

A stylized graphic on the left side of the slide features a light blue lighthouse with a white top section and a small antenna. Behind the lighthouse is a large sunburst composed of several thick, yellow rays radiating outwards. Below the lighthouse, there are three wavy, light blue lines representing water. The background of the entire slide is white with the yellow sunburst rays extending across it.

# Beacon Budget Model Update

April 8, 2024

# Agenda

- Beacon Budget Model Background
- Building the Beacon Budget Model
- Parallel Year #1
- Parallel Year #2
- Q & A

A stylized illustration of a lighthouse on the left side of the slide. The lighthouse is light blue with a white top section. Behind it are several thick, yellow rays emanating from the top left, spreading across the upper half of the slide. At the bottom left, there are stylized blue waves. The background is white.

# Beacon Budget Model Background

# What is the Beacon Budget Model?

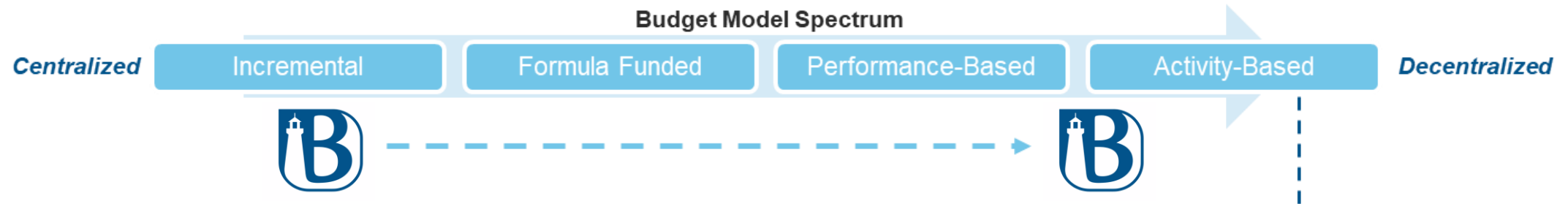
- A budget model being built specifically for UMass Boston driven by guiding principles developed in consultation with Deans, Faculty and Staff.
- A tool that provides transparency and predictability in managing and allocating revenue and expense.
- A data-informed tool to better support achievement of the University's strategic goals and our core mission of teaching, research, and service.
- A tool to incentivize new initiatives and growth to advance the instructional, research and community engagement efforts of our students, faculty, staff and community partners.
- A tool that enables greater local decision making and accountability in setting unit priorities and understanding costs and benefits of planning that is balanced by central coordination and oversight.

# What the Beacon Budget Model is not.

- It is not a pure activities-based model, rather it is a hybrid that is a combination of decentralized and centralized planning and decision making.
- It does not remove the need for the University to meet overall financial requirements nor does it insulate the University from future fiscal challenges.
- It does not add or subtract revenue or expense from what the University is required to support to operate.
- It does not completely decentralize the allocation and management of resources.

# Shifting from an Incremental Model

The University is planning to transition to the Beacon Budget Model to improve resource allocation, fund mission focused priorities, enhance transparency, and to further establish accountability on campus.



## Common Components of Activity-Based Models

- Promotes accountability, transparency, innovation, entrepreneurship, and revenue growth
- Encourages efficient operation of administrative service units
- Aligns revenues and costs to create an all-funds picture
- Facilitates conversations about priorities

## Benefits of an Activity-Based Model

- Transitioning to the Beacon Budget Model will reward fiscal planning and address perceived funding inequities in academic units
- A shift in UMB's methodology creates additional predictability in budget allocations and reduce central effort in managing each unit's operations
- A modern, more centralized incentive-based model will supply sufficient central resources for mission-critical investments and support units

# How was the Beacon Budget Model Developed?

A Steering Committee was established on October 13, 2021.

The Steering Committee consisted of:

- Joseph Berger
- Kathleen Kirleis
- Laura Hayden
- Robin Cote
- Tyson King-Meadows
- Surjit Tinaikar
- Christine Brenner
- John Drew
- Chris Giuliani
- Mya Mangawang
- Tom Miller

The Steering Committee developed guiding principles during for the project to serve as "guardrails" for initiating and implementing the University's migration to the Beacon Budget Model

# Guiding Principles

The guiding principles were developed leveraging UMB stakeholder input and to reflect the University's desire to shift to a new budget model.

