

THE COLLEGE OF  
NATURAL  
SCIENCES

FY16 All College Budget Meeting

## Agenda for Today's Meeting

- Fiscal Year Defined
- Overview of Funding Sources
- FY16 Budget Condition
- Update on the New Laboratory Fee
- Link to Various Business-Related Policies
- FY17 Budget Development Process
- CNS Standing Committee on Budget
- Questions? Suggestions?

## What is Our Fiscal Year?

- The University's finances are managed on a fiscal year basis, with each fiscal year beginning on July 1<sup>st</sup> and concluding on June 30<sup>th</sup>.
- The fiscal year is always referred to by the year in which it ends, so we are now mid-way through FY16.
- Throughout this presentation, you will hear references to both FY16 and FY15. Since it represents the most recently completed fiscal year, FY15 data is helpful in understanding how much is spent over the course of a full fiscal year.

## Overview of CNS' Primary Funding Sources

- State Appropriation
  - An overwhelming majority of CNS' payroll costs, 88% to be exact, are state-funded. You may hear this funding source referred to as "GOF2" – though the terms are synonymous. In FY15, the College's state-funded payroll costs totaled \$55M.
- General Operating Funds (GOF)
  - Dollars into the Campus' GOF are generated by various revenue sources, including the Curriculum Fee, Trust Fund Interest, and Indirect Cost Recovery.<sup>1</sup>
  - At our College level, GOF supports a variety of operational needs, including instructional support, faculty start-ups, tenure track faculty searches, and administrative expenses. In FY15, GOF spending totaled \$12.9M.

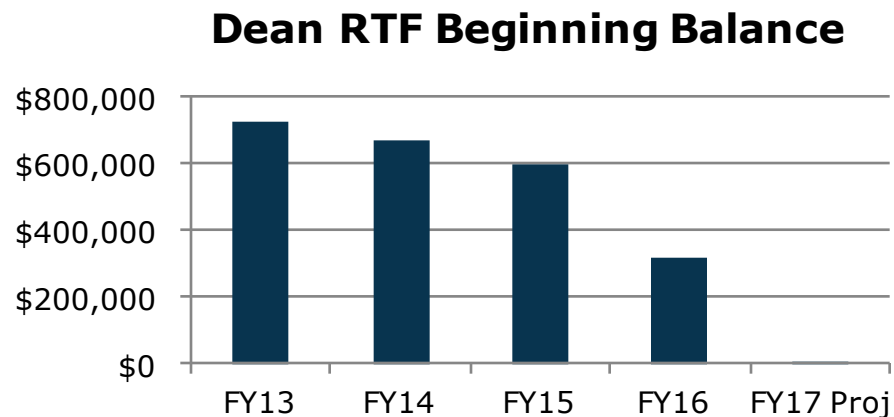
<sup>1</sup> Various pieces of information for this presentation, such as Fund revenue sources, have been drawn from University policy documents, including the "How to Reference Guide," which can be found at <http://www.umass.edu/af/howto>.

## Overview of CNS' Primary Funding Sources

- Research Trust Fund Returns (RTF)
  - RTF accounts appear at the Dean's level, the Department or School level, and the Principal Investigator (PI) level. Each of these entities receives 10% of the of the indirect costs charged to certain grant-funded expenditures.
  - At the Dean's level, RTF is used, in combination with other funding sources, to support various commitments, such as retentions and grant matches, and other research-related efforts. In FY15, the Dean directly expended or transferred a total \$1.7M out of this account.
  - If we assume a similar level of revenues into and expenditures and transfers out of the Dean's RTF account in FY16, we will have zero balance heading into FY17. This is one of multiple budget challenges that the College currently faces.

