

# Operational Budgeting

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## Budgeting Participants

- President
- Executive Officers
- Institutional Research
- Chief Budget Officer
- Governing Board
- Faculty Budget Council
- Students

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## Budget Process

- Internal Review
- Estimate Revenue
- “Needs” Budget
- Alternatives
- Guidelines
- Salary Determination
- Redistributions/Reductions
- Implementation

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## OPERATIONALIZE THE BUDGET

- Revenue
  - Identify major revenue source
  - Sensitivity/Volatility
    - \*\*Tuition -- Credit Hours/Refunds
    - \*\*State Funds – Formulas/%Increase
    - \*\*Endowment – Spending Rate
    - \*\*Internal Sources
    - \*\*Auxiliary Enterprises

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- Broad Expenditure Categories

- Educational & General
- Auxiliaries

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- Budget Based On:

- Strategic Plan
- Priorities

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## Salary Program

- Comparison Groups
- Faculty/Staff Differential
- Market Differential
- Merit vs/ Across the Board
- Vacant Positions
- Annualize Partial Year Funding

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## Other Expenditures

- Employee Benefits
  - Allocate to Departments
  - Centralize
- Utilities

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## RESERVES

- Year End Carryforwards
- Size of Reserves
- Reserves vs/ Fund Balance

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## REALLOCATION REDUCTIONS

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## NEW FINANCIAL REALITY

How Do We Define?

Less Funding

Competition

Perceived Value of Our Product

Can We/Should We Do Things  
Fundamentally Differently?

Presumption: Do Things Differently To  
Reduce Cost

Important To Understand Cost Drivers

Continue To Become More Efficient  
Administratively

Cost Driven By Faculty In Front of Students  
(or not in front of students)

What Is Competition Doing?

For Profit Entities

Productivity

Work Load

Salaries

## What Do We Teach?

Mission (many statements look similar)

What Disciplines/Departments

Do We Need All The Disciplines

## Combine/Eliminate Departments

Eliminate Direct Cost

Presumes Students Will Take Same

Number of Credit Hours

Thus Same Revenue/Less Cost

## Relationship Between Elements of Revenue

State Funding

Tuition

Direct Costs/Direct Revenues

Cross-Subsidy



## Program Combinations/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

## CHANGE BUSINESS MODEL

- Understand Cost Drivers
- Be Willing To Make Bold Changes

## Improve Efficiency/Prioritize

- Graduate Programs
  - Increase Class Size
  - Eliminate Low Enrollment Classes  
Not Required To Master Discipline
  - Redirect Faculty

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## RESEARCH

### Research

Support Economic Development

Externally Funded - Applied/Basic

Other – To Advance Knowledge In Discipline

### Work Load/Productivity

Released Time

Administrative Task/Titled Positions/Dep't Chair

Increase Teaching Load

Accreditation Limitations Of Teaching Loads

- Research
  - Externally Funded
  - Capture Indirect Cost To Offset Real Operating Cost
  - Do Not “Share” With Dep’ts
  - Otherwise Cost Covered By Tuition/State

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- Research
  - Internally Funded
  - Dep’t Research (Released Time)
  - Tuition or State Paying
  - Must Be Part of Mission
  - How Long Will Students/State Pay

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## Traditional Academic Workload

- Teaching/Research/Service
  - Is Each Faculty A “Triple Threat”?
  - Redefine Effort To Gain Efficiencies
    - Content Developers/Delivery Methods  
Designers/Teachers

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## Change Pricing Model

- Eliminate Cross Subsidies
- Compute Cost By Degree/Discipline
- Differential Tuition
- Cost Drive Price
- Does Price Derive Value/Earning For Graduates

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## Change Time To Degree

- Three Year Programs
- High School Direct To Professional Degree

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What Should Degree Cost?

Has Anyone Evolved “Right” Model?

Howard Bowen (1980)

- Revenue Theory Of Expenditures
- Get All We Can/Spend All We Get
- Does More Spending Result In Better Outcomes?

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## BUDGET REDUCTIONS

### Immediate Actions

FREEZE - Hiring/Travel/Equipment Purchases

Across-the-Board vs/ Differential

Percent or Fixed Dollar Amount

Delegate to VPs/Deans/Directors to Manage

Within Final Budget Target

Reduced Maintenance Adds to Deferred  
Maintenance

Assess Energy Saving Initiatives

## PERSONNEL COST REDUCTIONS

Retirement/Layoff/Salary  
Reduction/Furlough/Benefits

### Retirements

Phased Retirement

Early Retirement Incentive

### Layoffs

Staff vs/ Faculty

Performance vs/ Seniority (Bargaining Units)

## PERSONNEL COST REDUCTIONS

### Salary Reductions

Temporary vs/ Permanent

Decremental Across-the-Board vs/ Merit

Protect Lowest Paid

### Furloughs

Temporary By Definition -- Pushes Cuts  
Forward

How Flexible -- Close School/Employee Option

Contracts -- 9/10 vs/ 12 Month Contracts

Protect Lowest Paid

## PERSONNEL COST REDUCTIONS

### Retirement Benefits

Temporary vs/ Permanent

Potential Contract and Legal Issues

Reduce Contributions

No Current Out-of-Pocket Reductions

Voluntary Contribution Options

## REVENUE ENHANCEMENTS

### Enrollment Increases

- Incremental Revenue
- Added Incremental Cost
- Marketing/Recruiting Cost
- Capacity Issues

### Retention

## REVENUE ENHANCEMENTS

### Tuition

- Guarantee/Fix For Period
- Differential
  - Cost Or Market Based
  - Earmarking

### Fees

- Cost Based
- Earmarked

### Discounting

- Adjust Financial Aid



## REVENUE ENHANCEMENT

### Private Support

Current Operations

Endowment

Growth

Returns

## REVENUE ENHANCEMENTS

### Outsourcing

Reduce Cost for Educational Operations

Revenue From Auxiliary Operations

Culture Changes

## COMMUNICATIONS

Campus – Wide Meetings  
Solicit All Savings Ideas – Big or Small  
Explain Difference Between Capital vs/  
Operating Budgets  
Expand/Create Committees  
Board  
Faculty/Staff/Students/Deans  
Engage Outside Consultants

## Budgeting Techniques

- Formula
- Zero Based
- Program
- Incremental
- Performance
- Peer
- Quota
- Open-ended
- Alternative Level

