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BUSINESS MANAGEMENT INSTITUTE

Introduction to Higher Education

Callie A. Juarez, Ed.D.
Senior Director for Academic Resources and Planning
California State University, Northridge

AGENDA

- Introductions
- What is Higher Education?
- Types of Institutions
- Governance and Stakeholders
- Higher Education Budgeting Process
- Budget Types
- Budget Creation Cycle

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Learning Objectives

01	Describe the history and evolution of higher education.
02	Identify our stakeholders, governance structures and key business processes.
03	Identify the factors that influence fiscal processes
04	Describe concepts and components of higher education budget process

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What is Higher Education?

What is Higher Education? (Chat GPT definition)

- **Higher education** refers to education that takes place **after completing secondary school (high school)**. It is usually provided by **colleges, universities, and other specialized institutions**.

- **Purpose of Higher Education**
  - Develop advanced knowledge and skills
  - Prepare for specific careers
  - Encourage critical thinking and research
  - Support personal and professional growth

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History of Higher Education

Colonial Colleges

(1600s–1700s)

What was the first college in the United States?

What year?

- Higher education in America began during the colonial period.
  - **1636 – Harvard College** was founded in Massachusetts, the first college in the American colonies.
  - Other early colleges included **Yale (1701), Princeton (1746), Columbia (1754), Brown (1764), Dartmouth (1769),** and others.
  - These schools were mostly founded to **train clergy** and were strongly connected to religious denominations.
  - Education focused on **classical subjects** like Latin, Greek, philosophy, and theology.

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History of Higher Education

Early Republic

(1800-1860)

- After independence:
  - Colleges expanded westward as the country grew.
  - Curriculum slowly shifted toward **science, modern languages, and practical subjects**.

- Who was higher education for at this time?
  - WEALTHY WHITE MEN
- 1st women's college was founded in 1836, Wesleyan College in Macon, Georgia

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History of Higher Education

The Land Grant Movement

(1860s)

- **Morrill Act of 1862**: Gave federal land to states to fund public colleges.
- These institutions focused on **agriculture, engineering, and practical sciences**.
- Helped make higher education more accessible to the middle class.
- Examples: Many large state universities today (e.g., Texas A&M, University of Illinois) began as land-grant institutions.

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History of Higher Education

The second Morrill Act

(1890)

What did this act do?

- Helped establish **Historically Black Colleges and Universities (HBCUs)**.
- Established to provide more opportunities for Black students.
- North Carolina A&T State University, Florida A&M University, Prairie View A&M.

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History of Higher Education

Research Universities

(Late 1800s-Early 1900s)

- Humboldtian Model (German Model)
  - Model founded in Europe in the early 19th century
  - Idea of a research-based university
  - John Hopkins University (1876) became the first major research university in the U.S.
  - Universities became centers of scientific research.

History of Higher Education

U.S. Territories

(1903-1976)

- Shaped by:
  - US federal education policies
  - Military presence
  - Economic development needs
  - Cultural and linguistic diversity

- Role of Higher Education in US territories
  - Preserve indigenous languages and traditions
  - Conduct region-specific environment research
  - Support the local government and education system

History of Higher Education

Expansion After World War II

(1940s-1960s)

- Another major transformation:

What was it?

- **GI Bill (1944)** provided tuition support to returning veterans.
  - And later expanded to dependents
- Millions attended college, greatly increasing enrollment.
- Community colleges expanded.

History of Higher Education

Civil Rights & Inclusion (1960s-1970s)

- Greater access for women and minorities
- Affirmative action policies developed
- Federal financial aid program expanded (Pell Grants)
  - 24/25 $38.6 billion
  - Maximum award $7,395
  - 6.1-7 million students annually

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History of Higher Education

Land-grant Institutions

(1994)

- Extended land-grant status to Tribal Colleges
- Congress recognized Tribal Colleges as land-grant institutions to:
  - Promote educational equity
  - Support tribal self-determination
  - Strengthen agricultural and community development programs in Native communities
  - Address historic underfunding of Native education
- Unlike earlier land-grant institutions, most 1994 institutions did not receive federal land. Instead, they receive federal funding to support programs.

