



EAST TENNESSEE STATE  
UNIVERSITY

# Update on Budget Model Refresh

January 2025

# Prior Budget Model

- **Focused only on Colleges:** No consistent and measurable mechanism for administrative units to demonstrate need for resource increases.
- **Student-credit hour driven:** Colleges received reductions on a per-credit-hour basis; due to ETSU's enrollment circumstances, the model only ran during enrollment declines (2017-2021)
- **Fees were outside of the budget:** Base budgets only focused on state and tuition-related dollars; as colleges received reductions, fees were established or increased to offset reductions in other revenues



# Budget Refresh Goals

- Developing a refreshed budget model that is fair, transparent, predictable, and focused on strategic goals.
- Conduct a review of base budgets and adjust as appropriate
- Modify budget-related practices to move towards an all-funds approach

To achieve the above, an advisory committee of 17 faculty and staff, representing most divisions and colleges, was engaged since September 2023. This committee provided feedback on key decision points and helped refine the budget model. All final decisions were made by ETSU leadership after a review of feedback.



# Milestones Achieved

- Set appropriate **base budgets** and reallocated resources in support of those base resets
- Established a data-informed mechanism for **annual resource allocation** decisions
- Updated important processes and procedures that impact all units, such as the **indirect cost recovery dollar distribution formula**, **vacancy management**, **carryforward** and **strategic initiatives fund**



# Milestones Achieved (Cont.)

- **Analyzed and shared key data points** to drive decisions
- **Aligned resource allocation more closely to university priorities** and overall enrollment and financial trends
- Identified resources to support **salary enhancements** and established **resource pools to support capital improvements and new program development**
- Committed to the **ongoing review and refinement** of key aspects of the model



# New/Revised Processes

- Strategic Initiative Fund
- Vacancy Management
- Carryforward Process
- Capital Improvements Fund
- IDC Formula



# Strategic Initiative Fund

1. The initial funding source for FY26 initiatives will be carryforward dollars from FY24. In October of 2024, the leadership team reviewed the fallout from FY24 and **put \$1.2M of that fallout in the newly established strategic initiative fund**. The fund will be resourced annually at the discretion of President, but annual fund allocations cannot exceed 1% of total ETSU unrestricted E&G revenues.
2. The purpose of the fund is to **invest in projects and initiatives that advance the ETSU strategic plan**. Requests for funds should be for time-limited projects and cannot be used for recurring revenue needs, such as salaries. Requests should outline why the initiative requires funding in excess of unit base budgets and available resources.
3. The **award of funds will occur via the annual budget hearing process**. Faculty and staff can propose ideas for strategic initiatives to their respective division leaders and those leaders will communicate the ideas they support in the budget hearing meetings. The final decision on the award of funds will come from the President.



# Vacancy Management

Vacancies will be managed at the division leader level. For Colleges, this means that the Provost will manage vacancies. As positions are vacated, the final decision on what to do with the vacancy will be made by the division leadership. The process will be utilized for all faculty and staff positions at the University.





