

## **Program Proposal Development Financial Analysis**

The financial analysis helps inform the decision to pursue a prospective program. Detailing the financial components of a program substantiates its viability and helps determine whether the time and resources committed to developing and offering the program are a worthwhile investment. A financial analysis provides a means to evaluate the foundational economics of offering a program, as well as a lens for considering the opportunity costs incurred by opting to commit time and resources to offering a prospective program versus pursuing other options. The Budget Office in the Office of Finance supports the process of developing a financial projection for a proposed program by completing a financial analysis.

To complete a financial analysis, the Budget Office takes input provided about the program (e.g. projected number of students, tuition rate, instructional costs) and applies financial assumptions to develop a comprehensive financial view of the program. It also seeks information about the cost (e.g. tuition, number of required credits) of competing programs to help illuminate the landscape prospective students are surveying from a financial perspective.

### **Financial Plan Inputs**

The Office of Budget relies upon the information it receives to develop a comprehensive financial analysis. Some of this information may be updated by feedback and recommendations provided during the proposal approval process, but the development of an initial financial analysis for a program benefits from as much comprehensive information about it and its budgetary components as can be provided.

- The Market Analysis for the prospective program
- The program description and curriculum (specifying new and existing courses)
- A description of the program's alignment with existing resources, including the realignment of resources and its impact on other programs
- An overview of the program's resource needs, including additional space, instructional costs, laboratory requirements, marketing costs and administrative resources
- Specific budgetary components, including:
  - Prospective number of students per year for the first 5 years of the program (full time and part time)
  - Tuition rate
  - Unfunded and funded discounts (e.g., scholarships, etc.)
  - Additional revenues sources (e.g., fees, grants, contributions, etc.)
  - Personnel expenses (e.g., full and part time faculty, administrators, support staff, etc.)
  - Direct expenses (e.g., marketing, instructional design, travel, supplies, etc.)

### **The Office of Budget Financial Analysis Process**

The Office of Budget works with the inputs provided about the program and applies additional relevant information from several sources as part of developing the financial analysis, among them:

- Tuition rates of competitive programs
- Current tuition rates and discounts for the college housing the program
- The faculty compensation for the college housing the program
- Fringe benefit figures
- Rates for standard program features (e.g., supplies)

## **Information Provided in the Financial Analysis**

The Office of Budget provides a narrative overview of the financial analysis, along with a spreadsheet specifying budget projections for the first five years of the program. This is a standard report to be included in the program proposal. The analysis provided by the Office of Budget is also used in the narrative portions of the program proposal.

For example, the proposal narrative might include:

The financial analysis report prepared by the Office of Budget can be found in Appendix F. This proposal for an XX-credit New program projects an initial enrollment of XXX students per year, with a per-credit tuition rate of XXX. The expenses for this program include funding for adjunct faculty for new courses and a program director. Additional expenses include an annual marketing budget and funding for instructional design to develop online offerings of courses.

### ***Realignment of Resources***

Extensive examination of the curricular requirements of the program provided a mechanism for identifying existing courses aligned with the learning outcomes and competencies of the program. Using the excess capacity in these courses maximizes the cost effectiveness of the program.

### ***Resource Needs***

The resources requirements of this program fall into two categories: personnel and direct expenses. See Budget Components for descriptions of these expenses.

### ***Budget Components***

**Revenue.** The revenue projections are based on a per-credit tuition of SXXX for the XX credits required to complete the program and an annual enrollment of XXX students per year. Assuming enrollment will be composed of a combination of full and part-time students, 5-year estimates project gross revenues of \$XXXXX in year 1 and \$XXXXX per year in Years 2-5. No other revenue is anticipated beyond tuition resulting from increased enrollment. A tuition rate of SXXX was determined based on the costs of competitive programs. No other unfunded or funded discounts are expected, nor are additional contributions or grants.

**Personnel expenses.** The personnel expenses for this program are limited to the salaries of adjunct faculty and a program director. The full-time faculty in this program will be teaching existing courses and are subsumed under existing departmental expenses. Funding for adjunct faculty is accounted for in the financial analysis with a salary per three-credit class of \$XXXXX. No salary increases are assumed for the analysis. The part time fringe benefit rate is XX%.

**Indirect expenses.** Given that the program size will not exceed XX students, indirect costs are not anticipated.

**Capital expenses.** There are no capital expenses associated with this program.

**Start-up expenses.** The start-up expenses for this program are accounted for in the direct expenses for this program.