Budgeting for Excellence in Challenging Financial Times

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Budget Cuts

Strike fear into our hearts
Our fear is not unfounded:

A Google search for “strategic budget cuts” is dominated by university and education links!

So, what can you do?...
The key is Strategic Budgeting

Your strategic plan must drive your annual budget process directly

Pro-actively allocate resources to achieve your strategic vision, rather than by “history” or power struggles among sub-units

Don’t let the tail wag the dog!
Make cuts not where they are easiest or most convenient, but rather where they truly need to be made
Univ of Arizona Grad
College mission is three-fold:

- **Advance - Promotion**
  Advocate for graduate education, diversity, integrity, interdisciplinarity and funding

- **Oversee - Policies & Performance**
  Manage and provide institutional assessment support of program quality, curriculum & policies

- **Serve - People, Processes & Programs**
  Central admissions, degree progress and business services for graduate students, faculty/staff, academic programs and administration

Your strategic plan enables you to implement your mission
Cuts need to preserve foundations and higher levels of your mission, proportionally & surgically.

- **Advance – Promotion**: Advocate for graduate education, diversity, interdisciplinary and funding.

- **Oversee – Policies & Performance**: Manage and provide institutional assessment support of program quality, curriculum & policies.

- **Serve – People, Processes & Programs**: Central admissions, degree progress and business services for graduate students, faculty/staff, academic programs and administration.
My preferred metaphor is *Pruning*, which improves your position for future growth.

http://www.tlcfortrees.info/pruning_specifications.htm
You will likely need to take actions with short-term and long-term outcomes. Some of those changes may be very tough to make, so…

“Never let a good crisis go to waste”
- Rahm Emanuel

Make tough changes now that are difficult to do in better budget times.
Grow & Diversify Your Revenue Portfolio

Personnel & Operations

- State
- Fees
- Grants
- Other

Student Support

- Teaching
- Grants
- Philanthropy
- Other
Shrink & Reallocate Your Expenditures

Personnel & Operations
- Fellowship Support
- Admissions / Recruiting
- IT
- Degree Auditing

Student Support
- Block / Formula
- Competitive / Match
- New Programs
- Other
Do Things Differently

Cannot simply adjust income/expenses and keep doing the same work

Change what you do so there is less work overall – system efficiency

Streamline processes:

• Stop doing some things
• Reduce # steps
• Minimize # people in chain
• Keep only essential elements
UA Examples:
~25% total cut to state $ in last 2 years

1. Longer-term actions:
   - **Personnel & Operations:**
     - Anticipated state cuts, increased income (application fees)
     - Shifted to more use of IT tools (online services)
     - Modified policy and procedures to streamline workflow (timing of forms and signatures, exam rules/response, expiry dates, etc.)
     - Obtain grants to fund fellowship/diversity activities and staff (Sloan, MARC, IMSD, etc.)
   
   - **Student Support:**
     - Redesign internal funding approach (more competitive stratégic)
     - Increase philanthropy (expand development activity)
     - Seed more extramural funding applications (tuition waivers)
2. Shorter-term actions:

• **Personnel & operations:**
  • Several employee lay-offs plus fortuitous attrition (total ~12% of staff)
  • Admissions area now has 30% fewer staff, but close attention to procedures, workflow and IT tools has reduced Spring peak admission processing time from 6 weeks to 4 days
  • Added(!) an IT position
  • Changed TA contract oversight from 100% scan to a compliance expectation policy with spot-checks (reduction from 2 to 1 staff)
  • Reorganize interdisciplinary program admin (core business services)

• **Student Support:**
  • Grad program assessment to rate and prioritize programs explicitly (comprehensive, ~3 months, with academic deans)
  • Closed/merged small programs with Provost
  • Initiate high-end fellowships for leading programs
Making It Happen
• **Strategize & Assess**, then Act

“**Ready, Aim, Fire**” not “**Ready, Fire, Aim**”

**Strategize**
• Strategic planning, not just budgeting
• Targeted cuts and reallocations, not across-the-board
• Strategy vs. tactics: Focus not on “losing the battle” (tactical budget cut) but on “winning the war” (strategic vision at multiple budget levels)
• IT additions will pay off in the medium/long term (tools/efficiency)
Assess

Nature of the cuts:
- One time or permanent base?
- Amount, timing, approach (crisis, speed-bump, reorg?)

Communications (to upper admin and to staff)

Your information needs:
- Students, Operations, Employees, Financial

Who is laid off?
- Often, your strategic weakest link is an underperformer
- Are you “managing around” someone? ("Hired for skills, fired for attitude")

Refs:
David Maddox, 1999, Budgeting for Not-For-Profit Organizations, Wiley
Use Scenarios

• Try 5-10-15%, use the high ones to force you to set priority areas/people
• Break out of “current” thinking, try an exercise:

**Exercise: Radical Strategic Budgeting**

1. Imagine your “ideal” configuration of staff and resources. Think big and bold, aiming for excellence.
2. Now imagine a drastic cut, say 50%. In terms of staff and resources, what would you **still** do? What would you **not** do?
3. Take that plan, map it onto your ideal plan, and selectively add in some of the new things you really need to do.
Even if you have to make deep cuts, the pillars of your strategic plan will support your success.