To reach all objectives, we will engage the campus through communication and partnership with committees, working groups, leadership, and other stakeholders.

**Project Objectives**

The scope of the initiative includes two primary sets of objectives that will work in tandem to support the development of a new resource allocation model.

### Overarching Objective

Design a **new approach to budgeting** at NDSU and **enhance the operational structure** to support a new resource allocation model by the beginning of Fiscal Year 2024.

### Operations Assessment & Design Objectives

- Clarify and document **current operations and business processes**
- Identify options for **future operational structures** that support tuition allocation model success and long-term financial needs
- Support **preparation to implement** future state operations processes

### Tuition Incentive Model (TIM) Objectives

- Understand the **current tuition allocation model**, benefits and drawbacks and alignment with university goals
- Develop a customized **tuition incentive budget model** that represents the input of university leadership and key stakeholders
- Establish key **model management infrastructures** to support the new methodology

To reach all objectives, we will engage the campus through communication and partnership with committees, working groups, leadership, and other stakeholders.
Huron and NDSU are utilizing the following governance structure for this initiative.

Executive Sponsors (President, Provost, VPFA)

Steering Committee

- Tuition Incentive Model (TIM) Working Group
- Operations Assessment Working Group

- Deans
- VP for Research and Creative Activity
- VP for Information Technology
- VP for Student Affairs and Enrollment Management
- Faculty Senate
- Staff Senate
- Student Government

Huron Project Management & Facilitation
Engagement Guiding Principles

The Steering Committee set the engagement’s guiding principles. The principles inform the development of an enhanced model and operations structure and communicate its objectives.

**Strategic Alignment to Land Grant Mission**: Support the 2021-2026 Strategic Plan, land grant mission and prior investments by developing a resource allocation and operating model that provides support and incentives to decision-makers and prioritizes resources for institutional effectiveness.

**Authority and Accountability**: Align units’ resource authority with accountability to empower decision-makers to be efficient, entrepreneurial and collaborative.

**Simplicity**: Develop and communicate resource allocation and operating models that are easy to understand, explain, and maintain.

**Trust and Transparency**: Incorporate collaborative governance and communicate clear information that promotes trust and transparency.
Operations Assessment
Operations Assessment Analyses

To develop an understanding of NDSU’s current state of financial operations and opportunities for enhancement, Huron reviewed organizational structures, activity distribution, and business processes.

NDSU’s colleges utilize three operating models: centralized, decentralized, and portfolio.

62.6% of supervisors manage 3 or fewer direct reports, indicating opportunities for managerial development.

Staff in similar roles report significant variations in time spent on specific financial activities.

Staff utilize inconsistent processes, creating a lack of clarity around roles and responsibilities.
# Organizational Structure Review: Operating Model Examples

An analysis of organizational charts reveals that NDSU currently manages a range of operating models. Common structures are profiled below.

<table>
<thead>
<tr>
<th>Operating Models</th>
<th>Characteristics</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Centralized</strong></td>
<td>• Reports to a single lead within the unit</td>
<td>• Economies of scale and efficiency</td>
<td>• Traditionally less flexible and less responsive to local needs</td>
</tr>
<tr>
<td>College of Agriculture, Food Systems,</td>
<td>• Services are defined, developed, coordinated, and delivered by the centralized</td>
<td>• Higher levels of control over compliance and cost</td>
<td>• Perceived to be disconnected from the broader organization</td>
</tr>
<tr>
<td>and Natural Resources; College of Arts,</td>
<td>unit</td>
<td>• Easier deployment of enterprise-wide changes</td>
<td></td>
</tr>
<tr>
<td>Humanities, and Social Sciences;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College of Business; Graduate School</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Decentralized</strong></td>
<td>• Each unit has a separate lead / support</td>
<td>• Responsive to local needs</td>
<td>• Higher cost through service duplication</td>
</tr>
<tr>
<td>College of Engineering; College of</td>
<td>• Management of the activities is distributed</td>
<td>• More flexibility to be innovative</td>
<td>• Potential inconsistencies in service</td>
</tr>
<tr>
<td>Health Professions; College of Human</td>
<td></td>
<td></td>
<td>• Difficult to share data and benchmark experiences</td>
</tr>
<tr>
<td>Sciences and Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portfolio / Business Services Center</strong></td>
<td>• Single lead is responsible for enterprise-wide services</td>
<td>• Responsive to local needs</td>
<td>• Requires strong governance and clarity around the distribution of roles and responsibilities</td>
</tr>
<tr>
<td>College of Science and Mathematics</td>
<td>• Other leads may have unit-specific responsibilities (differentiated for the</td>
<td>• Allows for cross-enterprise prioritization and execution</td>
<td>• Additional (limited) costs incurred</td>
</tr>
<tr>
<td></td>
<td>unit’s mission and needs)</td>
<td>• Higher levels of control over compliance and cost</td>
<td></td>
</tr>
</tbody>
</table>

