

EXECUTIVE COMMITTEE MINUTES

Present: Adenwalla, Belli, Buan, Franco Cruz, Dawes, Hanrahan, Peterson, Purcell, Renaud, Vakilzadian

Absent: Fech, Leiter

Date: Tuesday, October 30, 2018

Location: 203 Alexander Building

Note: These are not verbatim minutes. They are a summary of the discussions at the Executive Committee meeting as corrected by those participating.

1.0 Call (*Hanrahan*)

Hanrahan called the meeting to order at 2:32 p.m.

2.0 Interim Vice Chancellor Bill Nunez

2.1 Proposed RCM Budget Model Process

Nunez reported that in 2016 Chancellor Green created four strategic taskforces, one of which was a Budget Model taskforce, to look at different ways our resources could be allocated. He noted that we currently have an incremental budget model and the taskforce proposed that we eventually switch to a hybrid Responsibility-Centered Management (RCM) budget model. Buan stated that a budget model being defined by metrics in real time seems to be a more reactive model than proactive. Belli asked who was on the taskforce and if there were faculty members on it. Nunez stated that the budget taskforce was co-chaired by EVC Plowman and VC Jackson (reports available here: <https://n150.unl.edu/commission/documents>).

Nunez stated that the RCM model comes out of the philosophy of budgeting in order to incentivize units who generate revenue to have greater control of their budget and allocation decisions. Buan noted that the RCM would decentralize the budget and she asked how much oversight there is with the RCM budget. Nunez pointed out that budgeting for the colleges, for example, happens at the dean's level. He said that the financial controls that are currently in place do not change for the type of budget allocation model used. Buan asked if there would be more oversight with the RCM model. Nunez stated that there could actually be less with regards to how funds are expended within colleges, for example. However, it also may operate very much like it does today depending on the unit. He noted that general university services would remain the same, but revenue a college generates could remain with the college. Vakilzadian asked if departments that can generate revenue would get more money while departments who are unable to generate revenue would suffer. Nunez stated that this is one of the identified fallacies about the RCM model. He stated that if a university is committed to offering a comprehensive education. He pointed out that the departments would need to consider how to allocate its resources and there may be incentives for the

department to change its enrollment requirement for courses, or to remain the same. Renaud pointed out that there are courses on campus that are worthy of offering even if they have low enrollment. Nunez agreed and pointed out that this would be up to the deans and departments to determine. Hanrahan stated that some small classes are required for majors and not offering them could prohibit people from graduating in a timely fashion. He reported that in Music some of the graduate courses have low enrollment and it has been suggested that the department should consider the graduate program's place in the curriculum. He pointed out that administrators and students are temporary, but faculty members are constant, and while a discipline might not currently be popular, this could change in the future. He stated that we've seen this before, an administrator made graduate programs a priority, so programs were created. Then five years later, the goal is large undergraduate programs, and funding for graduate programs is called into question. Decisions made based on current situations might result in faculty losing positions, and then as market conditions change needed to reinstate them in the future. This puts faculty in the position of deciding who gets cut, and that has some upset.

Buan stated that it is short-sighted not to have a graduate program. She noted that building graduate programs not only builds the university and its reputation, it helps build the state and its economy. She pointed out that it is important to have a balance between undergraduate and graduate education, but a university should put its extra resources into graduate programs.

Nunez stated that we need to be smart and strategic about the use of our finite resources and we need to construct a model that allows us to invest and incent in our priorities accordingly. Buan stated that one way the incentive structure could be met would be to have more interdisciplinary courses, but there could be some potential problems with this when you talk about allocating resources between several departments.

Renaud stated that faculty members have been told to increase their credit hour production and to increase enrollment, but departments do not get the resources needed to deal with the increases. Nunez pointed out that this is exactly why an RCM model is beneficial as it would provide those units who are increasing enrollment and credit hour production with additional resources. Adenwalla stated that the faculty are concerned that this would not actually happen. Nunez stated that a guiding principal of an RCM budget model is that it is more transparent. The university community would know and see where the resources are going.

Adenwalla stated that the faculty have no knowledge of what criteria will be used to allocate resources. Nunez pointed out that we are not at that point yet and a steering committee will be established with faculty representation to determine what the criteria will be. Belli stated that it would be advisable for the Faculty Senate to recommend the names of faculty members to serve on the steering committee. Nunez agreed. Adenwalla noted that faculty members bring in a lot of research dollars but it is unclear where all of this money goes.

