

Senate Committee on Budget, Planning, and Development:
Report on the FY2008 Budget

Revision history: This report was approved by the Steering Committee of the Faculty Senate at its meeting of May 8, 2007 and discussed at the May 22, 2007 meeting of the Finance Committee of the Board of Trustees. Subsequently, the Committee received comments about the report from Arthur Zamkoff and representatives of the Committee met with him on August 14, 2007 to discuss the report. As a result of those discussions, the report was revised for accuracy. These revisions are found in the section on Drexel e-Learning, pages 7-8.

Submitted to the Faculty Senate Steering Committee, for the Senate, on May 8, 2007

The Senate Committee on Budget, Planning, and Development:
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Executive Summary

The Senate Committee on Budget, Planning, and Development has been charged with analyzing the budget for a report to the Senate to be transmitted to the Board of Trustees before its consideration of the budget. This report presents the Committee's analysis which is based on an extensive budget review process including a range of materials provided by the Provost and the CFO throughout the academic year. The Committee was also able to study of the Summary portion of the FY 2008 budget. Here follows a brief overview of the sections of this report, with some characterization of the material discussed in each:

- The University Academic Strategic Plan. The FY 2008 budget contains almost \$8 million for the implementation of objectives and initiatives outlined in the University's Academic Strategic Plan. The Committee believes that this should represent a good start on achieving the main objectives of the Plan. Discussed are funding for increasing undergraduate retention, as well as plans to improve the summer term, as well as other points.
- Allocation of Tuition Revenue. The proposed FY 2008 budget shows several positive trends with respect to the allocation of tuition revenue. The ratio of expenditures on College Programs to Net Tuition & Fees in the new budget is over 60%. This sustains the proportion of spending in last year's budget and surpasses the ratio of previous years. Both the tuition discount rate in general and the portion of it allocated to continuing students are discussed.
- Space Needs. The Committee's study suggests that academic planning for space needs to be better integrated into the financial planning of the University. The complexity of the financial aspects of planning for space evokes the report of an independent consultant who noted that the lack of transparency in the budgeting process at Drexel interferes with the shared values or "buy-in" that is essential to effective fiscal planning.
- Drexel e-Learning. The Committee believes that DeL budgeting should be more transparent.
- Recommendations. The Committee recommends the study of the report of the independent consultant mentioned above and makes suggestions for facilitating the ongoing process of faculty analysis of the budget.

Introduction

Section 10.7 of the Charter of Faculty Governance of Drexel University states the following, “The [Senate Budget, Planning, and Development] Committee shall be responsible for presenting an analysis of the budget via the Steering Committee to the Senate for its review and recommendations. The Senate’s analysis, review and recommendations will then be forwarded in writing to the President for transmission to the Board of Trustees before its consideration of the budget.” In accordance with this mandate, the Senate Committee on Budget, Planning, and Development (hereafter “the Committee”) has prepared this report after systematic and extensive study of the budgeting process at Drexel.

The process conducted by the Committee has included the study of the University’s Academic Strategic Plan and the strategic plans of all available academic units of the University. We also studied the FY 2007 budget in detail to become familiar with budget documents. Representatives of the Committee engaged in ongoing dialogue with the CFO and the Provost. We found these sessions very helpful. In preparation for this analysis, we have reviewed the current version of the summary section of the FY 2008 budget, but the narrative and other parts of the budget were not available to us in time for us to review them before the writing of this report.

This report is divided into the following sections:

- The University Academic Strategic Plan
- Allocation of Tuition Revenue
- Space Needs
- Drexel e-Learning
- Recommendations

Each section of the report contains analysis with suggestions and recommendations; the section at the end represents general and procedural suggestions with regard to budgeting and to improving the Faculty Senate’s budget review.

