EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

<u>INFORMATION ITEM</u>

DATE: November 18, 2022

ITEM: Budget Model and Operational Efficiency Assessment
                                        Update

COMMITTEE: Finance and Administration Committee

PRESENTED BY: Dr. Michael Hoff
                                        University Chief Planning Officer and Vice Provost of
                                        Planning and Decision Support

An outcome of the Committee for 125 Chapter II process was the identification of the need for the university to review its internal budget model and current operations to identify areas for improvement. Since March of 2022, ETSU has been engaged with Huron Consulting to conduct a review of the current internal budget model and overall operations of the institution in order to recommend changes in process and structures that would yield efficiencies. These efforts will ensure that ETSU is positioned to implement strategic initiatives through the remainder of the 2016-2026 planning cycle.

This review included two steering committees comprised of ETSU faculty, staff, and administrators. One steering committee focused on a Resource Allocation Assessment, and the second committee focused on the operational efficiency assessment. The project was led by Dr. Brian Noland (President) as the executive sponsor, Dr. Kimberly McCorkle (Provost & SVP of Academics), Dr. B.J. King (CFO), Dr. Joe Sherlin, (VP Student Life and Enrollment), and Jeremy Ross (COO) as project sponsors.

Dr. Hoff will update the committee on the review process, recommendations for change, and next steps including governance structure for implementing the recommendations.

Budget Model and Operational Efficiency Assessment Update

East Tennessee State University Board of Trustees
November 18, 2022

Budget and Operational Efficiency Assessment Objectives

ETSU leadership engaged Huron Consulting Group to identify opportunities for improvement in preparation for the upcoming ERP transformation.

Evaluate Budget Development Processes

- **Evaluate** model processes, mechanics, and methodology supporting **central, strategic and capital funding mechanisms.**
- **Discuss and document** relevant **model management infrastructure** including policy, governance, and reporting.

Identify Opportunities for Improvement

- Conduct a **diagnostic review** of operations to assess potential opportunities for efficiency.
- Understand the **strengths and weaknesses** of the current operations.
- Identify areas to better align operations to **support employees** and increase **quality control**.
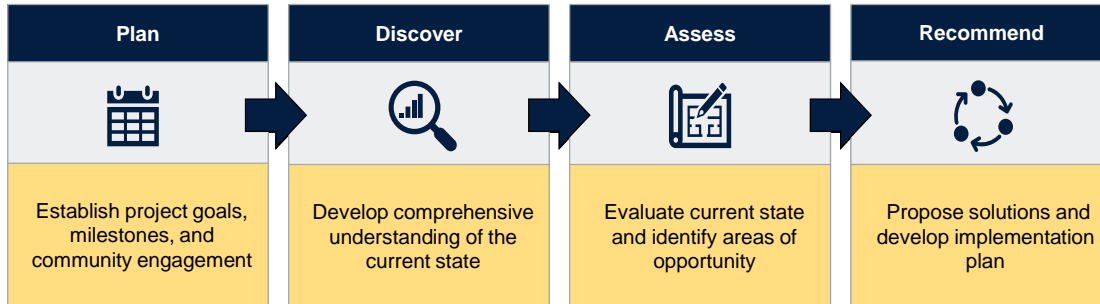
Develop Roadmap and Implementation Approach

- **Leverage** stakeholder input to **identify opportunities.**
- **Develop a roadmap and approach** detailing timeline, potential roadblocks, stakeholder involvement, and other criticalities for each recommendation.

Timeline and Key Activities

The Budget and Operational Efficiency Assessment culminated in a comprehensive current state assessment and the identification and prioritization of opportunities to consider. ETSU engaged Huron through the opportunity identification activities (March – August 2022).

Plan	Discover	Assess	Recommend
Establish project goals, milestones, and community engagement	Develop comprehensive understanding of the current state	Evaluate current state and identify areas of opportunity	Propose solutions and develop implementation plan

ETSU Campus Engagement

The Budget Model and Operational Efficiency Assessment engaged individuals across the community through various mediums.

