

## Resource Investment Model Design (08/14/2018)

### I. **Guiding Principles for Design Decisions:** The new Resource Investment Model will:

- A. Be aligned with UMKC's values and strategies.
- B. Reflect transparency – the model is informing with data being available.
- C. Provide resource/expense predictability.
- D. Be easily understood.
- E. Address the uniqueness of the programs.
- F. Bring everyone together for excellence.
- G. Contribute to a sustainable financial model.
- H. Achieve empowerment and agility for campus leaders.
- I. Celebrate and support entrepreneurship.
- J. Recognize and support efficient use of resources.
- K. Include a built-in process for implementing change.
- L. Put UMKC success first in the process & provide criteria for identifying strategic investments.
- M. Minimize opportunities and incentives for gaming the system.
- N. Build responsibility and accountability.

### II. **Responsibility Centers:** Fundamental to a budget model that embraces responsibility center management is identifying the areas of the University that are "responsibility centers (RCs)." While, typically, RCs generate revenues and are responsible for managing revenues, expenditures and fund balances and making related financial decisions, the UMKC Resource Investment Model (RIM) also defines Support Centers and Auxiliaries as RCs, emphasizing the need for all units to exercise responsibility for managing all aspects of the budget. At UMKC the following areas are RCs:

- A. Academic Responsibility Centers (ARC)
  - 1. ARCs include
    - a. College of Arts and Sciences
    - b. School of Biological Sciences
    - c. School of Computing & Engineering
    - d. Henry W. Bloch School of Management
    - e. Conservatory of Music & Dance
    - f. School of Education
      - o Child Development
    - g. School of Dentistry
      - o Dental Clinic
    - h. School of Medicine
      - o Medical Contracted S
      - o St. Luke's Contract
    - i. School of Pharmacy
    - j. School of Nursing and Health Studies
    - k. School of Law

2. Operating units that recruit and retain faculty and that generate revenues from direct services provided and tuition and fees charged, research funding, sales and services of educational activities and related services intended to be self supporting.
  3. Responsible for managing revenues, expenditures and reserves and related financial decisions.
  4. Responsible for increasing enrollment & related net tuition revenues through improved student success and new academic programs.
- B. Auxiliary Responsibility Centers (AURC)
1. AURCs include
    - a. Intercollegiate Athletics
    - b. Bookstore
    - c. Student Dining
    - d. Parking
    - e. Student Health Center
    - f. University Center
    - g. Rental Properties
    - h. Student Housing
    - i. Swinney Recreation Center
  2. Operating units that generate revenues from direct services provided and fees charged and are expected to be self-supporting.
  3. Responsible for managing revenues, expenditures and reserves and related financial decisions.
- C. Support Unit Responsibility Centers (SURC):
1. SURCs include
    - a. Chancellor
    - b. Provost
      - i. Operations
      - ii. Student Success and Academic Assurance
      - iii. Faculty Support and Program Innovation
      - iv. Student Affairs
      - v. Institutional Effectiveness
      - vi. International Affairs
      - vii. Interdisciplinary Programs
        - Honors College
      - viii. Community Engagement
        - Continuing Education
        - Innovation Center
      - ix. Information Services
      - x. Graduate Studies
        - IPhD
      - xi. Research
        - Research Services
        - Institute for Human Development

- c. Libraries
  - d. Advancement
  - e. UMKC Foundation
  - f. Diversity and Equity
  - g. Human Resources
  - h. Finance and Administration
  - i. Marketing and Communications
    - o KCUR
2. Operating units that generally do not generate revenues through fees charged for direct services offered.
  3. Responsible for managing expenditures and reserves and related financial decisions.
  4. Consolidated functional units within the SURCs that are core to the entire university will be advised by a Service Experience Council (SEC) that will work with the consolidated function unit to develop a Service Level Agreement (SLA), strategic priorities, and performance goals and benchmarked performance metrics and regularly review the unit to ensure effectiveness (see Budget Rules, Roles and Responsibilities Section III.12.f).

