

## 2002-2003 Annual Report of the University Senate Fiscal Committee

submitted by Richard Gunther, Fiscal Committee Chair

### Committee Restructuring

In June, 2002, the University Senate approved a number of changes in the mandate and composition of the University Senate Fiscal Committee. The principal thrust of these reforms was to enhance the ability of University Senate Fiscal Committee to perform key roles in the restructured budget process which was to be implemented for the first time in FY 2003. Previously, the Fiscal Committee largely restricted its activities to receiving annual reports from various units throughout the university. Rarely was the Fiscal Committee involved in the early stages of policymaking, and it therefore had little impact on the formulation of key fiscal policies. It was clear from the very beginning of the budget restructuring process, however, that some Senate body would have to assume substantial responsibilities regarding the oversight of the budget restructuring process, as well as the ongoing process of budgeting under these new procedures. As stated by Dan Farrell (who served for six years as chair of the Ad Hoc Senate Oversight Committee on Budget Restructuring) in his remarks to the Senate on May 29, 2003, "Everyone on my committee agreed that effective oversight of the budget restructuring process would be critical if budget restructuring, which we supported, was going to succeed."

Prior to its actual implementation, two committees were charged with developing norms and procedures which would govern the new budgeting system. These were the Budget Advisory Committee (BAC) and the "Hoffsis Committee;" the latter was charged with the task of establishing norms and procedures for the review of annual budget requests and of the ongoing performance of Central Services units; the BAC assumed responsibility for developing norms relating to all other aspects of the budgetary process. These committees, however, were temporary and *ad hoc*, and both were disbanded during the first full year of implementation of the new budgeting system. It became clear, therefore, that some other committee would have to assume responsibility for the ongoing oversight of budgeting under the new system, paying particular attention to "unanticipated consequences," as well as playing a part in the establishment of the "checks and balances" that all budgetary processes in complex organizations require.

The Fiscal Committee was the obvious locus for the performance of these new functions, but prior to the reforms of June 2002 it lacked the mandate and the expertise necessary for the performance of these demanding tasks. Accordingly, article 3335-5-4811(B)1 of the University Faculty Rules was amended to broaden the mandate of the committee from the review of "the fiscal resources of the university" to that of reviewing "on a continuing basis, the fiscal *policies and* resources of the university." In addition, section 3335-4811(A) was amended to include as regular members of the Fiscal Committee "two department-, school-, center- or college-level staff members with extensive fiscal and budgetary experience and expertise, one selected by the faculty Council in consultation with the University Staff Advisory Committee, and one selected by the Executive Deans in consultation with the senior fiscal officers;" one regular faculty member who is a department chair; and the three Executive Deans.

The restructured Fiscal Committee met for the first time in September, 2002, and immediately set about the tasks of reorganizing itself to perform these important oversight roles. It abandoned the previous practice of structuring its agenda in accord with the presentation of reports by the heads or representatives of various academic and support units, and replaced that with a flexible issue-driven agenda-setting format. This has had the intended effect of involving the committee in the early stages of the policy-making process, rather than serving as an ineffectual "rubber stamp" that would intervene only after important policy decisions were made. And in order to process a massive increase in the workload of the committee, it divided itself into two standing subcommittees: the Central Services Subcommittee, and the Central Distribution Subcommittee. The Central Services Subcommittee (chaired by Tom Raasch) was initially charged with analyzing and formulating recommendations regarding central-service and student-service units. Following the final report of the Hoffsis Committee (issued in mid year), it has assumed the tasks of participating in the annual review of budget requests by central service units, and of overseeing the rotating comprehensive reviews of the budgets and performance of these service units envisaged in the Hoffsis report. The Central Distribution Subcommittee (initially chaired by Doug Cole, who was replaced by Stu Zweben following Doug's appointment as Solicitor of the State of Ohio) was assigned the tasks of analyzing and formulating recommendations concerning discretionary reallocations of resources among various programs and offices. During this first year of implementation of the new budgeting system, it also clarified matters concerning norms and procedures of budget restructuring that were not previously resolved by the Budget Advisory Committee, and dealt with some unanticipated consequences of the new budgetary process. In effect, the two subcommittees took over where the Hoffsis Committee and the BAC left off. Each member of the Fiscal Committee is required to serve on at least one of these subcommittees, in addition to participation in plenary sessions of the Committee.

