Budgeting at Alpha University: A Case Study

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The current economic climate has lead to increased competition for state, Federal and University resources. “As a result of a 2% cut in support per student from state appropriations, increases in the costs of employee benefits and utilities, and an agreement to settle a legal claim, Alpha University faces a projected deficit of $7 million for the next fiscal year” (Barr & McCellan, 2011, p. 187). Appendix A outlines the expected increases and proposed new investments. In response to this anticipated budgeting shortfall Dr. Gretchen Ripley, President of Alpha University, charged the Budgeting Task Force with compiling recommendations regarding both budget cuts and new investments for the coming year. Our Task Force, which has representation from all campus departments, has not taken our charge lightly. We’ve engaged in difficult conversations and thoughtful deliberation. As individuals and as a Task Force we are committed to the ongoing success of Alpha University (AU).

This memo is our first report and provides an overview of our process. The Task Force has been guided by the following questions:

1. What criteria will we used in setting priorities?
2. What political and/or internal campus dynamics exist that may influence decisions?
3. What mandates exist that must be funded?
4. What adjustments would we like to make in the requests?
5. How would you prioritize the revised requests?
6. What strategies can we employ to find the funds to meet AU’s needs and aspirations?

(adapted from Barr & McCellan, 2011, pp. 189-190)
Using these questions as a framework, this memo seeks to lay the foundation for our budget recommendations.

**What criteria will we used in setting priorities?**

The Task Force has repeatedly reflected upon Alpha’s mission statement and core values.

**Alpha University Mission Statement:**

At Alpha University, we are a community committed to the pursuit of knowledge, wisdom, discovery, and creativity. We provide student-centered education and foster personal and intellectual growth to prepare students for productive careers and meaningful lives as lifelong learners and global citizens.

**Alpha University Core Values:**

To achieve our mission, we adhere to the core values of integrity, respect, compassion, inclusiveness, social responsibility, excellence and innovation.

We believe that budgeting decisions are a way to put our values into action. Our mission statement and core values serve as a litmus test for prioritizing our budgeting decisions. For example, our commitment to ‘student-centered’ education as lead us to continually ask ourselves how each potential budget cut or new investment will directly or indirectly impact our students.

Our mission centric budget philosophy is reflected in the Task Force’s decision to determine budget cuts through targeted reductions. “The strategy of targeted reductions rests on the premise that some activities are central to the institutional purposes whereas others are desirable but less necessary” (Bar & McCellan, p.172).

**What political and/or internal campus dynamics exist that may influence decisions?**

This question led the Task Force to ask who the key constituents are when it comes to the budget. We identified the following top four constituent groups; (a) students; (b) the state; (c) employees
(staff and faculty); and (d) donors. Alpha University is a midsized public institution with a small yet highly successful research program. The funding support we receive from the state varies from year to year. Tuition revenue is retained by the University to be used at the local level. We have a modest endowment but rely heavily on mandatory fees for our student services (Barr & McCellan, p.23). Each of the aforementioned factors has an impact on the political climate on campus. There is growing conflict between investments for research and investments for teaching. Further unreliable state funding has placed added pressure on enrollment growth in order to increase tuition dollars.

President Ripley’s careful attention to appoint Task Force members from each department as afforded us deeper understanding of campus dynamics. Unfortunately we are all too familiar with the political climate at AU and our fellow state-funded institutions. The state mandated furlough days, instituted in 2009, for hourly staff caused a deep rift between our classified and unclassified employees. “Dealing with a budget reduction in very challenging in a college or university because the budget is driven primarily by personnel costs” (Barr & McCellan, p.164). Due to the current climate we must be cautious regarding new hires and all personnel costs.

Our Task Force has charged each committee member with conducting a focus group within their department. We believe, as do Barr and McCellan (2011) that “There are usually a lot of good ideas within any budget unit, and finding a new way to harness those ideas to develop a coherent plan for the unit is invaluable” (p. 175).

