In late 2011, then Chancellor Lovell issued a charge for the development of a new resource allocation methodology for UWM. Subsequently, a Budget Model Working Group (BMWG) was established to take up this charge and develop a new university budget model.

The work of the group has consisted of four phases:

- **Phase 1**: Requirements and Best Practices Data Gathering
- **Phase 2**: Development and Approval of the Resource Allocation Framework
- **Phase 3**: Testing the Proposed Model
- **Phase 4**: Implementation of the New Model

Throughout the process, the BMWG has been guided by the following concepts in developing recommendations for a new resource allocation model.

- Flexibility
- Predictability
- Simplicity
- Inclusivity
- Incentivizes desired activity
- Is strategic in nature

The submission of this report marks the concluding steps of Phase 2 as the BMWG seeks approval from campus leadership for a new resource allocation framework.

**Recommended Changes for UWM’s Budget Model**

Based on its review of UWM’s current model and research into best practices at other institutions of higher education, the BMWG offers fourteen recommendations, grouped into three categories, to the campus leadership for further consideration:

**A - Financial Framework**

1. Clearly identify the source of campus revenue by making a distinction between the flow of state appropriations and tuition revenues.
2. Create separate undergraduate and graduate tuition pools.
3. Create a Subvention Fund managed by the Chancellor, Provost, and Vice Chancellor for Finance and Administration with input from campus governance, to provide means for exploring new opportunities as well as flexibility in managing unforeseen events

**B - Funding Allocations and Assessments**

**TUITION**

4. Pool undergraduate tuition and academic fee revenue (the instructional and resident portions), and distribute based on a combination of credit-granting school/college, degree majors, and degrees awarded
UWM Budget Model Development: Proposal for a New Incentive Based Resource Allocation Model

Prepared by the Budget Model Working Group

5. Distribute graduate tuition 100% based on school/college of enrollment
6. Address concerns with differential instructional costs across units through allocations made from the Subvention Fund. Decisions to redistribute funds via the subvention fund allocations should be informed by department level instructional costs data.
7. Use the Subvention Fund to soften the impact of sharp, sudden enrollment downturns, allowing for minor adjustments in the allocation process to buffer against the risk of enrollment swings (such as averaging SCH conveyed over multi-years instead of over one year as currently practiced),
8. Modify the current process for managing graduate assistant tuition remissions, specifically: foregoing all TA tuition; assessing academic units $8,000 annually for RAs and PAs; redistributing the $8,000 assessment to academic units via the tuition distribution model.

STATE SUPPORT
9. Split the State appropriation allocation (based on current allocation levels) between the Chancellor’s GEA units, the Division of Finance and Administrative Affairs, the Division of Student Affairs and the Subvention Fund.
10. Fund the Chancellor’s GEA units and the Division of Finance and Administrative Affairs primarily from the State appropriation, with allocations from the Subvention Fund as needed.

INDIRECT COST RECOVERIES
11. Distribute the majority of Indirect Cost Recovery funds to the school or college receiving the award.

C - Administration and Oversight
12. Form a Resource Allocation Advisory Group to interact with various campus constituencies, review pertinent data, and make informed recommendations to campus leadership for changes to the resource allocation model.
13. Address concerns about course duplication through faculty governance, not through the resource allocation model.
14. Establish a policy regarding carry forward amounts and commitments that is consistent with UW System policy, and which encourages rigorous review and justification going forward.

The BMWG believes that the adoption of the above fourteen practices will yield a new resource allocation model that provides to the campus business and process owners the incentives for behaviors that will support long term financial sustainability and that will move UWM towards its stated missions and strategic priorities.
INTRODUCTION

In his Fall 2011 Plenary, Chancellor Lovell made the case for a new resource allocation methodology for UWM. Citing the need to link scarce University resources to current and emerging strategic initiatives, Chancellor Lovell argued that the 12 year old current budget model was unaligned with current needs and incentivizing the wrong behaviors. Furthermore, the Chancellor informed the audience that he had charged leadership from all governance groups to work together to develop a new budgeting model for the UWM campus.

Shortly after his Plenary, the Chancellor appointed Provost Britz and Vice Chancellor Christy Brown co-chairs of a new Budget Model Working Group. This group was tasked with developing a new resource allocation model. After initial meetings, the group issued an RFP to engage a consultant that could guide the group through this process. In the spring of 2012, Mr. Larry Goldstein of Campus Strategies was contracted to help facilitate the development of the campus’ new budget model.

In July 2012, Mr. Goldstein traveled to UWM to facilitate a Kickoff of the BMWG. During his visit, the consultant recommended that, due to their demanding schedules and the amount of time needed to effectively lead the BMWG, Provost Britz and Vice Chancellor Brown step down as co-chairs and assign a new pair of leaders for the group. Mr. Goldstein also recommended the group be increased to include more members of the Faculty.

With the departure of Vice Chancellor Brown (who was replaced by Interim VC Robin Van Harpen) from the University during the summer of 2012 and per the request of the consultant, new co-chairs of the budget model were selected and the BMWG was expanded to include more members of the campus Faculty. In September 2012, Swarnjit Arora, Professor of Economics and Jerry Tarrer, Associate Vice Chancellor for Business and Financial Services, were selected as co-chairs of the Budget Model Working Group (BMWG).

On November 8, 2012, Mr. Goldstein facilitated a Kick-Off Meeting of the BMWG. The meeting was an all day gathering held in the UWM student Union. From this meeting emerged a framework that would guide the work of the Budget Model Working Group. Appendix A contains a report on the activities and outcomes of this kick-off meeting.
UWM Budget Model Development: Proposal for a New Incentive Based Resource Allocation Model

Prepared by the Budget Model Working Group

THE DEVELOPMENT PROCESS

The work with Mr. Goldstein helped the BMWG to develop a process for researching, designing, testing and implementing a new resource allocation model for the campus. This process included four phases.

Phase 1: Data Gathering
The initial phase of the work of the BMWG included the following goals:
1. Establishment of Guiding Principles to inform the work of the BMWG.
2. Requirements gathering that involved open forums to determine what the UWM community wanted in a new resource allocation model.
3. Research and review alternative approaches to resource allocation and best practices of other higher education institutions.

Phase 2: Development of New Budget Model Framework
This phase included 3 goals:
1. Defining a basic resource allocation approach. In other words, would UWM continue to use an incremental model or move to a zero based model, a full or modified Responsibility Center Model, an incentive model, etc.
2. Development of proposed changes to the current resource allocation model that would serve as the framework for a new resource allocation methodology.
3. Seek approval from campus leadership for the proposed changes.

Phase 3: Model Testing
This phase included the followed 2 goals:
1. Developing the details of the new model and testing the impacts of the proposed changes.
2. Presenting the new model to the campus community for comment and feedback.

Phase 4: Implementation
This phase involves the implementation, over a two-year period, of the new resource allocation model.
From the work performed in Phase 1, the BMWG identified two important groups of insights. These insights emerged from the BMWG’s campus forums, the analysis of UWM’s current model, and the group’s research into the practices and policies of other institutions (see Appendix B for research results). These insights are presented in two groups – desired strengths and weakness of UWM’s current model and desired features in a new budget model.

