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To: Boston University Administrative Departments

From: Nicole Tirella, Senior Vice President for Financial Affairs, Chief Financial Officer, and Treasurer
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Subject: Fiscal 2026 Budget Development – Stage 1

Date: September 3, 2024

This memo officially launches the Fiscal 2026 budget development process. This year, we invite departments to take a fresh, comprehensive approach to analyzing their operational needs, building their budgets from the ground up. By doing so, we aim to equip senior leadership with a deeper understanding of resource requirements across the University, ensuring that our resource allocation is both strategic and aligned with our institutional goals.

Background:

In past years, Boston University has operated under an incremental budgeting model. This approach utilized the previous year's budget as the base for the new year's budget. Departments were asked to submit any increases or decreases to this base, reflecting changes in expenses and revenues. While this offers simplicity and stability, it may not always allow for optimal strategic alignment or thorough scrutiny of expenditures as the department evolves.

Transition to Strategic Budgeting:

This new approach will require each department to build their budget from the ground up, starting from zero, and detailing all expenses, as if they were being proposed for the first time. We encourage department leaders to identify areas where resources can be better aligned with strategic priorities and higher-impact areas, ensuring optimal support for essential functions and initiatives. This transition will be facilitated carefully by the Budget & Planning Office and will require your insights about the general needs of the department, projections and benchmarking data to evaluate sufficient staffing levels when compared to peer institutions, operational efficiencies including the potential integration of Artificial Intelligence ("AI"), and avenues for revenue growth, if applicable.

Our strategic budgeting approach requires detailed justification and prioritization of all expenditures. By starting from zero, it ensures that resources are allocated efficiently and aligned with current organizational goals and priorities.

Attached are Appendices, prepared by the Budget & Planning Office:

- **Appendix A:** General Principles for the Strategic Budgeting Approach
- **Appendix B:** Timeline and Steps for Fiscal 2026 Budget Submission

The Budget & Planning Office will also host training sessions and provide opportunities to address questions and ensure that submissions meet expectations.

Our commitment to strategic budgeting will accelerate the university's progress by ensuring that every dollar is strategically allocated to maximize impact. This approach will enhance our ability to adapt to emerging opportunities, drive innovation, and support our mission of excellence in education and research. Together, we will build a stronger, more resilient future for Boston University.

Appendix A:

Principles of the New Strategic Budgeting Approach:

- Start from Zero: Each new budget period begins from a zero base, with no previous expenditures automatically carried forward.
- Provide Detailed Justifications for All Expenses: Every budget request must be justified in detail, explaining why the expenditure is necessary and how it aligns with organizational goals.
- Prioritize Needs: Funding is allocated based on current needs and priorities rather than historical spending patterns.
- Focus on Outcomes: Emphasize the outcomes and benefits of expenditures, ensuring that resources are directed towards activities that provide the most value.
- Cost-Efficiency: Identify opportunities for cost savings and more efficient use of resources by thoroughly analyzing all expenditures.
- Flexibility: Allow for greater flexibility and responsiveness to changing organizational needs and external conditions.

Expense Categories of the New Strategic Budgeting Approach:

Category	Definition	Example	Justification
Critical	Costs necessary for the basic functioning of the department.	Salaries of essential staff, basic utilities, mandatory compliance costs.	These expenses are critical to maintaining the department's operations and fulfilling its core responsibilities.
Growth-Focused	Costs that directly contribute to achieving the department's and institution's strategic objectives.	Investments in new programs, research and development, technology upgrades that align with strategic goals.	These expenses support long-term goals and enhance the institution's competitive position or capabilities.
Operational	Day-to-day costs required to run the department effectively.	Office supplies, routine maintenance, administrative costs.	Necessary for the smooth functioning of daily operations but should be scrutinized for efficiency.
Enhancements	Costs that are beneficial but not essential for the department's operations.	Marketing campaigns, employee wellness initiatives, employee training.	While beneficial, these expenses should be prioritized lower than essential and strategic expenses and adjusted based on available funding.

Appendix B:

Steps and Timeline for Fiscal 2026 Budget Submission

Budget submissions are due **Thursday, October 31, 2024**. For departments that report to the President, please send your complete submission to the Budget & Planning Office inbox: budgen@bu.edu. For departments that report to the Provost, please send your complete submission to the Provost Office inbox: provbudg@bu.edu.