746 faculty and staff responses to the **Administrative Activity Study** **92%**	Senior **leaders, staff, and faculty** interviewed to offer context and perspective **48**	HR, financial, and other operating **data sets** to inform analyses **80+**
Steering Committee members engaged in regular check-ins **20**	Unique operational and financial **opportunities identified** **56**	**Prioritized** operational and financial **recommendations** for **design and implementation** **5**

Engaging the community throughout the project prepares the institution for change management effort during the upcoming ERP transformation.

Governance Structure

Huron worked closely with ETSU leadership to identify opportunities for improvement across a broad range of functional areas.

Initiative	Resource Allocation (Budget) Assessment	Operational Efficiency Assessment
Executive Sponsor	**President Brian Noland**	
Project Sponsors *Provide overall direction and make key decisions*	• Dr. BJ King*, *Chief Financial Officer for Business and Finance* • Jeremy Ross*, *Chief Operating Officer* • Dr. Joe Sherlin*, *Vice President for Student Life and Enrollment* • Dr. Kimberly McCorkle*, *Provost and Senior Vice President for Academics*	
Steering Committee *Vet initial recommendations and assist in institution-wide buy in*	• David Finney, *Dir. of Fiscal Affairs, Adv. Services* • Laura Bailey, *Assoc. Vice President Facilities Mgmt.* • Dr. Karin Keith, *Professor and Chair in Dept. of Curriculum and Instruction in Clemmer College* • Kristy Buchanan, *Assistant Dean for Fiscal Affairs, College of Business and Technology* • Dr. Mike Hoff*, *Vice Provost for Decision Support and University Chief Planning Officer* • Mark Proffitt, *Assistant Dean for Budget and Planning, College of Arts and Sciences* • Dr. Randy Wykoff, *Dean, College of Public Health* • Dr. Sharon James McGee, *Dean of Graduate Studies* • Stephen Hendrix, *Past President, Faculty Senate*	• Dr. Don Samples, *Dean, College of Clinical and Rehabilitative Health Sciences* • Dr. Jim Harlan, *AFG Chair of Excellence in Business & Tech.* • Dr. Karen King, *Chief Information Officer* • Dr. Leah Adinolfi, *Dean of Student Engagement and Director of Assessment* • Lori Erickson, *Assistant Vice President for HR* • Michel Beaver, *Associate Vice President , Tax & Revenue Services* • Dr. Mike Hoff*, *Vice Provost for Decision Support and University Chief Planning Officer* • Dr. Nick Hagemeier, *Vice Provost for Research and Chief Research Officer*

*Denotes individuals supporting multiple workstreams

Recognizing ETSU Institutional Strengths

Huron met with 48 stakeholders – several of which were engaged multiple times – across a variety of academic and administrative units at ETSU, which led to the identification of observed strengths and areas of opportunity.

Unique Programs

Stakeholders spoke highly of ETSU's unique programs, such as Appalachian Studies, that are a differentiator for students and faculty.

Commitment to ETSU

Individuals demonstrated a commitment to ETSU and recognized change is a necessary component to assure a vibrant future for the university.

