BKD’s Contribution Margin Analysis Helps University Avoid Tuition Increases & Boost Revenue

AT A GLANCE

CLIENT | Oklahoma State University Institute of Technology [OSUIT]
ISSUE | OSUIT sees declining state appropriations but needs new ways to save money and grow

THE CLIENT

Founded in 1946, OSUIT is a recognized leader in applied technology education and is known for world-class teaching facilities, partnerships with industry and a nearly 90 percent career placement rate.

THE OPPORTUNITY

As is the case with many higher education institutions, OSUIT continues to see declining state appropriations but does not want to raise tuition for students, so the university needed a way to educate and empower leadership to make practical decisions that would lead to cost savings and university growth.

THE SOLUTION

BKD’s Interactive Contribution Margin Analysis provides a visual analysis of the financial contribution and margin at various levels of detail—school, department, major, class, faculty member, etc.—for an institution.

THE RESULT

BKD’s Interactive Contribution Margin Analysis empowered OSUIT’s deans to identify specific strategies to improve the profitability of their programs. The deans were able to look directly at the performance of their units and create recommendations and action items for their schools and programs, from how many classes they schedule per semester to how many seats they have in each class. One dean decided to eliminate a section. Another dean decided to offer a course once a year instead of three times a year. The institution has been able to make critical big-picture decisions, including eliminating or phasing out five programs and increasing academic service fees in key areas instead of raising tuition. The university is on track to see a $3 million increase over the next three years.

Here’s a concrete example from OSUIT’s culinary program: An international food course had multiple sections, and the dean realized the university could consolidate it into one course and use the course’s instructor to teach other courses, which reduced the need to hire adjuncts. This program was losing more than $400,000 a year. For fiscal year (FY) 2019, the loss is down to $140,000, and there will be no loss by FY 2020—in fact, there will be an increase. This would be a more than $500,000 swing in a two-year time span.

“BKD’s Contribution Margin Analysis has been a game changer in getting our university’s leadership involved, improving efficiencies and solving financial issues, and the process has been a morale booster to the rest of the campus. Going through this analysis has made us more of a team, and we are each doing what we can to make the institution a place where we can thrive.”

Jim Smith, Vice President Fiscal Services
Oklahoma State University Institute of Technology
Okmulgee, Oklahoma

FOR MORE INFORMATION • Dustin Haywood, Director • dhaywood@bkd.com • 816.221.6300 • bkd.com/CMA