



UF

University Budget Enhancement Initiative

General Informational Materials

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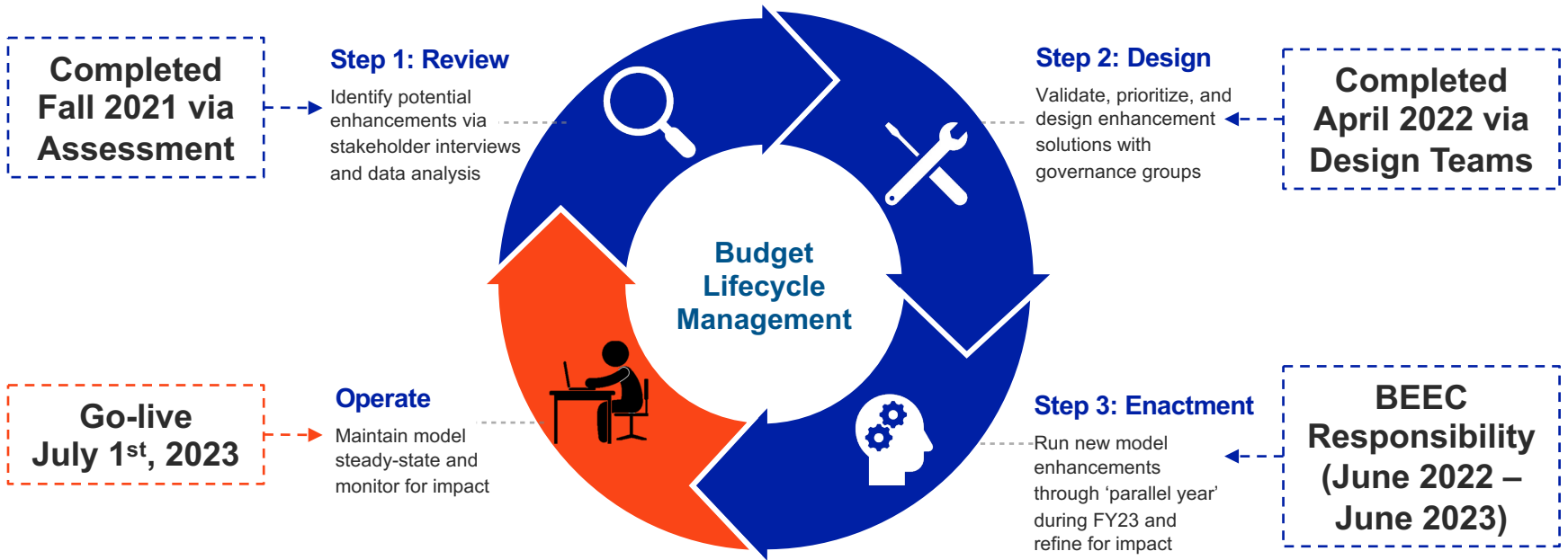
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Initiative Overview



