Warrington College of Business Administration
Budget Review
2006

Budget Review

The College of Business Administration continues on its chosen trajectory to be one of the ten best public Colleges in the country. In many aspects of its activity, the College has already achieved this status*, but the challenges of full achievement and maintenance still remain. The College has maintained its momentum in spite of no real growth in state support by increasing productivity, establishing alternative funding sources, and creative utilization of resources available. All of these factors are now present but they are no longer sufficient to attain the objectives or, indeed, to maintain the current position. We do not believe additional resources are the answer to every problem and we have pursued our aspirations successfully without additional state funds for several years. But there is a limit, and creatively combining a decreasing proportion of state funded resources will no longer sustain our progress.

In order to maintain our current levels of productivity, we need additional resources as reported in the materials which follow. We believe we can generate total SCH that are comparable to those produced this year by moving some undergraduate to graduate hours and substituting some service undergraduate hours for major hours. However, growth in any program will require more resources.

If the University is unable or unwilling to meet the resource needs outlined in this document, then it must be prepared to accept a different College of Business with a different set of aspirations.

I. Recurring Resource Needs

A. Restoration of Operating Budget

The first priority for the College in terms of recurring resources is restoration of the operating budget to its 2001-02 level. As a result of the 40% reduction in these funds over the last four years, sustaining the PhD program now absorbs 90% of the $1.2 million budget. There is literally not enough remainder funds “to keep the lights on” and without private sources and revenue programs, the College would be forced to place severe restraints on its programs and activities.

To restore to the 01-02 level would require:

$700,000 recurring.

B. Personnel Funding

The personnel funding needs of the College should be understood in the context of no available rate. All uncommitted rate has been used to sustain College operations and the

* Recent evidence to that effect: 1) Economist Intelligence Unit (UK) – UF Business Faculty quality ranked #5 in World; #3 in US (2005) Attachment 1. 2) Duke University Research – UF Marketing Faculty ranked #2 in World in Citations per Capita (1997-2004), Attachment 2.

fund demands that have been placed on the revenue programs have become so large that the reinvestment needed to maintain and refresh these programs has been compromised. It should be noted that rate that has been made available through departures and retirements has been absorbed through matching offers or lecturer hires to deliver service/core classes.

1. Critical Needs

The College has identified the number of faculty needed to sustain appropriate quality and quantity dimensions after the effects of the current enrollment management strategies are fully realized. The College is now several faculty below this number and although we have added lecturers, the number of academically qualified faculty is shrinking. The rate specified in the critical category is needed to replace departing or retiring faculty whose work product must be recaptured or the College's programs and output must be down-sized.

Amount needed $662,500

2. Important Needs

-An Eminent Scholar line (Jim Walter Eminent Scholar Chair) has been vacant for several years and the rate required to hire has escalated. The College's "unfilled" response to the annual state audit will eventually raise questions by the donor if not the state about the University's commitment to the Eminent Scholar program.

Amount needed $270,000

-The University/College were unable to fund matching offer for a “rising star” who was recruited by Stanford. The University permitted the College to use a private source (J. Walter income account) to fund the match. This temporary funding must be moved to state support to activate the Chair.

Amount needed $80,000

3. New Initiatives

-In College: There are two new and important fields of study in business education – ethics and entrepreneurship. While both disciplines have been part of business management from its inception, it is only recently that they have become critical management and social issues. The College has captured this rising interest with relevant centers and private funding. Student interest has outpaced resources available, and this in-college initiative would provide a teaching faculty person in each field.

Amount needed $187,500

-In University: As noted, the College has responded to an increasing need across the University for expertise in Economics by exploring and instigating joint appointments. The College has agreed with the Director of the Center for Latin American Studies to recruit an Economist for a joint CBA/LAS appointment.

Amount needed $55,000

II. Non-Recurring Resource Requests

The College has a number of new opportunities and/or continuing possibilities that require non-recurring resource support. These include:

A. Enhanced distance learning and electronic platform delivery systems

The College is the recognized campus leader in the production of on-campus electronic platform courses and off-campus distance learning programs. We currently deliver electronic platform courses to 11,000 students a year on campus and have over 500 students enrolled in internet MBA and online BSBA programs.

