

University Budget Model Manual

Introduction

Welcome to the University of Florida University Budget Model manual. This manual provides information covering aspects of budgeting and financial management at the University of Florida.

This document provides information on:

1. Brief history of university budget models
2. Visions and goals of the budget model
3. Operational and academic oversight
4. Definition of Responsibility Centers, Support Units and State Funded Centers
5. Allocation of revenues
6. Allocation of expenses
7. Budget process and timeline
8. Resources

We hope you find this manual informative and useful. Please contact our office with any questions, comments or improvements.

1. Brief History of University Budget Models

In fiscal year 2011, the University of Florida transitioned to the Responsibility Center Management (RCM) Budget Model from the Incremental Based Budget that had been used for many years. Incremental Based Budget allocates resources based on the allocations from previous period plus any incremental changes. It lacked a rationale for how resources are distributed. During the economic downturn, the university incurred consecutive reductions in general revenues. Such reduction compelled the university to more aggressively diversify its revenue sources and push down the financial responsibilities, risks and rewards of new ventures to the college and department level.

The model was intended to create incentives for entrepreneurial behavior at the unit level. Revenues from entrepreneurial activities are retained entirely by those units undertaking such entrepreneurial risks. That activity must fall within the strategic scope and meet the strategic goals of the university.

Support unit costs are paid by overhead assessments. All revenues are allocated to responsibility centers. Therefore, responsibility centers must pay for the services provided to them through an allocation or assessment system. The unit can pay its invoice from any resource that it deems appropriate except for endowment and gift funds.

After six years of RCM implementation, in fiscal year 2016, RCM was reviewed and revised. The Budget Review Steering Committee and Task Force identified common issues and determined solutions to simplify the model, made the model more predictable, and ensured its alignment with university strategic goals. The guiding principle of the budget model is to make revenue and overhead allocation as simple as possible by providing clear and predictable calculations.

Three major changes include:

1. Allocate collected tuition revenue directly to the colleges.
2. Assess fixed percentage of IDC for Sponsored Project Administration cost based on a tier structure.
3. Assess fixed percentage of IT/General Administration overhead.

These changes make budgets simpler, more transparent, and affords up front planning times for the units. The newly revised model took effect in fiscal year 2017 and now is referred as the UF Budget Model. The detail of this new model is explained in the following sections.

2. Visions and Goals of the University Budget Model

Visions

- Each Responsibility Center will have its own revenue streams
- Each Responsibility Center will be responsible for managing its revenue and full costs

- Each Responsibility Center will benefit directly from the success of its initiatives and entrepreneurial activities that increase revenue or decrease operating expenses
- The university will maintain a strategic fund to support new initiatives, reward excellence and promote the university's mission

Goals

- Provide decision-makers with increased transparency into the university's finances and foster an information rich discourse on college priorities and budget matters
- Create appropriate incentives that advance the university's strategic goals
- Allow Responsibility Centers to keep revenues that they generate
- Align responsibility and authority over fiscal matters.

3. Operational and Academic Oversight

The President of the University provides oversight for the university as a whole. The Chief Financial Officer serves as the chair of the university budget model. Any changes to the budget model require the approval of the President. For continuous evaluation of the principles, objectives and algorithms, budget review committee is formed by the deans of the colleges, a representative of each vice president and the Chair of the Faculty Senate. The office of each vice president provides oversight for those RC units reporting to him/her and ensures that unit budgets reflect priorities as set for by the university. The Provost/Senior Vice President for Academic Affairs, Senior Vice President for IFAS, and the Senior Vice President for Health Affairs are responsible for leading the academic planning process and ensuring academic quality.

The Faculty Senate is the representative body of the faculty. It operates according to the principles of shared governance, a constitutionally created system of mutual authority and responsibility, which recognizes the faculty's central role in enhancing UF's intellectual profile as well as the quality and value of the education it provides to students from both the State of Florida and throughout the world.

