Budgeting in Higher Education - A Mixed Model Approach

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Abstract

Many higher education institutions have utilized one or two budgeting models for years. This may have worked for these institutions in the past, but in today's higher education roller coaster, more colleges and universities are switching to a mixed-models approach. This approach offers more benefits for many institutions.

This move to a mixed-methods approach is critical for a multitude of institutions as they face the challenges of today's world. Many colleges and universities are now seeing enrollment declines and an increase in inflation. Without a new model, many schools are expected to close due to financial issues.

Keywords

Incremental Budgeting - relies on past funding levels for proposals and allocations, allocating only new revenue. Budget cuts are typically across-the-board, based on a percentage of the institution's historical budget (Navolio, 2023).

Zero-Based Budgeting - involves resetting the budget annually, requiring every institutional unit to reapply for funding. Consequently, units or departments must consistently provide justification for their funding requests each year (Navolio, 2023).

Activity-based Budgeting - allocates financial resources to institutional activities based on their ability to generate higher revenues, thereby maximizing the institution's returns (Navolio, 2023).
Responsibility Center Management - delegates operational authority to academic units, enabling them to prioritize their missions and manage their own revenues, including student tuition. Units also receive a portion of government support if applicable but are responsible for their expenses and a share of the institution's general operational costs (Navolio, 2023).

Centralized Budgeting - pools revenue from tuition, state funding, and other sources, managed by upper-level administrators who allocate funds to subunits (Navolio, 2023).

Performance-Based Budgeting - considers defined outcomes and standards. Effective performance budgets evaluate how efficiently funds support operations and predict program outcomes (Navolio, 2023).

Introduction

In 2024, there is an unprecedented amount of instability in higher education. Many institutions are facing financial troubles, leading to closures and mergers. This is due to a variety of factors.

These factors include increased inflation, reduced enrollment, and an inability to hike tuition costs. These items pose problems to an institution's budget. Post-secondary institutions must adapt and become creative to overcome such troubles.

Many institutions have begun to reject a one-model budget approach and thus adopt a mixed-model budget. This allows colleges and universities to reap the benefits of various models and compensate for individual model disparities.

This idea has become more popular in recent years, as enrollment has dropped for the last decade or so. This has been felt all across the United States. A majority of schools that have closed were 2-year for-profit schools, followed by 4-year for-profit schools; the rest—non-profit and public—have closed in varying numbers (Castillo and Welding, 2024).

The United States has watched over 12,000 colleges and universities close their doors within the last two decades (Castillo and Welding, 2024). In addition, we have seen many of them merge or be taken over by other institutions. This strategy has allowed some schools to stay open but has not removed them from higher education's financial environment.

The financial environment of higher education has involved many people from faculty and staff to students and their families. Further, it affects the surrounding communities as many college towns rely on incoming students – and the people who visit said students – whether it be as patrons or employees. Students bring in money, and without it, higher education would likely cease to exist.

Literature Review

Higher education institutions primarily receive funding from tuition and fees, investments, contracts, government grants, appropriations, and auxiliary enterprises. The percentage of each will depend on the type of institution, such as public or private institutions. These funding sources make up the majority of the institution's budget.

Colleges and universities utilize various budget models, including centralized, decentralized, incremental, zero-based, activity-based, performance-based, and responsibility center management. Many institutions currently use a mixed budgeting approach.

Utilizing a hybrid model allows for a variety of ways to distribute funds for separate sources of revenue and expenses. This is beneficial with the current state of higher education, which is currently an unpredictable environment. According to an article by Jennifer Delaney (2023), "Total state spending on public higher education in the United States reached a whopping $108.1 billion in the 2022 fiscal year. However, nationwide higher-education support has shrunk from 10.2 percent of total state budgets in the 2019 fiscal year (before the pandemic) to 8.7 percent in the 2022 fiscal year."

