University of Iowa Strategic Initiatives

Budget Task Force

Executive Summary

The Budget Task Force charge was to, "Recommend principles and a process for the distribution of new and reallocated General Education Funds (GEF) that enable the pursuit of the University's aspirations, new strategic initiatives, and more entrepreneurial activities while preserving and enhancing the University of Iowa's (UI) reputation as an internationally recognized public research university and health sciences center." The task force focused its effort on identifying, vetting, and describing innovative budget strategies that could be applied to recommendations that emerge from the other task forces.

The task force considered different types and levels of budget strategies. Types of strategies included: creating incentives with existing dollars, methods of distributing incremental dollars, and new fiscal models. In addition, the task force considered three levels at which budget strategies may be implemented: at the local unit level, at the centralized shared resources level, and distributed funds at the local level through uniform centralized policy.

In response to its charge, the task force recommends 10 potential strategies for the distribution of new and reallocated GEF. Although each of these strategies was endorsed by a majority of task force members, not every strategy was supported by each committee member. The strategies encompass four main approaches: revenue generating; expense reducing; local initiatives; and redistributions. The 10 strategies are:

1. Dual sharing of revenue producing activities (e.g., new educational programs)
2. Strategic fund for new initiatives
3. 24/7/12 delivery of education
4. Defined salary obligations plus productivity based incentives for all faculty
5. Energy incentives coupled to conservation
6. Investment for innovative graduate and professional educational programs that link to undergraduate education
7. Minimum enrollment standards for receiving credit for teaching
8. F&A return to units
9. Productivity-based research/teaching space allocation
10. Reallocation based on defined strategic metrics.

Introduction

Task Force Charge

The Budget Task Force charge was to, "Recommend principles and a process for the distribution of new and reallocated General Education Funds (GEF) that enable the pursuit of the University's aspirations, new strategic initiatives, and more entrepreneurial activities while preserving and enhancing the University of Iowa's (UI) reputation as an internationally recognized public research university and health sciences center."

Included with the charge were suggested approaches to achieving the overall objectives that included: reviewing the current budget model with reference to the Education Advisory Board of the University Leadership Council's custom research brief, entitled, "Encouraging Accountability through Hybrid Budget Models (October, 2008); reviewing the use of non-GEF revenues to further the educational goals of the University; consider approaches to reallocation of GEF dollars; and, exploring a prototype self-supporting academic unit pilot program and other incentive program prototypes. In addition, the task force was asked to recommend metrics to evaluate progress and change in budgeting strategies.

Task Force Membership

The Budget Task Force included faculty, staff and administrators from across the UI community: Scott Arneson (College of Dentistry), Susan Buckley (Vice President for Human Resources), P. Barry Butler (College of Engineering), Jonathan Carlson (College of Law and Office of President), Susan Curry (College of Public Health), Raul Curto (College of Liberal Arts and Sciences), David Drake (College of Dentistry and Faculty Senate), Janet Fairley (Carver College of Medicine), Steven Fleagle (Information Technology Services), Hazel Kerr (College of Liberal Arts and Sciences and Staff Council), Susan Klatt (Office of Vice President for Finance), Donald Letendre (College of Pharmacy), Paul Rothman (Carver College of Medicine), Victoria Sharp (Carver College of Medicine and Office of the Provost), Donald Szeszycki (Office of Provost), Charles Whiteman (Tippie College of Business), and Karna Wieck (College of Liberal Arts and Sciences).

Task Force Process

Over a six month period, the Budget Task Force followed a systematic approach in developing a response to its charge. Members were encouraged to think beyond their respective unit/organization, by considering the impact of their recommendations on the broader UI-wide community. Based on interactions with the other Strategic Task Forces, the Budget Task Force decided not to recommend specific programs. Instead, the task force focused its effort on identifying, vetting, and describing innovative budget strategies that could be applied to

recommendations that emerge from the other task forces. In sequential order, the specific accomplishments of the Budget Task Force were:

