ECAR : IT Funding In Higher Education

EDUCAUSE 2004
We surveyed

- 482 EDUCAUSE members
- 386 NACUBO representatives
- 62 CIO/CFO pairs
We Asked About

- Magnitude and direction of IT funding
- IT costs and cost drivers
- IT investment decision-making
- Charge-backs and student fees
- Cost containment and revenue growth strategies
- Effective IT financial practices
CIO Survey Respondents

Number of Institutions

Carnegie Class

Survey Respondents
EDUCAUSE Members
Carnegie Institutions

DR MA BA AA Specialized System Canada
Headlines

- IT budgets are facing cuts, but are holding their share of the institutional budget.
- Public institutions are substantially more pessimistic about their IT funding.
- Technology maintenance is increasingly consuming the budget.
- Funding flexibility and discretion is important, but few have it.
- Future funding may not be sufficient to maintain existing technologies and meet new needs.
- No dominant cost containment strategy and new revenue opportunities are marginal.
IT Funding Trends and Issues
Budgets grew for some…
...but are facing increased pressure to decline.

- 80% report that IT budgets are maintaining their share of institutional budgets.
- 40% of respondents expect their budget to decline or stay flat next year.
- 24% expect level of one-time investment to be in decline over the next 3 years.
IT budgets are relatively fixed.

- 58% value increased flexibility
- 15% are pursuing an explicit strategy to gain it
IT budgets are relatively fixed

Fixed Percentage of IT Budget, By IT Budget Size (N=461)

- Less than $1 million: 66.5%
- $1 million to $3 million: 72.2%
- $3 million to $7 million: 76.0%
- $7 million to $17 million: 77.4%
- greater than $17 million: 75.3%

Central IT Budget
IT budgets are relatively fixed.

<table>
<thead>
<tr>
<th>Carnegie</th>
<th>Mean Percent Fixed</th>
</tr>
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<tbody>
<tr>
<td>AA</td>
<td>69.3%</td>
</tr>
<tr>
<td>BA</td>
<td>70.6%</td>
</tr>
<tr>
<td>MA</td>
<td>74.8%</td>
</tr>
<tr>
<td>DR</td>
<td>78.7%</td>
</tr>
<tr>
<td>Specialized</td>
<td>63.7%</td>
</tr>
</tbody>
</table>
Respondents are concerned about funding the future.

<table>
<thead>
<tr>
<th></th>
<th>Meet Strategic Objectives</th>
<th>Keep Pace with Advancements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Administrative Computing</td>
<td>4.1</td>
<td>1.499</td>
</tr>
<tr>
<td>Academic/Research Computing</td>
<td>3.85</td>
<td>1.258</td>
</tr>
<tr>
<td>Data Communications</td>
<td>4.38</td>
<td>1.341</td>
</tr>
<tr>
<td>Instructional Technology</td>
<td>3.86</td>
<td>1.339</td>
</tr>
</tbody>
</table>

1 = very strongly disagree, 4 = neutral, 7 very strongly agree
Funding instructional technology, Public vs. Private

Sufficient Funding For Instructional Technology

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>3.96</td>
<td>4.03</td>
</tr>
<tr>
<td>Public</td>
<td>3.82</td>
<td>3.77</td>
</tr>
</tbody>
</table>
Deferred Maintenance – An emerging problem?

Funding Technology Maintenance

- Separate annual budget request: 54%
- Included in project budget: 16%
- Funds automatically set aside: 23%
- Other: 5%
Deferred Maintenance – An emerging problem?

- 40% fund upgrades from existing technology budget
- 11% have funds reserved for upgrades
- 64% don’t believe the base IT budget increases sufficiently to maintain new technology
- 14% are not keeping pace with upgrades to vended software.
Cost Containment and Revenue Growth
Little confidence in “corporate” cost containment strategies

- 17% agree outsourcing can provide IT services at a lower cost
- 13% think the use of external software development firms is critical to cost containment
- 20% believe their institutions will be more likely to pursue shared services
Cost containment strategies – Evaluated vs. Implemented

<table>
<thead>
<tr>
<th>Cost Containment Strategy</th>
<th>Considered</th>
<th>Likely to Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consortia or shared purchases</td>
<td>56.2%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Minimize supported technologies</td>
<td>47.7%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Across the board cuts</td>
<td>46.5%</td>
<td>34.4%</td>
</tr>
<tr>
<td>Shared technology implementation</td>
<td>37.1%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Use open source</td>
<td>33.0%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>
Institutions are cultivating new sources of revenue.