A self-evaluation of the committee by its members, conducted in May 2003, produced a unanimous verdict that this transformation of the committee has been extremely successful. With the addition of the department chair, the two fiscal officers and the three Executive Deans, the level of expertise of the committee has been raised dramatically, enabling it to intervene effectively in budgetary decision-making process. The creation of the subcommittee structure has made it possible to cope with a massive expansion in the committee's workload. And the flexibility of the new agenda-setting procedure has enabled the committee to intervene in policy-making processes in a timely manner. Moreover, the principal concern expressed in the Senate regarding the June 2002 rule changes--specifically, that the influx of administrators would overwhelm faculty and student representatives and introduce a potential line of cleavage within the committee--has not been borne out over the first year of committee deliberations. Indeed, throughout this period, not one issue arose that pitted faculty, or faculty and students, against administrators. The committee has functioned efficiently and collegially in dealing with complex and often controversial issues. And there is widespread agreement that it has contributed in a very positive manner to the university's fiscal decision-making processes.

This is not to say that there are no grounds for concern over the functioning of the committee in the future. First, committee deliberations during this first year have made it clear that institutional self-interests are invariably embedded in seemingly unrelated technical issues which can have a profound impact on the distribution of resources within the university. Accordingly, "turf protection" or other self-interested behavior by committee members must be avoided. Fortunately, the current members of the committee have always adopted a broad

university-wide perspective in their involvement in committee affairs, and this potential threat to the integrity of the system has not materialized. This cannot be assumed to be an invariable characteristic of the committee's behavior in the future, however. With a change in membership, the inadvertent appointment of individuals primarily concerned with the advancement of the interests of their own academic units might compromise the objective performance of budgetary oversight functions. The principal means of preventing such an undesirable outcome would be through the establishment and maintenance of a balance of interests and power on the committee. Accordingly, this report strongly recommends that the appointment of new committee members must take into consideration the need to maintain a balance among representatives of different types of academic units--particularly with regard to the fundamental differences among the missions and structural characteristics of the Arts and Sciences colleges, the health sciences, and the professional schools.

The first year of committee deliberations has also revealed that the level of technical complexity of many budgetary issues can emerge as a daunting obstacle to effective participation by members lacking prior experience with budgeting and administration. This leads to two specific proposals oriented towards lowering this barrier to participation and enhancing the transparency of the committee's deliberations. First, those committee members who do have this experience and expertise should avoid the use of technical jargon and baffling acronyms whenever possible, and should assist other committee members in their efforts to come to grips with complicated and technical matters. Second, the appointment of new committee members should take into consideration their backgrounds and/or intellectual capacities to tackle these complex issues. It can be assumed that administrators and most of the staff representatives (the three deans, the fiscal officers, representatives of central administration, and the one department chair) possess the expertise and specialized skills necessary for the performance of these tasks. In the appointment of faculty and student representatives, however, care must be taken not to appoint individual who have so little understanding of these issues that they soon find themselves "in over their heads," and therefore become marginalized from committee deliberations. Ex-chairs or program directors would be excellent faculty nominees, while students in academic disciplines involving management or budgeting, or those with some prior administrative experience outside the university should be expected to be more effective than those without this academic training or professional background. At the same time, as noted in point 1, care must be taken to include representatives of all types of academic disciplines. In addition, the one staff member currently appointed by the President should also possess considerable budgeting expertise. Finally, given the committee's heavy workload and the need to keep current with evolving policy deliberations, dilettantes or those whose schedules would preclude regular participation in committee and subcommittee meetings should not be appointed to this committee.

The first year of deliberations by the Central Services Subcommittee also led to recommendations (see #17, below) that will facilitate its annual review of requests for new program funds by various service units.

