

**Budget Exercise Rationale**

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In this exercise, I am the director of the institutional research (IR) department, and I have been instructed to reduce the departmental budget by 2% for an institutional “tax” two years in a row. The main decision-making strategy I utilized was rational calculation. This strategy involves a small number of individuals making choices based on pre-determined, “objectives, preferences, [and] values” which defines a units’ purpose based on set criteria (Morgan, 1984, p. 8). The purpose of my unit is to be an effective IR office through strategic investment in human capital, software and technology, and networking and communication.

I chose to make budgetary allocation decisions based on this theory because it is centered around goals that are general, long-term, and immediate (Morgan, 1984). An IR office must be focused on collaborating with other administrative units to identify research questions or areas where data could be gathered and used to address problems. Therefore, the staff who are skilled in executing these tasks must be a clear priority. For this reason, I calculated the amount that could be saved by reducing the consultant and staff assistants contract to ten months rather than twelve months to visualize the negative impact long-term institutional taxation could have on the IR personnel.

Armed with this knowledge, I then communicated the situation with my department and emphasized the units’ goals and the importance of working together to decrease expenditures so staff would not need to be affected. During the first year of tax, no salaries were affected, but budgetary allotments were drastically decreased for “meeting refreshments”, “association memberships”, and “non-capital equipment”. I chose these categories to undergo the largest decreases in funding because shortages can be covered by our department members’ agreement to alternate in providing refreshments for the meetings, subsidize their membership fees, and wait to update equipment that is still functioning.

Each of these decisions was strategically made to respect and value the human capital within the office. The year two cuts were spread out among various categories, with the most drastic change being applied to “telephone services” as these could likely be consolidated through the use of cellphones or internet services and the reduction of the Consultant’s contract from twelve months to eleven months. The

consultant likely can complete most of the necessary duties within the eleven months of the school year, and they also likely do not have the same longevity with the department as the assistants do. Although this does affect the human capital, it allows the software and technology and the networking and communication expenses to remain stable.

### References

Morgan, A. (1984). Responding to new realities and funding. *New directions for institutional research*. 1984(43). pp. 5-19.