A Guide to College Financial Management

The RCM budget model as implemented by CMU places great responsibility in the colleges to properly manage finances without significant operational budgetary oversight from the Provost. Since the implementation of RCM in its current form in 2008, colleges have developed their own independent processes and procedures for managing their finances. In general, this approach has been successful. However, the variety of different approaches causes conflict and misunderstanding on the part of colleges and their faculty and staff.

This handbook, first developed in 2018-19 by Pete Vermeire in conjunction with the college business managers, serves as a guide for harmonization of college financial operations, while still allowing for significant decision-making authority by the colleges. It also details processes that are well-known to experienced staff members but have not been centrally documented. It is hoped that this will be useful to colleges, department chairs, and their support staff as they work together to manage college operations in a collaborative and responsible fashion. It should be particularly valuable to new deans and department chairs, as these positions turn over regularly. Most of what is contained here does not rise to the level of policy, but rather serves as a framework within which colleges operate.

Note: Across campus it is customary to refer to various accounts as “Department Accounts”, “College Accounts”, etc. All resources (e.g. money, space) are CMU resources, and authority over these resources can always be revoked or reassigned by a senior administrative unit. In other words, resources allocated by the dean to a department can be reassigned to another unit within the college. Similarly, resources allocated by the provost to a college can be reassigned to another unit within the academic division.

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1) The RCM Budget Model as Implemented by CMU

The current implementation of Responsibility Centered Management (RCM) at CMU was put in place beginning with the 2008-09 fiscal year. RCM is a decentralized budgeting model, where budgets are developed by units that generate tuition revenue rather than being set centrally. At CMU, the "unit that generates tuition revenue" is the academic college (note that the College of Medicine is currently treated somewhat differently). One advantage of this model is that as revenue increases or decreases, budgeting decisions can be made closer to where the revenue fluctuations occur. The drawback is that revenue must be continually monitored – colleges do not receive the revenue that is budgeted, they receive the actual revenue that is generated within their departments and programs. Units outside the academic colleges use a centralized budget model, funded by revenue generated across campus.

As will be discussed in detail below (this quick description leaves out several parts of the model), the basic structure of RCM at CMU is:

a) A student takes a class, for example CMU 101.
b) The tuition paid by the student is credited to an account tied to the designator CMU.
c) Those dollars are divided into three unequal portions:
    1. The department that houses the CMU designator keeps a portion to offset the cost of instruction and operations;
    2. The college takes a portion for operations, redistribution, and investment;
    3. The remaining portion is used to fund the units of the university that do not generate revenue sufficient to cover the cost of operation (e.g. library, utilities, scholarships).

The decision as to what portion goes to the department and what goes to the college is a decision made by the college. The percentage of tuition that goes to the third portion described above is the *college assessment rate*, colloquially referred to as the "tax rate". It should be noted that the decision to have tuition pass through the colleges is an accounting choice. In a centralized budget model, all revenue is held centrally and the apportionment described in c) above is determined centrally. This is, in fact, the origin of the college tax rate as described in section III below; when CMU revised its RCM model in 2008, the tax rate was set simply to keep the portion going to units outside the academic colleges at its historical level (i.e. dollars were not redistributed across the colleges but were rather held at the levels current at that time). The differences in college tax rates are thus a function of the weighted cost of instruction of the various programs within each college.

2) The Published Budget

a) Reading the budget

Copies of the annual university budget are available to the public at:

https://www.cmich.edu/fas/fpb/FPBBudgets/Pages/Operating_Budgets.aspx

There is a tremendous amount of detail in these budgets (they tend to run more than 50 pages), but most of the information is not needed to manage an academic unit. The Detailed Allocations for departments and colleges can be found about a quarter of the way into the published budget (for 2019-20 the Detailed Allocations begin on p. 10).

The heading appears as follows:

						EXPENDITURES										
		REVENUE				PERSONNEL					NON-PERSONNEL					
ACCOUNT NAME	ACCT NO	TUITION	STATE APPROP	OTHER REVENUE	TOTAL REVENUE	FACULTY SALARIES	STAFF SALARIES	OTHER COMPENS.	BENEFITS	TOTAL COMPENS.	COST OF GOODS SOLD	SUPPLIES & EQUIP.	OVERHEAD	TOTAL EXPENSES	TRANSFERS IN / (OUT)	GROSS MARGIN

and can be broken into four sections: Account Information, Revenue, Expenditures, and Transfers.