**III. Resource Investment Oversight:** Detailed roles and responsibilities for the budget on the UMKC campus are described in the Budget Rules, Roles and Responsibilities appended to this document. The following describes the budget authority and responsibility of the campus to the University of Missouri System

- A. **Board of Curators:** The Board of Curators approves the annual budget including tuition and fees, and in exercising its fiduciary and financial responsibilities provides oversight for UMKC and regularly monitors its financial condition.(See Curators of the University of Missouri CRR, Article II. 1.6)
- B. **President:** The President of the University of Missouri System provides oversight for the University as a whole. The President approves Budget/Resource allocation recommendations before presentation to the Board of Curators.
- C. **Chancellor:** The UMKC Chancellor has authority over and responsibility for the budget and is the ultimate decision maker on fiscal matters for the UMKC campus. The Chancellor works directly with the UMKC Provost, the Vice Chancellor for Finance and Administration (VCFA), the Administrative Council, the University Budget Committee (UBC) and the Faculty Senate Budget Committee (FSBC) in carrying out the budget responsibilities of the campus. The Chancellor is responsible for ensuring that the campus budget process embraces the principles of procedural and distributive justice. This can be accomplished by ensuring that the RIM process for making resource decisions is transparent and fair with clearly articulated policies, procedures and criteria and that the decisions on how the resources are allocated are perceived as fair and based on identifiable criteria. The campus must understand that while the Chancellor engages in a process that is broadly consultative, all decisions have an element of judgment that the Chancellor as the head of the campus must exercise.

**IV. Building Unit Level Accountability:** The RIM model is an all financial resources budget model that takes into consideration resources accounted for in all unrestricted and restricted funds.

A. **Unrestricted Revenues:** Unrestricted revenues including tuition, state appropriations, facilities and administrative cost recovery and other miscellaneous revenues are the total **General Revenue (GR)** of UMKC. UMKC will use the following mechanisms for allocating GR to the ARCs, SURCs, and AURCs.

**1. GR Allocation to ARCs: General Principles**

- a. ARCs will receive general revenue based on all credit bearing instructional activity.
- b. The GR allocation is targeted at matching revenues with the related expenses.
- c. Student Credit Hours (SCH) or Headcount (HC) and a calculated Average Net Tuition Rate will be used for general revenue allocation.
- d. 0.5% to 2.0% of GR will be allocated to the Strategic Investment Fund (SIF) before those resources are allocated for other purposes (see Section VI.d below).
- e. The tuition rates from the new budget year and the enrollment (SCHs or HCs) from the year prior to the new budget year – summer, fall , and spring semesters – will be used in calculating the allocation of funding. There is no “true-up” or provision to adjust the budget allocation in a budget year for SCHs generated in the current budget year.
- f. Actual net tuition revenue generated in excess of allocated GR based on SCHs (HCs) will flow to the campus Reserve Fund.
- g. When the tuition rate for the future budget year is undecided, the tuition rate for the future budget year will match current year tuition rates and current year financial aid (FA) in the calculation. The rate will be adjusted for the future year budget once the future year tuition rates are fully approved.
- h. In the rare instance when teaching resource needs materially exceed the prior year because of unanticipated increases in enrollment, reserves or a loan of reserves may be used to meet those needs. Those instances will be approved by the VCFA, in consultation with the Provost and Chancellor.
- i. Subvention from GR will be provided to ARCs that cannot reasonably generate enough revenues or charge enough to cover the reasonable costs of delivering their programs or services.

**2. GR Allocation to ARCs (all except the Professional ARCs of Dentistry, Law, Medicine, and Pharmacy) based on Undergraduate SCHs, excluding dual**

**high school credit hours, and Undergraduate Average Net Tuition Rate.** (See Appendix A for detailed guidance on ARC GR allocation based on SCHs and HC)

