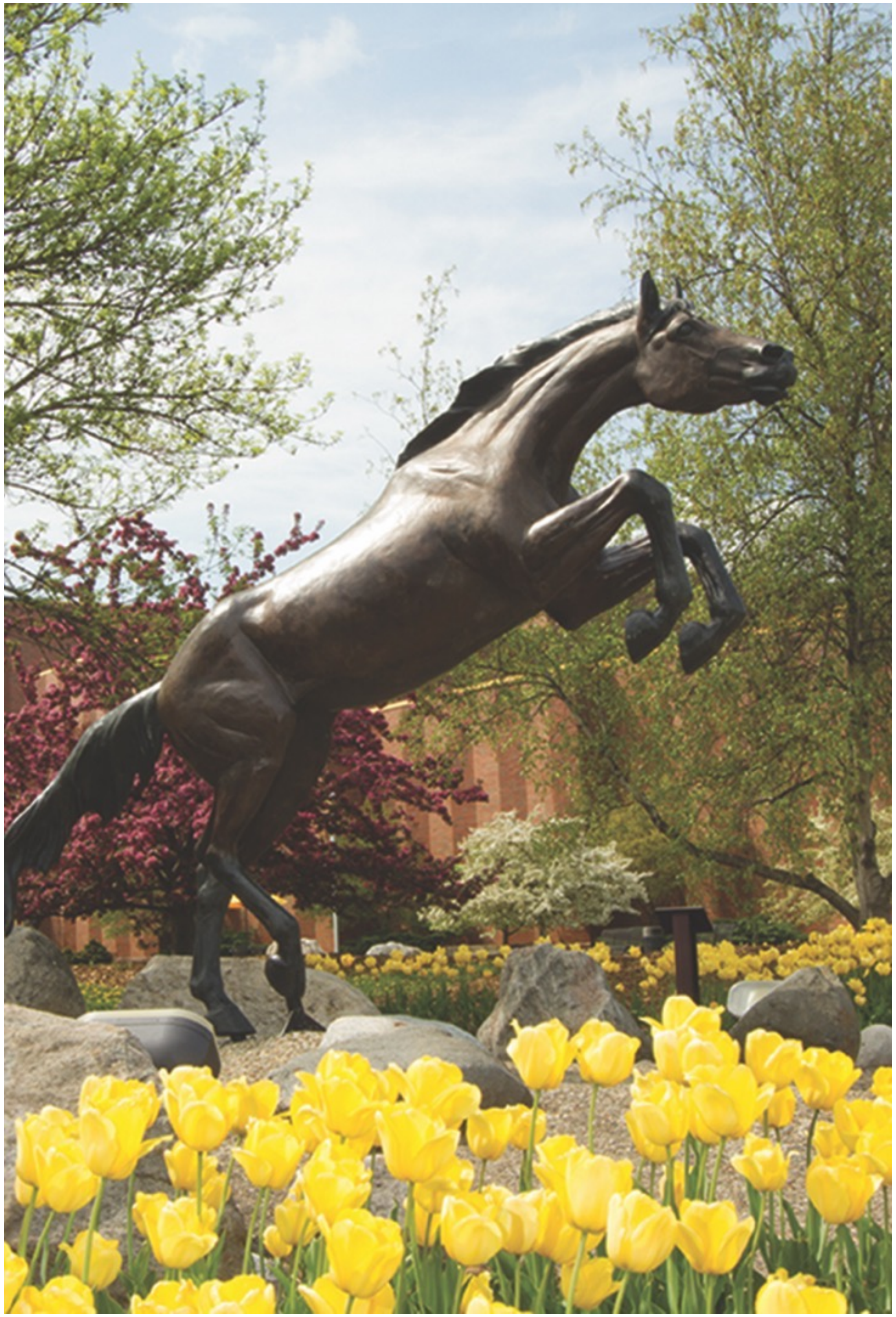

College of Arts and Sciences Strategic Resource Management (SRM) Townhall

March 16, 2023

Strategic Resource Management

Historic Incremental Budget Model

- Unit leaders are responsible for management of **direct** expenses in their unit according to centralized budgeting decisions regarding allocations.

