REPORT

of the

Committee on Budget and Fiscal Affairs

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Report Part II – Challenges and Choices

Members: Patrick Dawes (GSO), Craig Dudczak (Chair, VPA), Johanna Keller (Newhouse), Audie Klotz (Maxwell), Liz Liddy (ISchool), Cristina Marchetti (A&S), Patrick Midtlyng (Library), Dawit Negussey (LCS), Mary Pagan (UC), John Petosa (Whitman), Ed Russell (Newhouse), Karl Solibakke (A&S), Ravi Shukla (Whitman), Bob van Gulick (A&S)

INTRODUCTION

In the February 2013 Budget Report, the Senate Committee on Budget and Fiscal Affairs (SBC) reported on sources and uses of revenue for the 2012-2013 Academic year with several recommendations for potential cost savings and revenue enhancements as well as recommendations for next year's (FY14) tuition. During the two months since the report, the SBC has continued receiving reports from university Responsibility Centers and Support Units including the Athletic Director; Dean of the Library; Vice President and Associate Vice President for Enrollment Management as well as the Vice Chancellor and Provost, Executive Vice-President and CFO, and Budget and Planning Director. A meeting planned for discussion with the Graduate Student Organization (GSO) and Dean of the Graduate School on the topic of graduate student stipends did not occur due to scheduling conflicts with the GSO.

As members of the University Community are aware, the Chancellor and Vice Chancellor and Provost recently have been presenting their vision of the changing landscape for higher education to the schools and colleges, emphasizing the need for Syracuse University to adapt to the demands the future may require. As the February SBC report acknowledged, there are challenges the University will need to confront and choices that will have to be made. The presentations by the Chancellor and Vice Chancellor should serve as beginning points within the larger University community for charting the path forward.

The Budget Committee is seriously concerned about the financial sustainability of the status quo, and therefore we are drawing attention to key concerns. In this report the Committee summarizes its findings from the several Responsibility Centers and Support Units it interviewed since February and makes its recommendations in four areas (Financial Aid, Athletics, Library, and Administrative costs) to the Senate and university administration.

<u>Enrollment Management</u>:

The Committee met for a second time this year with Don Saleh, Vice President for Enrollment Management and Ryan Williams, Associate Vice President for Enrollment Management and Director of Scholarships and Financial Aid. The conversation pursued questions about graduate student discount rates as well as additional questions about undergraduate discounts.

It was reported that graduate discount rates vary among schools and colleges as well as between Master's and Ph.D. students. Many Ph.D. students serve as teaching or research assistants and may be supported by external grants. With one exception, doctoral students receive discounts of 80% or more, with many approaching 100%. The exception is the I-School, which has a "professional" program that attracts doctoral candidates who are not supported by university funding.

Master's student discounts vary widely with fewer Master's students having teaching or research responsibilities. Graduate Assistantships may be split to halves, quarters or other to fund graduate students. Credit hour awards and percentage discounts may also be used to support Master's students. About half of non-assistantship aid is awarded in credit hours and the other half is awarded as % or dollar awards like undergraduate aid.

There apparently are no current promotional or marketing materials that are geared toward 3 plus programs (where an undergraduate student completes an accelerated Bachelor's degree and then enters a Master's program). This may be due to the dearth of such programs in the university. However, Enrollment Management expressed a willingness to work with schools and colleges to promote existing programs.

International students comprise 15% of the University's total enrollment with International graduate students accounting for nearly 30% of all graduate students. About two-thirds of graduate students come from two countries: China and India. The growth in International students has primarily come at the Undergraduate level with China accounting for the largest proportion of these students (about 54%). While the increase in International students contributes to the diversity of the student body and contributes to the financial stability of the university, there are several concerns the Committee discussed with Saleh & Williams. First, the International graduate students tend to be concentrated in the STEM disciplines. Diversity effects are less often realized in other university disciplines. Second, the high concentration of International students from a few countries may make them subject to political or economic disruptions that would reduce their numbers precipitously. Third, as China and India continue their development of higher education opportunities domestically, the stream of International students from these countries could decrease.

