

Report of the Working Group on Achieving a Sustainable College
Prepared for the Dean of the College of Agricultural Sciences
Robert D. Steele
November 16, 2001

The Problem

The College of Agricultural Sciences will face increasingly tight budget constraints in coming years. Despite significant additions to state funding in 1996 and 1999, the combined increase in funding from state and federal sources fell short of rising salaries and fringes by almost \$4.3 million between the 1991 and 2001 fiscal years (July-June). A persistent decline in the relative contribution of Federal formula funds, which has accounted for two thirds of the total underfunding of salary increases, seems unlikely to be reversed. Given the deteriorating financial position of the Commonwealth, future increases in state funding (if any) are likely to be modest. Even if the President and Board of Trustees take a conservative approach to future salary adjustments, likely increases in personnel costs (salary and benefits) will place sustained pressure on the College's financial resources. While there are some opportunities for tapping additional sources of revenue, it is unlikely that these will compensate for the anticipated reduction in base funding from state and federal sources. Given the high proportion of college expenditures on salaries (roughly 80 percent), it is inevitable that sustainability will require a gradual reduction in the number of personnel in line with available resources. The "stickiness" created by the tenure system and standing appointments poses a major challenge for adjustment.

The Challenge

The budgetary outlook requires changes in the way that resources are managed in the College. A "business as usual" model is not sustainable. Although the College has done a creditable job of living with fewer resources – for example, the number of faculty and county agents today is little changed from that in 1990 – cuts in personnel and programs will be required in the future. One approach would be to use "across the board" reductions in downsizing the College. Such an approach is only appropriate if the existing allocation of resources is correctly aligned with current and future priorities and if a uniform reduction in resources across all program areas would not undermine the viability of those programs. We do not believe that these conditions apply.

To ensure sustainability, the College must:

- Increase responsiveness to the needs of its stakeholders
- Adapt to changing state, national and international needs
- Increase the integration of the three functional areas – teaching, research and extension
- Promote greater inter-disciplinary effort across the three functional areas in order to address increasingly complex issues
- Exploit disciplinary strengths
- Improve evaluation of performance and accountability of the use of resources.

The central challenge facing the College is to design and implement a strategy to meet these requirements in the face of declining resources. Key elements in a strategy for a sustainable college are:

1. Setting priorities
2. Allocating resources in line with priorities
3. Controlling costs
4. Increasing funds available to support priorities
5. Making structural adjustments.

1. Setting Priorities

Issues:

- Currently, priorities are largely established at the unit level. There is weak definition and implementation of college-wide priorities.
- There is a need to be more specific in identifying the focus and content of a limited number of priority program areas that cut across disciplines and departments, and are targeted to specific objectives, e.g., we have a focus on food systems that is identified in our strategic plan, but what exactly is that focus? What is the focus of our work in the environmental area?

Actions:

- We suggest the creation of a limited number of internal task forces in the College, drawn from across units (academic and regional) and involving stakeholders, to define the focus of our work in priority areas (e.g., food systems; environment) and to identify ways to move this work forward in our three functional areas (teaching, research and extension). The needs and interests of external stakeholders should be clearly identified in determining the focus of college activities in each of the priority areas. Each unit should be required to address its contribution to the priority areas in their strategic plans.
- We suggest that the role of the Agricultural Council be changed from the current “passive” model to a more “active” model. The Council should become the sounding board for college priorities, as established above, and its input should be sought in the priority-setting process. If necessary, the membership of the Council should be broadened to ensure that all major stakeholders are represented (agricultural and non-agricultural).
- We suggest that an executive advisory body (10-12 individuals) be established to provide strategic advice to the Dean, perform an advocacy role for the College, and assist in seeking additional resources. The membership of this group should reflect the broad spectrum of stakeholders served by the College.
- Greater transparency is needed in setting and implementing priorities – e.g., priorities established at the college level on the basis of the work of the internal task forces, advisory bodies and the administrative team (Deans, academic and regional unit leaders) should be publicized, as should the rationale for securing additional funding, from the Commonwealth or other sources, and the reasons for the award of additional resources to units.
- Since student enrollment is a particularly pressing issue, we suggest that a college-wide task force be created to identify priority measures to be taken to

increase enrollment (e.g., by increasing the attractiveness of our majors, improving curriculum, and strengthening recruitment activities). Each academic unit should be required to specify the steps that they will take to increase enrollment in their strategic plans.

