Minutes: Faculty Council Budgetary Affairs Committee
Thursday, December 8, 2005

Members Present: Trudy Banta, Bob Bennett, Ed Berbari, Ben Boukai, Tony Cox, David Ford, Randall Halverson, Ann Holmes, David Malik, Steven Mannheimer, Keith Moore, Keith Morran, Jacqueline O'Palka, Robert Sandy, Rosalie Vermette, Jack Windsor

1. Approval of Minutes of the May and November meetings

Approved by voice vote.

2. Progress on the 2004–05 Budget Reports and the Narrative of Committee's Report

Previous BAC chair David Malik presented the document "Budgetary Affairs, 2004–05 Final Report—Draft." This report will be finalized by the holidays.

No hearings were held last year. This was a concern for BAC members, who noted that some unit reports were not as well written as they had been previously and some reports had not been posted by the deadline.

Malik described highlights and recommendations of the document.

Highlights:

- The report notes two continuing campus priorities. These are 1) use of reallocation funds to address needs for students, campus promotion, campus infrastructure, and new faculty /staff; and 2) to remedy insufficient faculty salaries. There has been no redistribution money for new projects for the last several years, due to funds being used for previously approved projects. Malik noted that the imbalance of faculty salaries in comparison to peer institutions may have become more severe.
- Distribution of state appropriations is done via a historical model which has been unchanged since the late '80s, rather than by current "drivers." The committee recommended that a re-evaluation of the formula by which state appropriations are distributed to the academic units be considered. due to changes in campus structures and priorities. The report notes, "...few units of today resemble those of sixteen years ago."
- The report looked at assessments that are under local control. The analysis by FPAC consultants showed that given flat state appropriations, the future financial solvency of campus units is highly sensitive to the assessment rate. There is a question of whether it is appropriate that the rate is fixed, so that assessments increase at the same rate as other unit incomes.

Recommendations:

- Assessment (campus-based driver system)

The committee recommends "that the assessment be limited to the amount of state appropriation allocated to a unit." The report also noted the need for a driver based on external funding, and for a feedback mechanism to moderate expenditures by units receiving assessment funds, to reduce "automatic" increases in assessments charged to other units.

- State appropriation funds

The report suggests considering updating the model for distributing these funds through a "performance based" model, to help align allocation of funds with the "power of two" goals, and to help assure that budgets are predictable, to allow effective planning. The report lists a number of metrics that could be employed.

3. Report on the joint meeting of the BAC and Planning Committee with Chancellor Bantz

Halverson summarized the November 17, 2005 joint meeting, as reported in the distributed document "Notes: Joint Meeting of the FC Budgetary Affairs Committee (BAC) and Planning Committee." A discussion, the committee noted that the 2006 campus review mentioned at the joint meeting will be a rapid review of RCM conducted in February by the IU Board of Trustees.

4. Report on the meeting held with President Herbert

Chair Boukai summarized the meeting with IU President Herbert and Judy Palmer, IU Vice President and Chief Financial Officer, as very constructive and detailed. President Herbert was receptive in general to the proposals for greater transparency for faculty and administrative long-range planning. For example, he agreed that greater involvement of faculty would allow the administration to tap faculty financial expertise and to help achieve "buy-in" regarding ultimate decisions.

Points made in BAC discussion

- The IU Bloomington campus has had a long-term relationship of trust between the faculty of that campus and the administration. It is time for this level of communication and trust to be extended university-wide. It is important for the faculty to give their perspective, and to potentially affect the outcome of strategic decisions.
- Enhanced university-wide dialog, might be of value to IUPUI in terms of exposing the relative funding inequality of the campus.
- President Herbert indicated that he has control over few discretionary funds, although his office does receive 2% of indirect recovery funds, including a substantial amount from IUPUI. However, the February review of RCM may show the need for the IU president to have more funds which can be used to meet strategic needs.
- RCM is becoming defunct since schools are unable to raise their income. Increased enrollment is seen as the only way to increase income. In effect, RCM will be dead if the campus doesn't review how allocations occur, the impact of increasing tuition etc. In recent years, funds from student tuition have been diverted "off the top" for a number of purposes. These uses are not necessarily bad individually, but their net effect is an increased risk of a disastrous result for the academic units if their income decreases while their costs increase. The point of changing drivers is to allow units to plan more rationally.

The committee decided to invite Patrick Rooney to the next BAC meeting to hear members' concerns.

5. Discussion of the Upcoming Budget and Planning Hearings

a) Academic units and schools
b) Administrative and support units

Vice Chancellor Banta indicated that the units have all now turned in their reports for last year. Regarding a handout tabulating via Y (yes) and N (no) which units have submitted specific components of their Annual Planning & Budgeting Report 2005–2006, Banta indicated that units having Ns have been sent requests to complete this information. She indicated that all "Academic Affairs" units will be folded into one entity for the purposes of the hearings and RCM.

The committee discussed the rationale for the hearings, including the question of reviewing units which do not generate income, and whether faculty are capable of beneficially reviewing the complex circumstances of many units. Committee members responded that it is possible to look at performance indicators, and to check to see if there is credible evidence that a unit contributes toward the campus achieving its strategic goals. The review process can also serve as a "bellwether" to identify early signs of problems for units and for the campus.

Banta indicated that input is needed regarding how to most effectively conduct the hearings. The only significant head count increases in campus administrative units over the last five years have been in Research and Sponsored Programs and Campus Facilities Services, the latter due to the need to provide maintenance services in several new buildings. Otherwise, in all categories of staff, administrative units have had cuts in headcount.

Chair Boukai referred to a one-page handout, providing

- Suggested Questions for the Budgetary/Planning Hearings 2005–2006
- Items Proposed for Further Discussion/Activities by Past BAC

Members made several points regarding the hearing and questions. Given financial constraints, questions need to focus on specific progress that the units have made toward the doubling goals, and on how the units plan to make additional progress toward the doubling goals without receiving additional funds. Another suggestion was to establish one or more subcommittees to review specific units periodically in order to provide improved continuity of performance assessment. This could occur every two years, or every five years.

Chair Boukai asked members of the committee to send input to him in regard to developing an effective set of questions to maximize the value of the upcoming hearings. Chair Boukai offered to meet with committee members who have questions regarding how to prepare for their unit hearings.

Chair Boukai mentioned that a link from the committee's web page now allows access to committee reports over the last several years. Boukai indicated that he has been working with Molly Martin to identify faculty group leaders within each unit. He expects that the committee will have two or three meetings during the spring semester.

Respectfully submitted,
Randall Halverson