

Budgeting in Higher Education: A Political Process

Budget models in higher education can vary tremendously based on the type of institution (public, private or for-profit) and by the budgeting practices enforced at the state level for public universities and colleges. However, budgeting in public higher education is a consistently political process in which universities and colleges attempt to maximize fund allocations. From the top of the higher education industry down to the individual institution, resource allocation is a political multi-layered process in determining the final budget. In the paragraphs below, multiple elements of the budgeting process will be analyzed from the broad state level down to the individual institution in determining the hurdles of resource allocation in higher education.

A political element of higher education budgeting can first be seen on the broadest scale: at the state level for public institutions. As public universities and colleges rely heavily on state appropriations for funding, the funding requests' statuses lie on the strength of the current state economy. Public universities and colleges must not only compete with primary and secondary schools for funding, but also other areas of public service such as disabled services and environmental protections (Jones & Wellman, 2010, p.3). As stated by Hovey (Delaney & Doyle, 2008), higher education budgets can be viewed as a "balance wheel" in which funding for public institutions will rise and fall based on the performance of the state's economy. As public institutions are able to generate additional revenues through tuition and fee increases – options that are not available for other public state funded organizations – higher education is a politically attractive area for heavy cuts when the state is in a recession or state revenues are low (Delaney & Doyle, 2008). With the ability to create additional revenues through tuition hikes, higher education is at the forefront of state budget cuts, often leaving students and families responsible for covering the costs of decreased state appropriations.

Similarly, the multi-layered structure of the budget process adds a political element to the final funding decisions. In analyzing a public university's funding process, the budget request starts at the

individual institution with university officials finalizing the internal requests. Once solidified, the request moves to the board of regents who will manage all requests from the public institutions within the state. From here, the proposed model heads to the state legislature for review and on to the governor for the final sculpting of the budget. At each level in the tiered process, budgets can be trimmed and resources allocated to preferred institutions or those institutions that the regents feel best honor the state's mission. With state appropriations decreasing drastically in recent years, public institutions are vying for the largest slice of funding to cover rising operational costs. Rising costs and the quest for the largest slice of appropriation pie are two elements among many that institutions must consider when submitting budget requests.

In focusing on the state specific goals, the budget model selected by the state also acts as a political component that may favor or hinder one public university over another. While the board of regents will try to appease all parties – a practice which in turn may not lead to optimal resource allocation – the model implemented by the state can play a role in the allocation of funds. For example, the most widely-used system, the incremental budget model focuses on percentage increments to the existing base budget rather than addressing specific priorities (Zierdt, 2009, p. 346). The incremental model assumes that the basic objectives of the state have not changed markedly from the previous year, and with this approach, the percentage increments awarded may not equally benefit each public institution. As an example, if each university is awarded a three percent increase in funds from the previous year, the per-student impact could vary greatly, as student enrollment or similar priorities are not considered.

In addition to the incremental budgeting model, the initiative-based model also includes a political element of higher education budgeting. As Zierdt states, the initiative-based model is an “organized way of creating a pool of money for funding new initiatives,” however, the initiatives identified by the state may not suit all institutions equally (2009, p.347). While the initiative model will aim to reward institutions to maximize the state's priorities, the ability of each university to do so will vary greatly based on available resources and academic mission of the institution.

Finally, funding at the institutional level mimics the political process as departments' opportunities for funding can vary greatly. As stated by Simmons (2011), the three main funding areas of a public research university include general funds, development funds and grant funds. While general funds are composed of tuition, fees and state appropriations, development funds are provided by alumni, corporations or foundations in which the funds may be unrestricted or directed. A political element comes into play with directed funds, as the donor determines where the resources are to be allocated. For popular academic organizations such as the schools of business or engineering, the additional resources will benefit the school significantly with opportunities to expand physical plants, enhance classroom technologies and ultimately spend more revenues on each student within the school (Ehrenberg, 2000, p.146). Less popular programs or behind the scenes departments may receive funding solely from the general fund without the perks of donations. While the general fund covers approximately twenty-three percent of the budget funding (MSU Budget, 2013), schools or departments with access to increased development funds may be able to offer higher salaries, enhanced learning opportunities and impressive facilities compared to other areas on campus.

As universities continue to navigate the political budgeting landscape, future budget models for public institutions must continue to evolve. Universities and colleges must generate new ideas to create additional revenues to match the rising operational costs of providing the education experience. State legislative boards are urged to re-assess budgeting models to update missions and goals, that are both relevant and attainable in a staggering economy. The shift towards a responsibility-centered budget model may mitigate the political aspect of higher education budgeting in the future by placing responsibility on the institutions to manage their annual revenues and costs. Until the states' economies recover or consider this approach, universities must consider the political element of higher education budgeting practices.

References

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