

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the left and right sides of the slide, framing the central text area.

Financing our Mission

WACUBO Business
Management Institute

August 2022

Learning Objectives

- q Relate the business of higher education to the mission of the institution
- q Recognize current market constraints and institutional opportunities
- q Understand the basic higher education business model
- q Identify major revenue and expense components for higher education institutions

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Money is *NOT* a four-letter word

It's about the mission.

“A **mission statement** is a short statement of why an organization exists, what its overall goal is, identifying the goal of its operations... It may include a short statement of such fundamental matters as the organization's values or philosophies, a business's main competitive advantages, or a desired future state—the vision...”

"Mission Statement". Small Business Encyclopedia. Entrepreneur Media, Inc. 2017. Retrieved 2015-11-01.

Mission Statements - Some Examples

Envisions changing lives by **expanding educational opportunities, championing creativity, and preparing leaders for a changing world**. Our academic purpose is to graduate students with highly-valued degrees.

Institution committed to teaching, research, and outreach and engagement and promotes economic, social, cultural, and environmental progress for the state, the nation, and the world.

- Commitment to student success, critical thought, creativity, and sustainability
- Commitment to equity and justice, and respect for the rights and dignity of others
- Pursuit of excellence, in an environment characterized by principles of shared governance, academic freedom and effective engagement
- Integrity, responsibility and accountability in all our work

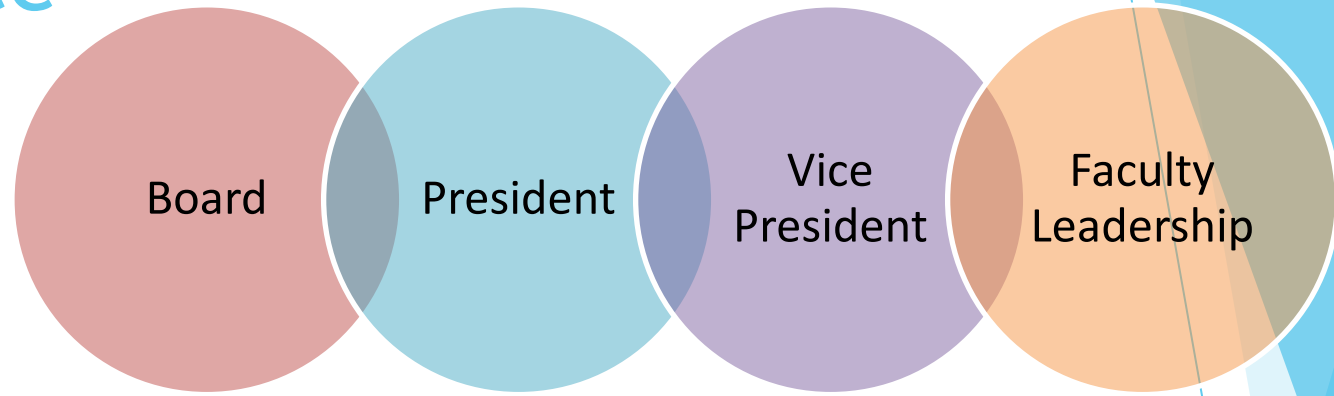
Transform lives by **preparing students for leadership, service, and success** and be a recognized leader in education, innovation, and engagement.

Provide students the values, habits of mind, knowledge, and skills that they need to be enlightened citizens, to contribute to the state and national economies, and to lead satisfying lives.

Financial Decisions

Whose job is it?

Shared Governance



Each has a role to play:

There is always some overlap

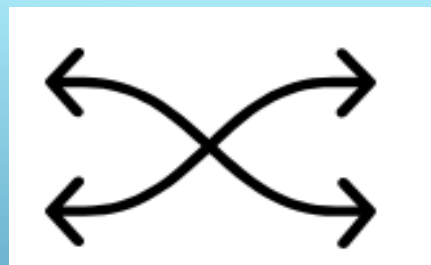
Each person/group will have primary authority over its own areas of expertise, as well as a voice in decisions affecting the programs, organization, and traditions of the institution.

STRATEGIC BUDGETING

No plan  budget = plan

Budget not linked to plan  budget = plan

PLAN



BUDGET

Strategic budget IS the strategic plan in action

Building Our Future

Strategic Plan 2025

**Student
Success**

**Academic
Excellence &
Innovation**

**Leadership
Cultivation**

**Transformative
Impact**

Shared Knowledge

Big Picture Topics

- u Business model
- u Sources and meaning of financial information
- u Cost drivers
- u Budget models and assumptions
- u Debt capacity vs. affordability
- u Endowment
- u Net tuition revenue
- u Gifts and contributions
- u Resource allocation

Key Metrics

- u Cost Indices - HEPI, CPI
- u Sticker price vs. net price
- u Resource allocation trends
- u Balance sheet trends
 - u Compensation composition and trends
 - u Facilities cost index
 - u Investment performance
 - u Endowment per student
- u Cost per student
- u Credit rating

Wagner, M. & Spellman, P. (2019) Culture of Clarity. NACUBO Business Officer Magazine. Vol. 52, No. 10.

