

# FORVIS<sup>®</sup>

## The Role of Shared Governance in Sound Financial Practices



CACUBO – Accounting and Business Operations Workshop

May 6, 2024

# Exploring Shared Governance for Sound Finance

## Defining and understanding >

- Accrediting standards
- Definitions
- Guidance from professional associations

## Exploring Bylaws >

- For program review
- For reduction in force

## Best practices

- Lessons from the field

**Why are we talking about  
shared governance and  
financial management in the  
same session?**

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**Discussion**

# HLC Accreditation

- Eligibility requirement – to be considered a candidate
- Criteria for accreditation – may vary by mission, require professional judgement to evaluate
- Assumed practice – agnostic to mission, required of all accredited institutions

# HLC – Eligibility Requirement 8

## **8. Financial Capacity**

The institution has the financial base to support its operations and sustain them in the future. It demonstrates a record of responsible fiscal management, including appropriate debt levels.

The institution:

- a. has a prepared budget for the current year and the capacity to compare it with budgets and actual results of previous years; and
- b. undergoes external financial audit by a certified public accountant or a public audit agency. For private institutions the audit is annual; for public institutions it is at least every two years. (Institutions under federal control are exempted provided that they have other reliable information to document the institution's fiscal resources and management.)

# HLC – Criterion 2

2.C. The governing board of the institution is autonomous to make decisions in the best interest of the institution in compliance with board policies and to ensure the institution's integrity.

1. The governing board is trained and knowledgeable so that it makes informed decisions with respect to the institution's financial and academic policies and practices; the board meets its legal and fiduciary responsibilities.
3. The governing board reviews the reasonable and relevant interests of the institution's internal and external constituencies during its decision-making deliberations.
5. The governing board delegates day-to-day management of the institution to the institution's administration and expects the institution's faculty to oversee academic matters.



# HLC – Criterion 5

## Core Components

**5.A.** Through its administrative structures and collaborative processes, the institution's leadership demonstrates that it is effective and enables the institution to fulfill its mission.

1. Shared governance at the institution engages its internal constituencies—including its governing board, administration, faculty, staff and students—through planning, policies and procedures.
2. The institution's administration uses data to reach informed decisions in the best interests of the institution and its constituents.
3. The institution's administration ensures that faculty and, when appropriate, staff and students are involved in setting academic requirements, policy and processes through effective collaborative structures.

# HLC – Assumed Practice B

Key distinction:

Curriculum vs. programs

b. Faculty participate substantially in:

- i. oversight of the curriculum offered – its development, vetting and implementation; academic substance; currency; and relevance for internal and external constituencies;
- ii. assurance of consistency in the level and quality of instruction and in the expectations of student performance;
- iii. establishment of the qualifications for instructors, including instructors provided by third parties;
- iv. analysis of data and appropriate action on assessment of student learning and program completion.