The Committee discussed the financial impact of the Undergraduate discount rate to university resources. The Committee asked whether the Undergraduate discount rate might be reduced as the economy improved. Saleh and Williams noted that there were too many factors that made direct correlation measures of economic improvement difficult to project. For instance, while indices of general economic improvement might occur, the distribution of the economy's improvement may be uneven. Further, a concern they shared (and also mentioned by the Chancellor and Vice Chancellor in their presentations to the schools and colleges) was that the rates of student debt and loan defaults were important considerations to be made. While there appears to be broad agreement that the goal of reducing the discount rate would add to the University's financial standing, there is disagreement about how soon this could be attained. (Each 1% of the undergraduate discount rate has a financial impact of approximately $5.1 million.) The University is heavily tuition-dependent. To make itself affordable to students from various income bands and to reduce the student debt load, the University will need to continue a high discount rate for the immediate future. At the same time, discounts represent a revenue loss that challenges the University's long-term financial sustainability. The discount rate at Syracuse University appears to be comparable to the rates being charged by its competitors based on publically available information.

<u>Recommendation on the Undergraduate Financial Aid</u>:

1) *The university should annually evaluate the Financial Aid awards a student receives.*

   Rationale: This recommendation endorses the Chancellor and Vice Chancellor's suggestion presented in their recent presentations to the schools and colleges. The current practice in undergraduate financial aid determinations is typically set in the student's initial year at Syracuse University. Students may appeal the aid package in subsequent years as their circumstances change (i.e., their need changes). However, there is no mechanism that adjusts an aid package if the student's need is lessened. Annualized review would help direct aid to those with the greatest need.

2) *In the next major University Fund-raising Campaign, priority should be given to building an endowment account committed to Undergraduate Student Financial Aid.*

   Rationale: Student aid needs grow, but resources haven't. Only a small (less than 3%) amount of the student aid resources come from the Endowment. To lessen the burden on tuition discounts, alternate revenue in support of student aid must be found through named scholarships, gifts and endowments.

<u>Athletic Program and Dome</u>:

The discussion with Daryl Gross, Athletic Director, Terry Donovan, Executive Sr. Assoc. Athletics Director and CFO, Peter Sala, Sr. Associate Athletics Director for Facilities Operations and Carrier Dome Managing Director and Lou Marcoccia, Executive Vice President and CFO, focused primarily on the transition to the Atlantic Coast Conference (ACC) scheduled to occur this summer. John Russell, chair of the Senate Committee on Athletic Policy, joined the Committee for this discussion.

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The current athletic budget provided an approximation of the annual breakdown for some of the Athletics major revenue sources: $10.2 million from Orange Club fundraising; $14.0 million from total ticket sales; $8.0 million from Big East Conference distribution; $1.2 million in marketing and royalties; $7.0 million in subvention plus smaller categories of revenue sources.

For the Athletic Program, the ACC affiliation promises immediate revenue enhancements that project increases for each of the next five years. The projected revenues would be used for bringing coaches salaries to the median levels for ACC coaches as well as expand facilities where needed to be competitive with conference members. One specific facility that was discussed is an indoor football practice facility, which is needed to alleviate high demand for practice space among several teams. Subsequent to our meeting, the University announced plans to begin construction on an indoor practice facility with an estimated cost of $17 million. The move to the ACC also anticipates higher travel costs for SU teams, although the amounts were under study and not available at the time of the meeting.

The Carrier Dome operation serves both as a revenue source and expenditure to the Athletic Program by providing a venue for athletic competitions and as a practice facility for several teams. In addition to its use for athletics, the Dome also sponsors various events (e.g. the Dalai Lama, Convocation and Commencement) hosted by the University as well as events for the community (e.g., Martin Luther King Dinner, Monster Trucks). When asked whether the Dome could be used for sponsoring additional events, Mr. Sala indicated that the Dome hosted 254 events last year (2011-2012). Limitations were noted in that scheduling for events were constrained by set up time, existing scheduling priorities, and consideration of the University's tax-exempt status.

