

Institutional Finance and the Role of the Foreign Language Department Chair as Financial Manager and Financial Leader

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DEPARTMENT chairs teach, manage, and lead. The management role of the chair is so prominent that it can easily overshadow the leadership role, especially in the area of institutional finance. This article argues that the chair has both a financial management role and a financial leadership role to play in running the department and that it is critical to maintain a clear distinction between these roles to be an effective chair. Conflating these roles can cause the chair to abdicate unwittingly to the accounts clerk or college dean any financial decision-making authority that may come with the position. An overview of institutional budget structures is presented as guidance for understanding these roles and for budgeting for success. Capital budgeting, which is concerned with the acquisition of and accounting for fixed assets, is not discussed here, since department chairs are involved mostly with making decisions on operating budgets.

Anatomy of Institutional Budgets: Demystifying the Monster

Why do institutional budgets appear to be designed to confuse department chairs? A colleague recently opined, tongue-in-cheek, that institutional budgets are so designed in order to safeguard the jobs of accounts clerks, accountants, and auditors. More seriously, the complexity of institutional budgets and budgeting arises from the desire to account in detail for funds that originate from various sources and on whose use different levels of restriction are imposed.

Institutions maintain or attempt to maintain as much control over the total flow of financial resources as possible at the highest level of the institutional hierarchy. The office charged with maintaining such control is usually called the central budget office (CBO), or some equivalent name, and it is headed by the chief financial officer (CFO) of the institution. In comprehensive land-grant institutions with a significant public-service activities mission, the CBO may be a bicameral one, with the agricultural business office sharing that responsibility. A budget is simply a structured presentation of financial resource flows. Financial resources flowing into the institution are called revenues and those flowing out are called expenditures. Expenditures on consummated goods and services are called expenses. Revenues are of two types: real and projected. Real revenues consist of money in hand or money guaranteed to come in, and projected revenues consist of money that is expected to come in, but that might not. Similarly, expenditures can be made against real revenue or against projected revenue. Given these revenue and expenditure types, institutions tend to use four different types of budgets (two for revenues and two for expenditures) to facilitate their business planning and implementa-

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tion decisions. “Appropriation journal and appropriation transfer” budgets are used to account for the flow of real revenues, while “revenue estimate” budgets are used to plan for projected revenues. On the expenditure side, “organization” budgets are used to track the detailed breakdown of uses of real revenues, while “project/grant” budgets track the uses of funds associated with specific projects and grants. The overall spending authority for a given organization budget is its referencing appropriation budget. These terms may vary by institution, and it is important for the chair to know what the equivalent terms are in his or her institution.

Though they look complex, institutional budgets are based on a simple principle, which can be stated as follows: The source of funds (i.e., state appropriated funds, self-generated funds, auxiliary funds, agency funds, donations and contributions, and university foundation disbursements) as well as the restrictions that are stipulated concerning the use of those funds (i.e., restricted funds vs. unrestricted funds) determine both the type of fund into which the money is deposited (e.g., E&G, or educational and general, fund; PSA, or public-service activities, fund; and auxiliaries fund) and the type of expenditures that can be charged against each fund type. Understanding this principle is a necessary first step to coping with institutional budgets and budgeting.

A “fund” type should not be confused with an “account” type, since various accounts can be set up within the same fund type. For example, if operating budget funds originate entirely from state appropriations for E&G, they are deposited in fund 15 (see fund details in accompanying chart for details). If the chair decides that the operating funds will be allocated to “faculty research support,” “required services,” “wages,” and so on, different account numbers will be set up for each of these categories within fund 15 to facilitate the tracking of expenditures relating to each activity. These fund 15 accounts are identified as such by the first two digits, which are necessarily 15, and the category of “operating budget funds” by the antepenultimate digit, say, 7. The identity of each fund 15 account is therefore adequately conveyed by the first two digits, 15, and the last three digits of the string of digits that serves as the account number. Thus a fund 15 account number like 15-INSTR-130-0535-1500000-701 (or its variant 15-INSTR-130-0535-1500000-RESEARCH) indicates that money deposited in an account for the department

of languages (code 0535) are E&G funds appropriated by the state to support instruction, which have been earmarked for operating expenses relating specifically to the support of faculty research activities. In short, account numbers are coded pieces of information about the sources, beneficiaries, and intended uses of funds and, therefore, nothing about the length of the account number should overwhelm anyone, since in most instances the first two and the last three digits of the entire string convey the most useful information about the account.

