



Compendium of Budget Model Profiles

How 30+ Institutions Structure Revenue and Cost
Allocations, Subvention, and Strategic Reserves

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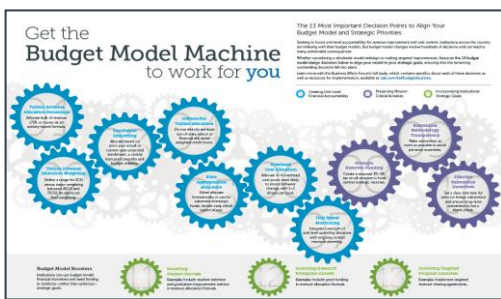
Supporting Budget Model Design Efforts

Additional Resources for Developing More Strategic Resource Allocation Systems

Budget models remain an area of scrutiny, as scores of institutions consider either adjustments to their current model or wholesale model changes. In contrast to the RCM-or-bust attitude of the previous decade, many institutions are now looking to adopt hybrid models that incorporate the best elements of centralized and decentralized models. However, designing a hybrid budget model that aligns with an institution's strategic priorities, mission, and culture requires hundreds of individual decisions—which can quickly become overwhelming.

In addition to onsite support, the EAB offers three distinct, but complementary, resources to assist members with these efforts. More detail is provided below. Members can download these resources, order hard copies of studies and infographics, and register for upcoming webinars at eab.com/baf.

1 Aligning the Budget Model to Strategic Goals

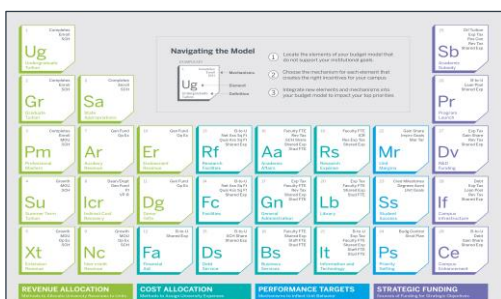


Seeking to boost unit-level accountability for revenue improvement and cost control, institutions across the North America are tinkering with their budget models. However, budget model changes involve hundreds of decisions and can lead to unintended consequences.

Whether considering a wholesale model redesign or making targeted improvements, 13 decisions are critical to aligning a budget model to strategic goals, ensuring that the remaining decisions fall into place. The EAB offers the following resources to help members think through these decisions:

- Infographic (*pictured at left*)
- Full-length best practice study
- Webinar series

2 Optimizing Institutional Budget Models



Once the core principles of a budget model are established, dozens of important technical decisions remain. Fortunately, every budget model is composed of a common set of budget model elements.

Providing a guidebook to 29 universal budget model elements, our resources feature detailed descriptions, case studies, and implementation guidance delivered in the following formats:

- Infographic (*pictured at left*)
- Full-length best practice study
- Webinar series

3 Compendium of Budget Model Profiles (*this resource*)

Summary of Profiled Institutions' Key Model Elements			
	American University	Brandeis University	Cleveland State University
Location (Main Campus)	Washington, DC	Waltham, MA	Cleveland, OH
Carnegie Classification	Doctoral Universities: Higher Research Activity	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity
Public/Private	Private	Private	Private
Enrollment	• 7,900 undergraduate • 5,300 graduate	• 3,550 undergraduate • 2,200 graduate	• 5,120 undergraduate • 6,220 graduate
Operating Budget	\$640M (FY17)	\$450M	\$874M
Allocates Tuition Revenue to Unify?	• Law and business schools all • Instructional Revenue Centers: some • All other academic units: none	• School of Continuing Studies, School for Policy and Social Management, and International Business School: all • College of Arts and Sciences, Graduate School of Arts and Sciences: none	All
Tuition Revenue Allocation Basis	Current year actual enrollments	Current year actual enrollments	• Undergraduate: two year historical average • Graduate/professional: current year actual
Undergrad Tuition Revenue Cross-Teaching Split	N/A	N/A	Individual arrangements exist between each academic unit

Rather than start from scratch, institutions can benefit from the collective learnings of colleges and universities that have already changed budget models. In particular, leaders may wish to reference or even adopt and tweak existing models from other institutions. This “encyclopedia-like” resource allows leaders to compare and contrast existing models.

End-to-End Support Tailored to Your Institution's Budget Model Journey

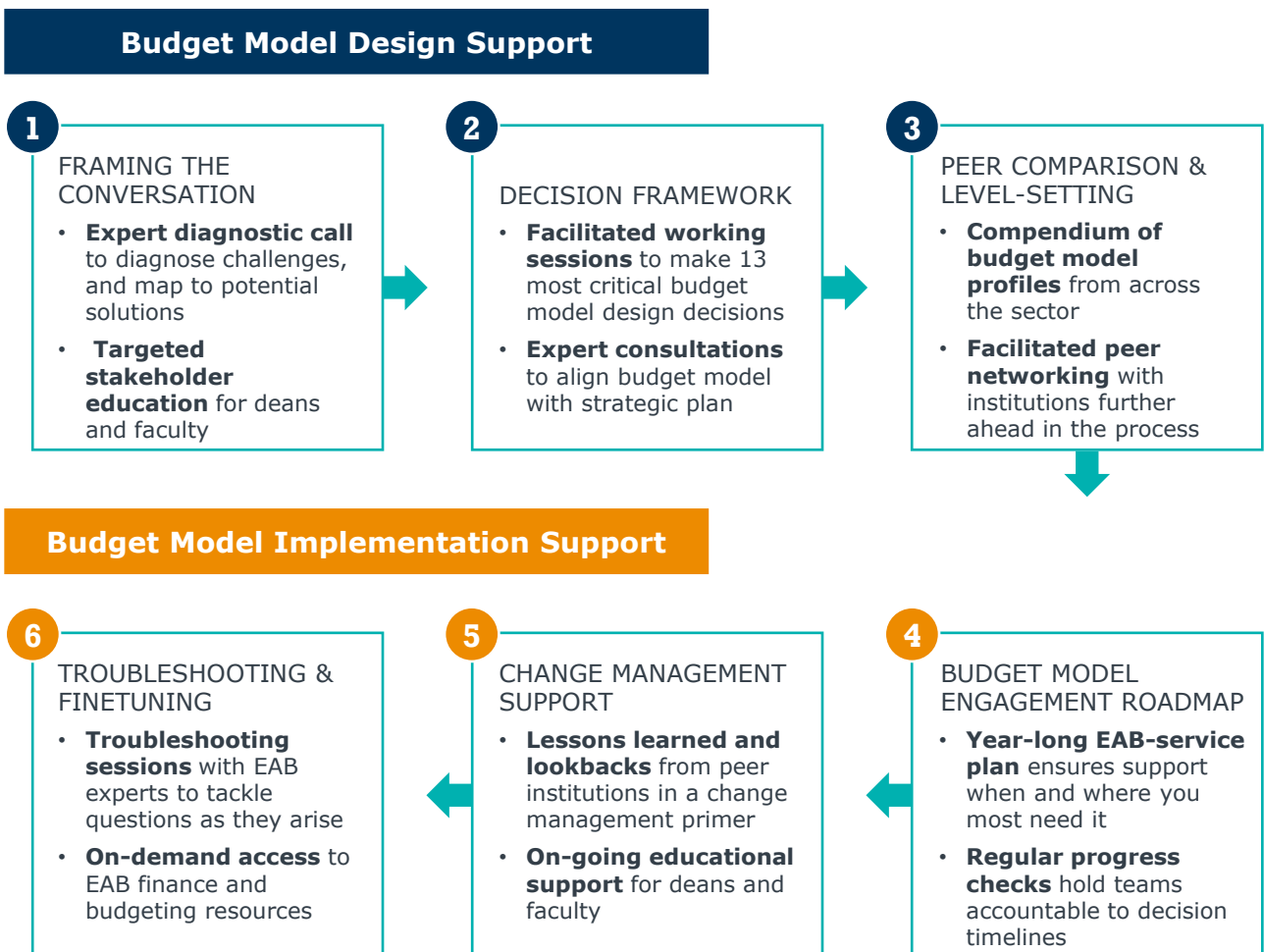
Challenges to Making Progress:

