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Proactive Planning to Address Budgetary Shortfalls: The Rutgers Cooperative Extension Experience

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Proactive Planning to Address Budgetary Shortfalls: The Rutgers Cooperative Extension Experience

Abstract

The Cooperative Extension System has experienced significant fiscal challenges during the past three decades, necessitating proactive responses to enhance revenue received from federal, state, and local funding sources. This article presents an overview of Extension budgetary challenges and the work of the Rutgers Cooperative Extension (RCE) Revenue Enhancement Task Force (RETF). The RETF was charged with developing guiding principles and recommendations with respect to cost recovery and revenue enhancement and tools to help RCE employees think and act like "intrapreneurs." The article concludes with lessons learned and recommendations for Cooperative Extension organizations planning similar revenue enhancement initiatives.

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Introduction

Revenue enhancement has been actively discussed within the Cooperative Extension System (CES) for the past 20 years. In 1987, the Extension Committee on Organization and Policy (ECOP) Futures Task Force stated "Both federal and state leaders should review alternative funding sources such as grants, subcontracting with other agencies and users' fees" ("The Implications of Increased Alternative Revenue," n.d.). In a recent report (Joint Task Force, 2006), ECOP again addressed this issue, noting, "the system must identify the most attractive opportunities available for enhanced programmatic and resource generation and proceed in a manner that maintains the quality and integrity of the Extension system as a whole." The report also noted that, as a result of flat Smith-Lever funding, reductions have occurred in more than 85% of state Extension programs, resulting in significant program reorganization.

Most state Cooperative Extension organizations are proactively addressing funding shortfalls. A 2004 report (Miller, 2004) found that a majority of states have a revenue generation policy or are actively involved in developing one. More plans have been made to generate revenue in the last 5 years than in the previous 50. Commonalities of these policies include recovery of direct program

costs, but not staff salaries, from user fees; consistency in establishing fees statewide; higher fees for programs that serve a private good versus a public good; and provisions to reduce or waive fees for clientele who are unable to pay (Miller, 2004). A number of state land-grant colleges (e.g., Michigan State University Extension, 2004; Oregon State University Extension, 2004; Ohio State University Extension, n.d.; and University of Georgia 4-H, 2003) have also issued state-specific revenue enhancement reports or published policies. Others (e.g., Iowa State University) have developed spreadsheets to help faculty determine the cost of programs.

This article describes the history and work of the Rutgers Cooperative Extension (RCE) Revenue Enhancement Task Force (RETF). The RETF was charged with developing guiding principles and recommendations for cost recovery and revenue enhancement and tools to help RCE employees think and act like "intrapreneurs" (i.e., entrepreneurs within RCE). Deliverables produced by the RETF are described, as well as the work of its four subcommittees. The article concludes with recommendations for Cooperative Extension organizations planning similar revenue enhancement initiatives.

Revenue Enhancement Task Force History

The RETF was convened in May of 2005 and completed its work in November 2007. Its original role was in an advisory capacity: to study potential revenue enhancement strategies recommended by ECOP and other states and provide the RCE Director with a written report of guiding principles and recommendations ("Cost Recovery and Revenue Enhancement," 2006) regarding methods of cost recovery and revenue enhancement to supplement decreasing federal and state government appropriations. The RETF later evolved into an active work group that developed tools and training to help RCE faculty and staff implement strategies to recover 10% of the value of their salary. The salary value recovery expectation, effective July 1, 2007, was a key recommendation in the task force's report. It was comprised of members from each RCE department and stakeholder representatives.

Revenue Enhancement Task Force Deliverables

Report and Guiding Principles

The RETF took 10 months to complete its original assignment, beginning with the development of the following guiding principles, which reflect the following key concepts and expectations.

- RCE programs are mission-based and customer driven.
- Program fees should be charged to recover programmatic costs.
- Cost recovery needs to be viewed as part of the overall program planning process.
- Base levels of service and services for those experiencing financial hardship are free of charge.
- Enhanced levels of service should be provided for appropriate full-cost fees.
- Cost recovery and revenue enhancement strategies must be sustainable over time.
- RCE faculty and staff should think of themselves as "intrapreneurs" and strive to generate funds equal to at least 10% of their annual salary value.
- There will be statewide consistency in the processes and tools used for cost recovery decisions.