- Budgets typically change year-to-year with across-the-board increases or decreases, together with incremental changes in response to decisions made by institutional leadership.

- Indirect costs are largely invisible to unit leaders (e.g., space is "free").

- No inherent incentives for efficient use of resources or for growing programs.

Strategic Resource Management

Responsibility-Centered Budget Model (RCM)

- Revenue and expenses (direct *and* indirect) are allocated to revenue-generating units (@WMU = 7 academic colleges) according to a set of rules.
- Year to year changes in budget (increases or decreases) are driven by changes in revenue:expense in revenue-generating units.
- Budgets may also be changed via changes to subvention and/or by strategic changes determined by institutional leadership.
- Intended to make indirect costs more visible and to incentivize both efficiency and growth.

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Strategic Resource Management

RCM Implementation Decisions

- **Timelines:** frequency of rules revision; time period for averaging revenue & expense
- **Rules to allocate revenue:** undergraduate tuition and fees; graduate tuition and fees; state allocation; F&As; course fees; differential tuition; misc income)
- **Rules to allocate indirect expenses:** space and facilities; operating costs for non-revenue generating unit expenses

Western Michigan University

SRM Rules @ WMU

Timelines

- 3 year initial model; revenue & expenses averaged over prior and current year

Revenue Allocation Rules

- *Undergraduate tuition and fees:* calculated from average actual tuition paid (discount, not sticker price) distributed among colleges based on percentage share of UG SCHs taught (~$450/SCH; ~$250/SCH after UPA)

- *Graduation tuition and fees:* calculated from average tuition paid distributed among colleges based on percentage of total GR FTE headcount enrolled in that college (1 FTE = ≥6 credits in fall/spring; ≥3 credits in summer I/II; 0.3 FTE for students enrolled in fewer credits; 1 FTE = ~$15K/year; ~$8,500/year after UPA)

- *State appropriation:* distributed among colleges based on percentage of total FTE headcount (UG majors – shared for double/triple majors + GR students; 1 FTE = ~$6800/year; ~$3,900/year after UPA)

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SRM Rules @ WMU

Revenue Allocation Rules

- *Indirect Costs (IDC)/Facilities and Administration (F&A):* 70% college, 10% to PI(s), 10% to department(s); college share after UPA = 31%
- *Differential tuition:* allocated directly to college (CFA, HCOB, CEAS)
- *Course fees:* allocated to directly to college
- *Revenue support:* internal funds from another WMU unit (e.g., Provost's office support for internal faculty buy out) allocated directly to college
- *Misc revenue:* any external revenue (e.g., fees from a conference) allocated directly to college

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SRM Rules @ WMU

Expense Allocation Rules:

- *Direct expenses:* faculty and staff salaries & fringe (53.25%); operating budgets; GTA tuition; PTI; summer instruction; any other direct expenses paid by college units
- *Course fees:* expenditures allocated directly to college
- *F&A/IDC:* 20% allocated to PI(s) and department(s)
- *Space Allocation:* debt service, custodial, maintenance, utilities; allocated based on assigned square footage; $12.86/sq ft
- *University Participation Assessment:* flat percentage of all revenue (43.41%); used to cover costs for all non-revenue generating units

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Sample Budget: CAS FY22

Revenue

- Undergraduate Tuition Revenue: $81,049,009
- Graduate Tuition Revenue: $9,757,982
- Differential Tuition: $0
- State Appropriation: $25,031,952
- Indirect Cost Recovery (90%): $1,129,511
- Course Fees: $528,965
- Revenue Support (internal transfers): $447,743
- Other Assigned Revenue: $1,914

- Total Revenue: $117,943,249

Western Michigan University

Sample Budget: CAS FY22

Expenses

- Direct Expenses: $57,584,348
- IDC/F&A (20% to PI/Dept): $202,687*
- Course Fees: $446,580
- GTA Tuition: $4,121,187
- Space: $7,942,885
- University Participation Assessment: $51,005,484 (43.41% of all revenue except revenue support (internal transfers))

- Total Expenses: $121,100,485 (*not included in total expense on spreadsheet provided to CAS)

