Minutes
Senate Budget Policies Committee
Friday, March 22, 2019, 2–4 p.m.
CL 1817

Members in attendance: Elia Beniash, Tyler Bickford (secretary), Mackey Friedman, Jennifer Lee, John Mendeloff, Emily Murphy, Wesley Rohrer (chair), Adriana Maguina-Ugarte, David DeJong, Richard Henderson, Thurman Wingrove, Sue Jones (UTimes), Amanda Brodish, Brian Smith, Robert Goga, Steven Wisniewski

Absent: Panos Chrysanthis, Yolanda Covington-Ward, Cory Stillman, Shreyas Vamburkar, John Baker, Beverly Gaddy, Phil Wion, Chris Bonneau, Frank Wilson

Meeting started a 2:00pm by Chair Rohrer

1. Approval of February minutes

- Bickford: A few factual corrections on p4 from Wingrove
- Corrected minutes approved

2. Matters arising

- Rohrer: Next month we will nominate officers for AY20, to be voted on at May meeting (after new members are seated)

3. Mean and Median Salaries Report—Robert Goga, Institutional Research

- Each year we provide data to the Controller for the financial disclosure that we submit to Harrisburg each year. This is one section of that disclosure.
  - This report does not include TA/TF/GSA/GSR or research associates and postdocs, but we do report that to the state
  - Bickford: how many research associates and postdocs?
    - Goga: About 900
- This is FY18, not the current fiscal year. Employees who were on the payroll in October 2017.
- Faculty salaries are calculated as 9-month equivalent. 12-month faculty are calculated at 9-mo equivalent calculated at .818181 (9/11).
- For privacy we suppress data where there are three or fewer people in a category
- Beniash: Question about full-time or part-time. On p2 there are four instructors who receive $24k/year, which seems low for FT.
  - Goga confirms those are full-time instructors in the Dietrich School
  - Discussion of what situation this line may refer to
- Mendeloff: What do we do with this report?
  - DeJong: The main salary report for shared governance oversight is the benchmarking salary report. I look carefully at the report on salary increases for continuing faculty to make sure people are receiving appropriate increases. This

report is more about complying with state requirements rather than internal oversight.

- Maguina-Ugarte: I have a question about ULS, where the mean and median salaries are very different.
    - DeJong: the ULS head has been working hard on rightsizing ULS salaries
- Friedman: Are there ways to get more granular on staff-related data to make meaningful comparisons?
    - DeJong: There is a lot more granular staff data that is used to make management decisions. By industry standards it is not granular enough, and that was one of the major initiatives that HR embarked on a few years ago.
- Beniash: Can somebody provide an example of category Other Professionals?
    - Wisniewski: Appendix lists all the types of jobs that go into that category.
- Rohrer: You can take this back with you. If you have other questions that weren't addressed today we can consider them next month.

4. Tuition Incentive Program—David DeJong, Office of the Provost

- TIP is the model we use to allocate resources across our academic units (schools and regional campuses, not research centers or business units). Budget allocation models in the industry fall on a spectrum: purely incremental models where no matter what you are doing your budget changes automatically to reflect inflation, and responsibility center models (RCM), where you "eat what you kill": you retain all revenue you are credited with generating, and you are responsible for all costs, including costs of occupying space. Our model falls in a happy middle ground, which we call the TIP. The School of Medicine is a full RCM: their budget is totally independent of the rest of the university. They can set their own salary pool (they tend not to), own tuition rates, etc. The SoM pays taxes to the Education and General budget for central services, based as much as we can on actual usage. For example about 3/4 of the Office of Research operating budget is paid for by SoM. That calculation is based on the flow of grants. They keep their indirects from sponsored research grants, and they have particular line items from the Commonwealth Appropriation.
- Bickford: Can you explain E&G
    - E&G is the Education and General budget. A little less than half of the total University budget. E&G is an industry term that includes all business operations that aren't auxilliary (bookstore, parking, housing, food service) or medicine. All schools and research centers, HR, facilities.
- DeJong: I've seen a lot of university models. I love our model and would not change it. It captures some of the best pieces of both extremes. It funnels changes in revenue where changes in the intensity of academic activity are happening, without getting into the weeds that you would have to get into with an RCM about allocating central costs across the units. We don't need to get into that level of detail. What tends to happen in an RCM setting is that units are all tubs on their own bottom, and it is very difficult to get interdisciplinarity or cooperation happening. Identification tends to be more in the unit than with the broader university. We avoid that, and we avoid the need to argue about whether allocations are fair. Schools that transition from an incremental budget to an RCM typically take four years to do it. You spend a year introducing the need to be more

