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ASFS Budget Committee Update and Recommendations,
for the Arts and Sciences Faculty Senate, Spring 2022

1. Campus Budget Remodel planning process is wrapping up this semester. Andy Cowell is A&S representative on the Design Committee, and happy to talk or present to whomever on this. He has been in regular communication with the ASFS Budget Committee throughout the process, as well as Dean White and CFO Amy Lavens. The key point of the remodel is that budget received by a unit will be tied to Net Tuition Revenue (NTR) generation.
2. The new budget model will be in place next year, but next year (22-23) will also be a "hold harmless" year, so units can see what the implications of the new model are before the actual results kick in the following year.[1] "Supplemental funds" will be used to insure hold harmless. These are based on a "tax" on each unit's NTR.
3. Some units (schools and colleges) on campus definitely need supplements, others (including A&S) provide net supplements to others.
4. Even in the next two years (23-24, 24-25), the supplements provided to units will be held steady, so the effects of the new model will be dampened, and apply only to *incremental new funds* at the campus level, which will be distributed based on the new model. So no one should expect drastic changes over the next three years.
5. The Provost will determine allocation of all supplementary funds in the following years.
6. The ASFS Budget Committee has determined that within the College, some divisions currently need supplements, and others are providing net supplements.
7. The Committee recommends that divisions within A&S be held harmless next year. However, for next year only, if there is additional incremental revenue available to the College, any of this revenue going to the divisions should be distributed according to the new budget model -- i.e. the divisions that generated the additional revenue will receive the money proportionally – pursuant to the more detailed recommendations in (15).
8. The Committee believes that *in principle* supplements are acceptable for divisions within the College. However, we also believe that we should not simply accept the current budget ratios as the "correct" balance, since they reflect only one particular moment in time. Work needs to be done during the hold harmless year to come up with better principles and metrics for determining how to support different units and allocate funds strategically in the future.
9. A key leadership challenge in the College and Divisions will be to balance the need to support programs and missions based on our core academic values and strategic goals, while also recognizing the existence of revenue-generation incentives and the need to reward units that increase revenue generation. We do not expect that a unit within A&S which increases NTR will get all that money directly returned, but it needs to get some of it.
10. Transparency about NTR generation and budget will need to occur down to the departmental level, and departments will need to be able to see how others in their division are doing as well (and likewise for the divisions). Without this transparency,

departments (and divisions) will not even know if they are generating increased NTR, and will have no sense of whether budget is responding to NTR. The incentive structure of the budget model will thus fail.

11. Based on principles elucidated in the ASFS Budget Committee's College Budget Re-org document from last Fall, Amy Lavens has established a Budget Authority Matrix, in which every single speed type in the College is assigned to an owner. Each Division will now fully own its budget, including so-called "Leaves and Replacement" (L&R) funds, surpluses and deficits. This will lead to greater divisional autonomy and flexibility.
12. This also means, however, that the College will no longer be able to sweep divisional accounts to come up with extra money to cover central expenses such as start-ups and infrastructure costs. The central admin of the College will to some degree have *decreased* flexibility, as a corollary to increased flexibility for the Divisions.
13. In response, the College (Dean and CFO) has proposed, and the Budget Committee endorses, the idea that $1.4m of annual discretionary funds, held at the College but handed out to each Division on an annual basis, be retained at the College each year from now on. This loss of Divisional Deans discretionary funds will be compensated for by the larger L&R funds that each division will own.
14. ASFS Budget Commmittee recommends that this $1.4m be prioritized and divided as follows:

#1 Infrastructure:	$500-700k of continuing, annual budget
#2 Staff retentions and equality raises:	$300-600k of continuing, annual budget
#3 Held funds, used year by year for non-continuing purposes ('rainy day fund')	$200-400k "
#4 Teaching Professor salary raises:	$100-200k "

RATIONALE: Staff retention has become a crisis issue within the College at the moment, based on our discussions at the Budget Committee with those in a position to know, so this is what motivates our recommendation here. We note also that the recent Equal Pay Act process only compared salaries within divisions, not across divisions, or across units. Thus there are major inequities remaining within the College, or between Natural Sciences and Engineering for example, in terms of staff pay.

Zachary Tupper, Assistant Dean for infrastructure, gave a presentation to the Budget Committee. He currently has a continuing budget of only $200k, though needs are more on the order of $1-2m per year or more. With the sweeping mechanism no longer available to make up the difference (see #12), more continuing money must be allocated to this purpose.[2]

It is crucial for the College to have some money which is not invested contractually in people and their salaries and benefits, because in budget downturns, this is the hardest area to cut. We recommend for priority #3 that this money be held centrally in the College, and used on a year-by-year basis for temporary expenses (faculty travel, faculty special research projects or teaching improvement projects, one-time student aid, etc.) rather than being contractually committed. The money in priority #1 could also be cut if needs be, at least partially, though some construction contracts also exist.

15. Note that under the new budget model, there is no guarantee that new incremental funds will flow in to the College. The availability of such funds is based on NTR growth, increased retention of net NTR by the College (i.e. a decreased tax for supplemental funds), or increased supplemental funds from the Provost. Assuming however that such funds do flow to the College from one of those sources, the ASFS Budget Committee recommends the following allocation of those funds (after any hold-back by the College for increased centralized costs) for the coming AY only:

Centrally Held Funds:

0% additional money for addressing infrastructure needs centrally
(Amy has already reserved funds to cover costs in this area for the next two fiscal years, so we do not need to begin adding additional permanent funding in this area immediately. Based on (14) we recommend no additional funds for the moment.

10% additional held funds, to be used year by year for non-continuing purposes, including individual, departmental or divisional teaching or research initiatives, student support and other uses ('rainy day fund')

Funds going to divisions, but distributed on an automated basis by the College:

25% additional money for staff raises

15% additional Teaching Professor raises

Note that due to over-riding structural exigencies such as the Colorado Equal Pay Act, staff raises must be handled centrally – we cannot allow one division to adopt different pay rates or philosophies from the others. The net result of this reality is that the 25% of total new incremental funds for staff salary increases would go to each division based on how many staff are in the division, and then the raises would need to be handled in a uniform manner across the divisions. There is somewhat more flexibility for Teaching Professors raises, but we again recommend that this 15% of the total funding pool be split among the three divisions proportionally to the number of Teaching Professors in each division, and then be applied uniformly across TPs within the divisions as much as possible.

Funds going to divisions, as discretionary funds for the divisions:

50% money for teaching faculty hires, or other purposes determined by the divisions. This could be used for new TT hires, new Teaching Professor hires, or other uses, as determined by the Divisional Deans in consultation with the Divisional Councils and Budget Committees. We note that an alternative approach would be to allocate 65% to this category, *but* with the strong suggestion that some significant portion of that money be used for salary raises for Teaching Professors. These funds would be distributed according to NTR generationa.

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[1] In other words, next year we will continue under the numbers of the historical budget model.

[2] The ASFS Budget Committee feels that further discussion is warranted with Central Campus regarding chronic underfunding of A&S infrastructure needs, especially in light of the fact that Campus collects 71% of ICR on all A&S grants.