1. **Guiding Principles** – Based closely on the principles presented in the 2002 report of the University of Iowa Budget Planning Advisory Committee, the Budget Task Force articulated a set of guiding principles.
2. **Review of the Current UI General Education Fund (GEF) Budget Model** – The Budget Task Force was briefed on the current UI budgeting process and discussed pros/cons with respect to competing needs across the UI.
3. **Review of Hybrid Budget Models** – The Budget Task Force reviewed several budget models presented in a research brief, entitled, "Encouraging Accountability through Hybrid Budget Models (October, 2008)" and assessed their merits relative to the UI budget environment and Guiding Principles.
4. **Development of Initial List of Potential Recommendations**. The task force considered several types of budget strategies and generated an initial list of 19 potential recommendations. This exercise was conducted under a "free-thinking" brainstorming session where all ideas were considered free of constraints.
5. **Vetting Criteria** – In order to establish a common standard for comparing the merits of the initial list of potential recommendations, the Budget Task Force developed a series of vetting criteria.
6. **Final Recommendations** - Applying the vetting criteria to the 19 initial recommendations, the Budget Task Force selected a subset of 10 strategies to more fully develop. The task force then developed brief written descriptions of each of these strategies to discuss and refine using the following outline: i) description of the strategy, ii) relevant current systems/policies, pros and cons of the proposed strategy, iii) implementation steps, iv) identify an accountable leader, v) establish a timeline, vi) define resources needed, and vii) establish benchmarks/metrics for success

Preliminary Work

Guiding Principles

In developing the guiding principles, the committee consulted the six principles from the January 25, 2002 report of the University of Iowa Budget Planning Advisory Committee. Building from these, the task force articulated seven guiding principles to help frame their discussions and recommendations. In addition, it was envisioned that the guiding principles would serve as the framework for all future UI budgetary decisions. In establishing the following principles to guide the recommendations of the 2009 Budget Task Force, it is understood that an overarching principle is to place a premium on promoting activities that support quality in higher education.

P1. ***Transparency***. Budgeting should occur through an open process. Budget information should be freely and widely available. The reasons for, and impacts of, particular budget decisions should be openly and freely discussed.

P2. ***Local autonomy***. Whenever possible, decisions about levels of program activities and support should be made at a local (decentralized) level. Local decision-makers are in the best position to know the issues involved in the expenditure of resources in their units, and therefore to know the costs and benefits of different resource uses, including the value provided by their activities.

P3. ***Central responsibility for mission definition***. Central control is nonetheless necessary to ensure that unit definitions of value are consistent with broad University judgments about the values it seeks to deliver. In addition, central administration needs financial leverage to promote institutional goals that might not otherwise be adequately pursued by individual budget units.

P4. ***Incentives for prudent budget management are desirable***. Whenever possible, local decision-makers with responsibility for making budget expenditures should be given incentives to consider both the costs incurred and the revenues generated by the activities they choose to support.

P5. ***Accountability***. Clear criteria must be in place for holding local decision-makers responsible for the performance of their units, both fiscally and academically.

P6. ***Facilitate cross-collaboration***. The budget process should not provide disincentives for units to collaborate with one another.

P7. ***Diversity of business models***. The diversity of business models among units should be considered when instituting campus-wide business practices.

Review of the Current UI General Education Fund (GEF) Budget Model

The GEF is one of five principal budget units at the University that comprises approximately 22% of the overall UI budget. Other principal units are: University of Iowa Health Care (UIHC); Other Appropriated Units (e.g., Research Campus; State Hygienic Laboratory, Statewide Family Practice Program, and Special Purpose); Major auxiliaries/bonded enterprises (e.g., Athletics, University Housing, Iowa Memorial Union, Parking/Transportation System, Utility System); and Restricted Funds (Grants, Contracts, Medical and Dental Plans).

In FY2009, the GEF revenues were $590 million of which 46.9% were State Appropriations; 45.5% were Tuition and Fees, and 7.6% were Indirect Cost Recoveries (ICR) and Other Income. Approximately 83% of all tuition goes into the GEF, with the remainder allocated to collegiate and departmental accounts outside of the GEF to offset non-GEF services and expenses (e.g., Saturday and Evening tuition, Student Health Fee, Student Activity Fee, and Student Services Fee). With regard to ICR, approximately two-thirds goes into the GEF, the other third is distributed to some units that incur expenses associated with research. GEF budgeted expenditure categories are: faculty salaries (42.2%); P&S salaries (17.6%); General Services Salaries (13.9%); Library (2.4%); Utilities (5.4%); Equipment (1%); Supplies and Services (6.6%); Building renewal (1.8%) and Student Aid (9.1%).

Within each fiscal year, the budget process focuses on balancing and closing the prior year, finalizing and reporting on current fiscal year expenditures, finalizing and requesting approval and legislative appropriation for the next year, and preparing a preliminary budget request for two years out. The next years' budget request goes to the Board of Regents in July/August of the prior year. The Board of Regents (BOR) submits their approved request to the State in September/October prior to the Governor's budget recommendation to the legislature in January. Legislative Appropriation occurs in March/April.

