



ACTIVITY- AND INITIATIVE-BASED BUDGETING

Principles for the Fiscal Year 2020 Operating Budget

The Activity- and Initiative-Based Budget is a Northeast Ohio Medical University budgeting process that involves an in-depth review of the current activities being supported. It evaluates funding needs for the initiatives and priorities that align with the strategic plan. While conducting the process, NEOMED applies budgetary principles that are intended to provide the University with the foundation necessary to evaluate resource allocation. The following principles, which align with the University's mission and strategic priorities, will be used to construct the operating budget for Fiscal Year 2020.

Education of our students is the primary focus

The structure and functions to support our students are pivotal to the University's success. The education of our students is our primary focus and its quality is the institution's highest priority. The quality of academic programs will be preserved in this budgeting process.

Affordability

Attempts will be made to limit the total increase in tuition and fees and to provide revenue streams sufficient to maintain and enhance academic programs and to cover all operating costs. Keeping education affordable while maintaining quality will drive our process.

Commitment to student scholarships

Historically, State of Ohio funding represented a much larger portion of the University's operating budget but declines in this revenue stream have forced the University to rely more heavily on student tuition to support the educational mission. To assist our students in carrying the financial burden of their education and to reduce the overall student debt, the University must continue to dedicate resources to institutional scholarship programs.

Continued excellence of the research enterprise

The University needs not only to sustain its research enterprise but also to recognize the importance of modest growth to advance the stature and standing of the institution through accomplishments in research. Progress in the identified research focus areas and the resource allocation to the related initiatives must be continuously assessed to ensure continued success.

Compensation program

The contributions of our highly skilled NEOMED faculty and staff have always been key to the University's excellence. Because such contributions will also determine the University's future success, an appropriate compensation system to reward performance is critical. Funding must be committed to pay for compensation programs to make these initiatives successful, with particular focus on the recently evaluated faculty compensation program.

Balanced approach to resource allocation

Budget allocations should never compromise or supplant the ability of University leadership to pivot and act strategically in the best interest of the institution. Leadership must maintain the ability to direct resources to areas and initiatives that support the strategic direction and continued success of the University.

Fiscal stability and institutional sustainability

Uncertainty about state funding and the important principle of limiting tuition increases place ongoing pressure on the University's resource availability and overall financial position. The University has built a solid financial foundation and a reputation for responsible fiscal management. Part of this foundation includes the building of department and University reserves that position the institution to strategically respond to difficult economic downturns and periods of financial uncertainty. Solid financial stewardship requires the University to maintain such reserves and flexibility.

Continuation of funding to build and preserve these campus reserves is vital. The University's financial standing, including the ability to issue debt and add new academic programs, depends on maintaining an adequate level of financial reserves. These resources should be used only to leverage and take advantage of viable investment opportunities.

Meeting current debt obligations — those that are not covered by fundraising activities, F&A revenue and/or rental income — will be an operating budget priority to ensure financial compliance.

Resource allocation aligned to the strategic plan with some level of protection for historical budget allocations

The University must adjust the resource allocation to those areas and needs that align with the strategic plan and yield the higher return on investments (ROI) to the institution over the long run. The University will continue to invest in resources that not only focus on maintaining the excellence of our current programs but provide flexibility for the growth of the institution over the long term and position the institution to take advantage of future opportunities. All components of the operating budget must reinforce the strategic plan. At the same time, some level of historical budget allocations must be protected to provide resources for day-to-day operations.

Well-informed and data-driven decisions

The resource allocation process must be driven by an information-rich environment while avoiding paralysis by analysis. Difficult decisions must be made, and open communication must exist.

Flexibility to respond to short-term challenges and plan for a long-term vision

This decision-making process recognizes that the circumstances facing the University will change, and the operating budget should have the flexibility to make the fiscal choices necessary to anticipate and react to those changes.