Hanrahan stated that while at the Big Ten Academic Alliance Conference he spoke with faculty members from other Big Ten universities that have, or are going, to the RCM model and they all felt that it was a better model because it brought more transparency to the budget. He noted that they also said that the faculty are more involved in making budgetary decisions in their colleges and departments. Buan pointed out that on East Campus the unit heads are appointed and not elected by the faculty so there could be concern with the head not involving the faculty in the unit in making the budget decisions. Hanrahan stated that at some of the universities a committee in the college, or departments, decided how the funds would be used and the head did not have the authority to decide how to distribute all of the funds. He noted that in the RCM model the faculty will know how the funds are being spent because the faculty will have a vote. Belli stated that if the model would be implemented it could help build trust between the faculty and the administration.

Nunez reported that Penn State has been using the RCM model since 1974, and in looking at our peer institutions, we can learn from their experiences with the budget model. He pointed out that we will need to define our own guiding principles with the model and we need one that everyone can understand. He stated that our leaders will need to take on a more active task of budgeting and financial management. Buan stated that transparency and trust issues are essential and faculty members will need to see what data matrixes are used to make budgeting decisions.

Nunez pointed out that the budget model has to be adaptable as the university changes and evolves.

Belli asked how indirect costs from grants flow in the traditional budget model. Nunez noted that there is a flowchart on the ORED website that shows this, but a percentage of overhead from indirect costs goes to the campus budget and part of these funds are used to pay for facilities and maintenance, and administrative. Adenwalla noted that some of the F & A funds go back to the colleges. She asked if the deans make the decision where these funds go. Nunez stated that this is up to the deans.

Belli asked if the RCM model would be more sustainable. Nunez stated that history has shown it to be sustainable and research universities across the country are using it successfully and have for years. Belli asked what the negatives are of the RCM model. Nunez stated that with the RCM budget model it will be very important to empower campus leadership with financial decision making and that they use data and analytics to set direction. Poor fiscal management could result in the greater probability of debt or financial issues. While the goal of RCM is to incent, we still need to make sure we adequately cover university expenses and support services over time. And, need to ensure flexibility exists to fund university strategic priorities. He stated that good communications will be essential for the model to be successful.

Purcell asked if deans will be coached to develop the skills needed for managing the RCM model for their college. Nunez pointed out that many of the deans already do this kind of work every day. He noted that it will be critical for the dean and chairs to be

good financial managers. Nunez stated that some kind of training for the unit leaders could be provided if needed.

Buan asked if we could draw on assistance from our Big Ten peers to help with the transitioning to an RCM model. Nunez stated that we definitely can get assistance from our peers. He noted that Penn State has had this model for approximately 40 years and there is significant experience to draw upon there and with other research universities across the country. Other Big Ten CBO's have offered campus resources and personnel for insight as needed. Hanrahan pointed out that currently the RCM model is only being proposed for UNL.

Buan stated that it would be good to encourage more cross talk with units in order to determine what metrics should be used with the model. She stated that it is important that recaptured subventions due to intelligent cost savings can be used to support strategic long-term goals of units and programs. Nunez stated that the RCM model will require units to make strategic investments. He noted that subventions can be used to stabilize departments that may not have the ability to generate as much revenue as other departments. However, he stated that care needs to be given that subventions do not become entitlements which the literature elevated as an RCM concern. He pointed out that if a unit can add and save resources over a period of time funds could then possibly be used for more faculty lines, teaching capacity, technology purchases, operating expenses, etc.

Hanrahan asked who distributes the funds and who decides what the strategic investments will be. Nunez stated that the Chancellor has the ultimate authority over the university's budget. Once the model is operational, it could be the EVC with the dean's council or a committee especially set up for the purpose of allocating funds. He pointed out that there are many models that could be used, but the important thing is that this needs to be transparent how it will work.

Buan asked if the RCM model could be used by legislators to justify shrinking our state appropriations. Nunez said RCM is a distribution model once funds are allocated. He pointed out that all the state appropriations go to central administration which distributes the funds to the individual campuses.

Buan stated that with the RCM model when departments seek outside research dollars, particularly for research done in association with private industry, there could be a conflict of interest stress put on students and investigators in order for the unit to get the additional funding from the private industry. She pointed out that controls to ensure that this does not occur will be critical. Nunez stated that researchers would still be required to go through the established procedures that already exist for conducting research with private industries. Peterson noted that we already have a system in place that manages any kind of conflict of interest and there is a Conflict of Interest in Research Committee which is populated with faculty members.

