GUIDE TO REVENUE OPERATIONS

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PURPOSE

Revenue operations are governed by state law, Board of Trustee policy and campus policy and procedures. This Guide to Revenue Operations is provided as a reference for those at the various levels of responsibility, involvement and oversight for revenue operations including but not limited to Vice Chancellors, Deans, Directors, Department Heads, Executive Financial Officers, Business Managers and Revenue Operations managers.

The general principles, policies and procedures described in the Guide are to assist with the management of the revenue operation. Comments and suggestions for additions or deletions to the Guide should be directed to the Budget Office, 340 Whitmore Administration Building.

HIGHLIGHTS

The establishment of revenue operations requires campus Budget Office recommendation and Chancellor and Board of Trustees approval.

All fees and rates charged by the revenue operation, any type of revenue deposited to the revenue operation, must have campus Budget Office recommendation, approval of the Vice Chancellor for A&F and/or Chancellor and if required by BOT policy President or Board of Trustee approval.

Once established, fees and rates cannot be changed without Budget Office recommendation, approval of the Vice Chancellor for A&F and/or Chancellor and in certain cases President or Board of Trustee approval.

Revenue operation activities must be consistent with the University mission and must be appropriate with regard to the normal activities of the department.

All financial activity must be in compliance with both the University's Policy for the Management of University Funds and campus policy.

All income must be expended for the purpose for which the operation was established.

The operation must be fiscally sound.

WHAT IS A REVENUE OPERATION?

Revenue operations are fiscal entities established for activities that are:

- Fully or partially supported through fees or charges for products or services,
- Consistent with the University's mission, and
- Appropriate with regard to the normal activities of the department associated with the operation.

Revenue operation activities may be established as a unique campus fund or as a cost center in an umbrella fund. The Budget Office determines the appropriate fund for each revenue activity.

All revenue generated by these activities must be expended for the purpose for which the operation was established. Furthermore, income generated in revenue operations is university money and, as such, must comply with the policies and regulations that govern the use of university funds.

There are three types of revenue operations: auxiliary operations, student fee operations and sales and service operations.

Auxiliary Operations

Auxiliary operations are services ancillary, but contributing, to the basic academic mission of the university. They are managed as self-supporting activities through revenue generated from student fees, the sale of goods or services to the campus community, or a combination of these sources. Some examples of auxiliary operations on this campus are Residence Halls, Student Health, and Parking.

Student Fee Operations

Student fee operations provide services to students for various educational and ancillary purposes. The fees may be either mandatory or non-mandatory. Some examples of student fee operations include International Programs, Continuing Education, and Student Activities.

Sales and Service Operations

Sales and service operations are established for the purpose of providing goods and services to the university community and, in certain limited circumstances, the general public. Sales and service revenue operations are not established to generate a profit, but rather, to provide goods and services to the campus that are unique, convenient or not readily available from external sources or to help demonstrate classroom or related educational techniques. Some examples of sales and services operations are Central Mail, Research Support Services, and the Communications Disorders Clinic.

RESPONSIBILITY AND OVERSIGHT

The Vice Chancellor for A&F and/or Chancellor

All funds, regardless of the source or manner in which they are acquired are considered University funds. The President and the Chancellors are responsible for the overall fiscal integrity of the University. Each campus' Vice Chancellor for Administration and Finance is operationally responsible for all transactions affecting the campus financial system.

The Board of Trustees has authority for all revenue operation activity including fee and rate approval. The BOT delegated establishment of revenue operation annual processes and approval of non-mandatory student fees and sales and services fees and rates to the President. The President delegated approval of sales and service fees to the Chancellor, and the Chancellor has further delegated authority to the Vice Chancellor for A&F. The President requires formal recommendation from the Chancellor for all student fees as well as any other fees the President and BOT wish to review.

Campus Budget Office

As per campus policy the Budget Office coordinates the policies, guidelines and processes for revenue operations including:

- Establishing and implementing campus policies, guidelines and processes for revenue-based budget preparation in conjunction with the President's Office and Chancellor;
- Establishing applicable rates and charges;
- Analyzing fees, rates, and budgets to determine if they are reasonable and if they comply with appropriate guidelines and are consistent with campus-wide objectives and policies;
- Recommending budget and fee requests to the Chancellor and/or Vice Chancellor for A&F;
- Developing the official campus documents for President's Office and Board of Trustee review;
- Conducting year-end and mid-year reviews of revenue operations; and
- Uploading the initial revenue-based budgets to PeopleSoft Commitment Control.