INTEGRATING ASSESSMENT, PLANNING & BUDGETING



ON TOP

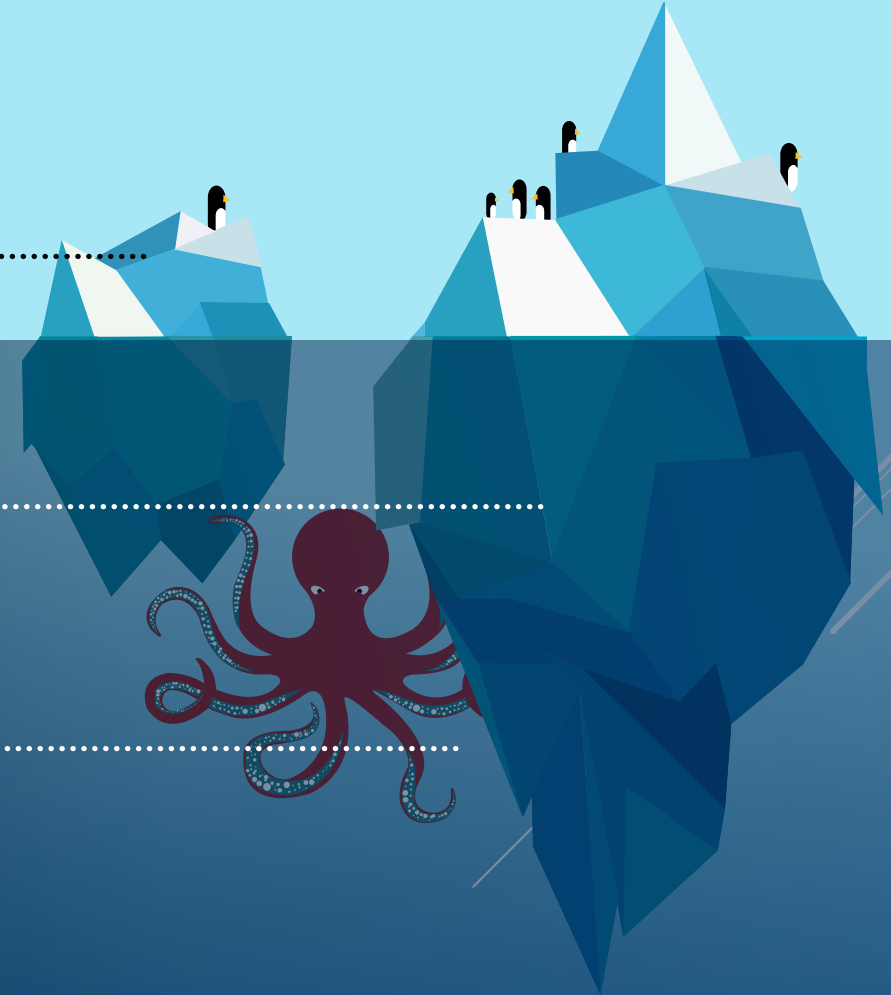
Strategic Plan Blue Print

UNDERNEATH

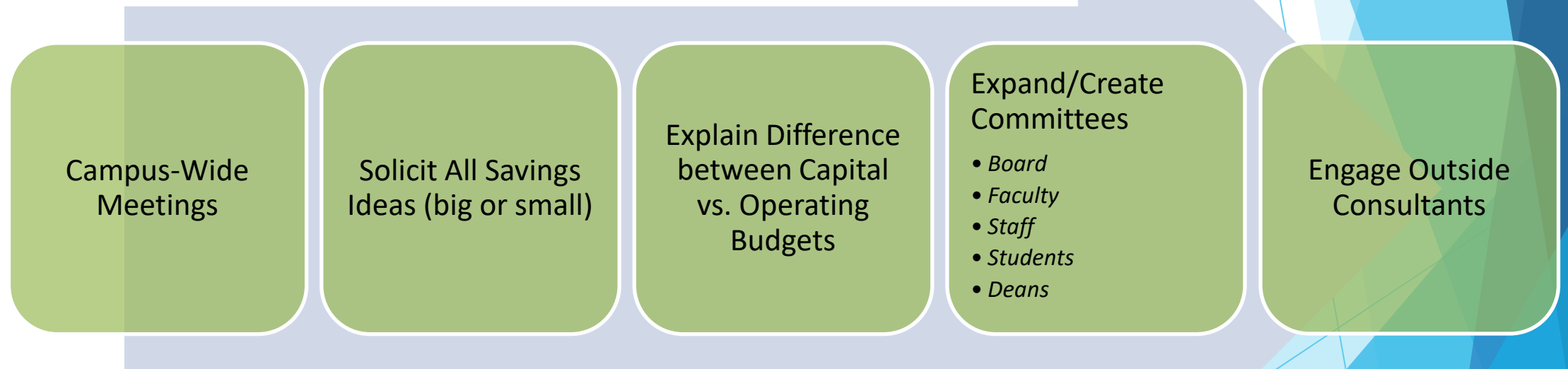
WASC Criteria for Review

FOUNDATIONAL

CSU Graduation Initiative 2025



Communications



Operating Budget Requirements

Balanced

Produce a surplus

- *Margin?*

Allows for flexibility

- *Revenue contingency*
- *Variable expense*
- *Discretionary expense*
- *One time income*
- *Recurring income*

Reserves

Year End
Carry
Forwards

Size of
Reserves

Reserves
vs. Fund
Balance

The Higher Education Marketplace

In the News...

'We Haven't Begun to Feel the Real Economic Damage'

A Chronicle survey explores the impact of the pandemic on fall enrollments and how colleges are planning for the spring

By [Eric Kelderman](#) October 14, 2020

Why, Post-Pandemic, Your Campus Needs More 'Super Courses'

The case for seizing the moment and offering more courses on big social, economic, and health issues.

By [Ken Bain](#) and [Marsha Marshall Bain](#) July 6, 2021

Higher Ed Stakeholders Urge Congress to Double Maximum Pell Grant

Diverse: Issues In Higher Education | July 8, 2021

Chipping Away at the Borrower-Defense Backlog

Inside Higher Ed | July 12, 2021

Last Fall Saw 'Unprecedented' Drops in College Persistence Rates, Report Finds

Higher Ed Dive | July 8, 2021

In the News...