## UMB's budget model should:

- Support **UMB's values driven mission**, by **strategically aligning resources** with student success, high-impact research, and community-engaged service
- Leverage **action-oriented allocation rules** and give leadership the **flexibility to address unit-level performance** in funding decisions while supporting **diversity across academic disciplines and administrative units**
- Ensure processes and corresponding allocation rules are **data-informed, clear, and sustainable** to systemically advance institutional priorities
- Facilitates increased shared authority by encouraging **autonomy and flexibility** with **transparent multi-directional accountability**



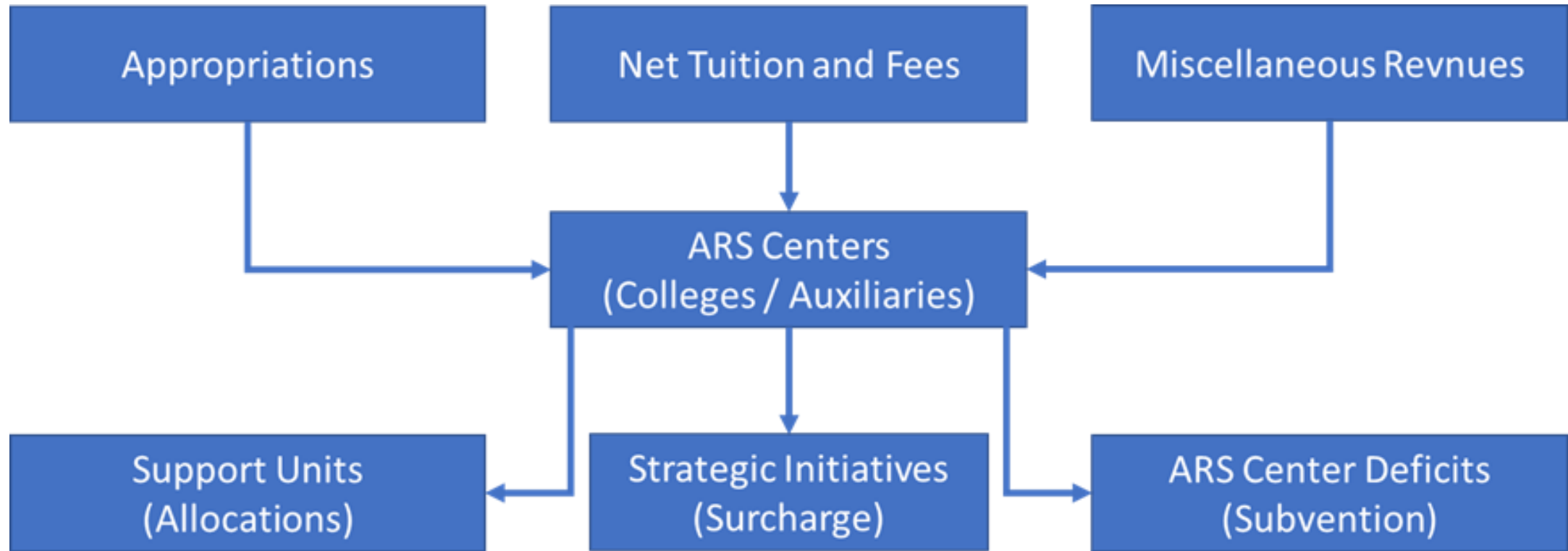
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# Building the Beacon Budget Model

# Basic Model Design

- The BBM enables the University to distribute revenue and expense to the "ARS Centers" which are the colleges, schools, free standing C&Is, and auxiliary components.
- The BBM places greater authority and accountability with the ARS Centers' and Support Unit's leadership to manage.
- The BBM is balanced by central oversight and management.
- ARS Centers generate revenue through instruction, research, and other forms of self generated revenue.
  - Net tuition and fees
  - State Appropriation
  - Miscellaneous revenues (ESS, RTF, Gifts, Lab fees, Endowments, etc.)
- The University will still have the ability to stand up efficiency and effectiveness initiatives in various areas as needed in the future to meet overall operating budget requirements.

