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Budget Fundamentals For The First-Time Manager

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>>> Welcome to EDUCAUSE Live, everyone. This is Shana Campbell, manager of professional learning at Educause and I'll be the moderator for today's live webinar. We'd like to thank quest for the 2019 EDUCAUSE live webinar. Quest is a go-to solution that helps universities and schools better move, manage, and secure their Microsoft infrastructure. You are probably familiar with the interface for our webinar, but here are a few reminders. We hope you'll join us in making this session interactive. Use the chat box on the left to submit the questions, share resources, and comments. If you're tweeting, please use the tag #EDULIVE, that's e-d-u-l-i-v-i. If you have any audio issues, click the link below the lower left hand corner and at any time you can direct a private message to technical help by clicking the top right corner of the chat pod. A drop-down menu will appear where you can start chat with and hosts. The session is being record and slides will be archived for later today on the EDUCAUSE live website. Our webinar is Budget Fundamentals for the First-Time Manager. As a first-time manager, it's important to have the foundational tools to excel in your new role. During today's webinar, you will discover why it's important to understand common sources and uses of funds in your department. You'll also uncover thousand use the budget process to support strategic goals and why having an understand the process can help you have an understanding in your department. This is part of the EDUCAUSE institute. A portfolio of immersive cohort-based program that provide dynamic experience dollars designed to enhance your I.T. education, management, and leadership skills. We are delighted to be joined by Dr. Mark Walbert. He received his Ph.D in natural resources and environmental economics from the University of until in 1984, when he joined the faculty at Illinois State. He searched as the director for the center of economics education at Illinois State from 1998 to 2000 and served as a director for Faculty Technology Support from January 2000 to August 2003. He joined the Provost staff at AVP for toll in August of 2003. Dr. Walbert is the cochair of the Data Stewardship and I.T. services council, the primary I.T. governance body at Illinois State and he also served as faculty manager for the I.T. program. Thank you, Mark, for joining us here today. And with that, let's begin.