The Committee questioned the decision by the University Trustees that the exit fee for leaving the Big East Conference ($7.5 million) would be borne by the University rather than by the Athletic Department. The rationale for the exit fee being assumed by the University at large was that the transition to the ACC is beneficial for the entire University and will therefore be an all University funded matter and will not be an obligation to be funded solely by the Athletic Department.

<u>Recommendation on Big East Exit Fee</u>:

> *The Athletic Department should bear the cost of fees associated with departing the Big East Conference.*
>
> *Rationale:* The Budget Committee respectfully disagrees with the Trustees' decision that the Big East departure fee should be borne by the University, The move to the ACC comes with increased revenues that benefit the Athletic program directly. While it is claimed that the benefits of membership in the ACC extend to the University as a whole, the claim is contested as the benefits are indirect. At a time when the University is challenged, asking the entire university to bear the cost of the exit fee so that coaches' salaries and facilities for athletics may be improved does not align with the core academic mission of the University.

University Library:

The SBC met with Eric Spina, Vice Chancellor and Provost, and Suzanne Thorin, Dean of the Library. The chair of the Senate Library Committee was invited, but was unable to attend. Craig Dudczak, SBC chair, subsequently met with the Library Committee.

Funding for the Library has been a long-standing topic of concern for the Budget Committee. This past fall the Library completed an external review that noted several areas of need as well as accomplishments. The good news is that the Carnegie Library renovation and Mellon Foundation grant for Belfer Audio Archive enhance the University's research needs. The anticipated move of the College of Law to its new facility will also make additional space available in the Barclay Library.

That being said, Dean Thorin noted that the Library has been continually underfunded over the past administrations over a number of Chancellors, which places the library in a difficult position with faculty requests. She indicated that it has been difficult to keep up with the demands of new technologies and the expense of electronic resources. Further, the role of the Library has different meanings for different people depending on the need. Needs may focus on collaboration, on research, or to the exploration of electronic resources. Bird Library was specified as a location of particular neglect underscoring the need for renovation in order to provide a better facility for students and faculty.

The external review committee recommended a baseline need of $7 million dollars for the Library while Dean Thorin indicated that a $3 million infusion would greatly assist in meeting the Library's needs. Vice Chancellor Spina indicated that he and the Chancellor have discussed long-range planning for the Library including additional staff and storage, back files, additional operating and acquisitions budget and new furniture allocation. The Vice Chancellor indicated that we need to decide what the most appropriate metrics are for comparisons to other research libraries and whether "traditional" metrics are the right metrics for libraries of the future, including SU's library of the future.

The SBC discussed a number of issues with Dean Thorin and Vice Chancellor Spina regarding potential means of addressing Library needs. Among these were resource sharing with other regional libraries, the transition to more electronic resources, and providing alternate meeting space for collaboration and study in the Schine Student Center. The status of the University Librarian as an academic position was also discussed.

Library Recommendations:

The Budget Committee recommends an increase to base funding be made and evaluated regularly with the goal of bringing the Library to a top 50 ranking.

1) *The Dean of Library with the Vice Chancellor and Provost commit to developing, funding and implementing the Library's Digital Library/Scholarship Plan.*

2) *Peer Institution and Aspirational Peer Institution Libraries should be visited to develop an Academic Library Model.*

3) *Library Budget should be separated as a line item from other units within the Administration and Support budget*

Rationale: The Library needs a long-term plan to bring it up to standards as an Academic Research Library. Goals and targets need to be set with greater certainty and commitment of support. SU should aspire to be in the top 50 based on whatever the metrics might be in the digital environment of the future.

Student Fees:

The Committee met with Eric Spina, Vice Chancellor and Provost, and Lou Marcoccia, Executive Vice President and CFO to discuss the various fees charged to students. Gwenn Judge, Budget Director, provided data on student fees and contributed to the discussion.

