

BUDGET PROCESS

By Mr. Max Baca & Dr. Brandon Kempner

8:8:2016

A decorative graphic at the bottom of the page consists of a grid of dark grey hexagons with white outlines. Some hexagons are filled with a solid purple color, creating a pattern that resembles a honeycomb or a stylized architectural design.

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BUDGET PHILOSOPHY

- ✓ ACTIVE CAMPUS INVOLVEMENT THROUGHOUT THE ENTIRE BUDGET PROCESS;
- ✓ COLLABORATIVE RELATIONSHIPS WITH EACH OF THE INSTITUTIONAL DIVISIONS, COLLEGES, AND UNITS AT NMHU;
- ✓ INNOVATIVE BUDGETING IDEAS THAT DIVERSIFY AND BROADEN REVENUE SOURCES AND / OR REDUCE OPERATING EXPENSES WHILE STILL PROVIDING A HIGH-QUALITY LEARNING AND LIVING ENVIRONMENT FOR STUDENTS AND A HIGH-QUALITY WORK ENVIRONMENT FOR FACULTY AND STAFF;
- ✓ OPEN COMMUNICATION AND AVAILABILITY OF INFORMATION ON CAMPUS;
- ✓ CREATING A BUDGET PROCESS THAT ALIGNS WITH THE STRATEGIC PLAN'S GOALS, ADAPTS, TO THE CURRENT FINANCIAL SITUATION, AND SUPPORTS THE BOARD OF REGENT'S PRIORITIES;
- ✓ MAINTAIN FISCAL RESPONSIBILITIES SET BY STATE POLICY MAKERS, LAWS, AND ADMINISTRATIVE POLICIES, AND BALANCE THE NEEDS OF STUDENTS, FACULTY, STAFF, COMMUNITY MEMBERS, AND THE PUBLIC TRUST.

STATE-WIDE ISSUES

- ✓ ACTUAL COLLECTIONS OF REVENUES VERSUS PROJECTED REVENUES
- ✓ GOVERNOR MARTINEZ DOES NOT WANT TO INCREASE TAXES.
- ✓ SENATE WANTS “NO CUTS” TO HIGHER EDUCATION OR PUBLIC EDUCATION
- ✓ SPECIAL SESSION TO CORRECT DEFICIENCY WITH 2016 FISCAL YEAR.
- ✓ CONTINUED VOLATILITY IN OIL AND GAS REVENUES AND IMPACT TO GROSS RECEIPT TAXES
- ✓ CONTINUED SLOW JOB GROWTH

STATE-WIDE ISSUES

General Fund Financial Summary: General Appropriations Act 2016 and Other Enacted Legislations

In Millions of Dollars

	Actual 2015	GAA Estimated 2016	GAA Estimated 2017	Solvency Issues 2017
Revenues				
Recurring Revenues	\$6,194.7	\$6,020.2	\$6,264.6	\$6,264.6
Non-Recurring Revenues	\$41.2	(\$119.5)	(\$50.0)	(\$50.0)
Total Revenues	\$6,235.9	\$5,900.7	\$6,214.6	\$6,214.6
Appropriations				
Recurring Appropriations	\$6,161.7	\$6,240.9	\$6,228.3	\$6,228.3
Non Recurring Appropriations	\$113.5	\$66.7	\$0.3	\$0.3
Total Revenues	\$6,275.2	\$6,307.6	\$6,228.6	\$6,228.6
Transfer to/from Reserves	(\$39.3)	(\$406.9)	(\$14.0)	(\$14.0)
General Fund Reserves				
Beginning Balance	\$637.9	\$713.1	\$349.2	(\$174.6)
Transfer from/ to Appropriations	(\$39.3)	(\$406.9)	(\$14.0)	(\$14.0)
Reversions	\$164.9	\$121.5	\$63.3	\$63.3
Appropriations, Expenditures & Transfer Out	(\$50.4)	(\$78.5)	(\$55.0)	(\$55.0)
Ending Balance Total	\$713.1	\$349.2	\$343.5	(\$180.3)
% of Recurring Appropriations	11.6%	5.6%	5.5%	2.9%

