

Shared Governance Budget Committee Report 2018–2020 Academic Staff Assembly

*Authored by Members of the UW-Madison Budget Committee
Approved by UW-Madison Budget Committee: August 28, 2020*

Background

The UW Budget Committee was chartered in summer of 2016. The charge of this committee is to advise the Chancellor, Provost, Academic Planning Council, University Committee, and relevant colleges and divisional committees on issues of budgetary impact. The Budget Committee also provides feedback on budget planning and analysis for the offices within Finance and Administration. In September 2018, the UW Budget Committee delivered a report to shared governance about the budget operations of UW-Madison, improving awareness and transparency of budget issues and effects on the campus community.

This report provides further information for the academic years 2018-19 and 2019-20. The audience for this information includes the University Committee, Faculty Senate, Academic Staff Assembly, University Staff Congress, Associated Students of Madison, as well as faculty and staff across the UW-Madison campus. The Budget Committee also welcomes suggestions for topics for the Committee to consider in the AY2020-21. The Committee seeks to be a partner; a place where units, planning councils, and senates can express ideas, concerns, and proposals.

Activities

Since the last report, the Committee has held 16 meetings. Meeting dates and topic include:

<u>Date</u>	<u>Topic</u>
9/14/18	Capital Budgeting
11/8/18	State Budget and State Relations
12/14/18	School of Education Budgeting Processes
2/6/19	Segregated Student Fees
3/11/19	UHS and Mental Health Expenses/Demands
4/18/19	Administrative Transformation Process
9/30/19	Annual Budgets and Projections
11/15/19	School of Human Ecology Budgeting Processes
12/20/19	Division of Continuing Studies and Summer Programs
1/17/20	Housing
2/14/20	Performance Budgeting: Provost Scholtz on Budget Model
3/13/20	Extension Merger
4/17/20	COVID-19 Budget Implications
6/10/20	COVID-19 Budget Updates
7/17/20	Budget Process Overview
8/26/20	Committee Report Approval

Focal Issues for Shared Governance 2018-2020

1. School, College and Departmental Budget Processes

The committee heard two presentations from budget managers at the school and college level. On December 18, 2018, we heard from the School of Education. On November 15, 2019 the committee invited the financial manager from the School of Human Ecology. Several themes emerged from these discussions. First, faculty and staff often do not understand how budgeting processes work. There is a low level of ‘budgeting literacy’ outside of budget and finance offices, and as a result there are many myths and misconceptions about budgeting processes and procedures. Second, there is often a lack of transparency in how decisions are made at the campus level, which trickles down to schools and colleges. Systems should be more standardized and clearer, including for how budgets are managed at the departmental level. Third, many if not all units are managing multiple systems, including shadow systems that are created and locally maintained. These systems cause frustration, potentially risk continuity of operations when staff turnover, introduce errors, and ultimately undermine trust in how budgets are managed. As campus moves towards new IT systems and more standardized budgeting, it is crucial that staff and faculty are trained in how systems work, and also that decision making is as transparent as possible. The perception of ‘side deals’ with campus and within schools and colleges undermines faculty and staff trust in the system.

2. Budget Model Formula for Allocated 101 Funds for Teaching to Schools and Colleges

The allocation of 101 funds has been a topic at several committee meetings, including meetings with school, division and college leadership, as well as Provost Karl Scholz on February 14, 2020. In general, the budget model, which has been in place for nearly five years, is working as intended, but remains a relatively small portion of the total budget process. The summer budget model is the closest to the vision of a fully-implemented performance budgeting system, where schools and colleges can generate revenue based on activities, but even that system is still evolving. There are several barriers to expanding the use of the budget model. First, the IT systems and tracking of metrics, as well as real time budgets and expenditures, is not fully developed enough to support a system that faculty and staff are comfortable with. Better infrastructure, training and communication is needed to understand how the model works and to generate trust that the model will fairly allocate resources. Second, some units provide high intensity teaching and outreach that is not accurately captured by credit hours. Third, there are concerns that changes in HR systems (for example, Title and Total Compensation, TTC) could change how resources are allocated. While many of UWs peer institutions are moving to performance-based budgeting, UW remains slow to build out the infrastructure needed to expand the budget model currently.

