

## Chapter VII

### The Music Budget

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#### Introduction

As sure as the day is long, someone will come to your office today needing, wanting, or, worse, demanding money—funding for a project, dollars for travel, an increase in salary. If you are lucky it will be only one person; perhaps it will be as many as five or seven if you work in a large institution. As the music administrator, one of your primary responsibilities is to manage the budget for your unit. These dollars may come from the state (if you work in a state-assisted institution), or they may come from endowments or other private funds. Most likely, you will have dozens of different accounts to reckon with, and in larger units the number will run into the hundreds.

What exactly is a budget? Krawitz (2003) states that it is “the numerical representation of an action plan for a specified time period.” Another definition is simply an estimate of income and authorized expenditures. A budget generally shows income and expenses over at least three major categories: personnel, operations, and capital costs (i.e., facilities and major equipment). The specific time period is almost always the fiscal year. This may vary among institutions but is usually the period from July 1 through June 31. The term FY07 would mean the fiscal year beginning July 1, 2006, and ending June 31, 2007.

Budgeting in the music unit is a multifaceted process, but it consists essentially of matching planned uses of funds to the reserves available (Krawitz 2003). Beginning with the budget development process, which may emanate from a higher authority in the institution, and progressing through the day-to-day management of the budget, the music administrator has the responsibility of overseeing the unit’s resources in a responsible fashion. This task is viewed by some as “the most powerful management tool available to academic administrators” (McCorkle & Archibald 1982, p. 77). This management of resources is “more than acquiring resources and the traditional budgeting activities of assessing needs and allocating people, space, time, and money to them. It emphasizes anticipating likely resource levels, reallocating and ‘deallocating’ resources, and finding ways to make better use of present resources through more sophisticated financial management, accounting, and performance assessment” (Ibid., p. 78). The responsibility of managing resources is one of the weightiest tasks a music administrator faces.

Despite its importance, however, budget management is one of many things you probably never learned on the way to your current position. “Most program managers, principal investigators, division leaders, and department chairs are bright, capable, and competent persons in their field of expertise. However, when appointments are made to administrative posts in higher education, new academic managers often come to their positions without much experience in fiscal management and administration” (Barr 2002, p. ix). Because few music executives start out actually wanting to be administrators, courses in accounting and finance have seldom been squeezed in among the theory, history, and

pedagogy classes. Thus, most administrators must learn budgeting on the job, which is potentially a very dangerous place to learn such skills. “Administration catapults one into a work environment that can quickly become difficult, bewildering, and even dangerous to one’s career. Most newly appointed administrators are amateurs—gifted amateurs, but amateurs nonetheless. They have much to learn quickly about leadership and followership, about planning and affirmative action, and especially about the management of money” (Vandament 1989, p. ix).

This chapter will provide some basic information for music administrators with the goal of preventing some of the mistakes and pitfalls that many have experienced. It will cover topics such as the basics of budgeting, types of funds, the budget development process, managing the budget, budget software review, pitfalls and advice, and, yes, the inevitable process of cutting the budget in times of financial difficulty.

## Basics of Budgeting

It is tempting to end the chapter quickly by stating three principles:

1. Amass as much discretionary money as possible.
2. Know how much money you have to work with at all times.
3. Never spend more than you have.

While these are excellent suggestions for the music administrator, accurately summarizing the general process of budgets, they do not cover adequately the many intricacies involved in preparing and managing budgets for the contemporary music unit.

The annual budget proposal procedure is just as inevitable as death and taxes. Realistically, “budgets would be unnecessary if sufficient resources were available to satisfy the needs of everyone in an institution. Only an accounting system would be needed to track allocations and expenditures” (Meisinger 1994, p. 1). Of course, resources are seldom sufficient to fund all programs to the extent desired, so the process of budgeting also serves as an important way to determine where a music unit is headed and what its faculty and administration value.

The music unit budget serves a number of purposes (Meisinger 1994, p. 1):

- A mechanism for setting priorities
- An institutional plan of action
- An institutional contract
- A control mechanism
- A gauge of risk
- An instrument of communication
- A political device

Preparing a budget requires considerable decision-making about the priorities of the music unit. This seemingly obvious statement constitutes the author’s *Critical Point #1: The most effective management of resources occurs when the budget is inextricably linked to the unit’s strategic plan.* (If you and your faculty have not engaged in strategic planning to chart the course of the unit, *do it now.*)

While one can assert that Program A may be a high priority in the unit, only when Program A receives appropriate budgetary support do the faculty recognize its priority in the system, for, once faculty have determined that Program A is a priority goal, the allocation of resources to Program A will be expected. After the budget has been established and priorities set, the budget serves as a plan for how the fiscal year will play out and how the unit funds will be spent. The budget also serves as record of agreement with regard to the unit's priorities as planned. Further, the budget provides a control mechanism, ensuring that money for top-priority goals will not be squandered on items that are not such high priorities.

