

The University Senate of Michigan Technological University

PROPOSAL 13-98

SENATE RESOLUTION ON THE 1998-99 UNIVERSITY BUDGET

Whereas, the Constitution of the University Senate of Michigan Technological University provides that the Senate has the responsibility to review and make recommendations on the allocation and utilization of the University's human, fiscal, and physical resources; and whereas, the University Administration has presented preliminary information to the Senate and to its Finance Committee for comment; Be it resolved that the University Senate applauds the Five Year Budget Model as a giant step forward in extending the University's planning horizon. The Senate believes that this approach to budgeting makes possible the connection of long-range plans and annual expenditures.

The Senate also appreciates the priority given to achieving salary parity with peer institutions for faculty and professional staff, especially given the manner in which the University's Self-Study and the NCA Accreditation Report highlighted this matter. The Senate acknowledges the financial consequences of this decision in terms of increased tuition or reduced capital projects, but believes that the University must act to insure its ability to hire and retain the highest caliber faculty and staff. Viewed as a means of maintaining the delivery of quality instruction and research, the ultimate beneficiaries of these actions will be the graduates of Michigan Technological University.

The University Senate also endorses the Draft Planning and Budget Timetable prepared by the administration as a mechanism for involving the University community and the University Senate in that planning process. The Senate, especially through its Finance Committee and officers, looks forward to working closely with the administration through this process. As the first step in this effort, the Senate has identified a number of suggestions designed to improve the process itself and a couple of questions concerning the premises of the budget (see appendix).

APPENDIX TO PROPOSAL 13-98

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SUGGESTIONS FOR IMPROVEMENT OF THE FIVE YEAR BUDGET MODEL

The University Senate of Michigan Technological University offers the following suggestions for improving the Five Year Budget Model.

1. The Senate recommends that all sources and disbursements of funds be accounted for in the budget model, including endowment, capital investments, debt, debt service, financial investments, and reserves. The account summary and trend in totals of all balances are the best indicators of the financial health of the University and the best predictor of future opportunities or financial stress. Current practice does not facilitate tracking shifts of general fund monies to non-general fund categories or to prior or future years. Such shifts can significantly mask the true picture of the University's progress. Therefore, the Senate requests that budget planning show information from more than the General Fund. Since the Combined Statements of Revenues and Expenditures contained in the University's Annual Report do not provide sufficiently detailed information for such assessments, information on the individual funds needs to be broken out of the consolidated statements. We also request that the planning model show the historical 5 year actual expenditures (along with original budget amounts) in each account in addition to the predicted budget for 5 years into the future. This fuller financial picture, tracked over time by the Senate Finance

Committee, will enable the Senate to provide informed recommendations and comments about budgetary matters.

2. The Senate also requests that the budget model identify any variances for the prior year. The budget for year one as currently proposed should show the surplus/(deficit) in each category for the immediate past year as the starting point for that category. A suggested format for tracking the impact of prior year's variances on an expense account is:

Starting balance

plus Budget, current year

minus Expenditures, current year

equals Ending Balance

A similar structure can be established for revenue accounts. In the past, budget variances and one-time charges were shown in some categories, but not all. It is suggested that any variances or charges be identified clearly as part of the model, and separated from base budget items.

3. The Senate suggests that the administration attempt to highlight, with input from the MTU community, the highest priority items in early budget drafts so that later adjustments can reflect those decisions. This approach seems justified by the fact that certain budgetary premises actually are known with certainty only late in the process (state appropriations, final fall enrollments, etc.).

4. The Senate suggests that special attention be given to monitoring the enrollment projections that underlie the Five Year Budget Model, namely a total increase of 900 students. First, the recent difficulties in Southeast Asia suggest the manner in which planning assumptions can be altered by circumstances beyond the university's control. Second, the Senate Finance Committee's analysis of marginal costs of new students suggests that once the University achieves target student-to-faculty ratios and exhausts the "excess capacity" of existing faculty, the direct costs for each additional student exceed tuition revenue by about \$2,000 per year. While growth in the number of undergraduate students may be desirable, the Senate cautions that such growth is not a necessary condition for a balanced budget or for the generation of sufficient funds to accomplish other financial goals of the University.⁽¹⁾ Under some scenarios, falling short of the University's enrollment projections can actually produce a net increase in available program or salary funds.

5. The Senate suggests that the higher target for student retention (87 percent, up from 83 percent) be closely monitored to insure that efforts to reach this goal not be accompanied by lowered standards of student performance. Recent national trends, as well as preliminary data from the new instrument for student ratings of instruction, suggest student attitudes about academic performance are changing from traditional norms.⁽²⁾ The Senate seeks to insure that increased retention, when combined with these attitude shifts, does nothing to lessen the University's reputation for excellent graduates. Perhaps a campus-wide dialog about student attitudes toward academic endeavors and student performance is in order.

6. The Senate recommends that, whenever appropriate, all future construction projects include the full cost of renovating the space vacated in existing facilities so that such facilities can be devoted to new purposes.

1. The linkage between enrollment growth and increased costs is discussed by Winston, Gordon, "Economic Research Now Shows That Higher Education Is Not Just Another Business," *The Chronicle of Higher Education* March 27, 1998, p. 86, who commented that government programs that could lead to increased enrollments "strikes panic in the hearts of college administrators."

2. See Ted Marchese, "Disengaged Students," *Change* (March/April 1998): 4.

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