

# A CFO/CBO's Perspective

**A strategic partner, helping their institutions to thrive.**

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# CFO/CBO's are useful strategic partners for you

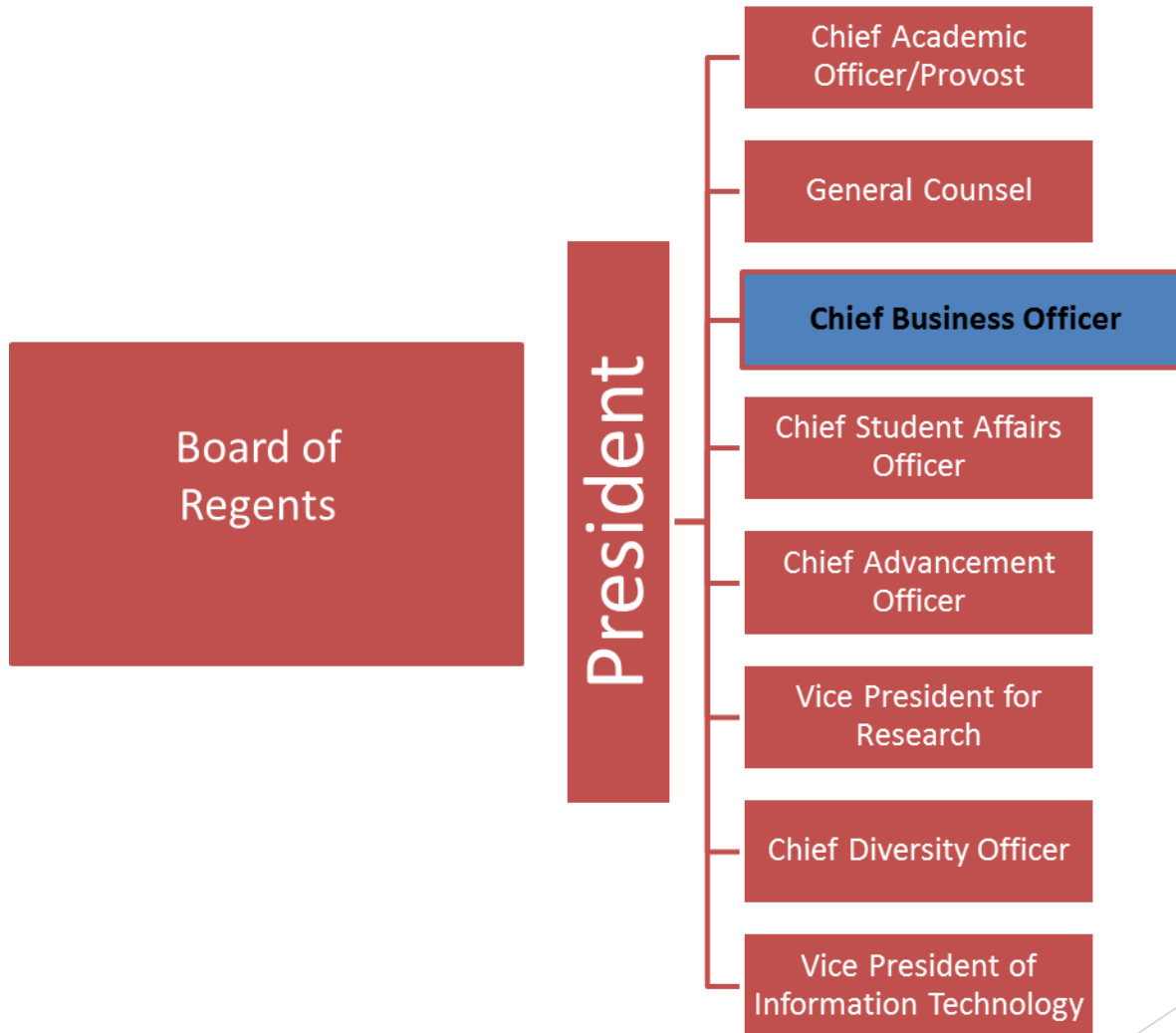
- ▶ Pay attention to external issues and challenges from a different perspective
- ▶ Have a different lens into what's going on across their institution
- ▶ Bring expertise and experiences that are complementary to others on campus