Before moving ahead with more details of the budget development process, it is important to consider budgeting strategies. There are at least seven types, discussed in more detail in the following paragraphs. (Note: more extensive discussion of these types can be found in Meisinger [1994].)

### ***Incremental Budgeting***

Incremental budgeting is the preferred (and, perhaps, default) method of budgeting in most music units. "Planning in colleges and universities, as in other nonprofit organizations, is often a zero-sum game because opportunities for major resource infusions are rare" (Vandament 1989, p. 29). Surely this statement has proved true in recent years as more and more institutions have experienced not only flat budgets but all too often decreasing resources, especially from state funds. The pattern of expenditures for music units is largely determined by continuing commitments, such as faculty salaries and benefits. In some units as much as 80 or 90 percent of the annual budget is already committed to faculty salaries and benefits, leaving available only a very small percentage for other uses.

The general stability of the workforce in music units from year to year allows little flexibility for allocating resources to new or different purposes. Reallocation of funds can be achieved only by reducing or eliminating other funds. For example, if a decision has been made to increase the amount of funding for faculty travel, but the unit has not received additional funds, something else must be decreased in order for additional funds to become available for this purpose. In such a scenario the interests of some may be affected adversely to free up sufficient travel funds for faculty. This can be a difficult decision, but fortunately, the distribution of funds among items and programs seldom changes radically from year to year.

An obvious disadvantage to such a budgeting strategy is that it does not examine the budget base and the recurrence of existing fiscal commitments. Incremental budgeting has also been criticized for being driven more by political demands than by the careful analysis of existing programs and their related costs.

### ***Management by Objectives***

The management by objectives (MBO) strategy requires that the music unit faculty determine its goals and objectives as well as the costs associated with those goals. This is probably not the budget process of choice among most music units, but there is value to be gained by going through this process every few years. MBO ensures that the priorities of the unit, as represented by its stated goals and objectives, are still the priorities of those people involved in the institution. Although a time-consuming process, MBO provides a valuable

opportunity to review periodically the direction of the unit in light of the resources available to support such aspirations.

Unfortunately, goals are frequently driven from the top down, while objectives for meeting those goals are determined at successively lower levels. Additionally, achieving consensus on clearly defined goals is often difficult. Nevertheless, MBO budgeting is an important exercise for faculty and administration to experience.

### ***Zero-base Budgeting***

In zero-base budgeting (ZBB) budget accounts are reset to zero each year. The new budget is then based on a completely new reallocation of funds for each program and area, following an evaluation of each area's previously established goals and objectives. Although similar to MBO, zero-base budgeting is done every year and is a time-consuming task. ZBB is most effective when the resources allocated to the music unit each year are not static and when a request for additional funds (or at least a different division of those funds) has true potential to produce additional resources. The obvious disadvantage of a pure ZBB system is that it fails to consider actual budget history, thus ignoring ongoing situations and needs that cannot be altered in a short period of time. One viable option is to identify the percentage of the budget that is fixed and ongoing and the percentage that is flexible. The fixed portion can carry forward from year to year, while the flexible portion can be determined via the ZBB method.

Utilizing a ZBB approach in the music unit is not particularly easy, given the recurring commitments to faculty salaries and benefits that claim a high percentage of the unit's budget. Although a logical and sequential process, its usefulness in the music unit is limited.

### ***Planning, Programming, and Budgeting Systems***

The planning, programming, and budgeting systems (PPBS) strategy, developed in the 1960s, examines both the costs and benefits of individual programs and activities, linking the planning process to the allocation of resources. Thus, allocations are based upon the substance of each program and its worth to the unit overall, as evidenced by a comparison of program and cost. Alternate methods for achieving planned goals are considered relative to their costs, with the method that achieves the goal with the least expenditure being selected. PPBS can also be a complex method of budgeting, as it may be difficult to determine actual costs in relation to benefits accrued.