All production and delivery is done in-house. The primary production facility (Bryan 130) was renovated and equipped in 1990. We are currently limited in our ability to use the latest technology to expand and enhance extra-classroom delivery of course content by the inherent weakness of the existing analog equipment. The use of digital recording and broadcasting with the 16:9 aspect ratio will enhance our video production suite and position us to provide a richer feature set for our students.

The requested upgrading is particularly important as the College's distribution network takes on more global dimensions. Currently the College has students each term (50-100) enrolled in webcasts of UF courses while involved in our overseas programs and residing in France, Spain or England. This international demand for a robust system will be further intensified if the current negotiations with three schools in China and India for web delivery of content prove fruitful.

The funds required to provide the upgrading and renovation needed include:

Install digital video production in Bryan 130	$120,000
Space renovation, reconfiguration to accommodate the new production process	$40,000
Total	$160,000

B. Establish a Doctor of Business Administration Program

This program will uniquely fill an important educational "gap" in business graduate education. European schools have been quick to incorporate this "life learning, Professional development" model, but the proposed program will place the College/University in the vanguard of change in the U.S. Detailed plans and rationale are offered in Appendix 3. The program is forecasted to be self-sufficient by year five. However start up funds as outlined below (and detailed in the attachment) will be needed for the early years.

Year 1	$110,500
Year 2	110,500
Year 3	286,000
Year 4	286,000
Year 5	0
Total	$793,000

C. Building

As has been noted in numerous conversations, memos, reviews, and requests, the College needs appropriate space for its graduate programs. By any measure, these programs suffer a quantity and quality space deficit as compared to our peers. In fact, we have the worst facilities in our peer group which impacts on all aspects of our activity. Quality space is not a sufficient condition for growing a reputable graduate program, but it is a necessary condition.

The College is committed and able to generate the funding required. What is needed is a University agreement on tax rates that are applied to revenue programs which would allow us to dedicate the tax difference to funding a building for the University. Obviously, the opportunity costs to perceived benefit relationship would be strongly positive.

Simplified financial facts would resemble the following:

Taxes at 14% on forecasted revenues = $1,400,000 – 400,000 (at 4%) = $1,000,000 (annual mortgage service)

The building cost is estimated at $14M. The College has a $2M University note it will use as down payment and will service the balance for 20 years at 5% (Wachovia, est.).

As you know, this proposal is a reiteration of what was previously agreed upon. We believe it represents sound financial planning by all parties and it is difficult to rationalize value added by continuing delay.

Proposal:

1. Ratify that the tax rate on gross revenues generated by off book programs will be 4%
2. College will commit $1,000,000 annually to a building fund.

D. On-Line Testing

The use of the electronic platform and course management systems has resulted in increased instructor demand for facilities and technology where online testing can be conducted in a proctored environment. We propose to offer a portable electronic testing option through the use of self contained notebook computer carts. The model proposed would allow the College to use rooms available and equipped for mobile testing.

This configuration with the requisite software provides individual questions and answer ordering, locked out access to references or downloading, and instant feedback with questions specificity.

A secondary benefit of this inventory is the option of turning any classroom into a hands-on teaching lab. The resources needed to accomplish these purposes include:

Mobile Computing Carts, Notebook Computers, Exam Security Software (72 students)	$115,000

E. Undergraduate Student Services

In Spring 2006 the College opened the Undergraduate Student Center. This facility, located in Bryan Hall, was most recently used as a University computing lab. The University transferred usage of the space to the College in Spring 2005. The transfer was on a "bare wall" basis and any renovation, reconfiguration, furnishing, etc. was to come from existing College resources.

In order to bring this space on line as soon as possible, the College borrowed against its future online BSBA cash flows. The space now provides:

-an undergraduate student area for individuals and small groups
-three classrooms (25 seat capacity ea.)
-space for corporate presentations (with CRC)
-College level functions (Advisory Board meetings, VIP Speakers, etc.)
-University events (Admissions, Honors Programs etc.)