## Overview of CNS' Primary Funding Sources

- Research Trust Fund Returns (RTF) (*continued*)
  - Structural imbalances occur when annual spending within a Fund exceeds the annual revenues into that Fund. Spending in excess of revenues is technically feasible if the Fund carries a balance forward from the previous fiscal year.
  - The following chart depicts the declining beginning balances in the Dean's RTF account and why this is an area of concern:



## Overview of CNS' Primary Funding Sources

- Continuing and Professional Education Program (CPE)
  - When a CNS course is offered through the CPE program, the Dean's Office and the Department or School teaching the course receive a portion of the net proceeds. Specifically, the Dean's Office receives 25% and the Department or School teaching the course receives 75%.
  - In FY15, CPE revenue to the Dean's Office totaled \$484K and revenue to Departments totaled \$1.4M.
  - In FY15, \$478K was expended out of the Dean's CPE account.

## FY16 Condition

- CNS has always sought to ensure that its students, faculty, and staff have a rewarding experience while a member of this community.
- In addition, CNS considers itself a strong financial steward of the dollars entrusted to our care. This responsibility includes constant monitoring of the financial health of our various Funds.
- Unfortunately, even before accounting for the recent budget cut, our most recent payroll projections indicated a deficit of \$1M.



## FY16 Condition

- The math behind the \$1M deficiency is as follows:

State Funding Available for Payroll	\$58,099,496
Current Payroll Projection	(\$57,933,467)
Estimated Fringe Costs	(\$1,199,223)
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Payroll Deficit as of December 4, 2015	<b>(\$1,033,194)</b>
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## FY16 Condition

- Unfortunately, the challenge that the College faces is even greater than the \$1M deficit, as we have also been asked to contribute \$553K toward resolution of the Campus' overall budget gap. As such, the Dean's Office is working internally and with Departments to solve the combined gap of \$1.59M.
- Steps being taken to resolve the \$1.59M gap include:
  - Short-Term
    - Freeze the backfilling of multiple state-funded positions; and
    - Reduce general operating budget allocations.
  - Long-Term
    - Implement a conservative approach to future commitments; and
    - Shift general operating expenses to other revenue sources, such as CPE and philanthropy, where appropriate.

## New Laboratory Fee

- One source of revenue that will NOT be used to address the budget gap is the new laboratory fee.
- This new fee has been implemented for the Spring semester and will be used to directly address our laboratories' unique facility and operational needs.
- 40% of the funds will be distributed directly to Departments for purchases that will enhance the learning experience.
- The remaining 60% will be used by the Facilities and Operations Team within the Dean's Office to address various needs, such as infrastructure upgrades of teaching laboratories.

## Link to Business-Related Policies

- We want to remind folks that there are a number of business-related policies and guidelines that dictate our practices here on campus.
- The Campus Controller's Office web site provides links to these policies and guidelines via their web site:

[www.umass.edu/aco/](http://www.umass.edu/aco/)

- Once in the web site, click on "Policies & Guides," which is found on the left side. On the "Policies & Guides" page you will find further links to policies, such as the Business Expense Policy.

## FY17 Budget Development Process

- The Chancellor's Office recently announced that, "Consistent with the recommendations of the Joint Task Force on Resource Allocation (JTFRA), during this academic year the campus is taking first steps toward a more formal budget development process."
- Specifically, a process is beginning now for FY17 that "will serve as an opportunity to practice aligning resources with ideas and priorities coming out of strategic planning."

## FY17 Budget Development Process

- Departments will be asked to submit to the Dean “statements of priorities for the year – drawn wherever possible from strategic planning already completed – associated with proposed use of existing and/or new resources to carry out those priorities.”
- Conversations will continue between the Dean and Departments so as to finalize draft departmental priorities by mid-January.
- After sharing with the Provost and Chancellor, these priorities will be finalized at the start of February.

## FY17 Budget Development Process

- Once the priorities are established, phase two of the budget process will require that Departments propose a resource plan for how the priorities may be achieved. For example, will reallocation of existing funds be required or will revenue growth be possible?
- For CNS Departments, development of the resource plans will be incorporated into a spending plan form that the Dean will distribute to Departments in the late January. We hope to use this spending plan to not only meet the need of the Campus' budget development process, but to also provide the Dean with information critical to making the College's internal FY17 budget decisions.

- **CNS STANDING COMMITTEE ON BUDGET**



## Questions? Suggestions?

- We now open the conversation up to you all and welcome your questions and/or suggestions on how the College can reduce costs and/or improve operations.