>> Thank you, Shana. And welcome, everyone. I think we had about 50 people in Washington, D.C. last week at the new I.T. managers session and I notice that you brought at least one of your friend with you because we have 173 people today. So this will be great. Budget fundamentals are one of the shall I say not the least exciting or at least not the most exciting aspect of becoming a new I.T. manager. Some of you don't even have a budget to dispose of. I want to find out a couple things about you to find out with. Let's go to the poll. How many of you are from private -- Adam, you're good. How many are from private institutions, public, or other? Looks like it's neck and neck on private and public. Public is edging out just a little bit. And other. Interesting on the other. All right. I'll talk a little bit louder. Sorry. Everybody get those cards and letters coming in. Okay. So clearly public institutions are a little bit more representative here and then the private institutions. And, of course, for profit not surprising is zero and then other we'll see what those are. So thanks, appreciate that. What I'm going to be doing today is talking to you about three basic areas. We're going to learn some basic terminology. There's a lot of budget terminology, I'm going to hit you with the stuff that's most likely used in your institution. And we'll learn about budget fallacies. These are kind of mistakes that people routinely make, which is one of the reasons why it's important to have a good understanding of basic budget fundamentals as a new I.T. manager. And then finally we'll learn frameworks for creating a narrative for non-I.T. constituents, even just, you have pos about your I.T. funding needs. So that's what we're in for today. Let's get started. With most you at public institutions, the next poll is about the sources of funds and how they're used. Let's start off with the first question. Where do your funds come from at your institution? And then the other poll question is so where are -- how are your funds used at your institution in this is open-ended so you can type your answer into the box. Like twitching and state appropriations are winning, the answers resources, student fees, dominate donations, yes, state funding, once upon a time there was a lot more state funding than there is today. And of course uses there are many. Software equipment, operations. Projects, capital expenses. That's good. Okay. I think you've just about covered everything that I'm going to already tell you about. So, go ahead and close the poll, Adam, and we'll move on to the next slide, which is going to stay, well, let's take a look at generally speaking the sources of funds. You'll find that that particularly if you're a state institution, it used to be most of your revenue came from the state. When I was a younger man, I was vice president of the student Senate at school. We were protesting one year that the state support for higher education in Illinois had dropped to 70% of the cost of the budget rather. Right now Illinois State, and we're not alone in this, is down to about 15% of its budget comes from the state. And that's been a trend across the country. So not surprisingly, to make up for that drop in state revenue, we have switched to tuition and fees. And many of you mentioned that tuition and fees were clearly a source of where funds come from. And that's correct. Right now tuition and fees makes up about 53% of the budget at Illinois State. About 15% coming from the state and the rest coming from other sources. So one of the complaints that people have about higher education and if you're a state-funded institution you can tell them that's because income fund has had to make up for the drop in the general revenue fund. But besides those two, which tend to dominate? Universities also receive dominance, they'll receive gifts, researchers get grants, most of which have an overhead charge that the University takes part of. And we have contracts for services. Some universities have units that are self-supporting. For example, at Illinois State our computers store buys and sells equipment software and the like to student, faculty and staff, and of course that money goes into a special kind of fund we call an agency account. Those funds are treated separately as if it were a regular business. And then finally, particularly for residential campuses, you have a very large bond revenue of fund that also makes up a great deal but not only the spending in your student affairs area or whoever handles student housing. So that's where they come from. And, of course, where do funds go? Mostly they go to personnel. A really important point to remember about that particular part is particularly among your colleges, you may find if you were to inquire that 90, 95% of a college's budget is devoted to personnel, which is why they're often hamstrung in terms of what technology initiatives they can actually afford to finance on their own. But besides personnel costs, of course, as most of you mentioned in the poll earlier, operating costs take a large part of that. Capital purchases, which are usually one time and sometimes very expensive take up a part of where those funds are going. And of course we all find as much as we can, ways to give students financial aid so they can come to the University and not worry about paying for it. And I mentioned a bond revenue as a source earlier. Bonds are often sold to build buildings and of course you have to service the debt and that charge is also -- can be a major part of what the University is spending open. For the most part, those are the five areas where funds are going. We're going to be concentrating mostly on the top three in this list, personnel, operating, and capital purchases. So let's look at basic budget terminology, terms that you have maybe heard or should be aware of. We'll start off with an idea about budgeting. So the thing to understand is budgeting is a planning process. Most people use the word budget when they just mean something different. We'll get to that in a minute. But it's really a planning process. It's usually based annually, some schools will do two-year planning. The annual budget needs to be discussed and probably formally put together in a report that goes to somebody at the institution, usually the Provost for the CFO, and the process can start as early as the fall but in the middle of the spring semester it should wrap up as you get ready to then implement the budget plan for the next fiscal year. You're college board, University board has to work with the State or the stateside of that budgeting and that usually starts in the fall. So when you think about budgeting and the plan process, you need to know what that process is and you need to start anticipating program needs early. I'd argue once you start the fiscal year, it's time to start think about what you're going to need the following fiscal year keeping those notes so you have some -- some better information to provide to the decisionmakers on why you need funds and how you will use those funds. So remember, budgeting is a planning process and you, even now, brand-new manager, you may just have half a dozen staff at your disposal, no real ability to spend money, doesn't matter, you need to know what the University's budget process is. One of the reasons why this is an important topic for I.T. managers, it's remarkable how many times a brand-new I.T. manager will have no idea what the process for budgeting is and will naively expect to be able to come up to the boss and say, hey, I need to have this really great service or piece of technology that with want to implement, can we get it now? And they look at you with eyes crossed and you wonder why. Because, again, it's all about being part of the planning process and making sure that your ideas are brought up then. So know the players, know the players, know the players. I'll be saying this a lot so you can build good relationships with those players because they can be valuable when you, "A", make a mistake, which you're not going to do, but when you have questions about the process or about your role in that process. So that's budgeting, a plan process. Most people think of budgeting, they really mean accounting. Accounting is tracking the records. So you'll