

## **Budget Model**

### **Sponsored Activities Committee Charge**

#### **Goals:**

Acknowledging that F&A is by definition a reimbursement of costs incurred in support of research, and that UD incurs more expense in support of research than is reimbursed, the goal is to recommend a research incentive model that achieves the following:

- Increases sponsored funding of research, educational and research training and service missions, primarily focusing on federal funding, but also including state, industry and philanthropic sources
- Incentivizes interdisciplinary research initiatives, across colleges and departments
- Increases research productivity/efficiency
- Creates a transparent, equitable and predictable formulaic return to all units
- Creates expectations of responsibility for expenditures at all levels
- Ensures balance of reimbursement of costs while incentivizing new research

#### **Guiding Principles:**

The development, implementation and continuing assessment of the **new hybrid budget model** will be guided by the following principles:

- Creates incentives at all levels of the University that
  - Do not compete with each other
  - Increase academic quality and excellence
  - Promote financial sustainability and fiscal responsibility
  - Promote harmony among
    - Instructional, research and service missions of the University
    - Different levels/units of the University (College/Department/Center; academic/administrative etc.)
- Encourages innovation and entrepreneurship throughout the University
- Provides transparency, clarity and predictability at all levels of the University
- Can be easily understood, is easy to implement and operate and is flexible
- Can adapt to all cycles of the economy whether robust or downturn
- Creates a sufficient strategic pool of resources, above the base, to support new initiatives
- Builds an environment of inclusive excellence

#### **Assumptions:**

- The work of the Budget Model Steering Committee is separate from the anticipated work of the Operational Excellence Steering Committee that will be formed in the spring of 2018, although recommendations of the former will inform the work of the Operational Excellence Steering committee, especially relating to **base budget allocation process**.
- The work of this subcommittee, which is advisory, supplements and informs the work of Steering Committee, which guides the complementary work of the subcommittees to recommend a cohesive budget model.

#### **Deliverables:**

1. **Define the parameters of allocation in support of research, whether central or to the units, and allocation as reimbursement of costs incurred in support of research.** Some questions to consider include:
  - *Cost recovery/reimbursement:*
    - What basic cost recovery is recommended/required overall—how does our actual realized F&A rate compare with the published rate, and how do we compare with our peers?
  - *Fund indexed to F&A return to incentivize research:*
    - What will be funded from these funds? One time, recurring needs?
    - What is the right size of the central research pool? Is pool size the same annually, or is it defined as some percentage of available funds?
    - At what levels should pools be created: does VP Research control a central fund, or are there additional funds at the campus level? How do these funds relate to strategic pool(s) created?
    - How are funds allocated?
      - Competitive applications for targeted areas
      - Annual budget presentations
      - Who decides
  - How does this relate to strategic pool allocations, i.e. do strategic pool allocations fund “startup” costs, with increase in research funding recurring/ongoing costs of research?
    - Do we envision a cyclical model in which strategic pool funds start-up costs, the performance of which generates revenue that is used partially to pay back the strategic pool and partly to generate additional funds for the unit.?
2. **Recommend formulaic allocations to the units, addressing the following questions:**
  - What is the right regularized percentage to deans, departments, institutes/centers to incentivize research?
  - What is the right percentage to VPR to incentivize interdisciplinary and large scale program project grant acquisition via matching funds, seed grants?
  - Should we allocate a percentage to PI to incentivize research? If so, what percentage?
  - Should we allocate a percentage to Humanities and Arts for which external funding is less available than for STEM disciplines? If so, what percentage?
  - Should we allocate a percentage to the Graduate College in support of graduate student research? If so, what percentage?
  - What types of expenditures can be made from the funds at all unit levels, i.e. what part of these funds should be used to cover startups versus discretionary new resources? Need to make sure first call on new revenue generated is covering the expenses incurred to generate it?
3. **Acknowledging legacy agreements and current department/PI/center-specific funding models, provide recommendations for transition plan to get to recommended model implemented.**
  - Multiyear strategy?
  - Bake in current allocation as base?
  - Other options?
4. **Recommend related and complementary adjustments to current strategies and policies in the departments/colleges/centers, including, but not limited to:**
  - F&A charges/policies by fund in support of research, instruction and service
  - F&A waiver policies

- Salary offload policies
  - Tuition from research grants
  - Bridge funding
  - Funding models in centers/institutes
  - Other?
5. **Recommend principles and process to deal with negative externalities, including federal budget and policy uncertainty, including potential F&A cap.**
  6. **Recommend campus reporting plan to enhance transparency regarding sponsored funding allocation process, expenditures, and assign accountability for goal realization and analyze return on investments**
    - What performance metrics indicate success toward goals?
      - Increasing applications, number of grants, dollars per grant etc.
      - Increasing interdisciplinary grant success
      - Increasing publications, citations, etc.
      - Increased national rankings of programs, departments, multiple ranking methodologies
      - Increased research efficiency (sponsored expenditures/SF, etc.)
      - Other?
  7. **Subcommittee co-chairs will provide updates to the Steering Committee, as well as final report of recommendations to the President, Provost and EVP.**
    - Relating recommendations and effect on other subcommittee recommendations will be key, to minimize development of incentives promote one goal the expense of another, or that allow obvious opportunities to “game” the system.
  8. **The Budget Office will create a website that will contain the Budget Process updates as well as final report and other related information.**

**Process and Timeline:**

- The steering committee will meet bi weekly.
- December 2017:
  - Steering Committee Charge issued by President, Provost and EVP
  - Subcommittee Support Staff kick off meeting
- January 2018:
  - Steering Committee bi-weekly recurring meetings will commence
  - Subcommittee Charges to be issued
  - Subcommittee weekly recurring meetings will commence
    - written reports are due to the Steering Committee each Friday outlining:
      - 3 main topics of conversation
      - items the steering committee should help direct
- Winter 2018: President’s Executive Council, Roundtable, Senate, other public forum updates monthly or as needed.
- Spring 2018: new budget model recommended to President, Provost and EVP.
- Ongoing:
  - Continue to work to evaluate budget model impact and recommend appropriate refinements to optimize outcomes
  - Continue to work with units to achieve operational efficiencies over 3-year period.

- Continue to work with units and Budget Office regarding standardization of budget definitions, procedures, policies and common reports across colleges and units, and creation of budgeting system.