Q: How is the budget model presented different from a traditional Responsibility Centered Management (RCM) budget model? It looks like departments and colleges will be competing with each other all the time.

A: There are two main features of budgeting systems that define how they operate: (1) **Basis of year-to-year change**, which ranges from entirely incremental (all units share in the same increase/decrease as incoming money flows change), to entirely formula-based (all units' budget fate is set by application of a formula that distributes the incoming money on the basis of a set algorithm), to discretionary (decision-makers determine how to handle increases or decreases), to discretionary zero-based (decision-makers determine the whole budget each year without reference to past allocations); (2) **Locus of decision-making**, which ranges from completely centralized (all decisions made by the central administration) to entirely decentralized ("ETOB" or every tub on its own bottom, where each unit budgets what it "earns" as defined by a formula).

The most extreme forms of RCM are 100% formula-based 100% ETOB. UMass Amherst's current system is centralized/discretionary (but **not** discretionary zero-based as the calculations for the coming year do start from where the unit has been this year). JTFRA's proposal is partly formula, partly-discretionary with a mix of college-level and central decisions. One of the core principles adopted by JTFRA is to ensure continued cross-campus collaboration of existing activities. This principle will be monitored during the pilot testing phase of the project.

Q: How will the new system work at the department level?

A: For the purpose of model testing we are not recommending any change to how colleges currently allocate funds to departments. We recommend that there be transparency of data at the departmental level so that the data can be used to inform decision making during the parallel testing and beyond. Note as well that, as outlined in our initial report (April 2014) we are not recommending that the model itself be pushed down in a formulaic way to departments either now or in the future. During the coming year JTFRA will make recommendations for a strategic budget process that will provide for an integration of—and transparency in—decision-making at the departmental, college, and campus levels.

In the current model under consideration, several areas, including the distribution of CPE funds, will remain unchanged. Others will change as the details of the Budget Allocation Process are worked out. None of this will change the basic accounting and spending rules, so deans and chairs will still need to pay attention to requirements regarding use of state money and other funds.
Q. For programs that are currently growing/shrinking, we know that the incremental budgets that we have now don't keep up. What would be the lag time for budget allocations to catch up to growing/shrinking programs under SBAS?

Since this is not a formula-based budget model, there is no pre-determined time frame for investment in programs. However, this type of transparent budget model, when used in the context of strategic planning, would allow for decisions to be made by program directors in coordination with their deans about investments moving forward. While the details of the Strategic Budget Allocation Process have yet to be worked out, it is assumed that data for two previous years would be used to make decisions about allocations for the upcoming year (e.g., we would potentially use FY14 and FY15 data to make budget projections for 2017).

Q. Will we continue to have different fund types: GOF, RTF, State, Gift, CPE, Grant, revenue-based, other?

A. Most of the existing funds will continue as they are today. It is still to be determined precisely how general operations (GOF) and RTF funds will be handled.

Q. Will A&S costs be allocated the same way for all fund types? If not, which is different?

A. The A&S costs have a variety of drivers (factors used to allocate costs among colleges) including student headcount, assignable square footage, faculty FTE, CPE credit hours, and expenditures. Among the A&S costs allocated by expenditures, not all fund types are treated the same. The costs of Research and Engagement are spread based on direct grant and contract expenditures. The costs of Administration & Finance (with the exception of Physical Plant and Facilities and Campus Services), Chancellor’s Office, Development & Alumni Relations, Information Technologies (with the exception of IT direct billed services, costs directly matched to student fee usage and grant-funded work), University Relations, and Campus Wide Plant are spread based on direct expenditures in general operations funds (GOF), RTF, Faculty Start-Up and grants and contracts.

Q. Will A&S units receive resource and financial modeling support for a limited period of time to support them through the transition from the old model to the new and is time allotted in the planning process to help improve their capacity for greater transparency?

Both the academic and A&S communities have a desire to improve transparency related to costs and priorities. In order to support this goal, resources should be provided to support the A&S units in providing financial breakdowns of their current budgets and service offerings. The strategic budget process will need to build this type of activity into a planning timeline.

Q. How much revenue would schools and colleges be allocated per undergraduate student? Per graduate student? (in/out of state) Per SCH grad or undergrad course?
A. Revenue per undergraduate FTE student major and credit hour will vary each year depending upon the tuition and fee rates and scholarship and waiver expense. Using the FY14 model data, the tuition and fee revenue per credit hour and FTE major was calculated as follows:

- UG Credit Hour net of Scholarships & Waivers - $285
- UG In-State FTE Major net of Scholarships & Waivers - $2,204
- UG Out-of-State FTE Major net of Scholarships & Waivers - $5,856

Graduate tuition & fees net of waivers are recorded in the school/college of record (major). Tuition and fees net of waivers for non-degree graduate students are allocated to schools/colleges based their relative percentage of recorded graduate tuition & fee revenue net of waivers.