- a. **Net tuition rate:** The undergraduate average net tuition rate to be used in the GR allocation is derived by
  - i. Multiplying the SCHs generated from all ARCs (except the Professional ARCs) in the year prior to the new budget year by the new budget year undergraduate tuition rates (by residency) to get the GR to be allocated based on undergraduate SCHs and undergraduate tuition.
  - ii. The total to be allocated is reduced by 0.5 – 2.0% (for SIF) and total centrally administered FA awarded to all undergraduate students except those enrolled in the Professional ARCs.
  - iii. The GR total based on SCHs, minus the SIF allocation and centrally awarded FA is then divided by the total SCHs. The result is the undergraduate average net tuition rate per SCH for all ARCs except the Professional ARCs.
  - iv. This undergraduate average net tuition rate approach avoids rewarding individual units for recruiting and retaining students based on residency (in-state, out-of-state, metro, etc.) or level of financial need.
- b. GR Allocation based on undergraduate SCHs :
  - i. The teaching ARC is allocated 100% of the undergraduate average net tuition rate from SCHs generated by its own majors for both instruction and non-instructional activities (e.g., advising, career planning).
  - ii. 80% of the undergraduate average net tuition rate from SCHs generated by non-majors is allocated to the ARC providing the instruction with 20% to the major ARC to support working with student majors in such activities as advising and career planning.
- c. **General Education, Honors, Interdisciplinary Programs:** (still under development due to lack of identifying information in the system)
  - i. In the case of SCHs generated by General Education, the Honors College, interdisciplinary programs, and the IPhD, 80% will be allocated to the ARC delivering the instruction and a portion of the 20% allocation will go to the Center for Interdisciplinary Studies to support administration and coordination of these programs.
  - ii. Where a course is team taught with faculty from different ARCs, the 80% allocation will be split equally between or among the ARCs delivering the instruction.
  - iii. Where a course has multiple course numbers that cross ARCs with one or more instructors, the 80% allocation will be allocated to the ARC(s) delivering the instruction.

**3. GR Allocation to ARCs (all except the Professional ARCs of Dentistry, Law, Medicine, and Pharmacy) based on Dual High School Undergraduate SCHs and Dual High School Undergraduate Net Tuition Rate.** (See Appendix A for detailed guidance on ARC GR allocation based on SCHs and HC)

- a. **Net tuition rate:** A separate rate for the Dual High School Credit students will be derived by
  - i. Multiplying the Dual High School SCHs generated from all ARCs in the year prior to the new budget year by the new budget year Dual High School undergraduate tuition rates to get the GR to be allocated based on Dual High School undergraduate SCHs and Dual High School tuition rate.
  - ii. The total to be allocated is reduced by 0.5 – 2.0% (for SIF) and total centrally administered FA awarded, if applicable, to all undergraduate dual high school students.
  - iii. The GR total based on SCHs, minus the SIF allocation and centrally awarded FA is then divided by the total SCHs. The result is the Dual High School Credit Program undergraduate average net tuition rate per SCH for all ARCs.
  - iv. This Dual High School undergraduate average net tuition rate approach avoids understating the average undergraduate tuition rate to units who do not enrollment or instruct Dual High School students.
- b. GR Allocation based on Dual High School undergraduate SCHs :
  - i. The teaching ARC is allocated 100% of the undergraduate average net tuition rate from SCHs generated by its own majors for both instruction and non-instructional activities (e.g., advising, career planning).
  - ii. 80% of the undergraduate average net tuition rate from SCHs generated by non-majors is allocated to the ARC providing the instruction with 20% to the major ARC to support working with student majors in such activities as advising and career planning.

**4. GR Allocation to ARCs (all except Professional ARCs of Dentistry, Law, Medicine, and Pharmacy) based on Graduate SCHs, excluding dual high school credit hours, and Graduate Average Net Tuition Rates.** (See Appendix A for detailed guidance on ARC GR allocation based on SCHs and HC.)

- a. A separate graduate average net tuition rate is calculated for each ARC except the Professional ARCs. The Graduate net tuition rate to be used in the GR allocation for each ARC is derived using the Graduate SCHs, Graduate tuition rates and related centrally funded FA (waivers, scholarships, institutional aid) specific to the ARC where the graduate

program is located. Although the graduate FA is centrally funded, the FA decisions are local.

- b. **Net tuition rate:** The graduate average net tuition rate for the GR allocation is derived by
  - i. Multiplying the Graduate SCHs generated by each ARC (except the Professional ARCs) in the year prior to the new budget year by the new budget year graduate tuition rates (by residency) to get the GR total to be allocated based on graduate SCHs and graduate tuition.
  - ii. The GR total for each ARC is then reduced by 0.5 – 2.0% (for SIF) and the total centrally administered FA awarded to all graduate students enrolled in graduate programs in the ARC.
  - iii. The GR total minus the SIF allocation and the centrally awarded ARC graduate FA is divided by the number of ARC graduate SCHs from the year prior. The result is the net graduate tuition rate per SCH for the ARC.
- c. GR Allocation based on Graduate SCHs:
  - i. The teaching ARC is allocated 100% of the graduate average net tuition from SCHs generated by its own majors to support both instruction and non-instructional activities (e.g., advising, career planning),
  - ii. 80% of the graduate average net tuition from SCHs generated by non-majors is allocated to the ARC providing the instruction, with 20% allocated to the major ARC to support working with graduate students in such activities as advising and career planning.