The RETF's report to the Director ("Cost Recovery and Revenue Enhancement," 2006) includes sections on the committee's charge, a summary of the guiding principles, recommendations of the RETF subcommittees, future action steps and a timetable, and conclusions. The report also includes seven appendices: Guiding Principles for Cost Recovery and Revenue Enhancement, Specific Ways to Recover 10% of Your Salary Value, Cost Recovery and Revenue Enhancement Planning Worksheet, Technical Consultation Calculation Worksheet, a sample donor card, a sample case statement, and the results of a survey of obstacles to grantsmanship by the Grants and Contracts subcommittee. It was distributed to all RCE employees at a mandatory inservice training in May 2006 and placed on an internal Web site that was created to facilitate the ongoing distribution of materials related to revenue enhancement.

Internal RCE Web Site

The RETF created a Web site, *Cost Recovery and Revenue Enhancement Information* <<http://njaes.rutgers.edu/revenue>> as a repository for its materials and to conveniently educate and interact with RCE employees on an ongoing basis. The first section is Frequently Asked Questions (FAQs). The RETF received questions in writing from RCE employees at two employee-training programs and continues to do so online. After a thorough review by both the RETF and RCE administration, answers to employees' questions are posted. The second section, Documents,

includes the guiding principles and RETF report as well as talking points for RCE employees to use to address stakeholder questions.

Section three, Best Practices, includes a template for RCE employees to report their revenue enhancement achievements and a report compiled from templates that were previously submitted. The final section of the Web site, Revenue Enhancement Tools and Worksheets, includes invoicing templates and samples, the Cost Recovery and Revenue Enhancement Planning Worksheet (in Word and Excel, with a sample), an Event Cost and Revenue Worksheet, Specific Ways to Recover 10% of Your Salary Value, and the Technical Consultation Calculation Worksheet (in Word and Excel).

Tools and Templates

A variety of tools and templates were created by the RETF. Many of these tools are available in both Word and Excel formats and come with a completed sample document to serve as an example. These tools, also available at <<http://njaes.rutgers.edu/revenue>> include:

- **Invoice Template** for personalized services provided to individual consumers and for presentations to professionals who will benefit from the information provided.
- **Cost Recovery and Revenue Enhancement Planning Worksheet** to list personal strategies to recover 10% of one's salary value.
- **Event Cost and Revenue Worksheet** (along with a corresponding crib sheet) to determine the breakeven level and the "go/no go" attendance figure for a program or event.
- **Technical Consultation Calculation Worksheet** to determine a consultation fee and related expenses for personalized services.

Employee Training

Two formal training opportunities were provided by the taskforce. The first was a mandatory Extension-wide inservice held in May of 2006. During the event, RETF members introduced the rationale for increased intrapreneurship and shared progress made by the subcommittees. Guest speakers from other states shared their experiences working in the area of cost recovery and revenue enhancement.

The second training opportunity was held at the RCE Annual Conference in September of 2006. Conference attendees were given the option to attend two of three panel-style seminars. The topics included building relationships for development, revenue enhancement opportunities through teaching, and grantsmanship.

In December 2006, the RETF chair attended each of four RCE department meetings, outlined progress made by the RETF, collected questions to be posted on the FAQ Web site, and assessed revenue enhancement training needs.

RETF Subcommittees

Development and Gifts

The Development and Gifts Subcommittee was charged with developing a comprehensive framework for future development efforts of RCE. This included laying the groundwork to aid a development professional in reaching RCE's development potential in the shortest time possible (the college is in the process of hiring a new development officer). In addition, the subcommittee discussed numerous topics including sustaining relationships with donors and future donors, marketing RCE statewide, and non-traditional opportunities to raise funds and awareness.

