Fall 11-6-2014

Council of Chairs Meeting, November 6, 2014

Marshall University

COUNCIL OF CHAIRS, 2014-15
Minutes of the Meeting on November 6, 2014
Drinko 402; GC 226; SOP Conference Room

1. Attendance:

15 Chairs/Division Heads: Michael Castellani (CHM), Harlan Smith (FIN/ECN/IB), Marty Laubach (SOC/ANT), Liz Casey (HS), Allyson Goodman (JMC), Karen McNealy (CD), Alfred Akinsete (MTH), Eldon Larsen (CITE), Tracey Christofero (CITE), Jane Hill (ENG), Venkat Gudivada (CS), Marianna Linz (PSY), Aley El-Shazly (GLY), Cam Brammer (CMM), Penny Kroll (PT)

Guests: President Stephen Kopp; Gayle Ormiston; John Maher; Mary Ellen Heuton; Mike McGuffey; others

2. At 3:36 p.m. Mike Castellani called the meeting to order and introduced President Kopp. The President provided the members with an overview of the 20/20 Project timeline. The first Campus Leadership Retreat was held on October 11, 2013. Out of that Retreat emerged two major initiatives: the Services Portfolio Review (SPR) and the Academic Portfolio Review (APR) – both of which were completed and presented to Dr. Kopp on September 2, 2014. At the second Campus Leadership Retreat, held on October 17, 2014, discussion centered on the recommendations contained in the SPR and APR. The 20/20 Project then moved, in the aftermath of the October 17 discussion, towards the implementation phase. Plans are being developed and finalized; some recommendations are already being acted upon. Today, the #1 focus of our meeting will be the Budget. Specifically, where are we on the new Budget Model? Time permitting, Gayle Ormiston will say a few words about the APR, John Maher will comment on the SPR, and Mike McGuffey will discuss where we are with the Key Performance Indicators you were introduced to during the first phase of the APR.

The President then introduced Mary Ellen Heuton's presentation on the Budget Model by noting that we have all heard about the quantitative scenarios being developed and worked with at the Deans' level, to see what kinds of results the new model generates. Dr. Kopp emphasized that these scenarios are hypotheticals – simply illustrative attempts to help the Deans learn the workings of the new Budget Model. None of these illustrative scenarios should be misconstrued as fact.

3. At 3:42 p.m. President Koop invited Mary Ellen Heuton (CFO) to the podium, to lead us in a discussion of the progress made to date on developing and implementing the new Budget Model. The basis of her presentation was a PPT show developed for the September 29, 2014 Campus Conversation on the Budget Model. A copy of this PPT show will be attached to the email through which these Minutes are distributed.

The overarching question driving the development of the new model, in Mary Ellen's view, is this: "How can we, at the university level, distribute resources across campus where needed?" We haven't, in the past, had a Budget Model that allowed us to do this very well. We need, and want, a new Model that will enable us to do this effectively and efficiently. This new Model will avoid the "silo" budgeting problem MU has lived with for decades, and allow us to stay focused on the big picture – the health and vitality of the institution as a whole.

Work on the FY16 Budget began this fall. It will be an iterative process, involving lots of back and forth dialogue between Mary Ellen's office and the various Budget Units. Throughout, the BWG (Budget Work Group) will play an advisory role.

For FY16 the BWG chose to phase in the new Budget Model by implementing a Hybrid version. The Historic Component (which includes the FY15 student fees) will comprise 70% of each unit's budget. The other major component of the Budget is the "Core Institutional Component." Now, what are our "Core Expenses"? The expenses we incur, at the undergrad and graduate levels, for day-to-day operations and services. Think of this component as comprising MU's "Comprehensive Operating Budget." It will include recurrent expenditures for "core operations" and hence no 1-time expenses. It will include some year-to-year smoothing in light of variations in unit revenue streams. And it will include some funds needed to support changes and innovations that the university community agrees upon. As a bit of an aside, President Kopp noted here that MU is moving towards a private-school model because of the anticipated secular decline in state appropriations.

Once the "Core Institutional Revenue Allocation Pool" has been established (see attached PPT show), it will be split into an Academic Allocation Pool and a Service Allocation Pool.

