

MEMORANDUM

TO: Fort Wayne Senate

FROM: Jeffrey Malanson, Presiding Officer  
Fort Wayne Senate

DATE: March 26, 2018

SUBJ: University Budget Committee Report and Recommendations

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WHEREAS, The University Budget Committee (UBC) is annually charged by the Chancellor to make recommendations to the administration on budgeting priorities for the next fiscal year; and

WHEREAS, UBC is composed of representatives of each of the major academic units, each of the major administrative areas, the Indiana-Purdue Student Government Association (IPSGA), the Clerical & Service Staff Advisory Committee (CSSAC), the Administrative & Professional Staff Advisory Committee (APSAC), the Fort Wayne Senate, and the Senate's Budgetary Affairs Subcommittee (BAS); and

WHEREAS, The Presiding Officer of the Fort Wayne Senate represents the Senate as an ex officio member of UBC; and

WHEREAS, The members of UBC prepared a Report and Recommendations for Fiscal Year 2019 and endorsed that document by a vote of 14 in favor to 0 opposed; and

WHEREAS, UBC exists as a shared governance process at IPFW; and

WHEREAS, Senate Document SD 16-26 defines shared governance processes "focused on producing a discrete product" such as the UBC Report and Recommendations as being "limited-term [shared governance] processes"; and

WHEREAS, SD 16-26 states that "Whenever faculty participate in a limited-term shared governance process, the results of that process shall be submitted to the Senate for review";

BE IT RESOLVED, That the UBC Report and Recommendations is being submitted to the Senate by the Presiding Officer for review under the terms of SD 16-26.

## University Budget Committee Report and Recommendations for FY 2019 Budget

### Executive Summary

The University Budget Committee (UBC) submits the following Report and Recommendations to the Chancellor and Vice Chancellors regarding Purdue University Fort Wayne's FY 2019 budget. In the Report that follows, UBC recommends:

- That in the event further budget reductions are necessary, they be made in a targeted manner rather than be imposed equally across administrative areas;
- That investments be made to maintain and restore existing university operations;
- That a Strategic Initiative Reserve be created to support strategic investments that will promote enrollment and revenue growth;
- That UBC's charge be expanded to include supporting the administration in (1) communicating relevant budgetary information to the campus, (2) developing budgetary priorities that will inform future decisions on budget reductions and investments, and (3) moving toward a strategically balanced budget model.

### UBC Membership, 2017-18

Member	Representing
Walter Soptelean	Budget and Planning – Chair, non-voting
Josh Bacon	Clerical & Service Staff Advisory Committee
Cassandra Bracht	Administrative & Professional Staff Advisory Committee
Steven Carr	College of Arts and Sciences
Steve George	Financial and Administrative Affairs
Cigdem Gurgur	Senate Budgetary Affairs Subcommittee
Aleshia Hayes	College of Engineering, Technology & Computer Science
James Hoppes	Student Government
Diana Jackson	Advancement
David Reynolds	Student Affairs
Nathan Rupp	Helmke Library
James (Wylie) Sirk	College of Education and Public Policy
Michael Slaubaugh	Richard T. Doermer School of Business
Hamilton Tescarollo	College of Visual and Performing Arts
Jeffrey Malanson	Fort Wayne Faculty Senate – Ex Officio

### Introductory Note

In Fall 2017, the central administration established parameters for the Fiscal Year 2019 (hereinafter, FY 19) budget process, the most important of which was projecting a 3% decline in student credit hour enrollment for the 2018-19 academic year. A 3% decline in credit hour enrollment translates to a 1.4% reduction in the university budget and continues a long-term trend of declining enrollment at IPFW.

Purdue University Fort Wayne faces an unprecedented budgetary situation in FY 19. On top of ongoing enrollment declines, the Realignment of IPFW into PFW and IU Fort Wayne will be

implemented on July 1, 2018, which will mean the loss of students, faculty, and staff, and significant payments for tuition, fees, and services moving between universities. PFW will also move to banded tuition, which will result in the elimination of the online course fee and the transition of the Division of Continuing Studies into the General Fund budget. In addition to these changes to the university budget, the Purdue University system has been engaged in a major overhaul of its financial systems and budget development timeline. It has been a challenge keeping the university community fully informed on all of these changes, and it is critically important that the administration clearly communicate the impacts of these changes over the course of FY 19.