Account Information

ACCOUNT NAME	ACCT NO
ACCOUNTING	21200
ACCOUNTING - GC	31200
ECONOMICS	21210
ECONOMICS - GC	31210

This is reasonably straightforward; for most departments there is a pair of accounts, one of the form 21xxx and a parallel one of the form 31xxx (often referred to as department 2- and 3-accounts). The 21xxx account is for on-campus activity and the 31xxx is for global campus (off-campus and on-line) activity. If you look at the entirety of the college, there are also accounts of the form 22xxx, 23xxx, etc. The second number signals what type of activity is recorded in the account:

21xxx	Instruction
22xxx	Research
23xxx	Public Service
24xxx	Academic Support
25xxx	Student Services

26xxx	Institutional Support
27xxx	Operation and Maintenance of Plant
28xxx	Scholarships and Fellowships
29xxx	Other Institutional Support

For the 21xxx and 31xxx accounts, the third digit signifies to which college the account belongs:

211xx	College of Science and Engineering
212xx	College of Business Administration
213xx	College of Education and Human Services
216xx	College of the Arts and Media
217xx	College of Liberal Arts and Social Sciences
218xx	College of Health Professions

Revenue

	REVENUE			
	TUITION	STATE APPROP	OTHER REVENUE	TOTAL REVENUE
Accounting 21200	4,099,456	1,347,853	20,775	5,468,084

TUITION is the total tuition projection which is derived from applying enrollment projections from the Office of Academic Planning and Analysis (formerly the Office of Institutional Research) to known or anticipated tuition rates. This includes undergraduate, graduate, on-campus, off-campus, and non-resident tuition. This revenue is subject to the college assessment rate.

STATE APPROPRIATIONS is the share of total state appropriations that is allocated to a cost center. The amount is based on the share of SCH production in a particular account over the past three years as a percentage of the SCH production of the entire campus, e.g. if Accounting 21200 generated 3% of the total SCH over the years 2013-14, 2014-15, 2015-16, then Accounting 21200 would receive 3% of the total state appropriations in the 2017-18 budget (note that there is a one-year lag, as the total SCH production for 2016-17 is not known at the time the 2017-18 budget is prepared). As the state fiscal year begins October 1, this is based on an estimate of what the subsequent year's state appropriations will be. This is done in conjunction with the Office of Government and External Relations. This revenue is subject to the college assessment rate.

OTHER REVENUE is revenue that is neither tuition nor state appropriations. Common examples include estimated course fees, ticket sales, indirect cost recovery, and clinical revenue; note that these revenue sources are not always included by the college in the budget. This revenue is *not* subject to the college assessment rate.

TOTAL REVENUE is the sum of tuition, state appropriations, and other revenue.

Expenditures

EXPENDITURES								
PERSONNEL					NON-PERSONNEL			
FACULTY SALARIES	STAFF SALARIES	OTHER COMPENS.	BENEFITS	TOTAL COMPENS.	COST OF GOODS SOLD	SUPPLIES & EQUIP.	OVERHEAD	TOTAL EXPENSES
2,164,883	42,120	5,000	795,969	3,007,972	-	40,000	-	3,047,972

FACULTY SALARIES is the sum of the salaries budgeted for regular faculty, fixed-term faculty, post-docs, and graduate assistants.

STAFF SALARIES is the sum of the salaries of the regular staff positions in a cost center. These include unionized staff (OP and ST) and non-unionized staff (PA and SO) positions. Colleges are unlikely to have employees from other regular staff categories.

OTHER COMPENSATION (usually called OComp) is typically used for hourly student employees and temporary staff. This category does not include Federal Work-Study.

BENEFITS is the sum of the benefits (insurance, retirement, FICA, GA tuition waiver) for all employees included in the faculty and staff salaries columns.

TOTAL COMPENSATION is the sum of the four preceding columns.

COST OF GOODS SOLD is not currently used by colleges.

SUPPLIES AND EQUIPMENT (usually called S&E) is a budget for typical supplies and services of all types (e.g. paper, computers, phones, service contracts, FM workorders).

OVERHEAD is not currently used by colleges.

TOTAL EXPENSES is the sum of total compensation and S&E.

Transfers

	TRANSFERS IN / (OUT)	GROSS MARGIN
Accounting 21200	(2,420,112)	-

TRANSFERS IN/(OUT) is simply the difference between total budgeted revenue and total budgeted expenses. These are sometimes referred to as *subsidies* or *returns*.

In the example above, the expected revenues exceed the expected expenses by $2,420,112. The balance is transferred to the college where it is used to offset expenses in areas that do not directly generate revenue (e.g. research support, Dean's office staff, accreditation expenses).