**Strengths and Weaknesses in the Current UWM Model**
Strengths and weaknesses of the current model include, but are not limited to, the following:

- It incentivizes enrollment growth (to exclusion of other activities), and is less responsive when overall trends not unique to a specific school/college lead to enrollment declines
- It was developed piecemeal over time without regards to an overall strategy or to how various components are interrelated
- It is perceived to provide insufficient incentives to grow as a research institution
- Some aspects of the model, such as the methodology for distribution of marginal tuition revenue, are not readily understood by many, but are also predictable and consistent from year to year
- It is difficult to link activities and their related costs, because activities may reside at a school or college, and the costs are paid centrally by the campus

**Desired Features and Goals of a New Budget Model**
A new budget model should include, at minimum, the following components:

1. It should be flexible enough to adjust to the evolving landscape of higher education and the evolving needs of the UWM campus community.
2. It should be predictive to allow campus units to anticipate their future resource allocations and, subsequently, set long term goals.
3. It should be simple and easily understood by the campus community.
4. It should be incentivizing for desired behaviors and outcomes
5. It should be inclusive of the viewpoints of campus leadership and governance groups
6. It should be strategic in nature

The above sets of insights were used to inform the BMWG’s efforts in Phase 2 to develop a new framework for resource allocation at UWM.
RECOMMENDATIONS FOR A NEW BUDGET MODEL FRAMEWORK

Based on the insights outlined in the above section, the group decided to recommend fourteen adjustments, grouped into three categories, to the current model that would address the six desired features of a new UWM budget model. These recommendations are also an attempt to address the concerns raised with our current resource allocation model. The Budget Model Working Group anticipates the cumulative effect of the recommendations will be a resource allocation method that is provides a set of incentives designed to reward behaviors that move UWM towards its mission and strategic priorities.

Financial Framework

Recommendation #1:
Clearly identify the source of campus revenue by making a distinction between the flow of state appropriations and tuition revenues. While the UW-System distributes our funding to our campus in the form of a state appropriation and tuition pool (Fund 101), we have the ability to distinguish between what portion of the fund 101 distribution to campus units is from tuition and what portion is from State appropriation. The BMWG believes this initial step is critical in beginning to move beyond an incremental form of resource allocation to one that is more strategic and flexible.

Recommendation #2:
Create separate tuition streams for undergraduate and graduate students. Both the undergraduate and graduate tuition streams should be assessed a 20% (tentative amount – needs more modeling) tax off-the-top. These funds will flow into a Subvention fund to support campus wide initiatives, see recommendation number 6. The remaining 80% of the tuition will then be distributed to the schools and colleges generating the revenues. While this recommendation calls for the pooling of undergraduate tuition for distribution, it does not call for the pooling of graduate level tuition. Instead, at the graduate level, tuition will directly follow the student to the school or college in which the student is enrolled. The rationale behind this distinction is that unlike graduate students, undergraduate students are much more likely to enroll in courses outside of their college of enrollment. Thus, enrollment declines or increases in one academic unit impacts (through the courses a student takes) the fortune of other units. The pooling of the undergraduate tuition allows the distribution of tuition revenue to reflect that fact that enrollment at the undergraduate level is a shared concern.

Recommendation #3:
Create a Subvention Fund managed by the Provost and the Chancellor (with input from shared governance). This subvention fund will be used similarly to the way UC Davis and the University of Michigan uses their subvention funds. The BMWG believes the creation of a subvention fund along with will provide needed flexibility in aligning campus resources with identified strategic needs.

This subvention fund should be used to address the following:

1. The funding of the administrative support units reporting to the Office of the Provost
UWM Budget Model Development: Proposal for a New Incentive Based Resource Allocation Model
Prepared by the Budget Model Working Group

2. Supplementing the funding for schools and colleges, particularly to reflect targeted state funding.
3. The directing of discretionary resources to key campus priorities
4. Holding harmless schools and colleges during the implementation phase of a new budget model

Funding Allocations and Assessments

TUITION

Recommendation #4:
Pool undergraduate tuition and academic fee revenue (the instructional and resident portions), and distribute based on the following criteria:

- SCH
- Degree Majors
- Degrees Awarded

The proportionate mix can be determined based on testing and modeling. Based on the lessons learned from the universities studied (particularly the University of Michigan) the group believed it important to continue to distribute some portion of undergraduate tuition based on SCH to allow resources to flow to the unit providing the instruction. However, to direct resources to the college of enrollment and to address the costs of delivering higher level course\(^1\), the BMWG has included a weighting for degree majors. Furthermore, to reward retention the group has included a weighting for degrees awarded.

This new distribution methodology for undergraduate tuition revenue would reset the base budgets of the schools and colleges. The undergraduate tuition component is determined by the instructional load (SCH), degree majors and degrees awarded. (Other factors in resetting the base budget are treated in the following recommendations.)

Recommendation #5:
Allocate all of the school/college share of Graduate tuition by college of enrollment. Preliminary modeling of other distribution formulas revealed the swings in base allocations to units to be too severe.

Recommendation #6:
Address concerns with differential instructional costs across units through allocations made from the Subvention Fund. The BMWG agreed that the subvention pool represents a built-in mechanism for addressing this concern. The group also recognized the need to have good costs accounting data – i.e. information on the relative instructional costs across different academic disciplines. To that end, the campus will need to invest the appropriate resources towards developing and publishing reports with instructional costs data. This data will be used by the Allocation Advisory Group to help inform their recommendations for allocations from the subvention pool.

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\(^1\) It is understood by the BMWG that undergraduate students do not declare majors typically until their junior year.
Recommendation #7:

**Use the Subvention Fund to soften the impact of sharp, sudden enrollment downturns.** Such downturns are a risk for tuition dependent campuses and the BMWG took up the topic of mitigating the impact of this risk through the resource allocation model. The BMWG agreed that while some minor actions could be taken to provide a small degree of protection against enrollment downturns (e.g. using multi-year average SCH to distribute the undergraduate tuition pool), there exists no simple mechanisms to fully eliminate the impact of a sharp enrollment fluctuations. The group, therefore, concluded the best way to address this risk is through annual allocations from the recommended subvention pool. Therefore, the group recommends that the Resource Allocation Advisory Group (see recommendation #7) consider the effects on enrollment downturns on individual units when making resource allocation recommendations to the campus leadership during the annual budget building process.

