

SECTION II

The Specific Responsibilities of Trustees

CHAPTER 4

PROPERTY AND FINANCE

THE responsibilities of the trustees fall into two groups: those usually defined in the charter or legally assigned to the trustees, and the responsibility for determining policies. A discussion of the first group follows.

Holding Title to Property and Responsibility for Finances

In the great majority of institutions the title to the property of the institution—land, buildings, and equipment—is vested in the corporation or board of trustees. In some state institutions the title is held by the state. Legally, the trustees would seem to be personally liable for this property, but so far as the writer has been able to learn, no trustee has ever been forced by law to make good, losses of endowment or other property.

As we analyze this responsibility we see that the property of an institution usually consists of:

- Land
- Buildings
- Equipment
- Endowment
- Current Income

The responsibilities relative to each of these items are considerable and of several types.

Land. During the early years of higher education in America, many institutions originally holding considerable land relinquished title to much of it through the failure of the trustees to foresee the growth and development ahead. Other institutions, had the trustees reasonable foresight, could have secured the additional land demanded by later development

at a very small cost. Later this land either cost a great deal or could not be obtained. The wisdom and foresight of trustees in securing and retaining adequate and suitable land for the ultimate growth and development of an institution is of fundamental importance.

Both residence and business property are attracted by the very nature of a college campus, centering the life of hundreds or thousands of students and staff members; by the permanency of the institution and the campus; and by its inviting prospect. A campus is quickly surrounded by buildings that are expensive to acquire and that are not readily available. It seems strange that more colleges have not acquired land in addition to an ample campus, and profited by its sale.

The trustees are responsible for fixing a wise policy relative to land.

Buildings. The trustees are responsible for types of architecture, design, structural perfection, and maintenance of buildings. They select architects, approve plans, let contracts, and are responsible for the honest execution of contracts. They are thus responsible for all unsightly, inadequate, poorly planned buildings, and for poor construction and unwise location. They are responsible for all building equipment and for proper maintenance of buildings, their equipment, and insurance. Of course most of this in detail will be executed by others, but the responsibility is the trustees', who should satisfy themselves that proper action is taken in relation to all building matters.

Equipment, books, and supplies. The trustees are responsible for adequate provision of equipment, books, and supplies. In our forty largest institutions, the amount invested in these items varies from about one-tenth of the investment in buildings to nearly one-half. In the majority, the investment in these items is from one-fourth to one-third of the cost of buildings. Naturally the larger the institutional interest in

science and technical education and research, the larger the investment in equipment. The more closely the institution is limited to a liberal arts college, the smaller the needed investment in equipment. Adequate provision is highly essential to effective work and for the contentment and efficiency of the staff.

It can well be remarked here that while the laboratory sciences are now usually well supported in funds for equipment and supplies, within the resources of the institution, the equally desirable expenses of nonlaboratory departments, especially history, economics, and sociology, are often overlooked, or inadequately provided. While these departments do not require laboratories in the ordinary sense, they need funds for travel to their source material, for considerable clerical work and for other essential purposes. The staff members in these fields cannot but be distressed and annoyed to see the needs of the science departments well provided, while their equally needed expenses are ignored.

Endowment. The responsibility of the trustees for all funds accepted as endowments is peculiarly great. The integrity and business-like care of endowment funds should be one of the first concerns of trustees.

It by no means follows that all money offered an institution as a gift should be accepted. Gifts toward the general, unrestricted endowment are always welcome. But all gifts for the endowment of special causes, enterprises, or interests should be very carefully scrutinized. Any specific endowment may, after some years, cease to serve a useful purpose. If so, the board is embarrassed how faithfully to handle the trust they accepted. Every effort should be made to build the general endowment and to discourage specific endowments. Usually special current needs could be as well served by a direct gift, usable over a relatively brief period of years, while the need is relatively certain, than by a permanent endowment.

During the recent depression many endowments have been used in part either for current expenses or as security for loans to be used for current expenses, both uses wholly out of harmony with the trust involved when an endowment is accepted. There is almost no more serious charge that can be brought against a college board of trustees than that the endowment funds have been in any way jeopardized or lost.

Each trustee should assure himself that every possible precaution be taken for the safety and preservation of endowment funds. The competency and integrity of the person or persons charged with investing and re-investing endowment funds should be of the highest. Regular, fully detailed and easily understandable reports on all such funds should be made, and all such reports should be competently audited.

The trustees are responsible for a policy that will fully safeguard all endowment funds.

Current funds. The collection and disbursement of all current funds and all accounting is usually in the hands of the business manager. He is variously styled treasurer, secretary of the board, comptroller, etc. In our larger institutions a large staff, supervised and directed by several highly trained and experienced men, is required to handle the current business. For most effective operation the entire business should be headed by one man who, under the president, has entire charge of all business operation and of the physical plant.