The Budget Council, a sub-committee of the Faculty Senate, is responsible for reviewing budget and fiscal matters as they involve the academic mission of the university, including recommendation of budget priorities involving academics and research, the fiscal implications of

creation, modification or delete of academic programs, the collection of dissemination of information about the university budgeting and planning; and monitoring whether the allocation of resources is consistent with Faculty Senate actions and the university's long term and short term strategic plans.

4. Definition of Responsibility Centers, Support Units and State Funded Centers

Responsibility Centers

By definition, Responsibility Centers must generate revenues. If an area is identified as a Responsibility Center, that unit is responsible for all financial decisions as well as managing revenues, expenditures and fund balances. At the University of Florida the following areas are identified as Responsibility Centers:

Colleges

- College of Agricultural and Life Science
- College of the Art
- College of Business Administration
- College of Dentistry
- College of Design, Construction and Planning
- College of Engineering
- College of Health and Human Performance
- College of Journalism and Communications
- College of Law
- College of Liberal Arts and Sciences
- College of Medicine
- College of Nursing
- College of Pharmacy
- College of Public Health and Health Professions
- College of PPHP-Medicine
- College of Veterinary Medicine
- Flexible Learning
- UF Center for Latin American Studies

Auxiliaries (Major Units)

- Academic Technology
- Animal Care Services
- Baby Gator
- Baughman Center
- Biotechnology Research (ICBR)
- Bookstore
- Bureau of Economic & Business Research (BEBR)
- Business Services
- Center for Epigenetics

- Computer Network Services
- Counselling & Wellness
- Dentistry Instrument Management
- Division of Continuing Education (Self-Funded Programs)
- Document Services
- Enterprise Infrastructure Operations
- Environmental Health & Safety
- Facilities Services (Working Capital Trust Fund)
- Florida Museum for Natural History
- GatorWell
- HealthNet
- Housing
- HSC IT Support
- ID Card Services
- J Wayne Reitz Union
- Laundry Services
- Mandatory Health Insurance
- McKnight Brain Institute-AMRIS
- McTransCenter
- MD-CTSI Research Center
- MD-Orthopaedics Institute Rent
- New Student Programs-Preview
- Philips Center for the Performing Arts
- Recreation Sports
- Research Computing
- Stephen O’Connell Center
- Student Government
- Student Health Care Center
- Transportation and Parking
- University Auditorium
- University of Florida International Center
- University Florida Press
- UPD Special Events
- Veterinary Medicine Teaching Hospital

Support Units

Support Units (SU) are divided into cost pools. The cost pool determines the cost allocation method. Responsibility Centers are not permitted to “opt-out” of services to reduce the service and support expenses charged to their unit. Colleges will determine how SU assessments are allocated to the departments. The eight cost pools and the affiliate SUs are as follows:

Information Technology

- Chief Information Officer

General Administration

- AIM
- Board of Trustees
- Business Services
- Center for Innovation and Online Production
- Center for Precollegiate Education
- CFO Shared Service Center
- Chief Financial Officer
- Emergency Management
- Environmental Health and Safety
- Faculty Development
- Finance and Accounting

- General Counsel
- General Expense-Insurance
- General Expense-Other
- Government Relations
- Honors Office
- Human Resources
- Institute Online Learning
- Office of Institutional Planning and Research
- Office of Internal Audit
- Office of Sustainability
- Office of Teaching and Technology
- Office of the Provost

- Office of the Vice President for Business Affairs
- Procurement Services
- Real Estate
- Small Bus/Vendor Diversity Relations
- Stephen O'Connell Center
- Strategic Communications and Marketing
- Student Health Care Center
- SVP-Administration
- UF Privacy
- Undergraduate Affairs
- University Budget Office
- University Police

Facilities

- Facilities Services
- Planning Design and Construction

HSC Administration

- Health Affairs

Sponsored Project Administration

- Environment Health and Safety
- Facilities Services
- Finance and Accounting
- Research

Student Services

- Career Resource Center
- Counseling Center
- Dean of Students
- Enrollment management
- Graduate School
- Student Activities & Involvement
- Student Affairs
- Student Financial Affairs
- Student Government
- University of Florida International Center

Library Services

- University Libraries
- HSC Libraries

Bond Payment

- Research

State Funded Centers

These are the units managed by the University of Florida for the benefit of the state. State appropriated funds are provided to them directly. Their budget is still incremental based, only changes when receiving new state funding or budget reduction.

