# ALVSCE Business Glossary

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This Glossary is a living document and will be revised as definitions change.

## BUDGETING, FINANCIAL, or BUSINESS TERMS

**Administrative Service Charge (ASC):** A fee charged by the University to recover overhead costs that are not easily assignable to any one unit (such as banking services, credit card fees, PCard compliance). The fee has two components: 1) charge on revenue deposited into Auxiliary and Designated accounts at the current rate of 11%, and 2) a separate fee of 2% is charged when those revenues are spent. The fee is not charged on revenues generated from sales between one UA unit with another UA unit.

**Account Roles & Responsibilities:** Fiscal Officer, Account Manager, and Account Supervisor (<https://www.fso.arizona.edu/financial-management/acct-roles>)

**Activity based budgeting:** defined activities/organizational units that generate revenues and incur costs (cost centers) are aligned with specific objectives. The cost centers are analyzed to optimize revenues and minimize costs to maximize the objectives.

**All-funds Budgeting:** in contrast to budgeting using “colors of money,” which segregates revenue sources into defined account groups, all-funds budgeting uses revenues from all sources that are not designated for something specific and allows these to pay any expenses. This removes arbitrary institutionally defined restrictions and creates budgetary freedom.

**Allocated funds**: funds that are given from Central Administration for a particular purpose for department/college use. Example: RII allocates indirect cost funding to pay for Red Squirrel monitoring on Mt. Graham.

**Auxiliary:** a unit whose primary business model is that of selling goods or services and ancillary to the university’s instruction, research, or Extension missions. An auxiliary generates its operating budget from its sale of goods or services, essentially a business within the university. Auxiliaries may be subsidized with “state money” for strategic reasons but their primary or sole funding is self-generated. Examples include service units like UA Press, Veterinary Diagnostic Lab, and Biosphere 2, but also includes typical auxiliaries serving students like Athletics, Residence Life, and the UA Bookstore.

**Baseline Budgeting:** a budget tool that establishes an ongoing budget level for a college or unit, regardless of performance or consumption of resources. This is the budget system used at UArizona prior to RCM. Baseline budgets make planning easier but their financial incentives discourage growth because budget is derived from the sum of historical decisions, not performance.

**Budget:** an alignment of revenues with costs. As revenues and costs change, so budgets change too. ALVSCE cannot deficit budget.

**Carry Forward:** typically refers to the unused budget left over at the end of a fiscal year from state appropriated accounts. These leftover funds are “carried over” as one-time budget to the subsequent fiscal year. Carry Forward has also been used by Provost Folks to refer to all accumulated balances of money within a unit or college, regardless of the source of funds.

**Designated:** a collective noun for a group of funds that are not restricted, earned through various activities (not appropriated), and whose use is designated by ABOR or UA management. This group includes things like summer/winter accounts, sales and service, conference revenues, indirect cost revenues, patent royalty payments, fixed price complete, and surplus property revenues. All designated account numbers at UArizona begin with 2.

**Disbursement Voucher (DV):** electronic payment request processed through the UAccess Financials system, examples include expense, travel reimbursements, and vendor payments.

**Encumbrances:** Encumbrances are accounting placeholders indicating an intention that the money will be spent on a specific cost. The UA financial system automatically enters encumbrances for most salary and ERE expenses, and then adjusts those encumbrances after every pay period. Encumbrances are also loaded into the UA financial system when expensive equipment are purchased using the amount from the Purchase Order. Departments can also add encumbrances in the system to assign funds prior to a planned expenditure. All UA financial system encumbrances are reassessed or eliminated each fiscal year. Financial reports of cash balances include all encumbrances that are entered into the UA financial system.

**Endowments:** donated funds given with a specific donor intent and legal agreement that restricts their use. The gift is often called the “corpus” and the corpus remains invested for perpetuity. The investment earnings that are generated from the corpus is called the “payout.” The payout is transferred to an expendable account on a regular basis so that it can be spent by the school, department, or college. The payout balance accumulates if it is not spent. Investing the accumulated payout balance back into the corpus is called “recapitalizing” and this increases the corpus. The result of recapitalization is larger investment earnings paid out for spending.