In higher education, and particularly in a music unit, it is also often difficult to separate one program completely from other programs. For example, there are degree programs, internship programs, ensemble programs, and a host of others. Seemingly distinct programs may have significant cross-connections. The allocation of resources to organizational units, rather than to programs, may be more effective.

### ***Performance Budgeting***

Performance budgeting, in contrast to most of the previously described methods, focuses on activities more than objectives. The ultimate goal of this type of budgeting is to improve efficiency, so resources are directly related to activities and results. Performance budgeting can be helpful if a music unit seeks to increase the measurable levels of performance among its fundable units. Those that perform best receive greater shares of the available resources.

A major downside of such a strategy, of course, is that a unit that falls behind will begin a gradual downward spiral from which it may never recover. Given the unique nature of music instruction (i.e., one-to-one), the wise music executive will do all in his or her power to negotiate continued baseline support for the unit from the beginning, thus alleviating some of the fluctuation inherent in this process.

### ***Formula Budgeting***

Formula budgeting allocates resources on the basis of the relationship between program demand and program cost, usually through enrollments or student credit hour generation. It is more common at the system or statewide level and is generally not used as a means to distribute resources within an individual unit.

### ***Responsibility-Centered Budgeting***

Responsibility-centered budgeting (also known as cost-center budgeting) is based upon the relative ability of a unit or program to be self-supporting, that is, every unit “being a boat on its own bottom.” This type of budgeting process has become increasingly popular, particularly among very large institutions. Under such an arrangement, units receive a proportional share of all income coming into the university, for example, tuition, grant funds, gifts, and endowment income. On the other side of the ledger, those same units then must share the expenses of central services, for example, library, technology, physical plant, utilities, and general administration. Any surpluses at the end of the year can carry over to the next year, but deficits become liabilities against the future year’s budget.

Responsibility-centered budgeting has the obvious tendency to create competition among units for revenue enhancement. Music units may or may not have an advantage in this scenario, although income from ticket sales and honoraria for performances provides a source of funds not available to other units on campus. The danger with this approach is the strong tendency to focus attention solely on the bottom line rather than on academic programs and priorities. Moreover, the high cost of individual instruction relative to the number of student credit hours generated can easily place the music unit at a huge disadvantage unless this situation is factored into the budgeting system.

Often, the type of budgeting prevalent in a music unit is determined by the music administrator in consultation with others in the unit who hold leadership positions, such as coordinators, division/department chairs, and so on. On some campuses, budget development processes established by the dean, the provost, or the president prescribe certain methods of developing the budget for the music unit. A new music administrator must quickly determine how budget development is handled on his or her campus. Seasoned department chairs can be valuable in this process, as they are likely to have gone through this process many times. They often are happy to share their expertise. Similarly, campuses that offer budget training sessions for department chairs are providing an excellent service to their middle managers.

## **Types of Funds**

Most colleges and universities have in place extensive, and potentially confusing, fiscal procedures, involving dozens of different income and expense funds. The music administrator must have a general understanding of accounting methods. Books on

budgeting and accounting can be especially useful for the new executive. The references for this chapter list a number of excellent sources. Additionally, one must understand the terms that music administrators encounter as they deal with business offices, comptrollers, and the like. The following list, although not exhaustive, constitutes a basic vocabulary of fiscal terms:

- Appropriated funds – money from the state (if a state-assisted institution) as a result of taxes and legislative allocation; usually restricted to specific uses.
- Auxiliary and service-center funds – money collected from auxiliary services offered on campuses, e.g., bookstores, dining halls, dormitories, etc.; these units are often self supporting.
- Capital funds – dollars available for capital improvements, e.g., construction and remodeling.
- Current operating funds – the income necessary to finance instructional programs, maintain the physical plant, pay faculty and staff, etc.
- CWSP – College Work-Study Program funds; money from the federal government for hiring student employees; awarded on a “need” basis from data generated by the FAFSA (Free Application for Federal Student Aid).
- Endowment capital – private donations that form the principal (corpus) of an endowment; most commonly 4–5 percent interest is available for expenditures.
- Fee – a one-time or recurring expense; student fees cover purposes over and above tuition, e.g., technology, private lessons, athletics, etc.
- Miscellaneous income – income from all other sources, e.g., ticket sales, instrument rental, building rental, performance honoraria, etc.
- Private/endowed funds – money from private sources, either one-time gifts or the interest generated by an endowment through investment.
- Restricted funds – funds for a specific purpose, e.g., salaries, benefits, scholarships, etc.; state-appropriated funds are generally of this type.
- Special program funds – income and expenses for one-time events, such as conferences, or recurring events, such as summer music camps.
- Tuition – money that students pay per credit hour of enrollment or as a block payment; the amount that students pay per credit rarely pays for the total cost of that instruction.
- Unrestricted funds – funds that can be used for any purpose, e.g., food, beverages, travel, etc.; these are usually nonappropriated or private funds. *Critical Point #2: Unrestricted funds are the most desirable and valuable dollars available to a music executive.*

