Strategic Planning and Budget Advisory Committee

Faculty Center
1216 E Mabel PO Box 210456
621-1342 (Fax: 621-8844)

facultycenter@email.arizona.edu

Minutes
Wednesday, December 15, 2021
8:15-9:50am ***via Zoom***

Present:	B. Brummund (***Co-Chair***), S. Helm (***Co-Chair***), M. Abecassis, L. Benson, B. Berrellez, C. Bourget, E. Cantwell, E. Cheu, S. Colina, J. Duran, J. Florian, L. Folks, D. Hahn, G. Heileman, L. Hudson, J. Hunter, J. Jones, I. Moore, S. Moore, G. Perry, C. Ramirez, L. Rankin, H. Rodrigues, L. Rulney, S. Sen, R. Stephan, J. Summers, K. Van Renterghem, N. Vega,
Absent:	J. Dudas, A. Miller, J.P. Roczniak, R. Robbins, B. White
Guests/Observers:	S. Batsheva, K. Bonine, M. Brown, I. Ghosh, C. Henderson, L. Isley, T. Kvaran, S. Pawar, R. Primeau, A. Romero, P. Scott, M. Taylor, S. Troutman, K. Urquidez
Presenters:	P. Antin, G. Perry, J. Thornburg

Call to Order
Co-Chair Helm called the meeting to order at 8:18 a.m.

Approval of the Minutes of December 1st, 2021
The minutes of December 1st, 2021, were approved with no amendments. No abstentions, no nays.

Presentation and Discussion: Report from the AIB F&A Working Group (Presenters: Garth Perry, Vice President/Chief Budget Officer; Parker Antin, Associate Dean, Research)

Parker Antin and Garth Perry presented the new white paper regarding F&A allocation changes due to the AIB transition. Perry expressed that the stakeholder group created a separate group to focus on the impact of the F&A changes. Antin noted that within this group there was a discussion on the complexities of the new F&A breakdown since different colleges have their own allocation issues pertaining to the AIB transition i.e., off campus or online may be affected by the model in different ways than on campus departments. The second concern the group had was that they believe there is a lack of knowledge about funding and how the flows of funds work across the university. The group believes there needs to be a clarification on how funds work for everyone across campus. Finally, the group created five items that need to be focused on for this meeting regarding the F&A allocation. These five items are mainly about the principal info on F&A and how these college funds are being allocated, which was challenging because they needed to know the shortfalls of each different model and each different college's shortcoming.

The presenters stated the first questions they had were what should be funded by F&A and what mechanism should be used; should SBA be used or a direct allocation independent from the current activities. The conclusion was that activities should be funded through the mechanism that put revenue into these central pools, that are then allocated out to the activities. The working group agreed that RII budget should scale according to research activity. Additionally, having the RII budget change dependent on year to year based on F&A would be disruptive, so the group concluded we should be using funding over a three-year rolling average.

One member asked if there was a thought given to what activity drivers will be used when scaling RII's scopes and budget. Parker stated they did not consider beyond F&A and MTDC as the metric.

Another member asked for an example of the scalability issues. Antin clarified that F&A comes with research grants, and in sum the true cost of research cannot be allocated to an individual project, so they are brought together and allocated together through a negotiation with the federal government. A rate is then determined that is added to the cost of the research project. We are currently scaling all central activities that support research, such as RII. As research activities increase overall cost regarding the operating budget increase, so there needs to be ability to scale all these moving parts. One member expressed that there are a large number of research active faculty that are doing well funded research who still require the support of RII team.

Another member stated that some research-active faculty do not bring in F&A, yet there are a lot of service activities that need to be provided in order for them to conduct their research. Another member stated that the first point is not about F&A at all, and Antin stated that there are two aspects to it, one is the principal, and the second question is should this be funded with direct allocation of F&A.

One member asked why are we increasing support and not research faculty. Folks stated that there has been an increase of research faculty over the period of 10-12 years, but the tenured faculty has not been increased. Folks stated that adding research only faculty is normal across other universities, and our tenured faculty are more productive and bring a higher dollar average per capita compared to our sister universities. The main question should be when the Regents ask us to bring a billion dollars in research expenditures, our faculty can only be research intensive to a certain level and this discussion should be brought back in January. One member stated that the document that was sent by Andrea Romero, shows that we lost faculty last year, so some more info on our faculty data would be helpful. Parker stated that there has been an increase in our research enterprise activity, and that is due to effort increasing per faculty member. In CALS for example we have increased from $260,000 per FTE to $360,000.

Guest Pawar expressed that they are developing a metric to appropriately staff RII. This is a complex question because some of the support units should correlate to the number of faculty, whereas some units correlate to the number of proposals. Pawar stated they are developing those metrics to better figure this out. Antin then discussed the second item, the "research development fund" which is used to fund and incentivize research.

