RE-ENVISIONING YOUR BUDGET MODEL

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UF | UNIVERSITY of FLORIDA

Your Presenters

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Assistant Vice President

Office of the Chief Financial Officer

George Kolb

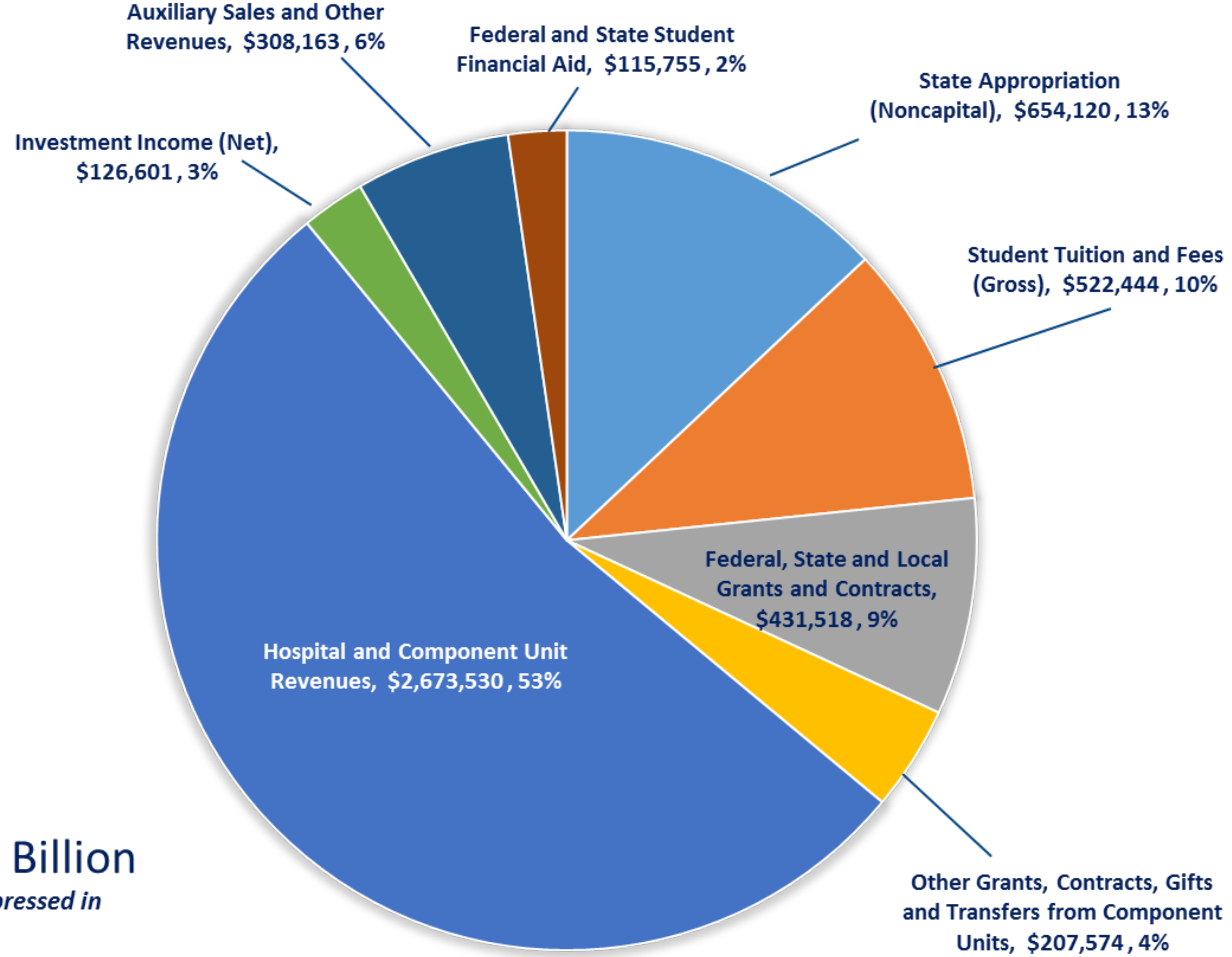
Director, University Budgets

Office of the Chief Financial Officer

- Established in 1853
- Land Grant Institution
- AAU Member (Public) Since 1985
- 16 Academic Colleges (including Medical School)
- 2015 Enrollment 52,357
    - Undergraduates – 34,002
    - Graduates – 12,117
    - Professional – 4,156
    - Non Degree Seeking - 2082

- 150 Research Centers and Institutes
- 2,000-acre campus
- 900+ buildings (170 with classrooms and labs)
- 2014-15 Total Expenditures $5B