Likely, the music executive’s most difficult task is determining what kinds of funds can be used for specific expenditures, as well as where income can be deposited. Executives who employ accounting personnel are definitely at an advantage, as these persons have knowledge of fiscal procedures and direct contact with budget offices and comptrollers on campus. The executive who does not have such personnel, however, has a more difficult job. He or she will need to spend considerable time learning the system by talking with business office officials or discussing budgeting procedures with seasoned campus administrators. Regardless, budget knowledge is critical for the smooth operation of the music unit.

To make matters worse, procedures often vary widely from campus to campus. For example, operations, salary, and capital funds are not interchangeable in many institutions, and it is impossible to convert extra salary money (if anyone has any of that!) to pay the telephone bill. On other campuses, however, dollars can be shifted among categories; some music units are permitted to keep reserve salary money (e.g., when a new person is hired at a lower salary than the departing faculty member) and convert that into operations funds. More often, though, such dollars revert to a higher authority on campus. There are as many varieties of these processes as there are institutions. The music executive who learns campus budget procedures quickly will have an easier job than the one who does not. Time spent learning this information will be the best investment a music executive can make.

Note that above, the author stated that unrestricted dollars are “the most desirable and valuable money available to a music executive.” Note also that the author earlier was tempted to declare a simplistic approach to budgeting, that is, amassing as much discretionary money as possible. The greatest flexibility a music executive has comes from discretionary funds, that is, funds that can be used for any (legal) purpose. For example, music executives frequently host potential donors to the music unit. While necessary, this is often *not* something that can be paid by appropriated funds. The section “Managing the Budget” will cover this concept in greater detail.

## Budget Development Process

Several factors influence the budget development process in the music unit, most notably the size and structure of the unit and the unit’s position within the institution. Again, there are many varieties of organizational and budget structures, and only general principles can be discussed here.

Music units are generally organized in one of three ways: (1) the music unit is part of a large school or college, usually a college of liberal arts or a college of arts and sciences; (2) the unit resides within a smaller, more focused school or college, such as a college of fine arts or school of performing arts; (3) the unit stands alone and is not part of a larger entity on campus. Each of these types of organizations has a unique administrative structure. In (1) above, for example, the unit is usually called a “department” and the executive is called either a “chair” or “head.” In (2) the unit might be called a “department” or a “school,” and the executive can be titled “chair/head” or “director.” In (3) the unit is normally called a “school” or “college” of music and the executive is most often called “dean.” As dean, the executive is on par with other deans across campus.

Normally, the budget process begins in advance of the new fiscal year. At many institutions this occurs in January, and the budget request is due at the end of February. Requests are usually initiated by the individual immediately above the music executive, for example, a dean of arts and sciences or of fine arts in the case of a department of music, or the provost or vice president for academic affairs in the case of a stand-alone unit.

Such a request is often composed of various kinds of dollars: one-time allocations; recurring allocations; equipment dollars; faculty positions; staff positions, and so on. It is important that the music executive’s request be clearly defined by category. In addition, these requests are normally accompanied by a rationale justifying each item.

Once requests have been submitted, requests from all units are evaluated and the process of budget allocation begins. Often, this step is pro forma when no new money is available. At other times, however, additional funds are available. This situation is desirable, of course,

as it provides an opportunity for the unit to receive additional resources, either in the form of one-time dollars or recurring support.

Once allocations are made to the unit, the executive begins the next step of allocating resources within the music unit. Additional detail of that process follows shortly.

This constitutes the basic budget process. We now back up to the point where the music executive prepares and submits the request to the higher authority. This is a critical phase that warrants additional discussion. The most important issue is how the unit's request is determined. This process can occur in a number of ways, depending upon the size and structure of the unit.

The size of the unit is a major influence, as it may determine the level of complexity of the process. For example, in a unit with decentralized budgets—for example, the executive makes allocations to divisions, organizations, or departments—it is likely that key faculty, ensemble directors, and division or department heads submit budget requests to the music executive. Then the executive evaluates the requests and prepares the overall unit request for submission. Often, a group of faculty, such as executive committee or faculty council, may be asked to review the unit's request. In smaller units, on the other hand, the music executive often assumes the sole responsibility for preparing the budget request, although he or she will perhaps receive input from representative faculty.

