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.

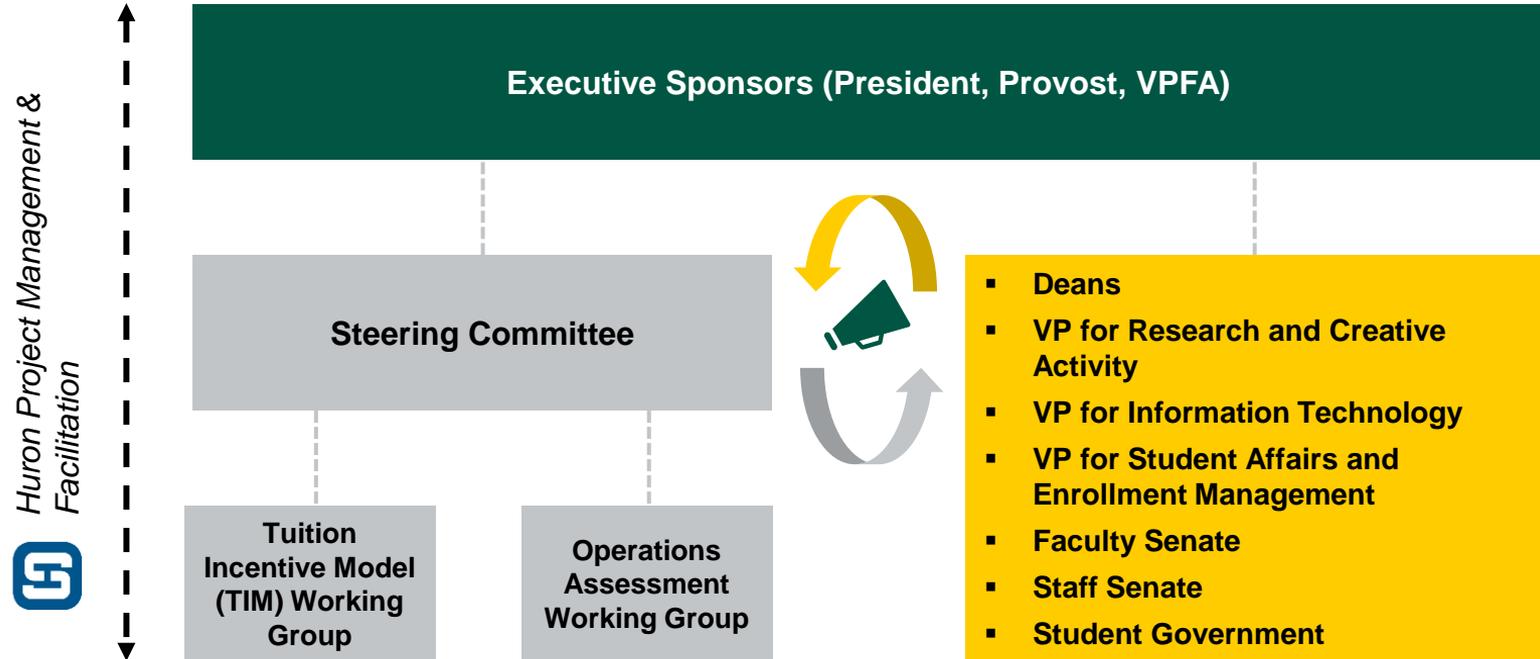| **Operations Assessment & Design Objectives**	**Tuition Incentive Model (TIM) Objectives**
- Clarify and document **current operations and business processes** - Identify options for **future operational structures** that support tuition allocation model success and long-term financial needs - Support **preparation to implement** future state operations processes	- 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.

Draft: Privileged and Confidential

HURON

Project Governance

Huron and NDSU are utilizing the following governance structure for this initiative.

Huron Project Management & Facilitation

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**

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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.

NDSU NORTH DAKOTA STATE UNIVERSITY

Draft: Privileged and Confidential

HURON

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.

Org. Structure Review

NDSU's colleges utilize three operating models: **centralized, decentralized, and portfolio.**
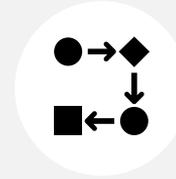
Spans and Layers Analysis

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

Financial Activities Survey

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

Business Process Mapping

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.

