

August 25, 2021

## **ASC Budget Committee: Report and Recommendations Regarding College Reorganization, Budget, Spending and Faculty Budget Input**

**Note:** This document takes as its starting point the College Reorganization Budget (CRB), Structure (CRS), and Faculty Governance (CRG) Working Groups' Report of Fall, 2019, which can be found at:

[https://www.colorado.edu/sites/default/files/attached-files/as\\_reorg\\_budget\\_report\\_021020\\_accessible.pdf](https://www.colorado.edu/sites/default/files/attached-files/as_reorg_budget_report_021020_accessible.pdf)

[https://www.colorado.edu/sites/default/files/attached-files/2019\\_12\\_13\\_final\\_as\\_faculty\\_shared\\_governance\\_report\\_accessible.pdf](https://www.colorado.edu/sites/default/files/attached-files/2019_12_13_final_as_faculty_shared_governance_report_accessible.pdf)

[https://www.colorado.edu/sites/default/files/attached-files/cas\\_swg\\_recommendation\\_report\\_nov\\_12\\_2019\\_002\\_accessible.pdf](https://www.colorado.edu/sites/default/files/attached-files/cas_swg_recommendation_report_nov_12_2019_002_accessible.pdf)

Since those documents have been accepted and posted by the Provost, we provide here further detail and elaboration within those existing frameworks.

### **Goals and Principles Guiding these Recommendations::**

1. Embrace the academic and intellectual diversity of the College of Arts and Sciences, recognizing the different needs, cultures, priorities, and future strategic goals of each division.
2. Promote divisional autonomy and budgetary efficiency, especially in terms of annual spending authority.
3. Reduce piecemeal funding decisions and resultant constant competition between divisions and departments.
4. Promote flexible and strategic funding decisions that adapt to student demand and new strategic priorities, allowing money to be transferred across divisions over multi-year timelines.
5. Reduce static and historical funding allocations.
6. Recognize multiple stakeholders in the budgeting process more fully.

## **Executive Summary of Recommendations:**

1. Final budgetary decisions and budgetary control will reside at the level of the Dean of the College, as outlined in the CRB and CRS documents, and in compliance with Regent Policy 4.A.1. This will include yearly allocations of newly available funding, redistributions of existing funding, and cuts in funding in the event of emergencies or budget reductions from the Campus to the College.
2. The decisions referred to in (1) will be fully vetted through consultation with and oversight from the Executive Team (as described in the CRS document), as well as the ASFS Budget Committee.
3. Divisions and divisional deans will then “own” their budget allocations for the year. In compliance with Regent Policy 4.A.1, divisional deans will determine annual departmental and strategic funding allocations within their division, pursuant to (1) and (2). Each division will also “own” not only its spending decisions, but any annual deficits, surpluses or reserves, which will carry over to subsequent years. The Dean of the College would not have the authority to sweep or take back funds from divisions, except in emergency circumstances such as campus-wide budget cuts or overall reductions in College funding, and this process would be vetted as described in (2). An annual spending deficit in a division would have to be repaid from the following year’s divisional budget allocation, through adjustments within the division. Divisional deans should also provide their divisions previews of expected budget requests and allocations for the following two years.
4. We should increase the College’s flexible and strategic budget by reducing inflexible continuing budget lines. Mechanisms to accomplish this recommendation include:
  - A. Upon retirements or departures, convert current instructional lines (T/TT and instructors) to fungible continuing spending authority that can then be held in part at the College level and in part redistributed to the divisions, under the authority of the Dean of the College and using a process as described in (2).
  - B. New continuing funds from Campus should be treated in the same way.

Such funds could be returned to the funding of faculty or instructor or staff lines, OR used in other ways to support students, staff, faculty or general unit goals and operations, AND which are more easily reduced in the face of any future budget cuts
5. A small portion of funds described in (4) will be retained by the Dean of the College for central use in strategic ways, in consultation with the Executive Team.
6. All budgetary decisions will be based on unit goals and priorities, and clear decision-making processes and metrics. This will require uniform sharing of relevant financial and other data at College, divisional and departmental levels.
7. All division-internal budget allocation decisions will be fully vetted and made in consultation and with oversight provided by the Divisional Councils and their Budget Committees, as described in the CRG document.