Recommendation #8:

**Modify the current process for managing graduate assistant tuition remissions.** The BMWG recommends the following: foregoing all TA tuition; assessing academic units $8,000² annually for RAs and PAs; redistributing the $8,000 assessment to academic units via the tuition distribution model. The following chart illustrates the distinction between the current practice and the recommended changes:

<table>
<thead>
<tr>
<th>Type of Appointment</th>
<th>Current Tuition Model</th>
<th>Proposed Tuition Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In-state tuition</td>
<td>Out-of-state tuition</td>
</tr>
<tr>
<td>Internally funded TA</td>
<td>No charge if paid on 101 or 131; otherwise by unit</td>
<td>Foregone</td>
</tr>
<tr>
<td>Internally funded PA</td>
<td>No charge if paid on 101 or 131; otherwise by unit</td>
<td>Foregone</td>
</tr>
<tr>
<td>Internally funded RA</td>
<td>School/College</td>
<td>Foregone</td>
</tr>
<tr>
<td>Externally funded TA/PA</td>
<td>Grant</td>
<td>25% salary surcharge if student is paid from Federal Fund 144 grant; remainder foregone</td>
</tr>
<tr>
<td>Externally funded RA</td>
<td>Campus pays $202,500; remainder split: 68% on 150 funds and 32% S/C</td>
<td>Federal (144) only contributes to 25% salary surcharge; remainder foregone</td>
</tr>
</tbody>
</table>

² The $8000 amount is tentative and may be adjusted annually based upon changes in UWM tuition rates.
STATE SUPPORT

Recommendation #9:
Split the State appropriation allocation (based on current allocation levels) between the Chancellor’s GEA units, the Division of Finance and Administrative Affairs, the Division of Student Affairs and the Subvention Fund.

Recommendation #10:
Fund the Chancellor’s GEA units and the Division of Finance and Administrative Affairs primarily from the State appropriation, with allocations from the Subvention Fund as needed. Reasons for Subvention Fund allocations include changes in state funding or changes in campus priorities (e.g. the operating costs for new building projects should be supported by an increase in Subvention funding). It should be mentioned that the Division of Student Affairs, which receives a small amount of State appropriation and most of its revenues from fees, would also be eligible for allocations from the Subvention fund.

INDIRECT COST RECOVERIES

Recommendation #11:
Distribute the majority of Indirect Cost Recovery funds to the school or college receiving the award. The group recommends giving 80-100% to the schools and colleges, if alternative resources can be made available to fund the administrative commitments currently funded with these resources.

Administration and Oversight

Recommendation #12:
Form a Resource Allocation Advisory Group to interact with various campus constituencies, review pertinent data, and make informed recommendations to campus leadership for changes to the resource allocation model.

Specifically, the group will perform the following functions:

- This group will have and maintain extensive knowledge of the financial status of the university. This group will include staff from those support functions that can provide the data for; UWM budgets, current and historic costs accounting records, funding balances, enrollment projections, central financial commitments, and financial forecasts.
- The group, or some subset, will consult with the team tasked with the implementation of the UWM strategic plan. A goal of this interaction is to provide the strategic plan implementation team with a clear understanding of current and forecasted available campus resources for strategic initiatives. Another goal of this interaction is to provide an evaluation of the both the financial costs of proposed strategic initiatives as well as an estimate of potential financial return of these initiatives.
- After consultation with the strategic planning implementation team, the Resource Allocation Advisory Group and the strategic plan implementation team will issue a joint set of recommendations for resource allocation to the campus leadership team.
Finally, the Resource Allocation Advisory Group will be tasked with recommending any changes to the resource allocation model to campus leadership. The below diagram outlines the proposed governance model for the subvention pool.

Recommendation #13:
Address concerns about course duplication through faculty governance, not through the resource allocation model. After examining other institutions, the BMWG was unable to determine, based on published literature, how other institutions used their funding allocation models to address the issue of course duplication. After some discussion on how UWM could leverage its new resource allocation model to minimize course duplication, the BMWG concluded that this goal was beyond the scope of a resource allocation model. The group concluded, instead, that the best way to achieve this goal of mitigating against the risk of course duplication was through already established faculty governance structures – including the APCC and the GFC.

Recommendation #14:
Establish a policy regarding carry forward amounts and commitments that is consistent with UW System policy, and which encourages rigorous review and justification going forward. The BMWG believes it is important to maintain a degree of flexibility at the unit level in how the funds are used. However, given the sensitive political environment in which we operate and in light of the new UWSYSTEM policy which is accompanied by new reporting requirements, the group also believes it is important to monitor balances and commitments against these balances.
In this approach both the Resource Allocation Advisory Group and the campus leadership will receive carryforward data as part of the annual budget process discussions. When a unit’s prior year carryforward exceeds 12% of prior year expenditures, a commitment and spending plan would be required to be submitted the Office of Budget and Planning. The plan would specify commitments according to the LAB authored commitment categories (see above). Conversely, if a unit’s carryforwards are below 0% of prior year expenditures that unit will be required to submit a savings plan. Units operating within the 0%-12% margin would not need to submit any plans.

While the recommendation does provide a 0%-12% marker for carryforward funds, it does not dictate a more centralized mandate with regards to these funds. However, implied in the recommendation is that further discussions, and possibly management decisions about these funds, will follow with specific units that surpass the 12% marker.

Attached in Appendix C is a resource allocation flow chart which graphically depicts the 14 recommendations made above.
# IMPLEMENTATION TIMELINE

<table>
<thead>
<tr>
<th>Action</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of Model Framework</td>
<td>Summer 2014</td>
</tr>
<tr>
<td>Model Testing</td>
<td>Fall 2014 &amp; Winter 2015</td>
</tr>
<tr>
<td>Advisory Structure Established (Resource Allocation Advisory Group and Strategic Planning Implementation Team)</td>
<td>Spring 2015</td>
</tr>
<tr>
<td>Presentation of Model to Campus Community</td>
<td>Spring 2015</td>
</tr>
<tr>
<td>Sponsors Approve Model</td>
<td>Spring 2015</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Meeting of Resource Allocation Advisory Group (introduction to new budget model and financial data for campus units)</td>
<td>Summer 2015</td>
</tr>
<tr>
<td>Parallel new resource allocation model with current model for FY2017 budget development cycle</td>
<td>Fall 2015 &amp; Winter 2016</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Meeting of Resource Allocation Advisory Group and Strategic Planning Implementation Team</td>
<td>Spring 2016</td>
</tr>
<tr>
<td>Forwarding of FY2018 Resource Allocation Recommendations from Resource Allocation Group to Campus Leadership</td>
<td>Summer 2016</td>
</tr>
<tr>
<td>Full Implementation of New Resource Allocation Model for Building of FY2018 Budget</td>
<td>Fall 2016 &amp; Winter 2017</td>
</tr>
<tr>
<td>UWM Under New Resource Allocation Model</td>
<td>Summer 2017</td>
</tr>
</tbody>
</table>
Budget Model Development

Budget Model Working Group (BMWG) Kickoff Meeting Report
November 8, 2012

To: Provost Britz & Interim Vice Chancellor Van Harpen

Introduction
In his Fall 2011 Plenary, Chancellor Lovell made the case for a new resource allocation methodology for UWM. Citing the need to link scarce University resources to current and emerging strategic initiatives, Chancellor Lovell argued that the 12 year old current budget model was unaligned with current needs and incentivizing the wrong behaviors. Furthermore, the Chancellor informed the audience that he had charged leadership from all governance groups to work together to develop a new budgeting model for the UWM campus.

Shortly after his Plenary, the Chancellor appointed Provost Britz and Vice Chancellor Christy Brown co-chairs of a new Budget Model Working Group. This group was tasked with developing a new resource allocation model. After initial meetings, the group issued an RFP to engage a consultant that could guide the group through this process. In the spring of 2012, Mr. Larry Goldstein of Campus Strategies was contracted to help facilitate the development of the campus’ new budget model.

