**Senate Committee on Budget and Fiscal Affairs (SBC)**
**Progress Report to the SU Senate**
**December 2014**

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## 1.0 Background and the Bain and Co Review

In the past two years, SBC has identified critical budget focus areas and made recommendations. SBC suggested and the SU Senate endorsed re-allocation of the Big East Exit fee to the Athletics Budget. After extended review and discussion, 25% of the exit fee was re-assigned to be covered by the Athletics budget. SBC also recommended allocation of more resources to meet the needs of the Slutzker Center in providing support for the growing number of international students and scholars.

On the occasion of our leadership transition from former Chancellor Cantor to Chancellor Syverud; and after several years of experience with RCM budgeting, SBC recommended and the SU Senate endorsed an outside review of the SU RCM budget practice. With support of the Administration and approval of the Board of Trustees; the consulting firm of Bain and Co was retained to conduct a review of RCM practice at SU and in comparison to peer institutions. Bain and Co conducted the review between December 2013 and February 2014. The Diagnostic Report of the Bain and Co review was provided to the SU Community in April 2014 and is available at:

http://syr.edu/news/articles/Innovation_and_Opportunities_Assessment_Report.pdf

The SBC was provided with portions of the larger report from which the Diagnostic Report was extracted. After review of the additional information, SBC members met with the lead reviewers of Bain and Co and also with Gwenn Judge, Director of Budget and Planning, to further discuss the reported findings. The period covered by the Bain and Co review is from 2007 to 2014B (2014 budget and not actual or year-end results). Since then, the 2014B has been reconciled and year end results have been presented to the SBC by Lou Marcoccia, EVP & CFO. Both the 2014 budget and 2014 year end results are available at:

http://budplan.syr.edu/BudPlan/display.cfm?content_ID=%23%28%28-%20%0A

The budgeted net change in carryover balance for 2014 was a planned use of $13.45 million. The actual net change in carryover for the 2014 year end results was, however, an increase of $0.44 million, i.e. a net $13.89 million improvement. The $13.45 million projected decrease in carryover balance for 2014 was the largest for the Bain and Co review period of 2007 to 2014. In view of the 2014 budget performance and as participation and subvention tend to balance; the overall conclusion of expenses outpacing revenues does not appear to be as severe as was apparently implied in the Bain and Co report. The total of budgeted sources for 2014 was higher than actual year end results by 0.4% or $4.22 million. However, direct expenses were less than budgeted by 1.8% or $15.73 million and indirect costs were lower by 1.5% or $2.38 million for the net overall improvement of $13.89 million. Bain and Co indicate rising expenses were in part due to greater than cost of living (about 2%) raises provided for the highest end of administration salaries, above $120K. The average rate of salary raise for this subgroup at SU was about 5.5% per year over the period 2007 – 2013. Such salary increases for senior administrators; in times of belt tightening for students, faculty and staff are difficult to justify but are apparently a national trend. There was no information on headcount and average salary change for faculty reported by Bain and Co or the SU Budget Office to date.

The Bain review identified misconceptions and lack of transparency in RCM budget practice at SU. Gwenn Judge, the Director of Budget and Planning has since been providing an overview of RCM and engaging in dialog sessions with deans, faculty and staff of different schools and colleges. The SBC has been supportive of this effort and committee members have participated in their respective school / college presentations. SBC also supports providing school / college budgets to constituents at designated secure websites hosted by the Office of Budget and Planning:

https://sharepoint.syr.edu/bud/BIF/SitePages/Home.aspx

"The Office of Budget and Planning, in collaboration with the Office of the Provost, has developed a secure SharePoint website to share select global University budget information and select school/college-specific information with faculty."

As noted in the above quote, the website was established to promote information sharing and transparency in RCM practice several years ago. However, schools and colleges have not yet followed through in using the website as intended. The Operational Excellence initiative has a subunit charged to improve RCM practice and engaged awareness of stakeholders in responsibility centers. SBC members serve on this RCM task group and other units of the Fast Forward Syracuse initiatives.

