Update on the Activities of the Joint Task Force on Resource Allocation

Co-Chairs:
Elizabeth Chilton and Tim Anderson

March 2015

Task Force Members:
Laura Briggs (Chair, Women, Gender, Sexuality Studies)
Julie Brigham-Grette (Department Head, Geosciences)
Julie Buehler (Vice Chancellor for Information Services and Strategy, CIO)
D. Anthony Butterfield (Chair, Program and Budget Council, Isenberg School of Management)
Mari Castañeda (Director, Diversity Advancement, CSBS; Communication)
Stephen Cavanagh (Dean, School of Nursing)
Nancy Cohen (Co-Chair, Joint Task Force on Strategic Oversight, Department Head, Nutrition)
Mark Fuller (Dean of Isenberg School of Management)
Bryan Harvey (Co-Chair, Joint Task Force on Strategic Oversight, Associate Provost for Academic and Resource Planning)
A. Yemisi Jimoh (Designee of the Academic Priorities Council, Afro-American Studies)
David R. Evans (Research Council, Professor, Education)
Patrick Kelly (Assistant Professor, Electrical and Computer Engineering)
Megan Kingston (Student Trustee, Designee of the Student Government Association)
Mike Malone (Vice Chancellor for Research and Engagement)
Andrew Mangels (Associate Vice Chancellor for Finance and Budget Director)
Ernest May (Secretary of the Faculty Senate, Professor, Music)
Jennifer Normanly (Department Head, Biochemistry and Molecular Biology)
MJ Peterson (Chair of the Rules Committee, Professor, Political Science)
Amilcar Shabazz (Co-Chair, Joint Task Force on Strategic Oversight, and Faculty Advisor to the Chancellor for Diversity and Excellence, Professor, Afro-American Studies)
Timothy Sutton (Designee of the Graduate Student Senate)

Send us an email: jtfra@provost.umass.edu
JTFRA Recommendations: May 2014

The Joint Task Force on Resource Allocation (JTFRA) emerged directly from the first phase of the strategic planning process.

JTFRA recommended the following:

1. That the campus continue to explore and further evaluate a more decentralized and transparent UMass Resource Allocation Model and supporting system (what we have been calling the Strategic Budget Allocation System this fall).
2. That this evaluation include the development and testing of a parallel budget allocation model.
3. That, aside from further development and testing of the model, JTFRA should continue to examine and make recommendations on the strategic budget development process and requisite challenges to the successful implementation of any new resource allocation system.

Source: http://www.umass.edu/senate/adhoc/jtfra.htm

Activities since May 2014

<table>
<thead>
<tr>
<th>Activities</th>
<th>Groups involved</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Populate and test initial model: load 2014 data, reconcile current system and the idealized model, determine adjustments to be further tested.</td>
<td>Budget Office staff, Chancellor, Deans, College staff, JTFRA co-chairs</td>
<td>Summer 2014</td>
</tr>
<tr>
<td>Model revision and pre-testing: adjustments, further testing, dissemination.</td>
<td>Budget Office staff, Chancellor, Provost, Deans, College staff, CLC, JTFRA co-chairs</td>
<td>Sept. – Oct. '14</td>
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<tr>
<td>Review, discussion of revised model: identify areas for further testing of the model and timeline for process moving forward.</td>
<td>JTFRA, JTFSO, Rules Committee (as well as groups and individuals above)</td>
<td>Nov. – Dec. '14</td>
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<tr>
<td>Analysis of feedback, discussion, draft report</td>
<td>JTFRA</td>
<td>Jan.-March '15</td>
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</table>
What remains the same:

- Core principles as outlined in the spring have not changed (e.g., transparency, aligning authority with responsibility, holistic view of the campus, alignment with strategic priorities, etc.).
- Basic functioning of the underlying model...not RCM and not formulaic.

### More Centralized Models vs. More Decentralized Models

<table>
<thead>
<tr>
<th>Incremental Budgeting</th>
<th>Formula-Funding</th>
<th>Performance-Funding</th>
<th>Customized-Model</th>
<th>RCM</th>
<th>ETOB</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Centrally driven.</td>
<td>• Unit-based</td>
<td>• Unit-based</td>
<td>• More centralized</td>
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<tr>
<td>• Current budget acts as &quot;base,&quot; annual budget increments adjust base.</td>
<td>model focused on providing equitable funding.</td>
<td>model focused on rewarding mission delivery.</td>
<td>control as compared to Customized Model.</td>
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<tr>
<td>• Alignment of revenues and costs is not clear.</td>
<td>• Unit rates are input based and commonly agreed upon.</td>
<td>• Unit rates are output-based and commonly agree upon.</td>
<td>• Higher tax rate on all unrestricted revenues to fund mission-critical priorities.</td>
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<tr>
<td>• Encourages &quot;use-it or lose-it&quot; spending mentality.</td>
<td>• Annual fluctuations are driven primarily by the quantity of production and not from changes to rates.</td>
<td>• Annual fluctuations are driven primarily by changing production not for rate changes.</td>
<td>• Incentives are tailored to emphasize strategic needs and promote entrepreneurship.</td>
<td></td>
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<tr>
<td>• Budgets do not adjust to reflect demand/ enrollment</td>
<td>• Majority of revenues are not aligned with</td>
<td>• May sacrifice quality of outputs (gaming).</td>
<td>• Aligns revenues with costs.</td>
<td></td>
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<tr>
<td>change.</td>
<td></td>
<td>• Time-lag between decisions and results</td>
<td>• The most commonly</td>
<td></td>
<td></td>
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<tr>
<td>costs.</td>
<td></td>
<td></td>
<td>implemented</td>
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<td></td>
<td></td>
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<td>since 2005.</td>
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</table>

