

**The University of Michigan**

**General Fund Budget Review: A Study of Perceptions**  
*Unabridged*

**Authorized by the Office of the Provost**  
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**The University of Michigan  
General Fund Budget Review**

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# The University of Michigan General Fund Budget Review

## Section 1: Foreword

The General Fund Budget Review was sponsored by the Office of the Provost and Executive Vice President for Academic Affairs to assess viewpoints in the University community regarding the effectiveness, strengths and weaknesses of the University Budget (UB) model and system. The present budget model, an evolution of the Responsibility Centered Management (RCM) model, was first implemented in 1999 and has been refined and modified, but still retains the concept of activity-based budgeting.

**Accordingly, this report is about *perceptions* and may or may not reflect verifiable facts. This does not diminish the importance of the responses illustrated in this report since they may represent prevalent viewpoints, regardless of any inaccuracy.**

Two different but comparable sets of interview questions were developed to accommodate both activity and non-activity based units. They were created with the assistance of the Provost's Office and reviewed by the faculty and staff members in the Budget Oversight and Review Group (BROG). Throughout the study period, the study team has been advised by and has had discussions with the BROG members. However, the study team is solely responsible for producing this report and for any mistakes that may have occurred.

During the months of May to August 2005, the study team interviewed 64 groups comprised of 111 people representing various constituencies in the University community. The interviews normally lasted between 1 to 1 ½ hours. Eleven core issues emerged from the interview results and guided the analysis and preparation of this report. In addition, there are five significant findings and eight common themes that surfaced from those core issues, as highlighted in this report.

Appendices in the latter half of this report contain supporting data, research methodology, and the result of statistical analysis, as referenced where applicable.

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**Section 3: Glossary of Frequently Used Terms and Definitions**

Activity-based budgeting	An approach to budgeting and resource allocation that incorporates changes in revenues and costs that accompany changes in activities. It is a variation of “Responsibility Centered Management” (RCM), with some modifications. The University of Michigan uses activity-based budgeting approach. This term should not be confused with the terms “Activity units” or “Non-Activity units” described below.
Alignment	A state or condition of a relationship between the Provost and units or among units. Usually applied as part of a descriptive statement, such as priority alignment. A priority alignment between two units indicates that both units have shared goals or an understanding of each other’s roles in achieving those goals. An organization may either intentionally attain alignment among its units to achieve efficiency or strategically promote some misalignment among units. The latter is done to encourage heterogeneity that can promote creativity and reliability, through diversification and hedging.
Allocation	Usually refers to the net funding distributed to units, including General Fund Supplement, attributed revenues (such as tuition) and attributed costs (such as financial aid and taxes).
Attribution	Used in the context of financial attribution. Attributions are usually formulaic, designed to calculate revenues and costs. They may or may not represent the actual/real revenue generated or the cost incurred by the unit, although they are intended to be a proxy for them.
Base Budget	A part of the General Fund Supplement budget allocated to units that has become a base or a starting point for any adjustments. Funding for one-time requests and initiatives may or may not be added to the units’ base budget. Base budget reflects the current funding commitment from the Provost for the units’ ongoing operations given that there are no changes to the situations, operations and the underlying assumptions. See <i>General Fund Supplement</i> and <i>One-time Requests</i> .
Budget/model Understanding	At the conclusion of the interview process, the study team members jointly assessed respondents’ general understanding of the budget model and system based on respondents’ comments and dialogue. This is a subjective assessment. Respondents’ understanding are categorized as: <i>Excellent, Good, or Limited</i>

Budget Type	<p><i>Activity</i>: Units that are able to generate revenue from their operations as a direct function of their teaching, research, and service mission. Their budget model is an activity-based model: developed to recognize changes in activity. All but one school are activity units.</p> <p><i>Non-Activity</i>: Units that do not generate sufficient revenue to fund a considerable portion of their operations and thus depend heavily on the allocated General Funds. They do not directly conduct teaching or research, but provide valuable and critical resources to support those activities. Their budget is developed without specific formula attributions based on changes in activity. They are funded as deemed appropriate to fulfill their mission.</p>
Discriminating Characteristics	All interviews are categorized based on a number of discriminating characteristics that best describe respondents. These categories are utilized to determine possible relationships between responses and different types of respondents. Discriminating characteristics used are budget type, unit type, General Fund budget, General Fund % of Total Funds, Total Funds budget, respondents' positions, and budget/model understanding. See these specific terms for more details.
General Fund Budget (GF)	The operating funds where attributed revenues and costs directly relate to the University's academic mission. Its revenues include state appropriation, tuition and fees, indirect cost recovery, interest income, application fee, and General Fund Supplement. Its costs include financial aid, facilities, and taxes. We use 2003-2004 figures in our analysis.
General Funds as percent of Total Funds budget (GF%)	The allocated General Fund budget for the year 2003-2004 divided by the Total Funds budget for the same year.
General Fund Supplement (GFS)	A part of the General Fund budget that represents an additional funding distributed to units outside their attributed costs and revenues, to supplement their operations. GFS for each unit reflects the historical funding level for that unit and additions and subtractions that follow from the Provost's policies and decisions. It is through General Fund Supplement that the Provost can exert his influence and shape the University's strategy and priorities.
Hold-harmless	Refers to the policy that the Provost will compensate related units for technical or programmatic changes that affect them through no fault of their own. Hold-harmless policy is designed to preserve equity and ensure that any unit is not disadvantaged when changes occur. For example, when tuition attribution was changed to a 25/75 split, the Provost's Office made a budget adjustments to all units affected by this change.
Office of Budget and Planning (OBP)	An organization reporting to the Office of the Provost that is responsible for gathering information, conducting institutional research and analyses, developing the University's budget model, providing support, and communicating the annual budgets to the units.

One-time Requests	A funding request submitted by units to the Provost to support certain initiatives or issues. As the name suggests, one-time funding usually refer to a non-continuing funding and often functions as seed funding, where the Provost helps the units to jumpstart certain initiatives and gives time to the units to develop self-funding for those initiatives. One-time funding can reflect a multi-year commitment from the Provost. One-time requests can be submitted at any time in the academic year and used for various purposes, such as PFIP (Provost's Faculty Initiatives Program), strategic initiatives, or emergency funding.
Process	Refers to an organized approach to accomplish a stated goal, such as a budget process, decision process, or collaborative process.
Reserves	The carry forward balance of funds that is retained by units. Reserves can be built by adding yearly net income (revenues minus expenses) and can diminish with yearly net loss. Reserves are fungible. Some are saved for a specific purpose and some have a more general purpose.
Respondent	Generic term used to represent a participant or a group of participants interviewed in this study. Each interview session is considered as one respondent unit, regardless of the number of participants in each interview. Where views differ within the interview, alternate views are recorded.
Respondent's positions	<p>Each interview is categorized into one of five types of employment positions within the University:</p> <p><i>Deans and/or Staff.</i> All but one Dean participated in this study. This category also includes the deans' staff such as Associate Deans and budget administrators. The study team interviewed members of all schools and colleges.</p> <p><i>Executive Officers.</i> Six out of eight Executive Officers participated in this study.</p> <p><i>Executive Officers' Senior Staff.</i> Operating personnel directly reporting to the Executive Officers.</p> <p><i>Directors and/or Staff.</i> This category includes operating personnel responsible for administrative or service units across campus and also for academic units with specialized research or academic functions.</p> <p><i>Ex-Officials.</i> Ex-official respondents in this study include selected former University's executives who played a major role in previous administrations with regard to the activity-based budgeting system. They also provide historical perspective regarding prior budget systems and the development of the current system.</p>
Responsibility Centered Management (RCM)	A budgeting and resource allocation system that gives units (schools, colleges, organized research units, etc.) credit for revenues generated and costs incurred. The basic principle is to treat units as "profit/cost centers." Implementations of RCM vary in the existence or lack of interdependency of funding between units. Some implementations imply self-funding for the units and some do not.

Sources and Uses	Similar in concept to Income and Expenses. Sources are revenues distributed to units, including General Fund appropriation, General Fund transfer, endowment income, investment distribution and external department revenue. Uses are expenses borne by the units, including personnel compensation, supplies, and equipment.
Taxes	Based on expenditures. Taxes flow back to the Office of the Provost and are added to the funds used for allocations. There are three types of taxes: General Taxes, Research Taxes, and University Participation Taxes. Taxes are charged with a two-year lag to facilitate unit planning.
Total Funds budget	Refers to Total Sources for the purposes of this report. It includes units' total sources of revenue, including General Fund budget, other operating revenues, and non-operating revenues. See <i>Sources and Uses</i> . We use the 2003-2004 figures in our analysis.
Transparency	Used in the context of the study as a measure of openness and clarity of process, attribute, or decisions. Care should be taken to place the term in context. For example, while an attribution formula may be clear and transparent, the reason for the use of that formula may not be.
Unit Type	<p><i>Academic</i>: Units whose primary mission contributes to the accomplishment of the University's missions in teaching and research. Academic units may be budgeted using an activity or a non-activity approach. Examples of academic units that are budgeted using a non-activity approach are museums, libraries, and the Horace H. Rackham School of Graduate Studies.</p> <p><i>Non-Academic</i>: Units that support the University's academic mission, such as housing, security, facilities. Examples include Division of Student Affairs, auxiliary units, and Facilities and Operations.</p>
University Budget (UB) Model and System	Implemented in 1999 as a version of RCM, succeeding a prior system known as VCM, Value Centered Management system. See <i>Activity-based budgeting</i> .

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## Section 4: Significant Findings Summary

### Introduction and Approach

This section highlights the five significant findings and the common themes that emerge from them and from the eleven core issues we have identified (please see Section 5 for the 11 core issues). In reading this section, it is important for the readers to examine whether these themes and findings are inherent in the budget model and system or whether they are a result of the implementation of the budget model and system. The following common themes and significant findings need to be addressed as interrelated components, and not as independent parts, of an integral budget model and system.

Please note that the report is intentionally written in the present tense to preserve the immediacy of the issues as highlighted by the respondents.

### Common Themes

These recurring themes reveal positive and negative aspects of the key elements in the budget model and system, which emerge from the interview sessions. Accordingly, these themes reflect the *perceptions* of the respondents, and *may not be factual*. The study team has attempted to present a balanced view of how each theme impacts the overall report findings. They are not listed in any order of priority.

- *Unit autonomy*  
Autonomy has led to self-management, entrepreneurship and innovation. Accordingly, it is highly valued. There is a need, however, to find a balance between the units' autonomy and the alignment of priorities among units and between units and the Provost.
- *Financial accountability*  
It is crucial to keep a balance between holding units accountable for their financial performance and encouraging innovation and riskier initiatives that may not produce favorable or immediate financial returns.
- *Communication and understanding*  
The communications and support provided by the Office of Budget and Planning and the skills of the Provost's staff have elicited numerous praises and created a positive working relationship between the units and the Provost's Office. However, the level of understanding of the budget model and system still varies significantly within the University community, causing some misunderstanding and confusion with regard to the budget process.
- *Model and system complexity*  
While the model is considered rational, to many, it appears to be too complex. This perceived complexity hinders certain initiatives (such as interdisciplinary efforts), discourages some University community members from making a real effort to understand the model, and provides a justification for inexpedient decisions.
- *Strategic planning*  
The model encourages units to prioritize their initiatives and allocate their resources strategically; both of which require a long-term outlook. However, the system places a

substantial emphasis on the incremental changes in activities from year to year and does not require a thorough examination of the existing activities.

- General Fund Supplement Base Structure*  
 The lack of a *full* and *continuing* evaluation of the base / historical component of the General Fund Supplement creates a situation where the units' budgets may no longer represent their current cost structures due to various exogenous variables. Some leaders who inherit the base budget from their predecessors also have an incomplete understanding of the historical element of their budget and thus question the components that make up their base budget.
- Transparency*  
 There is a need for more clarity and openness with respect to the University's priorities and strategy, resource allocations, and the reasons for those allocations. Since the resource allocation affirms University's strategy and values, this transparency is invaluable for the purpose of alignment of priorities among units and the building of trust and cohesiveness of the community. The main issue here is to find the right level of transparency. While the lack of transparency breeds rumors and mistrust, excessive transparency may cause antagonism among units.
- Incentives*  
 The model seems to highlight the operational independence of each unit and discourage interdependence and collaborations. Independent operations can lead to heterogeneity and diversity of competence, which are crucial for innovation and change. However, too much independence also generates self-serving behavior and the lack of inter-unit alignment, which hinder interdisciplinary efforts. In addition, the incentives to increase revenues and reduce costs may entice units to engage in initiatives that are incompatible with their mission or values in achieving academic excellence.

<i>Common Theme</i>	<i>Positive</i>	<i>Negative</i>
Unit autonomy	Promotes self-management and entrepreneurship	Lack of alignment between the units and the Provost
Financial accountability	Promotes better unit management and responsibility	Impedes innovation due to the emphasis on financial returns
Communication and understanding	Good support from the Provost's Office when needed	Large variation in understanding
Model and system complexity	Rational model	Deemed too complex by some participants and difficult to master
Strategic Planning	Encourages prioritizations and strategic allocation of resources	Emphasizes short-term outlook and incremental changes in activities

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General Fund Supplement Base Structure	Emphasizes incremental activities and thus, new initiatives	Possible lack of connection between the base budget and the current cost structure
Transparency	Understanding of own budget allocation	Lack of transparency on the logic of own allocation and the overall university-wide allocation; lack of alignment of priorities
Incentives	Promotes independent operations, which develop the capacity to innovate and change	Perverse incentives that encourage units to (1) develop self-serving behavior and avoid collaboration and inter-unit alignment, and (2) retain or engage in less valuable activities or activities that are incompatible with mission/vision

### Significant Findings

This section highlights the five most important findings in this report: (1) the support for an activity-based budgeting model, (2) a general agreement on the goals of the UB model and system, (3) the lack of transparency of resource allocations and the lack of alignment of priorities, (4) a need to review the effectiveness of the embedded incentives, and (5) the opportunity to enhance the effectiveness of the budget conferences. These findings accentuate the common themes discussed in the previous section.

The study team uses a variation of the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis on each significant finding. That is, the team analyzes the positive and negative elements of each significant finding with respect to how well the UB model and system function as a strategic tool and serve the needs of the University community. The team uses the word *Observations* in place of Opportunities, since the team merely asserts its observations regarding those strengths and weaknesses, and does not intend to forward specific recommendations for change. Likewise, the team also identifies possible cautionary elements, noted as *Threats*, based on interview responses and those observations.

Each significant finding is illustrated with a diagram of the SWOT summary and a subsequent summary of explanations and some specific comments made by the respondents.

### **I. The Support for an Activity-based Budgeting Approach**

Virtually all respondents support the continuing use of an activity-based budget model and system. They believe that the model is generally effective, rational, stable, and fits in with the University of Michigan’s decentralized culture. They also recognize, however, that the system has shortcomings that need to be addressed. There is virtually no support to return to an incremental budget system, as it is perceived as highly political in nature.

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. Agreement on many positive outcomes of the UB model and system</li> <li>2. Proper incentives to effectively manage operations</li> <li>3. Appropriate emphasis on financial accountability</li> <li>4. Clear revenue and cost attributions</li> <li>5. Excellent support from the Provost's Office and OBP</li> <li>6. Rational model which allows for differentiated but appropriate level of funding for each unit</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Too much emphasis on short-term planning</li> <li>2. Disincentive for interdisciplinary efforts and innovative initiatives</li> <li>3. Tuition attribution that is too complex to facilitate meaningful forecasting</li> <li>4. Perceived complexity of the model in general due to varying levels of understanding</li> <li>5. Lack of connection between the tax rates / formulaic cost attributions and the real cost structure</li> <li>6. Limited connection between the units' financial system and that of the University, which leads to data discrepancies and perceived complexity of the UB model</li> <li>7. Wide variance of budget understanding which compromise the effectiveness of the incentives</li> <li>8. Lack of discussions of total fund budget</li> </ol>
<p><i>Observations</i></p> <ol style="list-style-type: none"> <li>1. Possible improvements in annual budget conferences</li> <li>2. Incorporation of performance indicators or matrices in the budget allocation consideration</li> <li>3. Clarification of hold-harmless strategy and the development of guidelines for one-time requests</li> <li>4. Reevaluation of formulas, datasets and systems use to derive revenue and cost attributions and the development of managerial tools to lessen complexity</li> <li>5. Greater transparency of the usage of taxes and the reevaluation and readjustment of attribution formulas for a more accurate representation of the current real costs</li> <li>6. Development of customized educational programs in management skills and financial system</li> </ol>	<p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. The need for strong and highly competent leaders in both academic and management at all levels who will make difficult, but necessary decisions to achieve excellence</li> <li>2. A match of skills between unit leaders and their budgetary staff is essential to ensure the unit's financial success</li> <li>3. Possible impression of a concealment of the political nature of the budget system, which can compromise model integrity and trust in the system</li> <li>4. Possible rifts between units and hindrance to innovation caused by high attention to performance indicators</li> </ol>

*Strengths*

There are six important strengths of the present model and system:

1. The respondents generally agree on the most important positive outcomes achieved by the UB model and system. As further discussed in Section 5.1, the most frequently stated outcomes are:
  - a. Unit autonomy and resources to achieve unit goals
  - b. Financial accountability



c. Strategic resource allocation

2. Many respondents believe that the budget model provides the appropriate incentives for the unit leaders to intelligently manage their units by understanding their revenue and cost structures, prioritizing the use of resources, and planning for new initiatives.
3. Most respondents assert that financial accountability is sufficiently emphasized and effective. This financial accountability encourages unit autonomy and decision making at the unit level.
4. Cost and revenue formula or calculated attributions are generally clear. Tuition attribution, however, is deemed too complex or unpredictable to be a useful forecasting tool.
5. The respondents who have had some experience in seeking clarification regarding the attributions and/or the budget process from the Provost's Office and the Office of Budget and Planning give favorable comments with respect to the support they have received.
6. An activity-based model is also considered to be more rational and less political than an incremental model. In addition, it allows a differentiation of funding levels among units. Accordingly, the allocated funding is customized to the specific needs of each unit.

*Weaknesses*

There are eight broad categories of issues frequently cited by the respondents:

1. A large number of respondents voice their concerns that the present budget system has come to put too much emphasis on short-term operational planning to the detriment of strategic discussion and long-term planning. In this context, strategic long-term planning refers to a multi-year strategy development and management, which includes and encompasses much more than a multi-year financial projection. There are two components to the issue of strategic planning:
  - a. There may be some miscommunication or unclear expectations with regard to the budget creation process, in which long-term strategic planning is assumed to serve as a blueprint for the budget, but not explicitly required.
  - b. There is a perception that the UB model and system focus on incremental changes in activities and budget instead of on *all existing* activities and the *total* budget (with a full examination of the General Fund Supplement base budget). Some respondents mention that this perception is partly due to discussions that center on incremental activities and not on the existing ones.
2. The majority of respondents believe that neither the model nor the system sufficiently encourages interdisciplinary efforts and riskier but innovative initiatives. There is a contention whether the system truly hinders interdisciplinary efforts or whether it is in fact flexible enough to allow interdisciplinary efforts. A part of this disagreement stems from the fact that selected respondents differentiate the budget model from the budget system, while others do not. Regardless of this difference in opinion, there is a general agreement that the current budget model or the *implementation* of the system does not satisfactorily promote interdisciplinary efforts. Please see Section 5.3 for more detail.

3. Tuition attribution is considered by many to be too complex to be used as a meaningful forecasting tool. Some mention that while they understand the formula to calculate tuition, they cannot produce the same tuition data that drives their revenue as the one used by the Provost's Office. This situation creates a real problem for some units since the difference between the forecasted amount and the real tuition received can be large enough to significantly influence their operations.
4. The units' inability to forecast tuition and the perceived multiplicity of the cost and revenue attributions create an impression that the budget model is complex. This impression is largely due to a large variance in the understanding of the UB model and system within the University community. Those who understand the model very well and who are familiar with the prior VCM model believe that the current UB model is actually much simpler than VCM. For instance, there are only three types of taxes in the UB model, while there were twenty-four different formulas to calculate cost attributions in VCM. Unfortunately, this perceived complexity only further dissuades some community members from deepening their understanding and therefore, taking ownership of the model and system.
5. Some units also express their concerns that the cost attributions may no longer appropriately reflect their current cost of operations. The tax rates are based on detailed calculations on the units' real costs, but they have not been reevaluated since the implementation of the UB model.
6. All units utilize their own financial operating systems to manage their operations, which may have limited connections to the UB model and system. They also generate their own financial data, which may differ from the data used by the Provost's Office. This limited connection between the unit's financial system and the University's may exacerbate the perceived complexity of the model and further discourage a deeper understanding of the model. This is a contentious issue that will likely prove difficult to resolve. Please see a related discussion of incentives below.
7. The UB model is designed to influence organizational level behavior and decision making practices. It is, however, not well understood by others beside unit leaders and their budget administrators. This lack of understanding may compromise the effectiveness of the embedded incentives in influencing behavior and the alignment of priorities among all members of the University community. Please see Section 5.7 for further discussion in this issue.
8. Some respondents are also concerned that the budget discussions between the units and the Provost revolve around the General Fund Budget only. Since the units need to understand their total funds budget (which includes revenue from other sources) to effectively manage their operations, it is important to look at the units' total financial health in its entirety. This is cited as the top issue or missed opportunity of the UB model and system.

### *Observations*

The primary observation is the potential to improve support and ownership of the UB model and system through improved communication and some modest, not major, structural changes. These improvements may include the following actions:

1. Enhance the annual budget conferences by facilitating a better communication of goals, a greater clarity of commitments, and a sharper focus on critical issues. In addition, the budget discussion may be extended to include a review of the units' total funds and their financial management as a whole. These changes would increase the units' satisfaction with the system, enhance alignment of priorities and cultivate a meaningful long-term relationship between all parties involved.
2. Establish a stronger / visible relationship between the unit's financial performance (as well as specific indicators, stretch goals / targets, and matrices) and resource allocation. These indicators or matrices may be customized to each unit to reflect its strategy and mission. Creating a stronger link between the units' financial performance and their budget allocation would reaffirm the unit's sense of accomplishment, deepen the impact of incentives and sharpen the unit's focus on excellence.
3. Clarify technical processes such as the hold-harmless strategy and establish guidelines for the process and purpose of one-time requests to improve their effectiveness and further foster unit innovation and strategic orientation.
4. Lessen the perceived complexity of the cost and revenue attributions by reevaluating the formulas, datasets and systems needed to derive those attributions. One possible consideration is the tuition attribution. A customized tool (software) to model various scenarios for forecasting and strategy formulation would greatly enhance the management of the units and foster long-term strategic outlook.
5. The reevaluation of cost attributions is also important to ensure that the attributions reflect the units' real costs. In addition, a greater transparency of the usage of taxes, in the forms of services rendered to the units, and the allocation of funds at the institutional level would promote a better understanding, establish trust, and cultivate a more effective decision making process.
6. Develop a more formalized and highly targeted *managerial* and budget educational program to enhance understanding and further lessen the perceived complexity. This program should be developed to not only improve the participants' understanding of the budget model and system, but more importantly, to enhance the business management skills of unit leaders, which includes much more than financial management. The budget understanding and managerial skills are critical elements in enhancing the effectiveness of the budget model and the units' performance. In addition, there may be an opportunity to provide more advisory and managerial, but non-financial, support for the smaller units in managing their operations, should they need it.