Source: LFC 2016 Legislative Session Post Session Document - March 2016

Actual Revenues Collected as of May 2016 - Source LFC	\$5,076.9
Estimated Revenues for June 2016	\$300.0
Difference	(\$523.8)
Reserves	\$349.2
Gap	(\$174.6)

STATE-WIDE ISSUES

**General Fund Financial Summary: General Appropriation Act of 2016
and Other Enacted Legislation
RESERVE DETAIL
(in millions of dollars)**

	Actual FY2015	Estimated FY2016	Estimated FY2017
OPERATING RESERVE			
Beginning Balance	\$ 274.6	\$ 319.8	\$ 79.0
BOF Emergency Appropriations/Reversions	\$ (0.5)	\$ (2.0)	\$ (2.0)
Transfers from/to Appropriation Account	\$ (39.3)	\$ (406.9)	\$ (14.0)
Transfer to ACF/Other Appropriations	\$ (15.0)	\$ (20.0)	\$ -
Reversal of Contingency for Unreconciled Accounts	\$ 100.0	\$ -	\$ -
2016 Revenue Legislation (HB 311)*	\$ -	\$ 40.6	\$ -
Transfer from Tax Stabilization Reserve	\$ -	\$ 147.5	\$ -
Ending Balance	\$ 319.8	\$ 79.0	\$ 63.1
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 18.3	\$ 28.4	\$ 39.6
Disaster Allotments	\$ (12.5)	\$ (16.0)	\$ (16.0)
Other Appropriations	\$ (0.1)	\$ (0.5)	\$ -
Transfers In	\$ 15.0	\$ 20.0	\$ -
Revenue and Reversions	\$ 7.7	\$ 7.7	\$ 7.7
Ending Balance	\$ 28.4	\$ 39.6	\$ 31.3
Education Lock Box			
Beginning Balance	\$ 3.0	\$ -	\$ -
Appropriations	\$ (3.0)	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -
Total of Appropriation Contingency Fund	\$ 28.4	\$ 39.6	\$ 31.3
STATE SUPPORT FUND			
Beginning Balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues**	\$ -	\$ -	\$ 1.4
Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 1.0	\$ 1.0	\$ 2.4
TOBACCO PERMANENT FUND			
Beginning Balance	\$ 193.5	\$ 216.4	\$ 229.6
Transfers In	\$ 35.0	\$ 37.0	\$ 37.0
Appropriation to Tobacco Settlement Program Fund	\$ (19.3)	\$ (18.5)	\$ (18.5)
Gains/Losses	\$ 7.2	\$ 16.2	\$ 17.2
Additional Transfers from TSPF	\$ -	\$ (21.5)	\$ (18.5)
Ending Balance	\$ 216.4	\$ 229.6	\$ 246.9
TAX STABILIZATION RESERVE			
Beginning Balance	\$ 147.5	\$ 147.5	\$ -
Transfers In	\$ -	\$ -	\$ -
Transfer Out to Operating Reserve (Contingent on Solvency Bill)	\$ -	\$ (147.5)	\$ -
Ending Balance	\$ 147.5	\$ -	\$ -
GENERAL FUND ENDING BALANCES	\$ 713.1	\$ 349.3	\$ 343.6
<i>Percent of Recurring Appropriations</i>	<i>11.6%</i>	<i>5.6%</i>	<i>5.5%</i>

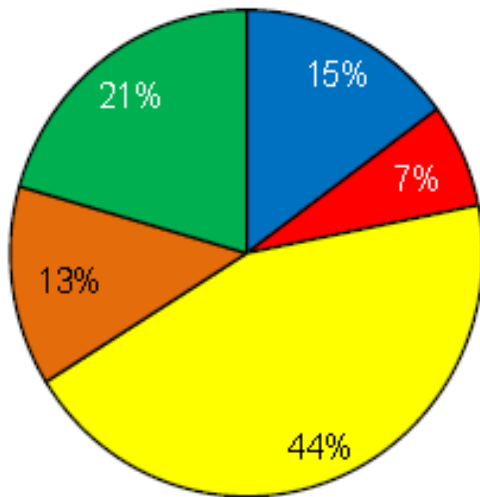
Notes:

* HB 311 - \$22.2 m (\$12.3m fund sweeps and \$10m unrestriction of MOE).