The Current State of Higher Education

In recent years, higher education, particularly in regard to funding and spending, is said to be a roller coaster. This roller coaster has led to an unpredictable environment, which is the opposite of what leads to effective planning and budgeting (Delaney, 2023). Such surprises can lead to strain on an institution's system.

Strain can force the budget to change with items such as line cuts, budget reductions, and decreased spending (Delaney, 2023). This, in turn, can also affect how colleges make money, from government funding and fundraising, as well as how they spend money, such as on scholarships and campus facilities. There are additional factors that can affect the budget like decreased enrollment and an inability to increase tuition (Delaney, 2023).

Revenue Sources

The revenue of a college or university comes from various sources such as the government, fundraising, investments, and tuition and fees. Government funding can come from the federal, state, and/or local government. The percentage of funding from each source has changed in recent years (CollegeBoard, 2024).

Since the 2010-2011 academic year, federal grant aid has decreased as part of total grant aid (CollegeBoard, 2024). Additionally, for twelve years in a row, there has been a decline in annual borrowing from the federal government (CollegeBoard, 2024). These funds are typically more likely to be received by public institutions, but private institutions may also receive such funds.

Many institutions also receive financial support from the state. According to Jennifer Delaney (2023), higher education is the third largest budget category of state spending; said spending has shrunk in the last several years.

The state does typically tend to spend more on higher education than localities (Urban Institute, 2024). The money that does come from localities is often more likely to be received by community colleges (Urban Institute, 2024). Yet, aid from localities has rapidly increased over the past ten years (CollegeBoard, 2024).

Many institutions also rely on other sources of revenue, such as tuition and fees. Tuition is affected by a variety of factors, such as the overall economic climate (Federal Student Aid, 2024). Fees include a multitude of items, such as those for labs, graduation, matriculation, car passes, and many more, depending on the institution (Federal Student Aid, 2024).

Lastly, institutions may receive money from donors, investments, and auxiliary enterprises (National Center for Education Statistics, 2023). Some departments may increase revenue through fundraising and workshops. Other areas on campus, such as clubs, may also raise money in a similar fashion.

Institutional Spending

While there are many sources of revenue, there are just as many, if not more, ways to spend said money. The money can go to the faculty and staff, as well as the institution. It can also go into research, teaching, tuition assistance and financial aid, and many more items (National Education Association, 2022).

One common pattern that is seen is a large amount of institutional spending going to faculty and staff. There are many people that an institution needs to pay, such as housekeeping and facility workers, administrative staff, IT workers, and many more (Top Universities, 2023). For each person, the college or university pays their salary, as well as their benefits, such as health, vision, and dental insurance (Top Universities, 2023).

Another large portion of an institution's budget goes toward campus facilities. This can include maintenance on buildings and grounds, as well as creating new buildings and repairing or refurbishing buildings already in place (Top Universities, 2023). This can also include providing new resources for students, from comfortable couches to study on to new books and equipment to aid in learning activities.

Further, many universities utilize their funds for research that is taken on by faculty and students. These costs may sometimes be grouped with teaching costs, as much of research is a learning experience and aids in students' knowledge and growth (Top Universities, 2023). This spending may be towards physical equipment, waste removal, and data collection tools and programs (Top Universities, 2023).

Another chunk of spending may go to scholarships. Many schools offer scholarships to their students based on GPA, essays, or skills; these scholarships may be given directly by the school or through donor-sponsored funds (Top Universities, 2023).

Outside of these major direct costs are indirect costs, which are costs that are typically “expenses of doing business that are not readily identified with a particular grant, contract, project function or activity” (U.S. Department of Education, 2020). In higher education, this might include utilities, office and lab supplies, marketing materials, and insurance (U.S. Department of Health and Human Services, 2020).