## 2.0 Charge to the SBC by Chancellor Syverud

Chancellor Syverud asked the SBC to direct attention to three areas: RCM, Enrollment and Athletics. SBC formed subcommittees for these three areas to develop questions and draft preliminary reports after discussion / presentation by Michael Sion, Manager, and Sarah Demashkieh, Consultant, at Bain and Co as well as Gwenn Judge, Director of Budget and Planning, on RCM; with Chris Sedore, Senior VP for Enrollment Management, and Maurice Harris, Dean of Undergraduate Admissions, on enrollment and Terry Donovan, Exec Senior Associate AD/CFO, on Athletics.

### 2.1 RCM Subcommittee

In response to the directive of the Chancellor, a sub-committee of the SBC prepared a draft report encompassing discussions within the committee and regarding issues raised in the Bain and Co report about RCM practice at SU. The primary areas of focus concern allocation of indirect costs, tuition distribution paradigm and SU's relative lack of accountability measures as compared to peer RCM institutions, stated as the following:

1. Adjustments to the SU RCM model for transparent allocation of cost pools
2. Review tuition distribution alternatives to promote cross disciplinary collaboration
3. Possible implementation of accountability measures within RCM budget practice

The eleven Schools and Colleges in SU constitute academic responsibility centers. The budgetary size of the academic responsibility centers range from the largest, the College of Arts and Sciences (28%), to the smallest, the School of Architecture (2.9%); as sources or revenues of the unit expressed as percent of total budget sources for SU. The remaining academic responsibility centers are between (13.4%) and (4.4%) of the total SU budget. Four schools and colleges have well over 10% of total annual income in carry over reserves while four other schools and colleges have less than 5%; based on 2013 year end results. RCM practice in some peer institutions require a minimum level of reserve balance as condition of accountability in managing responsibility center budgets. Overall, a closer look at RCM budget line items for schools and colleges suggest incremental changes that can be made in the short term appear to be rather modest. The SBC anticipates the RCM task group of the Operational Excellence initiative will also consider improvements of RCM practice to promote transparency and improved budget planning.

### 2.2 Enrollment Subcommittee

The Senate Budget Committee met with Chris Sedore and Maurice Harris to discuss current developments in the area of enrollment. Sedore and Harris provided an overview of the

university's current marketing strategies and discussed the goal of maintaining sufficient transparency while ensuring that competing institutions don't have access to information they can use to our disadvantage. They asserted the university's commitment to maintaining both excellence and diversity in incoming classes of students. The Bain and Co review identified enrollment growth at SU for both graduate and undergraduate programs has been above peers and tuition levels were below peers. Details concerning optimum enrollment size and sustainable discount rates are still being determined. The subcommittee has been looking into the following for further consideration:

4. Follow up on last year's recommendation to provide support to the Slutzker Center so as to adequately serve the increasing number of international students on our campus.
5. As student retention is an enrollment issue, the SBC will look closely into resources and budget allocations to develop recommendations related to enrollment and retention.
6. The SBC discussed with Chris Sedore and Maurice Harris and will further explore and encourage ways of communicating enrollment and retention policies and practices to schools and colleges as is currently taking place for RCM.

**2.3 Athletics Subcommittee**

The SBC met with Terry Donovan, the Deputy Athletic Director and CFO, to discuss the current budget status of the Athletic Department. Despite reports to the contrary, SBC was informed the Athletic Department has not received significant additional revenues from inclusion in the ACC beyond what was budgeted. As a consequence, there does not appear to be additional funds to pay back the Big East exit fee earlier in this year's budget. Further, the Athletic Department budget is projected to be in deficit for this fiscal year which further reduces the overall fund balance for this responsibility center. In further review and discussion with the Athletics Department and Carrier Dome Operations, the SBC will direct attention to the following:

7. Encourage consideration of all costs associated with Athletics and the Carrier Dome Operations, including costs of athletics scholarships.
8. Consider budget allocations over coming years to assure continued compliance with requirements of Title IX.
9. A subcommittee of the SU Board of Trustees is reviewing the Athletic Department budget and Chancellor Syverud will receive revised projections of the Athletic budget by the end of the year. The SBC will endeavor to support the intent of Chancellor Syverud to make the Athletics budget revenue and expense neutral as a long term objective.

In addition, the SBC will follow up on the 2015 budget updates, performance of nonacademic responsibility centers and cost pools as well as the performance of endowments and reserves to report to the SU Senate with appropriate recommendations in Spring 2015.