### Current State Funds Flow Model

- Majority of revenues are pooled into a non-departmental unit for allocation on an as-needed basis.
- Only select revenues such as a portion of indirect cost recoveries and recoveries are directly allocated to Schools & Colleges.
- Actual dollar amounts received by Colleges and Administrative & Support units are often not associated with performance drivers.
SBAS Funds Flow Model

- Tuition & Fees are allocated to Schools & Colleges. Auxiliaries receive dedicated revenues
- A small percentage of the State Appropriation is allocated to School & Colleges for the sponsored research pool and collective bargaining allocations. Remaining State Appropriation is provided to Chancellor for strategic investment
- Schools & Colleges and Auxiliaries are allocated a share of the Administrative & Support costs

Key Revenues

The major sources of revenue to the campus are:

<table>
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<tr>
<th>Component</th>
<th>Considerations</th>
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</table>
| **Tuition and Fees** | - Allocation of a portion of tuition and fees to “home department” creates a focus on growing enrollment and increasing recruitment and retention.  
  - Allocations of revenue using credit hour of the department of instruction better match revenues with direct costs. |
| **State Appropriation** | - The amount of state appropriation provided to the campus is not formulaically determined. Therefore, allocating the state appropriation on enrollment or credit hours seems inconsistent.  
  - The state appropriation often includes money tied directly to collective bargaining salary increases.  
  - Appropriations also support high-cost activities like sponsored research. |
### Changes to the model under consideration:

**Types of funds in the model:** only “budgeted funds” or those that include on-going expenditures of the colleges. Exclude, but provide for transparency:

- gifts and endowment income
- auxiliaries
- revenue operations
- Continuing and Professional Education (CP&E)
- PI RTF%
- Faculty Start-up
- Grants and contracts

### Changes to the Allocation of Revenues

- **State appropriation** allocated to schools and colleges based on:
  - Sponsored research expenditures (no change)
  - Collective bargaining allocations (actual payroll increases)
  - For FY2014, 3% in-state tuition & fee increase (in lieu of a tuition and fee increase)

- **Tuition and fees:** no distinction between in-state and out-of-state students in the 75% that is allocated by student credit hours (but the distinction remains for majors).

- **Graduate waivers:** recorded in the school/college of record (major).

- Include **secondary majors** (FTE metric)
Changes to Cost Allocations

- Two year average for A&S allocation drivers
- Library allocation changes to 75% faculty FTE and 25% student headcount
- Graduate School allocated based on graduate student headcount

Indirect Cost Allocation Methodology

<table>
<thead>
<tr>
<th>Allocation Driver</th>
<th>University Academic Resource Pool and Cost Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures - Academic Units</td>
<td>• Administration and Finance</td>
</tr>
<tr>
<td></td>
<td>• Chancellor’s Office</td>
</tr>
<tr>
<td></td>
<td>• Information Technology</td>
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<tr>
<td></td>
<td>• Development and Alumni Relations</td>
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<td></td>
<td>• University Relations</td>
</tr>
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<td></td>
<td>• Campus Wide Amherst (includes Utilities Commodities and UMass System Office)</td>
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<td></td>
<td>• Campus wide Debt and Transfer to Plant</td>
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<tr>
<td>Total Student Headcount (excludes CPE)</td>
<td>• Academic Affairs</td>
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<tr>
<td></td>
<td>• Student Affairs &amp; Campus Life</td>
</tr>
<tr>
<td></td>
<td>• 25% of Library</td>
</tr>
<tr>
<td>Faculty FTE</td>
<td>• 75% of the library</td>
</tr>
<tr>
<td>Graduate Student Headcount</td>
<td>• Graduate School</td>
</tr>
<tr>
<td>Assignable Square Footage - Academic Units</td>
<td>• Facilities and Campus Services</td>
</tr>
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<td></td>
<td>• Physical Plant</td>
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<tr>
<td>Direct Grant and Contract Expenditures</td>
<td>• Research and Engagement</td>
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Recommendations

- Strategic Budget Allocation Model:
  - Parallel testing FY 16, with decision on implementation by December 2015.
  - Transparency and access to data (see below)
  - Use for planning

- Strategic Budget Allocation Process--need to create a comprehensive budget process that has the following features:
  - Transparency of access of budgetary information at A&S, school/college, and departmental levels
  - Structured mechanisms for faculty input
  - Create greater budget literacy at all levels

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JTFRA Schedule:

- Uploaded DRAFT report and request for feedback March 4, 2015
- Presentation to FS March 12, 2015
- Reaching out to SGA, GSS, MSP, FS committees and asking for campus feedback
- Revise report and recommendations by end of April.
- JTFRA’s charge lasts for one more year: see through the testing of the model and development of the process and system.