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

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	**Non-P-Card Purchasing**	**Travel & Expense Reimbursement**	**Payroll**	**Managerial Financial Reporting**
Scope includes procurement using a P-Card, batch uploads, approvals, monthly account statement reconciliations, and audits.	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.	Scope includes pre-planning stage (e.g., pre-approval forms) to the reimbursement stage (e.g., filling out the Travel Reimbursement form).	Scope includes documenting the roles, responsibilities, and touchpoints between departmental staff, the budget office, and the payroll office.	Scope includes managerial financial reports, identifying which are unmet by PeopleSoft, and creating an inventory of reports.

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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)*

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

Service Delivery Structures

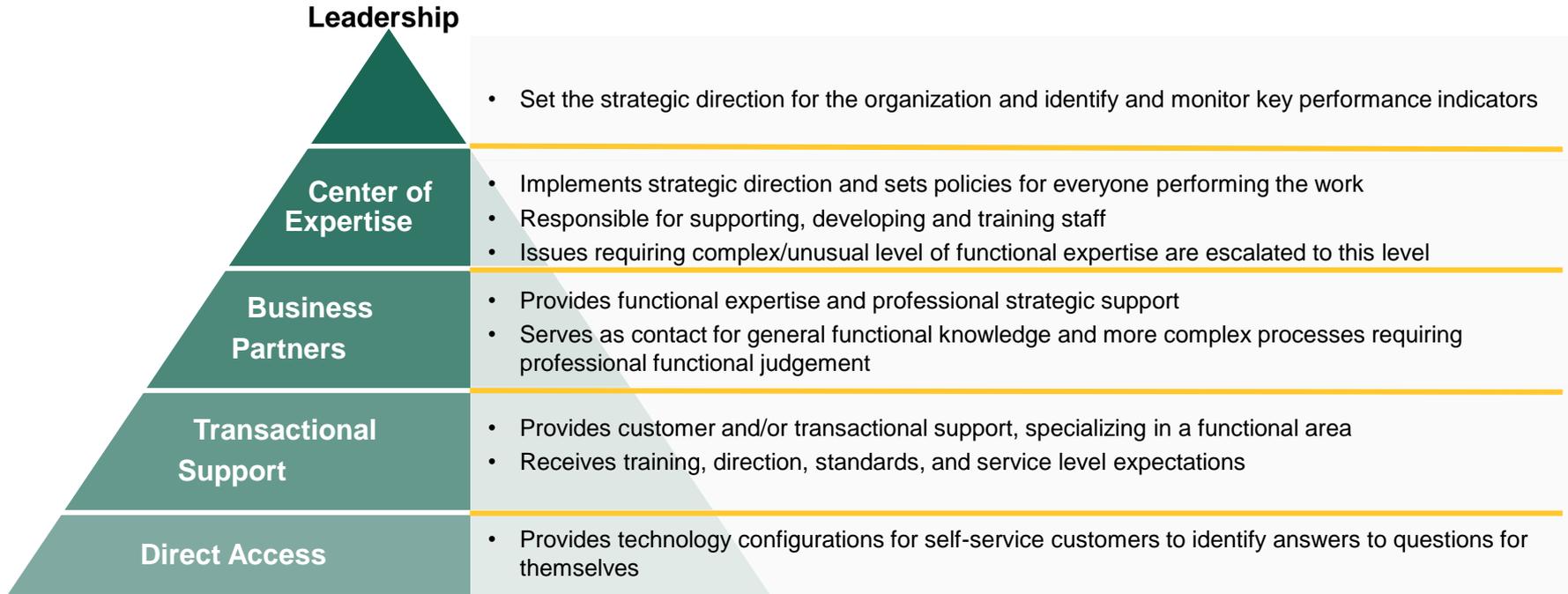Model structures reflect the nature of activities, roles and responsibilities, and reporting relationships; institutions employ multiple service delivery models to support end-to-end business processes.

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

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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.

NDSU NORTH DAKOTA STATE UNIVERSITY

Draft: Privileged and Confidential

HURON

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.