8. Upon retirements or vacancies, staff lines would be owned by their respective divisions. The continuing budget associated with those lines would convert to cash funds and be available for redistribution in a process similar to (4), but only within the division.
9. Each division should ideally have a stand-alone Budget Committee, at least some of whose members should also serve on the ASFS Budget Committee. The members of both committees should serve multi-year terms in order to acquire expertise and transfer institutional memory. Note that this is a recommendation – it was not included in the new ASFS By-Laws as a requirement.
10. Academic Program Allocations (but see 1.4 below) and DA-ICR will continue to pass through directly from the College to individual units (but see Appendix Two regarding DA-ICR). Any similar allocations from campus to individual units such as departments (future revenue sharing incentive monies for example) should be similarly honored. Continuing budget line items (i.e. faculty and staff salaries and similar monies) will continue to flow to departments on an annual basis, as currently occurs.

## **Contents:**

This document has three parts:

- 1) What will happen immediately to the existing continuing budget funds when the divisions are elevated? The response is part one.
- 2) Recommendations about converting continuing budgets away from a largely “line-driven” system to a more “money-driven” system, which would allow much greater flexibility in the way that both the College and the Divisions can make budget and spending decisions in the future. This is part two.
- 3) We propose a governance structure for making the detailed decisions that would follow from the general recommendations in part two, as well for dealing with the allocation of new continuing budget funds. This is part three.

## **Part One: What happens immediately to continuing budget when the divisions are “elevated,” *pending* the new procedures described in Part Two?**

### **1.1 Budget held at the College level (and used annually and/or redistributed as continuing budget, at the College’s discretion)**

Administrative lines and stipends specific to the College. This will include all staffing positions that provide centralized services to the divisions.

General support funds (currently-allocated continuing budget not falling into any of the following categories below).

(+ in the future: a portion of strategic investment funds generated from retirements.)

### **1.2 Division-level budget (fully controlled by the divisions)**

Faculty, instructor and divisional staff lines (including a small number of new administrative positions that will be created in association with the Divisional Deans offices).

L & R funding generated by these lines.

Divisional dean’s discretionary fund.

(+ in the future: a portion of strategic investment funds generated from retirements.)

### **1.3 College-level annually-distributed strategic budget (held at the College level, but distributed annually to the divisions, in variable discretionary amounts, and then that annual distribution is fully controlled by the divisions for the year)**

Graduate student support allocations.

Start-up and retention funds.

### **1.4 College level automatically-distributed budget, going automatically to units or individuals (division and/or department and/or individuals) via algorithm each year**

Division-level administrative stipends (chairs stipends for example).

Graduate student tuition remissions (automatically follows graduate student support allocations).

New faculty recruitment funds, moving expenses, etc. (goes automatically to new lines).

Department general operating funds (algorithm in place to send money directly to departments each year).

Faculty \$XQK funds (automatically associated with faculty lines).

DA-ICR allocations (but see Appendix Two for further discussion)

Student-fees/course support money (APA). [Note that this is a pilot program which expires this year. In the longer term, it may be that this program should be part of the preceding category 1.3, depending on how future allocations are done.]

NOTE: Faculty \$XQK and department general operating funds might eventually be moved partially or fully to Divisional control, but we recommend that for the moment they remain as simple algorithmic spending. The “fungible delta” in these funds is quite small.

## **Part Two: Moving to a “flexible spending authority” budget.**

*The following proposal is not predicated on any change in the campus-level budget model – it could be implemented even under our current incremental model, as an “incremental plus” system. However, it is also implementable under a “performance metrics” or “strategic incentives” model, and we assume that the campus will move towards such a model in the future. Most notably, the following does not assume that the College or any division would have a guaranteed continuing base budget from year to year. The following proposal would allow the College and divisions to more easily implement a flexible, incentives-based model that would be in closer alignment with future campus budget models.*

