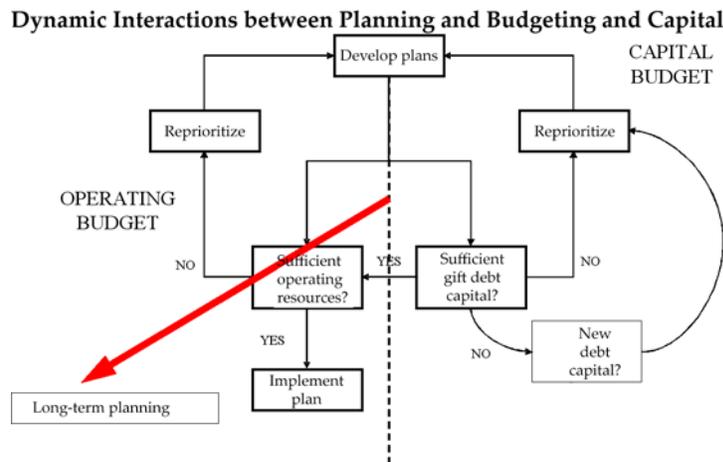
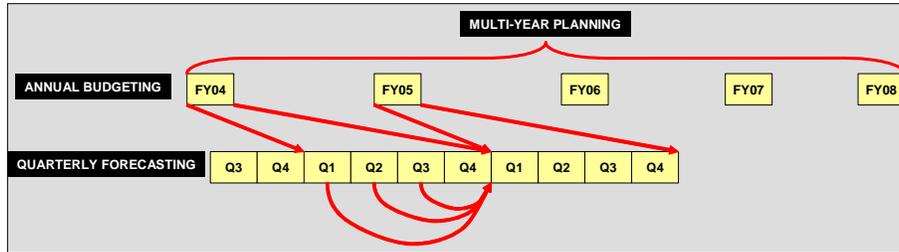


Office of Budget and Financial Planning

The Office of Budget and Financial Planning (OBFP) is a professional service organization in the Institute’s financial administration area. The mission of the office is to provide value-added integrated planning and collaborative budgeting and financial guidance through strategic vision, complex analyses, and access to tools and information. The following figures illustrate the dynamic interactions between planning, budgeting, and capital allocation.



Source: Adapted from College and University Business Administration, chapter 4: Budgeting, John Curry and Greg Baroni, NACUBO.

OBFP serves two primary client groups: senior management in its leadership commitment to the Institute and Corporation; and departments, labs, centers (DLCs), and administrative areas in support of their financial planning and management responsibilities.

The team remains committed to continuous improvement in planning and budget processes to support and ensure the excellence of its products and the vitality of MIT.

Current Goals and Objectives

OBFP pursued and developed long-term goals and initiatives to leverage technology in support of Institute budgeting and planning strategies and processes and to enhance analysis and resource management techniques in support of our diverse client base. This ranges from the Executive Committee of the Corporation and senior academic and

administrative leadership to administrative and financial officers and other financial clients.

