Facing a Budget Crisis

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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 This means that liquidity is quickly evaporated because money is withdrawn from accounts.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

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