- Animal Care Services
- Biotech Develop Incubator
- Biotechnology-ICBR
- Biotechnology-Biotech Res/Develop Inst
- Bureau of Economic and Business Research
- Cancer Center
- Center for Smell and Taste
- Center for Excellence for Regenerative Health Biotechnology
- Digital Worlds
- Emerging Pathogens
- Florida Sea Grant
- Harn Museum
- Institute of Child Health Policy
- Interdisciplinary Program D
- McKnight Brain Institute
- Medicine-Jacksonville
- Military Sciences
- Philips Center for the Performing Arts
- University Auditorium
- University Florida Press
- Water Institute
- Whitney Labs

Hybrid Units

You may have noticed some of the units are hybrids. They function as both a Responsibility Center and a Support Unit or as a Responsibility Center and a State Funded Center. For example, the International Center, as a support unit, provides international student services and assists all international students with the required immigration documents to study in the United State and maintain their legal non-immigration status while residing in the US. As a Responsibility Center, the International Center provides study abroad services to UF students and faculty. It manages the study abroad application process, the fee allocation and expenditure transactions.

Animal Care Services receives state funds directly as a State Funded Center. It also conducts auxiliary activities by providing animal care services to the university community as a Responsibility Center.

5. Allocation of Revenues

Look Back period

The university uses the prior calendar year data for tuition allocation. For example, the tuition collected in Spring 18, Summer 18 and Fall 18 is allocated for fiscal year 2020's operation. The university uses prior calendar year expenditure data for overhead assessment. For example, the expenditures occurred between 1/1/2018 and 12/31/2018 is used for FY20 overhead allocation.

Tuition Allocation

Under the current budget model, the collected tuition is allocated directly to the colleges, 70% by teaching and 30% by enrollment. The collected tuition is in net of all waivers. If a college grant Graduate Assistants (GA) waivers in any of the terms when the tuition is collected, its tuition allocation will be reduced by the same amount. Other waivers such as university waivers and statutory mandated waivers are also impacting the collected tuition amount.

As mentioned earlier, the undergraduate out-of-state fee is allocated separately to create a strategic pool for the Provost. However, the lion's share of this fee is returned to colleges when the budget model was revised in FY17. The incremental amount since then all contributes to the strategic pool.

Tuitions from several programs are handled differently, including:

- Innovation Academy
- UFOnline
- Common Course
- Flexible Learning
- Exchange Program
- Military Sciences

The university launched the Innovation Academy program in 2012. Students in this program are enrolled in the spring-summer academic year and have fall semester off-campus. This program is focused on innovation, creativity, entrepreneurship, ethics and leadership. The first cohort of enrolled students started in the spring term of 2013. All tuition from this program is allocated to the department of Innovation Academy. UFOnline tuition is handled similarly - directly goes to UF Online department.

Common Course refers to course IUF1000: "What is the Good Life". This interdisciplinary course is co-developed by the Division of Continuing Education (DOCE) and various colleges. The revenue is allocated 100% to DOCE. DOCE then allocates the funding to the colleges based on agreed upon percentages and amounts.

Flexible Learning courses (or Correspondence Study courses) are also collaboratively developed by DOCE and many other colleges. The 70% revenue by teaching is allocated to DOCE and the 30% of the revenue is allocated to the college that helped in creating the courses.

For the exchange program, UF Students who study abroad registers for course IDS4956 which is under College of Liberal Arts and Sciences. Therefore, 70% of the revenue by teaching this course would be allocated to College of Liberal Arts and Sciences even though no teaching is conducted in this college. We manually changed the teaching college to the colleges where the students identify their majors. Therefore the revenue generated by this course, flow to those colleges.

Tuition collected from ROTC courses was allocated to colleges through General Funds Supplement (GFS) in FY17 when the budget model was revised. The increases/decreases since then are eliminated from the tuition allocation process.