### *Threats*

The findings that can most easily be construed as threats are common among all organizations, and not unique to the University of Michigan.

1. The respondents assert that the model and system work well with strong leaders (both in terms of academic accomplishments and managerial skills) at all levels: the Provost, deans, executives, and directors. These leaders need to understand the budget process and must be willing to make difficult decisions. Conversely, leaders who do not expend an effort to understand the system or who are unwilling to make difficult choices threaten system integrity.

2. A less than optimal match of skills between the unit leaders and their (budgetary) staff could result in an ineffectual management of their units. This issue is particularly important when there is a change in the leadership position.
3. The model may mask the political reality of the budget system. Since the Provost has discretion relative to funding allocations, certain units may appear to have unfair advantage and receive more favorable treatments and funding. This perception may be curtailed by increasing the level of transparency of the allocation decisions and thus, establishing a deeper trust in the system.
4. The incorporation of performance indicators in the process of budget allocation may create rifts and further impede collaboration and innovation if they are not suitably balanced with other criteria or do not include specific stretch goals concerning collaboration. In addition, while an increased transparency of the budget allocation decision will engender more trust in the system and in other units, excessive transparency may cause or escalate antagonism between units. Moreover, some units may be tempted to engage in initiatives that are less innovative and add little value to their academic missions when they see that Provost funds other units' initiatives in the corresponding topic.

## II. General Agreement on the Goals of UB Model and System

There is general agreement on the suitability of the goals (Table 2). However, some respondents take offense to the lack of certain elements or the wordings of the goals. Others deem the goals too broad and uninspiring.

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. General agreement on the goals</li> <li>2. Meaningfulness and appropriateness of the goals</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Lack of awareness of the goals</li> <li>2. Perception of stratification among units</li> <li>3. Lack of specificity to the University's mission and ambiguity of some wordings and intents</li> <li>4. Missing goals</li> </ol>
<p><i>Observations</i></p> <ol style="list-style-type: none"> <li>1. Collaborative and inclusive process to generate suitable goals</li> <li>2. Clear communication of goals to the University community</li> </ol>	<p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. Possible imbalance between generality and specificity of goals which may unfairly favor certain units</li> </ol>

### *Strengths*

1. When the goals are clearly defined, openly communicated and well understood, they can bring about effectual management and effective practices. There is a general agreement regarding the goals of the UB model and system.
2. Most respondents find the goals meaningful and appropriate.

### *Weaknesses*

1. A significant number of respondents have minimal awareness of the goals prior to the interview session.

2. The use of “activity / non-activity” stratifies units into classes and creates rifts instead of alignment and collaboration.
3. In addition, some respondents find the goals too broad or ambiguous. While the goals are deemed “politically correct,” they neither capture the uniqueness of the University of Michigan nor showcase the University’s core strengths. There are opinions that the goals do not explicitly convey the University’s commitment to student development along the social and moral dimensions as well as their academic achievements.
4. Many respondents feel that there are missing elements in the goals or feel that the current goals do not explicitly refer to selected critical issues. The top missing goals are:
  - a. To promote university-wide transparency of goals and priorities
  - b. To promote institutional values: diversity, excellence, and access
  - c. To enable strategic alignment, consolidation, and efficiencies across units

#### *Observations*

1. A collaborative and inclusive process may be used to modify existing goals or to develop others that reflect the University’s mission and values more clearly.
2. Communicating the goals to the entire community may increase the understanding of the budget model and system, create ownership and cohesiveness, and give units incentives to make decisions apposite to units’ financial health and academic mission.

#### *Threats*

1. While there is some room to include more specific goals in the current list, it is very difficult to develop ones that serve the needs of every unit. Some specific goals may seem to give unfair advantage to some units. Therefore it may be necessary to keep the goals as general as possible to facilitate individual units’ interpretation.

Section 5.2 discusses these issues in more detail.

### **III. Non-Transparency of Resource Allocations and Lack of Alignment of Priorities**

All units generally understand the dollar amount in their General Fund budget, since it is itemized quite clearly in their allocation report. However, some do not understand the *reasons* behind those allocations. Several even claim some confusion regarding the intended purpose of the itemized allocation. Others indicate a disagreement with the allocation priorities, but not a confusion over the amount. That is, an initiative that they consider to be a high priority item is not funded, while another initiative of a lower priority is funded by the Provost. Therefore, they feel that sometimes their priorities are not aligned with the Provost’s.

In addition, most units do not understand the allocations at the institutional level. They do not have a clear knowledge of the University’s priorities. Hence, many find it difficult to determine if their priorities are aligned with those of the University or other units. To illustrate, one respondent emphasizes that a unit’s budget should be a translation of its goals and mission, which in turn, should be an extension of the University’s goals and mission. A reasonable level of transparency regarding the General Fund budget allocations and an enhanced visibility of institutional priorities are important to engender trust in the budget system and encourage alignment of units with the University and with each other.

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. Clear budget documents and instructions.</li> <li>2. Provost's ability to influence unit's strategy and directions</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Lack of clarity regarding the unit's own budget allocation</li> <li>2. Lack of clarity concerning the resource allocations and the decisions made for the University as a whole</li> <li>3. Lack of clear University's priorities that can promote alignment between the units and the Provost and among units</li> </ol>
<p><i>Observations</i></p> <ol style="list-style-type: none"> <li>1. Greater transparency of budget allocation and important decisions critical to the University's mission</li> <li>2. A more meaningful discussion regarding priority alignment</li> </ol>	<p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. Excessive transparency in budget allocation that may cause units to second-guess the Provost and further hinder collaboration among units</li> <li>2. Clearly defined University's priorities may hinder grassroots innovations, obscure other opportunities, and constrain the University's action and ability to anticipate and adapt to external changes</li> </ol>

*Strengths*

1. The documents and communications that accompany the final budget allocations are clear and useful to units in tracking changes from prior year budgets. The respondents also appreciate the exercise of putting together their budget since it enhances their understanding of their operations and facilitates better management.
2. Most respondents also recognize that the model and system, particularly the General Fund Supplement (GFS), provide the Provost with a means to influence strategic direction and to assist units when they need additional supports.

*Weaknesses*

1. There is not enough clarity with respect to the decisions regarding the General Fund budget allocation to the unit itself. Many respondents indicate that while they understand and can track year-to-year changes (including GFS items), they do not have a clear understanding of the *decision logic* that resulted in the allocations to their respective units. It is therefore difficult to determine if the units' allocations are due to their contribution to the University's priorities or rather, to economic circumstances. Most indicate that subsequent discussions with the Provost's Office clarify some issues or answer some questions.
2. There is a definite lack of clarity concerning the resource allocations and the decisions made for the University as a whole. The respondents uniformly indicate that they are not aware of any strategic objectives that guide the financial allocations to other units across campus. Information gaps range from the lack of knowledge regarding how non-activity units are funded to the lack of insight into why a certain academic initiative is funded while others are not. As a result, there is an impression that some allocations are political in nature, and that there are too many "side deals" outside the UB model. This impression compromises the perceived fairness of the system and the units' trust in it.

3. Some respondents state that with significant effort, they can partially understand the University's priorities, strategies, and allocations. All recognize the University's commitment to diversity and academic excellence. However, these broad priorities do not provide sufficient information that can promote alignment of priorities among units and between the unit and the Provost.

These three issues are further explained in Section 5.5.

#### *Observations*

The emerging observations center on the issue of communication:

1. The decisions taken by the Provost's Office or other units that affect the University in general and the logic behind those decisions need to be communicated more efficiently and thoroughly. Doing so would promote greater confidence in the budget system and engender trust within the University community. The respondents realize that the Provost's decisions cannot and should not be fully transparent. However, they would appreciate a greater level of transparency at the Dean/Executive level regarding the university-wide allocation in general and some specific allocations that are more substantial or critical to the University's mission.
2. As noted in the subsequent section concerning the budget conferences, most respondents would also like a more meaningful discussion regarding priority alignment between units and the Provost and among units.

#### *Threats*

1. Although it is important to increase transparency in the budget allocation process, too much transparency may cause units to second-guess the Provost. In addition, the sense of competition among units may escalate. Increased transparency can engender trust in the budget model and system (and also the Provost) if the Provost's decisions are perceived to be fair. However, any perceived unfairness or injustice may destroy units' trust and faith in each other and in the Provost.
2. There needs to be a balance between a clear sense of direction for the entire University community and grassroots (and divergent) initiatives. An initiative instigated by the University that carries no supports from the faculty and the community may fail. In addition, a concentrated effort in one initiative may lead to missed opportunities in other areas and hamper the University's ability to anticipate changes in the external environment and quickly adapt to those exogenous shocks.

### **IV. A Need to Review the Effectiveness of Incentives: Revenue Generation, Cost Efficiency, Interdisciplinary Efforts, and Innovation.**

There are two components to this issue:

1. Who needs to understand the incentives? How much should they understand?  
While the incentives are meant to drive certain behavior, there needs to be a balance between the intent of the incentives and the units' academic mission. The incentives should work only *within* the units' strategy; they should neither constrain nor encourage behavior or initiatives that do not fit the units' strategy and mission. Thus, it is important to consider which faculty/staff and who in the larger University community need to understand the embedded incentives, or how much understanding is really beneficial. A general understanding may contribute to financial awareness and the units' financial

health. On the other hand, too great an emphasis may impede grassroots academic initiatives and innovation. It is thus important to review if the incentives are sufficiently influential, but not overly so.

2. Do the individuals who are directly involved in a unit’s financial management really understand what the incentives are intended to accomplish? There seems to be a wide variance in the level of understanding among the respondents interviewed for this study, as already discussed in the previous section.

Moreover, there are questions if the current incentives are effective to promote interdisciplinary efforts and innovation or if they actually inhibit those activities.

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. Clear incentives for those with good understanding</li> <li>2. Ability to develop reserves, which is an effective mechanism to achieve revenue generation and cost efficiencies</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Too much focus on incremental activities, and not enough on quality or existing activities</li> <li>2. Cost shifting and self-serving behavior that hinder inter-unit collaboration</li> <li>3. Insufficient incentives in the model and system for interdisciplinary efforts and innovation</li> <li>4. Too much emphasis on revenue generation that may impede innovation</li> </ol>
<p><i>Observations</i></p> <ol style="list-style-type: none"> <li>1. Sharing of best practices regarding cost efficiencies across units</li> <li>2. Feedback forum regarding major initiatives to reduce costs and increase mindfulness to other unit’s operations</li> <li>3. Highly targeted budget training programs that include a discussion of incentives.</li> </ol>	<p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. Possible increase of negative perceptions regarding the business aspect of the University and the compromise of academic values</li> </ol>

*Strengths*

1. Data analyses indicate that units with an excellent understanding of the budget system are more likely to think that the incentives are clear. The reverse is also true.
2. The ability to build reserves (or carry forward balances) is a very effective driver in achieving revenue generation and cost efficiencies. While the policy to build reserves has been implemented prior to this budget model, it seems to fit especially well in an activity-based model. The respondents appreciate it and still recognize it as one of the strengths of the current UB model.

*Weaknesses*

1. The model has placed sufficient emphasis on activities but may have neglected to accentuate the quality of those activities. Furthermore, some respondents believe that the model has become too incremental, focusing on changes in units’ activity (and new initiatives) but not on units’ base budget in its entirety. This lack of full examination of the base budget undermines the budget system’s ability to stimulate a review of existing



programs and a possible elimination of those that are neither valuable to the units nor to the University as a whole.

2. The activity-based model and its embedded incentives promote self-management and independence. However, when pushed too far, the incentives may advocate self-serving behavior that impedes cross-unit collaboration
3. In addition, a significant number of respondents bemoan the lack of easily accessible and visible budget goals and the insufficiency of incentives for interdisciplinary efforts. Some believe that the model may be neutral in this regard: it neither hinders nor fosters interdisciplinary efforts and innovation. Others, however, believe that the model actually impedes these activities, especially because of its complexity and the specific revenue / costs attribution formulas (including the 75/25 tuition split). Nevertheless, many agree that the budget model and system should more actively promote interdisciplinary efforts and innovation through the availability of additional funding or longer range commitments by the Provost.
4. There is also a concern that too much emphasis on financial accountability and attention to costs and revenue (which are promoted by the budget model) can impede innovation. The units may not be willing to engage in an initiative that cannot guarantee a profitable financial return or whose expected return may be realized in a much longer time frame.

Please see Section 5.7.

#### *Observations*

1. Improve the communication of best practices regarding cost efficiencies across units.
2. Employ a more open approach to developing, implementing, and providing feedback with respect to major cost efficiencies that may have a positive impact on the University but an adverse effect on individual units. Be more mindful of other units' needs and operations.
3. Develop a more formalized and targeted budget training program that includes a discussion of incentives.

#### *Threats*

1. The attention to incentives to maximize revenue and reduce costs creates some concerns in the minds of academics about the commercialization of higher education. In addition, misconceptions of the incentives themselves may lead to inexpedient decisions that do not further the academic mission. This situation can cause resentment within the University community and a perception that the University's business practices compromise its academic values.

## **V. An Opportunity to Improve the Effectiveness of Annual Formal Budget Conferences**

There are mixed views regarding the effectiveness of the formal budget conference, which is a key element of the budget preparation process. In general, the respondents have similar expectations for the conferences. However, they disagree on how well the conferences meet those expectations. Please see Section 5.8 for a more thorough discussion on the budget conferences.

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. Similar goals and expectations regarding the budget conference across all units</li> <li>2. Perceived usefulness of the conference</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Limited effectiveness of the budget conference for some respondents</li> <li>2. Perceived pro-forma nature and seemingly cursory discussion</li> </ol>
<p><i>Observations</i></p> <ol style="list-style-type: none"> <li>1. Changes in conference format</li> <li>2. Guidelines and expectations for the conferences</li> <li>3. More efficient long-term strategic discussions</li> <li>4. More indicative response regarding the Provost's approval and commitment</li> </ol>	<p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. Increased suspicions among units if the budget conferences are conducted in private</li> <li>2. Possible imbalance between unit autonomy and the Provost's influence (and oversight) if budget conferences are conducted every few years</li> </ol>

*Strengths*

1. The following are the most frequently cited ideal goals for the budget conferences:
  - a. Discussion of strategic plans.
  - b. Alignment of priorities.
  - c. Discussion of unit mission and goals.
2. Many respondents believe that the conferences are effective and helpful. They appreciate the willingness of the Provost and his/her staff to provide some guidance to their operations. They also recognize the conferences as an opportunity to showcase their respective unit, and find the budget preparation exercises to be a good venue to inform and involve faculty and staff within the unit.

*Weaknesses*

1. A considerable number of respondents find the budget conferences to be only partially effective or effective in limited ways. They consider the conferences to be short-term oriented and too operational, at the expense of a longer term strategic outlook. This is a substantial issue since the units who are most satisfied with the budget conferences are the ones who feel that they have effectively aligned their priorities with the Provost's.
2. Many respondents consider the conferences to be pro-forma and lacking challenging discussions. This is attributed to the annual nature of the conferences, the presence of a large audience, and some digressions into what may be irrelevant details.

*Observations*

Since the respondents have similar expectations (goals) for the budget conferences, there are opportunities to:

1. Revise some elements of the conferences, such as the time frame, the attendees, and the location.
2. Clearly define and communicate some guidelines and expectations for the conferences. This may be an inclusive process that elicits some suggestions from the units and creates goals that are mutually beneficial to the units and the Provost.

3. Utilize the limited time frame more efficiently to accommodate meaningful discussions with a long-term outlook.
4. Convey a more definitive response to the units' budget requests at the end of the conference. Most units are very aware that the Provost cannot make a definitive commitment to their requests, especially with the uncertainty of state support. However, they would appreciate a clearer indication of support.

#### *Threats*

1. The public nature of the budget conference and the large audience prevent in-depth discussions between the unit leader and the Provost. However, this element also gives a sense of transparency to the conferences. As units have advocated increased transparency in budget allocation, they may find that the private setting of the conferences is a step backward that breeds some mistrust in each other and the Provost.
2. Conducting the budget conferences every few years (instead of on an annual basis) may create an oversight issue. Such format will be beneficial only if all units are well managed, since it assumes much regarding the unit's competence in management. Units that are not well managed or that are in financial trouble will only be disadvantaged by this change. Furthermore, the conferences will need to be supplemented by more frequent strategic discussions between the units and the Provost to maintain alignment and enhance the unit's ability to respond to the environment.

#### Conclusion

As mentioned in the beginning of this section, all the above themes and significant findings need to be examined together and treated as interlocking components in the current budget model and system. Any modifications would need to be administered carefully as they would impact most if not all of these issues. The key point that has emerged in this study is the importance in finding equilibrium in these different components.

# The University of Michigan General Fund Budget Review

## Section 5: Eleven Core Issues

The preceding section (Section 4) discusses the five significant findings and eight common themes. Those findings emerge from the eleven core issues that are discussed in this section. These core issues are based on some key questions used in the interview sessions, and have guided our analysis and this report. Each is highlighted in a separate subsection. However, they are all interrelated, forming a thorough and complex portrayal of the budget model and system.

### Section 5.1: Model and System Outcomes

**What are the most important outcomes you have achieved through the UB model, system, and processes?**

#### Observation Findings Summary: Most Important Outcomes

The six most frequently volunteered responses encompass 92% of the views expressed, as shown below. The corresponding comments, where applicable, are listed as bullet points underneath each outcome. Table 1.1 lists all identified outcomes. Please note that the percentages in the following list reflect the frequency with which the respondents identify the corresponding positive outcomes. For instance, 26% of respondents consider the unit's autonomy as one of the most important outcomes of the UB model and system. The rest of the respondents (74%) volunteer other outcomes. Therefore, it does *not* mean that those 74% disagree that the UB model and system promote unit's autonomy; rather, those respondents do not explicitly state that the unit's autonomy is one of the most important outcomes of the budget model and system

1. Unit's autonomy and resources to achieve goals – 26%
  - The budget model and system have the flexibility to allow units to adjust to various situations.
  - Units are encouraged to grow and allowed to retain funds to support their strategic plans.
  - The autonomy and the empowerment of unit leaders (deans and directors) enable them to develop high quality programs. Decisions are made at the appropriate level.
2. Unit's financial accountability – 26%
  - The budget model and system encourage units to understand their cost and revenue structures, including their future commitments.
  - The budget model and system facilitate critical discussions of units' goals and the resources needed to achieve those goals.
  - Units and the Provost are able to review the units' total financial health.
  - Faculty members have become increasingly aware of the financial situation of the University as a whole.
3. Strategic resource allocation – 16%
  - The budget model has allowed academic units to grow faster than non-academic units. It breaks the linkage between administrative growth and academic growth.

- The budget model and system enable the Provost to influence policy and priorities through the General Fund Supplement and allow differentiation in financial support among units, as strategically appropriate.
  - Units are able to present their case and bring critical issues to the attention of the Provost in a structured process within a defined timeline.
  - The budget model enables units to prioritize their operations and stimulates better unit management and business practices.
4. Strategic long-term planning and alignment – 8%
    - The model is highly dependent on the Provost. He/she is a crucial link between the units and the University community as a whole.
    - Units’ priorities should be aligned with institutional priorities.
  5. Rational system, transparent process – 8%
    - The model is rational and not political.
    - Even though the budget model and system enable the Provost to allocate resources as strategically appropriate, in reality, it may be politically difficult for the Provost to reduce the General Fund Supplement.
  6. Stability and coherence of process – 8%
    - The budget process provides an annual opportunity to discuss unit strategies and faculty concerns.

#### Observation Findings Summary: Issues and Missed Opportunities

The following section highlights the top five issues and missed opportunities volunteered by the respondents. The corresponding comments are provided underneath each issue, where applicable. Please see Table 1.2 for a complete list.

1. The Provost’s lack of a thorough understanding of a unit’s financial situation (including a review of the unit’s Total Funds budget) - 17%
  - The budget process is disjointed and fragmented without an examination of a unit’s Total Funds budget.
  - The budgets are already pre-determined by the Central Administration prior to the budget conferences.
2. Lack of strong connection between the units’ performance and funding – 15%
  - Academic units’ comments include:
    - Poor cost efficiency in service units
    - Lack of recognition for good performance
    - Lack of accountability of service units
    - Lack of systematic review of prior commitments
  - Non-academic units’ comments include:
    - Lack of performance measures for academic units to justify funding
3. Lack of alignment/interaction/collaboration among units – 11%
  - Academic units’ comments include:
    - The budget is a snapshot of institutional goals and priorities. It should encourage units to translate these institutional goals into units’ goals and strategies. Thus, the budget must be transparent. There should be a visible link between the stated goals and financial commitments.
  - Non-academic units’ comments include:
    - There is no *strategic* discussion between the Provost and service units. Currently, the dialogues are more financially oriented and dollar

driven. Instead, the discussions should focus on and answer institutional issues, such as what the University's policy should be with regard to deferred maintenance.

- There is a need for a three-way discussion among the Provost, activity units and non-activity units to align priorities and communicate changes such as service cutbacks prior to their implementation. Currently there are no opportunities to reach synergy across units. There is too much competition for scarce resources.

4. Redundancy and duplication of effort – 10%

- Small schools should be able to rely on centralized services instead of duplicating the same services in-house.
- There is minimal incentive to reduce university-wide costs through teaching efficiencies.
- Best practices should be shared among units.

5. Taxable philanthropy – 8%

- Possible donors may have a misconception that gifts are taxed.
- The concept of gift tax compromises the stewardship of those gifts.

In summary, units are concerned about: (1) how well the Provost understands their operation, (2) the existence or lack of a direct connection between past performance and resource allocation, (3) alignment and collaboration, and (4) duplication of efforts.

## Section 5.2: Model and System Goals

**Are the present budget model/system goals appropriate? Are there missing goals or goals that require clarification?**

### Overview Findings Summary: Goal Appropriateness

Overall, the stated goals, as published by the Office of the Provost, are considered appropriate and meaningful. Seventy-three percent of respondents state that the goals are appropriate or that the goals are very appropriate and meaningful (Table 2.1). Some respondents agree that the goals are equally important and thus, should not and cannot be prioritized. Others caution that the goals may not be equally applicable across units. A large number of respondents mention that they have not seen the goals previously.

As also shown in Table 2.1, there is a significant difference between academic and non-academic units. Eighty-two percent of respondents from academic units consider the goals to be appropriate with no issues of concern, compared to 42% in non-academic units. Thirty-three percent of non-academic units find some issues with the wording or intents of the goals. Please see Appendix 2.1 for the regression results.

The issues highlighted with respect to the goals are the lack of specifics (13%) and the ambiguity or unsuitable intent and wording (11%). With regard to the former, some respondents believe that the goals are “politically correct,” but lack distinguishing characteristics, such as strategic and academic mission of the University of Michigan.

Selected goals also elicit strong negative responses. A few respondents believe that the use of the terms “activity/non-activity” creates stratification among units, instead of alignment and collaboration. Some suggest replacing “non-activity” with “co-curricular.” Such usage would emphasize that the University of Michigan is committed to a comprehensive (academic, social, and moral) development of its students, inside and outside the classroom, and that the University intends to align all resources in the pursuit of academic excellence.

