

Financial Resources

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Theme Group Name

Financial Resources

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Introduction

Howard Bowen (1996) once wryly observed decades ago that colleges and universities “raise all the money they can, and then they spend it.” His central point posited that institutions have “more good ideas than they can actually fund,” and, as a consequence, “they are constantly making choices as to how to best use their finite resources.” Where and how financial resources are allocated reflect institutional priorities ideally guided by a deliberate planning process that values and supports student success. As a student-centered enterprise, West Texas A&M University (WTAMU) has experienced targeted growth and an increased rise in student enrollment over the past few years, while public funding and state appropriations per student have continually decreased. Pressing questions for WTAMU and the Financial

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Resources Theme Group of WT125 then arise: how does the University reduce the costs of higher education in tandem with increasing new revenue streams to ensure student success for the future?

In the face of increasing demands and diminished revenue sources, WTAMU has been constrained to respond to revenue gaps by shifting costs over to students and their families. This shift is not sustainable and negatively impacts the broader mission of the University and our students, especially those from lower socioeconomic backgrounds and as first-generation college students. With decreased revenues and an increase of consumers and public policy makers and legislators aversion to rising sticker prices all continue to press campuses of higher education, including WTAMU, to be more productive and fiscally efficient. The challenge for our University lies in devising a business model that emphasizes efficiency as it relates to student outcomes and academic success.

With WT125 as an impetus, WTAMU must evolve in redefining a viable and efficient business plan and streamlining funding sources with a rigorous, comprehensive financial plan that is transparent and visible institution-wide. Financial decision making best guided through business model approaches prioritizes data transparency. The traditional business model of higher education in general and WTAMU in particular demands requisite change and transformation. New and innovative approaches that incorporate both alliances and innovations are highly recommended.

The pursuit of strategic partnerships with other academic institutions that are committed to quality education will improve completion and retention rates for all students. Common approaches across implemented innovations will include course redesign to embed high-tech and high-touch solutions, data-driven decision making tools to reduce curricular costs, rethinking credentials with competency-based education and stackable modules, scaling the use of online education, and integrating robust community/industry partnerships to augment and inform academic delivery.

The theme group has endeavored to identify and develop strategies that will provide resource streams that are imperative to support the University's ambition of becoming a doctoral level,

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regional research university. Revenue sources from federal, state, local and/or private entities have been aggressively considered.

Additionally, opportunities to conserve resources through operational efficiencies are paramount to the financial and academic success of our University, and most importantly, our students.

Innovation

There are several disruptive forces challenging regional educational institutions like our University that require thoughtful reflections, deep commitment to change, and the ability to adapt to new environments. The need for a paradigm shift is warranted in employing new business models and a new governing structure. Additionally, being able to effectively make a value proposition to our stakeholders is essential. This value proposition will be the primary reasons for students and others to choose our university. In building a new business model, appropriate components should be included to enhance competitiveness and maintain sustainability. The main elements of any proposed new business model should include market segmentation, value proposition, revenue stream, cost structure, and channels to interact with stakeholders.

Fundraising has emerged as the keystone of the Financial Resources theme group report. This necessitates the University's central concern with the internal management accounting practices that empower decision makers within the University to make choices that improve economic performance, foster transparency, and evaluate the ways in that choices relate to fundraising strategies. Hence, measuring performance is a crucial step that the University must take to succeed in attaining its goals from fundraising initiatives. Identifying practical and relevant metrics for fundraising and philanthropic giving levels is not only essential, but also a moral imperative. Several metrics have been identified that could be used to help ameliorate existing strategies to fundraising and giving.

Fundraising Metrics

- Cost Per Dollar Raised
- Fundraising Return on Investment
- Donor Retention Rate

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- Donor Growth
- Conversion Rate

Giving Level Metrics

- Fundraising Participation Rate
- Average Giving Capacity (of top donors)
- Average Major Gift Size

Key Idea (1)

Key Idea (1) Fundraising

Goal 1: University Fund Raising

- #### **Action 1.1:** Student Scholarships
- Professorships/Endowments
 - Infrastructure (Physical/Technological)

Measurable Outcome 1.1.1:

Major fundraising campaigns should be centered upon student scholarships, professorships, and university infrastructure needs

- Student Scholarships – “Institutional Scholarships should increase by 5% annually and Endowed Scholarships should increase by at least 2% annually”
- Professorships – “Each college should have one professorship for each five full-time faculty positions”
- Infrastructure – “Each college should obtain one endowment specifically for named classrooms annually”