This development is a major initiative to "enhance our educational services and opportunities" for undergraduates. The resources required include:

Physical Renovations	$320,000
Furniture	69,095
AV Equipment & Wiring	29,749
Classroom Partitions	9,462
Copier, Telephones, Telephone Lines	8,870
Total	$437,176

F. Development Officer

The College's Development effort has been understaffed for several years. A review of peer staffing revealed up to 9 Development Officers with the average being 4+. The College must play an important role in the University's Capital Campaign. It has committed to a 50% increase in the current endowment and this is a doable goal with adequate personnel. The College now has 3 Development Officers (one hired in January) and will need at least 5 to assure success in this activity. Some early year funding assistance is being provided by the Foundation, but the absence of any available rate in the College means a diversion of operating funds until the new officers become self-supporting.

The support needed would be:
2 officers @ $70,000 + fringes; ½ covered by Foundation

Year 1	$43,750
Year 2	43, 750
Year 3	0
Total	$87,500

Summary (Reference: Spreadsheet, Attachment 1)

Recurring:

Operations	$700,000
Personnel	1,255,000

Non-Recurring

Year 1	Year 2	Year 3	Year 4
$866,426	$154,250	$286,000	$286,000

Building:
Tax rate differential will generate $1,000,000 per year

III Responses

A) A summary of hiring from this past year and how it strengthened your unit.

With a continuing limit/absence of available rate the College did virtually no hiring this past year. The only new faculty that joined the College were a result of, or in response to special situations and did not add to the "academically qualified" total.

1. Damon Clark

Damon Clark, PhD, University of California-Berkeley, was hired at the Assistant Professor level as a joint appointment between the College of Business (Department of Economics) and the Institute for Child and Adolescent Research and Evaluation (ICARE). The College contributed half of the necessary rate ($42,000) and in return will receive 0.5 FTE to be dedicated to teaching and research. This interdisciplinary hire is an important component of the College commitment to an increased presence in applied and policy areas in economics. The Department has developed national standing through the important work of David Figlio, Rich Romano, and Larry Kenny in the field of Economics and Education. Clark's research interests complement this agenda and will add to the research momentum already present. As a side note, Figlio and Clark have recently submitted a $750,000 grant proposal to NIH concerning the "Intergenerational Transmission of Human Capital".

2. Sean Limon

Sean Limon, PhD, Michigan State University (Communications), was hired as a Lecturer. The College is developing a core of management communications courses and faculty. The need for these skills and the absence of any coherent University program has led the College to establish a Center for Management Communications and a curriculum that is offering fifteen sections of composition each term (graduate and undergraduate). The Center now has three instructors in composition and Sean is our first hire in oral communication. We have attracted some private support for the center and as that base grows we will assess our need for additional instructional assistance.

B) Steps taken to advance the units that you identified two years ago as your strongest.

1. Current Summary

A current summary of the departments/programs of the College is presented in the following tables.

Research Units

Department	04-05 Ranking	05-06 Ranking	Trend	Strength	Weakness	Action
Accounting	#25	#24	↗	Programmatic Reputation	Research Productivity; Leadership	Research Focus; New Hires; New Director
Decision and Information Sciences	#11	#11	→	Programmatic Reputation, Research Productivity	Field Coverage; Major Demand	New Hires; Directed Emphasis
Economics	#10	#10	→	Research Productivity; Focus	Faculty Size, Demographics	Engage Faculty in University & College Initiatives; New Hire; Financial Flexibility
Finance	#8	#9	↘	Research Productivity	Faculty Vulnerable to Market; Demographics	Attain Financial Flexibility/Enrich Research Environment; New Hire
Management	#8	#6	↗	Research Productivity	Faculty Vulnerable to Market	Attain Financial Flexibility/Macro Faculty Hire
Marketing	#1	#1	→	Research Productivity	Faculty Vulnerable to Market	Attain Financial Flexibility to Retain Faculty

Instructional Units

Programs	04-05 Ranking	05-06 Ranking	Trend	Strength	Weakness	Action
Undergraduate	#13	#12	↗	Accessibility, Innovation	Headcount, Too Large, Impersonal	Restrict Growth; More Support Services; Extra-curriculum
MACC	#5	#5	→	CPA Pass Rate, Faculty Commitment	Limited Systems Focus	Hire where possible in Systems Area
MBA	#21	#20	↗	Student Credentials, Executive Degree Programs	Funding, Facilities, Placement	Increased Funding, Focused Placement; New Building
Specialty Masters	N/A					
PhD	#12	#12	↗	Marketing, Finance, Placements	Funding Inconsistent; Placement especially in Economics	Increased funding/increased stipends