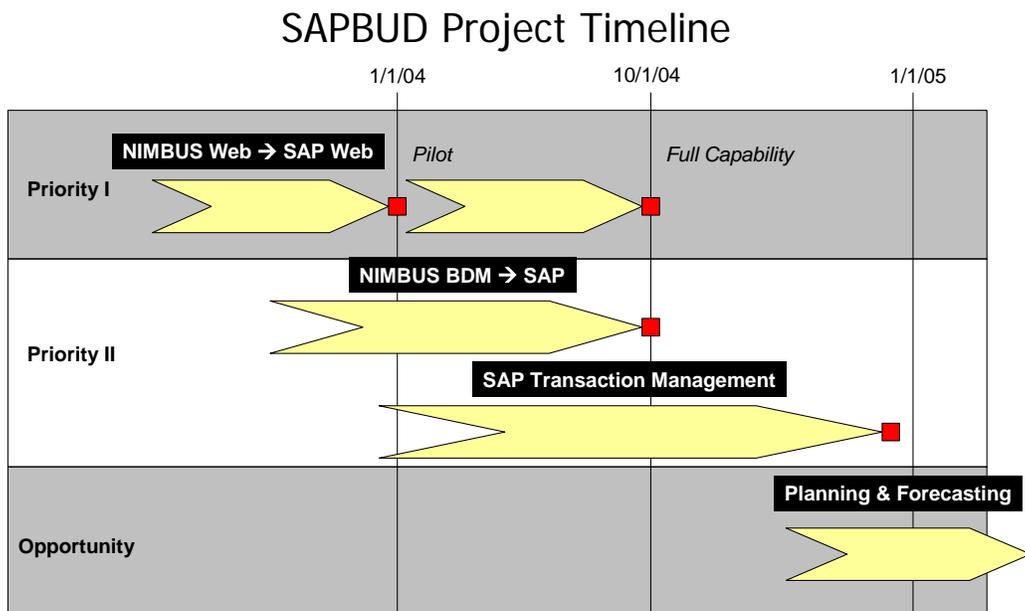
SAPBUD: Budgeting in SAP

Consistent with the goal that financial data should reside in a common database and be the source of all budget and financial performance analyses, OBFP, in collaboration with Administrative Computing in Information Services and Technology, has undertaken to design a system that integrates the MIT budgeting process into Systems, Applications, and Products in Data Processing (SAP), the Institute’s system of record. Primary goals include the following:

- Reduction of interfaces between systems and the implementation of a common hierarchy, technology platform, and user interface
- Integrated budget planning, submission, and forecast capabilities
- The opportunity to review and redesign business processes, including the elimination of duplicative efforts and the substitution of manual processes with systems solutions
- Enhanced functionality both for the external community and internally in the Budget Office
- Increased efficiencies through decentralized transaction entry and management

We anticipate the system will be live for FY2006 budget submission and resource allocation. The following figure presents the current project timeline.

Other Budgeting and Forecasting Initiatives



There are several related initiatives under way, integrated into the goals of SAPBUD system development or related to our commitment to provide access to tools and information. Major initiatives include the following:

- *All resources budgeting*, linked with SAPBUD, is an initiative to enable academic units to budget resources including not only the general Institute budget and carry-forward amounts, but also other sources of revenue. This initiative enhances both the unit's ability to manage its resources and senior management oversight, as all revenue (except current gifts and faculty discretionary amounts in academic budgets) and expenses will be presented in one system.
- *Position budgeting in administrative areas*, linked with the new Human Resources Position Administration Database, is an initiative that integrates baseline-approved salary budgets to approved full-time equivalent (FTE) levels. It involves regular monitoring of salary and FTE budgets and allows variances to be explained on a position-by-position basis. Its underlying principle is the truth-in-salary concept, a requirement that salary budgets represent actual expected salary costs for a given fiscal year.

Business and Organizational Modeling

The office continues to advance its understanding of clients' businesses with the goal of developing strategic information and providing better tools for resource allocation policy and management.

Medical Department

OBFP began a major long-range study of the Medical Department and its offerings, undertaken in collaboration with the Medical Department and the Controller's Accounting Office. The delivery of medical service is complex organizationally and financially, and changing national health care trends and other dynamics have increased pressure on the ability to carry out a medical mission. Primary goals of the project include the following:

- Student insurance review and redesign, including alternative benefit and payment models, rate-setting strategies, and benchmarking alternative student insurance plans
- Business and pricing model review, including service, cost structure, and utilization analysis; development of metrics to measure ongoing performance; and benchmarking against external entities
- Development of an integrated model based on strategic assessment of medical services and benefits, capital and reserve requirements, pricing and service analysis, and needs of the MIT community

The project involves strategic planning in collaboration with internal and external resources, extensive data research and analysis, significant community involvement, and interaction with high-level oversight groups.

Other

The office works in collaboration with the Office of the Dean for Student Life, the Treasurer's Office, Enterprise Services, and other academic and administrative groups in

support of our ongoing goals of optimal resource allocation in Institute capital requirements and debt structure, enterprise and auxiliary business planning, and other individual area needs.