In July 2012, Mr. Goldstein traveled to UWM to facilitate a Kickoff of the BMWG. During his visit, the consultant recommended that, due to their demanding schedules and the amount of time needed to effectively lead the BMWG, Provost Britz and Vice Chancellor Brown step down as co-chairs and assign a new pair of leaders for the group. Mr. Goldstein also recommended the group be increased to include more members of the Faculty.

With the departure of Vice Chancellor Brown (who was replaced by Interim VC Robin Van Harpen) from the University during the summer of 2012 and per the request of the consultant, new co-chairs of the budget model were selected and the BMWG was expanded to include more members of the campus Faculty. In September 2012, Swarnjit Arora, Professor of Economics and Jerry Tarrer, Associate Vice Chancellor for Business and Financial Services, were selected as co-chairs of the Budget Model Working Group (BMWG).

On November 8, 2012, Mr. Goldstein facilitated a Kick-Off Meeting of the BMWG. The meeting was an all day gathering held in the UWM student Union. Below is a report on the activities and outcomes of the event.
APPENDIX A

Kickoff Meeting Objectives

1. Provide the BMWG an Overview of the Principles of Resource Allocation
2. Provide a Review of the Prevailing Budget Models used in Higher Education
4. Establish a framework for making decisions within the group.
5. Identify stakeholder groups from whom the BMWG will solicit input into the resource allocation model via a series of data gathering listening sessions and forums.
6. Introduce techniques for gathering data from large groups.
7. Develop questions to ask stakeholder groups during listening sessions and forums.

Principles of Resource Allocation and Budget Modeling in Higher Education
During the meeting approaches to resource allocation were discussed by Mr. Goldstein. After reviewing the key principles of resource allocation, it was understood that the ideal approach to resource allocation:

- Is driven by strategic and operational plans
- Relies on a broadly participative process
- Integrates with operation planning and assessment
- Emphasizes accountability versus control

Mr. Goldstein emphasized that the objectives of resource allocation are to achieve a vision while honoring values, accomplishing specific goals, and maintaining financial equilibrium.

Review of the Prevailing Budget Models used in Higher Education
The consultant discussed in detail six (6) prevalent budget models:

- Incremental
- Formula
- Responsibility center
- Zero-based
- Special purpose
- Hybrid

According to Mr. Goldstein, most Universities use a Hybrid model which includes the combined use of two or more of the above models. UWM’s model will almost certainly be a form of Hybrid model.
Reaffirm the Ground Rules and Group Operating Principles Established in the July 2012 Kickoff Meeting
The group reviewed and reaffirmed the ground rules that were established during the July 2012 Kickoff meeting.

1. Leave Titles at the door
2. Focus on big picture
3. Leave baggage at the door
4. Positive attitude
5. Meetings for dialogue-decision-finality

The group that met on November 8th advocated for and adopted an additional Ground Rule:

6. No substitutes at meetings if member cannot attend
   Members will not send substitutes or proxies. If a member is unable to attend a meeting, it will be the responsibility of that member to become informed of what transpired at the meeting. If a member is chronically absent, it will be the responsibility of the co-chairs of the BMWG to ask that member of the group to relinquish his/her membership.

In addition to the Ground Rules, operating principles that were discussed and established during the July 2012 Kickoff meeting were also adopted.

- Whatever BMWG come up with will not be perfect
- Whatever BMWG agree upon, make sure we administer and implement well
- Collaboration through the process, and unity in the message and implementation is desired
- Build consensus – come to agreement on a model that we call all live with
- Be open, flexible, adaptable in our thinking – have humility to realize “my way” may not always be best way
- Keep differences internal
- Leadership values are important
- Working together as a group is advantageous – gives us joint wisdom
- Not one truth – nothing will be perfect for everyone
- All must support group process and consensus

Establish a Framework for Decision Making within the Group
To facilitate decision making within the group, the members of the BMWG adopted the following decision making criteria.

- **Meeting Quorum** – 75% of members must be in attendance at BMWG meetings to conduct a meeting (this standard will be revisited based on actual experience at future meetings)
- **Decision Protocol** – Consensus minus one (85/15)
  - Fallback – Super Majority (75%)
Identify Stakeholder Groups
A significant component of the work performed by the BMWG will be the solicitation, from the campus community, of input into the resource allocation model. This solicitation will be conducted via a series of data gathering listening sessions and forums. The group identified several stakeholder groups from whom input will be sought.

<table>
<thead>
<tr>
<th>Teaching/Non-Teaching Academic Staff</th>
<th>Faculty Senate</th>
<th>Acad. Staff Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified Staff</td>
<td>Student Senate</td>
<td>Faculty by School/College</td>
</tr>
<tr>
<td>APBC/GFC/APCC</td>
<td>Research Policy</td>
<td>Adjunct Faculty</td>
</tr>
<tr>
<td>Current &amp; Former Chairs</td>
<td>Grad Students</td>
<td>UBR’s/PREP’s</td>
</tr>
<tr>
<td>Athletics</td>
<td>Student Affairs</td>
<td>Graduate School</td>
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<td>Administrative Departments</td>
<td>ITPC</td>
<td>Acad. Advisors Network</td>
</tr>
<tr>
<td>Associate Deans</td>
<td>UITS</td>
<td>Acad. Staff Comm.</td>
</tr>
<tr>
<td>Administrators (Chancellor, Deans, UC)</td>
<td>Chancellor's Cabinet</td>
<td>Budget &amp; Policy</td>
</tr>
<tr>
<td>Budget Officers</td>
<td>Univ. Committee</td>
<td>Science Faculty</td>
</tr>
<tr>
<td>Facility Services</td>
<td>Safety &amp; Assurance</td>
<td>UWM Foundation</td>
</tr>
<tr>
<td>Classified Staff Advisory</td>
<td>Development</td>
<td>Purchasing</td>
</tr>
<tr>
<td>UWM Residence Foundation</td>
<td>Library/ULC</td>
<td>Engineering Faculty</td>
</tr>
<tr>
<td>Auxiliary Units</td>
<td>BFS</td>
<td>Library/ULC</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>HR</td>
<td></td>
</tr>
</tbody>
</table>

Introduce techniques for gathering data from large groups.
Members of the BMWG are expected to pair off and engage the above stakeholder groups in a series of data gathering sessions. It is expected that each pair will conduct 2-3 of these sessions. To help facilitate these sessions, the Consultant, Larry Goldstein introduced two (2) data gathering techniques.

1. Carousel Design – allows individuals to answer a pre-determined number of important questions regarding resource allocation.

2. Interview Design – enables a group to gather and synthesize large amounts of information to help inform resource allocation.

The instructions for using each of these techniques is located in the BMWG Pantherfile folder “Support Material”.