Appeals court OKs Biden federal employee vaccine mandate

By ASSOCIATED PRESS

04/07/2022 06:58 PM EDT

U.S. added 428,000 jobs in April despite surging inflation

By ASSOCIATED PRESS

05/06/2022 09:09 AM EDT

Jobless Claims Drop to Lowest in 50 Years

Revisions to the data may have been unusually affected by a change in the way the government treats seasonal variations.

US News April 7, 2022

Pew: Low Pay, Not COVID, Drove Worker Exodus

More than half of workers said they felt disrespected at work.

US News March 9, 2022

“1.5 million fewer higher education students enrolled in 2017 than in 2007.”

U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics, Table 303.25. Total fall enrollment in degree granting postsecondary institutions, by control and level of institution: 1970 through 2016 and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2014, 2016, and 2018, Fall Enrollment component.

Ensuring your institution has a lifetime impact. (2017). TIAA

Projected number of high school graduates

United States 2013-32

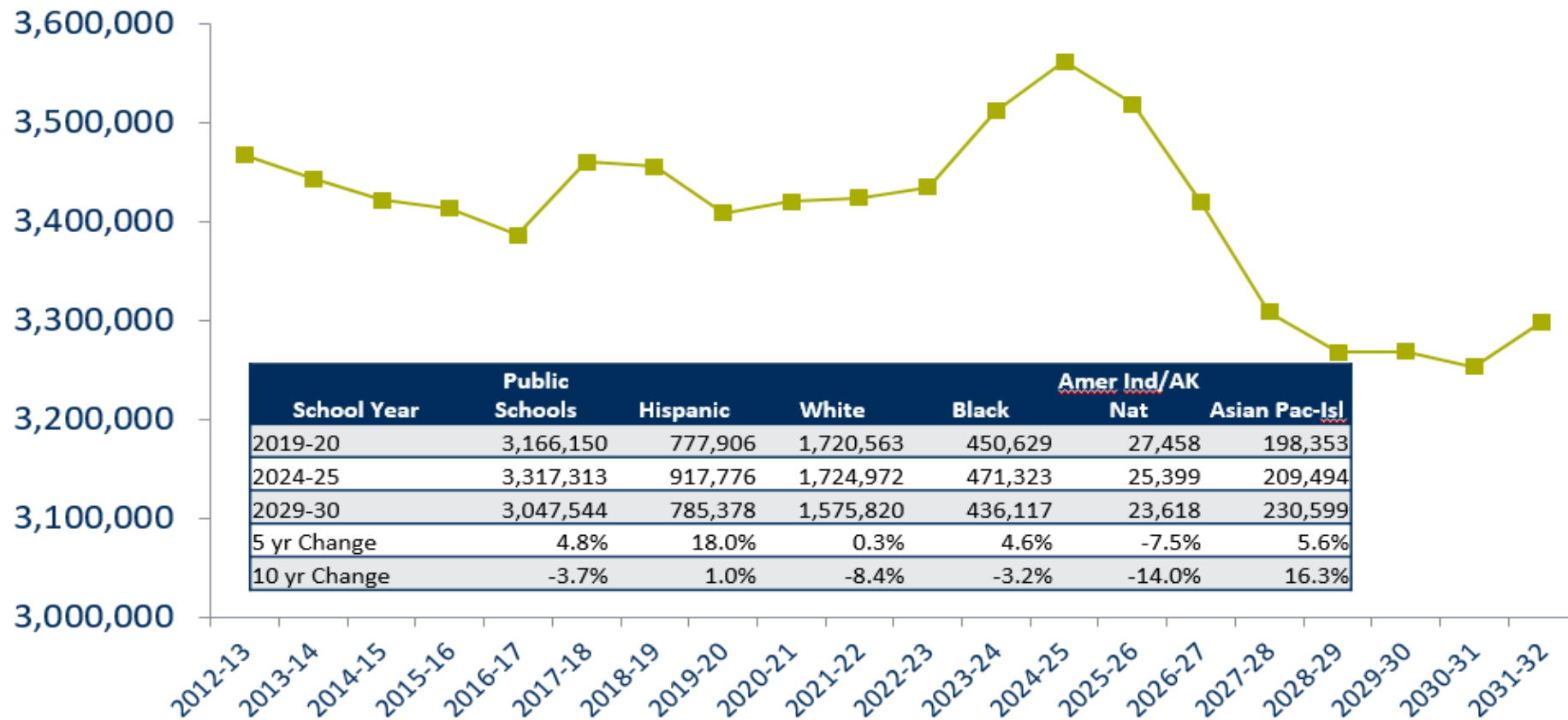
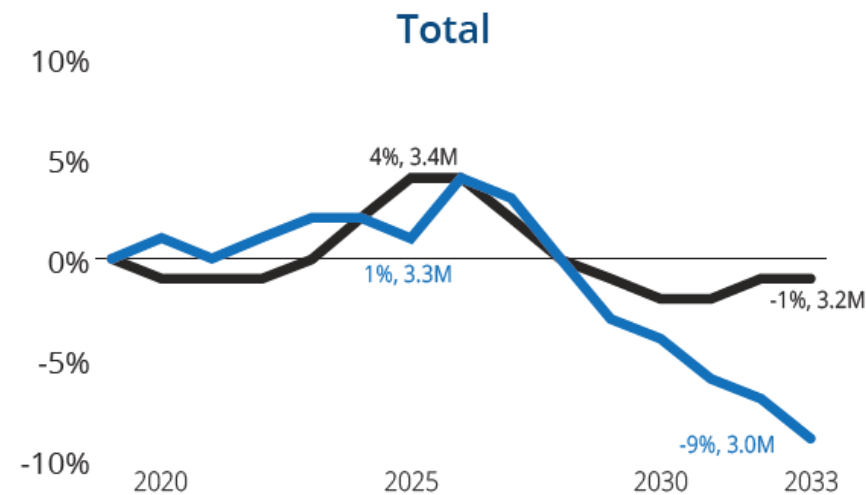


