

Budget Crises Create Opportunity for the Future of Your College

A CBT SPECIAL REPORT

By: Rocky Young, Chief Consultant, College Brain Trust

One of the most valuable opportunities created by budget problems is the chance to put in motion some long-awaited changes for your college.

These types of changes--even positive ones--can be difficult at any time, but are often easier to accomplish in times of financial crises because everyone recognizes that sacrifices must be made. That being said, you'll want to be focused and selective in your approach by first increasing revenue, then consider surgically making any unavoidable cuts.

Step One: Increase Revenue

Surprisingly, most students would rather pay higher fees than see cuts made that directly affect them. So instead of simply reducing expenditures, first focus on revenue.

Potential sources of revenue:

- **Fee increases** can be considered if the relevance of the increase is immediately evident to the student, versus a general, across-the-board fee increase.
 - **New revenue sources**, such as sponsorships are another possibility. This usually takes the form of targeted advertising and can be done in a tasteful manner that also creates a new partnership with future possible benefits.
 - **A variety of new college enterprises** exist as possible sources of income, and they will vary depending on the specific programs and situations at each college. The most important idea is to explore the variety of public-private partnerships that range from joint training programs to energy sources to joint-use enterprises.
 - **Another option is to create revenue** by developing real estate assets--either by selling unused college land or by utilizing it to facilitate a public-private partnership or other enterprise as mentioned above.
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Step Two: Expenditure Reductions—Make Surgical Cuts

After fully exploring revenue possibilities, it is time to consider expenditure reductions but make sure they are done in a manner that maximizes revenues. Too often cuts are made that do very little to improve the college's financial position because the resulting reduction of revenue is nearly as great as the reduction of expenditures.

Be a surgeon, not a butcher. Like a surgeon, take your time in deciding where to cut, and how. Consider previously set priorities and don't act in the heat of the moment. Making across-the-board cuts is politically easier, but unilateral cuts are not reasoned reductions. Colleges should try to reduce expenditures in a manner that makes the most sense for students and the institution based on recent experiences and data.

While you are considering which changes to make, keep in mind that the most effective changes result when student demands drive the decision-making process.

For instance, when cutting course offerings the goal is to keep enrollment as high as possible by simultaneously increasing the average class size. How might that be accomplished? By preserving--or even increasing--the number of general education introductory sections, and decreasing the number of specialized classes.

This option is not without potential conflict. In most institutions, the student demand is for more introductory classes. On the other hand, faculty typically want to teach more specialized classes in the name of broadening the curriculum. While this argument has merit, it cannot be maintained on a large scale during tough financial times.

Instead, the introductory courses need to be preserved and the specialized courses either placed on hiatus or offered on a rotational basis (once per year or once every other year.) This is reasonable as long as the dates of the offering are published so that students can plan accordingly and any transitional problems are handled.

Other considerations include:

- **Align the timing of course offerings with maximum student demand.** The time and day a course is offered and the coordination of that course with others companion course. Just as discrimination must be used within a discipline, the same level of critical analysis must be used between disciplines. Not all disciplines should receive the same level of cuts.
- **Those disciplines with greater demand and greater average class size should receive smaller cuts.** A discipline that doesn't have adequate student demand to sustain it may need to be cut altogether at this time.

Finally, carefully consider your ability to resurrect cuts. All budget problems are temporary. When you do have to make cuts be sure to first focus on cuts in which the effects of the cuts are easily reversed.

For example, it is much easier to resurrect summer and winter intersession enrollments than it is to reinstate enrollments in the primary terms. Why is that?

- Intersession is frequently attended by students from other institutions who do not intend to attend a primary term. Therefore, their loss has no carry-over effect.
- Primary term students may be disappointed about intersession reductions or cancellations but they will be back for the next primary term, and, in fact, are the base for the next primary term. If primary term enrollments decline, the college is already “in the hole” for the next term, and it can snowball into an enrollment decline.

Be most careful when it comes to midyear cuts of full-time personnel and the layoff of permanent employees.

During a mid-year budget reduction try to avoid cutting any full-time personnel. It is possible to decrease part time and hourly personnel immediately and then plan to secure larger reductions as the upcoming annual budget is prepared. If the next year budget reduction is significant enough, full-time positions can be reduced through a planning process.

Avoid the layoff of permanent employees as well. Not only because it destroys morale, but because the college will never be able to rehire the good or great employees you really wanted to keep because they will have found jobs elsewhere.

While the budget problem may be temporary, the loss of some of your very best employees may be permanent. In lieu of laying off employees, you might consider a hiring freeze and/or hiring deferrals instead.

STEP 3: Request assistance before you think you need it.

Getting a proactive, objective expert perspective or audit on ways to potentially increase revenue or cut costs early on, before you think you need it is a great way to catch issues before they become problems.

Accessing solid data and analysis to go along with your review will always help keep you ahead of the curve, and aligned for success--whether you are preparing to catch the next wave of economic recovery, or to embrace the opportunities presented by yet another fiscal challenge.

Rocky Young is the Chief Consultant of the College Brain Trust (CBT) and the recently retired Chancellor of the Los Angeles Community College District --the largest community college district in California. To learn more about CBT visit www.collegebraintrust.com.

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(916) 446-5058