** Pursuant to HB311 from Drivers License Fees.

STATE-WIDE ISSUES

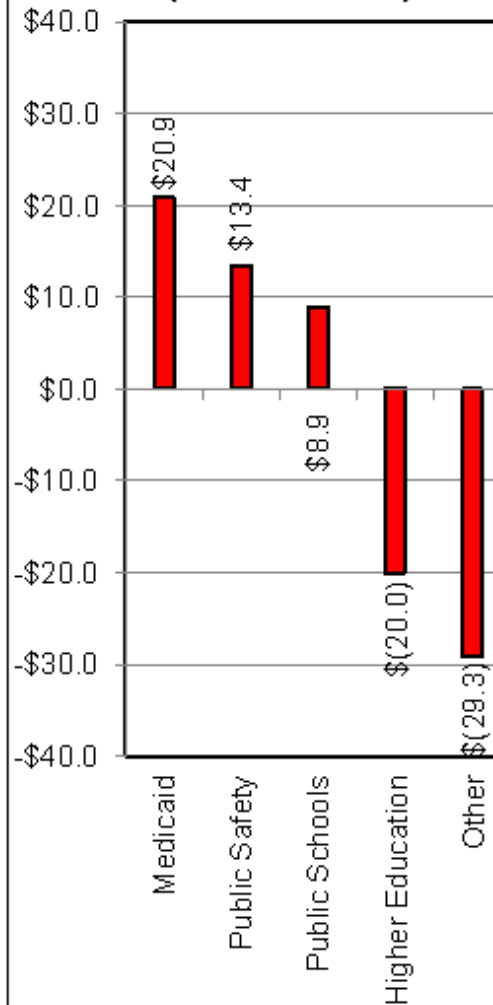
FY17 Recurring General Fund Appropriation: \$6.23 billion



- Medicaid: \$929 million
- Public Safety: \$432 million
- Public Schools: \$2,759 million
- Higher Education: \$828 million
- Other: \$1,281 million

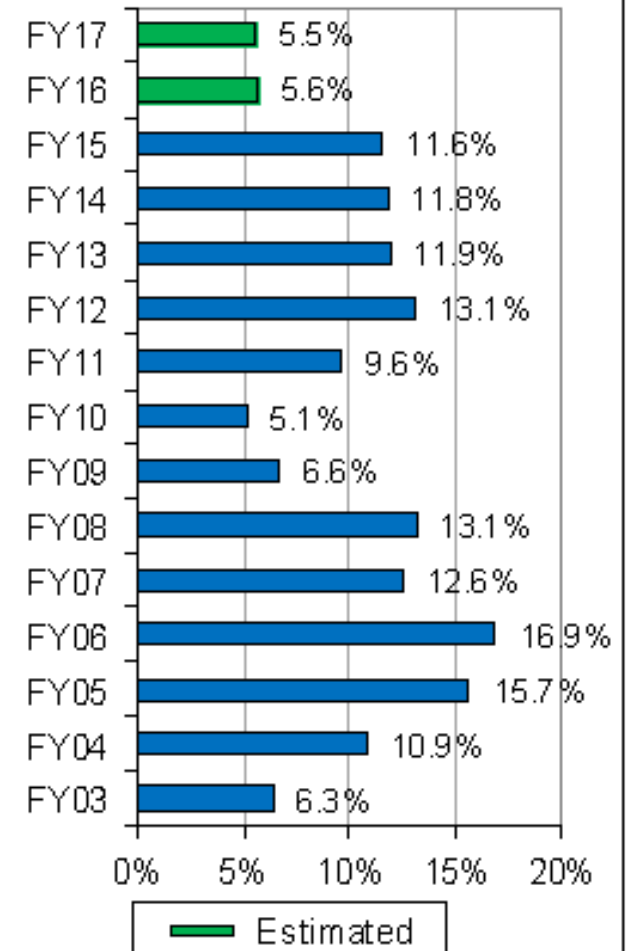
Source: LFC Files, GAA

FY17 General Fund Appropriation Increases/Decreases: (\$6.05 million)