GROSS MARGIN is always required to be zero for the colleges; other budget entries are adjusted to make this so.

b) Soft-funded and Provisional positions

Staff positions whose costs are not included in the published budget (see p.8 of the 2019-20 university budget) are called *soft-funded* positions. These positions are funded out of what are sometimes referred to as "one-time" dollars, which may include carry-forward/discretionary funds or may be funded from cost savings due to vacancies in positions which are included in the published budget. *Provisional positions* are usually time-limited staff positions. These may be positions where the funding source is temporary (e.g. a grant), where the job duties are expected to disappear (e.g. a two-year position to help with accreditation), or simply where the future of the position is uncertain. Positions can be soft-funded, provisional, both, or, in the case of a regular base-funded position, neither.

3) Assessment Rates

a) Historical

Each college has an *assessment rate* commonly referred to as a *tax rate*. When these rates were initially established in 2008-09, they were based on the difference between the costs and revenues (excluding other revenue) of the various academic colleges, and thus reflect a weighted average cost of instruction. For example, in 2008-09 the College of Humanities, Social and Behavioral Sciences (CHSBS, now CLASS) had an expense budget of $26,014,793, while generating a total of $67,436,207 in tuition and state appropriations (determined as described above), resulting in a tax rate of 61.42%.

It is important to note that this was not a change in funding for the college but was rather a description of the difference between the total budgeted revenue and total budgeted expenses.

It is also important to note that this assessment rate is applied to the college as a whole. Within the college, each department (or tuition-generating unit) has an *effective tax rate*, which is the difference between its budgeted revenue and budgeted expenses, the latter of which is determined by the dean's office (see section I). If we shift colleges and look at the 2018-19 budget, we see that the Department of Mathematics is expected to generate $18,411,188 (from on- and off-campus tuition and state appropriations) with an expense budget of $6,242,708, which results in an effective tax rate of 66.093%, while the Department of Earth and Atmospheric Sciences is expected to generate $2,571,585 with an expense budget of $1,552,034, for an effective tax rate of 39.647%. This is exactly what one would expect because the delivery cost of instruction differs by discipline – it would not make sense for each department to have the same effective tax rate any more than it would make sense for each college to have the same assessment rate. These rates can be compared to national averages (the Delaware Data: https://ire.udel.edu/cost/).

b) Changes

The college assessment rates are adjusted from year to year, driven by deliberate operating decisions. For example, between 2016-17 and 2017-18, the tax rate for the College of Communication and Fine Arts (now CAM) went from 51.927% to 52.119%. The cause of this change was the centralization of development; college development officers were no longer managed by the colleges and were instead managed by the central development office. This meant that CCFA would no longer be responsible for paying their development officer (a savings of $55,737 in salary and benefits) nor would they be responsible for spending S&E dollars to support travel, etc., for their development officer (a savings of $20,000). Thus $75,737 should be transferred from CCFA to Development, which was done by altering the assessment rate. Because CCFA had an assessable revenue budget of $39,409,792 for 2017-18, increasing the assessment rate by 0.192% meant that $39,409,792*0.00192=$75,667 would be moved out of the college. Note that the difference between $75,737 and $75,667 is rounding error in the calculation and amounts to roughly one sixth of one single undergraduate credit hour taken during the year.

4) Budget Development

a) Overview

The budget development calendar can be found here:
https://team.cmich.edu/sites/fas/FPB/Calendars/Forms/AllItems.aspx

In January, colleges meet with the Office of Academic Planning and Analysis (APA) to help inform their enrollment projections for the upcoming year (note that before 2008 there was some advantage in convincing APA that enrollments would be lower than they initially projected, but this incentive has been removed). Later in the spring, colleges are given SCH projections, from which the Office of Financial Planning and Budgets (FPB) derives revenue estimates for the following fiscal year. These estimates consist of tuition projections (note that the tuition rates for the following year have often not been determined by this time in the process) and projected state appropriations (these are also typically not finalized by this time as the state fiscal year begins October 1). College assessment rates have typically been determined by this time, and so colleges are effectively handed a revenue budget within which they must plan their expenses for the upcoming fiscal year.

It is important to realize that CMU effectively operates with two different budget models. Units outside the colleges have base funded expenses which comprise their budgets; these base expenses are approved at several levels until they find their way into the published budget. The colleges use an RCM model where each college is given a revenue estimate each year within which the college must prepare a spending plan. Note that the colleges do not, strictly speaking, have a base expense budget, but are rather given an annual revenue estimate within which they must build a spending plan. Aside from occupied regular faculty positions, the dean has almost complete discretion (excepting agreements with unionized staff groups, Provost mandates, policies, etc.) regarding how the remaining money is budgeted and spent. Note that in the colleges, salary increases are not centrally funded, but rather are paid by the individual colleges, while in units outside the colleges, salary increases for regular staff positions are centrally budgeted (this is not the case for soft-funded positions, where units that house these positions are responsible for increases). As tuition increases flow through the colleges, this should offset salary changes.

