

University Budget Redesign Task Force

Summary of Recommendations

Presented to and Endorse by the Task Force in October 2016
Received by the Steering Committee in December 2016

Central Cost Allocation

This is a summary of recommendations developed by the working group. For additional information, please review the group's full report and materials, which contain more detailed discussion and analysis. A complete list of comments received will also be available.

Objective

The group was charged with developing recommendations to allocate each central unit's costs to the revenue-producing units. Allocation method options were to include a hybrid approach consisting of both an "off-the top" option and a metric-based or use-based option. The group was also charged with minimizing the number of metrics employed in metric-based allocations. These recommendations are limited to the allocation of E&G expenditures.

Recommendations

- 1. Use a system-based set of central costs and related use metrics to allocate costs including a space step-down method.**
 - Rationale: This meets the criteria of accountability or transparency. Revenue units see central unit costs and how those costs are charged to each unit. The costs allocated under this model are net of any revenue or internal charges collected by central units.
- 2. Establish central cost pools based on specific allocation metrics that combine central units according to the general type of services provided.** These are: a) assigned square-footage [step-down], b) student FTEs, c) full-time faculty/staff headcount, d) grant expenditures, e) local fund expenditures and f) all funds expenditures [less grant and FACR expenditures].
 - Rationale: Simplifies the model by allowing a limited number of metrics.
- 3. Distribute space costs to revenue and central units based on square-footage.**
 - Rationale: Only space costs are of sufficient size and applicability to warrant across-the-board allocation to all units (both central costs and revenue units). Space costs for each revenue unit can be viewed as a metric-based charge paid directly by the school that approximates its own facilities upkeep. Space costs for central units are viewed as part of unit's total direct expenditures.

- 4. Calculate the net total cost for each central unit by adding baseline expenditure budget and allocated space cost and subtracting internal charge transfers, financial aid expenditures, tuition/fee revenue, and any revenue from external sources.**
- Rationale: This process will give a true cost for each unit. Understanding all of the various sources that make up their budget is important before allocating it back to the revenue generating units.

Outstanding Issues

- Determine the look back period for both central costs and school metrics. Primary issues include whether the central cost allocation should be based on data from the previous fiscal year or derived from an average of multiple years to lessen variability and increase predictability for planning purposes. The group will next explore data from FY13, FY14 and FY16 in order to make an informed recommendation to the Steering Committee.
- Exploring the possibility of developing a differential square footage charge for lab space to better reflect the higher costs associated with the upkeep of research space
- Explore the possibility of incorporating adjunct faculty into the faculty headcount metric.
- Explore the allocation of other fund types. The group's initial charge was to recommend the allocation of E&G expenditures only.