Currently, virtually all available money in the College is locked into lines or at least people-funding (including graduate students), or goes automatically to individual units via pass-throughs and algorithms. The elevation of the divisions will not necessarily change this – the “locked in” money would simply be locked in to divisions. ***We propose to gradually unlock some of this money. The mechanism for doing so will be to convert retired lines (and new incremental funding) to a single, fungible budgeting spending authority (what faculty might colloquially call “cash”).***

***In particular, we propose that upon retirement of instructional faculty from any continuing budget position, some portion of that person’s line remain in the division as continuing budget spending authority, and some portion go to the College, again as continuing budget spending authority.*** For example, when a professor retires from a given department, with a total cost to campus of \$150k/yr in salary and benefits, one third of the funds in that line currently return to the Provost’s office to support the FDAP program. Some portion of the remaining \$100k would then be returned to both the College and respective division. The division could use the money however they see fit – for changing purposes each year (faculty travel or research support, seeding teaching or research initiatives, etc.), but also, as such funds accumulate, for new lines or other new continuing spending options within the division. The same would be true for the College. We expect that the exact split of the funds could be determined – and changed over time -- as goals, priorities and achievement of those goals dictate.

With regards to staffing, given the relatively smaller amounts of money involved, and the fact that the College and the divisions are all under-staffed relative to the rest of campus, we recommend that staff lines be owned at the divisional level, and that continuing funds from resignations or retirements go to the Dean of Division, as fungible spending authority, for use and redistribution in the same way as described above for instructional lines. While staff is different from instructional lines in important ways, fungible budgeting authority will allow staff lines to be converted to instructional lines and vice versa, so both must be owned by the divisions.

Note however that all budgetary decisions regarding staff must be in alignment with the Colorado Equal Pay Act, and appointments must be made in consultation with the College’s staff Appointing Authority, to insure policy compliance. That Authority should continue to reside at the College level.

In the longer term, a careful study of cross-divisional staffing levels is needed. It could be that staffing levels and responsibility are not equitably distributed across divisions.

***We propose that the same approach be used with new continuing budget funds that come to the College from increased campus-level income.*** Rather than allocating these funds as lines, we propose that some portion of the overall new continuing funds be distributed to the divisions simply as money. This would complement the money generated from retirements. The divisions could then decide to pool both sources of money to fund new faculty lines on their own, without needing College funding. Or they could choose to use the money in some other way.

The net result of this plan would be pools of continuing budget money available at both the divisional and College levels. Actual allocation of the funds at the divisional level would be made by the Divisional Dean after consultation with the Divisional Council and the Divisional Budget Committee, as described in the CRS and CRG documents.

At the College level, the allocations would be vetted and recommended by the Executive Team and ASFS Budget Committee to the Dean as described in the CRB, CRS, CRG and new ASFS Faculty By-laws documents. A crucial question for the College will be what portion of the pool of continuing money would be held within the College for strategic funding investments (seed spending for example, which could change from year to year), and what portion would be reallocated to the divisions as fungible spending authority. ***Here three key principles need to be enunciated:***

- 1) The new flexible-spending-authority approach is designed to allow increased flexibility in spending decisions at the College and division levels, including the possibility of creating strategic “reserves” of flexible continuing money.
- 2) The approach is also intended to allow rapid redistribution of funds *across* divisions (and departments) to meet evolving needs – it is not intended to greatly increase the amount of money sitting permanently at the College level.
- 3) There must be a commitment to freely sharing adequate financial data at the division and department levels, with appropriate decision-making and advisory groups.

The second principle means that as new money comes to the College from its portion of faculty and instructor retirements, as well as from new continuing funding from the Campus, some of that money can be held at the College level for strategic uses, but the majority portion should then be reallocated to specific divisions to meet their instructional and other needs. Such reallocations must be fully vetted by the faculty and the divisions. In particular, the Executive Team, as described in the reorg documents, would need to meet (in consultation with the ASFS Budget Committee) and recommend these division-specific re-allocation decisions each year to the Dean (as well as a broader decision about what amount of the overall money to keep at the College and what portion to allocate to the three divisions overall).

We point out that there are other ways to create strategic spending reserves, though we are not recommending them, but just pointing them out: most obviously, the College and/or Divisions could take skims off of DA-ICR (which would only generate temporary reserves however).