Aligning operating models across NDSU could **limit duplication of work and create clarity for similar roles and responsibilities.**
Business Process Focus Groups

Interviews with 40+ campus leaders revealed five high-priority business processes for further review. Huron has facilitated 12 sessions with subject matter experts for each process to clarify current-state workflows, document variances, and identify opportunities.

- **P-Card Purchasing**
  Scope includes procurement using a P-Card, batch uploads, approvals, monthly account statement reconciliations, and audits.

- **Non-P-Card Purchasing**
  Scopes includes P-Card vs. non-P-Card decision-making for the procurement of goods and services; mapping process when using a voucher or central Purchasing office.

- **Travel & Expense Reimbursement**
  Scope includes pre-planning stage (e.g., pre-approval forms) to the reimbursement stage (e.g., filling out the Travel Reimbursement form).

- **Payroll**
  Scope includes documenting the roles, responsibilities, and touchpoints between departmental staff, the budget office, and the payroll office.

- **Managerial Financial Reporting**
  Scope includes managerial financial reports, identifying which are unmet by PeopleSoft, and creating an inventory of reports.
Operations Design
Elements of Organizational Design

The organizational design process is guided by three elements that allow for an iterative approach to developing a financial operating structure tailored to NDSU’s needs.

**Model Structure**
Identifying the practical reporting relationships, proximity, and funding of the operating model (e.g., straight-line, dotted line reporting, matrixed reporting, physical location)

**Where Work Belongs**
The degree that work should be differentiated and performed at the local level or shared across organizational boundaries.

**Service Delivery Strategy**
How an organization’s strategy connects to the function, design, and delivery of strategic and transactional services (e.g., Centers of Expertise, Self-Service)
Service Delivery Structures

Model structures reflect the nature of activities, roles and responsibilities, and reporting relationships; institutions employ multiple service delivery models to support end-to-end business processes.

Leadership
- Set the strategic direction for the organization and identify and monitor key performance indicators

Center of Expertise
- Implements strategic direction and sets policies for everyone performing the work
- Responsible for supporting, developing and training staff
- Issues requiring complex/unusual level of functional expertise are escalated to this level

Business Partners
- Provides functional expertise and professional strategic support
- Serves as contact for general functional knowledge and more complex processes requiring professional functional judgement

Transactional Support
- Provides customer and/or transactional support, specializing in a functional area
- Receives training, direction, standards, and service level expectations

Direct Access
- Provides technology configurations for self-service customers to identify answers to questions for themselves
Tuition Incentive Model
Budget Redesign Trends

Institutions are increasingly pursuing budget model redesigns in response to growing fiscal pressures and desires to align resources with strategic priorities.

Goals of Recent Budget Assessment and Redesign Initiatives:
- Align resource with priorities
- Create incentives for growth and efficiency
- Manage resources with greater accountability
- Improve financial transparency

Note: This illustration depicts institutions who have undertaken a budget model redesign and does not reflect Huron-only budget redesign clients.
Shifting the Focus of University Budgeting

As NDSU reevaluates its approach to resource allocation, it will be important to reframe budgeting as a critical step in strategic planning.

