Five years into the Great Recession, there is little that is new anymore about the “new normal.” Even where appropriations have rebounded, public universities live in a world where belt tightening is the norm. Common wisdom suggests that fiscal constraints will be with us for some time to come.

When the going gets tough, the tough get…strategic. With several years of experience in cost containment, public universities have learned much about keeping budgets in check. In that process, they have learned to be more adept at managing for hard times. Of necessity, they have graduated from patchwork or piecemeal budget cuts to develop tighter budgets and to trim expenses—often significantly—in alignment with long-term goals. They have learned to tackle difficult budget decisions with ingenuity and grit. Moreover, they are leveraging challenging budget conversations to affect deep, systemic cultural change. And in some cases, they have created a transparency around budgeting in ways that engage campus stakeholders who haven’t always seen eye to eye.

In most cases, these lessons have been hard-earned. This is tough work. The results are often extremely painful. But nonetheless, public universities
Upping Their Game

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pressure remains strong to minimize the added tuition revenue helped, public percent during Moore's tenure. While state appropriations contributed just 16 percent.

Like many institutions, Lyndon State tried to weather the recession by making judicious budget cuts, mostly in nonacademic areas, and finding ways to work more efficiently. It had successfully increased enrollment, which rose 31 percent during Moore's tenure. While the added tuition revenue helped, public pressure remains strong to minimize future tuition hikes.

Things started to get really challenging around 2009. Projecting three years ahead, Moore and her staff predicted that with modestly more tuition revenue and flat state funding, Lyndon State would face a $2 million shortfall. Given that the college was already operating at bare bones, Moore said she realized—"with a certain degree of trepidation, and lack of desire" —that "we have to find economies of scale on the academic side of the house."

Moore's strategy was to conduct what the school called a "Curricular Audit for Cost Containment and Student Success." In practice, that meant that Moore and her fellow administrators scrutinized every academic program to determine both its financial viability and success in serving students. The soup-to-nuts, data-driven exercise was unprecedented. The results pinpointed financial weak spots, such as majors and courses that were serving only a few students. The data also showed how the college was underperforming in recruiting students and helping them with job placement.

Working with academic departments in a long series of highly challenging meetings, Moore used the data to drive curricular change that included eliminating seven majors and many elective courses. The results saved $500,000 in the first year.

Many of the cuts hurt, of course, but the results positioned the school on more solid financial footing. Beyond that essential outcome, Moore says the audit also created true cultural change. Among other lessons, the exercise created an institutional process for ongoing assessment of curricular health. The program also helped faculty better understand the role they need to play in recruiting and retaining students and helping them develop careers.

Moore says that academic reviews of college programs are important, but that financial reviews are also vital. "To be honest about it, the steps in the process itself are not magical," she says. "It's the fact that you put the steps in place. You can do that internally. You don't need the state to tell you to do that."

Ideally, Moore says, the curricular audit would have been conducted through an ad hoc committee of department chairs, but the budget pressures were so immediate that the college didn't have the luxury of engaging in that longer review process. Consequently, perhaps, Moore suggests to other presidents who may be pursuing similar strategies that "you have to make the best decisions for the institution, not for yourself."

"Be prepared to be courageous," she says. "You have to be open, but you also have to be courageous."

Riding the Crisis

Some institutions earn new savvy about strategic budgeting for hard times simply by having to ride a fiscal crisis that just refuses to quit. Carole A. Moore, who was president of Lyndon State College in Vermont from 1998 to 2011, says the college used to think of itself as under-resourced back in the 1980s, when Vermont's state colleges received about 50 percent of their revenue from the state. Fast forward to 2012, when state appropriations contributed just 16 percent.

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Institutional Boldness

A similar kind of institutional boldness—albeit applied in a very different way—is in evidence at Central Michigan University. George E. Ross, now president of CMU, joined the university in 2002 as vice president for finance and administration, just before the institution had to make major budget reductions in the wake of that decade's recession.

Before that, though, in the late 1990s, CMU had tackled the enormous challenge of trying to contain its health care costs. The university launched a self-funded health care cost strategy that pursues multiple goals simultaneously. As Ross describes it, the program is "designed to reduce costs and improve the health of our employees, but also to educate our students about the importance of modeling good health behavior. And save money doing it."

Over the last five years, the plan has saved the university $11 million in "cost avoidance." Average member costs in the plan have increased just 1.9 percent for medical and 0.1 percent for prescription drugs annually—far below national averages.

Strategically, the plan has reaped other important benefits. In building what Ross calls a "culture of health," the plan has also bolstered the institution's culture overall by supporting employees with a high-visibility program that not only protects their wellbeing but can put money in their pocket. Employees who complete certain wellness requirements receive a share of the fund balance when the healthcare plan shows black ink. Last year, more than 250 employees received $600 gainsharing payments. Perhaps more importantly, the number of plan members showing high health risks decreased from 28 percent to 17 percent during the past five years.

The plan also provides a focal point around which the university can cooperate with the nine unions represented on campus. A health care committee with faculty representatives

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Seeking Savings Everywhere

Like many other public universities, CMU has become more strategic across virtually every dimension of its budget, aggressively seeking savings everywhere it can. Among many examples, it buys both Internet access and liability insurance through university consortiums. It recently outsourced its campus ERP system, saving some $350,000. A gas turbine is reaping estimated savings of $400,000 a year, just one component in a university-wide energy savings effort.

