

Budget Model Review and Implementation Report on the Resource Management Model

October 31, 2006

Budget Model Review and Implementation Committee

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I. Introduction

Iowa State University began to review its budget model about 18 months ago, with the goal of developing a new budgeting approach that would distribute revenues and costs to units more consistently with their responsibilities and workloads. After considerable discussion and feedback in the university community, the Budget Model Development Committee issued its final report on June 30, 2006, (<http://www.iastate.edu/~budgetmodel/reports>) which recommended moving forward with Alternative Budget Model #3 (ABM3). President Geoffroy then appointed the Budget Model Review and Implementation Committee (BMRIC), and charged it with providing a final review and refinement to ABM3 and developing implementation plans. Over the last few months, BMRIC has widely sought and received much valuable input from university leaders and the university community. The primary issues that were identified over the last few months are discussed in the Addendum. That input has led BMRIC to refine ABM3 and to recommend to President Geoffroy the **Resource Management Model** that is described in this report.

As described in the earlier reports of the Budget Model Development Committee, all of which can be accessed on the above-referenced Web page, the primary purpose of the new budget model is to serve as a tool that will help Iowa State University more effectively accomplish its mission, reach its vision, and address the university's strategic plan priorities. While the model responds to and supports the strategic plan, it does not create it. Strong leadership at all levels of the institution is an integral component that will contribute to the success of the proposed change in budget philosophy. The budget model provides flexibility and opportunities for the President to direct resources to support the institutional strategic plan. It is also important for the new Resource Management Model to be consistent with the ISU culture of interdisciplinary collaborations.

The new budget model will be considered successful if:

- the general quality of the university's academic programs increases;
- measurable progress is made on the university's strategic plan;
- student enrollment targets are met and tuition revenues are maximized;
- revenues from sponsored funding and indirect cost recovery increase;
- the President and the Executive Vice President and Provost have adequate resources to affect strategic change and reward quality; and
- support services are provided in an increasingly efficient and cost effective manner while maintaining a high level of quality service to the university.

Terminology

Several new definitions and terminology are introduced in this report. The budget model now is referred to as the **Resource Management Model**. The responsibility centers now are referred to as **Resource Responsibility Centers**. The portion of state appropriation that was labeled subvention in ABM3 is now called the **Resource Management Fund**. The concept of non-revertible funds is now referred to as **Strategic Reserve Funds**.

This report describes the Resource Management Model, including sections on distribution of revenues, allocations of expenses and budget advisory committees. The report also provides the overall recommendation that the committee continue its work on refining the Resource Management Model and provides a plan to implement the model in its entirety for the FY09 budgeting cycle.

II. Resource Management Model

The Resource Management Model is described in the following sections: Revenue Distribution, Institutional Excellence Fund, Allocation of Expenses, and Budget Advisory Committees.

The primary differences between the university's current budgeting model and the Resource Management Model are that the new model:

- more accurately links responsibilities with resource decisions,
- provides decision-makers with more transparent and relevant information,
- provides a more effective way to accomplish the goals of the university's strategic plan, and
- rewards units that focus on high quality education, research, and outreach programs.

The principles underlying the Resource Management Model include:

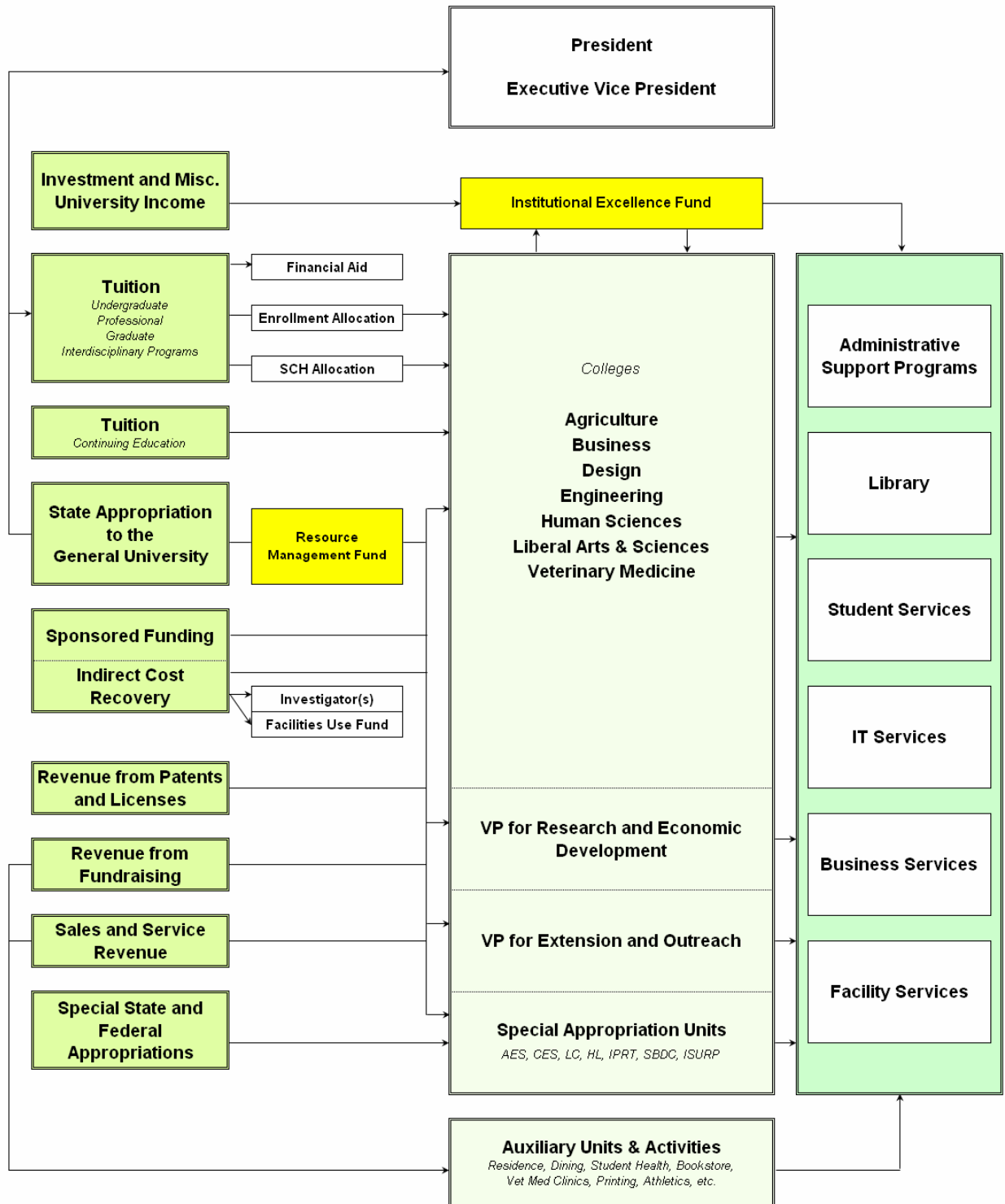
- distributes revenues to the Resource Responsibility Centers that generate the revenues, and in a manner that is transparent, easy to understand, and informed by data,
- allocates central administrative and support service costs to Resource Responsibility Centers that benefit from those services,
- insures a greater role for budget advisory committees that will provide advice for budgeting decisions, and
- provides university units with the flexibility to create "Strategic Reserve Funds" to be used for strategic multiple-year initiatives and for managing unexpected fluctuations of revenues or expenses.