# CBO - The Accidental Profession

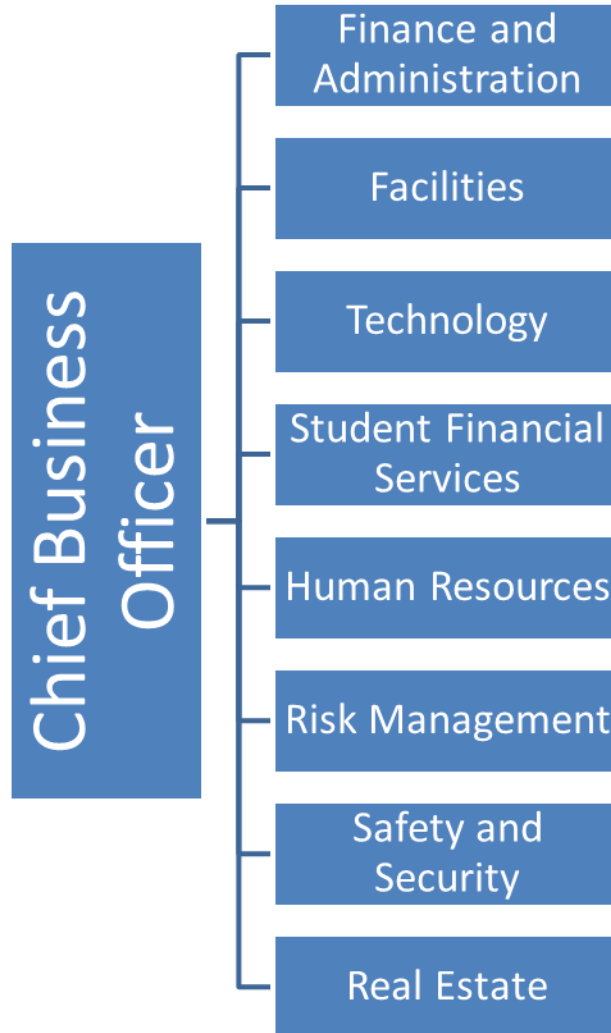
- ▶ No one graduates from college with the intention to become a higher education chief business officer.
- ▶ Pathways to the profession
- ▶ My story



# President and Cabinet



# Business Office Organization



# External Issues That Currently Worry CBO's

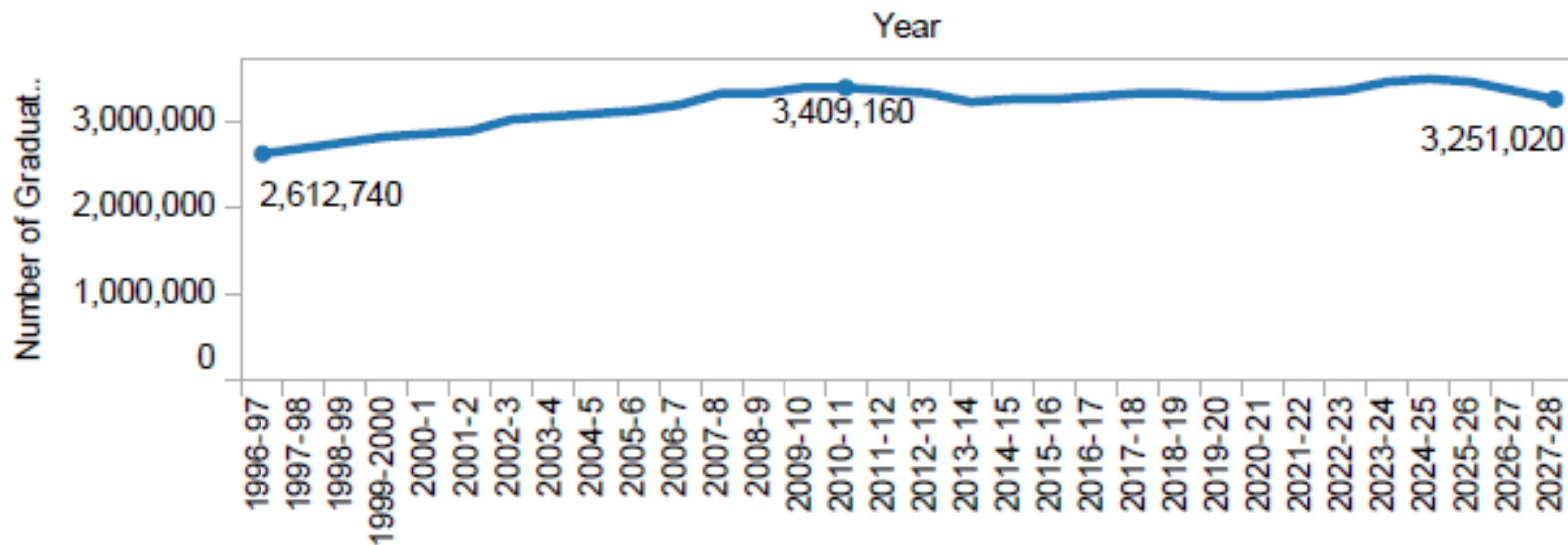
- ▶ Demographics
- ▶ Cost of College
- ▶ Declining Public Support
- ▶ Economy, Politics, Regulation

# Impact of Changing Demographics on the Economics

# Competing for a Declining Pool of Students

## High-School Graduates Through 2027-28

After a peak in 2010-11, the number of high-school graduates nationally is expected to dip and then rise, both modestly, with totals from 3.2 million to 3.3 million for the next several years.

