Optimizing University Budget Models

Strategic Lessons for Maximizing Revenue and Mitigating Risk
Road Map

1. Beyond Incremental Budgeting

2. Lessons from RCM Leaders

3. Budget Model Design Principles
Sound Familiar?
Common Signs That Something Is Wrong With Your Budget Model

Inadequate Resources for Institutional Priorities

☑ Health Sciences lacks resources to grow despite strong demand
☐ Provost cannot fund new multidisciplinary research initiative
☑ Engineering, Business turn away qualified students due to lack of capacity
☐ Researchers have no funding to travel to critical conferences
☐ Business dean keeps trying to negotiate for additional funds

Little Transparency About Cost and Revenue Drivers

☐ CBO cannot answer board’s questions about which departments lose money
☐ Department chairs demand resources while restricted funds go unspent
☑ Provost can’t explain why Physics costs 8x more than Chemistry
☐ Engineering dean complains that she is subsidizing other colleges

Few Incentives for Revenue Growth or Cost Control

☑ A&S dean refuses to launch new revenue generating masters program
☐ Education keeps refilling positions despite declining student demand
☑ Huge increase in photocopier purchases just before end of budget cycle
☑ Summer enrollment well below capacity
☐ Biology building leaves lights on all night
Good People in a Bad System
Rational Responses to Poorly Aligned Incentives

Both struggling to help students and support mission in the face of increased competition, growing responsibilities, and flat or declining budgets

Faculty Stereotypes
- Think in silos
- Resistant to change
- Oblivious to financial considerations

Administrator Stereotypes
- Overpaid
- Obsessed with change
- Reduces everything to financial considerations

A Different View
More Than Just A Flow of Funds

Budget Models Support (or Don’t) Institutional Priorities

To many it’s just dollars and cents... …but budgets express the university’s most important goals and priorities

- How do we strike a balance between teaching and research?
- How much financial aid can we afford to give out this year?
- How much should we devote to athletic programs?
- What is the right faculty to student ratio?
- How many adjuncts are too many?
- Which academic programs are our top priority?

Source: EAB interviews and analysis
“The budgets of a university are the surest single indicator of what it is committed to do and what it is stuck with… Underneath the rhetoric of leadership… is a hard logic in putting institutional funds where necessity permits.”

*Frederick Balderston, Managing Today’s University, 1974*
A Model That No Longer Works

Incremental Budgeting Ignores Differential Opportunities and Costs

Revenue Growth Allocated Equally Despite Different Needs and Opportunities

- Trying to raise research profile (2.2%)
- Overstaffed with declining enrollment (2.3%)
- Unable to grow despite demand (2.0%)
- College of Business (2.1%)

Advantages
- Simple for academic leaders to understand and manage
- Equitable sharing of resources reinforces campus culture
- Minimal disruption from year to year minimizes political squabbling

Disadvantages
- No link between investments and outputs
- Creates disincentives to grow revenue or control costs
- Difficult to maintain when revenues no longer growing

66% Proportion of universities using incremental budgeting

Source: “IHE Survey of College & University Business Officers” 2011

©2014 The Advisory Board Company • 28661B • eab.com
Seek Within You

Tight Financial Environment Demands New Focus on Reallocation

Chief Business Officers

“New spending at my institution will come from reallocated dollars not an increase in revenue”

57% Agree or Strongly Agree

Provosts

“Most new funds for academic programs will come from reallocation rather than new revenue”

66% Agree or Strongly Agree

“We’re not seeing the same student growth that we used to and our governor is saying that we’re not going to get the tuition bump we were expecting. If we’re going to do anything new, then it’s got to come out of what we already have. And folks around here don’t want to hear that.”

Chief Business Officer, Regional Public University

Fitting Your Environment

Optimal Budget Model Depends on Market Conditions

### Focus:

**Incremental Budgeting**
- **Focus: Stability**
  - Resources used to continue existing commitments

**Responsibility Center Management**
- **Focus: Growth**
  - Resources used to support organic growth in areas of high demand

**Performance Based Budgeting**
- **Focus: Strategic Priorities**
  - Resources used to fund institutional priorities or new growth initiatives

Emphasis on Strategic Growth

Emphasis on Organic Growth

Source: EAB interviews and analysis
EAB Research on Budget Models

EAB Research Briefs on Budgets or Budget Models

Popular EAB Resources on Budgeting

“Encouraging Accountability Through Hybrid Budget Models”

“Incentivizing Stable Growth with Enrollment and Revenue Targets”

“Optimizing Resource Allocation at Smaller, Private Universities”

“Building Collaboration and Preventing Course Duplication in RCM”

“Allocating Costs for Centrally-Provided Services”

“Facilities Chargeback Structures”
Road Map

1. Beyond Incremental Budgeting
2. Lessons from RCM Leaders
3. Budget Model Design Principles
Solution or Fad?

Number of Institutions Adopting RCM Growing Rapidly

1970s
University of Pennsylvania
University of Southern California
Washington University St. Louis

1990s
Central Michigan University
Duke University
Indiana University-Bloomington
University of Illinois Urbana
University of Michigan-Ann Arbor

2000s
Brandeis University
Ohio State University
Okanagan College
University of New Hampshire
University of Minnesota
University of Utah

2010s
McMaster University
Northeastern University
Ohio University
Queens University
Texas Tech University
University of Delaware
University of Florida
University of Oregon
Wright State University
Simon Fraser University

2005s
Iowa State University
Kent State University
Marquette University
Rutgers University
Southern Oregon University
Syracuse University
University of Toronto

Planned for 2014 and Beyond
Auburn University
Cornell University
George Washington University
Ohio University
Portland State University
Temple University
University of Arizona
University of Delaware
University of Florida
University of Georgia
University of Illinois Urbana
University of Kentucky
University of Michigan-Ann Arbor
University of Minnesota
University of New Mexico
University of Oregon
University of Pennsylvania
University of Southern California
Washington University St. Louis

Source: EAB interviews and analysis
Why Change?