Willingness to Adapt

Stakeholders spoke to a willingness of units to address changing needs and demands of students (e.g., launching of new programs).
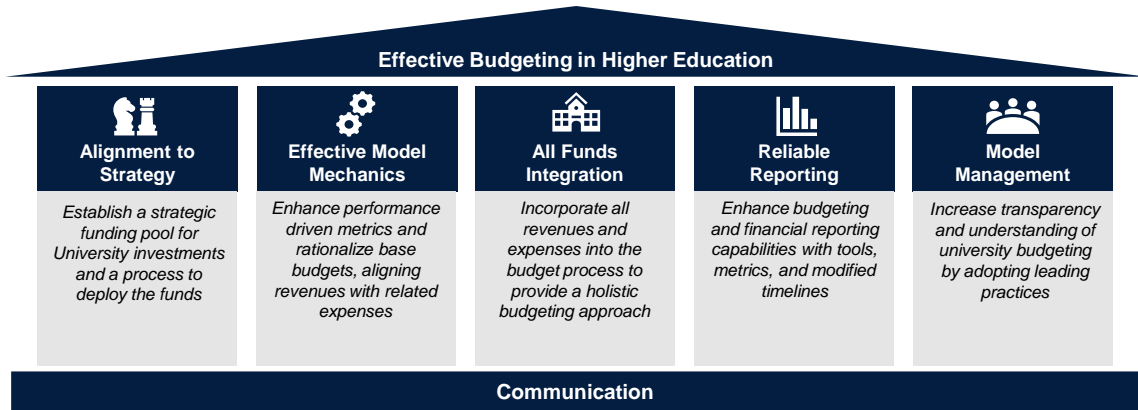
Student Diversity

Employees expressed a strong commitment to diversity recruitment efforts, with 84% of students receiving some type of financial assistance.

Student Wellbeing

Individuals have ETSU's students and local community in mind while making decisions and are focused on ensuring the well being of the entire ETSU community.
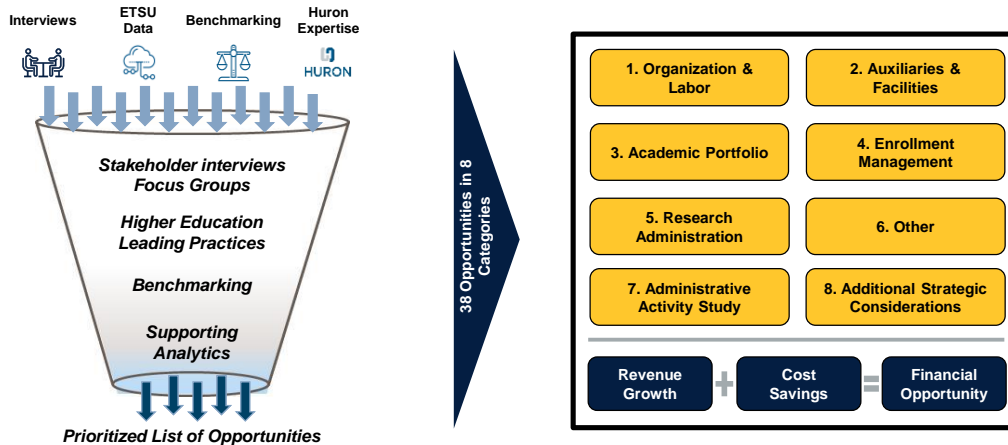
Budget Model Assessment Outcomes

Building on the foundation of transparency and unit fiscal accountability established during the 2017 model implementation, the budget assessment was centered around the pillars of leading practices for effective resource allocation.

Effective Budgeting in Higher Education

Alignment to Strategy	Effective Model Mechanics	All Funds Integration	Reliable Reporting	Model Management
Establish a strategic funding pool for University investments and a process to deploy the funds	*Enhance performance driven metrics and rationalize base budgets, aligning revenues with related expenses*	*Incorporate all revenues and expenses into the budget process to provide a holistic budgeting approach*	*Enhance budgeting and financial reporting capabilities with tools, metrics, and modified timelines*	*Increase transparency and understanding of university budgeting by adopting leading practices*

Communication

Operational Efficiency Assessment Outcomes

Huron leveraged stakeholder interviews, financial and operating data, internal and external benchmarking, and industry expertise to identify 38 opportunities.

Interviews | ETSU Data | Benchmarking | Huron Expertise

Stakeholder interviews Focus Groups

Higher Education Leading Practices

Benchmarking

Supporting Analytics

Prioritized List of Opportunities

38 Opportunities in 8 Categories

1. Organization & Labor	2. Auxiliaries & Facilities
3. Academic Portfolio	4. Enrollment Management
5. Research Administration	6. Other
7. Administrative Activity Study	8. Additional Strategic Considerations

Revenue Growth + Cost Savings = Financial Opportunity

Strategic Plan Alignment

The opportunities identified in the Budget Model and Operational Efficiency Assessment support and strengthen ETSU's 7 strategic goals.