The Facts

While revenue is declining and it is crucial to retain funds, in today’s world, the revenue and spending of an institution significantly impact it; many institutions have and continue to close for multiple reasons. One major reason that is felt by numerous institutions is declining enrollment (Kroger, 2023). “Higher education enrollment has been dropping for almost 15 years” (Kroger, 2023). This is partially due to demographics, as the typical high school cohort is shrinking. Moreover, graduating students have more options than attending college, such as entering the workforce, starting their own business, or learning the trades (Kroger, 2023).

Countless institutions are also experiencing a decline in revenue. This is, in part, due to declining enrollment, as many colleges and universities greatly rely on tuition and associated fees (Kroger, 2023). This loss is intensified by other factors, such as stock market losses, which affect endowment draws and fundraising efforts (Kroger, 2023).

Institutions are also faced with the inability to hike tuition prices (Kroger, 2023). Since the Great Depression, colleges and universities have raised tuition rates significantly higher than the inflation rate (Kroger, 2023). Presently, this is only feasible for institutions with exceptional reputations.

However, due to the reduced perceived value of higher education as a lifelong investment and intense competition, most institutions will find it challenging to increase tuition sufficiently to match or surpass inflation. “In the 2022–23 academic year, for example, average tuition and fees rose by 1.6 percent at community colleges, 1.8 percent for in-state students at four-year public colleges and 3.5 percent for students at four-year private institutions, far below the 2022 inflation rate of 6.5 percent” (Kroger, 2023).

Given these factors, institutions seek to minimize expenses. However, with ongoing inflation patterns, persistently increasing prices, and pressure to raise employee wages, reducing spending costs seems nearly impossible (Kroger, 2023). Without significant reductions, whether in staffing or campus maintenance, controlling institutional costs will prove exceedingly challenging.

Budgeting Models in Higher Education

With all the various ways that money can be obtained or spent, there needs to be a way to track the institution’s money. This is done through creating and watching the budget. There are multiple models that can be utilized by an institution.

The first model is centralized budgeting, which creates a central pool of revenue (Navolio, 2023). This model leaves the decision-making to upper-level administration, who then distribute money to other departments (Navolio, 2023). This model has both benefits and drawbacks.

Centralized budgeting offers assistance to institutions facing challenges in controlling allocations and managing predictable costs, particularly concerning computer equipment and software, especially during financial crises. This approach enables institutional leadership to swiftly alter directions without added procedural complexities (Navolio, 2023).

Conversely, due to the nature of this model, there can appear to be favoritism as the model does not always lend itself to transparency with other units (Navolio, 2023). This, in turn, may then weaken the trust within the institution. Further, some claim that this model dampens innovation and creativity by removing the competitive aspect of funding (Navolio, 2023).

Another budget model is the decentralized budget model. This model is the opposite of a centralized budgeting model in that individual units are responsible for producing and keeping track of their own funds (Kirtane, 2023). The benefits and drawbacks of this model contrast those of the centralized budgeting model.

One important advantage is an increase in transparency for the institution’s financial decision-making. Further, it creates an incentive for individual institutional units to seek new and creative ways to raise money and operate within their allotted amounts (Kirtane, 2023). On the other hand, this model can become quite complex, which can potentially lead to inefficiencies and competition between academic units (Kirtane, 2023).

A third budgeting model that an institution might use is incremental budgeting. In this model, budget allocations are based on the previous year's funding and are increased each year. Only new revenue is allocated to the institution (Russell, 2023).

This model has typically been attractive to higher education institutions for various reasons, such as its ability to easily implement, budgetary stability, and predictability. On the other hand, this model makes it difficult to determine where costs were incurred, as well as how revenue is created (Russell, 2023).

Zero-based budgeting is another model that might be utilized by institutions. This model wipes the previous budget year and mandates that each academic unit reapply for funding. Thus, every department must continue to justify their funding requests each year (Navolio, 2023).

This model is effective in ensuring that money is spent purposefully, thus minimizing wasteful spending (Navolio, 2023). Further, this may allow academic units to reevaluate their outcomes, objectives, and indicators of success. On the other hand, this budget model can be cumbersome as it takes longer to prepare and may not be received well by all parties (Navolio, 2023).