UF Enterprise Revenue Sources FY15



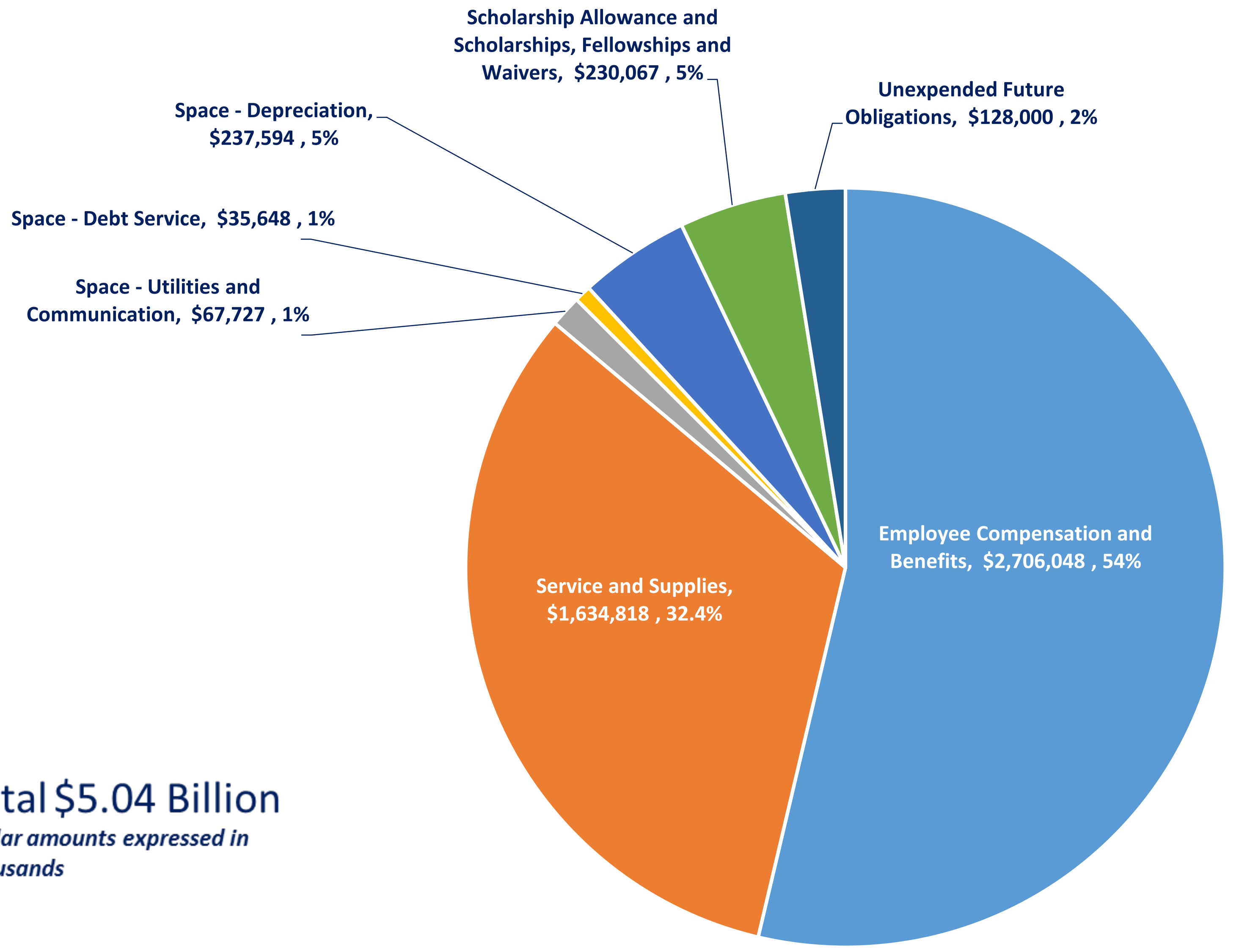
Total $5.04 Billion

Dollar amounts expressed in thousands

THE UNIVERSITY OF FLORIDA

UF UNIVERSITY of FLORIDA

UF Enterprise Expenses FY15



Total $5.04 Billion

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THE UNIVERSITY OF FLORIDA

UF Chooses RCM

- RCM is a financial management philosophy
- Focuses on operational decentralization
- Designed to support achievement of primary academic priorities
- Budget follows priorities
- Aligns authority with responsibility
- Creates full cost view of academic operations

Forces for Change

- Five Years In
- Provost Questions
- New CFO
- Dean’s Listening Tour

Our Starting Point

Significant Decisions Made

- Weights by college and level instead of subvention methodology.
- 1% Rule
- 70%/30% allocation of appropriation and tuition revenue.
- Facilities and HSC Administration cost added to colleges pre-RCM base appropriation; weights adjusted.
- Student Services and Library processed as pass-through services.
- Grant expenditures would not be assessed overhead charges for IT, General Administration, HSC Administration, and Facilities.
- Spendable endowment funds transferred into Fund 171 exempt from overhead assessment.

Significant Decisions Made

- IFAS Research/Extension and HSC Clinical Practice expenditures would have a reduced overhead assessment rate.
- Overhead charged on expenditures instead of Employee/Student Headcount (except library and student services).
- 18 month (annualized) look back of both student credit hours and expenditures.
- Internal sales revenue would off-set direct expenditures, eliminate double taxation.
- Single payments $100,000 and subcontracts $25,000 or greater would be exempt from overhead assessment.
- State Funded Centers funded “Off the Top” of State Appropriations.

Revenue Allocation

Current Model

Appropriation

Less:

- State Funded Centers/Student Services/Library Services
- IFAS Extension and Research
- Legislative Earmarks
- Preeminence
- Provost Commitments
- Salary increases and benefit changes

= Allocable Appropriation

Projected Tuition

Less:

- Strategic Fund Allocation
- UG Differential Tuition

= Allocable Tuition

Weighted SCH
- 70% Teaching
- 30% Enrollment

Minus:
- Waivers
- Uncollected

Weighted SCH
- 70% Teaching

Pro Rata Share
- 30% enrollment

Total RCM Appropriation and Tuition

ABOVE THE LINE

Revenue Allocation

BELOW THE LINE

Non RCM Adjustments

- Undergraduate Differential Tuition
- Jump Start
- Dean's Start Up Packages
- Faculty Enhancement
- Misc. Provost Allocation
- Salary Increases
- Fringe Benefit Adjustments
- Prior Year RCM Corrections
- Legislative Earmarks
- Strategic Funding
- 1% Subvention
- Preeminence

=

TOTAL STATE REVENUE

Revenue Allocation

+

Other College Revenue

- Entrepreneurial Activities
- Contracts and Grants
- Endowment Earnings and Gifts
- Other

=

TOTAL COLLEGE REVENUE

Eight Cost Pools

- Information Technology
- Bond Payment
- Facility
- General Administration
- HSC Administration
- Sponsored Project Administration
- Library
- Student Services

Expense Allocation

- Estimated Budget charged to all Responsibility Centers
- Overhead Tax Drivers
  - Colleges –18 month annualized direct expenditures – **IT, Gen. Admin., HSC Admin, SPA**
  - Weighted square feet – **Facility**
  - Weighted student, faculty, research staff headcount - **Library**
  - Weighted student headcount – **Student Services**
  - Three **Bond Payment**

