

The One-Time Budget Fix ¹

Janice Newface plopped the Academic Affairs Committee recommendation on the growing stack of “Urgent Number One Priority” projects. As the budget year drew to its usual fitful close, the VPAA wondered how many department chairs and deans were furiously spending money on copier paper and travel reimbursements just so that they would not lose it. What kind of management decision making do we reinforce around this place, she wondered? Where was she going to find the 2.4 million of “one time” money it would take to do all the things that the Academic Affairs Committee sought: three new computer teaching labs, network upgrades, a distance learning studio-classroom, a new e-mail system with remote access capability, and the rest. And this along with the request from the dean of Enrollment Management for a new student information software package and related training for the staff in Admissions, Records, and Financial Aid. Another 1.5 million, minimum.

The President will have a fit, thought Janice. Hadn’t he just spent three years achieving what he euphemistically described to the Board a “full cost budget.” Janice and the VP for Finance had racked their brains trying to figure out how to budget capital projects in the classroom buildings, residence halls, and physical plant that had been too long on the disabilities upgrades and deferred maintenance lists. There was no more elasticity in the budget. And now millions more for IT upgrades!

Janice sighed and turned to her in-basket. Sometimes it’s better just to put a problem aside for a short while and come back to it later. But the next memo in the in-basket did little to distract her from her one-time budget woes for it was an impassioned plea from her associate vice-president for seven staff positions, two for the beleaguered IR office to facilitate outcomes assessment in preparation for the accreditation visit only a couple of years off, and five for IT which was overwhelmed with requests for everything from technical assistance to repairs, software installation, and training for faculty on the latest uses of technology in instruction. The associate vice-president’s memo made it clear that these seven staff lines were not one-time costs. With benefits the lines would come to something like \$500,000, if anyone with the right skills could be found to take these jobs at the pay the college offered.

Questions:

1. Some projects cannot be half-done. For example, either the software upgrade for Enrollment Management is approved or not. What are the opportunities, risks, benefits, and challenges associated with simply not doing some or all of the things requested.

2. Assume that Janice is VPAA at a private college with current enrollment of 5000 students. Assume that, given the financial aid costs and tuition discounts, that the average net revenue from enrollments comes to \$12,000 per student. On what basis would Janice decide on the relative priority and scope of these five ways of finding the needed funding: tuition increases, enrollment increases, further cost reductions, seeking grants and gifts, deferring some or all of the various one-time and on-going requests?

¹All characters, situations, and stories described here are fictional. No reference to actual persons, events, or institutions is intended or assumed. Drs. Peter and Noreen Facione developed and refined these hypothetical cases based on the experiences gained through their many decades of service as faculty, administrators, workshop presenters, and leadership consultants to colleges and universities throughout the nation.

The college has a budget committee to advise the President. Janice, a member of the committee brings recommendations for consideration as do the other vice-presidents. The committee includes two student representatives, five faculty members elected by the Senate, a staff representative and the four vice-presidents. Along with the needs for technological equipment, software, and support, the VPAA is worrying with requests for new faculty and academic staff positions, an increase in the library acquisition budget, funding for merit scholarships, and increases in departmental equipment and operating budgets to support faculty and student research. The VP for Finance has determined that to do these things, and cover the projected increase in salaries and benefits costs, would require a “one-time” tuition increase of 11.5%. The President, at the urging of the Board and a number of influential long time faculty and alumni, has proclaimed that to preserve the unique and very special character of the college, there will be no increases in undergraduate enrollments in the foreseeable future.

3. Assuming a tuition increase of 11.5% across the board for all students is not in the realm of possibility, are there any strategies generating the needed revenues given the apparent constraints? Apart from shaving down some of the requests here and there, are there any more dramatic and effective ways of reducing projected costs?

The next memo in Janice’s in-basket is an advertisement. How it got past her assistant is a mystery, since Janice has given clear instructions that she does not have the time to waste reading junk mail. But this one looks interesting. A new, for-profit company is offering her college the opportunity to buy or to provide fully accredited college instruction. The company says it can provide the entire range of general education courses, including calculus, general chemistry, economics, basic accounting, introductory computer science, western civilization, world religions, introductory sociology, and the rest. There is a subscription fee and a per-student site license cost. But the savings to the faculty personnel budget far exceed those costs. Even if we had to provide a proctor or someone to answer questions and grade papers, this would be nothing as compared to what we could save, thought Janice. The company’s courses appear to be exceptionally high-quality instructional experiences. The instructors are derived from the nation’s leading teachers and scholars. The media-integration, the pedagogy, and the instructional assignments have been prepared by experts. There simply is no way that Janice could hope to duplicate for the students at her college either the quality of the faculty nor the sophistication of the presentation found in these courses. But, if she has a star or two on the faculty, the company would be interested in knowing about those people, for it is always looking to expand its range of course offerings.

4. Given unexpected retirements and resignations, the dean of business has requested three new faculty lines, two in accounting and one in economics. With salaries and benefits in the business school as high as they are, the dean estimates the price tag for the three positions to be at least \$350,000 per year. Janice sees that the cost of buying all the needed seats through the economics and accounting courses offered by for profit company will be no more than \$40,000, plus a maximum of another \$70,000 for lecturers or part time faculty to serve as graders and tutors as needed. At what point does the VPAA decide that its time for her college to reconsider its mode of delivering instruction and subscribe to the services offered by this for-profit company?