

The Financial Health of the Society

H. RONALD CAMERON, APS Treasurer, and A. R. WEINHOLD, APS President

One of the major responsibilities of Council is to keep the membership informed about Society affairs. Fiscal management is certainly a critical element in the governance of any organization. As we complete our terms of office, it seems appropriate to discuss some of the factors that must be evaluated in establishing budgets to maintain a financially healthy Society.

While financial stability does not require growth, a society cannot continue to make progress without fiscal stability. We, like you, must fit the expenses of our programs into the income we generate. Council evaluates and prioritizes programs. The Financial Advisory Committee, through the Treasurer, supplies information, evaluates program budgets, and makes suggestions to help Council in its deliberations. This process happens twice a year.

There are seven major budgetary categories, each with varying relationships of income to expense (an eighth, MPMI, is waiting in the wings). These are: General and Administration (G & A), Member Services, *Phytopathology*, PLANT DISEASE, APS Press, Annual Meeting, and *Phytopathology News*. Two of these may require some explanation. G & A includes all expenses that cannot be assigned to specific functions: some payroll, all equipment, service contracts, telephones, warehouse rent, insurance, building maintenance, etc. This accounts for approximately 27% of the budget. Member Services is also a relatively large expense category and includes the annual report, placement services, career brochures and member promotion, committee activities and support, Office of International Programs, dues to affiliate societies (CAST, AIBS, ISPP, etc.), APS division collections and mailings, staff support for officers, committees and department heads/chairs, and officer travel. The other primary expenses are associated with publishing our journals and books.

The registration fee for the annual meeting usually covers the direct cost of the meeting, including staff time. Meeting income does not, however, completely cover normal overhead (use of headquarters equipment and facilities) unless the commercial exhibition is unusually successful. At the present size and complexity of our meetings, a \$5 to \$10 increase in the registration fee would be necessary to recover full costs.

The major sources of income are: membership dues, library subscriptions to *Phytopathology* and PLANT DISEASE, sale of APS Press publications, and miscellaneous journal revenue (page charges, reprints, back issues, etc.). In addition, some income is generated from advertising in PLANT DISEASE and *Phytopathology News*.

A budget is developed with the objective of allocating income to defray expenses in the appropriate category. Therefore, income from library subscriptions, page charges, and reprints for *Phytopathology* is used to cover the costs of manuscript processing, reviewing, editing, printing, and mailing the journal (postage in FY 1988 was \$42,000!). Similar allocations are made for PLANT DISEASE. Income from the sale of APS Press books and services is used to defray production costs.

Membership dues are allocated to Member Services, *Phytopathology*, PLANT DISEASE, and *Phytopathology News* on the basis of the percentage of the total expenses in each category. After dues allocation, a considerable deficit remains in the Member Services account. Funds to meet that deficit and to provide expenses for headquarters overhead or G & A are usually derived from income generated by APS Press, *Phytopathology*, and PLANT DISEASE.

We provide this information to make the point that, in addition to member dues, the sale of APS Press publications, library subscriptions to our journals, and page charges are essential elements in maintaining a balanced budget. Therefore, any addition or expansion of member services or increase in

operational costs requires a corresponding increase in the only sources of income available or the development of new sources of income.

We recognize that some members feel income and expenses should be directly connected. Thus, a member subscription to *Phytopathology* should cover the true expenses of *Phytopathology*. There are problems with this philosophy. First, not all programs generate income or generate sufficient income to cover expenses, e.g., committee activity and the Office of International Programs; financial support would disappear and the programs would cease. Second, the present member cost of *Phytopathology* or PLANT DISEASE is subsidized with the rationale that members contribute to these journals with volunteer time and professional expertise. The true cost would result in a substantial increase in dues.

As the Society has grown over the past years, we have balanced the budget by setting prices to reflect the costs of a particular area plus its relationship to the whole. Originally, dues covered the costs of *Phytopathology* and a few member services. Advertising defrayed a few expenses, but this source of income has never made a significant contribution to the budget.

As services to members increased and the Society became more active among related groups, expenses increased. Services that were contributed by our institutions for editors and committee chairs are no longer free. When PLANT DISEASE was absorbed, it was first subsidized by the USDA and then by the Society until it became self-supporting. The annual meeting has gone through a similar history. As the meeting has grown from hundreds to almost 2,000, staff has been assigned to assist the program chairman and to handle most of the local arrangements when we have hotel meetings. Registration fees are set to cover direct costs, including support for some speakers and staff time. Recovery of full overhead has not been a goal.

Council spends a significant portion of each meeting debating the merits of programs in the area of member services. Such items as membership in related scientific societies, international activities, promotional films, member surveys, and committee expenses must be evaluated against salaries, utilities, building maintenance, and equipment. All of these must at least balance with the available income. If income exceeds expenses, money is placed into three reserve accounts. The first two are dedicated reserves: Maintenance Reserve (for building maintenance) and Capital Improvement Reserve (for major capital expenses). The remainder goes into the operating reserve. Council approved a target operating reserve of 50% of the annual operating budget. A recent slight reduction in operating reserve was due primarily to the start-up costs of the journal *Molecular Plant-Microbe Interactions*.

We have no reservations about the continued financial stability of the Society. There are, however, trends that must be monitored and evaluated because of their potential impacts on fiscal management. These include the apparent plateauing of membership growth, the increasing reluctance of institutions to subsidize volunteer services, and the fact that certain operational costs, such as printing and postage, are increasing at a greater rate than income. In addition, an important issue that must be addressed is how best to provide the increased space required to accommodate the expanding activities of APS.

We have attempted to present an overview of the APS budget and highlight some of the decisions Council faces in managing the finances of our Society. In summary, the financial health of APS is very sound. Our fiscal stability should be credited to the membership, Council, and an excellent headquarters staff. Particular recognition should be given to our Executive Vice-President, Raymond Tarleton, for the outstanding administrative and management skills he has provided. We look forward to continued success in the future.