Empower Employees

Provide employees opportunities to develop new skillsets, further careers, and make ETSU a great place to learn, work, and grow.

Support Strategic Growth

Encompass all facets of the student experience both inside and outside the classroom.

Fiscal Sustainability

Formulate strategies and actions to sustain the programs and infrastructure necessary to meet the core components of ETSU's mission.
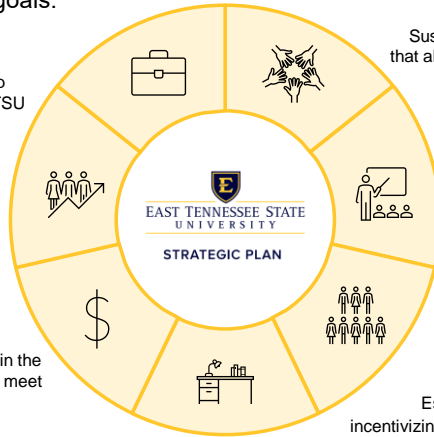
Lead the Region

Sustain the strong engagement and service that already exists between the University and community.

Support Teaching Excellence

Strengthen the connection between curriculum and resource allocation.

Ensure Diversity & Inclusion

Improve recruitment, hiring, and retention of employees.

Expand Scholarly Innovation

Establish a collaboratively prioritized approach, and incentivizing behaviors at the institutional level will be critical.

EAST TENNESSEE STATE UNIVERSITY

STRATEGIC PLAN

Strategic Plan information utilizes a combination of the ETSU's Strategic Plan, and Committee for 125 Chapter II.

ETSU Prioritized Opportunities
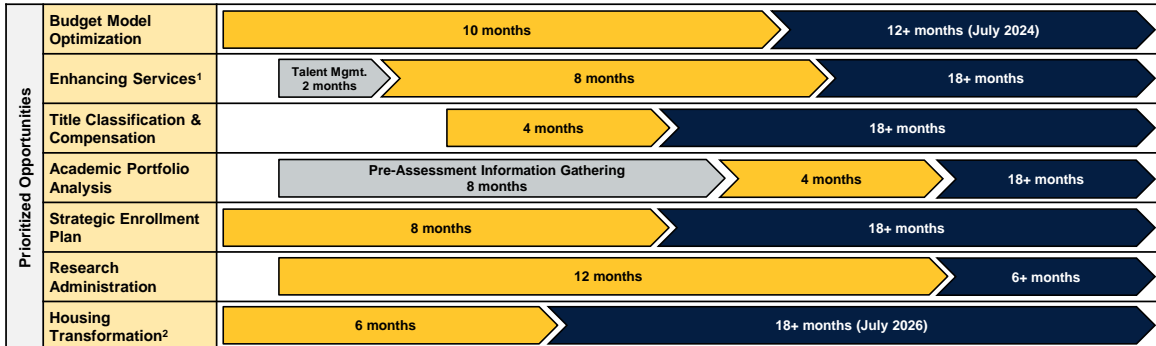
Budget Model Optimization	Re-establish the base budgets and further simplify the performance-driven adjustments	**Yield Cost Savings and Efficiencies**
Enhancing Services / Title Class & Comp.	Design a sustainable organizational structure to increase quality control	**Advance Career Pathing and Enhance Training and Engagement**
Academic Portfolio Analysis	Evaluate current cost to educate, enhance program offerings, and align current academic offering positioning within the market	**Enhance Brand Recognition and Community Engagement**
Strategic Enrollment Plan	Develop a robust strategic enrollment plan to allow ETSU flexibility and growth within the enrollment market	**Make Data-Driven Decisions**
Research Administration	Optimize research administration operations to further ETSU's Strategic Plan and associated research goals	**Build Towards Strategic Goals Through Increased Input**
Housing Transformation	Continue to identify areas of opportunity for the student experience (including housing)	

Timeline to Realization (Prioritized Opportunities)

Planning and design of the prioritized opportunities will begin in November of 2022. Implementation is expected to take between 24 and 36 months.