have at least one person in the office, I hope, who helps to track expenditures in that system so that you can make sure that you and the controller's office are on the same page as to how you're spending the money that you were entrusted to spend. And, once again, same thing goes for accounting. You need to know who your accounting people are. Typically there will be a person on the staff who if that person wins the lottery and decides to move to Bermuda you're all dead because no one knows how to manage the books, as it were, better than that person. Well, get to know that person because, once again, sometimes you're going to have questions about can I spend on this thing with that account? Are there dollars left available for me to spend? Do you have the option of looking ahead to see where the trend for your current spending is going given your budget limitations and so on. So, again, relationship building matters, knowing the process with University matters, and, again, it doesn't matter whether you're spending a dollar or a million dollars, you need to be aware of what everyone else's challenges are in either planning for or recording all of that spending. So there's a couple basic terminologies. Here's a good one. Another piece of information to understand is something called discretionary budget. And the -- take your actual budget that starts at the beginning of your fiscal year, subtract any encumbrances and what's left over is what we call a discretionary budget. The reason that matters is because encumbrances are the cost of things you must do. Every single year you'll have to send money to Microsoft for the Office 365 or to adobe for their software. Those are regular contractual agreements that the moment you open your books in July, let's say, at the start of your fiscal year you already know that there are expenses that you're going to have to pay out. Those are encumbered immediately so that money can be on the books and set aside and not overspent. The discretionary budgeting is what's left over and what you can spend. This is really important because the difference can be huge. One of the things that to talk about my own situation right now, I have about a $1.3 million budget that I am able to fiscal agent on. Of that $1.3 million, I have $8,000 that's discretionary. For all of you who are rolling your eyes going $8,000 is lunch money, you're correct and I'm working on that. But very important to understand the difference between the actual budget and what you really have discretion on how it can be used. So then another set of terms is operational budgets, or operational expenditures, rather, and capital expenditures. So operating expenditures also referred to by people as OPECs. That's what you normally think of when you think of budget. Capital expenditures, however, are for long-term investments. They tend to be big dollar amounts, they tend to be one time, and most department, most units don't have a cap "X" account that might reside with the Provost office or it might reside with the CFO. But it's typically not a line item that you have access to. The University uses it for buildings, major remodel. You might use it if you're building a brand-new data center or if you're going to undertake a major renovation in your classrooms to improve the technology in, say, you know, all or half of your classrooms. That initial capital expense will need to come from someone, it typically is one time. It's possible that you will need to work with the CFO to borrow the money if it's enough. You start talk about doing a new student information system and you're asking for $20 million to make this happen, that's going to be -- a lot of that is going to be capital expenditure up front. Very important. Not a part of your regular budget, that would be operational. Your OPEX spending is what you have control over. But you need to be aware of the process in that you need to follow the seek funds for capital expenditures and to see what the reporting follow-up rules are on using those funds. Because, again, you know, the I.T. stuff is pretty lumpy. I'm going to buy a data center and run it for a few years and I may have to re-capitalize those later on. And then it goes back up to a large amount when you refresh the equipment. Another kind of money thing to understand is difference between permanent and temporary money. Permanent money, that's the money you get at the beginning of the fiscal year, it's ongoing, it's hard money. All three of those terms are used depending on what your culture is like. It's in your base operating budget. Sometimes, some schools base operating budgets will simply roll over. And that be means on July 1stst at the start of your fiscal year you'll get the same basic dollar budget that you had the previous fiscal year plus increases in wages as a result of salary improvements or changes to minimum wage laws, whatever. But either way, that's your permanent money. Temporary money is nonrecurring. Sometimes called one-time or soft money. It could come from a grant. So this year we got $1,800 to do something special to support a grant. And $1,800, then, would be that one temporary money for this fiscal year to spend as a part of that grant. It could be in -- gifts are great. It could very well be that you've got a staff member who leaves in the middle of a year, so you're no longer paying their entire salary out for the last half of the year, that half of the salary money becomes temporary. It's extra this year, but the full salary, everything else unchanged, will return with your permanent budget at the start of the next fiscal year. You have to be careful, because one of the things that I've personally watched happen is people will spend temporary money as if it's permanent and get caught at the next fiscal year. So temporary versus permanent, again, you know your accounting person, you know that person very well, and their job is to make sure that you understand your limitations on how to spend and how much you do have to spend. Particularly watching out for those temporary funds to come in. Okay. So this is really awkward because I can't see anybody's face, so I have no idea if you're taking a nap, eating your lunch or looking out the window. Lot of questions coming in, this is good. Budget dust, one of those terms that I actually knew before I became an administrator in A.I.T. These are Berating dollars that you've gotten at the fiscal year that you've not encumbered and you're not certain how you're going to spend them at the end of the fiscal year. For many institutions, particularly state institutions who at the end of the fiscal year need to return in some cases unused operating dollars. What happens a lot, particularly if you're the I.T. person is someone will come to you and she will say, hi, I'm the department chair or the dean, I've got a bunch of money that is sitting in budget dust, can you spend it for me? And they go to I.T. because I.T. typically has all kinds of toys -- I'm sorry, equipment that we can buy at the end of the year, a bunch of laptops, a bunch of this, whatever, that we can spend to use that money up. And that's absolutely horrible. The reason it's horrible is because, one, sometimes you're in a hurry. You're buying something at the request of a supervisor or department chair or a dean and you have no idea this is going to fit in with the rest of the equipment, is this the right equipment for what you need, et cetera. So my response would be, one, if you have a small amount of budget dust, find another unit in your department that you can share it with. Say, look, I've got $1,800 that I'm just not going to be able to spend this year because we got some discount I wasn't expecting, ask Bob, my colleague, if they could use $1,800 to spend this fiscal year knowing, again, as part your operating budget you'll get back at the start of the next fiscal year again anyway. You've got a large amount of money, particularly if you find you have a large amount of the money on a regular basis that is budget dust, then you need or your boss needs to review your process for budget planning. Because something is not going right. But, beware the use of budget dust for quick spend to get rid of the money so that it doesn't have to go back into state or over. So budget dust --