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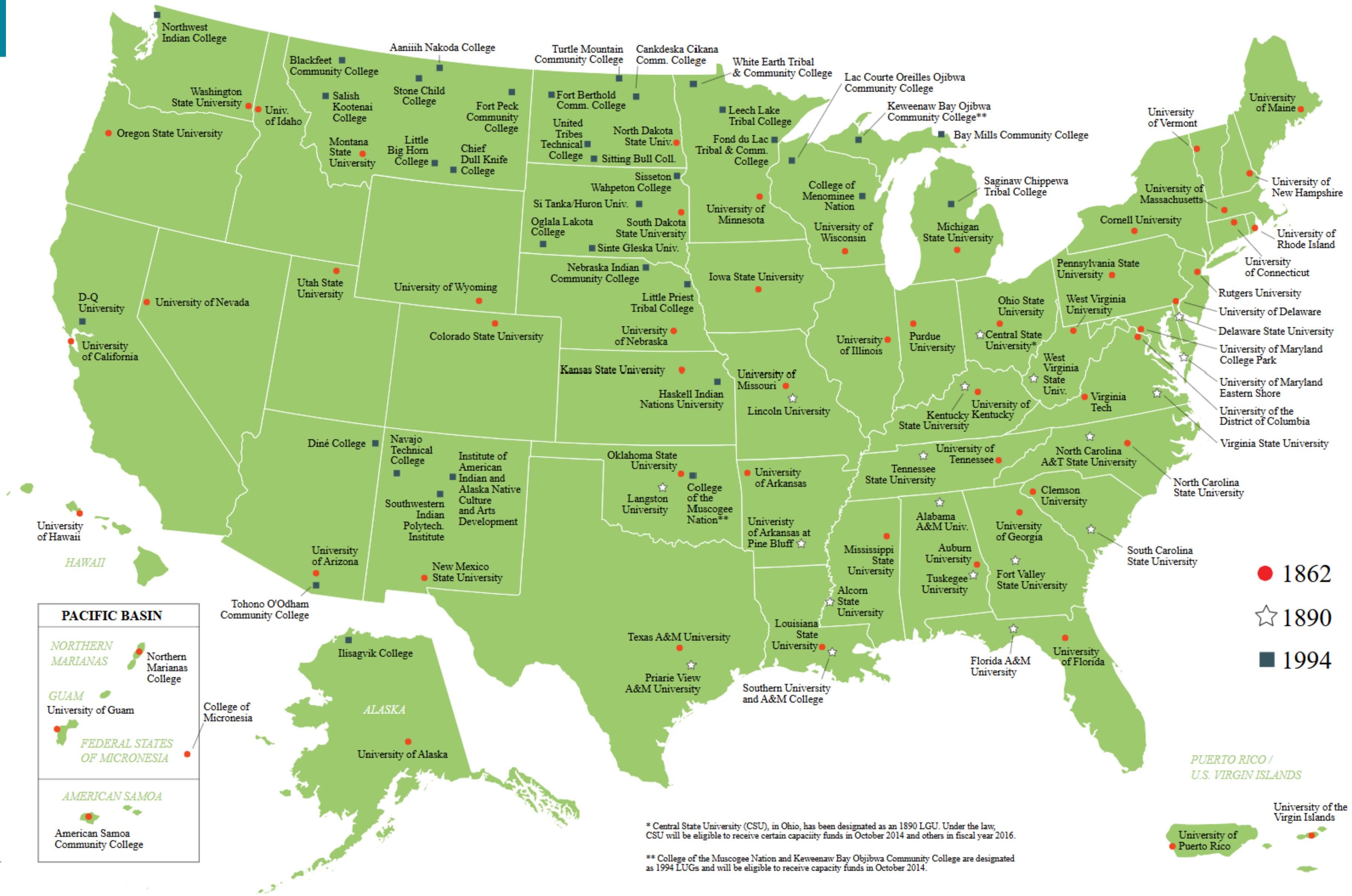
USDA United States Department of Agriculture | National Institute of Food and Agriculture

NIFA LAND-GRANT COLLEGES AND UNIVERSITIES



* Central State University (CSU), in Ohio, has been designated as an 1890 LGU. Under the law, CSU will be eligible to receive certain capacity funds in October 2014 and others in fiscal year 2016.

** College of the Muscogee Nation and Keweenaw Bay Ojibwa Community College are designated as 1994 LUGs and will be eligible to receive capacity funds in October 2014.

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Where is Higher Education now and where is it going?

- Discuss with the table (5 mins)

Types of Institutions

Types of Institutions

Public

- Community Colleges (primarily 2-year colleges)
- Regional Public Universities
- Public Research Universities

Private

- Private – Non-profit
- Liberal Arts Colleges
- Private - For-Profit

Carnegie Classifications of Institutions of Higher Education

Why does this matter:

- Compare similar types of institutions
- Guide research and policy decisions
- Inform grant-making and funding
- Help students and researchers understand institutional missions

Main Classifications

- Doctoral Universities
- Master's Colleges and Universities
- Baccalaureate Colleges
- Associate's Colleges
- Special Focus Institutions
- Tribal Colleges and Other Special Designations

Higher Education Act of 1965

Title III and V

MSI Designations

Eligibility:

- Institutions of higher education accredited by a nationally recognized accrediting agency
- Must have recently submitted data in the Integrated Postsecondary Educational Data System (IPEDS)
- Once designated eligibility institution may be eligible for additional federal aid to support students

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Table 1. Title III and Title V Legislation and Eligibility.