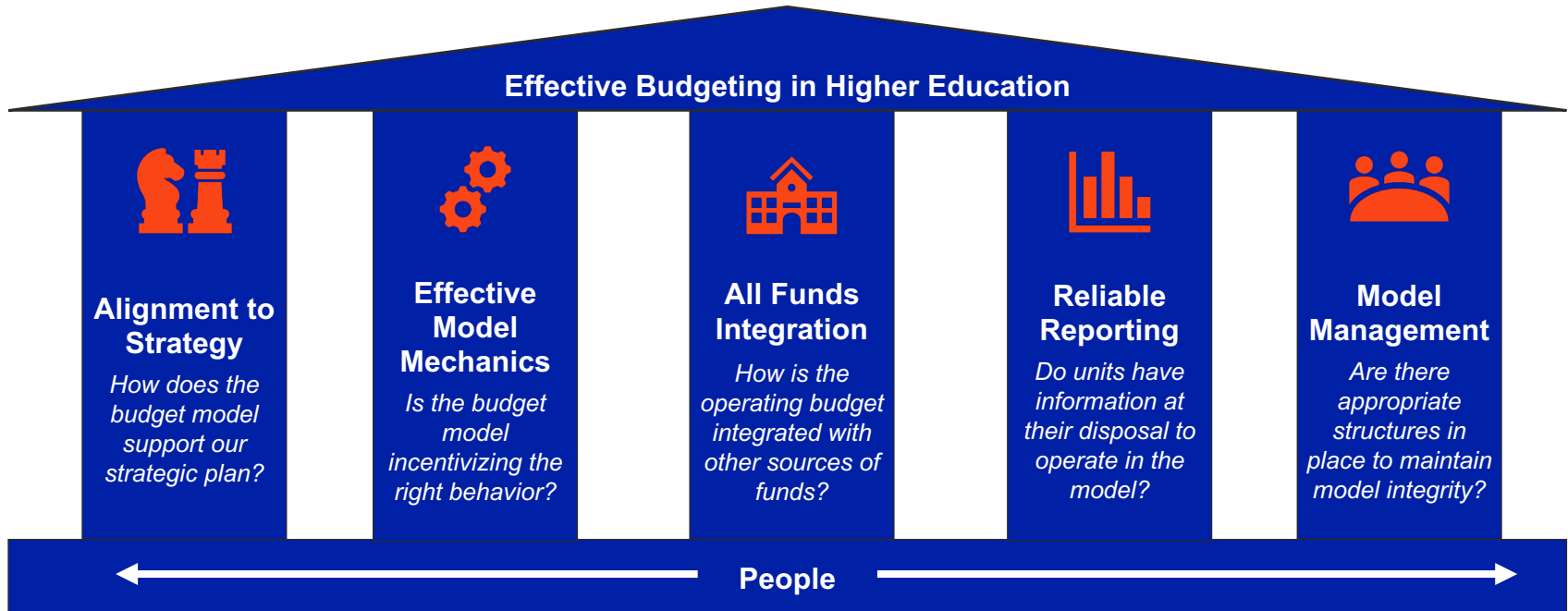
Overview of Enhancement Initiative

UF began efforts to enhance its budget model and associated budgeting practices in summer of 2021. These efforts included significant campus testing and socialization prior to go live on July 1, 2023.



Enhancement Review Framework

UF followed the below budget review framework and industry best practice to assess its budget model and evaluate its effectiveness across five dimensions.



UF's Budget Enhancement Priority Areas

Extensive stakeholder engagement provided input to the designs of all seven targeted enhancements. Enhancements vary in the level of impact to different components of the University's budgeting practices.

1. Create an all-funds model

5. Evaluate overhead assessments

2. Eliminate step-down costing

6. Enhance strategic fund transparency

3. Build deferred maintenance strategy

**Selected
Enhancements
for
Implementation**

7. Retool major capital governance

4. Review uses of State appropriations

Enhancements to the University's budget model enable a more transparent, strategic, and financially balanced approach to achieving University priorities.

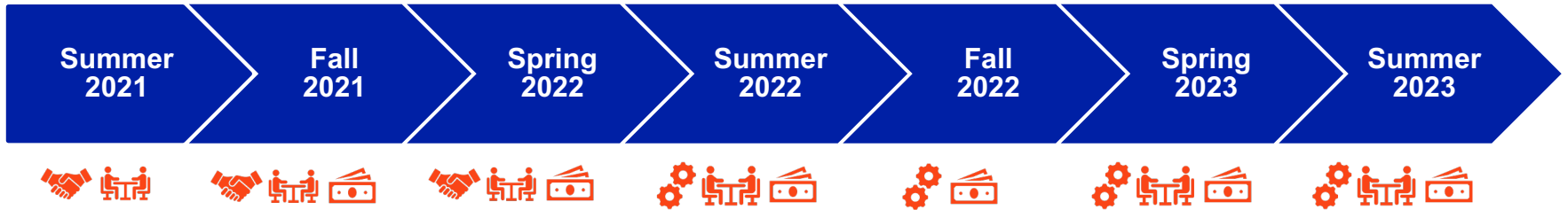
Rationale for Specific Enhancement Priorities

UF comprehensively evaluated its budget model for the first time since 2016, prioritizing strategic, comprehensive designs for the following seven enhancements.

