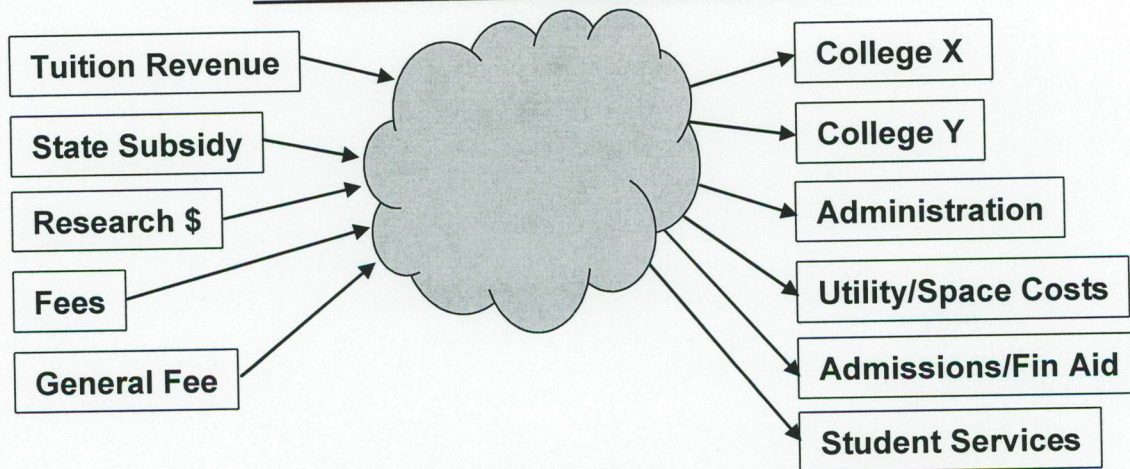


Fund Distribution in Our Current Budget System



- Majority of revenue comes into a central budget without much information on what activities produced that revenue.
- All costs are allocated out without much information as to what costs are associated with what activities.
- All allocations must be made with only historical information about past budget size and no way of knowing why the budgets are that size or if the size still makes sense.

Advantages of the New Budget Modeling Tool

- By understanding the relationship between revenue generation and cost, the university can maximize resources within established quality constraints. By maximizing revenue while meeting quality expectations, more resources will be available for investing in both additional revenue generation and in academic priorities that enhance quality without necessarily generating more revenue.
- The new budget modeling tool creates transparency where academic units are in a position to rationally compete for resources and discuss the appropriate balance between academic and non-academic resource allocation. In the current system there is no basis for reallocating resources other than guesswork or politics so allocation devolves into a non-strategic, across-the-board process that avoids major conflict but satisfies no one.
- The current incremental system is highly political with administrators put in a position of handing out favors based on very little information as opposed to academic units being able to make rational arguments based on metrics. Without this information, reallocation among units, particularly between academic and academic support units, is very unlikely.
- Decisions about resource allocation can involve the academic units where there is a better understanding about the relationship between revenue generation and quality and the authority to make changes to influence this relationship exists. Under the current system, budget decisions are implemented at the central level where the understanding of the relationship between revenue generation and quality is more diffuse and the ability to implement changes to influence this relationship is limited.

Concerns with a New Budget System	Concerns with the Current Incremental System
Units chasing financial gains may resort to using low paid contingent faculty or graduate students, increasing section sizes, and reducing the selection of classes	Units that grow in students or credit hours do not receive additional resources and must resort to using low paid contingent faculty or graduate students, increasing section sizes, and reducing the selection of classes.
Credit hour production becomes a currency leading units to try to maximize it regardless of the impact on quality.	<p>Incremental budgeting does not value credit hour production. Units can increase or decrease credit hour production drastically with no change in their budget. The lack of reallocation of resources linked to credit hour changes creates an imbalance of resources across academic units.</p> <p>Faculty time and workload are not related to the budget creating the perverse incentive to proliferate course releases and reduce section sizes and otherwise divert time from teaching.</p>
Does not inherently value scholarship	Incremental budgeting also does not value scholarship. A unit can drastically increase or decrease its scholarship and its incremental budget will not change.
Curriculum driven by student interest might encourage units to consider course popularity over rigor, curriculum poaching and grade inflation.	Curriculum driven by faculty interest. There is no incentive to consider student needs which then places no financial value on advising, course availability, or on-time graduation. Deficiencies in these areas lead to actual financial consequences related to retention and decreased success challenge subsidy.
Focuses the attention of decision makers on the lowest cost, rather than the highest quality of education without regard to quantity	Decision makers have little or no information about the resources needed to implement the highest quality education. In fact, the incremental system does not connect the activities of academic units to revenue generation which creates the temptation to divert resources to non-academic areas since academic units cannot directly demonstrate the financial value of their activities.
Encourages the pursuit of only financial gain at the expense of quality creating a race to the bottom	Encourages an across the board mentality towards resource allocation and budget reductions. This uniform application of resources with no regard for quality differences promotes a race to mediocrity by equally starving high and low quality program of resources.
Formula-driven: The budget model will drive decisions	At the top level, decisions are still made in an attempt to maximize revenues but with very little information. While formulas will be used to construct a model, the model does not make decisions. Just as today, people will have to make judgments and tradeoffs and the model will simply give them more information rather than less – it is simply a tool.