The Vice Chancellor / Provost / Senior Administrator

The Vice Chancellor / Provost /Senior Administrator has overall management responsibility for an executive area including adherence to state law, Board of Trustee, President and campus policies and procedures.

The financial and budget contact for the Vice Chancellor / Provost / Senior Administrator is the Executive Financial Officer (EFO). The Executive Financial Officer assists with overall budgetary and financial responsibility. The EFO conveys executive area management budgetary communications to the Budget Office.

The Dean / Director

The Dean / Director has overall management responsibility for a Major Budgetary Unit (MBU). In the academic world this is often a school or college. In the non-academic world it is a major area of service such as the Physical Plant or Residential Life.

Each MBU has a financial business manager who assists the Dean / Director with overall budget and finance responsibility. If you do not know who is the financial business manager for your area contact your Dean / Director's office or your EFO.

PROCESS FOR ESTABLISHING A REVENUE OPERATION

While revenue operation activity occurs at the department level, approval for the activity and its fee structure requires Budget Office recommendation and either Chancellor and/or Vice Chancellor for A&F, President or Board of Trustee written approval. The campus follows an approval hierarchy with provisional approval at the department, MBU and executive area levels. If the executive area management approves of the proposed revenue operation activity the EFO forwards the request to the Budget Office for its review, analysis and recommendation to the Vice Chancellor for A&F and/or Chancellor.

At each provisional approval level: department, MBU, executive area , the reviewer must determine if the activity is appropriate for the area, if it is fiscally sound and finally whether it is an activity that management desires in the unit at this time.

Forwarding to the next level indicates that the department head, dean / director or vice chancellor / provost / senior administrator approves of the activity, believes it to be an appropriate, fiscally sound activity and acknowledges that if it is not fiscally sound the unit (department, MBU, executive area) will subsidize the operation.

The Budget Office will provide assistance and advice at any stage of the process including assistance with revenue and expense projections. However, please note that Budget Office assistance and advice to operations managers, business managers and EFOs is merely guidance, not campus approval.

Timeframe

Revenue operations are normally established during the annual budget process; forms are distributed in November and are due to the Budget Office in February.

However, it is possible to establish a revenue operation off-cycle. The process for establishing a revenue operation is outlined below.

Process Hierarchy

The individual requesting the new revenue operation activity should have a specific written plan that describes the products or services to be provided, the location or space to be utilized, the type of clients who will purchase the products / services and the operation's relationship to the department's approved activities and mission. The plan should include an estimate of proposed fees, annual revenue and annual expenses as well as an explanation of the funding plan for any significant one-time start up costs. The operation manager presents the plan to the department business manager / department head for decision. If approved it should be forwarded to the MBU business manager.

The MBU business manager reviews the submission and determines whether the proposed operation fits with the mission of the MBU and discusses the proposal with the dean / director. The MBU business manager may revise the proposal as appropriate. If the operation fits within the mission of the MBU, is fiscally sound and has the approval of the Dean / Director, the proposal should be forwarded to the EFO with an accompanying narrative explaining how this fits in with the MBU's approved activities / mission.

The EFO should review the proposed operation, its budget and proposed fees and discuss with the Vice Chancellor / Provost / Senior Administrator. The EFO may revise the proposal as appropriate. If the Vice Chancellor / Provost / Senior Administrator and EFO agree that the proposed operation fits with the mission of the executive area, the EFO should submit the proposal to the Budget Office. Submission to the Budget Office indicates that the proposal has the support of the Vice Chancellor / Provost / Senior Administrator.

The Budget Office analyzes all requests submitted by the EFOs. The Budget Office will meet as needed with the EFO or operation manager to gather additional information and determine any needed changes. Requests recommended for approval by the Budget Office are submitted to the Vice Chancellor for A&F and the Chancellor. The Budget Office will notify the EFO and other appropriate business managers of the decision.

If approved, the Budget Office will work with the business managers to update related forms and PeopleSoft budgets.

ANNUAL BUDGET PROCESSES FOR REVENUE OPERATIONS

Current Fiscal Year

Budget and Fees

In May or June prior to the new fiscal year the Budget Office uploads approved budgets into PeopleSoft. Effective July 1, revenue operation managers should charge the rates and fees approved for the new fiscal year.