Enhancement	Rationale for Enhancement
I. Create an all-funds model	UF lacked a budget model that is inclusive of all sources of funds . This limited transparency into the resources available across the University and into the entire business model of the University.
II. Eliminate step-down costing	The historic budget model allocated overhead to cost pools further increasing cost pool deficits while unnecessarily complicating UF's model ; simplification of the model was desired.
III. Build deferred maintenance strategy	UF has over \$1.6 Billion in outstanding deferred maintenance with no consistent strategy to address that balance. Further delay in addressing maintenance presented operational risk to UF .
IV. Review uses of state appropriations	The use of the General Funds Supplement lacked tangible incentives , and the current allocations to units were largely static, based on historical precedent, and had unclear rationale for funding levels.
V. Clarify overhead assessments	Overhead allocations had not been thoroughly reviewed or changed since the original model was implemented, resulting in cost pools having to rely on sources of strategic funding to cover expenses.
VI. Strategic Funding Transparency	Despite being a crucial funding source for many units, strategic fund allocations lacked transparency and accountability mechanisms to ensure optimal resource use.
VII. Retool major capital governance	The historic major capital project budgeting process was disjointed , which inhibited transparency and prevented a OneUF approach to proposing, building, and managing new projects.

UF Stakeholder and Campus Engagement

Since May 2021, UF’s budget model has been studied, vetted, and socialized via extensive shared governance groups and affirmed by the Budget Enhancement Enactment Committee (BEEC).



Community Engagement Key

 <i>Shared-Governance Engagement</i>	 <i>Academic Deans</i>
 <i>Enactment Team (BEEC)</i>	 <i>University-wide Budget Officers</i>

Engagement with over 300 stakeholders across UF – including multiple conversations with individual academic deans – has led to broad community awareness.

Key Takeaways

Budget model enhancements better align UF to industry best practice, simplify the model, and increase flexibility for the University to continue to advance its strategic priorities amid a changing landscape.

Budget Enhancements:

- **Increase transparency** of sources and uses of funds across the University
- Establish a **consistent, accurate depiction** of the financial profile of all University units
- Create a **rational mechanism** to allocate revenues and expenses to units
- Promote **UF-wide understanding** of linkages between decisions and impacts
- Provide leaders a **data driven mechanism** to direct resources to strategic priorities
- Ensure UF is **consistently aligning operations to industry best practice**

Budget Enhancements Do Not:

- **Impact Sponsored Project (SPA) or Foundation** related assessments
- Result in **new/increased costs** for the University
- **Evaluate or justify the existing operational costs** of the University

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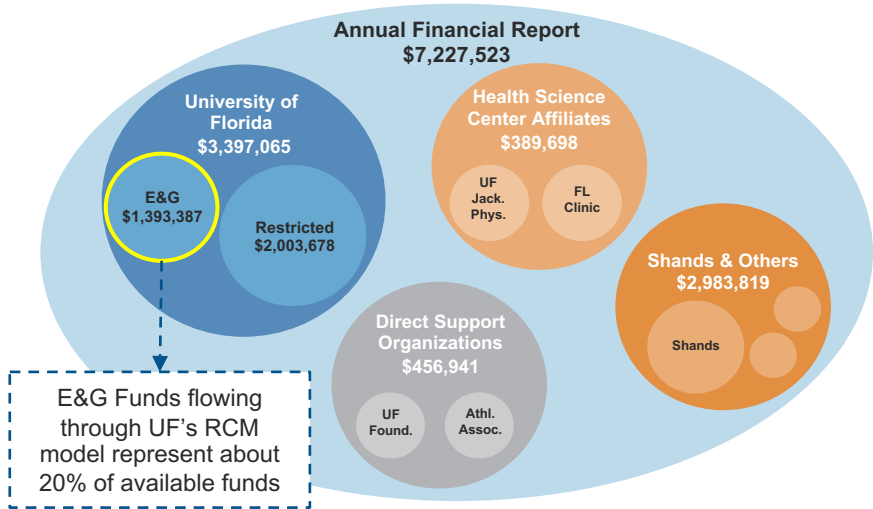
All-Funds Budget Overview



UF Enterprise Budgeting – Historical State

UF’s current approach to enterprise-wide budgeting encapsulates only 20% of total UF resources limiting leaders’ ability to leverage and direct resources optimally.