Marty Laubach asked about the difference between an Institutional Expenditure and a Unit Expenditure. What criteria are used to place each expense in one of these categories? Mary Ellen replied that the key question is this: Where's the best place to put each cost, and to fund it?

Discussion then turned to the Academic Budget Unit Allocation. Will it in fact be based on SCH-generation? No. The initial run of the Model used SCH-generation for illustrative purposes only. The administration knows there's more work to be done, beyond the simple use of SCH's, to arrive at meaningful, useful, realistic unit allocations. As discussion centered on the various runs of the Model being undertaken, Mary Ellen, Mike McGuffey, and President Kopp all emphasized that the goal is, first and foremost, to learn how the model works. Institutional Research is running different models of funding distribution, using as its sample "all Comprehensive Institutions in the US," simply to give the Deans alternatives to consider and to see if we can find a model or models that fit our institutional reality. As Mike McGuffey put it, we want to find a model that makes sense – and that is tied into our Strategic Academic Outcomes.

Mike McGuffey and Gayle Ormiston also emphasized that it is the Deans of the colleges who will decide what the final Academic Budget Unit Allocation scheme will look like. And they have not yet decided. Everyone at the Deans' level and above is still learning about the new Model, and still seeking to identify unit-level allocation criteria that make sense for an institution such as Marshall. As more information becomes available and more alternatives become identified, the Deans will make the final decisions regarding the anatomy of the Academic Budget Unit Allocation.

Questions arose concerning how to measure costs. If we measure costs as "Unit Costs/SCH" – what are we measuring? "Unit Costs" are, as Mike McGuffey said, "everything": this is the "Instructional Budget Cost" variable that IR is able to obtain from our Comprehensive Institutions sample. Now, should allocations be driven by SCH's alone? Once again, the presenters emphasized that doing this is being overly simplistic. Is it possible for chairs to get Annual Operating Budget/SCH statistics, too, for their individual units? Unfortunately, this statistic is not available in our sample.

As discussion proceeded, Mary Ellen emphasized that this new process is not designed to cut budgets. Rather, it is designed to discover the best way to provide the right amount of funds to each academic unit (i.e., the colleges). Marshall needs to find a model that will allow us to shift resources from over-resourced units to under-resourced units. And the model must allow us to work together, within and across budget units, to make this shifting possible.

Some members raised the issue of a Spatial Resources Constraint (i.e., classroom size and space) that is often binding. One aspect of the new Budget Model should be a better way of helping us work collectively, semester by semester, to get our students into the right classrooms. The chairs understand all too well the difficulties our classroom infrastructure presents when it comes to scheduling classes, and want to make sure that the upper administration takes this constraint into account going forward.

Another feature of the new Budget Model involves what happens, year-to-year, to unit operating budgets. In the past, at the end of each fiscal year the remaining funds in a unit's operating budget would disappear from future allocations if not spent. And so each unit, every May and June, would take a "Spend it or Lose it" approach to its operating budget. This has led, of course, to inefficiencies. And it has not allowed budget units to plan rationally for future expenses. Spending activity, in short, has been year-to-year based, with no long-term strategic focus. Because at the end of each fiscal year, if there were funds in your operating account you didn't use – they would disappear forever.

The new Budget Model will work differently. Going forward, it will no longer be "use it or lose it." Budget units will be able to keep the funds they don't spend in a given fiscal year, and roll them over into the next year. This will allow for smoothing of operational expenses – hence greater efficiency. President Kopp, in fact, anticipates that within three years each budget unit will be asked to provide a breakdown of anticipated month-by-month expenditures. MU needs to get a clear idea, as an institution, of its cash-flow needs on a month-to-month, quarter-to-quarter, semester-to-semester, and year-to-year basis. The new Budget Model will enable us to do this.

The President then summed up the Budget Model discussion as follows:

> The new Budget Model, whatever it finally looks like, will be the result of an iterative process (which we're just beginning). Our goal is to find a model that's highly predictive of what actually happens. We want to understand the model's underlying assumptions and test their validity against outcomes. And we will re-model as necessary.

The meeting adjourned shortly after 5 p.m.