Impact of Budget Restructuring on Interdisciplinary Research Centers

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1. Taxonomy of centers

We begin with a taxonomy of centers, distinguishing centers in terms of their reporting structure and source of funds. For each type of center, we suggest the likely impact of Budget Restructuring (BR). Everything that we say here applies not only to existing centers, but to possible future centers.

I. Centers that are not assigned unit designation within the university. Such centers are typically within departments, and report to department chairs, although there are exceptions. These centers have been called “small ‘c’ centers” to distinguish them from centers that are part of the formal university structure.

II. Centers that are assigned a unit designation within the university, sometimes called “big ‘C’ Centers”. These centers have a range of reporting relationships and sources of funding.

We believe that the impact of BR on Type I centers is not a particular concern. A center that has been established by a department or a college for its internal purposes, e.g. to organize research or instructional activities, is presumably evaluated on an ongoing basis by such units. It will be allocated resources to the extent that it is meeting the objectives for which it was established. These resources are presently under the control of the college dean and would presumably continue to be so after BR, although of course the mechanisms for allocating them to the college would change.

Regarding the Type II centers, there are a number of scenarios.

A. Centers that are completely self-supporting from extramural sources

B. Centers that are not completely self-supporting from extramural sources

“We define “self-supporting” generically as being the situation in which the indirect cost recovery that would be allocated to the center under BR by the university to cover operating costs equals or exceeds its current budget.”

If a center is of type II.A, again we believe that BR is not a concern. The center has been self-supporting in the past, that is, its budget reflects a “reasonable” return of indirects according to BR rules. It may or many not continue to be self-supporting in the future, but this is independent of BR.

If a center is of type II.B. there is a potential concern, depending on how such units are allocated resources after BR. There are two possibilities: (i) all units are allocated resources by the same formula (as in for example BRVII), which places a heavy emphasis on
teaching; (ii) units are allocated resources on a differential basis that is commensurate with their mission and consistent with the BRVIII principle that budgets not be reallocated based on formulae.

Among the centers of type II.B there are two types

1. Centers that are parts of and receive their budgets from colleges or departments
2. Centers that have a cross-college function and report to the Vice President of Research, the Provost, or another administrator above the level of a dean.

For type II.B.1 centers, the issue with respect to option (i) is essentially the same as for type I centers, in the sense that the direction of resources to such centers (whether or not they are part of the formal university structure) is a local matter. A dean may wish to allocate resources to a center that does not generate such resources directly for any number of reasons, including that (a) having such a center is worth the marginal cost for academic reasons, (b) the center contributes to generating more resources than are directly associated with it because of the organization of the college, (c) the center is going to generate the appropriate level of resources in the future. As before, this is a local matter as is the question of allocating resources to departments within a college.

Here is a summary of the taxonomy, for reference purposes:

I. Unofficial

II. Official

A. Completely self-supporting

B. Not completely self-supporting

1. Centers in colleges and departments
2. University-level centers

2. Consequences of BR

We recognize that type (i) funding is a feature of the late, and unlamented BR7. BR7 would be potentially fatal to centers and if features in BR7 were to appear on the table again, our view of funding for centers would be completely different. The consequences of an option (i) type of formula is potentially devastating, since such centers have no deans to whom they report and with whom they can work to identify a suitable budget. Therefore, we raise the following concerns:

Concern la: To the extent that Budget Restructuring legislates budget allocations to
non-self-supporting cross-college centers without any opportunity for central administration to amend such budget allocations, these centers will be significantly damaged or destroyed.

Concern 1b: Just as BR could damage or destroy centers, it could render it prohibitively difficult or impossible to create new centers that would address emerging fields, take advantage of opportunities, and effectively marshal the resources of the university.

It is our belief that changing the status of an academic unit or eliminating it is one that should be made on academic grounds, and should not be the unintended consequence of a budget process. On this view, it is essential that BR be viewed as a guideline for budget allocating, not as a mechanism. Similarly, the creation of new centers is something that should be encouraged if the academic conditions are met, and should not be rendered impossible by administrative mechanisms.

On option (ii), units would be allocated budgets on the basis of their mission, which would presumably be determined as a consequence of academic process. For type II.A centers, those that are self-supporting, the question of their mission as it relates to the university budget is of course moot. For type II.B.1 centers, those who get their budgets from colleges, the question is not moot, but there is a process for identifying the appropriate budgetary allocation, as already discussed. Again, the issue arises for the type H.B.2 centers, those that report to central administrators. We propose the following solution.

Proposal 1: Type II.B.2 centers should continue to receive their basic budgets from the central administrators, on the basis of their mission and the extent to which they fulfill this mission.

Clearly this proposal entails that the central administrators such as the Vice President for Research will continue to receive a budget for the creation and funding of cross-college interdisciplinary centers. What the level of such funding should be is a matter that remains to be determined, since it depends on a judgment made across the university about the importance of having interdisciplinary cross-college centers that do not have a certain level of funding associated with them but that nevertheless are viewed as contributing to productivity and to the quality of the academic and research environment. To a certain extent the level of this contribution is unmeasurable, and the decision to fund such activities must be an academic one, made by an academic administrator, with suitable advice from academic sources.

3. Return of net indirect costs to units

A plausible formula for the distribution of indirect cost recovery, which we would like to put on the table as part of this discussion with the Administration, is the following:
Proposal 2: the university returns to units all indirect costs recovered above 29% of the MTDC.

The rationale is that of the 46% that the university currently recovers, 20% is designed for space 20% and facilities and 9% for “central administration.” Indirects above 29% of MTDC are what we will call “net indirects”. The increase in net indirects is what we propose should be returned to the units in recognition of the new net undirects that they generate.