In an effort to better understand the current budget process, each member of the task force was asked to assess what works well and not well in "normal" budget times and to describe any change in the budget process that would enhance their ability to achieve unit-specific and university-wide missions and goals. Several overarching themes emerged from these discussions. Aspects of the current budget process that are viewed favorably include a predictable base of funding that allows for stability in infrastructure and salary support, recognition that units operate under different externalities, flexibility and local autonomy for business models across different colleges and units at UI, and the UI culture that places a premium on long-term program quality and thus invests in programs that may not generate revenue because these programs enhance the quality of the university. Moreover, the current budget model enables UI contributions to new capital projects, research space, and matching

funds that are required for certain federal grants. Areas of concern expressed by some task force members include limited incentives for innovation and growth because virtually all program revenues are pooled, difficulties adding new services and technology because of a lack of focus on what needs to be given up in order to do something new, lack of transparency in collegiate spending, limited incentives for collaboration in educational innovation, a disconnect between local models of excellence and allocation of UI funding (allocations over-focus on teaching), and lack of discretionary monies in central administration.

Review of Hybrid Budget Models

A recent research report distributed by the University Leadership Council of the Education Advisory Board entitled "Encouraging Accountability through Hybrid Budget Models" focused on universities that underwent significant changes in their budget models over the past ten years. The Budget Task Force felt that the report was timely given its charge. The five budgeting models reviewed in the report can be described as follows: i) Incremental Budgeting, ii) Productivity Funding, iii) Performance Based Budgeting, iv) Responsibility Center Management – Model A, and v) Responsibility Center Management – Model B. Each budget model was assessed with reference to the task force's guiding principles (P1 – P7) and financial constraints specific to the UI. While the report provided a well-articulated summary of the budgeting methodology, incentives, time and cost of implementation, and role of central administration in resource allocation, it did not address whether the budget changes resulted in improved quality/reputation of the institutions. The following is a brief summary of the task force's assessment of the five budget models:

Incremental Budgeting

- All general fund revenues are co-mingled and distributed by the central administration based on small increments to the previous year's allocation.
- Of the five cases studied, it is the closest to the current UI GEF budgeting process.
- Reduced flexibility of central administration to shift resources.
- Little incentive for units to generate additional revenues to the GEF since they are co-mingled and not directly allocated to the unit responsible for generating them.

Productivity Funding

- This is effectively a minor modification to incremental budgeting that provides additional resources if a college can demonstrate increased productivity as measured by student credit hours.
- Incremental budgeting remains as the base funding model.

- The case study presented for Productivity Funding focused on a university that experienced declining enrollments and wanted to migrate from a heavy research focus to serving student needs.
- The model is inconsistent with principles P1, P2, P5, P6, and P7.

Performance-Based Budgeting

- Resource allocations from central administration to units are closely coupled to each unit's stated mission, goals and objectives, and its performance in achieving associated metrics.
- Because performance-based budgeting is activity based, what's spent on teaching, research and other activities is more transparent.
- Low priority activities may not be funded. The current UI budgeting process allows colleges to spend resources on activities that may be low priority from an institutional perspective. Under our current model, units do not have to justify these expenditures.
- It was felt that it would be difficult to institute this type of budgeting model in an organization as complex as UI.
- Such models provide easy alignment of resources to strategic priorities, but the model is very centralized.
- The task force questioned whether performance-based goals would have to be consistent across all colleges.
- A potential negative in applying this type of model at the UI is that it introduces a subjective, value judgment component of resource allocation.
- The task force felt this model is inconsistent with principles P1, P2, P4, and P7.

Responsibility Center Management – Model A

- Under this budget model, units are responsible for managing their own revenues and expenses.
- Indirect expenses such as central and administrative costs are "charged" to the units based on a formula that reflects usage.
- This model provides less local autonomy than our current incremental system because the full state appropriation is controlled by central administration and can be allocated differentially to the units.
- In units with both undergraduate education and research, this model could drive up enrollment and diminish research. This might be avoided if tuition money was used to subsidize research by paying for instructors to free up scholars to do research. The challenge would be maintaining quality education (i.e., courses being taught by engaged scholars enhances the quality of education).

- There is the risk of eliminating programs/activities that are high quality but not revenue-producing since the model's focus is on revenue production.
- The task force felt this model is inconsistent with principles P3, P5, and P6.