***Finally, we point out that agreement will need to be reached on the bases of potential redistributions across divisions (and departments).*** What do we want to incentivize? Would we use SCH or net revenue generation? Academic quality measures? Research quality measures? Decisions about minimal disciplinary coverage needs or other forms of subsidies? Rewards for retention and graduation rates? This will be a crucial decision, and one that will no doubt need to change across time, so we make no recommendations here. We do strongly suggest that the College discover what the Campus will use for its criteria for redistribution of base budget to the College under the new budgeting system currently being implemented, and that the College match its incentives to those used by the Campus to a significant degree.

### **Part Three: The mechanism for making and monitoring these budget decisions.**

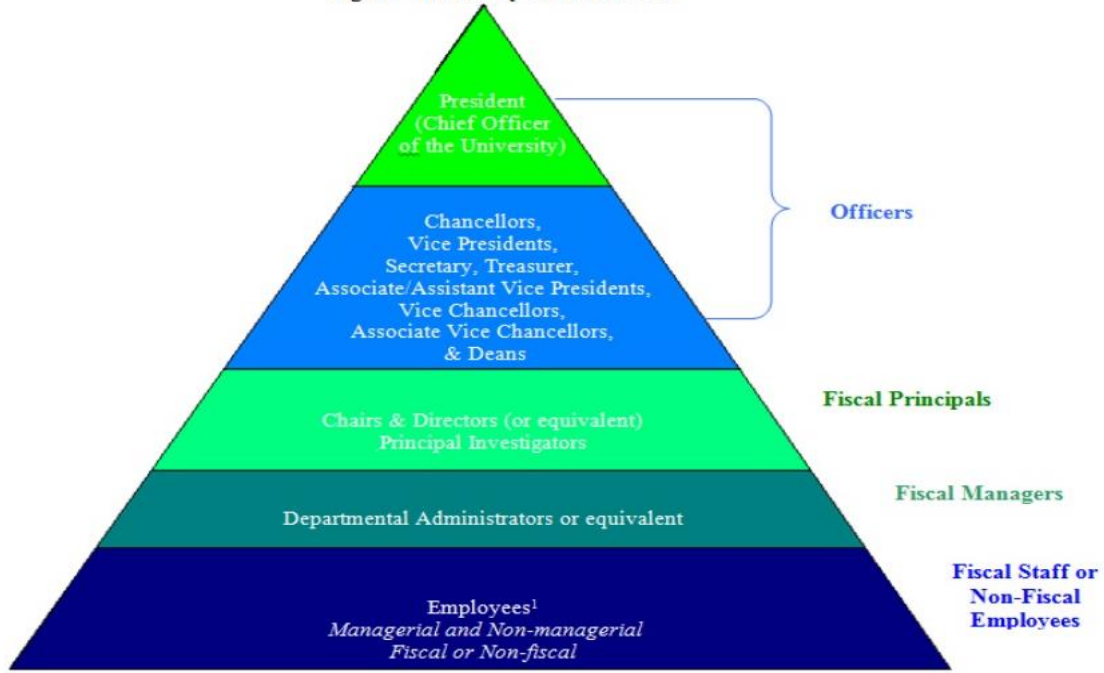
We note that the approach outlined above will lead to more complex budgeting decisions at the divisional level – with flexibility comes complexity. ***But with flexibility also must come accountability. In particular, each division must “own” its own budget and spending, and therefore also its own surpluses -- and deficits -- should they occur.*** The entire process will collapse if the College or other divisions are forced to use their strategic reserves to bail out a division that overspends. The same is true for the College central funds – it cannot be allowed to force the divisions to bail it out. If this were to occur, it would create the perverse incentive for all entities to “lock in” their budgets as much as possible. Thus ***the Dean of the College could not take back surpluses or strategic funds created at the divisional levels except in exceptional circumstances such as campus-wide budget cuts or overall cuts in funding to the College from the Campus*** – and even then, this should be fully vetted with the faculty and divisions.

The divisions would also independently “own” any future budget cuts – i.e. as a first principle, a future 5% cut would fall on each division equally, though of course the College could decide to use strategically-available funds to differentially assist the divisions.