Accounts clerks, for those chairs who are privileged to have them, assist with ensuring that money for authorized expenditures is charged to the proper account and that the documentation to account for the money is collected and filed away properly. Their role is purely managerial and not that of leadership. Money in an operating budget can generally be moved around freely between accounts by way of a disbursement correction. A budget amendment may also be processed in order to put more money into the budget. Before money is allocated to a given account, it is important to know what constraints are imposed by the account. For example, one needs to know that funds earmarked for graduate student stipends and deposited into the “graduate stipends” account are treated as faculty salary and can no longer be moved around freely without the dean’s authorization. This restriction does not apply to undergraduate student wages. Furthermore, any balances remaining in the graduate stipends account at the end of the fiscal year are forfeited to the college in the same way that other unused faculty salaries are. It is also important, for example, to know that any balances remaining in fund 15 accounts at the end of the fiscal year automatically revert to the college and are forfeited to the department, unless the chair is able to negotiate with the dean for these funds to roll over. Finally, and in general, budget deficits roll over to the following fiscal year and reduce the new operating budget figure by the exact amount of the deficit. In a nutshell, knowing the rules and technicalities of institutional financial management can help the chair avoid losing money allocated to the department.

Given the budget types that can operate concurrently in any institution, it is important to understand which budget types are used for the different fund types. For example, at Clemson University, effective FY 2002, funds 10 through 17 have appropriation and organization budgets. For each

account type from 10 through 17, the sum of each organization budget must equal the sum of the referencing appropriation budget. All other accounts use project/grant budgets.

Place of Departmental Budgets in Institutional Budget Hierarchy

Budget allocations are made by the college budget office (CBO) to the collegiate units or institutes, the next highest level of the administrative hierarchy. Collegiate units have relative autonomy to manage these allocations. In institutions with a relatively decentralized budget system, a CBO is generally established to manage these allocated funds and other funds that the academic deans may raise independently. In a more centralized system, on the other hand, each college may have a budget representative assigned at the central budget office level to oversee the accounts of the collegiate unit. The collegiate unit or institute, headed by the dean or director, allocates financial resources to the departmental units or centers under its jurisdiction. Departments are generally at the third and lowest tier of the hierarchy. Funds allocated to the department by the college are primarily operating funds, and the department chair establishes an operating budget, with the dean's approval, in which the funds are allocated to various expenditure categories called accounts, including faculty research support, telephone, copier, postage, supplies, graduate stipends (if applicable), wages (paid to undergraduate student employees), equipment, and so on. This list of categories is open, and the labels and number vary based on the size and complexity of each department and the desired level of budgeting detail.

The dos and don'ts governing spending can be daunting, especially in public institutions. Different states impose different restrictions on what expenditure categories can or cannot be charged against funds that have been appropriated by the state legislature, otherwise called E&G funds. What is true for all institutions is that the term "unrestricted" is a misnomer, since all funds come with varying degrees of restriction on their use. A general rule of thumb is to assume that food and drink for faculty and staff cannot be purchased with money that is appropriated by the state to fund E&G activities. Money donated to the department by individual donors through the university development office, for

example, also generally comes with some restrictions attached, and the chair has a responsibility to ensure that those restrictions are respected. To make their way through these regulations, chairs tend to rely on their accounts clerks for guidance, but in so doing, a chair runs the risk of unwittingly abdicating financial leadership responsibility to the accounts clerk, much to the detriment of the department.

Managing versus Leading: Knowing the Difference and Embracing Both Roles

Managing the departmental financial resources involves, in broad strokes, developing a budget, maintaining a record of expenditures, and balancing the budget at the end of the fiscal year. The fiscal year generally begins on 1 July and ends on 30 June. These activities may happen with or without the assistance of an accounts clerk. Managerial responsibility over departmental financial resources is vested in the chair, who must authorize every expenditure by way of a live signature (i.e., no signature stamps allowed!) and ensure that the budget balances at the end of the fiscal year. Supporting documentation in the form of receipts and vouchers for all expenditures must be carefully maintained to avoid problems with the auditors. It is generally the college budget office that collects and files away these documents that originate from each department or academic center. Chairs who repeatedly do not spend their budget allocations risk a budget reduction to reflect the amounts they spend, and those who repeatedly overspend their allocation risk being fired for insubordination. It is better to overspend by a very narrow margin, if only to convey the need for additional resources.

The chair exercises financial leadership when establishing priorities by way of how much money is allocated to each budget line item. For example, a heavy allocation to support faculty research activities conveys the message that research is a top priority and that a higher level of research productivity is expected of each beneficiary of that support. This form of financial leadership, although important, is a rather passive one, since receiving the operating budget allocation happens without the chair's having to do much for it.

