

How Should Activity-based Budgeting Operate within CALS? Guiding Principles / Best Practices Drafted by CALS Unit Heads

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(This dated version revised significantly in discussion between unit heads and Shane Burgess in Forbes 307 10:30 – noon on 5-12-15, followed by iteration by email until sending back to Shane on 5/21/15)

Process: Guiding principles and responses were generated during round-table noon meeting discussions over the course of fall semester 2014, and in follow-on discussions spring semester 2015. Drafts of this document, containing all accumulating responses generated during meetings, were circulated after each meeting for follow on comments, additions, etc. Revisions were reviewed at the subsequent meeting, where additional discussion led to revisions, and new responses were added. Unit Heads (UHs) understand this to be a living document, subject to revision following further discussions as needed.

Context:

The CALS UHs see themselves as College leaders, and not solely as heads of their individual Schools/Departments, with the best interests of CALS in mind. That is, we have a shared stake among all UHs in the health and stability of the College. UHs should be given an explicit advisory role in the intra-College distribution of funds and act as an advisory council to the Dean's office. This approach will require UHs to provide counsel that focuses on maximizing CALS success and not as UHs trying to maximize revenues solely at the School/Department level. It is understood that to take on this role, UHs will freely share information regarding the goals, operations, and economic status of their individual units. The UHs will serve to provide advice and consent to the Dean's office on how to distribute rescissions and surpluses among units and possible strategies to minimize damage and maximize potential. In the context of chronically 'causal' units, the UHs request to have an opportunity to collaborate on finding potential solutions.

Guiding principles and best practices for operation of RCM within CALS:

1. Meet ABOR metrics and address Never Settle under the constrained reality of available funds as a collective priority jointly pursued by all Schools and Departments within CALS.
2. Identify the most effective, efficient, responsive, and flexible business, finance, and compliance model for the College as a whole and fund it fully. The UHs and CALS administration shall determine the most efficient and effective model for this support (local, central, or a mixed model).
3. Maintain infrastructure support of CALS units, especially the business office functions of pre-award, post-award accounting, business transactions, and human resource management.

4. When allocating funds, consider the land-grant mission of CALS as a key requirement for support. That is, initiatives consistent with the land-grant mission should be supported in preference to others that do not meet such requirements.
5. Enhance vitality of CALS instructional programs and advising to make CALS the most sought after College for students. Time-dependent changes in student-to-instructor and TA-to-student ratios might be useful metrics of success.
6. Unit ventures should be valued and supported by CALS with a meaningful fraction accruing to the units to enable further growth. While some taxation of entrepreneurial unit revenues for CALS reserves is inevitable, balance is required to maintain a stable and sustainable system. Given that units use entrepreneurial funds to make up shortfalls in state revenue, potential impacts of any reduction in revenues returned to units should be carefully examined across Schools and Departments.
7. Subvention (subsidy) or CALS reserve should stabilize units that are subject to volatility and/or instability as a result of “soft” money (e.g., IDC) support of fundamental unit functions.
8. The CALS reserve (recommended to be 3-7% of total budget or ca. \$1-2.3M) can be accounted for initially by discretionary accounts (i.e., fixed price complete, discretionary gifts, IDC) held within the CALS units. These funds should remain within the units that generate them for use as usual except when a short-term bridge within the same financial year is needed to address a shortfall in revenue received by CALS. If this reserve needs to be used, CALS unit heads will formally decide on distribution of the amounts from each unit taking into account all pertinent information. All efforts should be made to avoid using this portion of the reserve as doing so may have negative consequences on faculty morale and entrepreneurial spirit. Since units will continue to use these funds autonomously for strategic purposes, it will be necessary to update the accounting of unit reserve balances on a regular basis (e.g., quarterly basis for the first two years of RCM implementation, semi-annually thereafter). Meanwhile, CALS should develop a mechanism to begin building a reserve that meets RCM requirements and that exists independently of PI-controlled accounts. In the event that PI-controlled accounts are used to cover shortfalls in expected revenues or unexpected increases in costs/taxes before the CALS reserve is in place, borrowed funds will be paid back by the CALS reserve within two (2) years of the PI-controlled funds being used.
9. Allocations of new revenue and distribution of cuts should be determined on the basis of strategic need as defined by CALS leadership (including UHs). Need will be defined on the basis of Never Settle, CALS and unit strategic plans, meeting CALS ABOR metrics (within the context of ever changing UA budget realities), and RCM revenue equations (e.g., growth in undergraduate and graduate enrollment, SCH, grants, and contracts).
10. Activity-based allocations and budget transparency should extend to the units, including transparency to unit faculty. Strategic investments or subventions supported by CALS reserves should be reviewed regularly by College administration and UHs in open discussions on effectiveness and achievement (or not) of goals or objectives that motivated them.

11. Criteria for support of Experiment Station Units should be based on their capacity to support, leverage, and grow the instructional, research, and Extension missions of the academic units.

12. When metrics are used for decision making regarding allocation of funds within the College, multi-year rolling averages should be employed as an approach to intra-CALS allocations.

13. The CALS decision-making process regarding the allocation of new faculty lines to Schools and Departments should be conveyed explicitly to the UHs on an ongoing basis through meetings where criteria and rationale for decisions are articulated.