MSI Designation	Department of Education Legislation	Eligibility (Racial)	Eligibility (Income)
Alaska Native Native Hawaiian Serving Institutions	§317(b) of the HEA, 20 U.S.C. §1059d(b)	20% Alaska Native students/10% Native Hawaiian students	
Asian American Native American Pacific Islander Serving Institutions	§§ 320(b) and 371(c)(2) of the HEA, 20 U.S.C. §§1059g(b) and 1067q(c)(2)	10% Asian American and Native American Pacific Islander students	50% low income
Historically Black Colleges & Universities	Part B of the HEA, 20 U.S. Code § 1067q		
Hispanic Serving Institutions	§502 of the HEA, 20 U.S.C. §1101a	25% Hispanic students	50% low income
Native American Non-Tribal Serving Institutions	§§319(b) and 371(c)(8) of the HEA; 20 U.S.C. §§ 1059f(b) and 1067q(c)(8)	10% Native American students	
Predominantly Black Institutions	§§318(b) and 371(c)(9) of the HEA; 20 U.S.C. §§ 1059e(b) and 1067q(c)(9)	40% Black students	50% low income
Tribal Colleges & Universities	§316 of the HEA, 20 U.S.C. §1059c		

Governance and Stakeholders

Stakeholders

- Stakeholders in higher education are individuals or groups who have an interest in, are affected by, or influence colleges and universities.

- Higher education is complex, so it has many stakeholders at different levels.

Who are the stakeholders?

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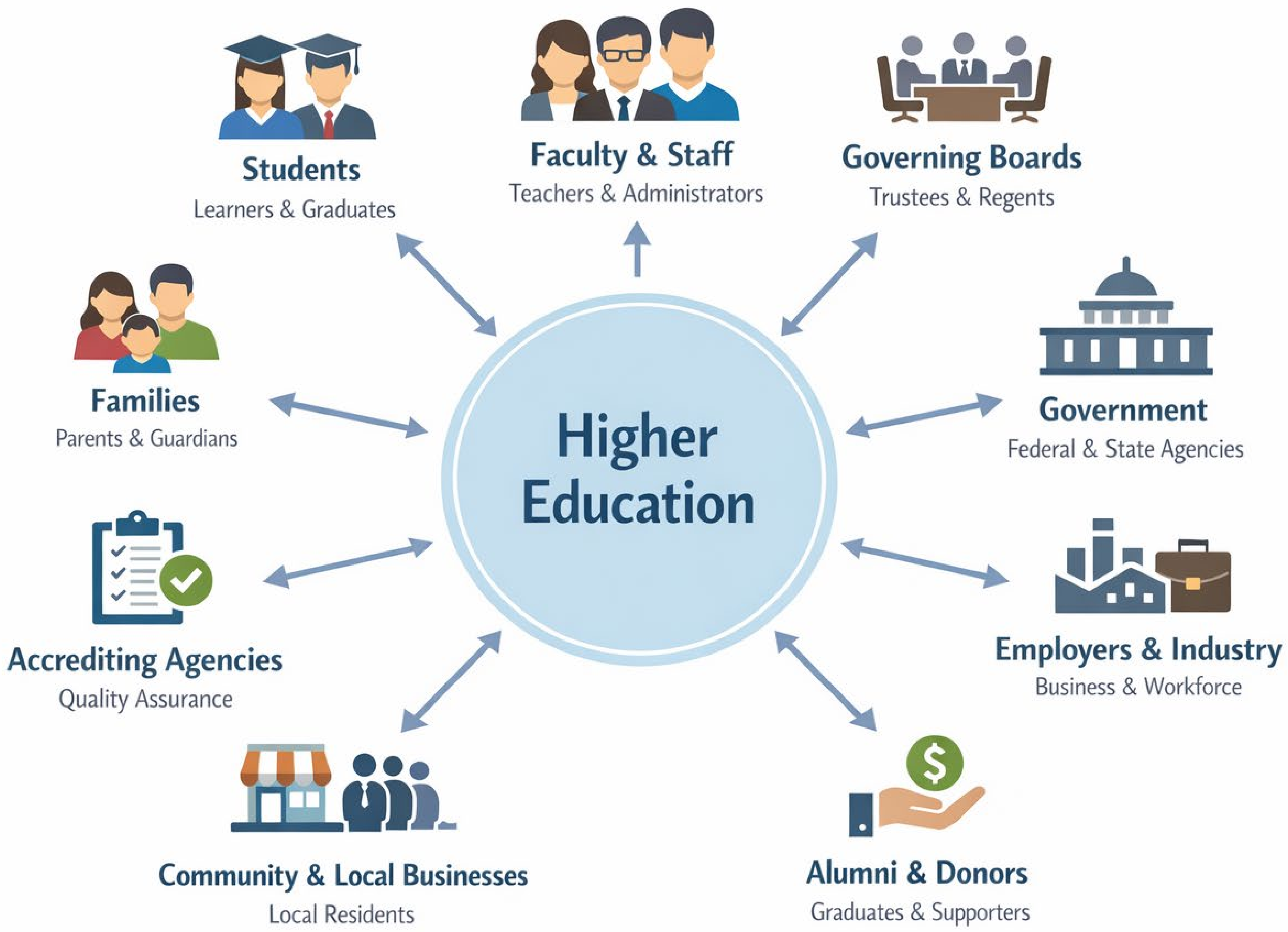
Students
Learners & Graduates
Faculty & Staff
Teachers & Administrators
Governing Boards
Trustees & Regents
Families
Parents & Guardians
Higher Education
Government
Federal & State Agencies
Accrediting Agencies
Quality Assurance
Employers & Industry
Business & Workforce
Community & Local Businesses
Local Residents
Alumni & Donors
Graduates & Supporters