>> Hey, Mark.

>> Yes, Shana.

>> This is Shana. I just wanted to before we rolled off of some of these terms, a question came in that I think would be very helpful. It was can we get a definition of what lumpy is?

>> Sure. So lumpy would be -- I'm going to think of a snake eating a rat, but whatever. But the idea here is a lumpy expenditure might be I'm going to equip a computer classroom and I'm going to buy all the computers and all the AV that goes along with that classroom and we're going to set them up. That's a big expense on all the capital at the very beginning of the project. And then over the course of the next three or four years I'm going to be leveraging the technology to provide some service for our class or whatever. And over that time I will be spending some operating dollars maybe on replacing things that break or changing out -- I'm sorry, adding to the classroom that we didn't expect. But then in four years I might want to replace all of the equipment again. So you tend to have big expenses and then it rolls down into operating. Big capital expenses and it rolls down into operating and Make sense?

>> Yes, great. Thank you so much.

>> I can't hear them either. Okay, thanks, Shana. So those are a bunch of terms. There's a lot of terminology, but I don't want 0 get into the nitty-gritty of the accounting part. You have an I.T. person and so you'll need to be comfortable with that. But you really need to think about the language of the budget process and how you, as a manager, now can think in those terms so that you can do better spending of your own budget or help your supervisor spend it better. Now, speaking of spending it better, there are several kinds of fallacies that people run into that cost them sometimes literally by not paying attention. One of them is called the planning fallacy. Every one of us makes project plans and Daniel, who's an economist, of KWORS, and he's a behavioral economist, says the planning fallacy is that you make a plan, which is usually the best case scenario, and then you assume the outcome will follow your plan even when you should know better. This is sometimes referred to as the optimism bias, which the behavioral economists have taught us people have a tendency to think they'll achieve better than average results so you put your plan together and you keep thinking it will follow that best-case plan even though, again, particularly after you've done these for a while you should know better. So that tells me from a budgeting perspective, plan for there to be costs overruns. Our facilities people like to include a 20% contingency. Sometimes they'll be more, sometimes less, but usually that's their go-to rule. This way you have something built into your budget. I'm expecting an error and I want to be sure where there's an error where it cost more, I have space in the budget for that to happen. Even though I don't expect it to, because I know the best-case scenario this will play out. You want to be able to plan for that. So be careful of this fallacy, particularly when it comes to getting caught with no money in the budget when things didn't go quite the way you wanted. Someone in the chat mentioned a reserve. A reserve fund is if -- if you have access to a reserve fund, then you want to make sure that you let whoever owns that fund know in advance, hi, I want to be able to tap the reserves if we get stuck. You need to know the process, you need to know the limitations, but I also build into the budget 20% cost overrun. That's one. Another kind of fallacy is what they call a hidden cost fallacy. So the thing about hidden costs, this is usually what happens when you ignore relevant costs. And as you see it in the slide, a common hidden cost is ignore the opportunity cost of labor when producing software in-house. I'm confident most of you will be able to relate to this. Someone says, oh, we'll just build it in-house, it won't cost us anything. And it does cost you something because the labor that's being used to build that software is not being used to do anything else. So you need to be very careful that you -- you don't have to go someplace and literally build a job or the staff's time because they are paid already. So I've got Bob work thong project, Bob's not working on another project, how important is that other project? It's remarkable, actually, one of the things this University found itself in after years and years and years of building their own administrative systems, that the staff was getting larger and larger and larger and it's because, of course, that maintaining them is not free, and that leads to a favorite FRAFS mine, there's free as in puppies, versus free as in beer. So you want to be very careful that the project you're picking up on is not free as puppies because anybody who's got a puppy knows full well those little puppies, cult as they are, are not going to be free. Another fallacy is this hidden cost fallacy. This is where you can't quit because all the time and money you've spent. Again, I get you'll be able to relate to this. I bet most of you can find a project someplace that spun up a piece of software or some service that's still in use. And the question is, why is that still in use? Because no one's using that software anymore. Surely we don't need to -- we spent a lot of money on it, is but that the kind of thing that we need to be continuing to work with? Maybe we should end that service. Or here's a harder one. We just bought a brand-new piece of software, we did all the paperwork to make sure that this software was going to meet our needs, the software came in, and we, once again, discovered the marketing department won out over the actual service that was provided and this software, in fact, does not -- did not meet our needs. And so I made the brazen comment that, well, it's time for to us walk away from that contract. And of course immediately the response was, but we paid for it. My response is, that's great, how much more do you want to pay for it if you keep finding a way to try to make it work, it will require, again, staff time to be devoted to fixing or closing in the gaps that the software did not provide. So, again, beware this fallacy. Because you spent three years putting in this system, if you discover this is not going to work even when we have it in place, it is time to walk away. But I will tell you that walking away will be very difficult and will require a whole lot of people to be able to get past this fallacy. In fact, to help give you a visual on how you can respond to that, here's WillBert. It's hard to do, but if you are protecting the University's financial assets, you want to walk away from a project that is nothing no longer going to deliver the service when you started it.

