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ABSTRACT

Data for an examination of budget analysis in continuing education were collected using personal interviews with the continuing program directors at four institutions. The institutions represented public and private, degree and nondegree continuing education programs. Despite practitioner-oriented data to draw upon, a literature review identified three primary budgeting practices common in education (line-item budgeting, program planning budgeting, and performance based budgeting). Within the framework of budget formats, planners consistently relied upon rationalist and incrementalist approaches to budgeting and used budget evaluation strategies (benefit-cost analysis and cost-effectiveness analysis). For this study, the constant comparison technique of data analysis was used. Each interview transcript was studied to identify key words and phrases, which were combined into specific categories. Following a cross-comparison of interview transcripts, larger clusters were developed to incorporate techniques of similar thought or theory. Findings indicated that all programs dealt with budgetary matters in the same fashion: line-item or adjusted line-item budgets. No attempt was made to incorporate ideas of effectiveness or quality into the organizational budget. Three program directors agreed that market response and money generated through enrollment were predictors of quality. Learner reactions to courses through course and instructor evaluations rarely found their way to budget development situations. Little attention was given to the concept of integrating outcomes with expenditures. Outcries for better accountability will continue to be heard until all educational programming bodies take responsibility for public finances. (YLB)

# Defining the Continuing Education Budget:
# Profiles in Budget Analysis

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RUNNING HEAD: Continuing Education Budgeting

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## Abstract

Budgeting practices within continuing and higher education organizations are often an informal process with few output or outcome measures defined in the budget. There are several types of budgets and budgeting techniques used in education and upon review of four continuing education programs, few efforts were found that made use of the budget as a financial tool in organizational management.

The breadth of continuing education programs offered by higher education institutions has grown steadily during the past decade. During this period of expanded offerings, clients, whether non-traditional degree seeking students or those in search of self-improvement, have demanded quality in response to higher tuition and user rates. This insistence upon accountability coupled with rising costs have forced continuing education administrators to look carefully at their offerings and fiscal management techniques.

Perhaps one of the most utilized and effective techniques of controlling for accountability has been output and outcome measures built into the organizations's budget. Indeed, budgeting techniques offer the potential to monitor program quality. Therefore, the purpose of conducting this study was to profile budgeting practices in four continuing education settings.

To fulfill the purpose of this exploration, continuing education program heads were interviewed and asked a series of similar questions germane to budget analysis in continuing education. The institutions represented included both public and private, degree and non-degree continuing education programs.

## Common Practices in Budgeting

### Types of Budgets

Public administration agencies and occasionally the private sector have developed, maintained, and continually modified budgeting practices. With today's complex fiscal realities, higher education has been forced to do the same. Research in continuing education has not indicated the same trend, as few authors, researchers, or practitioners have devoted attention to budget analysis. Much existing work, while empirical in nature, has been anecdotal and draws on individual situations rather than generalizable theory or experimentation.

Despite practitioner-oriented data to draw upon, three primary budgeting practices have been identified as common in education (Matkin, 1985; Davis, 1980): line item budgeting, program planning budgets, and performance based budgeting.

1. Line Item Budgeting. A relatively straight-forward practice employing the identification of various cost areas and listing intended expenditures for those items. These areas have been commonly separated into general categories, such as travel, personnel, office supplies and expenditures, and when relative, capital expenses.

2. Program budgeting. Program budgeting requires the separation of expenditures by programs. Perceived to be more advanced than the line-item budget, the costs for each commodity and service are divided under each program, thus involving some of the techniques of the line-item. The evaluation of this budget type usually relies on answering the question "was the program performed?" While attention is not focused on quality,

attention is devoted to implementation.

3. Performance Based Budgeting. Unlike any other form of budget, the performance based budget places primary emphasis on the success or quality of the program budgeted. By describing in detail specific tasks and objectives to be performed, programs are listed with line-item formats and dollar amounts. While variations of this exist, all allocations are related to the quality performance of activities.

## Rationalist and Incremental Budgets

Within the framework of budget formats, planners have consistently relied upon rationalist and incrementalist approaches to budgeting (Lynch, 1990). The rationalist and incrementalist approaches, which represent opposing ends of a budget spectrum, differ primarily in the attitude taken toward change. The rationalist approach recognizes that changes have occurred during the course of the budget period, and call for a complete evaluation of each item or budget area. The incrementalist approach, however, contends that the budget is acceptable, allowing for variations due to crises, emergencies, or unforeseen situations. The incrementalist approach calls for increases across the budget, while the rationalist may be more selective in where budget items are increased.