Traditional Budgeting
• **Inventory** of anticipated expenditures
• Mechanism to **control** expenditures
• **Independent activity** performed by department managers
• **Backroom operation** performed by accountants
• **Spreadsheet** indicating resource availability
• Performance measures that **reset annually**

Strategic Budgeting
• **(Multi-year) plan** for developing resources
• Mechanism to create institutional **incentives**
• Tool to empower departments to engage in **entrepreneurial** activities
• **Predictor** of annual financial statements
• Baseline measure of **accountability**

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.

Traditional Budget Models			Incentive-Based Budget Models		
• Typically place focus on expenses • Governed by performance measures that reset annually • Do not align revenues with costs • Incentives in place are often administered weakly and may be sub-optimally utilized • Applying an all-funds approach is possible, but not necessary			• Place focus on academic units • Incorporate a devolution of revenue ownership to local units, as generated • Allocate all costs (direct and indirect) to revenue generating units • Utilize a centrally managed "subvention pool" to address strategic priorities • Applying an all-funds approach is necessary, but not sufficient, to provide transparency for all unrestricted funds		
Incremental	**Formula**	**Performance**	**"Lite" / Modern RCM**	**Traditional RCM**	**ETOB**
• Centrally driven • Current budget acts as "base" • Each year's budget increments (decrements) adjust the base • Focus is typically placed on expenses	• 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	• Unit-based model focused on rewarding mission delivery • Unit rates are output based and commonly agree upon • Annual fluctuations are driven primarily by changing production and not changes to rates	• Central control sufficient to maintain quality, coordinate activities, and fund strategic investments • Higher tax rate, typically between 15 and 20% • Incentives can be customized to emphasize strategic needs	• 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	• 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

HURON

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:

Budget Models are Management Tools: Their design should aim to support leaders in managing their operations by informing decisions with an understanding of their financial impact.

Customization is Critical to Consensus: 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.

Innovation Does NOT Need to Equate to Complexity: Customization must be counterbalanced with simplicity, as over-engineering model allocations in the interest of customization will diminish stakeholder understanding.

Model Design Decisions Based on Principles are Important: Grounding redesign initiatives in a set of principles will allow the university to overcome disagreements on individual design elements.

Implementation Must be a Focus from Day One: In order to promote implementation success, university stakeholders must take ownership of the model and prepare stakeholders for implementation from day one.

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

Stages of Model Development

NDSU's approach to model development emphasizes a principles-driven approach which focuses on first establishing a resource allocation philosophy before testing allocation scenarios.

Flow of Decision Process

Customize
Reflects model tweaks to address operational realities, institutional culture, and local unit needs.

Customize

Rules
Reflects how the model will portray the institution's internal economy and drive behavior

Rules

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

Structure

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

Philosophy

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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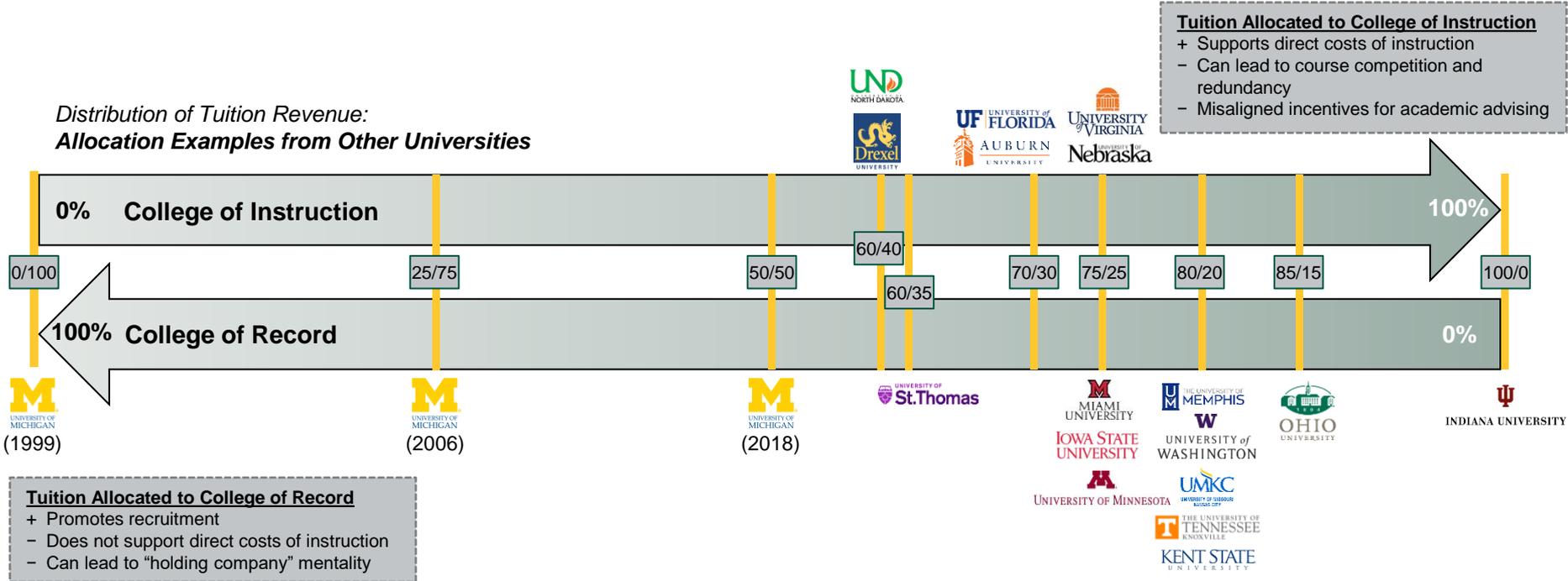- Recognizes the revenue-generating draw of teaching **in-demand courses**
- Supports the **direct costs of instruction**
- Can lead to **course competition** and **redundancy**
- Better matches **cost with the internal economy**