>> That's a great part, Mark. There was one question I would love to kind of delve into, if that's okay with you.

>> You bet.

>> Which is catering to projects that get thrown at you that don't have any budgeting or funding.

>> That's not a project, that's a conversation. So, yes, one of the things that depending on your position and your ability to make the decisions or ability to be a part of the decision making process, this is one of the places where your I.T. governance should help you, is say that's great, I can see the value in that project. Who owns it? Who's the sponsor? How is that project going to be funded? Who do we go to if the project needs more funding than was originally allocated? Who do we go to if there are, you know, unexpected emergencies that need temporary funding? We've lost a lot of labor for some reason, we need to do some special hiring and we're all using temp firms to make that happen, whatever. A project without budget is not a project. Unless, they're saying, oh, don't worry, we'll use the staff we have to get this done. And then you go back and go, yeah, but you're forgetting there's this whole thing about the hidden cost fallacy here that you're making where you're ignoring the fact that those people do, in fact, cost money and if I have Bob working on this project he's not doing another one. Sorry, if you get those they're terrible.

>> And one of the points that was made in the chat is that those projects usually come from higher than their pay grade. Can you talk about, like, just transitioning between how do you -- how would you, you know, address that? It's coming down the pipeline from on high and it's something that you need to address but -- but there's no money or no path to get there?

>> Yeah. If you are in a position where your supervisor comes down to you and says, hi, someone has just approved you doing this work, a really important tool to have at your disposal a list of projects that will need to be -- the timeline for which, rather, will need to be pushed out in order for you to free up -- usually it's labor, labor/time to work on the project now. If you don't know what's going to be given up because you haven't thought about your list of projects and their resource labor costs and their expected delivery date, then you become inadvertently an enabler in that your boss comes to you and said this project needs to be done, you go sure, we can do it. Sure, we do it and then you stop breathing because you don't have any time left. So have a list, know what gets pushed out if I take on this new project.

>> Okay. And then there was just also like a clarification of would you call stump cost fallacies and other ones that you talked about, would you call them money Pitts?

>> Well, the sump cost fallacy is absolutely a money pit because, in fact, you know, again, you saw my research area in graduate school was resource environmental economics and when I did my master's thesis on was the liquid metal reactor. And one of the things that I discovered before "The Washington Post" did by the way but they got the credit for it was that the agency responsible for building this reactor in Tennessee was actually spending more money on the project than it was going to ultimately save. And we kept saying it's time to walk away from this project because when you get you're not going to be able to provide electricity as a service cheaper than what we could have done with coal or water in that case. And the people running that project did not want to tell the public that, sorry, we spent $40 million, I don't remember the number, but we're walking away from this project because most people think that if I've spent this much the only way to fix it is so keep spending more. And that's the definition of a money pit.

>> Got it. Got it. Well, thank you so much for addressing that. I think that as we were talking about that conversation, it was definitely helpful to frame those questions as you were going over those terms. So thank you so much.

