



Presentation to the Unit Budget Committee Chairs

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Budget formula working group - 1999

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Funding methodologies

- ✧ Formula funding
- ✧ Responsibility-centered funding
- ✧ Historical model with discretionary adjustments

Formula funding

Adopted by WSU in 1983

Unit budgets based on formula:

$$\text{Faculty lines} = \frac{\text{AYES}^*}{\text{SFR}} = \frac{\text{AYES}}{\frac{\text{AYES}_{1975}}{\text{Faculty}_{1975}}}$$

Many problems

- SFR is arbitrary

- De-emphasizes other important university goals (e.g. research)

- Not adaptable to changing goals

- Short term budget fluctuations

- Inappropriate competition for students

- Non-uniform implementation

*AYES = academic year equated students = total academic year credit hours \div 24

*SFR = student – faculty ratio.



Responsibility-centered funding

- Each academic unit keeps revenue from tuition, grants, etc.
- Each academic unit pays all costs
 - Salaries
 - Financial aid
 - Building maintenance
 - Utilities
 - Start up funds
 - Supplies, travel, etc.
- Each academic unit pays a tax for common services based on:
 - Faculty size
 - Square footage of building(s)
 - Enrollment
 - Nature of unit
- State funds would be distributed based on a formula



Responsibility-centered funding

Pros

- Rewards increasing enrollment
- Punishes decreasing enrollments
- Resources flow to successful units
- Encourages resource conservation

Cons

- Discourages cooperative relationships
- May not emphasize university goals
- Educational policy suffers
- Political strength of units determine policies
- Major changes to how services delivered
- Larger administration required in units



Historical model with discretionary adjustments

- Budget is based on prior year budget less any special support
- Budget is adjusted up or down to accommodate program changes
 - New goals
 - New facilities
 - Expanded operations
- Dynamic component based partly on measured performance
 - Consultation with units to develop criteria
- Ad hoc component to account for unmeasurable factors
- Administration or joint committee determines dynamic component



Working group recommendations

- Establish base budget
 - Faculty and staff salaries
 - Teaching assistants salaries
 - Part-time instruction
 - Office operations, e.g. telephones
 - Supplies
 - Inflation adjustment
- Dynamic component based partly on measured performance
 - Enrollment considerations (credit hours, level of instruction, cost per credit hour)
 - Productivity measures (rankings, degrees, funding, scholarship, awards, development)
 - Characteristics of program (lab courses, studio courses, special facilities)
- Budget review committee
 - Review dynamic component criteria for each unit
 - Evaluate competing proposals for unit enhancement
 - Broad representation (high-level administrators, faculty, students)
- Extend budget methodology to non-academic units