### **Committee Decisions and Recommendations**

Over the course of the first year following the 2002 reforms, plenary sessions of the Fiscal

Committee issued recommendations concerning the following issues:

With regard to the specific case of inspecting, repairing and maintaining "fume hoods" in chemical laboratories, the committee endorsed the principal that, over the long term, such costs should be borne by the units utilizing these facilities and should not (following a transitional period) be financed out of central funds. (Oct. 2, 2002)

The committee concluded that the proposal by the Colleges of Medicine and Public Health to raise or eliminate the cap on the hiring of clinical faculty did not entail any fiscal risks to the university. (Oct. 2)

The committee discussed the fiscal implications of the Undergraduate Curriculum Review Committee's proposals regarding GEC reform, and issued a recommendation that GEC requirements not be restated in terms of courses rather than the current credit-hour requirements. (Oct. 16)

Norms and Procedures Regarding Entrepreneurial Investment Initiatives, particularly concerning responsibility for financial risks inherent in these proposals, were developed (Oct. 16) and submitted to President Holbrook (Oct. 23).

The committee discussed the fiscal aspects of the Report of the Ad Hoc Committee on the Status of the Colleges of Arts and Sciences, and sent to the Senate office a statement expressing its concerns over the ambiguity of that report's treatment of the budgetary and fiscal role of the proposed Executive Dean, and over the incompatibilities between a possible recentralization of budgeting within the new federation, on the one hand, and the predominantly decentralizing thrust of budget restructuring. (Oct. 30)

The committee discussed norms that should govern the distribution of State Instructional Subsidy funds, as well as differential tuition and program fees. These matters were referred to the Subcommittee on Central Distribution for further deliberation. (Oct 30)

The committee endorsed recommendations of the Central Distribution Subcommittee concerning the formula that should be used for the allocation of mid-year budget cuts and new funds among academic units. It also stipulated that, because of the deviations from Budget Restructuring principles during the transitional (and somewhat aberrant) 2003 fiscal year, base budgets in FY 2002 should be used as the baseline for the calculation of budget increases or cuts for FY 2004. (Nov. 27)

The committee discussed the January 16 proposal by Provost Ed Ray to create a federation of colleges of Arts and Sciences under an Executive Dean, and submitted five recommendations of minor revisions in that proposal. (Jan. 31, 2003)

The committee (following discussions in several earlier meetings) made initial recommendations concerning "risk management" and the establishment of central insurance funds. (Jan 31)

The committee endorsed the recommendations of the Subcommittee on Central Distribution concerning norms that should govern the establishment of program fees by various academic

units. (Feb.21)

The committee supported the Chair's proposal to assemble an Ad Hoc Working Group on Support for Higher Education (including representatives of USG, Faculty Council, USAC, the Alumni Association and others) to mobilize the campus community in support of the Governor's proposed budget increases for higher education and in opposition to draconian cuts proposed by some state legislators. (Feb. 21)

Final recommendations from the Central Distribution Subcommittee concerning undergraduate program fees were discussed and approved. (April 7)

Final recommendations from the Central Distribution Subcommittee concerning the mid-year allocation of budget increases and cuts were approved. OAA's proposed central investments for FY 04 were endorsed. (May 5)

An Ad Hoc Working Group on Subsidy Distribution was constituted to deal with the potentially disastrous impact of unanticipated wild fluctuations in the Board of Regents' initial figures on the distribution of funds by subsidy level. (May 5)

Decisions were made concerning the mid-year allocation of \$3.7 million of unanticipated revenues. (May 19)

The recommendations of the Ad Hoc Working Group on Subsidy Distribution regarding the adoption of a formula for the distribution of state instructional subsidy (as an alternative to the wildly fluctuating BOR subsidy-level distribution) were endorsed (unanimously, with one abstention) and sent to the Provost for his consideration. (June 2)

On the basis of the Central Services Subcommittee's initial experiences in reviewing requests for new funding for central-service units, it was agreed that a standard format should be developed and used for the presentation of the following information:

- (1) an executive summary of the proposal, specifying program objectives to be attained;
- (2) a line-item budget proposal; and
- (3) a business plan specifying how these additional expenditures would achieve the stated objectives.

#### **Agenda for 2003/4 Academic Year**

The Central Services Subcommittee, in addition to continuing to perform its role assisting the Office of Finance to annually review budget requests by service units, will assume a new oversight role with regard to the rotating comprehensive reviews of each of these offices.

The Central Distribution Subcommittee will deliberate over ways to address funding shortfalls by "high-cost" academic units, and will evaluate the cost-effectiveness and long-term benefits of past central investments.

Among many other tasks, the full committee will undertake a review of the new budgetary process following its first year of implementation, and will undertake a systematic reassessment of

the current levels of central taxation.