University of Florida Enterprise (FY21)¹



- ### Current State Considerations:
- Inconsistent representation of the UF enterprise financial position
 - Differentiated understanding of finances by fund
 - Limited ability to compare across university units and colleges
 - Lack of data driven approach to informing strategic resourcing decisions and accountability

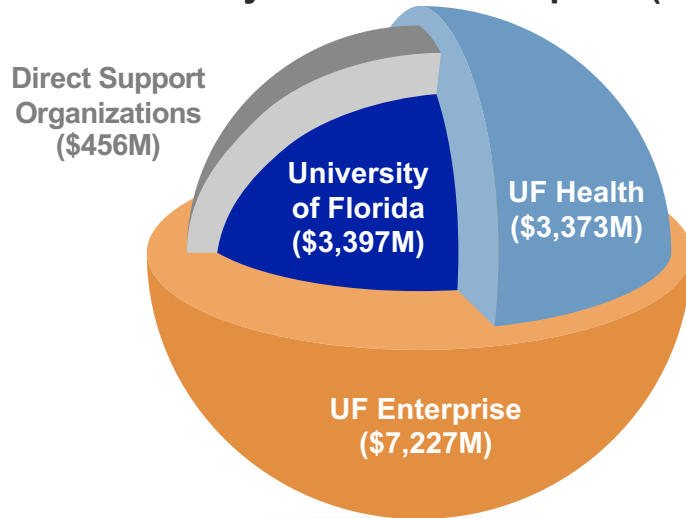
An all-funds model allows the university to view standardized unit-level operating results and presents opportunities for a more strategic approach to long-term resource utilization.

1. FY2021 Annual Financial Report (amounts expressed in thousands)

UF Enterprise Budgeting – Future State

UF’s new, all-funds budget approach and structure are the culmination of months of work and thoughtful consideration by a multitude of UF stakeholders.

University of Florida Enterprise (FY21)¹



Future State Benefits:

- Standardizes depiction of major unit budgets
- Enhances transparency around subsidization levels
- Informs investment opportunities
- Promotes a One UF approach to resourcing decisions
- Encourages optimal use and investment of all-funds
- Supports ability to long-range forecast

Depicting Enterprise-wide budgets in an all-funds format encapsulates all resources, illuminates allocations, elevates financial acumen, and ultimately informs optimal deployment.

1. FY2021 Annual Financial Report (amounts expressed in thousands)

All Funds Budget – University-Wide Output

An All-Funds budget serves as a critical foundation to support investment prioritization discussions among leadership overseeing a variety of operating activities.

Academic Operational Excellence

- How do we identify new revenue opportunities aside from growing enrollment?
- How do we maximize F&A recovery?
- How do we know if we have the right balance in our academic portfolio/offerings?

Management Enablement Tools

- How do we leverage our ERP/Budget tools for frequent, reliable, and efficient reporting & analytics?
- How do we assess different financial scenarios?
- How do we build our annual budget? How efficient is this?

Auxiliary Sustainability

- How much are we cross-subsidizing enterprises that are not our core?
- What should be the expectation to be self-sustaining?

Administrative Operational Efficiency

- Resource Optimization (How do we know if we're making best use of our resources?)
- Performance improvement (How do we reallocate and reduce expenses within the central administrative areas)
- How much are we investing in research activity? Is it aligned to our overall mission?

Category	The Arts		Design, Construction and Planning		Liberal Arts and Sciences		Public Health and Health Professions		Diversity		Risk	Center for Latin American Studies		Academic Unit Total	Centers & Institutes Total		Support Unit Administrative Total		Support Unit Auxiliary Total		University Total
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total		Total	Total		Total	Total	Total	Total	Total	Total	
Revenue	5,000,000	2,448,420	1,463,000	22,814,207	52,814,207	1,501,202	3,521,200	1,000,247	14,103,200	10,070	72,000	101,048,000	1,000,000	2,246,000	133,788,244	1,000,000	2,246,000	133,788,244	1,000,000	2,246,000	133,788,244
Expenses	4,800,000	2,500,000	1,400,000	22,814,207	52,814,207	1,501,202	3,521,200	1,000,247	14,103,200	10,070	72,000	101,048,000	1,000,000	2,246,000	133,788,244	1,000,000	2,246,000	133,788,244	1,000,000	2,246,000	133,788,244
Net Income	200,000	-51,580	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

All Funds Budget – Unit Specific Output

A comprehensive, standardized management tool for each college and unit helps University leaders make data informed resourcing decisions and elevates financial and operational acumen.