Illustration of How COVID-19 Might Impact Public High School Graduate Numbers if Enrollment Impacts Hold

Projected Percent Change in Public High School Graduates from Class of 2019

— 10th Edition Projections — Projections with Data Through Fall 2020



Moody's Outlook Stable for 2022

- Median net tuition revenue expected to rise by 2.9% @ privates and 1% at publics
- The ghost of 2020 won't fade quickly when it comes to enrollment
- High inflation, supply chain issues, and labor shortages
- Students choosing well-paying jobs over education

Adapting to the Marketplace

Revenue Enhancements



Tuition - What do students pay?

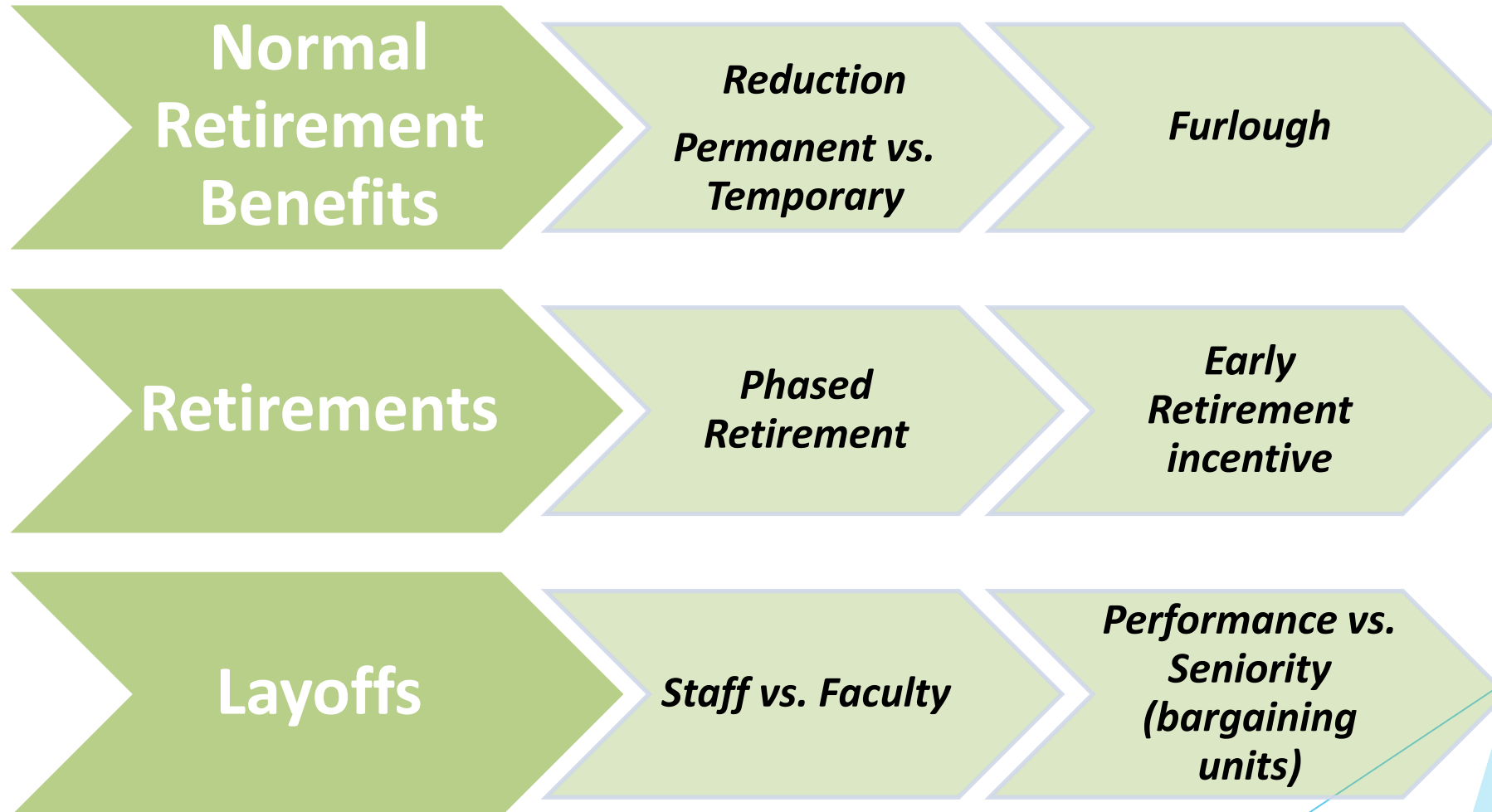
- Sticker Price vs. Net Price
- Financial Aid
 - ✓ Federal grants
 - ✓ State aid
 - ✓ Institutional aid (“discount”)