Mid-year Review

During the mid-year review, the Budget Office compares the current budget and actual data with prior year data for each revenue operation. Any major changes in mid-year trends or potentially problematic deficits are noted and discussed with the appropriate EFO. Appropriate action plans are discussed, where required, and incorporated into future financial plans for the operation.

Year-end Review

For the year-end review, the Budget Office examines the previous fiscal year's operating revenue and expenses and compares current budget and projection versus actual figures. Operating deficits must be reported by the Budget Office to the President's Office along with a specific plan for correction of the deficit. The correction plan must be incorporated into future financial plans for the operation. The Budget Office works with the operation manager and the appropriate vice chancellor and EFO to develop and implement the plan.

Process for Next Fiscal Year (Annual Budget Process)

In the fall, revenue operation managers are given instructions and guidelines for completing forms for establishing the next fiscal year's fees, rates, and budget. These plans are due to the Budget Office in February of each fiscal year.

HOW TO MAKE CHANGES TO EXISTING REVENUE OPERATIONS

Once a revenue operation has been established, the manager may request changes to the fees/rates, the name, Statement of Trust or PeopleSoft budget level during the annual budget process. In some very rare circumstances changes may be requested off-cycle. Contact the Budget Office for assistance.

Requesting a New Fee or a Change in Fees or Rates

Requests to establish new fees or rates or to raise or lower them are to be submitted as part of the annual budget process. If needed, some fees and rates may be changed or added during the fiscal year. The manager should submit the changes through the approval hierarchy with an explanation of why the fee adjustment or new fee is needed, how the amount was determined, and the consequences of not charging the adjusted amount or new fee. The Budget Office will analyze the documentation and make a recommendation to the Vice Chancellor for A&F and/or the Chancellor. Fees established or changed during the annual budget process become effective for the new fiscal year. Fees changed during the year may be charged once the change has the required written approval from the Budget Office.

Requesting a Name Change

A manager requesting a name change for a revenue operation should submit the new name and reason for the change with the annual budget packet. Depending upon the operation the name change may require Board of Trustees approval.

Requesting a Change to the Statement of Trust

Similarly, a manager requesting a change in the Statement of Trust should submit the new Statement of Trust and an explanation of why the change is necessary with the annual budget packet. Upon review and recommendation of the campus, the new Statement of Trust will be sent to the required approval authority. Revisions to the Statement of Trust should only be requested when the existing Statement of Trust incorrectly defines the purpose of the revenue operation.

PeopleSoft Budget levels may be changed only during the annual process.

WHERE TO GET HELP

Fee Setting / Forms

Establishing new fees or rates can be a complex process. All new fees and rates should be designed to cover the costs (direct and indirect) of providing the product or service (unless the intent is to subsidize the operation). For help in determining appropriate costs and setting new fees or rates review the Budget Office website or contact the Budget Office (Bill Pete, 545-6233; email (billpete@.umass.edu). When appropriate, the Budget Office will forward proposed fees or rates to Financial Cost & Analysis for review.

Acceptance of Debit or Credit Cards

Managers wishing to accept debit and credit cards for payment of fees must work with the eCommerce manager in Administration and Finance Systems (5-2119) and strictly follow the Amherst Campus Credit Card Information Policy. Policy: https://www.umass.edu/controller/sites/default/files/Department_CC_Policy.pdf For assistance: https://www.umass.edu/afsystems/ecommerce

Unrelated Income Tax (UBIT) / Sales Tax Considerations

When a revenue operation is established, the operation manager should consider if the activity will require the collection and deposit of sales / use tax to the Commonwealth.

Governmental organizations and charitable non-profit organizations are exempt from being charged sales tax. For example, when recharging another UMass campus or University department, sales tax should not be charged. However, any individual or organization paying for campus goods or services should be charged the tax unless they can prove they are otherwise exempt. The individual should be able to identify affiliation with a campus department or provide a copy of Commonwealth Form SF-5 or ST-5C to prove their exempt status.

Campus policy is that operations requiring the collection of sales tax must register as sales/use tax vendors and forward the payments to the Commonwealth. There are many rules relating to the applicability and deposit of sales and use taxes. As such, once the goods or services for which the operation will be collecting revenue have been identified, the operation manager should contact the Controller's office (Norm Gousy, 545-3364; email: (ngousy@admin.umass.edu) for assistance in identifying any sales or use tax issues.