INTRODUCTION
The institutional priorities identified by the Strategic Plan Steering Committee are likely to require significant financial investments and to cause a permanent impact on the operating budget. An integral part of the new strategic plan must therefore be a funding plan that is both long-term and realistic in regards to current and anticipated financial resources. It must encompass all sources of available funding as appropriate.

Funding for new priorities can come from reallocations within the Operating Budget, provisions included in the Capital Budget, gifts from the Capital Campaign, or transfers from the Endowment. Some proposals, such as construction of the campus center, will require a large, one-time up front investment as well as annual expenses funded through the Operating Budget. Others, such as an expanded global program, will require an increase in ongoing annual operating costs. At the same time, if the Strategic Plan directs gifts generated through the Capital Campaign towards the funding of endowed professorships or endowed scholarships, then certain budgeted operating expenses might be reduced.

The strategic financial plan will need to take each of the new strategic initiatives that have been proposed and define them in terms of estimated cost, type of expense, and time frame for implementation. Available funding must then be projected and matched with the financial needs of the various proposals. Finally, the plan must determine the level of reallocation required from existing operations in order to channel resources in new directions.
BACKGROUND
Like other institutions of higher education, WPI has experienced in recent years a sharp increase in the amount that it must expend on undergraduate financial aid. This trend has meant, despite tuition increases that have exceeded the rate of inflation, limited growth in operating resources from net tuition revenue. Various areas of the institution have competed each year for scarce resources. The result has been a process fragmented along divisional lines rather than an institutional effort. When projected operating revenues are insufficient to cover proposed budget increases, reductions in expenses tend to be made within divisions without regard to institutional priorities.

The budgeting process at WPI has historically taken an incremental approach. This is, of course, the easiest way to allocate resources. However, it does not force the institution to evaluate operations on a programmatic basis or to explore ways that it might carry out processes more efficiently. The present operating budget simply continues with minor adjustments past funding patterns. It does not ask what value the institution is deriving from its currently funded activities or whether these are the programs that best support institutional priorities.

WPI has talked about the need to implement some form of "reengineering" but has not as yet seriously pursued the concept. There was a short-lived "Total Quality Management" group in existence several years ago but no changes resulted from this effort. There has not been any real attempt to review and apply the published literature on reengineering in higher education or to consult with other institutions that have recently gone through such programs. A number of WPI trustees have repeatedly commented in budget discussions that WPI cannot afford to continue to do business in the same way. Future tuition increases must be moderated or else the price of a college education will exceed the ability of the family to pay. Thus, it is critical that the cost structure of the institution be reworked to fit within limited resources. At a recent meeting of the Trustee Budget and Finance Committee trustees specifically called for immediate development of a plan for reengineering.

Data currently exists in a format that could be applied to a reengineering effort at WPI. The institution has available historical information on revenues,
expenses, and faculty load distribution. "The Revenue and Expense Summary" has been produced for five years. This report organizes financial data into revenue and cost centers and can be used to chart changes in functional areas over time. More detailed information on academic areas can be found in the "Academic Information Management" report. The institution also participated in the NACUBO Benchmarking Study for fiscal years 1992 and 1993 in which administrative costs were compared between participating institutions of higher education. However, the information resulting from this study was judged to be of limited value due to inconsistency in reporting and the limited number of participating institutions.

RECOMMENDATIONS

- When the specific priorities of the Strategic Plan Steering Committee become available, the cost impact of these recommendations should be estimated and categorized by type into one-time investments or on-going operational expenses. A summary should be prepared that includes possible funding sources and recommended time frame for each proposal.

- The institution should then begin a process to look at possible reengineering of operations. Specifically, this effort would evaluate how we are currently allocating resources, how we could operate more efficiently in order to provide a higher level of service to the customer and at a lower cost, and what programs might be eliminated or reduced in scope in order to reallocate resources to the identified strategic initiatives.

- The budgetary focus must be on programs and processes rather than the currently defined departments. This effort can therefore be expected to cross divisional lines.

- The institution should no longer solely use an annual incremental approach to budgeting. Instead, the operating budget process should adopt the concepts of zero-based or program budgeting and plan for a period of several years. This is not meant to imply that line-item budgeting should be abandoned, but rather that it should be carried out within the framework of overall resource allocation by program.

- All areas of the institution, both academic and administrative, must be examined. There truly must be "no sacred cows".

- There must be support and involvement at the highest levels of the institution. The President should assume direct responsibility for this effort.
and be willing to implement the hard decisions necessitated in any cost restructuring.

- Division heads should be held accountable for controllable shortfalls in revenue and overruns in expense. They should be required to file year-end reports with the President that show the dollar effect of any variances from budget, explanations for these variances, and plans for preventing future variances in these areas. The current process of quarterly review and projection should be continued.

- The institution should implement policies that invoke disincentives for overspending budgets without prior approval. Conversely, incentives should be established for department heads to control expenses. These must be linked to measures of revenue generation where applicable and might include the ability to carry forward unspent budgets between fiscal years.

- The Trustees should be directly involved in this effort. They are a valuable resource in that many have gone through similar efforts at their own institutions. Also, several of them have recently called for a plan for reengineering at WPI.

- This effort should be under the direction of a committee with members appointed by the President rather than a single member of the community or an outside consultant. In order for this effort to be successful, the entire community must "buy into" the process. It is critical that there be some level of involvement by the faculty and administrative heads in the process.

- It is recognized that in order for this effort to be successful, it is likely that there might be a need to employ an individual from outside the institution and with experience in reengineering. This recommendation, if appropriate, should come from the committee charged with resource reallocation.

- The suggested configuration of this "Financial Reallocation Committee" is as follows: two trustees (members of the Budget and Finance Committee), a member of the President’s Cabinet (preferably without responsibility for a large segment of the institutional budget so as to avoid a possible conflict of interest), three staff members (to include the Budget Director), and three faculty members (to include one representative from the Committee on Financial and Administrative Policy). The chairman of this committee should be appointed by the President and be a faculty member with some knowledge of institutional finances.

SUMMARY
The initiatives as proposed by the Strategic Plan Steering Committee will become reality only if they are incorporated into a sound long-term financial plan. Because financial resources have and will continue to be limited, any financial planning process must involve reallocation of resources. Existing and anticipated funding must be allocated in support of the objectives of the new strategic plan. This can happen only if there is an on-going process in place to evaluate existing programs and processes.

Historical data on costs and productivity has been compiled for the past five years but has yet to be analyzed. The financial requirements of the new strategic plan necessitate that WPI now move to the next stage where data can be applied to an institutional effort at reengineering. Both academic and administrative areas must implement a process of continuous self-evaluation. This is likely to result in changes to individual programs but change which is beneficial to the institution as a whole. The effort should involve Trustees and should be driven by the highest levels of the administration. In order to be successful ownership must, however, rest with the faculty and staff of this institution.