Adapting to Change

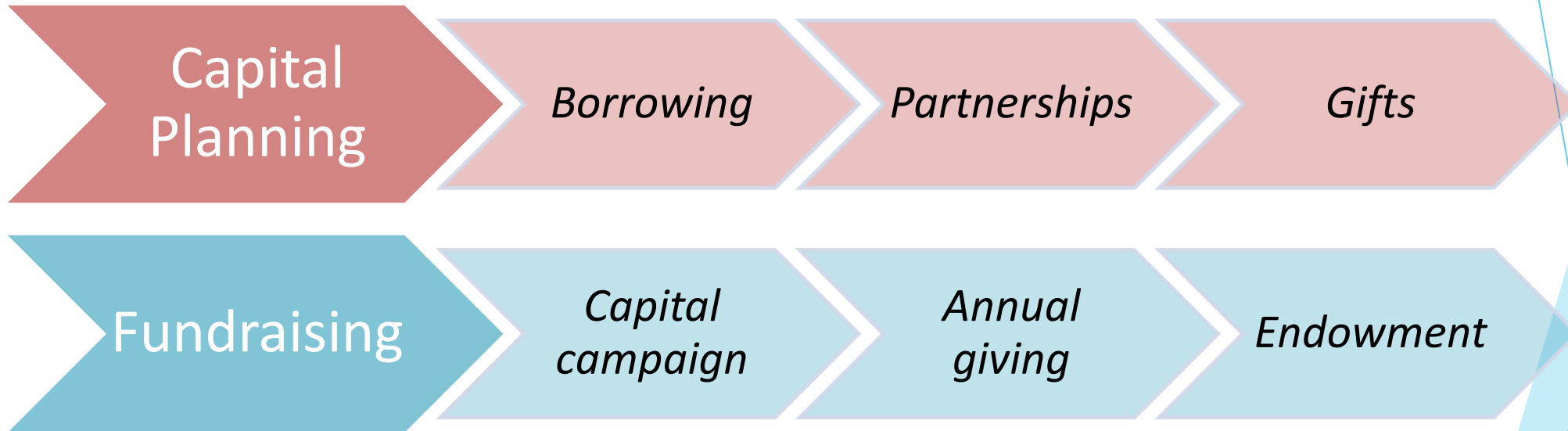
Expense Management

- *Efficiency Metrics/Operational Savings*
- *Employee development*
- *Managing tenure*
- *Energy Savings Incentives*

Personnel Cost Reductions



Adapting to Change



Why can't we spend the endowment?

Long term resource

- *Like a “savings account”*
- *Donor restricted & unrestricted*

Intergenerational equity is a legal mandate

Why can't we spend the endowment?

Earnings are used to support operations

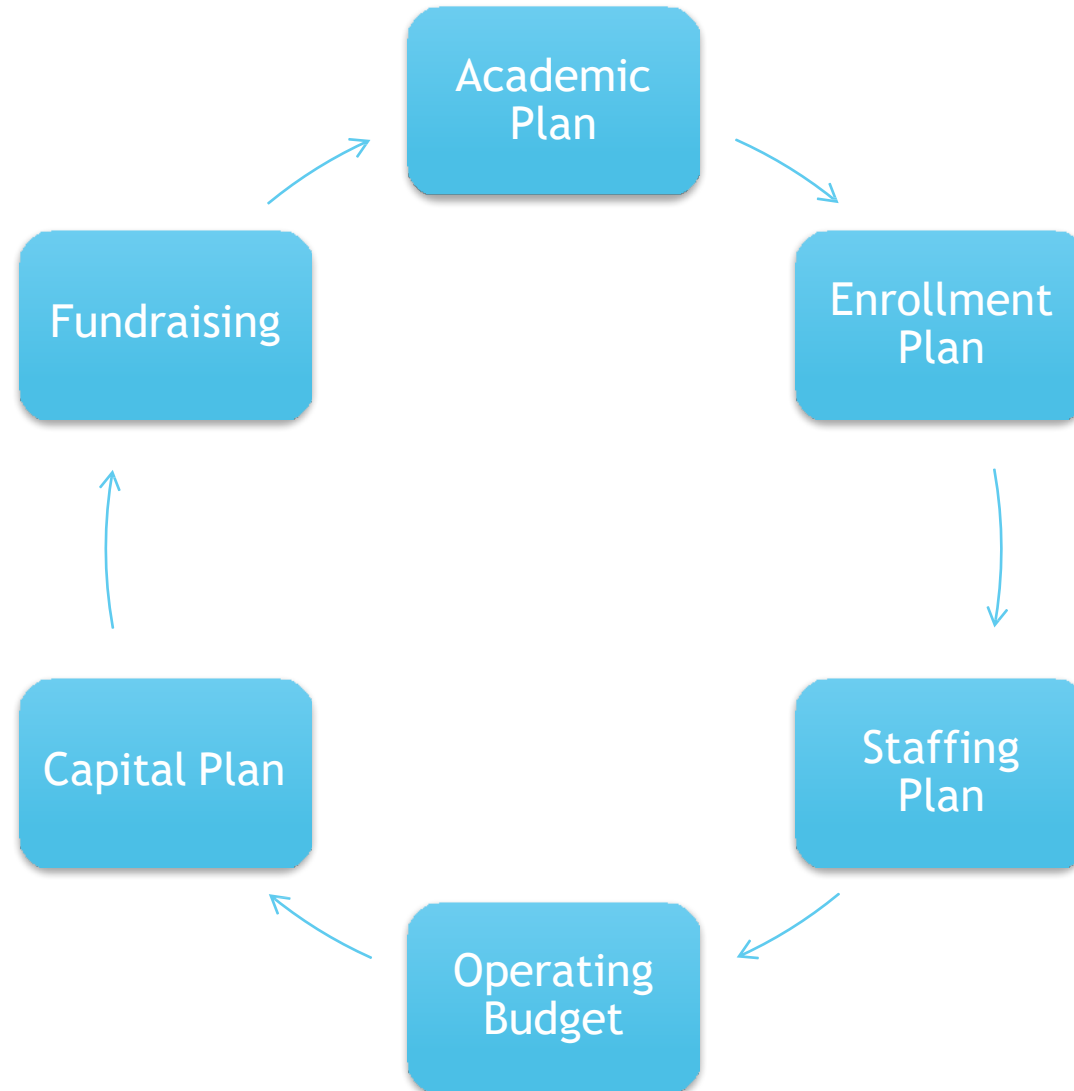
- *Annual distribution in accordance with board policy*
- *How much operating revenue comes from the endowment?*
- *Endowment by definition is invested – spend only earnings*
- *Thus investment results must provide revenue and return of principle*
- *Must be arms length – will repay*



Financial Planning

No one plans to fail, rather they fail to plan.