2. Allocating resources in line with priorities

Issues:

- Resource allocation is largely determined by unit level objectives rather than by college objectives.
- There is a tradition of “entitlements” that restricts the reallocation of resources (both staff and departmental allocations) within and among units.
- There is insufficient flexibility in the way that resources can be used, e.g., dollars made available through faculty or staff retirements tend to be used to create similar positions.
- Resources need to be directed to priorities established at the college level.
- Dollars should follow effort and success.
- The process of resource allocation/reallocation needs to be more transparent so that faculty and staff can see its relationship to priorities, and can have confidence that the process is fair.

Actions:

Allocation of salary dollars – faculty and agent positions

- All vacant faculty and county agent positions, created through resignation or retirement, should revert to the College (with the exception of faculty positions made vacant through denial of tenure at the academic unit level and extension agent positions made vacant by not being granted continuation after the probationary period).
- A certain proportion of vacant positions would be retired permanently each year in line with long-term changes in base funding for the College. We suggest the required reduction of dollars and an estimate of the dollars available for reallocation be announced by the Dean annually.
- All units (academic and regional) would be eligible to bid for the remaining resources for use in whatever form they viewed to be appropriate (tenure track faculty positions; standing appointment extension agent positions, fixed term staff or paraprofessional positions; or dollars to support non-personnel costs of program delivery).
- A set of criteria should be drawn up (e.g., contribution to college program priorities, contribution to undergraduate enrollment, generation of external funding etc.) and applied in determining successful bids.
- In extension, statewide program leaders would be eligible to submit bids for funding under this process.
- Decisions on filling vacant positions with a justification should be made public to ensure transparency.

Allocation of support dollars

- There is a need to analyze the current allocation of support dollars by unit and per FTE in each functional area (teaching, research and extension). Unit average costs should be monitored annually and used as a basis for determining annual adjustments in allocations in line with priorities and productivity. The aim would be to reallocate resources across units, in line with changes in staffing driven by priorities and unit performance in key areas.
- For teaching, allocations would be varied annually in line with contribution to teaching mission of the College. Benchmarks to use might include the number of students enrolled in respective majors and student credit hours generated.
- For extension, allocations would be varied with changes in the number of extension staff and demonstrated success of programs (current reporting systems should be strengthened to provide a basis for evaluating program impact).
- For research, money available for graduate assistantships and fixed term research positions should be linked to: the number of graduate students and the ratio of external funding (through grants and contracts, scholarships etc.) to base funding. This would reward units who are successful in attracting students to their program, securing external funding to support their research, and using external funds to support students or attracting students who are willing to pay their own way.
- Recognizing the fact that a performance-based reallocation of support dollars could create major shifts of resources among units through time, we propose that an annual adjustment formula be applied, i.e., a limit on the percentage reallocation of base funding in any given year for each area.

3. Controlling costs

Issues:

- Given the uncertain funding (revenue) outlook for the College, controlling costs must be a major component of the strategy to ensure sustainability.
- Under the current system of unit “entitlements”, there is little pressure to ensure that resources are used most efficiently in the College as a whole.

Actions:

Improving cost effectiveness and efficiency across all units

- We propose that an external management and operations review be carried out for the College. A firm of management experts, familiar with the operations of universities or non-profit organizations, would be engaged to analyze systems, processes and costs across all units to determine efficiency and to identify how cost savings can be made.
- If necessary, funding for the review should be provided by a levy on all units in proportion to their percentage of current total expenditures (salary and non-salary).