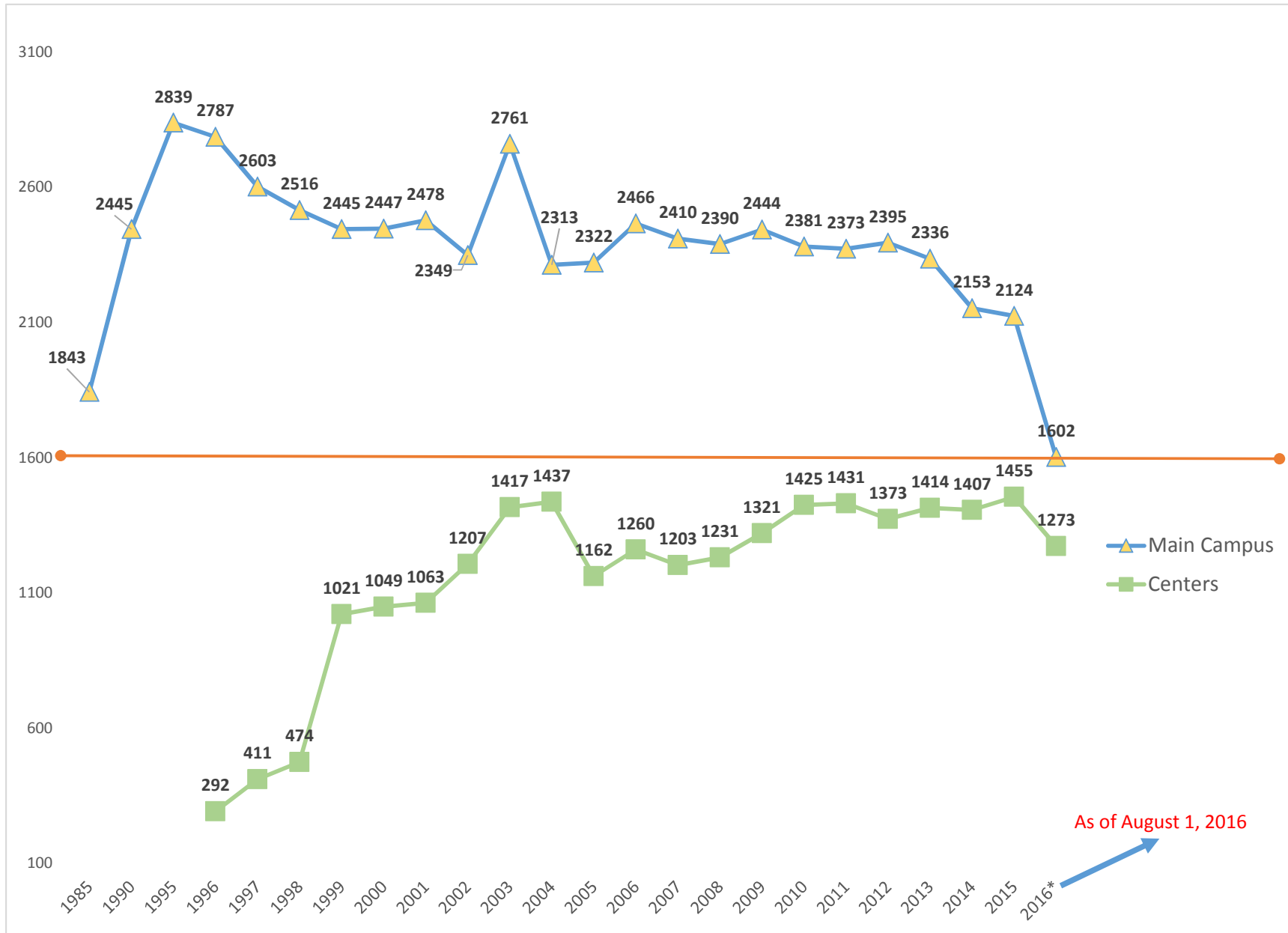
Source: LFC Files, GAA

General Fund Reserve Balances: Percent of Recurring Appropriations



Source: LFC Files

NMHU'S ENROLLMENT



As of August 1, 2016

STATE APPROPRIATIONS 2008 TO 2017

NMHU HAS LOST NEARLY **\$3.1MILLION** FROM STATE APPROPRIATIONS. THE PROGRAMS MOST IMPACTED ARE ATHLETICS AND RESEARCH AND PUBLIC SERVICE PROJECTS (RPSP) FUNDING.