	A	B	C	D	E	F
	UNIVERSITY of FLORIDA					
	Sample Unit					
	Unrestricted	Auxiliary	Designated	Restricted	Total	
1						
2	Revenues					
3	UG Tuition	22,976,322	-	-	-	22,976,322
4	HSC Tuition	-	-	-	-	-
5	Graduate Tuition	17,907,650	-	-	-	17,907,650
6	Off-Book Program	-	26,180,306	-	-	26,180,306
7	Other Tuition	-	-	-	-	-
8	Gross Tuition	40,883,972	26,180,306	-	-	67,064,278
9	UG Out-of-State Fee	(10,248,731)	-	-	-	(10,248,731)
10	Tuition Remission and Waiver Authority	-	(22,000)	-	-	(22,000)
11	Financial Aid	-	-	(1,957,250)	-	(1,957,250)
12	Student Fees	418,185	14,400	-	-	432,585
13	Total Net Tuition & Fees	31,053,426	26,172,706	(1,957,250)	-	55,268,882
14	State Appropriations - General Funds Supplement	23,838,325	-	-	-	23,838,325
15	Total Net Tuition and State Appropriations	54,891,751	26,172,706	(1,957,250)	-	79,107,207
16	Federal Grants & Contracts	-	-	-	-	-
17	State and Local Grants & Contracts	-	-	-	-	-
18	Nongovernmental Grants & Contracts	-	-	-	-	-
19	Indirect Cost Recovery	-	-	46,415	-	46,415
20	Federal and State Student Financial Aid	-	-	-	-	-
21	Operating Grants & Contracts	-	-	46,415	-	46,415
22	Sales of Goods & Services	1,000	1,079,676	-	-	1,080,676
23	Transfers from Component Units	-	-	-	5,302,449	5,302,449
24	Investment Income	-	-	-	-	-
25	Other Revenue	-	-	-	-	1,000
26	Total Revenues	54,892,751	26,173,706	(1,910,835)	15,302,449	95,537,748
27						
28	Expenditures					
29	Faculty Salaries & Benefits	(39,716,109)	(7,146,097)	-	(3,520,679)	(40,838,447)
30	Staff Salaries & Benefits	(10,265,100)	(1,509,801)	-	(1,656,505)	(19,241,409)
31	Other Personal Services	(4,121)	(5,705,943)	(11,057)	(1,437,663)	(7,852,794)
32	Total Personnel Expenses	(46,746,121)	(14,361,841)	(11,057)	(6,614,847)	(67,733,866)
33	Professional Services	(130,195)	(2,433,794)	(860)	(418,001)	(2,984,350)
34	Supplies & Materials	(213,515)	(634,401)	(12,235)	(885,325)	(1,745,476)
35	Operating Capital Outlay	-	-	-	(22,750)	(22,750)
36	Utilities & Communication	(49,082)	(18,934)	-	(10,593)	(79,009)
37	Transfers from Component Units	-	-	-	-	-
38	Memberships	(25,195)	(3,673,105)	(3,760)	(413,061)	(4,115,121)
39	Other Expenses	(24,900)	(506,239)	(7,000)	(552,574)	(1,090,713)
40	Total Other Expenses	(442,887)	(7,268,473)	(23,355)	(2,302,704)	(10,037,419)
41	Total Expenses	(47,187,782)	(21,630,314)	(34,412)	(8,917,551)	(77,770,059)
42						
43	Overhead					
44	General Administration - Direct Expenditures	(4,322,750)	(2,789,828)	-	-	(7,112,584)
45	Information Technology - Total Employee Headcount	(1,147,719)	-	-	-	(1,147,719)
46	Facilities - Weighted Square Footage	(3,022,292)	(6,864)	-	-	(3,029,156)
47	Health Science Center - HSC Direct Expenditures	-	-	-	-	-
48	Sponsored Program Administration - Recovered IDC	-	-	-	-	-
49	Student Administration - Total Student Headcount	(1,493,894)	-	-	-	(1,493,894)
50	Flat Overhead Rate	-	-	-	-	-
51	Deferred Maintenance Contribution - Weighted Square Footage	-	-	-	-	-
52	Total Overhead	(10,586,661)	(2,796,692)	-	-	(13,383,353)
53	Margins Based - Overhead Expense Credit	3,818,127	-	-	-	3,818,127
54	Total Net Overhead	(6,768,534)	(2,796,692)	-	-	(9,565,226)
55	Net Transfers	-	(881,150)	1,700,070	(6,384,898)	(5,666,019)
56	Total Transfers	-	(881,150)	1,700,070	(6,384,898)	(5,666,019)
59						
60	Direct Margin	936,435	1,845,184	(245,177)	-	2,536,442
61						
62	Support Unit Budget Authority	-	-	-	-	-
63						
64	Change in Net Position	936,435	1,845,184	(245,177)	-	2,536,442