- Hundreds of decisions **overwhelm committees**, spreading efforts across items of varying importance
- Institutions **struggle to determine** which institutional goals are best achieved through decentralized incentives versus central investment and oversight
- Difficult to **balance need for simplicity with calls for precision** (e.g., overhead cost allocation)
- Emotional responses and finger-pointing with **winners and losers rhetoric**

EAB's Expert-Led, End-to-End Support:

Focus your efforts & make progress on your budget model re-design with customized support to:

- **Speed decision-making** with a 13-point decision framework to build your core budget model
- **Focus on the most important decisions**, de-emphasizing smaller decisions that derail progress
- **Secure stakeholder buy-in** and educate deans and faculty on the A-Z of budget models



How to Use This Resource

Leveraging the Learnings of Successful Budget Model Changes

Given the multitude of decisions involved in budget model design, institutions navigating the process often seek comparators. However, efficiently identifying institutions to network with or models to emulate can be challenging. Fortunately, rather than starting from scratch, leaders can benefit from this compendium, featuring the collective learnings of colleges and universities that changed budget models in the past.

This resource helps leaders:

- Recognize what makes elements of one campus' model applicable—or not
- Identify institutions with similar demographic or academic profiles to consider which policies and incentives to emulate
- Start with specific budget model mechanisms that are under consideration for adoption and seek implementation guidance from institutions with similar models

Facilitating Budget Model Comparisons and Knowledge-Sharing

This publication is designed to help institutions more efficiently and effectively compare different campus models, providing standardized budget model information from a large and diverse set of institutions. The first section of this publication is a list of industry-wide trends in budget model design, gleaned from analyzing dozens of budget models across higher education. The second section is a model comparison matrix, providing a "side-by-side" overview of 33 profiled institutions' most important budget model design elements. The third section is a compilation of 33 detailed institutional budget models.

Section	Resource	Purpose
1 Industry-Wide Budget Model Trends	15 executive-level takeaways, lessons learned, and common trends based on EAB's analysis of diverse models across higher education	Leaders can review these trends to gain a macro-level understanding of how institutions across the industry use budget models to incent revenue growth, cost reduction, and unit-level investment in institutional priorities
2 Model Comparison Matrix	High-level budget model snapshots from 33 different institutions comparing key mechanisms and structure, including revenue allocations, overhead cost charges, central strategic funding, and subvention	Leaders can use this matrix to easily compare and contrast models and identify institutions with particular demographic profiles or budget model elements of interest
3 Detailed Budget Model Profiles	Detailed descriptions of the most important design elements of profiled institutions' budget models, presented in a standardized format for cross-institutional comparison	Leaders can review profiles of interest in this section to learn how those institutions allocate revenues to units, cover central overhead costs, fund central strategic investments, and structure subvention



Industry-Wide Trends in Budget Model Design

SECTION

1

Key Takeaways from the Research

Degree of Activity-Based Revenue and Cost Allocation

- 1. Institutions incorporate activity-based incentives into budget models in various ways.** Profiled institutions use different forms of activity-based revenue allocation to incent unit-level performance goals. More than half of profiled institutions use highly decentralized budget models with some degree of activity-based tuition revenue allocation (i.e., units receive financial resources based on their share of student activity as defined by the institution). On the other hand, five of profiled institutions maintain highly centralized budget models yet allocate out a small portion of the institution's overall revenues through performance pools or revenue-sharing agreements. Most of these institutions cite an intentional commitment to centralized budgeting for institution-specific reasons (e.g., a strong shared religious mission or focus on large-scale central strategic investments in student success programming or faculty growth).
- 2. Some models recognize differences in graduate and undergraduate enrollment strategies.** Eight profiled institutions use hybrid budget models that fall near the middle of the centralized/decentralized spectrum. Four of these institutions allocate all or some graduate/professional tuition revenues formulaically to incent program growth while setting undergraduate program budgets incrementally. Many of these institutions cite a centralized undergraduate enrollment strategy as the reason for maintaining incremental budgeting for undergraduate programs.
- 3. Select institutions incentivize unit-level revenue growth while maintaining central cost coverage.** Four profiled institutions use hybrid models that allocate tuition revenue to all academic units (graduate and undergraduate) but cover nearly all overhead costs centrally. Acknowledging institutional imperatives to grow revenue, these institutions intentionally encourage units to prioritize revenue generation over cost cutting.
- 4. No clear link observed between demographic factors and degree of model centralization.** Among profiled institutions, no noticeable link exists between degree of budget model centralization and demographic factors, including size of operating budget, research intensity, or public/private affiliation. While many profiled institutions with large enrollments have moved towards decentralized budget models, the size of an institution's student body does not necessarily predict its degree of budget centralization. Counterintuitively, two of the largest profiled North American institutions in terms of enrollment have committed to maintaining centralized budget models, while the smallest profiled institution successfully uses a highly decentralized model.

Tuition Revenue Allocation

- 5. Most decentralized models allocate 100% of tuition revenue to academic units.** Among profiled institutions using decentralized models, 12 allocate all tuition revenue to academic units. The remaining institutions hold a portion of tuition revenue centrally for subvention and/or strategic initiatives. Most institutions that allocate 100% of tuition revenue recoup resources for central needs through back-end charges (i.e., taxes levied after revenue allocation), so academic units net similar proportions of tuition revenue under both methodologies. Institutions that allocate 100% of revenues directly to units value this method as more transparent than retaining some resources centrally prior to revenue allocation.
- 6. Institutions are split between quickly rewarding growth and building predictability into revenue allocation.** Profiled institutions base tuition revenue allocations on varying time-frames of student activity, ranging from current-year actual enrollments to an average of five years' historical enrollment data. Among institutions using activity-based tuition revenue allocation, 18 base their allocations on current-year enrollment data or current-year projections. Four use prior-year data, while eight institutions smooth enrollment data over two- to five-year rolling averages. Institutions that use current-year data desire to quickly reward unit revenue growth as it occurs, ensuring those units have adequate resources to support growth. On the other hand, institutions that use rolling averages of current- and prior-years' data seek to help units project revenues and mitigate the financial impact of unanticipated enrollment shifts.