3. Online Programs / Summer Term

In the December 2019 committee meeting, Jeff Russell, Dean of the Division of Continuing Studies (DCS) and Vice Provost for Lifelong Learning, presented on the role of DCS on campus. UW-Madison uses a hybrid approach for continuing education, with schools/colleges offering academic degrees with support from DCS. Such support

includes (but is not limited to) summer, pre-college, and adult learner (lifelong learning) programming. While DCS has been proactive with innovating programming, including distance learning, a goal is to leverage technological advancements to increase capacity for program delivery (increase programming access) and increase revenues. As one example, the pool of adult learners is growing, and one segment of this pool includes adults who are a few credits shy of completing an undergraduate degree. Offering an online degree completion option can attract people from this segment, thereby increasing undergraduate enrollment and revenues.

Two key DCS issues have budgetary impact. First, DCS needs a financial model for professional master's and certificate programs, especially as the pool of adult learners continues to grow. Second, technological investments will be pivotal for increasing access to programmatic content, though such investments are costly on many dimensions. Thus, the scalability of programs must receive strong consideration.

4. Extension Merger

The return of Wisconsin Public Radio, Wisconsin Public Television, UW Cooperative Extension and UW-Extension Conference Centers to the UW-Madison, as part of the Board of Regents restructure of the UW System, offers considerable opportunities to the campus. Cooperative Extension was headquartered on campus for many years, and its return strengthens the campus Wisconsin Idea mission. Similarly, public broadcasting began on the UW-Madison campus, fostering additional statewide connections and partnerships through public radio and television.

The sheer number of individuals involved in the operations of these 4 entities, however, and the range of their programming remains challenging. Interim Vice Provost for Extension and Public Media, Casey Nagy has overseen the merger and reported out to the committee at its March meeting. The committee was pleased to hear that the overall process has gone smoothly and that no major budget implications have been encountered.

5. Budget for Auxiliary Units: Housing

In the January 2020 meeting, Jeff Novak, Director of University of Housing, spoke about the current financial structure of University Housing and future needs. University Housing is considered a major auxiliary unit on campus. It is self-supporting; rent and laundry constitute the major revenue streams, while mortgage and construction payments constitute the major costs. Given its status as an auxiliary unit, efforts to improve operational efficiency – with an eye towards sustainability – play a crucial role. Recent efforts include streamlining dining services/capacity and replacing to-go containers with reusable containers.

From a budgetary perspective, Jeff Novak stressed the need for greater access to both short- and long-term financing to assist with capital projects. Such financing is crucial because demand for housing exceeds supply, with around 800 students on waitlists for rooms (at least before COVID). Greater access to financing is also important because of financial impact of delays in the state approval process. Jeff Novak estimates each year a project is delayed increases the cost of the project by \$1 million.

6. Segregated Fees

The budget committee invited the UW-Madison Teaching Assistants Association (TAA) to attend our meeting on February 11, 2019, to learn about their effort to have segregated fees either a) cancelled through UW policy or b) paid for by the unit sponsoring their assistantship. The budget committee made no recommendation on either approach. The budget committee also invited representatives from the Student Services Finance Committee (SSFC), and the Associated Students of Madison (ASM) to attend our meeting on March 11, 2019 to learn about their work to support more mental health services on campus. SSFC and ASM representatives mentioned that they would support an increase in segregated fees, if the fees were directly tied to increased mental health services.

Any change to the collection or cancellation of fees would be a complicated process, including the need for actions by the state legislature and UW System. The committee discussed better strategies to communicate the nature and use of segregated fees, as well as ways for departments and centers to pay these fees through scholarships for students who are funded for tuition remission and stipends. The committee recommends that faculty and staff working with graduate students engage in discussions around the purpose and importance of these fees, as well as how and when the fees are charged and paid.

7. University Health Services (UHS) and Mental Health Services

There is also a substantial increase in the number of undergraduate students seeking mental health services. Visits by students for mental health related services at UHS increased from 20,954 in 2014-15 to 30,160 in 2018-19. UHS needs to hire a projected 33 more full-time employees by AY22-23 per UHS models. UHS has been behind on bringing on additional mental health staff in the past year. The effect of COVID-19 on the demand for mental health services remains to be seen, but UHS will likely have high demand for services in general over the next year. UHS also has space limitations and may need to add space in the planned new construction on campus.

Students segregated fees fund 88% of the UHS budget. Increased funding from campus 101 funds and long-term planning for another facility to provide mental health services may become a critical need in the near future.