Q. What is included in budget model? All funds including grants? Any funds taken “off the top” or out of the model?

The current version of the model shows the direct revenue and expense of all funds with the exception of plant, loan and, agency funds. The funds shown in the model are broken into seven categories. The primary category is referred to as the Budgeted Funds. This category will be the focus in the budgeting for on-going, operational expenditures. It includes direct expenses in general operating funds and indirect cost recovery (with the exception of PI RTF allocations). In addition, it includes all revenue and expense allocations. The remaining fund categories are as follows:

- Continuing & Professional Education: Continuing and Professional Education programs contained within the CPE departmental accounts associated with the school/college and Continuing Ed Incentive funds
- Faculty Start-Up: Faculty Start-up and Research Support Acct funds
- Revenue Operations: Sales and service funds
- PI RTF% and Other: Indirect Cost Recovery allocated to PIs and other miscellaneous funds such as Amherst Public Service Endow, Collaborative Biomed. Research, Tech Transfer (CVIP), and Program Income
- Gift/Endowment: Gift and Endowment funds
- Grant: Sponsored grants and Federal Appropriation

Q. Can departments/colleges hire a tenure-track or non-tenure-track faculty member on any fund source?

The model has no impact on the campus policies for hiring faculty or graduate students, so all current limitations of use of state or non-state funds will continue to apply.

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1 Agency Funds are those held by the university as custodian or fiscal agent for individual students, faculty, staff members and organizations. Loan Funds are funds to account for the resources available for loans to students, faculty and staff. Plant Funds are set aside for the renewal and replacement of plant, debt service charges and retirement of indebtedness. A full glossary can be found here: [http://www.umass.edu/af/budget/library/Finance_Glossary.pdf](http://www.umass.edu/af/budget/library/Finance_Glossary.pdf)
Q. Is the fringe benefit rate the same for GOF, state funds, RTF, gift, CPE, etc.? If not, what is the rate for each?

The fringe rates vary from year to year. In FY2015 the rates for regular salary are 1.86% for state funds, 29.13% for GOF, 24.02% for federal funds and 29.41% for all other funds.

Q. What is the fringe rate and curriculum fee for graduate students on each source of funds? Same for all, including state, GOF, grants, CPE, etc.?

In FY2015, the GEO Health Benefit rate is 20.7% and is applied to all funds. The model does not impact this rate or the way in which it is charged. The Curriculum Fee Waiver is charged as outlined in the Graduate Curriculum Fee Waiver Rate memorandum available on the Financial and Cost Analysis web site http://www.umass.edu/fca/. Curriculum fees would be charged to grants if that is an allowable costs on the grants (i.e., no change to current practice). However, tuition waivers not covered by grants would be allocated to the school/college of record (major) for the graduate student.

Q. Would TA costs to colleges include curriculum fee and fringe?

If the TA is paid on GOF, State, or RTF both the revenue and the cost of the waiver would be allocated to the TA’s school/college of record.

Q. How will curriculum fee be assessed? Currently, a student gets a full waiver with 10 hr/week RA or TA. Will a 10-hr RA be charged the same amount as a 20-hr RA?

The model is based on the current waiver policy, which provides equal waivers for 10-hour and 20-hour TAs. The tuition and curriculum fee waivers (net of waivers collected through the Curriculum Fee Waiver charge) are allocated to the school/college of record (major) for the graduate student.

Q. For GOF: What is the fringe benefit rate? Can you carry over GOF from year to year?

In FY2015 the GOF fringe rate is 29.13%. While it is likely that the model will allow for some carry forward of balances, the specifics for how these balances will be calculated and applied has yet to be determined.

Q. For RTF: Is there no longer 10% to Department? But still 10% to PI; 90% to College?

The 10% PI RTF remains unchanged in the model under consideration. Remaining RTF revenue from grants would be allocated to the school/college generating that revenue.
Q. Would gifts have the same A&S cost rate? Currently, the Development office gets a percentage of gifts. Will that still be the case?

The gift “tax” has been eliminated in the model. The costs of the Development and Alumni Relations area are spread to the schools/colleges based on direct expenditures.

Q. Would departments that raise the funds through gifts get to keep those funds?

Funds designated by the donor for a specific department will remain with that department.

Q. Are grant funds included in the budget model?

There are two categories of grant and contract costs for sponsored research. These are obtained from the funding source either as direct costs (e.g., personnel working on a project, supplies, travel related to the project) or indirect costs (e.g., to support facilities and administration of the project. Direct grant funds are not included in the budgeted revenue and expense in the model because they are only available for the purposes agreed to with the sponsor. Direct grant expenditures are included in the drivers used to allocate some A&S costs.

Q. What is fringe rate on grants?

With the exception of Federal funds, grants are charged a fringe rate of 29.41% in FY2015. Federal funds are capped at 24.02%.