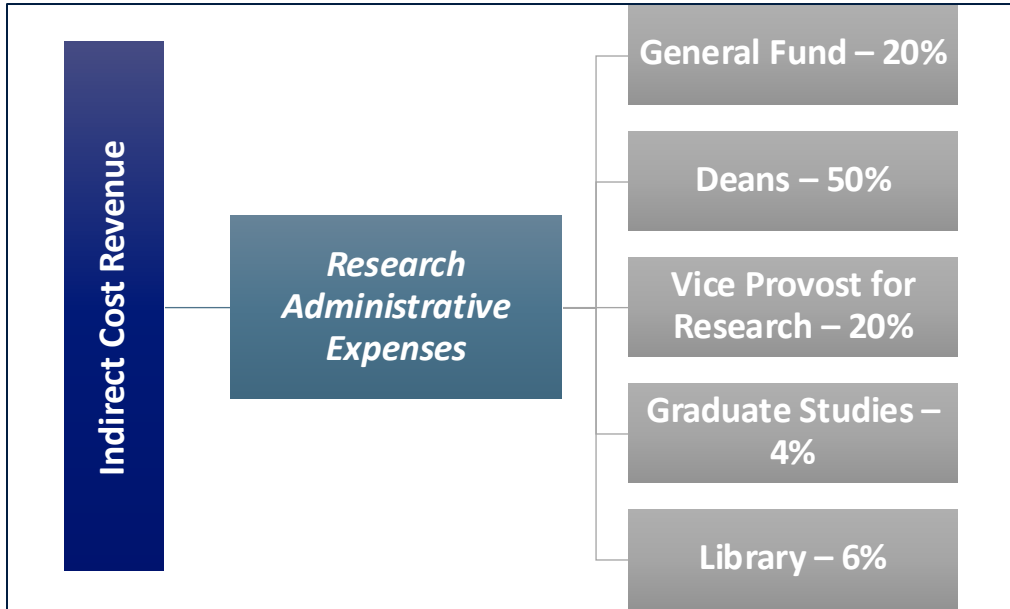
# Carryforward

1. Unspent state appropriations, tuition revenue, and student fees will be treated the same. The **balances from each of those revenue sources will be split 60/40 with Central (the unit keeps 60% and central administration keeps 40%)**. This happens before the carryforward cap is applied (see number 3).
2. All unspent IDC and sales and service revenue are retained by the unit.
3. Each division will have a **cap on the amount of carryforward they are allowed to accumulate** in total. The **cap is 8% of the three-year average total unrestricted operating expenses**. Funds that fall within the cap include the C index (state appropriations and tuition) and student fees. Funds that do not fall within the cap include special programs, unexpended contracts, R&R, IDC, and start-up funds.
4. All dollars that are swept by the central administration through enforcing the cap will go into a **capital improvement fund**. This fund is separate and distinct from the strategic initiative fund. The parameters of the fund are yet to be determined – a committee to oversee the operationalizing of the fund is being established.

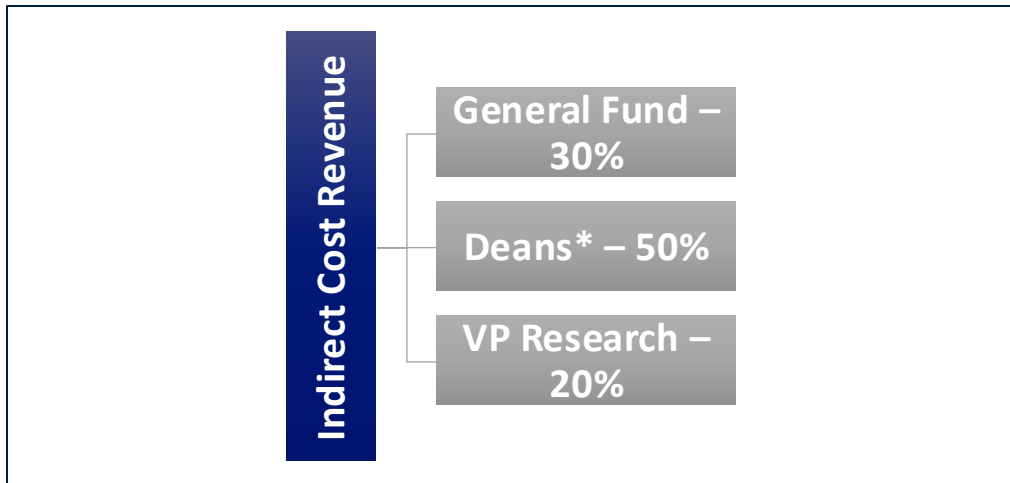


# Updated IDC Formula

## Current/Prior Model



## Future/New Model



## Example application of future/new model using FY23 data

	Current Percent	Current Amount	Future Percent	Future Amount	Difference
Research Administrative Expenses	17%	\$548,532	0%	0	-\$548,532
Available for Allocation		\$2,686,486		\$3,235,019	
General Fund	18%	\$567,127	30%	\$970,506	\$403,378
Library	4%	\$134,912	0%	\$0	-\$134,912
SGS	2%	\$71,731	0%	\$0	-\$71,731
<b>Delta</b>	<b>24%</b>	<b>\$773,771</b>	<b>30%</b>	<b>\$970,506</b>	<b>\$196,735</b>
Deans	45%	\$1,463,009	50%	\$1,617,509	\$154,500
Office of Research	14%	\$449,707	20%	\$647,004	\$197,297
<b>Delta</b>		<b>\$3,235,019</b>		<b>\$3,235,019</b>	<b>\$0</b>



# Budget Model Process

- Steps
- Academic Metrics
- Example



# Revised Annual Budget Process

Step 1: Determine annual total unrestricted revenues: State funds, Tuition and Fees, Research Improvement (general fund portion), and any other unrestricted general fund money

Step 2: Subtract Market-Based Salary Enhancements, Central Expenditures (insurance, scholarships, etc.), and Strategic Initiative Fund

## Step 3: Run the model

- A. Compare remaining revenue to prior year revenue (will be positive, negative, or flat). Split any surplus or deficit 50/50 between Colleges and Administrative Units.
- B. Determine if any reallocation needs to occur outside of the adjustment due to surplus or revenue.
- C. Combine A and B and distribute across units following the formula for academic units and metrics for administrative units.

