Budget Priorities Committee

Background

UM seems poised to surge ahead...

Opportunities: reputation, faculty, students

Challenges of excellence

1. Picking up the pace a bit...
   Refusing to settle for anything less than the best!
   Tolerating essential singularities
2. Focusing resources
   Should not try to be all things to all people...
   Quality must dominate breadth and capacity
3. Highest priority: academic excellence...
   Intellectual core of activities.
   UM reputation and quality will be based on its activiteis in instruction and scholarship

Operating Philosophy

Academic institutions are profoundly people-dependent

Hence, the key to excellence is attracting and retaining the outstanding students, faculty, and staff, and providing them with the environment and encouragement to push to the limits of their abilities, and then getting out of their way!

An entrepreneurial culture, a no-holds-barred, go-for-it environment in which achievement and the quest for excellence dominate!

Concerns about UM Budget Philosophy

1. Incremental budgeting philosophy
   which ties one to the status quo

2. General-Funds dominated process
   without proper attention to all-funds or capital outlay considerations...not to mention human resources or space resources
3. Slow progress toward decentralized cost (and eventually revenue) management
4. "Used car dealer" style of resource management --rather than having a transparent, visible, and accepted process, UM operates on more of a "let's cut a deal in the back room" style of resource management
5. "Chinese fire drill" style of resource management in which, in Allen Spivey's terms, "the urgent takes precedence over the important" (and to hell with long range planning)

Resource Management

Old philosophy: $400 M --> $2 M discretionary capacity???

JJD philosophy: discretionary capacity > $400 M

Probably cannot move to a zero-base model (although it is possible in some units such as Engineering)

But lots of other options

- Incremental budget (status quo)
- Selective program reduction
- Decremental budgeting
- Initiative budgeting (Priority Fund)
- Zero-base budgeting (extreme)

All-Funds Resource Management

Need to encompass all resources in strategy

General Fund (only the tip of the iceberg)
Sponsored Research
Private Support
Auxiliary Funds (MSPs, Housing, Athletics, UMHs...)

NOTE: This will require a far more accurate decision management information support system

Decentralized Management

Have been frustrated by the slow pace of decentralization of cost (and, hopefully, eventually revenue control)

Doubt if we can ever reach an "every tub on its own bottom" strategy; but this "we all sink or swim together" philosophy has got to end

Simple theoretical model: Put all units on a revenue-cost balance. Then use State appropration to support central facilities (libraries, computers, etc.), undergraduate programs, and certain "high-need" schools (Music, Art)

Some questions:

1. Can we track expenditures closely enough?
2. Can small units handle the management load?

Resource Allocation Styles

Must move away from the "smoke-filled back room" style of resource allocation

Allocate resources according to publically visible, credible, and defensible criteria such as priority, productivity, and need.

Index some component of base budget allocation to productivity (e.g., flexible instructional staffing indexed to enrollment, department research administraiton

indexed to indirect cost recovery)

If the Provost were "all knowing", then total control might make sense -- but he ain't -- and it dont!...

More General Resource Management

Financial Resources

Focus of BPC

Space Resources

Very ad hoc (and opportunistic) process

Human Resources

Do units have "intellectual blueprints" which determine staffing decisions?

How do we monitor this?

Role of "position control" in a public university

Strategic Planning

Role of Strategic Planning

Define range of alternative futures to allow present decisions

Must recognize that accurate estimates of future are difficult -- if not impossible

But accurate knowledge of present status and past trends are possible -- indeed, mandatory for wise decisions

Critical to develop models to allow "sensitivity" analysis (e.g., "what if" analysis) as a key component of decision process

Concerns:

Remarkable absence of long range planning in Provost office...and University ... not to mention the units!

Seem to respond to crisis of the moment...

"crisis management"

Not since Allen Spivey was on board has adequate attention been given to this.

