

**Budget Transparency Budget Model Initiative  
Activity Subcommittee Report  
March 26, 2019**

# University of Houston Budget Transparency Process

## Activity Sub-Committee Preliminary Report

February 22, 2019

The Preliminary Report of the Activity Subcommittee reflects philosophical views regarding the academic operations budget allocation as a part of the overall budget transparency process. This report reflects the Subcommittee's general ethos regarding activity-based funding in addition to responses to "guiding questions" established by the Budget Transparency Steering Committee. Finally, this preliminary report includes deliberations from the four working groups that are a subset of the Activity Subcommittee. They include working groups on Undergraduate, Graduate, Professional and Non-revenue Generating academic operations.

The general consensus among the members of the Activity-Based Funding Subcommittee is making certain that the percentage of funding allocated to the academic enterprise from centrally allocated funds represents the university's commitment to the mission of academic excellence, innovation and success, which defines and invigorates the academic initiatives of a Carnegie-designated, tier-1 research intensive institution. To that end, state-appropriated formula funding as well as designated tuition and fees allocated for the mission of the academic enterprise of UH should consider appropriate allocation levels for the following 5 areas central to the academic operations of UH and the mission of academic excellence, innovation and success:

- Direct and Indirect Activities that Support the Colleges' Academic Mission
- Non-Revenue Generating Units
- Merit-Based Scholarships
- Provost Performance Funding
- Provost Initiatives

The Activity Subcommittee recommends the need to base fund the aforementioned areas that represent the core of academic operations at the University of Houston. The Subcommittee recommends that non-academic expenditures (i.e. building maintenance and upkeep, security) should not be considered a part of the direct and indirect activities of the academic colleges, thus, not funded through central allocations to the Colleges.

Finally, the Activity Subcommittee agrees that the more resources allocated to all of the Deans (Colleges, Library and Honors) will provide the Deans more flexibility to achieve student and faculty success measures, including those aligned with "50 in 5" strategic initiatives.

## Guiding Questions for Activity Subcommittee:

The Activity Subcommittee was charged by the Budget Transparency Process Steering Committee to consider five guiding questions with respect to centrally allocated funding for academic operations. The Subcommittee's responses are expressed below:

1. How should the academic operations budget be allocated?

The overall academic operations budget should be allocated via a developed model that must have general guidelines/principals for a fair and transparent distribution and must be the responsibility of the Provost's Office. Considerations include:

- Develop fixed, base-funded allocations for direct/indirect and non-revenue generating units
- Create a merit-based model (revisit budget at year end) that recognizes effort/reward instead of entitlement
- Investigate the benefits/challenges of an allocation model based on SCH vs Revenue Generating
- Consider a College funding/allocation model based on enrollment
- Create base funds allocated for annual performance funding to Colleges
- Create base funds allocated for Provost academic initiatives
- Create allocations to non-revenue generating units that are commensurate with the institutional mission and vision for the unit (i.e., if the Library is to be one of the best in the nation, then funding must reflect that mission)

2. What is the optimal ratio for allocating the academic operations budget between the various activities?

The Provost, Deans, designated financial advisors and other stakeholders should ultimately be responsible for configuring the optimal ratio for allocating the academic operations budget. Items for consideration should include:

- College or Graduate Program Ranking(s)
- Allocation based on Merit/Surplus (Dean's Budget) - 50/50 split
- Base funding faculty growth in Colleges with high achieving departments (i.e., departments that could easily rise in national rankings with more faculty and support for faculty research)
- Indirect/direct College funding
- Graduate Student Recruitment and Post-Degree Job/Graduate School Placement

3. How will Summer School be funded?

- Summer school should be base funded as fall and spring
  - Allocation of base-funds for summer school should be based on a model that allocated based on summer instructional revenue generation (i.e. colleges should receive an allocation commensurate to the amount that college generates)
  - Summer school should be incorporated into a yearly model that treats spring, summer and fall as equal academic semesters or terms
4. How do we fund merit-based scholarships?
- Merit-based scholarships should be centrally funded with a gradual increase commensurate to the increase in student enrollment
  - Consideration given to whether merit-based scholarships should be a function of, and funded by, Academic Affairs as opposed to Enrollment Management
5. How do we safeguard against budget volatility within a unit caused by enrollment changes one year to the next?
- Create a transitional budget that anticipates gradual volatility based on enrollment projections
  - Create a “savings pool” for all colleges at the Academic Affairs level to absorb the shock within a developed transitional budget: Buffer for budget volatility at level of AA
  - Create a “savings pool” at the college level to absorb the shock within a developed transitional budget: Buffer for budget volatility at the college level
  - Request funding from central administration to distribute the risk
  - Allow colleges to retain a percentage of the annual unspent centrally allocated fund to create a savings reserve (percentage of amount swept at end of fiscal cycle)
  - Develop a base budget that includes instructional funding for increase course offerings (unmet demand)

# Working Groups Report

## I. Undergraduate Working Group

The following are responses to the guiding questions for the working group.