The rationalist approach, which is believed to encompass a broader view, tends to utilize three types of budget formats:

Program Planning Budgets, Management By Objective, and Zero Based Budgets. Program Planning Budgets (PPB) require a breakdown of expenses into programs which are to be implemented. These programs are then prioritized by allocating resources to various areas. The Management By Objective (MBO) budget requires the separation of activities under pre-specified objectives and the success in fulfilling the objectives are monitored throughout the fiscal year. Zero-Based Budgeting (ZBB) calls for the separation of activities and programs into decision making units or packages, prioritized, and the highest priority units are subsequently funded. ZBB has been considered the most time-consuming and complex, and yet, a highly effective method for involving decision making in the budgetary process.

While the MBO may be difficult to monitor and develop consensus among objectives and PPB may be open to politically sensitive issues, both rationalist approaches involve decision making and adaptation to policy changes. The incrementalist approach, while ideal for politically sensitive issues, is difficult to analyze and adjust for changing roles and attitudes (LeLoup, 1980).

## Budget Evaluation Strategies

From the approaches identified, most program directors in education and the public sector deal primarily with two types of budgetary evaluation: benefit-cost analysis and cost-effective analysis (Kim, 1977). Benefit-costs analysis focuses attention on outcomes, often intangible benefits to those being served by the program. These benefits can be thought of in terms of their socially redeeming values. Cost-effectiveness, however, employs efforts to deal with outputs and how effectively a service, such as a course offering, can be generated at the lowest possible price or with the least possible effort.

As these terms differ, so do the methods of reaching some analytical conclusions. Benefit-cost analysis can include survey research, personal interviews, and can incorporate statistical data analysis on such factors as meeting community needs for educational programs. Cost-effectiveness deals with performing the act with fewer resources or in less time.

## Procedures

The data for this examination of budget analysis in continuing education were collected using personal interviews with the continuing education program director at four separate institutions. These interviews focused on participant responses to seven standard questions, ranging from broad program descriptions to the specific question: "How do you analyze the effectiveness of your programs in relation to the program budget?"

The constant comparison technique of data analysis was employed, and in doing so, each interview transcript was studied, identifying key words and phrases. Key words and phrases were then combined into specific categories, such as enrollment, quality, and student feedback, and the categories from each interview were compared. Following a cross-comparison of interview transcripts, larger clusters were developed to incorporate techniques of similar thought or theory, including: inter-office evaluation, student reaction, and market reaction. From these larger categories, explicit solutions to the purpose of the study were offered.

The adaptation of the constant comparison technique was derived from the traditional four-step method advocated by Glaser and Strauss (1967).

## Data Analysis

### Programs Studied

Four continuing education programs coordinated by higher education institutions were examined. The sample included two public and two private institutions, and the director of continuing education at each institution participated in the study.

The public institutions studied averaged nearly 40,000 continuing education clients, while on-campus enrollments for these institutions exceeded 20,000. Courses offered by the public institution continuing education programs ranged from non-credit courses to offerings which lead to the bachelors degree. One of the programs made extensive use of correspondence courses and was beginning to make use of satellite technology to broaden the number of learners served.

The private institutions participating in this study both enrolled approxim :ely 200 students in continuing education programs, and offered only those courses which lead to a bachelors degree. While on-campus enrollments for these colleges ranged from 800 to 1,000, the continuing education division had consistently reported increases in enrollment. One of the directors responded that the continued increases in night-courses was due to the increased costs of higher education and the desire to obtain a college degree on a part-time basis. The other director contended that continuing education enrollment has received greater attention by media, and enrollment trends reflect a more visible continuing education component in higher education.

## Budget Uses in Continuing Education

For the continuing education programs participating in the study, the concept of financial management was instrumental to the office's continued operation. The vitality and offering of courses was completely dependent upon the office's ability to maintain a funding level adequate to at least recover the program's operating costs. This held particularly true for the private institutions, as no full-time student fees or returns on institutional endowment funds were used to finance continuing education.

The public institutions were in a similarly situation, being issued money through the institution's state allocation, but expected to recover this allocation through user tuition or fees.

One of the public institutions was even expected to return money to the institution as "rent" on office space.

All of the programs dealt with budgetary matters in the same fashion: line-item or adjusted line-item budgets. The private institutions maintained the least complex budgets, separating proposed expenditures into traditional budget categories such as travel, personnel, and operating expenses.

