



# Strategic Budgeting for Community Colleges: A Mission Critical Endeavor

White Paper

## INTRODUCTION

For community colleges, the need for effective new budgeting strategies is greater than ever before. Xlerant Inc., developer of the leading budgeting solution for higher education institutions, brought together a panel of Community College Finance Executives to discuss the importance of strategic budgeting within community colleges, while providing insights and solutions to common difficulties.

The panel was led by Liz Murphy, CEO of Campus Works, an organization focused on addressing the business needs of 21st century colleges and universities. Panel experts included:

- **Stacy Buckingham**, Dean for Financial Operations at John A. Logan College in Illinois
- **Donna Farlow**, Director of Budgeting at Union County College in New Jersey
- **Steve Miller**, Assistant Controller at San Juan College in New Mexico

This group of subject matter experts tackled a wide-range of mission-critical budgeting topics, which are examined in further detail in this whitepaper, including:

- Changes in Higher Education Budgeting Culture
- Budgeting Challenges for Community Colleges
- Excel and ERPs: The Shortcomings of Traditional Budgeting Tools
- The Benefits of New Cloud-based Budgeting Solutions
- How Three Community Colleges are Saving Money by Budgeting to Strategy
- Keys to the Successful Adoption of Strategic Budgeting Solutions
- What to Look For in an Ideal Strategic Budgeting Solution

**“Strategic budgeting has become mission critical.”**

## HIGHER EDUCATION BUDGETING: CHANGING THE CULTURE

Higher education institutions are always looking for new ways to reduce costs and maximize investments, including a shift in focus to new strategies for student retention, program optimization, and IT upgrades. This shift precipitates the need for community college budgets to be aligned with the new goals. **Strategic budgeting has become mission critical.**

*“It’s the balancing act that we all have to do as institutions,” explains Liz Murphy, CEO of Campus Works, an organization with a mission of making higher education more accessible. “While we enjoyed more students coming to campus in times of very high unemployment, we now have to balance in the other direction, when unemployment is rebounding as it is now, and we have fewer students.”*

*“It is requiring that the executives who put together the strategy first come up with a clear communication of their goals,” says Donna Farlow, director of budgeting at Union County College in New Jersey. “In the last two years, the goal thought process has been shifting, with the requirement for measuring retention and graduation rates becoming the primary driver of all activities. In the past, it was, ‘How many credit hours can we get each year? How many classes can we offer? Let’s increase our volume.’ Now, it’s focused more on the end product quality and how we go about aligning our resources to help the students achieve those goals.”*

## FOUR UNIQUE BUDGETING CHALLENGES OF COMMUNITY COLLEGES

### 1. Helping Budget Officers Align Their Budgets with the Strategy

In order for community colleges to effectively budget to strategy, **departmental budget requests must be linked to goals.** From the president to the department heads to the professors, everyone must be on board. Yet having a clear, widely embraced mission is just the tip of the iceberg. Within higher education institutions, there is also burgeoning need for budget systems with a built-in capacity to serve the mission – systems that can help budget officers easily identify and record their numbers in relationship to the strategy. Steve Miller, assistant controller



at San Juan College describes this challenge:

*“Part of where we’ve seen issues is when we are sending out the budget to the different departments and asking them to put in their requests for budgets. How do we find a system that allows them to identify strategic goals and put numbers next to them? For example, ‘This is strategy 1, and it aligns to the college’s strategy 5.A.’ Colleges need all this to be recorded in an efficient way, so that numbers can be linked back to strategy. And then the information needs to be communicated in a way that makes everyone aware of why funding and budget decisions are being made.*

*“It has been a struggle for us here at San Juan, trying to get everything aligned, and then also to get the strategy communicated out to everybody so that they are aware of why the decisions are being made. The community as a whole says, ‘Well, why did you cut my budget?’ or, ‘Why did this department get funding?’ We need to make sure the strategy behind the decision is communicated to everyone, so that they can see how it aligns with the college’s direction.”*

**“Departmental budget requests must be linked to campus-wide goals.”**

## **2. Accounting for Unexpected Expenditures and Revenue**

An institution’s new strategy often necessitates additional programs and budget requests for resources, equipment, and IT upgrades. **In order to make cost effective purchasing decisions, it is essential to really know the numbers** – to understand the interplay between expenditures and potential sources of revenue.

