Budget Advisory Committee
Graduate Fee Authorizations II
December 11, 2001

TOPIC:
Funding of Fee Authorizations Going Forward

CONTEXT:
This is one of a series of key decisions regarding the allocation of revenues and costs going forward under budget restructuring.

In FY 2000, General Fund fee authorizations for graduate students totaled $72 million. This total includes both resident and non-resident fees.

GENERAL PRINCIPLES:

Virtually all of the following principles articulated in the November 15, 1999 “University Goals in Resource Allocation,” apply in this case. The most directly relevant are the following:

- The allocation of resources should be mission driven.
- In a large complex organization, decentralized decision making works best.
- A significant portion of revenue should be explicitly linked to the generating units, specifically the colleges.
- Costs should be explicitly linked to the generating college or vice presidential area.
- Although the system should be mission driven, predictability and stability are also important characteristics.
- Appropriate oversight and accountability should be provided by the University’s governance and administrative structure.
- A carefully thought out transition is essential to the ultimate success of any changes in the budget system.
ASSUMPTIONS REGARDING FEE AUTHORIZATIONS:

Graduate students play a significant role in achieving the goals of the Academic Plan. The treatment of the revenues attributed to graduate fees and the costs attributed to graduate fee authorizations has an important academic and financial impact on the University and its academic units.

There is some difference of opinion within the University about the “real” marginal revenue and the “real” marginal costs associated with fee authorizations. There is agreement that guidelines need to be issued soon so that colleges can plan ahead for the implementation of budget restructuring in FY 2003.

However, there should be widespread agreement on the following, which should frame a recommendation:

1. Fee authorizations play a critical role in graduate and undergraduate education and in sponsored research, all of which are closely linked to the Academic Plan.

2. Terminal masters programs have expectations and traditions relating to the payment of fees and use of fee authorizations that differ from those of most Ph.D. programs.
3. The practice of awarding of fee authorizations varies by discipline as do funding sources for fee authorizations; therefore, decentralized decision making is appropriate.

4. A great deal of confusion and anxiety exists within the institution regarding how fee authorizations will be handled in the new budget model.

5. The FY 2000 level of fee authorizations is fully funded for both colleges and support units in the FY 2000 base budgets approved by the Provost.

6. The potential for unintended consequences is significant and needs to be addressed.

7. It would be detrimental to the quality of graduate programs if a system were put in place that, because of the cost to colleges, favored in-state students. Hence, the cost of the non-resident fee surcharge should not be charged directly to colleges going forward. This is a change from the base budget calculation that allocated the non-resident fee surcharge to the college issuing the fee authorization.

8. Regardless of how the University treats these costs and revenues internally, we must account for fees and fee authorizations in a manner that is consistent with state and federal requirements and Board of Regents guidelines.
GENERAL RECOMMENDATION:

Decentralize the in-state portion of fee authorization budgets to the colleges and handle the marginal growth in non-resident fee surcharges for graduate students with fee authorizations through the student services assessment. Monitor for unintended consequences.

ISSUES:

1. Should GTA, GAA and GRA fee authorizations all be treated the same?

DISCUSSION: Although GTA’s, GAA’s and GRA’s have different functions, the appointment of graduate students to perform these functions should be driven by the academic needs of the authorizing unit. Currently OSU treats fee authorizations for GTA’s, GRA’s and GAA’s all the same. If the three types of appointments were to be treated differently, classifications might be manipulated to maximize income.

RECOMMENDATION: Treat all classifications of graduate associates under the same general principles. The Graduate School, in consultation with the deans and the faculty, will continue to monitor compliance with policies for all graduate associate appointments.

2. How will revenue generated by fees paid by fee authorizations, as opposed to fees paid by students or third parties, be distributed to colleges in FY 2003 and beyond?
DISCUSSION: Revenue generated by fee authorizations should be distributed in exactly the same manner as all other graduate fee revenue.