A fifth budget model is activity-based budgeting, which allocates financial resources to institutional activities that yield the highest returns, typically resulting in increased revenues for the institution (Navolio, 2023). Implementing this model may include creating activity and fund groupings for budgeting purposes, alongside designing and implementing an activity-based campus budget allocation process (Navolio, 2023).

This budgeting model could enable administrators to allocate resources efficiently to fulfill wider strategic goals. There are several concerns about this model, such as assessing programs based exclusively on their revenue potential (Navolio, 2023). It also does not entirely enable the budgeting of more general units, such as disability services, dining, and campus security.

Another option for institutions is responsibility center management (RCM), which entrusts administrative control to divisions, schools, and other institutional units, thus allowing them to each emphasize their missions. Units engage in effective competition for students under this approach (Eisenstein, 2021).
Additionally, each unit receives a share of government support, where applicable. However, they are also accountable for their individual expenditures and contribute to a portion of the costs associated with the college or university's overall operations (Eisenstein, 2021).

This model is beneficial in that its design supports each units' academic priorities and promotes a budget that follows said priorities. Further, this model can motivate unit members to be creative in creating sources of revenue and increasing financial stability (Eisenstein, 2021). By contrast, this model can potentially cause tension as administrators may feel like they are being pitted against each other, thus hindering teamwork and a healthy work environment (Eisenstein, 2021).

Lastly, institutions may consider a performance-based budgeting model. This model grants funds based on a determined quantity of outcomes and standards. A proficient performance budget will demonstrate the efficiency of budget allocation for daily operations and offer insights into the likelihood of specific functions and programs yielding favorable results (Navolio, 2023).

This model is beneficial in that it shows how money is directly correlated to results. Additionally, this model also enhances transparency between different institutional bodies, thus fostering a way to easily obtain funds and distribute resources (Navolio, 2023). While beneficial, this model may require significant time and effort to establish performance indicators and establish the necessary foundation to achieve them.

Rejecting a One-Model Approach

In the face of mounting challenges confronting higher education institutions, such as fluctuating enrollment patterns, escalating operational costs, and shrinking sources of revenue, the adoption of a mixed model budgeting approach represents a strategic pivot towards greater adaptability and resilience. This innovative approach acknowledges the diverse needs and priorities of institutions, allowing them to tailor their budgeting strategies to align with their specific circumstances and objectives (University of Michigan, 2024).

By embracing a mixed-model budgeting framework, institutions can leverage the strengths of various budgeting methodologies. This holistic approach enables institutions to strike a balance between stability and innovation, harnessing the benefits of established practices while embracing forward-thinking strategies to drive efficiency and effectiveness (Ontiveros and Blanco, 2024).

Moreover, the implementation of a mixed-model budgeting approach fosters a culture of transparency and accountability within institutions, empowering stakeholders to make informed decisions about resource allocation and strategic investments (Ontiveros and Blanco, 2024). Through enhanced collaboration and communication, institutions can engage faculty, staff, students, and other key stakeholders in the budgeting process, ensuring alignment with institutional priorities and goals (Ontiveros and Blanco, 2024).

Furthermore, the adoption of a mixed-model budgeting approach encourages continuous evaluation and refinement, allowing institutions to adapt their budgeting strategies in response to evolving internal and external dynamics (Ontiveros and Blanco, 2024). By incorporating feedback mechanisms and performance metrics, institutions can assess the effectiveness of their budgeting practices and identify areas for improvement, driving ongoing innovation and optimization (Ontiveros and Blanco, 2024).

In essence, the transition to a mixed-model budgeting approach represents a proactive response to the complex and dynamic landscape facing higher education. By embracing flexibility, transparency, and collaboration, institutions can navigate challenges more effectively while positioning themselves for long-term success and sustainability in an increasingly competitive environment (Ontiveros and Blanco, 2024).