**5. GR Allocation to Professional ARCs of Dentistry, Law, Medicine, and Pharmacy based on HCs (or SCHs for Law) and Average Net Tuition Rates:**

Net tuition rates are calculated for each ARC separately. (See Appendix A for detailed guidance on ARC GR allocation based on SCHs and HC.)

- a. **Net tuition rates:** The net tuition rates to be used in the allocation of GR to the Professional ARCs are derived separately for each student level within each Professional ARC:
  - i. **Medicine:** Three net tuition rates for the GR allocation are calculated using headcount (HC) for undergraduate (Med years 1-2), graduate, and professional (Med years 3-6).
  - ii. **Dentistry:** Two net tuition rates are calculated using HC for graduate and professional. Undergraduate Dental Hygiene uses the regular ARC undergraduate rate.
  - iii. **Pharmacy:** One professional net tuition rate is calculated using HC.
  - iv. **Law:** Two net tuition rates, graduate and professional, are derived using SCHs.

- v. For all four Professional ARCs, the HCs or SCHs, as appropriate, generated in the year prior to the new budget year are multiplied times the Board approved tuition rates for the new budget year to get the gross GR to be allocated.
  - vi. The gross GR totals by student level are reduced by 0.5% – 2.0% (for SIF) and the total centrally administered FA awarded by student level.
  - vii. The totals minus the SIF and the centrally awarded FA are divided by the appropriate HC (or SCHs) from the year prior to the new budget year. The result is the Professional ARC net average tuition per HC or SCH, as appropriate.
- b. **Professional ARC GR Allocation:**
- i. The Medicine, Dentistry, Pharmacy and Law ARCs are allocated GR by multiplying the Professional ARC average net tuition based on HC or SCHs, as appropriate) generated by its own Professional students to support both instruction and non-instructional activities (e.g., advising, career planning).
  - ii. For each Professional ARC that charges flat HC tuition (e.g., Medicine, Dentistry and Pharmacy), the total GR Allocation will be reduced by an amount equal to the SCHs generated by Professional students from courses taken outside of the Professional ARC times the Average Campus Net Graduate Rate. The higher rate shares a portion of the higher Professional ARC tuition charged and also compensates for additional responsibilities for faculty outside of the Professional ARCs related to Professional ARC accreditation.
- c. **Financial Aid:**
- i. Centrally awarded undergraduate FA will be allocated as part of the undergraduate net tuition per SCH rate described in Section IV.a.1.ii.b.
    - 1. This approach results in averaging FA per SCH and is done in order to associate the revenues with related expenses and prevent incenting units to admitting only low need students into programs and/or students based on residency status.
  - ii. The average centrally funded FA per graduate and professional SCH will be calculated by ARC as noted above in Sections IV.a.iii.b and IV.a.iv.1b, 2b, 3b, 4b.
    - 1. i. The graduate and professional FA is calculated on a per ARC basis to reflect that FA award decisions (stipends and waivers) are controlled by the individual ARC.
  - iii. ARC awarded FA is a direct offset to the GR of the ARC.
- d. **Student Supplemental Fees:** Student supplemental fees flow directly to the unit in the year generated.



- e. **Auxiliary Revenues:** Auxiliary revenues for auxiliary operations within an ARC will flow directly to the AURC within the ARC in the year generated. Like all auxiliary operations, these auxiliary operations will be fully costed (contribute the cost of the central support units).
- f. **State appropriations:** State Appropriations may be line item or unrestricted (core general appropriations).
  - i. Line item state appropriations flow directly to the unit identified in the line item, provided that the line item is separately identified in the state budget for the new budget year.
  - ii. Unrestricted (core general appropriations) will be part of GR.
- g. **Facilities and Administrative Cost Recovery (F&A) from Externally Funded Grants and Contracts**
  - i. F&A is unrestricted GR paid by granting agencies to reimburse the campus for facilities costs and administrative costs incurred by the campus in support of research as documented in the campus F&A cost proposal.
  - ii. Amounts equal to 50% of the F&A generated, minus the 0.5% to 2.0% SIF allocation, will be distributed as GR to the unit where the grant or contract associated with the F&A is located.
    - a. The Dean of each ARC has the authority to decide how the allocation will be used, e.g., distribution to the PI, distribution to the department, start-up funds, equipment, etc.
    - b. The Deans have responsibility for annually reporting how the allocation was used to fund the research enterprise.

