



DATE: February 29, 2016

TO: Rebecca Blank, Chancellor

FROM: Sarah Mangelsdorf, Provost and Vice Chancellor for Academic Affairs

LCM

RE: Budget Model Development Committee Recommendations

We are pleased to share with you this set of recommendations from the Budget Model Development Committee, with two attachments.

To summarize, the committee considered and recommends use of an alternative formula for calculating the redistribution of resources. The committee also recommends that 10% of the combined school and college budgets should be subject to the instructional metrics in development of the 2016-17 budget.

We are supportive of the recommendations made by this committee, and advise you to move forward with implementation.

Please let us know if you have questions regarding these recommendations.

cc: Members of the Budget Model Development Committee

Budget Model Development Committee

Recommendations for continued implementation of UW-Madison budget model

February 2016

Background

University of Wisconsin-Madison Chancellor Rebecca Blank and the University Committee (executive committee of the Faculty Senate) in 2014 jointly appointed the Budget Model Development Committee to recommend options for a new campus budget model. After five months of work, the faculty-staff-student committee reached consensus on key aspects of a proposed budget model.

The committee's most significant recommendations focused on the allocation of resources to schools and colleges, but not resource allocations within schools and colleges, leaving those decisions to the deans. The committee identified a set of clear and consistent metrics to inform budget decisions in both instructional and research areas.

Specifically, the committee recommended:

- Two measures for allocating general-purpose revenue (GPR) and tuition for instructional activity: unit of enrollment and unit of instruction. The committee concluded that degree home (also referred to as Primary Academic Group or PAG) is the most appropriate metric for unit of enrollment and that Credits Follow Instructor (CFI) is the most appropriate metric for unit of instruction. Each student has a degree home, which is the school/college that serves as the academic home of a student's degree program. In CFI, key academic output metrics such as number of credits and courses are tied to a funding academic unit. The composite metric would use a weighting of 20 percent for degree home and 80 percent for CFI and use the most recent two years of instructional activity with the most recent year weighted twice that of the first year.
- A new metric to cover institutional costs of research activity. The committee recommended that funds distributed to schools and colleges through the annual Capital Exercise be distributed based on expenditures and indirect costs, weighted equally as components, using the most recent two years of research activity with the most recent year weighted twice that of the first. The committee proposed that a similar metric be used for allocation of indirect cost budgeted in the general fund (Fund 101).

Implementation

Chancellor Blank accepted the Budget Model Development Committee's recommendations, and the university began to phase in use of the instructional and research metrics in the 2015-16

budget development process. On the research side, the campus used the new metric in allocating the entire \$29 million distributed to schools and colleges in Fund 101 budget authority for research productivity. The university took a more deliberate approach to implementation on the instructional side, subjecting 5 percent of the combined school and college instructional budgets to the new metric. The intent was to increase that share in subsequent years.

Committee review of implementation

In January 2016 Provost and Vice Chancellor for Academic Affairs Sarah Mangelsdorf and Vice Chancellor for Finance and Administration Darrell Bazzell reconvened the Budget Model Development Committee to assess progress under the new model and gather advice on next steps. This review was considered especially timely given budget challenges that were not anticipated when decisions on the model were made. The committee was asked to forward its recommendations to campus leadership in time to be considered for use in the 2016-17 budget development process.

Committee's actions/recommendations

The reconvened Budget Model Development Committee held two meetings in February 2016. The committee reviewed data compiled by the Madison Budget Office which showed the impact of the new model on budget allocations to schools and colleges. Committee members agreed that the campus should continue to use the research metrics in the same manner in which they were used in the 2015-16 fiscal year.

On the instructional side, the committee considered two decision points – one regarding the specific formula used to redistribute resources and one regarding the total amount of resources to subject to the instructional metrics in the second year of implementation. With respect to the formula, the committee compared the specific formula used in the first year with an alternative approach. Appendix 1 documents the formula for the alternative approach.

There was strong consensus on the following recommendations:

- The committee endorses the alternative formula. After reviewing the impacts of the initial model, the committee noted that the original formula calculated reallocations to schools/colleges based on the relative change in their share of activity applied to the overall amount of resources subjected to the model. This leads to a potential distortion when relative school/college activity is not aligned with actual budgets. The alternative approach applies the activity change measure to the unit's actual budget allocation.
- The committee recommends that 10 percent of the combined school and college budgets should be subjected to the instructional metrics in development of the 2016-17 budget. Committee members expressed concerns about moving to a higher percentage (25 percent, for example) in a year in which schools and colleges face another 2 percent

budget reduction. The committee recognizes that the amount exposed to the instructional metrics will continue to increase in subsequent years.

A summary of the combined effects of the recommended 2016-17 research and instructional metrics on schools and colleges is attached in Appendix 2.