Resource Flow Diagram

The Resource Flow Diagram illustrates the flow of resources into organizational units under the new Resource Management Model. The direction of the arrows depicts the flow of the resources. The university's primary revenue sources are on the left side of the diagram as darker green boxes. Units to which revenue can be directly attributed are Resource Responsibility Centers and are in the middle part of the diagram shaded in light green boxes. The Resource Responsibility Centers are the:

- seven academic colleges,
- Office of the Vice President for Research and Economic Development,
- Office of the Vice President for Extension and Outreach,
- units supported primarily by special state and federal appropriations, and
- auxiliary units and activities.

Resource Flow Diagram



Auxiliary units and activities receive a significant share of their revenues from the sale of products and services. Examples include the Department of Residence, ISU Dining, Thielen Student Health Center, ISU Book Store, Iowa State Memorial Union, Athletics, Iowa State Center, and Reiman Gardens.

Resources flow from the Resource Responsibility Centers to the Institutional Excellence Fund and six cost pools that reflect key support functions.

Revenue Distribution

Tuition

Undergraduate student financial aid is first funded from gross undergraduate tuition revenue. Of the remaining tuition revenue, 25% is distributed to the college in which the student is enrolled. The remaining 75% is pooled and distributed based on the student credit hours (SCH) taught by each college. The portion of revenue distributed based on enrollment reflects the residency status of the student; the portion distributed on SCH does not. Tuition revenue, net of financial aid, generated from differential undergraduate tuition, such as that now paid by upper division engineering students, will be distributed entirely to the college for which the rate is assessed.

For tuition generated from interdisciplinary undergraduate programs that span more than one college, the deans of the colleges will collaboratively decide on the distribution of the tuition revenue within the student enrollment pool.

Gross tuition revenue from professional (veterinary medicine) students will first fund financial aid for professional students. The net tuition revenue will then be distributed to the College of Veterinary Medicine. When veterinary medicine students take undergraduate courses from colleges outside the College of Veterinary Medicine, the tuition revenue for the college offering the course will reflect the normal SCH distribution.

Gross tuition revenue from graduate students is distributed entirely to the college of enrollment. Because 100% of tuition is distributed to the college of enrollment, colleges will be fully responsible for any applicable graduate tuition scholarships. In addition, when graduate students take courses outside their home college, a set amount of revenue will be automatically transferred from the home college to the college providing the course. The exact amount of this transfer will be determined later, but it will not be less than the undergraduate distribution per SCH.

Tuition revenue generated from interdisciplinary graduate programs will be distributed to the college home of the student's major professor. As with other graduate students, this college will be responsible for any applicable graduate tuition scholarships and will have revenue automatically transferred to cover courses taken outside of the home college. For those students who do not have a major professor (typically first year students in these programs), the Graduate College, in cooperation with college deans, will manage the distribution of these revenues for degree programs that span two or more colleges.

Tuition revenue from continuing education credit courses is distributed to the college that offers the course. These revenues will continue to be managed outside the general fund and the colleges will be expected to cover the full costs of offering these courses.

State Appropriation to the General University

The state appropriations that fund the General University will be distributed in four ways:

- To fully fund direct administrative expenses in the offices of the President, and Executive Vice President and Provost (Provost).
- To partially fund student advising and retention activities of colleges through the tuition enrollment pool. These funds will be distributed to the colleges based on student headcount enrollment (undergraduate, graduate, and professional students).
- To partially fund instructional activities of colleges through the tuition SCH pool. These funds will be distributed to the colleges based on total SCH (undergraduate, graduate, and professional students).
- To fully fund the Resource Management Fund, which is distributed to the Resource Responsibility Centers and to some of the auxiliary units¹ within the General Fund. In the first year of the model, the RMF will be the means of making Resource Responsibility Centers “whole” – balancing their expenses (both direct expenses and allocated expenses) with their revenue. In future years, the Resource Management Fund will be used at the discretion of the President and Provost to steer the university, carry out its mission, accomplish the goals of the strategic plan, and factor in differences in cost of instruction.

Any adjustments in the state appropriation that funds the General University will be distributed based on decisions made by the President and Provost in consultation with the University Budget Advisory Committee.

Sponsored Funding and Indirect Cost Recovery

Direct expenses of the sponsored activity will continue to be managed by the Principal Investigator(s). This remains unchanged from the university’s current practice of budgeting and financial management.

The revenue from indirect cost recovery (IDC) associated with sponsored funding will be distributed using a formula that better reflects where the costs of the funded activity are incurred. In comparison to the current distribution method, more of the revenue from IDC will be distributed to the units incurring the expenses associated with the sponsored activity. Specifically, revenue from IDC will be distributed as follows:

- 20% to the Facilities Use Fund – a central capital cost recovery fund used for infrastructure improvement costs. This is unchanged from the current system.
- 15% to the Principal Investigator(s). This is unchanged from the current system.
- 10% to the Resource Responsibility Center that is administering the grant.
- 20% to the Resource Responsibility Center paying the principal investigator’s budget salary (per the printed budget book). When an individual principal investigator’s salary is budgeted between two or more Resource Responsibility Centers, this share of IDC

¹ Iowa State Center, Memorial Union, Reiman Gardens, University Museums, and Athletics

revenue will be distributed based on the share of the individual's budgeted salary. When there are multiple co-principal investigators, this share of IDC revenue will be first apportioned across co-principal investigators based on their percent of effort on the grant, and then the amount apportioned to each co-principal investigator will flow proportionally to the units responsible for his or her budgeted salary.

- 35% to the Resource Responsibility Center responsible for the site where the research is conducted. If there are multiple sites, this share of IDC revenue will be distributed between the sites in proportion to the amount of work scheduled for each site.

Revenue from Fundraising

Revenue raised in collaboration with the ISU Foundation will be distributed to the university unit that manages the activity as specified by the donor. This remains unchanged from the university's current practice of budgeting and financial management.

Revenue from Patents and Licensing

Revenue generated from patents and licensing will be distributed using the existing policies and procedures. This remains unchanged from the university's current practice of budgeting and financial management.

Sales & Services Revenue

Revenues generated by sales and service activities conducted by departments, centers, and auxiliary units will be distributed directly to the respective Resource Responsibility Centers.

Special State and Federal Appropriations

Iowa State University receives funding from special state appropriations to support unique aspects of its mission. Specifically, these funds help support the Cooperative Extension Service, the Agriculture and Home Economics Experiment Station, the Institute for Physical Research and Technology, the Small Business Development Center, the Leopold Center for Sustainable Agriculture, the Healthy Livestock Initiative, and the ISU Research Park. The funding from these special state appropriations will be distributed directly to these units as required by law.