Desire for Growth and Transparency Drive Budget Model Shifts

Financial Changes Motivating Most Budget Model Transitions

Taskforce Considers Budget Alternatives

Pressure on Funding
“As the nation’s public universities receive less state support, they are finding it necessary not only to develop new sources of funding, but to adopt new budget approaches”

Rising Ambitions
“If Kent State is to become an academically and financially stronger institution, it must rethink how financial resources are allocated, transferring a greater role in these decisions to academic leaders and faculty. “

Revenue and Transparency Are Leading Justifications for Moving to RCM

Budget Taskforce Reports (n=40)

<table>
<thead>
<tr>
<th>Justification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentivize Revenue Growth</td>
<td>80%</td>
</tr>
<tr>
<td>Improve Transparency</td>
<td>67%</td>
</tr>
<tr>
<td>Control Costs</td>
<td>60%</td>
</tr>
<tr>
<td>Increase Strategic Fund</td>
<td>53%</td>
</tr>
</tbody>
</table>

Source: “Review of Budgetary Methods and Roles at Kent State University,” 2007 Kent State; EAB interviews and analysis
Looking for Proof

Enrollment and Revenue Impacts Difficult to Quantify at Michigan

Change in Student Enrollment Before and After Budget Change

**University of Michigan**

- 1989 to 1992: 3% Change
- 1995 to 1998: 4% Change

**State of Michigan**

- 1989 to 1992: 6% Change
- 1995 to 1998: 10% Change

Change in Total Revenue Before and After Budget Change

**University of Michigan**

- 1989 to 1992: 33% Change
- 1995 to 1998: 36% Change

**State of Michigan**

- 1989 to 1992: 31% Change
- 1995 to 1998: 36% Change

A Mixed Bag

Difficult to Find Topline Benefits at Other RCM Institutions as Well

<table>
<thead>
<tr>
<th></th>
<th>Enrollment¹</th>
<th>Revenue²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increased After Budget Change</td>
<td>Outpaced State Average</td>
</tr>
<tr>
<td>Duke (1991)</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Univ. of Michigan (1995)</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Central Michigan Univ. (1999)</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Univ. of Minnesota (2000)</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Univ. of Utah (2000)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Brandeis Univ. (2001)</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Univ. of New Hampshire (2001)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ohio State (2003)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Syracuse (2006)</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Notes

¹ Enrollment was measured as total FTE
² Revenue was measured as Total Revenue excluding Auxiliary Enterprises

- a Large state budget cut after implementation
- b Model implemented in phases over multiple years

The Price of Change

RCM Transition Requires Significant Time and Money

Start
Presidential taskforce on budgets convened

1
Taskforce meets with campus groups to study current model

2
Report on current model submitted to President

3
New committee formed to study alternatives

4
Committee drafts principles for new budget model

5
Consultant hired to manage model development

6
New committees formed to examine budget parameters

7
Committees begin modeling financial impact of different models

8
Finance officers meet with unit leaders to discuss model impacts

9
Preliminary models released showing financial impacts

10
Open forums held to explain new model and impact on campus

11
Take 3 Steps back and revise model based on feedback

12
Budget office works with HR to develop training for unit managers

13
Training and new job roles integrated into hiring process

Model Selection
Development
Implementation

Total Budget Model Transition: 38 months

©2014 The Advisory Board Company • 28661B • eab.com

Source: EAB interviews and analysis.
Where We Can Help

EAB Resources to Assist Budget Model Transitions

Model Selection  Development  Implementation

Existing Resources

Budget Model Profiles
- “Optimizing Resource Allocation at Smaller Private Universities”
- “Comparing RCM Budget Models”
- “Exploring Alternative Budget Models”

Model Design Assistance
- “Categorizing Institutional Support Costs”
- “Facilities Chargeback Structures”
- “Benefits Budgeting Across the University”

Implementation Guidance
- “Organizing and Staffing Non-Duplicative Central Budget Offices”
- “Implementing an RCM Budget Model”
- “Encouraging Cross-Unit Investments in an RCM Environment”

Coming Fall 2014

Executive Briefing on Industry Trends and Sustainability
Online Insight Center on University Budget Models
Campus Presentation on Alternative Budget Practices
Expert Advice to Guide Committee Process and Progress
A Radical Change… in Slow Motion

RCM Requires Cultural Transformation, But Financial Changes Come Slowly

Minor Changes in College Share of Resources
*Share of Academic Revenue, Iowa State University*, FY09 vs FY12

<table>
<thead>
<tr>
<th>College</th>
<th>Share Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALS</td>
<td>+1.0%</td>
<td></td>
</tr>
<tr>
<td>ENG</td>
<td>+0.1%</td>
<td></td>
</tr>
<tr>
<td>LAS</td>
<td>-0.6%</td>
<td></td>
</tr>
<tr>
<td>CVM</td>
<td>-0.9%</td>
<td></td>
</tr>
<tr>
<td>DSGN</td>
<td>-0.4%</td>
<td></td>
</tr>
<tr>
<td>BUS</td>
<td>+0.7%</td>
<td></td>
</tr>
<tr>
<td>HSC</td>
<td>+0.2%</td>
<td></td>
</tr>
</tbody>
</table>

Mitigating Transitional Friction

- **Learning Years** (1 Year)
  - One-year data-baselining period to familiarize units with new allocation formula
- **Phased Implementation** (4-5 Years)
  - Increase amount of funds subject to formula in predetermined increments
- **Hold Harmless Period** (Indefinite)
  - Use reallocation to hold unit budgets to pre-implementation levels
- **Stop-Loss Measures** (Indefinite)
  - Set limit on how much individual units can gain or lose in a single year

Source: Iowa State University “Report of the Resource Management Model Review Committee” 2012; EAB interviews and analysis
New Responsibilities
Major Budget Overhaul Requires New Administrative Skillset

Tongue-in-Cheek Job Description

DEAN WANTED

Description: University seeks highly qualified Dean for College of Forestry

Skills
- Change management
- Business development
- Fund raising
- Financial accounting

Qualifications
- Five-years experience in RCM budgeting environment
- Comfortable managing P&L for multi-million dollar organization
- PhD in Morphology with concentration in Cycads preferred

Source: EAB interviews and analysis.
Defending RCM

Simple Solutions to Common Complaints About RCM

**Common Concern**

- **Perverse Incentives**
  - Competition for students
  - Departments incentivized to create low quality classes
  - Financial barriers to multidisciplinary work

- **Program Costs**
  - High cost to teach programs disadvantaged
  - Small programs unable to finance operations

- **Institutional Priorities**
  - Enrollment incentives at odds with completion agenda
  - Limited resources for institution-wide initiatives

**Typical Solutions**

- Split-revenue models and curricular review committees blunt incentives
- Curricular review committees, faculty senate oversight blunt incentives
- Standardized MOUs, financial incentives, and startup funds ease collaborations
- Course fee and weighted credits compensate high cost programs
- Subvention funding provides resources to support small units
- Incorporate performance funding into allocation models
- Subvention and revenue recapture pool resources for investments