The subcommittee informally surveyed Extension development efforts at other land-grant universities and created development materials and templates. In addition to gathering information, relationships were developed with development professionals across the country. The subcommittee created materials, including a donor card with check-off options for RCE programmatic areas and several specific programs, e.g., Master Gardeners and Lindley G. Cook 4-H Camp. The subcommittee also developed an RCE Case Statement that outlines the mission, delivery methods, impact, and funding needs of RCE programs.

The Development and Gifts Subcommittee recommended that all RCE faculty and staff develop a database or list of extremely satisfied customers. These stakeholders not only serve as strong advocates for Extension, but also may be key prospects to support RCE with future gifts. Secondly, RCE faculty and staff were encouraged to distribute donor cards. Relationship building should be a continual effort of faculty and staff in all facets of interactions with stakeholders.

Grants and Contracts

The Grants and Contracts Subcommittee was charged with exploring methods of securing needed revenue from external sources. In order to understand the barriers to securing new grant funding,

the subcommittee conducted an online survey of RCE specialists, agents, and support staff in the fall of 2005. The 25-question survey, created using Zoomerang, was distributed through an email announcement from the RCE Director. The goal of the survey was to identify the perceived and actual barriers at each stage of the grant-funding process: 1. Identifying potential grant projects; 2. Writing and budgeting grant proposals; 3. Securing university approval for proposals; and 4. Managing and implementing projects after funding has been secured. In total, 56 surveys were completed.

RCE faculty and staff identified two primary and clearly defined obstacles to securing grants. First, the university's internal process for grants approval was viewed as needlessly complicated and onerous for principal investigators. Respondents viewed Rutgers' indirect cost rate structure as a serious barrier to the types and sizes of projects that RCE personnel typically pursue. Second, respondents indicated that RCE's management and reward structure lacks proper incentives for RCE personnel to undertake the time and effort required to develop proposals, secure approval, and manage grant projects.

The subcommittee produced the following recommendations.

- Resources (e.g., templates and skilled support staff) should be provided to help complete forms required by the Rutgers University Office of Research and Sponsored Programs (ORSP).
- RCE should petition ORSP for an expedited grant application process for projects of \$25,000 or less.
- Clear and quantifiable rewards should be provided for employees who pursue and secure new grant funding.
- Bulk purchases from regular suppliers on grants should be made through a more convenient system, such as a credit card.
- The process of hiring of independent entities (outside the University system) should be streamlined.

User Fees

The User Fees Subcommittee studied potential funding models and determined that there are three different types of fees that can be charged for cost-recovery and revenue enhancement:

- Membership Fees (e.g., 4-H and Master Gardeners) for statewide programs
- Cost-Recovery Fees for large scale programs (e.g., Child Health Summits)
- Enhanced Level of Service Fees for specialized services to individuals and groups.

The RETF made a recommendation for programmatic areas to determine appropriate fees, and discussions are under way. Another critical component is making sure that stakeholders comprehend the purpose and philosophy of "cost recovery" methods. Work is also being done internally to identify true "cost(s) of doing business" and develop and implement strategies to meet budgetary shortfalls. Examples include:

- Analyzing office fees and adjusting them statewide to reflect operating costs, e.g., publications, permits, certificates;
- Providing an RCE donor card to clients after a consultation to provide awareness of the need of sponsors and to provide a vehicle for satisfied clients to provide program funding;
- Using a "RCE Technical Consultation Worksheet" to collect fees from clients who receive extended recommendations and/or services.

Although a fee for service was investigated, the topic escalated into a complex political issue and could not be pursued as a viable source for revenue generation.

Product Development

The Product Development Subcommittee was charged with investigating potential revenue enhancement with products produced by RCE professionals. Its first task was to survey Extension employees for ideas that could be turned into salable products. These products should complement program strengths and reach large and diverse audiences. The subcommittee met informally with small groups of colleagues to discuss potential Extension products. It also contacted Extension faculty with personalized emails to gather information on potential products and resources needed to develop and market them. Follow-up contacts were made to encourage additional responses and provide details about ideas.

There was universal agreement that education (training) and service are the two most common products that Extension has experience providing to clientele. The next step for the subcommittee is to discuss feedback from the survey and establish a list of key products showing the greatest

potential for development, based on current resources. The committee will work together with RCE administration to assemble Action Teams to provide leadership and guidance for product further development. The subcommittee will work in cooperation with product development Action Teams and RCE administration to encourage the production, marketing, and evaluation of model products.