According to the University’s Administrative Policy Statement (APS) 4104, “Fiscal Roles and Responsibilities”, all employees “are entrusted with the responsibility of preserving university resources and using those resources in a prudent manner for their designated purposes, as provided by policies, laws, regulations, and rules, and contracts, grants and donor restrictions.”

The Divisional Deans will be either Officers or Fiscal Principals in the fiscal hierarchy established in the same APS:

Figure – Hierarchy of Fiscal Roles



1 Certain employees of *Affiliates* may be authorized to conduct university *Fiscal Transactions*; these employees of *Affiliates* are also referred to as Fiscal Staff.

Under APS 4104, all Officers and Fiscal Principals are “entrusted with fiscal responsibility for their assigned organizational units.” In practice, this will mean oversight of all current and reserve funds in the division, particularly including the spending authority represented by General Fund continuing and temporary budget.

**Continuing Budget** is a recurring resource allocation, recorded in a given speedtype, that remains in place from one year to the next. **Temporary Budget** is a one-time resource allocation, recorded in a given speedtype, that remains only for the duration of the fiscal year in which it is recorded. Variances in continuing budget at fiscal year end, whether surplus or deficit, are recorded as temporary budget in the following fiscal year.

To improve transparency and create a system for continual monitoring and checkpoints, the VD of Finance will provide the ASFS Budget Committee and the College Executive Team a divisional deficit report on a monthly basis.

In the event of a deficit in *temporary* funds within a division at the end of a fiscal year, we recommend the following occur during the next fiscal year, in the order listed, until the reductions are enough to pay back the deficit:

- 1) Draw from the Divisional plant fund reserve.
- 2) The Divisional Dean’s discretionary budget be skimmed by 50%.
- 3) The Division’s summer session incentive will be skimmed by 50%
- 4) Divisional L&R funding be skimmed by 5%.
- 5) Graduate student support allocations be skimmed by 5%.



- 6) Department operating budgets be skimmed by 5%.
- 7) Faculty \$XQK accounts be skimmed by 25%.
- 8) In the event of significant unapproved deficit still not resolved by steps (1-7), the Divisional Dean's discretionary budget be skimmed by 100%, AND control of the divisional budget may be removed for one year from the Divisional Dean and assigned to the College Executive Team.

We allow that the College Dean and relevant Divisional Dean would have the flexibility to negotiate alternative orders and proportions with regards to the repayment mechanism outlined above, as long as the deficit is resolved.

The Deans of Division will be responsible for sound continuing budget decision-making. In the event of a deficit in *continuing* funds over a threshold calculated at 0.5% of the continuing budget within a division at the end of a fiscal year (recognizing that not all fiscal decisions can be cleanly tied off by year end as there are timing issues), this deficit will be entirely the responsibility of the Division and Divisional Dean. For a deficit, we recommend the following occur, in the order listed, until the reductions are enough to eliminate the deficit:

- 1) The deficit in continuing funds will have to be covered by temporary and/or annually-allocated funds from *within the Division*, following the mechanism outlined above. This includes resolving the temporary deficit caused by the continuing funds deficit rollover from the prior year.
- 2) A hiring freeze be implemented.
- 3) Any divisional allocation from the college will be suspended.
- 4) All continuing funds in retiring lines be returned to the College for one year (though with the Provost still receiving the FDAP hold-back).
- 5) In the event of a significant unapproved budget deficit, all continuing funds in retiring lines continue to be returned to the College, AND control of the divisional budget may be removed from the Divisional Dean and assigned to the College Executive Team, until the deficit is eliminated, and for one year beyond this time.

We again allow that the College Dean and relevant Divisional Dean would have the flexibility to negotiate alternative orders and proportions with regards to the repayment mechanism outlined above, as well as the exact timeline for repayment, as long as the deficit is resolved in a timely manner.

***As part of this ownership, we suggest that redistributions of funds as well as distribution of new continuing funding be done early in the academic year, so that each division has clear ownership of the new funds immediately.*** We do not recommend a practice where the College temporarily holds a significant portion of the funds to be allocated to the divisions, and the divisions continually return to the College Executive Team and Dean on a piecemeal, ad-hoc basis to make new funding requests over the course of the year.