Responsibility Center Management – Model B

- This model is similar to Responsibility Centered - Model A, only with a tax assessment on revenues.
- All comments are the same as provided previously for Responsibility Centered - Model A.
- It was noted that there are some forms of this at UI with infrastructure assessments on auxiliaries (e.g., UIHC, Athletics).

Development of Initial List of Potential Recommendations

To stimulate brainstorming for potential budget recommendations, the task force considered different types and levels of budget strategies. Types of strategies included: creating incentives with existing dollars, methods of distributing incremental dollars, and new fiscal models. In addition, the task force considered three levels at which budget strategies may be implemented: at the local unit level, at the centralized shared resources level (e.g., facilities), and distributed funds at the local level through uniform centralized policy.

The task force developed an initial list of 19 potential budgetary recommendations and organized them into one or more of four categories: a) changes that could generate additional revenues, b) changes that could reduce expenses, c) initiatives that could not be instituted uniformly across all UI units, but could benefit some units, and d) changes in the current GEF distribution model. In order to stimulate open discussion by all task force members, this exercise was conducted under a "free-thinking" brainstorming session where all ideas were considered free of constraints.

Vetting Criteria

In order to establish a common standard for comparing the merits of proposed budget recommendations, the Budget Task Force developed a series of vetting criteria. Each strategy was vetted against the following criteria:

1. Is it feasible?
    a. No negative budget impact
    b. Cultural fit in UI
    c. Can be implemented in 2-5 years

    d. Would keep us competitive with our peer institutions
2. Does it support our principles?
    a. Must strongly support P1 (transparency) and P5 (accountability)
    b. Must not strongly violate any principle
3. Is it consistent with the Iowa Promise I and II?
4. Will it optimize revenue and cost-effectiveness?
5. Will it encourage local innovation and entrepreneurship?
6. Will it promote quality in education and research?
7. Is success measurable?

Potential Strategies

The task force recommends 10 potential strategies for the distribution of new and reallocated General Education Funds (GEF) that enable the pursuit of the University's aspirations, new strategic initiatives, and more entrepreneurial activities while preserving and enhancing the University of Iowa's reputation as an internationally recognized public research university and health sciences center. Although each of these strategies was endorsed by a majority of task force members, not every strategy was supported by each committee member. The strategies encompass four main approaches: revenue generating; expense reducing; local initiatives; and redistributions. Each strategy description includes a general statement of the strategy, relevant current systems and policies, an assessment of the Pros/Cons of the strategy; suggested implementation with regard to processes, accountable leaders, timeline, and resources needed, and metrics/benchmark for success. The 10 strategies are:

1. Dual sharing of revenue producing activities (e.g., new educational programs)
2. Strategic fund for new initiatives
3. 24/7/12 delivery of education
4. Defined salary obligations plus productivity based incentives for all faculty
5. Energy incentives coupled to conservation
6. Investment for innovative graduate and professional educational programs that link to undergraduate education
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<u>Dual sharing of revenue producing activities</u>

"Dual Sharing" refers to a budget strategy that encourages creativity and entrepreneurship in program development by allowing units to keep the revenue generated by new programs

within a dual sharing model to ensure that central administration is fully reimbursed for any extra costs it might bear as a result of the new program. However, the notion of dual sharing also includes the possibility of requiring the unit to return more revenue to central administration than is necessary to reimburse costs if that can be done without discouraging creation of the program. When a new program is capable of generating revenues in excess of cost, a careful program dual sharing would allow the extra revenues to benefit both the unit that operates the program and the University as a whole.

In many parts of the University, revenues associated with new activities are not automatically allocated to the unit that engages in those activities. Furthermore, while the unit must bear some of the expense of engaging in the activity (e.g. personnel expenses), there may be other expenses that it does not bear. When revenues are allocated to a unit for certain new activities, it might still be free of some of the expenses, thus distorting any revenue/expense calculation that might factor into the decision to engage in the activity. Dual sharing seeks to both provide an incentive for engaging in revenue-generating activities while ensuring both that the revenues cover all expenses and that any 'profit' inures to the benefit of the University as well as the unit (thus creating an incentive for the University to be supportive of entrepreneurship).

Pros and cons

Pros: Dual sharing encourages entrepreneurship and the development of new programs, based on the ability of those programs to generate revenues in excess of costs. Such programs have the possibility of making a positive contribution to the budget of individual units and of the university.