**What mandates exist that must be funded?** (See Appendix A)

The purpose of this Task Force is to address specific budget issues as identified by the President. The issues we’ve focused on have been primarily increases to current budget lines, requests for new investments and capital improvement projects. From our review we’ve identified the
following three mandates at budget increases that must be funded: (a) increased health insurance costs; (b) our Title IX agreement; and (c) natural gas fees. AU issues two-year contracts for non-tenured salaried employees and one-year contracts for our hourly staff. The University is obligated to honor our current health insurance contributions for those whose contracts do not expire this year. Due to the existence of two year contracts and our obligation to pay at the current rate for some, we recommend that the university continue to pay into employee health care coverage at the same rate for all employees. We recommend that the university continue to be sensitive around decisions that may impact classified and unclassified staff differently. We recently settled with the Office of Civil Rights (ORC) in response to a Title IX complaint. Our agreement with the OCR requires our follow through on a financial commitment to increase support of intercollegiate women’s athletics. This mandate is required. The third mandate that the Task Force believes must be funded is the increased costs to cover the campus use of natural gas. The cost of natural gas is rising. Failing to adjust our budget now will leave us unprepared to cover our natural gas needs for the duration of the year. Based on predictions, this anticipated cost increase is inevitable even if our usage stays the same as last year. “Being overly optimistic does not serve the institution of the student when fiscal issues are at stake” (Barr & McCellan, p. 170).

What adjustments would we like to make in the requests?

The budgeting committee has received budget increase requests totaling more that $14 million for the coming fiscal year. In 2009 we saw a similar surge in budget increase requests. That year AU had an increased revenue of $10 million yet we were still unable to meet all budget increase needs (Barr & McCellan, p. 23). Learning from our budget experiences in more plentiful times we are aware that many budget increases will be denied or not full funded this
year. It is our hope that creative problem solving to address department needs will occur at the department level focus groups mentioned above.

We’ve reviewed the specific issues outlined by President Ripley and have sent the following budget requests back to their departments for revision – our questions are posed in italics.

**Academic Affairs**
- Requests have been received for the next academic year for additional faculty positions to cover increased demand for required core courses. There has been an increase in student complaints regarding their inability to get into needed core courses in a timely manner and inquiries have come from parents and legislators. If fully funded the estimated cost would be $750,000.
- Establishment of a freshman seminar program for all entering first-year students regardless of major (estimated cost: $825,000).

*What possibilities exist to partner with area community colleges to meet the need for high demand courses? How would the cost differ if we used instructors vs. faculty? Can we increase capacity in current high demand courses without compromising quality? Would the creation of a new freshman seminar alleviate pressure for student to get into high need courses?*

**Business Affairs**
- A postal rate hike has resulted in an increase in the total institutional base budget for postage (estimated cost: $27,000).

*How would a campus commitment to electronic vs. paper communication impact this anticipated increase? Could charging additional fees to departments for mailing help meet this increase? Would outsourcing through the use of a direct mail firm be cheaper?*

**New Programming**
- The establishment of a center to improve writing for students at both the undergraduate and graduate levels estimated cost for reconstruction of space and hiring of staff: ($1.7 million).
- Addition of a new master’s degree program in integrated management (estimated cost: $1 million, estimated to pay for itself in six years).
- Establishment of a freshman seminar program for all entering first-year students regardless of major (estimated cost: $825,000).
- Development of a child care support program for faculty, staff, and students (estimated cost: $750,000).
- Development of a strong alumni network for career planning (estimated cost: $100,000).

*At a time when the University is struggling to keep our current programs up to par it is difficult to fund new initiatives. Please provide additional data regarding the intent and goals of your new program. What will be the immediate results of your program? How will your potential program goals be impacted if funding is delayed 1-2 years? We’ve included a list of other new*
programming initiatives that are on the docket in the hope opportunities for collaboration may be developed.

This is our first round of review additional requests may be sent back to departments.

Likelihood for funding should not be inferred based on a request for revisions.

Further the Task Force will be recommending a halt on capital improvement projects for the first six months of the fiscal year.