***Given the amount of annual reallocation that will occur at the College level, we feel that strong faculty, staff and student governance representation is also required at that level.*** We note that the new College model for redistributing graduate student support every two years, including portions of the base funding, is one example of how

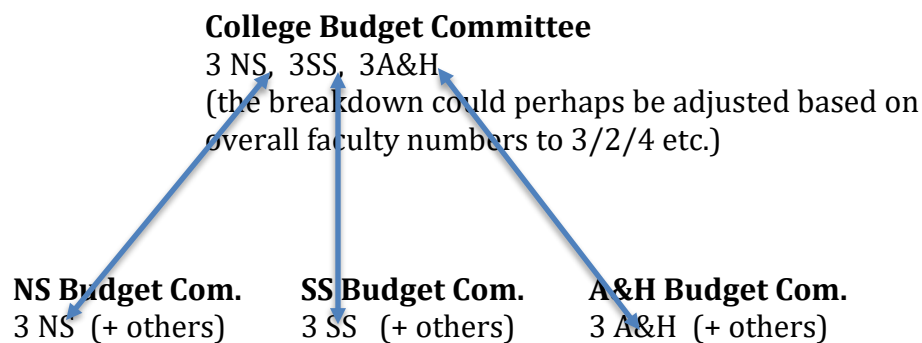
this mechanism should work. In particular, if money is going to be redistributed across divisions, representatives from all the divisions should be involved in such discussions.

***Given the flexibility and control at the divisional level, we believe there must be strong faculty, staff and student governance involvement at that level.*** We believe that separate Divisional Budget Councils (not committees-of-the-whole) should be maintained in each division, and that some faculty on the ASFS Budget Committee should be integral parts of the Divisional Budget Councils, to guarantee maximal faculty expertise. We also recommend multi-year terms for members of all budget committees, to build up expertise and allow transfer of institutional memory.

### **Suggested ASFS (formerly ASC) and Divisional Council Budget Committee Structures:**

***A nine-person ASFS Budget Committee made up of three faculty from each division should continue to meet and advise at the College level,*** as described in the new proposed by-laws for the ASFS. This will be a crucial function, given the increased complexity of budgetary decision-making at both college and divisional levels. Note this Committee is *advisory* to the Dean, not a determinative body (unless this is delegated to the Committee by the Dean).

The divisions have the authority to form their Budget Committees as they see fit. ***We advise however that the Budget Committees envisioned as part of the Divisional Councils should be independent groups, not committees-of-the-whole of the Divisional Council. The Divisional Budget Committees should include the three faculty from each division who will be on the overall ASFS Budget Committee,*** in order to insure shared knowledge between the two different levels of budgeting. Beyond this minimum requirement, the exact composition of Divisional Budget Committees is of course at the discretion of the divisions. These committees are again *advisory* to the Divisional Deans and governing Dean's Council.



Non-voting staff and student representatives should be considered for inclusion in both ASFS and Divisional Budget Committees.

We advise the preceding because budgeting and spending decisions are quite complex and require a significant amount of faculty education in order for the faculty to adequately understand the system – and thus comment and/or vote on it cogently. Separate divisional committees are needed, and those committees need regular interaction with the College-level budget as well as divisional budgets.

We strongly suggest that the head of the ASFS consult with (or even invite as an observing member) the Chair of the ASFS Budget Committee to any budgetary meeting of the Executive Team of Deans.

## **Appendix One: Some Pros and Cons**

*Part One:* There appears to be little alternative to the distribution described in part one – the locked-in nature of permanent budget will automatically force the vast majority of the distributions described.

*Part Two:* An alternative to this proposal would be simply to redistribute funds to the divisions as described in part one, and then not to implement the flexibility model described in part two.

*Reasons this might be appealing to some include:*

Divisions would have a permanently locked-in continuing budget. A division that shrank would not have to worry about potentially losing base permanent funding to other divisions.

Divisions would fully control their own lines, other than the portion that returns to the Provost's Office to support the FDAP program.