Changes to revenue estimates from year to year come from two sources: changes in state appropriations and changes in enrollment and tuition rates. It should be noted that explicit targeted investments from the Provost or central administration, e.g. to support a new program, are reflected in revised assessment rates. In most years, state appropriations do not vary significantly from the previous year, and hence changes stem primarily from changes in enrollment. This should impact which budget categories are affected by these changes. For example, the regular faculty budget does not typically change this late in the year, except due to an unanticipated vacancy. The need for S&E (e.g. phones, office supplies professional development) and OComp (e.g. student workers) does not change significantly with enrollment variation. Thus, the budget categories most likely to be affected are fixed-term faculty (FTF) and GTAs, though regular staff positions may also be eliminated, especially if they support areas of declining enrollment.

This relationship between enrollment changes and FTF budgets is perhaps most obvious in areas that house competency courses. An increase (resp. decrease) of 200 FTIACs in a year results in a need for eight more (resp. fewer) sections of ENG 101, and thus the need for one more (resp. fewer) fixed-term faculty member. While the correlation may be harder to identify in other areas, it is still the case that sudden changes in enrollment should be reflected in changes in FTF and TA budgets. Longer-term trends should be reflected in regular faculty hiring, increasing the number of regular faculty in growing areas and reducing the number of regular faculty through attrition in shrinking areas. Changes in regular faculty happen over a period of several years, and therefore represent a long-term planning effort, rather than being a part of the budget development process which takes place over the course of a month.

Note that colleges are responsible for paying for mandatory student fees and tuition waivers for supported GAs but are not responsible for course fees or for fees or tuition waivers for any other employee group (tuition waivers for other groups are paid from a central fund).

b) Department budgets

When completing the Budget Template from FPB, there are twelve expense budget entries that the college must determine for each department. Five each of salary and benefits (Regular Faculty, Fixed-Term Faculty, Graduate Assistant, Summer, and Staff), Supplies and Equipment, and Other Compensation.

As mentioned above, the least flexible category here is the **Regular Faculty budget**. Actual salary and benefit numbers are supplied by FPS in time for budget development, and these numbers are used to fill two of the expense budget entries. Note that at the beginning of the process, vacant faculty lines should typically not carry salary and benefit amounts as these are not expenses that will be incurred during the upcoming year.

The next categories with limited flexibility are **Staff salary and benefits**. In principle, staff positions can be eliminated, but most departments do not have significant staff beyond Office Professionals and the need for these positions is not typically greatly influenced by changes in student enrollment.

Fixed-Term Faculty (FTF) and Graduate Assistant (GA) salary and benefits (including GA tuition benefits) are most directly tied to enrollment changes and as such this is where the most variability should be found. Departments vary widely in their use of Graduate Assistants (note that this group includes three separate employment categories: Research Assistant (RA), Teaching Assistant (TA), and Administrative Assistant (AA), the last two of which are unionized), with some being used interchangeably with FTF.

Summer salary and benefits contain department chair/director stipends, as well as estimated instructional costs for summer courses. As on-campus summer offerings have declined, these numbers have shrunk.

Supplies and Equipment are funds necessary for both day-to-day department operations (e.g. photocopying, phones, technology) as well as events, travel, professional development, and other non-compensation spending. Any regularly occurring expenses should be budgeted here. Though this budget category is a popular target for reduction, these costs do not often change significantly as a function of enrollment and are typically a modest part of the expenditure budget.

Other Compensation is primarily used for hourly student (GSA) workers and temporary staff positions. Departmental history is useful for setting these budgets; note that Federal Work-Study (formerly College

Work-Study) funds are budgeted elsewhere, outside of the colleges, as they are used by students working across campus.

Department budgets should reflect, as closely as possible, the actual spending plan for the coming year. However, it should be noted that the budget is a plan and should not compel spending in one area or another. Departments have the ability to move resources within and between the following budget categories: Fixed-term faculty, Graduate Assistants, Supplies and Equipment, and Other Compensation. However, it is important to note that the dean does have financial authority over the college. While a department may have sufficient resources to remodel a space or to purchase a printer for each of its members, the dean has the authority to disallow such spending. A department having the resources to do something does not imply it has the authority to do that thing. As stated in the Business Expense Manual, "The university has limited resources to accomplish its mission of teaching, research and service. The university is held accountable by the people of the State of Michigan for economical and effective use of its resources. Responsible discretion and judgment should always be used for expending university funds."