Other respondents suggest some clarifications of selected items, including the goal of collaboration between the unit and the Provost and among units, the rate of growth associated with the assignment of resources to activities, and the allocations of resources. Some respondents think that the goals should explicitly state the model’s purpose to provide the Provost with the ability to reward academic quality and excellence, and to give him/her influence over units in shaping the University’s priorities.

#### Overview Findings Summary: Missing Goals

Most of the identified missing goals focus on university-wide development and interests, rather than individual units. Some respondents are concerned about the lack of alignment among units, the lack of visible University’s priorities, and the excess of individualistic attitudes. Please see Table 2.2 for a complete listing. The top three missing goals are:

1. To promote university-wide transparency of goals and priorities - 20%
2. To promote institutional values: diversity, excellence and access - 12%
3. To enable strategic alignment, consolidation, and efficiencies across units - 10%

In summary, some clarification of goals and modification of the wordings of the goals are warranted. It may be beneficial to initiate a collaborative process that includes various members of the University community to refine current goals. Such process would create a greater ownership of the budget model and system. In addition, the goals may then be publicly communicated in a formal document and other communication venues.

### **Section 5.3: Goal Achievement and Alignment**

**Are the budget model and system constructed in such a way that the University can effectively achieve its budget goals, which includes the alignment of the units’ priorities with those of the University?**

#### Overall Findings Summary

Virtually all respondents state that the activity-based budget model and system are effective (65%), or effective with some qualification (33%). Please see Table 3.1 for more distribution information. The stability and predictability of the model enable planning. In addition, the embedded incentives foster the effectiveness of unit management, innovation, and the pursuit of excellence.

The respondents state that in the decentralized culture of the University of Michigan, the model is most effective when strong deans and the Provost are equipped to make difficult decisions. Others state that the model and system empower units and encourage them to be more independent. There is a concern, however, especially in the smaller units, regarding the model’s suitability and flexibility during difficult economic conditions. A counter view is also expressed:

the model has been effective in weathering the impact of diminishing state funding and the resulting difficult economic situation.

The following concerns regarding the budget model and system seem to be the most significant ones. They are mentioned frequently during the interviews with strong emotions.

1. The model has become too incremental. It emphasizes short-term operational planning instead of long-term strategic outlook.
2. The model and system inhibit or do not promote interdisciplinary efforts, which is a core value at the University of Michigan.
3. Alignment of priorities among units and between units and the Provost is not attained through the budget model and system.
4. The budget model and system do not sufficiently foster innovation and engagement in riskier initiatives with uncertain financial returns.
5. The model focuses on activity instead of quality, performance or overall academic excellence. Therefore, the model may induce units to conduct activities that are not in line with academic values.

Through statistical analysis, some of these specific concerns surface as significant predictors of the overall effectiveness of the model, as shown in Appendix 3.2. Figure 1 illustrates a path analysis for the perceived effectiveness of the budget model and the support for activity-based budgeting approach.

Curiously, the analysis finds that the respondents who are more critical of the model regarding its lack of support for interdisciplinary efforts are more likely to support the model as a whole. These respondents identify interdisciplinary effort as one of the most important issues that the model and system need to address. However, they are satisfied with the model and system in general, and thus, support activity-based budgeting approach.

The concerns highlighted above are described in more detail in the following sections.

#### Support for the Activity-based Budget Model

The respondents' viewpoints regarding the model's effectiveness, their units' alignment with the Provost, their experience in the budget conferences, their budget classification, and their level of understanding are significant predictors of their support for the activity-based budgeting approach.

Statistical analysis shows that following types of respondents are more likely to support activity-based budgeting approach (See Appendix 3.1):

- Those who consider the model to be effective in attaining the stated goals
- Those with a better understanding of the model
- Units that independently set their own priorities
- Units whose General Fund budgets are relatively small

Table 3.1 shows that 82% of respondents with an excellent understanding strongly support the model (n=22), while only 37% of the respondents who have a limited understanding of the model strongly support it (n=8). There are significant differences between units that have larger General Fund budgets and those that have smaller General Fund budgets. Sixty-nine percent of units with



GF budget of less than \$50 million strongly support the model vs. 46% of those with GF of more than \$50 million.

### Concerns and Issues

#### *Long-term Strategic Planning*

54% of respondents believe that the model and system encourage only short-term outlooks as opposed to long-term strategic planning (Table 3.5). Many mention that the annual budget cycle and the focus on yearly incremental change create an impression of a perpetual short-term budget planning and a preoccupation with operational issues. However, others believe that the incremental focus of the model is balanced by the strategic dialogues between the Provost and the units. These dialogues foster long-term planning and align priorities. Some units consider State funding to be too volatile to create meaningful projections necessary for long-term planning.

#### *Interdisciplinary efforts*

About 62% of respondents report that the model and the system impede collaboration and interdisciplinary efforts in research and teaching (Table 3.7). This is a critical concern since many believe that interdisciplinary effort is one of the University of Michigan's core values. The respondents volunteer the following specific concerns, observations, and examples:

- The units are reluctant to engage in academically important, but financially less attractive activities. Some interdisciplinary efforts are not financially lucrative for the units.
- It is difficult to develop joint classes among several units.
- The graduate / professional schools do not have sufficient incentives to teach undergraduates. This undermines the quality of undergraduate education.
- There is a lack of embedded incentives in the model and system regarding interdisciplinary efforts.
- There is too much complexity in the administration of interdisciplinary efforts.
- The units need to spend a considerable amount of time and effort in negotiation in order to initiate interdisciplinary efforts.
- The Provost might not have allocated sufficient funds to encourage interdisciplinary efforts.

The respondents' position and the alignment of priorities between the units and the Provost are significant predictors of this issue (Appendix 3.7). Curiously, respondents who set their own priorities are more likely to think that the model and system encourage interdisciplinary activities.

All interview groups that include directors and their staff state that interdisciplinary efforts are hindered by the budget model and system. Seventy percent of deans and their staff agree with this position. The rest (30%) believe that the model and/or system support interdisciplinary efforts or that the system is flexible enough to clear the obstructions placed by the model. Please see Table 3.7 for more detailed information on the differences in viewpoints.

#### *Alignment of Priorities Among Units and with the Provost*

Sixty-six percent of respondents believe that their units' priorities are not aligned with those of the Provost (Table 3.9). Eighty-five percent of total respondents and all activity units believe that alignment *among units* is not achieved (Table 3.8). They indicate that they do not have a clear understanding of institutional priorities. One respondent describes the situation as a "giant

communication problem.” Many units are aware of the blanket priorities of the University, such as diversity, but not the specific goals or directions useful for priority alignment. Others believe that increasing academic activities are not supported by the corresponding level of services.

As shown in Appendix 3.9, the units’ dependency on the General Fund, the effectiveness of the budget conferences, the respondents’ position and their level of budget model understanding are significant predictors of their alignment with the Provost’s priorities.

Seventy-seven percent of units whose General Fund budgets comprise more than 50% of their Total Funds state that they set their own priorities vs. 55% for units whose GF budgets are less than 50% of their Total Funds.

The respondents who have a better understanding of the model are more likely to think that the alignment between their units and the Provost is *not* attained. Only 16% of respondents with an excellent understanding believe that they are aligned with the Provost, vs. 60% for respondents with a good understanding and 33% for ones with a limited understanding.

There is a difference, though not statistically significant, between activity units and non-activity units regarding the alignment of priorities among units (Table 3.8). All activity units believe that the alignment is *not* achieved, but only 67% of non-activity units believe so. Activity units recognize that non-activity units’ tasks may flow back to them because of budget cuts, and vice versa. For example, a critical service withdrawn by a non-activity unit may result in an increase in workload for an activity unit. Such transfers of tasks also occur between non-activity units. There is a lack of understanding, even at a broad level, of each other’s priorities, roles, and expectations.

In contrast, some respondents believe that even though there is an inherent tension between activity units and non-activity units, the budget model and system provide a balanced focus.

### *Innovation and Risk Taking*

Nineteen interview groups express their opinions on this issue (Table 3.6). Forty-seven percent of respondents believe that the model inhibits innovation and risk taking, because it focuses on the immediate financial returns and cost efficiencies, and therefore, induces units to engage in lucrative activities only. Units are thus reluctant to undertake initiatives that do not guarantee immediate or significant financial returns, since they are held financially accountable. Some cite the complexity of the model and system as an inhibitor. Others mention that the model is not sufficiently flexible to allow units to pilot new initiatives without entering into a long-term commitment. This is an important concern since innovation and risk taking is one of the significant predictors of the overall effectiveness of the budget model. Please see the preceding section discussing the overall effectiveness and Appendix 3.2 for more details.

On the other hand, 53% of respondents believe that the model and system foster innovation and risk taking in varying degrees. These respondents feel that the units can continue to engage the Provost in a dialogue regarding possible initiatives and receive sufficient amount of support. Some would like the Provost to provide stronger incentives for innovation and view the allocation distributed by the Provost as venture capital. They argue that the budget allocation should also be based on the units’ prior performance and not just on needs.

## *Academic Values and the Pursuit of Excellence*

Seventeen interview groups comment on academic values and the quality of education (Table 3.3 and 3.4). Forty-seven percent of respondents are concerned that the model compromises academic values. Appendix 3.3 shows that the units' General Fund budget percentage of their Total Funds budget is a significant predictor. Units with a lower percentage of General Fund resources are more likely to think that the budget model compromises academic values. They are concerned with the pressure to increase enrollment, the reliance on lecturers instead of full-time faculty, and the burden on faculty to gain more research grants and decrease their costs. The respondents with more positive views believe that the current system and the values upheld in the University are strong enough to counteract these possible unwanted behaviors.

### **Section 5.4: Model and System Financial Strengths and Weaknesses**

#### **What are the financial strong points and weaknesses of the present budget model and system?**

##### Overall Findings Summary

Three financial parameters provide insight to the overall response:

1. The units' accountability with respect to their financial commitment
2. The units' autonomy and their ability to make financial decisions and take action
3. The ability to generate reserves (carry forward balances)

Overall, a high proportion of respondents believe that the model and system emphasize accountability and commitments. They feel that they have the authority to take action and make decisions as deemed appropriate. However, a few believe that the flexibility to respond to change is limited. Some are also concerned that their reserves are vulnerable or frowned upon even if the reserves are intended for a specific purpose.

##### Financial Accountability and Commitments

There are only 14 interview groups that mention financial accountability; almost all are activity units. Fifty-seven percent of respondents assert that financial accountability is emphasized and effective (Table 4.1). The rest are equally split between those who think that accountability is only moderately emphasized and not effective (14%), and those who believe that the model has no effect on accountability (14%). For example, one respondent mentions that while the responsibility of the Central Administration is clear, the responsibility of the individual unit is not. There is also a lack of direct and visible tie between units' budget allocation and their financial performance (accountability). Some units express the view that their proven past performance should induce future investments (allocation) from the Provost.

The sample size regarding units' commitment is very small (n=5), but is comprised of deans, executive officers and their staff, and a director, and hence worth noting (Table 4.2). Three respondents believe that financial commitment is discouraged or not valued since there is no pressure on the units to review their performance against their prior financial commitments. Two other respondents note that while the model does not discourage planning for future commitments, it does not encourage it either.

### Financial Autonomy, Flexibility, and Use of Carry-forward Balances (Reserves)

The units' ability to make decisions and take action enhances their flexibility to respond to change. About 62% of respondents report that the autonomy is emphasized and effective (Table 4.3). However, only 37% think that they have moderate to high flexibility to respond to change. The majority (63%) report that they have limited (42%) or no flexibility (21%), as shown in Table 4.4.

The ability of the Provost to influence the units' priorities, the effectiveness of embedded incentives for revenue maximization and cost efficiencies, and the respondents' position are significant predictors of the respondents' view on the units' autonomy (Appendix 4.3). Understandably, those who think that the Provost's influence is in balance and effective are more likely to think that the units have an appropriate level of autonomy. The respondents who consider the incentives to increase revenue and reduce costs are effective are more likely to think that they have enough autonomy to achieve those objectives.

There is also a difference in opinion between the deans and executive officers and their staff. Seventeen percent of deans would like more autonomy, while all executive officers believe that the units have too much autonomy. Some respondents are concerned that there is not enough oversight from the Provost's Office. Accordingly, some units have found themselves in a difficult financial situation. In contrast, others believe that the General Fund Supplement has created more dependency on the Provost's Office and thus lessened the units' autonomy to invest in initiatives they deem appropriate.

Regarding flexibility, some units are concerned that they are highly dependent on their General Fund budget. They have limited additional sources of funding, and thus cannot easily accommodate changes such as mandatory salary adjustments, or engage in non-lucrative activities such as service teaching.

Carry-forward balances or reserves can also enhance the units' flexibility. Only 11 interview groups express their opinions on this subject. However, this issue is still an important one, since many respondents mention that their ability to retain reserves provides more incentives to generate revenue and achieve cost efficiencies, and to better manage their units. It is important to mention here that while the University's policy of allowing units to retain and build their reserves is a continuation of the previous models, it fits well within the UB model and is very much appreciated by the units.

Disturbingly, 46% of respondents believe that their reserves are vulnerable or discouraged (Table 4.5). These respondents believe that it is less likely for them to receive additional funding if they have some reserves, even if those reserves are intended for a specific project in the future. This is perhaps a result of some miscommunication between the Provost and the units, since historically the Provost has never taken any reserves away from the units. However, the Provost does consider the units' reserves in allocating financial resources. The Provost is favorable toward reserves that are intended for a specific initiative, but would like the units to use their general (non-specific) reserves to engage in new initiatives that advance the units' mission.

In summary, the budget model and system effectively emphasize the units' financial autonomy, which enables the units to respond to change efficiently. The flexibility to respond, however, may be limited for some, and is further encumbered by a misunderstanding about reserves.

## Section 5.5: Allocation of Resources

### **Are the mechanisms used to allocate financial resources to units effective, fair, and transparent?**

#### Overview Findings Summary

For the purposes of this report, allocation of resources is defined as the net funding distributed to units, after accounting for attributed revenue (such as tuition), attributed costs (such as financial aid), and the General Fund Supplement. Thus, the budget allocation is based on some formulaic calculation (attribution) and the Provost's discretion.

Three elements contribute to the overall answer to this question:

1. Allocation of resources to the respondent's own unit
2. Allocation of resources to other units (institutional level budget allocation and funding priorities)
3. The perception of how the Provost utilizes resources to influence programs and strategies.

#### Allocation of resources to individual units

There is much less confusion or obscurity regarding the amount of allocated budget than the reasons behind that allocation. Fifty-three percent of respondents believe that while the amount of their budget allocation is clear, the reasons are not. Thirty-seven percent understand both the allocated amount and the corresponding reasons (Table 5.1).

There are some differences between activity and non-activity groups, though these differences are not statistically significant. Twelve percent of activity units claim that they do not understand their budget allocation (neither amount nor logic), while no non-activity units makes a similar claim.

Allocation of resources at the institutional level, however, is much less understood. Seventy-one percent of respondents claim that they have no understanding of the budget allocation at the institutional level, nor any funding priorities. An additional 15% agree with the above. However, the respondents in this latter group also believe that they can gain understanding with some investigative effort. Hence, combining these two groups, 86% of respondents report that institutional allocation and priorities are not easily understood (Table 5.2).

The respondents' position is a significant predictor of the differences in viewpoints (Appendix 5.2). Those occupying higher positions in the University have more clarity of the institutional level allocation and funding priorities. While 91% of the deans and their staff claim that there is a lack of transparency of resource allocation at the institutional level, only 50% of the executive officers' senior staff and none of the executive officers make the same claim. The respondents comment that this lack of clarity breeds mistrust and obscures the University's priorities, and thus deters the alignment of priorities.

With regard to the Provost's ability to influence the units' priorities, 43% of respondents believe that there is a balance between the unit autonomy and the Provost's influence. Thirty-three percent believe that the Provost's influence is too little and 14% believe that it is too much (Table 5.3). There are some differences between groups based on their understanding of the budget model. No respondents with an excellent understanding believe that the Provost's influence is

too great, compared to 30% for the rest. Some argue that increasing expenditures (and hence, tax revenues for the Provost) yields greater power for the Provost to influence units' priorities. Others mention that the allowance of numerous one-time requests undermines the overall institutional strategy and reduces the Provost's influence. Still, others indicate that the Provost only influences the incremental (marginal) adjustments to the General Fund Supplement, and not the base budget funding.

## Section 5.6: Cost and Revenue Attributions

### Are the revenue and cost attributions clear, logical, and appropriate?

#### Overview Findings Summary

The following viewpoints should be taken in context. The formulas for cost and revenue attributions may be clear for some units and unclear for others. Likewise, even if the formulas are clear, the reason behind those specific formulas (how the formulas are derived) may be considered unclear. Some respondents believe that the attributed costs and revenues reflect their real situations and some believe otherwise.

The respondents volunteer a total of six specific elements of revenue and cost attributions that concern them: tuition, financial aid, tax rate logic, tax usage, special tasks, and facility costs. Since these are volunteered items, the sample size for each item varies.

Table 6.1 illustrates that 66% of respondents report that formulaic attributions are generally clear (36%) or partially clear (32%). Twenty-two percent of respondents believe that the formulaic attributions are too complex. However, some elements are considered less clear, especially tuition, tax rate, and the usage of taxes.

#### General Revenue and Cost Attributions

The following units are more likely to consider the general formulaic attributions clear or partially clear, as shown in Appendix 6.1:

- Units with larger amount of General Fund budgets
- Non-academic units
- Respondents with a more sophisticated understanding of the budget model and system

For example, 82% of units with a General Fund budget greater than \$50M find the attributions clear or partially clear vs. 65% for units with a lower amount of General Fund budget (Table 6.1). Only 29% of respondents with a limited understanding of the budget model consider the formulaic attributions clear or partially clear. Many consider tuition and capital costs to be incomprehensible. There is also an *impression* among some respondents that there are numerous tax rates or that there are many exceptions to tax rates, which contributes to the perceived complexity of the model. One respondent likens the present budget model to the U.S. government tax code.

#### Tuition Attribution

As illustrated in Table 6.2, about 52% of all respondents judge the tuition formula to be too complex. Others understand how the tuition is calculated (the formula), but still cannot generate

the same figure that is used by the Provost's Office. Thus, they are unable to forecast their revenue accurately. Another mentions that other considerations that affect tuition create some difficulties. For example, the undergraduate tuition recapture (the practice of crediting units with less tuition than charged to undergraduate students) impedes forecasting.

### Tax Rate Logic

Table 6.6 indicates that 50% of respondents consider the logic of various tax rates to be only partially clear. They, however, do not consider it an important issue. Forty-four percent indicate that the logic of the tax rates is not clear and adversely affects their unit operations.

Differences in viewpoints can be seen based on the size of units' Total Funds, General Funds, and the General Fund budget percentage of Total Funds budget. Please see Appendix 6.6 for more detail. Larger units (in both General Funds and Total Funds) and units with higher dependency on their General Fund budget are more likely to find issues with the obscurity of the tax rate logic. Some respondents question if the current tax rates fairly represent the units' real cost. Some consider the tax rates to be unfair to units with high expenditures. Several smaller units express that they would like to receive more support from larger units. Many mention that it is very difficult to make an informed decision with an incomplete understanding of the tax rates.

### Usage of Tax by the Provost's Office

A large number (83%) of respondents state that they cannot discern how the Provost uses or distributes the collected tax. Virtually all deans, directors, and their staff share this view (Table 6.7). In addition, while not statistically significant, activity units are more likely have a problem with this lack of clarity than non-activity units, as shown in Appendix 6.7. Most respondents understand the need for taxation and subsidy, but suggest a more open discussion and disclosure of how the Provost redistributes the collected taxes.

An illustrative example is that growth in activities (such as research) requires growth in support services. However, the support services are perceived to be at a constant nominal level or even decreasing. Another respondent comments that the perceived growth in the tax revenue base for the entire university does not translate to a corresponding growth in unit funding. The follow-on comment was, "Unknown subsidies are bad."

### Financial Aid

The sample size for financial aid attribution is limited (n=7). Fifty-seven percent of respondents report that the financial aid calculation is not clear and hinders their operation (Table 6.5). Some respondents comment that the financial aid formula is unfair or illogical, and that the financial aid costs attributed to the units do not represent the true costs for those units.

### Special Tasks and Unfunded Mandates

A limited number of respondents (n=9) highlight the issues caused by special tasks or unfunded mandates, such as mandatory salary increases, additional administrative responsibilities, and undergraduate tuition recapture. They believe such items elicit mistrust in the Central Administration (Table 6.8).

## Facility-related Costs

Two respondents (an executive officer and his/her staff) express a concern that the facility cost attributed to the units is too complex, making it difficult for units to understand the real cost of their facility and space (Table 6.4). See further discussion regarding space cost initiatives in Section 5.7.

## **Section 5.7: Cost and Revenue Incentives**

### **Do the budget model and system appropriately encourage revenue generation and cost efficiencies within the academic mission?**

#### Observation Findings Summary

Overall, most respondents believe that the incentives embedded in the model are effective. The incentives seem to be more effective for units who understand the model well, are able to manage their operations efficiently, and understand the business aspect of higher education. There are, however, issues that need to be addressed:

- The embedded incentives may not be effective if the units do not use the model (or its concept) to manage their operations, or if most faculty members and staff within the units neither understand the model nor the relationship between good financial performance and subsequent rewards.
- The lack of communication and collaborative process in developing plans for major service reductions or major service changes creates rifts, mistrust and dissatisfaction among units.
- Some units feel that they are not able to develop their reserves, which function as a driver for cost efficiency and revenue generation.

#### Revenue and Cost Incentives

Many respondents believe that the model effectively encourages revenue maximization (46%) and cost efficiency (38%) (Table 7.1 and Table 7.2). Some respondents think that there are enough checks and balances in the system to ensure that the incentives are working within the academic mission.

Selected respondents think that revenue and cost incentives are emphasized in the model, but not effectively so (9% for revenue, 29% for cost). They state that since individual units do not translate the model (or its concept) to the unit level, there is a limited understanding within each unit of how the model works. Hence, the embedded incentives hardly affect behavior.

However, there is a concern among many that the incentives to reduce cost and gain more revenue are over emphasized (32% for revenue and 18% for cost), and that they may force difficult decisions and promote behaviors that are not in accordance with the unit's academic values. One example of such a situation is when a unit cannot pursue research grants that carry no indirect cost recovery (ICR), since it needs to cover real indirect costs. This is cited as a major academic issue by a number of units because non-ICR grants are important for the development of junior faculty and graduate students.



## Other Comments

### Revenue Generation Concerns

- Several respondents recognize the potential for perverse unit behavior to generate extra revenue by increasing enrollment without investing adequate resources to preserve the quality of education. In addition, the tuition sharing formula and the taxes on research expenditures can hinder interdisciplinary efforts. Selected respondents are also concerned with the lack of tax adjustments for units with high research expenditures (fixed rate vs. a sliding scale).
- Some respondents observe that some units may put their own revenue needs and priorities above institutional growth and needs. These units may be tempted to develop new programs that neither fit into the University's priorities nor create values for the University community. Others cite that many units chase the same dollar within the University by charging fees for services that used to be complementary. There is a concern that the budget model does not discourage units from spending their General Fund resources irresponsibly and then request more funding from the Provost.
- Some units mention that they have very little flexibility in their resources and therefore are hardly influenced by the incentives.