Budget Oversight

- Each year, Support Centers will explain their value and services to a Budget Review Council to justify their budget requests
- Council will be composed of representatives from colleges, VP areas, and faculty senate
  - 12-15, with rotating membership
- Every five to six years, each Support Center will go through a "zero-based" budget review

Strategic Fund

- Designed to support new or key initiatives
  - Central fund funded by tuition increases as well as Pepsi fund, logo fund, etc.
  - Used at the discretion of the President and Senior Vice Presidents

Weights

College Name	Lower	Upper	Grad I	Grad II	Grad III
Agricultural and Natural Resources	1.366	2.323	8.197	11.381	
Business Administration	0.897	1.484	6.356	20.123	
Dentistry		7.743	4.425		19.911
Design, Construction, and Planning	2.730	3.219	6.429	8.476	
DOCE	2.241	10.430			
Education	0.480	1.609	4.408	7.670	
Engineering	1.623	4.842	9.932	13.119	
Fine Arts	3.321	4.666	15.446	15.463	
Health & Human Performance	1.318	1.596	6.663	10.371	
Journalism & Communications	1.385	1.591	7.486	12.379	
Latin American Studies	8.107	23.919	39.594	42.213	
Law			7.002	20.874	
Liberal Arts & Sciences	1.727	2.688	9.024	10.640	
Medicine		6.844	7.018	14.011	26.453
Nursing		6.507	3.718	11.670	
Pharmacy		6.975	3.986	12.510	
Public Health & Health Professions	0.793	5.073	3.277	9.033	
Veterinary Medicine		7.503	4.288	13.458	25.726

If it Was Working Ideally…

What would it look like?

?

Provost Questions

- How do we best align RCM with what we want to incentivize?
- The university has two special structures: These special structures have local business models that often do not align with RCM
- Another special situation presents in the College of Liberal Arts & Sciences. It may present an attractive target for “poaching” students and credit hours. How to ensure appropriate funding for the college in the RCM model?
- Related to that, how do we minimize colleges battling for undergraduates?
- Does the phrase “each tub on its own bottom” really make sense in a large public institution like UF, where there is substantial cross-subsidization? If the goal of RCM is really to have each tub on its own bottom, what do you do with the colleges that are scraping bottom?
- We are aware that there are multiple versions of RCM. Do you have opinions about which ones work best?

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Provost Questions

- We may be the only public institution to install a full weighted cost of delivery model. Do you have opinions about the pros and cons of the model?
- Comments on the best strategic fund model?
- Moving forward, what are the best models for the future?
- We have a centralized admissions process. Some deans have spoken in favor of a decentralized admissions process, which would change radically the culture and processes of the institution.
- How do you put planning and predictability into the model?
- Can RCM work with all the constraints under which the colleges currently operate? Constraints are imposed by the state statutes and regulations and local policies.

Deans' Common Concerns with Current Model

- Weights
- Classification of space
- Calculation too complicated
- Budget is a surprise each year
- Can't predict outcomes of decisions
- Degree production not incentivized
- Retention not incentivized
- Interdisciplinary programs not incentivized
- Research not incentivized (linear tax)
- IDC vs SPA Tax
- Tax Driver/Assessment Metrics
- Start up issues for entrepreneurial activities
- Capped enrollment
- Tuition allocation
- Waivers
- Self funded courses lead to faculty overload
- Tax creep
- Subvention
- Strategic Fund

Onward We Go

RCM Committee Role and Responsibility

The Steering Committee:

- Defines the scope of the review process, project goals and guiding principles.
- Ensures that the resulting project plan, implementation efforts, and resources required align with the University's strategic goals and initiatives.
- Provides leadership and guidance for any decisions, issues, and risks that may be escalated by the RCM Task Force.

Desired Outcomes and Guiding Principles

- Incentivize Specific Activities
- Simplify the Model
- Model should be:
  - Predictable
  - Ensures alignment with University strategic goals
  - Provides Clarity
- Creation of Dedicated Provost Strategic Fund

Scope of Review

- Identify what is working
- Review weights and their use
- Review special deals
- Review methodology for Base Budget and Subvention
- Review methods for funding Provost Strategic Fund
- Review how Tuition is allocated
- Review performance metrics used by State
- Review dependence on State timelines
- Review Support Unit budgeting process
- Provide ranked options/recommendations for changes to current model

RCM Task Force Role and Responsibility

The Task Force:

- Will be responsible for performing a review of the current RCM Budget Model and related business processes.
- Will identify the specific work streams to be carried out based on guidance provided by the Steering Committee.
- Will create working groups as needed and make all work assignments.
- Will provide guidance and support for participation from within the university to enable appropriate decision making.
- Will escalate issues to the Steering Committee when appropriate.
- Will provide monthly status reports to the Steering Committee.

Task Force Members

Director of Finance
Office of the Dean
College of Journalism & Communications

Associate Vice President and Director
Housing & Residence Education
Division of Student Affairs

Dean, College of Liberal Arts and Sciences
Professor, Department of Chemistry

Senior Associate Dean & Director
Hough Graduate Programs
George W. and Lisa O. Etheridge, Jr. Professor
Warrington College of Business

Director, Office of Budget and Finance
IFAS

Assistant Dean
Finance & Human Resources
College of Public Health and
Health Professions (PHHP)

Business Manager
College of Health and
Human Performance (HHP)

Associate Dean for Academic Affairs
Professor of Education
College of Education

Associate Vice President, Finance and Planning
Office of the Sr. Vice President for Health Affairs

Dean, College of Medicine

Dean, College of the Arts

Vice President of Student Affairs
Division of Student Affairs

Associate Dean for Administrative
and Fiscal Affairs
Levin College of Law

Administrative Memo

In an effort to ensure UF's budgeting process meets the needs of the university, the Office of the Vice President and Chief Financial Officer is conducting a 5-year review of the university's budget model.