The University Academic Strategic Plan

The FY 2008 budget contains almost \$8 million for the implementation of objectives and initiatives outlined in the University’s Academic Strategic Plan. The Committee believes that this is an allocation that, given the breakdown it has seen, should represent a good start on achieving the main objectives of the Plan. For example, the Plan has the High Priority Strategic Initiative of increasing undergraduate retention by 1% each year for the next five years (1.3.1). The tasks to be performed to achieve this goal include reducing the advisee load and improving advising. The FY 2008 budget includes funding for six new advisors for COAS, COMAD, CNHP, BME, VPAA, as well as an investment in software to better track advising. The previous is just an example: the budget includes over \$2 million of funding for the strategic objective of Enriching the Educational Experience.

The budget initiative of increasing the salary of adjunct faculty will help make Drexel more competitive and improve the student experience in programs using these faculty. The academic budget for future years should also include funding for improving the condition of full-time, non-tenure track faculty called Auxiliaries or Clinical Faculty. Since the Provost has just launched an ad-hoc Committee studying the experience of these faculty, we expect that there will be a future opportunity to review this issue.

Improving diversity was an often-repeated suggestion at the Faculty Senate hearings held in January on the Academic Strategic Plan. The funding in the budget for Diversity/Faculty Development Initiatives, including hiring an Associate Vice Provost for Faculty Development and Diversity will be a step in the right direction.

The Provost's effort to regularize the Summer term by increasing faculty salaries begins to deal with a long term faculty concern. We hope that he will continue in this direction in future years. In addition, we would recommend the allocation of additional funds in the future to improve the non-curricular offerings for students to enrich the experience of summer term with plays, concerts, and publications more commensurate with those of the other three terms.

Other areas of strategic planning would benefit from further attention as well. We understand, from information provided by the CFO, that the nature of Drexel's student composition is changing; as in 2006, 58% of freshmen selected a 4-year program, as compared to 26% in 1996. This trend has serious implications for financial planning for academic and other student-related services and suggests the need to study a range of issues relating to academic planning at the University, such as the budgetary and educational role of coop, and the frequency and sequencing of course offerings.

As the Committee has suggested to the Provost, future budgets should identify areas of teaching for financial initiatives. These would be areas analogous to the areas of research discussed in the Strategic Plan as suitable for investment. In these areas of teaching, we could "take advantage of our comparative advantages and resources" and "attract high quality ... undergraduate students." That is, we feel that the budget planning process could identify "centers for excellence" in teaching, that is, faculty, academic units and programs which are already doing a good job of attracting and teaching students, and that could be expanded or in some cases, modified to attract more students of substantially the same quality. In some cases, existing programs could take advantage of faculty synergy to develop variations of their current programs to be appealing to additional high-quality students. And in other cases, expansion or renovation of existing facilities, or the development of new facilities could capitalize on the presence of capable faculty who are already at Drexel, to expand program and course offerings.

Allocation of Tuition Revenue

Given that one maintains academic quality by allocating tuition revenue to the academic mission, the proposed FY 2008 budget shows several positive trends with respect to the allocation of tuition revenue. While this is a period of growth on many fronts for Drexel,

the university remains primarily a tuition driven, undergraduate teaching oriented institution. It is thus important to maintain and increase support for our main mission. To this end we look at the budget with regard to both Net Tuition Income and to how that income supports our most important activity – academic instruction.

We have been told that in the FY 2008 budget, the tuition discount rate will remain at 30%. This rate is lower than in recent Drexel history and shows that the university is maintaining its previous balance between attempting to attract quality students and continuing appropriate financial support for the institution. Student financial aid for the retention of outstanding students remains at its present level of 0.5%, also holding the gains made in the past. We would hope that in the future we could direct even greater amounts of gross tuition revenue towards raising the quality of students and allowing good students to remain at Drexel.

We note with favor that the ratio of expenditures on College Programs to Net Tuition & Fees in the new budget is over 60%. This sustains the proportion of spending in last year's budget and surpasses the ratio of previous years. The ratio of the increase in College Programs to Net Tuition Revenue Increase Variance is 70%, and this appears to show an ongoing commitment to academic program support.

The expected loss from the College of Law significantly exceeds estimates made at the time that the creation of the college was approved. However, we recognize that the plan for that college made a commitment to the development of a high quality program that would readily qualify for accreditation the highest priority. We still strongly support this policy although we hope that future years will see the College of Law make greater progress toward becoming a self-sustaining unit.

