Facing a Budget Crisis
Budget Crisis Definition

- A situation in which the supply of money is outpaced by the demand for money. This means that liquidity is quickly evaporated because money is withdrawn from accounts.
The Current Situation – Survey of Chief Business Officers

- 60% in private institutions agree there is a financial crisis
- Only 54% are confident their institutions can retain financial viability for 10 years
The Financial Crisis Is Not the Problem

• Financial struggles are a symptom – not the problem

• Underlying issues may include:
  • Poor or nonexistent strategic planning
  • Failure to respond to changing conditions
  • Academic programs with insufficient enrollment
The Financial Crisis Is Not the Problem

- Underlying issues may include, continued:
  - Resource allocation not aligned with strategic plan
  - Overstaffing
  - Others?
More Survey Results

• 90% of institutions are too hesitant to shut down underperforming academic programs

• 85% of CBOs say institutions should seek new types of academic and nonacademic revenue streams

• Business offices are not broadly engaged in deep, strategic analysis to deal with the crisis they report
We’re Facing a Crisis – Now What?

- Multiple step response
  - Short-term steps to stop the bleeding, provide a cushion
  - Identify underlying cause(s) and related corrections
  - Strategic plan to ensure sustainability
We’re Facing a Crisis – Now What?

- Short-term steps to stop the bleeding, provide a cushion
  - Accumulate cash
  - Calculate and slow the burn rate
    - Weekly cash forecast – compare to actual for the week, then forecast next week
We’re Facing a Crisis – Now What?

• Short-term steps to stop the bleeding, provide a cushion, continued
  • Look at total cash spending, not just unrestricted
    • Understand the whole pie
    • Don’t forget Capex expenditures
We’re Facing a Crisis – Now What?

- Short-term steps to stop the bleeding, provide a cushion, continued
  - Communicate early and often
    - Trustees, faculty and staff
    - Lenders
    - TRACS
We’re Facing a Crisis – Now What?

• Short-term steps to stop the bleeding, provide a cushion, continued

  • Engage trustees and key supporters
  • Renegotiate contracts and vendor balances
  • Prioritize staff positions and prepare for layoffs if conditions continue to deteriorate
We’re Facing a Crisis – Now What?

• Identify underlying cause(s) and related corrections

  • What events led to the crisis?

  • What conditions allow the crisis to continue?

  • What other problems surround the occurrence of the central problem?
We’re Facing a Crisis – Now What?

• Strategic plan to ensure sustainability
  • Right people involved
    • President
    • CFO
    • Provost / VP Academics
    • Others
We’re Facing a Crisis – Now What?

• Strategic plan to ensure sustainability
  • New revenue streams
    • Academic
    • Nonacademic
  • Alignment of expenses with strategic initiatives
We’re Facing a Crisis – Now What?

• Strategic plan to ensure sustainability, continued
  • Collaboration with other colleges
    • Academic programs
    • Administrative services
  • Evaluate teaching loads
Conclusion

• Take action now

• Incremental change is probably not enough – bold new strategies may be required