Source: EAB interviews and analysis.
Bad Timing

Hard to Overcome Major Revenue Drop During RCM Transition

University of Idaho

Budget Design

- Large portion of tuition revenue allocated to units
- Differential fees used as subvention mechanism
- Central administration funded through state appropriations

Strategic Mistake

- Underestimated central resource needs
- Underestimated political barrier to differential tuition
- Over-reliant on state funding for service unit budgets

Outcome

- Unable to manage revenue volatility without tuition revenue control
- Can’t properly subsidize units without additional funds
- Difficult to respond when state allocation unexpectedly cut

Source: EAB interviews and analysis.
The Zeal of a Convert

Deans (Who Survive) Prefer RCM

National Survey of RCM Deans Finds Strong Support

“I believe that RCM has…”

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.7</td>
<td>...increased my awareness of financial issues</td>
</tr>
<tr>
<td>5.2</td>
<td>...made me more entrepreneurial and accountable</td>
</tr>
<tr>
<td>5.1</td>
<td>...empowered me as a manager</td>
</tr>
<tr>
<td>4.7</td>
<td>...made me a more effective dean</td>
</tr>
</tbody>
</table>

“RCB/RCM is a powerful idea; it can empower academic leaders of colleges and schools to guarantee that their budgets will follow rather than lead their academic mission.”

Douglas C. Wager,
Chair, Dept. of Theater, Temple University
Life After RCM

The Four Stages of RCM Adjustment

### Anger

“I can’t believe you’re charging us for the library!”

### Bargaining

“Can’t we just raise tuition to bring in more revenue?”

### Acceptance

“So what’s this whole online masters thing all about?”

### Adaptation

“Why does the IR office take so long to get data back to us?”

### Focus

Admin Service Costs  
Tuition Price  
Alternative Revenues  
Business Development

### Common Responses

- Administrative Functional Reviews
- Shared Services
- Differential Tuition
- New Course Fees
- New Programs
- Public-Private Partnerships
- New College-level Staff
- Demand for IT and analytics capacity

Source: EAB interviews and analysis.
The Staffing Pendulum

The Difficult Balance Between Central and Local Staff

- Unexpected budget shortfall
  - University cuts central services

- Quality of central services declines
  - Local units hire administrative staff

- Local units duplicate central services
  - Services re-centralized, but units keep local staff

Source: EAB interviews and analysis.
# The Many Meanings of RCM

Different Approaches at Large-, Mid-, and Small-Sized Institutions

### RCM-Heavy
- Large academic units
- Distinct student markets
- Large philanthropy and research revenue
- Colleges employ financial support staff
- Units possess significant financial autonomy
- Large portion of revenue allocated to units

### RCM-Hybrid
- Medium academic units
- Regional student market
- Limited discretionary funding at unit level
- Financial support staff within central administration
- Few units financially independent
- Revenue allocated to units, with significant subvention

### RCM-Lite
- Small academic units
- Overlapping student markets
- Most costs managed centrally
- Colleges lack financial support staff
- Use cost accounting to set margin targets for units
- University overhead funded out of margin contributions

Source: EAB interviews and analysis.
## Asking the Wrong Questions

Typical RCM Debate Distracts from Important Strategic Budget Choices

<table>
<thead>
<tr>
<th>Low Priority Questions Driving Campus Debate</th>
<th>Key Lessons For a Productive Conversation</th>
<th>Better Questions to Guide Discussions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are incentives in an RCM model good or bad?</td>
<td>All budget models create incentives and disincentives</td>
<td>Do we adequately incentivize the behaviors we want to encourage?</td>
</tr>
<tr>
<td>Will RCM reduce our costs and expenses?</td>
<td>RCM requires more expensive staff, which may raise costs</td>
<td>Are resources better spent on institution-wide investments or individual unit growth?</td>
</tr>
<tr>
<td>Is RCM too decentralized for our institution?</td>
<td>Important financial decisions are made by units in any budget model</td>
<td>Does the administration have enough funding to implement our strategic plan?</td>
</tr>
<tr>
<td>Should we do RCM?</td>
<td>RCM is a collection of budget practices that can be adapted in any model</td>
<td>What elements of our budget model should we change to achieve our strategic goals?</td>
</tr>
</tbody>
</table>

Source: EAB interviews and analysis.
Road Map

1. Beyond Incremental Budgeting

2. Lessons from RCM Leaders

3. Budget Model Design Principles
# The Periodic Table of Budget Model Elements

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG</td>
<td>Undergraduate Tuition</td>
</tr>
<tr>
<td>GR</td>
<td>Graduate Tuition</td>
</tr>
<tr>
<td>SA</td>
<td>State Appropriation</td>
</tr>
<tr>
<td>PM</td>
<td>Professional Masters</td>
</tr>
<tr>
<td>AR</td>
<td>Auxiliary Revenue</td>
</tr>
<tr>
<td>DS</td>
<td>Debt Service</td>
</tr>
<tr>
<td>RF</td>
<td>Research Facilities</td>
</tr>
<tr>
<td>AA</td>
<td>Academic Affairs</td>
</tr>
<tr>
<td>RS</td>
<td>Research Expense</td>
</tr>
<tr>
<td>DV</td>
<td>R&amp;D Funding</td>
</tr>
<tr>
<td>Pr</td>
<td>Priority Setting</td>
</tr>
<tr>
<td>MR</td>
<td>Unit Margins</td>
</tr>
<tr>
<td>SR</td>
<td>Scholarly Research</td>
</tr>
<tr>
<td>NC</td>
<td>Non-credit Revenue</td>
</tr>
<tr>
<td>PI</td>
<td>Unrestricted Gifts</td>
</tr>
<tr>
<td>Fa</td>
<td>Financial Aid</td>
</tr>
<tr>
<td>BS</td>
<td>Business Services</td>
</tr>
<tr>
<td>IT</td>
<td>Information and Technology</td>
</tr>
<tr>
<td>PL</td>
<td>Program Launch</td>
</tr>
<tr>
<td>IF</td>
<td>Campus Infrastructure</td>
</tr>
</tbody>
</table>