A steering committee composed of the university deans and vice presidents has been established to provide leadership and guidance for this effort. A task force composed of key representatives from throughout campus will work at the direction of the steering committee to review the current budget model and related business processes. For a list of the steering committee and task force membership, please visit the CFO website at cfo.ufl.edu.

The scope of this review is to identify what is working with the current budget model as well as how it might be improved in the areas of revenue and expense allocation. The review process is expected to occur over the summer through early fall—with recommendations provided to the Sr. Vice Presidents by the end of the calendar year.

If you have questions or would like more information please contact Greg DuBois, Vice President for Finance and Planning, at gdubois@ufl.edu.

Process and Timeline

- Standing bi-weekly two hour long meetings
- Began in May with Steering Committee meetings
- Task force began work July 14

Research

- John Curry's responses to Provost Questions
- Phone Consultation with Malcolm White/Andrew Law - Huron
- EAB Consulting Engagement
- White Paper Review – Ohio State University, University of Michigan, University of Illinois, Indiana University

John Curry's Responses

Malcolm White/Andrew Law Conversation

University of Illinois

University of Illinois Urbana Champaign

RCM Revisions (2005, 2007)

Highlights
- Froze distribution of ug tuition for five years to make up for state budget cuts
- Abandoned full overhead cost allocation
- Majority of budget is still historically allocated, but began to shift some to metrics allocation

REVENUE ALLOCATIONS

State Subsidy
- Some portion allocated to units based on SCH and majors

Undergraduate Tuition
- Fixed allocation per SCH ($110 per lower division SCH, $170 per upper division)
- Shift some funds from historic support to metric based allocation (25% major, 75% SCH)
- non-residents weighted 1.5 residents, upper division weighted 1.5 lower division

Indirect Cost Recovery
- VCR gets 10% of all future growth of ICR

Cost Allocations
- Allocation of new overhead costs (but no return to full attribution of overheads)
- Some costs assigned based on use utilities, O&M, new facilities

Concerns with Model
- Declining state funding and small tuition increases meant no incremental revenue to fund increasing costs– forced reallocation from colleges through assessments
- concern about online– cheaper and easier to scale-- capped at $100k in incremental revenue each year

Very much like UF model in their early years – too much funded off the top outside of the model.

Indiana University

Indiana University Bloomington

RCM Revisions (1996, 2000, 2005, 2010)

12

Highlights
- Simplified cost allocations
- Created additional central funds
- State funding not used to incentivize growth

REVENUE ALLOCATIONS

State Subsidy
- Each school receives fixed percentage of total state funding to improve transparency and accountability for changes in tuition and ICR
- 1.5% for chancellors fund

Undergraduate Tuition
- 100% instruction (previous year)
- No adjustment for residency status

Indirect Cost Recovery
- 95% to schools
- 5% to Vice President for Research

Cost Allocations
- Fixed rates per sf, SCH, tenure-line faculty, other employees

Concerns with Model
- Different algorithms used to allocate increases in state funding vs decreases in state funding– puts burden on larger units
- Centrally imposed limits on faculty salary increases
- Tensions between central marketing and school marketing
- Recruitment and professional development of school fiscal officers
- Need review of admin services (there are 10 different career services offices)

Support Units keep 40% of Carryforward.

Constraint model for Support Unit budgets.

University of Michigan

University of Michigan

RCM Revisions (2002, 2008)

Highlights
- Maintain historical base budgets (with some reallocation)
- Shift from cost pools to expenditure tax

REVENUE ALLOCATIONS

State Subsidy
- Controlled by central budget authority

Undergraduate Tuition
- in 2002- changed to a combination of enrollment and instruction (75% enrollment, 25% instruction), 2008 (50/50)
- no attribution for non-residents

Indirect Cost Recovery
- All ICR goes to units

Cost Allocations
- Taxes based on adjusted expenditures (2 year lag (3 types of taxes, 6 rates)
- the only formulas are per student charges for financial aid and per sf charge for maintenance

Concerns with Model
- ???

Guiding Tenant – General Fund revenues all flow to the central administration and it is the Provost’s task to determine budget allocations – model is simply an aid in developing the General Fund Budgets.

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University of Minnesota

University of Minnesota

RCM Revisions (2000, 2005)

Highlights
- Increased central strategic fund

REVENUE ALLOCATIONS

State Subsidy
- Allocated to academic strategic investments

Undergraduate Tuition
- Internal revenue sharing program for academic priorities takes some off the top
- 75% instruction, 25% enrollment

Indirect Cost Recovery
- 100% to academic units

Cost Allocations
- 9 cost allocation pools (8 cost drivers)
- university fee to fund central student support services and other central investments

Concerns with Model
- Fostering and managing interdisciplinary activity requires constant vigilance
- Need more predictability

Ohio State University

- Modified RCM model plus strategic investment of central funds.
- College Budget – Present Budget Allocation +/- Net Marginal Revenue.
- Central tax funds Support Units.
- Compensation increases funded from college budgets.
- Model incentivizes colleges to teach more credit hours, increase research activity, and release unneeded space.