<table>
<thead>
<tr>
<th>Traditional Budgeting</th>
<th>Strategic Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inventory of anticipated expenditures</td>
<td>• (Multi-year) plan for developing resources</td>
</tr>
<tr>
<td>• Mechanism to control expenditures</td>
<td>• Mechanism to create institutional incentives</td>
</tr>
<tr>
<td>• Independent activity performed by department managers</td>
<td>• Tool to empower departments to engage in entrepreneurial activities</td>
</tr>
<tr>
<td>• Backroom operation performed by accountants</td>
<td>• Predictor of annual financial statements</td>
</tr>
<tr>
<td>• Spreadsheet indicating resource availability</td>
<td>• Baseline measure of accountability</td>
</tr>
<tr>
<td>• Performance measures that reset annually</td>
<td></td>
</tr>
</tbody>
</table>
# Overview of Budgeting Approaches

NDSU’s goal is to transition to an incentive-based model focused on tuition allocation. Colleges will see clearer alignment between growth in instruction & enrollment and budgets.

<table>
<thead>
<tr>
<th>Traditional Budget Models</th>
<th>Incentive-Based Budget Models</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Typically place focus on expenses</strong></td>
<td><strong>Place focus on academic units</strong></td>
</tr>
<tr>
<td><strong>Governed by performance measures that reset annually</strong></td>
<td><strong>Incorporate a devolution of revenue ownership to local units, as generated</strong></td>
</tr>
<tr>
<td><strong>Do not align revenues with costs</strong></td>
<td><strong>Allocate all costs (direct and indirect) to revenue generating units</strong></td>
</tr>
<tr>
<td><strong>Incentives in place are often administered weakly and may be sub-optimally utilized</strong></td>
<td><strong>Utilize a centrally managed “subvention pool” to address strategic priorities</strong></td>
</tr>
<tr>
<td><strong>Applying an all-funds approach is possible, but not necessary</strong></td>
<td><strong>Applying an all-funds approach is necessary, but not sufficient, to provide transparency for all unrestricted funds</strong></td>
</tr>
</tbody>
</table>

**Incremental Formula**

- Centrally driven
- Current budget acts as “base”
- Each year’s budget increments (decrements) adjust the base
- Focus is typically placed on expenses

**Performance**

- Unit-based model focused on providing equitable funding
- Unit rates are input based and commonly agreed upon
- Annual fluctuations are driven primarily by the quantity of production and not changes to rates

**“Lite” / Modern RCM**

- Central control sufficient to maintain quality, coordinate activities, and fund strategic investments
- Unit rates are output based and commonly agree upon
- Annual fluctuations are driven primarily by changing production and not changes to rates
- Incentives can be customized to emphasize strategic needs

**Traditional RCM**

- Less centralized control
- Generally lower tax rate of less than 10%
- Incentives are more “hard-wired” and may inhibit collaboration and/or impede success of institutional priorities
- Few universities have adopted this low tax model in recent years

**ETOB**

- Essentially no centralized control (no subvention)
- Academic units in essence operate as their own financial entities
- Very little strategic control held by the central administration
- No sympathy for market forces
Considerations for Success

Huron’s guidance to NDSU is informed by lessons learned from other institutions which have pursued budget model redesigns; the following considerations are key factors for success:

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Models are Management Tools:</strong></td>
<td>Their design should aim to support leaders in managing their operations by informing decisions with an understanding of their financial impact.</td>
</tr>
<tr>
<td><strong>Customization is Critical to Consensus:</strong></td>
<td>The most successful redesigns are those that customize their future model to reflect the unique culture and priorities of their institutions and generate the most buy-in with the university community.</td>
</tr>
<tr>
<td><strong>Innovation Does NOT Need to Equate to Complexity:</strong></td>
<td>Customization must be counterbalanced with simplicity, as over-engineering model allocations in the interest of customization will diminish stakeholder understanding.</td>
</tr>
<tr>
<td><strong>Model Design Decisions Based on Principles are Important:</strong></td>
<td>Grounding redesign initiatives in a set of principles will allow the university to overcome disagreements on individual design elements.</td>
</tr>
<tr>
<td><strong>Implementation Must be a Focus from Day One:</strong></td>
<td>In order to promote implementation success, university stakeholders must take ownership of the model and prepare stakeholders for implementation from day one.</td>
</tr>
</tbody>
</table>
NDSU’s approach to model development emphasizes a principles-driven approach which focuses on first establishing a resource allocation philosophy before testing allocation scenarios.