Source: EAB interviews and analysis.

Key Takeaways from the Research (cont.)

- 7. Most institutions divide undergraduate tuition revenue allocation between units of instruction and enrollment, but revenue weightings vary.** Profiled institutions using activity-based revenue allocation take varying approaches to weighting tuition revenue allocations between student credit hours and majors. Among institutions using activity-based revenue allocation for undergraduate tuition, 14 split tuition revenue between the unit of instruction (i.e., rewarding credit hours taught) and the unit of enrollment (i.e., rewarding majors). While no strong preference for a particular weighting exists, seven of profiled institutions in this category allocate 75% of undergraduate tuition revenue to the unit of instruction and 25% to the unit of enrollment—the most common weighting observed. Alternatively, three institutions maintain unique revenue-sharing arrangements between different academic units to recognize differences in units' cross-teaching loads.
- 8. Publics differ on allocation methodology for unrestricted state appropriations.** Among profiled public institutions, no strong preference for allocating unrestricted state appropriations exists. Five profiled public institutions allocate all state appropriations formulaically to units to supplement tuition revenues, while an additional six allocate at least a portion to units. Finally, five profiled institutions hold all state appropriations centrally to invest in subvention or strategic initiatives. The observed disparity of methodologies may reflect institutions' varying responses to unpredictable state funding patterns for higher education.

Central Overhead Cost Allocation

- 9. Most institutions that allocate revenues also charge for central overhead costs.** Among profiled institutions using activity-based tuition revenue allocation, 20 charge some or all academic units for a share of central overhead costs. Of those institutions, 14 use activity-based models that recoup funding for central overhead using cost pools and drivers. Two institutions levy flat taxes on unit revenues to cover overhead cost charges, while two institutions have negotiated individual cost-sharing arrangements between units and central administration. Institutions charge for central overhead costs to instill greater financial accountability among units and incent reduced consumption in certain areas (e.g., space, utilities).
- 10. Institutions use wide range of cost pools and drivers.** Institutions charging units for overhead costs through cost pools and drivers use a wide range of number of cost pools—as few as 3 pools and as many as 17. The mean and median number of cost pools used is 8. Five of these institutions assign one unique driver to each cost pool. Profiled institutions in this category allocate overhead cost pools using a maximum of 10 drivers per pool, though just over half of these institutions use fewer than 3 drivers per pool. Those institutions using fewer cost pools and drivers desire to keep their models simple. On the other hand, those using more cost pools and drivers aim for more precise models to win unit buy-in.

Funding Central Strategic Priorities

- 11. Decentralized models favor taxing units to fund strategic initiatives.** 20 profiled institutions hold back some resources before allocating revenues to units (i.e., "off-the-top") to fund central strategic priorities. 16 either tax unit revenues after allocation to fund strategic initiatives or use a combination of both approaches. Units using highly decentralized budget models favor taxing unit revenues after allocation, with nine profiled institutions choosing this approach.
- 12. Designating taxes for specific initiatives signals institutional priorities.** While most institutions charge one flat tax to fund all strategic priorities (i.e., academic, administrative, facilities, and subvention), two institutions charge multiple taxes, with each tax designated for a different type of strategic priority. Notably, one of these institutions levy designated taxes to fund research growth. Not only does this provide additional resources for research investments, but it also signals to the university community that research is an important institutional priority.

Key Takeaways from the Research (cont.)

- 13. Regressive taxes are more prevalent but may result in greater downstream subvention needs.** The majority of institutions using back-end charges to fund central initiatives use regressive taxes, which charge all units at the same tax rate. Only one profiled institution levies a progressive tax, taxing units with higher shares of the institution's overall direct expenditures at higher rates. When determining which type of tax to levy, institutions consider downstream implications of each tax type. For example, units in structural deficits or facing short-term financial challenges often require higher subvention payments when charged regressive taxes over progressive taxes.

Structuring Subvention

- 14. Subvention approaches vary with degree of model decentralization.** Nearly all profiled institutions provide subsidies to units in structural deficits or with high costs of instruction. All institutions using more centralized models build subsidies into units' historical base budgets. Among institutions using more decentralized models, 23 award subvention funding either through a set formula or at senior leaderships' discretion. One institution uses weighted credit hours to redistribute resources to units with higher costs of instruction. While these institutions effectively use weighted credit hours, other institutions that have tried this approach have found that it weakens models' transparency and spurs debates over the appropriate credit hour weightings.
- 15. Institutions use short-term subvention payments to acclimate units to decentralized models.** All institutions that moved to more decentralized models in the past five years chose to use some form of subvention to orient units to the new models. Most of these institutions used hold harmless funding to ensure units received at least as much funding in the first few years of model implementation as they did under the old model. Alternatively, two institutions used a learning year before their new models went live; during this time, units received reports showing how much funding they would have received if the new budget had gone live that year. Both options allow units to acclimate to a new model without immediately affecting the amount of funding they receive.



Model Comparison Matrix

SECTION

2

Research Methodology

To help business executives compare, contrast, and examine existing models from different institutions, this publication provides a compendium of 33 budget model profiles. High-level, comparative information is summarized in the table across pages 14 to 25. Detailed profiles of institutional budget models follow on pages 26 to 91. Budget model design elements are divided into four major sections: revenue allocation, cost allocation, subvention methodology, and strategic reserves.

To prepare these profiles, the EAB spoke with business executives at over 85 institutions across the United States, Canada, and Australia. We gained a thorough understanding of how each institution structures its budget model and how its model design supports its unique institutional goals and culture. Through our interviews and analyses, we observed how institutions often use different labels (e.g., Responsibility Centered Management [RCM], performance-based, hybrid) to describe similar budget models, making it difficult to compare models cross-industry. Therefore, rather than looking at model labels, we focused our analyses on model mechanics. We chose to profile institutions that have moved beyond wholly centralized budgeting (i.e., central administration determining the amount of resources units receive) to incorporate some activity-based elements into their budget models, from small performance pools to full revenue and overhead cost allocation. Accordingly, the 33 profiled institutions are not a representative cross-section of all four-year colleges and universities. However, within the pool of institutions that are experimenting with activity-based model elements, we profile a representative mix of institutions based on size, location, and public/private affiliation.

Clearly, institutions will incorporate cost and revenue incentives into their activity-based models in different ways. To provide business executives and their teams with as much of an “apples-to-apples” comparison of budget models as possible, we have tried to control for differences in accounting treatment and terminology in the model comparison matrix and profiles. We also use a standard dictionary of terms and phrases to describe budget model elements in the model comparison matrix and profiles. These phrases may vary from how an institution describes its model on campus.

EAB initially interviewed business executives at profiled institutions across the spring and summer of 2016, and conducted a refresh over the summer and fall of 2021. Information in this publication reflects the models in those places at that time, not changes that have occurred since.

