Decision Point 1: Tuition Revenue Allocation Percentage

What percentage of tuition revenue should we allocate through an activity-based formula? How aggressive do we want to be? Should we allocate only new revenue? Hybrid? During the parallel year, allocating in a way that results in similar budgets (i.e. no one loses more than 5%)?

Key Considerations:

- **Impact on Deans and Departments.**
  - The shift to an activity-based model would significantly impact the roles and responsibilities of deans and department heads. They would have more control over their budgets but also more accountability for their performance. The group emphasized the shift in nature of the role a Dean plays at Texas State, and this being different than what they currently do in their role as a budget manager.
- **Transparency and Collaboration.**
  - The group emphasized the importance of transparency in the budgeting process. Allocating funds after they have been distributed to the colleges could create greater transparency and encourage collaboration among departments
- **Baseline Funding.**
  - There is a need to ensure that core functions and programs receive baseline funding, even if they are not growing. This is important for maintaining essential services and programs that are critical to the university's mission.

Recommendations:

- **Adopt an Activity-Based Allocation Model.**
  - Transition from the current incremental budget request model to an activity-based allocation model. This would tie budget allocations to specific activities and outcomes, incentivizing productivity and accountability within departments.
- **Increase Transparency and Collaboration.**
  - Implementing an activity-based allocation model should be accompanied by increased transparency in the budgeting process. Allocating funds after they have been distributed to the colleges could create greater transparency and encourage collaboration among departments. Specifically, focusing on up front explanations of costs, like what is provided to auxiliaries at the start of the budget cycle by the budget office to allow for planning.
- **Implement a Back-End Allocation Model for University Share.**
  - By distributing funds to the colleges first and then recouping the university's share, departments are incentivized to grow their enrollment and improve performance. This model ties budget allocations to specific activities and outcomes, promoting productivity and accountability. This approach allows academic units to see the full amount of revenue they generate and understand the deductions made for central administration and strategic initiatives.

Decision Point 2: Tuition Revenue Allocation Weighting

How should we weigh SCH versus majors in tuition allocation?

Key Considerations:

- **Consistency:**
  - Some courses (e.g., core requirements) are taken by students across various majors. For instance, an engineering major taking an English course might contribute SCH to both departments, this is the largest argument for awarding based on SCH, and not major based allocations to ensure fairness.
- **Billing Back**:
  - Consider whether colleges with required majors should bill back to another department. Should a major give money back to other colleges with required majors. If so, how would this process work?
  - Define the mechanism for allocating costs or resources between departments to ensure all colleges are accurately supported.
- **Strategic Priorities**:
  - Should consideration beyond SCH be given for additional funding for priority-based majors, if yes, what's the determination or percentage.

Recommendations:

- **SCH-Based Allocation**:
  - Continue allocating resources based on SCH. This approach directly ties funding to the number of credit hours taught by each department.
  - Directly reflects teaching workload.
- **Concerns:**
  - Given the trend toward STEM careers, consider allocating additional resources to STEM departments, need to determine balance with other disciplines and maintain a holistic approach.

Decision Point 3: Enrollment Smoothing.
Should we use enrollment smoothing to allocate tuition revenue?

Key Considerations:

- **Shorter Cycle for Growing Departments**:
    - Departments experiencing rapid growth might benefit from a shorter cycle, while those with flat or declining enrollments might benefit more from smoothing. This can help manage the financial pressures caused by fluctuating enrollments.
- **Coordination Across Departments**:
    - As some departments grow, others may need to expand to meet the increased demand for general education courses. Smoothing can help manage these interdependencies and ensure that all departments have the resources they need.
- **Innovation and Risk**:
    - It was mentioned that a year-to-year budgeting process can stifle innovation because units might be less willing to take risks on new programs that take time to grow. Smoothing could provide the financial leeway needed to try new initiatives without the immediate pressure of matching budgets to growth.
- **Dual Credit and Early College High School Programs**:
    - The impact of students entering with dual credit or associate degrees was also discussed. These students often spend less time at the university, which can affect enrollment numbers and, consequently, tuition revenue. Smoothing could help manage these variations.