Budget planning and decisions would be simpler, in that there would be less need for strategic decisions at the College level.

Focus would remain narrowly on instructional needs and on "lines", as each division would compete for new continuing budget in terms of proposals for new instructional lines, thus keeping these needs at the forefront of thinking.

*Reasons why we find the alternative model less appealing include:*

It restricts the ability of the College to re-allocate funds across divisions in nimble and flexible ways. If the College believes such reallocations of base budget should be done at the Campus level, it should also recognize the need to do them at the College level.

It restricts the ability of the College to build up any strategic fund. This fund could be used to temporarily seed new initiatives in most years, or to increase support for one-time teaching or research efforts. It could be used to cover budget cuts in bad years, with the funding for the year in question simply not being allocated.

Divisions that grow would have no way to increase their base budget allocation to respond to that growth.

It restricts the ability of divisions to move money between broad areas of need – graduate students vs. instructors vs. faculty for example.

It keeps the focus of the College almost entirely in a “line-based” way of thinking, and inhibits broader discussion of how to correctly apportion spending between faculty salary and benefits, instructors, graduate student support, potentially increased staff, and potentially increased and more strategic support for new teaching and research initiatives, more individual faculty research and travel support, and other similar uses of money.

*Part Three:* What we propose here matches the current proposed new by-laws for the ASFS. However, it does not necessarily match what is proposed for the Divisional Councils – it *could* match these proposals, if the Divisions chose to implement our suggested model, but they would be free to implement other models as well.

As described above, the ASC Budget Committee has seen that there is a long on-boarding time for new faculty on the Committee to get up to speed. We have also seen that even chairs (and even Associate Deans) sometimes fail to fully grasp the complexities and implications of budget decisions. The “average” faculty member without previous access to and experience with financial data cannot be expected to understand all the technical complexities and nuances of the budget in ways that allow them to make the best-informed decisions. Therefore, other models for Divisional Budget Committees that lack representation from the ASFS Budget Committee are likely to be less effective.

## **Appendix Two: DA-ICR**

The committee discussed the issue of whether either the College or the individual Divisions should begin holding back some portion of DA-ICR. Currently, the full 29% amount is passed through the College directly to departments. This differs from the approach of the College of Engineering, which retains a portion of the DA-ICR centrally.

The College of Arts and Sciences is different from ENGR in crucial ways, however. First, there is a huge disparity between divisions in terms of how much DA-ICR is generated. The three-year (2019-21) rounded average for the divisions is:

	DA-ICR	% of Total
AHUM	\$6,000	0.1%
SS	\$216,000	3.0%
NS	\$7,028,000	96.9%

As these figures show, a hold-back by the College would for all practical purposes be a hold-back from NS. As the entire preceding document indicates, we strongly believe that the College should have some central funding for strategic purposes, held back from each of the divisions, based on faculty retirements and potentially other sources,

in order to allow for cross-divisional subsidies from year to year, responding to strategic goals, needs, and opportunities. ***But all hold-backs of funding should be roughly equivalent to the sizes and budgets of the Divisions, at least within an order of magnitude. A uniform College hold-back of DA-ICR would not meet this criterion, but would instead involve an unacceptably large subsidy from one division to the other two. Therefore we are not in favor of a College-level DA-ICR holdback.***

***A more appropriate measure would be for each division and divisional dean to decide whether the division wanted to do holdbacks at the divisional level to create an “internal research support bank.”*** Even within divisions, there are significant ranges of DA-ICR between departments, but on much smaller scales than between the divisions. We suggest that clear policy statements from the Campus and College levels with regards to research expenses would be extremely helpful in encouraging the divisions to make such decisions. In particular, at the Campus level, a clearer accounting of how ICR is spent would be extremely valuable in helping faculty understand research-related expenditures and potentially seeing the benefit of or need for DA-ICR hold-backs. At both Campus and College levels, policy on the willingness – or not – of these units to support various kinds of research expenses (expensive equipment replacement or repair, for ex.) and the allowable percentage or amount that might be supported in these cases, might encourage divisions to take pro-active responses to these needs – especially if paired with a better understanding of how ICR is used and why it may or may not be available for these kinds of expenses.