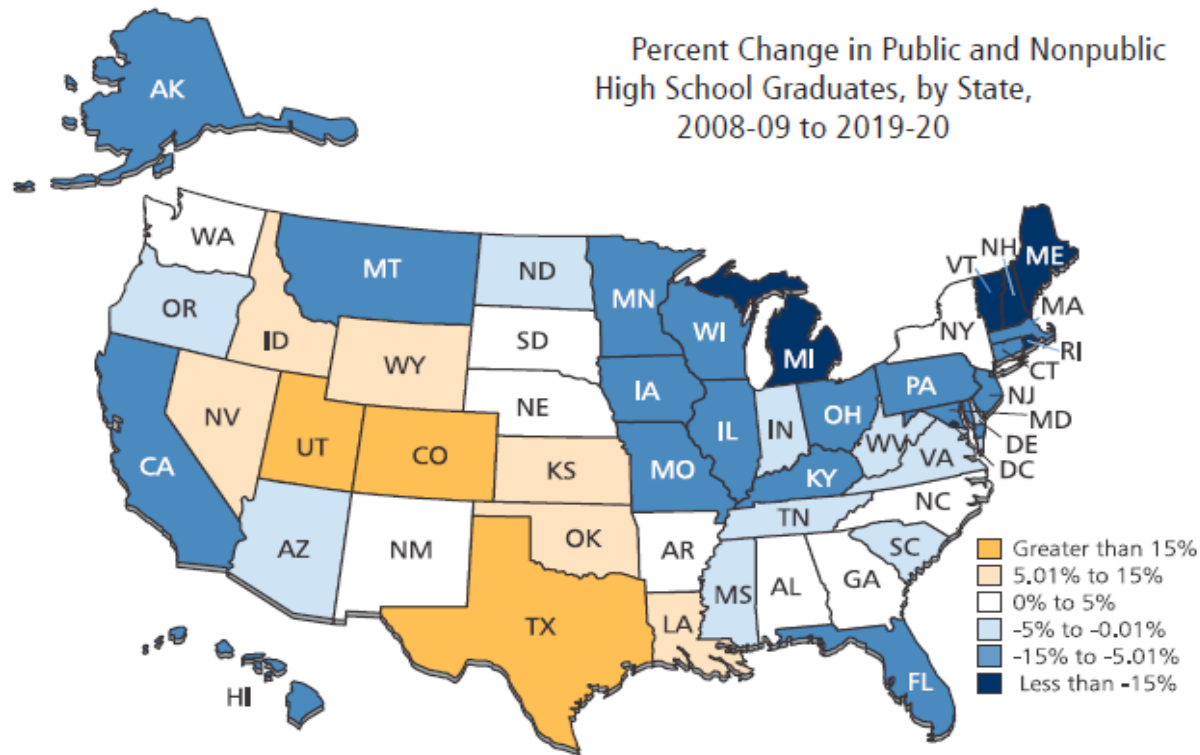


Note: Years from 1996-97 to 2008-9 show actual combined numbers of public and nonpublic high-school graduates (with nonpublic totals estimated in alternate years). Years from 2009-10 to 2027-28 are projections.