Recommendations:

- **Implement Enrollment Smoothing**:
    - The consensus among the participants was in favor of using enrollment smoothing to allocate tuition revenue. This approach can help manage the volatility and provide a more stable financial environment
    - Consider using conditional models where colleges that meet their enrollment targets can continue as usual, while those that do not may need to take some form of loan. This approach requires careful structuring and implementation.
- **Reserve Funds**:
    - Allow academic units to build reserve funds. This would enable units to draw from their reserves in years when enrollments are lower, rather than taking out loans. This approach can provide a buffer and help manage financial stability
    - These recommendations aim to balance stability, innovation, and financial responsibility while addressing the unique needs of different departments and units within the institution.
    - The group also recommends that limits be placed on dollar amounts and duration reserves can be built with no strategic objective in mind.

Decision Point 4: Differential Tuition Allocation
Should we allocate any forms of differential tuition revenue?

Key Considerations:

- **Categories for Differential Expenses**: Three main categories were identified for differential tuition:
    - **Accreditation Standards**: Some programs have accreditation standards that limit the number of students per classroom, impacting tuition rates.
    - **Cost of Hiring Faculty**: The cost of hiring faculty in certain disciplines, such as nursing, can be higher due to market demand.
    - **Equipment Needs**: Programs like mechanical engineering and studio art require significant investment in equipment, justifying higher tuition.
- **Revenue Allocation**: The discussion also touched on how the additional revenue from differential tuition is allocated. It was noted that the fees collected often go directly to the home units of the programs, but there was a suggestion to consider revenue sharing with departments that support those programs

Recommendations:

- **Set Allocation Rate:** The consensus was that funds should be allocated based on a set formula per student. The group does not feel that in state vs out of state should have an impact, but that the home college should receive the same amount based on students.
    - **Continue Differential Fees:** However, the consensus was to continue the practice of differential fees for programs with higher delivery costs, such as engineering and nursing. This approach ensures that these programs can maintain high standards and cover their additional expenses.
- **Flat Rate Approach**: Consider a flat rate approach for financial aid differentials, where a consistent percentage of tuition revenue is set aside for need-based scholarships and managed through the overall enrollment strategy. This approach can simplify the allocation process and ensure that financial aid is distributed equitably.

Decision Point 5: State Appropriation Allocation

Should we allocate unrestricted state appropriations, i.e. formula funding?

Key Considerations:

- **Strategic Initiatives.**
  - Central allocation of unrestricted state appropriations can support strategic initiatives and essential services that benefit the entire university. This includes maintaining and renovating facilities, supporting IT systems, and funding new programs
- **Flexibility and Responsiveness.**
  - Centralizing the allocation of unrestricted state appropriations provides flexibility to respond to changing circumstances and needs throughout the fiscal year. This approach allows the university to address unforeseen challenges and opportunities effectively
- **Impact on Academic Units.**
  - While central allocation can support university-wide priorities, it is important to ensure that academic units have sufficient funding to support their core functions and growth. A balance must be struck between central strategic initiatives and the needs of individual units. A transparent and collaborative process for allocating unrestricted state appropriations can foster buy-in from academic units and other stakeholders.

Recommendations:

- **Centralize Allocation of Unrestricted State Appropriations.**
  - Allocate unrestricted state appropriations centrally to ensure that strategic initiatives and essential services that benefit the entire university are adequately funded. This approach provides flexibility to respond to changing circumstances and needs throughout the fiscal year
- **Develop a Transparent Request Process.**
  - Implement a transparent process for units to request funds from the centrally allocated unrestricted state appropriations. This process should include clear criteria for evaluating requests and ensure that funds are allocated based on alignment with the university's strategic priorities

Decision Point 6: Overhead Cost Allocation

How do we allocate overhead costs to maximize incentive and buy-in?

Key Considerations:

- **Impact on Units**: The overhead costs have significantly increased over the past few years, leading to deficits in many academic units. This increase has turned previously profitable units into ones showing deficits
  - **Awareness and Transparency**: It's important to ensure that all units are aware of the administrative overhead costs charged to them. There is a need for better clarity on how these costs are developed and communicated. This transparency can help in understanding and managing these costs more effectively
  - **Cost Breakdown and Allocation**: There is a need for a more detailed breakdown of overhead costs. Currently, these costs are seen as a "black box," and there is a call for itemized bills based on the services used by each unit
- **Methodology and Fairness**: The current methodology for calculating overhead costs needs to be reviewed. There are concerns about the fairness of the current system, and there is a suggestion to investigate different models, such as the one used in the grant world, to determine a more accurate and fair overhead rate.
  - **Administrative Overhead Charge**: The current administrative overhead charge is 4.25%, but there is a belief that this number is low compared to the actual administrative overhead at the university. There is an intent to analyze and possibly adjust this rate to better reflect the true costs

