

SPECIAL FACULTY SENATE MEETING

ON THE BUDGET PROCESS

November 28, 2017

3:30-5:00pm

Dion 115

Presenters: Mary Louise Nunes, Associate Vice Chancellor for Finance & Budget and Michael Goodman, Professor of Public Policy

Call to Order: Meeting was called to order at 3:30pm by Doug Roscoe.

Presentation on the new budget process

Doug Roscoe opened the meeting with some background on the budget process. The purpose of this meeting was primarily informational for the faculty on the model and details to further understand the process. Faculty concerns will be transmitted to the task force.

Two members of the RCM Development Task Force, Mary Louise Nunes and Michael Goodman, presented a summary of what the task force has been working on. They began by posing the question of why a new budget process is needed. Basically, the old one is broken due to a number of reasons:

- Lack of transparency
- Weak understanding of cross-subsidy
- Budget process has always been centralized with little input from the community and was not inclusive
- Incremental budget, not strategic, and doesn't encourage efficiency or innovation
- Structural budget deficit

UMass Boston was provided as an example, now paying the price for poor financial management.

In May 2016, then Chancellor Helm charged the Budgetary Planning Council to examine budget methodologies to make the budget process transparent and responsive to financial requirements. A responsibility budgeting model was recommended. The RCM Development Task Force was created by Chancellor Helm, including Michael Goodman. Staff members assigned to the Task Force are: Mary Louise Nunes, Bob Camara and Ann Marie Curry. RCM is responsibility-centered budgeting model. What the task force has come up with is not a pure RCM but a hybrid, a decentralized model at the college level rather than the Provost level. It is more inclusive and creates incentives. Revenues are allocated to responsibility centers (the colleges, schools, auxiliary units) and cover direct costs, indirect costs and cross-subsidies.

Revenues -> Direct Expenses -> Academic Indirect Costs -> A&S Indirect Costs -> Central Pool -> Net Results

How would revenues be allocated? 100% to colleges/schools, except tuition which is allocated on an 80/20, 3 year average.

How are costs allocated? If you know it, allocated directly. If not, then facilities and utilities are allocated on square footage, HR on FTE and the remaining central services by direct expense percentage.

The presenters provided 2 handouts to the group. The first handout laid out where our revenues come from using FY15 as example. Fees are now split with the Provost, library and CITS but in the new model would all go to the colleges. Salaries and benefits are a major expense and costs are rising faster than the state appropriation and enrollment. In the

new expense model, the debt for each college would stay with the responsible college if known. Every unit that ends up in the red is subvented.

There was discussion of various types of costs and ways to adjust accountability. This is a work in progress with room for refinement.

Talk About Key Remaining Issues

Doug Roscoe took the floor to present some remaining issues of importance, such as training and data.

Key issues:

1. How will the state appropriation be handled?
The state appropriation is about the same size as tuition and fees. The appropriation could be allocated out to colleges.
2. What will financial governance/management look like?
What are our management "levers"? The Executive Budget Committee makes decisions on subventions among colleges and schools and budgets for support units.

Key financial governance questions:

- Who will sit on the Executive Board Committee?
- How will college-level budget decisions be made?
- How effectively can support unit costs be managed?

Discussion

Mary-Louise Nunes announced that the University was awarded a \$160,000 Davis Foundation grant to support RCM training and budget software. Additionally, she announced that the Chancellor has the model for the members of the Executive Budget Committee, which would include the CFO, the Provost, two Deans, and a member of the Faculty Senate. In most of the models reviewed by ML, the Faculty Senate President is the representative.

Paul Bacdayan had an expense ratio question from the spreadsheet handout.

Is there a way to insure transparency before making budget decisions?

Some discussion of UE and revenue sharing between UE and departments.

It was determined that faculty need to be represented and information exchanged.

Adjournment:

The meeting was adjourned at 5:10pm