In addition, Iowa State receives funding from federal appropriations to support its land grant mission. Specifically, these funds help support the Agriculture & Home Economics Experiment Station and the Cooperative Extension Service. ISU also receives funding from special congressionally-directed federal appropriations, which will be distributed directly to these units as required by law.

Investment and Miscellaneous University Income

Investment income is earned from the investment of General Fund cash balances and, as such, is generated by the entire institutional financial framework. All revenues from this source will partially fund the Institutional Excellence Fund.

Miscellaneous university income is generated from application fees and deferred billing charges. All revenues from this source will also partially fund the Institutional Excellence Fund.

Institutional Excellence Fund

The Institutional Excellence Fund will be reinvested in university units, at the discretion of the President and Provost, to fund important new initiatives, to accomplish strategic goals, and position the university to compete for cutting edge opportunities. The Institutional Excellence Fund will be partially funded with the revenue from both investment and miscellaneous university income as described above. The balance will be funded by Resource Responsibility Centers based on their proportion of total direct expenses.

Allocation of Expenses

Direct expenses are those expenses that are directly attributed to the Resource Responsibility Centers and will continue to be distributed directly to the units². Expenses that are not directly attributed to the Resource Responsibility Centers will be pooled into seven expense pools that are briefly described below. The expense pools, with the exception of the University Leadership expense pool, will be allocated to the Resource Responsibility Centers. The BMRIC will determine the appropriate method(s) for allocating the expense pools using pre-determined consumption rates and/or proportional allocation methods. Specifically, expense pools will be allocated using one or more of the following methods:

- pre-determined consumption rate,
- proportion of student head count,
- proportion of staff FTE,
- proportion of net assignable square feet,
- proportion of sponsored research funding, or
- proportion of direct expenses.

The expense pools were developed according to the function of the support unit. The seven expense pools include University Leadership, Administrative Support Programs, Library, Student Services, Information Technology Services, Business Services, and Facility Services.

University Leadership

The expenses included in this pool are tied to the President's Office and the units that report to that office including University Relations, Government Relations, Legal Services, University Marketing and Internal Audit and the direct administrative staff and space for the Office of the Executive Vice President and Provost. These expenses will be fully funded from state appropriations and not allocated to the Resource Responsibility Centers.

Administrative Support Programs

The expenses included in this pool are associated with central academic and research support, including the Center for Excellence in Learning and Teaching, Honors Program, Women in Science and Engineering, Women's Center, Institutional Research, Graduate

² "Budget Book Expenses." Examples include direct faculty and staff salaries, supplies, travel reimbursement, and equipment.

College, Office for Sponsored Programs Administration, Office of Research Compliance and Assurances, and University Animal Research Station. These expenses will be allocated using one or more of the expense allocation methods listed above.

Library

The expenses included in this pool are associated with the Library. These expenses will be allocated using one or more of the expense allocation methods listed above.

Student Services

The expenses included in this pool are associated with central student services offered through the Division of Student Affairs. These expenses will be allocated using one or more of the expense allocation methods listed above.

Information Technology Services

The expenses included in this pool are associated with central information technology services, including learning and teaching technologies, research and high performance computing, information technology facilities and training, university administrative information systems, networking and communications, and information technology security. These expenses will be allocated using one or more of the expense allocation methods listed above.

Business Services

The expenses included in this pool are associated with central business services, including accounting, payroll, human resource services, accounts receivable, and the Treasurer's Office. These expenses will be allocated using one or more of the expense allocation methods listed above.

Facility Services

The expenses included in this pool are associated with maintaining the institution's physical facilities and providing utility services. These expenses will be allocated using one or more of the expense allocation methods listed above.

Budget Advisory Committees

The Resource Management Model underscores the administrative responsibilities of the president, the three vice presidents, and other key administrators that manage central administration and support services. Moreover, it also recognizes the need for transparent mechanisms for providing broad-based advice and counsel for budgetary and programmatic decisions. To ensure the balance between administrative management roles and advisory input into administrative decision-making, the model includes key, consultative advisory committees. These committees are not intended to supplant other advisory groups or mechanisms.

Function and Purpose of Advisory Committees

Iowa State University has a long history of cooperative engagement between administrators and advisory groups and that should be preserved in the new Resource Management Model.

The primary purpose of the advisory committees is to provide advice to administrators throughout the annual budget development process. Specifically:

- Each budget advisory committee will have adequate representation of administrators, faculty, staff, and student leaders as well as other members that would be appropriate for each committee's work.
- The budget advisory committees' recommendations should remain advisory to the administrator and focus on recommending the level of funding required to efficiently provide the type and quality of service desired by the university community.
- The decision-making processes will continue to flow through administrative channels, with appropriate advice from the relevant budget advisory committee at each level.
- Administrators must consider advisory committee commentary and recommendations when developing annual budget plans/requests and provide feedback to the advisory committee.
- Administrators are also expected to provide advisory committees with clear frameworks for programs and services, pertinent financial data (with emphasis on trends), explanations of income streams and their relationships to services and programs, and logistical support for advisory committee operations.

Specification and Structure of Advisory Committees

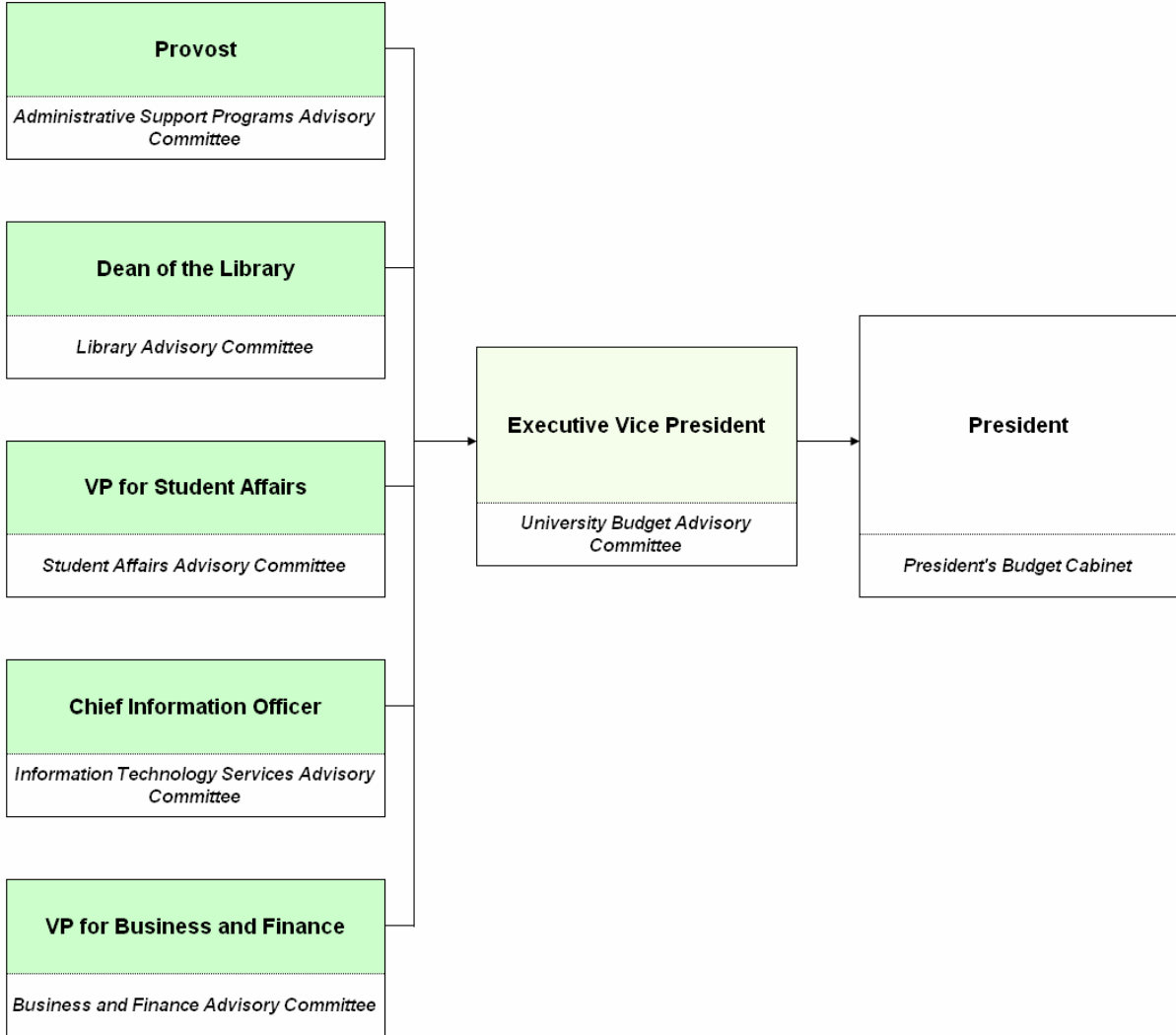
The Resource Management Model includes a university-level advisory committee and an advisory committee for each of the major administrative units that are not Resource Responsibility Centers – Office of the Provost, Library, Student Affairs, Information Technology Services, and Business and Finance. Each of the administrative units will be advised by at least one advisory committee. At the discretion of the administrator, additional advisory committees may be established.