Stacy Buckingham, Dean for Financial Operations at John A. Logan College, recounts the influx of purchase requests that poured in when the college implemented a five-year strategic plan that included several new strategic projects. She feels that the principle of “budgeting for unexpected sources of revenue” has been instrumental in their process:

*“There definitely were requests for new instructional programs that were very heavy in bio-medical equipment needs. The requests were pretty large, and we realized that we probably couldn’t support them at the time. Because we were also budgeting expected sources of revenue, that presented an opportunity for the budget officers to explore the idea of working with our grant development team, possibly utilizing a grant to help fund the new program as a startup.”*

Stacy also explains how creative thinking and a budget system that accounted for unexpected sources of revenue allowed John A. Logan College to make IT upgrades that at first glance seemed implausible:


*“Our IT department realized we needed a modernization of our network. We knew that we couldn’t fund those requests, but that started a lot of discussion, and we were able to pursue a five-year lease option and gain support from our student senate and our board members to implement a new technology fee for students. We were able to move forward because our new budgeting software allowed us to isolate the network upgrade project and to budget new revenue from a technology fee in combination with a lease agreement.”*

## **3. Incorporating Projections and Forecasting into the Budget**

Expenditures and revenue are an ever-moving target for community colleges. Enrollment, technology costs, and adjunct headcount are just a few of the aspects that fluctuate throughout the year. Therefore, it is **highly important for community colleges to utilize budget projections and forecasting** to gain a better understanding of possible financial outcomes.

Liz Murphy explains the importance of projection in the budgeting process:

*“The idea of projection is to say, ‘Based on everything I know now, not just one month’s activity, what’s the pattern I’m seeing? And when I see that pattern and extrapolate it out, what does the number then look like?’ You can plug that into the budget and say, ‘Okay, if that’s what happens, then this is what it looks like.’ When you roll that up, you’re actually*



able to see if projections are putting you in a position where you could possibly be overspending, or if you are in a position where you actually have some discretionary dollars that you can put to some projects or initiatives that you didn't think you were going to be able to fund."

Liz continues: "Typically, adjustments in community colleges are thrust upon us, and usually not voluntarily. So then you have to reforecast or do if/then analysis to say, 'Okay, here's where we are, and the state or the locals are saying that our budget is going to be cut by this much – what if we take this much out and reforecast?' The other reason to forecast is to say, 'Enrollment isn't where we thought, so the dollars aren't coming in where we thought they were going to be. What does that do for us going forward?' You need to be constantly taking a fresh look at it."

Steve Miller admits that forecasting has never really been done at San Juan College but that it would be very helpful. He sees the value in having the ability to re-forecast and budget-adjust based on actual enrollment throughout the year.

"We're just budgeting one year to the next," Steve says. "We see possibilities with our new budgeting solutions being able to do forecasting and even pulling multiple reports – maybe two or three times a year to get information out to everybody that says, 'Here's where you are. You've spent over 50 percent of your budget, and you're only three months into the year. Is that okay?'"

Liz says that when she talks with CFOs, and particularly presidents, a chief complaint is that all their reporting looks back into the past and very little of it allows them to look forward to plan effectively. Here is Liz's take on why forecasting is so valuable:

**"When you can forecast – and I tell you this from personal experience – you can transform an organization,** because we really don't appreciate how long it takes for the organization to adapt to change. We say, 'Oh, higher education responds slowly to change in general,' but even if you're trying to course correct on a program that's not working, or trying to pull back on spending for something,

typically the spending commitments have really long legs, and you end up losing several months just trying to back out of what you've been spending. And so the ability to forecast really gives you the opportunity to configure way ahead of time."

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#### 4. Ensuring Transparency within the Budget

When everyone works toward a unified goal, mountains become moveable. Transparent budgets – ones that foster **collaboration, visibility, and accountability** – position colleges to move forward in a united direction and promote positive growth. Liz Murphy explains why budget transparency is essential for colleges today:

"How frustrating it is for management to not really be able to unearth what's happening in the budget process or to use it as an illustrative tool. So many times, I hear from the rank and file that they're worried about what's going to happen if their budget is transparent to everyone else. But sharing and communication becomes so important, and executive leadership must say, 'Here's the direction we're going, and we can all get a lot more done if we're aligned toward the same goals. While your project may not get funded this quarter, if it's aligned with the strategic plan, it's definitely going to get funded going forward.'