**Philosophy**
Reflects the university’s desired financial management model, considering elements such as centralization, authority, and accountability.

**Structure**
Reflects the elements of the model with respect to scope of funds, categorization of operating units, presentation of data, etc.

**Rules**
Reflects how the model will portray the institution’s internal economy and drive behavior.

**Customize**
Reflects model tweaks to address operational realities, institutional culture, and local unit needs.
Tuition Allocation General Approach

For base tuition revenue that cannot be directly assigned to an academic unit, common practice is to use shares of instructed credit hours and student enrollment to inform allocation.

**College of Record**

*Total student credit hours based on the college of enrollment, regardless of what college is instructing the course*

- Promotes recruitment/retention and enhances planning
- Recognizes the administrative and student support functions (i.e., advising) provided by home colleges
- May lead to overemphasis on enrollment relative to course delivery

**College of Instruction**

*Total student credit hours based on the college of the course instructor, regardless of what college the student is enrolled in*

- Recognizes the revenue-generating draw of teaching in-demand courses
- Supports the direct costs of instruction
- Can lead to course competition and redundancy
- Better matches cost with the internal economy

The split between College of Record and College of Instruction is a statement on the university's priorities and values. What are NDSU-specific considerations that should influence tuition allocation?
Undergraduate Tuition Allocation Benchmarking

Undergraduate tuition allocation commonly attributes revenue to both the college of instruction as well as the college of enrollment.

**Distribution of Tuition Revenue: Allocation Examples from Other Universities**

- **0% College of Instruction**
  - 0/100
- **100% College of Record**
  - 100/0

**Tuition Allocated to College of Instruction**
- + Supports direct costs of instruction
- - Can lead to course competition and redundancy
- - Misaligned incentives for academic advising

**Tuition Allocated to College of Record**
- + Promotes recruitment
- - Does not support direct costs of instruction
- - Can lead to "holding company" mentality

*Examples of tuition revenue distribution from other universities:
- 50/50
- 75/25
- 80/20
- 100/0
- 25/75
- 60/40
- 70/30
- 75/25
- 80/20
- 85/15
- 60/35
- 70/30
- 80/20
- 85/15
- 90/10
*
Graduate Tuition Allocation Benchmarking

Institutions utilize a variety of methodologies to allocate graduate tuition, but allocation strategies are largely focused on the college of record (enrollment).

Key Considerations

- **Course Concentrations**: Graduate students are broadly assumed to take the majority of courses within their college of record, reducing the variability between instruction and enrollment shares.

- **Graduate Waiver Alignment**: Allocation of graduate waiver costs should generally align with graduate enrollment and tuition allocation, increasing the Dean’s role in awarding and funding waivers.

- **Interdisciplinary Support**: Allocation models should not disincentivize or inhibit collaboration or interdisciplinary programs; tuition sharing mechanisms may be used to help ensure sufficient support is provided.

Sample Institutions

- **University of Nebraska-Lincoln**
- **Auburn University**
- **Iowa State University**

Assignment Strategy

**College of Record**: Graduate tuition is distributed to colleges based on college of record (student enrollment).

**Split Allocation**: Graduate tuition is allocated 90% to college of record; 10% to college of instruction, with proportionate share of financial aid and waivers.

**College of Record with Governance**: Graduate tuition is distributed to the college of enrollment with a reimbursement mechanism for cross-college course enrollment.

Source: University of Nebraska-Lincoln, Auburn University, Iowa State University
Envisioning The Future

As NDSU begins to look towards a future operating under an incentive-based model, it will be important to reframe budgeting as a tool to support the university in reaching its strategic goals.

What will stay the same?

- Deans will receive an annual budget to spend against
- The Budget Office will facilitate an annual budget development process consisting of planning, preparing, reviewing and monitoring budgets
- The Budget Office will serve to support unit budget staff with job aids, trainings and guidance
- PeopleSoft will be the primary system for financials including budgeting
- A phased implementation is intended to provide time to review and understand impacts

What will be different?

