SUMMARY REPORT
BUDGET TRANSPARENCY MODEL INITIATIVE RECOMMENDATIONS

Provost Paula Myrick Short and VP Jim McShan were tasked by President Renu Khator to develop an activity-based/outcomes-based budget model that is transparent, accountable, and decentralized. To address the charge, we established the Budget Transparency Model Steering Committee and two subcommittees: Performance Subcommittee and Activity Subcommittee. The Performance Subcommittee focused on recommendations for defining how performance and outcomes would translate to revenue allocation. The Activity Subcommittee focused on developing an allocation model that tracks and rewards unit activity based on performance goals.

Since fall 2018, the Budget Transparency Model Initiative Steering Committee has worked with the Activities and Performance Subcommittees to establish several recommendations in response to seven key questions by President Renu Khator. The following is a summary of their recommendations.

1. **GTF pool— centrally collected and administered or locally designated to colleges?**

Colleges should maintain control of the allocated GTF funds and stated that the amount of the pool should be flexible rather than fixed in order to respond to the anticipated growth of Ph.D. students.

2. **Professional Programs – Treated as a separate unit or included in the graduate pool?**

Professional programs should be treated as a separate pool.

3. **Enrollment dollars – allocated to the enrolling unit or the unit that provides instruction?**

Enrollment dollars should go principally to the units providing instruction.

4. **Faculty/Staff Salary Raises – Centrally allocated from the top of new dollars or is there another workable idea?**

As merit raises are currently derived from the allocation of new dollars, funding those raises should be the top priority of the university. A faculty excellence fund could be created to supplement merit increases. In the event that the 2% raise does not materialize from new funds, a reduced amount should still be allocated to avoid a year without raises that could affect our competitiveness is faculty hiring. In addition, colleges should also be free to supplement with base funds from their budgets if they wish.

5. **Innovation – How to incentivize departments and colleges to be innovative in generating their own revenue. Any financial incentives? If so, how to fund them?**

Creating a comprehensive structure to allow academic units to launch new post-Bachelors education offerings that are designed to yield new revenue streams is timely and requires defining the type of program offering, quantifying the demand, and establishing the necessary policies. Such offerings could be badges, certificates, modules leading to degrees, and full degrees. With regard to policies, there is need for revenue distribution models that are very attractive to colleges, departments and faculty. It is recommended that UH Central guarantees that these programs are not taxed for 1-2 years at launch, so that colleges and departments are given a fair chance to succeed in this endeavor. Thereafter, taxes by UH Central should be gradual, reaching a maximum of 20% of income net of expenses. Also, there has to be a comprehensive distribution model used by all colleges whereby college, department, and teaching faculty benefit from the new program. The University should develop a general practice plan for those units with capability of providing services to the public – clinical, community, consulting, and so on. The University should fully fund all new programs (which has not always happened in the past), and ensure that some (large) portion of the revenues generated (after recovery of initial costs) go back to the unit, particularly to hire additional faculty to support the program as it grows. Also, there might be bonuses paid to faculty who are able to make contacts and generate new funding. They should be allowed to keep the entire amount of dollars that are gained from this. An example is executive education that is open to the public. The ability of departments to fund raise will vary considerably, so there cannot be a single model for all.

6. **Budget unit: Revenue-expenditure data should be generated for departments; however when it comes to budget allocation, should the unit be college or department?**

Budget allocations should go to the colleges.

7. **Guidelines—what are the guidelines for those units that go over their budget or those who suffer from enrollment fluctuations?**

Primarily, this should be handled between the Provost and the Dean of the particular college. That being said, if colleges or units do not meet their enrollment goals, or suffer significant decreases in a year, then we recommend assessing their performance over the prior three years (including the performance for the year of concern). It is important, however, for colleges to manage their own risk of fluctuations in performance and revenue generation. A feasible way for colleges to mitigate such risk is by being able to hold reserves. Reserves could be portions of revenues returned to the colleges for this specific purpose, but not funds unused in prior years. By policy, there could also be a percent limit imposed (e.g. say 15% of average revenue over a given period) on the amounts held in reserve for a defined period.