Fiscal Year	FY5	FY6	FY7	FY8	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	Diff from peak
New Mexico Highlands University														
I&G	23,423.3	23,833.1	27,202.3	28,985.4	29,573.3	28,833.0	25,229.2	24,806.6	26,317.5	26,977.7	28,195.6	28,382.5	27,684.0	(1,889.3)
Athletics	1,364.1	1,375.1	1,601.5	1,919.4	2,364.3	2,253.4	1,951.7	1,841.4	1,854.1	1,980.6	2,145.4	2,145.4	2,093.2	(271.1)
Advanced Placement	289.8	281.3	288.1	294.4	297.0	281.8	241.3	228.3	229.2	230.9	281.4	281.4	225.1	
Ben Lujan Leadership Institute	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	200.0	0.0	0.0	0.0	
Forest and Watershed Institute	0.0	0.0	249.7	249.7	252.6	252.0	246.2	209.3	209.3	312.3	315.8	315.8	308.1	
Nursing Expansion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65.9	65.9	64.3	
Minority Student Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	348.1	349.9	356.0	560.6	560.6	546.9	
Ben Lujan Leadership Institute	0.0	0.0	0.0	0.0	0.0	0.0	44.8							
Diverse Populations Study	215.3	210.1	218.8	230.9	336.0	258.6	124.4							
Native American Rec. & Ret.*	43.8	42.6	44.2	44.2	44.2	24.1	21.7							
Spanish Program *	300.0	288.0	287.7	287.7	287.7	308.2	197.9							
Spanish / English Immersion Program			199.8	199.8	199.8	0.0								
Upward Bound *	100.8	96.8	96.7	111.7	131.7	100.1	57.8							
Bilingual Education Materials *	0.0	0.0	60.0	60.0	60.0	57.0	48.8							
Visiting Scientist		17.5	18.1	18.9	19.2	0.0								
Special Project Expansion			575.9	535.9	282.2	93.1								
Social Work Outreach and Clinical Training				50.0	50.0	49.8								
Medical Health training center				20.0	20.0	0.0								
Hispanic Prepar for Medical School					100.0	50.0								
Oil & Gas Management Program														
NMHU Total	25,737.1	26,144.5	30,842.8	33,008.0	34,018.0	32,561.1	28,163.8	27,433.7	29,160.0	30,057.5	31,564.7	31,751.6	30,921.6	(3,096.4)
RPSP Subtotal	949.7	936.3	2,039.0	2,103.2	2,080.4	1,474.7	982.9	785.7	988.4	1,099.2	1,223.7	1,223.7	1,144.4	(958.8)

NMHU'S ISSUES

HIGHLANDS UNIVERSITY IS RECOVERING FROM SEVERAL FINANCIAL ISSUES:

- √ POST 2008 - 2009 "GREAT RECESSION"
- √ A RELIANCE ON STATE LAW MAKERS TO INCREASE THE OPERATING BUDGET;
- √ NUMEROUS POLICIES, PROCEDURES, AND PRACTICES THAT ARE OUTDATED AND HINDERING THE OPERATIONS OF THE UNIVERSITY;
- √ ENROLLMENTS (RECRUITMENT); AND
- √ RETENTION; AND
- √ HIGHER LEARNING COMMISSION.