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?

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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

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

0%   College of Instruction   100%

| 0/100 | 25/75 | 50/50 | 60/40 | 70/30 | 75/25 | 80/20 | 85/15 | 100/0 |

60/35

100% College of Record   0%

(1999)   (2006)   (2018)

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

NDSU NORTH DAKOTA STATE UNIVERSITY

Draft: Privileged and Confidential

HURON

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	Sample Institutions	Assignment Strategy
• ***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	UNIVERSITY 1 OF Nebraska Lincoln AU AUBURN UNIVERSITY IOWA STATE UNIVERSITY	***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

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

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

Membership		Title
1.	Bruce Bollinger (Chair)	Vice President, Finance and Administration
2.	Kimberly Wallin	Dean, College of Science and Mathematics
3.	Chris Wilson	Chief of Staff, Office of the President
4.	Cindy Rott	Budget Director
5.	David Bertolini	Dean, Arts, Humanities, and Social Sciences
6.	Emily Berg	Director, Institutional Research and Analysis
7.	Jeff Boyer	Director, Assessment and Accreditation
8.	Jody Dewald	Provost Budget Director
9.	Karin Hegstad	Associate VP, Finance and Administration
10.	Laura McDaniel	Associate VP, University Relations
11.	Mark Genkinger	Director, Human Resources
12.	Pat Hanson	Payroll Director
13.	Michael Petersen	Assistant Professor of Accounting
14.	Shannon David Misialek	Associate Professor, Health, Nutrition & Exercise

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON

Operations Assessment Working Group

Membership		Title
1.	Karin Hegstad (Chair)	Associate VP, Finance and Administration
2.	Alissa Kuntz	College Business Manager- Engineering
3.	Cindy Rott	Budget Director
4.	Dan Friesner	Assistant Dean, Health Professions
5.	Cherie Fischer	Assistant Director, Ag Budget
6.	Janelle Smith	College Business Manager - Science & Math
7.	Jeff Boyer	Director, Assessment and Accreditation
8.	Jenna Reno	College Business Manager- Arts Humanities & Soc Sci
9.	Josh Hemingway	Associate Athletic Director – Business Operations
10.	Mark Genkinger	Director, Human Resources
11.	Pat Hanson	Payroll Director
12.	Jody Dewald	Provost Budget Director
13.	Lisa Ripplinger	Controller
14.	Shelly Gustafson	Accounting Services Manager
15.	Gretchen Wagendorf	Interim Ag Budget Director

Draft: Privileged and Confidential

HURON

Tuition Incentive Working Group

Membership		Title
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

NDSU NORTH DAKOTA STATE UNIVERSITY

HURON