



SUGGESTIONS FOR PROGRAM BUDGET DEVELOPMENT

- Utilize department end of the month statements to map out revenue and expense trends by the month and/or year.
- Relate student census to revenue and expense trends by month and/or year.
- Examine and analyze the trends to develop a budget, but “pad” the overall estimated budget for the next academic year anywhere from an extra 15% to 25% in order to account for an increase/inflation in the price of supplies and equipment.
- An important factor, obviously, is the number of students that are admitted into a program on a year-to-year basis. The financial department of the institution is going to look at trends in order to recommend to the upper administration what the program should actually receive as its portion of the overall institutions budget. Most financial departments look at 3 or 5 year trends. For example, during a 5-year period, a program admitted 10 – 12 students in 4 out of the 5 years, but admitted 20 students during one year. The one year of 20 students does not constitute a trend, but rather the exception, so the budget allotted to the program will be based upon the years in which 10 or so students were admitted and if more are admitted for a particular year the program director is just going to have to be creative in making the supplies last.
- It is assumed that the equipment the program purchases such as the O.R. table, Mayo stands, back tables, surgical instrument sets, etc. will last for quite awhile and budgeting for those as capital expense items may only occur about every 5 – 8 years. So the development of a long term budget for capital expense items is highly important and must be communicated to the financial department and supervisor in order for the funds to be set aside when needed. In addition, a convenience with capital expense items is that a function of the financial department is estimating the depreciation of the equipment for tax purposes and the program director is not responsible for figuring that out.
- The tricky part for the program director is estimating the variable costs of supplies such as gowns and gloves, masks, suture, knife blades, masks, etc. It can be assumed, due to inflation, that the cost of each of these items will increase 5-10% each year. And the program director will need to estimate how much of each item will be needed per student based on the number of students to be admitted to the program taking into consideration how much is still in stock in order to submit a reasonable budget. As mentioned, this is the variable cost portion of a budget as opposed to the previous bullet that addressed fixed costs, i.e. variable costs vs. fixed costs.

- When developing a budget, unless a set form is received from the financial department, create an Excel document that lists every variable cost item, referred to as line items, which makes it possible to type in the cost estimate for the upcoming academic year. It also provides three other advantages: (1) Estimating costs for future academic years; (2) Filling in the actual costs for the just completed academic year; (3) Adjusting the future cost estimates by easily reviewing and analyzing the actual costs.