A similar ethos has taken root at Austin Peay State University in Tennessee. Mitch Robinson, vice president for finance and administration at the university, sounds justifiably proud when he reviews a nine-page report that details his shop’s recent cost-savings efforts. These range from streamlined campus workflows to reduced paperwork to more cost-efficient light bulbs. “A lot of these things are little things, but little things add up over time,” Robinson says.

Robinson’s well-deserved pride reflects a holistic, institution-wide commitment that Austin Peay save as many dollars as it can in as many different ways as it can. Cost savings has become a mantra across departments and schools and is deeply etched in the institution’s culture as a university goal. But it is not just saving for saving’s sake. Robinson says that the university’s president, Timothy L. Hall, has been clear that a core university goal is to support student success and degree completion. Accordingly, Robinson links his office’s decisions directly to that goal, saying that when he realizes cost savings or makes strategic investments, a key driver is focusing on making sure that “what we do helps support student success and completion.”

CMU’s healthcare program is just one of many exemplars of “new normal” thinking that are highlighted in the AASCU Innovations Exchange (www.aascu.org/innovations/). Featuring creative projects, programs, policies or practices from AASCU institutions, the exchange shares notable ideas across many categories that have demonstrated positive, measurable outcomes. Many are models that can be replicated.

Shared Services

“Strategic entrepreneurialism” might be one way to describe the State University of New York system’s proactive effort to share services across the system’s 64 campuses. While there has been some history of such collaboration, the loss of some $1.4 billion in state appropriations over five years impelled the system to drive that cooperation to a new level. Under the rubric “Harnessing Systemness,” SUNY encourages its institutions to collaborate in many different forms—from sharing administrative leadership and online programs to buying jointly—to find new efficiencies and effectiveness.

In terms of procurement, for example, Brian Hutzley, SUNY’s vice chancellor for financial services and chief financial officer, says, “We put a concentrated effort together to make sure that we leverage our buying power across the state.”

The effort works on several different levels. Two SUNY campuses might collaborate one-to-one—on something as basic as garbage disposal, for example—to save money. Similarly, campuses often find cost savings by working together regionally. SUNY also looks for ways to save money system-wide. Examples include common buying agreements for hardware and software and services such as elevator maintenance—“looking at the bigger savings that will give the most campuses and the most students the greatest benefit,” Hutzley says. The goal isn’t necessarily to offer one buying option, but rather to negotiate multiple contracts that universities can choose from. “We are leveraging our buying power up front, and letting campuses pick the best contract for them,” Hutzley says. SUNY maximizes its leveraging power at an even higher level by collaborating more concertedly with New York State on buying agreements for everything from office supplies to electricity—a degree of collaboration it hadn’t engaged in before.

Importantly, Hutzley says, the four legs of the procurement strategy are part of a system-wide vision to serve students. “It’s really about improving operational efficiencies and service excellence,” he says. “By working together, we can be more efficient, and at the same time we can provide better services to our students.”

“Our goal over a three-year period is to save $100 million, and invest that back into direct instruction and student services,” Hutzley says. Just one year into the effort, SUNY has already saved 18 percent of that, or $18 million.

New Bonds

One interesting side effect of the recessionary pressures on higher education is that they have sometimes forged new bonds across campus communities. A case in point is Eastern Connecticut State University, where over the past four-and-a-half years President Elsa M. Núñez has had to cut $15 million over the past four-and-a-half years President Elsa M. Núñez has had to cut $15 million from the budget.

“What happened was that the economy tanked and I sat in my office and basically thought about the challenges that I had in making cuts,” she recalls.
Núñez knew that she would need advice about where and how to trim the budget from her administrative team, but she also recognized that the severity of the cuts argued for an even broader perspective. Facing the onset of these cuts in 2009, Núñez decided to form what was dubbed the “Ad Hoc Budget Committee.” Its members included administrators as well as representatives from campus unions, the faculty senate and even a student.

In announcing the committee, Núñez wrote that “as a way to broaden budget-related communications, I feel I can benefit from a team approach to analyzing the current budget conditions. The budget challenges are ones that we must face together.” The committee was tasked with looking at ways to reduce costs, defray expenses and otherwise help balance the university’s budget. The committee’s mandate was not to vote on budget cuts, but rather to advise Núñez. Moreover, it provided a channel for information about budget cuts to flow up and down the university’s organizational chart, making the decision-making process more transparent. “If difficult decisions have to be made, the entire campus community will understand the process that allowed us to arrive at those decisions,” Núñez wrote.

Looking back now, Núñez says forming the committee “was the best thing I ever did as president. It was a very, very, very important decision in my presidency.” Núñez says the committee has offered constructive well-informed advice about specific budget cuts, as well as ideas for cost savings. It has communicated information about cuts back to campus departments and schools, and returned with feedback. The committee also helped create a sense that the entire campus community had responsibility for handling the budget cuts. “It gave people a sense of ownership of Eastern, that they could protect it,” Núñez says. “It wasn’t about just cutting.”

“They have been such good colleagues,” she says.

Being ad hoc, the committee was designed to disband when the economy improved. But there’s the rub: The economy has yet to improve sufficiently. Just recently, when Núñez thought the committee’s work might be done, new state rescissions unfortunately gave the university reason to extend its life.

If there is a silver lining in the experience at Eastern Connecticut, it is that the university has an infrastructure in place to discuss difficult budget cuts productively, with candor, in the open. And therein might be a parable for all of public higher education. Tough times are the reality of today. The need for strongly strategic solutions to budget management and cost containment has never been greater. But public universities have shown that they are up to the challenge.

Based in Rockville, Md., Stephen G. Pelletier writes regularly about higher education.