**Revenue Allocation**
Methods to allocate university revenue to units

**Cost Allocation**
Methods to assign expenses for university overhead

**Strategic Funding**
Sources of funding for strategic objectives

**Performance Targets**
Mechanisms to inflect unit behavior

**Revenue Allocation Methods**
- SCH Majors
- Prog Margin
- Gen Fund

**Cost Allocation Methods**
- SCH Majors
- Prog Margin
- Gen Fund

**Strategic Funding Sources**
- Revenue Tax
- Expense Tax
- Rev Cap
- Carry Fwd

**Performance Targets Mechanisms**
- ICR
- Revenue Tax
- Exp. Tax
- Shared Exp. Debt

**Strategic Funding Sources**
- Gen Fund
- Revolving Fund
- Debt
- Bill to Unit
- Carry Fwd

**Performance Targets Mechanisms**
- Revenue Tax
- Exp. Tax
- Shared Exp. Debt

©2014 The Advisory Board Company • 28661B • eab.com
### The Periodic Table of Budget Model Elements

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ug</strong></td>
<td>Undergraduate Tuition</td>
<td>SCH Majors, Prog Margin, Gen Fund</td>
</tr>
<tr>
<td><strong>Gr</strong></td>
<td>Graduate Tuition</td>
<td>SCH Majors, Prog Margin, Gen Fund</td>
</tr>
<tr>
<td><strong>Sa</strong></td>
<td>State Appropriation</td>
<td>SCH Majors, Prog Margin, Gen Fund</td>
</tr>
<tr>
<td><strong>Pm</strong></td>
<td>Professional Masters</td>
<td>SCH Gen Fund, MOU</td>
</tr>
<tr>
<td><strong>Ar</strong></td>
<td>Auxiliary Revenue</td>
<td>SCH Gen Fund, MOU</td>
</tr>
<tr>
<td><strong>Ds</strong></td>
<td>Debt Service</td>
<td>Generating Unit Gen Fund</td>
</tr>
<tr>
<td><strong>Rf</strong></td>
<td>Research Facilities</td>
<td>PI Dean/Dept, VP-R Gen Fund, Gen Fund</td>
</tr>
<tr>
<td><strong>Aa</strong></td>
<td>Academic Affairs</td>
<td>Net Ass. Sq. Fl, Qual. Ass. Sq. Fl, Bill to Unit Staff FTE Gen Fund</td>
</tr>
<tr>
<td><strong>Rs</strong></td>
<td>Research Expense</td>
<td>Student FTE Revenue Tax, Gen Fund</td>
</tr>
<tr>
<td><strong>Dv</strong></td>
<td>R&amp;D Funding</td>
<td>ICR Faculty FTE, Research Expense Gen Fund</td>
</tr>
<tr>
<td><strong>Pr</strong></td>
<td>Priority Setting</td>
<td>Revenue Tax Expense Tax Rev Cap Carry Fwd</td>
</tr>
<tr>
<td><strong>Sc</strong></td>
<td>Academic Subsidy</td>
<td>Gen Fund, Revolving Fund Debt Bill to Unit Carry Fwd</td>
</tr>
<tr>
<td><strong>Xt</strong></td>
<td>Extension Credits</td>
<td>PI Gen Fund</td>
</tr>
<tr>
<td><strong>Nc</strong></td>
<td>Non-credit Revenue</td>
<td>Gen Fund</td>
</tr>
<tr>
<td><strong>Pi</strong></td>
<td>Unrestricted Gifts</td>
<td>Gen Fund</td>
</tr>
<tr>
<td><strong>Fa</strong></td>
<td>Financial Aid</td>
<td>Avg. Rate Bill to Unit</td>
</tr>
<tr>
<td><strong>Bs</strong></td>
<td>Business Services</td>
<td>Faculty FTE Staff FTE Student FTE Gen Fund</td>
</tr>
<tr>
<td><strong>It</strong></td>
<td>Information and Technology</td>
<td>Faculty FTE Staff FTE Student FTE Shared Exp</td>
</tr>
<tr>
<td><strong>Pl</strong></td>
<td>Program Launch</td>
<td>Revolving Fund Gen Fund Bill to Unit Loan Pool</td>
</tr>
<tr>
<td><strong>If</strong></td>
<td>Campus Infrastructure</td>
<td>Revenue Tax Exp Tax Shared Exp Debt</td>
</tr>
</tbody>
</table>

**Revenue Allocation**
- Methods to allocate university revenue to units

**Cost Allocation**
- Methods to assign expenses for university overhead

**Strategic Funding**
- Sources of funding for strategic objectives

**Performance Targets**
- Mechanisms to inflect unit behavior

**Revenue Allocation**
- Generating Unit Gen Fund
- Bill to Unit Expense Tax Gen Fund

**Cost Allocation**
- PI Dean/Dept, VP-R Gen Fund
- Gen Fund

**Strategic Funding**
- Revenue Tax Expense Tax Rev Cap Carry Fwd
- Gen Fund, Revolving Fund Debt Bill to Unit Carry Fwd

**Performance Targets**
- Income Sharing Margin Targets Improvement Goals
- Degrees Awarded Credit Milestones Unit Goals
- Student Success

**Strategic Funding**
- Strategic Planning
- Budget Control
- Fund Allocation

**Academic Subsidy**
- Revenue Allocation Methods to allocate university revenue to units
- Cost Allocation Methods to assign expenses for university overhead
- Performance Targets Mechanisms to inflect unit behavior

©2014 The Advisory Board Company • 28661B • eab.com
Allocating Revenue

It Doesn’t Have to Be All or Nothing

Piecemeal Approaches to Revenue Allocation

Common Metrics and Methods for Allocating Revenue

**Unit Focused**

**Student Credit Hours**
Revenue distributed by credit hour production

**Majors**
Revenue distributed by college of major

**Degrees**
Revenue distributed by degrees granted

**Program Focused**

**MOU**
Arranged revenue share for new programs

**Growth**
New revenue over baseline shared with units

**Program Margin**
Units own profit above pre-determined margin

**Institution Focused**

**VP-R**
Grant revenue given to VP-Research office

**Dean/Dept**
Grant revenue given to college dean

**PI**
Grant revenue given to principal investigator

Source: EAB interviews and analysis.
Allocating Revenue

Aligning Incentives with Targeted Growth

Incentives to Identify and Fund Professional Masters

**SCH**
- Prog. Margin
- Gen. Fund
- MOU

**Pm**
Professional Masters

**Student Credit Hours**
- Revenue distributed by credit hour production

**General Fund**
- Revenue pooled into university general fund

**Program Margin**
- Units own profit above pre-determined margin

**MOU**
- Arranged revenue share for new programs

**New Program Screen**
- ✓ Adequate student demand
- ✓ Revenue model indicates financial viability
- ✓ Student market will not cannibalize existing BSU programs

**Gross Revenue Share**

- College: 80%
- University: 15%
- Marketing: 4%
- New Programs: 2%

Source: EAB interviews and analysis.