8. Capital Projects and State Budget Process

Reports to the committee on the topics of capital projects and state budget approvals provided an overview of budget constraints and advocacy strategies related to UW-Madison as a state sub-organization with delegated authority, excluding Human Resources, from University of Wisconsin System Administration and the State of Wisconsin. Campus-related capital projects are challenging and the process remains time-consuming as well as increasingly costly. By statute, the campus is required to submit a capital budget request biennially based on programmatic need, building conditions, strategic planning and other space-related issues. Depending on funding source, capital projects are executed under separate authorities. With the passage of Wisconsin Act 55 in

2015, the Board of Regents was granted authority to design and construct 100% gift- and grant-funded projects. Other land grant peer institutions and research institutions do not operate under the same level of constraint in decision and approval processes. The Chancellor has continued to request more flexibility from the State legislature to securing borrowing and other related authorities more in keeping with our peer institutions. Point 5, above, provides evidence of how the ongoing lack of flexibility in financing capital projects has affected on-campus housing.

A key historical data point included 2013 tuition dollars briefly exceeding the long-term declining state revenue. Direct impacts of decreasing state revenue in the form of no facilities maintenance dollars over multiple biennia and no investment opportunities for lifecycle planning were presented as a challenge for UW-Madison to compete with peers now and in the future.

9. Implications of COVID-19

On the April 17th Budget Committee meeting, Laurent Heller attended and gave the group an update on the early impacts of the COVID-19 shutdown on the budget. At that point, it was still unknown as to where we'd be in the fall, but they were doing lots of modeling exercises to determine impacts on the budget given certain scenarios. At the time, furloughs had not been announced yet but the goal was to protect the lowest paid workers. We also discussed the long-term budget cuts that could occur from the State and UW System. Additionally, since UW-Madison has more diverse revenue streams, the impacts of the shut impacted us in ways that it didn't impact other UW campuses. The issues of university housing and potential refunds were also discussed. We met again over the summer on June 10th for additional updates. At that point the budget impact of the pandemic appeared to be growing, concurrent with the potential state budget constraints. Student enrollment, tuition and fees appeared to be on track with prior projections, but there remains a great deal of uncertainty for fall. There are some additional federal and state funds for testing and protective equipment, but far short of what these expenditures will require.

10. Bigger Picture: Competing Needs and Complex Systems

Meeting with the different units across campus has really highlighted how varied the needs and revenues sources are for each unit across campus, despite us all being part of the same larger organization. The mixture of funding for each unit can come from a variety of sources, such as: tuition, student housing, conferences, grants, just to name a few. In addition, the expenses each unit has are unique to their mission. The needs of the Center from Limnology, for example, are not the same as University Housing, yet to some degree, we need to also operate as one. As a result, changes to budget models or policy, or in our current extreme circumstances, a global pandemic, can impact units differently based on their revenue source. Over the course of the year, it became clear how many factors need to be considered when making changes. Increased transparency, standardization of processes and clearer communications will help reduce confusion about how resources are allocated.

Topics for 2020-2021 Meetings

The Committee has developed a broad sense of budget issues across campus, including familiarity with specific units. This next academic year we will plan to revisit with some of the same units and divisions in light of the campus response to COVID-19, as well as expanding efforts to enhance diversity and inclusion efforts with faculty, staff and students. Potential meeting topics include:

- Division of Continuing Studies – How has the expansion of online instruction affected operations and instruction? What are the implications for costs and revenues, and what investments does UW need to make across departments?
- Division of Extension – now that Extension has a permanent Dean (Karl Martin) how has the role of Extension at UW Madison evolved? What are the impacts of state and county-based staff as the state and local budgets are in austerity mode?
- UW-System – how will financial issues across campuses statewide impact the UW-Madison campus? Are there potential areas of collaboration or consolidation that have budget savings?
- VCGRE – how has UW-Madison’s research enterprise managed the COVID-19 pandemic? What investments does campus need to keep research funded externally at a high level?
- UHS – how has COVID-19 impacted UHS operations? Is the UHS funding model still feasible given current needs?
- UW Athletics- how has the budget of Athletics weathered the pandemic given the losses of revenue as sports seasons are altered? Can UW provide the same level of support as for prior cohorts of student-athletes?
- Housing – Given the lost revenue in 2020 and added costs of operations for the 2020-21 academic year, how will housing maintain its budget and manage future capital and operating expenses?

Conclusions

The UW Budget Committee will be an important conduit between shared governance bodies and campus consistencies this next year. UW-Madison is facing an unprecedented budget environment with a great deal of uncertainties in the future. The Budget Committee welcomes feedback through its members to help UW-Madison adapt and adjust in this challenging environment.