*The ranking information is in comparison with U.S. public business colleges. It is compiled from several sources. The primary source for research productivity is Business Research in Eight Disciplines, Robinson and Adler, 2003. This study examines the publication record in terms of quantity, quality, and citation for fifty-one schools – all of which have been listed by the media as in the top 30 business schools in some publication. The primary source for programmatic quality is the analysis presented annually by US News and World Report. PhD programs are not ranked by the media and so this ranking reflects a composite of information with an emphasis on placement records.

The College has a total of ten Research/Instructional Units and five of these ten are in the top ten among public Colleges of Business.

The challenge is to maintain the standings of the units who have attained "top ten" designation while moving the remainder in the right direction.

2. Maintain

The primary difficulties for the Units which have attained the desired standing are faculty size, faculty demographics, and market vulnerability.

1. Faculty Size

The College's output, in terms of degrees and research, places it in the upper decile of the designated peer set. We have attained this position and these results through innovation, technology, and a relatively small but highly productive faculty. The data for 04-05 shows our faculty size to be the smallest in our peer set of 16 and our degrees per faculty is the largest. However, we have "hit the size wall" and the expected decrease in faculty numbers (-8) over the next three years will disproportionably cut into productivity. We will be below the minimum size necessary to have a competitive academic unit in our peer set and the output per faculty will no longer be able to overcome the limited total number of faculty. The critical shortage is most evident in the academically qualified component. Most of the recent additions have been lecturers who fill programmatic teaching needs but are short of the academic qualification for tenure tracking.

It will be especially difficult for the Economics Department to maintain its position. The Department is one of the smallest in our peer set and this size limits field coverage to their disadvantage. An active "niche" strategy has cushioned some of the consequences of the size differential but even the efficacy of the focus and coverage will be impeded by further reductions.

There is another exacerbating factor in the Economics Department situation and that is the presence of an empty Eminent Scholar Chair. The Jim Walter Chair has been vacant since 2003 when Tracey Lewis decided to move to Duke. The priority when that rate came available was matching offers with the expectation of rate replenishment to allow filling the Chair. That has not happened, and further, the College has had to tap the income account using an "interim" strategy to provide support for a matching offer last year. So the unit's size and the loss of senior leadership has made maintenance of standing difficult.

2. Faculty Age Demographics

Almost 25% of the College faculty were sixty or older at the beginning of 2006. About that many are likely to retire some time during the next five years. Replacement funding will likely support a 2 for 3 process further exacerbating the size problem.

The Finance Department has a particularly difficult age demographic situation which, if not solved, will certainly reduce their research productivity. The Department has not been able to hire academically qualified faculty for the last seven years and as a consequence there are no Assistant Professors among the sixteen faculty and only three Associates. The absence of the junior faculty attributes will ultimately reduce research productivity with subsequent cascading effects.

3. Market Vulnerability

The faculty of the College's leading Departments are in demand in the market and the College has increasing vulnerability to external offers because of limited financial flexibility. Over the last five years the College, has successfully countered fifteen of the sixteen offers received by its faculty at a cost of $510,000 from existing rate. However, there is no rate left for these purposes in the College. In some sense we are a victim of our own success. We have created a work environment that facilitates and promotes professional development. As evidence of that success becomes apparent in the market, our peers bid to benefit from that development. In the next three to five years, we expect several of our faculty to receive external offers.

Management Department
Two Associate/Fulls and one Eminent Scholar who have recently been recognized nationally as outstanding in the field.
Estimate to match: $150,000

Marketing Department
One Eminent Scholar, one Distinguished Professor and one Full nationally recognized for their research and contributions to profession.
Estimate to match: $150,000

Finance Department
Two Eminent Scholars and one Full nationally recognized as above.
Estimate to match: $150,000

Economic Department
One Full who recently turned down Stanford but will continue to be "in play".
Estimate to match: $50,000.