>> You bet. Well, in the last -- there we go. In the last third of our hour left or so, what I want to do is try -- I'll go through some ideas that will help you create a narrative. I mean, the part of your job is to make sure that when your supervisors asks what are the things that your unit needs so that your boss can help write or be a part of the budget process for your University or your department, you need to have information that they can use in a way that will make it easier for them to tell the story. Because it is about telling the story. I want to tell the story, preferably in English, depends on who your audience is it has to be in English, no tech talk allowed. I want to tell a story that makes it easier for the plan process to show this is a valuable project to award funds to support. So, again, it's about communicating. You can be -- and you see this, you maybe know this. It's easy to Google out how much would it cost me to equip this lab with computers and monitors and that's not hard. The hard part. I have to tell someone why this lab matters. I have to tell someone why this lab with 60 computers is an important size. I need to be able to tell the story. And here's a few things to think about. When you're telling this story, if you can, you want to focus on the return on investment, the ROI. You've heard that, those three letters tossed aid round a lot. ROI is a tangible return. An investment terminology that has to do with the money that you'll make by investing money now. Universities don't usually make money, but they are improvements that are measurable. Sometimes it is productivity of staff is improved by having gone through training. Sometimes it's the cost of production. The cost of equipping a classroom is a whole lot cheaper as a result of doing something differently. It may bring in revenue, you may be able to tie this I.T. investment into increased enrollments. You find that a new customer relationship software say great way for your incoming wanna be students who really feel like they're a part of the University, that can help there. It may help retention by making sure that fewer students are caught in a grade problem and they get early warning using the data analytics that you might be able to provide. Or might help in graduation rates. Those last three are the currency by which universities run. But the idea here is think about tangible, measurable, and results of an improvement, an I.T. improvement. But the counterpart to that is what's called a value of investment. It goes by several different names but this is one of them. And the value of your investment is the intangible benefits. These are the kind of things that, yes, are harder to measure. Like loyalty to the institutions, faculty staff morale, they're harder to measure. But if you expect that this particular I.T. investment can be really helpful for faculty staff morale or for making student happy to be a part of that University, then say so. Take a look at the grounds. University grounds typically are beautiful. But no one said that we're going to get a measurable return on the number of flowers planted '. Has to do about the intangible benefits of part of the new students and faculty when they tour the campus, what's the impression this leaves them with? Are they excite by being here because of the planting and the trees and whatever that they see? The same with the I.T. Are they excited about being here because of the I.T. services available to them? They could have all kinds of intangible benefits to the University. Don't be shy about making those claims if they do. So that's return on and value of investment. Another way to help make your story is to benchmark. Every institutional research office at every University has a set of schools they benchmark with. And it's -- it's -- it will be much smaller than, for example, all the research intensive public universities at ISU benchmarks against. This set of schools could be schools we would like to be like or schools that we think we're like, et cetera. But we do keep track of what our peers are doing, and most of the time nobody wants to be too far behind the curve, depending on your University's preference for risk, they may not be in front of the curve. But typically everyone will tell you, most Provost and VPs will tell you I don't want to be the last in the state to adopt this thing. My boss is a Provost and every time I ask her here's what I'd like to do, first thing she'll say is what are our peer institutions doing? So before I even go to that meeting, I'll have an idea of what our peer insurance STULTIONs are doing. That's where EDUCAUSE coordinated service can be helpful if you and those other institutions are provided data and if the thing you want is measurable by that data, then can it can do go a long way toward reducing the immediate pushback when you request funds like that. And, because core data may not provide all the information you need about all of your requests, get to know your counterparts at peer schools. You go to EDUCAUSE meetings, particularly the annual meeting, yeah, it's about networking and network. Get those business cards, keep track, send them e-mails, join the different list services that EDUCAUSE has so you can keep track of what those people are doing and ask them questions. How did you set Schnupp what did you use for your customer relationship management software? How did it go? What were the gotchas? Let them help you when you make that case. Now, another way of talking about the result of your I.T. spend is to think about dividing the results of that spend in three kind of classifications, run, grow, and transform. And sometimes we spend on activity just for ongoing operations. We're going to keep things working, make them more efficient, I'm going to use mobile device management software so make sure that I don't have to worry about an auditing response when a laptop gets lost or left in an Uber, I can manage it from wherever I can. That makes staff a great deal more productive so you can move their labor hours to other things, increasing what you can get done. But that's just running the operations day to day. A lot of stuff we do to try to make that more efficient. Sometimes we'll actually institute a new I.T. spend. We might say, here, let's try setting up -- we recently we did something using zoom rooms. Zoom rooms is a product but the idea here is to set up a conference room so I could go in and do an easy zoom conference call without much effort. We did that in a couple rooms just to make sure that it worked. When we found that it did work, our time was to get funds to grow that activity. So I want to take that uncontract mental improvement for the two rooms that we started with and expand it to not all, but many more conference rooms across classrooms. We did the same thing when we started outfitting our classrooms with better audio/visual technology. We did it for handful at first, saw that it worked and then tried to use found