- Deans will be incentivized to increase credit hours production and grow college enrollment
- Annual budgets will be influenced by changes in activities (credit hours instructed and students enrolled) instead of across-the-board incremental changes
- Programmatic decisions will influence revenues attributed to the college
- Allocation of resources will be more transparent and understood across NDSU
Appendix: Committee Membership
# Steering Committee Membership

<table>
<thead>
<tr>
<th>Membership</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bruce Bollinger (Chair)</td>
</tr>
<tr>
<td>2.</td>
<td>Kimberly Wallin</td>
</tr>
<tr>
<td>3.</td>
<td>Chris Wilson</td>
</tr>
<tr>
<td>4.</td>
<td>Cindy Rott</td>
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<tr>
<td>5.</td>
<td>David Bertolini</td>
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<td>6.</td>
<td>Emily Berg</td>
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<td>7.</td>
<td>Jeff Boyer</td>
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<td>8.</td>
<td>Jody Dewald</td>
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<td>9.</td>
<td>Karin Hegstad</td>
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<tr>
<td>10.</td>
<td>Laura McDaniel</td>
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<tr>
<td>11.</td>
<td>Mark Genkinger</td>
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<tr>
<td>12.</td>
<td>Pat Hanson</td>
</tr>
<tr>
<td>13.</td>
<td>Michael Petersen</td>
</tr>
<tr>
<td>14.</td>
<td>Shannon David Misialek</td>
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</tbody>
</table>
# Operations Assessment Working Group

<table>
<thead>
<tr>
<th>Membership</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Karin Hegstad (Chair)</td>
<td>Associate VP, Finance and Administration</td>
</tr>
<tr>
<td>2. Alissa Kuntz</td>
<td>College Business Manager - Engineering</td>
</tr>
<tr>
<td>3. Cindy Rott</td>
<td>Budget Director</td>
</tr>
<tr>
<td>4. Dan Friesner</td>
<td>Assistant Dean, Health Professions</td>
</tr>
<tr>
<td>5. Cherie Fischer</td>
<td>Assistant Director, Ag Budget</td>
</tr>
<tr>
<td>7. Jeff Boyer</td>
<td>Director, Assessment and Accreditation</td>
</tr>
<tr>
<td>9. Josh Hemingway</td>
<td>Associate Athletic Director – Business Operations</td>
</tr>
<tr>
<td>10. Mark Genkinger</td>
<td>Director, Human Resources</td>
</tr>
<tr>
<td>11. Pat Hanson</td>
<td>Payroll Director</td>
</tr>
<tr>
<td>12. Jody Dewald</td>
<td>Provost Budget Director</td>
</tr>
<tr>
<td>13. Lisa Ripplinger</td>
<td>Controller</td>
</tr>
<tr>
<td>14. Shelly Gustafson</td>
<td>Accounting Services Manager</td>
</tr>
<tr>
<td>15. Gretchen Wagendorf</td>
<td>Interim Ag Budget Director</td>
</tr>
</tbody>
</table>
# Tuition Incentive Working Group

<table>
<thead>
<tr>
<th>Membership</th>
<th>Title</th>
</tr>
</thead>
</table>
| 1.         | Cindy Rott (Chair)  
Budget Director |
| 2.         | Aubrey Ketterling  
Sr. Budget Analyst |
| 3.         | Becky McCleary  
College Business Manager - Health Professions |
| 4.         | Carol Haukebo  
Sr. Budget Analyst |
| 5.         | Emily Berg  
Director, Institutional Research and Analysis |
| 6.         | Jody Dewald  
Provost Budget Director |
| 7.         | Karin Hegstad  
Associate VP, Finance and Administration |
| 8.         | Kay Hopkins  
College Business Manager - College of Business |
| 9.         | Lisa Ripplinger  
Controller |
| 10.        | Peggy Cossette  
Assistant to Dean Human Dev & Education |
| 11.        | Dorreen Kramer  
Director, Customer Account Services |