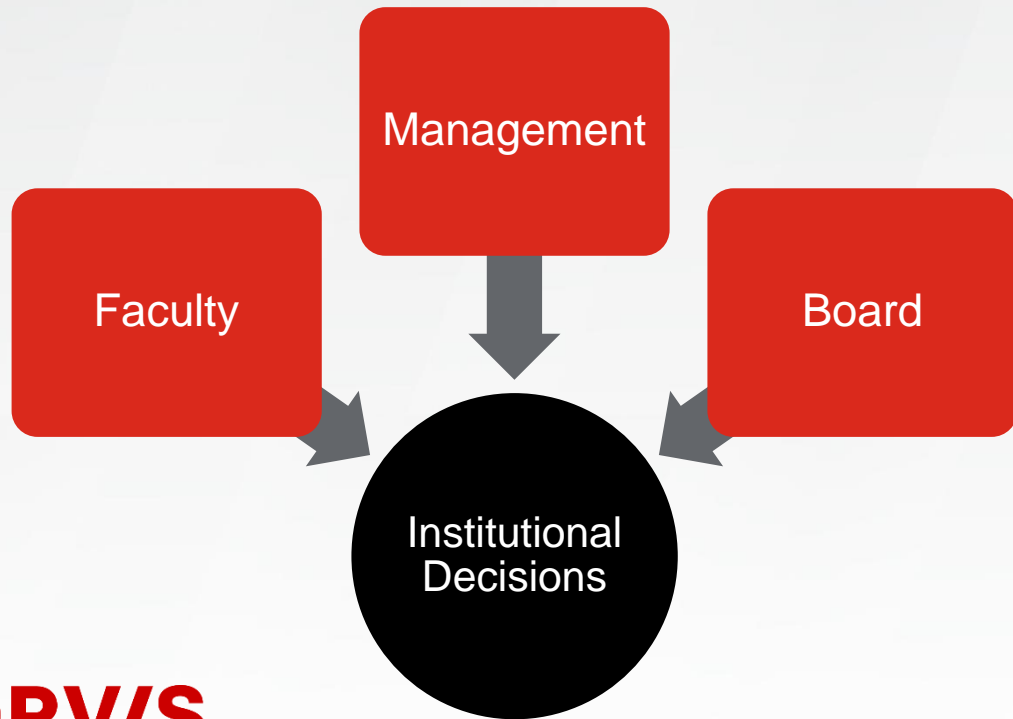
# HLC – Assumed Practice D

## D. Resources, Planning, and Institutional Effectiveness

1. The institution is able to meet its current financial obligations.
2. The institution has a prepared budget for the current year and the capacity to compare it with budgets and actual results of previous years.
3. The institution has future financial projections addressing its long-term financial sustainability.
4. The institution maintains effective systems for collecting, analyzing, and using institutional information.
5. The institution undergoes an external audit by a certified public accountant or a public audit agency that reports financial statements on the institution separately from any other related entity or parent corporation. For private institutions the audit is annual; for public institutions it is at least every two years.<sup>2</sup>
6. The institution's administrative structure includes a chief executive officer, chief financial officer, and chief academic officer (titles may vary) with appropriate credentials and experience and sufficient focus on the institution to ensure appropriate leadership and oversight. (An institution may outsource its financial functions but must have the capacity to assure the effectiveness of that arrangement.)

# What is Shared Governance as it Relates to Financial Management?

What Some Folks Think it Means:



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What it Actually Means:

## AAUP – Statement on Shared Governance

- The faculty has primary responsibility for such fundamental areas as **curriculum, subject matter and methods of instruction**, research, faculty status, and those aspects of student life which relate to the educational process.
- It is desirable that the faculty should, following such communication, have opportunity for further consideration and further transmittal of its views to the president or board.
- **Budgets, personnel limitations, the time element**, and the policies of other groups, bodies, and agencies having jurisdiction over the institution **may set limits to realization of faculty advice**.
- The president must at times, with or without support, infuse new life into a department; relatedly, **the president may at times be required, working within the concept of tenure, to solve problems of obsolescence. The president will necessarily utilize the judgments of the faculty** but may also, in the interest of academic standards, seek outside evaluations by scholars of acknowledged competence.

## Association of Governing Boards

- **Shared governance is a foundational tenet of higher education.**
- This principle “acknowledges the **final institutional authority of governing boards** and distributed authority to the administration and faculty.”
- Traditionally, governing boards delegate the responsibility of strategic planning and daily management to presidents, while **faculty lead educational delivery**.

**What are some of the challenges presented by shared governance?**

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**Discussion**

# Shared Governance

Shared Governance Is....	Shared Governance is Not....
Expected, valued, probably here to stay	Realized the same way at every institution
Designed to ensure deliberate, thoughtful decisions	Designed to prevent decisions from being made
An opportunity to share responsibility	A mechanism to provide the faculty the same authority as the Board or president

# Ways for Faculty to Participate in Financial Management

- Learning about institution's resources/financial position
- Preparing the annual budget (an AAUP recommendation; *many* institutions do not do this)
- Evaluating academic programs for continuance/discontinuance

# Shared Governance and Financial Management

- Revenue (and costs) comes from academic programs at most institutions, and therefore, will affect faculty
- Understand what policies are already in place at your institution regarding program launch, review, and discontinuance
- Policies may require an inclusive process, including faculty vote



# Sample Bylaws – Program Review Process

3.3 *Recommendation to the Board.* Upon completion of a program review, the Provost shall present to the Board one of the following recommendations:

3.3.1 Continuation of the Academic Program at the current level of activity, with or without specific action. If specific action is recommended, such recommendation must include a timeline and required response (if any).

3.3.1.1 Programs recommended for continuation at the current level of activity may also be recommended for recognition as a “Board of Governors Program of Excellence.”

3.3.2 Continuation of the Academic Program at a reduced level of activity (e.g., reducing the range of optional tracks or majors).

3.3.3 Identification of the Academic Program for further development.

3.3.4 Development of a cooperative program with another Academic Program, or sharing of courses, facilities, and the like.

3.3.5 Discontinuation of the Academic Program; such a recommendation shall be accompanied with detailed rationale and a proposed plan for addressing the effects upon students, faculty, and equipment, etc.

3.4 *Action by the Board.* The Board may request additional information or request that further analysis of an Academic Program be made by prior to accepting a recommendation regarding an Academic Program.