grow that service to the rest of the campus. And then finally, sometimes you have the opportunity, typically through something that one of the colleges wants to transform the institution or transform a college or to transform how you go about making decisions. A good example of that recently at the central I.T. level is business intelligence. The idea that we could take the University asset, that data, we could accumulate that data in a well-built database so we could ask questions about, well, if Johnny is taking ECON101 and it's a midterm and has a grade of "D", what's the probability that he's not going to make it? You could leverage that information to call Johnny early and say we need to talk. This can help retain, going back to retention, Johnny in the program and make his experience a lot happier rather than flunking out. Those transformations are, I can't say rare, but they're not the norm. Most of the time, most of what we spend is going to be on trying to find out -- trying to run, rather, the things we're doing more efficiently. This is another set of terms that you can use to help categorize as part of your story. How, why, this I.T. spend matters to the institution and how it can help run things more efficiently, grow things that we already know are valuable or totally transform how we teach, learn, or research. Again, it's about -- helps you focus on outcomes. This is the service we will provide. It's not just the inputs. You don't talk to someone with the budget strings about I need 40 computers. You talk to the budget string person about I need students who are better at blank and computer is required to make that happen. It helps you identify partners. I'm going to partner with a college because this thing could be transformational if it goes well. And, again, if you've got multi-year budget plans which sometimes happen, you want to be able to talk about in year one we're going to start the process to experiment. In years two and three we'll grow it to the rest of the campus if our tests prove that it worked well the first year. Okay. So that's pieces of story. Let's talk about run, grow, transform in our third poll, excuse me. What percent of I.T. spending, then, is spent on these activities at your insurance SNUTION just your guess. We have three polls coming up. One is what percent of your I.T. budget goes to spending on I.T. services that help run things better? What percent of your I.T. budget is spent on I.T. services to help grow services? And what's spent to help transform the business of the universities? So fill those out. 70, 80, 60, 75, I notice a participate forming here. 50, 90 on the run. 20, 15, five, 30, 17 on grow. And much smaller numbers on the transform, 5, 10, 15 zero. Could be. Zip. Yep. Okay. Looks like we're just about done with that one. Great. Well, as it turns out, if you look at the EDUCAUSE core data survey results from 2017, there was a 6370 institutions that completed the survey that year and of those, on average, 80% of the central I.T. budget was spent to run, 10% was spent to grow things, and 10% was spent to transform the mission of the University. So as you can see, most of your budget, just mostly operating dollars and mostly personnel is mostly spent on running things better. Okay. Final thing to add to your narrative is to think in terms of the total cost of ownership. It is one of the things that hurts most early managers who make this mistake is they'll think about I'm going to buy some hardware, I'm going to buy maybe some software, I'm going to put cables in a room, we'll get carpenters in here, we'll set it up and that's it. Ignoring the fact that the service you just set up could have a great deal more areas of costs than you thought about. And this table, I think, pretty much, best of my knowledge, lays out all the different kinds of categories that you'll want to think about when it comes to looking at the total cost of providing this I.T. service. What about the staff that aren't actually in the room? What about the networking support? What about temporary support? What about third-party content that we have to attach? Is there data error in issues with our adding this service? What about network connectivity issues? Is it going to strain the Wi-Fi in this area, for example? Do we need more access points there? What about data? What about project management? Who's going to be leading this thing? Do we have enough staff? Upgrading, et cetera. Not every project will touch all these different cost areas. But ignoring or not thinking about these kinds of cost areas can, well, cost you when all of a sudden you discover this that this project coming in way more expensive than you had planned. All right. So, now you got homework. Sorry, there's no way around it. Part of the idea being a new manager is you're supposed to -- I'm leveraging my new managerness to talk about -- to learn more about things that I know only a little about so far. So I want you to leave here asking your super advisor about the budgeting process. How does it work? And maybe it doesn't come down to you, that doesn't matter. But find out how it works so you know the kind of challenges that are going to bug them. What their due dates are. What drives them for -- when they'll need information. Secondly, create a list of potential funding needs for your unit. Think about the kinds of things, think out ahead of the kinds of expenditures you're going to need. If you know you've got re-capitalization issues, put a plan in place. If not, slap your predecessor and make sure you know what your re-capitalization needs are. Think about personnel, you know you have people leaving, that you expect will be leaving, how are you going replace them? Do you keep the same skills? Those are all part of the potential funding needs for your unit. Figure it out, help your boss understand why. Third, identify product or service to eliminate. This is a piece of software you've been using forever. Do you still need to use this? Consider when the stump cost fallacy is influencing thinking about this service. You'll get I don't want to stop now, we've already spent $100,000 on this thing. That's great, how much more do you want to spend on this thing that no one is using because no one likes to use it? And finally, do identify your peer schools. Go to your institutional research department, they'll have an online website. Somewhere in there there will be a peer schools list and then get to know I.T. people there, get to know their core data or someone in your office who can access the core data and who what they spend and what they spend on. Those tend to be larger focused, not unit focused. But, still, find out what those schools are, make contacts, see what you can learn about them. And that's the end of the homework. Not bad, only four things for you to do. We still have about five minutes, I think, where we can ask questions. I'm happy to answer them if you've got something you want me to talk about, now's the time.

