RE-ENVISIONING YOUR BUDGET MODEL

Michael McKee | Vice President and Chief Financial Officer
The University of Florida

- Established in 1853
- Land Grant Institution
- AAU Member (Public) Since 1985
- 16 Academic Colleges (including Medical School)
- 2017 Enrollment – 55,862
  - Undergraduates – 36,436
  - Graduates – 12,160
  - Professional – 4,137
  - Non Degree Seeking - 3129
The University of Florida

- 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 FY17

Total $5.6 Billion

Dollar amounts expressed in thousands

- Hospital and Component Unit Revenues, $3,019,950, 54%
- Investment Income, $289,646, 5%
- Federal and State Student Financial Aid, $116,963, 2%
- Auxiliary Sales and Other Revenues, $275,132, 5%
- Federal, State & Local Grants and Contracts, $482,751, 8%
- Student Tuition and Fees (Net), $431,659, 8%
- State Appropriation (Noncapital), $727,156, 13%
- Other Grants, Contracts, Gifts and Transfers from Component Units, $271,192, 5%
- Federal, State & Local Grants and Contracts, $482,751, 8%
Total $5.3 Billion

Dollar amounts expressed in thousands

- Employee Compensation and Benefits, $3,032,956, 57%
- Services and Supplies, $1,803,053, 34%
- Scholarship Allowance and Scholarships, Fellowships and Waivers, $106,891, 2%
- Space - Depreciation, $244,462, 5%
- Space - Debt Service, $30,812, 1%
- Space - Utilities and Communication, $71,928, 1%
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
The Journey

- Incentivize Specific Activities
- Simplify the Model
- Model should be:
  - Predictable
  - Ensures alignment with University strategic goals
  - Provides Clarity
- Creation of Dedicated Provost Strategic Fund
Year 1 Changes

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
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
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
The Work

<table>
<thead>
<tr>
<th>College</th>
<th>In State Tuition</th>
<th>Out of State Tuition</th>
<th>Total Tuition</th>
<th>General Fund Supplement (US)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Under Grad</td>
<td>Grad 1</td>
<td>Grad 2</td>
<td>Prof</td>
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<tr>
<td>Agricultural and Life Sciences</td>
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<td>Veterinary Medicine</td>
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<td>91,872</td>
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<td><strong>Grand Total</strong></td>
<td><strong>118,425,075</strong></td>
<td><strong>84,166,594</strong></td>
<td><strong>36,968,681</strong></td>
<td><strong>84,166,594</strong></td>
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</table>

Tuition (Calendar Year of 2015)
70% By Teaching/30% By Enrollment

Net Tuition To Colleges

Total (R-4-6)

Recurring (P)

PONAM (D)

Total (R+2-4)
## The Work

<table>
<thead>
<tr>
<th>Overhead to Hold Harmless</th>
<th>FY17 State Revenue to Hold Harmless</th>
<th>FY17 Additional GIS</th>
<th>FY17 Non-Recurring Legislative Specials</th>
<th>Preeminence</th>
<th>Overhead On Additional Allocations in FY17</th>
<th>FY17 Net State Revenue (A=AY+AD+AE)</th>
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<tr>
<td>HSC Admin</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
<td>[U<em>M</em>2.5%+W*2.5%]</td>
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<td>Facilities</td>
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<td>[V]</td>
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<td>[V]</td>
<td>[V]</td>
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<tr>
<td>Total Off</td>
<td>[W+V]</td>
<td>[W+V]</td>
<td>[W+V]</td>
<td>[W+V]</td>
<td>[W+V]</td>
<td>[W+V]</td>
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<tr>
<td>10.00%</td>
<td>2.15%</td>
<td>2.15%</td>
<td>2.15%</td>
<td>2.15%</td>
<td>2.15%</td>
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<td>(3,935,470)</td>
<td>(4,971,088)</td>
<td>(6,906,558)</td>
<td>30,148,141</td>
<td>317,816</td>
<td>1,943,445</td>
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</table>
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.
### Year 1 Changes Implemented – 2016-17 Sponsored Program Assessment

<table>
<thead>
<tr>
<th>College</th>
<th>FY15 Accrued IDC</th>
<th>FY16 SPA tax (under expenditure-based model used last year)</th>
<th>Proposed Model: Percentage of total accrued IDC to be collected as SPA tax</th>
<th>Proposed Model: SPA tax for FY2016 (last year) if proposed model had been applied</th>
<th>Difference in SPA tax (last year) with proposed model</th>
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<tbody>
<tr>
<td><strong>TIER 1</strong></td>
<td></td>
<td></td>
<td></td>
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<td>CLAS</td>
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<td>Latin Am Stu</td>
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<td><strong>TIER 2</strong></td>
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<td><strong>TIER 3</strong></td>
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</table>
Year 2

Items Considered in Year 2

- Auxiliary Tax
- Graduate Student Waivers
- Facility Tax
- Dual Degrees – 2 diplomas/2 colleges
- Subvention
Items Considered in Year 2

Auxiliary assessment

- Expenditure based – based on prior calendar year
- Maintain current exemptions this year but CFO office will review the total monetary impact of those exemption and recommend any issues that need to be addressed. Review will take place over the next 4-6 months
- Rate will be recalculated ever 3-5 years
- Initial rate – 13 percent
Items Considered in Year 2

Graduate Tuition Waivers

- Provide annual reporting to Deans for review
- Deans will mediate any disturbing trends that come up
- Calendar year data to be used – 2016 will set established baseline
- Most students use waivers for coursework in the same college that issues the waiver (88%)
- Colleges should discourage interdisciplinary study and recognize the marginal cost to the teaching college may be less than the teaching portion (70%) of foregone tuition revenue
Items Considered in Year 2

Facility Assessment

- Separate utility assessment
- Calculate utility rate annually based on projected costs
- Assessment based on assignable square feet and 4-6 weighted types (we now have four but may be able to separate out labs into wet, dry, general use)
- Move towards charging actual utility cost – hope this will motivate people to reduce consumption
- Actual charge plan probably won’t take effect for another two years
- Maintenance – establish base rate for plant maintenance
  - Recalculate rate as needed every 2-3 years
  - Assessment based on assignable square feet – keep the 1-3 space types we now have
- Deferred maintenance
  - Separate assessment based on square feet
  - Rate would be 17 cents per $1 million in revenue if everyone, including support units, pay
  - Phased plan – year 1 - $5 million; year 2 - $10 million; year 3 - $15 million
  - Starting FY 17/18
  - Annual deferred maintenance priorities established by VP for Business Affairs, SVP’s and Deans
  - Initial focus on energy efficiency projects
Items Considered in Year 2

Dual Degrees

- No changes needed to current model
- Only impacts 30 percent enrollment of collected tuition
- Not a significant portion of undergraduate students
- Primary enrollment college determined by first major student applies for
Subvention

Recommendation:

- No subvention – Colleges manage tuition revenue risk
- State budget cuts are not eligible for subvention and are handled as adjustments to a college’s general fund supplement