Recommendations:

- **Selection of 4-6 Governing Charges:** The group supports the idea of working with the recommended group governing charges to encourage simplicity of the model.
  - **Shared Services and Specific Costs**: Identify which costs are shared across all units (e.g., utilities, custodial services) and which are specific to certain units. This will help in ensuring a fair allocation of costs.
  - **Fair Allocation**: The current methodology for calculating overhead costs should be reviewed to ensure fairness. This involves considering different models, such as those used in the grant world, to determine a more accurate and fair overhead rate
  - **Transparency and Clarity**: It's crucial to provide better clarity on how overhead costs are developed and communicated. This includes itemizing bills based on the services used by each unit to ensure that everyone understands what they are paying for.
  - **Regular Review and Adjustment**: There should be a regular review and adjustment of the overhead rates to reflect the actual administrative overhead at the university. This will help to keep the rates realistic and fair. The group recommends considering a regular cycle be adopted to map these costs with inflation or another index to ensure that administrative groups continue to be able to operate effectively against real world costs.
- **Encouraging Efficient Use of Resources**: The cost associated with facilities and facility support should be based on criteria that drive more efficient use of space, utilities, etc. This can be built into the transparency measures being sought

Decision Point 7: Monitoring Unit Spend

How do we regulate unit spending to protect institution finances and strategic goals, while providing enough flexibility at the college/department level?

Key Considerations:

- **Incentivize Efficiency**: Departments should be encouraged to be efficient in their spending by allowing them to carry forward reserves. This means that if a department saves money through efficient operations, they should be allowed to keep those savings and build reserves.
    - **Data-Driven Decisions**: Using enrollment data and other relevant metrics to make informed decisions about resource allocation can help ensure that resources are directed to areas with the greatest need or potential for growth.
    - **Accountability for Service Providers**: Service providers should be held accountable for delivering services efficiently. There should be mechanisms in place to ensure that services are provided in a cost-effective manner.
- **Flexible Budget Management**: Allowing departments and colleges to have more control over their budgets can enable them to respond more quickly to changing needs, such as hiring additional instructors when enrollment increases.
    - **Integrated Hiring Plans**: Implementing integrated hiring plans that connect hiring decisions with budget availability and space requirements can help ensure that hiring is aligned with strategic goals and available resources.
    - **Preserve Existing Checks**: Existing checks and balances, such as the Provost's approval for new faculty hiring, should be maintained. These mechanisms can help regulate spending without the need to create new ones.

Recommendations:

- **Incentivize Efficiency**: Encourage departments to be efficient in their spending by allowing them to carry forward reserves. This means that if a department is able to save money through efficient operations, they should be allowed to keep those savings and build reserves. This can motivate departments to manage their resources more effectively
- **Accountability for Service Providers**: Ensure that service providers are accountable for delivering services efficiently. There should be mechanisms in place to evaluate and ensure that services are provided in a cost-effective manner

Decision Point 8: Ensuring Central Strategic Reserves Funding

How do we ensure sufficient central reserves for strategic investments? Is this an “off the top” allocation? How much?

Key Considerations:

- **Allocation Method.**
  - The discussion suggests that the allocation for central reserves could be an "off the top" allocation. This means that a certain percentage of the total revenue is allocated to central reserves before distributing the remaining funds to various departments and units. One of the core considerations is whether or not each college will be allowed to build a reserve balance to prepare itself in this model.
- **Determining the Percentage**:
  - The exact percentage for the "off the top" allocation needs to be determined based on the university's financial goals and historical data. For instance, the university aims to maintain a reserve balance of 25% of operating funds. As we consider what “reserve” an academic unit should have this number should be considered at different levels. Additionally, in line with the current UPPS, it should reflect differences if departments are saving up for planned projects.

Recommendations:

- **Implement an "Off the Top" Allocation**:
  - Allocate a certain percentage of the total revenue to central reserves before distributing the remaining funds to various departments and units. This ensures that central reserves are prioritized and consistently funded
- **Set a Target Reserve Percentage**:
  - Establish a target reserve balance, such as 25% of operating funds, to serve as a benchmark for setting the allocation rate. This helps maintain financial stability and provides a clear goal for reserve funding.

