Higher ed is budgeting outside the box
Using sophisticated tech tools to up the financial planning and budgeting game

By Dawn Papandrea
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When the finance team at Wofford College in South Carolina wanted to show it could support a slightly higher than average tuition increase, advanced financial software was on hand to make the case to the board of trustees.

“We loaded historical sticker prices for Wofford and our peers into the software and then made a projection of what their prices might be in the future,” says Chris Gardner, associate vice president for finance.

From there, administrators graphed Wofford’s projected sticker prices against the average of the comparison group and updated the graph in real time during the meeting. “Ultimately, it was clear to everyone that our sticker price would fall well below average for a prolonged period, supporting our argument,” Gardner says.

Nine out of 10 higher ed professionals involved in the financial planning and budgeting process agree that having more insightful data, such as the above, would result in better financial decisions, according to a 2017 Kaufman Hall survey.

In the same survey, 65 percent of respondents admitted higher ed lags behind other industries in terms of adopting modern financial planning practices and tools. The vast majority of institutions still tie up their budget and finance teams in traditional spreadsheets.

To be fair, campus finance is inherently unique from other industries. And that’s why colleges are hard pressed to find a one-size-fits-all solution offering a seamless transition to today’s technology, says Andrew Harker, who contributes to NACUBO’s annual Managerial Analysis and Decision Support Workshop.

“So much expense is driven by personnel and it’s so fundamentally different than the for-profit sector. Tools out there tend not to adapt very well,” adds Harker, the former director of budget management at Stanford University.

Still, some higher ed institutions are giving new technologies the ol’ college try in preparation for future financial challenges. Here’s a closer look at five compelling reasons to move beyond spreadsheets.
1. Going from data herders to data analysts

Campus CFOs and finance administrators must be more proactive than reactive—going beyond collecting and marrying disparate data, says Harker. “The truth is, a lot of analysts don’t spend a lot of their time analyzing things.”

It used to take Anne Ilcus, budget administrator at Palm Beach Atlantic University in Florida, a couple of months to assemble a budget. Preparing for that annual project required gathering spreadsheets, waiting for different departments across campus to fill in missing information, and putting everything together manually.

Now, cloud-based budgeting software (BudgetPak from XLerant) “literally saves me weeks that used to be spent on data entry,” she says. “As a committee, we’re able to spend so much more time analyzing the budget instead of trying to figure out what’s there.”

It has also eliminated some human error that occurs with manual data entry. Technology allows institutions to easily explore the financial implications of various “what if?” scenarios.

“When we start to get creative, anything is open to us,” says Gardner from Wofford. “You can imagine entirely new programs or different ways students attend our institution, like a three-year degree plan instead of a four-year plan.” Finance leaders could analyze a range of concepts, such as whether adding programmatic incentives could change the demand for a college or how capital projects and other strategic initiatives might influence financial modelling. The process can be fast, too.

“Before, if we wanted to come up with two or three scenarios and compare them, it might have been a couple-of-days project,” says Gardner. “Now, we can get that done in a couple of hours [using Whitebirch financial modeling software]. Just having information more readily available has changed my job.”

2. Opening up the lines of communication

In addition to its main campus, Palm Beach Atlantic operates a satellite campus as well as evening, graduate and online programs. Prior to adopting the cloud-based financial software, communications were tied to business hours when people are at their desks. “Email and phone calls were the primary method of communication,” says Ilcus.
The cloud technology makes it easier to get an overview of all the programs, and a notes function tracks dates of communications and budget adjustments without having to retrace email threads.

“It’s been helpful for me to have all of the information in one spot as opposed to trying to consolidate many, many spreadsheets, which was my world before this,” says Ilcus. Gardner agrees, pointing out that operating in the cloud allows multiple people to work at once.

3. Increasing collaboration
The more people know about the financial workings of the university, the more they understand their part in it. In the past, staff members at Palm Beach Atlantic felt budgets were mandates handed down to them, says Ilcus. The new system allows users to help create the budget from the bottom up, and stay in the loop.

Here’s how it works: A budget officer for each department inputs the requested budget items, which get reviewed by the vice president of that area. The recommended budget then goes to a budget committee for review and approval. Finally, it’s reviewed by the president and the board of trustees.

“Any changes to or denials of budget requests go back to the budget officer, so that he or she remains involved in the process at each approval stage,” says Ilcus.

On the document, anyone can ask questions or leave notes—for example, one could enter a tangible reason why a certain budget item (such as ordering new textbooks) was requested. Most departments begin budget planning almost a year in advance, and might not recall all the particulars. This system creates a virtual paper trail for reference. “People have said they feel much more a part of the process,” says Ilcus.

It’s also helpful that the strategic plan can be referenced at the account level within the tool, eliminating the need to file a separate Budget Justification Form for every request, and allowing for more frequent and faster approvals.

4. Regaining trust in the data
Traditional spreadsheet software is so flexible, with individuals choosing their own formats, that it can be hostile to centralized systems, says Harker, the NACUBO workshop contributor. And that makes it difficult for everyone to agree on and trust the same data.
Centralized information can be used to forecast and “to get a better handle on what you need to do to move forward without having to spend hours and hours on data manipulation and download,” Harker adds.

With well-defined data, administrators can bring up dashboards and graphs, as well as generate reports based on numbers that everyone can believe in, adds Harker. Longitudinal information—such as trends over a 10-year period or expense breakdowns and comparisons, become easier to discern with good graphical representation. Not to mention, people outside of the finance realm may well prefer a visual to a dry table of numbers.

5. Getting everyone on the same page
Angie Martin, vice president for financial planning at the University of Kentucky, plans to revamp the revenue projection process on campus as new financial tools are rolled out.

“I really want to get away from the turmoil that comes with using spreadsheets over multiple years,” she says. “It’s just not a real stable environment.”

Eventually, she hopes officials will be able to see how a decision will affect the mid term and the long term, considering more input from the academic colleges as well. A lot of the colleges already do future projections, and soon there will be a way to integrate their findings.

At Wofford, the software revealed inconsistencies in the way financial analysts forecast data, Gardner says.

“Our spreadsheet had developed incrementally over many years, and we found we were using a variety of different formulas to forecast into the future,” he says. “Updating our forecasting methods to be consistent across a broad variety of inputs gives us more confidence in our model.”

Adopting more sophisticated financial software will become a necessity for colleges—just as it has in the corporate sector, Harker predicts.

“Institutions dealt with legacy systems for so long, but the pure pressure of finances is going to drive change.”

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**Keys to rolling out new financial tools (cont.)**

Iron out the kinks before a full rollout of the system. “We wanted to make the president’s cabinet feel like what we got for our dollars was worthwhile. If we had been in a rush to show how cool the software was, we might have run ourselves into dead ends as we were still learning,” Gardner says.

Keep an open mind. Susan Krauss, the treasurer at University of Kentucky, warns against trying to fast-track the process. “Make sure there are thoughtful full discussions on how to build your model.”

Think outside the spreadsheet. “If you just want to keep doing the same thing you’ve been doing, maybe you can get by with Excel,” says Gardner. “But for us, to be able to consider a host of possibilities of what the financial future might look like at Wofford, we felt that we had to do it better, and have the ability to model and assess.”