Cons: The value of programs offered by a university is not appropriately measured by the profit-making potential of a program alone. A policy that encourages units to pursue programs with profit potential might also divert resources from valuable, but less profitable, activities. Offsetting that possibility, however, is the possibility that optimal taxation will allow some of the resources from profit-making programs to be captured centrally and diverted to highly-valued programs that are not self-supporting.

Implementation

A dual sharing plan could be implemented immediately. The big problem is calculating the sharing rate.

Metrics of success:

Creation of new programs with net positive revenue/cost profiles that generated positive revenue flows for central administration as well as the operating unit.

Strategic fund for new initiatives

A Strategic Fund would be implemented to provide "start-up" funding for new initiatives. A unit interested in developing a new program or activity that can generate net revenue or reduce expense would apply for a short-term investment with a payback requirement to start the initiative. Proceeds from the new activity would cover program expenses and a "debt service" payment returned to the "start-up" pool to fund new proposals.

There are no similar programs currently in place. A college or other unit may request funding for new proposals from the Provost or Vice President on an ad hoc basis, but there is no formal mechanism for application nor is there an existing fund available to support such initiatives.

Pros and Cons

Pros: The fund can provide resources for potential revenue-generating or expense reducing ideas for implementation in areas that have few "extra resources available. Once established, paybacks to the program fund would allow for annual investments in new proposals. Although the focus would be on the revenue/expense impact of proposals, activities that enhance the strategic vision of the University could be given priority.

Cons: The new funding must initially come from a source yet to be identified. If the initiative fails, leaving no payback, the fund may need to replenish with new funds. If the sponsoring unit is not required to provide matching funds or some commitment of resources, there may be less incentive to ensure success.

Implementation

Beyond finding the resources for the fund, implementation would be simple. Rules for submission (minimum net revenue generation/expense reduction to the University, number of students affected, expected payback period, etc.) should be established. The Provost and Vice President or designated review committee will assess applications and make awards on established criteria.

Metrics of success

Measuring success of this strategy would be straight forward. Proposals reimbursing the fund and covering all program expenses on its own would be a success.

24/7/12 delivery of education

Given the importance of tuition revenue to current and future operations, the UI should look at ways to grow student enrollment to take advantage of its investment in physical, technological, intellectual, and human resources (e.g., increased summer classes, evening classes, 12-month program attendance requirements). Aligning instructional offerings with the needs of an evolving educational marketplace can make UI's programs more responsive to a greater number of traditional and non-traditional students who may or may not be place bound.

Relevant current systems/policies include: allocation of tuition revenue (day, Saturday & Evening, Summer Session, Extension, Workshops, and GIS); faculty teaching load and overload pay policies; academic calendar and class meeting requirements; tuition and financial aid strategies; and, faculty appointment trends (more non-tenure track faculty and fewer tenured/track faculty).

Pros and Cons

Pros: proper incentives would empower colleges and departments to generate more net financial resources which could replace declining state appropriations and speed the rate of investment in new strategic initiatives; additional instruction could make better use of UI's educational resources; the allocation of net tuition proceeds back to the offering colleges/departments could highlight the importance of teaching to support UI's mission and elevate the status of faculty as teachers.

Cons: have to avoid creating incentives for faculty to prefer one type of teaching over another because of allocation/compensation issues (want to keep the total cost of providing instruction to a minimum); could impact research and service productivity; and, best financial model may go counter to strategy to increase the number of tenured/track faculty.

Implementation

Accountable leaders would include the Provost, Vice President Finance and Operations, Deans, and Faculty. The timeline would allow for new incentives to begin in Fall 2011. Resources needed include: faculty, staff, and administrator time to review current policies, recommend new policies, and communicate changes to campus.

Benchmarks/metrics for success

- student headcount enrollment
- tuition revenue by major or course college
- flexible resources available to colleges/departments

- student interest in alternative instructional delivery systems (GIS, off-campus baccalaureate degree completion programs, etc.)
- student completion rates.

Defined Salary Obligations + Productivity-Based Incentives for All Faculty

Although colleges and units operate with different business models, the current system does not explicitly link productivity expectations and salary obligations, particularly for tenured faculty. Although a non-productive faculty member is unlikely to receive any salary increase, a faculty member's base salary is ordinarily not at risk even if the faculty member fails to meet the standards of productivity set by the unit DEO or Dean.

The proposed strategy would lead to the creation of explicit salary obligations and productivity-based incentives for faculty that could be tailored to the specific college or unit's business model. The overarching principle is a defined 'base salary' that is augmented with productivity-based increments. The strategy presumes specific metrics and processes for determining base salary and productivity-based increments.