### Cost Efficiency Issues

- There is also a view that academic culture and natural human behavior negate the effects of the incentives. Other respondents consider cost efficiencies as a result of the economic situation, and not of the embedded incentives, claiming that there are no financial rewards and real accountability for performance. One respondent believes that there are no real incentives for units to develop creative solutions to existing problems, thereby gaining cost efficiencies and revenues.
- Several respondents believe that the effectiveness of the cost efficiency incentives is compromised by the lack of details and transparency in the cost structure. Since units are taxed at certain fixed rates, they cannot, in effect, reduce or control specific costs. In addition, several respondents believe that the current budget model and system do not encourage units to review their program offerings and reduce them if necessary. Since the model focuses on incremental changes, units are not necessarily encouraged to review their existing cost structures (which are reflected in their base funding).

## Differences in Respondents

Cost efficiency is a significant predictor of revenue maximization, as shown in Appendix 7.1. The respondents who feel that the incentives for revenue are over emphasized are more likely to think that incentives for cost efficiency are also over emphasized.

There is a difference, though not statistically significant, in viewpoints based on the respondents' level of model understanding. This is illustrated in Table 7.1. The respondents with a lower understanding of the budget model are more likely to believe that the revenue incentives are either not effective (15%) or have no effect on units (23%). On the other hand, none of the respondents with an excellent understanding believes that the incentives are not emphasized enough or that they have no effect.

In terms of cost efficiencies, a majority of the executive officers' senior staff (67%) believe that cost efficiency incentives are only moderately emphasized and not effective, while only 12% of the deans and their staff hold the same opinion. Please see Table 7.2 and Appendix 7.2 for more details.

### The Process to Develop and Implement Major Cost Efficiencies

The discussion of incentives for cost efficiency usually leads to discussions regarding the reductions in service level and cost shifting. This topic often elicits strong emotional responses from the respondents. An overwhelming 87% of the 23 respondents who mention this issue believe that the budget model and system encourage units to reduce their service levels or to shift costs to other units to be more "profitable" or to simply cut their cost and balance their budget (Table 7.3).

Regression analysis (Appendix 7.3) shows that the following units are more likely to think that cost shifting is *discouraged* by the model:

- Non-academic units
- Non-activity units
- Units with larger amount of Total Funds budget
- Units with larger amount of General Fund budget
- Units with more dependency on the General Fund budget
- Respondents with a better understanding of the model
- Directors and their staff (compared to deans)
- Executive officers (compared to deans)

Table 7.3 provides additional detail. Understandably, some respondents are more cynical and others are more accepting. Many express their frustration over the cost savings implementation process. They believe that their opinions, when sought prior to the cost savings implementation, are considered irrelevant. Some do not observe any realization of the "promised" advantages or increased efficiencies after the implementation. Several respondents believe that the issue is often a political one. Other respondents articulate that the University should not engage in activities that are not in line with its core academic mission, or in activities that others can deliver more effectively. Instead, the University needs to continue to reframe its core role and undertake only cutting-edge activities.

### Space-Related Incentives

Only a small fraction of respondents mention this issue, and they are primarily in senior positions: deans, executive officers, and executive officers' senior staff. Seventy-five percent of them are concerned that the incentives to gain space efficiencies are not effective due to an unrealistically low space cost attribution (Table 7.4). They note that while the University of Michigan holds one of the largest amounts of physical space of any university in the country, there is a prevalent opinion that there is not enough space. Many units want to continue expanding their space, often without developing creative solutions or searching for other alternatives, such as upgrading and utilizing their existing space more efficiently. As Appendix 7.4 and Table 7.4 show, there is a significant difference in viewpoints between the respondents. Half of the deans believe that the current space cost is too high, while the respondents from other positions believe the opposite.

## Section 5.8: Budget Conference Effectiveness

### How effective and useful is the formal budget conference?

#### Overview Findings Summary: Ideal Conference Goals

The respondents mention the following items as their ideal goals for the budget conferences. These six goals or expectations encompass 94% of responses, and are followed with some specific comments, where available. A complete list can be found in Table 9.2.

1. Discuss strategic planning and align priorities - 33%  
Many units state that they would like to discuss long-term strategic planning (5 years), including capital planning, during the budget conferences, instead of financials for the coming year only.
2. Communicate unit's mission and vision (information sharing) - 20%  
The units want to establish a long-term relationship with the Provost, so that he/she can understand the real issues and significant changes the units are facing over a period of time.
3. Discuss unit's total financial health, including Total Funds budget - 12%  
The units want to use their Total Funds budget as a reflection of their financial health, particularly as they engage the faculty and/or staff to create a sense of ownership and empowerment. Another comment accentuates the importance of reviewing the Total Funds budget consistently in order to understand the units' financial health over a period of time.
4. Discuss units' accountability for commitments and finances - 10%
5. Provide guidance on operational issues (also on specific requests) - 10%  
The units appreciate the skills and viewpoint of the Provost and his/her staff for problem solving and would like to have a clear indication or a commitment from the Provost to their requests.
6. Discuss units' accomplishments vs. plan - 9%

#### Observation Findings Summary: Conference Effectiveness

The respondents rate the meeting process and the effectiveness of the budget conferences in accomplishing their ideal goals. As illustrated in Table 9, overall, 47% of respondents consider the budget conferences to be very effective or effective. Forty percent think that they are not effective or only effective in a limited way. Please note that Table 9 is a combined response with regard to the conference effectiveness in achieving ideal goals (highlighted in Table 9.2) and the effectiveness of the meeting process itself (highlighted in Table 9.3).

The units' level of understanding and the alignment of units' priority with the Provost's are significant predictors of the respondents' viewpoint of effectiveness of the budget conferences (Appendix 9). Curiously, the ones that are most critical of the budget conferences are the ones who are most proficient or least proficient in the model. The respondents with a good understanding of the model are most satisfied with the conferences. Please see Table 9 for more

details. The respondents who are most satisfied with the budget conferences are the ones who effectively align their priorities with those of the Provost.

With regard to the effectiveness of the budget conferences in achieving the units' ideal goals, 47% of respondents consider the conferences to very effective or effective for most goals. Thirty-nine percent judge the conferences to be ineffective or of mixed effectiveness. Please see Table 9.1 for more details.

With regard to the meeting process itself, 33% state that the process is effective with clear expectations. Thirty percent state that it is effective but with unclear expectations, or partially effective and more pro-forma in nature. Please see Table 9.3 for more details.

### Comments and Examples

#### *Positive Observations*

All units appreciate the opportunity to engage the Provost (and his/her staff) in a meaningful dialogue prior to the budget conferences. Many assert that due to that prior dialogue, there should be no real surprises in the conference itself. The dialogues enable units to develop a long-term and stable relationship with the Provost and his/her staff and to feel continuity from prior discussions.

In contrast to the majority opinion, several units assert that the conference discussion *does* include a review of the units' Total Funds budget and that there is a reasonable balance between short-term and long-term planning. Others state that the Provost and his/her staff have been very helpful in giving advice and financial support.

#### *Constructive Criticism*

Criticisms for the conferences include the lack of definite directives and financial commitment from the Provost. Some think that the conferences focus on incremental cost-cutting or on minor issues, perhaps because the meeting is too short for meaningful discussions. Some suggest that the conferences should not be conducted on an annual basis, which makes them more ritualistic. By conducting the conferences every few years, all parties involved could achieve a greater depth of discussion, preferably over a longer time frame.

Selected respondents think that at times, the conference discussions digress to a minor or a relatively unimportant point. Others state that the conferences do not provide additional information or further insight into what was known prior to the conferences. Other respondents also mention that the conferences do not discuss long-term commitments that they have planned or are planning to make. Instead, the discussions revolve around short-term operational issues. Several assert that there is not enough discussion regarding accountability, performance, and goals from both academic and financial perspectives. Many use the word "dog and pony show" in describing the conferences. Some respondents equate the effectiveness of the conference with their success in receiving funding. Thus, there is a view that the conferences have been less effective during a difficult economic situation, since the units have been less successful in securing funds.

There are opposing points of view regarding the public nature of the conference. Most respondents who bring up this aspect believe that the large audience stifles discussions and can be intimidating. Selected respondents, however, believe that the public nature of the conference is important in creating a real understanding among all parties involved and to enhance transparency.

## **Section 5.9: Budget Process – Preparation and Approval**

**How effective and useful is the budget preparation and approval process, including the instructions, the documents received and prepared, and the meetings prior to the budget conferences?**

### Overview Findings Summary

Most respondents are satisfied with the level of communication and the quality of instructions from the Provost's Office. Many stress the helpfulness and the skills of the Provost's budget staff. There are, however, some questions regarding the usefulness of the budget documents distributed by the Provost's Office. About one-half of respondents do not find the documents useful, primarily because the documents are generated from a different dataset or contain different financial categories than what the units normally use.

As mentioned in preceding sections, there is a lack of meaningful understanding of the budget model at many levels of the University. All respondents believe that the learning curve is quite steep and that some type of highly targeted budget training is necessary.

The timing of the budget process is not optimal, but largely recognized as a part of the University's operations. The request-to-approval lapsed time creates some difficulties with regard to units' commitments. Many respondents, however, understand that this is largely due to the uncertainty of state funding, which is beyond the University's control.

### Instruction and Communications

Sixty-eight percent of respondents believe that the instructions and the communications from the Provost's Office are effective. Eighteen percent state that they need to ask for some clarifications from the OBP to fully comprehend the instructions (Table 8.1). The units whose Total Funds budgets are relatively small and the ones with less dependency on their General Fund budgets (lower GF budget percentage of Total Funds budget) are more likely to consider the instructions and the communication to be effective and of the right amount (Appendix 8.1).

One-half of the respondents do not find the documents supplied by the Provost's Office useful, primarily because they use their own data and budgeting format to manage their operations (Table 8.4). However, some recognize the need for the University to have a consistent tool across all units to review their financial performances. Most units find the enrollment projection and budget parameters to be the most useful elements of the documents.

Some units like the two-year lag with respect to taxes since it facilitates planning. However, some feel that it causes a mismatch of revenue and taxes for the corresponding year and thus masks the true cost of operations.

On a different note, some units are also concerned with the focus on the General Fund as opposed to the Total Funds budget. They would like the documents to be more reflective of their total operations.

### Budget Process Transparency and Understanding

Thirty-seven percent of respondents believe that the budget process is transparent and well understood. Twenty-five percent find it transparent, but confusing. Thirty-seven percent find the process neither transparent nor clear. Please see Table 8.2 for more details. There is a significant difference in viewpoints between academic and non-academic units (Appendix 8.2). All non-academic units (n=4) consider the budget process fully transparent, while only 23% of academic units (n=13) hold the same opinion.

There is a wide variance in level of understanding or proficiency within the University's community. Forty-one percent declare that there is a limited understanding by all individuals in their unit, and another 41% state that only the deans and their budget administrators understand the model (Table 8.3). During the interview process, the study team also observes a considerable difference among the respondents regarding their own understanding. Thirty-nine percent of respondents have a very sophisticated understanding of the model and system. Thirty-four percent have a good understanding that facilitate good financial management. Twenty-seven percent, however, have a limited understanding of the budget model and system. This wide variance may compromise the effectiveness of the embedded incentives in influencing behavior and the alignment of priorities among all members of the University community.

### Budget Training

Virtually all respondents (95%) agree that some form of budget training is necessary. Even those with an excellent understanding of the model think that they can learn more tips or skills. Forty-six percent of all respondents believe that a management course is necessary. However, it must be audience-specific and highly targeted for the unit leaders in order to be effective. One respondent refers to this program as a "boot-camp for deans." Another respondent explain the need for training, "The model works well with deans who understand business and financial management." Please see Table 8.5.

A regression analysis shows that unit type, the General Fund budget percentage of Total Funds budget, and the size of the General Fund are significant predictors of the respondents' viewpoints. Academic units are more likely to request some form of training than non-academic units. This makes sense since the academic units' budget model is more complicated (most of them are activity units). Also, units with higher General Fund budget percentage of their Total Funds budget and the ones with smaller General Fund budgets are also more likely to request some highly targeted form of training for their leaders. See Appendix 8.5.

### Budget Timing

With regard to the timing of the budget preparation process, 60% of respondents assert that the budget process begins too early for meaningful projections, but 67% of them understand that it is necessary (Table 8.6).

Although the sample size is small (n=6), all agree that the long waiting period between the budget conference and the final budget approval can cause real problems within the units, as commitments cannot be made until the budget is approved (Table 8.7).

## Section 5.10: Budget Strategy – Hold Harmless

### **Is the strategy that holds units harmless when major technical changes are implemented appropriate and fairly applied?**

#### Observation Findings Summary

All things considered, most respondents favor some form of a hold-harmless strategy. Some units consider it indispensable to accommodate change, neutralize the situation and facilitate prudent decision making. Other respondents stress the need to phase out the hold-harmless allocation, after allowing all parties to adjust their operations to the new situation over a given period of time. There also some concerns regarding the hold-harmless adjustment relative to the base budget. Since the units' base budget is an accumulation of historical activities and adjustments, it may no longer represent the current situation. Therefore, the adjustment masks the units' real cost structure. Many mention the need for a full examination of their base funding.

#### Differences in Respondents

Fifty-six percent of respondents believe that the hold-harmless strategy is both effective and necessary. Twenty-eight percent believe that it is effective, but argue that the allocation should not be permanent (Table 10.1). The rest assert that the adjustment is not necessary or that it creates issues.

There are some differences among units based on their General Fund budget, but not statistically significant. The units that receive less than \$50 million in General Fund are more favorable toward the hold harmless strategy than the units that receive more than \$50 million in General Fund (63% vs. 45%). There are also some differences among respondents in various positions, as illustrated in Table 10.1 and Appendix 10.1.

#### Comments and Examples

There is some confusion regarding the definition and the purpose of the hold-harmless strategy among the respondents. Thus, many opposing opinions arise.

##### Supportive comments:

- The hold-harmless strategy provides units with some flexibility to deal with the change and neutralizes the initial impact.
- It offers consistency among all units that are impacted by the change.
- Since the system self-adjusts over time, the financial adjustment does not need to be phased out.

##### Concerned comments:

- The strategy works well to accommodate technical changes, but not activity changes.
- It requires a lot of investment in time and a significant amount of negotiation to reach an acceptable agreement among all parties involved.
- It is very time dependent, since it is only a snapshot of a point in time. It may not reflect the true ongoing cost of operation.
- It compromises the budget model.
- A permanent adjustment does not give the units any incentives to adjust their operations accordingly.

- It encourages perverse behavior. A unit may decide to retain a program of limited value to avoid losing the part of its base funding that is associated with that program.

### **Section 5.11: Budget Strategy – One-time Requests**

#### **Is the process for one-time or bridging fund requests clear, appropriate, and fairly implemented?**

##### Observation Findings Summary

There are two dimensions to the one-time requests: (1) the clarity of the process and (2) the purpose behind the requests. All respondents agree that there is neither a clearly established process nor a set of guidelines. They request one-time or bridging funds for a variety of purposes. There are some questions from the respondents if the process is indeed meant to be ad-hoc or if it is supposed to be institutionalized with certain procedures and guidelines. Some also mention the need for establishing some guidelines for the purpose of the one-time requests.

##### Process Clarity

Twenty-seven percent of respondents report that the process for one-time requests is “very clear,” 14% “somewhat clear,” and 46% “unclear” (Table 11.1). There are no major differences in responses among different groups.

The respondents’ comments indicate a wide range of awareness and understanding. One “very clear” quotation is “You ask!” Another respondent finds the process to be more flexible than in the past. An executive officers’ senior staff indicates that there is no process by design to allow for flexibility; an ex-official voices a similar view. Two deans state that they do not use the process.

##### Usage and Intent of One-time Requests

Twenty-seven percent of respondents assert that they use one-time requests for strategic initiatives. Twenty percent report that they use one-time requests for emergency or bridging funds. Seventeen percent use the requests for the Provost’s Faculty Initiatives Program (PFIP) only, and 23% use them for a variety of purposes (Table 11.2). Some explain that they are aware of the one-time requests by chance. One also mentions that he/she has just realized other potential purposes of one-time requests besides PFIP. A dean also requests some guidelines for the process, including the acceptable purposes and the acceptable amount of the requests.

One respondent likens the one-time requests to a revolving door, where many ask for a variety of items throughout the year. Many argue that one-time requests should be submitted once a year in conjunction with the units’ budget conferences instead of at other times of the year. By doing so, the University will be able to prioritize and allocate resources more strategically. Conversely, others express the need to maintain the flexibility of the Provost to entertain the requests at mid-year. And yet, some others argue that this flexibility discourages units to think strategically. One respondent contends that it allows the units to abuse the process, and gives the units a mindset to “get whatever you can get now.” An ex-official comments that various pools of financial resources should be made available to create excitement within the University community to engage in a variety of grass-root initiatives, some strategic and some operational. These pools should be made available throughout the year.



The respondents cite some examples of prior situations that require them to use the one-time funds for strategic purposes; these examples include a major enrollment increase and an undergraduate / graduate tuition revenue adjustment. A respondent expresses a concern regarding the requests for strategic multi-year commitments. He/she is worried that the commitment may not be honored in its entirety when the request consists of multiple phases that need to be submitted in subsequent years. Another respondent explains that the units have increasingly used one-time requests to compensate for the diminishing state funding and the reduction in their General Fund budget percentage of the Total Funds budgets. Some respondents view the one-time/bridging funds as an investment (seed funding) by the Provost, which give the units time to develop self-funding.

### **Section 5.12: Conclusion**

Section 5 analyzes various components of the budget model and system, including the goals, incentives, attributions, preparation process, and budget conferences, as perceived by the respondents. The budget model and system support the University's mission and fit into the University's culture overall. The respondents consider the budget model and system to be effective and show a strong support for the activity-based budgeting approach. The effectiveness of the model and the support could be enhanced by addressing the themes and significant findings accentuated in Section 4. Specifically, as shown in Figure 1, the enhancement may be achieved by: (1) strengthening the alignment among units and between units and the Provost, (2) invigorating interdisciplinary efforts and innovation, and (3) developing a targeted and formalized training sessions to assist the units in managing their operations and to instill a more sophisticated understanding of the model and system in the University community.

## **The University of Michigan General Fund Budget Review**

### **Section 6: Data Collection and Research Methodology**

#### Research Instrument

The study utilized two sets of comparable interview questions to accommodate both activity and non-activity units. Each set contained 19 questions, ranging from broad to specific topics. These topics encompassed various components of the budget model and systems, including goals, process, attributions, incentives, communications, and documentations. Please see Appendix 11 and 12 for the two sets of interview questions.

The study team (Kohrs and DeGraff) also developed a set of quantitative measurements, called keywords, based on the answers given during interviews. The keywords reflected common emerging issues and the respondents' opinions on those issues. This process is explained further in following sections. Appendix 13 lists all the keywords and their corresponding range of values.

#### Data Collection

The Provost's Office provided a list of possible interview respondents to the study team. This list served as a guide but was neither exhaustive nor compulsory. The study team then approached each person on the list, and inquired if he/she would be interested in participating in the study. It was made clear that participation was on a voluntary basis, and that each interview session would be kept confidential. Most people approached were very accommodating, and supportive of the study. Several declined, and several more were added to the list based on the recommendations of other participants.

During the months of May to August 2005, the study team interviewed 64 groups comprising 111 people representing various constituencies in the University community. The respondents were executive officers and their senior staff, ex-officials, deans, directors, budget administrators, and researchers, from both academic and non-academic units, and from both activity and non-activity units. The majority of the respondents (71 respondents in 46 interview groups) were from activity-based units or used the interview questions for activity-based units, or expressed their opinions on how the budget model and system affected activity-based units. For instance, all senior staff in the Provost's Office were marked as activity-based because they gave their opinions on how the activity-based units operate, even though the Provost's Office was and is still an administrative unit.

The interviews were somewhat freeform, although guided by the set of questions in Appendix 11 and Appendix 12. Because of time constraint and the respondents' varying levels of involvement in the budget process, the study team had to omit specific questions from some interview sessions. For each interview session, each study team member took careful notes to capture both the content of the interviews and the emotional response. The interviews were not recorded to encourage more candid responses. The study team also stressed the confidential nature of the interviews. After the interview, the team compared notes, documented the responses and stored them in a database.

## Data Analysis

Each team member analyzed the responses to look for both common emergent themes across interview groups, and the diversity of the responses. The study team identified 11 key questions and 47 such themes. The 11 key questions and the 47 themes were used to organize this report as well. The study team used the term “keywords” to refer to these themes. Appendix 13 lists the 11 questions and the corresponding keywords. A codebook was created to code the interview data and guide the analysis.

Each response was measured against those 47 keywords, and recorded as a value in the corresponding keyword. Each interview session counted as one respondent, regardless of the number of participants in each interview. The study team decided not to record identical keywords multiple times for each interview even when they were mentioned several times during that interview, to ensure more consistency across all interviews. The order of the respondents’ answers to the questions asked was not considered to be crucial by the study team. Thus, as long as a respondent mentioned a theme/keyword, it was recorded as one opinion, regardless of where and when he/she mentioned it in the interview. Figure 2 illustrates the coding process.

In coding the responses, the study team conducted cross-checking to measure consistency and agreement between team members. A set of quantitative data, based on those keywords, was then generated to complement and further measure the diversity of the qualitative responses. Each answer in each keyword was converted to a data point. When a respondent did not mention a particular keyword, it was considered as a missing data point. Please see Appendix 14 for an example of a set of data points for one respondent.

The study team used both the qualitative and the quantitative data to produce a more complete and richer portrayal of the research findings. The quantitative data set was used to ascertain the points of convergence and divergence in the responses, and the qualitative data set was to provide explanation, examples, and the strength of emotion.