The Budget Advisory Diagram on the following page illustrates the working relationships between administrators and advisory committees. The diagram also highlights the existing relationship between the President and the President's Budget Cabinet.

University Budget Advisory Committee. The University Budget Advisory Committee advises the Executive Vice President on a broad range of functions that cross the entire university. Its deliberations are informed by advice from the respective administrative units, with clear accounting for all advisory committee recommendations and commentary. The committee's primary roles include:

- make recommendations on the annual distribution of revenues, reductions, and allocation changes,
- identify and/or prioritize long-range initiatives within the Resource Management Model,
- make recommendations on the use of the Institutional Excellence Fund,
- review the budgets of the Offices of the President and Executive Vice President and Provost on a regular basis to ensure that these administrative functions of the university are being carried out effectively and efficiently, and
- provide advice and input to the Executive Vice President regarding her annual preparation and presentation of a unified set of budget recommendations to the President.

Budget Advisory Diagram



Administrative Support Programs Advisory Committee. The Administrative Support Programs Advisory Committee advises the Provost on the level of funding required to efficiently provide the desired type and quality of service for the following units: Center for Excellence in Learning and Teaching, Honors Program, Women in Science and Engineering, Women's Center, Institutional Research, Graduate College, Office for Sponsored Programs Administration, Office of Research Compliance and Assurances, and University Animal Research Station.

Library Advisory Committee. The Library Advisory Committee advises the Dean of the Library on the level of funding required to efficiently provide the type and quality of service desired by the university community.

Student Affairs Advisory Committee. The Student Affairs Advisory Committee advises the Vice President for Student Affairs on the level of funding required to efficiently provide the type and quality of service desired by the university community.

Information Technology Services Advisory Committee. Information Technology Services Advisory Committee advises the Chief Information Officer on the level of funding required to efficiently provide the type and quality of service desired by the university community.

Business and Finance Advisory Committee. The Business and Finance Advisory Committee advises the Vice President for Business and Finance on the level of funding required to efficiently provide the type and quality of service desired by the university community.

Composition of Advisory Committees

Although one goal was to keep the advisory committees as small as possible, the BMRIC's recommendations regarding advisory committee composition were guided by the important principles of representation, shared governance, diversity, and expertise. These principles required that each advisory committee be relatively large, about 18 members each on average. Advisory committees may also invite visitors to specific meetings in order to fully utilize expertise on campus.

Each committee includes representation from the Graduate and Professional Student Senate, Government of the Student Body, Professional and Scientific Council, Faculty Senate, Department Chair Cabinet, and Council of Deans. Each committee will also include a faculty representative from each of the seven colleges. Many committees will also include representation from the library and from the vice presidents' offices (Research and Economic Development, Business and Finance, Student Affairs, Information Technology Services, and Extension and Outreach). The vice presidents were not included on the University Budget Advisory Committee to keep the size of that committee manageable and because many of them serve on the President's Budget Cabinet, which will continue under the Resource Management Model. Representation from the Council of Deans and the Department Chairs Cabinet is listed as optional on many of the committees simply because

the relatively small size of these two groups may make it challenging for them to identify representatives for each committee. Technically, any named group could decline to send a representative.

There is an important restriction on faculty representatives from the colleges and the library. Specifically, at least five of these representatives must not hold an administrative position at the level of department chair or higher. This restriction ensures strong representation from the general faculty and guarantees that faculty administrators will never outnumber non-administrative faculty on any advisory committee. In practice, it is expected that non-administrative faculty will always outnumber faculty administrators on any advisory committee.

Selection Procedures for Advisory Committees

About half of the members on each advisory committee will be appointed by virtue of their position (e.g., Faculty Senate President) or as the designated representative from one of the constituent groups named above. Faculty representatives from the colleges and the library will be appointed through a nomination and selection procedure. Each college, and the library for most committees, will be responsible for generating a slate of two to three nominees for each committee. The nominees would presumably be generated in consultation between the Dean and the representative body for each college, and each slate would include at least some faculty members who do not hold an administrative position of department chair or higher. Nominees would be expected to have the requisite interest and knowledge to serve on the specific advisory committee. Deans would also be expected to include some diversity on each slate. The relevant administrator for each advisory committee would select one member from each slate, with attention to the requirement for a minimum of five non-administrative faculty members. Diversity should also be factored into the administrator's selections. For committees that are chaired by a faculty member, the administrator would select the chair from the same set of slates before choosing the representative from each college, and the library when applicable.

Length of Appointments on Advisory Committees

BMRIC recommends that the length of appointment on advisory committees be three years whenever possible to ensure continuity in the functioning of the committees. These appointments could be renewed once. Appointments will be limited to one year for members appointed by virtue of their office (e.g., P&S Council President, Faculty Senate President, etc.), and their positions on committees would be filled by their successors. All student appointments are listed as one-year, renewable terms, except in cases of student officers who would be replaced by their successors. Terms should be staggered whenever possible when the advisory committees are first formed to ensure continuity over time for the committees.

The recommended composition, selection procedures, and length of appointments for each advisory committee are summarized in the tables that follow.