ILLUSTRATIVE

- ## Key Insights:
- Consistent depiction of local unit (college) budgets and financial performance
 - Transparency of contribution into operational costs
 - High-level insight into cost of academic portfolio
 - Ability to understand cross subsidization between academic, research, auxiliary, and clinical activities
 - Multi-year trends illuminate growing revenue streams and expenditure profiles

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Overhead Assessment Overview



Summary of Overhead Assessment Evaluation

Historical overhead structures were not comprehensive of all operational costs, used a variety of metrics and exclusions to calculate assessments, and provided limited clarity of assessment authority.

Elements of Overhead Evaluation

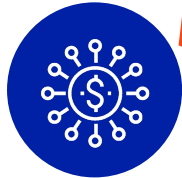
1. Redefined Cost Pool Composition

Included all support unit operations and associated costs into allocations



3. Published sources of cost pool funds

Provided transparency into support unit allocations to encourage critical examination



2. Identified Consistent Methodology

Rationalized / reduced exemptions and separately negotiated overhead rates



Benefits:

- Incorporation of all operational costs into budget development cycle
- Increased transparency of total administrative costs between center and colleges
- Additional capacity for Executive Leadership to direct one-time dollars toward strategic investments
- Increased flexibility for colleges to 'pay' for assessments with multiple funding sources

Redefining overhead assessments provides transparency into the actual cost of operations and enables leaders to holistically evaluate and account for costs during budget development.

Cost Pool Composition

Newly defined cost pools are composed of administrative units whose primary purpose is to provide operational support for the University.

General Administration
Support Unit
Chief Diversity Office
Office of Internal Audit
President
SVP and Chief Financial Officer
SVP for Academic Affairs and Provost
SVP for Administration
Teaching and Technology
University Libraries
University of Florida International Center
VP and General Counsel
VP for Advancement
VP for Enrollment Management
VP for Government Relations
VP for Human Resources
VP for Strat. Comm. & Marketing

Information Technology
Support Unit
VP and Chief Information Officer

Facilities
Support Unit
VP for Business Affairs

Student Administration
Support Unit
Graduate School
VP for Student Affairs

Health Science Center
Support Unit
SVP for Health Affairs

Cost Pool Activity Drivers

The following activity drivers will be used to determine a proportional share of activity for each academic unit to be allocated support unit costs.

Cost Pool	Allocation Driver	Rationale
General Admin	Direct Expenses	Direct expenses are seen as a proxy for unit size and complexity – the higher a unit’s expenses the more likely they will need increased admin support (finance, HR, etc.)
IT	Employee Headcount (excluding student employees)	IT must provide basic services (internet, email, HR systems) regardless of an employee’s FTE status
HSC	Direct Expenses	Direct expenses are seen as a proxy for unit size and complexity – the higher a unit’s expenses the more likely they will need increased HSC admin support
Student Admin	Student Headcount	Students, regardless of FTE status, require basic support structures in order to support their student experience
SPA	Recovered IDC	No change from current practice
Facilities	Weighted Square Foot	No change from current practice – SQFT is the industry standard practice for allocating space costs