# Basic Model Design



# Preliminary Revenue Allocation Factors

- Tuition & Fee Component Allocation
  - **General Undergraduate:** 80% COI – 20% COR.
  - **Graduate & Doctoral:** 80% COI – 20% COR.
  - **Tuition Differential:** 100% to unit that charges.
  - **SP Programs:** 100% to COI.
  - **Non-Credit Tuition:** 100% to Provost's Office (CEE), **TBD%** allocated to Col.
  - **Student Fees:** 100% directly to purpose/course.
- State Appropriation (net of central costs)
  - **Degrees Awarded:** 45% allocated proportionately based on percent of total degrees.
  - **2-Year Retention:** 40% allocated proportionately based on total headcount.
  - **Research:** 15% allocated proportionately based on total grant and contract revenue.

# Preliminary Expense Allocation Factors

- The BBM allocates Support Unit expenses to the ARS Centers by allocation metrics that best approximate the degree of service provided.
  - **Academic Support:** Allocated as a proportion of total Faculty, Staff and Student FTE.
  - **Student Services:** Allocated as a proportion of total Student FTE.
  - **University Central Plan:** Allocation varies by space type & square footage.
    - **Instructional space:** Allocated by the percentage of total credit hours taught (Col)
    - **All other space:** Allocated as a percentage of the total space assigned.
    - **Note:** The recent campus space study is used to assign square footage and is updated annually.
  - **University Central Support:** Taken as a direct expense directly from the State Appropriation.

# Support Unit Categories

- **Academic Support**

- Provost's Office
- Research Enterprise
- SEAS
- Library

- **Student Support**

- Athletics
- Student Affairs
- Enrollment Management
- Public Safety
- University Health Services

- **University Central Support**

- Chancellor's Office
- Administration & Finance
- Information Technology
- University Advancement
- Marketing & Engagement
- Human Resources
- President's Office Central Charges

- **University Physical Plant**

- Facilities
- Debt Service

# Support Unit Budgets

- Support Unit budgets are determined very similar to how they are set in the current incremental budget model, where the University Budget Office sets incremental budget targets
- Budget targets are planned on a multiyear basis through the five year forecast and updated annually as the overall University budget plan is developed
- Units will have the opportunity to apply for Strategic Initiative funding that will be available for all areas of the university
- Support unit budget levels and their allocations are provided to the ARS centers as part of the University budgeting process

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# Parallel Year #1



# Implementation Work Group

- The Steering Committee completed its work (summer 2022) and the project moved forward into the implementation phase.
- A Working Group was established to plan and lead implementation.
  - Joseph Berger
  - Kathleen Kirleis
  - Mya Mangawang
  - Chris Giuliani
  - Tom Miller
  - Matt Krevis
  - Andrew Perumal
  - Katie Bates
- The Working Group has met and continues to work with Deans, Associate & Assistant Deans, and the Budget and Long-Range Planning Committee to guide model development and implementation.

# Implementation Work Group Progress

- Completed modeling FY20, FY22 and FY23 in the BBM structure ensuring alignment with the general ledger
- Initiated an updated FY25 budget planning timeline to include some steps for the next BBM parallel year in preparation for BBM implementation.
- Held regular stakeholder meetings with Deans, Vice Provosts, Associate and Assistant Deans, Budget and Long-Range Planning Committee, Senior Leadership Team, and Vice Chancellor areas.
- Completed detailed review of model outputs and allocation metrics to assess implications and accuracy of the results, including both dollars and percentages.
- Began planning of university-wide tools to meet budget and strategic planning requirements, including the use of a Strategic Investment Pool and Subvention.