The selection and appointment of the chief business officer is second in importance only to the appointment of the president. An able man here can relieve the trustees and the president of worries about finances and about innumerable petty details. He can materially increase the income and through careful buying reduce the expenditures. To be most valuable the appointee should be primarily a business manager. Too often a banker or an accountant is appointed to this

office who, while able in the field of his experience, is not really competent to direct to the best advantage all the many business operations of a college. The business of a college or university has come to be as specialized as that of a bank or other distinct business field. It involves collections, accounting, and investing; purchasing, building, operating and maintaining a large plant; managing dormitories and boarding halls.

It is most desirable to secure as business manager a man who has already gained successful experience in such operations at another institution. Such a man who is fully equal to his job, whose integrity is above question, and who works agreeably with the president, trustees, and faculty, can relieve the president of most financial responsibilities and worries and leave him free to deal with the important problems which are more within his experience, and which constantly demand attention for the best service in the field of education.

For the proper and effective operation of the institution, it is essential that the business manager be under the president, and that the president keep in close touch with the business operations. If full control passes to the business manager and if he is in final control of operations under the trustees, his tendency is to operate wholly for business results. The whole purpose of the expenditures is to facilitate education and research. Unless the president constantly keeps these objectives clearly before the business office and sees that first things toward the forwarding of the educational services are kept first, there is strong likelihood that business objectives will over-ride education.

In a very small college the business manager with one clerk may handle all this work. As the size of the financial operations increase, the staff will grow until in some of our large universities as many as 100 or more are employed.

The budget. No annual duty of the trustees is more important than the approval of the budget for the ensuing year. While

it is true that the details of any large budget will probably be beyond the clear understanding of all or most of the trustees, these details can properly be left to the president and his advisors. There are, however, several very important things, the *most* important things about a budget, that are fully within the comprehension of every trustee.

Is the income conservatively estimated?

How do these estimates compare with the past year's experience?

Where there are variations from last year's receipts, on what are they based?

Does the budget balance? Are the expenses budgeted within the income? Are all anticipated expenses included in the budget?

Is there a reasonable reserve for unanticipated contingencies?

Budgets, like all other tabulations of figures, can be made to conceal the truth. The integrity of the budget presented by the president for approval should be checked carefully.

In any private institution dependent in part on annual gifts for current income, there is always a temptation to budget as much as it is *hoped* to receive. It would be sound business to budget only money already in hand from gifts at the beginning of the fiscal year, and hold all gifts received during the current year to be budgeted and used for the succeeding year. The pressure for current funds usually is too great to allow such a conservative policy.

The price a board of trustees pays in permitting the adoption of too liberal a budget is to tie the president to a money-raising program. A competent president can be of inestimable value in really directing the life and work of the college, but if his time and thought are absorbed in money-raising, he can do little else. A college, after all, is a long-time enterprise, and one in which a conservative policy will generally produce the finest results in the long run.

The preparation of the budget is carried out in various ways in different places. In a small institution it would be largely prepared by the president with such help as he required from the business manager and the dean. In a large institution the income is estimated in the financial office, and the recommendations for expenditures come up from the heads of departments, through the various deans to the president. The president in some cases turns over considerable responsibility for formulating the final budget to the financial officer and the deans, or to a committee; in other cases he himself gives much time and thought to the budget. It seems to the writer that the latter plan is sound. In the final analysis the preparation of the budget, doing the best possible justice to each salary demand and each departmental expense, is the most important matter that comes before the president each year.

The budget is the key to the administration of the institution, the operation of every detail is dependent on it. Its preparation gives opportunity for an annual survey of every single aspect of the institution. Inasmuch as the president is the only person equally interested in every part, and further, since he is responsible to the trustees for every department and enterprise, he would seem to be the only person qualified to prepare the budget.

The form of the budget is very important. Even a budget involving several million dollars expenditure can be so set up as to be within the understanding of most men. The usually accepted form opens with a one-page summary of income and a one-page summary of expenditures by colleges. There then follow the budgets of each administrative division. Under each is a one-page summary giving total expenditures for the division or department. This page is followed by final detailed budgets of each department in the college with each individual salary and other expenses. While no trustee could hope to judge the wisdom of each salary and item, he can

grasp the distribution among the different colleges, the general salary range, and the relation of expense to income. The trustee must trust the president, deans, and other administrative offices for the wisdom and justice of details.

The trustees are responsible for the budget as finally approved. They are responsible to the legislature or donors, to the parents and the people at large, to see that the money is wisely and economically spent to promote the best service of the institution. They are under no direct pressure from deans and professors as the president must be. Each trustee should feel a keen responsibility to understand the budget and satisfy himself that it is conservative, includes all probable expenses, and is wise and just.