In practice, department budgets will not always align with the published university budget. As a simple example, consider a case where a regular faculty member leaves a department after the submission of the budget. In this case, the salary and benefits of that faculty member will be part of the published budget, but the actual department budget will contain only the replacement cost, i.e. the salary and benefits necessary to hire FTF to cover the equivalent number of credit hours that the regular faculty member was teaching (typically 18 per year). Similarly, an unanticipated increase (decrease) in enrolled students will require an increase (decrease) in FTF or TA appointments.

There are other funds that departments spend that *cannot* be diverted to other spending categories. These include Federal Work-Study, ORGS RA awards, and department 6xxxx and 9xxxxxx accounts.

c) Other college account budgets

Colleges maintain several budgeted accounts outside of the academic departments. These accounts serve a variety of purposes, from dean's office expenses to research accounts to other specialized purposes.

d) Draft college budgets

Each college will submit their academic center budgets to the SVP for Academic Administration at the same time they are submitted to FPB.

5) Other Accounts

a. Department 4xxxx Accounts

A department may have one or more 4-accounts under its control; these are not part of a department's annual budget. 4-accounts may be for general department needs or may be tied to a specific center, faculty member, or program within the department. New 4-accounts are no longer created for individual faculty development accounts.

General department 4-accounts, usually called *discretionary* or *designated* accounts, may contain things such as previous fiscal year returns, funds from the college, ORGS, and Honors for specific faculty members' professional development, and occasionally other one-time funds that are intended for the department to spend on a specific initiative. An example of this would be funds from the College of Graduate Studies intended to be spent on graduate student recruitment. Department discretionary accounts do not receive a regular yearly allocation and are considered one-time funds. This means that departments should not count on the same amount of funds available in these accounts year after year. Departments maintain the responsibility for tracking and managing these accounts. Departments should work to ensure that any specifically designated funds that are placed in the account are spent on the specific designated purpose, such as funds for a specific faculty member's professional development.

There are also 4-accounts that are associated with stand-alone centers (e.g. the Carls Center) and are not directly under the control of any one academic department.

b. Department 6XXXX Accounts

These accounts are not a part of a department's budget and can only be spent for a specific purpose. Every endowment has two accounts set up, one for the endowment (66xxx) and one in which the funds from the endowment (spendable distributions) are placed into (64xxx). In some instances, the spendable portion of an endowment is placed into an account that is different from a 6xxxx account.

For departments, these accounts are generally for endowed scholarships or endowments for other department initiatives. Actual endowment accounts 66xxx cannot have any expenses posted to them and are the accounts that any donation for the endowment must be placed into. Departments should work with Advancement to make sure any donations they receive for an endowment are placed into the correct endowment account. Departments are not responsible for reconciling 66xxx accounts, but should make sure correct donations are attributed to the account.

64xxx accounts are the spendable distribution accounts. These accounts receive a yearly amount from the 66xxx endowment accounts. This amount is based in part on the performance of university investments, and therefore does vary from year to year. Expenses can be posted to these accounts and must be for the intended purpose of the endowment funds. Departments should direct questions about the purpose of any of these accounts to Advancement. Questions about spending funds from these and account management should be directed to the college.

Each department also has a 68xxx account for their yearly work study allocation. Each year, departments receive a new work study allocation. Students authorized through work study can be hired and paid from this account. Student employment must verify and approve work study for each student. If departments overspend their work study allocation, all or a portion of the overspending may be charged against their 2xxxx account Other Compensation budget. While each student hired receives a work study amount, departments only receive the amount of their department specific allocation to spend. For example, a department hires John as a work study student and Student Employment indicates that John has $2,000 available in work study. The department has an allocation of $1,500 for work study. While the department can pay John $2,000, only $1,500 will be covered by the department's work study allocation and the remainder may have to be covered by the department's 2xxxxx OComp budget, though it may sometimes be covered by other work study money on campus.

c. Department 7xxxx Accounts

These are "Plant Fund Reserve" accounts and are not a part of a department's budget. These accounts are used for purchasing expensive pieces of equipment and maintenance and renovation of physical university space (e.g. offices, classrooms). Very few of these are controlled by departments. Activity in these accounts is subject to specific rules and is usually approved by the appropriate dean and the provost's office.

www.cmich.edu/fas/fsr/OAC/AccSvcs/ACCPolicies/Pages/Plant_Fund_Reserve_Accounts.aspx

d. Department 9xxxxxx Accounts

Department 9-accounts are not a part of a department's budget and can only be spent for a specific purpose.