Some components of the tuition are required by law to be distributed for specific purpose. In 2007, the Florida legislature passed a bill that allowed UF to raise undergraduate tuition up to 15% per year. The 15% includes a legislatively established increase in base tuition and a remainder tuition differentia set by the University of Florida Board of Trustees. The remainder of the increase is what we call Undergraduate Differential Tuition. 30% of the differential tuition goes to student financial aid. We pull this out before distributing the tuition to colleges.

Another component of the tuition that we pull out is 2005 flex. The legislature approved a tuition increase effective fall 2005 and 20% of the increase is required to go to need-based financial aid.

The tuition data set is derived from Enrollment Revenue Cube which is managed and built by Office of Institutional Planning and Research. It is under Enterprise Reporting->Access Reporting->Institutional Research->Enrollment Revenue folder. This cube contains three snapshots of the tuition information per semester: fee deadline, preliminary, and final. Final data is used in the tuition allocation process.

State Appropriation Allocation

Under the new budget model, colleges receive state appropriation through the General Funds Supplement (GFS) and other special line item allocations

As we transition to the UF Budget Model, to keep the funding levels the same for colleges, a General Funds Supplement was created. Each college receives certain amounts of GFS from state appropriation to “hold them harmless”. The amount is calculated so that the college will receive the same amount of net budget when the tuition allocation and the IT/GA and facility overhead are changed. Colleges should not expect GFS to be reduced going forward unless the university incurs budget cut from the state or any other unforeseen situation occurs. This fund, as a steady income stream, should help colleges’ plans and projections easier. GFS may go up because of recurring increases such as faculty and staff raise, fringe benefit changes, etc. Going forward, the President, Provost and Senior VPs will make strategic decisions allocating any additional increases or decreases in state appropriations, which in turn, may impact the college’s GFS amount.

Special line items are part of the state appropriation that are allocated for specific program or purpose. Such line items including Dean’s startup, program support, legislative specials, PO&M, Preeminence funding, Work Class Faculty funding, Professional Graduate Degree funding, UF Online funding etc.

Other Revenue

All other revenue such as Contracts & Grants, clinical practice, auxiliary, etc. go directly to the revenue generating units.

6. Allocation of Expenses

Overheads are costs charged or assessed to responsibility centers, state funded centers and specific support units to pay for services provided by support units. Overhead assessments are grouped into eight cost pools. Each pool corresponds to specific support unit functions and services.

- Information Technology (IT)
- General Administration
- Facilities
- HSC Administration
- Sponsored Project Admin
- Student Services
- Library Services
- Bond Payment

Overhead is assessed differently depending on the support unit cost pools. Different factors are used for overhead assessment such as expense, revenue, space, IDC returns etc. Below table summarizes what factors effect each SU pool overhead assessments to the responsibility centers.

	Information Technology/ General Administration (IT/GA)	HSC Administration (HSC Admin)	Facilities
Tax Driver	* State Funds: Budget Year State Revenue * Non-State Funds: Past Cal. Yr. Expenditure	* State Funds: Budget Year State Revenue * Non-State Funds: Past Cal. Yr. Expenditure	Space SQFT
Overhead Rate	* State Funds: 10% * Non-State Funds: 13% * Exceptions: Clinical Practice - 1.1% IFAS - 1.61% Student Government - 10% Seed Producer - 9.97% Self Insurance Program - 4.94% UF Foundation - Excluded	* State Funds: 1.97% * Non-State Funds: 2.37% * Exceptions: UF Foundation - Excluded Scholarship/Grant Funds - Excluded Transfers - Excluded Only Applies to HSC Colleges	* Lab: \$30.61 * Classroom: \$16.70 * Office: \$13.91 * Others: \$11.13

	Scholarship/Grant Funds - Excluded Transfers - Excluded		
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IT/General Admin (IT/GA)

The IT/General Admin unit cost pools assessment responsibility centers and other units based on revenues (state funds) or expenses (non-state funds). Each year, during the budget allocation process, the colleges’ state fund amount is calculated, then 10% of that revenue is collected for the IT/GA overhead. The balance of the state funds is then released to the colleges. Expenditures from non-state funds for all units for the previous calendar year are reviewed and calculated, then a rate of 13% is collected for the IT/GA overhead monthly during the fiscal year. Expenses coming from state funds are not charged again since they are already charged the 10% when they initially receive that revenue.