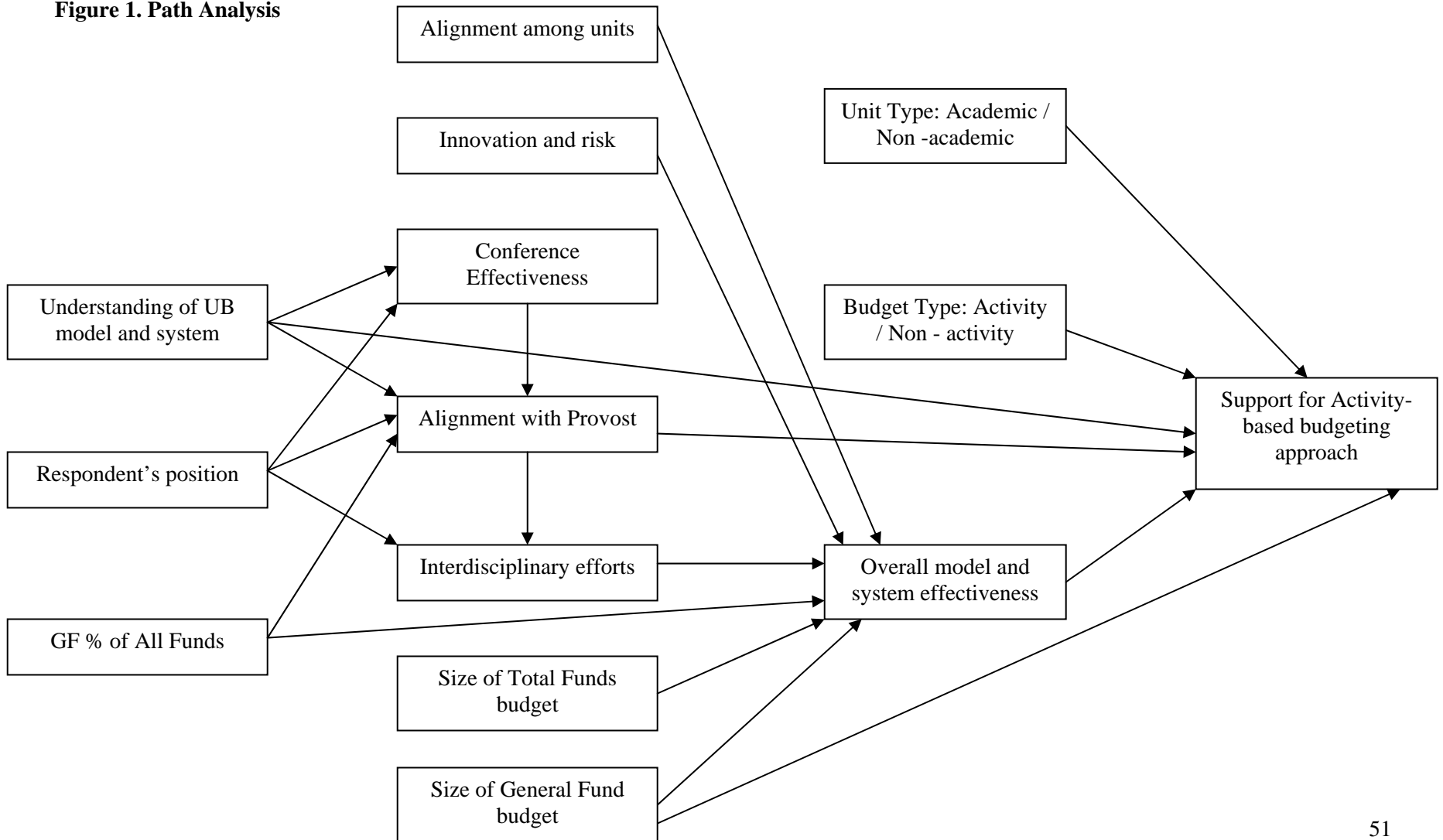
A series of correlation and regression analyses were performed to test some hypotheses. Figure 1 shows a diagram for path analysis that the study team used. The regression analyses were conducted by using pair-wise deletion. A set of comparative analyses was also conducted using mean substitution method. The two sets of analyses (using pair-wise deletion and mean-substitution) produce similar results. All results for the regression analyses can be found in Appendix 1 to Appendix 10.1. The study team also looked at the distribution of answers along several groups of respondents, based on their characteristics such as their budget type, unit type, and positions. Tabular representation of these data can be found in Table 1.1 to Table 11.2.

A separate analysis was also conducted to record any volunteered recommendations from the respondents during the interview sessions. The study team was very much aware that this was beyond the scope of this study, but felt compelled to preserve this information. This set of recommendations is provided in a separate report.

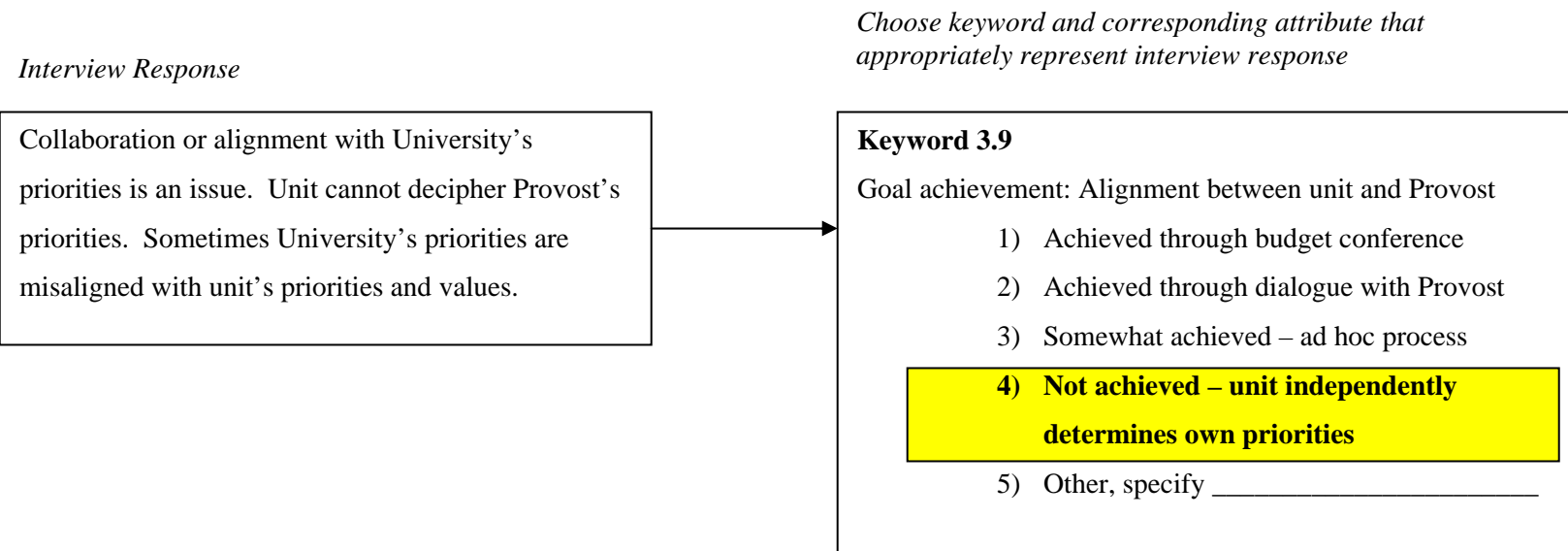
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Figures

Figure 1. Path Analysis



**Figure 2. Coding Process Example**



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**Tables**

**Table 1.1:UB outcomes: Achieved**

		All	
		Count	%
1	Unit's autonomy and resource to achieve goals	30	25.6%
2	Unit's financial accountability	30	25.6%
3	Strategic resource allocation	19	16.2%
4	Strategic long term planning and alignment	9	7.7%
5	Rationale system, transparent process	9	7.7%
6	Stability and coherence of process	9	7.7%
7	Entrepreneurial activity, creativity and innovation	3	2.6%
8	Strive for excellence in achieving institutional mission, priorities, and values	3	2.6%
9	Achievement of all the goals stated	1	0.9%
10	Allow Provost to undo a decision taken if proven incorrect	1	0.9%
11	Institutional change in finding its business model	1	0.9%
12	Involvement and ownership	1	0.9%
13	Movement toward privatization in unit's operations	1	0.9%
		117	100.0%

**Table 1.2: UB outcomes: Issues or missed opportunities**

	All	
	Count	%
1 Thorough understanding by Provost of unit's situation (also Total Funds)	18	16.7%
2 Connection between performance and funding	16	14.8%
3 Alignment /interactions/collaborations among units	12	11.1%
4 Redundancy and duplication of efforts	11	10.2%
5 Taxable philanthropy issue	9	8.3%
6 Alignment of unit's and Provost's priorities	5	4.6%
7 Accommodation of capital improvement plans and deferred maintenance	5	4.6%
8 Division of units and stratification among units	4	3.7%
9 Suitability of model in difficult economic time	4	3.7%
10 Ability to create institutional change	3	2.8%
11 Imbalance between taxation and General Fund allocation	3	2.8%
12 Accountability of institutional usage of funds	2	1.9%
13 Direct correlation between increased activity and its support functions	2	1.9%
14 Ineffectiveness in re-evaluating and eliminating current programs	2	1.9%
15 Explicit incentives for non-activity units	2	1.9%
16 Revenue tax may have worked better	2	1.9%
17 Thorough understanding by faculty/staff regarding financial situation and accountability	2	1.9%
18 Too incremental	2	1.9%
19 Incentives for efficient asset utilization	1	0.9%
20 More philanthropic giving by proving efficiencies to patrons	1	0.9%
21 Too high subsidy level	1	0.9%
22 Undermine undergraduate education	1	0.9%
	<u>108</u>	<u>100.0%</u>

**Table 2: Budget Model and System Goals**  
(non- prioritized)

1. Engage academic units in collaborative efforts to ensure the necessary resources to support agreed activities, priorities, and directions
2. Provide monetary support and resources to academic units.
3. Reflect commitment to academic units' priorities in the budgeting decisions
4. Align resources and cost attributions to activity priorities and needs instead of non-activity-related incremental adjustments
5. Provide adequate information to facilitate meaningful discussions between the Provost and the deans
6. Foster short-term and long-term strategic planning
7. Encourage more careful attention to revenues and costs



**Table 2.1: Goals: Appropriateness**

	Unit Type *					
	All		Academic		Non-academic	
	Count	%	Count	%	Count	%
1 Entirely appropriate and meaningful	15	27.3%	13	29.5%	3	25.0%
2 Generally appropriate, OK	25	45.5%	23	52.3%	2	16.7%
3 Appropriate, but too general	7	12.7%	4	9.1%	3	25.0%
4 Moderately appropriate with issues, including clarification of wording and intent	6	10.9%	2	4.5%	4	33.3%
5 Not appropriate	0	0.0%	0	0.0%	0	0.0%
6 Other: Goals are unrelated to development of model and/or system	2	3.6%	2	4.5%	0	0.0%
	<u>55</u>	<u>100.0%</u>	<u>44</u>	<u>100.0%</u>	<u>12</u>	<u>100.0%</u>

	Budget Understanding @					
	Excellent		Good		Limited	
	Count	%	Count	%	Count	%
1 Entirely appropriate and meaningful	10	47.6%	4	20.0%	1	7.1%
2 Generally appropriate, OK	8	38.1%	7	35.0%	10	71.4%
3 Appropriate, but too general	0	0.0%	4	20.0%	3	21.4%
4 Moderately appropriate with issues, including clarification of wording and intent	2	9.5%	4	20.0%	0	0.0%
5 Not appropriate	0	0.0%	0	0.0%	0	0.0%
6 Other: Goals are unrelated to development of model and/or system	1	4.8%	1	5.0%	0	0.0%
	<u>21</u>	<u>100.0%</u>	<u>20</u>	<u>100.0%</u>	<u>14</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant,  $p < 0.05$

**Table 2.2: Goals: Missing**

		All	
		Count	%
1	None missing	15	25.0%
2	To promote university-wide transparency of goals, priorities	12	20.0%
3	To promote institutional values: diversity, excellence, access	7	11.7%
4	To enable strategic alignment, consolidation, and efficiencies across units	6	10.0%
5	To facilitate institutional goals	2	3.3%
6	To empower revenue generating units	2	3.3%
7	To encourage flexibility and responsiveness	2	3.3%
8	To encourage entrepreneurial activity, creativity and innovation	2	3.3%
9	To enable Provost to effectively influence units	2	3.3%
10	To expand revenue and reduce expenditure in a sensible way	1	1.7%
11	To facilitate change	1	1.7%
12	To facilitate tough decision making	1	1.7%
13	To provide a systematic process and forum to review the economic health and priorities of units	1	1.7%
14	To provide flexibility to unit to response to change	1	1.7%
15	To provide incentives to achieve self-funding and to reduce dependence on General Fund Supplement	1	1.7%
16	To provide transparency to decision allocation	1	1.7%
17	To reflect differentiation of cost structures among units	1	1.7%
18	To support units that cannot generate enough revenue by themselves	1	1.7%
19	To use model as a tool	1	1.7%
		60	100.0%

**Table 3.1: Activity-based budget approach**

	All		Budget Type **				Size of General Fund *			
			Activity		Non-activity		GF < \$50M		GF > \$50M	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Strongly support	28	65.1%	26	63.4%	2	100.0%	19	67.9%	6	46.2%
2 Support with qualification	14	32.6%	14	34.1%	0	0.0%	8	28.6%	7	53.8%
3 Neutral	1	2.3%	1	2.4%	0	0.0%	1	3.6%	0	0.0%
4 Do not support	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	43	100.0%	41	100.0%	2	100.0%	28	100.0%	13	100.0%

	Unit Type *				Budget Understanding **					
	Academic		Non-Academic		Excellent		Good		Limited	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Strongly support	27	65.9%	1	50.0%	18	81.8%	7	53.8%	3	37.5%
2 Support with qualification	13	31.7%	1	50.0%	4	18.2%	6	46.2%	4	50.0%
3 Neutral	1	2.4%	0	0.0%	0	0.0%	0	0.0%	1	12.5%
4 Do not support	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	41	100.0%	2	100.0%	22	100.0%	13	100.0%	8	100.0%

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 3.2: Goal achievement: Overall model/system effectiveness**

	Size of General Fund **					
	All		GF < \$50M		GF > \$50M	
	Count	%	Count	%	Count	%
1 Achieved effectively	16	31.4%	11	29.7%	5	33.3%
2 Achieved with qualifications	21	41.2%	15	40.5%	5	33.3%
3 Partially achieved, many misalignments	12	23.5%	10	27.0%	3	20.0%
4 Other: model/system does not drive behavior	1	2.0%	0	0.0%	1	6.7%
5 Other: not sure	1	2.0%	1	2.7%	1	6.7%
	<u>51</u>	<u>100.0%</u>	<u>37</u>	<u>100.0%</u>	<u>15</u>	<u>100.0%</u>

	Total Funds *				General Fund % of Total Funds *			
	TF < 100M		TF > 100 M		GF < 50%		GF > 50%	
	Count	%	Count	%	Count	%	Count	%
1 Achieved effectively	10	27.8%	6	37.5%	10	32.3%	6	26.1%
2 Achieved with qualifications	15	41.7%	5	31.3%	10	32.3%	9	39.1%
3 Partially achieved, many misalignments	10	27.8%	3	18.8%	10	32.3%	6	26.1%
4 Other: model/system does not drive behavior	0	0.0%	1	6.3%	0	0.0%	1	4.3%
5 Other: not sure	1	2.8%	1	6.3%	1	3.2%	1	4.3%
	<u>36</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>31</u>	<u>100.0%</u>	<u>23</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 3.3: Goal achievement: Academic Values**

	General Fund % of Total Funds *					
	All		GF < 50%		GF > 50%	
	Count	%	Count	%	Count	%
1 Supported by model and system Model shortcomings balanced by	4	25.0%	3	30.0%	1	16.7%
2 system	4	25.0%	0	0.0%	4	66.7%
3 Not affected	1	6.3%	1	10.0%	0	0.0%
4 Compromised by model and system	7	43.8%	6	60.0%	1	16.7%
Total	16	100.0%	10	100.0%	6	100.0%

\* Statistically significant, p<0.05

**Table 3.4: Goal achievement: Unit quality of implementation**

	All	
	Count	%
1 Supported by model and system Model shortcomings balanced by	1	10.0%
2 system	4	40.0%
3 Not affected	0	0.0%
4 Compromised by model and system	12	120.0%
Total	17	170.0%

**Table 3.5: Goal achievement: Unit planning**

	Budget Type @					
	All		Activity		Non-activity	
	Count	%	Count	%	Count	%
Both short and long term planning						
1 encouraged	7	18.9%	5	20.8%	2	15.4%
2 Only short term planning encouraged	20	54.1%	13	54.2%	7	53.8%
3 Planning hindered - too complicated	1	2.7%	1	4.2%	0	0.0%
4 Planning hindered - too unpredictable	8	21.6%	4	16.7%	4	30.8%
5 Other: planning hindered due to 2 year lag	1	2.7%	1	4.2%	0	0.0%
	<u>37</u>	<u>100.0%</u>	<u>24</u>	<u>100.0%</u>	<u>13</u>	<u>100.0%</u>

	Respondents' position *									
	Deans and Staff		Directors&Staff		ExecutiveOfficers		Exec Off Staff		Ex-official	
	Count	%	Count	%	Count	%	Count	%	Count	%
Both short and long term planning										
1 encouraged	3	16.7%	2	28.6%	1	20.0%	1	25.0%	0	0.0%
2 Only short term planning encouraged	10	55.6%	4	57.1%	3	60.0%	2	50.0%	1	33.3%
3 Planning hindered - too complicated	1	5.6%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4 Planning hindered - too unpredictable	3	16.7%	1	14.3%	1	20.0%	1	25.0%	2	66.7%
5 Other: planning hindered due to 2 year lag	1	5.6%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<u>18</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant, p<0.05

**Table 3.6: Goal achievement: Encouragement to innovate and acceptance of reasonable risk**

	Size of General Fund @					
	All		GF < \$50M		GF > \$50M	
	Count	%	Count	%	Count	%
1 Encouraged by model and/or system	5	26.3%	4	25.0%	1	33.3%
2 Somewhat supported by model and/or system	4	21.1%	4	25.0%	0	0.0%
3 Not affected	0	0.0%	0	0.0%	0	0.0%
4 Hindered by model but supported by system flexibility	1	5.3%	1	6.3%	0	0.0%
5 Hindered by model and system	9	47.4%	7	43.8%	2	66.7%
	<u>19</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

**Table 3.7: Goal achievement: Encouragement of Interdisciplinary activity and collaboration**

		All	
		Count	%
1	Encouraged by model and/or system	2	4.8%
2	Somewhat supported by model and/or system	3	7.1%
3	Not affected	3	7.1%
4	Hindered by model but supported by system flexibility	8	19.0%
5	Hindered by model and system	26	61.9%
		<u>42</u>	<u>100.0%</u>

		Respondents' Positions *									
		Deans and Staff		Directors & Staff		Executive Officers		Exec Off Staff		Ex-official	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Encouraged by model and/or system	2	8.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
2	Somewhat supported by model and/or system	1	4.3%	0	0.0%	1	25.0%	1	16.7%	0	0.0%
3	Not affected	1	4.3%	0	0.0%	1	25.0%	1	16.7%	0	0.0%
4	Hindered by model but supported by system flexibility	3	13.0%	0	0.0%	0	0.0%	2	33.3%	3	75.0%
5	Hindered by model and system	16	69.6%	5	100.0%	2	50.0%	2	33.3%	1	25.0%
		<u>23</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>

\* Statistically significant, p<0.05



**Table 3.8: Goal achievement: Alignment among units**

	All		Budget Type @			
	Count	%	Activity		Non-activity	
	Count	%	Count	%	Count	%
Achieved through budget						
1 conference	0	0.0%	0	0.0%	0	0.0%
Achieved through unit to unit						
2 dialogue	1	5.0%	0	0.0%	1	11.1%
Somewhat achieved - ad hoc						
3 process	2	10.0%	0	0.0%	2	22.2%
Not achieved - unit						
4 independently determines own						
priorities	17	85.0%	11	100.0%	6	66.7%
	<u>20</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>	<u>9</u>	<u>100.0%</u>

@ Not statistically significant

**Table 3.9: Goal achievement: Alignment between unit and Provost**

		Budget Understanding *							
		All		Excellent		Good		Limited	
		Count	%	Count	%	Count	%	Count	%
1	Achieved through budget conference	2	4.5%	0	0.0%	2	20.0%	0	0.0%
2	Achieved through dialogue with Provost	10	22.7%	2	10.5%	4	40.0%	4	26.7%
3	Somewhat achieved - ad hoc process	2	4.5%	1	5.3%	0	0.0%	1	6.7%
4	Not achieved - unit independently determines own priorities	29	65.9%	16	84.2%	4	40.0%	9	60.0%
5	Other: Not sure	1	2.3%	0	0.0%	0	0.0%	1	6.7%
		<u>44</u>	<u>100.0%</u>	<u>19</u>	<u>100.0%</u>	<u>10</u>	<u>100.0%</u>	<u>15</u>	<u>100.0%</u>

		GF% of Total Funds **				Budget Type *			
		< 50%		> 50%		Activity		Non-activity	
		Count	%	Count	%	Count	%	Count	%
1	Achieved through budget conference	2	6.9%	1	5.9%	1	3.1%	1	8.3%
2	Achieved through dialogue with Provost	8	27.6%	2	11.8%	3	9.4%	7	58.3%
3	Somewhat achieved - ad hoc process	2	6.9%	0	0.0%	1	3.1%	1	8.3%
4	Not achieved - unit independently determines own priorities	16	55.2%	13	76.5%	26	81.3%	3	25.0%
5	Other: Not sure	1	3.4%	1	5.9%	1	3.1%	0	0.0%
		<u>29</u>	<u>100.0%</u>	<u>17</u>	<u>100.0%</u>	<u>32</u>	<u>100.0%</u>	<u>12</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 4.1: Financial: Accountability**

	All		Budget Type @			
	Count	%	Activity		Non-activity	
			Count	%	Count	%
1 Emphasized too much	1	7.1%	1	9.1%	0	0.0%
2 Emphasized and effective	8	57.1%	6	54.5%	2	66.7%
3 Moderately emphasized but not effective	2	14.3%	2	18.2%	0	0.0%
4 No effect	2	14.3%	1	9.1%	1	33.3%
5 Discouraged or not valued	1	7.1%	1	9.1%	0	0.0%
	<u>14</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

**Table 4.2: Financial: Commitments**

	All		Respondents' positions @					
	Count	%	Deans & Staff		Exec Officers		Exec Off Staff	
			Count	%	Count	%	Count	%
1 Emphasized too much	0	0.0%	0	0.0%	0	0.0%	0	0.0%
2 Emphasized and effective	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3 Moderately emphasized but not effective	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4 No effect	2	40.0%	2	66.7%	0	0.0%	0	0.0%
5 Discouraged or not valued	3	60.0%	1	33.3%	1	100.0%	1	100.0%
	<u>5</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>

@ Not statistically significant

**Table 4.3: Financial: Autonomy - Authority to make decisions and take action**

	Respondents' positions									
	All		Deans & Staff		Directors & Staff		Exec Officers *		Exec Off Staff *	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Emphasized too much	7	26.9%	5	29.4%	5	100.0%	2	100.0%	0	0.0%
2 Emphasized and effective	16	61.5%	9	52.9%	0	0.0%	0	0.0%	2	100.0%
3 Moderately emphasized but not effective	3	11.5%	3	17.6%	0	0.0%	0	0.0%	0	0.0%
4 No effect	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
5 Discouraged or not valued	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<u>26</u>	<u>100.0%</u>	<u>17</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

**Table 4.4: Financial: Flexibility - Ability to financially respond to change**

	Budget Type @										Size of General Fund @			
	All		Activity		Non-activity		GF < \$50M		GF > \$50M					
	Count	%	Count	%	Count	%	Count	%	Count	%				
1 High flexibility	4	21.1%	2	16.7%	2	28.6%	1	6.3%	3	100.0%				
2 Moderate flexibility	3	15.8%	2	16.7%	1	14.3%	3	18.8%	0	0.0%				
3 Limited flexibility due to constraints	8	42.1%	5	41.7%	3	42.9%	8	50.0%	0	0.0%				
4 No flexibility	4	21.1%	3	25.0%	1	14.3%	4	25.0%	0	0.0%				
	<u>19</u>	<u>100.0%</u>	<u>12</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>				