Education Advisory Board Summary

- EAB summary of reasons for peer changes: incentivize growth, improve budget transparency, control costs
- EAB lessons learned:
  - Don’t Blame RCM for Everything
  - Keep It Simple - improves predictability
  - Budget Models Alone Don’t Solve the Problem
  - Growth Is the Only Solution

Committee Take-Aways

- General fund revenues all flow to central administration
- Auxiliary unit's budget lie outside of the general fund but are taxed
- Activity based units receive a significant portion of their revenue as a function of what they do (Tuition & IDC)
- State subsidy used to help pay for General Fund Supplement and General Operating Budget
- Central Administrative units – Provost sets budget
- Activity based units pay a set of taxes
- Taxes based on Revenues

Things Considered Along the Way

Tuition (Calendar Year of 2015) 70% By Teaching/30% By Enrollment												Net Tuition To Colleges	General Fund Supplement (GFS)		
	In State Tuition				In State Tuition	Out of State Fee				Out of State Fee Total (K=G+H+I+J)	Grand Total (L=F+K)	Total (N=L-G)	Recurring (P)	PO&M (Q)	Total (R=P+Q)
College (A)	Under Grad (B)	Grad 1 (C)	Grad 2 (D)	Prof (E)	Total (F=B+C+D+E)	Under Grad (G)	Grad 1 (H)	Grad 2 (I)	Prof (J)						
Agricultural and Life Sciences	12,966,410	2,244,274	3,381,207		18,591,892	2,874,655	695,889	746,212		4,316,755	22,908,647	20,033,993	19,132,354	188,352	19,320,706
Arts	4,499,862	376,065	233,434		5,109,361	876,430	50,385	690		927,505	6,036,866	5,160,436	12,970,672	67,534	13,038,206
Business Administration	11,408,324	9,558,702	142,111		21,109,137	4,000,484	4,698,709	17,462		8,716,655	29,825,792	25,825,308	6,768,711	1,459,458	8,228,170
Dentistry	433	485,331	3,114	12,115,986	12,604,863		162,959		151,319	314,277	12,919,141	12,919,141	14,373,019	69,928	14,442,947
Design, Construction & Planning	2,846,661	2,311,627	647,731		5,806,020	992,903	1,339,106	289,819		2,621,827	8,427,847	7,434,944	5,876,697	-	5,876,697
DOCE	2,983,650				2,983,650	1,139,951				1,139,951	4,123,601	2,983,650	976,960	-	976,960
Education	2,852,610	4,800,759	3,071,777		10,725,145	759,213	644,826	347,374		1,751,413	12,476,558	11,717,346	9,503,996	-	9,503,996
Engineering	15,345,750	10,306,282	8,124,946		33,776,978	2,386,168	8,832,747	624,812		11,843,727	45,620,705	43,234,536	47,060,477	1,130,705	48,191,183
Health & Human Performance	5,756,370	1,476,317	585,995		7,818,682	1,641,571	550,857	53,147		2,245,574	10,064,256	8,422,685	4,920,034	1,198	4,921,231
Journalism & Communications	5,715,417	601,804	160,062		6,477,284	1,905,513	377,890	54,941		2,338,344	8,815,628	6,910,114	6,501,921	325,764	6,827,685
Latin American Studies	84,825	209,452	22,422		316,699	25,862	20,016	6,764		52,642	369,342	343,479	2,402,616	35	2,402,651
Law	1,917	1,824,674	17,838,776		19,665,367	211	383,495	886,758		1,270,465	20,935,832	20,935,621	7,786,921	146,478	7,933,399
Liberal Arts & Sciences	48,334,549	1,650,170	3,575,702		53,560,420	11,721,462	912,906	642,407		13,276,775	66,837,195	55,115,733	71,596,619	30,110	71,626,729
Medicine	1,117,665	3,264,642	1,626,632	16,685,295	22,694,234	164,956	604,928	80,893	27,848	878,624	23,572,858	23,407,902	61,831,317	2,495,891	64,327,208
Nursing	1,771,309	682,798	2,616,561		5,070,668	200,039	8,283	130,723		339,045	5,409,713	5,209,674	5,400,196	-	5,400,196
Pharmacy	96,639	29,300	22,006,764		22,132,702	21,658	24,326	372,863		418,847	22,551,549	22,529,891	(281,355)	3,962	(277,393)
Public Health & Health Professic	2,603,427	4,032,515	5,149,141		11,785,083	445,979	635,206	166,848		1,248,033	13,033,116	12,587,137	6,046,838	276,236	6,323,074
PHHP-COM Integrated Programs		110,085	208,435		318,520		101,944	3,382		105,326	423,846	423,846	53,828	332,729	386,557
Veterinary Medicine	39,257	195,747	91,872	8,748,359	9,075,235	3,749	69,195	966	8,523	82,433	9,157,668	9,153,920	20,457,814	1,819,539	22,277,353
Grand Total	118,425,075	44,160,544	69,486,681	37,549,640	269,621,940	29,160,803	20,113,666	4,426,062	187,690	53,888,220	323,510,160	294,349,357	303,379,638	8,347,919	311,727,557