Develop questions to ask stakeholder groups during listening sessions and forums.
As members of the BMWG canvas the campus seeking input into our resource allocation approach, they will employ a standard set of questions for each session. During the November 8th meeting, the group identified the following questions.
APPENDIX A

1. What are the most significant concerns with the current approach to resource allocation?
2. What are the most valuable features of the current approach to resource allocation?
3. What is your greatest hope or aspiration for the new resource allocation model?
4. What specific criteria should drive university resource allocation decisions?
5. What could be done to enhance your readiness to move to a new resource allocation model?

Next Steps
The next steps for the BMWG include a follow up meeting in late November. This meeting will cover the following topics
   1. Introduction of Key Budget Model Issues
   2. Identification of the 2 Person Teams for Data Gathering
   3. Introduction of the UWM Current Resource Allocation Model
APPENDIX B

UWM Budget Model Development: Research into Alternative Models

Prepared by the Budget Model Support Team

SUMMARY

The Budget Model Support Team (BMST) was tasked with researching and reviewing alternative resource allocation models, pursuant to a larger charge made by the Chancellor to the Budget Model Working Group (BMWG). The BMST drew upon the work already completed by the BMWG, which included open forums with the campus community that led to prioritizing issues identified and establishing preliminary goals that would lead to the successful redesign of the current resource allocation model.

The BMST reviewed the models of the following universities:

- UC Davis
- Cornell University
- Ohio University
- Penn State
- Iowa State
- University of Michigan

The models from these campuses were selected for the following reasons:

1. The materials explaining them were readily available
2. They had been presented and discussed at various NACUBO conferences attended by some members of the BMST
3. They represented a fairly significant departure from UWM’s current model
4. They had features the BMST believed addressed several of the weaknesses of UWM’s current model

The BMST also took the unprecedented step of comprehensively charting UWM’s revenue sources for FY 2011-12, along with their current distribution methodologies, in order to better understand current processes. This chart has previously been shared with the BMWG.

Based on this research and review, the BMST offers eight recommendations to the Budget Model Working Group (BMWG) for further consideration:

1. UWM should make a clearer distinction between the flow of state appropriations and tuition revenues, in contrast to the current pooling process
2. UWM should create separate undergraduate and graduate tuition pools
3. The distribution of pooled undergraduate tuition revenue should be based on a combination of credit-granting school/college, degree majors, and degrees awarded
4. The distribution of graduate tuition should be 100% based on school/college of enrollment
5. Federal indirect cost recoveries should be primarily distributed to the school/college receiving the underlying extramural funding
6. UWM should create a Subvention Fund managed by the Chancellor and Provost, with input from campus governance, to provide means for exploring new opportunities as well as flexibility in managing unforeseen events
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7. The State appropriation allocation should be split (based on current allocation levels) between the Chancellor’s GEA units, the Division of Finance and Administrative Affairs, the Division of Student Affairs, and the Subvention Fund
8. The Chancellor’s GEA units and the Division of Finance and Administrative should be funded primarily from the State appropriation, with an allocation from the Subvention Fund that could grow or decrease based on changes in state funding or changes in campus priorities
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INTRODUCTION

The BMST researched alternate resource allocation models to develop alternatives to the current budget allocation system. In this research, the team was guided by the issues and goals identified by the BMWG. These included three main categories of concern that would need to be explored to successfully re-design UWM’s resource allocation model:

• Features of Resource Allocation Model
• Linkage of Allocation Parameters to Campus Goals
• The Role of Governance

The following sections detail the guidelines that emerged from the BMWG and campus forums, summarize the research findings on other universities, present recommendations regarding the design of UWM’s resource allocation model, and note some issues needing additional work.

BUDGET MODEL FEATURES

Desired Features and Goals of a New Budget Model

A new budget model should include, at minimum, the following components:
• It should be flexible enough to adjust to the evolving landscape of higher education and the evolving needs of the UWM campus community.
• It should be predictive to allow campus units to anticipate their future resource allocations and, subsequently, set long term goals.
• It should be simple and easily understood by the campus community.
• It should provide incentives for desired behaviors and outcomes
• It should be inclusive of the viewpoints of campus leadership and governance groups
• It should be strategic in nature

Strengths and Weaknesses in the Current UWM Model

Strengths and weaknesses of the current model include, but are not limited to, the following:
• It incentivizes enrollment growth (to exclusion of other activities), and is less responsive when overall trends not unique to a specific school/college lead to enrollment declines
• It was developed piecemeal over time without regards to an overall strategy or to how various components are interrelated
• It is perceived to provide insufficient incentives to grow as a research institution
• Some aspects of the model, such as the methodology for distribution of marginal tuition revenue, are not readily understood by many, but are also predictable and consistent from year to year
• It is difficult to link activities and their related costs, because activities may reside at a school or college, and the costs are paid centrally by the campus
SUMMARY AND ANALYSIS OF OTHER UNIVERSITY’S APPROACHES

The issues faced by UWM in its current budget model are by no means unique. Below is a discussion of how other universities have addressed issues related to tuition and state appropriation distribution, federal indirect cost recovery, and the creation of subvention funds. Areas of commonality between the approaches include the following:

- Each divided campus units into two categories – activity based and non-activity based. Activity based units received a significant share of their funding as a function of what they do, i.e. enrolling students, obtaining grants, selling merchandise, etc. Non-activity based units do not generate sufficient revenues to cover an appreciable portion of its operations.
- Each employed a set of formulas to distribute the revenues generated to the various academic units or activity centers.
- Several (Cornell, University of Michigan, Penn State, UC Davis) included some form of a subvention or support pool, in order to provide some flexibility and discretion in the allocation of resources. The subvention pool was a discretionary pool of funding that differed in size from university to university. However, in each case it provided central administration with a greater degree of flexibility in the allocation of resources across campus.
- Each established a short list of resource buckets or ‘pools, in order to achieve a relative degree of simplicity in the distribution of resources. These typically included funds from tuition and fee based revenues, State appropriations and Federal Indirect Cost Recovery revenues. The relative simplicity depended on the degree to which formulas were employed in the distribution of the resource budgets. Some universities used relatively few formulas – UC Davis, the University of Michigan and Cornell. Others – Iowa State for example – used significantly more formulas.
- No model added new resources to the systems - new revenues were generated by the activities of the activity centers - additional students, higher tuition and/or fees, increased research - or from more funding from the state.
- Each did, however, seek to incentivize productivity in the activity centers and to facilitate the flow of revenues in a more direct and transparent manner.

Tuition Distribution

Each of the universities examined pooled their tuition revenues prior to distribution. However, pooling methodologies differed between universities:

- Iowa State has several tuition pools that include separate pools for undergraduate tuition, professional tuition and graduate tuition pool. Each of these pools was then distributed based on a set of criteria and formulas.
- UC-Davis established simpler structures by creating only two tuition pools – undergraduate tuition and graduate tuition – which were then distributed to activity centers based on different criteria.
- University of Michigan pooled only the Undergraduate tuition while distributing graduate tuition directly to the unit generating the revenue.
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In distributing tuition, each university considered the following categories:

- Undergraduate students
- Graduate and professional students
- Instructional portion of tuition
- Nonresident portion of tuition

Below is a summary of how each university treated each category.