Antin explained the third item, addressing the facilities changes. These are central facilities that would be a support unit space charge and the question was would they fluctuate with changes in F&A return. The answer is fluctuating annually could be challenging, but there should be some long-term scaling. One member asked who is being charged these facility charges. Antin stated that if there is scale in operation there needs to be a scale in space. The member clarified their question and said is this a revenue source to central or an expense to the college. Perry stated that these are facilities costs that occurred on behalf of the institution, many of them supporting research endeavors such as debt service on buildings or utility structures. The question was is there a relation between facilities and F&A. The answer from the committee was no, these are just like RII operations, and funding should occur through a larger mechanism rather than just F&A.

One member asked who on the committee have significant research expenditures and if there was an effort on reaching out to faculty who have a background in research programs. Antin stated that they have a background in research programs as a PI. Alongside at least several others who have that background. The member stated it would be beneficial to have all college faculties involved as each college situation differs. Antin stated there was appropriate representation.

Antin stated the fourth item was a notion on having direct distribution of F&A return from RII to principal investigators that bypass the college. Most institutions do this, so F&A currently has a central pool and a distribution to colleges. The question is do we bypass the college level decision making on how they use their F&A and have a central distribution directly to PI's.

A member asked the deans on SPBAC regarding their perspective on the F&A changes. One member replied saying that 2% going back to PIs as a broad guideline, as the college of engineering gives back 7% to the earners. In principle investing something back to the people that generated the funds would be positive. Another member stated that in COMT it is a bit complicated, F&A goes back to Health Sciences and the whole distribution decision tree at Health Sciences, then it flows to the colleges. This is because many faculty reside in centers that report to Health Sciences. Last year their college created a reward system on grants so when you got 40% effort, any incremental percent effort would get you a piece of that delta from the RCM model. With this model there was a possibility of distributing almost 2 million back to the investigators as an incentive to send an extra grant, but due to how the distribution is set up, they were only able to distribute 25% of that. Even though a college may decide this is what they must do to incentivize productivity, it doesn't always translate in the college's ability.

Another member stated that when they were a dean at the college of science, the model was 25% of the F&A gets returned to the college, 2/3 of that goes directly back to departments and mostly are used for operations. The other third comes back to the college and effectively those dollars go back out to the departments used for startup packages for new faculty, retention packages, and renovation of space. The 25% is largely back to the departments and not kept centrally for funding the college.

Folks stated that sending some part of F&A recovery directly to the PI also puts money into the hands of people that have real expenses to support that research, but it isn't true in a lot of colleges. When we think about where expenses get encouraged to support research activity, they occur in the PI labs at the department level. If the PI's don't have a direct flow to them they are left with the inability to purchase small pieces of equipment that keep their lab well equipped. So, it is good to have some resources at the PI's disposal. Folks also stated that this model has proved to be a good incentive measure on other campuses to have people both pursue more research grants because you see the reinvestment in their infrastructure direct F&A back into their laboratory. It creates a circle of positive reinforcement. Additionally, it helps faculty be dissuaded from trying to reduce the F&A recovery, in an effort to make their grant more competitive. In addition, faculty trying to reduce the F&A actively harms the University because the rest of the UA will need to provide all the infrastructure to support that grant if it gets funded. Having the faculty actively participate in F&A recovery means they are less likely to be arguing that we should give F&A away on individual grant and award applications. We do not bring enough F&A to recover all the costs of research and we never will. Every time we give it away on grant or award, we are hurting ourselves as it's taking money that is tuition revenue based and using it to support research somewhere else.

One member expressed their agreement for that statement but stated that it differs for clinical research as clinical research is lucrative, in UA's situation when salaries exceed the NIH cap, they pay a percent of effort of the actual salaries, and to be competitive for those, most institutions will reduce the F&A rate. Cost share becomes a huge expense for the PI salary, is greatly benefited by sponsored research agreement with industry as compared to federal agency, and ultimately there are special circumstances and clinical research takes on nuances, but they agree we need to increase F&A across the board. Antin stated at 2% we bring in 100 million dollars of F&A per year, when talking about dollar amount, its more principle than the size of funds. It is this principle going against the current principle of RCM where the money decisions are made at the college level.

Antin stated the last point has to do with how F&A is distributed to the colleges. Beginning in FY15 a base year was created, in which every RCU or college's F&A return up to that base amount got up to 25% and 75% stayed centrally. The incremental amount above that in subsequent years was divided at 87% to the colleges and 13% stayed at the colleges. So, the incentive moved progressively assuming that F&A increased over the years. This was considered more of an incentivization and putting the money where the research is. The result of that today was that we now allocate 41% of our F&A to the colleges and only 59% stay centrally, where it used to be 75%/25%. The question was what do we do going forward, because if we continue on this road we will have more F&A allocation to the college rather than the departments. The committee did not come to consensus on this. Antin's opinion is that we have greatly incentivized colleges and now we have this new revenue, however, while colleges own the increase, they also own any decrease. For example, those decreases have much reduced F&A budget authority, but those who increased did great. Antin expressed that his personal opinion would be to come to a steady state F&A allocation and move forward with it.

One member stated that for future discussions is to keep in mind that we should think of the flexibility of F&A in a broader sense, as the funds are most fungible dollars at the university meaning they can be used for anything.