Cost Allocation Methodology

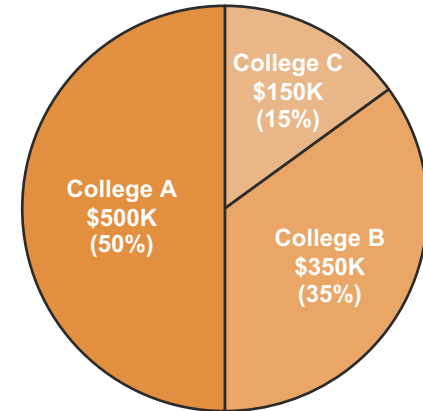
A cost allocation methodology uses institutional data (expenditures, employee headcounts, SQFT, etc.) to proportionally allocate operational expenses to each college or unit based on usage.

Illustrative CFO Expenses	
CFO Budgeted Expenses	\$1M

Illustrative CFO Cost Allocation Calculation		
College	Total OpEx of College	OpEx %
College A	\$1,000	50%
College B	\$700	35%
College C	\$300	15%
College Total	\$2,000	100%



Illustrative CFO Cost Allocation



A cost allocation approach IS NOT a tax on specific fund sources. Instead, it provides colleges and units flexibility to ‘pay’ for their assessment with a variety of fund sources.

Treatment of Major Units

Each unit type – academic, auxiliary, and centers & institutes – is assessed overhead using a method specific to their position and function within the institution.

Academic Unit (Cost Allocation)

Colleges are assessed overhead using the activity metrics listed below to allocate operational costs.

Cost Pool	Allocation Driver
General Admin	Direct Expenses
IT	Employee Headcount
HSC	Direct Expenses
SPA	Recovered IDC
Student Admin	Student Headcount
Facilities	Weighted Square Foot

Centers & Institutes (Hybrid)

State Funded Centers and Institutes are assessed overhead based on the primary nature of their operations.

Centers and Institutes	Classification
BEBR	Academic Unit
Digital Worlds	Academic Unit
Institute of Child Health Policy	Academic Unit
McKnight Brain Institute	Academic Unit
Research	Academic Unit
UF Cancer Center	Academic Unit
Whitney Labs	Academic Unit
Florida Museum of Natural History	Central Auxiliary
Harn Museum	Central Auxiliary
Phillips Center for the Performing Arts	Central Auxiliary
Women's Athletics	Central Auxiliary
University Florida Press	Central Auxiliary

Auxiliaries (Flat Tax)

Stand-alone centrally-managed auxiliary units are assessed overhead using a flat tax rate.

Tax Rate
Flat tax rate of 10% on prior year expenses regardless of state or non-state funds
University Managed Auxiliary Units
Housing
Parking and Transportation
Stephen C O'Connell Center
Business Services
Baby Gator
Reitz Union

These overhead allocation structures account for unit differences while holding all areas accountable for consumption of university provided support services.

3

Governance and Model Management



Budget Enhancement Enactment Committee Charge

BEEC played a vital role in enacting budget enhancements and ensuring unforeseen impacts are considered before enhancements go-live in FY24.



Understand. *Understand approved enhancement designs, desired outcomes, and how designs fit into the overall funds flow within the University.*



Stress Test. *Recommend mitigation tactics after reviewing outlier unit operating statements and other analyses that may suggest unintended consequences from enhancements.*



Enact. *Ensure that approved designs are incorporated into the formation of the FY24 Budget and appropriately outlined in the new budget and planning tool.*