3.4.1 The Policy Commission shall be notified in the event that a degree program is terminated.

the Board to efficiently conduct its review, the University to evaluate, at a minimum, the following items: a) mission, b) faculty productivity, c) student facilities and equipment, f) assessment; and g)

of Academic Programs should coincide with the applicable accrediting bodies.

review criteria for the review of Academic Programs, periodic studies of the University’s graduates and placement patterns and the effectiveness of the

University’s evaluation, the applicable Dean and coordinator/director shall be notified of the recommendation to the Board. Thereafter, the department director may appeal the Provost’s final recommendation to the Program Review Appeals Committee. The

representation in the appeal of a particular program shall include a Program Review Appeals Committee;

the Provost, the relevant associate provost, the representative from the Dean’s Office of the program’s colleges from different colleges’ dean’s offices, and the

Faculty Senate chair.

# Sample Bylaws – Program Discontinuance

- Lists specific parties who can recommend discontinuance
- No consideration of proposal until faculty are notified
- Specific review criteria named (contribution to liberal arts, peer institutions, 10 years of data)
- Discontinuance requires full faculty vote; if “no”, can’t reconsider for 5 years

# Sample Bylaws – Faculty Reduction in Force

## SECTION 3: TERMINATION BECAUSE OF REDUCTION IN FORCE

- SE** 3.1 A RIF may result in a tenured, tenure-track, teaching-track, or service-track Faculty Member's appointment being terminated.
1. 3.1.1 If a vacant Faculty position requiring equivalent competency exists in another program, the University shall make reasonable efforts to reassign the Faculty Member.
1. 3.1.2 Reasonable effort should be made by the Provost to reassign the Faculty Member to instructional or non-instructional duties commensurate with the Faculty Member's training and experience.
- 3.1.3 If, within one year following the Faculty RIF, a Faculty position in the same academic unit becomes vacant for which the Faculty Member is qualified, the Faculty Member is encouraged to apply for that position through the normal University process.
- 3.2 In situations where a RIF results in the elimination of some, but not all of the Faculty positions within the Unit, the Provost and Dean shall evaluate the skills and qualifications of the individual Faculty Members potentially subject to the Faculty RIF. In making the determinations on who will be selected to remain, the Provost and Dean shall give consideration to the following factors as part of a holistic assessment:
- 3.2.1 *Performance*: each Faculty Member's documented performance history as demonstrated in performance evaluations of record including, but not limited to, annual performance evaluations and disciplinary history;
- 3.2.2 *Knowledge and qualifications*: specific duties and responsibilities of each position, and the Faculty Members' knowledge and skills; and
- 3.2.3 *Seniority*: the length of service as defined by the rules established for the

## SECTION 2: REDUCTIONS IN FORCE PROCESS AND REVIEW COMMITTEE

- 2.1 A Faculty RIF may occur in response to institutional reorganization as a result of a Program Reduction or Program Discontinuation, and/or a Financial Exigency.
- 2.2 Prior to undertaking a Faculty RIF, the Dean or Chair, where appropriate, must consult with Faculty Members as part of the academic program review process detailed within BOG Academic Rule 2.2. Upon completion of the program review process, the Dean shall notify the Provost and develop a proposed RIF Plan in the form and substance required by the Provost. At a minimum, the RIF Plan shall:
- 2.2.1 Identify the reasons for implementing the RIF;
- 2.2.2 Describe any re-organization of the Unit or other changes that will occur as a result of the RIF;
- 2.2.3 List reasonable alternative solutions (e.g., where applicable, reductions of operating expenses other than payroll, moratorium on further hiring, or voluntary separation) to a RIF that were considered;
- 2.2.4 Identify the positions recommended for elimination and the reasons for the elimination;
- 2.2.5 Describe the impact of the RIF Plan to other employees, including whether other positions will also be eliminated;
- 2.2.6 Describe the academic impact on students who may be affected and plans for providing them with completion of their program;
- 2.2.7 Describe the extent to which faculty were involved in the academic program review process that led to the RIF Plan; and
- 2.2.8 Any other matters required by the Provost.
- 2.3 The President of the University shall establish and appoint a Review Committee to consider and approve the RIF Plan to implement a Faculty RIF. The members of the Review Committee should include, but are not limited to, representatives from the Provost's Office, Strategic Initiatives, and Talent and Culture, with advice from the Office of General Counsel.

**Would you rather have  
a policy or *no* policy?**

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**Discussion**

# Lessons from the Field

1. Extensive changes to the academic operation will make the news
2. A *trusted* leader should oversee the process
3. Communication *early* and often is key to setting fair expectations about outcomes
4. Strong policies *already in place* will make things easier

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EDUCATION

## West Virginia University makes wide-ranging cuts to academic programs and faculty

October 02, 2023

### Citing Significant Budget Deficits, Several Colleges Face Cuts

The affected institutions include Christian Brothers, Delta State, Lane Community College, Miami University, St. Norbert and Shepherd.

### Dickinson State finalizes plan to cut 7 programs, 5 tenured faculty

North Dakota's higher ed board will need to OK eliminating degrees at the public college.





# Final Q & A

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