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**University Budget Advisory Committee
(18 members total)**

Number of Members	Group	Notes	Selection Method	Term
1	Executive Vice President and Provost	Committee Chair	Ex-officio	Continuous
1	Associate Vice President for Budget & Planning		Ex-officio	Continuous
1	Council of Deans		Council's designee	3 years
1	Department Chairs Cabinet		Cabinet's designee	3 years
2	Faculty Senate		Senate President Senate President-Elect	1 year 1 year
8	Faculty representation from each college and the library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
2	Professional & Scientific Council	President and President Elect	Council President Council President-Elect	1 year 1 year
1	Graduate & Professional Student Senate	President	GPSS President	1 year
1	Government of the Student Body	President	GSB President	1 year

^a Each college and the library will submit two to three nominees to the Provost, who will select one person from each slate with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

Summary of Representation:

Students	2
P & S Staff/Administrators	3
Faculty (non-administrative)	7 to 10
Faculty Administrators	3 to 6

**Administrative Support Programs Advisory Committee
 (15 plus 2 optional members)**

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Office of Research & Economic Development		VP or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year

^a Each college and the library will submit two to three nominees to the Provost, who will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

Summary of Representation:

Students	2
P & S Staff	3
Faculty (non-administrative)	6 to 10
Faculty Administrators	0 to 6

Library Advisory Committee
 (16 members plus 3 optional members)

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Research & Economic Development Office		VP or designee	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
7	Faculty representation from each college	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Information Technology Services	Ex-officio, non-voting member	CIO or designee	3 years
1	Extension	Optional membership	VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
2	Government of the Student Body		GSB designees	1 year
1	Dean of Library	Ex-officio, non-voting member	Ex-officio	Continuous

^a Each college will submit two to three nominees to the Dean of the Library. The Dean will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members

Summary of Representation:

Students	3
P & S Staff/Administrators	4
Faculty (non-administrative)	6 to 9
Faculty Administrators	1 to 6

**Student Affairs Advisory Committee
 (21 members plus 2 optional members)**

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
7	Faculty representation from each college	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council	President or designee	Council's designee	3 years
1	Information Technology Services	Ex-officio, non-voting member	CIO or designee	3 years
1	Business and Finance	Ex-officio, non-voting member	VP or designee	3 years
2	Graduate & Professional Student Senate		GPSS President & designee	1 year
6	Government of the Student Body	GSB President and five other students	GSB President Five other U.G. Students ^b	1 year
1	VP for Student Affairs	Ex-officio, non-voting member	Ex-officio	Continuous

^a Each college will submit two to three nominees to the VP of Student Affairs. The VP will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

^b In consultation with the GSB President, the VP for Student Affairs will select five additional undergraduate students to reflect different aspects of the student population (e.g., residence system, Greek system, adult students, etc.) and with attention to diversity.

Summary of Representation:

Students	8
P & S Staff/Administrators	3
Faculty (non-administrative)	6 to 9
Faculty Administrators	0 to 5

**Information Technology Services Advisory Committee
 (17 members plus 2 optional members)**

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Business and Finance		VP or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Extension		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year
1	Chief Information Officer (CIO)	Ex-officio, non-voting member	Ex-officio	Continuous

^a Each college and the library will submit two to three nominees to the CIO. The CIO will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

Summary of Representation:

Students	2
P & S Staff/Administrators	5
Faculty (non-administrative)	6 to 10
Faculty Administrators	0 to 6

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**Business and Finance Advisory Committee
(17 members plus 2 optional members)**

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Information Technology Services		CIO or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Extension		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year
1	VP for Business and Finance	Ex-officio, non-voting member	Ex-officio	Continuous

^a Each college and the library will submit two to three nominees to the VP for Business and Finance. The VP will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

Summary of Representation:

Students	2
P & S Staff/Administrators	5
Faculty (non-administrative)	6 to 10
Faculty Administrators	0 to 6

III. Recommendation

The Budget Model Review and Implementation Committee believes that the comment period has provided the opportunity for a frank, thorough, and constructive review of the proposed budget model. All suggestions, questions, and concerns were acknowledged and considered.

The proposed changes to the current incremental budget model are significant and the response during the comment period reflected, to some extent, the anxiety and concern that accompany any change of this magnitude. The Budget Model Review and Implementation Committee does not believe the level of concern is unusual, or that it should be seen as an indication that the adoption and implementation of a new budget model cannot be achieved. Successful adoption and implementation of a new budget model, however, will require strong leadership throughout the university beginning with the President through the Executive Vice President and Provost, the vice presidents, the deans, and the department chairs.

It should also be noted that the Resource Management Model will be more effective if university units have the ability to create Strategic Reserve Funds. These reserves are needed by university units to fund strategic multi-year initiatives and for managing unexpected fluctuations of revenues or expenses. Therefore, the committee encourages university leadership to continue pursuing the necessary approval from the appropriate governing bodies that would allow university units to create such reserves from tuition revenue.

With that understanding, the Budget Model Review and Implementation Committee recommends that it continue to work toward the implementation of the Resource Management Model.

IV. Implementation Plan

The Budget Model Review and Implementation Committee has developed an implementation plan that entails phasing out the current incremental budget model and phasing in the Resource Management Model. To accomplish this, a variety of activities will need to be completed, including,

- defining administrative and financial policies applicable to the budgeting process,
- defining administrative and financial procedures relating to the budgeting process,
- developing administrative and budgeting data systems needed to support the budgeting process, and
- training financial management staff throughout the institution on the budgeting policies, procedures and systems.

The committee recognizes that the Resource Management Model will be most effective if all its components are implemented. However, the committee also recognizes that the implementation of this model is dependent upon the outcomes of decisions, the completion of tasks, and the development of data systems. Therefore, it is recommended that this model be implemented in phases as detailed below. The plan includes implementing the model during FY08 to establish the base year, and then implementing the model in its entirety for the FY09 budgeting cycle.

Phase 1 – Refinement of Model Parameters

Finalize the Resource Management Model parameters for revenue distribution, expense allocation, and the budget advisory committees.

October 2006 – January 2007

- Finalize the model parameters for allocating expense pools.
- Finalize the model parameters for distributing tuition revenue, IDC revenue, and state appropriation funding.
- Finalize the structure and composition of budget advisory committees.
- Submit the second BMRIC report to the President on January 22, 2007.
- Begin regular training/information sessions with all fiscal officers.

Phase 2 – Development of Policies, Procedures, and Data Systems

Define the necessary budgeting policies and procedures and develop the data systems needed to implement the Resource Management Model.

January 2007 – December 2007

- Define the administrative and financial policies needed to manage the distribution of revenues and the allocation of expenses.
- Define the administrative procedures needed to manage the distribution of revenues and the allocation of expenses.
- Develop the data systems needed to distribute tuition revenue, IDC revenue, state appropriation funding, and allocate expense pools.
- Appoint members to the University Budget Advisory Committee and each of the administrative unit's budget advisory committees.
- Continue with the training/information sessions with all fiscal officers.