Finally, a member expressed that when RCM was implemented the split percentage of 87% going to the college was taxed away, so the question is should that 87% be given to the colleges, and what is the right percentage to be distributed to central versus the colleges. Another problem that should be noted is that the activity base scale has pros and cons. One of which being that if a budget loses money, funds that are taken for the activities are not taken from F&A, but a different account, usually the RCM account. This process makes it challenging going forward with moving funds from one account to another. It would be better to take the funds from F&A account rather than trying to take from another account. One member expressed that 87%+ is what we are getting of the IDC pool, half of 25% points flow as IDC, the rest is built into RCM allocation. Many focus on the 25%, but not the larger portion and both need to be tracked.

<u>Presentation and Discussion: Update on the Strategic Plan</u>

(Presenter: Jane Hunter, Vice President for Strategic Initiatives)

Hunter stated that in the strategic planning process there were tremendous successes. The plan has stood the test of time, and the plan that was approved by ABOR in 2018, has been through some transitions, and thanks need to be given to the committee for being a guiding light. The prioritizing items over the next year is to continue building connections across campus and make more of the initiatives cross disciplinary. We also need to focus on measurable impacts and start operationalizing in these initiatives and think how we shift some of them off strategic initiative funds to other sources and start winding down their expenses.

Jessica Thornburg stated that transitioning from wave to smartsheet has received a lot of positive feedback in the update process from our initiative owners and the tool is a lot easier to use as it gives more control how they build dashboards. After Q2 update process, in February, they will launch public dashboards. Thornburg showed how in the dashboard, each pillar can be selected to provide deeper insight on individual initiatives. The presenter used the AIR quarterly update as an example, which entailed the explanation of Q1 status, and action plans for Q2.

Thornburg then explained the ways we are going to facilitate the budget process coming January. There is also partnership with the initiative owners and pillar owners, as well as initiative departments and their fiscal officers and budget managers to facilitate FY23's budget process.

Thornburg stated that in FY22 the total strategic initiative budget was $37 million, and in FY23 we are transitioning down to $19 million, spread across all our initiatives. Currently, there are 264 people paid on strategic initiative funds, representing almost 165 FTE. The salary and ERE total is $14.5 million, this is spread throughout all the initiatives. There are some initiatives whose entire budget is personnel and others are construction project initiatives that do not have any personnel. In talking about FY23, it is not that the entire $19 million is for personnel expenses, as not all initiatives have such expenses. In addition to commitment to employees there is a little over $5 million in vendor commitments through lease agreements and software contracts and consulting contracts.

Next, Thornburg focused on operationalizing initiatives. We should be thinking about potential funding sources that are available to our initiative owners when they are transitioning. A way to transition would be to reduce their expenses related to their strategic initiative. A lot of our initiatives have already started on ramping down the expenses. When thinking about potential funding sources for the gap that exists between their total need for FY23 and what's available in strategic initiative funding, we are looking at initiative generated revenue grants, and partnerships that initiatives may have gone after. Another source we are looking at are additional university sources such as any gifts or sponsorship opportunities and new allocations to their departmental budgets.

Hunter stated that the reason this funding is ending is because the strategic plan was originally set up as a temporary fund. When created there was a lot of cash in hand, but due to changing circumstances we need to make sure the new initiatives transition to different funding sources.

Hunter then asked the committee to break into groups of 4 to discuss the potential challenges that the initiative owners will face and what strategies we can make to face these challenges. Question 1. What are potential challenges the initiatives will face during this transition? And the second question is 2. What are your recommended strategies for facing those challenges? The committee members were able to submit their responses via the survey listed on smart sheet.

Senior Leadership Updates

Folks gave updates on COVID. There was a court ruling which came out of Georgia, that put a hold on the federal contractor mandate for vaccinations. That has caused the University of Arizona to hold off on our mandates until the court ruling is complete. Folks expressed another update that NAU released a similar announcement that they are also holding off on their mandates.

Folks explained that regarding OMICRON variant that the same preventative measures are working with this variant as they worked with the others. They do not see anything that changes our teaching modalities, as OMICRON has the same transmission so the same measures will continue to be effective. We anticipate a lot of infections and breakthrough infections, but we also anticipate that these are going to be mild.

Folks stated that Cornell University had an uptick in cases, which set them to switch to online focus. This was interesting as the University population was stricken with cases, whereas the county was not, and the Cornell population is a highly vaccinated community with the student population also having a vaccine mandate. Factors could be that the cold winter prevents any outdoor events. Folks stated that the cases seem to be mild for the Cornell population.

Folks noted that there were announcements for PIF and wanted to thank everyone for putting out a proposal.

Rulney reported that the vaccine requirement language in the offer letters has been removed. Additionally, there are first round interviews with the chief of police. There is an expectation that there will be a finalist on campus towards the end of January.

Moore said that NAU is not doing anything different from the University of Arizona and are in a holding off on mandates just as UA and ASU are doing. The second update was that we are in the next round of creative advertising that will go out to 250 zip codes which is targeting across the country. Data showed that 40% of out of state admissions come through 50 of the 250 zip codes, and we are learning how to better target the students and the parents, with hopes to place them in the funnel to proceed to admission and hopefully orientation.

Summers stated that there were no updates she needs to present.

Adjourned
Meeting adjourned 9:52am.