Update on the Revisions of the Corvallis Education and General Shared Responsibility Budget Model

BACKGROUND

In fiscal year (FY) 2019, Oregon State University (OSU) moved to a new approach to allocating the Corvallis campus Education and General (E&G) budget, which is referred to as the "Shared Responsibility Budget Model" (SRBM). The model was partially implemented for academic units in FY18. Development of the current SRBM budgeting approach was initiated in FY15 with the goal of addressing several concerns and limitations identified by deans, university leaders, and faculty. Development of the initial SRBM was informed by the following goals:

- Link budget clearly to programs and results delivered by academic units.
- Be transparent and consultative.
- Recognize that academic success requires strong support and facilities services.
- Encourage financial decision-making at the college level that aligns with OSU's strategic goals.
- Be equitable and predictable to allow unit leadership to plan for the future.
- Keep the university and all its components financially healthy.

The SRBM allocates budget in three major functional areas:

- **Academic program delivery**: This includes academic colleges, centers and institutes, and some teaching delivered by other units. These activities generate most of the revenue that supports OSU.
- **Academic support and institutional operations**: These functions include academic support; student and faculty support; plant and facilities operations; and institutional operations. These services are essential to allow colleges to deliver programs and for students and faculty to access support for their work.
- **Financial stability and university commitments**: This includes commitments for debt service, outside contract commitments, strategic commitments, capital improvement, and renewal funds and contingency funds. These costs are necessary to maintain OSU's financial stability and obligations to partners. Most of these costs benefit multiple campus units and are therefore budgeted centrally.

The model is a modified version of Responsibility Centered Management[1] (RCM) budgeting. It distributes a portion of revenue directly to the units that generate that revenue through measures like credit hours delivered and degrees awarded. OSU's SRBM is a hybrid approach that uses elements of RCM budgeting and encourages collaborative decisions about revenue generation, investments in services and academic programs, and the development of cross-unit collaboration. The model distributes a significant portion of academic college budgets based on credit hour and degree measures, but retains incremental allocations for service and support units, strategic institutional needs, and academic initiatives. This approach was a major change in how OSU budgeted Corvallis operations. The implementation plan included a commitment to review and revise the model after its first few years of use.

[1] A brief summary of university budget models: https://www.hanoverresearch.com/insights-blog/6-alternative-budget-models-for-colleges-and-universities/

REVIEW AND RECOMMENDATIONS

In March 2021, Provost Feser convened five workgroups to solicit comments and ideas for improving the SRBM. The workgroups convened in April 2021 and worked through the following year to identify issues in the budget model, including the structure of the model itself, budget processes and related communications, and concerns about overall resources and campus understanding about the budget model. Meetings with leadership teams of academic and support units and open campus forums were convened to collect input.

The steering committee compiled qualitative information from these sessions and identified common themes, concerns, and ideas. From this compilation, a set of recommendations were discussed with university leadership in winter of 2022 and approved by Provost Feser and Vice President Green. An advisory committee, chaired by Toni Doolen, dean of the Honors College, was appointed to provide advice on potential changes to address the approved recommendations.

There were three broad recommendations for the revisions:

- Review the distribution of current budget among major units and adjust as appropriate to support OSU's mission and goals. The first model was "calibrated" to historical allocations and a review of those distributions is important.
- Improve communication and develop budget communications appropriate to different university stakeholders, both about the budget itself (the level of resources available) and the budget model (how those resources are distributed).
- Implement changes to the structure of the model to address several specific goals, including:
    - Reduce the complexity of the model to make it easier to understand.
    - Make the model more predictable and easier to use for planning.
    - Keep the academic pools for colleges from unintentionally eroding to support other university needs (like capital improvement and renewal).
    - Have Ecampus revenues contribute appropriately to overhead costs and retain an incentive to develop Ecampus programs.
    - Broaden measures of scholarship and engagement and increase the visibility of OSU's commitment to scholarship.
    - Remove unintended incentives of colleges to make curricular and pedagogical decisions based solely on the budget.
    - Recognize experiential or high-cost courses as important parts of student success and retention.
    - Replace the current disciplinary weights, which are based on national survey data and impacted by historical salary structures in disciplines, with more direct measures of costs-of-delivery or consider the elimination of weights by discipline.
    - Retain strategic/mission funding outside of productivity allocations to allow for investments that support OSU's mission and stakeholders.
    - Balance the stability of the three-year averaging for campus-based credit hours and degrees with the responsiveness of the current year settle-up used for Ecampus credit hours.
    - Review the weights for masters and doctoral degrees relative to bachelor's weights and identify an appropriate distinction.

- Add an incentive for the management of space (this should be a largely technical change in the first year with no net budget consequences).

PROGRESS AND NEXT STEPS

Several technical changes were made to the SRBM for the FY23 budget to align the structure of the model with recommendations from the review. These changes principally moved as much funding as possible out to units in initial budgets rather than holding funds centrally for distribution during the year. Additionally, these changes moved management of the allocated resources out to the units charged with specific activities.

Over the summer and fall, staff in the Budget Office built versions of the model to help the advisory group assess the impact of various approaches and to identify the interplay of changes in different parts of the model. The focus has been on changes to the productivity portion of the model, which impacts academic college budgets. The committee has identified a set of key design changes to discuss with college leadership and faculty during the winter term. The goal of this work is to identify the key variables and incentives in the model to help colleges use it as a tool for planning and program development. Implementation of the revised model is on track for FY24 budget allocations.

In parallel with these discussions, work is proceeding on assessing the appropriateness of the current distribution of available budget among units. This could be viewed as “calibrating” the model—how much of the available resources does each unit or function receive and why? This is the most difficult part of the project as peer comparisons for academic units are not sufficiently detailed, or peer units are not similar enough to OSU units to be informative. The committee is considering metric-based comparisons (e.g., faculty/student ratios) and a review of contribution margins (revenue generated, less direct and indirect costs) to identify whether units are under- or over-resourced. Benchmarking for service and support units is being done using data from the HelioCampus consortium, which provides information on personnel commitments to various functions such as human resources, payroll, and facilities. This work will likely extend into FY24 and impact FY25 budget allocations.

The model revisions will be implemented with an understanding of budgetary ramifications related to the implementation of the recently approved general education curriculum (replacing the Baccalaureate Core). There are mechanisms in the model to adapt to changes in course teaching loads for colleges, resulting from the updated curriculum.

When the FY24 budget is brought to the Board in June for discussion, staff will note any significant changes in process or allocations resulting from the revisions to the SRBM.