Q: Which comes first: do you plan after knowing your budget, or do you budget on the basis of a plan?

This report examines Temple University’s capital budget planning strategy.

Temple University has undertaken a number of major capital projects—both new construction and renovation—over the past five years. Among the biggest projects are the Medical Education and Research Building ($160 million), Tyler School of Art ($75 million), and Alter Hall—the new School of Business and Management Building ($79 million). Among its current projects are a $216 million new residence hall and a $137 million Science Education and Research Center. Beyond this, it is also planning a new library with an estimated cost of $180 million.

Given the number of large capital projects being undertaken or planned, in 2011, the University hired an external strategic advisory services company, U³ Ventures, to assess the operations of the Facilities Management Office, focusing on the area of capital project management.

Following the assessment, Temple initiated a five-year capital plan creation process. This is the first time the university has adopted this approach to capital planning. The details of its plan, and the rationale for initiating this process, can be found on the university’s Office of Management and Budget website, [http://www.temple.edu/budget/](http://www.temple.edu/budget/). The goal will be to produce a five-year capital plan that can be presented to the Board of Trustees in June 2013.

The new planning process requires that each school or non-academic area submit no more than five capital project requests for the five-year period. Projects that are strongly aligned to the university’s strategic plan are more likely to be approved. Once a project is approved, a budget for that project is established. This long-range process for planning will enable Temple to prioritize those projects which are closely tied to its strategic initiatives. In addition, the plan allows for capital investment decisions to be re-evaluated over the five-year period, which enables flexibility should priorities change.

In my view, some of the key considerations in the five-year capital plan creation process as outlined by the Office of Management and Budget address a number of the questions posed in this assignment.

**Measurable action planning goals**

Some elements of the SMART system of project monitoring, as outlined in the Unit 7 Class Lecture, are evident in Temple’s capital planning process. The project proposals are specific and aggressive (achievable), in that units submitting requests are required to provide detailed project descriptions. In addition, the proposals are relevant, as a justification is required for each project, highlighting the ways in which each project aligns with the university’s strategic plan. The proposals are also time-bound, given the five-year period of the overall plan. It is not clear, however, whether or how the goals will be measured, which I feel would be a good opportunity for the institutional research office at Temple to get involved in the capital planning process.
Budget control mechanisms
The proposal process requires that units submitting project requests submit an estimated total cost of the project, and a forecast of projected funding requirements per fiscal year. This will enable the university to have some control over the projected budgets.

Selective funding decisions
Final funding decisions are made by the university administration and the Board of Trustees. Although each academic and non-academic unit is permitted to submit five proposals, the decision to fund each project is made primarily on the basis of its strategic purpose. Therefore, funding decisions are selective and may favor one school or non-academic unit over others.

Institutional Research Office’s role in capital budget planning
It does not appear that the IR office at Temple is involved in the capital budget planning process, however, I feel that IR could play a part by providing the metrics by which approved projects can be measured in terms of meeting their goals.

Capital budget planning as it relates to the operating budget
While capital budget planning is conducted separately from the operating budget, the two must be considered in tandem. Lasher and Greene (1993) note that the relationship between capital and operating budgeting is often ignored. However, the completion of major capital projects at Temple will have an impact on its operating budget, both negatively, as extensive construction leads to new buildings to heat, cool, and maintain, and positively, as renovations of existing buildings lower maintenance costs. Temple’s proposed 2013 operating budget for facilities management is $31.8 million, down from $35.3 million in 2012. Also relevant to capital planning is an item in the 2013 budget related to discretionary funding. Here, the university has proposed an additional $2.3 million to increase the number of development staff to solicit major gifts and support the university’s capital campaign. This will aid the university’s efforts in attracting funding for planned capital projects.

References