Like department 4 accounts, departments may have both general and specific 9xxxxxx accounts. These accounts are restricted gift accounts. This means that funding in these accounts comes solely from financial gifts made from donors to the university and from university/college match, when applicable. Departments are responsible for spending these funds in accordance with the purpose of the account and the donors intended purpose. Funds in general department 9xxxxxx accounts may be spent by the department for various purposes and per university spending guidelines. In some instances, a donation may be placed into a general department account that a donor wants spent for a specific purpose. This will be indicated on the donor contribution report for the specific 9xxxxxx account. Questions about specific gifts and their intended use should be directed to Advancement. Questions about spending funds from these and account management should be directed to the college.

6) **Functional Financial Responsibility** (Partial List)

In each college, the dean is responsible for all financial and personnel matters and is tasked with managing the departments and their personnel within the framework of the various collective bargaining agreements and university policies. In practice, some of this responsibility is delegated to others within the college (e.g. department chairs, associate deans, program directors, supervisory staff). We focus here on the responsibilities delegated to academic departments, noting again that the dean has the authority to intervene in all matters.

a) Department

- Supervision and review of department staff, including FTF and GA
- Monthly account review and reconciliation, including 31xxx accounts
- Hiring of fixed-term faculty (workflow includes the dean)
- Hiring of GAs (workflow includes the dean)
- S&E expenses to provide for normal functioning of the department
- Awarding of program-specific endowed scholarships

b) Dean

- Time reassigned from teaching to other activity
- Overload and supplemental assignments
- Use of indirect (F&A) funds from external grant activity
- Contracting authority

c) Shared

- Scheduling and staffing of classes
- Technology/large equipment purchases
- Remodeling
- Professional development
- Development and administration of department budgets
- Monitoring of contractual constraints (e.g. 150% pay rule, overload limits)

7) Financial Operations

There are many operational guidelines that departments and colleges should abide by as they work in conjunction to manage resources.

- Requests to transfer money across account types (e.g. from a 2xxxx account to a 4xxxx account) should be made through the dean's office. All such requests made to accounting services are sent to the provost's office for approval.
- Tuition revenue and instructional expenses should be reflected in the same account. For the most part this happens without manual adjustment but, for example, in the case of an interdisciplinary program or designator shifts, adjustments may be necessary. Typically, instructional expenses should be moved as this provides a better accounting of the financial implications of a program and does not require the budgetary shifting of state appropriations which follow historical enrollments. This typically requires the submission of a cost center change transaction.
- Account managers are responsible for monthly reconciliation of their accounts. Accounts should be reconciled and initialed by both the reconciler and the account manager.

a) The costs of staffing classes

i) Main Campus

Main Campus classes are primarily taught by Regular and Fixed-Term Faculty, with Teaching Assistants and some P&A employees also teaching courses. While cost should not be the primary factor in determining how to staff classes, units should be aware of the differences between various employee groups and assignments.

While actual costs vary significantly across disciplines, the average salary and benefit cost for a benefit-eligible fixed-term faculty member to teach a three-credit course is roughly $10,000 (the actual average cost is reported annually by FPS).

The average salary and benefit cost for TAs and P&A employees is roughly $5000-6000 per three-credit, assuming a TA teaches six hours per semester.

Assuming an undergraduate tuition rate of $417/credit hour and a college assessment rate of 55%, this means that a course must enroll approximately 18 students to cover the salary and benefits of a typical fixed-term faculty member and 10 to cover the salary and benefits of a typical TA.

The on-campus overload rate for a regular faculty member is $1470/credit hour, or approximately $5500 in salary and benefits for a three-credit course.

ii) Online/Off Campus

A regular faculty member teaching an on-line or off-campus class for supplemental pay is compensated at a rate of $1470/credit hour, or approximately $5500 in salary and benefits for a three-credit course.

A fixed-term faculty member teaching an on-line or off-campus class as an overload is compensated at a rate of approximately $3500 in salary and benefits for a three-credit course.

Similarly, an adjunct teaching an on-line or off-campus class is compensated at a rate of approximately $3500 in salary and benefits for a three-credit course.

A regular or fixed-term faculty member teaching *in load* is compensated at the same rate as for Main Campus classes.

8) Distribution of revenue and assignment of effort for cross-listed classes between colleges

Tuition revenue and instructional effort should be reflected in the cost center of the course that is being offered. When a class is cross-listed (e.g. MTH 104/WGS 104), the percentage of effort attributed to each cost center should be proportional to the enrollment in each designator.