Q. How are Co-PIs handled in calculating grant expenditures?

Grant revenue and expenditures are allocated to departments based on the Co-PI credit percentage agreed to for particular project and the employing department of the PIs and Co-PIs.

Q. How are grants attributed to colleges and PIs? By expenditure? By income? Are the allocated evenly by years of grant?

Grant revenue and expenditures are attributed based on the actual expenditures in the fiscal year.

Q. What are the costs allocated for space? Does it differ by quality or type of space?

The costs of Physical Plant and Facilities & Campus Services are allocated on the basis of square footage. The space usage charge will vary depending upon the costs in these units. In the FY14 version of the model, those costs average out to approximately $21 per square foot and cost allocations to colleges do not differ by quality or type of space.
Q. How will renovations be handled? All charged to department or unit? Or centrally covered? How about other central services (wireless, etc.)?

Renovations that are funded by schools/colleges are reflected as expenses when the funds are transferred to plant accounts. Renovations that are part of the campus-wide capital plan are shown as allocations of campus-wide Amherst in the A&S cost section.

Q. If I have a comment on the model or process, where do I send it?

Please send all questions and comments to the Task Force: jtfra@provost.umass.edu

Q: Do auxiliary units (e.g., athletics, dining services, health services, etc.) pay A&S overhead?

Auxiliaries units are shown with both direct and indirect expenses in this model. Auxiliaries are generally self-supporting entities and pay for salaries, full fringe cost, and direct operating costs of their operations. In addition, Auxiliaries are responsible for renovations, utilities, debt service, custodial service and other capital costs, which are included in their expenditures in the model. Lastly, auxiliary operations are charged an administrative overhead rate for costs of IT, executive management, university relations, and other administrative functions. The administrative overhead rate is developed by the Office of Cost Analysis and amounts recovered from auxiliaries are netted against A&S costs before being allocated to the schools and colleges. Auxiliaries’ revenues cover both direct and indirect costs and are restricted to fund those operations. Some auxiliaries (e.g., athletics) receive an additional central funding allocation to cover costs, which is shown in the illustrative model on page 13 of the report.

Q: I thought the State Appropriation was $228 million in FY2014. Where is that represented on the spreadsheet in the model?

A: The State Appropriation ($228 million in FY2014) is allocated as follows:

- The amount of in-state tuition that is remitted to the state ($13 million in FY2014) is subtracted from the State Appropriation.
- $49 million in FY2014 is allocated to the schools and colleges as part of the State Allocation for Sponsored Research, the Salary Raise Allocation, and the Tuition & Fee Allocation (State Appropriation allocated in lieu of a tuition and fee increase). This amount appears in the State Appropriation row in the School/College column.
- The remainder of the State Appropriation ($166 million in FY2014) appears in the State Appropriation row in the Chancellor’s Reserve column.
Q: I’ve heard that the new budget model will mean that the success of a department or college will be evaluated on the basis of student enrollment. Is this the case?

It is absolutely not the case under the potential new budget model that the success of any program will be directly dependent on student credit hours or numbers of majors. If we were considering a traditional RCM model, and if that model was going to be pushed down not only to the college level but also to the department level, then yes, each department’s funding would depend greatly on tuition monies and other funds it could raise. But JTFRA very early on rejected a consideration of a traditional RCM model, instead proposing a model that takes a holistic view of the campus and aims to support the common good and one that explicitly does not put too much emphasis on quantity of students taught over the quality of education, research, and our other campus values. Further, even though we are considering a model that is more decentralized than what we currently have (and therefore, it has some similar attributes to RCM models), we have very explicitly stated that we do not recommend pushing the model down to the department level for purposes of determining departmental budgets. We advocate that the data be shared so that Department Chairs will be best able to make key decisions in consultation with their faculty. But the bottom line is that the model will not dictate resource allocations—it will depict them in a way that will invite conversations in what we hope will be an open budget process. While we have sketched out in general terms (with input from the Academic Priorities Council and the Program and Budget Council of the Faculty Senate) the guiding principles for a strategic budget process, we have not yet proposed or explored the details of that process. That is, in fact, what we propose to focus on in the third and presumably final year of JTFRA.

Q: There has been some discussion on campus about limiting funding for terminal masters students in some programs. Is this driven by the proposed model? How might the model allow us to understand potential outcomes from such a decision?

It is important to highlight that the budget model is a completely separate matter from the campus discussion about limiting waivers for Master’s candidates. The budget model would allow any department or college to calculate the financial impact of such decisions, which would then potentially inform a conversation among chairs, deans, and the Provost as part of the strategic budget process. The model could potentially be used to depict and understand the potential impacts of policy decisions, but the decisions are ultimately the responsibility of academic leaders and would be informed by the campus strategic plan.