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Citation: 35 U. Tol. L. Rev. 19 2003-2004



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Thu Nov 12 10:15:32 2015

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# BUDGETS

*Patrick J. Borchers*

I suspect most deans will agree with me that dealing with budget issues is among the least enjoyable parts of deaning. Unfortunately, it is among the most important.

The professional training of deans for this part of our work varies widely. Some (like me) come into the job with relatively little experience; others have much more. Compounding the difficulty is that, as far as I can tell, no two institutions have identical budget processes. So while budget experience at another academic institution is undoubtedly helpful, there's always a great deal of learning to be done at the new place. With that in mind, here are some observations about budgets that I wish to offer after four years here at Creighton University.

## *Don't Plan on Delegating it All*

One tempting strategy, especially if fiscal matters are not your forte, is to try to assign the responsibility to someone else. Even if this is possible, it's not a good idea. The money issues are just too important to leave entirely to a delegate. It's ultimately impossible for a school to make progress, or even tread water, without reasonable financial resources. Most of the school's constituencies—faculty, students, alums, others within the University—assume that the Dean has reasonable familiarity with law school finances and is capable of representing the School on these matters.

Of course, that doesn't mean that the Dean should be wasting time on ministerial matters such as having the checks cut to pay ordinary expenses. But deans should, I think, regularly read the monthly or quarterly reports on where the School stands relative to budget. Deans also should ultimately decide how the School's resources are allocated; for example, if cuts need to be made should they come from technology, faculty travel, student employment or some other source? Nobody likes making decisions like that, but ultimately they have to be the dean's.

## *Ask Lots of Questions*

Inevitably, there's a very steep learning curve with regard to financial matters. I find that reports over which I used to puzzle for long stretches now take me only a few minutes. But don't assume that everything is ultimately going to make sense. A few times I have come across what seem to me to be odd policies or practices and have raised questions about them. Sometimes there's a good reason for them, but once in awhile it turns out that there really isn't any justification for them, and as a result they've been changed. Either way I've come out of it with an improved understanding of the fiscal workings of the School and the University.

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*Forest versus Trees*

Especially with money issues, I find it helpful to take a step back and try to take the broad view. One recurrent issue for deans at university law schools is the fraction of revenue (tuition being by far the largest percentage at private schools and many public ones) that goes directly for school purposes (law faculty salaries, law library acquisitions and the like) and the fraction that goes to the overhead units in the University (physical plant maintenance, shared facilities in the University and the like). This is often one of the most emotionally charged issues in a law school setting, because the law school community sees the revenue generated by the law school as “its” money while the central administration sees it from the other side.

It’s often tricky here to do meaningful comparisons, because of overhead allocation variables. Law schools, because of their specialized educational needs, exhibit a much higher degree of vertical integration than do, for example, colleges of arts and sciences. Law schools have their own libraries, admissions and career services personnel and often their own development and alumni relations staffs. Thus they have significant direct costs that other schools and colleges bear only indirectly through the overhead allocation. Requiring a law school to pay twice (once directly and once indirectly) is obviously unreasonable.

In other respects, however, the law school is no different from any other university budgetary unit. The building needs to be heated and cooled, the grounds and the building need to be kept, and so on. If those sorts of expenses are part of the overhead allocation, then the law school should pay some fair share.

I have found that some of the most difficult issues surround the sorts of expenses that the University allocates on a per-student basis—things such as student recreational facilities and support services and the like. Technically law students can take advantage of these and some do, but because of differences in ages, interests, and educational attainment, the participation rate of law students is only a small fraction of that of undergraduate students. The direct marginal cost of educating an additional law student is also fairly small, especially compared to a student in a discipline with very capital-intensive facilities such as science laboratories.

Unfortunately, it is often difficult to quantify these differences. Should a law student count as only half a student for some of these purposes? Or would two-thirds be a more reasonable assessment? The inevitable arbitrariness of assigning any such fraction often makes it difficult to arrive at any mutually agreeable solution. Probably for this reason, a good number of schools have restructured the financial relationship with their university so that they pay a set percentage of some revenue base (law tuition, perhaps) or have simply agreed to pay some flat amount. The culture and traditions of each University affect what is practicable and desirable. It is essential, however, to have clear agreement on these matters. A seemingly fair flat amount might not be fair if costs that were previously treated as indirect are then charged as direct costs.

In any event, it’s the broad view that is critical. Here I’ve found that I have had the best success advocating the law school’s position by taking a several-year view of the problem. Charts and data showing that law school expenses have risen more slowly than the categories of expenses charged as overhead have helped our cause

in the yearly budgetary process. Even the much and rightly maligned *U.S. News and World Report* survey can be of some assistance here. The so-called “faculty resources” ranking of a school is essentially a per-student spending calculation and can be a helpful measure of whether the law school is gaining or losing ground relative to comparable institutions.

### *Honor Deadlines*

We’re all busy. Sooner or later, however, you’re going to have to turn in the law school budget, the quarterly current estimates and a variety of reports that will probably prove to be less-than-fascinating reading. If you’re chronically late in these tasks, you won’t make any friends among the University financial administrators. Remember, they’re not just worried about the law school; they have dozens of other operating units about which they are concerned. It’s a mistake to assume that they don’t have any influence on University financial policy. Although the president or provost may be responsible ultimately for the policies that most directly affect the law school, the financial administrators usually have a great deal of direct input on these matters. If you are candid and timely with them, the chances that you’ll stay on their good side improve exponentially.

### *Pay Attention to Particular Budget Lines*

At most institutions, the critical budget line is the bottom one. But that shouldn’t be the only line that matters to you as dean. It’s easy to fall into the habit of just managing to the bottom line, but that can be a mistake. If you try to construct a realistic budget based upon past experience with expenses for travel, student employment and the like, then the individual lines in the budget will begin to mean a great deal more. Every dean, I’m sure, gets a large number of “extraordinary” requests over the course of a year: an extra research assistant, an unanticipated technology need, etc. If you have budgeted carefully line by line, you’ll be in a much better position to see how much flexibility you have to respond to these requests. If, on the other hand, the money is spread haphazardly across the lines it will be much harder to tell how much room, if any you really have to respond.

### *Transparency*

One difficult policy issue for deans is how much budgetary information to share. At public universities, a huge amount of this information (including individual salaries and the like) is public information, so the balance is heavily tipped towards disclosure from the outset. Private schools, however, do not have to contend directly with open records laws. Nevertheless, candor and honesty are still the best policies.

From the purely practical standpoint it’s a good idea to keep the relevant constituencies informed about where things stand. In the soft economy of the last couple of years, most people have come to understand that educational institutions are not flush with unspent cash. Giving people solid information about where the school and the university stand does a lot to help maintain equilibrium. Often, I’ve

found, the imagined problems are even worse than the actual ones and even well intentioned efforts by some to extrapolate from incomplete information can lead to unnecessary hysteria. The simple solution is to ensure that the relevant constituencies have accurate information.

### *Conclusion*

There are many aspects of law school budgets and finances that rightly cause eye rolling. But they are also among the best opportunities that a dean has to effect policy changes and employ strategies. If the school is generally under-funded, seeking changes in the school's financial relationship to the rest of the university and changes in budgetary processes may be among the most effective ways to address the situation. If improving the admissions situation at a school is the top priority then deploying more scholarship resources can be an effective strategy. If bolstering faculty scholarship is a priority, then making more money available for grants and research assistants is a sensible tactic. In the end, the duties surrounding school budgets and finances are among the most critical for a dean.