HSC Admin

The HSC Admin pool works similarly to the IT/GA pool. However, the difference is that charges are only applied to the Health Science Center colleges. The HSC Admin rate is evaluated each year. This rate is on top of the addition to the IT/GA overhead for the HSC colleges. The rate to the state funds is around 2% and the one to the non-state funds is around 2.5%.

Facilities

The cost of operating facilities is assessed directly to the unit that “owns” the space. There are two components included in the facility support costs: utilities and plant operations. Plant operations cover maintenance, custodial, groups, landscaping, refuse and recycling. Facilities overhead is based on square footage, not on expense or revenue.

The space data is provided by University Planning, Design and Construction and is derived from the Space Tracking & Reporting System (STARTS) and Space Inventory & Allocation System

(SPIN). The most recent available space data is used to calculate overhead. For example, FY20 overhead is calculated based on 2018 space survey data. University space is categorized into four groups. Each has a different weighting factor depending on the level of consumption of resources.

Space Type	Weight
Lab	2.75
Classroom	1.5
Office	1.25
Other	1.00

The facility overhead rate is calculated as the ratio of facilities support units' budget over the total taxable weighted SQFT. Not all spaces are subject to facility overhead. Units that manage their own facilities are exempted from this tax. Below is a summary of what spaces are included in this tax and what spaces are not.

Assessed	Not Assessed
E&G Buildings	IFAS Buildings
HSC Buildings	UAA Buildings
Classrooms	Shands Buildings
Labs	Housing
Offices	Non-SUS Buildings
Others	Fraternity/Sorority
Conference Rooms	PK Yonge Buildings
Study Rooms	Other Buildings that pay bills directly
Central Storage	Pass Through Buildings (St. Aug. Buildings, Lake Nona etc)
Athletic Phys ED	Mechanical Rooms
Treatment/Examination	Hallway, Stairs and Bathrooms
Others	Telephone Rooms
	Elevators
	Others

PO&M for New Space and Auxiliaries in E&G Space

When RCM started, most of the PO&M was allocated to the colleges and they, in turn, used that funding to pay for their facility overhead. There was a small portion of the PO&M that was taken off the top and allocated based on various factors. A portion of the off-the-top PO&M is

allocated to reported “new space”. The “new space” is space either under construction or vacant ready-to-occupy or newly occupied but not reported space when RCM started. These new spaces may not be new anymore today. However, since the associated facility costs were not built into the college’s initial allocation under the old RCM model, the PO&M for these new spaces are allocated separately. When the new building is occupied and reported, facility overhead will be assessed. The related PO&M will be allocated to the units that are using the space. If a support unit or a state funded center occupies the space, the related PO&M will be allocated to the Provost for strategic initiatives.

If a department conducts auxiliary activities in an E&G or HSC building, this department will be assessed facility overhead. However, they will be compensated to offset the assessment. The reason being is that if a building receives PO&M funding, the funding should be aimed to cover the facilities cost.

Sponsored Project Admin (SPA)

Under the UF Budget Model, accrued Indirect Cost (IDC) is allocated to colleges or units after deducting a certain percentage for overhead. The colleges and units are categorized into four tiers. Each tier is assessed a different percentage based on the amount of research activities to pay the SPA overhead. High research intensity, high in-units research infrastructure units pay a lower percentage of their IDC returns toward SPA overhead. In contrast, low research intensity, low or no in-unit infrastructure units pay a greater share of their IDC to SPA overhead. Even though, it is a higher percentage, the absolute amount these units pay is much less than the units that pays a lower percentage.