Chairs need to adopt a more proactive financial leadership role for their department, by ensuring that they understand the share of the department's

allocation relative to that of other departments in the college, as well as the college's allocation at the CBO level relative to that of other colleges. This knowledge is critical for two reasons. First, in the same way that departmental priorities are expressed through the funding allocations made to the different budget line items, so too are college priorities expressed through the allocations made to the departments and centers in the college. If the allocations at the college level do not appear to reflect a clear and transparent logic, then the chair has a responsibility to seek clarification from the dean concerning the formula used to make operating budget allocations. This dialogue with the dean is important for understanding how the foreign language department is positioned in the dean's strategic priority grid relative to other academic units in the college. Advocating for the department cannot happen effectively unless the chair understands the dean's perception of and regard for the unit's importance. Furthermore, understanding how the college is positioned relative to other colleges helps the chair understand, indeed anticipate, the challenges that the dean might face when advocating for the college or for the language department specifically. Second, chairs that are not armed with this knowledge are more likely to engage in a Quixote-type war-with-windmills when negotiating with the dean for financial resources, especially if the department happens to be classified as a low-priority unit. Such wars are pointless and cause unnecessary strife that could hurt the overall position of the department in the long run. On the other hand, if the department is a high-priority unit but the chair fails to take advantage of this classification to advocate for the resources it needs to develop fully, that neglect too would constitute a disservice to the department and a mark of ineffective leadership. Thus a proactive financial leadership style not only reduces the chair's risk of getting frustrated by an unsupportive dean but also improves the overall effectiveness of the chair.

Another proactive financial leadership role that the chair needs to adopt is to seek out and pursue all funding sources within and outside the institution, to support the activities of the department. Intra-agency transfer of funds happens frequently between different academic units by way of internal grant competitions. Chairs who are well informed of these funding sources and who stand ready to submit a proposal for funding on very short notice

are more likely to augment their real revenue base to support additional initiatives that departmental faculty and student organizations undertake. Summer school revenue is another funding source that the chair can tap to the advantage of the language department. Persuading the dean to institute a revenue-share plan, whereby profits realized from summer school operations are shared between the college and the originating department, is the collective responsibility of all the chairs of the college, and the language chair can take the lead in getting them organized. Where language lab fees are collected by the institution but disappear into a black hole, the language department chair has a duty to get some of that money invested back into the language lab. These are just a few examples of what the chair can do proactively as financial leader.

Finally, as pointed out in the "Report of the ADE Ad Hoc Committee on Changes in the Structure and Financing of Higher Education," chairs who cast themselves as "a partner [with the higher administration] rather than an officer in a chain of command" (99) are more likely to succeed in minimizing the adverse effect of budget cuts on the department than those who do not. Being involved in shaping budget decisions at all levels makes the chair a leader, but simply focusing on managing the financial resources within the department makes the chair a financial manager, "an officer in a chain of command." Whether as financial manager or leader, chairs need to promote transparency in budgetary decisions to enlist departmental colleagues' interest in high priority initiatives that are reflected through the budget. Explaining the budget at a department meeting helps the entire department understand what the departmental priorities are.

Financial Leadership and Advocacy for the Foreign Language Department

Higher education funding has suffered severe cuts in recent years in almost all states, and academic programs have been downsized as a direct result. Foreign language education in the United States as a whole has received, over the years, uneven and widely fluctuating federal government support. A quick review of federal funding trends reveals that there is a direct correlation between the onset of a major political crisis in which international agents have some involvement and a surge in funding or

political fanfare in the aftermath. Sputnik and the National Defense Education Act of 1958, and the tragedy of 9/11 and ACTFL's "2005: Year of Languages" drumbeat suffice as examples. These trends offer worrisome clues that ought to guide foreign language department chairs in their involvement with institutional governance.

In institutions where the definition of a bachelor of arts degree hinges on a foreign language requirement, the importance of foreign language programs can often be centered on this general education service role. The language-program-as-a-service-unit mentality that permeates the university environment is also reflected in the broader society, where knowledge of languages is valued only to the extent that it serves the economic and security interests of the nation. This mentality is a double-edged sword. Though language programs contribute a sizable share of required instructional services for which students pay their tuition dollars to the institution and are considered as indispensable to the institution for that reason, they do not enjoy any direct financial benefit for providing this critical service. Service is poorly rewarded in the academy, and those who provide it primarily are viewed as underdogs. So language departments, burdened with this service obligation, can be greatly disadvantaged in this kind of system and unable to cater adequately to their foreign language majors, unless the chair takes control of the situation and strikes a balance between the service role of the department and its instructional obligations toward the foreign language majors and minors. Proactive financial leadership as described earlier and advocacy for language go hand in hand in efforts to mainstream the language department.