Step 4: Fund Academic Base Budgets

Step 4: Fund Administrative Unit Base Budgets

*Additional funds available to units outside of base budgets:  
Carryforward dollars, gifts and grants (restricted and unrestricted), sales & service*



# Metrics for Annual Allocation (of surplus or deficit)

- **Student Credit Hours (70%):** The number of student credit hours produced at all levels (lower-division undergraduate, upper-division undergraduate, and graduate), taken at the end of term.
- **Degree Production (25%):** The number of degrees awarded at the end of each term, including bachelor's, master's, professional and doctoral. Certificates are not included.
- **Premier Research & Scholarly Productivity (5%):** See table below as an example of what may be included for this factor. Please note that this item remains in development.

Research & Scholarly Metric Inputs (per FY)	Emphasis	Initial Proposed Calculation
External awards	External Funding	Total amount/\$100,000
IP Disclosures resulting in institutional ownership	External Funding	# of disclosures x 5
Q1 publications (or equivalent)	Institutional Reputation	# of pubs x 3
National or international scholarly reach/recognition (e.g., invited, reimbursed national-level presentations, awards, concerts, features, galleries, press releases, screenings)	Institutional Reputation	# of events x 3



# Example scenario:

ETSU enrollment increases and there is \$1M in net new revenue to allocate after the strategic initiative fund is resourced and central expenditures are covered. The \$1M is split 50/50 across the academic and administrative units for allocation, with \$500,000 available to award to colleges.

The \$500,000 would be distributed as follows:

- \$350,000 (70%) to be distributed to colleges that have a three-year average annual increase in student credit hours
- \$125,000 (25%) to be distributed to colleges that have a three-year average annual increase in degree production
- \$25,000 (5%) to be distributed to colleges that have improved performance on the research and scholarly productivity metric

*Administrative units will report on their metrics during the budget hearing process and the \$500,000 would be distributed across units based on performance results.*



# Campus Engagement

- Regular meetings with ETSU Leadership Team
- Met with each Vice President and Dean and their teams at least three times over the course of the year, as well as several times with the Deans' Council
- University Council presentations
- Website created and updated



# Next Steps and Timeline

- Some base adjustments go into effect this year, while others will be fully implemented in FY26
- The model will ‘run’ for FY26, meaning FY25 will focus on gathering the appropriate data and metrics to inform the model
- Key initiatives for FY25 will include establishing the processes through which strategic initiatives and capital projects will be vetted and resourced





# Timeline

## January 2025:

- Centrally managed vacancy practice goes into place.
- Committee to establish the rules and operations of the capital improvement fund begins their work.
- Budget call released (Jan.31)

## February 2025:

- Collect all 2024 (calendar year) academic data for the colleges to inform the annual adjustment process.
- Administrative units prepare their metrics.
- Project FY2026 enrollment and associated tuition and fee revenue.
- Assess the likely state budget impact to ETSU's revenues in FY2026.

## March 2025:

- The leadership team reviews the data and determines if any reallocation will need to occur so that can be modeled.
- Run the academic annual adjustment formula using the average annual change from 2021-2024 (21-22, 22-23, 23-24).
- Hold budget hearings for all administrative and academic

units.

- Identify projects for the strategic initiative fund.
- March 3-7 College Budget Hearings
- March 24-28 Campus Budget Hearings

## April 2025:

- Build the July FY26 budget.

## May 2025:

- Capital improvement fund committee completes its work.

## July 2025:

- IDC formula is applied for FY25 grant activity.

## September 2025:

- Assess the final revenue impact for ETSU for the 2026 fiscal year.

## October 2025:

- Release updated FY26 budgets.
- FY25 carryforward balances are finalized – this is the first year the cap will be in place and funds in excess of the cap will be moved to the capital improvement fund.



# **Budget Model Refresh Update**

## **January 2025**

**Strategic Resource Allocation Committee Co-Chairs Christy Graham (CFO) and Jim Harlan (Distinguished Chair of Excellence, College of Business and Technology)**