Source: Western Interstate Commission for Higher Education

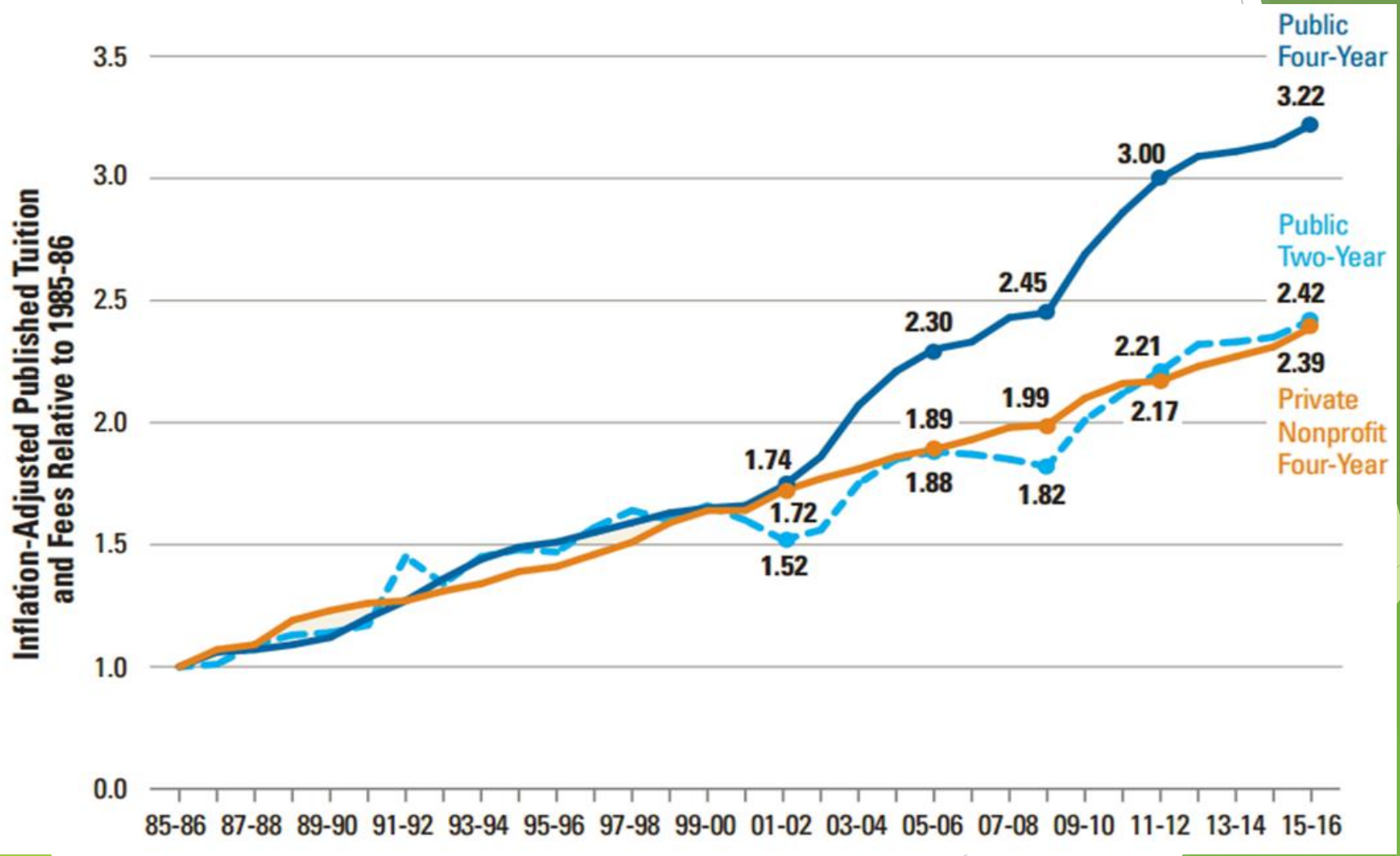


# Percent Change in Public and Nonpublic High School Graduates, by State, 2008-09 to 2019-20

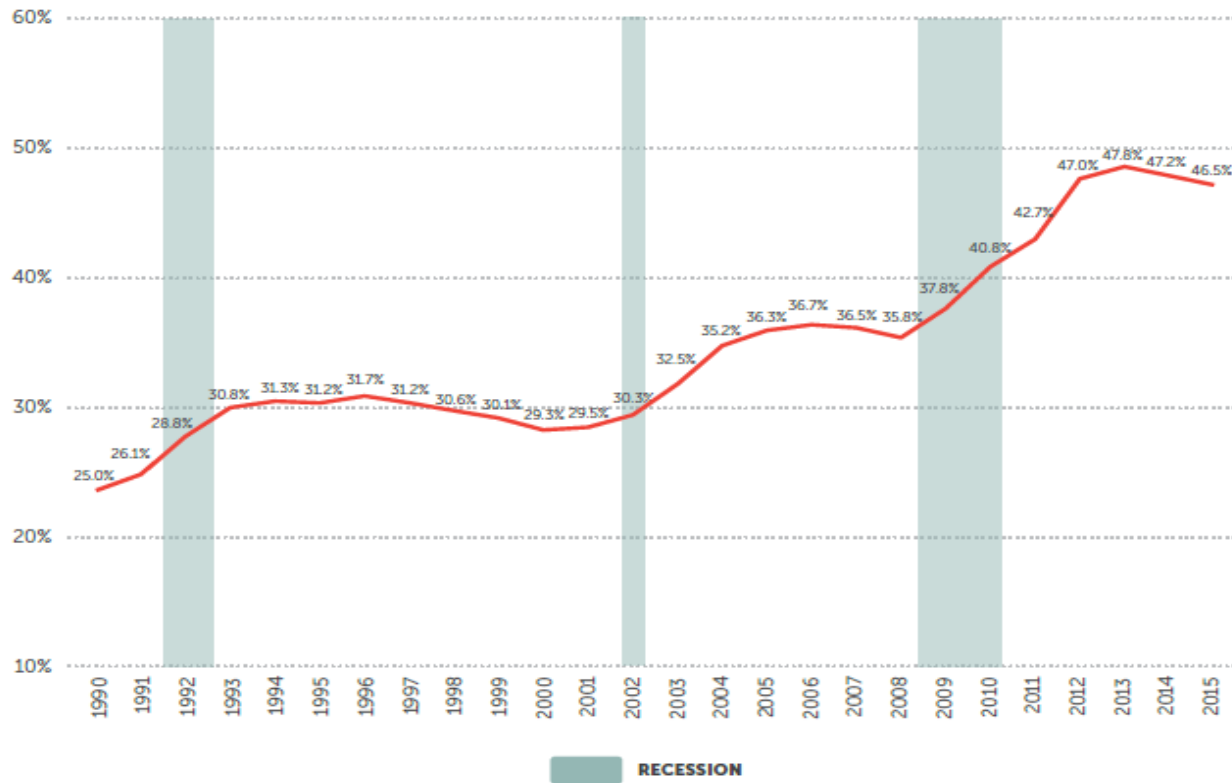


# COST OF COLLEGE

# Inflation-Adjusted Published Tuition and Fees Relative to 1985-86, 1985-86 to 