Current systems and policies define explicit productivity expectations for faculty that are specific to their college or unit. For example, in CLAS and the COE, the effort allocations for teaching, research and service are 40%, 40%, 20%, respectively. In the CPH, the allocations are 25%, 50%, 25%. Moreover, some colleges receive general fund support for 100% of faculty members' salaries, whereas others receive only a percentage. Under the current system, even colleges with explicit salary offset requirements and less than 100% coverage of faculty salaries from GEF are obligated to pay a faculty member's full salary regardless of the amount of salary offset the faculty member generates.

Pros and Cons

Pros: There would be reduced financial risk to colleges that do not receive 100% of faculty salaries from GEF. Clearer linkage between salary and meeting productivity expectations could result in increased productivity among faculty. Highly productive faculty could receive incentive payments for productivity that exceeds expectations rather than have monies used to cover salaries of less productive faculty. This approach could encourage retirements among senior faculty that wish to cut back. It would make more funding available for bridge support in productive research programs and for new faculty lines.

Cons: The model could lead to the loss of productive faculty who are recruited by institutions with lower salary offset expectations. There could be an initial negative impact on faculty morale as a new system is operationalized and implemented.

Implementation

There are multiple approaches to implementation. For example, one could focus on tenured faculty and define the base salary obligation post-tenure as their salary at the time of tenure. Additional compensation would be based on clearly defined metrics for productivity. Productivity metrics could be defined using a "centralized approach" that defines common metrics and processes across the university. A "decentralized approach" would define a common process, but leave the specifics of process and metrics to individual colleges that wish to adopt this salary model. In this instance, the accountable leaders would be collegiate Deans and appropriate associate deans and the college's faculty governance structure.

It is possible that the development and approval steps could occur in one year. It is likely that specific savings from this strategy would not be realized until two years' following implementation.

Benchmarks for success

- Written process and metrics by the end of year 1
- Approval by UI leadership by end of year 2
- Increased research productivity in colleges that adopt standards for salary offset
- Increased resources for faculty support within 2 years of implementation

Energy Incentives Coupled to Conservation

The cost and use of energy is one of the many challenges faced by the UI. Most decisions about energy consumption are made by individuals and changing their behavior would have a dramatic impact in terms of campus-wide savings. The strategy proposed here is to establish baseline energy use and provide incentives to colleges and departments to change behavior in ways that reduce energy costs.

The high level view of the strategy is to determine the baseline energy use of each building. If the energy used in subsequent years goes down, the departments in the building would receive an energy rebate proportional to the amount of reduction. It will be important to provide feedback on how the departmental efforts are working such as quarterly reports. It will also be important to share best practices as they are developed.

The projects and central energy control center described in the Energy Hawks ARRA proposal would tune and improve overall building systems and allow for real-time monitoring

capabilities. Once systems are improved and baselines are established efforts would focus on occupant behavior and opportunities for improvement.

Pros and Cons

Pros: The program allows individuals to contribute directly to cost savings, providing incentives for cost savings. It is a way to reduce expenses without cutting services or eliminating jobs. The investment is relatively small, and the potential return is very large. Finally, it aligns with the University priority for sustainability.

Cons: It might be hard to be "fair" because of multi-occupant buildings, the variability of existing conditions, and the inability of occupants to control some systems.

Implementation

A team consisting of the Director of Facilities Management, 2 Collegiate Deans and 2 administrative service unit leaders will lead the program development and implementation and be held accountable for its success. This team will also monitor the results of the program and report to campus. Baseline information would be established and shared between January and June 2010, with the program officially starting in FY11.

Benchmarks/metrics for success

- Reductions in campus-wide and individual energy consumption
- Reductions in campus energy costs

Investment for Innovative Graduate and Professional Educational Programs that Link to Undergraduate Education

The central notion behind this proposal is that central administration should provide incentives aimed at building stronger links between the University's graduate and professional programs and its undergraduate programs. The precise nature of these links has not been specified, nor has the nature of the incentives. One could envision incentives aimed at opening courses in graduate and professional programs to undergraduates or incentives aimed at encouraging professional colleges to create programs through which students could earn credit toward a professional degree while still finishing undergraduate training. Another option might be programs aimed at encouraging strong undergraduate performance through early or guaranteed admission to graduate or professional programs.