One of the public institutions held a view similar to that of the private institution programs, while the other utilized a complex variation of the line-item budget. Within a sophisticated financial management system which included five-year spending and revenue projections for each line item, the budget was organized by six objectives, human resource management, program development, financial management, marketing, administrative systems, and physical facilities. Specific costs related to each goal were listed following a formal statement of the objective.

For each program studied no attempt was made to incorporate ideas of effectiveness or quality into the organizational budget. Even through broad goals and journalistic mission statements, there was no attempt to integrate the concept of program quality, particularly in the classroom, and how funds were being utilized.

## Budgetary and Qualitative Evaluation

Despite the lack of budgetary responsibility to program quality as evidenced by budget formats, the interviews did yield a showing of genuine interest in classroom and program quality. In three of the four programs reviewed, with the exception being the public institution with complex financial management systems, enrollment was seen as the predictor of quality. Due largely to the age of the programs and ability to forecast enrollment figures, significant alternations in money generated through enrollment was viewed as the primary method of evaluating the quality and appropriateness of the courses offered. One of the program directors commented:

> ...significant decreases (in enrollment) for the worse, indicate to me that something is wrong with the program. Because we are a private institution and the courses are arranged sequentially (to facilitate matriculation), I can pretty safely assume that the quality of the classes is not where it should be.

Similar comments were made by both private school program directors, and to some extent, by one public institution director. These comments were clustered under the heading "market responses." The response of the potential client market can indicate the quality of courses, and can be subsequently built into budget practices. While no program formally stated this as a guideline or outcome on their budget, all agreed that market response was perhaps the easiest way to develop an understanding of quality.

The private schools also placed great emphasis on student reactions to the courses offered. With small enrollments and very close interaction with students, these program directors felt that their 'dialogues' with clients were the most influential in understanding course quality. Attention in both of these institutions was also placed on class and instructor evaluations.

> We also deal with formal teacher evaluations and class evaluations, usually a fairly standard form that is used for other classes on campus for our traditional students. If an instructor earns only marginal ratings for more than two or three classes, then we look seriously at finding someone else...the same holds true for course content.

Reliance on course and instructor evaluations were the primary sources of evaluation for the public institutions. Learner reactions to courses, however, rarely found their way to budget development situations and were used primarily for instructor feedback.

The final quality-evaluation theme identified through the interviews dealt with inter-office evaluation of efforts and programs. The private institutions, coordinating relatively few courses, made a point of visiting with faculty upon the completion of a course, and with small staffs, they were able to assess formally and informally the quality of their efforts. The public continuing education programs, however, consisted of larger staffs, little interaction with those responsible for instructional delivery, and were reliant upon inter-office communication to determine program quality. Through several administrative lines, judgement on course quality was conveyed to office leaders.

> We have to be concerned about quality, but in reality, when you serve over 50,000 learners, it becomes difficult to assess each learning experience...we have to rely on those closer to the delivery for an adequate reading of appropriate course content, student success, and particularly instructional quality.

In each of these three themes, little attention has been given to the concept of integrating outcomes with expenditures, yet as continued public outcries are made for accountability in education, continuing education programs must make an effort to develop and sustain quality educational programming. Budgeting in continuing education has been based on empirical experiences, but to provide quality, accessible, and affordable continuing education opportunities, quality measures must become a more common component of the continuing education budget.

## Conclusions

The budget and the budgetary process can be complex, intricate experiences and tools, yet are one of the most powerful means of identifying specific objectives and outcomes. Quality instruction and content in continuing education programs have become a necessity for continuing education programs as clients continue their demands for accountability. Through defining specified quality measures and including these measures in budgets, program costs can be more than simply justified, and can fulfill the purpose of searching out and justifying, through cost quality, educational experiences.

The institutions involved in this profile of budgeting activities represented one the primary sources of continuing education offering agencies in use today: the public and private higher education institution. Through the interviews, continuing education programs were seen as a combination of formal and informal activities. While the budgeting portion of the continuing education office produces, through formal guidelines and structures, a budget, the control and quality evaluation of those budgets are often attempted through informal mechanism such as instructor reaction and short-term enrollment trends.

With budget analysis strategies available, continuing education programs need to take a more aggressive role in defining what specific quality control measures need to be met in relation to expenditures and the overall budget. Until all educational programming bodies, including secondary, postsecondary, and higher education institutions, take responsibility for public finances, outcries for accountability will continue to be heard.

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