Undergraduate Student Tuition Distribution

For each university considered, undergraduate tuition was pooled and then distributed to activity centers, based on a combination of unit of instruction, degree major/college of enrollment, and degrees awarded. Below is a chart listing each university’s distribution approach, which represents tuition revenues net of any funds taken off the top.

<table>
<thead>
<tr>
<th>Undergraduate Tuition Distribution</th>
<th>Unit of Instruction (SCH)</th>
<th>Degree Major or College of Enrollment</th>
<th>Degrees Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Davis</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Iowa State</td>
<td>75%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Ohio University</td>
<td>85% (SCH averaged over 2 years and weighted by costs of instruction)</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>University of Michigan</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Cornell University</td>
<td>Mix based of SCH and College of Enrollment Set by Provost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penn State</td>
<td>75%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

Additional factors include the following:

- Penn State, UC Davis and University of Michigan assessed a subvention pool tax that was directed in part to a central campus support fund. More on this practice is provided below in the section on Subvention Funds.
- Iowa State and Ohio University also assessed the undergraduate tuition pool for financial aid prior to distributing the revenues to the activity centers.

Graduate Student Tuition Distribution

The universities examined employed, for the most part, two basic strategies for distributing graduate and professional student tuition – either 100% to the college of enrollment, or some mix distribution between the unit of instruction and the college of enrollment.

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1 Ohio University distributes tuition using SCH averaged over 2 years to smooth year to year fluctuations in SCH. Units with decreases in SCH are buffered and given time to recover.
2 University of Michigan incorporates tuition differentials into the distribution of the College of Enrollment portion of student tuition.
### Table 2

<table>
<thead>
<tr>
<th>Graduate &amp; Professional Student Tuition Distribution</th>
<th>Unit of Instruction (SCH)</th>
<th>Degree Major or College of Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa State</td>
<td>Revenue shared with students taking courses outside their college of enrollment based on SCH</td>
<td>100%</td>
</tr>
<tr>
<td>Ohio University</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>Cornell University</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Penn State</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>UC – Davis (see discussion below)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The University of Michigan, in the original design of its RCM model, allocated 100% of the tuition to college of enrollment. However, in 2008-09 the current allocation method was adopted to link revenues to the cost of providing instruction and to provide incentives to schools and colleges to offer courses that benefit students from other schools and colleges. The costs associated with support these programs – graduate student remissions, financial aid, etc. was assessed to each college after tuition was distributed.

The exception in how graduate and professional student tuition is distributed was UC Davis which, in December 2013, issued a white paper outlined a proposed change to how they distribute graduate and professional tuition revenue. UC Davis explains on its website that it chose not to recalculate the amount a unit receives in tuition annually based on enrollments. It explains that the stability was a key principle of any new funding model proposals. Therefore, anticipating enrollment growth in the coming years, UC Davis chose to employ an incremental model for the allocation of graduate and professional student tuition. The bulk of the incremental (i.e. marginal) tuition growth (67%) will go to the Provost subvention fund, which in turn will support TA remissions and graduate student fellowships. The other incremental tuition growth will go to the college of enrollment.

### Instructional and Out of State Portions of Tuition

The following universities have further defined how instructional and nonresident portions of tuition are to be allocated:

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3 Penn State assesses a 20% subvention tax on all tuition revenues except for PhD students. The percentages shown in the chart for Penn are applied to the tuition revenues net of the subvention tax.
### State Appropriation Distribution

State appropriation was distributed in one of three basic ways:
- Formula (Ohio University and Iowa State)
- Incremental budgeting
- Central pool distributed at the discretion of the Chancellor/President and Provost (to just the schools and colleges as is the case at Iowa State and Cornell or to all units, as is the case at UC Davis)
### APPENDIX B

#### Table 4

<table>
<thead>
<tr>
<th>State Appropriations Distribution Methods</th>
<th>Directly to Schools &amp; Colleges</th>
<th>Directly to Support Units</th>
<th>Distributed by Central Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio University</td>
<td>Formulas based on course completion and degree completions</td>
<td>Distributed to Support Units with annual incremental increases</td>
<td>Portion managed by Provost and President for strategic investments in Schools &amp; Colleges</td>
</tr>
<tr>
<td>Iowa State</td>
<td>Portioned amount set by Provosts and President and distributed based on Student FTE</td>
<td>Distributed to Support Units with annual incremental increases</td>
<td>Portion managed by Provost and President for strategic investments in Schools &amp; Colleges</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>Distributed based on student FTE to supplement tuition revenue</td>
<td>Distributed to Support Units with annual incremental increases</td>
<td></td>
</tr>
<tr>
<td>Cornell</td>
<td>100% to unit expending research funds (with a corresponding charge for facilities and administration costs)</td>
<td>34% to the administrative home of the award and 66% to the central campus</td>
<td>Pooled as a Support fund and distributed to all units by Provost</td>
</tr>
<tr>
<td>UC Davis</td>
<td>10% to the campus central research administration office; 55% to the academic unit expending the research funds (10% to the academic unit central administration and 45% to the department or center conducting the research); 5% to the PI; 25% to a facilities fund to support research and to support faculty startup packages</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Federal Indirect Cost Recovery

For each examined university the distribution of Indirect Cost Recovery funding was based on the activity based model and was used to incentive the growth of funded research. Each university employed one or more formulas in determine how much of the Indirect Cost Recovery funds flowed to the unit generating the funds and how much flowed to the various support units.

The chart below summarizes the distribution methodologies.

#### Table 5

<table>
<thead>
<tr>
<th>University</th>
<th>Indirect Costs Recovery Distribution Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Michigan &amp; Ohio University</td>
<td>100% to unit expending research funds (with a corresponding charge for facilities and administration costs)</td>
</tr>
<tr>
<td>Cornell University</td>
<td>2% to the PI; 98% to the unit expending the research funds (with a corresponding charge for facilities and administrative support)</td>
</tr>
<tr>
<td>UC Davis</td>
<td>34% to the administrative home of the award and 66% to the central campus</td>
</tr>
<tr>
<td>Penn State</td>
<td>88.5% to the Dean of the school receiving the grant; 10.5% to campus subvention (support) pool; 1% to a research facilities fund</td>
</tr>
<tr>
<td>Iowa State</td>
<td>10% to the campus central research administration office; 55% to the academic unit expending the research funds (10% to the academic unit central administration and 45% to the department or center conducting the research); 5% to the PI; 25% to a facilities fund to support research and to support faculty startup packages</td>
</tr>
</tbody>
</table>
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Subvention Funds

As mentioned above, a number of the universities examined employed the use of some form of subvention or support fund. The BMST found that it was the subvention fund that served as the vehicle for allocating resources towards strategic initiatives and the adjustment of funding based on changing campus priorities.

In each case, this subvention fund was created by taxing (via a formula) one or more of the following resource streams: Tuition revenue, State Appropriation and Federal Indirect Cost Recovery funds. The subvention fund was, in each case, managed by the Provost or by both the Provost and the President.

The creation of a subvention or support fund is a modification of the basic ‘activity-based’ or ‘responsibility-based’ model. The pool allows the Provost and President to retain considerable discretion and the system, thus, is designed to produce flexible resources that can be reallocated across units each year.