These four Departments are "top ten" quality and that quality depends on the presence of the faculty who are most likely to leave if the College can not continue a dynamic matching program.

Solutions:

There appear to be two possible solutions to the "maintenance" problems.

1. Acquisition of new resources

2. Reduction of faculty size further to free up rate for the market vulnerability problems [solve one problem by exacerbating another; for every faculty person the college loses, its degree production drops by 24; a reduction of 8 without replacement means 200 fewer business degrees.]

The College has managed to dampen market vulnerability through revenue programs cash flows. However, these off-book dollars are uncertain with upper limits and generate research productivity tension. Further, the supplemental nature of these funds limit their uses in the size and demographics problems.

C) A summary of faculty searches for the current year.

Budgetary constraints have limited faculty searches this year to the affordable which is less than the minimum necessary.

1. Fisher School of Accounting

Searching for two (2) Assistant Professors of Accounting. These hires will be from peer schools or better with a research emphasis track and a starting salary of $150,000. The Fisher School faculty has decreased in numbers over the last five years from fifteen tenured and tenure track to eleven. The six departures, due to retirement (2), termination (2), relocation (1), and disability (1), have been offset to a limited extent by two new hires. In the meantime, the demand for accounting education and research has remained strong with virtually no change in headcount and rising expectations in terms of research output. The recent departures made enough rate available to fund two Assistant positions.

2. Department of Economics

Searching for Lecturer. The Department has lost four faculty (net) over the last five years. In addition to the normal research assignment, the Department carries a heavy electronic platform teaching commitment (3 courses, 2500 students each term). The limited rate available has encouraged faculty diversification in which there is a greater representation of teaching primary faculty (Lecturers) who focus on the electronic platform courses. The proposed lecturer hire in this department would be targeted at the core Managerial Economics course (ECP3703) with an average term enrollment of 600 students. Each of the other College units has one or two lecturers in this role and this hire will bring Economics in line.

D) Goals for advancing the Unit's research agenda.

The College is committed to the objective of being among the top ten public Colleges of Business in research productivity. The table presented in response (B) suggests that four of the six research units in the College have attained that standing and the remainder are on an improvement track that should lead to that standing within the next five years.

As noted, appropriate hiring is a necessary condition for maintaining or enhancing the research productivity of all units. In addition the College has the following practices or plans which have or will advance the research agendas of all units.

1. Summer Research Grants

The College funds a very aggressive Summer Research Grants program for all non-tenured (tenure-track) and many tenured faculty. The intent is to provide support and time necessary for focused, concentrated research efforts. The recipients of these grants submit a proposal which is vetted competitively and then provide proof of effort for future eligibility.

These grants (minimum $25,000) are funded by the revenue generated funds or the income from endowment accounts and the amount committed for Summer, 2005 was approximately $2 million which covered more than half of the faculty.

Our peers are offering summer support as 2/9th of the 9 month salary which was averaged about $35,000. As long as these funding sources remain stable and growing, the College must increase the minimum and broaden the coverage to include all research active faculty who are not teaching (65, 55 funded in 05).

2. Warrington Funds

The income from the Warrington endowment ($9.0 million) is dedicated to support of the individual faculty research and teaching programs. Currently, each tenured or tenure-track faculty receives $6,500 in Warrington Funds which can be used to support their research agenda, i.e., purchase computer hardware, software, periodicals, trips, etc.

The College will improve on these budgets if and when the income from the endowment increases.

3. Standards and Measures

As noted, the College's research productivity as measured by various ranking efforts is generally of "top ten" quality. The quantitative emphasis (number of publications) associated with most rankings is supplemented within the College by citation analysis. All merit conversations concerning research active faculty include specific notice of citations and awards as well as publication numbers. In addition the publication vehicles are evaluated as "top tier"; "second tier", etc., so that evaluations have relevant metrics with a limit on bias.

4. Contracts and Grants

The College, like many social science institutions, has not been as active in the contract and grants business as the hard sciences. However, the need for increased fund flows to maintain standing in the face of insufficient state funding is lending new importance to full utilization of all possible funding sources. The College is developing a motivational package, i.e., minimum number of proposals for departments, full retention of indirect overhead by PI, etc. The objective is to increase the contributions to total funds from Contracts and Grants by 50% within the next three years.