Shared Governance

The **1966 Statement on Government of Colleges and Universities** is a foundational document in higher education governance.

It was jointly created by:

- **AAUP** (American Association of University Professors)
- **ACE** (American Council on Education)
- **AGB** (Association of Governing Boards)

- Its purpose was to clarify who is responsible for what in colleges and universities.


Higher Education Governance
A System of Shared Authority & Oversight
BOARDS
(Oversight)
• Set Policy • Approve Budgets
• Ensure Accountability
Institutional Mission
ADMINISTRATORS
(Management)
• Implement Policies
• Manage Operations
• Strategic Planning
FACULTY
(Academic Authority)
• Curriculum & Standards
• Research & Teaching
• Academic Freedom
Balance • Collaboration • Responsibility

External Governance of Higher Education

Public

- Federal
- State/Territory
- Local
- Court & Legal System

Private

- Accrediting bodies
- Athletic conferences
- Associations
- Unions

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Sources of Authority for Higher Education

PUBLIC INSTITUTIONS

FEDERAL

- U.S. Constitution (1st & 14th Amendments)
- Federal Statutes (Title VI, Title IX, ADA)
- Federal Regulations tied to funding (e.g. Financial Aid)

STATE

- State Constitution & State Legislation
- State Administrative & Agency Law
- State Budget Appropriations

INSTITUTIONAL & OTHER

- State Charter Documents
- State Board of Higher Education

ACCREDITATION

Court Rulings on Affirmative Action, First Amendment Rights, Student Rights, etc.

PRIVATE INSTITUTIONS

FEDERAL

- Federal Statutes (Title VI, Title IX, ADA)
- Federal Regulations tied to funding (e.g. Financial Aid)
- IRS Regulations (501(c)(3) for Nonprofits

STATE

- Corporate Law (State Statutes & Case Law)
- Articles of Incorporation
- State Trust & Agency Law

INSTITUTIONAL & OTHER

- Institutional Charter Documents
- Board of Trustees Bylaws & Policies

ACCREDITATION

Court Rulings on Contracts, Employment Law, etc.

Higher Education Budgeting Process

Question

When you hear the word "Budget" what does it mean to you?