### Guiding Questions for Undergraduate Working Group:

1. How should undergraduate tuition be allocated including interdisciplinary programs and summer school? Should there be consideration given to the college that provides the instruction and the major of the student being in another college? What about secondary majors and minors?

Colleges need the funds necessary to deliver all necessary classes, and support all students

- a. Includes summer classes - *Offering courses in summer helps facilitate graduation in four years and reduces the large demand for required courses in fall and spring semesters.*
  - b. Includes interdisciplinary classes and minors - *Currently, colleges are not incentivized to offer minors because they do not receive additional funding, yet they dedicate faculty resources toward teaching these.*
    - i. Differentiate 'Core' classes from others - *Funding is needed to ensure quality instruction in core courses such that delivery by colleges/departments is incentivized or rewarded. Core courses introduce students to the University and it is critical that they are well supported, particularly since students have the option of taking them elsewhere.*
  - c. Student support services (tutoring, advising, careers) - *Strong student support services such as advising, tutoring, and career counseling are essential to promote engagement, academic performance, and timely progress. As enrollments have increased, additional funding has not been made available to properly support the students.*
2. How should we fund merit-based scholarships?

Merit-Based Scholarships - *funding is needed to recruit top students and incentivize them to complete their degrees in a timely manner at the University of Houston.*

- a. Doesn't keep pace with growing enrollments - *Institutional funding for merit-based scholarships should reflect growing enrollments.*
- b. Minimum number to be allocated to each college - *(additional scholarships from college philanthropic activity)*

3. How should out-of-state tuition and weighted credit hours be incorporated into any budget model?

*Out-of-State Tuition - may serve as an important source of discretionary funding if the difference between in-state and out-of-state funding is provided to the Provost for allocation – possibly used for additional scholarships.*

Create a budget for classes with additional delivery costs

- a. Colleges must identify courses - *that require additional delivery costs such as potential software, technology, lab equipment, upgrades, as well as consumables.*
- b. Budget may be based upon ‘fees’ created for specific classes - *it makes sense to acknowledge these additional costs and seek to recover them from students taking these courses*

Keeping up with Classroom Technology to support a variety of delivery methods

- c. Distance Education - *Effective distance education enabled by technology is critical to provide flexibility for commuting students and dealing with limited classrooms*

Budget incentives based upon student success metrics and University initiatives

- d. Student success measures are consistent with college performance metrics – *Student success metrics include graduation and retention rates, as well as employability (recognizing marketable skills goals of 60x30TX).*
- e. University Goals - *As a key University initiative, 50 in 5 should be a factor in college budget incentives.*

## **II. Graduate Working Group**

The following are responses to the guiding questions for the working group.

### Guiding Questions for Graduate Working Group:

1. Should graduate tuition be allocated differently than undergraduate tuition?
  - Yes, because the per-student costs of instruction/training are considerably higher due to different instructional, administrative, facilities, personnel, accreditation, and national ranking systems demands.
  - All of these additional needs and demands are unit-specific and may be program-specific, which should be considered when forming the allocation model.
  - These differences are somewhat reflected in the weighted credit hours and special professional tuition (question #3), so computing the differentials may not be a large challenge.

2. Should summer tuition revenue be allocated in the same manner as undergrad/grad tuition generated in the fall and spring semesters?
  - Yes, because higher education has become a 12-month activity from many students' perspectives.
  - Having a separate allocation model for summer (the current method) presents challenges for departments in summer course scheduling and staffing.
  - Having the summer (and perhaps mini-session) allocation model merged with the academic year, such that there is a single 12-month instructional budget for colleges and departments, may provide opportunity for more consistency in summer courses offered, better planning for curricula sequencing, and innovations aimed at student success (e.g., time to degree completion, number of degrees awarded).
  
