidents are prepared to devote the attention required to oversee these strategic and operational matters. As such, it is desirable that the recommendation not be implemented until it can be determined whether the new president is willing and able to provide oversight to the chief planning officer. Until this is confirmed, the realignment and recruitment of the chief planning officer should be postponed. It may also be desirable to postpone recruitment of the budget director until the chief planning officer is in place. It is very difficult to recruit for senior management positions when the candidates are unable to meet the person to whom they will report. For this reason, the implementation of the recommendations should wait until the new president is selected.

Conclusion

There are many approaches available for organizing the responsibilities addressed in this report. It is believed that the recommended approach is appropriate for the University of Idaho and will produce effective results. The key consideration is that the new president accept the responsibility to provide oversight to the processes that are being directed by the chief planning officer.

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It would not have been possible to complete this engagement without the cooperation and candor of numerous individuals throughout the University. In addition to the 30+ individuals who took time out of their schedules to participate in interviews, certain individuals were particularly helpful in supporting this engagement. Campus Strategies, LLC wishes to thank in particular Lloyd Mues, Jana Stotler, and Debbie Eisinger.

Prepared and submitted on February 9, 2009 by:

Larry Goldstein
President
Campus Strategies, LLC

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