"And also, how many times have we had real crises in terms of staffing, that we couldn't see until we really looked at an analysis of the costs and revenue? I'm a big advocate for driving more open-book financial management within higher education, all the way down to the staff level."





## EXCEL AND ERPS: THE SHORTCOMINGS OF TRADITIONAL BUDGETING TOOLS

The act of planning, implementing, and accounting for new campus-wide strategies begs for an intelligent budgeting solution. Conventional budgeting tools simply aren't cutting it. Financial officers are becoming frustrated with the existing solutions—and for good reason.

### The Trouble with Enterprise Resource Planning Software (ERPs)

While many community colleges attempt to make use of the budgeting solutions built into their ERPs, finance teams complain that the process is quite confusing for the laymen. **Since department heads do not work with the ERP system on a regular basis, attempting to use it for budgeting can be a major nuisance.** Steve Miller tells his story of working with San Juan College's ERP system:

*"We had looked at our ERP product's budgeting component. Same kind of thing that a lot of colleges run into – the budget people that you're dealing with don't use your ERP system very often, so when they have to log in to that system and put together their budget, most times it's very cumbersome and not user-friendly. On the business side of the house, we use it on a daily basis, so we know the quirks. We can navigate through it a lot easier than they can."*

Donna Farlow commiserates with Steve: *"I spent – I don't know – three to five months looking at our ERP budget module. I sat down with every budget officer and went through it, got their feelings about it, how comfortable they were working with it, and it was extremely obvious that nobody liked it. It was terrible for documenting, it was awkward to use, and the reporting out of it was just unavailable."*

### The Trouble with Excel

Excel spreadsheet budgeting was adopted by community colleges back in the late-'80s to early-'90s.<sup>1</sup> Many colleges are still using Excel today, despite the availability of newer, more effective solutions (72% of the aforementioned panel workshop participants are reportedly using Excel for their college's budgeting solution). **The Excel system leaves a lot to be desired; in truth it makes budgeting**

**to strategy nearly impossible.** Here is an extensive list of the common complaints community colleges have about Excel:

- Takes a lot of time to pass the sheets around, check for accuracy, and get approval
- Too much time spent on data entry; not enough time spent on analysis
- Difficult to lock down the sheets to prevent people from changing formulas
- Errors due to re-keying
- Starting from a blank sheet every year is overwhelming
- Lack of accountability and ownership for people filling out spreadsheets
- Hard to understand a user's rationale behind their numbers
- Challenging to do revenue projections
- Poor reporting capabilities
- Not enough data passed up to the leadership; hard for them to understand what divisions want and need
- Poor dialogue or communication between department heads and budget officers
- No easy way to present a historical look at the budget; makes budgeting difficult after personnel changes
- Inadequate multi-year financial planning capabilities
- Hard to do mid-year budgeting adjustments

Steve Miller sums it up: *"We really needed something better than what we were using. Our ERP solution wasn't the best. Excel, obviously, wasn't the best. We kept having the same kinds of issues, year after year – we'd send out Excel spreadsheets to all the budget monitors: who returns it, who doesn't? How do we track that, to make sure that we've got everybody in the budget, and that we haven't missed some big piece of the puzzle?"*



## PURPOSE-BUILT BUDGETING SOLUTIONS: THE FUTURE OF COLLEGE FINANCIAL PLANNING

Steve Miller, Donna Farlow, and Stacey Buckingham have championed the move to purpose-built budgeting solutions at their institutions – and, in their words, it's been an overwhelmingly positive experience:

Steve: *"Helping people see the budget in a better way, that's presented in a more visual and simpler, user-friendly type of system, can be very valuable to them, to help them really understand what's going on in the budget."*

Donna: *"I feel more comfortable being able to quote somebody's comments right out of their budget and say, 'According to the budget officer for the biology department, this is what's happening,' and help them to understand that if they make a decision, it's going to impact what someone else is doing."*