E) Program toward creating a diverse faculty.

The College has made limited progress in enhancing the diversity of its faculty. The College now has twenty-two (23%) minority faculty on tenure track as compared to eight faculty ten years ago. After a rapid increase in the late 90's the situation has been rather stable and the College has had to work hard just to maintain the present level.

The area of greatest diversity challenge is African-American faculty representation. The numbers have declined from five to two in the past six years and future prospects don't look much better. This challenge of faculty diversity is reflective of the business PhD situation nationally. The total number of new business PhD's has been declining in the past several years and the percent of African-Americans in that set have likewise declined. As a consequence there is a large and growing number of schools competing for a small and shrinking number of African American PhD's and in some disciplines there are few qualified candidates. Of course, a necessary condition for improving faculty diversity is the ability to hire new faculty. The current resource-scarce environment makes it very difficult to engage this situation.

The College is actively engaged in the "pipeline" aspect of the diversity challenge through its PhD student composition. We have joined our peers in the PhD Project with the mission to increase the diversity of Business School faculty by attracting minority students to business doctoral programs and providing the necessary support. This foundational effort should provide for an increasing number and percent of minority PhD candidates and appropriate hiring should be facilitated.

F) Ideas for incentives to encourage our undergraduates to take at least 15 hours per semester.

The definition of what constitutes a "full-time" student is important and plays a critical role in the activities of the University. Interestingly enough what constitutes full time is locally defined. Obviously then the first pass at increasing the average course load from 13.6 to 15 would be:

1. Redefine "full time" status as requiring enrollment in X (>12) hours per term in the normal academic year. If this straightforward approach is not feasible due to financial aid or other considerations then the University could;

2. Not allow students to drop below 12 hours. The policy would be that all students who enroll fulltime must maintain that status. This might result in more "padded" enrollment, but the result should be a shift in the lower tail of the distribution and a subsequent increase in the average number of hours attempted per term. On the positive side of the motivation process, the University could:

3. Relate gpa to hours taken. Initially, develop a two gpa system.

    a) One would reflect course performance only (current);

    b) The other would reflect course performance and hours taken. The latter would be integrated by using a multiplier in all terms where more than 12 hours are attempted.

        -The multiplier might add 0.01 for every hour above 12 to a maximum of 0.05. Thus a student whose course gpa was 3.5, on 14 hours would have a weighted gpa of 3.57. The appropriate multiplication factor could be designed to give further hour incentives, i.e., 13 hours – 1.01; 14 hours – 1.03; 15 hours – 1.06; 16 hours 1.1, etc.

        Designate the relevant gpa for honors as the weighted gpa.

    c) The "weighted" gpa would recognize course performance as well as curriculum intensity (hours). There would be, of course, some implementation complexities, i.e., studio based curriculum, partial drops, etc., but it appears the basic design would be feasible.

G) Proposals for additional substantial courses for our lower division students.

Any undergraduate course offered by the College that has no prerequisite is accessible by lower division students. The College has developed (recently) or is beginning in Fall, 2006 six substantial courses of this nature which provide excellent educational possibilities for interested students. These include:

1. GEB3035, Effective Career Management
   4 credits (electronic platform), 1 section each semester (average enrollment, 250 students), Fall 2004

2. ISM3004, Computing in the Business Environment
   4 credits (electronic platform), 1 section each semester (average enrollment, 200 students), Fall 2004

3. GEB3213, Professional Business Writing
   3 credits, 9 sections each term, class size $\leq$ 20 students, (180 students), Fall 2005

4. GEB4930, Business Speaking and Presentations
   3 credits, 1 section each term, class size $\leq$ 25 students (25 students), Fall 2006

5. GEB3113, Principles of Entrepreneurship
   4 credits (electronic platform), 1 section each semester (average enrollment, 900 students), Fall 2005

6. REE 3043, Real Estate Analysis
   4 credits, (migrated from traditional classroom to electronic platform), 1 section each term (average enrollment, 190 students), Fall 05

All of these courses are in high demand and provide access to skills or knowledge that could be useful to any student.

Appendix
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