Excerpt of Model Comparison Matrix and Sample Budget Model Profile

	American University	Brandeis University	Case Western Reserve University
Location (Main Campus)	Washington, DC	Waltham, MA	Cleveland, OH
Carnegie Classification	Doctoral Universities: Higher Research Activity	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity
Public/Private	Private	Private	Private
Enrollment	• 7,900 undergraduate • 5,300 graduate	• 3,550 undergraduate • 2,200 graduate	• 5,121 undergraduate • 6,219 graduate
Operating Budget	\$640M (FY17)	\$333M (FY16)	\$874M (FY15)
Allocates Tuition Revenue to Units?	• Law and business schools (RCM units)- all • Instructional Revenue Centers (IRC's)- some • All other academic units- none	• School of Continuing Studies, School for Policy and Social Management, and International Business School (RCM units)- all • College of Arts and Sciences, Graduate School of Arts and Sciences- none	All
Undergraduate Tuition Revenue Allocation Weighting	N/A	N/A	Individual arrangements exist between each academic unit
Tuition Revenue Allocation Basis	Current-year actual enrollments	Current-year actual enrollments	• Undergraduate- two year historical average enrollments • Graduate/professional-current-year actual enrollments
Allocates State Appropriations to Units?	N/A	N/A	N/A

American University

Type of Institution: Private Doctoral University; Higher Research Activity

Location: Washington, DC

Enrollment: 7,900 undergraduate, 5,300 graduate (Fall 2015)

Operating Expenditures: \$640M (FY17)

Colleges:

College of Arts and Sciences	School of Professional and Extended Studies
Kogod School of Business	School of Public Affairs
School of Communication	Washington College of Law
School of International Service	



Date of Model Adoption: Initially incorporated hybrid elements into model in 1980; moved to current iteration in 2000

Revenue Allocation:

- The Washington College of Law, Kogod School of Business, and WAMU 88.5-FM Radio Station operate under RCM:
 - 100% of earned revenues allocated to units
 - Earned tuition revenues based on current-year actual enrollments
- Undergraduate programs and traditional, on-campus graduate programs within the remaining academic units receive historical annual base budgets
- Units can submit proposals for additional funds to grow in areas identified in institutional strategic plan during two-year budget cycles
 - Currently exploring hybrid incentive model options for the remaining units
- Instructional Revenue Centers (IRCs)¹ for all schools participate in a revenue sharing model where net income split 50%/50% between the schools and the university
- Online partnership programs participate in a revenue-sharing model; revenue-sharing arrangement varies by program

Glossary of Commonly Used Budget Model Terms

The following pages summarize key, high-level budget information into a comparative matrix. To distill budget model elements into the matrix, the EAB relied on several commonly used acronyms and short-hand budget model phrases. Users can refer to this glossary for an explanation of these terms.

Term	Explanation
Back-end charge	In decentralized models, an approach to recouping decentralized revenues for central priorities. Revenues flow first to units and central administration subsequently charges or taxes units for their share of central indirect costs or strategic priorities
FTE	Full Time Equivalent , a unit that indicates the work or instructional loads of faculty, staff, or students in a way that makes work or instructional loads comparable across various contexts. Commonly used driver in activity-based revenue or cost allocation
Hybrid	Umbrella term for budget models that include elements of centralized and decentralized resource allocation
ICR	Indirect Cost Recovery , reimbursements for administrative and overhead costs associated with research. Also known as Facilities and Administrative (F&A) recovery
Incremental	A centralized approach to budgeting where each unit's budget is based on its allocation in the previous year, plus or minus an adjustment equal to the overall change in institutional resources
NASF/NASM	Net Assignable Square Feet/Net Assignable Square Meter , the sum of all areas on all floors of a building attributable to a specific unit. Commonly used activity driver for unit space charges
Off-the-top	In decentralized models, an approach to recouping decentralized revenues for central priorities. Central administration takes necessary funds off-the top and then allocates the remaining funds to the academic units through the revenue-allocation formula
PI	Principal Investigator , the lead researcher on a funded research project. Many institutions allocate a portion of revenues from indirect cost recovery to the respective project's PI
RCM	Responsibility Center Management , a decentralized approach to budgeting where operating units are responsible for managing their own revenues and expenditures, including indirect costs
RCU/RC	Responsibility Centered Unit/ Responsibility Center , an operating unit in RCM budget model
SCH	Student Credit Hour , unit of measuring educational credit, usually based on the number of classroom hours per week throughout a term. Commonly used driver in activity-based revenue and cost allocation
Subvention	Central resource redistribution. In decentralized budget models, central administration often taxes units to create a subvention pool, which it then redistributes to fund units in structural deficit or with strategically significant resource needs

Summary of Profiled Institutions' Key Model Elements

	American University	Australian Catholic University
Location (Main Campus)	Washington, DC	Watson, Australian Capital Territory, Australia
Carnegie Classification	Doctoral Universities: Higher Research Activity	N/A
Public/Private	Private	Public
Enrollment	<ul style="list-style-type: none"> • 7,900 undergraduate • 5,300 graduate 	<ul style="list-style-type: none"> • >31,200
Operating Budget	\$640M (FY17)	AUD \$514M (FY20)
Allocates Tuition Revenue to Units?	<ul style="list-style-type: none"> • Law and business schools (RCM units)- all • Instructional Revenue Centers (IRCs)¹- some • All other academic units- none 	Some
Undergraduate Tuition Revenue Allocation Weighting	N/A	Subdivided between units of instruction and units of enrolment. Unit of enrolment at course-level in each School is used to develop future student load. Future student load is then converted to units of instruction (taught load) using a 3-year rolling average. Each Faculty's allocation is then determined according to its contribution to taught load.
Tuition Revenue Allocation Basis	Current-year actual enrollments	Future-year enrolment estimates with a 3-year rolling average
Allocates State Appropriations to Units?	N/A	N/A
Allocates Central Overhead Costs to Units?	<ul style="list-style-type: none"> • Law and business schools each have unique cost sharing agreement with central admin • IRC direct expenses taxed at 25%-50% depending on program type 	<ul style="list-style-type: none"> • All units charged off-the-top 23.2% tax to cover central overhead costs
Central Strategic Funding Methodology	Off-the-top	<ul style="list-style-type: none"> • 1.4% off-the-top tax • At fiscal year end, 100% of unit-level budgetary surpluses returned to center
Subvention Methodology	<ul style="list-style-type: none"> • Subvention built into historical base budgets for non-RCM units • RCM units received loans from central admin as needed during RCM implementation 	<ul style="list-style-type: none"> • The budget model does not account for units incurring deficits or with high costs of instruction.

