



April/May 2009

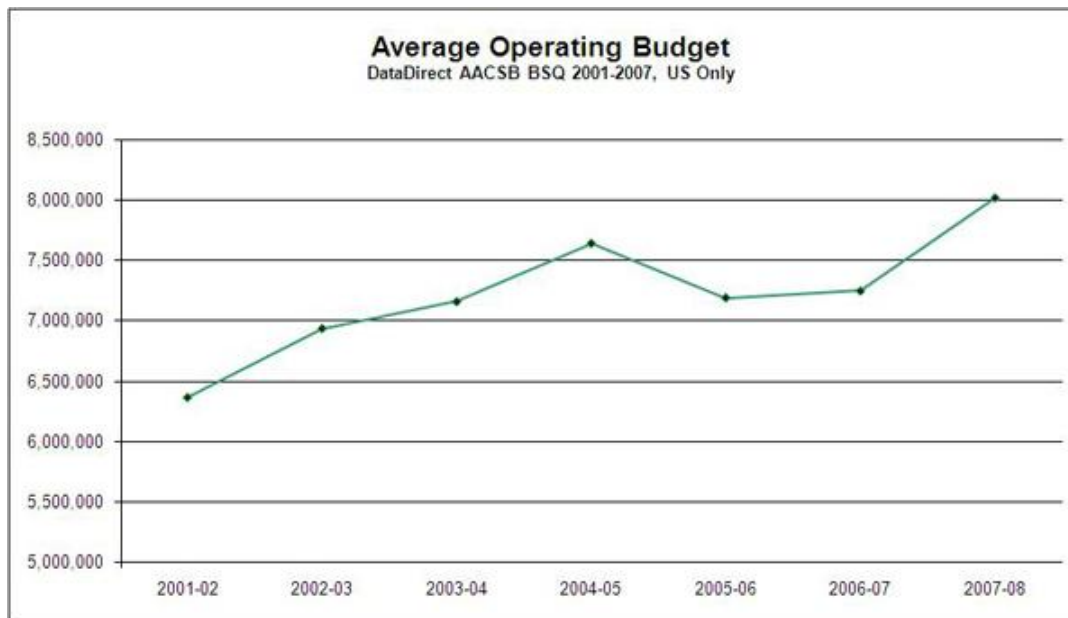
## Are Economic Problems Affecting Operating Budgets and Endowments?

by AACSB International

One of the questions on administrators' minds right now is likely, "How will the economic situation affect my school?" The answer varies based on the different circumstances at each institution. Of course, changes in the economic climate are expected to have an impact on spending across all educational institutions, business schools included. While it may take some time to understand all of the changes the adjusting economy brings, no crystal ball is needed to know that there are likely to be momentary growing pains as business schools adapt.

Business school endowments would be one area where economic difficulties might show up first. Between 2006-07 and 2007-08, the average endowment increased 17.2% from 31.7 million to 37.2 million USD. In 2006-07, the endowment ranged from 0.5 million to 490.5 million USD. By 2007-08 that increased to a range of 1.5 million to 618.4 million USD. With changes in the stock market values and the evidence of monetary depreciation affecting some of these areas in 2008-09, we may begin to see a trend of smaller endowments with budgetary retrenchment during the recovery process.

Figure 1.



Average operating budgets increased overall throughout the past seven years, but there have been areas of decrease such as between 2004-05 and 2005-06. With belt-tightening at many public and private schools, there could be changes expected here as well in the next few years. For those schools that rely on endowment earnings for a portion of their annual operating budget the adjustments could be significant.

While the data can't show any conclusions yet, this is an area that we will be watching closely to best serve our schools. We are currently collecting data for the 2008-09 Business School Questionnaire with the financial data points for 2008-09 expected to be ready by July 2009.