#### **B. AURC Budgets**

1. Auxiliary revenues flow directly to the AURC in the year generated.
2. AURCs will be fully costed.
3. Subvention from GR will be provided to AURCs that cannot reasonably generate enough revenues or charge enough to cover the reasonable costs of delivering their programs or services.

#### **C. SURC Budgets:**

1. Each SURC budget will be funded annually with an allocation of GR (subvention). The amount of subvention for each SURC will be decided by the VCFA in consultation with the Chancellor, the Provost and the UBC and will be dependent on
  - a. The cost for providing basic vs direct charged services
  - b. Best practice performance metrics to the extent available.
2. In order to control SURC costs, any increases in annual funding for an SURC will be capped at inflation or the percentage increase in GR, whichever is lower.

- a. Where SURC responsibilities are increased or special projects undertaken, additional annual funding in excess of the above limits may be approved by the VCFA in consultation with the Provost, the Chancellor, and the UBC.
3. Consolidated functional units that are core to the entire university and reporting to the appropriate Vice Chancellor will each be advised by a Service Experience Council (SEC). These consolidated functional units (and related SECs) may include, but are not limited to: Information Services, Advancement, Human Resources, Finance and Administration, Marketing and Communications, Recruiting and Admissions, Academic Advising, Continuing Education and Conference Services. (See Budget Rules, Roles and Responsibilities Section III.13)
4. SECs will provide an accountability mechanism and process for on-going monitoring and review to control costs and guarantee service quality of the consolidated functional units that exist within certain SURCs and will take responsibility for communicating the work of the consolidated functional unit back to the campus (See II,C,i for a list of SURCs that will have an SEC).
  - a. Consolidated functional units will provide a basic level of service to all campus units for no charge. The menu of basic services will be determined by the SEC working with the consolidated functional unit providing the services.
  - b. Consolidated functional units will charge units directly for special services not included in the delineated basic services. The menu of special services with associated charges will be determined by the consolidated functional unit providing the services working with the SEC.
  - c. A Memorandum of Understanding (MOU) and a Service Level Agreement (SLA) between campus units and service units will be part of the SEC accountability mechanism and process.
5. The ORS as a SURC will be funded annually from GR as part of the funding process for all SURCs.
6. Environmental Health and Safety as a SURC will be funded annually from GR as part of the funding process for all SURCs.

**D. Restricted Revenues:**

1. **Line item** state appropriations flow directly to the unit identified in the line item, provided that the line item is separately identified in the state budget.
2. **Gifts:** Gifts flow directly to the unit in the year generated.
3. **Endowment revenue:** Endowment revenue flows directly to the unit in the year generated.
4. **Externally Funded Grants and Contracts:** Externally Funded Grants and Contracts flow directly to the unit in the year generated.

**E. Monitor unit spending to protect institutional finances and strategic goals**

1. UMKC central leadership should implement safeguards to ensure strategic investments are sustainable long-term and align with institutional priorities. The safeguards should include developing and implementing processes for 1) new program launching, investments in new faculty and staff, new and duplicate course offerings; and 2) quarterly unit financial strategy meetings with the VCFA and Provost.
2. The Deans' Council will play an active role in working with the Undergraduate Curriculum Committee (UCC) and the equivalent for graduate curriculum and the Provost in managing the undergraduate and graduate academic course portfolio.
3. Responsibility for creating, monitoring and managing budgets is delineated in the Budget Rules, Roles and Responsibilities document.
4. Monitoring mechanisms should be structured so as to foster innovation.

**F. Deficit spending**

1. Deficit spending by a unit should result in a repayment plan approved by the VCFA in consultation with the Provost and the Chancellor. Repeated deficit spending is a management issue. Budget responsibility and accountability is further delineated in the Budget Rules, Roles and Responsibilities.
2. Cumulative deficits that currently exist may be resolved either locally with repayment plans or pulled centrally and gradually reduced as part of the annual budget review plan.