1) A specialized and intensive course, or sequence of courses, offered on an experimental basis, or a program contracted by an outside agency to offer credit or noncredit training, which is closely related to the academic mission of the sponsoring teaching unit, and is designed primarily for an audience external to the existing student population

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key Model Elements

	Brandeis University	Case Western Reserve University
Location (Main Campus)	Waltham, MA	Cleveland, OH
Carnegie Classification	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity
Public/Private	Private	Private
Enrollment	<ul style="list-style-type: none"> • 3,600 undergraduate • 1,700 graduate 	<ul style="list-style-type: none"> • 5,121 undergraduate • 6,219 graduate
Operating Budget	\$350M (FY22)	\$874M (FY15)
Allocates Tuition Revenue to Units?	<ul style="list-style-type: none"> • School of Continuing Studies, School for Policy and Social Management, and International Business School (RCM units)- all • College of Arts and Sciences, Graduate School of Arts and Sciences- none 	All
Undergraduate Tuition Revenue Allocation Weighting	N/A	Individual arrangements exist between each academic unit
Tuition Revenue Allocation Basis	Current-year actual enrollments	<ul style="list-style-type: none"> • Undergraduate- two year historical average enrollments • Graduate/professional- current-year actual enrollments
Allocates State Appropriations to Units?	N/A	N/A
Allocates Central Overhead Costs to Units?	<ul style="list-style-type: none"> • All indirect costs covered centrally • All units charged a 15% overhead tax on gift expense 	5 indirect cost pools allocated to units using 2-10 cost drivers per pool
Central Strategic Funding Methodology	Off-the-top	Funded outside the operating budget, largely through philanthropy
Subvention Methodology	<ul style="list-style-type: none"> • Subvention built into historic base budgets for non-RCM units • RCM units subsidized through central coverage of overhead costs 	<ul style="list-style-type: none"> • Center does not subvent units incurring deficits • Units allowed to carry forward deficit retained earnings balances

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	Central Queensland University	The George Washington University
Location (Main Campus)	Rockhampton, Queensland, Australia	Washington, DC
Carnegie Classification	N/A	Doctoral Universities: Highest Research Activity
Public/Private	Public	Private
Enrollment	35,000	<ul style="list-style-type: none"> • 10,000 undergraduate • 14,000 graduate
Operating Budget	AUD \$483M	\$887M (FY16)
Allocates Tuition Revenue to Units?	Some	Most
Undergraduate Tuition Revenue Allocation Weighting	Allocation to divisions based on school contribution margin and cost per Equivalent Full-Time Student Load (EFTSL)	Units receive pro-rata share of undergrad tuition revenue at fixed rate based on SCH
Tuition Revenue Allocation Basis	Current-year actual enrolment forecasts	<ul style="list-style-type: none"> • Undergraduate: average of past three years' credit hours taught • Graduate: current-year actuals
Allocates State Appropriations to Units?	N/A	N/A
Allocates Central Overhead Costs to Units?	The budget model does not allocate central overhead costs to each budgetary unit or levy administrative cost recovery chargers on auxiliary revenues.	<ul style="list-style-type: none"> • RCM colleges (law, medicine, public health) charged for metered overhead consumption • All indirect costs covered centrally for remaining academic units
Central Strategic Funding Methodology	Off-the-top tax of 10% EBITDA KPI	Off-the-top
Subvention Methodology	Central leadership accounts for units incurring deficits in regular reviews and details 'recommended distribution' for each unit executive. Unit executive retains decision on how to distribute budget within respective divisions.	Center provides a supplemental instruction payment to some units to recognize differential instructional costs by discipline

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	Kansas State University	Kent State University	McMaster University
Location (Main Campus)	Manhattan, KS	Kent, OH	Hamilton, ON
Carnegie Classification	Doctoral Universities: Highest Research Activity	Doctoral Universities: Higher Research Activity	Research-Intensive Doctoral University
Public/Private	Public	Public	Public
Enrollment	<ul style="list-style-type: none"> • 16,257 undergraduate • 4,597 graduate 	<ul style="list-style-type: none"> • 29,295 undergraduate • 5,466 graduate 	<ul style="list-style-type: none"> • 25,100 undergraduate • 4,200 graduate
Operating Budget	\$790M (FY21)	\$647M (FY22)	\$589M (FY15)
Allocates Tuition Revenue to Units?	Most	Some	All
Undergraduate Tuition Revenue Allocation Weighting	<ul style="list-style-type: none"> • 70% credit hours • 30% majors by headcount 	<ul style="list-style-type: none"> • 80% credit hours • 20% FTE major 	100% credit hours
Tuition Revenue Allocation Basis	Current-year projected enrollments	Current-year actual enrollments	Current-year actual enrollments
Allocates State Appropriations to Units?	Some	Some	All
Allocates Central Overhead Costs to Units?	All	All indirect costs covered centrally	6 indirect cost pools allocated to cost centers using 1-3 different drivers per pool
Central Strategic Funding Methodology	Off-the-top	Off-the-top	8% back-end charge on certain revenue streams (plus 1-3% charge to fund research infrastructure)
Subvention Methodology	Subvention established based on legacy budgets of revenue centers. Adjustments are made each year based on availability of funding.	Center subsidizes units through coverage of central overhead costs; units receive subvention funding at leadership's discretion	Center holds units harmless during first few years of new model by calculating fixed subsidy level, which units receive for predetermined period of time

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key...(cont.)

	Medical University of South Carolina	Miami University (Ohio)	Ohio University
Location (Main Campus)	Charleston, SC	Oxford, OH	Athens, OH
Carnegie Classification	Special Focus Four- Year: Medical Schools & Centers	Doctoral Universities: Higher Research Activity	Doctoral Universities: Higher Research Activity
Public/Private	Public	Public	Public
Enrollment	<ul style="list-style-type: none"> • 318 undergraduate • 2,830 graduate 	25,306 (undergraduate & graduate)	<ul style="list-style-type: none"> • 17,312 undergraduate • 22,135 Graduate
Operating Budget	\$900M (FY21)	\$713M (FY22)	\$736M (FY21)
Allocates Tuition Revenue to Units?	All	All	Graduate - All Undergraduate - None
Undergraduate Tuition Revenue Allocation Weighting	100% FTE major	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major 	N/A
Tuition Revenue Allocation Basis	Prior-year actual enrollments	Four-year historical average enrollments	Current-year actual enrollments
Allocates State Appropriations to Units?	All	All	Most
Allocates Central Overhead Costs to Units?	8 indirect cost pools allocated to cost centers using 1 of 6 different drivers	8 indirect cost pools allocated to cost centers based on three year rolling average	Indirect costs are covered centrally
Central Strategic Funding Methodology	17% back-end charge on select unit revenues	Unit surplus earnings returns to the center	Off-the-top
Subvention Methodology	Center held units harmless in first three years of new model with no subvention thereafter	Annually determined temporary subvention where colleges receive support for a maximum of two years	<ul style="list-style-type: none"> • Center does not subvent units that incur deficits • Units balanced on centrally allocated funds

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	Queen's University	Rutgers University	Simon Fraser University
Location (Main Campus)	Kingston, ON	New Brunswick, NJ	Burnaby, BC
Carnegie Classification	Research- Intensive Doctoral University	Doctoral Universities: Highest Research Activity	Research-Intensive Doctoral University
Public/Private	Public	Public	Public
Enrollment	<ul style="list-style-type: none"> • 21,555 undergraduate • 4,746 graduate 	<ul style="list-style-type: none"> • 34,500 undergraduate • 13,800 graduate 	<ul style="list-style-type: none"> • 22,700 undergraduate • 3,600 graduate
Operating Budget	\$662M (FY22)	\$4.8B (FY22)	\$488M (FY15)
Allocates Tuition Revenue to Units?	All	All	Most
Undergraduate Tuition Revenue Allocation Weighting	<ul style="list-style-type: none"> • 45% credit hours • 55% FTE major 	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major 	100% credit hours
Tuition Revenue Allocation Basis	Three-year historical average enrollments	Current-year actual enrollments	Three-year historical average enrollments
Allocates State Appropriations to Units?	All	None	Most
Allocates Central Overhead Costs to Units?	15 indirect cost pools allocated using multiple drivers	8 system-wide cost pools allocated using one driver each	4 indirect cost pools allocated using one driver each
Central Strategic Funding Methodology	4.5% back-end charge on all revenues to fund Central University Fund	3% back-end charge on unit revenues	Off-the-top + back-end charge: ≈ 1.9% of all operating revenues retained centrally plus back-end 9% participation fee to fund subvention
Subvention Methodology	Ad hoc subventions on an as-needed basis to hold units harmless for adjustments to allocation rates	Units receive subvention funding at leadership's discretion	Units held harmless in year one of new model. Units receive fixed subvention levels each year thereafter