While the Committee was provided with information on all fees students are charged, including tuition, room and board, health and wellness, co-curricular, student activity, and communication fees, the discussion centered on the program and course fees charged by individual schools and colleges. Program fees are charged to students in various courses of study and represent differential costs of providing instruction beyond the cost of tuition. Course fees are specific to courses that are exceptional expenses associated with those courses. In general, individual course fees in a program of study are aggregated into a single program fee charged to students enrolled in that program.

Discussion occurred over different models schools used to determine programs fees with concern about the fairness by which they were designed. Vice Chancellor Spina indicated that the schools and colleges had discretion in this matter akin to "states rights." The committee shared its concern with the Vice Chancellor and Executive Vice President who agree, as do the Chancellor and the Board of Trustees, that holding the overall cost of attending Syracuse University is a primary consideration in planning. The committee acknowledges that the administration is increasingly focused on affordability and access, and has worked hard to hold the tuition increment as low as possible. The Budget Committee endorses these efforts and endeavors to work with the administration to keep Syracuse University affordable and accessible.

Administration and RCM Model Reassessment:

It has been a recurring question in higher education whether the growth of administrative offices is warranted.[1] The Committee's February report recommended that an external consultant be 6.

[1] See Ginsburg, Benjamin. "Administrator Ate My Tuition," Chronicles of Higher Education, September 30, 2011.
Rogers, Jenny. "Faculty Administrator Ratio," Chronicles of Higher Education, November 1, 2012.
Hechinger, John. "The Troubling Dean-to-Professor Ratio," Business Week, November 21, 2012.

retained by the Trustees to evaluate administrative structure with the purpose to recommend where consolidation and savings could be realized and the effectiveness of RCM towards achievement of targeted goals in Responsibility Centers can be assessed. This recommendation was further endorsed by a "Sense of the Senate" resolution and confirming vote during the February Senate meeting. External reviews have been conducted by major research universities including Cornell, North Carolina and UC-Berkeley.[2]

The Committee also received questions from the Senate on the effects of the RCM model since it was instituted on campus. In response to this question, the Committee took up discussion of the Responsibility Center Management (RCM) Model. The RCM model was implemented seven years ago and has had refinements made periodically since. The question Prof. Tankersley raised centered on how well the RCM model has been meeting its assumptions and whether the individual schools and colleges (Responsibility Centers) were benefitting from RCM. Vice Chancellor Spina and Executive Vice President Marcoccia discussed this with the Committee and in a separate meeting with its chairperson. They plan to report to the Committee in the fall on the impact of RCM on each of the schools and colleges. The Budget Committee will present these results in its reports to the Senate next year.

<u>Refinement of February Recommendation on use of an external consultant</u>:

The University Trustees should hire an external consultant to evaluate Central Administration and Responsibility Centers in the following areas:

1) Review the growth of senior administrative offices with the aim of reducing their size.

2) Review the RCM structure with a fresh set of eyes to:

   a. Determine whether the RCM Model in place is meeting the goals it purports to obtain.
   b. Determine whether continuing subventions create disincentives to cost-savings and new initiatives
   c. Determine RCM refinements obscure the budgetary costs and benefits of RCM units.
   d. Identify ways to facilitate implementation of new pedagogies and course delivery mechanisms, through RCM-based incentives.

3) Analyze staffing efficiencies to assist in the elimination of redundant services provided both centrally and by centers.

Rationale: The earlier (February) recommendation was too general. Feedback received by the Committee suggested that the recommendation made in February was too vague as to its purpose. While the University periodically reviews Support Units, when questions of Central Administration are involved, it is difficult to "evaluate oneself." It is also the Committee's judgment that this review should occur during the transition period to provide guidance for the new Chancellor.

[2] Lewin, Tamar. "Universities Turn to Consultants to Trim Budgets," <u>New York Times</u>, November 14, 2009.