- Total Revenue – Total Expense = ($3,157,236) = FY22 Subvention

WESTERN MICHIGAN UNIVERSITY

Subvention:

funds reallocated from one revenue-generating unit to another that has allocated expenses>revenue

- Initial subvention is model dependent (depends on revenue & expense allocation rules)

- Institutions using RCM must decide how to handle subventions: initial subventions may be held constant in perpetuity; subventions may be decreased (or increased) over time; may have expectation of $0 subvention ("all tubs on their own bottoms" or "pure RCM")

- Subventions reflect activities that generate less revenue than they cost, e.g., small courses (esp. fine arts, graduate seminars, study abroad, field courses); STEM education with high equipment/facilities costs; research assigned time

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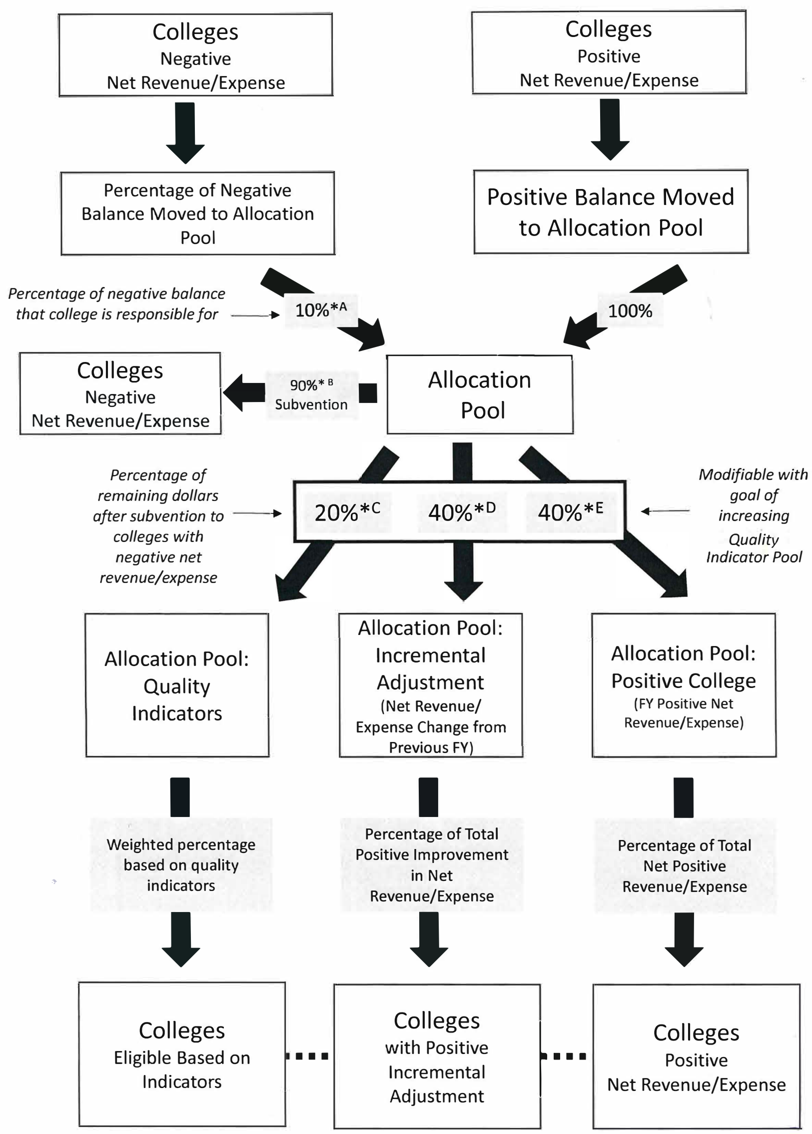
Academic Affairs Strategic Allocation Plan



* See back of page for percentage change schedule

Academic Affairs
Strategic Allocation Plan
Percentage Schedule

	A Percentage of negative balance that college is responsible for	B Percent of negative balance that will be subvented	C Percent of allocation pool after subvention allocated to quality indicators	D Percent of allocation pool after subvention allocated to incremental adjustment	E Percent of allocation pool after subvention allocated to positive colleges
Year 1 (FY23)	10%	90%	20%	40%	40%
Year 2 (FY24)	20%	80%	25%	45%	30%
Year 3 (FY25)	35%	65%	30%	50%	20%
Year 4 (FY26)	50%	50%	35%	55%	10%
Year 5 (FY27)	65%	35%	35%	65%	0%