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	Syracuse University	Temple University	The University of Arizona
Location (Main Campus)	Syracuse, NY	Philadelphia, PA	Tucson, AZ
Carnegie Classification	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity
Public/Private	Private	Public	Public
Enrollment	<ul style="list-style-type: none"> • 15,200 undergraduate • 6,600 graduate 	<ul style="list-style-type: none"> • 27,307 undergraduate • 10,058 graduate 	<ul style="list-style-type: none"> • 33,000 undergraduate • 9,000 graduate
Operating Budget	\$1.2B (FY15)	\$1.26B (FY21)	\$1.8B (FY17, excludes health center)
Allocates Tuition Revenue to Units?	All	All	All
Undergraduate Tuition Revenue Allocation Weighting	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major 	100% of revenues allocated to colleges by FTE major, then transferred to college of instruction at set SCH rate	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major
Tuition Revenue Allocation Basis	Current-year actual enrollments	<ul style="list-style-type: none"> • Undergraduate summer tuition, graduate/professional tuition-current-year actuals • Undergraduate fall/spring tuition-prior-year actuals 	Prior-year actual enrollments
Allocates State Appropriations to Units?	N/A	None	None
Allocates Central Overhead Costs to Units?	4 indirect cost pools allocated using 1-2 cost drivers per pool	3 overhead cost pools allocated using 1 different drivers per pool	<ul style="list-style-type: none"> • All revenue streams assessed a charge to fund university support and service functions • Units charged for facilities costs based on space usage
Central Strategic Funding Methodology	11.5% back-end charge on unit revenues (less fundraising and select other revenues)	Back-end charge proportionate to unit share of direct expenditures	1.7% back-end charge on unit revenues
Subvention Methodology	Units receive subvention funding at leadership's discretion	Units receive subvention funding at leadership's discretion	Model uses weighted credit hours to allocate more resources to schools with higher costs of instruction

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	The University of Utah	University at Buffalo, SUNY	University of California, Davis
Location (Main Campus)	Salt Lake City, UT	Buffalo, NY	Davis, CA
Carnegie Classification	Doctoral Universities: Higher Research Activity	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity
Public/Private	Public	Public	Public
Enrollment	<ul style="list-style-type: none"> • 24,000 undergraduate • 7,750 Graduate 	<ul style="list-style-type: none"> • 20,000 undergraduate • 10,000 graduate 	<ul style="list-style-type: none"> • 31,700 undergraduate • 8,400 graduate
Operating Budget	\$3.4B (FY14, includes health center)	\$769M (FY20)	\$5.7B (FY21)
Allocates Tuition Revenue to Units?	Small Portion- ≈4% of operating revenues	Small Portion- 50% of incremental revenues from state-approved tuition increases	Most
Undergraduate Tuition Revenue Allocation Weighting	N/A	N/A	<ul style="list-style-type: none"> • 60% credit hours • 30% FTE major • 10% degrees awarded
Tuition Revenue Allocation Basis	Year-over-year gains in productivity, majors declared, and degrees awarded	Quality of proposals: units must demonstrate plans to invest funds in new faculty hires or other quality-based academic goals	Two-year historical average enrollments
Allocates State Appropriations to Units?	Small Portion- ≈4% of operating revenues	None	Most
Allocates Central Overhead Costs to Units?	All indirect costs covered centrally	All indirect costs covered centrally	All indirect costs covered centrally
Central Strategic Funding Methodology	Off-the-top: ≈5.4% of operating revenues retained for academic strategic initiatives	Off-the-top	Off-the-top
Subvention Methodology	Subvention built into units' historical base budgets	Subvention built into units' historical base budgets	Units receive subvention funding at leadership's discretion

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	University of California, Riverside	University of Cincinnati	University of Denver
Location (Main Campus)	Riverside, CA	Cincinnati, OH	Denver, CO
Carnegie Classification	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity	Doctoral Universities: Higher Research Activity
Public/Private	Public	Public	Private
Enrollment	<ul style="list-style-type: none"> • 22,700 undergraduate • 3,700 graduate 	<ul style="list-style-type: none"> • 33,561 undergraduate • 10,817 graduate 	<ul style="list-style-type: none"> • 5,488 undergraduate • 8,368 graduate
Operating Budget	\$980M (FY22)	\$1.21B (FY17)	\$485M (FY21)
Allocates Tuition Revenue to Units?	Undergraduate – Some Graduate – All	All	Small Portion- 50% of revenues generated in excess of unit budgets
Undergraduate Tuition Revenue Allocation Weighting	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major 	100% of revenues allocated to colleges by FTE major, then transferred to college of instruction at university- wide transfer rate	N/A
Tuition Revenue Allocation Basis	Current year actual enrollments	Prior-year actual enrollments	Current-year actual enrollments
Allocates State Appropriations to Units?	None	None	N/A
Allocates Central Overhead Costs to Units?	4 overhead cost pools allocated using 1-4 drivers per pool	All indirect costs covered centrally	All indirect costs covered centrally
Central Strategic Funding Methodology	Off-the-top	Off-the-top	Off-the-top: ≈3% of annual operating budget earmarked for strategic initiatives
Subvention Methodology	Units receive subvention funding incrementally based on merit increases, benefits increases, and central investments	Units receive subvention funding at provost's discretion	Subvention built into units' historical base budgets

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key...(cont.)

	University of Kentucky	University of Newcastle	University of Notre Dame
Location (Main Campus)	Lexington, KY	Callaghan, New South Wales, Australia	Notre Dame, IN
Carnegie Classification	Doctoral Universities: Highest Research Activity	N/A	Doctoral Universities: Highest Research Activity
Public/Private	Public	Public	Private
Enrollment	<ul style="list-style-type: none"> • 22,865 undergraduate • 7,332 graduate 	37,677	<ul style="list-style-type: none"> • 8,874 undergraduate • 3,935 graduate
Operating Budget	\$2B (FY17, excludes health system)	AUD \$790M	\$1.6B (FY22)
Allocates Tuition Revenue to Units?	Small Portion- \$5M of overall operating revenues	All	Graduate and Online only – 85% of earned master's and online program revenues
Undergraduate Tuition Revenue Allocation Weighting	N/A	Subdivided between units of instruction and units of enrolment. The income for the course studied by the student is allocated to the School/College that teaches that course.	N/A
Tuition Revenue Allocation Basis	Performance funding pool awarded on basis of year-over-year retention gains	Current year actual enrolments times the course fees	Current-year actual enrollments
Allocates State Appropriations to Units?	Small Portion- \$5M of overall operating revenues	N/A	N/A
Allocates Central Overhead Costs to Units?	All indirect costs covered centrally	The budget model does not allocate central overhead costs to each budgetary unit or levy administrative cost recovery chargers on auxiliary revenues.	All indirect costs covered centrally
Central Strategic Funding Methodology	Off-the-top	<ul style="list-style-type: none"> • Back-end charge • At fiscal year end, 100% of unit-level budgetary surpluses returned to center 	Off-the-top
Subvention Methodology	Subvention built into units' historical base budgets	The budget model does not account for units incurring deficits or those with high costs of instruction	Subvention built into units' historical base budgets

Source: EAB interviews and analysis.