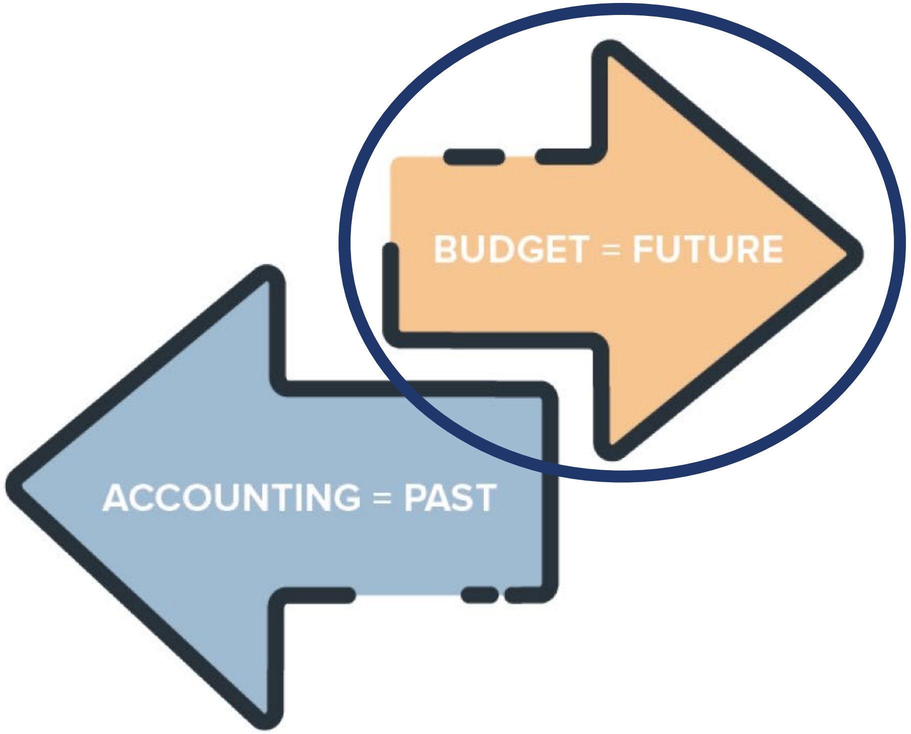
Definitions

- *Merriam Webster*
  - **a:** a statement of the financial position of an administration for a **definite period of time based** on estimates of **expenditures** during the period
  - **b: a plan** for the coordination of resources and expenditures
  - **c:** the amount of money that is available for, required for, or assigned to a particular purpose
- *Google*
  - an estimate of income and expenditure for a **set period of time**.


PLAN
70%
10%
20%
30%
25%
45%
45
50%
25%
15%
70%
100%
02
04
06
12

FINANCE

- Recording
- Reporting
- Analysis
- Audits



- Information Gathering
- Modeling
- Discussions
- Decisions
- Evaluation

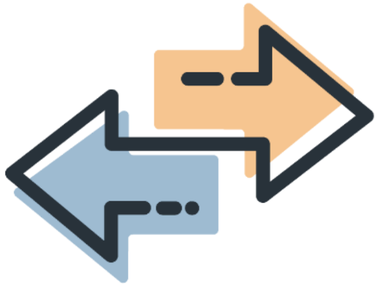
RESOURCE FLOW

Budgeting **Begins** with a Plan:

MISSION / VISION

Strategic Plan

Operational Plan



Resource Plan (Budget)

OUTCOMES

What is the purpose of a budget?

- A **forecast** of planned revenues, spending, and savings
- A tool for **allocation** of current and anticipated financial resources
- The financial component of a **strategic plan**
- A method of **communication**
- A means to promote **good management**
- A reflection of the **organizational values**
  - What does your institution's budget say about its values?

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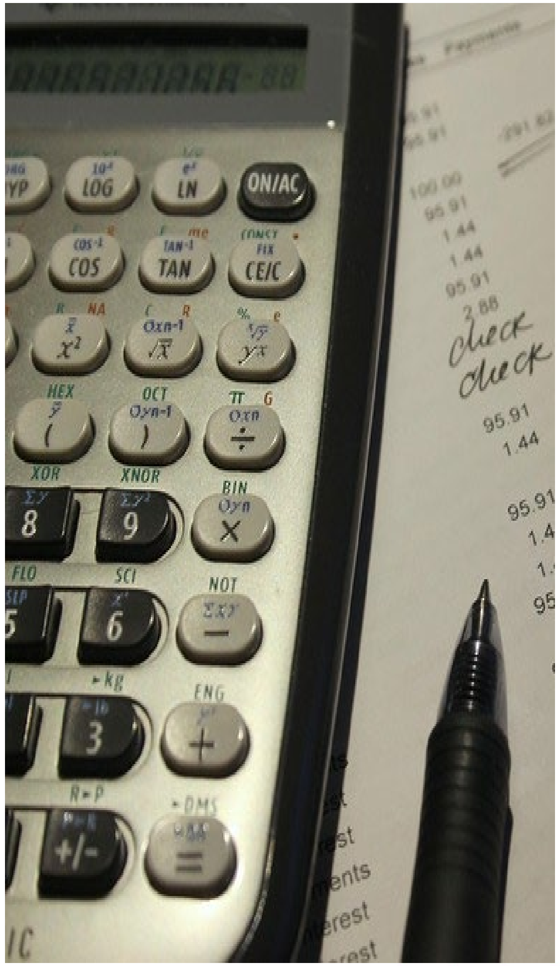
Budget Types

Operating Budget

- Supports day-to-day operations of the university
- Includes salaries, benefits, supplies, services, and utilities
- Funded through tuition, state allocations, and other recurring revenue
- Typically planned and managed annually
- Reflects the cost of delivering the institution's core mission