>> Yes. Thank you so much, Mark, for that. We do definitely have some questions. So Elisa had asked when you're thinking about the budgeting process, what is something an organization would like a vendor to know before or during going through the budgeting process?

>> So I'm going to start by saying be careful with what you say to vendors. And it depends on your institution. If you're a state institution or I should say state-located, thank you, institution, you may have a great deal of rules that restrict your ability to talk to a vendor about what your plans are. I say that from our own experience. Illinois has had more governors in jail than you can shake a stick at and so we've got all kind of limitations on what it is that we are able to do. If we're going to go out for an RFP on a piece of software, if I have a lot of conversations with a single vendor of that software, that may inadvertently ban them from participating in that RFP. So vendor conversations need to be generic. You visited their website, you're asking for their regular educational discount, nothing fancy, thank you. But be careful of that. You don't want them providing the answer to the question, how can we do this better. You want to spend a great deal more of your time working inside with the functionals who are going to be using this service saying how can this be better than when you know what it is you need -- what problem you are going to be solving by picking up this software then talk to vendors. This if that was your, if not, I hoped that helped a little bit.

>> Absolutely. So are there any fallacies where users by the software due to a sales pitch but don't have an FTE to manage it?

>> Well, I would call that lack of planning fallacy. So a couple things. You know, everyone knows this story, yeah, the faculty member can came back from a conference, the vendor said they had this software on a disk, can you make it go? You know the story, that won't work with any system we have on this campus or that is -- we can make that work, the kind of service that that hardware/software provide requires a whole FTE and they're looking at you going but can't you do it? Because -- and then that's when you have the conversation with your boss saying if we meet this service then these two things are going to have to get postponed for I don't know what, six months or whatever. One of the problems with being in academia, is one faculty and staff can buy it on their own and say, hi, I bought this, make it work. Not the way you want to help -- have technology help you solve a problem, but it does. This is where knowing your budget team and knowing your University's goals can help you with the argument about this is a great service, it's part of our strategic plan, we need to start the process of finding the resources to make it happen. I always say it will take five years for that to happen. But don't quote me.

>> That's a lengthy amount of time for such an endeavor. We have another question around the best way of budgeting for a project or a program that crosses several departments.

>> Sure. So well, first thing that comes to mind, if you've got a project that crosses several different departments and all those departments need to be at the table, obviously, and all those departments budget people as well as their accounting people at some point are going to need to be on the same page. So what we'll do here is we have a meeting with literally the accounting staff and those who are responsible for budgeting and make sure that the accounting people know where the money goes and how to record it. And when it gets spent. The budgeting people know what their ability to spend should be and where they can get extra funds. But they need to be integral players in the project planning so that you don't get stuck with a great project that now no one can afford to pay for.

>> Absolutely. It has to be a team effort, certainly. How do we measure intangible results that can't be directly linked with tangibles? And she gave a link with teacher welfare, it's difficult to determine.

>> You're right. The idea is to talk about it, even though you can't say that I know that 14 more people are happier being here than they were last year. Idea is to mention that this is an outcome. Most people won't disagree with you because they all know that, yes, we hope this is going to help those boost morale in the area, make them happier to stay here or come here or whatever. Even if you don't have a direct way of counting it. If you had a way of counting it, now it's a return in the investment and that's tangible. So talk about it, make sure you don't ignore anything.

>> Great. And I will leave you with this last piece and allow you to share your wisdom before we wrap up. If you could share one piece of budgeting advice, what would it be?

>> Plan, plan, and plan. And think about long-term budgeting rather than just by the fiscal year.

>> Well, thank you for that, Mark. So plan, plan, and plan. And so with that, that wraps up. So on behalf of EDUCAUSE and our speaker, Mark Walbert, this is Shana Campbell and I thank you all for joining us today for an engaging conversation. Before you sign out today, pleads click on the session evaluation link which you will find in the bottom left hand corner of your screen. Your comments are very important to us. This session's recording and the presentation slides will be posted to the EDUCAUSE live website. Please feel free to share it with your colleagues. And finally, please join us for the next ELive webinar on Tuesday, march 19th from 1:00 to 2:30 p.m. eastern time for coloring the horizon report. This is Shana Campbell on behalf of EDUCAUSE, thank you again for joining us today for EDUCAUSE Live.

**End of Webinar**