For example, in fall 2019 MTH 104 has 20 students registered while WGS 104 has 4 students registered for a total of 24 students. MTH 104/WGS 104 is a three-credit course. The MTH cost center (21140) receives the tuition of 20 students, which is assessed at the CSE rate, and the WGS cost center (21770) receives the tuition of 4 students, which is assessed at the CLASS rate. The instructional effort should similarly be split via a Cost Center Change form in the Personnel Transaction system, with 0.104167 FTE (=0.125*20/24) remaining in MTH and 0.020833 FTE (=0.125*4/24) moved to WGS.

There should be no SCH shifts or tuition revenue transfers between colleges.

9) Year-End

Units must have incentives to encourage efficient resource management. One of the best ways to do this is to allow departments to retain some savings from one year to the next. At the end of a fiscal year (July 1-June 30), funds remaining in department flexible budgets (e.g. FTF, GA, OComp, S&E) should be returned to departments; deficits will also be the responsibility of the departments, and can be covered by discretionary accounts, carried forward to the next year, or through some other repayment scheme at the discretion of the dean. Departments that accumulate significant carry-forward balances will give some resources back to the college as determined by the college. For example, in CSE departments may accumulate up to 5% of their published expense budget, after which a progressive tax is applied to balances between 5% and 10%, and finally all funds in excess of 10% are given back to the college. In 2018-19, this meant that the Department of Geography & Environmental Studies would be able to keep approximately $165k in reserves.

10) Funds for New Faculty (Start-Up)

When hiring a new faculty member, it may be appropriate to allocate funds to support their research efforts in the first few years as a CMU faculty member. Such commitments should be explicit, reasonable, necessary, and end-dated (usually not more than three years beyond the date of hire).

Start-up should be considered an investment; in general, the amount provided should be commensurate with the expected amount that the new hire will secure in external funding.

Start-up agreements are made before the time of hire and must be submitted to FPS, to coordinate administrative review and approval, before a hiring letter is finalized. Agreements should clearly state the funding source, purpose, and timeline for all commitments, and should be shared with the home department of the new faculty member.

Examples of start-up commitments include:

- Moving expenses (must be used within first year per IRS Guidelines)
- Replacement costs for reduced teaching loads
- Number of semesters of graduate assistant support (and estimated costs)
- Research support for items such as:
    - Supplies and equipment
    - Professional development
    - Travel
    - Publications
    - Personnel to assist with research (e.g., post-docs and technicians)

If start-up funds are used to provide summer salary to help establish a research program, they should be used only for a faculty member who is not receiving compensation for summer teaching. Reduced teaching loads to allow faculty to focus on research should be explicitly contingent on the individual agreeing not to seek or accept supplemental assignments for additional compensation.

In negotiating start-up packages, the Dean should request a justified itemized budget. This should be carefully reviewed to ensure it is reasonable and that the estimated costs are consistent with those used at CMU (e.g., for graduate assistants and their tuition benefit). Candidates will typically request more than they need because they expect a lower counter-offer; however, candidates who are inexperienced in running an independent research program may ask for too little money to support their research. In order to solicit an accurate estimate of the start-up requirements, it is important to be clear to the candidate that the job offer is not contingent on their request for start-up funds, although there is no guarantee that CMU will be able to provide the requested amount.

When the new faculty member arrives on campus, a meeting should be held to explain university processes and guidelines regarding purchasing, CMU business credit cards, hiring of personnel, and ORGS, as well as to go over the details of the start-up agreement. This meeting may include the faculty member, college financial person/associate dean, department chair and OP, and may also include an ORGS program officer and senior buyer from Purchasing.

Colleges should use established faculty startup accounts and furthermore assign a specific internal order (I/O) to each new faculty member. The cost center and I/O should be communicated to the new faculty during the start-up meeting. The cost center and I/O should be used on all hires and purchases to ensure accurate accounting of the start-up funds.

As part of the monthly reconciliation, updates should be provided to the faculty member and a departmental representative (e.g. chair/OP) for review of appropriateness for charges made against the startup in addition to notify faculty of balances and approaching expiration dates. Any overages are charged to the faculty member's home department.

Although the start-up provided should be based on a justified budget, it is important to allow the new faculty member some degree of flexibility in spending the money because it is not uncommon for their research agenda to change as they become established. Major changes in expenses (e.g., hiring a post-doc instead of purchasing an item of capital equipment) should be approved by the dean. It is also important to be clear that flexibility in spending only applies to the negotiated amount and that additional funds will not be forthcoming.