Phase 3 – Model Implementation during FY08

Develop the FY08 budget using the current incremental budget model. As procedures and systems are established, central administration will restate the FY08 budget using the Resource Management Model. The restated model will be used to calibrate the parameters of the model and to establish a base-year Resource Management Fund. The process and results of restating the budget will be communicated to the Resource Responsibility Centers (RRCs), central administrative units, and budget advisory committees to begin training on how the model components are implemented. Central administration will continue to manage fluctuations in actual revenues and allocation expenses centrally. Monitor the outcomes of applying the Resource Management Model throughout the year.

January 2007 – June 2007

- Develop the FY08 budget using the current incremental budget model.
- Integrate college planning with central enrollment and budget planning to project FY08 enrollment and estimate tuition by college.

July 2007 – June 2008

- Restate the FY08 budget using the Resource Management Model (completed by central administration):
 - Distribute budgeted tuition revenue and IDC revenue to the Resource Responsibility Centers.
 - Distribute all budgeted direct expenses.
 - Allocate the budgeted expense pools to the Resource Responsibility Centers.
 - Establish the base-year Resource Management Fund for each Resource Responsibility Center.
 - Inform Resource Responsibility Centers, central administrative units, and budget advisory committees of the results of restating the FY08 budget using the Resource Management Model.
- Distribute all actual direct expenses throughout the fiscal year.
- Simulate the distribution of actual tuition revenue and IDC revenue to the Resource Responsibility Centers throughout the fiscal year and provide periodic updates to the RRCs and budget advisory committees on the outcomes of the simulation.
- Continue with the training/information sessions with all fiscal officers.

Phase 4 – Model Implementation during FY09 budgeting cycle

Fully implement the Resource Management Model in developing and administering the FY09 budgeting cycle.

October 2007 – June 2008

- Develop the FY09 operating budgets for each central administrative unit using the Resource Management Model in the fall of 2007.
- Develop the FY09 operating budgets for each Resource Responsibility Center using the Resource Management Model, including their respective tuition revenue, IDC revenue, direct expenses, allocated expenses, and their share of the Resource Management Fund from the base-year (FY08) in the spring of 2008.
- Finalize the FY09 budget developed from the Resource Management Model and submit to the President for approval.

July 2008 – June 2009

- Distribute actual tuition revenue, IDC revenue, and direct expenses to the Resource Responsibility Centers in “real-time” throughout the fiscal year.
- Allocate expense pools to the Resource Responsibility Centers.
- Distribute share of Resource Management Fund to each Resource Responsibility Center.
- Continue to enhance the tools for multi-year forecasting.
- Conduct periodic training sessions on budgeting and forecasting with appropriate staff.

Addendum – Primary Issues

The Budget Model Review and Implementation Committee has greatly benefited from the extensive feedback it received on ABM3 that was proposed by the Budget Model Development Committee in its June 30, 2006, report. The feedback came from a broad range of constituents in the university community, including administrators, faculty, staff, and various other interest groups. The key issues are summarized below with a statement of each issue, followed by a brief summary of the various perspectives on the issue, and a recommendation from the committee. Some recommendations are very specific; others summarize the committee's current thinking and outline issues that still require resolution.

Issue: How should differences in the Cost of Instruction (COI) be reflected in the proposed budget model?

Perspective: It is inevitable that differences in COI will be reflected in some way in the proposed budget model; however, there has been no unanimity among interest groups about the most equitable method for addressing the differences. The President communicated a decision to the Budget Model Review and Implementation Committee to use the Resource Management Fund (RMF) to adjust for the difference in COI rather than using a differential cost multiplier in the formula for distributing tuition revenue.

Recommendation: In the initial years of the Resource Management Model, COI differences will be reflected through the distribution of the state appropriations via the RMF. In the initial year when colleges are "made whole," the RMF allocation will reflect the COI differences currently incorporated in base budgets. For the first three years, strategic decisions on the distribution of the RMF will explicitly consider adjustments based on cost of instruction factors including costs associated with enrollment increases in high cost disciplines. During that time, a careful and thorough study of the cost of instruction will be conducted. The results of the study may lead the President and Provost to reconsider this decision.

Issue: What budget advisory committees are needed in the proposed budget model? What should be their purpose and how should they function? What is the optimal composition of each budget advisory committee, and how should members be selected?

Perspectives: Although there is broad support for the idea of budget advisory committees, there is considerable difference of opinion on the specific committees needed, the optimal purpose and function of the committees, and the most appropriate composition of the committees. With regard to purpose and function, some have suggested that the committees should remain budget advisory to the relevant administrator and others have argued that the committees should have decision-making power. One common theme in the feedback received about the composition of committees is that the particular group responding believes that it should be well represented on all budget advisory committees.

Recommendation: The BMRIC has discussed the purpose and function of budget advisory committees, and believes that the long history of cooperative engagement between administrators and advisory groups at ISU should be preserved in the Resource Management Model. The primary purpose of the budget advisory committees is to provide advice to administrators throughout the annual budget development process. Specifically, the BMRIC believes that each budget advisory committee will have adequate representation of administrators, faculty, staff, and student leaders as well as other members that would be appropriate for each committee's work. Second, the budget advisory committees' recommendations should remain advisory to the administrator and focus on recommending the level of funding required to efficiently provide the type and quality of service desired by the university community. Third, the decision-making processes will continue to flow through administrative channels, with appropriate advice from the relevant budget advisory committee at each level. Fourth, administrators must consider advisory committee commentary and recommendations when developing annual budget plans/requests and provide feedback to the advisory committee. Finally, administrators are expected to provide advisory committees with clear frameworks for programs and services, pertinent financial data (with emphasis on trends), explanations of income streams and their relationships to services and programs, and logistical support for advisory committee operations.

Currently, the BMRIC suggests that the committees include a university-level budget advisory committee and a budget advisory committee for each of the major administrative units that are not Resource Responsibility Centers – Office of the Provost, Library, Student Affairs, Information Technology Services, and Business and Finance. Each of the administrative units will be advised by at least one budget advisory committee.

Although one goal was to keep the advisory committees as small as possible, the BMRIC's recommendations regarding advisory committee composition were guided by the important principles of representation, shared governance, diversity, and expertise. These principles required that each advisory committee be relatively large, about 18 members each on average. Details of the advisory committees' composition, selection procedures, and terms of appointments are presented in the main body of this report.

Issue: What impact will the proposed budget model have on the quality of teaching, research, and outreach?

Perspectives: Many commentators raised the concern that the model will adversely impact quality. There was a perception that all the incentives are tied to quantities of outputs rather than quality of outputs. A concern was that activities that don't generate revenue will be diminished or eliminated. On the other hand, since quality is one of the characteristics that drives market demand, it is a false premise to assume that reducing quality would be a successful approach to maximizing revenue.

Recommendation: The model must be coupled with management approaches that ensure a focus on quality and on the University's mission, goals and strategic plans. The budget model exists to serve the major guiding principles and goals of the institution. As it is made clear in ISU's strategic plan, excellence is and will continue to be a core value of the institution. The

model is intended to provide incentives for both revenue generation and cost reduction that will ultimately provide the necessary resources to support the mission and goals and strategic plans of the institution. The model has to support university leadership's decisions and should be coupled with a planning and decision-making approach that supports the mission, goals, and strategic plans of the institution. Resource Responsibility Centers should be held responsible for performance across the range of strategic goals. Performance with respect to strategic goals should be coupled with Resource Management Fund allocations as part of the annual planning process.