RECOMMENDATION: In FY 2003 and beyond, all marginal changes in fee revenue, including that generated by graduate fee authorizations paid by colleges or support units, will be distributed to the college of instruction based on a two-year rolling average of graduate credit hours of instruction.

3. For graduate students receiving fee authorizations, how should the graduate non-resident fee surcharge be handled going forward?

DISCUSSION: When a student is offered admission into a graduate program, the decision is made based on the qualifications of the student. However, many graduate programs also offer newly-admitted students appointments as GTA’s or GRA’s. The cost to a graduate program of the non-resident fee surcharge portion of a fee authorization should not become a factor in the admissions decision. Similarly, when a graduate student is offered an appointment on a sponsored research grant, the qualifications of the student should drive the decision, not the cost.

RECOMMENDATION: Allocate the marginal growth in graduate non-resident fee surcharges for students receiving fee authorizations through the graduate student services cost pool in the student services allocation. The marginal cost of graduate non-resident fee surcharges should be allocated to
colleges based on graduate non-resident credit hours of instruction which is the same basis for the allocation of graduate non-resident marginal income.

4. **How will in-state fee authorization expense be allocated to the colleges and support units in FY 2003 and beyond?**

**DISCUSSION:** The fee authorization general funds budget authority for in-state graduate associate appointments is currently held centrally but should be decentralized to colleges and support units at the FY 2002 level of funding in FY 2003, the first year of budget restructuring.

**RECOMMENDATION:** In FY 2003 each college and support unit will be allocated budget authority equal to the in-state tuition associated with graduate associates appointed by the college or support unit in FY 2002 and whose stipends were paid from general funds. Although actual appointment data will be used for Summer, Autumn, and Winter Quarters, an estimate will be used for Spring Quarter to set the initial FY 2003 budget and an adjustment will be made midyear. GRA’s whose fee authorizations were paid with general funds generated by IDC recoveries will be included but those whose tuition was paid directly from research grants will not. The authorizing college or support unit will be responsible for covering the increase in resident graduate tuition in FY 2003 and the non-resident portion through the student services allocation.

In FY 2004 and beyond, since the FY 2002 level of budget authority will already reside in the colleges and support units, only a marginal change
calculation will be needed to determine the college’s or unit’s fee authorization expense. The marginal change will reflect the increase in resident tuition and the increase or decrease in the number of graduate students appointed by the college or support unit. The authorizing college or support unit will be responsible for covering marginal increases in fee authorization expenditures.

5. **What is the impact on the University if a college provides fee authorizations above its FY 2002 fee authorization funding level for students enrolled in that college?**

   **DISCUSSION:** The marginal cost of an additional graduate student is subject to some debate. However, if the student is appointed by the college of enrollment, most of the costs of instruction are borne by that college.

   **RECOMMENDATION:** For students whose college of enrollment is the same as the college issuing the fee authorization, the resident tuition and the expense for additional resident fee authorizations above the base should be allocated to the college of enrollment as offsetting entries. The central tax will be assessed against the tuition revenue, so the “cost” to the college will be the central tax rate, or about 25% of the fee authorization, less any additional subsidy generated. The college would then be in the best position to determine how these costs and revenues should be distributed within the college.
6. Who should pay fee authorizations above a unit’s FY 2002 fee authorization funding level for graduate associates who are enrolled in one college but appointed in another college or support unit or for graduate associates appointed on research grants?

DISCUSSION: In Autumn 1999, 489 graduate associates, or 10% of the total graduate appointments in academic units, were appointed in an academic unit different from the college of enrollment. Costs for these existing cross-college appointments are built into the FY 2002 fee authorization funding levels of all the colleges.

If a college or support unit appoints a graduate associate above its FY 2002 fee authorization funding level, that unit should be making a conscious decision in response to an increase in workload or activity. If the graduate associate is a GTA, for example, the authorizing college should expect to generate additional credit hours, for which it would be reimbursed, for the students taught by the GTA. If the position is one as a GAA, the authorizing unit’s decision should reflect additional administrative activities. In both cases, the authorizing unit should be responsible for the fee authorization cost (i.e., in-state tuition) unless an alternative agreement is reached between the authorizing unit and the college of enrollment for the college of enrollment to have some or all of the costs charged to it. We do need to allow for negotiated agreements between colleges because there will be an incentive for a college to provide fee authorizations for its graduate students only or else to use an equivalent stipend to hire a lecturer since either option
would be cheaper than providing a fee authorization and stipend for a graduate student from another college.