Academic Affairs

Strategic Allocation Quality Indicators

Student Success (50%)

- FTIAC retention rate (20%)
- Blended URM, Pell, First Generation FTIAC retention rate (20%)
- Graduate Student Completion Rates (10%)
  - 4-year Masters
  - 7-year Doctoral
- Graduate Student DEI related metric? (TBD)

Academic Excellence/Faculty Success (30%)

- Metric of teaching excellence/quality/innovation (15%)
  - Each college will establish their own metric
- Scholarly Works per Traditional Faculty (10%)
- National Rankings (5%)

Other (20%)

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SRM BUDGET MODEL

FY2022-23 Estimated General Fund Budget
Baseline Budget Projections

FINAL STRATEGIC ALLOCATION (SUBVENTION) CALCULATION for FY23

	CAS	COA	CEHD	CEAS	CFA	CHHS	HCOB	Total	
FY23 net suplus/(deficit)	(5,218,737)	(1,258,444)	4,941,091	(3,680,243)	(6,722,015)	4,119,867	7,818,483	2	
Total of positive colleges			4,941,091			4,119,867	7,818,483	16,879,441	This is the total allocation pool
Each positive college's percent of the total positive balance			*29.27%*			*24.41%*	*46.32%*	*100.00%*	
Total of negative colleges	(5,218,737)	(1,258,444)		(3,680,243)	(6,722,015)			(16,879,439)	
90% subvention to negative colleges	(4,696,863)	(1,132,600)		(3,312,219)	(6,049,814)			(15,191,495)	This is the amount of the total allocation pool used to cover 90% subvention
								1,687,946	This is the remaining amount of the allocation pool to be distributed to colleges
Adjustment required for each negative college	(521,874)	(125,844)		(368,024)	(672,202)			(1,687,944)	
Each negative college's percent of the total negative balance	*30.92%*	*7.46%*		*21.80%*	*39.82%*			*100.00%*	
Remaining allocation pool after 90% Subvention to colleges (Negative)								1,687,946	
Allocation Pool Based on Yearly Incremental Adjustment (0%)								0	
Allocation Pool Based on Quality Indicators (60%)								1,012,768	This area shows how the remaining allocation pool (after subvention) was distributed amongst the colleges.
Allocation Pool for Colleges (Positive) (40%)								675,178	
Return Based on Quality Indicators	178,370	130,846	115,745	159,908	196,409	115,745	115,745	1,012,768	
Return to Positive Colleges			197,644			164,795	312,740	675,178	
NET IMPACT TO COLLEGE	**($343,504)**	**$5,002**	**$313,389**	**($208,116)**	**($475,792)**	**$280,540**	**$428,485**		

Notes:

We are unable to do the "incremental adjustment pool" this year due to the fact that last year was the "hold harmless" year. Thus, we moved the dollars that will normally be part of the "incremental adjustment pool" to the "quality indicator pool." So there are basically two allocation pools: 1) pool for colleges (positive) and 2) quality indicator pool.

Because the quality indicators will begin to be assessed next year, the "quality indicator pool" was distributed based on the following methodology:
**80% of quality indicator pool was divided equally among the seven colleges and 20% was divided equally among the four colleges with a FY23 deficit based on percentage of total negative.

Updated 11/18/2022 (Only formatting changes from 11/15/2022 version)

From wmich.edu/budget/budget-model/srm-training-tools

How will SRM be applied in CAS?

- SRM formulas will be used to calculate department contributions to college revenue and expenses
    - Adjustments will be made according to rules determined by chairs/directors council (e.g., salary for jointly appointed faculty will be split between primary and secondary units)

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How will SRM be applied in CAS?