3. How should out-of-state tuition and weighted credit hours be incorporated into the budget model?
  - Since weighted credit hours are what the state uses for funding the university, and the weights are based on their model for the cost of delivering the programs in each specific discipline/area, it seems reasonable that the allocation should mimic that weighting (allocation proportions represent revenue proportions).
  - Consider, however, that the state weights (based on averages across Texas institutions) may not reflect accurately the relative costs among programs, particularly for UH programs that may be higher performing than other Texas universities, such that some internal adjustment may be required.
  - Allocate out of state tuition to units, at least to some extent, to offset additional costs such as scholarships and additional administrative support required for non-Texas residents.
  - Consider structuring the units' allocations of out of state tuition to avoid incentives at any level creating unintended preferences or restrictions for out of state students, since UH is a Texas public institution.
  - Consider linking out of state allocations to units with initiatives and strategies intended to improve or achieve university goals (e.g., admissions pool competitiveness, diversity, program excellence or ranking).
  
4. How should graduate tuition reimbursements (GTF) be funded?  
Using institutional as well as external sources.

Institutional possibilities:

- should be part of the base budget allocation, for stability and consistency year to year;
- part of the out of state tuition differential may be used for this (the differential generated by out of state grad students, or only from out of state students in those programs whose students are eligible for GTF);
- partly funded based on enrollment (more grad students results in more GTF);

- partly funded based on program growth targets/expectations (provide additional GTF to increase enrollment);
- consider institutional matching based on unit acquiring support via development activity (e.g., philanthropy) funding graduate stipends (so all such stipends are accompanied by GTF, which would be very attractive to students and donors);

External possibilities:

- grants, but need some mechanism for equity (i.e., only some disciplines and departments have opportunity for tuition being paid by grants—very few agencies actually allow tuition on grants);
  - development activity (e.g., endowment funding for graduate student tuition support, similar to endowed scholarships; support for graduate student applications and proposals to outside entities, similar to pre-award support but for grad students); corporate partnerships.
5. Should special professional tuition be allocated differently than other graduate tuition?
- Yes, a higher proportion of allocation than for graduate allocation (perhaps 100%) should to the unit to cover the real costs associated with program administration, which is the reason these special tuitions exist.
  - Examples of the higher costs and resources required: accreditation standards and requirements; advising; national rankings and expectations; facilities (e.g., library); independent admissions and student support services/offices; licensure (for both faculty and students); tracking graduates for accreditation reports; career development/advising; etc. etc.

ADDITIONAL CONSIDERATIONS:

- Consider additional centrally-funded merit-based professional program scholarships (i.e., similar to GTF, but for professional programs) to support a diverse and competitive applicant and student pool, as well as potentially supporting excellence in student success and national rankings by attracting and enrolling high-quality students.
- Consider the level of unit-funded scholarships when developing the allocation model for graduate tuition, since such scholarships are real operational, fixed costs to those units (i.e., not an optional or variable cost) to sustain excellence.
- Consider allocations for career and student services support funding for graduate students, which would benefit all graduate programs, whether professional and academic. Some of this is currently conducted within units, using resources that would otherwise be available for instruction or training.

### III. Professional Working Group

The following are responses to the guiding questions for the working group.

## Guiding Questions for Professional Working Group:

1. How should out-of-state tuition and weighted credit hours be incorporated into the budget model?
  - a. Out-of-state tuition is limited in professional colleges. Examples:

College of Medicine (COM):	Accepts no more than 10% of out of state students as mandated by the State of Texas.
College of Optometry (COO):	Accepts 15-20% out-of-state students each year. Out-of-state students pay \$12,000 more per year. In-state scholarships are provided for competitive students.
College of Pharmacy (COP):	Accepts 5-10% out-of-state students each year.
College of Nursing (CON):	Accepts 5-10% out-of-state students each year.
  - b. Weighted credit hours: Needed at the college level to pay for professional education.
    - (1) The funding is for clinical.  
Clinical Education is not the same as regular/traditional education. Examples:  
College of Optometry: 4 day of clinic, 10 hours/day = 40 hours  
College of Nursing: 14-hour clinical days; 10-hour simulation days  
Student contact time is 3 hours: 1 semester credit hour
    - (2) Clinical faculty need to be treated with respect and with same opportunities as tenured.
    - (3) Merit and promotion for clinical need to be covered by university.
    - (4) Grow those programs that are higher weighted.
2. Should special professional tuition be allocated any differently than other graduate tuition?
  - a. The COO charges a premium tuition – stature and scholarship of program.
  - b. Graduate fees different from undergraduate fees:
    - (1) Costs with professional programs are different and revenue distribution model is different.
    - (2) COM is per headcount, not semester credit hour.
  - c. Clinical education costs; how will costs be paid (College or student fees?)  
Examples:
    - (1) COP: The cost of hospital preceptors for advanced rotation has risen from \$600 per student to \$900 per student. Amount is currently paid for from COP budget.
  - d. All professional fees should come back to professional colleges for needed flexibility, planning and control.
  - e. Institute Differentiated Designated Tuition (DDT): 85% to college, 15% to scholarships

## Other Questions:

1. Should faculty practice plan should be consistent across professional colleges?  
Currently, it is not.
  - a. Model 1 (COM): Charge healthcare facility with a pass through to the College.  
Advantage: More in benefits to faculty in university retirement plan.
  - b. Model 2 (COO): Intramural Commercial Rates. Faculty see patients on their own between semesters and paid dollar amount or a percentage of collected net revenue.
  - c. Model 3 (COP and CON): Faculty keep consulting (university policy) fees at 8 hours per week; maintain professional certification.