Planning Horizons

Immediate (FY86-87)

Near Term: next "Five-Year Plan"

Long Term: Five years and beyond

Decision Support Information System

Need for accurate information system support

To allow us to cope with a world of constant -- or perhaps declining -- resouce levels and changing priorities

To allow shift from incremental budgeting toward "zero-base" or "decremental" budgeting models

Importance of monitoring resource utilization as we shift more toward decentralized resource control ("management incentive program")

To dramatically accelerate the decision process for major resource allocation -- which not frequently gets paralyzed because of inadequate information (or lack of confidene in available information)

Concerns with present information support

Unreliable

General Fund financial information probably OK

...but inadequate knowledge of how General Fund resources are being utilized at the unit level (indeed, even at the Vice-President level)

Staffing information almost useless

Obvious errors in data

- Apples and oranges problems
  - e.g., permanent vs. flexible staff
- FTE measures need some rethinking
- Unit productivity data looks weak
- Enrollment data shakey -- and out of date
- Very limited ability to estimate, much less control, enrollments

Incomplete

- All-funds information packaged wrong
- Unit activity data very imcomplete
- No information on non-S&C units
- E.g., centers and institutes
- Administrative units
- Auxiliary fund units

Summary: Present database inadequate for decisions support

- No confidence in data
- Presentation is awkward
- Should make extensive use of graphs, cross-comparison of units, historical trends
- Projections and estimates are really weak
- E.g., enrollment (tuition revenue) projections

What do we need for decision support?

Accurate information characterizing

- Resource allocation
- All Funds
- General Fund
- Other University Fund support
- Sponsored research

- Gifts
- Service Income
- Special Tuition Income

Unit activity

- Instructional Activity
  - Enrollments
  - Student credit hour production
  - Degree production
- Staffing
  - Faculty HC and FTE
  - Flexible instructional staff (FTE and $$$)
  - Support staff (FTE and $$$)
  - Administrative staff (FTE and $$$)
- Unit quality

"Shells" to reduce information to useful form

Various levels of "summarization" for decisions

- "Macroview" of present status of University
  - (stressing "big ticket" items)

Ways to compare trends among units over time

- E.g., "Spivey" plot of GF$/FYES

Planning models for sensitivity analysis which

- allow "what if" analysis...

Presentation methods

- Graphical displays
- On-line analysis capability
  - NOTE: At level of President and Provost!!!
- Ability to electronically extract information
  - from central databases for local analysis
  - via spreadsheet packages (e.g., Excel or Lotus)

Idea: "EADF"

"Evaluated Academic Data File"

Key Questions:

How far can (should) UM move toward "private" style?

Discretionary capacity (flexibility) as key priority

How much flexibility do (and should) we have?

Centrally

At unit level

How do we achieve it?

How do we deploy flexible resources?

Decision point

Decision process

Use of "peer review" system?

Responsive

Decentralize authority

Balance between decentralization of authority...

and centralization of information

Must recognize that both trends are present...and necessary. No single motif will work.

Examples of decentralization:

Management incentive plan

Examples of "recentralization:

Information Technologies Divison

Central Development

Database development

NOTE: The more we decentralize responsibility and authority for resource allocation, the more we must centralize information sources necessary to monitor decisions.

Balance between support of disciplines vs. multi/cross/ interdisciplinary activities

Center and Institute study

National Science Board Task Force

HTS Observations on Financial Matters

Three Rules:

1. Never enough resources to meet needs of outstanding programs.
2. Optimal strategies depend on priorities, status, and institutional history.
3. Costs of quality education and research will continue to rise faster than resources of a single institution.

Considerations

1. Initial conditions of institutions (strength of infrastructure)
2. Level of uncertainty (capital to labor ratio)
3. Principles vs. practice -- e.g., selective cuts require very high information level (not to mention a very high tolerance for pain...)

Responses:

1. Increased tuition (not much capacity left)
2. Increased state, foundation, private support
3. Increased productivity, efficiency
4. New arrangements -- divestment of some activities to other institutions

Supporting Materials

Apples and Oranges List

Centers and Institutes List