

Drake University Senate Budget Committee

DATE: September 24, 2013
TO: Senate Budget Committee: Klaus Bartschat, Andrea Charlow, Renee Cramer, Debra De Laet, Wade Leuwerke, Deborah Newsom (ex officio), Keith Summerville
FROM: John Rozycki, chairperson
SUBJECT: Minutes of meeting of September 20, 2013, 11:00 a.m.

Attending: Klaus Bartschat, Andrea Charlow, Renee Cramer, Debra De Laet (Skype) , Wade Leuwerke, Deborah Newsom (ex officio), Keith Summerville, and John Rozycki. Below is a summary of the discussion and the action items.

Change to the minutes of September 6, 2013

Add Debbie Newsome to the distribution list.

Budget Advisory Committee (BAC)

The following SBC members will be members of the BAC: Andrea Charlow, Debra De Laet, Wade Leuwerke, Keith Summerville, and John Rozycki. Deborah Newsom expects the BAC to convene soon and wrap up by December.

Previous approach to the annual operating budget

Deborah Newsom provided some background as to the previous approach to the formulation of the University's *annual* budget. The previous approach employed accrual accounting, using generally accepted accounting principles (GAAP). While GAAP is necessary for financial reporting purposes, it is not very useful for planning and budgeting purposes. The change to cash budgeting is a step forward. For example, a cash budget lists actual capital outlays and the entire debt service (principal *and* interest payments, approximately \$5 million per year).

Deborah Newsom then gave a brief overview of the University's annual operating budget (approximately \$130M). She noted that the University's endowment (approximately \$150M) is not a major contributor to the operating budget. It typically produces about \$6.5M per year to support special needs items (e.g., scholarships). (This is likely to be an item for future discussion.)

Long-term budget (the budget)

Effective long-term planning requires more than an annual operating budget. The SBC strongly endorses the creation of a 3 – 5 year cash budget to enhance financial planning, the allocation of resources, and the implementation of the University's strategic plan.

A carefully constructed long-term budget should allow the University to allocate its resources more effectively. Financially speaking, while the next year or two are expected to be

uneventful, subsequent years are likely to prove more challenging. A carefully crafted long-term budget would help the University to meet these challenges.

There are a number of line items that need to be forecast. Enrollment targets quickly surfaced as one of those items. We need to have reasonable forecasts for enrollment for both undergraduate *and* graduate programs. Forecasts for undergraduate and graduate tuition rates and discount rates are also needed. *To plan properly, we need to be looking ahead 3 – 5 years.* The University needs to set goals and to evaluate its progress annually.

There was a sense in the SBC that graduate programs are often perceived to be an "add-on" to the University's main mission. The SBC rejected this view. Whether it is perception or fact, the SBC thought it needed to change. There was a sense that faculty governance related to graduate programs needs to be enhanced university wide. To this end, the Committee thought there was a need to facilitate a broad conversation with the Senate Executive Committee, the Provost, and Deans. While enhanced faculty governance is not directly within the purview of the SBC, enhancing faculty governance related to graduate programs might lead to more effective long-term planning for the University as a whole.

Next steps

The SBC can play an important role in helping to motivate and develop a long-term budget as well as in communicating the budget's importance for the University. As such we will proceed to answer the following questions. What line items are needed to develop a long-term budget? How can the SBC assist in the formulation of essential and reasonable assumptions and forecasts for these line items? What role can the SBC play in communicating the importance of a long-term budget to the University at large?

Action items

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| Provide SBC members with a copy of the University's Financial statements when they are available. | Deborah Newsom |
| Provide SBC members with a copy of the 2013-14 Operating Budget. | Deborah Newsom |
| Prepare a list of items (or assumptions) that are needed to create an effective long-term budget. | Deborah Newsom |
| Consider how the SBC can aid in the motivation and development of a long-term budget. | Everyone |
| Formulate a plan to have a broad conversation with the Executive Committee, Provost, and deans regarding governance as it relates to graduate programs. (Who else should work with Deb?) | Debra De Laet |

Future agenda items

See the agenda.