The majority of those responding to the email survey agreed that new technologies provide many opportunities to package educational programs and information into a great variety of formats that could be marketed as products. These formats include Web-based educational sites that offer courses for pesticide recertification credits and non-credit or continuing education classes and Web seminars or other information that could only be accessed through a membership fee or a one-time access fee. In addition, traditional and non-traditional Extension programs and topics could be reformatted into DVDs, CDs, and streaming videos such as pod casts. In addition, local and regional television and radio programs could be produced to help distribute and market Extension products.

Survey respondents expressed the following concerns regarding the creation of Extension products.

- Will clientele buy products after a long history of providing information and services for free?
- How will product development affect current support and relationships with clientele, government, and private organizations?
- How does RCE successfully compete with the many entities already producing educational products?

In order for Extension-based products to be successful, the subcommittee recommended the following.

- Products must be needs based and have a true demand in the marketplace.
- Products must be of the highest quality to promote excellence in Cooperative Extension.
- Products must be legally protected to prevent product infringement.
- Products should complement the primary goals and programs of Extension professionals.
- Production teams must be recognized and rewarded for their efforts.

Summary and Implications

Previous budgetary shortfalls within Rutgers Cooperative Extension often resulted in decisions "handed down" by deans and directors--keeping vacant positions unfilled, delaying or deferring salary increases and new hires, sharing positions between counties or states, or transferring funds between accounts. Occasionally, special "one-time" line items within the state budget also alleviated fiscal pressures. All of these strategies were helpful in the short term, but were not sustainable in addressing continued budgetary shortfalls. Faculty and staff were affected by these decisions, but were not typically consulted before implementing these measures or to propose ideas for new and sustainable funding sources.

The establishment of the RETF has changed the previous approach to handling budgetary shortfalls. Every RCE employee needs to appreciate the severity of the situation and has a responsibility to do his or her part to make the organization financially viable in the years ahead. In short, as stated in the title of the RETF's 2006 report, the organization must "take ownership of our future." The unfortunate reality is that federal and state budgets no longer provide all of the funding that Extension requires in meeting the needs of its clientele. We need to start thinking and acting intrapreneurially--and much sooner than later. Various methods can be used including development and gifts, grants and contracts, user fees, and product development.

One of the most important lessons learned was that intrapreneurship requires more than just thinking about money and funding sources. Program delivery methods, how Extension does business, focused program priorities, implementing high impact programs, and communicating program benefits to stakeholders must all be part of the effectiveness and accountability metrics, sustainability strategies, and change of culture within Extension. Indeed, the Extension Committee mentioned all of these areas as "benchmarks of Extension excellence" in a recent report on Organization and Policy (Extension Excellence, 2007). Extension's future viability depends upon positive, proactive planning and implementing and managing programs as a business, all within the framework and guidelines of the Cooperative Extension System.

Recommendations

In addition to the specific recommendations stated above, the following are general recommendations for other states based upon the work of the RETF to date:

- Form a diverse task force comprised of Extension employees in different job roles (e.g., specialists, agents, program associates) and career stages, as well as key stakeholders. Inclusive decision and policy-making for revenue enhancement and cost recovery will create a more positive environment for what could be a very explosive and divisive issue. Nevertheless, resistance should be expected and efforts made to address the fears and concerns of Extension employees.
- Prioritize cost recovery strategies based on their ease of applicability and clientele acceptance. Avoid redefining your clientele as an easy source of income.
- Address major barriers to seeking outside funding--time to pursue opportunities, high indirect costs and complex approval processes within universities, and additional workload from funded projects. These must be addressed for a voluntary program to be adopted.
- Keep state, county, and local policy makers and stakeholders apprised and supportive of these efforts so that existing base funding continues unthreatened throughout the Extension network.
- Give people choices. The RETF often referred to its list of suggested strategies for employees to generate 10% of their salary value as a "Jersey diner menu" from which people were encouraged to choose their preferred option(s).

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