**BUDGET REDESIGN COMMITTEE**

**DISCUSSION QUESTIONS**

**6-22-16**

What is the base or starting position?

* What mechanism will provide for the “credit” (currently, allocation) of money to the “base” for each responsibility center for the beginning of the second year of RCM operation? (Notice: The mechanism used for the very first year seems relatively irrelevant to me if the university adopts the position that “hold harmless” for the first year translates into everyone starting where they “normally” would have started under the current system.) Will that be computation of income generated to establish the “base starting point” with subvention to colleges failing to cover all costs? Will that be a guarantee of the previous year’s base then adjusted downward to some extent for colleges failing to cover costs? If the latter, will there be a “governor” to impede precipitous decline? Etc.
* How will we address the distribution of dedicated fees in the future? A significant percentage of these fees support faculty and staff salaries in the College of Business and Technology. This may be true in other colleges.
* How do we define our “starting point?”
  + Subvention; or
  + Base-to-base

How will “growth” be determined?

* If the 70/30 ratio of credit hour generated/degrees granted is used for computation of income, will that same ration be used for computation of college costs (i.e., the allocation of indirect overhead)? [Note: I don’t see the logic in using a ratio sensitive to both tuition generation and state subsidies for income generation but then using a formula sensitive only to tuition for the computation of cost. Seems to me for a variety of reasons that we should be consistent in the use of a signal formula for both sides of the equation.]
* Have we agreed that the model should reflect tuition/fees and state appropriations, being modeled as 70:30 SCH: degrees awarded averaged over the previous 3 years?
* Will all responsibility centers with income generation potential be taxed and taxed equally (i.e., “flat tax”) or only those generating a gross profit? [Probably the only issue pertinent here is the computed size of the “tax” to support entities operating in the red, the final decision as to beginning operating budgets for the following year likely winding up the same regardless – but maybe not…]
* What constitutes taxable income? For that matter, what types of income/revenue are to be considered when determining a college’s “base” – if “base” is to be used at all? So are all elements of grants income (F&A, salary savings, etc.) to be considered as taxable income, all to be excluded, some to be taxed and some not? [We all know that most grants provide for discretionary income for departments/schools even though we’re all expert at making the argument that “That’s part of the grant!”]
* Though it was not asked today, I believe that a related question is: Are other sources of revenue, besides tuition, also going to be taxed? Indirects? Research salary savings? Philanthropic gifts?
* Is differential tuition an issue to be discussed?
* Should actual cost to deliver a credit hour be determined for each college at some point?

How will Colleges or Revenue Centers Operate?

* Will Colleges be able to build a reserve?
* Will Colleges be able to set aside funds for their own R&D?
* How will Colleges report their budgets for transparency?
* How will accountability be evaluated if a College needs to adjust numbers in programs due to changes in the market, faculty shortages, etc.? We cannot continue to grow and grow.

How do we cover administrative and initiative costs?

* Should funding for administrative units be “taxed” as a percentage of revenue, based on percentage of SCH, based on the 70:30 model, or something else?
* Can we agree that administrative units should receive a fixed amount, irrespective of revenue growth or decline, rather than a percentage of revenue, provided there are regular opportunities for administrative units to make a case for a revised budget?
* Do we agree that we should take a percentage “off the top” for strategic initiatives, reserves, subventions, etc.?
* Are there university initiatives in which colleges must participate even when the college might not see any benefit? Here I’m not thinking so much of Graduate School, or Summer School, as new ventures such as the Sevier Co. site.
* Once the first-year baseline is established, how do we reward “growth”?
  + Tuition minus a “tax” to support administrative services; or
  + All tuition, with a flat amount to support administrative services
* Wat is the process for future expenditures:
  + Starting new academic programs?
  + Establishing new priorities?

How do we cover deficits?

* How will we address the structural recurring deficits existing in some (if not all) academic colleges?
* How do we protect against a precipitous decline in year-to-year income for one or more colleges?
* How do we respond if the University, as a whole, receives a considerable reduction in income (either from reduced state support or from a dramatic drop in enrollment)?

How will we start or roll-out the program?

* Questions that may be longer term, but that need to be part of the great reveal: how and when will departments be onboarded in terms of new accountability? Will we go in like sitting ducks, or deer in headlights? Or will there be a planned system of training and workshops that will show departments how they’re faring in advance. Also, the Deans will be held to a new level of accountability in bringing their departments along, and developing plans for supporting and promoting departmental efforts.
* And something asked at Thursday’s Council of Academic Chairs meeting of President Noland, how do we justify a completely novel budgetary approach at the exact same time we embark on a completely novel governance approach? Relatedly, how do we ensure, or can/should we ensure that a new local governing board doesn’t come in and change everything after we put it in place?
* What does a “hold harmless” period mean? Does it mean we assume the existing base is what it should be and work forward from there, or should there be some review of the current base (both colleges and administrative units)?
* How do we launch the RCM process?
* How long is the “hold harmless” phase? Will revenue centers be able to roll over revenue year-to-year? Will there be any limits?

What will the oversight process be in the future?

* How are we going to implement accountability over time? I.e. the premise of accountability is that programs reap rewards for improving outcomes, but that will take time to implement. Right now, programs are at the mercy of institutional resources to ensure outcomes. Programs are going to need to override these to the extent that they have proven historically ineffective.
* Should there be a committee that reviews the budget model periodically? If so, who would be on the committee and what does periodically mean?
* When does the work of this committee – the Budget Redesign Committee – end? What’s its “deliverable”? Is it a design with associated rationale? Is it an implementation plan as well? If the latter, what responsibilities does it have for implementation? For budget “re-redesign” (as appropriate) if indicated during the “mirror” or “hold-harmless” years?
* How are we going to staff the transition to a new model? It is clear that David and Margaret, and their staff, cannot collect, vet and reallocate all the budget information in their spare time!
* What are the plans for oversight at the University level? (IUC = ?)
* Will each College be tasked to develop a faculty/staff committee for oversight of the new process?