- SRM revenue/expense data will help to *inform* decisions about resource allocation (e.g., faculty hires, PTI & GTA allocations, operating expenses). **It cannot make the decisions.**

  - SRM should provide insights into "hidden" costs (e.g., space)
  - SRM should incentivize recruiting and especially retention
  - SRM should incentivize "positive" efficiencies (e.g., improving energy efficiency)

  - But…will need to actively resist student credit hour grabs/lack of collaboration, increased reliance on lower paid instructors, very large enrollment courses, disinvestment in research, etc.

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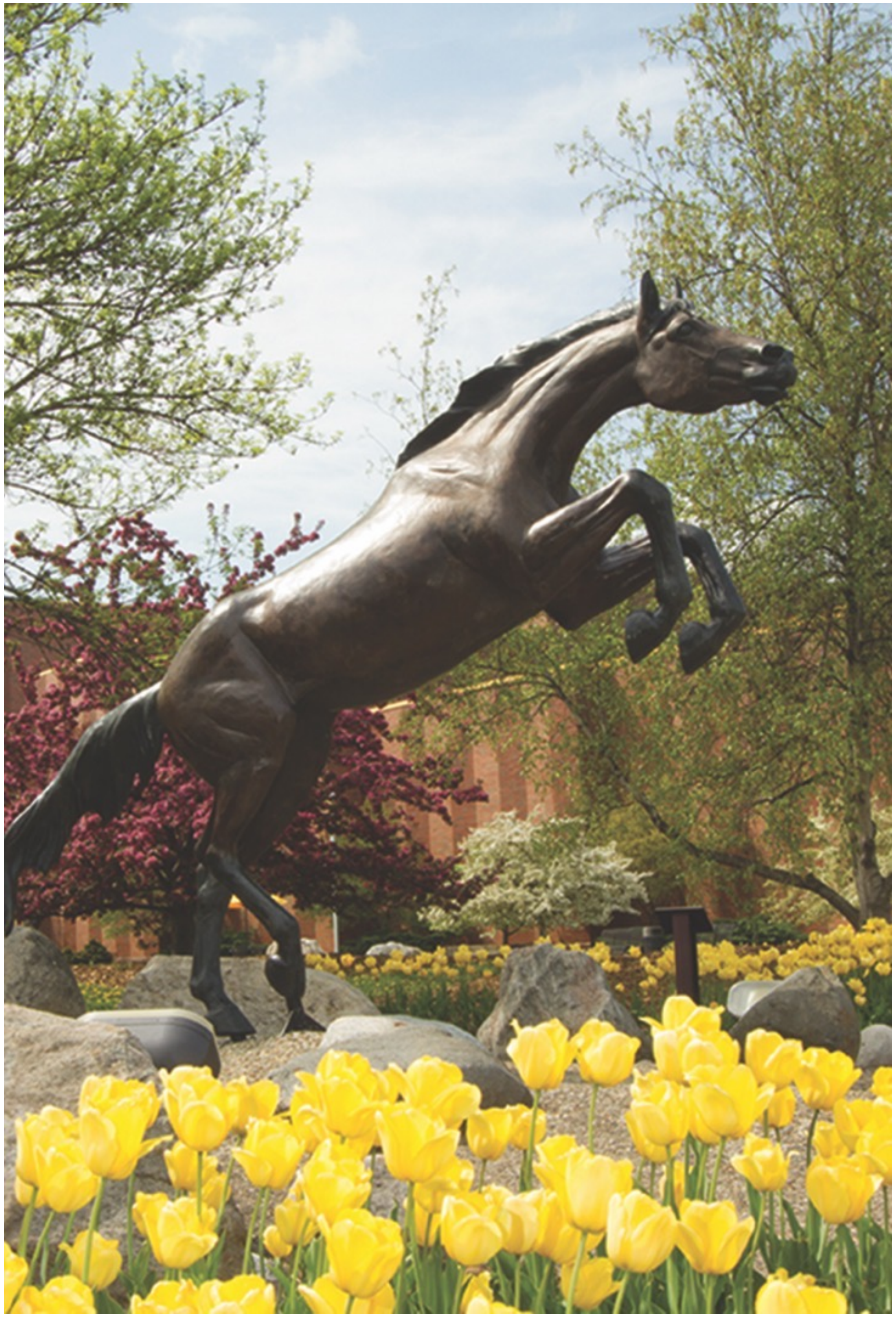

Questions?