# FY25 Budget Development Timeline

## Incremental and Beacon Budget Model parallel year #1

- October 2023 - Initial high-level FY25 draft baseline operating budget used to set targets
- October/November 2023 - Budget guidance and non-payroll operating budget targets distributed to support areas (VC's) **(new for BBM)**
- December 2023 - Budget guidance and non-payroll operating budget targets distributed to Academic, Research, & Service Centers (Deans/Colleges) with targets based on support unit budgets **(new for BBM)**
- December/January - Tuition & fee request templates released to all departments
- January – March 2024 – Academic Affairs and OBFP budget meetings
- February/March 2024 - Operating budgets finalized and proposed tuition & fees submitted to OBFP
- **March 29, 2024 - Formal Submission of operating budget to President's office**

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# Parallel Year #2

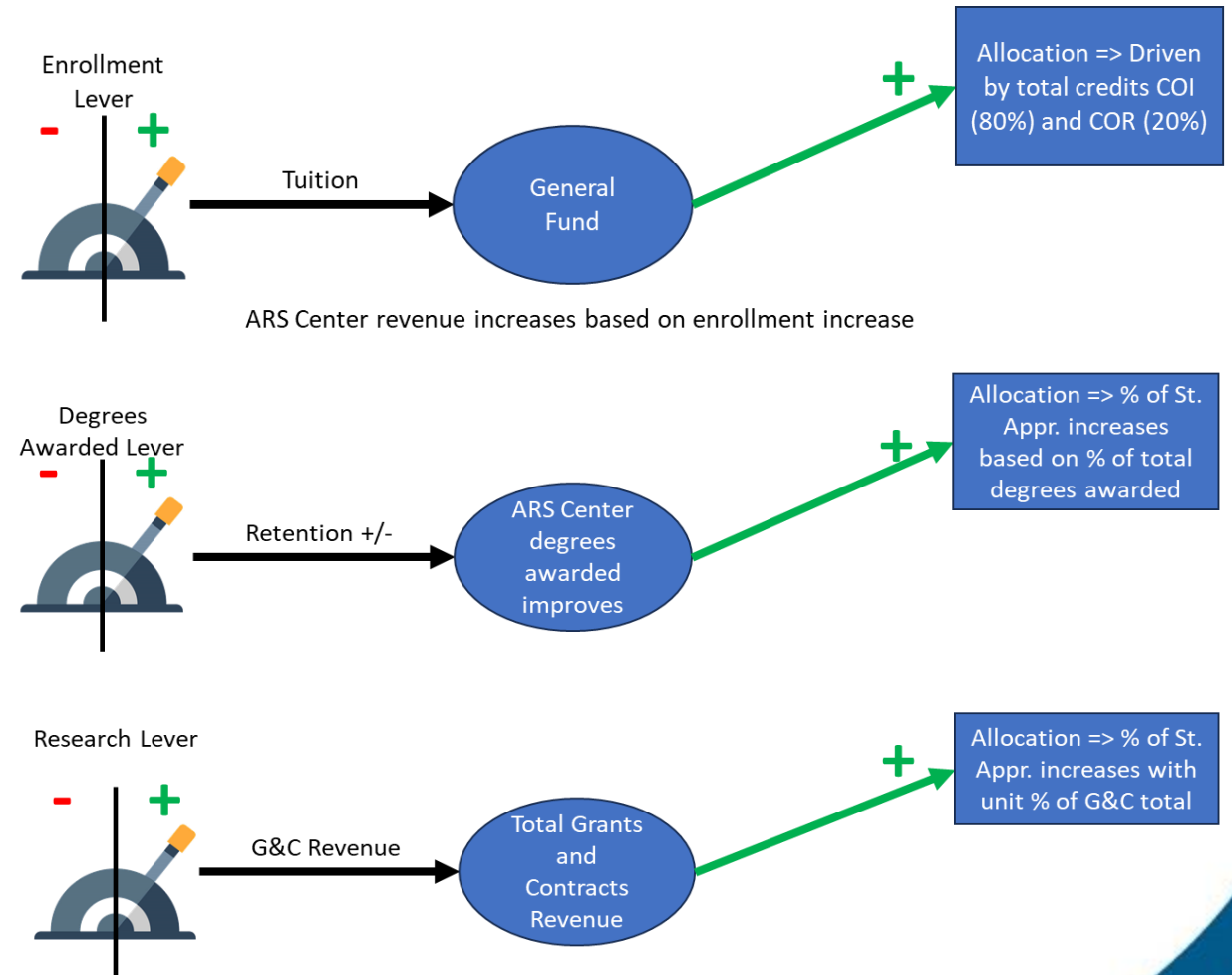
# Working Group on Implementation

- Defining revenue and expense "levers" to assess and understand how the BBM will react to changes in enrollment, fees, research, space, etc. and begin piloting selected levers.