**How would you prioritize the revised requests?**

Two of our Task Force committee members are working on a rubric that can be used as a guide for evaluating budget requests for both increases and new investments. As a mission centric school the rubric will be used to assess how inline a request it with our mission and core values. In conjunction with the rubric the Task Force will consider the percentage a department budget will be increased by if the request is approved. During this fiscal year we recommend that no department budget will receive more than a 7% increase. The Task Force understands some revisions will take longer than others and will assign a revision due date. No revisions will be accepted after that date and no funding decisions will be made until all revisions have been reviewed.

**What strategies can we employ to find the funds to meet AU’s needs and aspirations?**

Several strategies have been mentioned including a targeted reductions approach and a freeze on capital improvement and construction project for the first six months. The Task Force believes it is crucial that the University begin exploring new revenue sources. While we recommend that new revenue sources be sought increasing the already higher than average student fees should avoided.
This memo has provided an overview of the early phases of the work of the Budget Task Force. We the members of the committee are dedicated to the financial stability of Alpha. As we move into our decisions and recommendations phase we understand that the budget impact the entirety of the campus community. President Ripley, we thank you for your support and we look forward to feedback regarding our work thus far.
References

The projected budget includes the following specific budget issues that must be resolved:

- Health insurance costs have skyrocketed, resulting in a premium increase for the next fiscal year. If fully funded the estimated cost for the institutional share would be $650,000.

- After a Title IX complaint an agreed upon plan with the Office of Civil Rights involves an increase in support for women’s intercollegiate athletics (estimated cost: $450,000 in the first year, $300,000 a year thereafter).

- Assuming no changes in use, the cost of natural gas is rising, resulting in an institutional budget increase for the next fiscal year (estimated cost: $400,000).

- The university budget committee has received budget increase requests totaling more than $14 million for the next fiscal year.

- Requests have been received for the next academic year for additional faculty positions to cover increased demand for required core courses. There has been an increase in student complaints regarding their inability to get into needed core courses in a timely manner and inquiries have come from parents and legislators. If fully funded the estimated cost would be $750,000.

- An unanticipated increase in postal rates has resulted in an increase in the total institutional base budget for postage (estimated cost: $27,000).

- The vice president for information technology indicates that the first phase of a three-year upgrade of the network and supporting software must begin in the next fiscal year. The estimated cost would be $1.5 million.

- The counseling center has a long waiting list and is requesting two additional positions for the regular academic year and one for the entire fiscal year. If fully funded, the estimated cost including benefits and increased malpractice premiums would be $270,000.

- The governing board would like to attract more National Merit Scholars and has strongly suggested that the institution present a budget with a substantial increase in the institutional base budget for that purpose. The estimated cost if fully funded would be $500,000 per year.
Additional requests have been received as follows:

1. The physical plant would like to implement a five-year program of installation of programmable thermostats in all academic buildings to reduce heating costs at night and the weekend. (estimate cost: $250,000; would pay for itself in five years).

2. New lab equipment in the department of chemistry (estimated cost: $200,000).

3. New furniture for the student center lounge that has not been replaced since the building opened 15 years ago (estimated cost: $550,000).

4. Resurfacing of parking lots in the north campus (estimated cost: $250,000).

5. The establishment of a center to improve writing for students at both the undergraduate and graduate levels estimated cost for reconstruction of space and hiring of staff: ($1.7 million).

6. Addition of a new master’s degree program in integrated management (estimated cost: $1 million, estimated to pay for itself in six years).

7. Reconstruction of interview space in the Career Planning and Placement area (estimated cost: $400,000).

8. Establishment of a freshman seminar program for all entering first-year students regardless of major (estimated cost: $825,000).

9. Development of a strong alumni network for career planning (estimated cost: $100,000).

10. Adding two intramural playing fields with lights on undeveloped land (estimated cost: $1.2 million).

11. Development of a child care support program for faculty, staff, and students (estimated cost: $750,000).

Barr & McCellan, 2011, pp.187-189