@ Not statistically significant

**Table 4.5: Financial: Development of reserves**

	All	
	Count	%
1 Encouraged and achievable	4	36.4%
2 Achievable only in good years	0	0.0%
3 Rarely achievable	1	9.1%
4 Vulnerable or discouraged	5	45.5%
Other: Retained reserves are 5 allowable if rationale is solid	1	9.1%
	<u>11</u>	<u>100.0%</u>

**Table 5.1: Transparency: Provost decisions/allocations at Unit level**

		Respondents' position @									
		All		Deans and Staff		Directors & Staff		Exec Off Staff		Ex-official	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Clear on amount and logic	12	37.5%	5	26.3%	4	66.7%	3	50.0%	0	0.0%
2	Clear on amount only	17	53.1%	12	63.2%	2	33.3%	3	50.0%	0	0.0%
3	Not clear at all. No ability to understand	3	9.4%	2	10.5%	0	0.0%	0	0.0%	1	100.0%
		<u>32</u>	<u>100.0%</u>	<u>19</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>
		General Fund % of Total Funds @				Budget Type @					
		< 50%		> 50%		Activity		Non-activity			
		Count	%	Count	%	Count	%	Count	%		
1	Clear on amount and logic	8	47.1%	5	26.3%	7	29.2%	5	62.5%		
2	Clear on amount only	8	47.1%	12	63.2%	14	58.3%	3	37.5%		
3	Not clear at all. No ability to understand	1	5.9%	2	10.5%	3	12.5%	0	0.0%		
		<u>17</u>	<u>100.0%</u>	<u>19</u>	<u>100.0%</u>	<u>24</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>		

@ Not statistically significant

**Table 5.2: Transparency: Provost decisions/allocations at Institutional level**

		All		Respondents' positions									
		Count	%	Deans & Staff		Directors & Staff		Exec Officers **		Exec Off Staff *		Ex-official *	
		Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
1	Transparent and easily understood	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
2	Somewhat transparent and understandable	6	14.6%	0	0.0%	1	14.3%	2	100.0%	2	25.0%	1	50.0%
3	Not transparent, but questions answered	6	14.6%	2	9.1%	2	28.6%	0	0.0%	2	25.0%	0	0.0%
4	Not clear at all. No ability to understand	29	70.7%	20	90.9%	4	57.1%	0	0.0%	4	50.0%	1	50.0%
		<u>41</u>	<u>100.0%</u>	<u>22</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>

\* Statistically significant, <0.05

\*\* Statistically significant, p<0.01

**Table 5.3: Provost's ability to influence unit's programs, strategies, and initiatives**

		Budget Understanding @							
		All		Excellent		Good		Limited	
		Count	%	Count	%	Count	%	Count	%
1	Too great	3	14.3%	0	0.0%	1	25.0%	2	33.3%
2	Effective - in balance	9	42.9%	5	45.5%	2	50.0%	2	33.3%
3	Too little - at the margin	7	33.3%	5	45.5%	1	25.0%	1	16.7%
4	Other: None	1	4.8%	0	0.0%	0	0.0%	1	16.7%
5	Other: Not sure - difficult to see	1	4.8%	1	9.1%	0	0.0%	0	0.0%
		<u>21</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>

@ Not statistically significant



**Table 6.1: Transparency: Cost and revenue attributions - general**

	Budget Understanding *							
	All		Excellent		Good		Limited	
	Count	%	Count	%	Count	%	Count	%
1 Clear and able to forecast	13	35.1%	5	31.3%	7	50.0%	1	14.3%
2 Partially clear, but does not hinder operations	12	32.4%	7	43.8%	4	28.6%	1	14.3%
3 Too complex, hinders forecasting, but Central explains	4	10.8%	1	6.3%	1	7.1%	2	28.6%
4 Too complex to understand, hinders forecasting	8	21.6%	3	18.8%	2	14.3%	3	42.9%
	<u>37</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>14</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>

	Size of General Fund *				Unit Type *			
	GF < \$50M		GF > \$50M		Academic		Non-academic	
	Count	%	Count	%	Count	%	Count	%
1 Clear and able to forecast	9	34.6%	4	36.4%	13	35.1%	6	75.0%
2 Partially clear, but does not hinder operations	8	30.8%	5	45.5%	12	32.4%	2	25.0%
3 Too complex, hinders forecasting, but Central explains	4	15.4%	0	0.0%	4	10.8%	0	0.0%
4 Too complex to understand, hinders forecasting	5	19.2%	2	18.2%	8	21.6%	0	0.0%
	<u>26</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>	<u>37</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>

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Table 6.1 continued from the previous page

		Respondents' Positions									
		Deans and Staff		Directors & Staff		Executive Officers		Exec Off Staff		Ex-official **	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Clear and able to forecast	5	21.7%	4	80.0%	1	50.0%	3	50.0%	0	0.0%
2	Partially clear, but does not hinder operations	10	43.5%	1	20.0%	0	0.0%	1	16.7%	0	0.0%
3	Too complex, hinders forecasting, but Central explains	4	17.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4	Too complex to understand, hinders forecasting	4	17.4%	0	0.0%	1	50.0%	2	33.3%	1	100.0%
		<u>23</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>

\* Statistically significant,  $p < 0.05$

\*\* Statistically significant,  $p < 0.01$

**Table 6.2: Transparency: Tuition**

		Budget Understanding @							
		All		Excellent		Good		Limited	
		Count	%	Count	%	Count	%	Count	%
1	Clear and able to forecast	2	8.7%	1	7.7%	1	20.0%	0	0.0%
2	Partially clear, but does not hinder operations	4	17.4%	3	23.1%	1	20.0%	0	0.0%
3	Too complex, hinders forecasting, but Central explains	5	21.7%	3	23.1%	1	20.0%	1	20.0%
4	Too complex to understand, hinders forecasting	12	52.2%	6	46.2%	2	40.0%	4	80.0%
		<u>23</u>	<u>100.0%</u>	<u>13</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>

		Respondents' Positions @					
		Deans and Staff		Directors & Staff		Exec Off Staff	
		Count	%	Count	%	Count	%
1	Clear and able to forecast	2	10.5%	0	0.0%	0	0.0%
2	Partially clear, but does not hinder operations	4	21.1%	0	0.0%	0	0.0%
3	Too complex, hinders forecasting, but Central explains	4	21.1%	0	0.0%	0	0.0%
4	Too complex to understand, hinders forecasting	9	47.4%	1	100.0%	3	100.0%
		<u>19</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

**Table 6.3: Transparency: Indirect Cost Recovery**

		All	
		Count	%
1	Clear and able to forecast	2	8.7%
	Partially clear, but does not hinder		
2	operations	0	0.0%
	Too complex, hinders forecasting, but		
3	Central explains	0	0.0%
	Too complex to understand, hinders		
4	forecasting	3	13.0%
		5	21.7%

**Table 6.4: Transparency: Space-related cost**

		All	
		Count	%
1	Clear and able to forecast	0	0.0%
	Partially clear, but does not hinder		
2	operations	0	0.0%
	Too complex, hinders forecasting, but		
3	Central explains	1	50.0%
	Too complex to understand, hinders		
4	forecasting	1	50.0%
		2	100.0%

**Table 6.5: Transparency: Financial aid**

		All	
		Count	%
1	Clear and able to forecast	1	14.3%
	Partially clear, but does not hinder		
2	operations	2	28.6%
	Not clear and hinders decisions		
3		4	57.1%
		7	100.0%

**Table 6.6: Transparency: Tax rate logic**

	Size of General Fund *					
	All		GF < \$50M		GF > \$50M	
	Count	%	Count	%	Count	%
1 Clear	1	6.3%	1	7.7%	0	0.0%
2 Partially clear, but does not hinder operations	8	50.0%	8	61.5%	1	25.0%
3 Not clear and hinders decisions	7	43.8%	4	30.8%	3	75.0%
	<u>16</u>	<u>100.0%</u>	<u>13</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>

	General Fund % of Total Funds **				Total Funds **			
	< 50%		> 50%		TF < \$100M		TF > \$100M	
	Count	%	Count	%	Count	%	Count	%
1 Clear	1	8.3%	0	0.0%	0	0.0%	1	16.7%
2 Partially clear, but does not hinder operations	6	50.0%	2	40.0%	7	63.6%	2	33.3%
3 Not clear and hinders decisions	5	41.7%	3	60.0%	4	36.4%	3	50.0%
	<u>12</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 6.7: Transparency: Tax usage**

	Budget Type @											
	All		Activity		Non-activity							
	Count	%	Count	%	Count	%						
1 Clear	0	0.0%	0	0.0%	0	0.0%						
2 Partially clear and conceptually understood	4	16.7%	2	10.0%	2	50.0%						
3 Not clear and creates issues	20	83.3%	18	90.0%	2	50.0%						
	<u>24</u>	<u>100.0%</u>	<u>20</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>						

	Respondents' Positions									
	Deans and Staff		Directors & Staff *		Executive Officers		Exec Off Staff		Ex-official	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Clear	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
2 Partially clear and conceptually understood	2	14.3%	0	0.0%	1	100.0%	1	16.7%	0	0.0%
3 Not clear and creates issues	12	85.7%	2	100.0%	0	0.0%	5	83.3%	1	100.0%
	<u>14</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

@ Not statistically significant

**Table 6.8: Transparency: Special tax assessments - Outside model**

	All	
	Count	%
1 Accept as a part of economic circumstances	0	0.0%
2 Disagree with / don't understand but does not hinder operations	3	33.3%
3 Not clear - major issue - discourages trust in budget process	6	66.7%
	<u>9</u>	<u>100.0%</u>

**Table 7.1: Incentives: Revenue maximization - general**

		Budget Understanding *									
		All		Excellent		Good		Limited			
		Count	%	Count	%	Count	%	Count	%		
1	Emphasized too much, encourages perverse responses	14	31.8%	9	50.0%	3	21.4%	2	16.7%		
2	Emphasized and effective	20	45.5%	9	50.0%	6	42.9%	5	41.7%		
3	Moderately emphasized, not effective	4	9.1%	0	0.0%	2	14.3%	2	16.7%		
4	Not affected	6	13.6%	0	0.0%	3	21.4%	3	25.0%		
		<u>44</u>	<u>100.0%</u>	<u>18</u>	<u>100.0%</u>	<u>14</u>	<u>100.0%</u>	<u>12</u>	<u>100.0%</u>		
		Respondents' Positions									
		Deans and Staff		Directors & Staff @		Exec Officers @		Exec Off Staff		Ex-official	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Emphasized too much, encourages perverse responses	10	40.0%	0	0.0%	0	0.0%	2	33.3%	2	66.7%
2	Emphasized and effective	10	40.0%	3	50.0%	2	50.0%	4	66.7%	1	33.3%
3	Moderately emphasized, not effective	3	12.0%	1	16.7%	0	0.0%	0	0.0%	0	0.0%
4	Not affected	2	8.0%	2	33.3%	2	50.0%	0	0.0%	0	0.0%
		<u>25</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant, p<0.05



**Table 7.2: Incentives: Cost efficiencies - general**

	Size of General Fund @					
	All		GF < \$50M		GF > \$50M	
	Count	%	Count	%	Count	%
1 Emphasized too much, encourages perverse responses	8	17.8%	8	22.2%	1	9.1%
2 Emphasized and effective	17	37.8%	12	33.3%	5	45.5%
3 Moderately emphasized, not effective	13	28.9%	11	30.6%	4	36.4%
4 Not affected	6	13.3%	5	13.9%	1	9.1%
5 Other: Mixed effectiveness	1	2.2%	0	0.0%	0	0.0%
	<u>45</u>	<u>100.0%</u>	<u>36</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>

	Respondents' Positions									
	Deans and Staff		Directors & Staff		Exec Officers		Exec Off Staff *		Ex-official	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Emphasized too much, encourages perverse responses	6	24.0%	1	12.5%	1	25.0%	0	0.0%		0.0%
2 Emphasized and effective	10	40.0%	4	50.0%	2	50.0%	1	16.7%		0.0%
3 Moderately emphasized, not effective	6	24.0%	2	25.0%	0	0.0%	4	66.7%	1	50.0%
4 Not affected	3	12.0%	1	12.5%	1	25.0%	1	16.7%		0.0%
5 Other: Mixed effectiveness	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	50.0%
	<u>25</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant, p<0.05

**Table 7.3: Incentives: Service level reductions or cost shifting**

	All		General Fund % of Total Funds **				Budget Type **			
	Count	%	GF < 50%		GF > 50%		Activity		Non-activity	
			Count	%	Count	%	Count	%	Count	%
1 Encouraged, but in line with mission	1	4.3%	1	6.3%	0	0.0%	1	6.7%	0	0.0%
2 Encouraged, but poor judgment may adversely impact mission or other units	20	87.0%	14	87.5%	9	90.0%	13	86.7%	7	87.5%
3 Not affected	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4 Discouraged by model and/or system	2	8.7%	1	6.3%	1	10.0%	1	6.7%	1	12.5%
	<u>23</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>10</u>	<u>100.0%</u>	<u>15</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>

	Unit Type **				Budget Understanding **					
	Academic		Non-academic		Excellent		Good		Limited	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Encouraged, but in line with mission	1	5.6%	0	0.0%	6	85.7%	8	88.9%	1	14.3%
2 Encouraged, but poor judgment may adversely impact mission or other units	16	88.9%	5	83.3%	0	0.0%	0	0.0%	6	85.7%
3 Not affected	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4 Discouraged by model and/or system	1	5.6%	1	16.7%	1	14.3%	1	11.1%	0	0.0%
	<u>18</u>	<u>100.0%</u>	<u>6</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>	<u>9</u>	<u>100.0%</u>	<u>7</u>	<u>100.0%</u>

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		Respondents' Positions **							
		Deans and Staff		Directors & Staff		Exec Officers		Exec Off Staff	
		Count	%	Count	%	Count	%	Count	%
1	Encouraged, but in line with mission	1	6.7%	0	0.0%	0	0.0%	0	0.0%
2	Encouraged, but poor judgment may adversely impact mission or other units	14	93.3%	4	80.0%	0	0.0%	2	100.0%
3	Not affected	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4	Discouraged by model and/or system	0	0.0%	1	20.0%	1	100.0%	0	0.0%
		<u>15</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>

		Total Funds **			
		TF < \$100M		TF > \$100M	
		Count	%	Count	%
1	Encouraged, but in line with mission	1	6.3%	0	0.0%
2	Encouraged, but poor judgment may adversely impact mission or other units	14	87.5%	7	87.5%
3	Not affected	0	0.0%	0	0.0%
4	Discouraged by model and/or system	1	6.3%	1	12.5%
		<u>16</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>

\*\* Statistically significant, p<0.01

**Table 7.4: Incentives: Space-related costs**

	Respondents' Positions									
	All		Deans and Staff		Directors & Staff *		Exec Officers *		Exec Off Staff **	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Too high and/or unfair	2	16.7%	2	50.0%	0	0.0%	0	0.0%	0	0.0%
2 Fairly assessed, understood, drives proper decisions	1	8.3%	1	25.0%	0	0.0%	0	0.0%	0	0.0%
3 Attribution too low, promotes excesses	9	75.0%	1	25.0%	2	100.0%	2	100.0%	4	100.0%
	<u>12</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 8.1: Budget process: Instructions and communications**

	All		General Fund % of Total Funds **				Size of General Fund *			
	Count	%	GF % < 50%		GF % > 50%		GF < \$50M		GF > \$50M	
			Count	%	Count	%	Count	%	Count	%
1 Effective and right amount	19	67.9%	15	83.3%	8	57.1%	18	72.0%	1	33.3%
2 Effective only for schedules but not narrative expectations	1	3.6%	0	0.0%	1	7.1%	1	4.0%	1	33.3%
3 Requires dialogue with Central to fully understand	5	17.9%	2	11.1%	3	21.4%	4	16.0%	1	33.3%
4 Requires dialogue with Central, but still confusing / unsatisfied with explanation	3	10.7%	1	5.6%	2	14.3%	2	8.0%	0	0.0%
	<u>28</u>	<u>100.0%</u>	<u>18</u>	<u>100.0%</u>	<u>14</u>	<u>100.0%</u>	<u>25</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

	Budget Type @				Total Funds **			
	Activity		Non-activity		TF < \$100M		TF > \$100M	
	Count	%	Count	%	Count	%	Count	%
1 Effective and right amount	11	57.9%	8	88.9%	18	72.0%	1	33.3%
2 Effective only for schedules but not narrative expectations	0	0.0%	1	11.1%	1	4.0%	1	33.3%
3 Requires dialogue with Central to fully understand	5	26.3%	0	0.0%	4	16.0%	1	33.3%
4 Requires dialogue with Central, but still confusing / unsatisfied with explanation	3	15.8%	0	0.0%	2	8.0%	0	0.0%
	<u>19</u>	<u>100.0%</u>	<u>9</u>	<u>100.0%</u>	<u>25</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant, p<0.05

\*\* Statistically significant, p<0.01

**Table 8.2: Budget process: Transparency and understanding**

	Unit Type *					
	All		Academic		Non Academic	
	Count	%	Count	%	Count	%
1 Fully transparent and understood	6	37.5%	3	23.1%	4	100.0%
2 Transparent but confusing	4	25.0%	4	30.8%	0	0.0%
3 Not transparent and confusing	6	37.5%	6	46.2%	0	0.0%
	16	100.0%	13	100.0%	4	100.0%

\* Statistically significant, p<0.05

**Table 8.3: Budget process: Understanding**

	Budget Understanding @							
	All		Excellent		Good		Limited	
	Count	%	Count	%	Count	%	Count	%
1 Understood by deans/directors, BAG, faculty/staff	2	9.1%	1	7.7%	1	25.0%	0	0.0%
2 Understood by deans/directors, BAG only	9	40.9%	7	53.8%	2	50.0%	0	0.0%
3 Understood by BAG only	1	4.5%	1	7.7%	0	0.0%	0	0.0%
4 Limited understanding at all level	9	40.9%	3	23.1%	1	25.0%	5	100.0%
5 Other: Misunderstanding of model	1	4.5%	1	7.7%	0	0.0%	0	0.0%
	22	100.0%	13	100.0%	4	100.0%	5	100.0%

@ Not statistically significant

**Table 8.4: Budget documents: Relevance**

		Budget Type @					
		All		Activity		Non-activity	
		Count	%	Count	%	Count	%
1	Useful to Provost and unit	10	23.8%	8	25.8%	2	18.2%
2	Useful to unit but requires shadow system	11	26.2%	10	32.3%	1	9.1%
3	Not useful to unit, requires shadow system	21	50.0%	13	41.9%	8	72.7%
		<u>42</u>	<u>100.0%</u>	<u>31</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>

		Respondents' Positions @									
		Deans and Staff		Directors & Staff		Executive Officers		Exec Off Staff		Ex-official	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Useful to Provost and unit	7	25.9%	1	12.5%	0	0.0%	2	50.0%	0	0.0%
2	Useful to unit but requires shadow system	7	25.9%	2	25.0%	0	0.0%	1	25.0%	1	100.0%
3	Not useful to unit, requires shadow system	13	48.1%	5	62.5%	1	100.0%	1	25.0%	0	0.0%
		<u>27</u>	<u>100.0%</u>	<u>8</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>1</u>	<u>100.0%</u>

@ Not statistically significant

**Table 8.5: Budget process: Training**

	Unit Type *					
	All		Academic		Non-academic	
	Count	%	Count	%	Count	%
1 Formal management courses needed - audience specific	10	45.5%	9	47.4%	1	25.0%
2 Formalized unit specific, budget sessions needed for BAG	8	36.4%	8	42.1%	1	25.0%
3 Broad concept training needed for faculty and staff	3	13.6%	2	10.5%	1	25.0%
4 Not required - OK to learn by experience	1	4.5%	0	0.0%	1	25.0%
	<u>22</u>	<u>100.0%</u>	<u>19</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>

	Size of General Fund *				General Fund % of Total Funds *			
	GF < \$50M		GF > \$50M		GF % < 50%		GF % > 50%	
	Count	%	Count	%	Count	%	Count	%
1 Formal management courses needed - audience specific	8	47.1%	1	25.0%	3	25.0%	6	54.5%
2 Formalized unit specific, budget sessions needed for BAG	6	35.3%	2	50.0%	6	50.0%	4	36.4%
3 Broad concept training needed for faculty and staff	2	11.8%	1	25.0%	2	16.7%	1	9.1%
4 Not required - OK to learn by experience	1	5.9%	0	0.0%	1	8.3%	0	0.0%
	<u>17</u>	<u>100.0%</u>	<u>4</u>	<u>100.0%</u>	<u>12</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>

\* Statistically significant, p<0.05



**Table 8.6: Budget process: Timing**

	Budget Type @					
	All		Activity		Non-activity	
	Count	%	Count	%	Count	%
1 Too early - creates major issues	3	20.0%	1	10.0%	2	40.0%
2 Too early - but understand that it is necessary	6	40.0%	5	50.0%	1	20.0%
3 Unrelated to unit's operations	5	33.3%	3	30.0%	2	40.0%
4 OK	1	6.7%	1	10.0%	0	0.0%
	<u>15</u>	<u>100.0%</u>	<u>10</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>

@ Not statistically significant

**Table 8.7: Budget process: Time between request and decision**

	All	
	Count	%
1 Too long - creates major operation problems	6	100.0%
2 Too long - but OK; already have understanding of decisions	0	0.0%
3 Unrelated to unit's operations	0	0.0%
	<u>6</u>	<u>100.0%</u>

**Table 9.2: Budget conference: Ideal goals**

	All	
	Count	%
1 Discuss strategic planning and align priorities	38	33.0%
2 Communicate unit's mission and vision (info sharing)	23	20.0%
3 Discuss unit's total financial health - Total Funds	14	12.2%
4 Discuss unit's accountability for commitments and finances	12	10.4%
5 Provide guidance on operational issues (including specific requests)	11	9.6%
6 Discuss unit's accomplishments vs. plan	10	8.7%
7 Facilitate discussions that are meaningful, even if difficult	2	1.7%
8 Retain and acquire new funds	2	1.7%
9 Serve as a formal marker, symbolic event	1	0.9%
Review plans and financials for the subsequent years, in a five year		
10 rolling process	1	0.9%
11 Facilitate transparency of process and decisions	1	0.9%
	<u>115</u>	<u>100.0%</u>

**Table 9: Budget conference effectiveness - Combination of goal achievement and meeting process**

		Budget Understanding *									
		All		Excellent		Good		Limited			
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Very Effective	22	40.0%	6	27.3%	13	65.0%	3	23.1%		
2	Effective	4	7.3%	2	9.1%	2	10.0%	0	0.0%		
3	Partially effective	7	12.7%	4	18.2%	1	5.0%	2	15.4%		
4	Limited or not effective	22	40.0%	10	45.5%	4	20.0%	8	61.5%		
		55	100.0%	22	100.0%	20	100.0%	13	100.0%		
		Respondents' Positions									
		Deans and Staff		Directors&Staff		Executive Officers		Exec Off Staff		Ex-official *	
		Count	%	Count	%	Count	%	Count	%	Count	%
1	Very Effective	12	38.7%	7	77.8%	2	40.0%	1	14.3%	0	0.0%
2	Effective	2	6.5%	0	0.0%	1	20.0%	1	14.3%	0	0.0%
3	Partially effective	4	12.9%	0	0.0%	1	20.0%	2	28.6%	0	0.0%
4	Limited or not effective	13	41.9%	2	22.2%	1	20.0%	3	42.9%	3	100.0%
		31	100.0%	9	100.0%	5	100.0%	7	100.0%	3	100.0%
		Budget Type @									
		Activity		Non-activity							
		Count	%	Count	%						
1	Very Effective	14	34.1%	8	57.1%						
2	Effective	3	7.3%	1	7.1%						
3	Partially effective	5	12.2%	2	14.3%						
4	Limited or not effective	19	46.3%	3	21.4%						
		41	100.0%	14	100.0%						