Regardless of the system, a wise executive will keep a file of budget needs for periodic review and update. In such situations the preparation of the annual budget request is relatively simple.

As a final note, the annual *Higher Education Arts Data Service (HEADS) Data Summary* from the National Association of Schools of Music (NASM) is a treasure trove of data, allowing the music executive to make comparisons between his or her unit and others of similar size and scope. The ability to demonstrate to a superior that the unit's budget is the smallest of thirty comparable NASM institutions gives credibility to the executive's request. The HEADS compilation is a benefit of NASM accreditation, and each annual conference features a session on utilizing HEADS data. Even if your institution is not a part of NASM, HEADS compilations can be purchased from NASM for a fee. It is money well spent! Also valuable is the opportunity to order specialized reports comparing up to ten peer institutions chosen by the music executive. Such reports are prepared without reference to which institution provided which data, thus assuring anonymity.

## Managing the Budget: Daily, Monthly

Managing the budget of the music unit is not an insurmountable task, particularly for the music executive who can at least balance his or her own checkbook. For an executive lacking even that skill, excellent software programs are available to compensate.

There is no question that an accounting clerk is of inestimable value. Of course, in larger units this is a requirement, not just a nice addition. Budgets that range from \$150,000 to \$15 million or more are not uncommon, and the accounting process becomes increasingly complex as the size of the budget increases.

Regardless of the presence of an accounting clerk or budget manager, *Critical Point #3* suggests that *it is imperative that the music executive know at all times how much money is available, and what kinds of restrictions are attached to those funds*. While it is not necessary to duplicate the activities of a clerk, the music executive must maintain his or her own records to track funds

and to keep a record of dollars allocated to individuals, programs, or organizations. Four or five forgotten allocations will wreak havoc on a budget.

Budget management also becomes more complex with greater decentralization. As the executive allocates resources to the band, the choir, the orchestra, and so on, he or she must have controls in place to ensure that these budgets are not overspent. *Critical Point #4: The career of the music executive will be short-lived if he or she takes back money allocated to unit organizations to cover the expenses of one person who repeatedly overspends the budget.* Having a mechanism to alert the faculty member when the sub-budget is spent down by 75 percent is a critical component in maintaining a balanced budget. Similarly, it is necessary for the music executive to monitor the entire unit's budgets. If 75 percent of the funds are expended after one semester, changes in spending patterns need to be made.

Recall that restricted funds are designated for a specific purpose, such as scholarships, salaries, or benefits, and usually cannot be spent for anything else. State-allocated funds almost always have greater restrictions on their use than do endowed funds, with the exception of funds donated for specific purposes by the donor, such as scholarships. Nonrestricted funds are generally synonymous with endowed funds or one-time private donations. Sometimes these are simply labeled as a "dean's/chair's discretionary fund" or something similar.

Discretionary funds are the ultimate goal of every music executive, as they provide a high level of flexibility. Having such funds is highly beneficial to the executive for purchases that are not possible with appropriated funds. For example, holding a reception is rarely allowable with restricted funds.

Although nonrestricted funds provide latitude for the music executive, careful planning is also important to ensure that the types of funds are used wisely. It is foolish to spend nonrestricted funds on something that can be covered by restricted funds. The savvy administrator will plan every expenditure in order to leverage the best use of funds.

## Personnel Budgets

As stated earlier, 80–90 percent of the unit's budget consists of faculty and staff salaries and benefits. Given the static nature of faculty and staff, major changes in this area of the budget are rare. Unfortunately, requests for excessive budget cuts then require the executive to conduct the painful process of determining which faculty positions will be cut or reduced. Of course, tenured faculty cannot be released except in rare instances of declared financial exigency by the institution. Thus, it is the recently hired, tenure-track faculty or adjuncts who will be most affected.

Additions to personnel budgets usually come to the unit as salary-increase packages. These resources might come from legislative bodies in the case of state institutions or boards of trustees in private institutions. Those institutions that have control over the amount of tuition and fees they can charge to students can often utilize increases in tuition to enhance faculty salaries. This practice varies widely from campus to campus.