entrepreneurial, agree on how the splitting will happen, then you turn on the model and hold everyone harmless to make sure it is working, and then finally turn it on completely.

- Our old model used to work on an enrollment basis. Using A&S as an example, we start with enrollments in FY19, which map onto a dollar level. That represents the baseline for changes going into FY20. Going into FY20, enrollments have changed. We allocate those changes into three buckets: the unit generating the tuition, the provost's office, and the central budget. The provost's share is intended to support non-academic student support.
- The current model has four formulas:

    1. Graduate enrollments: If graduate enrollments in A&S increased from FY19 to FY20, A&S would capture 65% of the difference, 10% goes to provosts office, and 25% to central budget. In the year in which the change happened, they would get that 65% share on a one-time basis, and as they moved into FY21 that 65% would continue on a permanent basis. If there is a significant decrease it is symmetric—they would take the losses on a one-time basis and then permanently the next year.
    2. Online programs (the only full-time online programs at Pitt are graduate programs): keep 90%, send 10% to provost. No real central costs associated with online programs. Provost's share primarily goes to UCTL.
    3. Executive Programs (eg Executive MBA program): Students come into campus on an infrequent basis (three long weekends over a year or two years), where impact on provosts office and central budget are a little different. That is an 80/10/10 split.
    4. Undergraduate programs on Pittsburgh campus: 25% to central budget, and 75% to provost. 0% to academic unit. Old system was 50/50. A long time ago it was 65/25/10. We changed that for two reasons: we took a large cut from the Corbett administration which hit the central budget especially hard. And also on the Pittsburgh campus we are more or less constrained as to the total number of students we can support (physical plant, housing guarantee, etc). We had a gentleperson's agreement about how units would share students with upperlevel programs. But it was incentivizing the wrong behavior. What we have been doing with the 75% is that we are investing in academic units on ad hoc basis based on where we want enrollments to be targeted. For example, the School of Computing and Information started without enough budget to support the number of undergraduates we expected them to bring in. We spent money to allow them to hire staff and prepare to bring in students. As their enrollments increase, at least some of those increases will be returned to the provost.

- Problems with old model: First, several units were not under the TIP. The baseline model was idiosyncratic. Within units some programs were on the TIP and some were not. Messy and ad hoc. We wanted to make it more uniform. Second: the old model was based on enrollments, and the new model is based on net tuition revenue. Previously we were just talking about quantity, but now we are talking about price times quantity. If a school wanted to increase their quality by decreasing their enrollments but charging higher tuition, they would have been punished under the old model, even if net tuition went up. We wanted to change those incentives.