Budget templates will be uploaded to SharePoint and are specific to individual units. Your department will be notified the week of September 9th when your respective template is available. In the meantime, please feel free to prepare for your submission, including collective historical information and other Business Warehouse (BW) reports that will be useful for this exercise. All instructions and forms are located on the [Budget & Planning Office website](#).

1. Evaluate your individual departmental needs for Fiscal 2026:
 - a. **For revenue generating programs** – please outline your expectations for revenue projections and reasonableness to achieving this projection. Please outline the assumptions used to determine the appropriate level of revenues to be generated and elaborate on any new activities or anomalies when compared to historical performances. Note: revenue expectation correlate to expenses, so please include contingency plans if/when revenue does not meet target (i.e., how will you monitor and adjust expenses accordingly).
 - b. **For salary expenses** – we are asking departments to outline salary and fringe related expenses based on the following groupings:
 - i. **Filled positions** – provide details on your filled positions and any anticipated organizational changes. Support provided should include organizational charts, your insights into staff development initiatives, benchmarking data to peer institutions highlighting staffing levels required.
 - ii. **Vacant positions** – outline plans for all vacant positions including hiring plans and job postings. If positions have been vacant for more than **9-months**, please provide additional context related hiring issues or plans for restructuring. Please elaborate on how your department has been managing with these vacancies.
 - iii. **Uncommitted salary funds** – provide plans for use of uncommitted funds during the fiscal year and beyond. This could include uses related to organizational changes or retention plans for critical positions.
 - iv. **New positions** – clearly define organizational needs and anticipated changes requested. This should include calculations related to the return on investment or how the department is adapting (i.e., in response to regulatory changes, change in volume of transactions over time).
 - v. **Fringe** – benefit related expenses will be calculated within the template based on salary type using the University’s approved fringe rates.

Note: adjustments to salaries through the merit cycle will be handled by the Budget & Planning Office, treated similarly to past budget development cycles.
 - c. **For non-personnel related expenses, including temporary help and student employees** – outline the non-personnel needs of the department with comprehensive justifications. Elaborate the necessity of these expenditures and how they align with BU’s strategic goals.
2. Categorize and rank, by priority, activities performed by your departments. For guidance, refer to Appendix A, which provides definitions and examples for categorizing expenses.

3. Identify use of all funds (e.g., unrestricted budget resources, unspent endowment distribution, gift funds). Please describe how your department plans to utilize these funds to support functions and initiatives during the year.
4. Identify areas where budgetary reallocations and/or savings might be possible. These should be costs that can be reduced without compromising the quality of services or the University's strategic objectives. If you identify any reallocations or savings, we would appreciate your suggestions for strategic uses. Focus on initiatives that can enhance our educational mission, support students, and improve the department's overall effectiveness. In this initial phase, any savings identified will be set aside to fund your future initiatives. We will review the past **three years** of expenditures by department as a basis for any questions related to potential savings.
5. Fiscal 2026 submissions should include:
 - a. Completed budget template for your respective departments. This will include fund center detail, as well as a unit summary.
 - b. Although the template will provide space for justifications, you may submit a detail budget narrative. This may provide additional context on your department's long-term plans or highlight regulatory changes that may need the nuance of a narrative.
 - c. Examples of additional information within these narratives could include revised organizational charts, position descriptions for new FTEs, or cost-benefit analysis comparing benefits of each activity against its costs to prioritize spending.

While the Fiscal 2026 budget submissions are being developed, Fiscal 2025 actual expenditures will be actively monitored by the Budget & Planning Office. We will request justifications for variances and plans for the use of any lapsed salary dollars generated during the year, similar to the prior year process. During these discussions, departments can request adjustments to address unforeseen changes, reallocate resources, or respond to new priorities. In doing so, the Budget & Planning Office can develop timely and accurate forecasts for Senior Leadership and the Board.

Resources & Training:

The Budget & Planning Office will be hosting training sessions and will hold "office hours" as a resource as departments prepare budget submissions under this new approach. Refer to the [Budget & Planning Office website](#) for dates and times for these live events. Please submit all questions and concerns to the Budget & Planning Office inbox: budgen@bu.edu.