For GRA’s appointed on sponsored research grants, the situation is more complex, particularly given the alternative for hiring post docs and paying no fee authorizations. In cases where in-state tuition can be charged to grants or when full indirect costs are recovered, the college or unit has a funding source that can offset all or some of the tuition reimbursement to the enrolling unit. In other cases this is not possible.

RECOMMENDATION: For additional GTA and GAA positions above a unit’s FY 2002 fee authorization funding level, the unit authorizing the appointment should be responsible for the cost of the in-state fee authorization. The guiding principle is that the fee authorization is tied to an explicit workload associated with the authorizing unit. Colleges must be allowed to develop reciprocal agreements for GTA appointments of students from other colleges. Colleges should be encouraged to provide local incentives for investigators to appoint graduate students on research grants.

7. How should authorizations for colleges with differential graduate fees be addressed (e.g., an MBA student hired to teach math)?

DISCUSSION: The University is more and more likely to adopt differential fees to reflect academic and market needs unique to each college. Under the principles of budget restructuring, the college needs to recoup the income the differential tuition would generate.
This could be done one of three ways: a direct pass-through of the tuition differential to the authorizing college; spreading the cost across all units via some sort of central average allocation; or charging the additional fees to the student.

RECOMMENDATION: Differential fees represent differential costs to the enrolling unit; therefore, the full costs for additional fee authorizations going forward should be borne by the employing unit, unless there is a negotiated agreement between the employing and enrolling units.

8. What impact will these decisions have on interdisciplinary work?

DISCUSSION: There is concern that with college-based revenue and cost allocations, colleges will be very reluctant to let go of “their students” and the revenue that goes with them. This, in turn, could have a dampening effect on interdisciplinary instruction and interdisciplinary research where graduate students may be enrolled in one college but taught or hired in another.

Existing cross-college arrangements are fully funded in the FY 2002 fee authorization funding levels. As such, the existing level of interdisciplinary activity should be maintained. A separate report will address the funding of existing interdisciplinary graduate programs.
RECOMMENDATION: It is important to preserve and enhance interdisciplinary activity. Monitor concerns during the first year of implementation.

9. Are fee authorization expenses transferable to other purposes?

DISCUSSION: Budget restructuring envisions giving colleges as much flexibility as possible to manage resources consistent with academic goals. Concern has been expressed that the dollar amount of in-state fee authorizations is sufficiently large ($6,000+) that making fee authorizations transferable for other purposes might create a perverse incentive to reduce the number of graduate associate positions, thus creating undesirable consequences for the University’s academic goals.

However, college revenues are determined by credit hours taught and research support generated, and colleges will be expected to sustain their existing workload while preserving the quality of their academic programs. As such, if a college decides to hire a lecturer in place of a GTA or a post doc instead of a GRA, the college would be expected to take into account the impact of the decision on the quality of its graduate, instructional and research programs in addition to the impact on college enrollment revenues. All such decisions should be consistent with university priorities and are subject to review annually by the Provost.

RECOMMENDATION: During the first full year of implementation (FY 2003), assign fee authorization expenses to the colleges, but require approval
from the Provost, in consultation with the Graduate School and the Office of Research, if a college plans to reduce the number of fee authorizations offered to students from other colleges. For FY 2004 and beyond, the Provost and the dean at their annual budget meetings will review the college’s use of fee authorizations.

10. Is imposing the central tax on graduate fees “double taxing” fee authorizations?

DISCUSSION: In order for the University to operate, some method needs to be instituted that pays for support functions such as Academic Affairs, the Graduate School, the Office of Research, HR, Accounting, Student Services, etc. In the base budget, these costs are allocated against a percentage of income derived from tuition and state support.