Nunez stated that the next step is to seek external project management support that would help with the transitioning of the budget model. He reported that he hopes that an RFP can be issued this fall to hire these consultants. Belli asked who would be on the selection committee for the RFP and stated that it would be good to have faculty representation on it. Hanrahan pointed out that the state has laws that govern RFPs and require that the university go with the lowest bidder so it may not be necessary to have faculty on the selection committee. Purcell stated that if the bid is close it would be good to have faculty input. Belli asked how it will be determined if the consultants are qualified. Nunez stated that there are specific questions on the RFP that would help to determine the qualifications of the consultants.

Vakilzadian asked if new staff would need to be hired to manage the RCM model. Nunez stated that while a new model could add administrative complexity, currently there are no plans or funds for additional staffing.

Hanrahan asked about the steering committee's involvement. Nunez stated that the committee would issue the RFP and would stay in place and potentially expanded during the shadowing of the RCM model. He noted that the shadowing of the RCM model would occur while our current budget model is in place, thus allowing for the RCM model to be tested. He noted that this would probably not occur until 2020. He stated that the Chancellor would ultimately make the decision about the RCM model.

Hanrahan suggested that at least once a month communication goes out to the faculty informing them what is going on with the budget model. He pointed out that there is a great deal of concern about what is happening with the proposal to change the budget model and the more the faculty are informed, the better the reception the RCM model would have. He suggested that the administrators should have consistent talking points about the change in the budget model which would hopefully help alleviate some of the concerns of the faculty.

3.0 Announcements

3.1 Ad Hoc Committee on AAUP Censure

Hanrahan reported that he has met with Professor Kohen and Professor Schleck to discuss what would need to occur for the AAUP to remove its censure. He noted that the AAUP would require a site visit which could take place in April.

Hanrahan stated that he met with Chancellor Green and discussed the Ad Hoc Committee. He reported that he proposed that the membership of the Ad Hoc Committee include five Faculty Senate representatives instead of three. He noted that the increase in Faculty Senate representatives was based on discussions he had with the Faculty Senate President from the University of Iowa who stated that the committee needed to have strong representation from faculty members. He pointed out that the University of Iowa recently was removed from an AAUP sanction.

4.0 Approval of October 16, 2018 Minutes

Griffin noted that she was still waiting for Chancellor Green's revisions. The Executive Committee agreed to table the approval of the minutes until the next meeting.

5.0 Unfinished Business

5.1 Resolution Supporting NU Budget Request

The Executive Committee worked on making further revisions to the resolution to support the university's budget request for the next biennium. Hanrahan noted that the resolution will be presented to the Senate at the November 6, 2018 meeting.

5.2 Extension Educators' Bylaw Change

Hanrahan noted that Purcell had drafted a new Extension Educator Notice of Termination Resolution and he had added a section to the Resolution to change the Regents' Bylaws to clarify that Extension Educators are faculty members. He noted that the Bylaws could include a specific listing on Extension Educators similar to that of Faculty of Practice and Research Faculty, but thought that including it in section 4.4.1 "Special Appointments" was the easiest solution. Purcell moved to accept the resolution that will be presented to the Faculty Senate. Motion seconded by Peterson and approved by the Executive Committee.

5.3 EVC Plowman/VC Boehm Ombudsperson Proposal

The Executive Committee reviewed the proposal from EVC Plowman and VC Boehm for creating the ombudspersons' positions and consented unanimous approval of the position proposal.

5.4 President-Elect Nominations

Hanrahan noted that there are currently two nominations for the President-Elect position, but the election needs to be held at the December 4 Faculty Senate meeting because the Senate Rules state that the biographies of the candidates needs to be sent to the Senate two weeks prior to the meeting. Purcell reported that two other Senators are considering running for President-Elect and she needs to verify whether they are interested in running for election.

6.0 New Business

6.1 November Faculty Senate Meeting

The Executive Committee reviewed the tentative agenda for the November 6 Faculty Senate meeting. Hanrahan pointed out that the resolution supporting the NU budget request and the Extension Educator Notice of Termination Resolution to change the Regents Bylaws regarding Extension Educators need to be added to the agenda. He stated that a resolution to suspend the Senate Rules is also needed to extend his term as President so he can complete Rudy's term as President as well as the term for which he was elected President (through April 2020).

6.2 Faculty Apportionment Resolution

Hanrahan reported that he met with Associate VC Walker to discuss the possibility of the Senate passing a resolution that identifies the acceptable percentage of faculty that are

tenured, tenure track, or non-tenure track. The Executive Committee agreed to discuss the issue further at its next meeting.

The meeting was adjourned at 4:42 p.m. The next meeting of the Executive Committee will be on Tuesday, November 6, 2018 immediately following the Faculty Senate meeting. The meeting will be held in East Campus Union, Great Plains Room. The minutes are respectfully submitted by Karen Griffin, Coordinator and Lorna Dawes, Secretary.