**Facilities & Administration costs (F&A, a.k.a Indirect Costs (IDC)and Indirect Cost Return (ICR)):** the overhead costs spent to support sponsored activity. F&A costs are not easily assigned to a specific project but are used on multiple projects or are a fixed cost regardless the number and size of the sponsored activity. F&A costs include utilities, research compliance and lab safety offices, administrative personnel, custodial, debt service, and fire safety. These are real costs amounting to tens of millions of dollars annually.

Due to federal government caps on the amount administration&A costs that a university can charge, the F&A rate charged to federal agencies to do research work is less than the actual cost incurred by UArizona. This is why leaders comment that sponsored research loses money, even at the full F&A rate. UArizona must undergo an F&A federal audit every four or five-years to reset the F&A rate.

**Fiscal Year (FY):** consecutive twelve-month period beginning on July 1 and ending on June 30 to align with the financial calendar of the university. When written, FY2020 means the fiscal year that ends June 30, 2020.

**Fund Accountants:** professional employees in the UA’s Financial Services Office or Sponsored Projects Office who are responsible for providing accounting advice to University units.

**Gifts or Donations:** funds given to the UA or the UA Foundation for a general or specific purpose (aka “donor’s intent”). To be considered a gift, the donor cannot stipulate beyond the donor’s intent how the funds will be used, and the donor cannot receive anything, tangible or intangible, in exchange for their specific gift. Gifts are subject to the UA or UA Foundation gift fee. Gifts are not sponsored projects.

**Independent Contractor (ICON):** purchase of external expertise. ICONs are NOT UA employees. It is the department's responsibility to assure that appropriate evidence has been gathered to support the payment. ICONs remain self-employed, paying their own benefits and taxes. It is best practice to create an agreement between the ICON and the school or department, which details such things as scope of work, amount of payment and frequency of payment, deliverables, and timelines. The department should contact UA Tax Compliance if it needs assistance in making the independent contractor determination.

**Net Tuition Revenue (NTR):** the amount of tuition left over after all institutional financial aid and tuition discounting is applied.

**Non-operating Budget:** a high-level collective noun for the budgets derived from the activities that are not core to the mission of the organization. Some of these include capital equipment, endowments, building and utility infrastructure costs, debt and loans, investment income, etc.

**Non-RCM revenues:** revenues generated from misson delivery that are assigned to the RCU outside of the RCM process currently include summer/winter teaching, distance teaching, online teaching, and global campus teaching.

**One-time (OT) Budget:** budget that is available only once (also called temporary or “temp” budget by UA accountants). Once spent it is gone and does not recur. Example is indirect cost revenues generated from a sponsored award.

**Operating Budget:** a high-level collective noun for the budgets that fund the day-to-day and core mission operations of an organization, including salary and ERE, travel, office supplies, etc.

**Operational Base Budget (OBB):** the cost of the core functions of a business unit, actively assigned by the unit leaders. All funds revenues are used to pay these costs.

Under an RCM accounting definition, OBB is used to describe mission-generated funding in addition to the state’s subsidy: State Appropriations + fall/spring tuition plus + Program Fees + F&A.

**Recurring Budget:** budget that repopulates each year. Recurring budget, sometimes called permanent budget or base budget, establishes the base funding to a unit and is an important part of Baseline Budgeting, which was replaced by Responsibility Center Management at the UA in 2015.

**Red Green Budget:** the nickname of the five-year activity-based all-funds operational base budgets budgets used by the CALS and Cooperative Extension System to accounts for revenues and expenses. It is used to determine all strategic investment for new faculty hires, startup funds, subsidies and venture investments. Budgets are “recycled” through the Red Green Budget from faculty attrition salaries, RCM revenues, and other funds

**Registration Stipend**: a cash award placed on a student’s bursar’s account that does not need to be repaid. This type of award can only settle charges that are coded as tuition, not any other student fee or expense.

**Responsibility Center Management (RCM):** an activity based budget allocation tool that allocates revenues on the basis of on-campus only student credit hours taught, degrees awarded, research indirect cost returns and consumption of resources (e.g. space occupied, use of institutional services like tax compliance, legal counsel, insurance claims). RCM separates a university into revenue generating units (i.e. colleges) and support units (all other units other than auxiliaries). RCM is intended to be more transparent than baseline budgeting and link performance to budget to create financial incentives.