2015-16 (1985-86 = 1.0)



# Net Tuition as a % of Public Higher Education Total Educational Revenues, U.S., FY 1990-2015

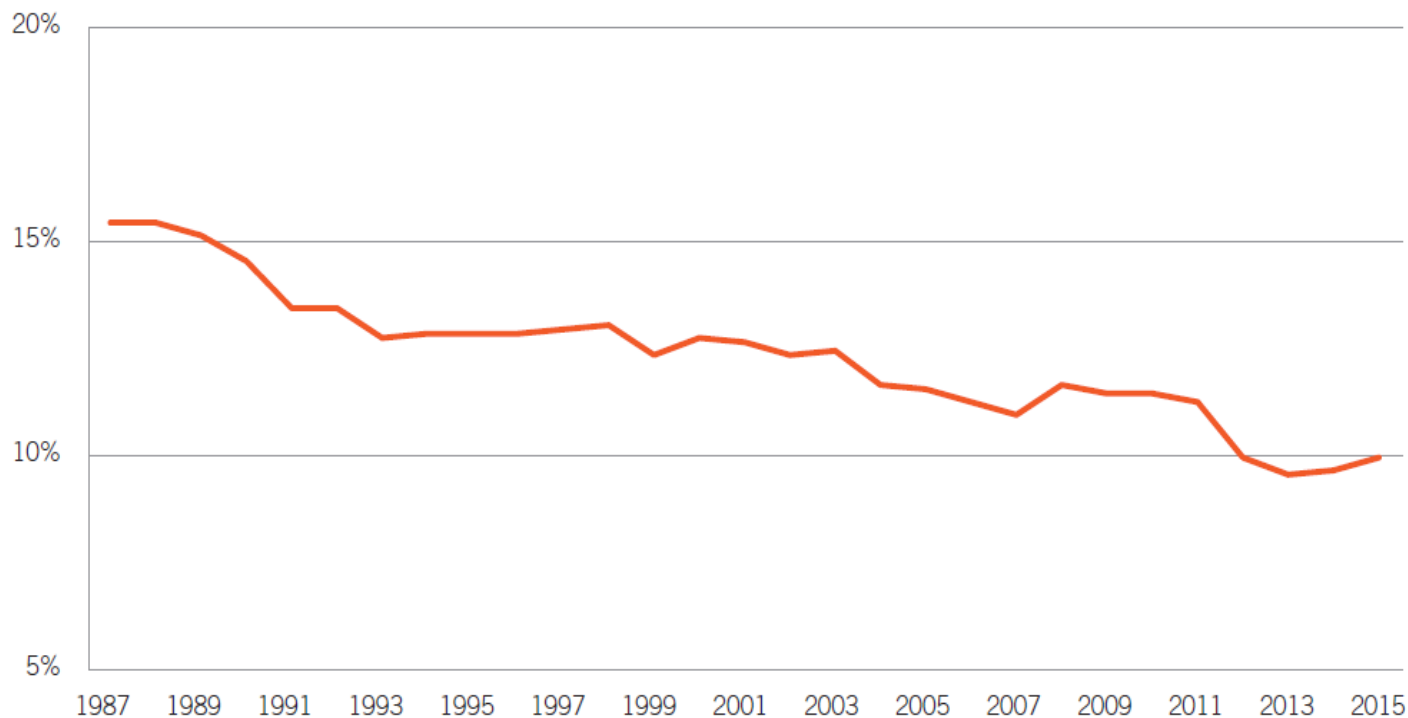


**NOTE:** Net tuition revenue used for capital debt service is included in net tuition revenue, but excluded from total educational revenue in calculating the above figures.