<table>
<thead>
<tr>
<th>New Revenue Sources</th>
<th>Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>64.3%</td>
</tr>
<tr>
<td>Fundraising</td>
<td>41.7%</td>
</tr>
<tr>
<td>Increase Student Fees</td>
<td>35.1%</td>
</tr>
<tr>
<td>Corporate Partnerships</td>
<td>34.4%</td>
</tr>
<tr>
<td>Expand Use of Charge-backs</td>
<td>14.1%</td>
</tr>
<tr>
<td>Other</td>
<td>12.7%</td>
</tr>
<tr>
<td>Provide Services Externally</td>
<td>10.4%</td>
</tr>
<tr>
<td>Technology Transfer</td>
<td>5.6%</td>
</tr>
<tr>
<td>Provide Products Externally</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
CIOs and CBOs generally agree about everything, except money!

Both feel that technology creates value.

Both see strengths and weaknesses in IT investment decisions.

CBOs are generally more confident that IT is adequately funded.
Similar views of IT Value

View of IT Value - Paired Samples

- Institution receives substantial value for IT
- It is a source of competitive advantage
- IT supports development of new revenue

1 = very strongly disagree, 4 = neutral, 7 = very strongly agree
Differing views of funding and financial management.

IT Funding and Management - All Respondents

3.79 3.17 3.82 4.38 4.02

4.95

Provides sufficient funding to meet strategic IT objectives

Base IT budget increases sufficiently to support new technology

Institution actively manages total technology spending

CIO Mean

CFO Mean

IT Funding and Management - Paired Responses

4.14 3.34 3.89 4.61 4.33 5.00

1 = very strongly disagree,  4 = neutral,  7 = very strongly agree
Effective Practices
Effective Practices – Analytical Framework

Create Substantial IT Value

Funding Practices

Technology Identity

Achieve Strategic IT Goals

Management Practices Organization Structure

Maintain Reliable IT Operations
Success Drivers

- **Funding Practices**
  - Sufficient funding to support innovation
  - Financial Flexibility

- **Management Processes**
  - Structured, transparent IT budget process
  - Alignment of funding and institutional priorities

- **Organization Structure**
  - CIO Member of Cabinet and Budget Committee
  - Users engaged in priority setting

- **Institutional IT Identity**
### Effective Practices – Success Drivers

<table>
<thead>
<tr>
<th>Practice</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. IT leader member of the Cabinet</td>
<td>44.6%</td>
</tr>
<tr>
<td>Sr. IT leader member of budget committee</td>
<td>45.7%</td>
</tr>
<tr>
<td>Adequate funds to research and experiment with new technology</td>
<td>19.8%</td>
</tr>
<tr>
<td>Adequate funds to respond to new user needs</td>
<td>22.0%</td>
</tr>
<tr>
<td>IT budget process aligns IT priorities with institutional priorities</td>
<td>77.0%</td>
</tr>
<tr>
<td>IT budget process responds to changing environment</td>
<td>58.4%</td>
</tr>
<tr>
<td>IT budget process based on set of well understood management principles</td>
<td>45.8%</td>
</tr>
<tr>
<td>Senior level advisory group prioritizes IT projects</td>
<td>33.6%</td>
</tr>
</tbody>
</table>
What it all means?

- Success drivers are alignment, flexible funding, support for innovation, and transparency.
- Two unacceptable choices:
  - A deferred maintenance problem for IT
  - Or, limit future innovation in teaching and research technology.
- We need to better make the case for funding.
- We need to push harder to find successful cost containment strategies.