©2014 The Advisory Board Company • 28661B • eab.com
Aligning Incentives with Targeted Growth, Pt. II

Growth Incentives to Increase Summer Term Utilization

- **SCH**
  - Gen. Fund
  - MOU
  - Growth

**Su**

- Summer Term
- Revenue

**Student Credit Hours**

- Revenue distributed by credit hour production

**General Fund**

- Revenue pooled into university general fund

**MOU**

- Arranged revenue share for new programs

**CLEVELAND STATE UNIVERSITY**

- engagedlearning

Baseline set as rolling 5-year revenue average

- FY06
- FY07
- FY08
- FY09
- FY10

Calculate gross revenue above baseline

- 5-Year Avg
- FY11

Revenue above baseline shared with units

- 50%
- 50%

- College
- University

Source: EAB interviews and analysis.
Allocating Revenue

Aligning Incentives with Targeted Growth, Pt. III
Supporting and Incentivizing Research Through ICR Allocation

ICR Allocation Approaches Span Allocation Spectrum

Most Funds Retained in General Fund

Most Funds to VP for Research

Most Funds to Deans

Source: EAB “Optimizing the Distribution of F&A Recovery Funds” 2008; EAB interviews and analysis.
The Periodic Table of Budget Model Elements

Revenue Allocation
Methods to allocate university revenue to units

Cost Allocation
Methods to assign expenses for university overhead

Strategic Funding
Sources of funding for strategic objectives

Performance Targets
Mechanisms to inflect unit behavior

Revenue Allocation
Methods to allocate university revenue to units

Cost Allocation
Methods to assign expenses for university overhead

Strategic Funding
Sources of funding for strategic objectives

Performance Targets
Mechanisms to inflect unit behavior

©2014 The Advisory Board Company • 28661B • eab.com
To Charge or Not to Charge

Little Return From Metering Most University Services

Hard to Measure
- Office of President
- Institutional Research
- Bursar
- Registrar
- Payroll
- Public Safety
- Admissions

Easy to Measure
- Library
- IT Administration
- Student Affairs Office
- Advancement
- Purchasing
- Campus Utilities
- VP-Research Office
- Financial Aid
- Classroom Space
- Laboratory Space

Low Return from Metering Usage
Medium Return from Metering Usage
High Return from Metering Usage

Source: EAB interviews and analysis.
**Keeping it Simple**

Most Institutions Using Similar Metrics For Cost Allocation

<table>
<thead>
<tr>
<th>Expense</th>
<th>Revenue Tax</th>
<th>Expense Tax</th>
<th>Faculty FTE</th>
<th>Staff FTE</th>
<th>Student FTE</th>
<th>SCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Business Services</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Expenses</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Student majors, Graduates
- Fee-for-service
- Asgn Sq.Ft, Qual. Asgn Sq.FT
- ICR, ICR Tax
Allocating Costs

Diminishing Returns to Complexity

USC Sees Downside to Complicated Cost Allocation Methodology

100+ cost allocations with unique formulas

Four cost pools driven by single metric formula

- Undergrad Services (# of Majors)
- Graduate Services (# of Students)
- General Admin. Services (Revenue Tax)
- Research Services (3-yr Grant Funding)

Expensive to manage

Easy to criticize individual metrics

Few allocations simplifies management

Cost pooling reduces measurement bias

Source: EAB interviews and analysis.
“These allocation formulas are inevitably somewhat arbitrary, and a remarkable amount of decanal attention has been paid to revising the formulas… the formulas are not used in determining the budgets of the service units themselves. The main incentives faced by deans, (and other unit heads) regarding central service costs, are to complain about the attribution formulas and about the level of costs themselves. Beyond complaint, there is little that the deans can do.”

Nancy Cantor & Paul Courant, University of Michigan
**Allocating Costs**

**Keeping It Simple**

**Adjusting Space Costs for Quality**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FC</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bill to Unit**
- Units charged for total cost of service

**General Fund**
- Costs pooled and paid out of general fund revenues

**Net Assigned Square Ft**
- Rate based on total square feet occupied

**Quality Assigned Square Ft**
- Rate based on quality of space occupied

New space classified by cost of maintenance:
- High Cost = 1.10
- Average Cost = 1.00
- Low Cost = 0.90

Assignable square feet calculated for each facility:
- 1,220 sq. feet
- 15,000 sq. feet
- 28,000 sq. feet

Standard base rate assigned to weighted space:
- $14.00

Facilities Cost

Source: EAB interviews and analysis.
The Center Cannot Hold

“How do you have enough central resources to do institutional, cross-university initiatives, particularly when the units themselves do not have the resources to achieve their individual strategic plans? … You can’t run a $2.4B business without central resources - there aren’t enough.”

Hank Webber, Washington University – St. Louis

Source: EAB interviews and analysis.
Go Big or Go Home

Central Strategic Funds Increasingly Critical

- **Fighters**
  - Navigating shifting demand and student markets
  - Upgrading campus infrastructure to keep pace

- **Strivers**
  - Poised to dramatically improve ranking/reputation
  - Accelerating investments in infrastructure and programs

- **Elites**
  - Facing new competitive pressure
  - Doubling down on ambitious large-scale initiatives

Strength in Traditional Markets
It Isn’t Easy at the Top
Johns Hopkins Innovates to Maintain Leadership

JHUs Historic Dominance in Research Funding and Support

Federal Research Funding (in millions), Constant Dollars

Leadership Focused on New Collaborative Ventures…

A Coordinated Strategy
“We will invest strategically in new and exciting collaborative ventures… cementing our status as one of the world’s leading interdisciplinary universities”

…And Major Investments
- “Cancer center set to expand with $65M gift”
- “$250M for cross-disciplinary work”
- “$100M gift for need-based financial aid”

Go Big or Go Home

Central Strategic Funds Increasingly Critical

Fighters
- Navigating shifting demand and student markets
- Upgrading campus infrastructure to keep pace

Strivers
- Poised to dramatically improve ranking/reputation
- Accelerating investments in infrastructure and programs

Elites
- Facing new competitive pressure
- Doubling down on ambitious large-scale initiatives