**SOURCE:** State Higher Education Executive Officers

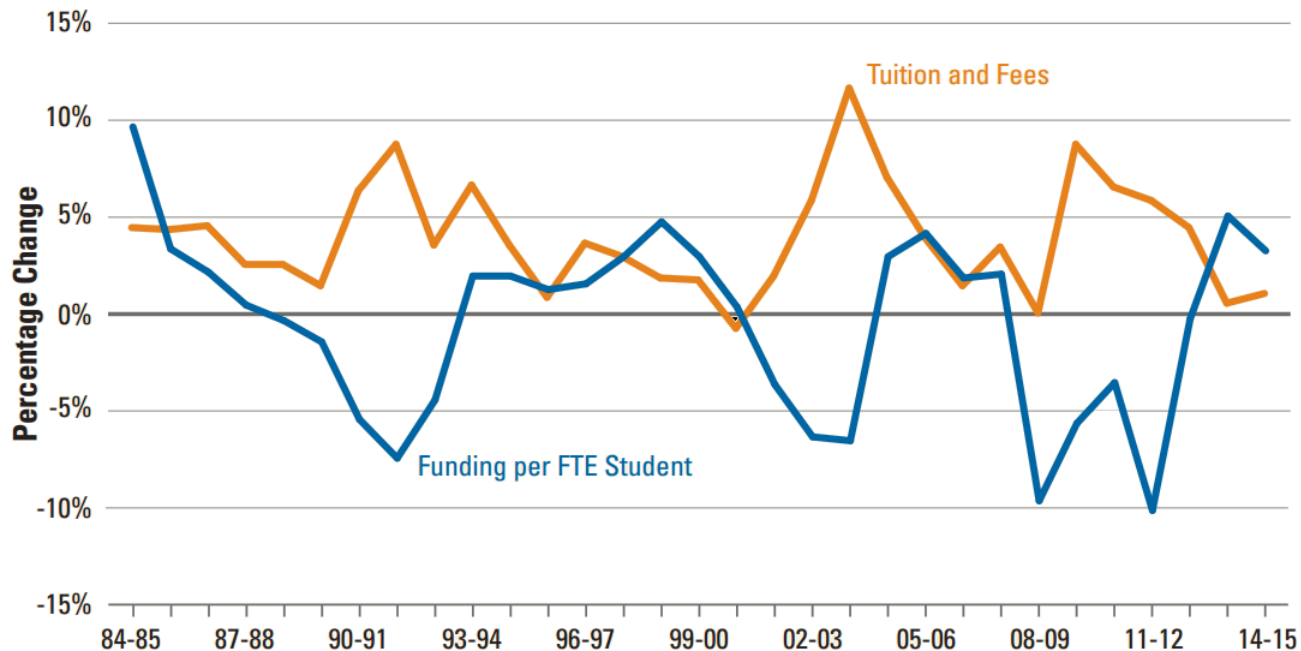
# Declining Public Support

# General Fund Spending for Higher Education as a Percentage of Total General Fund Spending



Source: NASBO State Expenditure Report 1987–2015.

# Annual Percentage Change in Inflation-Adjusted Per-Student State Funding for Higher Education and in Tuition and Fees at Public Institutions, 1984-85 to 2014-15



Source: Figure 16A. *Trends in College Pricing 2015*. The College Board

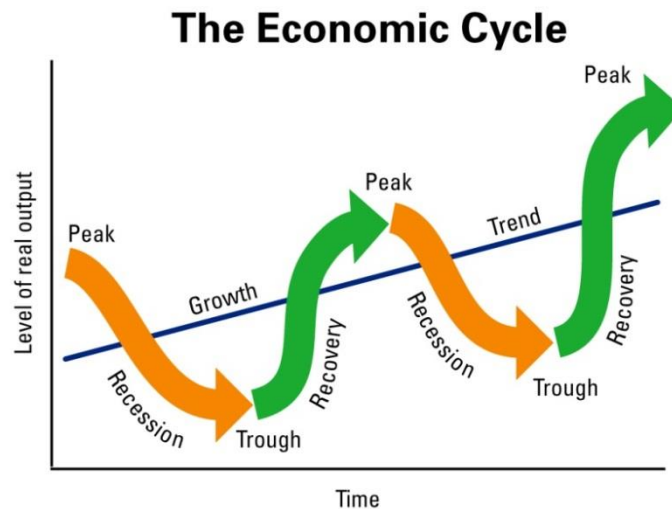
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# ECONOMY, POLITICS, REGULATIONS