**G. Ending balances/Net Assets/Reserves: While the long-term goal of the campus is to achieve 120 days of cash-on-hand for each unit as outlined in the first item, the campus will need to transition to this practice over time. Over the next year as we continue to refine the resource investment model, specific policies and timelines will be developed to address/identify cases in which one or all of the goals below will be adopted.**

1. The long term UMKC goal based on best practices and UM System requirements is to have unrestricted reserves equal to 120 days of annual unrestricted expenditures for the campus and each unit. The short term target is 90 days. Progress towards these goals will be monitored and reported to the campus by the VCFA.
2. Units will be allowed to keep unrestricted reserves equal to 90 days of annual unrestricted expenditures plus additional reserves where there is a formal plan in place for future use approved by the VCFA in consultation with the Provost and the Chancellor.
3. During times of campus budget deficit, positive year-end balances in units receiving subvention may be pulled back centrally to balance the budget or fund the campus SIF.
4. During the initial implementation of the RIM, units with negative net asset balances will work with the VPFA in consultation with the Provost and the Chancellor to develop an approved plan to eliminate the negative balance over time.

#### **H. Increases/decreases in State Support**

1. Increases and decreases in state support should be allocated strategically and not “across the board” on a pro rata basis.
2. After the budget is adopted, unanticipated reductions would best be handled through a contingency reserve, when possible, to provide stability to unit budgets with permanent changes addressed in the next year’s budget.
  - a. The goal is to create and fund a contingency reserve over time as the campus budget is balanced and reserve funds grow.

#### **V. Preserving Mission-Critical Activities through Subvention and Strategic Use of Reserves**

##### **A. Ensuring central strategic reserves**

1. Implement a separate 0.5 – 2.0% allocation from GR to fund the SIF. This allocation will be made before all other allocations. Details about how and when the amount is set and how the fund is used are delineated in Sections VI.d.i.1-3 and VI.e.

##### **B. Subvention methodology transparency and effectiveness**

1. Subvention of ARC budgets from GR in excess of the allocations made using SCHs and HCs and net tuition rates should be overt and transparent with a goal of advancing institutional goals and mission.
2. Subvention of AURCs, which by definition are expected to be fully costed and self-supporting, should be overt and transparent with a goal of advancing institutional goals and mission
3. With subvention, the timeline, level of support and outcomes should be identified and monitored.
4. New program proposals should include the timeline and cost for building the program and the mechanism (timeline & funding) for unwinding the program in the event the program is not successful.
5. For continuing subvention, units/programs should have Key Performance Indicators (KPIs) tied to strategic priorities.
6. Bridge subvention for new programs that are building enrollment should have a clear end date.

#### **VI. Incorporating Institutional Goals into the Model**

##### **A. Allocating strategic investments through the SIF (see Sections IV.d.i and IV.e below)**

1. The process for allocating strategic investments to strategic initiatives needs to be based on specific criteria, include performance metrics, be for a defined period of time and be monitored for continuing funding in the interest of accountability.
2. Strategic initiatives that do not meet the identified goals should be terminated using an appropriate termination plan and the funding used for different strategic initiatives.

3. Accountability for the strategic investment made should be at the responsibility center (RC) level; the head administrator of each RC will sign off on all strategic investment requests for the unit and be responsible for ensuring execution of the strategic investment and managing payback to the SIF of the full grant in the event that full execution does not occur.
- B. Use of Strategic Investment, Discretionary and/or Reserve Funds to Incent student success, growth in research, and targeted program launches in line with the UMKC strategic plan**
1. Financial incentives and seed funding should be tied to strategic priorities and KPIs, monitored and corrections made for perverse incentives.
- C. Implement and Use KPIs to align unit, campus, system, and state priorities.**
- D. Strategic Investment, Discretionary, and Reserve Funds**
1. Strategic Investment Fund (SIF): Funded annually through an allocation (e.g. .5 - 2%) from GR.
    - a. The SIF exists for the purpose of furthering the strategic goals of the campus through investments in strategic priorities.
    - b. The amount of the allocation, 0.5% - 2.0% of GR, will be decided annually as part of the budget process by the Chancellor in consultation with the Provost, the VCFA, and the UBC.
    - c. Investment decisions will be made through an annual proposal process that is executed by a Strategic Investment Committee which makes recommendations to the Chancellor who has responsibility for the final decision(s). (See Section VI.e below.)
  2. Discretionary fund: Funded from unrestricted fund balances and unrestricted gifts or gifts made for this purpose to take advantage of investing in unplanned general innovative opportunities.
    - a. The Chancellor will have full discretion on the use of the fund.
    - b. The Chancellor will annually report to the UBC, the Administrative Council and the broader campus community the uses of the Discretionary fund.
  3. Reserve fund: Funded from unrestricted fund balances.
    - a. Target minimum amount is an amount equal to 90 days of unrestricted expenditures with an aspirational goal of 120 days. This targeted amount meets best practice levels of reserves and UM System requirements. While this is the goal for the campus and each unit, we recognize it will be challenge to get to this point in one year. Therefore, the VCFA will work with each unit to design a reasonable plan to achieve this goal.
    - b. The Reserve Fund may be used for short-term, one-time funding to address unexpected shortfalls in revenues.
    - c. The Reserve Fund may be used for short -term, one-time funding to address unexpected expenses.