An Integrated Plan



Operating Budget Requirements

Balanced

Produce a surplus

- *Margin?*

Allows for flexibility

- *Revenue contingency*
- *Variable expense*
- *Discretionary expense*
- *One time income*
- *Recurring income*

What is competition doing?



- *Productivity*
- *Work Load*
- *Salaries*

Change Pricing Model

Eliminate cross subsidies

Compute cost by degree/discipline

Differential tuition

Cost drive price

Does price derive value/earning for graduates?

Program Combination/Eliminations

Financial exigency

Process

- Participatory/Collaborative

- Broad based committees

- Metrics

- Evaluate possible outcomes

- Is cost savings worth the pain?

Time to complete – including finishing students in program

Tenure

Severance cost – time deadlines

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Revenue

Where does the money come from?

Tuition - what do students pay?



- Sticker Price vs. Net Price
- Financial aid
 - Federal grants
 - State aid
 - Institutional Aid ("Discount")

Net Tuition Revenue

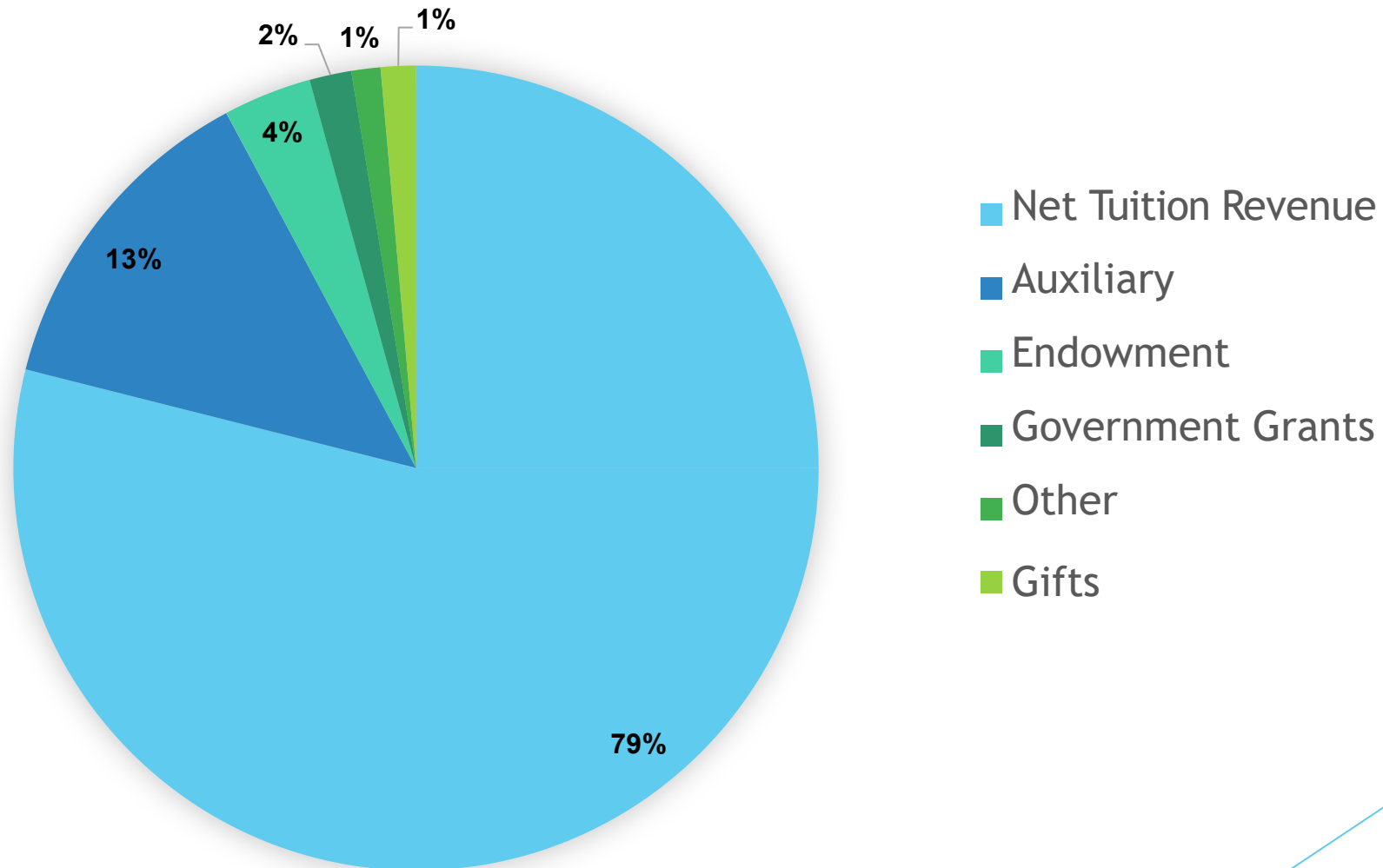


Other Revenue Source

- ☐ Room & Board
- ☐ Other Student Fees
- ☐ State Appropriations
- ☐ Research Grants & Contracts
- ☐ Investment Income
- ☐ Rental Revenue
- ☐ Royalties, Copyright, & Patents
- ☐ Patient Fees (for institutions affiliated with a hospital)