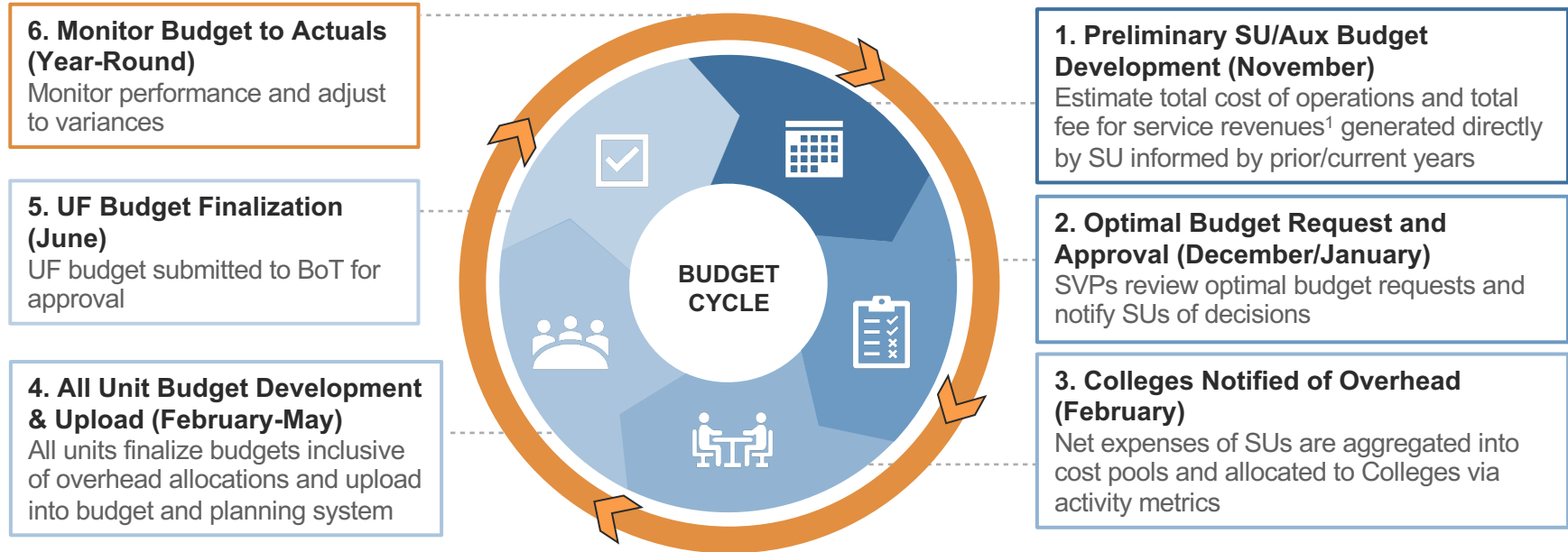
Communicate. *Share relevant updates with colleagues and the broader campus about the change. Partner with CFO and Budget Office on communication support.*

Budget Enhancement Enactment Committee Membership

The Budget Enhancement Enactment Committee (BEEC) is comprised of representatives from across campus as well as University leadership.

Member	Unit	Constituencies
Saby Mitra (co-chair)	Business Administration	Deans
Chris Cowen (co-chair)	Office of the CFO	Executive Leadership
Joe Glover	Academic Affairs	Executive Leadership
Dave Richardson	Liberal Arts & Sciences	Deans
Dana Zimmel	Vet Medicine	Deans
Elaine Turner	IFAS	Deans
Kelly Sharp	UF Health / Pharmacy	College Business Officers
Scott Sumner	Medicine	College Business Officers
Tracey Phillips	Health & Human Performance	College Business Officers
Elias Eldayrie	Information Technology	Central Administration
George Kolb	Budget Office	Budget Office
Julie Wang	Budget Office	Budget Office

Summary of Budget Development Cycle







Support Units and Auxiliary Units must develop budgets prior to Colleges and Centers so that overhead assessment levels can be incorporated into College and Center budgets.

1. Examples: Housing fees, tech fees, direct service charges to campus units, direct service fees charged to external constituencies

Additional Efforts for Fiscal Optimization

Additional efforts to further optimize UF’s fiscal strategy, mitigate future risk, and plan responsibly for long-term investments in strategic priorities are summarized below.

Initiative		Description	Status
	All Funds Budget	An enterprise view of sources and uses of all UF resources	Complete ✓
	Inclusion of All Operational Costs	A methodology to include and allocate the entirety of operational costs across UF units	Complete ✓
	Multi-year Forecasting Model	A long-range, scenario planning tool to inform impacts of potential resourcing decisions	Complete ✓
	Administrative Operations Review	A holistic evaluation of administrative cost structures to identify efficiency opportunities	Underway