Improving cost effectiveness and efficiency in service units

For many units, it is difficult to identify whether existing resources are being used efficiently. However, the group identified a number of steps that could be taken to control

costs in service units. These involve the adoption of a more “market-oriented” model of operations:

- Full cost coverage for conferences and short courses. The conference and short courses office does not cover the costs of its operations. The potential saving from full cost recovery was \$139,000 in FY2000. Some conference organizers are charged fees that subsidize others that do not cover their costs. We propose that all activities should be charged a fee that reflects the services provided by the office. If organizers choose not to use the services of the office, such that it cannot cover its costs, the office should be eliminated.
- Farm operations and services place a significant demand on the college resources, consuming over \$358,000 of college funds in FY2000. Because of the nature of farm operations in a university context, it is unlikely that farm operations can be entirely self-supporting. However, a number of changes could result in savings. Among these are:
 1. charge the full costs of services provided to departments who generate revenues from farm activities, e.g., the costs of manure handling and disposal to sales of poultry products
 2. eliminate the bus services provided and rely on university buses or CATA (this would require charging the full costs of bus rentals to those in the College who use them)
 3. ensure the full charge back (where feasible) for the use of farm operations and services in research projects
 4. as part of the overall review of college operations (indicated above), we suggest that the business model for all the farm operations in the College be examined to evaluate the possibility for partial or full privatization in order to reduce expenses and increase revenues.
- The information and communication technologies unit is a large user of college resources, consuming more than \$2 million in FY2000. ICT needs to move to a charge out/cost recovery model for its services. Among the steps that could be taken:
 1. The College received \$750,000 of base funding from the state to provide computer support for extension. Any support provided in excess of this should be on a cost-recovery basis.
 2. The current system for the production of publications, videos etc. should be converted to a fee for service basis. Clients would be faced with paying the full costs from extension funds or applying these to grants and contracts. As an interim step in this process, we recommend that the full costing of each item be made clear to clients, so that the legitimacy and effectiveness of the expenditure involved can be judged.
- The publications distribution center. It is difficult to determine how much could be saved by making changes to the publications distribution system. We suggest that this be evaluated as part of the overall review of operations. However, among the steps that could be taken:
 1. reduce the volume of printed publications produced, in particular by shifting to electronic distribution. The full costing of printed publications (production,

storage and distribution) would help to improve understanding of the true costs of publications

2. invest in an improved system for the electronic distribution of publications with secure server facilities for on-line purchase. The adoption of aggressive pricing with a significant discount for the purchase of on-line documents could help to reduce the demand for printed publications and lead to significant cost savings.
- Overall staffing levels in service units. The number of staff in the service units has increased by almost 9 percent since 1990, while those in other areas have declined. While some of this increase may be due to the desire to improve service to academic and regional units, and some may be the result of “unfunded mandates” from the University or elsewhere, it is clear that the number of staff funded from base funds in the service units will have to decline. We recommend that the reduction in staff on permanent funding in support and service units parallel the reduction in academic and regional units to be achieved as indicated under 3 above.
 - Resources saved from the reduction in college funds provided to service units should become part of the money reallocated to academic and regional units under 2 above.

4. Increasing funds available to support priorities

Issues:

- Given the uncertain outlook for funding from traditional sources, every effort needs to be made to exploit new opportunities for funding, and to make the best use of those sources to support core activities of the College.
- The College needs to increase the support of officials (legislators, county commissioners, and other agency professionals) for the research, extension and outreach work of the College.