Analysis

A budget is the cornerstone of any institution’s financial planning, transcending the realms of wishful thinking or predictive forecasting. It serves as a meticulously crafted roadmap, delineating the judicious allocation of available funds to meet the multifaceted needs and aspirations of the institution. A budget embodies a proactive strategy rather than a passive Wishlist, orchestrating the deployment of financial resources in alignment with the overarching objectives and operational exigencies (Dawoody, 2024, Lecture 1).

Within the diverse landscape of institutional frameworks, there exists a kaleidoscope of needs, aspirations, and operational modalities. Each institution, whether it be a university, college, or any other organization, harbors its own unique set of challenges, opportunities, and strategic imperatives. Consequently, the formulation of a budget is not a one-size-fits-all endeavor; rather, it demands a bespoke approach tailored to the idiosyncratic contours of each institution (Dawoody, 2024, Lecture 1).

In navigating the complexities inherent in financial management, institutions, including those in higher education, often resort to a repertoire of strategies to navigate through the intricacies of budgetary constraints and fiscal exigencies (Dawoody, 2024, Lecture 1). These strategies encompass a spectrum of endeavors aimed at enhancing financial viability, operational efficiency, and institutional resilience.

One such strategy involves fostering confidence and trust in the institution's stakeholders, including communities, governmental bodies, and prospective students (Dawoody, 2024, Lecture 1). By actively engaging with these stakeholders and fostering transparent communication channels, institutions can cultivate a robust foundation of trust and credibility, thereby fortifying their institutional standing and bolstering their financial sustainability.

Furthermore, institutions often resort to strategic streamlining initiatives, such as rationalizing programs or services that exhibit tepid demand or underutilization (Dawoody, 2024, Lecture 1). By pruning the proverbial deadwood and reallocating resources to high-impact endeavors, institutions can optimize their operational efficiency and fiscal sustainability, thereby ensuring the judicious utilization of available funds.

Innovation also emerges as a potent catalyst for financial resilience and sustainability. Institutions may explore innovative revenue-generating initiatives, such as revitalizing existing programs to render them more appealing to prospective students or pioneering self-sustaining ventures that not only offset costs but also engender additional revenue streams (Dawoody, 2024, Lecture 1).

However, the feasibility and efficacy of these strategies are contingent upon a myriad of factors, including the marketability of intangible goods, the prevailing regulatory environment, and the institution's unique mission and ethos (Dawoody, 2024, Lecture 1). Indeed, the intricacies of budgetary management demand a nuanced understanding of the interplay between internal dynamics and external exigencies, necessitating a judicious blend of foresight, adaptability, and strategic acumen.

Moreover, the budgeting landscape in higher education is marked by a diverse array of budgeting models, each characterized by its own set of assumptions, methodologies, and implications. From centralized budgeting paradigms that vest authority in central administrative bodies to decentralized frameworks that empower individual departments with budgetary autonomy, institutions grapple with a myriad of choices in sculpting their fiscal architecture.

The adoption of a mixed-model approach, wherein institutions integrate various budgeting paradigms to align with their specific needs and strategic imperatives, has gained traction as a pragmatic response to the multifaceted challenges of budgetary management. By leveraging the strengths of diverse budgeting models while mitigating their respective weaknesses, institutions can forge a resilient fiscal framework that is attuned to the dynamic exigencies of the higher education landscape.

Within this heterogeneous budgeting milieu, the allocation of resources assumes paramount significance, often serving as a litmus test of institutional priorities and values. However, the allocation process is not devoid of inherent complexities and trade-offs, as evidenced by the concept of Pareto Optimality, wherein the allocation of resources to one department may inadvertently disadvantage another (Dawoody, 2024, Lecture 3)

Indeed, the allocation of resources within an institution mirrors the Darwinian dynamics of the market, wherein popularity and efficacy serve as the crucible for resource distribution. Departments and schools that effectively market themselves, harnessing the power of branding, outreach, and strategic positioning, are often rewarded with a disproportionate share of resources, reflecting the Darwinian ethos of survival of the fittest within the institutional ecosystem.

