

Get the Budget Model Machine to work for you

The 13 Most Important Decision Points to Align Your Budget Model and Strategic Priorities

Seeking to boost unit-level accountability for revenue improvement and cost control, institutions across the country are tinkering with their budget models. But budget model changes involve hundreds of decisions and can lead to many unintended consequences.

Whether considering a wholesale model redesign or making targeted improvements, **focus on the 13 budget model design decisions below to align your model to your strategic goals**, ensuring that the remaining outstanding decisions fall into place.

Learn more with the Business Affairs Forum's full study, which contains specifics about each of these decisions as well as resources for implementation, available at: eab.com/baf/budgetdecisions.

 Creating Unit-Level Financial Accountability

 Preserving Mission-Critical Activities

 Incorporating Institutional Strategic Goals

01

Tuition Revenue Allocation Percentage

Allocate bulk of revenue (70% or more) via an activity-based formula.

02

Tuition Revenue Allocation Weighting

Define a range for SCH versus major weighting between 85/15 and 70/30; let deans set final weighting.

03

Enrollment Smoothing

Allocate based on prior-year actual or current-year projected enrollment; a central loan pool smooths unit budget volatility.

04

Differential Tuition Allocation

Do not directly attribute out-of-state tuition or financial aid; avoid weighted credit hours.

05

State Appropriation Allocation

Either allocate formulaically or use for subvention/strategic funds; decide early which option to use.

06

Overhead Cost Allocation

Allocate 4–6 overhead cost pools most likely to incent behavior change, with 1–2 drivers per pool.

07

Unit Spend Monitoring

Integrate oversight of unit-level spending decisions with ongoing central resource planning.

08

Strategic Reserves Funding

Create a separate 3%–5% tax on all revenue to fund central strategic reserves.

09

Subvention Methodology Transparency

Make subvention as overt as possible to avoid perverse incentives.

10

Effective Subvention Incentives

Set a clear end date for units on bridge subvention and ensure long-term subvention is not a blank check.

Budget Model Boosters

Institutions can use budget model financial incentives and seed funding to reinforce—rather than undercut—strategic goals.

11

Incenting Student Success

Example: Include student retention and graduation improvement metrics in revenue allocation formula.

12

Incenting Research Enterprise Growth

Example: Include grant funding in revenue allocation formula.

13

Incenting Targeted Program Launches

Example: Implement targeted revenue-sharing agreements.