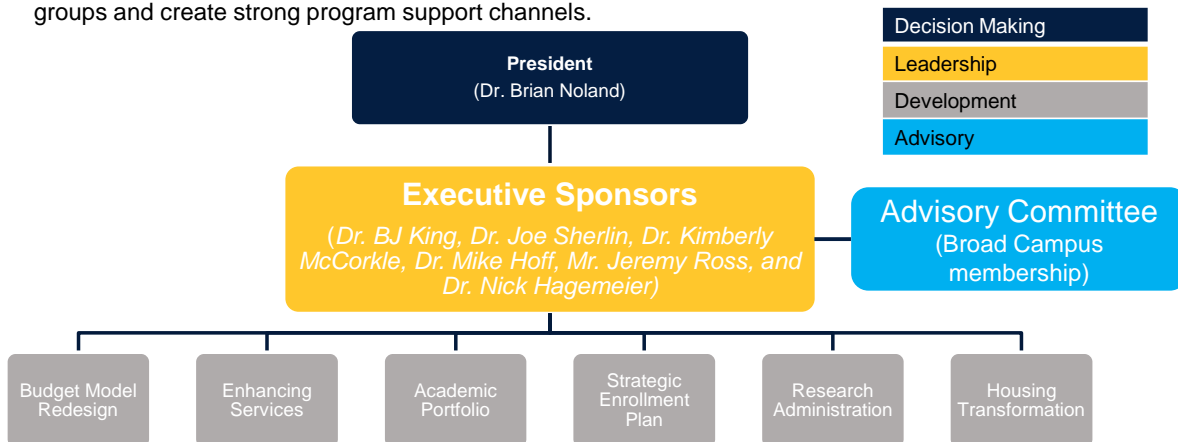| Prioritized Opportunities			
Budget Model Optimization		10 months	12+ months (July 2024)
Enhancing Services[1]	Talent Mgmt. 2 months	8 months	18+ months
Title Classification & Compensation		4 months	18+ months
Academic Portfolio Analysis	Pre-Assessment Information Gathering 8 months	4 months	18+ months
Strategic Enrollment Plan		8 months	18+ months
Research Administration		12 months	6+ months
Housing Transformation[2]		6 months	18+ months (July 2026)

Assessment / Design　　**Implementation**

1) Enhancing Services Assessment / Design will include Pre-Implementation Planning.
2) Housing Transformation conversations at ETSU began July 2022 and will end July 2026.

Project Management Structure

In order to successfully implement the selected opportunities, ETSU should utilize existing governance groups and create strong program support channels.

Decision Making
Leadership
Development
Advisory

President
(Dr. Brian Noland)

Executive Sponsors
(Dr. BJ King, Dr. Joe Sherlin, Dr. Kimberly McCorkle, Dr. Mike Hoff, Mr. Jeremy Ross, and Dr. Nick Hagemeier)

Advisory Committee
(Broad Campus membership)

Budget Model Redesign　Enhancing Services　Academic Portfolio　Strategic Enrollment Plan　Research Administration　Housing Transformation

Next Steps

ETSU will engage in the following immediate next steps.

1. Confirm a **clear understanding of the prioritized opportunities** and proposed roadmaps for assessment, design, and implementation.

2. **Develop detailed initiative timelines, establish milestones, and sequence execution** to ensure an appropriate assessment, design, and implementation pace that achieves the University's target in a timely manner.

3. Create a **project management structure** to guide the implementation process, measure success, and iterate where there are roadblocks / limitations.

4. Identify **resources that will drive the change** and execute upon each opportunity. These individuals will be held accountable for realizing cost savings in the targeted timeframes.

5. Develop a detailed **change management and change leadership plan** to ensure effective communication, accountability, and measurable results.