Decision Point 9: Subvention Methodology Transparency

How transparent should subvention be? How often should the subvention be revisited?

Key Considerations:

- **Level of Transparency.**
    - The group emphasized the importance of transparency in the subvention process. Transparency helps build trust and ensures that all stakeholders understand how funds are allocated and used. It suggests that subvention should be as transparent as possible to avoid misunderstandings and foster a culture of accountability.
- **Frequency of Review.**
    - The group suggests that subvention should be revisited regularly to ensure that it remains aligned with the university's strategic goals and financial health. A biennial review, aligned with the legislative session, is recommended to allow for adjustments based on changes in enrollment, revenue, and expenses
- **Clear Criteria and Guidelines**
    - Establishing clear criteria and guidelines for subvention is crucial. This includes defining what qualifies for subvention, the process for requesting subvention, and the expectations for units receiving subvention. Clear guidelines help ensure consistency and fairness in the allocation process

Recommendations:

- **Establish Clear and Transparent Criteria**:
    - Develop and communicate clear criteria and guidelines for subvention, including what qualifies for subvention, the process for requesting it, and the expectations for units receiving it. This will help ensure consistency and fairness in the allocation process.
- **Stakeholder Involvement**
    - Involving key stakeholders in the subvention process can enhance transparency and buy-in. This includes regular communication with department heads, faculty, and other relevant parties to gather input and provide updates on subvention decisions and outcomes
- **Public Reporting and Accountability**
    - Implement a system for public reporting on subvention allocations and their outcomes. This could include annual reports or dashboards that provide detailed information on how subvention funds are being used and the impact they are having. This level of transparency can help build trust and accountability

Decision Point 10: Structuring Effective Subvention Incentives

How do we motivate units receiving subvention to still make financial improvement?

Key Considerations:

- **Performance-Based Subvention**:
  - Implement a performance-based subvention model where units receiving subvention are required to meet specific financial and operational targets. This group recommends the following metrics: cost savings, revenue generation, and efficiency improvements. Units that meet or exceed these targets could receive additional funding or incentives
- **Incentivize Innovation and Cost-Saving Measures.**
  - Encourage units to implement innovative and cost-saving measures by providing incentives such as grants, awards, or additional funding. This could include initiatives like energy efficiency projects, process improvements, or revenue-generating activities.
- **Clear Guidelines and Expectations**:
  - Establish clear guidelines and expectations for units receiving subvention. This includes defining what qualifies for subvention, the process for requesting subvention, and the expectations for financial improvement. Clear guidelines help ensure consistency and fairness in the allocation process.

Recommendations:

- **Regular Financial Reviews and Accountability.**
  - Conduct regular financial reviews and audits of subvented units to ensure they are making progress towards financial improvement. This includes reviewing their budgets, expenditures, and financial plans. Units that demonstrate effective financial management and improvement should be recognized and rewarded.
- **Stakeholder Involvement and Transparency**:
  - Involve key stakeholders in the subvention process, including department heads, faculty, and other relevant parties. Regular communication and input from these stakeholders can enhance transparency and buy-in, ensuring that subvention decisions are well-informed and widely supported.
- **Clear Guidelines and Expectations**:
  - Establish clear guidelines and expectations for units receiving subvention. This includes defining what qualifies for subvention, the process for requesting subvention, and the expectations for financial improvement. Clear guidelines help ensure consistency and fairness in the allocation process.

Decision Point 11: Incenting Student Success

How do we incent student success goals through the budget model? What variables should be used to determine success? What opportunities exist for performance-based allocations?

Key Considerations:

- **Defining Student Success**
  - The group discussed the importance of outlining what metrics would be utilized to define student success in an incentive model. The group discusses various metrics to define student success, including retention rates, graduation rates, employability, and financial burden on students. While important in state reporting, employability is considered a challenging metric to incent due to factors like interview skills and market conditions play such a large role.
- **Opportunities for Performance-Based Allocations**:
  - Departments could be incentivized to improve retention and graduation rates. The group does think there needs to careful thought given to retention rates and when they are applied, Retention rates, both year-to-year and within specific programs, are crucial. The importance of not penalizing departments if students switch majors but remain at the institution is emphasized. Additionally, the idea of providing seed funding for initiatives that reduce barriers to student success, such as offering critical courses in the summer, is discussed.
- **Support Faculty and Staff Development**
  - Invest in professional development for faculty and staff to equip them with the skills and knowledge needed to support student success. This can include training on effective teaching methods, student engagement strategies, and data-driven decision-making