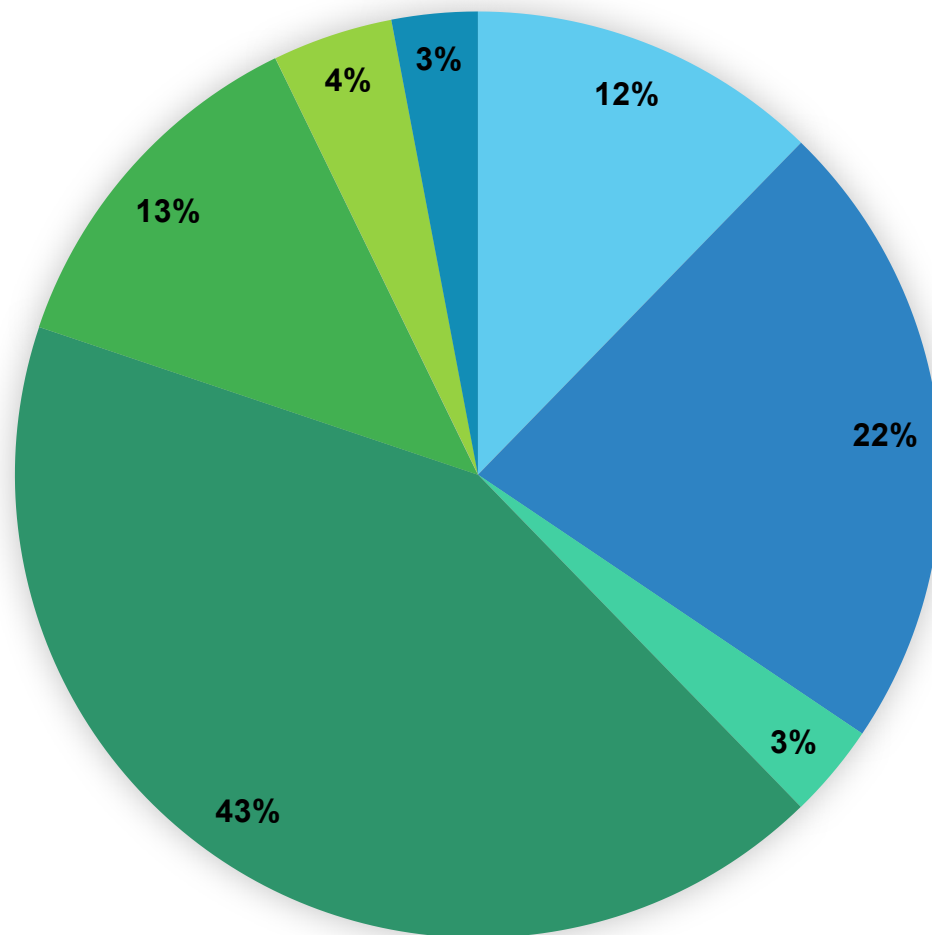
Private Institution

Unrestricted Revenue



Public Institution

Operating Revenue



- Net Tuition Revenue
- Sponsored Programs
- Net sales & services of educational activities
- Net sales & services of hospitals
- Net professional fees
- Net auxiliary enterprises
- Other

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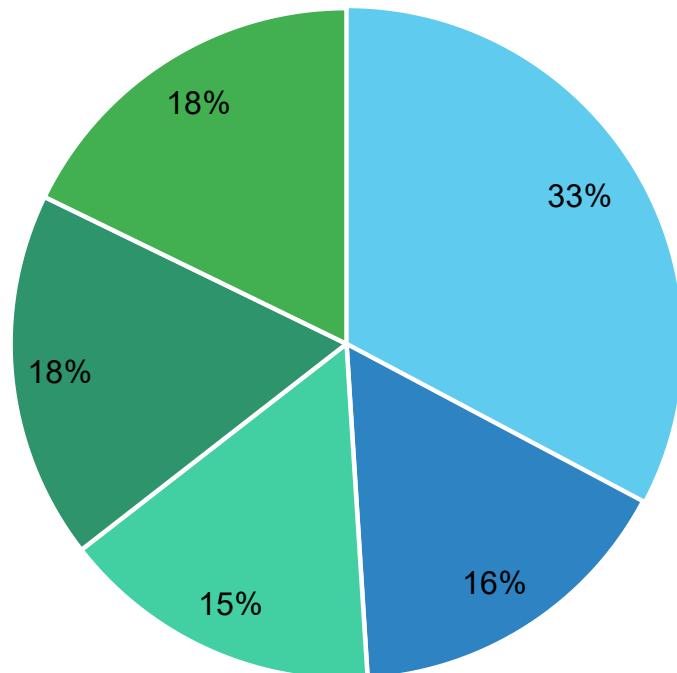
Expenses

Where does all the money go?