**Responsibility Centered Unit (RCU):** also synonymously called a Revenue Centered Unit, an RCU is a college whose primary purpose is to deliver the mission of the university. RCUs generate the revenues to tax and allocate under the RCM budget model. Support Units (aka Cost Centers) are opposite RCUs and whose primary role is to support RCUs. Support Units include offices like General Counsel, marketing and branding, the Provost and President’s offices.

**SPBAC (pronounced *spee-back*):** a shared governance body of the Faculty Senate comprised of a set number of members representing faculty, staff and students. The Strategic Planning and Budget Advisory Committee provides counsel to UA leaders on budget and strategic planning issues.

**Sponsored Projects or Grants and Contracts:** externally funded research or service awards paid to the UA with specific budget, scope of work, and deliverables with timetable. Awards will also be charged the UA’s indirect cost overhead rate unless there is a sponsor stipulation that reduces or eliminates the rate. These awards are overseen by the UA’s Sponsored Projects office and are financially managed in UA accounts beginning with 3 or 4.

**State Budget or State Account:** the budget appropriation that comes from the State of Arizona, which includes both the general fund tax support from the citizens of the state plus the remitted tuition dollars generated from the tuition payments from UA students. All state account numbers within ALVSCE begin with 12 or 13.

**State Resource or State Funds:** all money, regardless how it was derived, belongs to the State of Arizona and is a public resource. Faculty and staff of the UA have a fiduciary responsibility to protect and properly use state resources, following all applicable rules.

The term “state funds” is often used interchangeably with “state budget.” Context clues are needed to clarify which is being discussed.

**State Use Tax:** Self-assed tax (rate is 5.6%), charged for taxable items when the vendor does not charge sales tax. This is automatically added to PCard charges for taxable items if no tax amount is listed and the non-exempt box is left unchecked.

**Student Stipend**:  a cash award placed on a student’s bursar’s account that does not need to be repaid. The stipend can settle any charge on a student’s bursar’s account.

**Tuition:** there are multiple components to the tuition that each student pays. Depending on the degree, classes, campus, residency, and other factors, financial aid received, each student pays a different amount.

1. **Base Tuition:** the “sticker price” charged to all students. The amount is different for undergraduate and graduate students. This is requested by the university president and approved by the Board of Regents each year in the spring. Base tuition is remitted to the State of Arizona and combined with the general fund tax support to become the UA’s State Appropriation.
2. **Class Fees (sometimes called Course Fees):** additional charges for specific classes or courses that have demonstrably higher costs of delivering instruction overall because of the need for or use of special equipment, supplies, technology, key personnel expenses, field trips or other costs approved by the board. Class Fees are subject to the Expenditure Based Administrative Service charge of 1% which is assessed on all expenditures. Class Fees are requested by the course owning school or department and approved by UA Academic Affairs.
3. **Program Fees:** additional amounts charged to students in select degree programs within colleges, schools or departments, including honors colleges or programs, that demonstrate one or more of the following: higher costs of delivering instruction; the need for or use of special equipment, technology, or key personnel expenses; market conditions. Program Fees are requested by the degree owning school or department and approved by the Board of Regents.
4. **Differential Tuition:** tuition that is higher or lower than the base tuition established for each university campus, location, or college and applies to all graduate or undergraduate academic programs in a college or school. Differential tuition is requested by the college or campus and approved by the Board of Regents.

**Tuition Scholarship**: a cash award placed on a student’s bursar’s account that does not need to be repaid. This type of award can only settle charges that are main campus resident tuition, main campus non-resident tuition and mandatory fees.

**Zero Based Budgeting:** all expenses must be justified every year and budget planning starts every year from a zero base. All functions must be justified annually. Whether the budget is higher or lower than the previous year is irrelevant and so every program and expenditure re-evaluated and justified every year. Annually managers must consider two alternatives: 1. different ways of doing each activity and (2) different amounts of effort for doing each activity.

## HUMAN RESOURCES TERMS

**Academic Appointment:** employees working over a 9-month contract period. Academic employees have the option of receiving their pay spread over 12-months through the 9-pay-12 program. Employees who enroll in the 9-pay-12 program are still on an academic appointment.