Nevertheless, the budgeting landscape is not static; rather, it is punctuated by periodic upheavals and paradigm shifts, a phenomenon aptly termed punctuated equilibrium (Dawoody, 2024, Lecture 6). During these inflection points, institutions are afforded a fleeting window of opportunity to effectuate transformative change and recalibrate their fiscal trajectory in alignment with emerging imperatives and exigencies (Dawoody, 2024, Lecture 6).

This process of transformative change is facilitated by a triad of decision-making factors: indicators, focusing, and feedback (Dawoody, 2024, Lecture 6). Indicators serve as harbingers of change, illuminating emerging trends, challenges, and opportunities within the institutional landscape (Dawoody, 2024, Lecture 6). Whether manifested through fluctuating enrollment patterns or shifting demographic dynamics, these indicators prompt institutions to recalibrate their budgetary priorities and strategic initiatives accordingly.

Focusing, on the other hand, serves as a magnifying lens, amplifying the salience of key events, crises, and symbols that reverberate within the institutional psyche (Dawoody, 2024, Lecture 6). Whether catalyzing collective action through campus rallies or galvanizing community engagement through strategic events, focusing events serve as catalysts for `transformative change, propelling institutions towards a new trajectory of growth and resilience.

Lastly, feedback mechanisms furnish institutions with invaluable insights gleaned from ongoing evaluation, assessment, and stakeholder engagement initiatives (Dawoody, 2024, Lecture 6).

Whether in the form of end-of-semester evaluations, program assessments, or stakeholder surveys, feedback mechanisms serve as a compass, guiding institutions towards informed decision-making and adaptive responsiveness in navigating the complexities of the budgeting landscape.

In summation, the art and science of budgetary management in higher education demand a nuanced understanding of the interplay between internal dynamics and external exigencies. From cultivating stakeholder trust to harnessing the transformative potential of innovation, institutions must navigate through a labyrinth of challenges and opportunities in sculpting a resilient fiscal framework that is attuned to the dynamic imperatives of the higher education landscape. Through strategic foresight, adaptive resilience, and stakeholder engagement, institutions can transcend the vagaries of budgetary constraints and forge a pathway toward sustainable growth, institutional excellence, and societal impact.

Recommendations

In the dynamic terrain of higher education, institutions are confronted with a myriad of complexities and uncertainties that necessitate a proactive and adaptive approach to ensure their survival and prosperity. The specter of closures or mergers looms ominously over many establishments, compelling them to chart a strategic course that strikes a delicate balance between financial viability and the preservation of their distinctive institutional identities.

To navigate these turbulent waters successfully, institutions must embark on a journey of transformation, reimagining their programs and services to meet the evolving needs and expectations of students and stakeholders. A pivotal aspect of this transformative process involves a comprehensive overhaul of existing programs, imbuing them with a sense of prestige and desirability that resonates with prospective students and sets them apart in a competitive landscape.

By revitalizing programs to embody the essence of an elite and highly sought-after major, institutions can enhance their appeal and broaden their market reach, attracting top-tier students and securing their position as leaders in their field. This endeavor entails not only refining the content and structure of the curriculum but also optimizing the learning environment and enhancing support services to deliver a truly transformative educational experience that prepares students for success in the 21st-century workforce.

Moreover, effective marketing emerges as a linchpin in the quest for institutional vitality and success. Institutions must craft targeted messaging that speaks directly to the aspirations and preferences of their target audience, leveraging digital channels, social media platforms, and strategic partnerships to amplify their reach and attract top talent.

Innovative revenue-generating initiatives play a crucial role in fortifying institutions' financial resilience. By harnessing untapped resources such as laboratories and facilities, institutions can host a diverse array of workshops, seminars, and public events that not only enrich the educational experience but also serve as lucrative sources of supplementary income. For instance, colleges with food laboratories can orchestrate workshops on culinary arts, tapping into the burgeoning interest in gastronomy and culinary entrepreneurship.