# Impact of Economic Forces

- ▶ Endowments and other investments are vulnerable
- ▶ Declining tax revenues are independent of enrollment demands



# POLITICS!!!

- ▶ Student Debt
- ▶ Accountability
- ▶ Perceptions



“politics  
is more  
difficult  
than  
physics”

Albert Einstein

# More and Costly Regulation

- ▶ Title IX
- ▶ Banking regulations
- ▶ Student Debt
- ▶ Immigration



# **Different Lens on What's Happening on Campus**

**Big picture financial sustainability**

**How campus buildings and spaces are working**

**Campus culture and employee engagement**

**Safety and security**

# Financial Sustainability

- ▶ Long-range forecasting
- ▶ Monitoring and benchmarking key financial ratios
- ▶ Working collaboratively to ensure long-term financial health

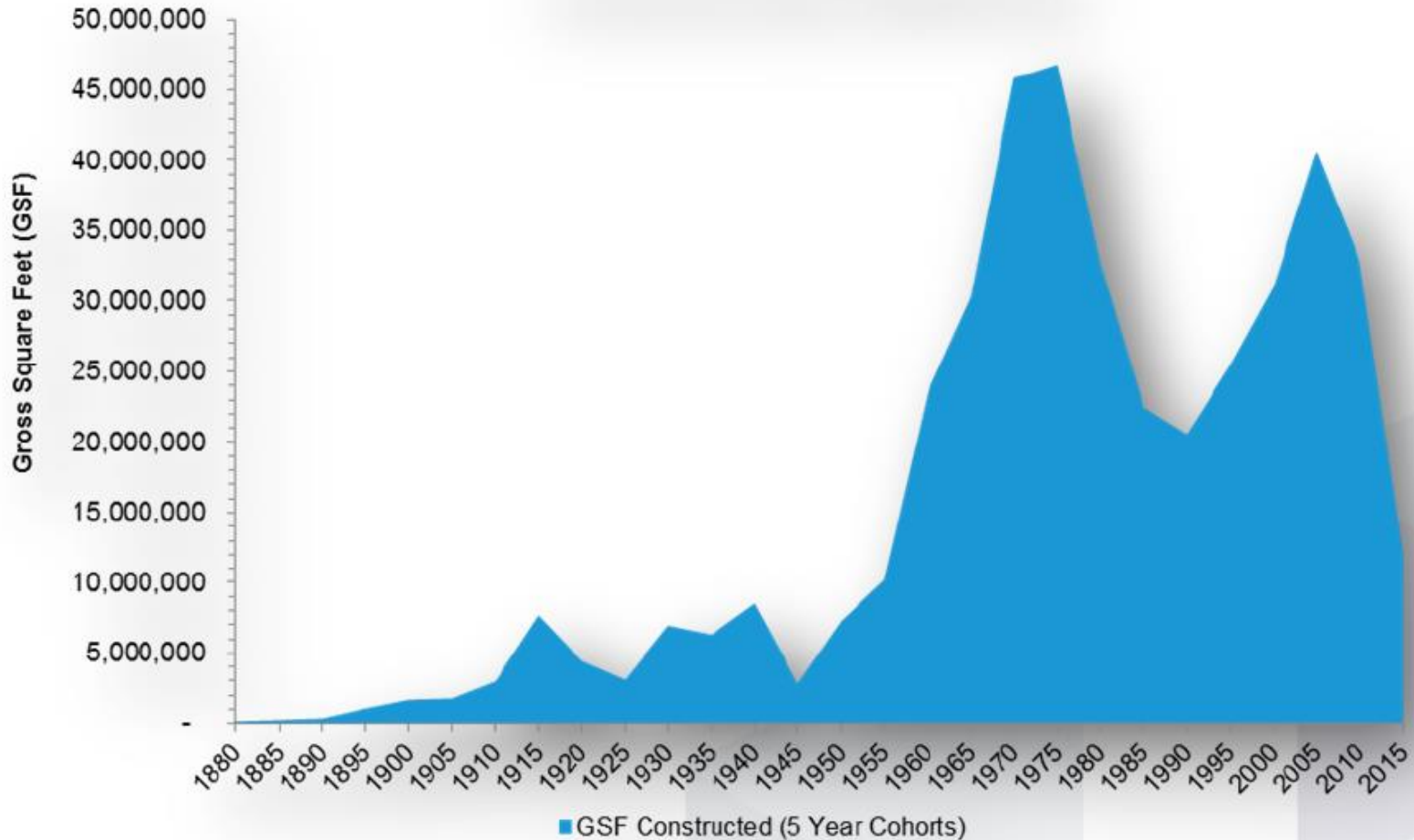


# Effective Buildings and Grounds

- ▶ New construction vs. existing
- ▶ Space management
- ▶ Climate Change
- ▶ Campus beautification