Stacy: *"When the final budget was done, the exporting out of the data was very easy, and it easily imported into our ERP system. It's just a lot easier, because the budget officers can log in to the solution whenever they want. They can even set it aside and come back to it later. Next year, they should be able to import details from the year before and make adjustments – add things or delete things they no longer need. It leaves a good trail of information from one year to the next."*

Donna: *"Our new system includes a reporting tool that I use to extract the actuals from the ERP – I can get all the data out within just three hours, load it into our new system, and I have an actual base to bounce my budget preparations off of. And it works exactly the same going the other direction – I extract the data from the new system and import it into the ERP for the budget. And with no rekeying at all."*


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## THREE KEYS TO THE SUCCESSFUL ADOPTION OF STRATEGIC BUDGETING SOLUTIONS

### 1. Sell It to the Decision Makers

As we all know, for a program to be a "go" you often need to secure buy-in from upper management. Here is how Donna Furlow got the green light for her proposed purpose-built budget solution:

*"When I started this, I put together a business case describing the problem and the opportunity, the solution and the vision, the benefits and the cost. I also went over IT, because they wouldn't need to do a whole lot of anything, other than make sure connectivity was working. Then I held a webinar, inviting key budget officers, including my vice president of finance, to watch a demonstration of the budget solution that I wanted to use. I asked them for their input, to do an evaluation of it, and then I also asked our faculty budget officers to view an online demonstration of the software that was available, to get their feedback on how comfortable they felt with it. And all of that together supported a more cohesive agreement that this was a good way to go, as opposed to what we had been doing with Excel and paper. And from a cost standpoint, it was extremely reasonable."*



Steve Miller provides insight into the approval process at San Juan College:

*"We were able to market it a little bit as far as efficiencies and sanity for the people who would be putting the budget together – that was a huge factor in the cost-benefit. Based on the efficiencies of not missing things and all the data being in one place, as opposed to a bunch of different Excel spreadsheets, we were able to push it through to get the approvals for the cost. The solution that we ended up with, cost-wise, seemed very affordable."*

## **2. Schedule User Training**

The need for a budgeting solution that aligns with strategy rings loud and true. On par with this need is the importance of taking the time to educate department heads and other non-financial users on the basics of budgeting – what information is needed, what that information is used for, and how it all rolls up into the overall budget. Only with a clear understanding of budgeting basics can a department head truly develop a plan that aligns with campus-wide strategy. Therefore, strategic budgeting solutions are most effective when paired with user education. Donna Farlow shares her successful method for training budget officers:

*"In introducing our new budgeting solution to my budget officers, I took them carefully through an hour-and-a-half training session, where the instructor walked through the process one step at a time, demonstrating how it worked and what they needed to do. Then I took them on a scheduled basis to the lab and asked them to bring their current-year budget details with them. We took those budget details and carefully transferred them into the new budget solution. This allowed them to learn the software without having to think about next year's numbers. All they were doing was learning how to use the software, and that seemed to work extremely well. Most of them then went off and did the next year's budget on their own, without any assistance at all."*

## **3. Allocate Time for Knowledge and Data Transfer**

Stacy Buckingham agrees on the importance of user training and appreciated the assistance provided by the software company from which they had licensed their

new system. She also highlights the need for taking enough time for a thorough transfer of knowledge and data from the old system to the new:

*"It took some initial training this past year. Of course, I was learning the solution at the same time. Consultants from the software company helped us with initial training, and a lot of our people really embraced it. We brought in two years of historical data, prior-year budgets, and a prior year's actual expenditure. It was all based on our account structure, departments, departmental codes, descriptions, and individual codes. We had to map through each unit, so there was a certain building process in the first-year implementation."*


*"It was pretty amazing – it forced me, as a new dean, to go through all my account structure from head to toe and to see what cleanup needed to be done. The new solution had a good system for combing through our data. And if there were any duplications or inconsistencies, it found them."*

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## **EVALUATION CRITERIA - WHAT TO LOOK FOR IN SOFTWARE SELECTION**

As community colleges search for the ideal strategic budgeting solution, they can and should be choosy. There are a number of purpose-built solutions on the market today, but all are not created equal. Best-in-class systems boast the following important characteristics:

- ❑ **An Intuitive Interface for Budgeting** – guides the user through the process of preparing a comprehensive and well-thought-out budget via an interactive budget map to orient users to where they are in the process and how they are doing against finance guidelines - in real-time.