In its literature explaining its UB Model, the University of Michigan provides some insight why it created a General Fund Supplement pool, its version of the subvention fund.

“Beginning in fiscal year 2002-03, the University of Michigan experienced a series of one-time rescissions, base appropriation reductions and delayed payments of enacted appropriations leading to considerable uncertainty in building and retaining the budgets...During this time it has been essential to place academic unit funding as the highest institutional priority and to provide differential changes in funding for academic units while at the same time providing funding for new initiatives and directions. The flexibility of the budget model has been a critical element in our ability to continue to make progress in high impact areas...The General Fund Supplement (GFS) represents the additional support provided to a unit beyond the net revenues and costs...The UB model was designed so that most units would still need supplementation rather than function as “a tub on its own bottom”. It is this element that gives the Provost leverage in determining the budget and, therefore, set the activities undertaken by units. The GFS represents both the historical measure of a unit’s necessary funding and the accretion (or decline) of funds provided through subsequent policy and programmatic decisions.”

UC Davis recently, in 2012, implemented its own version of the subvention fund that they have labeled their Provost Allocation. Below are selected excerpts from a Working Paper published by UC Davis in spring 2012.

The purpose of the Provost Allocation is to support the common good and promote excellence across the campus...Most basically, the Provost Allocation is the distribution method for non-formula driven sources of funds.

The new budget model is not intended to make units independent but establish a balance between independence of units and institutional coordination and cooperation. To respect that balance, both the Provost and Chancellor and the units need a role in deciding funding levels. Furthermore, there will always be initiatives that the center is in the best position to identify and promote. Initially we will not have significant new, uncommitted funds, but over time we expect the Provost Allocation to provide funding for initiatives.

2012-13 marks the fifth consecutive year of core fund budget shortfalls. There are two primary sources of budget shortfalls on the institutional level: reductions in State appropriations and
APPENDIX B

increases in fixed costs. We will continue to take a coordinated response to [budget] shortfalls, 
taking an institutional perspective to determine the appropriate adjustments including budget cuts 
and the use of alternative funding sources to minimize the impact and ensure equitable treatment. 
The Provost Allocation will be the vehicle for the institutional response, since the final decision 
about a budget cut may often come in the form of a reduction in the Provost Allocation.

Below is a summary of how each institution with a subvention fund sources that fund.

<table>
<thead>
<tr>
<th>University</th>
<th>Sources for the Subvention Fund</th>
</tr>
</thead>
</table>
| UC Davis            | • 100% of unrestricted State appropriation  
                     • Provost share of tuition (30% for undergrad, see Table 3 for grads)  
                     • Provost share of Indirect Costs Recovery (66%)  
                     • Institutional Overhead Assessment on auxiliary and auxiliary like activities. |
| University of Michigan | Taxes on the revenues of Activity Centers  
                           • General Tax levied on adjusted expenditure base (other than sponsored grants and contracts)   
                             o 2% to auxiliary units  
                             o 21% to research units on non-sponsored research expenditures  
                             o 24% to schools and colleges  
                           • Research Tax of 11% of sponsored research expenditures |
| Penn State          | • 20% of Tuition (ex. PhD tuition)  
                     • 10.5% of Indirect Cost Recovery                                                             |
| Iowa State          | • Portion of unrestricted State appropriation                                                |
| Cornell University  | • 10% of undergraduate tuition                                                               |

It should be noted that in implementing new budget models, each university established a period 
of time in which schools and colleges were ‘held harmless’ while base budgets were reset based 
on the newly established ‘formula based’ distribution of tuition revenue. In most cases, it was 
the subvention pool that was used to ‘balance’ the budgets of the various units during the ‘hold 
harmless’ phase.

Other Comments on the Approaches Reviewed

While some universities used relatively fewer formulas and achieved what the BMST felt was a 
fairly simple model, there can still remain a degree of perceived complexity. For example, the 
University of Michigan, which when compared to Iowa State, employs fewer formulas, found in 
a 2005 outside review of their budget model that many campus constituents complained that the 
model’s complexity discouraged some from attempting to understand it. The BMST concluded 
that while formulas provide predictability, they often reduce the amount of flexibility and prove 
hard to adjust over time, thus reducing the flexibility and responsiveness of the model.

Complexity is also determined by the number of and kind of taxes employed in the budget 
model. The University of Michigan’s budget model is made more complex through the
employment of multiple taxes, designed to assess administrative and facility costs to the various activity centers on campus. The degree of taxes employed directly correlated to the degree to which the institution had instituted the RCM model of resource allocation. All of the models reviewed (with the exception of UC Davis) attempted to allocate costs to the various activity centers. UC Davis, the exception, applied a broad tax to the tuition pool and did not attempt to allocate costs to the activity centers, assuming costs will be covered by the broad tax that funded the Provost’s subvention pool.

From a presentation point of view, both the UC Davis and the Iowa State budget models were fairly transparent (i.e. easy to follow and understand) although the Iowa State budget model was relatively more complex (i.e. more distribution lines and formulas). Transparency was achieved in well written and illustrated flow charts and examples – despite the complexity of the model.

RECOMMENDATIONS

After careful review the BMST forwards the following, high level, recommendations for consideration by the Budget Model Working Group. These recommendations are an attempt to address some of the concerns raised with our current resource allocation model. There remain other concerns that will require much more discussion and modeling before potential solutions can be identified and forwarded.

It should be noted that the BMST examined very carefully the changes recently implemented at UC Davis for the following reasons:

- Unlike all the other models studied, UC Davis did not allocate costs. This aligned with a recommendation of the BMWG from its early consideration of a new campus budget model. The BMWG discussed allocating costs (as in a purer form of RCM) and rejected this concept because of the difficulty of making accurate cost assignments.
- The university’s well documented journey to its adoption of what it describes as an incentive based model.

Recommendation #1: Clearly identify the source of campus revenue by making a distinction between the flow of state appropriations and tuition revenues. While the UW-System distributes our funding to our campus in the form of a state appropriation and tuition pool (Fund 101), we have the ability to distinguish between what portion of the fund 101 distribution to campus units is from tuition and what portion is from State appropriation. The BMST believes this initial step is critical in beginning to move beyond an incremental form of resource allocation to one that is more strategic and flexible.

Recommendation #2: The creation of two tuition pools, the undergraduate and the graduate tuition pools. Both the undergraduate and graduate tuition pools should be assessed a 20% (tentative amount – needs more modeling) tax off-the-top. These funds will flow into a Subvention fund to support campus wide initiatives, see recommendation number 6. The remaining 80% of the tuition will then be distributed to the schools and colleges generating the revenues.
Recommendation #3: The pooling of undergraduate tuition and academic fee revenue (the instructional and resident portions) and distributing these based on the following criteria:

- SCH
- Degree Majors
- Degrees Awarded

The proportionate mix can be determined based on testing and modeling. Based on the lessons learned from the universities studied (particularly the University of Michigan) the group believed it important to continue to distribute some portion of undergraduate tuition based on SCH to allow resources to flow to the unit providing the instruction. However, to direct resources to the college of enrollment and to address the costs of delivering higher level course\textsuperscript{4}, the BMST has included a weighting for degree majors. Furthermore, to reward retention the group has included a weighting for degrees awarded.