There is currently no particular reason for faculty who are engaged primarily in graduate or professional education to care about the quality of undergraduate education or to participate

in undergraduate instruction. There is similarly no incentive for administrators of graduate or professional programs to consider how they might support or serve undergraduate students.

Pros and cons

Pros: Undergraduate tuition is an important component of the University's educational budget. Attracting and retaining undergraduate students is therefore of great importance to budgetary stability. One of our strengths as an institution is our strong graduate and professional programs. Making aspects of those programs accessible to undergraduates could significantly enrich the undergraduate experience and contribute to undergraduate retention and achievement.

Cons: Providing incentives to graduate and professional programs would involve either diverting resources from current undergraduate programs or sending new resources toward graduate and professional programs rather than directly to existing undergraduate programs. If the incentives worked, it would mean that the graduate and professional programs would divert some attention from their core mission toward service of undergraduates.

Implementation

The Provost would need to decide, in consultation with the Deans, what kind of incentives to provide and what kind of activities to support. It could be done quickly. It isn't clear what kind of resources would be required; it would depend on the nature of the activity being proposed.

Metrics of success:

Any metric that measured the number of undergraduate students taking advantage of a program and their learning in the program.

Minimum Enrollment Standards for Receiving Credit for Teaching

The UI is becoming more dependent on tuition revenue to support operating expenditures. In order to provide sufficient resources for new strategic investments, the unit cost of instruction must be reduced. One strategy to effect a unit cost reduction is to have faculty teach more students. At present, the University offers many low enrolled course sections. The goal would be to combine and/or eliminate these sections so as to increase available resources. Additional data are included on the reverse side. This strategy would require a clear understanding between the central administration and the affected units of how savings in cost of instruction would be reallocated to fund new strategic initiatives. Relevant current systems/policies to address include the post-tenure effort allocation policy (PTEAP) and departmental course assignment practices. Collegiate deans often state that they cannot pursue faculty load adjustments because of existing practices and policies.

Pros and Cons

Pros: increased available resources for strategic investments; improved faculty productivity (either more teaching or faculty find ways to buy themselves out of additional teaching); need for fewer classrooms which should lead to easier scheduling, etc.

Cons: individual assignments and mentoring may be diminished (e.g. writing and presentation assignments); less scholarship and service; quality of teaching may be impacted, etc.

Implementation steps

Accountable leader(s) include the collegiate deans and department executive officers. Timeline – begin implementation in fall 2010. Resources needed include information system that provides better baseline data on existing section/course data and faculty teaching assignments.

Benchmarks/metrics for success

- student credit hours per instructional faculty FTE
- tuition revenue generated per faculty FTE
- instructional cost per student credit hour; etc.

F&A Return to Units

Most extramurally funded research includes support for facilities and administrative infrastructure (F&A) related to research implementation in the form of indirect cost return (ICR). The federally negotiated rate for the University of Iowa is 50%. Because not all research is funded by federal dollars and there are varying policies regarding F&A costs among non-federal funders (as well as for certain types of federal funding such as training grants), the overall average ICR for research funding is closer to 36.5%. The underlying philosophy at the University of Iowa is to reimburse university and collegiate units for indirect costs incurred. In FY2009, approximately 59% of ICR was credited to the GEF. As stated below, the University currently has two programs returning a portion of the GEF recoveries directly to the academic units to offset unit-based infrastructure expenditures. The proposed strategy for F&A return to units is based on an incremental model that would provide incentives for units to maintain and/or grow their research funding and accompanying ICR.

1. Research Incentive Program - units receive 3.8% of incremental ICR, based on a 1-year variance of ICR return.
2. Collegiate/Departmental Administration Return – units receive 17.72% of incremental ICR, based on a 3-year average variance of ICR return.

Pros and Cons

Pros: The strategy would provide additional resources to colleges and departments that can be invested in enhancing the amount of extramural research funding (e.g., through pilot grant programs, enhanced research infrastructure).

Cons: The strategy could create disincentives for cross-collegiate research collaboration if Deans circle the wagons around research funding to optimize F&A return. This could be avoided if the strategy included incentives for cross-collegiate collaboration. There would also be a reduction in revenues for allocation to centralized resources that provide vital research support (e.g., sponsored programs, regulatory compliance, etc.).

Implementation

Accountable leaders would include appropriate leadership from the VPR and Provost's office as well as collegiate deans. Since this strategy would essentially be a revision of an existing budgeting process it should be able to be designed and implemented within one year. Resources needed include simulations for possible models using recent data.