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- ❑ **Self-Service Configuration and Maintenance** – with wizard-driven set-up and maintenance so financial people can easily maintain the application without learning a programming language.
  - ❑ **Situational Budgeting Capability** – every department in every organization has distinct needs that are situational in nature. Users should be able to budget their areas the way they think about their areas.
  - ❑ **Strategic Initiatives** – whether they are department specific or institution wide, colleges need a way to budget for special projects outside of the operational budget with multiple accounts, an approval process, and categorization for reporting.
  - ❑ **Embedded Calculations and Drivers** – administrator-defined, but user-controlled functionality to simplify complex budgeting.
  - ❑ **Comprehensive and Flexible Spreading** – a variety of powerful and practical real-world spreading methodologies, resulting in monthly integrity of the budget.
  - ❑ **Detailed Salary Planning** – a secure, step-by-step personnel-level salary-planning tool that can be controlled by finance, but with flexibility for the user to plan for increases, changes to headcount, and other personnel data.
  - ❑ **Documentation, Justification, Notes & Annotations** – allows the user to provide detailed documentation of assumptions, notes, and justification for any account that is stored in the application, therefore expediting the budget approval process.
  - ❑ **APIs and Bi-Directional Linkage with Excel and ERPs** – so that users can seamlessly exchange data with Excel and ERPs, allowing these programs to do the things they were designed to do well (e.g., complex models or report visualization and analysis, but not budgeting!)
  - ❑ **Asset Planning** – allowing users to choose from a catalog of pre-defined institutional assets and to track what has been requested and what has been approved by department and by asset.
  - ❑ **Guided What-If Analysis** – a solution based on a “what-if” technology so users can make pinpoint or sweeping changes and see the results immediately.
  - ❑ **Forecasting** – to give users the ability to combine a few months of actuals with budgets to facilitate the forecasting ability throughout year and then make appropriate adjustments based on the reality of the year as it unfolds.
  - ❑ **Projections** – predictive analytics help Finance and Management more accurately estimate 3-5 year revenue and expenses.
  - ❑ **Automated Approval Workflow** - as users are going through multiple versions of the budget, Finance and Management have transparency into whose budget is completed, submitted, approved, or not even started, and can then take immediate action.
  - ❑ **Complete Reporting** – for the budgeting process and for the monthly management reporting process. This includes budget review, audit trail, and consolidation as well as comparative reports woven directly into the system with customizable features.





“We believe a system that has budget intelligence built into its core makes for a more robust and user friendly process for everyone involved – which ultimately delivers more meaningful results.”

~Joanne Brunn  
CEO, Xlerant

## ABOUT XLERANT

Xlerant is the leading budgeting, forecasting and reporting provider for higher education institutions. We help institutions with 10, 20 or even 200 budgeting participants, allay the frustrations of Excel-based budgeting. Xlerant's premier product, BudgetPak, is a cloud-based budgeting solution that has received high honors for outstanding ease-of-use, ease of implementation, and customer service.

BudgetPak's user-centered design and built-in intelligence pave the way for accountability and transparency by offering the tools for flexible and reliable budgeting, forecasting, and reporting. This user-friendly solution does more than make the process easier – it provides a platform for communication of the institution's annual objectives and ensures faculty and staff are building their budgets in line with those objectives. Because BudgetPak doesn't force users to think in a restricted 'row and column' Excel format, it is a much more engaging experience for non-financial users.

At the same time, BudgetPak allows the finance team to control the aspects of the budget that are important to them within a straightforward, wizard-driven, finance-friendly format – and direct integration with Excel for analysis in a familiar environment.

Xlerant offers a full suite of modules built into BudgetPak including expense planning, revenue planning, headcount, salary planning and asset planning, as well as approval workflow, what-if scenarios, out of the box reporting, variance reporting, and custom reports. A unique feature called ActionPaks allows users to budget multiple line items at the same time for their department-specific projects and initiatives.

## REFERENCE

1. “A Brief History of Spreadsheets.” Retrieved from

<http://www.cs.umd.edu/class/spring2002/cmsc434-0101/MUIseum/applications/spreadsheethistory1.html>