Space Needs

With respect to space needs, the Committee has a less positive view of the proposed FY 2008 budget. We strongly feel academic planning for space should be better integrated into the financial planning of the University. We also feel that the faculty would be able to make significant contributions to this aspect of the University's financial planning if more information were available to us. We refer both to the dormitory space which is located in the budget under "Auxiliary Enterprises" as well as to academic space.

Contemporary educational theory has embraced the idea of a "learning space" which is often located in a non-academic building like a dormitory and which blends the functions of residence with educational purposes. This kind of pedagogical change indicates the need for faculty input into the design of all kinds of space throughout the University. We note that the FY 2008 budget contains a request for funding by the Provost for a faculty member to assist in the programming and planning of the new laboratory/instructional building. But we feel that more of this kind of consultation should take place and be regularized in the University.

We have not received a detailed budget breakdown that allows us to understand the nature of the financial planning with respect to the revenues and expenditures associated with the Master plan which the President unveiled at Convocation last October. We are concerned that this capital program seems to be focused on buildings as an end in themselves rather than on the academic programs they will shelter. We feel that there should be benchmarking of how our peer and stretch institutions are using space, and that this effort should involve faculty, who, after all, have a concern about and often an expertise in pedagogical concerns involved with space.

Our Committee has recently met with Dean of Students David Ruth and have been heartened to learn from him that there are plans for cooperation between Student Life and academic aspects of the University: we regard this as a step in the right direction. However, we would suggest that there should be more planning for learning centers, and a more pedagogically-based inventory of academic space that considers and critiques the uses of space throughout the University in relation to existing needs and considering its effect on the quality of instruction.

At the suggestion of the Provost, we have reviewed the strategic plans of the academic units. We found a surprising number of situations in which space limitations – both the amount of space and the quality and maintenance of existing space – prevented units from achieving the highest quality programs of which they were capable and limited their ability to expand even in the case of clear demand from high-quality potential students.

In addition, the Provost has been supporting the conversion of adjunct lines to auxiliary positions, as part of the goal of improving student retention. However, auxiliary faculty, because they are not just “passing through” and are more available to students, require office space to carry out interactions with students. Thus we urge the better integration of academic and capital planning. We encourage the Board to consider how an academic program focus could be integrated into the earliest possible phases of planning for the capital program.

Moreover, we feel that the structure itself of the budget makes it hard for us, and for all members of the University community, to understand the nature of space issues: what is profitable for the University; what is “state-of-the art” with respect to the planning of space; what is the cost-benefit ratio of any particular space-related project. We note that the budget lines related to Auxiliary Enterprises which in FY 2007 showed about an equal rise in revenues and expenditures (9.12% and 9.63% respectively) this year are showing significantly more revenues than expenditures (14.54% and 9.03% respectively), but we understand that this line (all we are able to see in the preliminary budget document which was available at the time of the writing of this report) includes the Residence Halls, the Food Service, as well as Other Auxiliaries.

In addition, many of the costs associated with the residence halls are located elsewhere, as in Interest Expenses and other miscellaneous revenue that comes to the University from arrangements with particular enterprises which gain space in exchange for funds which the University has made a policy of ploughing back into the educational enterprise.

As a result of this way of representing one of the major space issues of the University, it is very difficult to grasp what is involved with a particular capital plan or improvement, and we feel we need more information to be useful to this aspect of planning. We note a study by independent consultant Robert C. Dickeson in 2005 on the budgeting process at Drexel University. This study came to similar conclusions as the ones we refer to here with respect to space, finding a lack of transparency in the budgeting process at Drexel that interferes with the shared values or “buy-in” that is essential to effective fiscal planning. This report is available on the Drexel University Faculty Senate website at: http://www.drexel.edu/senate/Dickeson_Budget_Report.doc

Drexel e-Learning

The Committee has serious reservations about the role of Drexel e-Learning (DeL) in the mission of the University. This for-profit operation was created ostensibly to provide an additional profit stream for the university, with a mission to offer university courses to a clientele that would not otherwise be able to take our courses. We have mixed feelings about its degree of success in achieving these goals and its encroachments on the academic programs developed by the faculty.

We have been assured that DeL is currently profitable, and will continue to be profitable in the foreseeable future. Monies collected by DeL are currently divided up via the following formula:

- 35% to DeL
- 15% to the Provost's Office for Strategic Initiatives
- 50% to the college/school which teaches the DeL-marketed course, divided as follows:
 - Cost of instruction to the teaching school/college
 - 50/50 split of the remaining money between the teaching unit and the unit in which the student has his/her major

However, contrary to the information given to the faculty, in the past, current full-time Drexel students who took DeL-marketed courses were counted as DeL enrollment and until the start of FY2006 the University actually paid DeL \$100/student for current full-time students who enrolled in these courses. As the students were already paying tuition to the institution and were not, of course, charged extra to enroll in the online course, this meant that the university was losing \$100/student for each individual who took one of these courses. This hardly constitutes an additional profit stream for the institution. We were pleased to learn that this practice was discontinued last year (FY 2006) and that the practice of including current students, both full-time and part-time, in DeL enrollment when they take an online course marketed through DeL will cease in FY2009. Though DeL does provide online support for these students at no cost, they are obviously not new students being brought into the Drexel student body. The BPD Committee does not believe that DeL should receive any credit for current students; we applaud the administration for making this change.

The faculty also expressed concern about the current and future use of course materials designed and developed by Drexel faculty for use in online Drexel academic programs

managed by DeL. Under the DEL master agreement, DeL does not itself claim the right to any intellectual property of the University or any of its Colleges. The BPD Committee has learned that DeL has the right to work with other universities/educational institutions interested in developing online programs. Such programs in some instances may compete with Drexel programs with the approval of the DeL and Drexel University Board of Trustees. However, it is not clear if the University's Intellectual Property policies give the University the authority to provide online course materials developed by Drexel faculty for Drexel academic programs to DeL (which could then market them to other colleges and universities for use in their online programs). Although, this practice has not occurred, are the faculty's intellectual property rights sufficiently protected? Furthermore, this practice could have serious budget implications, since in effect in such a case, DeL would be facilitating colleges and universities in their direct competition with Drexel programs, and a clear set of guidelines needs to be developed to inform all parties of their rights and responsibilities.

The Committee believes that DeL budgeting should be more transparent in all ways:

- DeL profit/loss should be broken out clearly in the university budget. In addition, the University community needs to understand that the start-up costs of over \$4,000,000 provided to DeL were not a loan, but an investment whose value is to be recouped by the University through the increase of the value of DeL, which is a wholly-owned subsidiary, rather than through direct repayment.
- The amount of money DeL is sending to each academic unit should be available to BP&D; faculty need to know how DeL is impacting the course offerings in each college
- Actual enrollments, by college, need to be available to ensure that DeL-marketed courses in each college are actually attracting new students and not just current ones

Recommendations

Budget:

Review of the FY 2008 budget suggests that the University is moving in what seems to this Committee the right direction, but budgeting itself at Drexel is less transparent than would be optimal for motivating various elements of the University community to “buy in” or to develop a commitment to the vision of the University being developed by its President, Provost, Deans and faculty. As a result, we recommend:

- a wide-ranging study of the report by independent consultant Robert C. Dickeson
- the initiation of revisions to the budgeting process at Drexel to make it more open to the various constituencies of the University

Procedural:

As mentioned in the Introduction of this report, the Committee has benefited from extensive consultation with the CFO and the Provost, as well as from the sharing of

budget-related materials. However, there are materials we have not been given that we feel would have helped our efforts. We request that in future these materials be provided us in addition to the materials we have received:

- The current Master Plan for capital development
- Regular updates of the current fiscal year's budget as they are formulated
- The additional parts of the new FY budget, including the Operating Budget Detail, Capital Project Summary Including the Carryover for the Current FY & Projects for the Upcoming FY, Proposed Capital Budget Summary, and Cash Flow Projection.