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Subject: Budget Restructuring: Recommendations on Fee Authorizations

The purpose of this document is to present recommendations for the allocation of centrally budgeted fee authorizations under budget restructuring. Budget Restructuring 8 recommends “that most fee waivers, which are also determined at the college and department levels, be billed directly”. Presented below are the recommendations by type of fee authorization and a discussion of issues and implications for colleges and central administration.

Fee Authorizations for GTA and GAA

In the Budget Restructuring Base Budget Scenario, fee authorizations for graduate administrative associates (GAA) and graduate teaching associates (GTA) are charged directly to the academic units where the appointment resides.

In the Base Budget Scenario, the subsidy and instructional fee revenue for the GTA/GAA will go to the college of instruction while the expense for the fee authorization will go to the appointing academic unit. In some cases, this may be a different academic unit or academic support unit. This is appropriate as the appointing academic unit/academic support unit is benefiting from the services provided by the GAA/GTA, and the college of instruction is incurring the instructional expense of the credit hours taken by the GAA/GTA.

Recommendation: Charge fee authorizations for GAA/GTAs directly to the academic unit where the appointment resides. Fee authorizations for appointments in academic support units would be funded through the uniform assessment. There will have to be a methodology established for distributing the budget for GAAs between academic support units.
Non-Resident Fee Waivers

Handling non-resident fee waivers in the same manner as instructional fee authorizations presents a problem. In the Budget Restructuring Base Budget Scenario, graduate non-resident fees are distributed to the college of instruction based on graduate non-resident credit hours. However, the appointing academic unit/academic support unit is allocated the expense for the non-resident fee waiver for a GAA/GTA. This methodology, if implemented in budget restructuring, could lead to units not appointing non-resident graduate students to avoid the additional expense of the fee waiver, particularly if the appointing unit is not the same unit receiving the graduate non-resident instructional fee income.

Recommendation: Instead of distributing all graduate non-resident fees to colleges, distribute the net of total graduate non-resident fees less non-resident fee waivers. The distribution is done on graduate non-resident credit hours by college of instruction. This minimizes the disincentive to appoint non-resident graduate students to GAA/GTA positions. The affect on the uniform assessment in FY99 is an increase of less than 1 percentage point because the total net revenue to the colleges decreases even though the uniform assessment to be recovered is constant. An alternative method would be to distribute the graduate non-resident fee waivers based on non-resident graduate credit hours. However, there does not appear to be a close correlation between graduate non-resident fee waivers by college and graduate non-resident credit hours; therefore, this would unfairly advantage and disadvantage individual colleges.

Research Fee Authorizations

A final recommendation is not made at this time pending a final recommendation from the Research Commission Implementation Committee. It is difficult to determine an easy and equitable methodology since not all colleges recover full indirect costs and a methodology should not set up a disincentive to hire GRAs. Several issues are presented below.

In the Budget Restructuring Base Budget Scenario, research fee authorizations are charged directly to academic units and all indirect cost recovery is distributed to the colleges. Currently, the Office of Research funds all GRAs for projects that receive full indirect cost recovery. If a project does not receive full indirect cost recovery, the Office of Research will not fund a GRA so the project/college must pay for the GRA. Allocating GRA expenditures directly to an academic unit would continue to present a disincentive to appoint a GRA if the research grant does not completely fund the appointment. If funding for research fee authorizations is included in the research grants, then it is appropriate to charge the research fee authorizations directly to the grant. However, if funding is not included, careful consideration must be given as to how these research fee authorizations, including the non-resident waiver portion, are treated to avoid a disincentive to use a GRA.
There is not a clear correlation between research fee authorizations and research expenditures for some colleges. Colleges with a high percentage of research expenditures do not necessarily have a corresponding high percent of GRA expenditures. If GRA expenditures were to be allocated using research expenditures as an allocation mechanism, the costs allocated would not necessarily be consistent with the allocation mechanism. Therefore cross-subsidization of GRA expenditures would occur, and there is not an incentive to manage research fee authorizations at the college or project level.

Including research fee authorizations in the uniform assessment would also result in cross-subsidization with a negative incentive to increase GRA expenditures.

**Recommendation:** Given these issues, it is recommended that the handling of research fee authorizations in budget restructuring be considered in conjunction with distribution of indirect cost recovery and the allocation of central research administration costs rather than with other fee authorizations.

**Dependent and Employee Fee Authorizations**

Employee fee authorizations are currently included in the benefits pool. Dependent fee authorizations are budgeted centrally and the budget ABRs to the unit incurring the expense. These should continue to be handled in the same manner under budget restructuring.

**Exchange of Service**

In the current modeling, fee authorizations for exchange of service agreements are allocated directly to three academic units (Education, FAES, and Social Work). There is a fourth category of exchange of service labeled “Other” and includes all other exchange of service agreements. Since it would be difficult to isolate these expenses to specific academic units and because the total amount was under $100K each year, these expenses are allocated based on graduate credit hours by college of instruction.

**Recommendation:** Exchange of service agreements for Education, FAES and Social Work should be allocated directly to those colleges. When data is readily available on the composition of the “Other” category, those expenses should be allocated to the individual colleges. Until then, an allocation based on graduate credit hours can be done.

**Other Graduate Fee Authorizations**

A final category of graduate fee authorizations is primarily administered and awarded through the Graduate School. These include University scholarships and fellowships, sponsored fellowships, special agreements, and graduate aid enrollment. In the current modeling, these expenses are allocated to academic units based on graduate credit hours by college of instruction. These expenses can fluctuate significantly from college to college each year.
Recommendation: These expenses should be continue to be held centrally and included in the uniform assessment. The total amount in FY99 is less than $10 million. There is not necessarily a correlation between graduate credit hours and these fee authorizations and colleges have no control over these costs so including them in the uniform assessment is more appropriate.

Other Issues

Distribution of Graduate Fee Income: The handling of graduate fee income and fee authorizations in budget restructuring modeling creates an inequity for those academic units with a low number of graduate fee authorizations. There appears to be a wide disparity in the percent of graduate students on fee authorizations by academic units. This results in those colleges with a low percentage of appointments subsidizing the colleges with a high percentage of appointments.

For example in autumn 98, about 2/3 of graduate students have a GTA, GAA or GRA appointment. However, this percentage varies significantly both at the college and at the department level. For example, MAPS has 92% of graduate students with an appointment. However, their fee waivers as a % of instructional and non-resident fees were 85%. On the other end, Nursing has less than 20% of graduate students with an appointment but their fee waivers as a percent of instructional and non-resident fees was 45%.

Data Needs: Recommendations have been submitted regarding replacing the current ABR process for fee authorizations in ARMS. Based on the recommendations, fee authorization expenses would be captured at a sufficient level of detail for colleges to track their expenses. However, the detail by student will not be available in ARMS and would continue to be maintained by Fees and Deposits. For the academic units to effectively manage their fee authorization expenses in budget restructuring, it is crucial that the fee authorization data by student is provided to colleges in a timely manner and in a user-friendly format.