

**Comments Received on the Second Report of the Budget Model Development Committee**  
*With Responses Indented and Italicized*

**February 11 to 16, 2006**

**Comments from a group of Faculty/Administrators**

- › Disconnect from stated goals of improving quality; disconnect to primary budgetary concerns of faculty; disconnect to strategic academic planning.
- › Possibly *exceptionally* damaging to *esprit d'corps*, curricular coordination and innovation.
- › Highly questionable application of business model to academia.
- › Alternatives may be preferable; at the minimum, burden of proof is on the President to demonstrate feasibility prior to implementation.

**Faculty/Administrator Comment**

Several of us expressed concern at a recent meeting of the VPR Research Council about the impact of the proposed budget model on interdisciplinary research at Iowa State. The present version of the model places primary budgetary authority over interdisciplinary research in the hands of the Dean's Council. That approach will likely stifle interdisciplinary research on campus and weaken our capacity to compete for extramural support.

The National Academies released a report in 2004 entitled "Facilitating Interdisciplinary Research" in which they state that: "Advances in science and engineering increasingly require the collaboration of scholars from various fields. This shift is driven by the urgent need to address complex problems that cut across traditional disciplines, and the capacity of new technologies to both transform existing disciplines and generate new ones. At the same time, however, interdisciplinary research is impeded at many institutions by policies on hiring, promotion, tenure, and resource allocation that favor traditional disciplines."

Their report strikes to heart of problem in the proposed budgetary model -- the model advances a resource allocation mechanism that favors traditional disciplines and disadvantages interdisciplinary research. The problem with the proposed budget model is that Deans face considerable pressure from their constituencies to garner resources for their colleges and departments. Some deans have stated flatly to me that they consider resources directed toward interdisciplinary research to be in direct competition with the interests of the colleges. One can hardly blame them for that attitude -- they are doing the best for their colleges.

However, it is the impression of some that a sense of collegiality will drive interdisciplinary research -- or that colleges or departments will support interdisciplinary research to better position their faculty for research support. It is true that Iowa Staters are more collegial, but every large institution has to take measures to overcome silo mentalities. Those problems are more acute in the prestigious research-oriented universities. But many of these universities have very strong interdisciplinary research programs to maximize opportunities for capturing research dollars. My impression is that at Iowa State, the problems of silo mentality are less overt, but the pressures are there and become particularly strong when resources are limiting.

Another matter of concern about the budget model is that in minds of some, the budget model is a zero sum game - it's just another way to divide up the pot. For researchers, the budget model reflects how the university positions itself for resources. The proposed budget model would poorly position Iowa State in the competition for interdisciplinary research dollars - one of the most important and rapidly growing areas in the federal agenda.

The budget model has many admirable attributes - particularly in dealing with problems in changing student enrollment. Where the budget model falls short is in its support of interdisciplinary research. The budget model must reflect an upfront commitment to interdisciplinary research and operation of the office of the Vice Provost for Research.

*Thank you for committing your concerns to writing. The need to maintain and strengthen an environment conducive for interdisciplinary activity and research in general is one of the committee's and President's highest priorities for the committee as it continues this work.*

*The committee discussed this issue yesterday during our first conference call with the consultants and again today at our full committee meeting. Both conversations have generated some ideas for resolving this issue. We also plan to meet with Dr. Brighton very soon.*

*We are committed to resolving this issue as we refine and detail the budget model, and welcome continued dialogue on this critical issue.*

Thanks. Your presentation of the model and leadership in conducting discussions have been great. We appreciate your openness and the thoughtful consideration of the various concerns.

#### **Faculty/Administrator Comment**

Here are two more questions I have regarding the budget model:

**1) Internal distribution within the Colleges.** The model accounts for undergraduate and graduate tuition, state appropriations and indirects going to the colleges. However, the distribution within the colleges is totally discretionary at the direction, presumably, of the dean. Moreover, while one might infer that funds will be distributed to departments that actually deliver the courses or that are home to the graduate students, or that have differential costs of education or that are home to PI's -- I cannot find any clauses that address parameters for internal distribution. This consolidates an enormous amount of authority at the collegiate dean's office while creating tension over central services shares, and it also does not assure that resources supposedly 'earned' via teaching units, research faculty and state support are reinvested there. Is this something we can expect the Third Report to address?

**2) Declining state allocation share.** Section 2.b outlines an approach whereby state allocation will be used to support central services and the differential cost of education among the various disciplines -- presumably class sizes, student/faculty ratios, cost of space. The Second Report indicates that several approaches are being considered for this distribution. However, if the state allocation continues to

decrease as a share of university revenue, how will those central services and cost differentials be addressed?

Many of my questions are concerned with the 'difference' this model will make in moving us toward excellence in meeting our strategic goals when compared to the current budgeting process, or an alternative centralized process with more entrepreneurial incentives built into it. My concerns are that we will be spending years reorganizing the budget and developing a new decision authority structure, and still fail to address chronic problems of underfunding certain programs at the base, marginal funding of the library, declining numbers of tenure and tenure track faculty & salary differentials that have us in the bottom quartile of our peers. With only the current state of affairs and one model before us, these issues are brought into relief, but not resolved.

I trust that the models run in the Third Report will shed some light on these concerns.

- 1. The model does distribute revenues and expenses at the college vs. the departmental level. In the next week or two, we will be initiating discussions with deans about the approach(s) they will use to distribute resources within the college. I doubt that this issue will be fully developed in the third report, but will certainly be addresses in the coming month.*

*The model under consideration does not change deans' authority regarding the budget. Every dean today has full authority to shift resources within her/his college and to fund departments differentially. Some deans have in the past, for example, required all positions that become open due to retirements and resignations revert to the dean's office for reassignment. And, even in the smallest colleges, departments are funded differentially based on a wide variety of factors like faculty salaries. Deans certainly exercise this authority in different ways but do so with the recognition that they are accountable to the college and ultimately the provost for the decisions they make.*

- 2. The model directs a portion of each revenue stream (state allocation, tuition, and indirect cost recovery) to each college. It is from this combined pool of resources that colleges will pay for services they use. Several methods for dividing state allocations among colleges are under study so more on this will be included in future reports.*

*Your question below about the "difference' this model will make in moving us toward excellence in meeting our strategic goals" as compared with the current approach is certainly at the forefront of all of our minds. A budget model (the present or proposed) in and of itself will not generate new money.*

*The five principal means for increasing revenues and addressing the university's under funded condition are to:*

- Increase state appropriations*
- Increase tuition rates*
- Increase enrollment in a way that also increases tuition revenue*
- Increase sponsored funding and indirect cost recovery*

□ *Increase private funding*

*What the budget model can do, however, is to create a framework that facilitates and encourages growth by directing new resources to colleges where growth occurs. And it can create a structure of accountability for units that provide services to ensure that they do so in the most cost effective manner.*

*Finally, the committee is discussing alternate budget models with the consultant, in particular, a hybrid model that is somewhere between the university's current approach and the full RCM approach described in the second report. More on this is forthcoming.*

*Thank you for continuing to send good questions our way.*