Summary of Profiled Institutions' Key... (cont.)

	University of Pennsylvania	University of Toronto	University of Wollongong
Location (Main Campus)	Philadelphia, PA	Toronto, ON	Wollongong, New South Wales, Australia
Carnegie Classification	Doctoral Universities: Higher Research Activity	Research-Intensive Doctoral University	N/A
Public/Private	Private	Public	Public
Enrollment	<ul style="list-style-type: none"> • 11,300 undergraduate • 16,700 graduate 	<ul style="list-style-type: none"> • 65,000 undergraduate • 19,500 graduate 	36,038
Operating Budget	\$3.55B (FY21)	\$3.1B (FY22)	AUD \$673M
Allocates Tuition Revenue to Units?	All	Most	All
Undergraduate Tuition Revenue Allocation Weighting	<ul style="list-style-type: none"> • 75% credit hours • 25% FTE major 	100% FTE major	Tuition income allocations are subdivided between units of instruction and units of enrolment based on student teaching load by unit of study.
Tuition Revenue Allocation Basis	Current-year actual enrollments	Current-year enrollment projections	Current year actual enrolments
Allocates State Appropriations to Units?	N/A	Most	N/A
Allocates Central Overhead Costs to Units?	6 overhead cost pools allocated using 1 unique cost driver per pool	12 overhead cost pools allocated using 1-3 drivers per pool	Faculties at UoW are expected to run a surplus of roughly 50%, and those surpluses fund the larger institution
Central Strategic Funding Methodology	Back-end charge: <ul style="list-style-type: none"> • 20% on tuition revenues • 10.5% on indirect cost recovery revenues 	Off-the-top: 14% of total attributed revenue from operating grant, tuition fee, investment income, and "other income" retained in central University Fund	<ul style="list-style-type: none"> • Off-the-top 1.5% tax of 50% surplus generated by faculties • At fiscal year end, unit-level budgetary surpluses are returned to the center
Subvention Methodology	Units receive subvention funding at leadership's discretion	Units held harmless indefinitely	Units held harmless or reviewed depending on the unit and circumstance

Source: EAB interviews and analysis.

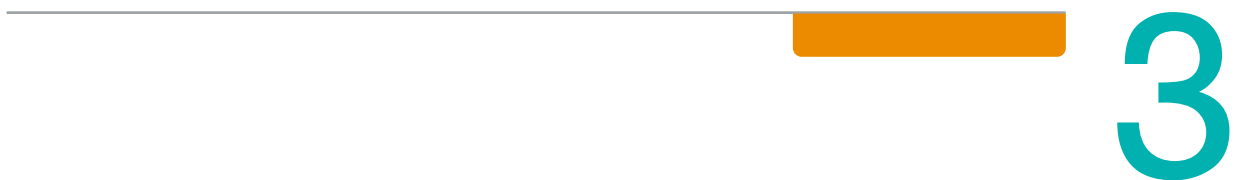
Summary of Profiled Institutions' Key... (cont.)

	Vanderbilt University	Washington University in St. Louis	York University
Location (Main Campus)	Nashville, TN	St. Louis, MO	Toronto, ON
Carnegie Classification	Doctoral Universities: Highest Research Activity	Doctoral Universities: Highest Research Activity	Research-Intensive Doctoral University
Public/Private	Private	Private	Public
Enrollment	<ul style="list-style-type: none"> 6,900 undergraduate 5,700 graduate 	<ul style="list-style-type: none"> 7,300 undergraduate 6,800 graduate 	55,000 (undergraduate & graduate)
Operating Budget	\$4.1B (FY15)	\$2.5B (FY15, includes medical center)	\$1.17B (FY21)
Allocates Tuition Revenue to Units?	Some- 100% of professional schools' tuition revenue	Most	All
Undergraduate Tuition Revenue Allocation Weighting	N/A	<ul style="list-style-type: none"> 50% credit hour 50% share of historical revenues 	100% FTE major
Tuition Revenue Allocation Basis	Current-year actuals	Five-year historical averages	Current-year projected enrollment
Allocates State Appropriations to Units?	N/A	N/A	All
Allocates Central Overhead Costs to Units?	<ul style="list-style-type: none"> All indirect costs covered centrally for undergraduate schools Professional schools have unique arrangements for paying overhead cost charges 	17 overhead cost pools allocated using one driver per pool	11 overhead cost pools allocated using one or more drivers per pool
Central Strategic Funding Methodology	Off-the-top plus 5% back-end charge on external revenue; 5.7% charge on professional tuition revenue; 12.4% charge on graduate tuition revenue	Off-the-top: 4% of net undergraduate tuition revenues retained in provost strategic funding pot. Designated portion of endowment income and administrative cost savings also supports central strategic priorities	Units pay a proportional tax based on generated revenue for the University Fund (central strategic reserve)
Subvention Methodology	Subvention built into units' historical base budgets	Units receive subvention funding at leadership's discretion	Units receive subvention funding at leadership's discretion

Source: EAB interviews and analysis.



Detailed Budget Model Profiles



Type of Institution: Private Doctoral University: Higher Research Activity

Location: Washington, DC

Enrollment: 7,900 undergraduate, 5,300 graduate

Operating Expenditures (in millions): \$640 USD (FY17)

Colleges:

College of Arts and Sciences	School of Professional and Extended Studies
Kogod School of Business	School of Public Affairs
School of Communication	Washington College of Law
School of International Service	



Date of Model Adoption: Initially incorporated hybrid elements into model in 1980; moved to current iteration in 2000

Revenue Allocation:

- The Washington College of Law, Kogod School of Business, and WAMU 88.5-FM Radio Station operate under RCM:
 - 100% of earned revenues allocated to units
 - Earned tuition revenues based on current-year actual enrollments
- Undergraduate programs and traditional, on-campus graduate programs within the remaining academic units receive historical annual base budgets
- Units can submit proposals for additional funds to grow in areas identified in institutional strategic plan during two-year budget cycles
 - Currently exploring hybrid incentive model options for the remaining units
- Instructional Revenue Centers (IRCs)¹ for all schools participate in a revenue sharing model where net income split 50%/50% between the schools and the university
- Online partnership programs participate in a revenue-sharing model; revenue-sharing arrangement varies by program
- Indirect cost recovery (ICR) allocation formula:
 - 50% to home college of sponsored research program
 - 50% retained centrally

1) A specialized and intensive course, or sequence of courses, offered on an experimental basis, or a program contracted by an outside agency to offer credit or noncredit training, which is closely related to the academic mission of the sponsoring teaching unit, and is designed primarily for an audience external to the existing student population

American University (cont.)