4. Taxation and cooperation

At this point we have the following scenario. We presume that there are centers that do not report to deans but report to the Vice President for Research or the Provost, or another central administrator. We presume that as a result of an academic process these centers are judged to be of some value to the university. And we presume that the university allocates resources to these units to eliminate the shortfall between the income that they generate and their budget. The income, we presume, is computed in terms of the 17% of proposal 2. We will refer to centers that meet all of these conditions as “Valued Centers” (VCs).

At this point the question arises as to the effect of cooperation and competition on the ability of Valued Centers to maintain their existence in the university. There are many scenarios that one can imagine in which a dean or department chair will make it unattractive to faculty to enter into cooperative arrangements with VCs, because of the return of net indirects associated with funded research. If this was the order of the day, then we would say that BR had produced the effect of forcing interdisciplinary research out of the centers, and of inhibiting the ability of centers to carry out their accepted mission. Hence we have another Concern.

Concern 2: If BR puts Valued Centers into competition for resources with colleges and departments, then VCs will lose, and the university will be damaged.

We note in connection with this concern that in this type of competition, a center can offer as an incentive to faculty the opportunity to work together across department and college lines, and possibly the opportunity to put together a project that is more competitive externally because of the association with the center. On the other hand, the college and department have control over workloads, tenure and promotion, and salaries. Hence if VCs are to be successful in carrying out their mission, the participation of faculty in such centers cannot be made into a loss for colleges and departments under BR. It must be either a win, or at least neutral.

With this in mind, we offer the following proposal.

Proposal 3: To encourage organized interdisciplinary research, the net indirects that Valued Centers receive from research should not be taxed.
The implications of Proposal 3 are as follows. Exempting VCs from paying the tax means that they can rebate the net indirect generated by faculty to the colleges and departments, so that they will have no budgetary motivation to restrict their faculty’s participation in interdisciplinary efforts through centers. The centers in turn will retain some resources associated with the generation of extramural funding to provide them an incentive to seek more, and moreover to offset the development and management costs associated with such efforts.

5. General issues

We address here the three general questions that were directed to us by the Provost and Vice President for Finance.

(1) What academic goals should be advanced by centers and how can they best be supported in a restructured budget environment where colleges are the principle units?

The primary role of centers is research that is interdisciplinary, innovative and risk-taking. Centers should provide focus and generate activity in areas that do not fall within or emerge naturally out of the organization of the university into departments and colleges. In our view, the management structure of the university, its organization into colleges and departments, plays an indispensable role in promoting research and carrying out instruction, but by no stretch of the imagination can it be construed as the definitive way that scholarly and research activity should be organized. Centers allow the university to overcome some of the limitations imposed by the organizational structure. As such, they also play an indispensable role. It is the responsibility of academic administrators at each level to understand the limitations of the structure, to identify the priorities and the opportunities before the institution, and to find ways to work within and around the structure.

For those instances where the interdisciplinary opportunities exist solely within a particular college, it is anticipated that the dean will recognize these limitations and opportunities and find ways to fund a center that addresses them, as outlined in our taxonomy above (II.A and II.B1). In part’ the evaluation of a dean should address the extent to which he or she has successfully kept his college and departments current with academic innovation, regardless of the organizational structure.

We believe that it is the responsibility of the central administration to find ways to execute the same functions across the university when the subject matter crosses college lines in an essential way. We suggest that it would be the responsibility of the Provost and the Vice President for Research to establish mechanisms for doing this in a systematic way, and that there be a budget identified for the purpose of establishing and maintaining such interdisciplinary centers (types II.A and II.B.2 in the taxonomy). The priority associated with this activity should be identified and it should be funded accordingly, in the same way as the instructional efforts, the libraries, research support facilities, and so on, are supported, and by the same criteria. While the external support that might be generated should be a factor, considerations of cross-subsidization should not be ruled out where there is a consensus that a center is a Valued Center in the sense discussed above. The Vice President
for Research should have the function of coordinating these centers and identifying their benefits and costs to the institution. Naturally, it is to be expected that colleges that could benefit from and contribute to a center would play a role in its support. But the history of the institution shows that it is very difficult for a dean to rank support of a unit outside of his or her college (e.g. a type II.B.2 center) over internal activities, regardless of the academic merit. Placing the responsibility for developing cross-college centers in the hands of the Provost and the Vice President for Research, with the support coming from internal taxes, sidesteps this difficulty and provides colleges and departments with incentives for participating in rather than hindering such centers (the logic being that if they participate and it succeeds they stand to get a ‘share of the action’).

(2) How should center budgets be established, what should be the sources, and in what proportion?

Self-supporting centers are supported by external funds. To the extent that a center is not self-supporting, its support should be provided from the budget allocated to the Vice President for Research, as determined by the assessment of the academic merits as determined by program review and faculty input. It is realistic to support centers internally with 1/2 time funding for a director, funding for an administrative assistant, and with whatever funds are justified by the mission of the center as arrived at and agreed upon through the academic process.

(3) Is the current process for approving a center adequate under a budget restructuring environment? What should be the process to (startup), continue or close a center in this environment.

We suggest that the current process, whereby a center must be reviewed by CAA before being established, is too limiting and engenders resentments and cynicism. The Vice President for Research should be empowered to establish and fund Provisional Centers (with a finite life - say 3 years) after consultation with the Council on Research. Such centers should be reviewed after the initial period by CAA and OAA for a more permanent existence on the basis of their demonstrated viability and contribution to the quality and the university’s mission. Such a mechanism would allow the start up of potentially self-sufficient centers to seek extramural funding. If the mission of the center is to bring in enough funds to be self-supporting, then whether or not it meets this objective would be part of the review process. If the mission of the center is to stimulate interdisciplinary research and graduate training across a range of departments and programs, then measures of its success would have to be agreed upon as part of the approval process.

Respectfully submitted,

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