- Development of scenarios to understand the potential multi-year impacts/benefits/hurdles of new program implementation, new or phased revenue growth, etc.
- Development of supplemental profit and loss reports for each ARS center
- Further aligning budget planning cycles while closely monitoring and comparing the current incremental budget with BBM outputs throughout the year.
- Continued discussions with key stakeholders, Colleges, Support Units, and Budget and Long-Range Planning committee.
- Continued development of transition plan from current budget model to BBM.

# Lever Examples (Revenue)

- Revenue Levers

- Net tuition and fees
  - Enrollment
  - Retention
- State Appropriation (net of central costs)
- Differential Fees
- SP program tuition
- Non-credit program tuition
- RTF
- Other (Lab fees, ESS, Gifts, Auxiliaries)



# Lever Examples (Expense)

- Expense Levers

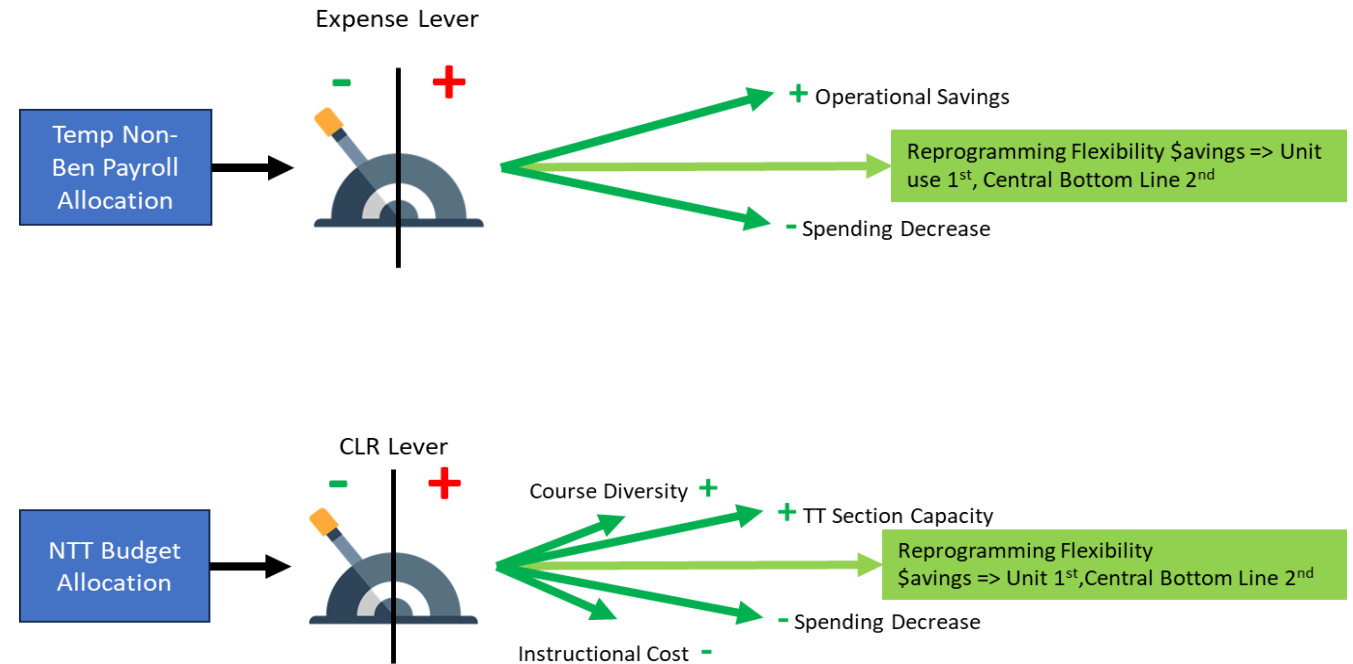
- Payroll

- Temp Non-Ben Payroll

- Non-Payroll

- NTT Instructional Costs

- CLRs
    - GAships
    - Section Management



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# Questions and Answers