**Feasibility and challenges of starting a new program in a University**

**BACKGROUND**

A University in Connecticut offers 8 degree and 2 non-degree programs. Every year, a permanent budget of 6M comes to the university as sponsorship from state to support 8 degree programs. The non-degree programs are typically self-funded from tuitions and other sources of revenue. However, every fiscal year there is a surplus of 500,000, on average, which university decides to allocate to areas in need at their own discretion. This year, university is considering the benefits of starting a 3rd non degree 2-year program. The surplus of permanent funds can be allocated to start the new non-degree program*.* The 2 other non-degree programs, which are running from last 5 years, have generated average profit of $100,000 every year. Since this program is on offer to the 55 year and older community, profit expectations can be sacrificed for the social good by 25%. Due to space constraints enrollment cannot exceed 600 (10% of space) students. Also, student-teacher ratio can’t exceed 30, as per University policy.

**PROBLEM**

The finance department has to decide what amount to take from permanent budget to start this program and what should be the distribution over the years. Also, they have to propose what fee to charge during the course of the program. The proposal, then, could be put forth to the trust committee board of the University. The board then decides whether the fee is workable for the older community or not, ensuring typical profits of non-degree programs.

**Economics of the situation and concerns**

On average, an additional 20% is collected in parking revenues from each program, including the non-degree program. The advertising budget has an impact on no. of enrollments but limited to a certain extent. However, when to allocate the most resources has always been a big question? Starting the program would also require: Customize space for the program, Recruitments, Training, Material and Launching advertisement.

Once the program starts collecting fees, they are charged a percentage for general staff, resources and facilities used, and space occupied apart from the Program’s regular expenses that include salaries to teachers and advertising expenses. Based on prior trends, enrollment rates are expected to increase every session but fees can be increased for the next class only. Also, Fringe rate increase 3% each year and Utilities expect to increase 1% per year.