Resource Level

Strength in Traditional Markets
Competing with the Big Boys

Series of Major Investments Moves UChicago into the Elite

2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

US News Ranking

$35M for new arts center

$52M expansion of Lab School

New $700M hospital opened

$215M Institute for Molecular Engineering

Robert Zimmer hired as president

Moody’s debt outlook lowered to negative

High Risk, High Reward

Chicago's Debt Strategy Poses Risks

Chicago Becomes Most Leveraged Wealthy University

Debt to Endowment Ratio, 2013

<table>
<thead>
<tr>
<th>University</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>U Chicago</td>
<td>54%</td>
</tr>
<tr>
<td>Duke</td>
<td>45%</td>
</tr>
<tr>
<td>Cornell</td>
<td>36%</td>
</tr>
<tr>
<td>Emory</td>
<td>35%</td>
</tr>
<tr>
<td>Stanford</td>
<td>26%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>25%</td>
</tr>
<tr>
<td>Wash U</td>
<td>25%</td>
</tr>
<tr>
<td>MIT</td>
<td>22%</td>
</tr>
<tr>
<td>Columbia</td>
<td>18%</td>
</tr>
<tr>
<td>Harvard</td>
<td>17%</td>
</tr>
<tr>
<td>Yale</td>
<td>17%</td>
</tr>
<tr>
<td>Princeton</td>
<td>17%</td>
</tr>
</tbody>
</table>

“There's a risk of underinvestment. If we are in a position where we can't provide an adequate facility for people in astronomy and astrophysics, for example, they're going to go elsewhere because there are other places that will.”

David Greene,
EVP-Strategic Planning

“We well understand that borrowing for some of these investments entails risk… We cannot, however, scale back our academic and programmatic ambitions in a way that risks our future excellence as a university.”

Robert Zimmer,
President

Go Big or Go Home

Central Strategic Funds Increasingly Critical

Fighters
- Navigating shifting demand and student markets
- Upgrading campus infrastructure to keep pace

Strivers
- Poised to dramatically improve ranking/reputation
- Accelerating investments in infrastructure and programs

Elites
- Facing new competitive pressure
- Doubling down on ambitious large-scale initiatives

Strength in Traditional Markets
If You’re Not Going Up, You’re Going Down

Amid Challenging Market UNCG Expands Campus, Upgrades Capacity

The Best Laid Plains….

UNCG Prepares Largest Campus Expansion In School History

State Budget Cuts $4M, UNCG to Cut Faculty, Class Sections, Graduate Assistantships

Doing Nothing: The Greater Threat

“It would be easy to postpone a project, but we’re in a competitive environment and facilities play a role in where students—particularly traditional age college students choose to go. If you don’t have the facilities, then you’re going to be behind the eight-ball and it’ll be hard to catch up.”

Reade Taylor,
UNC–Greensboro

Source: John Newsom. “Students, Faculty Protest University Spending at UNCG” News & Record; Katie Arcieri “UNC-Greensboro gears up for major expansion” Triad Business Journal; EAB interviews and analysis.
Prior Commitments

Even in an RCM Context Funding Strategic Reserves Poses Challenges

Tuition Revenue Distribution Model

Public Research University

Tuition Revenue
~$330M

Hold Harmless Funding
$22M

Capital Projects
$10M

Strategic Reserves
<$1M

Subvention Fund
$33M

Academic Units
$297M

90%

10%

1-3% Median budget for to strategic initiatives

Less than 0.3% for strategic initiatives

Source: EAB interviews and analysis.
Building a War Chest in Tight Times

How to Create Centralized Funds in a Decentralized Model

- **High Return**
  - Control faculty and staff positions through vacancy review and centralization
  - Tax revenue or expenditures in academic units to recapture share of funding

- **Low Return**
  - Improve efficiency or reduce service levels in central administrative services
  - Launch new revenue generating venture (aux. operation, for-profit partnership)

- **Low Sustainability**
  - Piggyback on state-imposed cuts to create extra reserve that stays central
  - Cut discretionary budgets and staff in academic units

- **High Sustainability**
  - Identify hoarded resources and capture for reallocation
  - Labor Cost Savings benefits, work rule changes

Source: EAB interviews and analysis.
Mission Mismatch

Budget Change Leaves Campus Poorly Aligned With University Mission

Adopted RCM in 1990s with focus on revenue and enrollment growth

New president redesigns budget model around campus strategic plan

- Not enough central revenue to invest in university-wide initiatives
- Majority of enrollment growth in Humanities School, not institutional priority (Engineering)
- Central resources grown through centralizing faculty lines and revenue allocation
- Academic budgets set based on unit’s alignment with the institution’s five strategic goals

The Other Side of the Spectrum—RPI’s Annual Performance Budgeting Process

Performance plans developed by each unit
- Activity budget tying each cost to institutional priority
- Budget covers all funds (unit resources and new requests)

President reviews plans and sets budget allocations
- Plans ranked according to institutional priorities
- Allocations based on performance ranking

Units adjust performance plans based on actual allocation
- Final budgets required to demonstrate how funding will be used to support institutional priorities

Source: EAB interviews and analysis.
In the Long Run, All Costs are Variable

Identifying Opportunities to Reallocate Resources

Typical Timeframe for Resource Turnover

<table>
<thead>
<tr>
<th>Short Term</th>
<th>Medium Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjunct Faculty</td>
<td>Leased Space</td>
<td>Admin Staff</td>
</tr>
<tr>
<td>6 Month Contracts</td>
<td>Vendor Contracts</td>
<td>Full-time Faculty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Campus Facilities</td>
</tr>
<tr>
<td></td>
<td>3 – 5 Year Commitments</td>
<td>1-6% Annual Turnover</td>
</tr>
</tbody>
</table>

Source: EAB interviews and analysis.
# The Periodic Table of Budget Model Elements