While there are a great many opportunities that accompany Realignment and Purdue Fort Wayne's new relationship with IU Fort Wayne, there is also a great deal of uncertainty. IU Fort Wayne's enrollments will directly impact PFW's revenues, and IU Fort Wayne can opt out of its course, service, and lease agreements with PFW starting in five years, which would have significant negative financial ramifications for PFW. Uncertainty surrounding future state appropriations and enrollments represent further challenges that must remain central to all discussions of short-term budgeting and long-term financial planning.

Since its creation, UBC has been charged with making recommendations to the administration about budgetary priorities for the following fiscal year based on available budgetary information and presentations made by the Chancellor and Vice Chancellors. Given the projected revenue decline for next year, as well as the complexity and volatility of the current situation, UBC asked the Chancellor and Vice Chancellors to answer three questions in this year's presentations to the committee:

1. How did you adjust your FY 19 budget to address the currently projected revenue declines?
2. How would you further adjust your area's budget to address an additional decline of roughly 3% (for a total year-over-year decline of 6%)? (UBC expects a high-level discussion on this point, rather than a dollar-by-dollar analysis.) In discussing potential additional cuts, please help UBC understand your area's core functions, and what of those functions currently require new investments, and what cannot be cut without jeopardizing those functions.
3. If recruitment and enrollment initiatives are successful and there is a small surplus (e.g., enrollment is down, but by less than the currently projected 3%), what are some specific, targeted investments you would want made in your area? How would you prioritize these investments? If there is a larger surplus (e.g., enrollment is up year-over-year), what are some big picture priorities for investment in your area?

While the Chancellor and Vice Chancellors addressed each of these questions in their presentations, the level of detail and areas of emphasis varied greatly across administrative areas. While this makes it harder for UBC to make specific recommendations about how to prioritize proposed cuts or investments across areas, the variety of approaches outlined speaks to the state of the university and its budget after multiple years of significant budget reductions.

In the sections that follow, UBC has divided its recommendations into three areas:

- (1) Recommendations in the event that enrollment declines by more than 3%
- (2) Recommendations in the event that enrollment declines by less than 3% or increases
- (3) Overall Recommendations

### **Recommendations in the event that enrollment declines by more than 3%**

The members of UBC strongly believe that it is neither feasible nor in the university's best interest to continue making across-the-board cuts in the event of further enrollment declines. (This belief would hold true in the face of future budget reductions as a result of declining state appropriations or changes in PFW's relationship with IU Fort Wayne as well.)

While uniform cuts across administrative areas (e.g., everyone reduces their budget by 3%) are often the most expeditious and the least friction-producing, many units on campus have already trimmed their margins to the greatest extent possible. Reductions of this nature—especially when made in the middle of an academic or fiscal year—extend the unfortunate pattern of making cuts of convenience or opportunity rather than making intentional cuts informed by an understanding of the university's mission, values, and priorities.

Moving forward, UBC recommends that further budget reductions (if they are necessary) be targeted to minimize the impact on students and academic programming. Student Affairs in particular seems to be in a position where any further cuts would significantly impair the unit's ability to deliver the services and programming our students need.

The implementation of targeted, intentional cuts will require decision-makers at the university—hopefully as part of a broader, transparent decision-making process—to evaluate potential cuts and service reductions in relation to the university's core academic and student success missions, the requirements of accreditation, and our ability to recruit and retain successful students. These decisions would not be easy, but it is imperative that we engage in strategic decision-making rather than continuing to accept the negative consequences of blanket budget reductions.

### **Recommendations in the event that enrollment declines by less than 3% or increases**

The Chancellor and Vice Chancellors proposed a variety of specific, potential, and conceptual investments that could be considered in the event that PFW's enrollments and revenues grow. All of these proposals have merit.

