

Minutes: Faculty Council Budgetary Affairs Committee
Wednesday, March 8, 2006

Attendance: Trudy Banta, Ed Berberi, Terry Baumer, Ben Boukai, Peg Fierke, David Ford, Randall Halverson, Ann Holmes, Karen Johnson, David Malik, Jacquelynn O’Palka, Robert Sandy, Rebecca Sloan, Rosalie Vermette, Jack Windsor

Documents provided as handouts:

- Statement and Response to the RCM,
March 1, 2006 Memo from the Academic Deans, Indianapolis Campus
- Chart showing annual increases from the previous year, for the amount that assessments exceeded state appropriations for the School of Science, from 99/00 to an estimate for 06/07
- Additional Talking Points for the 2005-2006 BAC Report
- 2005 Performance Report, Indiana University Purdue University Indianapolis

1. Minutes of December 2005 meeting.

The minutes for the December 8, 2005 meeting were approved by voice vote.

2. The ongoing RCM study—Deans’ Response and Discussion

In regard to the March 1, 2006 document “Statement and Response to the RCM,” committee members noted that understandably, the Deans’ report is supportive of RCM and recommends that it continue to be used. Members asked if potential pitfalls of RCM have been considered.

To continue the development of proposals regarding IUPUI’s budgetary environment, made by the Deans’ subcommittee, and reported at the August 2005 Deans’ Retreat, the Fiscal Futures team is looking at ways to have better financial accountability from the units.

3. Budget and Planning Hearings—Reports and a Wrap-up Discussion

Reports on unit hearings that have been submitted are appreciated. It will be very helpful if most reports can be completed before the next meeting.

Discussion points included:

- the importance of units providing their reports on time, so that this information can be considered by the BAC reviewer, before the hearing
- the importance of including administrative units in the budget hearings process, at least periodically.

4. Additional talking points for the 2005-2006 BAC Report

The committee examined a chart showing data for one IUPUI School, of state appropriations minus assessments, year by year from 98/99 to estimates for 06/07. This data was cited as an example of the risk to an academic unit, if the relationship between appropriations and assessments becomes seriously out of balance. As of 03/04, appropriations lagged behind assessments by more than \$4 million. The growth in the difference that academic year was more than \$2 million, the largest increase during the years shown. It was pointed out that this change occurred at a time corresponding to a change in the administration of RCM.

Other comments by committee members:

- RCM results in greater fluctuations in income for units which are assessed, that is, academic units, than for units which are funded by assessments. RCM also has the unfortunate consequence of giving incentives for units to offer courses which will be popular, regardless of their relevance to the discipline. Likewise, relying upon grant income shifts proposals for research toward topics which are more likely to be funded, rather than topics which may be most beneficial for the local community or for a discipline.
- Metrics are critically important in order to assess the financial health of units. For example, a metric showing the cost to produce degrees in a discipline would be very helpful in order to understand whether the financial state of the academic unit is sustainable.
- The logical outcome of diminishing state appropriation funding may be that this funding source will become inconsequential or disappear. For IUPUI, state appropriations are now 13% of the overall campus budget, and only 5% of the budget in medicine.
- In principle, there is a formula for assessments, but this seems to change often. Moving to a flat assessment rate has been considered. However, implementation would be challenging since campus units are divided among several financial entities, the medical school, for example.
- Efforts looking only at improving the rationale of how assessments are calculated may be futile because unit income is determined more by the relationship between assessments and state appropriation funding. The net value—appropriations minus assessments—is a key parameter.

Vice Chancellor Banta called attention to page 124 of the 2005 Performance Report, Indiana University Purdue University Indianapolis. A graphic on this page shows the decline of state appropriations between 00/01 and 04/05. As of 04/05, appropriations had dropped to less than half (48%) of IUPUI's education and general revenues. Banta commented that declines in the level of state appropriations are a national trend. BAC Chair Boukai referred to campus indicators for the core campus mission activities,

which are listed starting on page 82. He noted that given financial circumstances, effective strategic planning is critical in order to achieve campus goals.

There will be further discussion of RCM at the committee's April meeting. Chair Boukai suggested that the committee establish a subcommittee to work between the April meeting and next fall, regarding "talking points" for 06/07. Please send ideas to Chair Boukai before the next committee meeting, regarding how a subcommittee could be most effective in addressing strategic planning for campus funding issues, such as structures for making assessments and distributing state appropriation funds.

Next Meeting: Thursday, April 20, 12:30–2:00 p.m., AO103

Respectfully Submitted,
Randall Halverson