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Capital Budget

- Covers long-term investments in buildings, infrastructure, and major equipment
- Projects typically exceed a set dollar threshold and have multi-year lifespans
- Funded through state appropriations, bonds, or capital reserves
- Separate from the operating budget
- Supports growth, modernization, and safety compliance

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Special Projects Budget

- Used for one-time or short-term initiatives outside the regular budget
- Often supports pilot programs, strategic priorities, or grant match requirements
- Typically time-bound with defined start and end dates
- Funded through central reserves, grants, or special allocations
- Allows flexibility to address emerging needs or opportunities

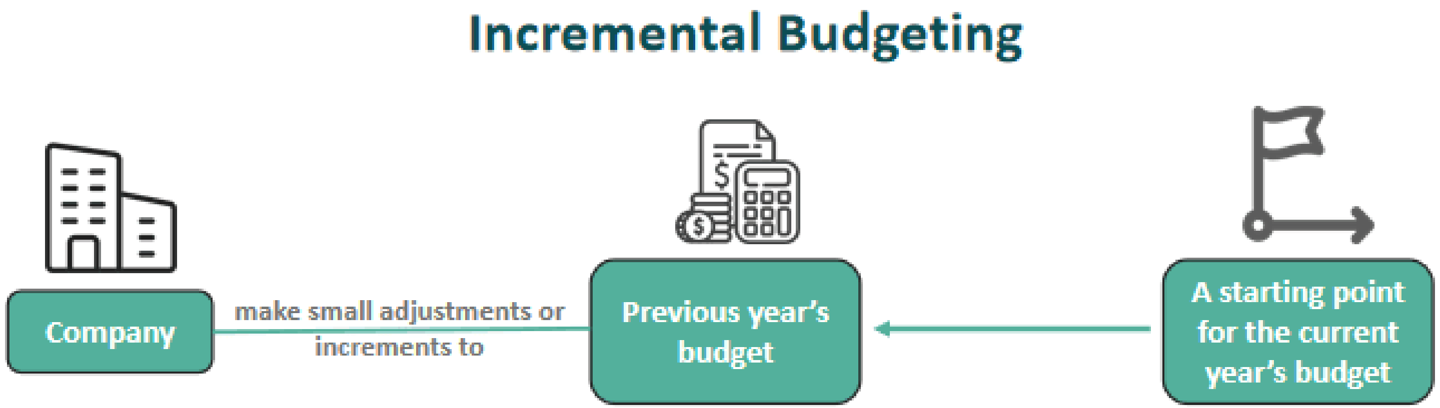
Budget Models in Higher Education

Higher Education Budget Models

- Incremental
- Responsibility Center
- Activity Based
- Initiative
- Zero Based
- Formula Based

Incremental Budgeting – Typically adjusted by a percentage

- Funds are added to (or subtracted from) the **previous year's** budget
- Base budgets are not revisited
- **Maintains** the status quo
- **Easy** to administer
- Assumes goals and objectives of the institution **do not change** – not linked to plan or priorities



Responsibility Center (RCM)- budgeting allocates revenue

- Academic units are **responsible** for managing their own revenue and expenses
- Units are **incentivized** to increase revenue and control expenses
- A portion of the costs for central services and administration is **allocated** to the individual academic units
- The model makes it clear where funds are coming from and how they are being used

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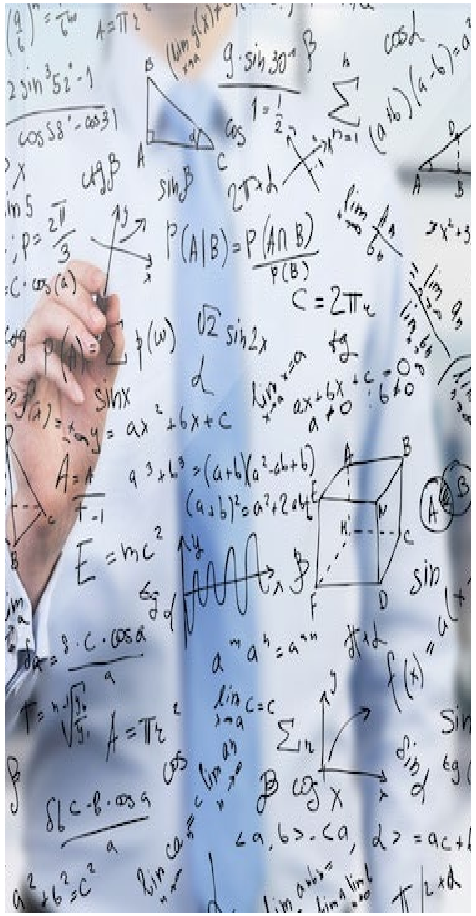
Zero-Based Budgets are built from scratch every year