UBC saw these proposed investments as generally falling into two categories: (1) investments to maintain and restore existing university operations, and (2) strategic investments to promote enrollment and revenue growth. In determining how to best invest new resources, the administration must be attentive to both categories, developing lists of priorities for both and implementing as resources allow.

In the area of investments to maintain and restore existing university operations, Student Affairs proposed multiple relatively low-cost but high-impact investments to restore Career Services and expand other services that are effective for our students but are in need of additional resources. The Vice Chancellor for Financial and Administrative Affairs proposed a 2% raise for university employees, assuming revenue growth is sufficient to support a recurring investment of this

magnitude. This kind of investment would send a positive message to the campus community about administrative priorities and the value the university places on its personnel and would help with campus morale and employee retention. These are two high-impact examples, but UBC is certain that there are other maintenance investments that could be made to improve the operations of the campus.

In the area of strategic investments to promote enrollment and revenue growth, UBC strongly endorses the proposal made by the Vice Chancellor for Financial and Administrative Affairs for the creation of a Strategic Initiative Reserve for the university. *Strategic Financial Analysis for Higher Education*—the industry guide that establishes and explains the Composite Financial Index (CFI) that is utilized to assess the financial health of universities across the country—advocates that universities strive to establish institutional budgets that are “strategically balanced.”<sup>1</sup> This means developing an annual budget with sufficient resources to both cover annual operating expenses and fund strategic initiatives and investments. These strategic initiatives could be one-time investments or require recurring funds, but they should be made with an eye toward advancing the strategic priorities of the university. Some models of a strategically balanced budget utilize the funds set aside for strategic initiatives like seed money, with the expectation that investments will pay for themselves over time and lead to the creation of new programs and services that will generate sufficient recurring revenues to support their ongoing operations. While this model of a strategically balanced budget would not need to be the one implemented at PFW, encouraging units to think about how strategic investments will promote enrollment and revenue growth is important for the long-term financial health of the university. Moving toward a budget model that features a Strategic Initiative Reserve should be an integral part of the development and implementation of PFW’s next strategic plan.<sup>2</sup>

In both categories of investment, decisions on what to invest in and how much to invest should be made using a transparent decision-making process.

### **Overall Recommendations**

The primary general recommendation UBC is making in this year’s report relates to UBC itself. UBC has faculty, staff, and student representation from across campus; has been modified in recent years to better reflect the university’s system of shared governance; and has a membership that invests a significant amount of time each year learning about the operation of the university’s budget. UBC believes that the committee can be of greater service to the university if its charge is expanded to include (1) assisting the administration with communicating relevant budget information to the university community, (2) participating in the development of both annual budgetary priorities (UBC’s traditional charge) and the kinds of institutional priorities

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<sup>1</sup> See *Strategic Financial Analysis for Higher Education*, sixth edition (2005), pp. 14-15, available at <http://www.prager.com/Public/raihe6.pdf>.

<sup>2</sup> *Strategic Financial Analysis for Higher Education* proposes a variety of approaches to strategic budgeting that the administration should consider implementing at PFW as part of the strategic planning process. Perhaps most relevant given what the University Strategic Alignment Process (USAP) attempted to accomplish and in light of the recommendations made in the Fort Wayne Senate’s [Report on Administrative Staffing and Budgeting](#) is the chapter on “Allocating Resources to Achieve Mission” and the Resource Allocation Map that it proposes. The Resource Allocation Map provides a framework in which potential investments or reallocations can be evaluated based on four factors: mission/strategic plan, financial performance, internal competencies, and market trends. See *Strategic and Financial Analysis for Higher Education* (2005), pp. 24-33.

discussed in the previous sections of this report related to future cuts and investments, and (3) assisting in the development of a strategically balanced budget model.

The best way to ensure transparency and fairness in any decision-making process is to rely on established representative bodies. While final decisions obviously rest with the Chancellor and Vice Chancellors, UBC can be an invaluable resource in helping the administration make decisions regarding future cuts and investments and in communicating those decisions to the campus community.

If the committee's charge is expanded, further thought should be put into the timing of the committee's formation and the terms of membership in order to minimize turnover each year.

UBC approved the Report and Recommendations by a vote of 14-0.