**Annualized:** a human resources term to normalize all FTE and salary analysis to 1.0FTE over their fiscal (12-month) or academic (9-month) appointment. For example, an employee who works .5FTE and earns $50,000 is annualized to 1.0FTE earning $100,000.

**Benefits-eligible:** employees working at least 0.50 FTE or higher for longer than 6 months

**Cost of Living Adjustment (COLA):** an annual or regularly scheduled and across-the-board salary adjustment intended to keep the spending power of salaries the same relative to the rate of inflation (cost of living). COLAs can be indexed to the Consumer Price Index or other inflation index, or they can be any small percentage increase given to all employees.

**DCC (Designated Campus Colleague):** are affiliates, volunteers, and associates of the University of Arizona; they are not employees. DCC’s have varying levels of access to campus resources and systems depending on their defined relationship to the University. DCCs act in support of the University and therefore are bound by institutional standards, which they accept at the time of becoming a DCC.

**Salary Equity:** consideration of salary equity is based on multiple[federal laws](https://www.eeoc.gov/eeoc/publications/fs-epa.cfm).  ALVSCE has performed an annual Equity Review on faculty pay in coordination with the University Division of Human Resources since 2014.  Beginning in 2020, the University has taken on the responsibility for equity analysis.

**Employee Related Expense (ERE):** departments pay ERE for ALL employees for ALL types of compensation (salary/hourly rates, stipends, supp comp, other professional services). The additional expenses the University incurs on behalf of an employee on top of salary expenses. ERE is comprised of FICA, Retirement, Unemployment Compensation, Workers’ Compensation, Liability Insurance, Health/Dental/Life Insurance, and Wellness Services.

**Fiscal Appointment:** employees working over a 12-month contract period.

**Full Time Equivalent (FTE):** a human resources term to calculate an employee’s work time into a full-time work standard. Full time employment (40 hours per week) is 1.0FTE. Half-time employment (20 hours per week) is 0.5FTE, and so forth. FTE is not the same as headcount.

The word “part-time” can mean any amount of FTE below 1.0FTE. Context clues or clarification are needed to avoid confusion when using “part-time” to mean “half-time.”

**Headcount:** a human resources term to count the number of people employed at an organization, without regard for their FTE. For example, four employees who all work 20 hours per week are counted as 4 headcount but 2.0FTE.

**Institutional Base Salary (IBS):** the total annual compensation paid for an employee’s appointment for time spent performing work. The IBS consists of the regular assignment, stipends for additional jobs/titles and related components of pay. The IBS is used to determine an employee’s Annual Base Benefits Rate (ABBR) for life and short-term disability insurance amounts and is also used to calculate an employee’s Supplemental Compensation Max Earnings.

**Limited-term Lecturer:** Limited-Term Adjunct Faculty are hired for contract periods of 18 weeks or less. They are paid a flat fee per course taught, and their combined FTE cannot exceed .49. These positions are not eligible for retirement or other benefits.

**Market based salary increase:** used for faculty and staff renetion. Comparison to peer programs inside/outside the University based on discipline peers of same rank, service length, performance, etc.  Retention requests must be accompanied by a written offer from a comparable organization.

**Merit increase:** performance at the highest level relative to unit colleagues. Unit heads must identify what constitutes meritorious performance clearly, specifically, and demonstrate and justify this to their employees and the EC—this must include any and all non-arbitrary and non-capricious subjective or objective data and so may include Annual Performance Review (APR) scores, evidence provided in annual reviews, and any other factors unit heads use in each specific decision.

**Reductions in Force (RIF):** the act of employee layoffs or terminations as a result of current or predicted budget deficits. Different from workforce reductions as a result of employee attrition (retirements or resignations) without replacement.

**Supplemental Compensation:** additional compensation to an employee for additional services beyond his/her defined workload paid in hourly increments. The UA establishes a maximum number of hours that an employee can earn for supplemental compensation each year. Guidelines here: <https://hr.arizona.edu/workforce-systems/other-compensation/supplemental-compensation>

**University Career Architecture Project (UCAP):** a program that merged administrative Appointed Professional positions and Classified Staff positions, establishing a new set of position descriptions and pay ranges using the competitive employment market as a benchmark.