Once the music executive is in the enviable position of having increased salary dollars to allocate to unit faculty, however, then a method for doing so must be in place. Although not a topic for this chapter, these allocations are often made on one or more of the following criteria: (1) across-the-board; (2) merit; (3) market value; and (4) equity.

## Spending Money

Spending money is ostensibly the easiest part of the budgeting process, so it might seem odd to include a section on this subject. Yet procedures for spending money are often as complex as other fiscal matters, so it is important that all understand the procedures for doing so.

As stated earlier, it is critical that the music executive meet early on with someone in the institution who understands the business procedures. Few things are more frustrating than trying to spend money but not knowing how! These are easy lessons to learn, of course, but it is important to know and follow the appropriate procedures.

Initially, it is important to learn the institution's "magic amount," that is, the amount over which one must acquire competitive bids. Often, this is around \$5,000, although it varies among institutions. Purchases of major equipment, for example, large wind instruments, pianos, organs, and technology, usually require competitive bids. In large state systems, contracts for specific brands of equipment are often negotiated for all institutions in the system. Music executives must be aware of this situation when purchasing a piano, for example. In the author's institution, part of a sixteen-campus state system, a committee chooses annually the "state contract" brand of upright piano. Bids are not necessary on an individual basis, as the state system has already conducted the bid process and selected make, model, and vendor. Purchasing a different brand requires justification and may not be possible.

For less expensive items other procedures are in effect. Usually, purchase of smaller items is accomplished through a requisition and purchase order system; the purchase order is filed with the business office, the amount of the order is encumbered (reserved), and the order is placed with the company. Centralized contracts might also be in place for smaller expenditures, such as copy paper, toner cartridges, and office supplies. Know the rules prior to spending any funds!

Unfortunately, faculty often believe that they can go to a vendor, buy something for the classroom or studio, and be reimbursed by the institution. Sometimes this is possible, but it is a dangerous practice. All faculty must understand fully the procedures for purchasing.

A new concept in purchasing is the institutional credit card (called a "P-Card" on the author's campus). Those who are authorized to spend resources are provided with this card, which they use just like their own personal credit card. It takes no imagination to see the inherent dangers of this system, where there are no limits placed on expenditures, and persons are provided a way of spending money they do not have.

## Budget Cuts

For every music executive, even those who hold their positions for only a short amount of time, there will come the day when he or she must go through the process of cutting the budget. The common euphemism for budget cuts is "reallocation," which is never a pleasant or easy task. Budget cuts can be mandated at various levels of the organization, from the state legislature to the board of trustees to the president and so on. In most cases the music executive receives either a percentage or dollar amount to be cut from the budget and, if fortunate, will have more than 24 hours to determine how to make the cut.

Cutting an already meager budget is not easy. Music executives might follow one of two strategies: across-the-board or program cuts. Remember that as much as 80–90 percent of

the allocated funds are tied up in faculty salaries, leaving only a very small amount of dollars for other purposes. This makes the task even more difficult.

While across-the-board budget cuts are the easier method, they are not necessarily the best. In this scenario every area takes a percentage cut, the sum of which constitutes the dollar amount the unit must cut. While straightforward, this procedure cuts both strong and weak programs indiscriminately. It will be only a matter of time (and several of these cut exercises) until the once-proud unit will be reduced to mediocrity.

*Critical Point #5: All things being equal, it is much better to cut programs or parts of programs that are less strong.* Although such program cuts are not as easy as across-the-board reductions, they provide opportunity to maintain high quality in the face of budget cuts. Make no mistake, however, that maintaining the same level and quality of program year after year while continually losing resources is impossible. Sooner or later, with enough budget reductions, the quality of the unit will suffer.

Program cuts require faculty and administration to examine strengths and weaknesses of programs and make the difficult decisions of which should be funded and which should be reduced or eliminated. This process is a challenging but highly responsible way of dealing with reduced resources. The wise administrator realizes that the music unit should not do what it does not do well, providing a logical source of budget reductions.

Obviously, if 80–90 percent of the budget is committed to salaries, there comes a point when eliminating faculty could be necessary. At most institutions, budget cuts as low as 2–3 percent will cause the release of full-time faculty. Likely, nontenured or adjunct faculty will be released before tenured faculty, and in most institutions, tenured faculty can only be released when the institution declares financial exigency, that is, the institution is in such dire financial straits that drastic measures must be taken to save the institution from financial ruin.

## Budget Software

A number of excellent products are available to help the music executive keep track of funds. Executives should always be conversant with the system in place on campus so they can see budget balances in real time. For additional monitoring and planning, however, these software packages are invaluable.