@ Not statistically significant

\* Statistically significant, p<0.05

**Table 9.1: Budget conference effectiveness - Achievement of identified ideal goals**

	All	
	Count	%
1 Very effective for most identified goals	21	42.9%
2 Effective only for a majority of identified goals	2	4.1%
3 Effective only for a few identified goals	7	14.3%
4 Not effective - focus on non-essential topics	15	30.6%
5 Other: Mixed effectiveness	4	8.2%
	<u>49</u>	<u>100.0%</u>

**Table 9.3: Budget conference effectiveness - Meeting process**

	All	
	Count	%
1 Very effective with clear expectations	11	33.3%
2 Effective, but with unclear expectations	2	6.1%
3 Partially effective, more pro-forma than real discussion	8	24.2%
4 Limited effectiveness relative to unit value	4	12.1%
5 Not effective due to large audience	4	12.1%
6 Not effective - no directions	4	12.1%
	<u>33</u>	<u>100.0%</u>

**Table 10.1: Hold harmless**

	All		Size of General Fund @			
	Count	%	GF < \$50M		GF > \$50M	
			Count	%	Count	%
1 Effective and necessary	22	56.4%	17	63.0%	5	45.5%
2 Effective for one year only	1	2.6%	1	3.7%	0	0.0%
3 Effective, should be phased out in a few years	10	25.6%	6	22.2%	3	27.3%
4 Not necessary	2	5.1%	1	3.7%	1	9.1%
5 Other: Creates issues	1	2.6%	0	0.0%	1	9.1%
6 Other: Necessary, but dislike	2	5.1%	1	3.7%	1	9.1%
7 Other: No effect	1	2.6%	1	3.7%	0	0.0%
	<u>39</u>	<u>100.0%</u>	<u>27</u>	<u>100.0%</u>	<u>11</u>	<u>100.0%</u>

	Respondents' Positions									
	Deans and Staff		Directors & Staff		Executive Officers		Exec Off Staff		Ex-official *	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 Effective and necessary	16	61.5%	2	100.0%	2	66.7%	2	40.0%	0	0.0%
2 Effective for one year only	1	3.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3 Effective, should be phased out in a few years	6	23.1%	0	0.0%	1	33.3%	1	20.0%	2	66.7%
4 Not necessary	0	0.0%	0	0.0%	0	0.0%	1	20.0%	1	33.3%
5 Other: Creates issues	1	3.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6 Other: Necessary, but dislike	1	3.8%	0	0.0%	0	0.0%	1	20.0%	0	0.0%
7 Other: No effect	1	3.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<u>26</u>	<u>100.0%</u>	<u>2</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>	<u>5</u>	<u>100.0%</u>	<u>3</u>	<u>100.0%</u>

@ Not statistically significant

\* Statistically significant, p<0.05

**Table 11.1: One-time or bridging fund requests: Process**

	All	
	Count	%
1 Very clear	10	27.0%
2 Somewhat clear	5	13.5%
3 Unclear	17	45.9%
4 Other: Does not use	2	5.4%
5 Other: No knowledge	1	2.7%
6 Other: No process	2	5.4%
	<u>37</u>	<u>100.0%</u>

**Table 11.2: One-time bridging fund requests: Purpose**

	All	
	Count	%
1 Strategic initiatives	8	26.7%
2 Emergency or bridging issues only	6	20.0%
3 PFIP issue only	5	16.7%
4 Multi-purpose, multi-use	7	23.3%
5 Purpose unclear	1	3.3%
6 Other: Infrequent use	2	6.7%
7 Other: Never used	1	3.3%
	<u>30</u>	<u>100.0%</u>

**The University of Michigan  
General Fund Budget Review**

**Appendices**

**Appendix 1: Regression Variables**

Variable	Minimum value	Maximum value	Type
<i>Dependent Variables</i>			
Activity-based model	Strongly support (1)	Do not support (4)	discrete
Overall effectiveness	Achieved effectively (1)	Partially achieved, many misalignment (3)	discrete
Goal achievement: Academic Values	Supported by model and system (1)	Compromised by model and system (4)	discrete
Goal achievement: Encouragement of interdisciplinary activities/effort	Encouraged by model and/or system (1)	Hindered by model and system (5)	discrete
Alignment with Provost	Achieved through conference (1)	Not achieved (4)	discrete
Financial: Autonomy - Authority to make decisions and take action	Emphasized too much (1)	Discouraged or not valued (5)	discrete
Transparency: Provost decisions/allocations at Unit level	Clear on amount and logic (1)	Not at all. No ability to understand (3)	discrete
Transparency: Provost decisions/allocations at Institutional level	Transparent and easily understood (1)	Not clear at all. No ability to understand (3)	discrete
Transparency: Cost and revenue attributions - general	Clear and able to forecast (1)	Too complex to understand, hinders forecasting (4)	discrete
Transparency: Tax usage	Clear (1)	Not clear and creates issues (3)	discrete
Incentives: Revenue maximization	Emphasized too much, encouraged perverse responses (1)	Not affected (4)	discrete
Incentives: Cost efficiencies	Emphasized too much, encouraged perverse responses (1)	Not affected (4)	discrete
Incentives: Service level reduction and cost shifting	Encouraged, but in line with mission (1)	Discouraged by model and/or system (4)	discrete

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Incentives: Space related costs	Too high and/or unfair (1)	Attribution too low, promotes excesses (3)	Discrete
Budget process: Instruction and communication	Effective and right amount (1)	Requires dialogue with Central, but still confusing / unsatisfied with explanation	discrete
Budget process: Process transparency	Fully transparent and understood (1)	Not transparent and confusing (3)	discrete
Budget process: Training	Formal management courses needed - audience specific (1)	Not required - OK to learn by experience (4)	discrete
Budget conference effectiveness	Very effective (1)	Limited / Not effective (4)	discrete

*Independent Variables*

GF% of Total Funds	0%	100%	
GF 2003 - 2004	\$0	\$ 217 million	continuous
Budget Type	0 = Non activity	1 = Activity	binary
Unit Type	0 = Non academic	1 = Academic	binary
Total Funds 2003-2004	\$1.3 million	\$863 million	continuous
Model Understanding	Excellent (1)	Limited (3)	discrete
Directors & Staff	0 = else	1 = director & staff	binary
Executive Officers	0 = else	1 = executive officers	binary
Executive Officers Senior Staff	0 = else	1 = executive officer staff	binary
Ex-official	0 = else	1 = ex-official of the university	binary

## Appendix 2.1: Goals: Appropriateness

### Regression result

Variables	B	Std Error	Beta	Sig.
Unit Type	-0.759	0.292	-0.337	0.012 *
Model understanding	0.238	0.151	0.205	0.121
Constant	2.222	0.388	0.000	0.000 **

Dependent Variable: **Goal appropriateness**

Comparative variable: Deans & Staff

Sig.. F: 0.013 \*

Adjusted R-square: 0.127

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 3.1: Activity-based budgeting approach

### Regression result

Variables	B	Std Error	Beta	Sig.
Overall effectiveness	0.439	0.085	0.632	0.000 **
Conf effectiveness - combined	0.038	0.048	0.096	0.435
Alignment with Provost	-0.213	0.085	-0.396	0.021 *
Unit Type	-0.483	0.200	-0.376	0.025 *
Budget Type	0.751	0.200	0.636	0.001 **
Model understanding	0.344	0.081	0.518	0.000 **
GF% of Total Funds	-0.600	0.483	-0.233	0.228
GF 2003-2004	0.000	0.000	0.552	0.017 *
Total Funds 2003-2004	0.000	0.000	-0.155	0.520
Constant	0.434	0.282	0.000	0.139

Dependent Variable: **Activity-base budgeting approach**

Comparative variable: Deans & Staff

Sig. F: 0.000 \*\*

Adjusted R-square: 0.695

\*  $p < 0.05$

\*\*  $p < 0.01$



### Appendix 3.2: Goal achievement: Overall model/system effectiveness

#### Regression result

Variables	B	Std Error	Beta	Sig.
Conf effectiveness - combined	0.000	0.064	0.000	0.998
Alignment with Provost	0.077	0.113	0.094	0.500
Academic values	0.234	0.133	0.209	0.084
Quality	0.105	0.137	0.084	0.446
Planning	0.043	0.066	0.069	0.523
Innovate & risk	0.229	0.083	0.330	0.008 **
Interdisciplinary	-0.229	0.077	-0.324	0.005 **
Alignment among unit	0.705	0.266	0.304	0.011 *
Unit Type	-0.299	0.243	-0.187	0.224
Budget Type	0.254	0.246	0.173	0.308
Total Funds 2003-2004	0.000	0.000	0.436	0.022 *
Model understanding	0.015	0.102	0.018	0.886
GF% of Total Funds	1.204	0.510	0.360	0.022 *
GF 2003-2004	0.000	0.000	-0.556	0.002 **
Constant	-2.307	1.223	0.000	0.065

Dependent Variable:	<b>Overall effectiveness</b>
Comparative variable:	Deans & Staff
Sig. F:	0.001 **
Adjusted R-square:	0.339

\*  $p < 0.05$

\*\*  $p < 0.01$

Note: Unlike others, this regression is conducted with Mean substitution method to compensate for low sample size on some variables

### Appendix 3.3: Goal achievement: Academic Values

#### Regression result

Variables	B	Std Error	Beta	Sig.
GF 2003-2004	0.000	0.000	-0.346	0.114
GF% of Total Funds	-3.587	1.252	-0.589	0.015 *
Model understanding	0.526	0.319	0.335	0.127
Constant	3.596	0.758	0.000	0.001 **

Dependent Variable: **Academic Values**

Comparative variable: Deans & Staff

Sig. F: 0.023 \*

Adjusted R-square: 0.444

\*  $p < 0.05$

\*\*  $p < 0.01$

### Appendix 3.7: Goal achievement: Encouragement of Interdisciplinary activity and collaboration

#### Regression result

Variables	B	Std Error	Beta	Sig.
Alignment with Provost	-0.554	0.228	-0.472	0.021 *
Directors & Staff	-1.582	0.622	-0.495	0.016 *
Constant	3.840	0.842	0.000	0.000 **

Dependent Variable: **Goal achievement: Interdisciplinary effort**

Comparative variable: Deans & Staff

Sig. F: 0.029 \*

Adjusted R-square: 0.158

\*  $p < 0.05$

\*\*  $p < 0.01$

### Appendix 3.9: Goal achievement: Alignment between unit and Provost

#### Regression result

Variables	B	Std Error	Beta	Sig.	
Conf effectiveness - combined	0.276	0.093	0.369	0.006	**
Unit Type	0.155	0.404	0.065	0.704	
Budget Type	0.050	0.445	0.023	0.911	
Total Funds 2003-2004	0.000	0.000	0.242	0.079	
Model understanding	-0.385	0.178	-0.312	0.039	*
GF% of Total Funds	2.008	0.643	0.418	0.004	**
Directors & Staff	-0.945	0.451	-0.347	0.045	*
Executive Officers	0.043	0.516	0.012	0.934	
Executive Officers Staff	-0.749	0.395	-0.275	0.068	
Ex-official	-0.826	0.470	-0.224	0.090	
Constant	2.571	0.661	0.000	0.001	*

Dependent Variable:	<b>Alignment with Provost</b>
Comparative variable:	Deans & Staff
Sig. F:	0.000 **
Adjusted R-square:	0.564

\* p < 0.05

\*\* p < 0.01

### Appendix 4.3: Financial: Autonomy - Authority to make decisions and take action

#### Regression result

Variables	B	Std Error	Beta	Sig.	
Provost's influence	0.859	0.073	1.000	0.001	**
Revenue max	0.252	0.066	0.406	0.032	*
Cost efficiencies	0.291	0.058	0.450	0.015	*
Directors & Staff	-0.338	0.136	-0.202	0.089	
Executive Officers	0.765	0.183	0.338	0.025	*
Executive Officers Staff	-0.567	0.134	-0.339	0.024	*
Constant	-0.874	0.251	0.000	0.040	*

Dependent Variable:	<b>Financial autonomy</b>
Comparative variable:	Deans & Staff
Sig. F:	0.008 **
Adjusted R-square:	0.954

\* p < 0.05

\*\* p < 0.01

## Appendix 5.2: Transparency: Provost decisions/allocations at Institutional level

### Regression result

Variables	B	Std Error	Beta	Sig.	
GF 2003-2004	0.000	0.000	-0.098	0.706	
GF% of Total Funds	0.910	0.740	0.254	0.229	
Total Funds 2003-2004	0.000	0.000	0.340	0.228	
Model understanding	-0.191	0.167	-0.207	0.263	
Budget Type	-0.219	0.412	-0.134	0.600	
Unit Type	-0.108	0.378	-0.060	0.778	
Directors & Staff	-0.613	0.428	-0.302	0.164	
Executive Officers	-1.773	0.490	-0.645	0.001	**
Executive Officers Staff	-0.874	0.366	-0.430	0.025	*
Ex-official	-1.082	0.459	-0.394	0.026	*
Constant	3.127	0.686	0.000	0.000	**

Dependent Variable: **Allocation at Institutional level**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.018 \*  
 Adjusted R-square: 0.329

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 6.1: Transparency: Cost and revenue attributions - general

### Regression result

Variables	B	Std Error	Beta	Sig.	
GF 2003-2004	0.000	0.000	-0.644	0.019	*
GF% of Total Funds	1.311	1.132	0.236	0.259	
Unit Type	1.535	0.579	0.556	0.015	*
Total Funds 2003-2004	0.000	0.000	0.226	0.415	
Budget Type	0.252	0.631	0.099	0.694	
Model understanding	0.625	0.256	0.438	0.023	*
Directors & Staff	0.029	0.655	0.009	0.965	
Executive Officers	1.170	0.750	0.275	0.133	
Executive Officers Staff	0.655	0.560	0.208	0.255	
Ex-official	2.218	0.703	0.521	0.005	**
Constant	-0.966	1.051	0.000	0.368	

Dependent Variable: **Transparency: general cost and revenue attribution**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.010 \*\*  
 Adjusted R-square: 0.417

\* p < 0.05

\*\* p < 0.01

## Appendix 6.6: Transparency: Tax rate logic

### Regression result

Variables	B	Std Error	Beta	Sig.
Budget Type	0.402	0.209	0.294	0.096
GF 2003-2004	0.000	0.000	-0.605	0.011 *
GF% of Total Funds	2.936	0.447	0.984	0.000 **
Unit Type	0.287	0.217	0.193	0.228
Total Funds 2003-2004	0.000	0.000	1.144	0.001 **
Model understanding	0.105	0.088	0.137	0.269
Constant	0.241	0.275	0.000	0.411

Dependent Variable: **Transparency: Tax rate logic**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.001 \*\*  
 Adjusted R-square: 0.870

\* p < 0.05

\*\* p < 0.01

## Appendix 6.7: Transparency: Tax usage

### Regression result

Variables	B	Std Error	Beta	Sig.	
Budget Type	0.440	0.212	0.524	0.054	
GF 2003-2004	0.000	0.000	0.267	0.175	
GF% of Total Funds	0.451	0.330	0.246	0.190	
Unit Type	0.369	0.233	0.404	0.134	
Directors & Staff	0.659	0.235	0.633	0.013	*
Executive Officers Staff	0.269	0.202	0.259	0.202	
Constant	1.961	0.254	0.000	0.000	**

Dependent Variable: **Transparency: Tax usage**

Comparative variable: Deans & Staff

Sig. F: 0.047 \*

Adjusted R-square: 0.329

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 7.1: Incentives: Revenue maximization - general

### Regression result

Variables	B	Std Error	Beta	Sig.	
(Constant)	-0.214	0.956	0.000	0.825	
Budget Type	0.027	0.562	0.012	0.962	
Unit Type	-0.112	0.512	-0.047	0.829	
Total Funds 2003-2004	0.000	0.000	0.383	0.190	
Model understanding	0.354	0.238	0.289	0.153	
GF 2003-2004	0.000	0.000	-0.131	0.632	
GF% of Total Funds	0.540	1.022	0.114	0.603	
Cost efficiencies	0.479	0.168	0.458	0.010	**
Directors & Staff	0.846	0.585	0.314	0.163	
Executive Officers	1.195	0.667	0.328	0.088	
Executive Officers Staff	-0.316	0.534	-0.117	0.561	
Ex-official	-0.401	0.634	-0.110	0.534	
Constant	0.388	0.166	0.371	0.028	*

Dependent Variable: **Incentives: revenue maximization**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.020 \*  
 Adjusted R-square: 0.399

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 7.2: Cost efficiencies - general

### Regression result

Variables	B	Std Error	Beta	Sig.	
Budget Type	0.509	0.393	0.244	0.209	
Total Funds 2003-2004	0.000	0.000	-0.373	0.239	
Model understanding	0.170	0.235	0.145	0.476	
GF 2003-2004	0.000	0.000	0.325	0.274	
GF% of Total Funds	-1.187	1.053	-0.260	0.271	
Revenue max	0.557	0.182	0.581	0.006	**
Executive Officers Staff	1.168	0.436	0.452	0.013	*
Ex-official	0.837	0.647	0.239	0.209	
Constant	0.831	0.789	0.000	0.303	

Dependent Variable: **Incentives: cost efficiencies**

Comparative variable: Deans & Staff

Sig. F: 0.048 \*

Adjusted R-square: 0.265

\* p < 0.05

\*\* p < 0.01

## Appendix 7.3: Incentives: Service level reductions or cost shifting

### Regression result

Variables	B	Std Error	Beta	Sig.	
Unit Type	0.283	0.044	0.189	0.000	**
Budget Type	0.440	0.047	0.318	0.000	**
Total Funds 2003-2004	0.000	0.000	0.660	0.000	**
Model understanding	-0.216	0.018	-0.279	0.000	**
GF 2003-2004	0.000	0.000	-0.271	0.000	**
GF% of Total Funds	1.983	0.087	0.658	0.000	**
Directors & Staff	1.426	0.050	0.834	0.000	**
Executive Officers	2.306	0.057	0.997	0.000	**
Executive Officers Staff	0.562	0.042	0.329	0.000	**
Constant	0.533	0.076	0.000	0.000	**

Dependent Variable: **Incentives: service reduction**

Comparative variable: Deans & Staff

Sig. F: 0.000 \*\*

Adjusted R-square: 0.992

\* p < 0.05

\*\* p < 0.01



## Appendix 7.4: Incentives: Space-related costs

### Regression result

Variables	B	Std Error	Beta	Sig.
Budget Type	0.212	0.130	0.291	0.108
Directors & Staff	0.333	0.151	0.368	0.031 *
Executive Officers	0.417	0.181	0.340	0.025 *
Executive Officers Staff	0.353	0.128	0.390	0.008 **
Constant	2.291	0.137	0.000	0.000

Dependent Variable: **Incentives: Space related costs**  
 Comparative variable: Deans & Staff  
 Model significance: 0.045 \*  
 Adjusted R-square: 0.092

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 8.1: Budget process: Instructions and communications

### Regression result

Variables	B	Std Error	Beta	Sig.
Budget Type	1.088	0.569	0.441	0.070
Total Funds 2003-2004	0.000	0.000	1.051	0.002 **
GF 2003-2004	0.000	0.000	-0.659	0.022 *
GF% of Total Funds	4.566	1.219	0.848	0.001 **
Unit Type	-0.605	0.592	-0.226	0.319
Model understanding	0.201	0.239	0.145	0.409
Constant	-1.132	0.750	0.000	0.147

Dependent Variable: **Budget process: Instructions and communications**  
 Comparative variable: Deans & Staff  
 Model significance: 0.009 \*\*  
 Adjusted R-square: 0.408

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 8.2: Budget process: Transparency and understanding

### Regression result

Variables	B	Std Error	Beta	Sig.
Budget Type	-0.652	0.511	-0.331	0.249
Total Funds 2003-2004	0.000	0.000	0.142	0.540
GF 2003-2004	0.000	0.000	-0.358	0.161
Unit Type	1.724	0.531	0.803	0.018 *
Directors & Staff	-0.941	0.601	-0.385	0.168
Executive Officers	0.983	0.689	0.297	0.203
Executive Officers Staff	-0.707	0.490	-0.289	0.199
Constant	1.431	0.611	0.000	0.058

Dependent Variable: **Budget process: Transparency and understanding**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.043 \*  
 Adjusted R-square: 0.652

\*  $p < 0.05$

\*\*  $p < 0.01$

## Appendix 8.5: Budget process: Training

### Regression result

Variables	B	Std Error	Beta	Sig.
Total Funds 2003-2004	0.000	0.000	-0.534	0.158
GF 2003-2004	0.000	0.000	0.713	0.044 *
GF% of Total Funds	-3.047	1.144	-0.727	0.018 *
Unit Type	-0.925	0.413	-0.444	0.041 *
Constant	3.656	0.578	0.000	0.000 **

Dependent Variable: **Budget Process: Training (k8.5)**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.031 \*  
 Adjusted R-square: 0.349

\*  $p < 0.05$

\*\*  $p < 0.01$

**Appendix 9: Budget conference effectiveness - Combination of goal achievement and meeting process**

**Regression result**

Variables	B	Std Error	Beta	Sig.	
Alignment with Provost	0.870	0.267	0.651	0.003	**
Unit Type	-0.712	0.682	-0.223	0.305	
Budget Type	0.819	0.759	0.278	0.290	
Model understanding	0.720	0.307	0.436	0.026	*
GF% of Total Funds	-1.128	1.064	-0.176	0.298	
Directors & Staff	0.506	0.839	0.139	0.551	
Executive Officers	0.123	0.899	0.025	0.892	
Executive Officers Staff	1.392	0.684	0.382	0.051	
Ex-official	1.816	0.784	0.368	0.028	*
Constant	-1.808	1.391	0.000	0.204	

Dependent Variable: **Budget conference effectiveness**  
 Comparative variable: Deans & Staff  
 Sig. F: 0.032 \*  
 Adjusted R-square: 0.257

\* p < 0.05

\*\* p < 0.01

Note: This independent variable is a combined scale of k9.1 (budget conference effectiveness of achieving ideal goals) and k9.3 (meeting process)

## Appendix 10.1: Hold harmless

### Regression result

Variables	B	Std Error	Beta	Sig.	
GF 2003-2004	0.000	0.000	-0.201	0.383	
Total Funds 2003-2004	0.000	0.000	0.251	0.249	
Executive Officers Staff	0.677	0.468	0.234	0.159	
Ex-official	2.069	0.676	0.528	0.005	**
Constant	1.477	0.225	0.000	0.000	**

Dependent Variable: **Hold Harmless**

Comparative variable: Deans & Staff

Sig. F: 0.038 \*

Adjusted R-square: 0.195

\*  $p < 0.05$

\*\*  $p < 0.01$

## **Appendix 11: Interview Questions for Activity Units**

### Budget Model and System Goals

1. Are the stated goals the most appropriate ones?
  - a. Are there missing important elements in these goals?
2. How well does the current budget system promote achievement of these goals?
  - a. Where misalignment may exist, what goals are least accommodated and why?