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ug</strong></td>
<td>Undergraduate Tuition</td>
</tr>
<tr>
<td><strong>Gr</strong></td>
<td>Graduate Tuition</td>
</tr>
<tr>
<td><strong>Pm</strong></td>
<td>Professional Masters</td>
</tr>
<tr>
<td><strong>Su</strong></td>
<td>Summer Term Tuition</td>
</tr>
<tr>
<td><strong>Xt</strong></td>
<td>Extension Credits</td>
</tr>
<tr>
<td><strong>Nc</strong></td>
<td>Non-credit Revenue</td>
</tr>
<tr>
<td><strong>Pi</strong></td>
<td>Unrestricted Gifts</td>
</tr>
<tr>
<td><strong>Fa</strong></td>
<td>Financial Aid</td>
</tr>
<tr>
<td><strong>Bs</strong></td>
<td>Business Services</td>
</tr>
<tr>
<td><strong>It</strong></td>
<td>Information and Technology</td>
</tr>
<tr>
<td><strong>Pr</strong></td>
<td>Priority Setting</td>
</tr>
<tr>
<td><strong>Mr</strong></td>
<td>Unit Margins</td>
</tr>
<tr>
<td><strong>Ss</strong></td>
<td>Student Success</td>
</tr>
<tr>
<td><strong>Rs</strong></td>
<td>Research Expense</td>
</tr>
<tr>
<td><strong>Dv</strong></td>
<td>R&amp;D Funding</td>
</tr>
<tr>
<td><strong>Ce</strong></td>
<td>Campus Enhancement</td>
</tr>
<tr>
<td><strong>Sb</strong></td>
<td>Academic Subsidy</td>
</tr>
<tr>
<td><strong>Ar</strong></td>
<td>Auxiliary Revenue</td>
</tr>
<tr>
<td><strong>Ds</strong></td>
<td>Debt Service</td>
</tr>
<tr>
<td><strong>Rf</strong></td>
<td>Research Facilities</td>
</tr>
<tr>
<td><strong>Aa</strong></td>
<td>Academic Affairs</td>
</tr>
<tr>
<td><strong>Rs</strong></td>
<td>Research Expense</td>
</tr>
<tr>
<td><strong>Aa</strong></td>
<td>Academic Affairs</td>
</tr>
<tr>
<td><strong>Gs</strong></td>
<td>General Administration</td>
</tr>
<tr>
<td><strong>Lb</strong></td>
<td>Library</td>
</tr>
<tr>
<td><strong>Co</strong></td>
<td>Campus Operations</td>
</tr>
<tr>
<td><strong>Fr</strong></td>
<td>Facilities</td>
</tr>
<tr>
<td><strong>Te</strong></td>
<td>Technology</td>
</tr>
<tr>
<td><strong>Tm</strong></td>
<td>Technology Support</td>
</tr>
<tr>
<td><strong>Pr</strong></td>
<td>Priority Setting</td>
</tr>
<tr>
<td><strong>Sr</strong></td>
<td>Shared Resources</td>
</tr>
<tr>
<td><strong>Pl</strong></td>
<td>Program Launch</td>
</tr>
<tr>
<td><strong>If</strong></td>
<td>Campus Infrastructure</td>
</tr>
</tbody>
</table>

## Revenue Allocation

Methods to allocate university revenue to units

## Cost Allocation

Methods to assign expenses for university overhead

## Strategic Funding

Sources of funding for strategic objectives

## Performance Targets

Mechanisms to inflect unit behavior

## Revenue Allocation

- Methods to allocate university revenue to units
  - **Ug**: Undergraduate Tuition
  - **Gr**: Graduate Tuition
  - **Pm**: Professional Masters
  - **Su**: Summer Term Tuition
  - **Xt**: Extension Credits
  - **Nc**: Non-credit Revenue
  - **Pi**: Unrestricted Gifts
  - **Fa**: Financial Aid
  - **Bs**: Business Services
  - **It**: Information and Technology
  - **Pr**: Priority Setting
  - **Mr**: Unit Margins
  - **Ss**: Student Success

## Cost Allocation

- Methods to assign expenses for university overhead

## Strategic Funding

- Sources of funding for strategic objectives

## Performance Targets

- Mechanisms to inflect unit behavior
Performance Targets

From Enrollment to Outcomes
Integrating Performance-Based Mandates Into Your Budget Model

Potential Unit Level PBF Tactics

<table>
<thead>
<tr>
<th>Department Incentive</th>
<th>Milestone Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus funds tied to department-specific metrics</td>
<td>Incentive payments tied to student completion milestones</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome Allocations</th>
<th>State to School Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of college revenue for # of degrees awarded</td>
<td>Incorporate state PBF metrics into campus allocations</td>
</tr>
</tbody>
</table>

Can performance based funding work at the college or department level?
Will student success incentives change behavior?

Source: EAB interviews and analysis.
Integrating the Institutional Mission

Institutional Priorities Inform Unit Performance Funding Targets

Unit-based Performance Funding

Connection to Unit Mission

Direct-to-Department Funding

Connection to Institutional Vision

Applies Equally to all Units

Central Oversight

Strategic Accountability Matrix (SAM)

- Institution-level collection of 25 metrics broken into nine categories:
  - Sustainability (financial)
  - Development (gifts, grants)
  - Tuition
  - Student Progression
  - Course Availability
  - Student Interest
  - Student Demographics
  - Advising
  - High-Impact Experiences

- Metric performance connected to $400K annual merit pool, split 80/20 between departments and colleges (avg. dept. payout ~$9K)

- Merit payouts connected to departmental progress towards individual & collective goals on each metric

Source: Used with permission from University of Wisconsin-Eau Claire; EAB interviews and analysis.
### Performance Targets

**Breaking Down the Fundamentals**

Scoring Integrates Differences in Dept. Mission, Customized Goals

#### Flexible Weighting:

Metrics are weighted differently for each department (0, 1, or 2) to accommodate differences in department missions

#### Department-Specific Goals:

Deans and provost negotiate expected values for each metric – scores based off difference between goal and performance