- Most **centralized** model
- Each area must **justify** from zero all of its proposed expenditures
  - Identifies activities and determines total costs
- Hampers long-term planning
- Can result in full-scale hearings on reviewing areas/programs

Formula-Based Budgeting

- Allocate budget according to selected metrics
    - Example of standard input metrics:
        - Full-time equivalent students (FTES)
        - Student credit hours
    - Not suitable for some units; i.e., central administration seldom have quantifiable activities



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Activity-based budgets focus on the cost of a desired outcome

- **Allocates** funds to perform specific **desired outcomes,** like teaching a course
- Requires **detailed data** for in-depth cost analysis
- The **overall cost** of a department, and expense categories, is less important
- Intended to **drive** specific accomplishments

Initiative-based budgets allocated for a special purpose

- Funds are allocated for specific new **projects and activities**
- Often follows **strategic planning** and a competitive **proposal** process
- Generally involves **one-time funds** rather than ongoing
- Has a **follow-up assessment** process to ensure effectiveness

Higher Education Budget Models

- Incremental
- Responsibility Center
- Activity Based
- Initiative
- Zero Based
- Formula Based

Questions

5-7 mins

- Describe your campus budget model
- What **strengths and weaknesses** does your budget model have?
- How much do people on campus **understand** your budget model?
- How transparent is it?

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Example: CSU, Northridge

- Key Principles
  - Decentralized budget model
  - VPs, AVPs, and Deans have financial responsibility
  - Strategic priorities – Road Map to the Future (when possible)

How it works

- Budget model depends on funds
- College provided FTES goal and annual budget
- 90-98% salaries in the colleges
- Department allocations set by college/area

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Budget Creation Cycle

What influences budget?

- Mission and Vision
- Strategic Plan and Goals
- Organization Type and Activity
- Governance Structures: Internal/External
- Context: History, Drivers, Degrees of Freedom
- Stakeholders
- Leadership

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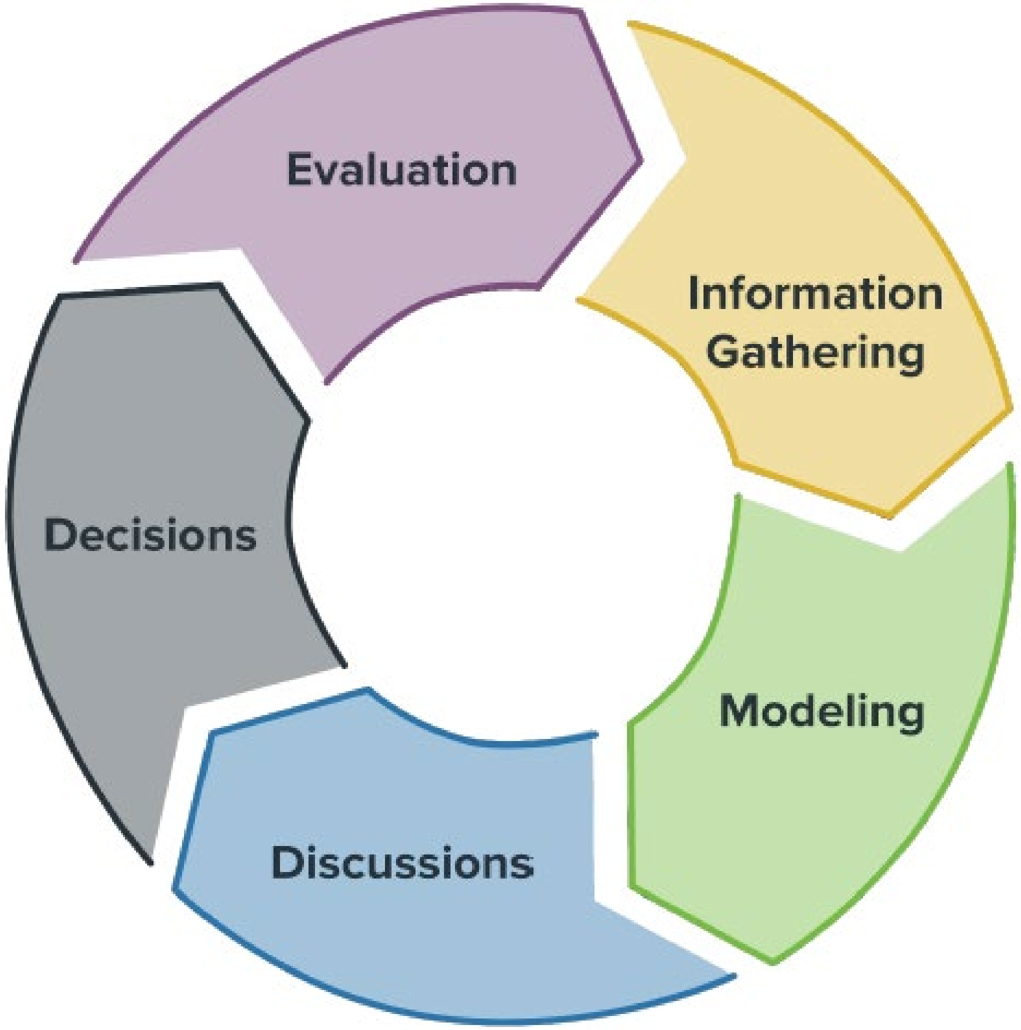
Budget Creation Cycle