This new distribution methodology for undergraduate tuition revenue would reset the base budgets of the schools and colleges. The undergraduate tuition component is determined by the instructional load (SCH), degree majors and degrees awarded. (Other factors in resetting the base budget are treated in the following recommendations.)

Recommendation #4: The allocation of the schools and colleges share of Graduate tuition should be 100% based on college of enrollment. Preliminary modeling of other distribution formulas revealed the swings in base allocations to units to be too severe.

Recommendation #5: Distribution of the lion’s share of Indirect Cost Recovery funds to the school or college receiving the award. The group recommends giving 80-100% to the schools and colleges, if alternative resources can be made available to fund the administrative commitments currently funded with these resources.

Recommendation #6: The creation of a Subvention Fund managed by the Provost and the Chancellor (with input from shared governance). This subvention fund will be used similarly to the way UC Davis and the University of Michigan uses their subvention funds. The BMST believes the creation of a subvention fund along with will provide needed flexibility in aligning campus resources with identified strategic needs.

This subvention fund should be used to address the following:

1. The funding of the administrative support units reporting to the Office of the Provost
2. Supplementing the funding for schools and colleges, particularly to reflect targeted state funding.
3. The directing of discretionary resources to key campus priorities
4. Holding harmless schools and colleges during the implementation phase of a new budget model

Recommendation #7: The State appropriation allocation should be split (based on current allocation levels) between the Chancellor’s GEA units, the Division of Finance and Administrative Affairs, the Division of Student Affairs and the Subvention Fund.

\textsuperscript{4} It is understood by the BMST that undergraduate students do not declare majors typically until their junior year.
Recommendation #8: The Chancellor’s GEA units and the Division of Finance and Administrative will be funded primarily from the State appropriation. However, these units will also receive an allocation from the Subvention fund that could grow or decrease based on changes in state funding or changes in campus priorities (e.g. the operating costs for new building projects should be supported by an increase in Subvention funding). It should be mentioned that the Division of Student Affairs, which receives a small amount of State appropriation and most of its revenues in from fees, would also be eligible for allocations from the Subvention fund.

Attached in Appendix 1 is a flow chart which graphically depicts the recommendations made above.

ADDITIONAL NOTES

The Budget Model Support Team recognizes there remain a number of unaddressed issues. The foremost issue is the role of governance in resource allocation. We’ve outlined what we believe to be some of the other remaining issues.

- The role of governance remains undefined. The most critical issue is the use of the Subvention Pool - some institutions use a standing budget committee to advise on its use.
- Creating an environment that does not encourage course duplication.
- Buffering activity centers from the effects of sharp declines in enrollment.
- Accounting for the differential instructional costs based on discipline, class sizes, faculty salaries, etc.
- Modification of the rules for graduate assistant tuition remissions to be more consistent. While this topic needs broader campus discussion, the BMST sees it as an important aspect of the budget model discussion.
- Funding IT and Library needs across campus.
- Discussion on the use of tuition revenues to create a central fund for student aid and scholarships.
- A campus wide policy on the treatment of unit carry-forward balances.
Appendix C
CURRENT RESOURCE ALLOCATION MODEL
Fiscal Year 2012

Student Tuition & GPR POOL $91M

Marginal Tuition Calculation
80% of change (+/-) to Schools
20% to Central Pool

Special Tuition Assessment $4.2M
(Deferred Tuition & Special Course Fees)
100% to Schools & Colleges

Cost Recovery/ Additional Fees $6.6M
50% to Schools & 10% to Provost

Central Campus Pool Funds Special Needs across Campus

State Appropriation to the General University $86M
(GPR - Taxpayer Support)

Instructional Portion 80% to Schools & Colleges 20% to Central Pool

Distance Ed & Credit Outreach $39.9M

Funded Tuition & GPR POOL $91M

Miles $8M

Non-credit Outreach $4.6M

Revenue from Fundraising Gifts $4.6M

Continuing Education

Special Appropriation

Facilities & Administrative Cost Recovery $11.7M
50% to Schools & PIs 12% to Campus
50% Research Admin & Support
3% to Graduate School

Provost Pool Funds Programs in Schools & Colleges

Trust Funds Income $0.76M

Sponsored Funding $24M

UWM Libraries

Support Units

Research Admin & Support

Support Units

UWM Libraries

Cost Recovery/ Additional Fees $0.6M
$0.8M

Schools & Colleges

Student Affairs

Marginal Tuition Calculation
80% of change (+/-) to Schools
20% to Central Pool

\[ \text{Marginal Tuition} = \frac{\text{Change} \times (80\%) \text{ to Schools} + \text{Cost Recovery/ Additional Fees}} {20\%} \]

Special Tuition Assessment $4.2M

\[ \text{Special Tuition Assessment} = \text{Deferred Tuition} + \text{Special Course Fees} \]

Central Campus Pool Funds Special Needs across Campus

\[ \text{Central Campus Pool} = \text{Special Needs} \]

State Appropriation to the General University $86M

\[ \text{State Appropriation} = \text{GPR} - \text{ Taxpayer Support} \]

Instructional Portion 80% to Schools & Colleges 20% to Central Pool

Distance Ed & Credit Outreach $39.9M

\[ \text{Distance Ed & Credit Outreach} = \text{Instructional Portion} - \text{Special Tuition Assessment} \]

Funded Tuition & GPR POOL $91M

\[ \text{Funded Tuition} = \text{Student Tuition} + \text{State Appropriation} \]

\[ \text{Marginal Tuition} = \frac{\text{Change} \times \text{Student Tuition}} {\text{State Appropriation}} \]

1 – The 12% from F&A Cost Recovery funds various campus initiatives including UW System & DOA assessments, Insurance Premiums, Common System Charges, etc.

2 – User Fees and Miscellaneous Revenues (Fund 136)

3 – The $5.3M supports various functions that benefit the Schools & Colleges. They include Chancellor Grad Awards, RA Remissions, Grant Match & Research Infrastructure, etc.

NOTES:
1 – The 12% from F&A Cost Recovery funds various campus initiatives including UW System & DOA assessments, Insurance Premiums, Common System Charges, etc.
2 – User Fees and Miscellaneous Revenues (Fund 136)
3 – The $5.3M supports various functions that benefit the Schools & Colleges. They include Chancellor Grad Awards, RA Remissions, Grant Match & Research Infrastructure, etc.

Connection Lines LEGEND

Pooled Funding From Multiple Sources
Grants and Contracts
Miscellaneous Fee Based Revenue
Revenue from Auxiliary Operations
Fundraising Revenue
Funding from State Appropriation

\[ \text{Pooled Funding From Multiple Sources} = \text{Special Tuition and Fee Based Revenue} + \text{Grants and Contracts} + \text{Miscellaneous Fee Based Revenue} + \text{Revenue from Auxiliary Operations} + \text{Fundraising Revenue} + \text{Funding from State Appropriation} \]