Issue: Will the proposed budget model create an “even playing field” or will units have unequal starting points because of historical inequities that are not addressed by the current budget model?

Perspectives: In the past, workloads and responsibilities of units have changed, but resources have not been adjusted to address those changes. Consequently, there are units that have little or no capacity to grow without first receiving additional resources. Because the proposed budget model “locks in” these inequities in the base year and then rewards subsequent growth, units that are already operating near or even beyond capacity will be at a permanent disadvantage.

Recommendation: The BMRIC recognizes that workloads and responsibilities for units have changed and the current budget model did not adequately address those changes in a timely manner. This situation highlights one of the primary reasons that ISU is exploring an alternative budget model. However, the committee believes that it is not practical to rebase the budget in the first year and at the same time, implement a new budget model. In addition, the Resource Management Model is not designed to immediately eliminate inequalities, but is designed to be more dynamic and responsive to changes moving forward. In the base year, the model will be neutral on adjusting for historical inequities. In subsequent years, the model provides university leadership with the Resource Management Fund to address these inequities.

Issue: What impact will the proposed budget model have on interdisciplinary academic programs?

Perspectives: Faculty, staff, and administrators clearly value the level of collegiality present at ISU and its manifestation in a number of interdisciplinary academic programs at both the undergraduate and graduate level. The concern of some is that the proposed budget model will introduce an element of competition that will “raise walls” between disciplines, decreasing collegiality and interdisciplinary programs. Other people have suggested that the level of collegiality and number of interdisciplinary programs is a reflection of the institution's overall culture, rather than a reflection of its budget model, and that this culture is likely to persist under the proposed budget model.

Recommendation: The BMRIC believes that every effort should be made to maintain, and even enhance, the high level of collegiality and interdisciplinary programs at ISU. The committee agrees that this achievement is more of a reflection of the overall culture at ISU, rather than its

budget model, so the committee expects that interdisciplinary activity will continue to develop under the Resource Management Model. The principles of the model imply that revenue and expenses be equitably distributed to the units that generate them. These principles guided our recommended distribution of tuition revenue and that, if followed, should promote interdisciplinary academic programs. In fact, the model provides incentives for interdisciplinary programs that are not present in the current budget model. Specifically, by guaranteeing that some revenue will follow students, there is an incentive for visionary leaders to work collaboratively across disciplinary boundaries to develop attractive, high quality academic programs. Therefore, the committee expects that interdisciplinary academic programs will continue to develop under the Resource Management Model.

Issue: What impact will the proposed budget model have on interdisciplinary research?

Perspectives: Interdisciplinary research is also highly valued at ISU. Some fear that the proposed budget model will somehow decrease interdisciplinary research activity on campus. The exact basis for this concern is not clear, but the issue has typically been raised in conjunction with indirect cost recovery (IDC) distribution, so it appears that the concern is that the distribution of IDC will create competition that will inhibit interdisciplinary research activity.

Recommendation: A budget model does not need to directly incent all desirable behaviors because many incentives are contained within the local culture, which is characterized by a high level of collegiality. External incentives for interdisciplinary research, as dictated by external funding agencies, are also considered extremely “hot,” so no additional incentives are being proposed in the Resource Management Model. The principles of the model imply that revenue and expenses be equitably distributed to the units that generate them. These principles guided our recommended distribution of IDC recovery revenue and that, if followed, should promote interdisciplinary research. In addition, the current level of interdisciplinary research at ISU was achieved under a system that distributed IDC, so the mere existence of a distribution system should not be problematic. The primary difference between the current budget model and the Resource Management Model is that the Resource Management Model will distribute a greater proportion of IDC and ensure that a substantial portion of that revenue reaches the unit where the research is being conducted. The BMRIC believes that this approach will encourage funded research of all types, and particularly interdisciplinary research. Therefore, the committee expects that interdisciplinary research will continue to develop under the Resource Management Model.

Issue: Why isn't the Resource Management Fund (RMF) distribution as transparent as other formulaic resource distributions?

Perspectives: One goal of the proposed budget model is transparency. In the base year the RMF is determined automatically by the “make whole” policy. But in subsequent years, the RMF funds may be reallocated or augmented based on leadership decisions. The criteria to be used in making these decisions aren't specified by the proposed model. This is not perceived as a transparent approach.

Recommendation: The RMF is intended to provide strategic steering for the institution. Strategic steering can't be driven with a formulaic approach. The distribution of the RMF must be based on leadership decisions to ensure that the university achieves its strategic goals. Under the Resource Management Model, there will be greater transparency than in the current model because the outcomes of leadership decisions will be fully public. Transparency will be enhanced by clear communication from the leadership regarding RMF decisions. Also, the budget advisory committees proposed in the model will provide a level of review and discussion that will improve transparency.

Issue: What is the relationship between the proposed budget model and the institutional strategic plan?

Perspective: The proposed budget model should support the strategic plan.

Recommendation: One of the goals of the proposed budget model is to better link resource allocation with the goals of the strategic plan. The revenue distribution formulas in the Resource Management Model are designed to maintain enrollment and increase sponsored research, both of which are elements of the strategic plan. Other strategic issues must be addressed through management processes and leadership decisions. The link between resource allocation decisions and the strategic plan will be more transparent and explicit using the Resource Management Model.

Issue: Alternative Budget Model #3 (ABM3) allocates tuition and a portion of state appropriation to the colleges in the same manner as tuition. Does this approach over-emphasize the instructional component of the college mission?

Perspectives: There was widely shared support for including state appropriations in the tuition allocation formulas in order to explicitly acknowledge that state appropriations are supporting instruction and to compensate for the difference in resident and non-resident tuition rates. Resident tuition rates alone might be insufficient to provide incentives for maintaining or growing resident enrollment. However, some concerns were expressed that the allocation of tuition, particularly when enhanced by a portion of state appropriations, creates incentives that will distort the college mission toward instruction at the expense of its other missions. In short, some viewed this enrollment incentive as too "hot."

If the amount of state appropriation allocated to instruction is too large, then it can lead to one or more of the colleges being entirely tuition dependent and it was felt by many that all colleges should receive a portion of their resources through the Resource Management Fund. The RMF allocation recognizes that the college's other missions are being supported by centrally allocated resources. It is also important for all units to participate in the RMF distribution because that is the mechanism that provides "steering" for meeting the university's overall strategic goals through leadership decisions.

Recommendation: Tuition alone may not provide sufficient incentive for colleges to maintain and grow enrollment. Providing appropriate enrollment incentives is a major goal of the Resource Management Model and so some amount of state appropriation needs to be allocated based on enrollment and teaching. However, the President has indicated that the amount of state appropriations distributed on the basis of enrollment and teaching needs to be set so that each college receives a significant amount of funding from the Resource Management Fund. It is also important for all units to participate in the RMF distribution because that is the mechanism that provides “steerage” for meeting the university’s overall strategic goals through leadership decisions.