Committee Members

First Name	Last Name	Department Name	Seat Type	Act. Start	Exp. End
WILLIE	CHOI	BUSINESS	Faculty	7/1/18	6/30/22
J. MICHAEL	COLLINS*	SOHE / PUB AFFR	Faculty	7/1/17	6/30/21
SUSAN	COOK	MUSIC / L&S	Faculty	7/1/17	6/30/21
TARA	CORDES	FP&M	University Staff	10/15/19	6/30/23
YASMINE	FERGUSON	DOIT	Student	7/1/20	6/30/21
JOHN	HORN	FINANCE & ADMIN	Admin	1/10/20	6/30/21
EDEN	INOWAY-RONNIE	GEA	Admin	7/1/19	6/30/23
GRANT	RUPKALVIS	STUDENT	Student	7/1/20	6/30/21
NATHAN	SCHULFER**	NELSON	Academic Staff	7/1/19	6/30/23
ZACH	SMITH	ENGR	Academic Staff	6/14/20	7/1/23
JANA	VALEO	L&S/HISTORY	University Staff	7/1/18	6/30/22
KIMBER	WILKERSON	EDUC/REHAB PSYCH	Faculty	7/1/19	6/30/23
LAURENT	HELLER	FINANCE & ADMIN	Ex Officio	7/1/19	6/30/23
JENNIFER	KLIPPEL	BUDGET OFFICE	Ex Officio	7/1/18	6/30/21
DAVID	MURPHY	FINANCE & ADMIN	Ex Officio	7/1/19	6/30/23
JAKE	SMITH	ACAD STAFF	Friend	7/1/17	6/30/21
LISA	WALTERS	FINANCE & ADMIN	Friend	7/1/17	6/30/21

* *chair* ** *co-chair*

Budget Committee Background

<https://secfac.wisc.edu/governance/faculty-legislation/6-25-budget-committee/>

- A. **MEMBERSHIP.** The Budget Committee shall consist of the following members, to serve staggered terms of four years, except that student terms shall be two years and initial terms of all members shall range from one to four years to create a staggered rotation.
- Four faculty members.
 - Two academic staff members.
 - Two university staff members.
 - Two students, to include both graduate and undergraduate students.
 - Ex officio non-voting members: campus budget director; chancellor or designee; provost or designee; and vice chancellor for finance and administration or designee.

Each shared governance group shall determine its own criteria for committee membership. However, there may only be one representative per school, college, or division from each group. No department/unit shall have more than one member on the committee. The shared governance secretaries and student shared governance coordinator shall confer to address any departmental or other diversity concerns prior to finalization of the committee roster and at the time of selecting replacement members.

In addition, committee members shall be chosen who have experience with, expertise on, or demonstrated interest in learning about and becoming a campus resource about budgetary matters. The University Committee shall designate the chair from among the faculty members. A co-chair from another governance group may be elected as well.

B. **FUNCTIONS.**

- Advises and makes recommendations to the chancellor, the provost, and the vice chancellor for finance and administration on institutional budget issues, long-range financial strategies, state biennial budget proposals, and allocations to schools, colleges, and divisions.
- Advises the shared governance executive committees on issues of budgetary impact and the public position to be taken on budgetary issues.
- Meets regularly with vice chancellor for finance and administration.
- Serves as a resource for schools/colleges, departments, and others on matters related to the budget.
- Consults with and advises other committees, such as school/college academic planning councils and campus planning committees, relating to institutional-level budgetary matters. The committee may also recommend the creation of ad hoc committees on budget-related matters.
- Reports to the Faculty Senate, Academic Staff Assembly, University Staff Congress, ASM Student Council, and their respective executive committees upon request. 1

Members on this committee are expected to become knowledgeable resources on the campus budget. Meetings are expected to be monthly or as needed. Some meetings, especially at the beginning of the academic year, may be significantly longer to allow time for understanding the structure of the budget and the process by which it is

constructed and finalized.

Common UW Madison Funding Sources/Codes

- 101- State tax, Federal indirect cost, and tuition funding allocated for the purpose of education and related programs. Salaries on 101 have fringe from the State.
- 104- Funding from UW-Extension used for off campus credit and non-credit activities.
- 128- Cost recovery funding used by units selling goods or services, both externally and internally. 131- Tuition generated by self-supporting instructional programs.
- 133- Non-Federal grants and contracts.
- 135- VCRGE
- 136- Cost recovery outreach funding mechanism.
- 144- Federal grants and contract funding.
- 150- Federal indirect cost reimbursement used for special allocations.
- 161- University administered trust funds.
- 233- Gift funding.
- 402- Minority and disadvantaged programs.

¹ Based on past practice and discussions with governance bodies, the committee will report each September on the prior year's activity