NMHU'S BUDGET PROCESS

To achieve these goals, the annual operating budget process at NMHU includes the following steps and processes, which are further outlined on the following pages:

- ✓ **STRATEGIC PLANNING GROUP (SPG)** **SUMMER / EARLY FALL**
- ✓ **LISTENING SESSIONS** **FALL**
- ✓ **BUDGET PLANNING AT THE INSTITUTIONAL DIVISION / COLLEGE LEVEL** **FALL**
- ✓ **PRESIDENT COMMUNICATES THE FINAL BUDGET PLAN** **WINTER/SPRING**

In addition, the Campus Budget and Planning Committee will meet on a quarterly basis to discuss and provide advice and input to NMHU's executive leadership team on short and long-term budget and campus improvements.

Timetables on specific steps on the budget process are developed each year by VPFA at the end of May.

Please note the Strategic Planning Process addresses NMHU's Mission, Values, Vision, Situation Analysis, Enduing Goals, Action Plans, and Periodic Reviews.

STAKEHOLDERS

- ✓ President's Office (President, Directors, and Individuals)
- ✓ Academic Affairs (Provost, Associate Vice President(s), Dean(s), Directors, Individuals)
- ✓ Finance and Administration (Vice President, Directors, Individuals)
- ✓ Strategic Enrollment Management (Vice President, Dean(s), Directors, Individuals)
- ✓ Advancement (Vice President, Dean(s), Directors, Individuals)
- ✓ Student Affairs (Dean(s), Directors, Individuals)
- ✓ Faculty Senate (Executive Board, Senate Members, Individuals)
- ✓ Staff Senate (Executive Board, Senate Members, Individuals)
- ✓ Student Senate (Executive Board, Senate Members, Individuals)
- ✓ College of Arts and Science (Dean, Program Directors, Department Chairs, Individuals)
- ✓ School of Education (Dean(s), Program Directors, Department Chairs, Individuals)
- ✓ School of Business, Media and Technology (Dean(s), Program Directors, Department Chairs, Individuals)
- ✓ School of Social Work (Dean(s), Program Directors, Department Chairs, Individuals)
- ✓ Library (Director, Manager(s), Individuals)

STRATEGIC PLANNING GROUP

Purpose: To draft short-term university priorities, outline training and development needs, and target process improvement areas.

Meeting: The group will hold a series of meetings in the spring / summer/early fall to suggest annual priorities to the President and the campus community.

Actions: BP compiles information and data for the spring, summer, and early fall meetings, and reviews the information with the SPG members during the spring and summer months prior to the beginning of the semester. The information should include:

Campus Action Plans, Emerging Issues, Enrollment Management Data, Prior Year's University Priorities, Current Year's University Priorities, University-Wide Performance Data, Survey Data, Financial Information, Training & Development Plans, and Process Improvement Plans.

FALL LISTENING SESSIONS

Purpose: To encourage faculty, staff, and students to engage in direct, unfiltered, unedited communication with university administration on the draft university priorities, training and development needs, and process improvement areas.

Meeting: The VPFA will arrange at least 2 meetings open to the entire Campus Community to present information about the budget and discuss potential budget priorities as linked to the Mission and Strategic Plan.

Actions: Taking the information presented at the meeting, the Office of Budget and Planning (BP), along with input from the Campus Budget and Planning Committee, enters the draft priorities on the University Priority template and distributes them to the campus community.

Information includes:

Defining the priority statement, which outlines the proposed solution; Outlining the linkage to the University goals; Stating the issue to be solved; Listing the actions required to ensure the priority's success. This includes naming an individual responsible for the action and the time-line to complete the specific action; Estimating the resource requirements (employees, funding, etc.) needed for the priority to succeed; Selecting information to be collected for up to six critical measures to benchmark the priorities success; Naming a priority champion, to ensure the completion of the priority; Estimating a completion date for the priority. SPG reviews / revises each of the priorities prior to the forums to ensure accuracy; BP schedules several focus groups for the campus to review each of the draft priorities. All faculty, staff, and students are encouraged to participate and provide feedback on the draft priorities. BP publishes draft priorities on the web site in advance of the focus groups for the campus to review.

BUDGET HEARINGS

Purpose: To develop budgets at the institutional Division / College / Unit level.