Some deans need a good education from the foreign language department chair on the strategic national importance of specific foreign languages, in order for them to appreciate some of the seemingly unreasonable course staffing decisions that the chair makes concerning the less commonly taught languages with low enrollments. If such an education is not provided, it is unlikely that the chair will be successful in obtaining the resources needed to keep low-enrolled classes running.

It should be acknowledged that some aspects of the chair's ability to be a financial leader are ultimately constrained by the dean's interpretation of the chair's job contract. Deans can and do determine how much financial leadership the chair is allowed to assume, so it is important to know what

type of dean one has to deal with before accepting the job. The contract of most, probably all, chairs stipulates that they serve at the pleasure of the dean. This statement, depending on the dean's administrative philosophy and leadership style, can, at the lowest extreme, cause the chair to be reduced to a mere dignified administrative assistant for the dean. That will happen if the dean is a micromanager who has no need of or regard for the chair's input in making decisions. All power, especially financial leadership authority, is likely to be usurped by this type of dean, leaving the chair no room to lead. At the other extreme, chairs may enjoy so much latitude and support from their deans that they are able to make all critical decisions affecting their department, if the deans have high regard for and confidence in the chairs' ability to lead their academic units with almost no supervision. Most chairs probably deal with situations that are between these two extremes.

The institutional policy with regard to managing vacant faculty lines is an especially critical factor in determining how much financial leadership authority the chair has. The critical question is whether all vacant lines automatically default to the dean for reallocation or whether the chair has full control over their reallocation. Clearly, the ability of any chair to offer meaningful academic leadership in sync with discipline-specific standards hinges on his or her ability to make strategic faculty hires to support the critical need areas of the discipline. When a policy of automatic total confiscation of vacant faculty resources by the dean or institution is in place, financial leadership authority is effectively denied the chair. Chairs then truly have the hardest administrative job in the institution, to repeat a truism, because, in addition to being the punching bags of faculty and staff members, students, and higher-ups in the administration, they are also reduced to serving as de facto administrative assistants of their deans, stripped of all financial decision-making authority and yet expected to be the academic leaders of their departments. Under those conditions, the act of "negotiating" with the dean for resources can amount to engaging in an exercise in futility, frustration, and even humiliation, especially if the department's place in the strategic grid of the dean and the institution as a whole happens to be very low. Chairs are well-advised then, in their own interest and in the interest of the department, to understand

the department's positioning on the institutional budget structure relative to other academic units, before launching into negotiation with the dean for resources. This budget structure conveys a clear message about the perceived importance of the department relative to the university mission. If the department is low-ranked in the institutional budget structure, the first and most important role of the chair is to understand what the criteria of fund allocation are and to take immediate steps to correct the misperception. Educating the higher administration, working on mainstreaming the department in the institution, and showcasing achievements of the language faculty may be a few of the things the chair needs to do before negotiating. It is pointless deploying all the negotiation strategies that have proved successful in obtaining resources for other chairs under more favorable circumstances, if the very first step the chair needs to take is to change perceptions about the language department's strategic importance.

Finally, although FTE-based funding of academic programs is no longer widely practiced, knowing the FTE productivity of departmental faculty can be a powerful source of authority for the chair in advocating for the language department. Besides

top national ranking, there is nothing more persuasive to the higher administration in arguing for support of a program than the revenue figures the program generates. Being able to show that the language faculty has high productivity in the core areas of teaching, research, and service can sway perceptions favorably and lead to resource gains that would otherwise not happen. With the proliferation of adjunct faculty members in staffing general education courses, language departments are seeing greater competition with language centers, which can provide more cheaply the foreign language instruction that is needed to award BA degrees. In the face of this growing competition, language department chairs have a tougher role as advocates for quality language instruction, a role they cannot play effectively unless they are full partners with the higher administration on all fronts, including financial leadership.

Work Cited

"Report of the ADE Ad Hoc Committee on Changes in the Structure and Financing of Higher Education." *ADE Bulletin* 137 (2005): 89–102. <http://www.ade.org/Reports/ADEadhoc_Structure&finance.htm>.

Visual Overview of Typical Institutional Funding Sources and Fund Types