Key Idea (2)

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Key Idea (2)

Revenue and Spending Analyses

Goal 1:

Streamline Funding Sources

Action 1.1:

Research Funding and Grants

- Giving (Public and Private)
- Partnerships and Innovative Programs
- Identify Distinguished and Successful Academic Programs that enhance student professional careers

Measurable Outcome:

Streamline Funding Sources

- Giving – “Grant Funding should increase by 5% annually”.
- Partnerships and Innovative Programs – “Each college should establish one private partnership annually”.
- Identify Distinguished and Successful Academic Programs where each college should achieve and maintain a nationally recognized ranking related to quality.

Goal 2:

Establish Institutional Processes and Priorities

Action 2.1:

- Establish Institutional Fiscal Policy
- Assess the Viability of Low Performing Units
- Align Fiscal Policy with Strategic Goals and Priorities
- Set Spending Levels for Academic Programs
- Separate Spending/Cost Alignment from Strategic Growth Areas and Priorities
- Adopt Institutional Funding Models
- Adopt Rolling Budget Cycles

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Goal 3:

Enhancement of Costs Structure

Action 3.1:

- Review Salary Structure Salaries
- Review Outsourcing of Services

Measurable Outcome

- Establish Institutional Fiscal Policy – “Establish a funding model that in part, bases annual funding on SCH generation”
- Assess the Viability of Low Performing Units – “Definitions of “low performing” should be developed that are then compared to assessment results”
- Align Fiscal Policy with Strategic Goals and Priorities – “Establish a funding model that in part, bases annual funding on the University’s Strategic Plan”
- Set Spending Levels for Academic Programs – “Establish a funding model that in part, bases annual funding on SCH generation”
- Separate Spending/Cost Alignment from Strategic Growth Areas and Priorities”
- Adopt Institutional Funding Models – “Establish a funding model that in part, bases annual funding on SCH generation”
- Adopt Rolling Budget Cycles – (Not sure what the intent is here, but the State of Texas primarily and the A&M System secondly, determine our budget cycle)

Key Idea (3)

Key Idea (3)

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Decision Empowerment

Goal 1:

Fiscal Transparency Processes

Action 1.1

- Relevance, Sustainability, and Viability
- Programmatic Cost/Revenue Streams
- Implications (of Fiscal Decisions/Initiatives)

Measurable Outcome

- Relevance, Sustainability and Viability – “Fiscal processes should be reviewed annually”.
- Programmatic Cost/Revenue Streams – “Programmatic costs, both budgeted and actual, should be analyzed annually”.
- Implications (of Fiscal Decisions/Initiatives) – “All initiatives should include expected financial implications that are measurable”.

Key Idea (4)

Key Idea (4)

Business Processes

Goal 1:

Institutional Financial Processes

Action 1.1

- Comprehensive Review of Fiscal Policies (Internal/External)
- Academic Programs (General Operating)
- Funding Models for Future Growth

Measurable Outcome

- Comprehensive Review of Fiscal Policies (Internal/External) – “Fiscal Policies should be reviewed and updated annually”.
- Academic Programs (General Operating) – “Establish a funding

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- model that in part, bases annual funding on SCH generation”.
- Funding Models for Future Growth – “Establish a funding model that in part, bases annual funding on SCH generation” .

Appendices and Additional Facts and Analysis

Bowen, H. R. (1996). What determines the costs of higher education? In D.W. Breneman, D. W. Leslie & R. E. Anderson (Eds.), ASHE Reader on Finance in Higher Education (pp. 113-127). Needham Heights, MA: Simon & Schuster.

<http://nsse.indiana.edu/institute/documents/briefs/DEEP%20Practice%20Brief%207%20Using%20Financial%20and%20Other%20Resources.pdf>

Questions to Ponder:

According to Bowen (1996), there is no blueprint for creating a student success-oriented institution, nor is there a specific formula that every institution should adopt in allocating its resources. But, some questions are worth considering with respect to resource allocation that influence student learning positively.

1. How does the institution’s spending plan enhance student learning? What is the evidence?
2. How do senior leaders encourage innovation by providing financial resources to support programs designed to enhance student learning?
3. How does the campus culture support the creation of partnerships or similarly innovative approaches to developing support for new initiatives?
4. To what extent do student learning needs influence campus space planning and design?
5. When expenditure patterns are reviewed, is student learning an evaluative criterion?