Private University Expense by Function & Classification

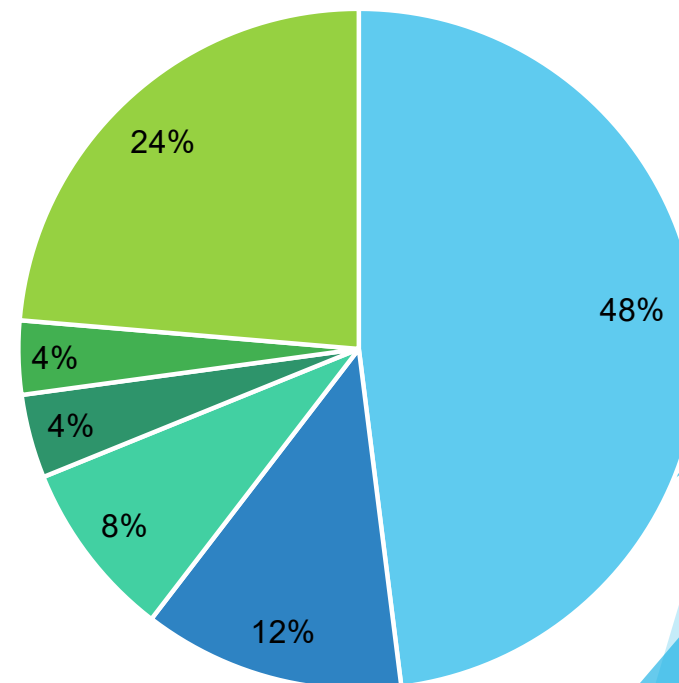
Function

- Instruction
- Student Services
- Auxiliary
- Academic Support
- Institutional



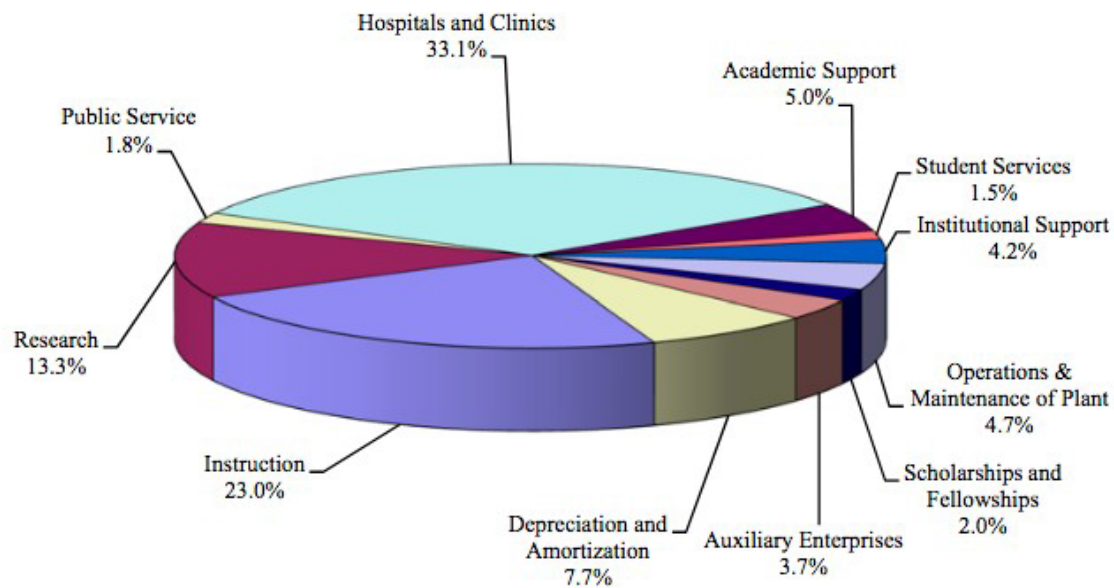
Classification

- Salary and Wages
- Fringe Benefits
- Depreciation
- Auxiliary Dining
- Bond Interest
- Operating Expense

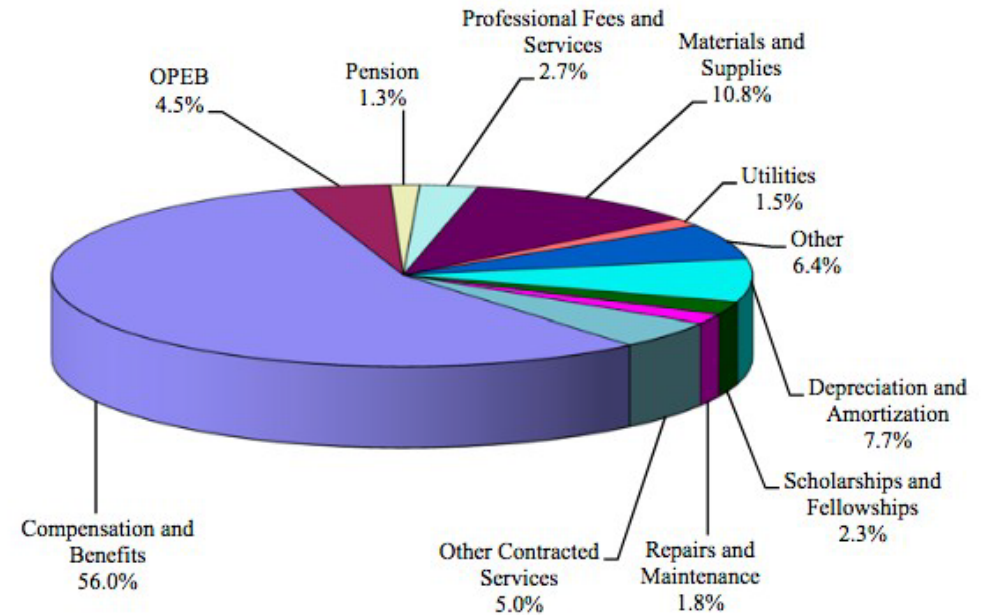


Public University Expense by Function & Classification

Functional Classification of Operating Expenses (\$18.7 billion)



Natural Classification of Operating Expenses (\$18.7 billion)



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Don't forget the mission!

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Questions?