Start-up funds should be spent within two years of the faculty member starting at CMU. An extension to a third year can be requested from the Dean through the Chair based on a compelling rationale. However, a period of longer than two years cannot be negotiated in advance. The college verifies the account and closes it at the end of the agreement period, returning any unused funds to the appropriate funding sources.

11) Employee Categories

There are numerous categories of employees on campus, some handled by Human Resources (Rowe 109) and some by Faculty Personnel Services (Warriner 308).

a) **Faculty Personnel Services** (FPS)

- **Regular Faculty**: These are tenure-track and tenured faculty outside of the College of Medicine. This is a unionized group, represented by the CMU Faculty Association.
- **Medical Faculty**: These are faculty whose primary appointment is in the College of Medicine. This is not a unionized group and is governed by the CMU College of Medicine Faculty Appointment Manual.
- **Post-Doctoral Research Fellow**: These are researchers who do not have a permanent position at another university and who do not typically provide instruction. This is not a unionized group.
- **Graduate Assistants**: These are students enrolled in a graduate program at CMU who are employed to provide services. There are three classifications within this group:
    - **Teaching Assistants**: These are students who provide instructional services (e.g. direct classroom instruction, tutoring, grading). This is a unionized group, represented by CMU Graduate Student Union.
    - **Administrative Assistants**: These are students who provide administrative services. This is a unionized group, represented by CMU Graduate Student Union.
    - **Research Assistants**: These are students who provide research effort and support for faculty. This is not a unionized group.
- **Fixed-term Faculty**: This category consists of all other faculty who do not have a primary appointment in another employment group (e.g. there are full-time staff members who teach courses in the evening or on-line). Within this group there are several subcategories. Common examples include:

- **Teaching Faculty**: These are faculty who perform instruction on the Main Campus one-quarter time or more who do not belong to the Regular or Medical faculty. This group also includes the **Postdoctoral Teaching Fellows**. This is a unionized group, represented by the CMU Union of Teaching Faculty.
- **Adjunct Faculty**: These are faculty who teach classes but do not teach at the Main Campus. This is not a unionized group.
- **Visiting Faculty**: These are faculty who have a permanent position at another university. Examples include faculty on sabbatical from other institutions and faculty coming to do research with someone for several weeks/months in the summer. This is not a unionized group.

b) Human Resources (HR)

- **Office Professionals**: These are secretaries, clerks, and office specialists with position categories from OP-3 to OP-6 that depend on the complexity of the duties performed. This is a unionized group.
- **Professional & Administrative**: This is the largest staff group on campus and covers a very broad collection of employees. This is not a unionized group.
- **Supervisory Technical**: These include lab technicians and supervisors of skilled trades with position categories from ST-4 to ST-8 that depend on the complexity of the duties performed. This is a unionized group.
- **Senior Officers**: Campus senior leadership including the President, Vice Presidents, Associate Vice Presidents, Vice Provosts, Deans, and Associate Deans. This is not a unionized group.
- **Service Maintenance**: These include custodians, groundskeepers, and skilled trades with position categories from SM-2 to SM-10 that depend on the complexity of the duties performed. This is a unionized group.
- **Public Broadcasting**: This is a unionized group.
- **Police Officers**: This is a unionized group.
- **Police Sergeants**: This is a unionized group.

12) Glossary of Abbreviations

AA	Administrative Assistant (particular type of GA - unionized)
APA	The Office of Academic Planning and Analysis (née OIR)
CWS	College Work Study (has been renamed *Federal Work Study*)
FPB	The Office of Financial Planning and Budgets
FTE	Full Time Equivalent (used for employees)
FTF	Fixed-Term Faculty (employee category – mostly unionized)
FTIAC	First Time In Any College
FPS	Faculty Personnel Services
FWS	Federal Work-Study (formerly College Work-Study)
FYES	Full Year Equivalent Student
GA	Graduate Assistant (employee category)
GF	General Fund (accounts of the form 2xxxx and 3xxxx)
GSA	General Student Assistance
OComp	Other Compensation (budget category)
OIR	Office of Institutional Research (now APA)
OP	Office Professional (employee category - unionized)
PA	Professional and Administrative (employee category – not unionized)
RA	Research Assistant (particular type of GA – not unionized)
RCM	Responsibility Centered Management
S&E	Supplies and Equipment (budget category)
SCH	Student Credit Hour
SO	Senior Officer (employee category – not unionized)
ST	Supervisory and Technical (employee category – unionized)
TA	Teaching Assistant (particular type of GA - unionized)