The committee expresses its appreciation to the Chancellor, Provost and Vice Chancellor for Finance and Administration for the opportunity to review the impact of the new budget model and offer recommendations for the continued use of objective, transparent metrics in the budget allocation process. This approach reflects UW-Madison's commitment to shared governance and collaborative decision-making.

Appendix 1

	A	B	C	D	E	F	H	I	J	K	L	M	N	O
	FY16 Redbook	Tuition Adjustments	Indirect Adjustments	Fund 136 Adjustments	Summer and Farms	Revised Budget	Activity Share CY13-CY14	Activity Share CY14-CY15	Percentage Change in Activity	Implied Change in Budget	Implied Budget	Implied Budget Share	Normalized Budget Share	Change in Budget - Alternative Approach
CALS	51,128,446		(2,885,493)	(6,250,000)	(2,579,061)	39,413,892	7.76%	7.70%	-0.82%	(32,154)	39,381,738	12.59%	39,399,653	(14,239)
Business	21,279,060	(1,865,006)	(17,453)			19,396,601	7.30%	8.16%	11.78%	228,508	19,625,109	6.28%	19,634,036	237,435
Education	25,205,824		(683,559)	(708,697)		23,813,568	5.88%	5.75%	-2.21%	(52,648)	23,760,920	7.60%	23,771,728	(41,840)
Engineering	35,098,033		(5,116,514)			29,981,519	9.40%	9.82%	4.43%	132,850	30,114,369	9.63%	30,128,068	146,549
Human Ecology	5,707,915		(78,537)			5,629,378	1.71%	1.95%	13.81%	77,760	5,707,138	1.82%	5,709,734	80,356
Biology Education	796,802		(11,635)			785,167	0.05%	0.03%	-35.71%	(28,041)	757,126	0.24%	757,471	(27,696)
Environmental Stds	2,329,998		(151,256)			2,178,742	0.43%	0.41%	-5.38%	(11,732)	2,167,010	0.69%	2,167,996	(10,746)
Law	14,958,221	(11,834,116)	-	(424,586)		2,699,519	0.10%	0.07%	-32.26%	(87,080)	2,612,439	0.84%	2,613,627	(85,892)
Letters and Science	144,317,423		(5,843,705)			138,473,718	63.16%	61.95%	-1.92%	(266,000)	138,207,718	44.19%	138,270,588	(203,130)
SMPH	54,646,533	(15,025,764)	(9,244,049)	(34,000)		30,342,720	2.36%	2.32%	-1.56%	(47,212)	30,295,508	9.69%	30,309,289	(33,431)
Nursing	7,556,662		(90,172)			7,466,490	1.20%	1.26%	4.71%	35,160	7,501,650	2.40%	7,505,062	38,572
Pharmacy	9,976,643	(9,114,033)	(395,592)			467,018	0.22%	0.21%	-4.55%	(2,123)	464,895	0.15%	465,106	(1,912)
Officer Education	199,310		-			199,310	0.10%	0.10%	0.00%	(0)	199,310	0.06%	199,400	90
Veterinary Medicine	17,326,043	(6,495,457)	(767,913)			10,062,673	0.17%	0.16%	-4.00%	(40,246)	10,022,427	3.20%	10,026,987	(35,686)
Continuing Studies	7,584,281		(31,996)		(5,580,160)	1,972,125	0.15%	0.11%	-25.00%	(49,305)	1,922,820	0.61%	1,923,695	(48,430)
	398,111,194	(44,334,376)	(25,317,874)	(7,417,283)	(8,159,221)	312,882,440	100.00%	100.00%		(142,264)	312,740,176	100.00%	312,882,440	(0)

Ten Percent Model

Appendix 2

FY17 Planning Allocations Fund 101 Budget Model Reallocations

<u>Division</u>	<u>Instructional Redistribution</u>	<u>Research Redistribution</u>	<u>Combined Change</u>
Agricultural and Life Sciences	(\$14,239)	(\$75,628)	(\$89,867)
International Studies	\$0	\$8,726	\$8,726
Business	\$237,435	\$0	\$237,435
Education	(\$41,840)	(\$14,544)	(\$56,384)
Engineering	\$146,549	(\$133,803)	\$12,746
Human Ecology	\$80,356	(\$17,453)	\$62,903
VCRGE	\$0	(\$101,807)	(\$101,807)
Biology Education	(\$27,696)	(\$2,909)	(\$30,605)
Environmental Studies	(\$10,746)	(\$5,818)	(\$16,564)
Law	(\$85,892)	\$0	(\$85,892)
Letters and Science	(\$203,130)	\$75,628	(\$127,502)
Medicine and Public Health	(\$33,431)	\$238,519	\$205,088
Nursing	\$38,572	\$0	\$38,572
Pharmacy	(\$1,912)	(\$11,635)	(\$13,547)
Officer Education	\$0	\$0	\$0
Veterinary Medicine	(\$35,686)	\$31,996	(\$3,690)
Continuing Studies	(\$48,340)	\$8,728	(\$39,612)
	\$0	\$0	\$0