For a bare-bones resource, Microsoft Excel is difficult to beat. Part of the MS Office package, Excel provides a fairly easy-to-use spreadsheet that the music executive can set up to meet his or her needs. Excel provides a blank slate that allows the creation of spreadsheets to help track the finances of any size of music unit. Also, such a program provides the ability to make fiscal projections, testing the overall effects of more or less money in particular funds. The downside of this program is that it is completely open-ended; templates are not automatically set for the needs of music schools. Such templates can be accessed from the Microsoft site, however. See <http://office.microsoft.com/en-us/templates/default.aspx> for a complete list of available Excel templates.

Another product that has tremendous potential for the music executive is Intuit's Quicken (<http://quicken.intuit.com>). While designed primarily for tracking home finances, it can be used just as easily by the music executive. Quicken allows creation of specific budgets and offers the ability to monitor them in regard to actual vs. projected income and expenses. It is a highly sophisticated product, yet the learning curve is not particularly steep. It is also reasonably priced with several levels of program available for various uses.

Another Intuit product, QuickBooks (<http://quickbooks.intuit.com>), is directed more toward the business market. Given this, it includes more structured business and accounting applications. Although more applicable to business applications than either Excel or Quicken, it has a steeper learning curve for the novice music executive.

In summary, each of these products (Excel, Quicken, and QuickBooks) represents a gradually more focused and specialized application: from a blank slate in Excel to a highly sophisticated software package devised for the business client in QuickBooks. Music executives will want to examine all three (and there are others on the market, as well) to determine their level of comfort and facility with each product. These electronic spreadsheets offer invaluable assistance to the music executive, regardless of which one is selected. Gone are the days of slaving over the calculator and sheet after sheet of green-lined ledger paper to keep the financial affairs of the music unit in order.

## Pitfalls and Advice

### **Pitfalls**

Barr (2002) provides the following helpful list of potential pitfalls that the higher education administrator might encounter (annotated by the author).

1. *Overestimating revenue.* The surest path to fiscal problems is overestimating the amount of money coming into the unit from sources that are not fixed and reliable, for example, endowment funds, ticket sales, registrations for conferences and symposia. Music administrators must resist the temptation to “believe their own press” and prepare budgets on unrealistic data. When possible, estimates should be made on the basis of previous years’ amounts, with appropriate change factors to cover foreseen variations. Generating more income than expected is always more pleasant than watching the bottom line dwindle from unrealized income projections.
2. *Postponing a problem.* The author has come to believe in a single axiom over his years of experience: *If something seems wrong, it probably is.* This is surely true in matters of budgeting and finance. Putting one’s head in the sand is never the way to maneuver out of a problem situation, and delaying deliberations and analyses of problems will never make them go away. Fiscal problems must always be addressed as early as possible; delay almost always makes matters worse.
3. *Failing to ask for help.* No music executive can know all the answers; beware of those who say they do, as they will not last long. The wise music executive is not afraid to admit that he or she does not know something and seek advice from others, for example, colleagues in other music units or other administrators on campus. The best source of advice and counsel is the music executive’s immediate supervisor, who has probably encountered the same problem many times over. Whatever the situation, do not fail to seek advice when needed. Membership in NASM is also invaluable, as a cadre of knowledgeable music executives is no farther than a phone call away.
4. *Failing to identify hidden costs.* This situation can quickly and easily consume extensive resources. Regardless of the project, whether a conference, a special concert, a guest

- artist, travel, and so on, the music executive must examine every detail of the event and confer with others on hidden costs. Failing to budget for handling charges from the box office, for example, or for the cost of linens, utensils, and flowers for the annual donor reception can quickly derail the event's planned budget. There is no substitute for thorough and detailed planning for these activities, and the more pairs of eyes that review the proposal, the better.
5. *Failing to identify multi-year consequences.* This problem is common in areas such as scholarships and hiring adjunct faculty to teach core music courses, as both activities have actual or potential multi-year consequences. Music scholarships are usually multi-year awards. Allocating all the money available in the first year will decrease or eliminate the resources available for new scholarships in the second year. Utilizing adjunct faculty to teach recurring core courses requires that money be allocated yearly.
  6. *Assuming the good times will continue.* Although music units are rarely flush with resources, some institutions are blessed with recurring increases in funds. It is all too easy to commit every dollar of those funds under the assumption that this climate will last forever. Changes occur when least expected, and oftentimes these changes have nothing to do with music. The wise music administrator will always be prepared for the unexpected by having established the appropriate safeguards.