Stochastic Financial Planning

The financial planning team continues to work on a major overhaul of the long-range financial model. The model, our planning tool for estimating the long-range financial impact of strategic decisions and economic conditions on the Institute's operating statement and balance sheet, was originally developed in 1999. The overhaul aims to achieve the following:

- Revisit and refine the model structure to more accurately reflect the dynamic relationships between variables (e.g., research volume and graduate student growth)
- Recalibrate revenue and expense formulas to incorporate recent policy changes and other developments
- Redesign report output to comport with the Statement of Operations used in the *Budget Book* and in the quarterly and end-of-year reports.
- Develop a platform to allow improved data storage and scenario development
- Provide an automated feed of relevant data from the new Capital Planning and Budgeting Model

Capital Planning and Budgeting Model Development

The recent level of new construction and the numerous renovation and renewal projects have put pressure on current capital planning and budgeting processes and led to a need to develop a more structured set of tools. As a result, OBFP is working collaboratively with the Department of Facilities on a system interfacing facilities-specific data with budget and centrally maintained data. We anticipate that the new system will gather information now distributed among several stakeholders into one central location, meet the needs of diverse clients, and reduce errors common to manual entry or reentry processes. Examples of stakeholder needs targeted by the new system are as follows:

- DLC, unit, and Department of Facilities need for status reports on funding and expenditures
- Project manager needs for budget and spending levels
- Cost analysis needs for construction and renovation planning, budgets, and building uses and location
- OBFP needs for project status, budget, funding sources, commitments, and monitoring guidelines

Accomplishments

This year, OBFP continued to develop its financial management, systems, and reporting capability, including the following:

- Collaborative development of the submission and review modules of SAP Web in the new SAPBUD system, including participation of a Community Advisory Group that was successfully recruited and managed by OBF
- Establishment of a training strategy and partial development of a training module for budget submission through SAPBUD
- Continued enhancement of the annual *Budget Book*, including revamped sections for reporting school and department finances, modeled on the All Resources section of the SAPBUD system, and for analyzing research, tuition, and financial aid
- Development of a formal end-of-year report, integrating budget and generally accepted accounting principles financial data and analyzing department and unit financial activity during the year
- Launch of truth-in-salary budgeting in administrative units with the FY2005 budget submission cycle, under the guidance of the executive vice president, and of position budgeting for administrative units, including recruiting and managing an implementation team with representatives from an academic area, Human Resources, and administrative units
- Development of client-based tools in support of our goal for continuous process improvement, including an electronic budget authorization option and a Brio tool for closing and carry-forward analysis that may serve as a model for automating part of the closing process
- Collaborative development of a prototype model of the OBF–designed capital planning and budgeting system, involving rational redesign of the capital funding and monitoring process, for discussion with the community and incorporation into SAPBUD

OBF continued its work in planning and analysis in the following significant areas:

- In collaboration with its partners in the Medical Department study, the office completed the student insurance review and developed a long-term pricing and service strategy for student health insurance. In addition, an extensive baseline analysis that will serve as a platform for continuing study was completed and presented to constituent groups.
- The overhaul effort of the stochastic planning model achieved a major milestone. A redesigned platform, using a Microsoft Access database and Excel workbook, has been developed and tested. Report output has been redesigned. Data has been collected and analyzed for historical trends, anomalies, and statistical correlations in preparation for a working beta version of the new model planned for early next fiscal year.
- Several significant capital planning and financing analyses were completed for constituent clients, including studies for the MIT Press, Housing, the Media Lab, and debt-related initiatives.

Administrative Initiatives

The Audit Division and the Budget Office formally launched a successful sharing of resources. The units share an administrative assistant and a joint reception area that

serves the needs of both offices. Discussions began to extend this shared support to the information technology area. In addition, OBFP participated in a local distributed services arrangement for certain administrative and logistics functions that has resulted in office space savings (through sharing supply areas) and efficiencies in purchasing and distributing office supplies.

Future Plans

Many projects that are part of the goals and objectives of the Office of Budget and Financial Planning are long term. We will continue our work on the Medical Department study and its remaining objectives; on the SAPBUD, Stochastic Modeling, Capital Planning and Budgeting systems; and on our focus on continuous improvement in planning and budget processes and efficiencies in local and Institute resource allocation and management. Overall, future plans center around a twofold collaborative agenda: pushing enhanced planning and budgeting tools out into the community and pulling more information about the financial and business processes of the community into the central store of knowledge—with the single goal of augmenting our ability to manage allocations wisely and look for new, more effective ways to accomplish our goals.

Personnel Information

Israel Ruiz, recently named an associate director of the Office of Budget and Financial Planning, was recruited to the board of the MIT Press.

OBFP was required to give preliminary layoff notice to two individuals in order to meet its FY2005 budget target. These individuals will receive official notice in the coming fiscal year.

Israel Ruiz, Associate Director

Margaret Warner, Associate Director