Actions:

- We have largely relied on our traditional agricultural clientele to support our requests for funding in Harrisburg. Non-traditional groups and sources of funding should be explored aggressively, in particular to obtain funding for some of the newer program areas, such as the environment, or children, youth and families.
- We need to improve our efforts to communicate the value of our teaching, research and extension programs to legislators, key stakeholders, public officials, and the public at large. In order to achieve this, consideration should be given to strengthening advocacy through the existing university structure and/or through an expansion of college activities in this area. The communication of research results and publicizing the impact of research should be accorded greater priority in faculty evaluation and rewards, and in tenure and promotion decisions.
- Since a major source of growth in funding is through competitive grants and contracts, every effort must be made to include the full cost of research into grants (equipment, personnel etc.) consistent with Federal accounting rules.

- The group discussed at length the possibility of imposing a college-wide levy on the money generated through grants and contracts to provide a pool of resources to fund new program initiatives, but could not reach agreement on this. This does not preclude individual academic units from using such an approach should they decide to do so.
- We suggest that all indirect costs recovered from grants and contracts be retained at the college level to support new program initiatives. The money thus generated would constitute a “strategic initiatives fund” that would be distributed through an RFP process. Priorities for and the allocation of the funds under this program should be transparent.
- In order to encourage county extension staff to become more active in seeking external funding, we suggest that they be entitled to the return of some portion of the salary savings generated from their participation in sponsored research for use in approved ways. We also suggest that participation in externally-funded projects be clearly identified as an expectation for all new hires and be used as a factor in annual salary determination.
- In order to mobilize additional resources, we suggest that all associate deans, and academic, statewide and regional unit leaders be assigned the goal of increasing external funding (though grants and contracts, endowments etc.) and that their documented success in doing so be a major part of the performance and rewards system. Consideration should be given to involving the college’s Development Office in the dialogue of funding program priorities with departments and regional units.

5. Making Structural Adjustments

Issues:

- The downsizing of the College will require adjustment in organizational structure. It is unlikely that we shall have the same number of units in the future that we have today. A futuristic look for the College must be designed and dialogue on restructuring should begin now.
- In order to respond to the needs of stakeholders, existing personnel will have to be responsive to change; the types of positions that we shall want to create for new faculty and county agent hires are likely to change.

Actions:

- In order to encourage faculty and staff to adjust their efforts in line with the changing needs of the College, we suggest that current performance and reward systems place top priority on recognizing and rewarding contributions to the achievement of strategic objectives. Such contributions should be a major factor in the award of Presidential Excellence dollars in salary determination and in the allocation of support dollars at the unit level.
- The high proportion of college resources tied up in salaries for tenured positions and standing appointments, limits flexibility in adjusting staffing to changing priorities and needs. We suggest that the College reduce the proportion of its total salary dollars in tenured and standing positions through time. This would be

achieved by creating a higher proportion of fixed-term appointments. To attract suitably qualified candidates, we suggest that these appointments have a 3- to 5-year duration.

- In order to adapt future faculty and agent positions to changing needs, we suggest that academic units have greater input into the definition and filling county/regional agent positions, and that county staff have greater input into the definition and filling of faculty positions that involve an extension component.
- Several measures could be used to adjust administrative structures in the light of tighter budgets and a smaller college. The group discussed changing from a head to a chair system, in order to save administrative salaries. On balance, we did not favor this option. However, we suggest that all future administrative hires involving faculty rank be made on the basis that reversion to the faculty involve an automatic conversion to a 9 month contract, in order to provide some economies and to encourage former administrators to seek outside funding.
- The group believes that the implementation of the processes for resource reallocation proposed in this report will likely highlight the need for an eventual reduction in the number of units in the College. However, we do not offer any proposals for restructuring at the current time.

Respectfully submitted,

David Blandford (co-chair)

Barb Christ

Rob Crassweller

Bill Curran

Catherine Cutter

Mary Jo Depp-Nestlerode (co-chair)

Terry Etherton

Magdi Mashaly

Claudia Mincemoyer

Gary Perdew

Mike Saunders

Chuck Strauss

Neal Vines

Eileen Wheeler

Walt Whitmer