Simultaneously, institutions must exercise prudence in expenditure management, identifying and streamlining non-essential programs or activities with limited student engagement or enrollment. Embracing automation and modernizing equipment represent prudent investments that optimize operational efficiency and elevate the institution's attractiveness to prospective students.

Furthermore, the adoption of a mixed-model budgeting approach offers institutions the flexibility to leverage the strengths of diverse budgeting paradigms while mitigating their inherent weaknesses. By integrating elements of centralized, decentralized, and performance-based budgeting models, institutions can optimize resource allocation, enhance transparency, and foster collaborative decision-making processes.

In essence, the survival and prosperity of institutions in the ever-evolving landscape of higher education necessitate a multifaceted strategy that encompasses innovation, fiscal prudence, and strategic foresight. By embracing change, seizing opportunities, and upholding a steadfast commitment to excellence, institutions can transcend adversity and emerge as beacons of academic distinction and institutional resilience. Through these concerted efforts, institutions can not only weather the storm but also emerge stronger, more resilient, and better positioned to thrive in the future.

Summary

The landscape of higher education can be likened to a roller coaster ride characterized by its tumultuous and unpredictable nature. This variability often puts a strain on institutional budgets, resulting in budget cuts and decreased spending, which can have significant implications for the functioning of these institutions.

The sources of revenue for colleges and universities vary greatly from one institution to another. While some rely heavily on government funding from federal, state, and local sources, others supplement their income through donations, investments, tuition fees, and revenue generated from auxiliary enterprises. This diverse mix of funding streams underscores the complex financial ecosystem within which higher education institutions operate.

Once funds are received, institutions face the challenge of allocating them effectively across various areas. Infrastructure maintenance and updates, for instance, require a significant portion of the budget to ensure that facilities remain conducive to learning and research.

Additionally, funding is allocated towards supporting research endeavors, covering faculty and staff salaries, and providing necessary supplies and equipment. Moreover, overhead costs such as utilities and insurance further necessitate careful financial planning and management.

However, in today's economic climate, many institutions are grappling with budget cuts and reductions in funding allocations. This heightened financial pressure underscores the importance of prudent budget development and spending practices. Failure to do so may put the institution at risk of closure, as financial instability threatens its long-term sustainability.

Indeed, an array of factors contributes to closures, spanning from dwindling enrollment to shifts in governmental funding priorities. In addressing these challenges, institutions must embrace strategic financial management practices to ensure their sustained viability and ability to uphold their educational mission amid an uncertain financial landscape.

Presently and in the foreseeable future, declining enrollment and revenue present formidable obstacles for institutions. Many colleges and universities confront declining student numbers, partly attributable to demographic changes and the proliferation of alternative educational avenues. This enrollment downturn directly impacts revenue, given the pivotal role of tuition and fees as primary income sources.

Additionally, other factors compound financial pressures, including stock market downturns impacting endowments and fundraising endeavors. Formerly dependable sources of income, such as escalating tuition fees, now confront limitations due to diminished perceived value in higher education and heightened market competition. Despite efforts to curb expenses, the twin pressures of inflation and wage escalation necessitate substantial cuts in staffing or campus maintenance to maintain cost control.

In striving to mitigate unnecessary expenditures and bolster revenue, institutions have an array of budgeting models at their disposal, ranging from centralized to decentralized approaches, each with distinct advantages and drawbacks. Given the unique needs and objectives of individual institutions, it's unsurprising to find a diverse array of budgeting models in use.

Moreover, in today's dynamic environment, institutions are increasingly adopting a mixed-model approach, leveraging the strengths of each model to optimize financial management and adapt to fluctuating circumstances. Thus, to survive, it is more likely that the remaining institutions will choose a mixed-model budgeting approach.

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