Issue: Why doesn’t Alternative Budget Model #3 (ABM3) propose including any state appropriations in the tuition allocation for graduate students and professional students?

Perspectives: This allocation methodology was perceived to cause inequity among groups of students. State appropriations should support professional and graduate education in the same manner as undergraduate. Since there is also a strategic objective of growing graduate enrollment, incentives should not be biased toward undergraduate growth.

Recommendation: The Resource Management Model suggests a change to ABM3 in the allocation methodology to address this concern. State appropriations will be added to all tuition allocations for undergraduate, graduate, and professional students. It is further recommended that the state appropriation be distributed in the same manner as tuition, i.e., a portion distributed based on the college of enrollment and a portion distributed based on student credit hours (SCH).

Issue: Alternative Budget Model #3 (ABM3) shows leadership expenses being funded directly from state appropriations and not allocated back to the Resource Responsibility Centers. What is in this category, and why is it treated differently than other administrative costs?

Perspectives: There seemed to be general agreement that that the real and perceived autonomy of senior leadership should be preserved. However, the “off the top” mechanism proposed in ABM3 appeared to put a fairly large portion of administrative expense in this category, and raised unnecessary and unintended organizational questions about the definition of senior leadership. Other objections included the perception that there would be less accountability for expenses in this category.

Recommendation: The Resource Management Model addresses these concerns by adopting a much narrower definition of leadership. Only the direct offices of the President and Executive Vice President and Provost are included in the leadership category and funded directly from state appropriations. Costs of the other Vice Presidents and the academic support units that report to the President and Provost are included in one of the suggested expense pools and allocated to the Resource Responsibility Centers using the allocation methodology appropriate to the functions of the support units involved.

Issue: What is common good and what are the criteria for inclusion and exclusion in the category?

Perspectives: There was significant confusion about the common good expense pool because of the misconception that units could “opt out” of paying for services in other pools but could not “opt out” of paying for the common good services. This led many support units to assert that they should be included in the common good expense pool.

A related concern was that some units included in leadership and the common good are auxiliaries because they receive much of their support from non-general fund sources. These units include Athletics, the Memorial Union, the ISU Center, University Museums, and Reiman Gardens. Auxiliary units should be treated like Resource Responsibility Centers in the sense that they generate their own revenue, but some may also need a Resource Management Fund (RMF) allocation.

Recommendation: The common good expense pool that was in the ABM3 has been dropped in the Resource Management Model and the services previously included in this category are reclassified into one of the other expense pools. The revenue-generating auxiliary-type units that were classified as common good services will be treated like Resource Responsibility Centers and may receive funding from the Resource Management Fund.

Issue: What is the purpose of the expense allocations?

Perspectives: There was a tendency to perceive the expense calculations as rates and to assume that they will go up or down in a fixed amount as the allocation parameters go up or down, e.g. adding enrollment will increase allocated student service costs by a fixed amount per student. Thus, the expense allocation could be considered a disincentive. The fairness of allocating utility costs based on actual consumption was questioned because of differences in the quality and energy efficiency of the space.

Recommendation: The distribution of revenues requires the allocation of expenses. Some expenses can be distributed based on consumption but many services can not. Although the allocation methods vary, the Resource Management Model approach is to allocate central services costs proportionately. Expense allocations should not be viewed as a bill for services, and it is misleading to translate expense allocations into a per unit type of calculation. Expense pools will be reviewed by budget advisory committees that will provide guidance on base levels of service and oversight on efficiency and funding issues. Resource Responsibility Units will not be allowed to “opt out” of base levels of services. Options to purchase additional services either internally or externally should be considered.

Issue: How will the proposed budget model work beyond the college level? Do we really have a more transparent budget model if it does not drive revenues and expenses beyond the college level?

Perspectives: Some have argued that the proposed budget model should distribute resources to at least the department level, if not the program level, to be fully fair and transparent. Others have argued that doing this would result in the immediate demise of smaller departments and programs because of their inability to be self supporting.

Recommendation: The BMRIC strongly believes that formulaic distributions of resources should not go beyond the Resource Responsibility Center (RRC) level at this time. The committee does recommend that the RRCs incorporate the same basic principles of the Resource Management Model into their budgeting and management processes. There are many reasons to not formulaically distribute resources to the department level. One reason is the possible volatility in revenues and expenses from year to year. RRCs are much better able to deal with such volatility because of their greater size. Distributing resources to the department level would require a level of record-keeping, tracking, and forecasting that is inefficient and expensive. Greater creativity and strategic planning is encouraged by bringing some revenue and expense streams under more local control, but the challenge of developing a budget model is to balance this against the unintended consequences of driving the model down too far.

Issue: What oversight mechanisms will be needed to ensure cooperation and prevent undesirable behavior under the proposed budget model?

Perspectives: Stimulation of creativity and strategic planning is an intended outcome of the proposed budget model. While some welcome this emphasis and suggest that some existing policies be relaxed to better encourage entrepreneurial activity, others argue that this could lead to unrestrained competition, overly aggressive or divisive behavior, and/or pressure to circumvent existing policies.

Recommendation: Any institution of higher education requires strong leadership and coordination to carry out its mission and achieve its strategic goals regardless of its budget model. Current policies will need to be reviewed in light of the proposed model. Existing coordination and oversight mechanisms may currently be adequate in some areas and may need to be strengthened in other areas. It will be important for the administration to work with the Faculty Senate, P&S Council, and other groups to ensure that the university's policies and oversight mechanisms are appropriate for its budget model, mission, and strategic goals.

Issue

Why is the current description of the model silent on the issue of second major enrollment?
Should the enrollment portion of tuition be split when the student has a second major?

Perspectives

It appears that the college of the student's primary major, including interdisciplinary majors, receives the entire enrollment portion of tuition revenue. If the student has a second major (either in a departmental major or an interdisciplinary major) then that college does not receive any of the tuition revenue for enrollment. This may be a dis-incentive for colleges / departments, making them less interested in accepting students as second majors, or may be considered an

incentive for colleges / departments of the student's primary major. It is also important that any incentive put in place for second majors not be so "hot" that colleges or their departments might inappropriately encourage students to enroll in a second major when it is not in the student's best interest to do so. On the expense side of the Resource Management Model, it is important to recognize that all expense pools that are allocated based on student enrollment go to the college of the primary major. The college of the second major does not receive a proportion of the expense pools that are allocated based on student enrollment.

Recommendation

The Budget Model Review and Implementation Committee believes that there is an incentive currently in the model for colleges to offer second majors. The college would receive tuition revenue through the increased number of student credit hours (SCH) a college would gain from students choosing to second major. In addition, it does not seem equitable to allocate revenue to a second major college for enrollment without also allocating some proportion of the expense pools that are allocated based on student enrollment. Mapping tuition revenue and adjusting student head count expenses for students who double major would add a level of complexity to the model that is not desired or necessary. Since 75% of the net tuition is going into the SCH pool, having students double major will directly increase the college's share of tuition revenue from SCH without increasing their share of allocated expenses.