In order for these services to be provided, as income grows or declines, some methodology needs to be developed for going forward. Agreement has been reached that since tuition and state support going forward will be attributed directly to the colleges, additional costs to support units should be attributed in the same way. This works fine for undergraduate and professional students, most of whom pay their own fees. For graduate students on fee authorizations the question is, could a revenue-based tax be considered double taxation if a graduate student is hired by the college of enrollment, since both the tuition and an offsetting expense are fully attributed to the college?
The answer is no. The college is “taxed” on income only. Therefore, when a fee authorization is granted, it has no additional impact on a college’s level of taxes.

RECOMMENDATION: No change in policy.

11. How should university fellowships and the fee authorizations associated with them be treated?

DISCUSSION: Under current University policy, fee authorizations associated with fellowships can only be approved by the Graduate School. This assures that strict requirements under state and federal laws are met.

The Graduate School has a budget for university fellowships. Under the base budget scenario, expenses related to fellowships at the current level have been incorporated into the base budget for the Graduate School and are funded by the student services cost allocation.

RECOMMENDATION: Continue current policy. Ensure that whenever changes in fellowship guidelines are proposed in the future, fiscal implications are fully analyzed.

12. How should Exchange of Service (EOS) authorizations be addressed?

DISCUSSION: Fee authorizations for EOS agreements are granted by the College of Education to Franklin County school districts and agencies.
Some are granted in exchange for services provided by those districts accommodating student teachers from the college and for district participation in University research projects; others are offered as a public service in order to provide professional development for teachers. The Colleges of Social Work and Human Ecology also offer a limited number of EOS agreements.

In the base budgets developed for the Colleges of Education and Social Work, one-half of the current cost of the program is charged against the budgets of the colleges and one-half is built into the central tax as a public service.

Most of the students benefiting from the program are teachers who take graduate level courses for which the college of enrollment will receive state share of instruction under budget restructuring.

RECOMMENDATION: Continue to fund the base level of EOS fee authorizations for the colleges as provided for in the base budget scenario, but fully charge in-state fee authorizations above the college’s base to the authorizing college.

13. Are our management information systems sufficient to provide needed information?

DISCUSSION: The combination of PeopleSoft HR/Financial Systems and Brio reports gives the technical capability to monitor fee authorizations on a
centralized or decentralized basis. However, the technical capability is not meaningful unless the information entered into the system is accurate. This will continue to be a challenge as long as policies are not uniformly followed and as long as units entering the data have little incentive to make sure the information is accurate.

The College of Education pilot and the steps recommended by the Budget Advisory Committee to improve administration of existing fee authorization policies should be helpful in addressing this need.

**RECOMMENDATION:** Use FY 2002 to improve the quality of data entered into University personnel and financial systems.

**14. Should units have flexibility to provide full stipends for partial fee authorizations?**

**RECOMMENDATION:** Refer this question to the Graduate School for review, since current policies do not permit a mismatch between stipends and fee authorizations.

**SUMMARY OF RECOMMENDATIONS**

1. For FY 2002, continue current policy, but provide consistent application and improved tracking and management information.
2. Beginning in FY 2003, decentralize in-state fee authorization budget authority to the colleges. The ability to reduce the number of fee authorizations offered
to students from other colleges will require approval of the Provost in consultation with the Graduate School and the Office of Research. In FY 2004 and beyond, the Provost and the dean at their annual budget meetings will review the college’s use of fee authorizations.

3. Beginning in FY 2003, allocate the cost of the marginal growth in non-resident fee surcharges for graduate students with fee authorizations through the student services assessment.

4. Also in FY 2003, for any fee authorizations above a college’s base, the college issuing the fee authorization will be responsible for the full cost of the in-state fee authorization unless an alternative agreement is reached in the case when the authorizing unit is different from the college of enrollment.

5. Establish a mechanism for an objective analysis of the impact of these changes at each step of the process and assure wide dissemination of the outcome.