- The barrier to doing that was primarily technological. You have to be able to track the net tuition that every program has, which we can do now. If there are joint degree programs, we can credit exactly the revenue that is generated back to the different cooperating units.
- Friedman: What about crosslisted courses?
    - DeJong: That is really interesting. As long as the registrar knows that the course is crosslisted, the information goes to the CFO and gets credited properly to the units. The schools will designate a course to one unit or another, normally based on who is teaching the course.
    - When revenue is split when a course is taught, for example, by someone in A&S where the student is in Nursing, there are two kinds of attribution: Production (which school is teaching the course), and Enrollment (we used to call it consumption) (where is the student enrolled.) The school of Enrollment gets 25% of the credit for that course, and the school that is Producing the course gets 75%
    - The schools aren't responsible for recruiting undergraduate students, which gives less weight for where they are enrolled. They are responsible for advising, so you want to give them some credit. But most of the effort comes from the school producing the course.
    - In the graduate programs the schools are responsible for recruiting the students, so we give most of the credit to the enrollment courses. Production unit gets 25%, enrollment unit gets 75%.
    - If you only gave credit for Production, then everyone would want to teach everyone everything. If you only gave credit for Enrollment, no one would want to teach anything.
- DeJong: The baseline is now net tuition revenue, divided 75/25. Now you have a baseline net tuition pot. If your baseline net tuition revenue goes up, e.g,. $1M, you will get that $1M on a one-year basis for that year. The next year we are going to begin to make that permanent on a smoothed-out basis, one third per year for three years. So if you brought in an extra $1M of tuition revenue in FY19, you get the whole thing that year on a one-time basis. The next year, you get the full $1M again, with one-third as a permanent adjustment to your budget. The other two-thirds are one-time again. The next year you go up another third. In the fourth year the full amount is permanently budgeted. The reason we are smoothing out the permanent piece is that it is much more difficult to take a cut to permanent money than one-time money.
- Bickford: Does this makes it difficult to hire permanent staff?
    - DeJong: No. If the unit is confident the enrollment increase is ongoing you can start using the one-time money to hire permanent staff.
- Friedman: How does this break down within schools?
    - DeJong: Those are deans' decisions. That can vary by school. Some smaller schools don't have departments, but they have different programs and need to move money to where those programs are. The provost's office has brought in permanent staff to help units be entrepreneurial in identifying areas of demand.
- DeJong: The 65/25/10 share model persists under the new model for regional campuses and all graduate and professional programs, except for executive (80/10/10) and online (90/10).
- Rohrer: You mentioned online programs: Does the university foresee or encourage growth in that area?

    - DeJong: It depends on the program. SHRS has launched a hybrid online program for Physical Therapy.
    - Murphy: We are doing that for the Physician Assistant program too. We are looking at students coming on campus for weeklong intensive immersion for all the things resident students would do over months. The majority would be online, supplemented with clinical placements. For example there are no PA programs in Montana. If we have a student in Montana who wants to be a PA, we would work with facilities there to do their clinical placements.
- Rohrer: For these programs, they can set their own price point for tuition?
    - DeJong: Yes. We are working with them on that. These programs are top programs, where we think we can make an impact, we want to be strategic. We are looking for programs that can expand, but they have to make sense
- DeJong: Our enrollment plan envisions growth around 30% in graduate and professional programs. We are about to launch a terminal masters program in statistics, and another in economics. Very quantitative, applied. Get students to come in, do very quantitative, computationally based work. We think there are good employment prospects for those students.
- Bickford: For online programs what counts as "hybrid"?
    - DeJong: We have to figure that out by program. We don't want people trying to game the system. More interested in getting the program right.
- DeJong: Other piece of the update: we've turned this on, and some schools have never been under a TIP program. In those schools there is a significant socialization that has to happen. (Law, Education, Dental Medicine were entirely incremental.) We have met with deans and financial staff school by school to explain changes, and showing results based on fall outcomes. That has gone smoothly. Some schools will have growing pains, but we are working with them.
- Rohrer: This plan sounds great for the main campus. I'm concerned about the regionals, who are facing declining enrollments.
    - DeJong: The regionals have always been under this. Regionals are developing new programs targeting increased enrollments, and targeting higher tuition programs.
- Friedman: Is there a concern that tuition rises in a way that is uncontrollable?
    - DeJong: No. We are keeping control over adjustments.
- Mendeloff: Does this create more incentive to get out-of-state, international students?
    - DeJong: We know that demographics in Western PA are working against us. We've worked hard to expand recruiting out of state.
- Bickford: All of this is in addition to incremental increases to budgets every year?
    - DeJong: Salary pool increases incrementally every year, research development funds, indirects from grants. The rest of the budget is under TIP.

5. Closed session for report on budget parameters discussion at recent UPBC meeting—DeJong

Meeting adjourned at 3:50pm

Next meeting April 19, CL 1817