## IV. Non-Revenue Generating Working Group

The following are responses to the guiding questions for the working group.

### Guiding Questions for Professional Working Group:

1. How should extension programs be funded?

We consulted deans of colleges with extension programs where the responses were mixed. After analyzing the results, four types of responses emerged, which are presented below:

- Funding remains consistent at the 80-20 split on the gross revenue with the colleges and the Provost's Office.
- Continue funding at present level but base the 80-20 split on net revenue.
- Maintain the 80-20 split but supply the colleges with total revenue, at the beginning, until the extension program matures;
- Colleges receive total revenue from extension programs, except, perhaps, 5% for central administrative costs.

2. How do we ensure enough funding for the UH Libraries and Honors College?

While UH Libraries and Honors College are both non-revenue generating units, each presents its own set of challenges. Recommendations to fund both areas are below. Both Honors and the Libraries represent "common goods" for the university community.

### Libraries

Libraries are ever increasingly being asked to provide new services along with their traditional offerings; jobs like the Coordinator of the Research Commons did not exist three years ago. Below is a list of services the UH Libraries are being asked to provide, and it is logical they be provided centrally (like course reserves) for colleges that do not have subject matter experts.

- GIS and Mapping

- Text mining and topic modeling
- Statistical analysis
- Network analysis
- Research data management
- Survey design and analysis
- Controlled vocabularies

With the 50 in 5 initiative, the Libraries are asked to purchase new journals and datasets to facilitate faculty scholarship with no additional funding. A reduction in funding would confine the Libraries' purchases and, in turn, faculty research when the need is great.

#### First Recommendation Model

1. Fund the Libraries collections inflation based upon the Library Journal Price Increase Data. For example, last year's serial prices increased at a rate between 4.7% and 5.3% according to the Library Journal.
2. Assign an amount per undergraduate and graduate student based on enrollment. Enrollment variations would be reflected using a three-year, rolling average, buffered. Currently the amount per student FTE on the non-collections portion of the Libraries base budget is \$267.00
3. Provide annual consultations between the Libraries and Provost's Office regarding success measures, operational changes and new program support. Part of the cost of adding additional colleges and programs should include the library resources (people and/or collections needed to support the teaching and research needs of students and faculty).

The advantage of this model is that it would both ensure enough funding for the UH Libraries and be the most transparent.

#### Alternative model solution to ensure funding for the UH Libraries:

1. Fund the Libraries' collection inflation based upon the data cited in the Library Journal Price Increase report.
2. Provide for annual consultations between the Libraries and Provost's Office regarding success measures, operational changes and new program support. Furthermore, with additional colleges and/or programs, the Libraries should employ enough librarians to support the teaching and research needs of students and faculty.
3. Consultations between the Colleges and the Libraries should occur early in the process when a new program is introduced to ensure both collections and librarian support is adequate. If library funding is needed it becomes part of the cost of implementing the new program.

4. As the fee revenue goes up with enrollment increases, a proportional increase should be received by the Libraries.

### Honors

The Honors College enables the University of Houston to recruit the best and the brightest and serves as a point of pride for the University. Students of the Honors College are drawn from almost every college that awards an undergraduate degree and Honors is inherently, very interdisciplinary.

#### Recommendations for the Honors College:

1. Annual consultations between the Provost and the Dean of the Honors College about changes in 1) the College's operational obligations and environment (for instance, growth in number of students and in the size and scope of curricular and co-curricular honors programs and activities); 2) changes in the role of the College in supporting University priorities and mandates (for instance, the "Big Rocks" and the Medical School); and 3) new opportunities and initiatives that will arise.
2. Provide funds for the development and promotion of critical NTT faculty who are not eligible for University-wide programs.
3. Provide space adequate to the needs of a College that has increased its enrollment by 130% over the past 10 years. (The Honors College should not have to rent space for instruction, advising, and faculty offices.)
4. The Honors College should manage University-wide competitive merit scholarships as is the case at many R-1 universities.