### **Advice and Final Critical Points**

Barr (2002) also provides the following pieces of advice (annotated by the author).

1. *Be prepared and pay attention to details.* It is critically important that the music executive always be prepared for any fiscal issue that arises, through constant review of the budget and account balances. Looking at these figures once every three months is not enough. It is also important to be able to respond quickly to anyone who requests funding not already budgeted. Faculty will soon come to respect an executive who can give honest, clear, reasoned, and prompt answers to their requests, even if the answer turns out to be "no."
2. *Do not play games.* It is tempting to try to make the fiscal condition of the music unit sound worse than it is in order to wrest additional funds from a higher authority. Practice sound judgment, honesty, and solid mathematics when preparing budget requests, and do not inflate them to the point where they are viewed by superiors as absurd or out of line. Keep in mind that institutions are large, complex organizations, and the music unit is only one of many departments. On the other hand, including an unfulfilled request repeatedly will send the message that the item is critically important to the music unit.
3. *Make few initial assumptions.* Do not make assumptions when dealing with fiscal matters. Overestimating income and underestimating expenses are sure paths to disaster. Gather real data and utilize those to make fiscal decisions.

In addition, the following pieces of advice are offered by the author.

1. Always have an itemized “wish list” at hand, and keep it up to date. It is not uncommon in some institutions for money to be released by higher authorities late in the budget year. If you have a list of potential uses for additional money always at hand, you will always be prepared for the joyous task of spending money you didn’t expect to get. This is truly a joyous occasion, and one must always be prepared for the few times it occurs in one’s career!
2. Always know what funds can be carried over from year to year, and be certain to spend every cent of the funds that cannot be carried forward. If there is appropriated money left over every year, it will soon occur to someone that your unit does not need as much money as you are receiving. At the same time, do not spend more than you have. One can quickly gain a reputation as a poor fiscal manager if this happens repeatedly.
3. Know whether your institution holds resources back for emergencies and who has access to those funds. If a true financial emergency occurs in the unit that could not have been anticipated, it is helpful to know if someone higher up on campus has contingency funding to help out. Of course, going to this well too often will cause untold problems.
4. Always keep a percentage of the budget in reserve for contingencies and emergencies, because they *will occur*. It is a huge mistake to allocate every single dime given to the unit.
5. You might be able to decentralize the budget by making allocations to other areas, for example, band, choir, or orchestra, but you as music executive are ultimately responsible for the fiscal health of the unit. Although micromanagement is rarely a good thing, oversight of decentralized budgets is of paramount importance. Keep track of who is spending what, and do not hesitate to call them on the carpet if they are exceeding their allocation. Make it perfectly clear to all involved that repeated overexpenditure of allocated funds will result in the removal of those privileges. This is important business, and the fiscal affairs of the music unit cannot be derailed by one or two irresponsible faculty members. While a hard-nosed approach is usually not the best way to deal with issues, it is the *only* way to handle fiscal problems.
6. At some point in the fiscal year it will likely be necessary to put a “freeze” on expenditures in order to make it through the rest of the year. Make sure that all faculty with fiscal responsibilities understand and follow this deadline.
7. It is always a mistake to take funds from a budget that is being managed well to cover the overspending of another budget that has not been managed well. It is not fair to penalize those who are doing their job well in order to cover someone who is not. A better method is to dip into discretionary funds to cover the shortfall and then *not* make an allocation to the same person next year.

## Conclusions

Managing the budget of even a small music unit can occupy countless hours of the music executive's time, but it is time well spent and is absolutely necessary. Fiscal management is not difficult even with minimal knowledge of accounting procedures, and it really *is* a matter of adding and subtracting. It is hoped that this chapter has presented the basic principles involved in utilizing resources to their fullest extent in order to reach the goals and objectives that are important to the unit.

As a final review, here are the five critical points the author proposes for music executives in all sizes of institutions.

1. The most effective management of resources occurs when the budget is inextricably linked to the unit's strategic plan.
2. Unrestricted funds are the most desirable and valuable money available to a music executive.
3. It is imperative that the music executive know at all times how much money is available and what kinds of restrictions are attached to those funds.
4. The career of the music executive will be short-lived if he or she takes back money allocated to unit organizations to cover the expenses of one person who repeatedly overspends the budget.
5. All things being equal, it is much better to cut programs or parts of programs that are less strong than to cut all programs across the board.

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