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The Work

Overhead to Hold Harmless				FY17 State Revenue to Hold Harmless (Y=N+R-W)	FY17 Additional GFS			FY17 Non-Recurring Legislative Specials	Preeminence		Overhead On Additional Allocations in FY17			FY17 Net State Revenue (AN=Y+AH+AL)
IT and GA (T=N*10%+R*10%)	HSC Admin (U=N*2.15%+R*2.15%)	Facilities (V)	Total OH (W=T+U+V)		FY17 Recurring Legislative Specials (AB)	FY16 College Faculty and Staff Raises (AC)	FY17 UG Differential Tuition (AD)	FY17 Non-Recurring Legislative Specials (AF)	Preeminence (AG)	SubTotal (AH=AB+AC+AD +AF+AG)	IT/GA (AJ=AH*10%)	HSC Admin (AK=AH*2.15%)	SubTotal (AL=AJ+AK)	
10.00%	2.15%										10.00%	2.15%		
(3,935,470)		(4,971,088)	(8,906,558)	30,448,141		817,816	-		1,943,445	2,761,261	(276,126)		(276,126)	32,933,276
(1,819,864)		(2,307,969)	(4,127,833)	14,070,809		379,318	228,420		165,350	773,088	(77,309)		(77,309)	14,766,588
(3,405,348)		(1,929,673)	(5,335,021)	28,718,457		747,471	-		-	747,471	(74,747)		(74,747)	29,391,181
(2,736,209)	(588,649)	(2,616,243)	(5,941,101)	21,420,986		528,691	-		150,000	678,691	(67,869)	(14,601)	(82,470)	22,017,207
(1,331,164)		(1,671,042)	(3,002,207)	10,309,435		275,088	-		-	275,088	(27,509)		(27,509)	10,557,014
(396,061)		-	(396,061)	3,564,549		12,329	-		-	12,329	(1,233)		(1,233)	3,575,645
(2,122,134)		(1,268,929)	(3,391,063)	17,830,279	400,000	461,450	-	2,000,000	458,500	3,319,950	(331,995)		(331,995)	20,818,234
(9,142,572)		(14,616,053)	(23,758,624)	67,667,095		1,803,536	-		3,568,653	5,372,189	(537,219)		(537,219)	72,502,065
(1,334,392)		(1,398,163)	(2,732,555)	10,611,362		231,891	-		150,000	381,891	(38,189)		(38,189)	10,955,064
(1,373,780)		(800,633)	(2,174,413)	11,563,387		282,392	-		328,500	610,892	(61,089)		(61,089)	12,113,189
(274,613)		(85,181)	(359,794)	2,386,336		67,232	-		150,000	217,232	(21,723)		(21,723)	2,581,845
(2,886,902)		(2,052,609)	(4,939,511)	23,929,509		535,103	-		250,000	785,103	(78,510)		(78,510)	24,636,102
(12,674,246)		(14,264,694)	(26,938,940)	99,803,522		2,835,508	304,560		2,051,152	5,191,220	(519,122)		(519,122)	104,475,620
(8,773,511)	(1,887,473)	(12,741,332)	(23,402,317)	64,332,794		1,675,157	-	1,250,000	2,489,110	5,414,267	(541,427)	(116,479)	(657,906)	69,089,155
(1,060,987)	(228,254)	(420,536)	(1,709,776)	8,900,094		214,098	-		150,000	364,098	(36,410)	(7,833)	(44,243)	9,219,949
(2,225,250)	(478,725)	(1,399,578)	(4,103,553)	18,148,945		441,351	-		850,000	1,291,351	(129,135)	(27,781)	(156,916)	19,283,380
(1,891,021)	(406,821)	(1,581,618)	(3,879,461)	15,030,750		361,078	-		750,000	1,111,078	(111,108)	(23,903)	(135,011)	16,006,818
(81,040)	(17,434)	(289,103)	(387,577)	422,825		26,753	-		598,326	625,079	(62,508)	(13,448)	(75,955)	971,949
(3,143,127)	(676,191)	(4,803,164)	(8,622,483)	22,808,791		522,618	-		400,000	922,618	(92,262)	(19,849)	(112,110)	23,619,298
(60,607,691)	(4,283,548)	(69,217,607)	(134,108,847)	471,968,067	400,000	12,218,880	532,980	3,250,000	14,453,036	30,854,896	(3,085,490)	(223,893)	(3,309,383)	499,513,580

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Indirect Cost Recovery
and
Sponsored Program Administration

IDC AND SPA

SPA Subcommittee Role and Responsibility

- The SPA subcommittee is responsible for a focused review of the Sponsored Projects Administration portion of the budget model and providing recommendations for changes to the Task Force.
- Research enterprise is a significant factor at the University, and SPA is the only cost pool that had multiple components
- Biweekly standing meetings - two hours
- Work began September 16

Subcommittee Members

Dean, College of Engineering

Associate Dean for Administration & Faculty Affairs, University Libraries

Sr. Assoc. Dean, Div. of Grad Studies & Res, College of Journalism

Associate Dean of Research, HHP

Director, Office of Budget and Finance, IFAS

Associate Dean for Research & Planning, PHHP

Associate Dean for Research & Grad Education, Pharmacy

Associate Dean for Research & Scholarship, College of Nursing

Associate Dean for Research and Graduate Programs, DCP

Associate Dean for Research, College of Dentistry

Sr. Associate Dean & Director Hough Graduate Programs, Business

Associate Dean for Faculty Development, College of Law

Associate Dean for Research and Faculty Development, Education

Assistant Dean for Research & Faculty Programs, College of the Arts

Desired Outcomes

- Minimize disincentives within expenditure-based model for accepting low IDC bearing grants and contracts
- Simpler and more predictable model for IDC distribution
- Minimize significant deviations to historical revenue streams during the transition to a new IDC model
- Distribute returned IDC in a way that supports research operations and infrastructure, factoring in research costs and other available resources within units

Significant Decisions Made

- Grant expenditures would not be assessed overhead charges for IT, Gen Admin, HSC Admin, and Facilities.
- Overhead charged on expenditures instead of Employee/Student Headcount or Revenue.
- 18 month (annualized) look back on expenditures.
- Training Grants earning less than 10% IDC will be exempt from overhead assessment.
- Subcontracts $25,000 or greater would be exempt from overhead assessment.
- Sub-pools would be used for IRB-1, IRB-2, IRB-3, IACUC, Animal Care Services and Biostatistics