Recommendations:

- **Define Clear Metrics for Student Success**:
  - Establish clear and measurable metrics for student success, such as retention rates, graduation rates, employability, and social mobility. These metrics should be used to evaluate and incentivize departments and programs
- **Implement Performance-Based Allocations**:
  - Allocate a percentage of the budget to be distributed as bonuses based on performance metrics. Departments that improve retention and graduation rates should receive additional funding for facilities, research, or other initiatives
- **Incentivize Holistic Retention Efforts**
  - Ensure that retention incentives are not limited to retaining students within a specific major but also consider retention within the institution. Departments should be rewarded for helping students find the right fit, even if it means switching major

Decision Point 12: Incenting Research Enterprise Growth

How do we incent research growth through the budget model? What variables should be used to determine success? What opportunities exist for performance-based allocations?

Key Considerations:

- **Defining Research Success**
    - The group discusses various metrics to define research success, including the number of grants received, the amount of external funding, the number of publications, and the impact of research on the academic community and beyond. The importance of interdisciplinary research and collaboration is highlighted as a significant factor in research success.
- **Opportunities for Performance-Based Allocations**
    - The group suggests allocating a percentage of the budget to be distributed as bonuses based on research performance metrics. Departments could be incentivized to increase their research output through additional funding for facilities, research support, or other initiatives, The importance of providing seed funding for innovative or high-risk research projects was emphasized.

Recommendations:

- **Implement Performance-Based Allocations**:
    - Allocate a percentage of the budget to be distributed as bonuses based on research performance metrics. Departments that increase their research output should receive additional funding for facilities, research support, or other initiatives
- **Provide Seed Funding for Innovative Research Projects**
    - Offer seed funding for innovative or high-risk research projects. This funding can help researchers gather preliminary data and become more competitive for external funding. It also encourages interdisciplinary research and collaboration
- **Support Core Facilities and Shared Resources**
    - Invest in core facilities to centralize specialized equipment and support services. This can improve research efficiency, reduce costs, and provide technical expertise to researchers. Departments should be incentivized to utilize these core facilities rather than maintaining redundant equipment.
    - Core services that support the research enterprise across all disciplines need to be factored into the way the research incentive or charge is constructed. Entities like the Library and IT need to be considered for funding opportunities and structure as these research opportunities increase to ensure support maintains consistent as academic units are incentivized to grow.

Decision Point 13: Incenting Targeted Program Launches

How do we allow and accommodate targeted new program launches through the budget model? After launching, how long before the program is considered a "regular" part of the budget model? Are there certain milestones that need to be achieved? What determines a successful/unsuccessful program?

Key Considerations:

- **Allowing and Accommodating New Program Launches.**
    - The group emphasizes the importance of providing initial seed funding for new programs to ensure they have the resources needed to start successfully. The need for enhanced and focused marketing and scholarship dollars were highlighted by the group as examples of places where shorter term investments will make large scale impacts.
- **Milestones for Success and Transition to Permanent Funding.**
    - Key milestones for determining the success of a new program include enrollment growth, retention rates, and graduation rate need to be established at the time of initial funding, specifically against realistic peer institutions, sufficient timelines to prove impact, and the ability to respond to market demands. The group suggests that new programs should be evaluated after three years to determine if they should be considered a regular part of the budget model.
- **Encourage Flexibility and Adaptability**
    - Encourage departments to be flexible and adaptable in their approach to new programs. This can include offering courses in different formats (e.g., online, hybrid) and adjusting the program based on market demand and student feedback. Flexibility can help new programs remain competitive and relevant.

Recommendations:

- **Provide Initial Seed Funding.**
    - Allocate initial seed funding for new programs to ensure they have the necessary resources to start successfully. This funding should cover essential aspects such as marketing, scholarships, and initial operational costs to attract students and build awareness
- **Set Clear Evaluation Milestones.**
    - Establish clear milestones for evaluating the success of new programs. These milestones should include metrics such as enrollment growth, retention rates, and graduation rates. Programs should be evaluated after three years to determine if they should be considered a regular part of the budget model
- **Offer Performance-Based Incentives**:
    - Implement performance-based incentives for new programs. Departments that meet or exceed the established milestones should receive additional funding or bonuses. This can include funding for facilities, research support, or other initiatives that contribute to the program's success.