Tier	Units
Tier 1 (36.8%)	<ul style="list-style-type: none"> • College of Dentistry • College of Engineering • College of Health and Human Performance • College of Liberal Arts and Sciences • College of Nursing • College of Pharmacy

	<ul style="list-style-type: none"> • College of Public Health and Health Professions • College of PPHP-COM • Florida Museum of Natural History • Latin American studies • Whitney Lab
Tier 2 (49%)	<ul style="list-style-type: none"> • College of Medicine • College of Medicine – Jacksonville • College of Veterinary Medicine • Institute for Child Health Policy
Tier 3 (53.5%)	<ul style="list-style-type: none"> • College of the Arts • College of the Business • College of the Design, Construction & Planning • College of Education • College of Journalism and Communications • College of Law • Harn Museum of Art • IFAS • Info Technology • International Center • Libraries • Research • Sea Grant
Tier 4 (75%)	<ul style="list-style-type: none"> • DOCE • Enrollment Management • EH&S • Facilities Services • Finance and Accounting • Graduate School • Health Affairs • Provost Office • Student Affairs • Student Health Care Center • University Press

As the research portfolio grows, this model allows the available resources for central research services supported by SPA overhead to increase proportionally to IDC growth. In addition, the same group of units will need to be able to withstand fluctuations and downwards in IDC in any given year.

Library Services and Student Services

Library Services and Student Services are funded by the Provost directly.

Bond Payment

Bond Payment is the Cancer/Genetics bonding assessment to College of Liberal Arts and Sciences, College of Medicine, and College of Agricultural and Life Sciences. The Division of Sponsored Programs manages this overhead.

Support units are required to abide within the limits of what is collected. However, significant unfunded mandates may require special assessments. If there is any excess overhead, it will be reviewed by the President or Provost and maybe used strategically for certain support unit areas.

Expenditure Exempted from Overhead Assessment

Not all expenditures are subject to overhead assessment. Major exemptions include:

- Transfers (GL account 8XXXXX)
- Expenditures Over \$100K per transaction
- Internal sales
- Distance learning fee
- Expenditures on payment to Apollidon, All Compass LLC, NCS Pearson Inc and Person Education Inc.
- Expenditures from Foundation, Scholarship and Contracts & Grants

Expenditures over \$100K per transaction includes transactions that contain several lines of payments from different chartfield strings.

Internal sales are used to off-set the overhead assessed to a unit's direct expenditures. For example, if Animal Care Services (ACS) has \$2M direct expenditures, \$1.5M internal sale revenues, no over \$100K transactions, no transfers, only \$0.5M is assessed. The reason being is that the departments who use ACS' services incur some expenditures that will be taxed. If ACS who provides the services is taxed, we will have double taxation. Removing internal sales allows only one tax to the unit where the true expenditures occurs.

7. Budget Process and Timeline

Each year during the Nov-Jan time frame, the support units will go through the SU Budget Request cycle for the next fiscal year. It is the time of the year for the SUs to request how much funding they need to operate in the new fiscal year. In a regular year, the SUs submit a flat budget and an optimal budget. If the university budget is going down, the SUs may need to provide a budget cut scenario.

All the requests are submitted through UF's Budget system – Hyperion. The President, the Provost and the Senior VPs will then review and approve the requests and finalize the budgets.

March to April time frame overhead assessments to non-state funds will be calculated. By early May, the university should receive the final state budget. The University Budget Office will then calculate the budget controls to each college, state funded centers and support unit. Sometime between May and June, Hyperion opens to all units to enter their budget for all their funds for the new fiscal year. Around June, the budget control numbers are released.

Spending authority is entered in myUFL Commitment Control before the new fiscal year starts. All Funds Budget data along with the past year actual data is then reviewed and reported to the state.

8. Resources

University Budget Office:

George Kolb, Assistant Vice President, gkolb@ufl.edu

Julie Wang, Director, University Budgets, wangj@ufl.edu

Amber Allen-Ingram, Assistant Director, Amelldot2@ufl.edu

Office phone: 352-392-2402

Website: <https://cfo.ufl.edu/administrative-units/financial-analysis-and-budget/>

University Budget Model training course: UBM100