Benchmarks for success

If additional dollars are reinvested in infrastructure, pilot grant funding, and new faculty recruitment, we should see an increase in the rate of growth of research funding.

Productivity-Based Teaching and Research Space Allocation

Physical space is a critical, expensive and valuable asset that is important to the success of the University. Given its scarcity, it is important to allocate space in ways that most effectively promote opportunities to advance the University's mission. The UI has both general assignment classrooms and classrooms that are controlled by colleges and departments. By and large, research space is locally controlled.

The strategy proposed here is to allocate teaching and research space according to productivity-based measures. These measures may vary among colleges and include such things as:

- Extramural funding support or publications per square foot of research space
- Graduate and undergraduate students trained or research staff (FTE) per square foot of research space
- Utilization of teaching space (# of classes and # of students)

- More transparent reporting of both general and departmental assigned teaching space

Because productivity is measured differently among colleges, the measures used for space allocation will also have to vary. If productivity measures are going to be used to allocate space between colleges, or for including interdisciplinary work, these measures will need to be brought together to provide some common assessment. The key point is that each college must first develop its own productivity-based space allocation policy.

Currently, colleges assign research space using different policies. The Carver College of Medicine uses a productivity-based space allocation method for assigning research space to faculty. Other colleges and units assign research space using non-productivity-based methods. Because much space allocation controlled locally, support will need to be provided to those units that move to a productivity-based research and classroom space allocation policy. Also, any changes to the general assignment classroom policies and procedures to better utilize available classrooms would need to be addressed by the Provost-chartered classroom advisory committee (CAC).

Pros and Cons

Pros: the use of a transparent method of assigning space and the potential for enhanced revenue that strategic scheduling of courses in classrooms of appropriate size and technology can generate from increased enrollments. This approach could make it easier to make space assignments and more efficient use and coordination of space could save expenditures and generate new revenue.

Cons: Difficult to change current mindset of convenience and entitlement to one of efficiency and revenue generation. Transparency in space assignment is also a cultural change in some parts of the University. Coordinating with University and departmental committees/policies and procedures may be difficult as it may hinder some local unit activities.

Implementation Steps

Each Dean will be responsible for developing and implementing a productivity-based space allocation policy. The Provost Office (or space utilization committee) will be responsible for developing a policy that ties these individual plans together and addresses interdisciplinary activities.

The policies should be in place by the fall of 2011.

Metrics of success

- Measures of improvements in resource generation for units with such goals;

- Measures of improvements in quality as measured by average student quality for those programs with quality goals.

Each unit's metrics will be explicit so achievement of goals should be measurable unit by unit.

Reallocation based on defined strategic metrics

Reallocation based on defined strategic metrics refers to a budget strategy that rewards performance by a unit in accord with the unit's own self-defined metrics, developed in consultation with the Provost. Resources are held centrally. Units work with the Central Administration to develop strategic metrics, and resources flow to those units achieving the greatest success in meeting or exceeding their strategic goals. This can be done with incremental resources or with base budgets. When applied to base budgets, the scheme is essentially "Performance Based Budgeting."

In the current system, base allocations are based primarily on history, while incremental allocations may be in accord with specific metrics, such as calculated contributions to the general fund or distance from peer standards for salary and other support. In this system, resources can be allocated or reallocated according to a unit's success in reaching goals, but the allocation or reallocation and strategic metrics are generally not explicit except insofar as they have been discussed in exchanges between the Provost and the unit's Dean.

Pros and Cons

Pros: Agreement between the Provost and Dean regarding appropriate metrics ensures that resources are allocated in accord with University priorities. The process ensures that Deans focus on meeting their own strategic goals. Careful coordination of collegiate metrics by the Provost could ensure that the plan is consistent with sensible reallocations based on revenue generation and cost creation.

Cons: Balancing rewards to the achieving units requires the judgment of the Provost, and thus the rewards cannot be specified explicitly in advance. This means that the incentives faced by the Deans may not be strong. It is possible that all units could exceed their strategic goals and expect positive reallocations to flow their way. This is unfeasible.

Implementation

The plan could be implemented in short order by the Provost working with the Deans. Agreement on suitable goals and metrics and creation of policies to coordinate reallocations could take some time to develop. Implementation within two years seems feasible, but implementation in substantially less time does not.

Metrics of success

Metrics are:

- Measures of improvements in resource generation for those units with such goals;
- Measures of improvements in quality and measured by (for example) average student quality for those programs with quality goals

Each unit's metrics will be explicit, so achievement of goals should be measurable unit by unit.