# Higher Education Constructed Space 1880 - Present



# Campus Culture and Employee Engagement

- ▶ Fair and equitable treatment of all employees
- ▶ Professional development and training
- ▶ Labor relations
- ▶ Federal/state regulations





# Campus Safety and Security



- ▶ Creating and communicating a safe environment
- ▶ People, processes, and training in place to ensure fast and appropriate response



# Complementary Expertise and Experience

**Strategic financial planning**

**Creative financial solutions to meet priorities**

**Addressing faculty and staff administrative pain points**

**Emergency and crisis management**

# Strategic Financial Plan - key components

- ▶ Match strategic goals with clear financial plan to achieve those goals
- ▶ What helps and what hurts in the long run
- ▶ Understanding the impact of priorities on long-term financial sustainability
- ▶ Build institutional financial strength through well-informed decision making



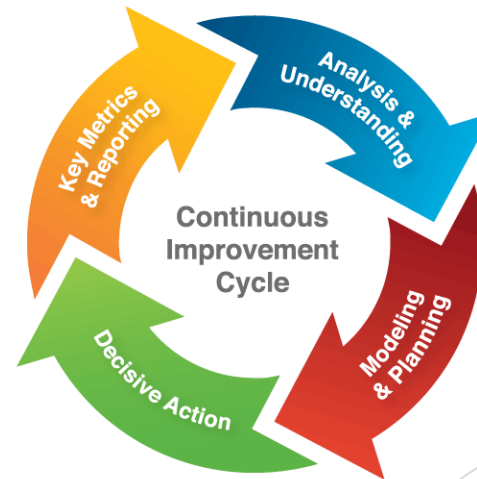
# Creative Financial Solutions

- ▶ Balancing debt with reserves
- ▶ Public-private partnerships
- ▶ Energy performance agreements
- ▶ Negotiating favorable business deals



# Addressing Pain Points

- ▶ Business process improvements
- ▶ Leveraging technology for routine business
- ▶ Shared services centers



# Emergency and Crisis Management

- ▶ Weather
- ▶ Power outages
- ▶ Protests
- ▶ Violence



# **NAVIGATING THE UNIVERSITY BUDGET PROCESS**

# The Budget Cycle

## Operating Budget Cycle

The operating budget cycle runs from the beginning of the initial research phase and analysis through the completion of the audited financial statements. Once the audited financial statements have been completed an analysis is typically completed to determine the accuracy of the original budget projections.

**Timeline:** Typically 12- 24 months, although the timeline can be longer for public institutions.

## Capital Budget Cycle

Capital budget cycles are typically longer than the operating budget cycle due to the types of projects covered by these budgets. This budget cycle begins with the conception of the capital project and runs until the final product is placed into service.

**Timeline:** It is customary for capital budgets to span multiple years (2 – 6 years).



# Factors Affecting the Budget Process

- ▶ Institutional Character
  - ▶ Mission/Goals
  - ▶ Access
  - ▶ Research/Teaching
- ▶ Stakeholder Involvement
  - ▶ Board of Trustees
  - ▶ Donors
  - ▶ Government (State, Federal, Local)
  - ▶ Legislators
  - ▶ Students and Families
- ▶ Process Transparency
  - ▶ Bureaucratic /Democratic
  - ▶ Who is on the “Team”
- ▶ Decision Making Authority
  - ▶ Centralized/Decentralized
- ▶ Trends
  - ▶ Economic
  - ▶ Demographic

# Critical Steps in the Budget Process

- ▶ Close-Out and Analysis of Prior Year
  - ▶ How did we end up? What does that mean for next year?
  - ▶ What went well? What went wrong?
  - ▶ Changes in the future?
- ▶ Future Year Planning
  - ▶ Developing Budget Assumptions
    - ▶ Revenue Drivers
    - ▶ Expense Drivers
  - ▶ Communicating Budget Guidelines
  - ▶ Preparing the Budget Submission
  - ▶ Budget Review and Approval
- ▶ Budget Implementation

# Questions?

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