

## Frequently Asked Questions (FAQs) related to proposed changes to Penn State's longstanding budget approach

### 1. Why are we changing the way Penn State budgets?

Our budgeting approach has not changed much in at least 60 years, and our existing systems and processes are hindering Penn State's ability to quickly seize critical opportunities, engage in long-term planning efforts, and increase transparency of its financial decisions and overall budget process.

### 2. What are the biggest changes?

The report produced by the [Strategic Budget Task Force](#) is a high-level holistic look at the budgeting process across the University and contains a multitude of recommendations

- A recommendation to shift to a multi-year budgeting method (five-year cycle) with a “bottoms-up approach” that takes into account opportunities for efficiencies; funding of strategic priorities; and appropriate allocation of resources to fulfill the University's missions.
- A recommendation to budget all funds, as opposed to separating out various segments such as auxiliary, research, education and general (E&G), and participation in a regular centralized process with the University's Executive Vice President and Provost, along with the University Budget Officer, to review individual budgets.
- The elimination of separate funding for “permanent” and “temporary” categories, which is confusing and gives a false sense of a unit's budgetary needs.
- Improve the process of budgeting and approving the use of carry-forward balances.
- In relation to capital plans, recommend incorporating the cost of ongoing operations – facilities operations, utilities and maintenance, as well as programming (such as staff, equipment and recurring costs) – as part of the capital planning process, so that the total impact on the operating and capital budgets is transparent.

All employees are encouraged to read the recommendations of the task force at the link above.

### 3. Is this a way for central administration to reduce the budgets of individual units?

No, these changes are being made so that individual units and central administration have a consistent and common understanding of the budgets.

### 4. How will you determine our base allocation for our budgets within units?

This is yet to be determined. For July 2020, the General Funds budget will be allocated in the same way as in our current budget approach. The working groups will make recommendations on the process and policy changes needed to determine appropriate base allocations for the new budget approach in future years.

### 5. How will this change my departmental budget?

This is yet to be determined. For July 2020, the General Funds budget will be allocated in the same way as in our current budget approach. The working groups will make recommendations on the process and policy changes needed to determine appropriate base allocations for the new budget approach, which in turn will define the changes to an individual departmental budget.

**6. What is happening to fixed-term positions?**

This is yet to be determined. In the case of standing versus fixed-term positions, these descriptors do not allow an accurate depiction of comprehensive salary allotments, nor does the wording of “fixed-term” appeal to potential job candidates. The working groups will look at the appropriate policies, processes and legal ramifications to make a decision on how best to structure our positions.

**7. If I have an open fixed-term position, can I still fill it?**

Yes, an open fixed-term position can still be filled. Some of the recommendations will take effect in July 2020 at the earliest, so for FY 2019-20 the current policies still apply.

**8. Will we be able to carry over funds into a new year?**

Yes, carry-forward funds will be permitted and there will be clear guidance and categories defined by the working groups that allow funds to roll into subsequent years.

**9. Is this a Responsibility Centered Management (RCM) budget model?**

No. This is not an RCM budget model. An RCM model treats individual units and programs as either revenue centers that are responsible for both direct and indirect costs, or as cost centers that are supported by revenue centers. That is not the budget approach recommended by the task force.

**10. What is happening on July 1 with SIMBA?**

SIMBA will launch on July 1, 2020.

[SIMBA will replace Penn State’s financial and other integrated systems](#), including the legacy Integrated Business Information System, or IBIS, a process that will involve the Pay & Effort functionality and the implementation of a new instance of Concur, Penn State’s employee reimbursement system. SIMBA is being built on a best-of-breed business suite platform.

The July 2020 timeline does not mean that all parts of SIMBA will be immediately accessible, operational or without some system bugs. There will need to be training and a learning curve that will require patience on the part of those using the system. We also will ask that those using the system alert us to any concerns or non-working portions in the design and implementation of SIMBA. This will help us continuously improve and smooth out glitches.

**11. How do you expect me to plan for five years down the road? I’m in a field that is ever-changing.**

Five-year budget planning helps you to understand the budget implications of different scenarios. The goal of long-term budget planning is not complete accuracy of the numbers; rather, it allows you to understand whether there are structural issues with your budget and what contingencies you would put into place to mitigate potential risk.

As indicated, this change in budgeting approach is just one part of a larger, more comprehensive strategy to create more efficiencies and better manage resources so that as an institution, we can remain accessible and affordable to the people that we serve.

**12. This is one more change to systems at Penn State (LionPath, WorkDay)... how are we supposed to continue to manage all of this change and do our daily work?**

It is true that this IBIS replacement project is the last of three University-wide efforts to replace antiquated legacy systems with more efficient and modern ones that fully leverage current technologies. We understand that adjusting to new systems and processes is time-consuming and requires effort by our employees, and we are grateful for your cooperation and suggestions on how to improve. Technology continues to evolve and change our world in many ways, which increases the pace of change. To remain good stewards of our resources we will continually have to adapt to these demands. Our University community has shown the ability and resiliency to meet these demands head-on and still provide exceptional service to all our constituents.

**13. I see that you have said this is part of a larger more comprehensive strategy for a Penn State education to remain within reach of Pennsylvania citizens. Beyond a change to how we budget, what else is being planned?**

Having a contemporary technology platform in place to better track, analyze, report, forecast and evolve with opportunities is the first necessary step in looking more holistically at budgets and spending patterns across the University. In conjunction with this move, we also ask for belt-tightening from every unit across the University. The imperative to create efficiencies has never been greater as the public and our students and families seek to understand our cost structure, as well as the value we add to their lives. It is our obligation as a public university to keep education accessible and affordable to Pennsylvanians. Meeting this obligation may mean a reduction in budgets across the board or a repurposing of monies, as well as a call for unit leaders to increase collaboration, think more strategically and plan with more specificity and detail farther out into the future.

**14. How will these changes affect me personally?**

For anyone with a role that involves budgeting (including those in leadership positions), these changes will require training to understand both the underlying budgeting principles, and any new processes or technology skills that are necessary to do their work.

Anyone not directly involved in budgeting will have more data and information at their disposal to support their work in furthering Penn State's tri-part mission of teaching, research and service.

If you have additional questions about the new budget approach or its impact, please contact the University Budget Office at [budget@psu.edu](mailto:budget@psu.edu).