Cost Allocation:

- Each RCM unit has a unique indirect cost sharing agreement with central administration
 - All responsible for personnel costs (including fringe) and direct operating costs
 - Some cover operations, maintenance, and debt service (if applicable)
- Overhead costs created by undergraduate programs and traditional, on-campus graduate programs within remaining academic units covered centrally
- IRCs assessed indirect cost charges at the following rates:

Type of Offering	Location	Indirect Cost Rate
Credit	On-Campus	50%
Credit	Off-Campus	40%
Noncredit	On-Campus	30%
Noncredit	Off-Campus	25%

—Certain direct costs (e.g., contractual, remitted tuition, capital equipment, etc.) exempt from indirect cost assessment

- Average indirect cost is 27% of the total direct cost for all IRCs

Subvention Methodology:

- IRCs sunset after three years if not financially sustainable
 - Provost has discretionary authority to continue programs he/she deems strategically valuable
- Financially sustainable IRCs mainstreamed into school's operating budget after three years
- University made central loans or emergency funding available to the RCM units during initial years of RCM implementation; RCM units currently receive financial surpluses or pay back the university from reserve funds

Strategic Reserves:

- Current ten-year strategic plan funded through bi-annual budget planning process
 - For past eight years, average of \$25 million per year invested in strategic initiatives, funded from sources including operating funds, reallocations, and institutional reserves



Location: Watson, Australian Capital Territory, Australia

Enrolment: Over 31,200 students

Operating Expenditures (in millions): 514 AUD (FY20)

Academic Faculties and Units:

Faculty of Education and Arts

Faculty of Health Sciences

Faculty of Law and Business

Faculty of Theology and Philosophy

Date of Current Model Adoption: 2012

Income Allocation:

- Academic Faculties and Units Subject to the Allocation Model
 - Faculty of Education and Arts
 - Faculty of Health Sciences
 - Faculty of Law and Business
 - Faculty of Theology and Philosophy
- 38.7% of undergraduate tuition for both home and international students are allocated to units above.
- 38.7% of postgraduate tuition for both home and international students are allocated to units above.
- Tuition income allocation is based on future-year enrolment estimates with a 3-year rolling average.
- Tuition income allocations are subdivided between units of instruction and units of enrolment. Unit of enrolment at course-level in each Faculty/School is used to develop future student load. Future student load is then converted to units of instruction (taught load) using a 3-year rolling average. Each Faculty's allocation is then determined according to its contribution to taught load.
- Other sources of income allocation and allocation methodology:

Source of Income	Allocation Methodology
Donor Gift Income	Generating unit receives 100% of revenue
Endowment Income	Generating unit receives 100% of revenue
Research Income	Direct to area with corporate levies applied
Indirect Cost Recovery	Generating unit receives 100% of revenue
Auxiliary Income	Direct to area with corporate levies applied

Australian Catholic University (cont.)

Central Overhead Cost Allocation:

- The budget model allocates central overhead costs through a single off-the-top 'tax' on income before it is distributed.
 - 23.2% of tuition is withheld to cover central overhead costs.
 - Bottom-up calculation of overhead costs is used to determine the percentage of tuition withheld each year.
- Research operating costs are funded using prior year forecast. Non-operating research funding is provided directly to areas with levies where it is appropriate.

Subvention Methodology:

- The budget model does not account for units incurring deficits or with high costs of instruction.

Strategic Reserves:

- An additional off-the-top/front-end 'tax' of 1.4% is applied to tuition income to fund strategic priorities.
- The primary goal of the strategic reserve fund is to incentivise innovation projects. Senior executive discretion is used to determine recipients.
- At the end of the fiscal year, 100% of unit-level budgetary surpluses are returned to the centre.

Type of Institution: Private Doctoral University: Highest Research Activity



Brandeis

Location: Waltham, MA

Enrollment: 3,550 undergraduate, 2,200 graduate

Operating Expenditures (in millions): \$385 USD (\$500M including financial aid, FY16)

Colleges:

Brandeis International Business School

Heller School for Social Policy and Management

College of Arts and Sciences

Rabb School of Continuing Studies

Graduate School of Arts and Sciences

Date of Model Adoption: 2001

Date of Model Refresh: FY22

Revenue Allocation:

- Two of five academic schools (i.e., Undergraduate College of Arts and Sciences and Graduate School of Arts and Sciences) operate under an incremental budget model
 - Budget sub-committee consisting of unit budget managers reviews all unit budget requests and makes reallocation recommendations to the larger budget committee for these units
- School of Continuing Studies, School for Social Policy and Management, and International Business School retain 100% of tuition revenue generated
- Each school is responsible for awarding and funding its own financial aid

Cost Allocation:

- Central administration covers all indirect costs
- Each year central administration sets a direct contribution margin (i.e., flat dollar amount) for the three graduate schools operating under RCM
- All units charged 15% overhead tax on gift expense

Subvention Methodology:

- Central administration subsidizes units on an as-needed basis using criteria such as mission, financial structure, and support commitments in the subvention decision making process
- Central administration covers the indirect costs of the three schools operating under RCM, which serves as a form of subsidization

Case Western Reserve University



Type of Institution: Private Doctoral University: Highest Research Activity

Location: Cleveland, OH

Enrollment: 5,121 undergraduate, 6,219 graduate

Operating Expenditures (in millions): \$874 USD (FY15)

Responsibility Centers:

Case School of Engineering

School of Dental Medicine

College of Arts & Sciences

School of Law

Frances Payne Bolton School of Nursing

School of Medicine

Jack, Joseph, and Morton Mandel School
of Applied Social Sciences

Weatherhead School of Management

Date of Model Adoption: Model has been in place for over 20 years

Revenue Allocation:

- 100% of tuition revenues and unit-raised funds, less a contingency reserve or a reserve for estimated costs for undergraduate projects agreed upon by the deans, allocated to colleges
- Cross-teaching arrangements negotiated between each responsibility center; each agreement bears unique revenue and cost allocation arrangements
- Undergraduate tuition revenues allocated based on average of past two years of credit hours and FTE majors in order to smooth swings in enrollment
- Actual graduate and professional tuition revenues allocated to each school directly in year generated
- ICR allocation formula:
 - 100% to home college of sponsored research program

Case Western Reserve University (cont.)

Cost Allocation:

- Five indirect cost pools allocated using two to ten cost drivers per pool:

Cost Pool	Cost Drivers ¹
Information Technology Services	<ul style="list-style-type: none"> • Square Footage • Student Count • Two-Year Average Direct Expenditures • Faculty, Staff, and Graduate Student Headcount • Income and Strategic Savings
Library	<ul style="list-style-type: none"> • Headcount • Endowment revenue, income, and strategic savings
Plant Services	<ul style="list-style-type: none"> • Square Footage and Utility Rates • Two-Year Average Direct Expenditures • Total Library Allocation • