

## REPORT OF THE FACULTY SENATE BUDGET & PLANNING COMMITTEE

December 7, 2016

Additional steps must be taken to ensure that the campus community is truly engaged in the budgeting process. The operating budget with planning lists should not just be distributed via email. These documents should be part of the first step in the Leeward Community College Planning and Budgeting Process Timeline. The campus community should know the outcome of the previous year's budget requests before they begin the process of developing the planning lists (this was the request in the 15.99: Motion, May, April 13, 2016).

Many members of the college don't know where to find the operating budget, and they don't understand the information presented in the budget. An effort should be made to present the information in the operating budget in a way that is understandable to the campus community. Those of us in the teaching profession are dedicated to helping our students understand course content. Distributing financial statements that most people in the college don't understand doesn't count as being engaged in the budgeting process.

Surely the Leeward CC administration applies financial analysis to our financial statements. Such financial analyses should be shared with the college. It is hard to make sense of financial statements without some sort of financial analysis. One of the most basic types of financial analysis is ratio analysis. Ratio analysis allows just about any stakeholder to acquire a basic understanding of financial statements.

Financial ratios that the FS Budget and Planning Committee would especially like to see would be certain efficiency ratios tracking administrative costs, instructional costs (including tenured and tenure track vs. non-tenure track and lecturers) and institutional support costs. For example, a ratio of Administrative Expenses/Total Revenues would be a percentage that could be tracked over time (is the percentage growing or shrinking) and could be compared to other schools of comparable size (is our percentage of administrative costs in line with other schools).

A good analogy of the need for financial analysis of the budget is the student evaluations that we submit as part of our tenure and promotion applications. It would never be acceptable for us to submit just the raw data. We are expected to highlight trends and respond to those trends. We often use bar charts, pie charts or other visual aids to present the information. We should expect nothing less in the presentation of the campus budget.

**Budget and Planning Committee Motion—May—**On behalf of the FS Budget & Planning Committee I would like to make a motion to request that more of an effort be made to make the operating budget understandable to the campus community and that financial analysis of the operating budget be shared with the campus. This financial analysis should include financial ratios, especially efficiency ratios, such as

administrative costs (administrative expenses/total revenues), instructional expenses (including the growth of non-tenure track positions to tenure track positions), and track the growth in non-academic administrative and professional positions at Leeward CC. These ratios should be tracked over time for a minimum of the last 10 years (is the percentage growing or shrinking) and should be compared to other schools of comparable size (is our percentage of administrative costs in line with other schools, for example).

I have quoted three paragraphs from the article “New Analysis Shows Problematic Boom In Higher Ed Administrators” below. Here’s the link:

[http://www.huffingtonpost.com/2014/02/06/higher-ed-administrators-growth\\_n\\_4738584.html](http://www.huffingtonpost.com/2014/02/06/higher-ed-administrators-growth_n_4738584.html)

“The number of non-academic administrative and professional employees at U.S. colleges and universities has more than doubled in the last 25 years, vastly outpacing the growth in the number of students or faculty, according to an analysis of federal figures.”

“In no other industry would overhead costs be allowed to grow at this rate—executives would lose their jobs,” analysts at the financial management firm Bain & Company wrote in a 2012 white paper for its clients and others about administrative spending in higher education.”

“The ratio of nonacademic employees to faculty has also doubled. There are now two nonacademic employees at public and two and a half at private universities and colleges for every one full-time, tenure-track member of the faculty.”

Ratio analysis would allow us to see how those trends are playing out at Leeward CC.