

Drake University
Senate Budget Committee

DATE: March 25, 2015
TO: Drake University Faculty Senate
FROM: Senate Budget Committee (Andrea Charlow, Renee Cramer, Teresa Koch, Wade Leuwerke, Deborah Newsom (ex officio), Keith Summerville, David Wright, John Rozycki, chairperson)
SUBJECT: A Proposal for Revising the Charge of the Senate Budget Committee (SBC)

CURRENT SENATE BUDGET COMMITTEE DESCRIPTION (MAY 2004)

The Committee shall be a standing committee of the Faculty Senate. The Committee is charged with monitoring the University budget in order to insure that academic concerns are the central focus in Drake University's strategic planning and in the translation of those plans into the University's budget. The Committee shall advise the President and his/her Cabinet and advise the Senate on budget related Senate actions. The Committee gathers information on the budget from the Office of Business and Finance and provides that information to the faculty as a whole through reporting to the Faculty Senate.

The Committee shall consist of the Faculty Senate President and six faculty members appointed by the Faculty Senate Executive committee. Terms shall be for three years and shall be staggered. Ideally, the members of the Committee will include at least two of the most recent Faculty Senate Presidents and the faculty representatives on the Board of Trustees' Business, Finance and Investments Committee and on the Institutional Advancement Committee. (May 2004)

MOTIVATION FOR MODIFYING THE CHARGE

The Senate Budget Committee has concluded that the charge needs to be defined more specifically. Some parts of the charge need to be clarified. Consider the following:

- What specific items should the SBC monitor in the University's budget? How should the SBC accomplish the monitoring? What data should be used? When? In what form? By whom?
- Does the Faculty Senate intend a specific process for the SBC in advising the President and his/her Cabinet? As it is, there is no specific time or opportunity for providing any advice. If advising the President is important, it should not be ad hoc.
- Is there a specific process intended or needed for reporting to the Faculty Senate, other than an end-of-year report from the chairperson of the SBC?
- The charge discusses the gathering of information related to the budget. It appears to be open ended. Does it refer to the most recent (last year's) budget? Or does it refer to the budget for the coming fiscal year? An analysis of the data is implicit. Is there specific data to be gathered and analyzed? Should the SBC be collecting, examining, and evaluating

historical data? The Committee's consensus is that an analysis of historical data is necessary to obtain a broad perspective.

PROPOSED CHARGE FOR THE SENATE BUDGET COMMITTEE

Motivation

Academic concerns are the central focus in Drake University's strategic planning. Accordingly, the University's Strategic Plan's emphasis on the academy provides the foundation for the Senate Budget Committee's charge. "Drake's mission is to provide an exceptional *learning environment*..." The mission is driven by a set of core values: Excellence, Learning, Essentiality of liberal education, Creativity and innovation, Integrity, Academic freedom, Civility and respect, Citizenship, Aspiration, and Accountability. Of all the core values, the Strategic Plan emphasizes that "Learning is the purpose of the University's very existence ..."

An effective budget is an important tool to implement the Strategic Plan. Goal III of the Strategic Plan states: "Develop a sustainable business model to ensure that Drake University will continue to provide an exceptional learning environment that is financially accessible to students and their families."¹

Spirit of shared governance

In the triad of shared leadership, the administration, Board of Trustees, and faculty share the responsibility of making sure Drake University thrives in a competitive higher education environment. While the faculty shoulders the academic integrity of the University, they also share the burden in making sure the University is fiscally sound and responsible. The Senate Budget Committee is the representative of the Faculty Senate charged with monitoring and advising on budget issues. Its reports are to be provided to the President, the Cabinet, and the Faculty Senate.

Description and membership

The Committee shall be a standing committee of the Faculty Senate. It shall consist of the Faculty Senate President and six faculty members appointed by the Faculty Senate Executive Committee. Terms shall be for three years and shall be staggered. Ideally, the members of the Committee will include at least two of the most recent Faculty Senate Presidents and the faculty representatives on the Board of Trustees' Business, Finance and Investments Committee and on the Institutional Advancement Committee.

¹ For details, see: Drake University Strategic Plan 2013-2017, https://www.drake.edu/conversations/?page_id=406.

The Charge

In the spirit of shared governance, the task of the Senate Budget Committee is to help ensure that academic concerns are the central focus of Drake University's strategic planning *as translated and implemented via the University's budget.*

Advisory role

The Committee shall function as an advisory body for the President, his or her Cabinet, and the Faculty Senate. Every spring, in time for the Drake University Faculty Senate's April meeting, the Senate Budget Committee should submit to the President and Faculty Senate, a report of its findings and activities. At the discretion of the Faculty Senate President, the chairperson of the SBC shall present its report to the Senate. When requested, the SBC shall also advise the Faculty Senate on budget-related Senate actions. Finally, given its faculty constituency and diverse perspectives, the Committee should be able to provide the Vice-President of Finance with useful input for financial planning purposes.

Analysis of historical enrollment, inflation, and financial data

It is difficult to evaluate current or future budget forecasts without having a historical perspective on enrollment, inflation, and selected financial data. Therefore, the Committee shall obtain financial data from the University's publicly available audited financial statements and enrollment data from the University's data book. Inflation data is available from the Board of Governors of the Federal Reserve System or from the U.S. Bureau of Labor Statistics.

The financial statements include the following: statement of financial position (balance sheet), statement of activities (income statement), and statement of cash flows. The financial statements for the fiscal year ending June 30 are typically available late in the fall semester.² The Committee should analyze at least five years of historical data, although ten years of data is preferable. A ten-year time frame would span a typical business or educational cycle. If appropriate, the Committee could consider a comparative analysis using the University's peer institutions or perform other analysis as deemed appropriate. The Committee should consider examining trends for the items listed in Exhibit 1.

² Prior to June 30, 2014, the University's fiscal year ended in May.

Exhibit 1: Recommended items for analysis by the Senate Budget Committee

Category	Specific item
Enrollment:	Undergraduate, graduate, PharmD, Law, and total enrollment
Inflation:	Consumer Price Index (CPI); Consumer Price Index for All Urban Consumers: Education (Education CPI)
Revenues:	Student tuition and fees; scholarships and fellowships; endowment income used in operations; and total operating revenues
Operating expenses:	Instruction; academic support; institutional support; total operating expenses; and the change in net assets from operations ("income")
Assets and liabilities:	Total investments and cash ³ ; bonds payable; total liabilities; and total net assets
Cash flow:	Net cash provided by (used in) operating activities; contributions for long-term investment; purchases of property and equipment

In order to put the investments trend in perspective, we recommend that investments be compared to the inflation measures and to some measure of stock market performance (e.g., S&P 500 index). (The SBC is aware that the University's investments consist of more than equity investments (stocks). Furthermore, it also reflects both inflows and outflows.)

Involvement in the formulation of the budget

The Senate Budget Committee should be involved and have significant input into the development of the next year's budget. (At a minimum, the entire SBC should be part of the Budget Advisory Committee.) A significant amount of time is required to understand, discuss, and debate the forecasts and associated assumptions. Therefore, the Committee should be involved in the budget planning process no later than September and preferably sooner. It would then be in a position to provide meaningful comments in November, *before the budget is sent to the Board of Trustees*.

³ Historically, total investments plus cash appears to be more representative of the University's investments as a whole. Henceforth, we simply refer to these two as investments