---

**Sample SAM Score Sheet**

---

**Strategic Accountability Matrix**

<table>
<thead>
<tr>
<th>Department/Program</th>
<th>Weight</th>
<th>Expected</th>
<th>Actual</th>
<th>Pr</th>
<th>Weight</th>
<th>Expected</th>
<th>Actual</th>
<th>Pr</th>
<th>Weighted Score</th>
<th>Perform. Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department A</td>
<td>1.0</td>
<td>371</td>
<td>1,232</td>
<td>3.32</td>
<td>1.0</td>
<td>80.0%</td>
<td>62.4%</td>
<td>0.78</td>
<td>0.99</td>
<td>3.24%</td>
</tr>
<tr>
<td>Department B</td>
<td>1.0</td>
<td>7</td>
<td>136</td>
<td>18.50</td>
<td>1.0</td>
<td>80.0%</td>
<td>16.7%</td>
<td>0.21</td>
<td>2.31</td>
<td>7.52%</td>
</tr>
<tr>
<td>Department C</td>
<td>1.0</td>
<td>294</td>
<td>287</td>
<td>0.98</td>
<td>1.0</td>
<td>80.0%</td>
<td>49.4%</td>
<td>0.62</td>
<td>0.85</td>
<td>2.77%</td>
</tr>
<tr>
<td>Department D</td>
<td>1.0</td>
<td>708</td>
<td>1,865</td>
<td>2.63</td>
<td>1.0</td>
<td>80.0%</td>
<td>50.5%</td>
<td>0.63</td>
<td>1.16</td>
<td>3.79%</td>
</tr>
<tr>
<td>Department E</td>
<td>1.0</td>
<td>42</td>
<td>173</td>
<td>4.08</td>
<td>1.0</td>
<td>80.0%</td>
<td>49.7%</td>
<td>0.60</td>
<td>1.61</td>
<td>5.25%</td>
</tr>
<tr>
<td>Department F</td>
<td>1.0</td>
<td>471</td>
<td>1,086</td>
<td>2.81</td>
<td>1.0</td>
<td>80.0%</td>
<td>53.8%</td>
<td>0.67</td>
<td>0.96</td>
<td>3.12%</td>
</tr>
<tr>
<td>Department G</td>
<td>1.0</td>
<td>381</td>
<td>513</td>
<td>1.36</td>
<td>1.0</td>
<td>80.0%</td>
<td>47.9%</td>
<td>0.60</td>
<td>1.08</td>
<td>3.52%</td>
</tr>
<tr>
<td>Department H</td>
<td>0.0</td>
<td>95</td>
<td>199</td>
<td>2.09</td>
<td>0.0</td>
<td>80.0%</td>
<td>59.9%</td>
<td>0.75</td>
<td>1.01</td>
<td>3.29%</td>
</tr>
<tr>
<td>Department I</td>
<td>1.0</td>
<td>66</td>
<td>473</td>
<td>7.15</td>
<td>1.0</td>
<td>80.0%</td>
<td>47.5%</td>
<td>0.59</td>
<td>1.35</td>
<td>4.40%</td>
</tr>
<tr>
<td>Department J</td>
<td>1.0</td>
<td>142</td>
<td>560</td>
<td>3.93</td>
<td>1.0</td>
<td>80.0%</td>
<td>44.3%</td>
<td>0.55</td>
<td>1.09</td>
<td>3.55%</td>
</tr>
<tr>
<td>Department K</td>
<td>0.0</td>
<td>401</td>
<td>134</td>
<td>0.33</td>
<td>0.0</td>
<td>80.0%</td>
<td>58.9%</td>
<td>0.74</td>
<td>1.19</td>
<td>3.86%</td>
</tr>
<tr>
<td>Department L</td>
<td>1.0</td>
<td>1,879</td>
<td>1,384</td>
<td>0.74</td>
<td>1.0</td>
<td>80.0%</td>
<td>46.4%</td>
<td>0.58</td>
<td>0.88</td>
<td>2.86%</td>
</tr>
<tr>
<td>Department M</td>
<td>1.0</td>
<td>463</td>
<td>869</td>
<td>1.88</td>
<td>1.0</td>
<td>80.0%</td>
<td>51.9%</td>
<td>0.65</td>
<td>1.05</td>
<td>3.42%</td>
</tr>
<tr>
<td>Department N</td>
<td>1.0</td>
<td>265</td>
<td>687</td>
<td>2.60</td>
<td>1.0</td>
<td>80.0%</td>
<td>40.4%</td>
<td>0.51</td>
<td>0.98</td>
<td>3.16%</td>
</tr>
</tbody>
</table>

---

**University of Wisconsin - Eau Claire**

<table>
<thead>
<tr>
<th>SCH Lost Due to WRF</th>
<th>Weighted Score</th>
<th>Perform. Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,919</td>
<td>19,979</td>
<td>154.6%</td>
</tr>
<tr>
<td>80%</td>
<td>50%</td>
<td>62.5%</td>
</tr>
</tbody>
</table>

---

*Source: Used with permission from University of Wisconsin-Eau Claire; EAB interviews and analysis.*
Everything But the Kitchen Sink

List of Metrics Included in Strategic Accountability Matrix

High-Impact Experiences:
- % of majors participating in collaborative research or creative activities
- % of majors participating in an internship
- % of majors participating in an intercultural immersion experience

Student Interest:
- Share of applicants submitting ACT scores expressing interest in the department
- Number of new freshman majors
- Total number of majors

Citizenship:
- SCH delivered in general education-eligible courses

Mini-Session Utilization:
- Winter session undergraduate SCH delivered
- Summer session undergraduate SCH delivered

Advising:
- % of freshmen with degree plans
- % of NSSE respondents that approve of departmental advising

Student Progression:
- SCH lost due to DFW
- % of majors earning 30 credits in their first year
- % of majors earning 60 credits in their first two years

Tuition:
- Tuition paid by students for department courses
- Tuition paid by majors
- Winter and summer session tuition

Development:
- Extramural grant $
- Program revenue $
- Fundraising $

Sustainability:
- Total earned income
- Direct expenditures
- Earned income ratio (income/expenditures)

Source: EAB interviews and analysis
Performance Targets

Early Signs of Success
Two Years In, SAM Inflecting Department Behavior

Early Lessons from SAM’s Success

Incent Collective Performance: Each department’s payout modified based on university-wide progress, encouraging collaboration

Give Departments Free Rein on Policy Solutions, Spending: Chairs apply their local knowledge regarding policy changes, how to distribute merit money

Provide “Hold Harmless Period”: Base initial two years of payments on share of faculty FTE, not merit pool, to acclimate departments

“Green Shoots” Visible in Departmental Responsiveness to Metrics

Modifying Curriculum to Improve Transfer Success: One department saw below-target DFW and progression among transfer target DFW and progression among transfer students, now modifying curriculum to align with 2yr partners

Investing in Quality to Attract Majors: Service department with few majors now investing more in advising and undergrad research to attract students

Increasing Support for At-Risk Groups: Finding an achievement gap between URM and white students, one department added supplemental instruction to gatekeeper courses

Source: Used with permission from University of Wisconsin-Eau Claire; EAB interviews and analysis.
Discussion Questions

1. What surprised you most about today’s presentation?

2. What are some actions that you would like to incentivize differently at Bowling Green State University?

3. What is one actionable item that you think it would be feasible to consider within the next 6-12 months?