- d. The Reserve Fund may be used for short -term, one-time funding to take advantage of unplanned opportunities.
- e. Use of the Reserve Fund is contingent on approval of the Chancellor in consultation with the Provost, VCFA, and the UBC.
- f. The VCFA will annually report to the UBC, the FSBC, the Administrative Council and the broader campus community the level and any uses of the Reserve Fund.

#### **E. Strategic Investment Fund (SIF) Operations**

- 1. Eligibility: All units would be eligible but in some years select units might be invited to submit strategic investment proposals depending on the strategic area(s) being targeted.
- 2. Proposal topics should be focused on a small number of strategic priorities (the number of areas should be limited and based to some extent on the size of the pool) and leverage existing resources.
- 3. All proposals will be subject to annual reporting at the end of the fiscal year.
- 4. Process:
  - a. Two step process
    - i. Preproposals including an abstract of the initiative and a high level budget.
    - ii. Fully developed proposal that includes:
      - 1. Full detailed description of the initiative.
      - 2. The impact as measured by return on investment such as increase in student success, increase in grants and/or publications, fiscal return.
      - 3. Breadth and scope of impact on target audience(s).
      - 4. Metrics for measuring success.
      - 5. Opportunities for collaboration or scaling beyond unit to campus and/or UM System.
      - 6. Detailed feasible budget using a template.
      - 7. Proposing unit support through some stated commitment of resources.
      - 8. Timeline with milestone activities.
  - b. Timeframes and deadlines:
    - i. Summer: Identification of strategic foci.
    - ii. September: Announcement call for pre-proposals.
    - iii. October: Unit submission of pre-proposals.
    - iv. November: Notification to units selected for full proposals.
    - v. December: Unit submission of full proposals.
    - vi. February: Review committee recommendations to Chancellor.
    - vii. May/June (pending budget approval): Announcement of funded proposals.

- viii. July: Progress reports due to Strategic Investment Committee.
  - ix. September: Chancellor report to campus on grant proposals awarded and progress on funded proposals.
- c. Strategic Investment Committee
  - i. Membership: The number should be small and include those with the knowledge to evaluate the proposals
    - 1. Provost (Convener and Facilitator).
    - 2. Vice Chancellor for Finance and Administration (VCFA).
    - 3. Three representatives from the UBC (including the UBC Secretary (aka FSBC Chair), one other faculty member, and one Dean).
    - 4. One other representative from the Faculty Senate.
    - 5. Others with particular expertise, such as students, faculty, staff depending on the strategic priorities.
  - ii. Responsibilities:
    - 1. Review pre-proposals and select those to develop into full proposals.
    - 2. Review full proposals.
    - 3. Review annual reports from grantees.
    - 4. Make strategic funding recommendations to the Chancellor.
    - 5. Review the entire proposal process, especially the nature and quality of submissions each year, and make any improvement recommendations to the Chancellor.
  - iii. Responsibility of the Chancellor:
    - 1. The final decision maker on proposals to be funded.
    - 2. The Chancellor will annually report to the UBC, the Administrative Council and the broader campus community the strategic investments and the progress toward the goals.
  - iv. Criteria for evaluating proposals:
    - 1. Initiative supports a targeted area.
    - 2. Impact - may be measured as return on investment shown from increase in student success, faculty success, research success, community engagement, or fiscal return.
    - 3. Reach - breadth and scope of impact on target audience(s).
    - 4. Clarity of metrics or other indicators for measuring success.
    - 5. Opportunities for collaboration or scaling beyond unit to campus, or campus to UM System.
    - 6. Detailed, feasible budget.
    - 7. Clear deadlines for milestone activities.
    - 8. Strong indicators of likelihood to achieve goals.
    - 9. Potential for generating additional external funding.