Meeting: The BP will schedule Budget Hearings with each Department and Unit to discuss budgets for the upcoming academic year. For Departments, the meetings shall include the Department Chair, Budget Director, and if appropriate, the Dean, and the Provost. For other Units, the meetings shall include the Budget Director and Unit Director.

Prior to the meetings, the Department Chair will submit their Budget Requests (form with linkages to strategic plan), their Department Strategic Plan, their Department's most recent Program Review and Response, and their last two years of Outcomes Assessment Reports. Failure to submit these documents may result in denial of Budget Requests.

BUDGET HEARINGS ACTIONS

Resulting Actions:

- √Within four weeks of the Budget Hearing, the BP will provide feedback to the department on the requests, indicating whether the requests have been approved, pending funding, or denied.
- √Working with the appropriate stakeholders, the BP will develop a list of budget priorities for submittal to the President and Campus Budget and Planning Committee based on the budget hearings.
- √The President, working with the BP and the suggestions of the Campus Budget and Planning Committee, will establish budget-planning allocations at the institutional division level.
- √Corresponding budget planning occurs simultaneously at the institutional division / college / unit level. At this point, the specific budget detail is developed.
- √Please note that NMHU utilizes incremental budgeting model, not zero-based budgeting.
- √BP provides training and support to budgeters as they develop individual account budgets.
- √BP ensures that the budgets equate to targets at the college and major unit levels.
- √Institutional divisions, colleges and major units provide summary information on budget decisions, reallocation decisions, and budget actions to support budget objectives.

CAMPUS BUDGET/PLANNING COMMITTEE (BPC)

Purpose: To finalize university priorities, recommend budget allocations, training and development needs, and process improvement areas.

Meeting: Meets on a quarterly basis

Actions:

- √ BP estimates the amount of money available for the university priorities from the various sources of funds.
- √ The BPC recommends the monetary amount and any other resources to be allocated toward each priority and verifies the sources of funding.

BASIC FLOW - EXAMPLE

- ✓ Summer: Strategic Planning Group meets to establish preliminary budget priorities for the year, tying those priorities to the strategic plan (see example list below).
- ✓ Early Fall: VPFA distributes priorities to campus via e-mail; holds meetings with the campus to receive feedback on budget priorities (Listening Sessions).
- ✓ Early Fall: Based on feedback, the SPG revises budget priorities and distributes them to the campus community.
- ✓ Fall: Departments and Units prepare budget requests based on the budget priorities, tying them to the strategic plan, their program reviews, and their outcomes assessments.
- ✓ Fall: Departments have Budget Hearings with the VPFA, Deans, and Provost to present their requests.
- ✓ Late Fall: The VPFA ,working with the President, the Provost, the SPG, and the Campus Budget and Planning Committee, prioritizes the budget requests from the budget hearings.
- ✓ Late Fall: The VPFA 's Office provides feedback to departments on their budget requests.
- ✓ Winter: The VPFA's Office, working with the President, produces the final budget.
- ✓ Early Spring: The President presents the final budget to the Campus Community, including a list of prioritized requests.

BUDGET PRIORITIES

- EXAMPLES

- √ Strengthen academic programs with high potential for student growth

Link to Strategic Plan:

- √ Increase Freshmen retention

Link to Strategic Plan:

- √ Increase Freshmen enrollment

Link to Strategic Plan:

- √ Increase Faculty and Staff salaries

Link to Strategic Plan:

- √ Improve campus life by increasing the number of on and near campus events for Students

Link to Strategic Plan:

- √ Minimize the number of under filled classes on campus

Link to Strategic Plan:

NEXT STEPS

- √ Distribute draft copies of the plan to the campus community at the 3:00 PM meeting on August 8, 2016 and the 2:00 PM meeting on August 9th to the General Faculty.
- √ Call for general feedback on process (Dr. Brandon Kempner); Dr. Brandon Kempner charges Financial Affairs Committee to work with Mr. Baca, Dr. Linder, Dr. Kempner, and Dr. Jenkins to finalize the process (charge made 8/9/16 to be finished by end of August 2016).
- √ Process finalized by August 31, 2016 with the steps outlined in the process to begin immediately afterward.

QUESTIONS

THANK YOU



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