Revenue Allocation

Distribution of F&A Assessed in Prior Fiscal Year

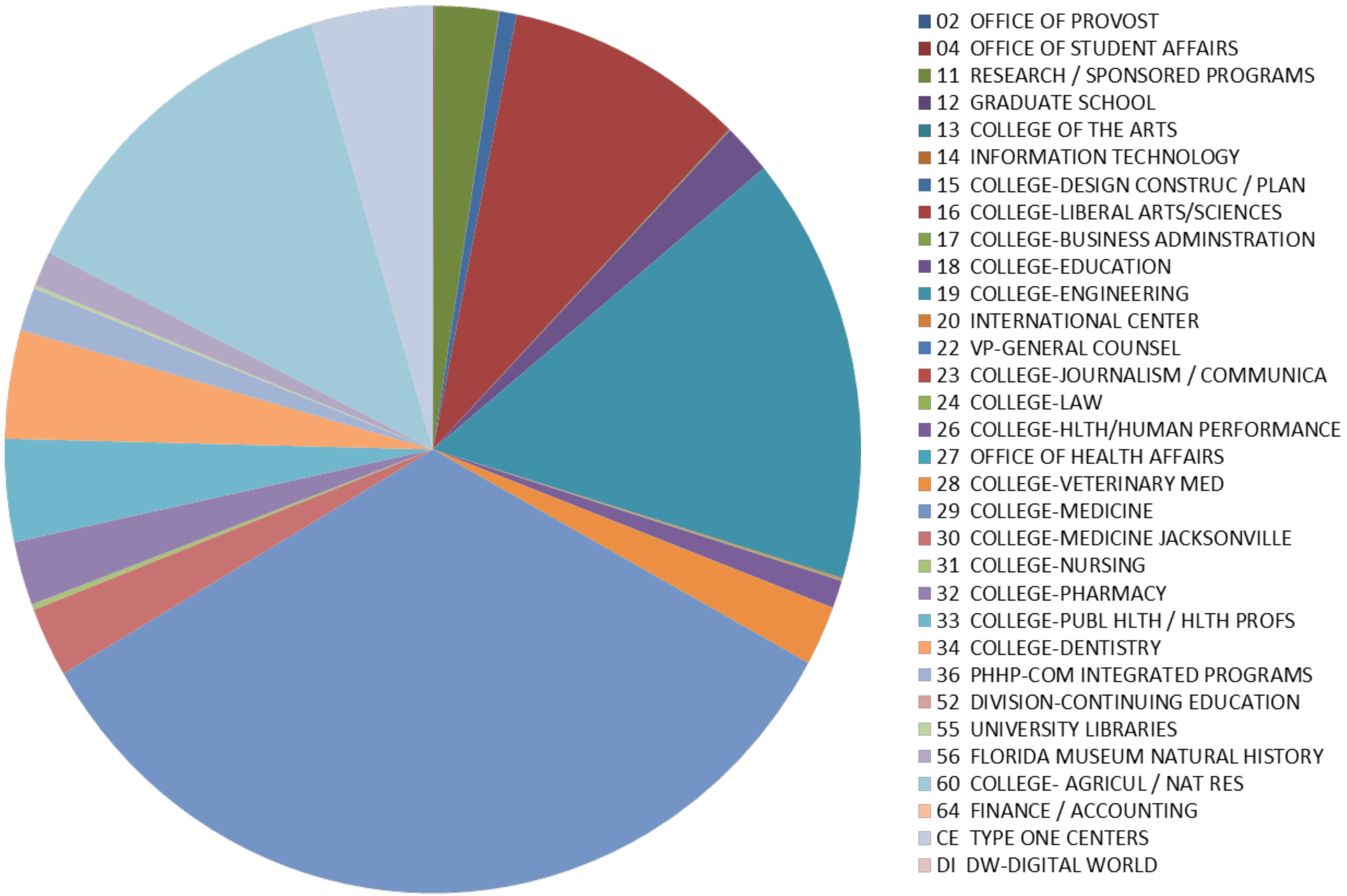
10% to Principal Investigators

7.5% to Departments

7.5% to Centers (optional)

75% - 82.5% to Colleges

Revenue Allocation



FY14 Data

Expense Allocation

- Estimated Budget for units charged to all Responsibility Centers
- Overhead Tax Drivers
  - **SPA** – 18 month annualized direct research expenditures
    - Includes usage-based Sub-Pools
  - **Bond Payment** – Medicine, IFAS, CLAS
- In most cases, colleges offset SPA/Bond Payments against IDC returns

	FY 2016	**FY 2015**
Sponsored Project Administration (avg)	9.75%	10.67%

Things Considered Along the Way

- Exemptions (training grants, tuition, pass-throughs)?
- How to address (incentivize) strategic awards (Keck, etc.) that may not carry significant F&A?
- How to incentivize interdisciplinary research?
- Model may involve both a formula-driven component and a fixed component
- Should the Research Enterprise be funded “off the top”, as fee-for-service, or some mixture of the two?
- If the Research Enterprise is funded “off the top” what accountability is there for the Vice President for Research?

Things Considered Along the Way

- The university has a research infrastructure that must be supported, currently that infrastructure is approx. $40M.
- IDCs on low IDC grants/contracts, below a floor of 10%, would fully contribute to the SPA tax.
- All IDC will be distributed to college Deans (or comparable administrative units) for subsequent internal distribution, net of SPA taxes.
- PI's, departments and centers will not receive an IDC distribution from any projects where the IDC rate is at or below a college's average SPA rate.
- The deans and VPs support the university's research goals by making investments in our infrastructure. As such, internal transfers within the 2xx series of fund codes and used to purchase equipment and renovate space would not be subject to SPA tax
- A statement regarding returns to the PI should be a minimum of 10% of the IDC returns for all projects with full IDC returns.

Model Development

- Started by reviewing entire SPA budget and how funds were utilized
- Reviewed portfolio of projects by unit
  - Average F&A rate
  - Projects generating less IDC than tax
- Negative IDC Fund
- Reviewed historical percentages of IDC that units retained after taxes

Model Development

Taxing Revenues vs. **Taxing Expenditures**

Taxing Revenues

- Single Year Impact
- "Exceptions" Implicit
- No disincentive for accepting low IDC grants
- Tax cannot exceed revenue
- Taxing initial revenue eliminates the need to tax IDC, residuals, strategic support
- Correlation between revenue and costs to institution?

