

## **Using a Vacancy Assessment Policy to Fund Institutional Priorities**

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## **Abstract**

With increasing budget cuts and constraints in higher education, institutions need to identify methods to fund special initiatives, institutional priorities, and emerging needs. However, the sources of funding for these initiatives need to be identified in such a way that they do not negatively impact the quality of services that the institution provides. UW-Stout has developed a vacancy assessment policy that utilizes salary dollars from vacant positions to fund institutional priorities. As such, the policy does not reduce departmental operating budgets, but rather pulls centrally excess dollars that are generated through position vacancies.

The benefits of this vacancy assessment policy have been numerous. In 2006-07, the policy generated \$241,826 that was used to fund institutional priorities such as computer replacements, laboratory and classroom upgrades, and the teaching and learning center. In addition, other benefits have been that the dollars are available early in the year so that they can be used to meet institutional needs as they arise. Further, the new policy creates efficiencies due to the fact that department budget officers do not need to spend time keeping track of their salary savings and transferring money. Instead, the assessment is calculated by formula and applied centrally by the Vice Chancellor's office. As well, department budget officers can better project available budgets because they will know exactly how much will be assessed to them. As a result, they can become better budget managers. Another benefit is that institutions have the flexibility to control the amount of vacancy assessment revenue they collect by modifying the percentage that is assessed.

## **Introduction of the Organization**

The University of Wisconsin-Stout (*UW-Stout*) is one of the 13 publicly supported universities in the University of Wisconsin System. The UW System designates UW-Stout as a special mission institution, forged from the heritage of its founder, Senator James Huff Stout, a Wisconsin industrialist. Stout believed that people needed advanced education to prepare them for America's developing industrial society. To implement this vision, Mr. Stout founded a private institution called the Stout Manual Training School in 1891. In 1911, the training school became a public institution named Stout Institute and received teacher-training accreditation in 1928 with programs centered on industrial arts and home economics. In 1932, Stout was accredited as a college and received Master's degree accreditation in 1948. In 1971, UW-Stout became part of the UW System when a State of Wisconsin law combined its two public university systems under one Board of Regents. In March 2007, The University of Wisconsin Board of Regents unanimously approved a resolution designating UW-Stout as "Wisconsin's Polytechnic University".

University of Wisconsin-Stout, as a special mission institution, serves a unique role in the University of Wisconsin System. UW-Stout is characterized by a distinctive array of programs leading to professional careers focused on the needs of society. These programs are presented through an approach to learning which involves combining theory, practice and experimentation. Extending this special mission into the future requires that instruction, research and public service programs be adapted and modified as the needs of society change.

## **Statement (Restatement) of the Problem/Initiative**

With increasing budget cuts and constraints in higher education, institutions need to identify methods to fund special initiatives, institutional priorities, and emerging needs. However, the sources of funding for these initiatives need to be identified in such a way that they do not negatively impact the quality of services that the institution provides. UW-Stout has developed a vacancy assessment policy that utilizes salary dollars from vacant positions to fund institutional priorities.

## **Design**

UW-Stout's vacancy assessment policy has evolved over time. Initially, departments were required to turn over half of the salary savings they had due to position vacancies to a "special projects" fund. Salary turnover is the historical pattern of year-end savings that accrue to most organizations because of personnel attrition and the unusual delays experienced in refilling positions. Although this policy did generate revenue that was utilized to fund institutional priorities, the revenue was often not available until the end of the year, and departments were interpreting the guidelines differently, which made the administration difficult. As a result, the university has had to expend these dollars very quickly or carry them over to the next fiscal year. However, if salary turnover dollars were available earlier in the year, they could be used to fund projects and priorities that occur throughout the course of the year in a more timely and efficient manner.

In 2006-07, the policy was revised to address this problem. When UW-Stout's annual operating budget is finalized each year, the Budget, Planning and Analysis office generates a list of vacant positions. Departments are automatically assessed 7% of the vacant position's base salary on a one-time basis. Additionally, throughout the year, the Vice Chancellor's office reviews positions that become vacant after the budget is finalized. These positions are also assessed 7% of the vacant position's base salary on a one-time basis, but this amount is prorated based on the resignation/retirement date.

UW-Stout modeled several different assessment amounts in order to arrive at the 7%. Institutions will need to identify how much revenue they want to collect, and then develop the appropriate assessment amount based on modeling.

The 7% assessment amount is assessed quarterly, and there is a review at the end of the year to determine if we should continue at 7% or if it needs to be modified for the next year.

## **Implementation**

Every year in the spring when the annual operating budget is finalized, a vacancy list is created. The Vice Chancellor's office reviews the list and assesses the 7% vacancy assessment for each position. Then, in October, the Vice Chancellor's office reviews the list of positions that have become vacant since the beginning of the fiscal year, based on information provided by the Human Resources office. The Vice Chancellor's office applies a formula to the vacancies to determine the assessment amount (see paragraph below) and assesses the appropriate amount to the positions. This process repeated each month thereafter until May.

The pro-rated amount is determined based on the percentage of FTE left in the year after the incumbent leaves. This figure is obtained from the position control information maintained in the Human Resources office. The formula for obtaining the dollar amount is as follows: (vacant position's base salary)\*(.07)\*(FTE left).

## **Benefits**

In 2006-07, the vacancy assessment policy generated \$241,826 that was used to fund institutional priorities such as computer replacements, laboratory and classroom upgrades, and the teaching and learning center. In addition, other benefits have been that the dollars are available earlier on in the year so that they can be used to meet needs as they arise. Further, the new policy creates efficiencies due to the fact that department budget officers do not need to spend time keeping track of their salary savings and transferring money to the special projects account. Instead, the assessment is calculated by formula and applied centrally by the Vice Chancellor's office. As well, department budget officers can better project available budgets because they will know exactly how much will be assessed to them. As a result, they can become better budget managers. Another benefit is that institutions have the flexibility to control the amount of vacancy assessment revenue they collect by modifying the percentage that is assessed.

## **Retrospect**

In retrospect, the only thing we would have done differently is to institute this policy sooner.