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Budget Creation Cycle

Information Gathering

- What is our enrollment?
- What is the state likely to fund?
- What costs may change?
- What are our priorities or challenges for the year?
- What are appropriate assumptions for key financial drivers?

Modeling

- Estimate revenue: tuition, state
- Estimate costs: salary & benefits, capital, determine level of other investments
- Review reserve balances determine the level of flexibility
- Develop “what-if” scenarios
- Develop Sources & Uses (Proforma Budget)

Budget Creation Cycle

Discussion

- Share estimated financial outlook with key decision makers and stakeholders: Chancellor, Provost, Academic Senate, Budget Committee
  - Deans, Vice Chancellors, other unit leaders
  - Confirm priorities, strategies, comfort with level of risk and flexibility in plan

Decisions

- Identify key decision points for leaders: fixed cost allocations, level of investments/ reductions, adjustments to formulas
- Leaders ask questions, request more analysis or information, and ultimately decide to approve a plan.
- Communicate budget framework to campus community: kicks off a process of more detailed budget development and evaluation in units.

Budget Creation Cycle

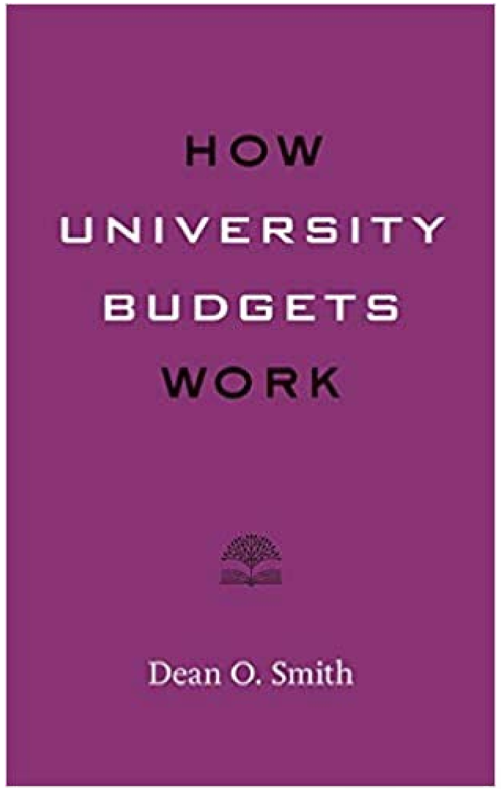
Evaluate

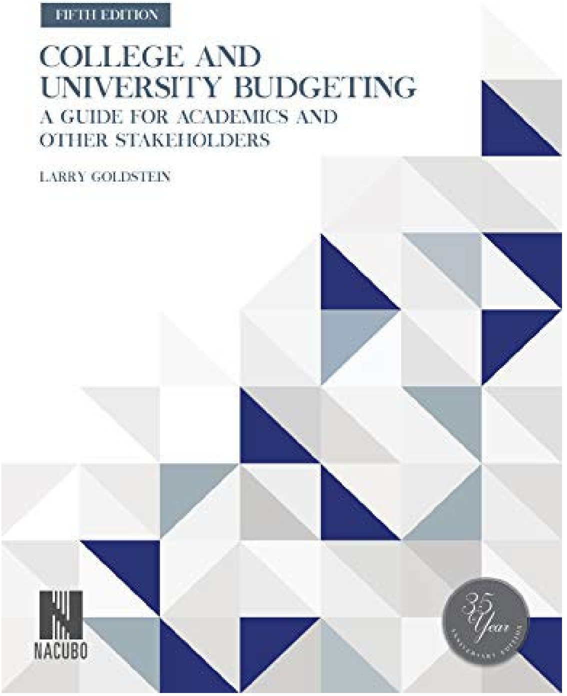
- Have there been significant external/internal changes that affect out plan?
- Are the assumptions holding?
- Are we achieving the outcomes desired?
  - Metrics
  - Response from campus

Question

- What is the most valuable thing you learned today that you can use in your daily work life?

Further Reading





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Want to connect!

Email me: Callie.juarez@csun.edu