Taxing Expenditures

- Lookback Impacts
- Explicit exceptions
- Disincentive for accepting low IDC grants
- Requires subsidies
- Previously taxed expenditures in all grant-related funds
- Tax based on usage of resources

Model Development

- Deduct research enterprise costs from gross IDC revenue
- Distribute net IDC proportional to gross earnings
- Similar model, with low IDC grants (below tax rate) excluded

Model Development

- Revenue tax on IDC
  - 3 Tiers
  - Higher average IDC rates resulted in lower tax rate tiers

- Similar model, with tax rate a function of a unit's average IDC rate
  - Effectively a continuous sliding scale instead of distinct tiers
  - Higher average IDC rates resulted in lower tax rates

Model Development

- Hybrid Model
  - Central SPA costs taken “off-the-top”
  - Sub-Pool costs allocated based on usage

The New World

Year 1 Changes Implemented – 2016-17 Colleges

- General fund revenues (Tuition, State Appropriations) all flow to central administration – then distributed to Colleges
- Colleges receive a significant portion of their revenue as a function of what they do (Tuition & IDC)
- Distribute all (collected/net) tuition using 70/30 teaching/enrollment except for new undergraduate student out of state fee – Differentiate tuition from fee
- Tuition revenue determined using terms from CY 2015 (Spring, Summer, Fall 2015)
- Revenues from new undergraduate out of state students (Fall 2015 – 300 new students = approx. $3.6m) will establish the Provost Strategic Fund

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Year 1 Changes Implemented – 2016-17 Colleges

- State appropriation used to help pay for General Fund Supplement
- Distribute General Fund Supplement to hold harmless for FY 2017 – same budget as FY 2016 – with additions for FY 16 raises, Preeminence changes, PO&M
- General Fund Supplement will be the same in future years unless significant or strategic changes occur
- OH assessed using fixed rates on revenues (GA/IT 10%; 2.15% HSC), Facilities no change – commitment is that support units costs will be managed and controlled to stay within this budgeted revenue stream – significant unfunded mandates may require special assessments

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Year 1 Changes Implemented – 2016-17 Colleges

- Provost in consultation with Sr. VPs sets budgets for Support Units
- Library and Student Services funded by the Provost
- State funded Service Centers and other appropriated units funded by State appropriation
- Other distribution/assessment arrangements stay the same for the upcoming budget year (FY 17)
- Auxiliary unit's budgets lie outside of the general fund but pay tax on expenditures

Year 1 Changes Implemented – 2016-17 Sponsored Program Assessment

- Revenue is shared based on a percentage of total accrued IDC to a given unit in the prior year.
- The percentage applied for the Sponsored Program Assessment is not the same for all units. Instead, there are four tiers:
  - Tier 1 (36.8%): High research intensity, high in-unit research infrastructure costs, little or no additional resources to support research infrastructure
  - Tier 2 (49%): High research intensity, high in-unit research infrastructure costs, some additional resources available to support research infrastructure
  - Tier 3 (53.5%): Units with research portfolios that have additional resources to support research infrastructure, lower in-unit research infrastructure costs, or have lower research intensity
  - Tier 4 (75%): Units with little or no research activity; 25% of the returned IDC is reserved in the event that a PI, dept, or center is eligible for returned IDC under UF policy.

Year 1 Changes Implemented – 2016-17 Sponsored Program Assessment

- The overall model was required to collect very near the same total amount of assessment as was collected in FY 16, effectively using FY 16 as a baseline
- The individual percentages for each tier were optimized to yield manageable shifts in the assessment within the context of FY 16.
- No change to existing distribution policy for PI's, Departments or Centers
- As the research portfolio grows, this model allows the available resources for central research services supported by SPA (Office of Research, Contracts & Grants, EH&S, Cost Analysis) to increase proportional to IDC growth. In addition, this same group of units will need to be able to withstand fluctuations downward in IDC in any given year.

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Year 1 Changes Implemented – 2016-17
Sponsored Program Assessment

College	FY15 Accrued IDC	FY16 SPA tax (under expenditure-based model used last year)	Proposed Model: Percentage of total accrued IDC to be collected as SPA tax	Proposed Model: SPA tax for FY2016 (last year) if proposed model had been applied	Difference in SPA tax (last year) with proposed model
TIER 1					
CLAS	7,224,308	2,839,686	0.368	2,658,545	-181,141
Engineering	14,222,992	5,064,691	0.368	5,234,061	169,370
HHP	898,827	287,451	0.368	330,768	43,317
Pharmacy	2,412,537	784,771	0.368	887,814	103,043
PHHP	2,825,881	1,078,853	0.368	1,039,924	-38,929
Dentistry	3,237,458	1,054,478	0.368	1,191,385	136,907
PHHP-COM	1,533,071	493,523	0.368	564,170	70,647
Nursing	336,527	89,403	0.368	123,842	34,439
Latin Am Stu	290,004	110,030	0.368	106,721	-3,309
Whitney Lab	587,979	227,333	0.368	216,376	-10,957
FLMNH	1,267,935	363,172	0.368	466,600	103,428
TIER 2					
Medicine	28,823,233	14,804,628	0.49	14,123,384	-681,244
COM-JAX	2,108,416	1,679,317	0.49	1,033,124	-646,193
ICHP	2,567,655	972,255	0.49	1,258,151	285,896
Vet Med	1,774,308	909,802	0.49	869,411	-40,391
TIER 3					
Research	2,637,128	1,449,391	0.535	1,410,863	-38,528
IFAS	11,600,630	6,289,615	0.535	6,206,337	-83,278
Sea Grant	372,398	126,217	0.535	199,233	73,016
Education	1,708,694	885,047	0.535	914,151	29,104
Arts	3,142	23,930	0.535	1,681	**
Info Tech	3,446	950	0.535	1,844	894
DCP	521,523	268,345	0.535	279,015	10,670
Business	35,360	46,678	0.535	18,918	**
Intl Center	53,674	20,265	0.535	28,715	8,450
Journalism	24,829	134,217	0.535	13,284	**
Law	46,247	18,649	0.535	24,742	6,093
Libraries	69,919	40,776	0.535	37,407	-3,369
HARN	0	998	0.535	0	**

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Items Yet to be Considered

- Auxiliary Tax
- Graduate Student Waivers
- Facility Tax
- Other Distribution/Assessment Arrangements
- Dual Degrees – 2 diplomas/2 colleges
- Subvention