### Budget Model

3. What is your general opinion regarding the effectiveness of the budget model and system, including the overall process used to develop the budget?
  - a. Include your views or understanding of how the model impacts both activity and non-activity units as appropriate
4. Do you believe that an activity-based budget model should be part of the budget system? Please elaborate on your answer.
  - a. Are there existing and/or potential elements of the budget model that need to be addressed?
5. The Provost has stated that the budget model does not determine budgets, but serves as a tool to ensure that changes in activities are consciously recognized in the budget development process.
  - a. How well does the implementation of the model facilitate that statement?
  - b. Should the model be more or less determinative than it is?
6. With regard to the budget model:
  - a. Are the revenue and cost attributions clearly and logically stated?
  - b. Are the most appropriate and important areas and attributions addressed?
  - c. What items should be changed? Why?
  - d. Do you believe your answers reflect the broader view in the University or are they unique to your unit? Why?
7. What is your opinion of the budget technical change strategy where units are held harmless at implementation, and thus, the effect of the change is seen going forward?

### Incentives and Efficiencies

8. The activity-based budgeting model is meant to give units incentives to prioritize their activities, maximize revenues (within academic mission), and to reduce costs.
  - a. How well does the approach encourage appropriate revenue maximization decisions within the academic mission?
  - b. How well does the approach encourage units to seek and implement appropriate efficiency decisions in their operations?
  - c. What works particularly well within the approach for revenue and cost?

- d. Do you believe there are perverse incentives that may arise from the activity-based model?
- e. Do you have any idea candidates for improvement?

#### The Overall Budget Process

- 9. What do you believe are the most important roles, and goals to achieve, regarding the Provost budget conferences?
  - a. Relative to the general fund budget outcome for the University?
  - b. Relative to the outcome for your unit?
  - c. How well do the budget conferences accomplish the goals you have defined?
  - d. Is there enough opportunity for input and discussion prior to or during the meeting?
  - e. Is there enough integration between local unit budget planning and discussions with the Provost throughout the year?
- 10. With regard to one-time budget requests:
  - a. Is the process clear?
  - b. Is it used appropriately?
- 11. What other comments do you have relative to the present overall budget process?
  - a. Are there any changes you believe should be considered and why?

#### Budget Documents and Required Information

- 12. With regard to budget information supplied to or received from the Provost's Office:
  - a. Do you generally agree that the information you supply to the Provost is necessary to accomplish the intent of the activity-based budget model and system?
  - b. How do you rate the quality and quantity of information and communication you receive from the Provost's Office?
  - c. What forms of information you receive or prepare do you find most valuable? (data displays, enrollment history and projections)
  - d. What forms or documents are the least useful?
  - e. What other information would be most useful?

#### Transparency, Communications, Instructions, and Timing

- 13. Are you satisfied with the communications you receive to assure your understanding of:
  - a. How the overall UB budget system should work?
  - b. The final budget outcome?
  - c. What specific added information might be helpful?
  - d. Have there been major occurrences where something did not align with your interpretation of how the system should work or where you believe that others may interpret some aspects of the budget differently? Please describe.
- 14. Is there enough information made public regarding the budget and the allocation decisions incorporated in it?
  - a. Are you able to determine general University's priorities from the published materials?

15. Budget system transparency is an unstated goal – the ability to understand the process and resulting decisions.
  - a. How would you define a transparent budget system process?
  - b. How would you rate the UB approach on this one dimension?
  - c. Are there areas of improvements we should consider?
16. Has there been enough explanation/descriptions provided to understand the process, the model, and associated system?
17. Do you think that other staff, faculty, or groups within your unit have been given enough education/training about the process and the model for the roles that they play in budgeting?
18. What are your views of the timing of the budget process, instructions, updates, tuition information, submission deadlines, and outcomes? What areas need to be improved?

#### Outcomes

19. Considering your responses to the above questions and our discussion;
  - a. What do you believe are the most important outcomes achieved by the activity-based budget model, system and supporting process?
  - b. Are there budget topic questions that we may have missed where you have a strong opinion and wish to provide added comments?

## **Appendix 12: Interview Questions for Non-Activity Units**

### Budget Model and System Goals

1. Are the stated goals the most appropriate ones?
  - a. Are there missing important elements in these goals?
2. How well does the current budget system promote achievement of these goals?
  - a. Where misalignment may exist, what goal are least accommodated and why?

### Budget Model

3. What is your general opinion regarding the effectiveness of the budget model and system, including the overall process used to develop the budget?
  - a. Include your views or understanding of how the model impacts both activity and non-activity units as well as academic and non academic units
4. Do you believe that the current model utilized for non-activity units supports and accomplishes your units' mission?
  - a. Would you describe the basic process of how your budget is developed, based upon direction from the Provost's Office, other non-Provost inputs that are important to generate either cost or revenue for your unit, and your internal response?
  - b. Would you describe the interactions/integration between your unit and activity academic units in relation to your budget development?
  - c. Are there existing and/or potential elements or impacts of the current budget model that need to be addressed?
  - d. Are there improvements that you would like to see?
5. The Provost has stated that the model itself does not determine budgets, but serves as a tool to ensure that changes within an activity and the corresponding services that support that activity are consciously recognized in the budget development process.
  - a. How well does the implementation of the model facilitate that statement?
  - b. How well does the system provide your unit with information, prior to development of your budget, of significant changes in other units' activity that may impact your budget in a major way?
  - c. How much autonomy and flexibility do you have in your budget? Do you have a discretion / autonomy to shift funds within your units as you see fit?
  - d. What are the most important things to consider in developing your budget?
6. With regard to the budget model:
  - a. Are attributions of sources and uses clearly and logically stated
  - b. Is the budget model clear relative to its application to your unit?
7. The budget model incorporates an adjustment strategy where their budget, for the first year, is adjusted to neutralize the impact of the technical change. Are you aware of the approach for non-activity units?
  - a. Are there examples where a major technical change, in your unit or an activity unit, has impacted your unit in a positive or negative way?
  - b. If yes, does the budget model make sufficient and suitable adjustments to recognize the change?



### Incentives and Efficiencies

8. The budget model is meant to incorporate incentives for units to operate efficiently and prioritize their products/services, both in academic and non-academic settings
  - a. How well does the approach encourage your unit to seek and implement appropriate efficiency decisions in your operations?
  - b. Does the budget model or process encourage you to seek feedback on actions that your unit is considering taking to meet your budget commitment – before and subsequent to implementation?
  - c. Does the model give you incentives to maximize revenue by creating new services?
  - d. To what degree does the model or system cause your unit to seek revenue for prior “no-fee” services and/or transfer work to another unit in order to meet your commitment?
  - e. Does the model encourage you to align your priorities with other units?
  - f. In general, how do you believe your unit’s approach to achieving budget targets has been perceived by activities receiving or depending on your services. What type of feedback have you received?
  - g. Do you have any idea candidates for model improvement?

### The Overall Budget Process

9. You or your reporting unit has a budget conference with the Provost each year.
  - a. What do you believe are the most important roles and goals to achieve in those budget conferences?
    - i. Relative to the general fund budget outcome for the University?
    - ii. Relative to the outcome for your unit?
  - b. How well do the budget conferences accomplish the goals you have defined?
  - c. Is there enough opportunity for input and discussion prior to or during the meeting with your unit and/or with the Provost?
  - d. Is there enough integration between local unit budget planning and the Provost’s Office (or academic units)?
  - e. How about with your reporting unit throughout the year?
10. If a situation with significant budget implications arises between annual budget conferences, what is the process to seek relief or resolve the situation?
  - a. Do you believe the process is clear and is it used appropriately?
11. What other comments do you have relative to the present overall budget process?
  - a. Are there any specific changes you believe should be considered and why?

### Budget Documents and Required Information

12. With regard to budget information supplied to or received from the Provost’s Office and/or your reporting unit:
  - a. Do you generally agree that the information you supply is necessary to create a university level budget system and to accomplish the stated goals?
  - b. How do you rate the quality and quantity of information and communication you receive from the Provost’s Office and/or your reporting unit?
  - c. What forms of information you receive or prepare do you find most valuable as part of budget cycle?
  - d. What forms or documents are the least useful?

- e. What other information would be most useful?

Transparency, Communications, Instructions, and Timing

13. Are you satisfied with the communications you receive to assure your understanding of:
  - a. How the overall budget system should work?
  - b. The final budget outcome for your unit?
  - c. What specific added information might be helpful?
  - d. Have there been major occurrences where something did not align with your interpretation of how the system should work or where you believe that others may interpret some aspects of the budget differently? Please describe.
14. Is there enough information made public regarding the budget and the allocation decisions incorporated in it?
  - a. Are you able to determine general University's priorities from the published materials?
  - b. Would knowledge of UM priorities be useful to you? Why or why not?
15. Budget system transparency is an unstated goal – the ability to understand the process and resulting decisions.
  - a. How would you define a transparent budget system process?
  - b. How would you rate the current model and system on this one dimension?
  - c. Are there areas of improvements we should consider?
16. Has there been enough explanation/descriptions provided to you and your unit to understand the process, the model, and associated system?
17. Do you think that people in your unit have been given enough education/training about the process and the model for the roles that they play in budgeting?
18. What are your views of the timing of the budget process? What areas need to be improved?

Outcomes

19. Considering your responses to the above questions and our discussion:
  - a. What do you believe are the most important outcomes achieved by the current budget model, system and supporting process?
  - b. Are there budget topic questions that we may have missed where you have a strong opinion and wish to provide additional comments?

## Appendix 13 : Key Questions and Emergent Themes (Keywords)

1. What are the most important outcomes achieved through the UB budget model and budget system processes?
  - 1.1. UB outcomes: Achieved
    1. Strategic resource allocation
    2. Unit's autonomy and resource to achieve goals
    3. Unit's financial accountability
    4. Strategic long-term planning and alignment
    5. Rationale system, transparent process
    6. Stability and coherence of process
    7. Other, specify\_\_\_\_\_
  - 1.2. UB outcomes: Issues or missed opportunities
    1. Redundancy and duplication of efforts
    2. Alignment of unit's and Provost's priorities
    3. Taxable philanthropy issue
    4. Thorough understanding by Provost of unit's situation (also total funds)
    5. Alignment / interactions / collaboration among units
    6. Other, specify\_\_\_\_\_
2. Are the present budget model/system goals appropriate and are there missing goals or goals that require clarification?
  - 2.1. Goals: Appropriate
    1. Entirely appropriate and meaningful
    2. Generally appropriate, OK
    3. Appropriate, but too general
    4. Moderately appropriate with issues, including clarification of wording and intent
    5. Not appropriate
    6. Other, specify\_\_\_\_\_
  - 2.2. Goals: Missing
    1. To promote institutional values: diversity, excellence, access
    2. To enable strategic alignment, consolidation, and efficiencies across units
    3. To promote university-wide transparency of goals, priorities
    4. To facilitate institutional growth
    5. To empower revenue generating units
    6. None missing
    7. Other, specify\_\_\_\_\_
3. Is the budget model and system constructed in such a way that it achieved the goals in an effective manner?
  - 3.1. Activity-based budget approach
    1. Strongly support
    2. Support with qualification
    3. Neutral
    4. Do not support
    5. Other, specify\_\_\_\_\_

- 3.2. Goal achievement: Overall model / system effectiveness
  1. Achieved effectively
  2. Achieved with qualifications
  3. Partially achieved, many misalignments
  4. Other, specify\_\_\_\_\_
  
- 3.3. Goal achievement: Academic values
  1. Supported by model and system
  2. Model shortcomings balanced by system
  3. Not affected
  4. Compromised by model and system
  5. Other, specify\_\_\_\_\_
  
- 3.4. Goal achievement: Unit quality of implementation
  1. Supported by model and system
  2. Model shortcomings balanced by system
  3. Not affected
  4. Compromised by model and system
  5. Other, specify\_\_\_\_\_
  
- 3.5. Goal achievement: Unit planning
  1. Both short and long-term planning encouraged
  2. Only short term planning encouraged
  3. Not affected
  4. Planning hindered - too complicated
  5. Planning hindered - too unpredictable
  6. Other, specify\_\_\_\_\_
  
- 3.6. Goal achievement: Encouragement to innovate and acceptance of reasonable risk
  1. Encouraged by model and/or system
  2. Somewhat supported by model and/or system
  3. Not affected
  4. Hindered by model but supported by system flexibility
  5. Hindered by model and system
  6. Other, specify\_\_\_\_\_
  
- 3.7. Goal achievement: Encouragement of interdisciplinary activity and collaboration
  1. Encouraged by model and/or system
  2. Somewhat supported by model and/or system
  3. Not affected
  4. Hindered by model but supported by system flexibility
  5. Hindered by model and system
  6. Other, specify\_\_\_\_\_
  
- 3.8. Goal achievement: Alignment among units
  1. Achieved through budget conference
  2. Achieved through unit to unit dialogue
  3. Somewhat achieved - ad hoc process
  4. Not achieved - unit independently determines own priorities
  5. Other, specify\_\_\_\_\_

- 3.9. Goal achievement: Alignment between unit and Provost
  1. Achieved through budget conference
  2. Achieved through dialogue with Provost
  3. Somewhat achieved - ad hoc process
  4. Not achieved - unit independently determines own priorities
  5. Other, specify\_\_\_\_\_
  
4. What are the financial strong points and weaknesses of the present budget model and system?
  - 4.1. Financial: Accountability
    1. Emphasized too much
    2. Emphasized and effective
    3. Moderately emphasized but not effective
    4. No effect
    5. Discouraged or not valued
    6. Other, specify\_\_\_\_\_
  
  - 4.2. Financial: Commitments
    1. Emphasized too much
    2. Emphasized and effective
    3. Moderately emphasized but not effective
    4. No effect
    5. Discouraged or not valued
    6. Other, specify\_\_\_\_\_
  
  - 4.3. Financial: Autonomy - Authority to make decisions and take action
    1. Emphasized too much
    2. Emphasized and effective
    3. Moderately emphasized but not effective
    4. No effect
    5. Discouraged or not valued
    6. Other, specify\_\_\_\_\_
  
  - 4.4. Financial: Flexibility - Ability to financially respond to change
    1. High flexibility
    2. Moderate flexibility
    3. Limited flexibility due to constraints
    4. No flexibility
    5. Other, specify\_\_\_\_\_
  
  - 4.5. Financial: Development of reserves
    1. Encouraged and achievable
    2. Achievable only in good years
    3. Rarely achievable
    4. Vulnerable or discouraged
    5. Other, specify\_\_\_\_\_
  
5. Are the mechanisms (model and system) used to allocate financial resources among and to units effective, fair, and transparent?
  - 5.1. Transparency: Provost decisions / allocations at Unit level
    1. Clear on amount, and logic

2. Clear on amount only
3. Not clear at all
4. No ability to understand
5. Other, specify\_\_\_\_\_

5.2. Transparency: Provost decisions / allocations at institutional level

1. Transparent and easily understood
2. Somewhat transparent and understandable
3. Not transparent, but questions answered
4. Not clear at all
5. No ability to understand
6. Other, specify\_\_\_\_\_

5.3. Provost's ability to influence unit's programs, strategies, and initiatives

1. Too great
2. Effective - in balance
3. Too little - at the margin
4. Other, specify\_\_\_\_\_

6. Are budget related revenue and cost attributions clear, logical, and appropriate?

6.1. Transparency: Cost and revenue attributions - general

1. Clear and able to forecast
2. Partially clear, but does not hinder operations
3. Too complex, hinders forecasting, but Central explains
4. Too complex to understand, hinders forecasting
5. Other, specify\_\_\_\_\_

6.2. Transparency: Tuition

1. Clear and able to forecast
2. Partially clear, but does not hinder operations
3. Too complex, hinders forecasting, but Central explains
4. Too complex to understand, hinders forecasting
5. Other, specify\_\_\_\_\_

6.3. Transparency: Indirect cost recovery

1. Clear and able to forecast
2. Partially clear, but does not hinder operations
3. Too complex, hinders forecasting, but Central explains
4. Too complex to understand, hinders forecasting
5. Other, specify\_\_\_\_\_

6.4. Transparency: Space-related costs

1. Clear and able to forecast
2. Partially clear, but does not hinder operations
3. Too complex, hinders forecasting, but Central explains
4. Too complex to understand, hinders forecasting
5. Other, specify\_\_\_\_\_

- 6.5. Transparency: Financial aid
  1. Clear and able to forecast
  2. Partially clear, but does not hinder operations
  3. Not clear and hinders decisions
  4. Other, specify\_\_\_\_\_
  
- 6.6. Transparency: Tax rate logic
  1. Clear
  2. Partially clear, but does not hinder operations
  3. Not clear and hinders decisions
  4. Other, specify\_\_\_\_\_
  
- 6.7. Transparency: Tax usage
  1. Clear
  2. Partially clear and conceptually understood
  3. Not clear and creates issues
  4. Other, specify\_\_\_\_\_
  
- 6.8. Transparency: Special task assessments - Outside model
  1. Accept as part of economic circumstances
  2. Disagree with / don't understand but does not hinder operations
  3. Not clear - major issue - discourages trust in budget process
  4. Other, specify\_\_\_\_\_
  
7. Does the budget model and system appropriately encourage revenue generation, cost efficiencies, and cost control in line with the mission of the unit and University?
  - 7.1. Incentives: Revenue maximization - general
    1. Emphasized too much, encourages perverse responses
    2. Emphasized and effective
    3. Moderately emphasized, not effective
    4. Not affected
    5. Other, specify\_\_\_\_\_
  
  - 7.2. Incentives: Cost efficiencies - general
    1. Emphasized too much, encourages perverse responses
    2. Emphasized and effective
    3. Moderately emphasized, not effective
    4. Not affected
    5. Other, specify\_\_\_\_\_
  
  - 7.3. Incentives: Service level reductions or cost shifting
    1. Encouraged, but in line with mission
    2. Encouraged, but poor judgment may adversely impact mission or other units
    3. Not affected
    4. Discouraged by model and/ or system
    5. Other, specify\_\_\_\_\_
  
  - 7.4. Incentives: Space-related costs
    1. Too high and/ or unfair
    2. Fairly assessed, understood, drives proper decisions
    3. Attribution too low, promotes excesses

4. Other, specify\_\_\_\_\_
- 7.5. Incentives: Financial aid
1. Logical and fair
  2. Does not represent actual costs, but fair
  3. Does not represent actual cost, unfair, major issues
  4. Other, specify\_\_\_\_\_
8. How effective and useful is the budget preparation and approval process, including instructions, documents received and prepared, and pre-budget conference meetings?
- 8.1. Budget process: Instructions and communications
1. Effective and right amount
  2. Effective only for schedules but not for narrative expectations
  3. Requires dialogue with Central to fully understand
  4. Requires dialogue with Central, but still confusing / unsatisfied with explanation
  5. Other, specify\_\_\_\_\_
- 8.2. Budget process: Transparency and understanding
1. Fully transparent and understood
  2. Transparent but confusing
  3. Not transparent and confusing
  4. Other, specify\_\_\_\_\_
- 8.3. Budget process: Understanding
1. Understood by deans / directors, BAG, faculty / staff
  2. Understood by deans / directors and BAG only
  3. Understood by BAG only
  4. Limited understanding at all level
  5. Other, specify\_\_\_\_\_
- 8.4. Budget documents: Relevance
1. Useful to Provost and unit
  2. Useful to unit but requires shadow system
  3. Not useful to unit, requires shadow system
  4. Other, specify\_\_\_\_\_
- 8.5. Budget process: Training
1. Formal management courses needed - audience specific
  2. Formalized unit specific, budget sessions needed for BAG
  3. Broad concept training needed for faculty and staff
  4. Not requires - OK to learn by experience
  5. Other, specify\_\_\_\_\_
- 8.6. Budget process: Timing
1. Too early - creates major issues
  2. Too early - but understand that it is necessary
  3. Unrelated to unit's operations
  4. OK
  5. Other, specify\_\_\_\_\_



- 8.7. Budget process: Time between request and decision
  1. Too long - creating major operation problems
  2. Too long - but OK: already have an understanding of decisions
  3. Unrelated to unit's operations
  4. Other, specify\_\_\_\_\_
  
9. How effective and useful is the Provost / Associate Provost / VP / director formal budget conference discussion and feedback?
  - 9.1. Budget conferences: Effectiveness - Achievement of identified ideal goals
    1. Very effective for most identified goals
    2. Effective only for a majority of identified goals
    3. Effective for only a few identified goals
    4. Not effective - focus on non-essential topics
    5. Other, specify\_\_\_\_\_
  
  - 9.2. Budget conferences: Ideal goals
    1. Communicate unit's mission and vision (info sharing)
    2. Discuss strategic planning and align priorities
    3. Discuss unit total financial health - total funds
    4. Provide guidance on operational issues (including specific requests)
    5. Discuss unit's accountability for commitments and finances
    6. Discuss unit's accomplishments vs. plan
    7. Other, specify\_\_\_\_\_
  
  - 9.3. Budget conferences: Effectiveness - Meeting process
    1. Very effective with clear expectations
    2. Effective, but with unclear expectations
    3. Partially effective, more pro-forma than real discussion
    4. Limited effectiveness relative to unit value
    5. Not effective due to large audience
    6. Not effective - no directions
    7. Other, specify\_\_\_\_\_
  
10. Is the strategy that holds units harmless when major technical changes are implemented appropriate and fairly applied?
  - 10.1. Hold Harmless
    1. Effective and necessary
    2. Effective for one year only
    3. Effective, should be phased out in a few years
    4. Not necessary
    5. Other, specify\_\_\_\_\_
  
11. Is the process for one-time or bridging requests clear, appropriate, and fairly implemented?
  - 11.1. One-time or bridging fund requests: Process
    1. Very clear
    2. Somewhat clear
    3. Unclear
    4. Other, specify\_\_\_\_\_

11.2. One-time or bridging fund request: Purpose

1. Strategic initiatives
2. Emergency or bridging issues only
3. PFIP issue only
4. Multi-purpose, multi-use
5. Purpose unclear
6. Other, specify\_\_\_\_\_

#### Appendix 14: Data points for Respondent DBA14

Keyword	Value
k2.1	2
k3.1	2
k3.2	2
k3.3	4
k3.4	4
k3.5	2
k3.6	
k3.7	5
k3.8	
k3.9	4
k4.1	
k4.2	
k4.3	
k4.4	3
k4.5	3
k5.1	2
k5.2	3
k5.3	
k6.1	
k6.2	4
k6.3	4
k6.4	
k6.5	
k6.6	
k6.7	3
k6.8	
k7.1	2
k7.2	2
k7.3	2
k7.4	
k7.5	
k8.1	4
k8.2	2
k8.3	4
k8.4	1
k8.5	2
k8.6	2
k8.7	1
k9.1	
k9.3	1
k9 combined	1
k10.1	1
k11.1	1
k11.2	3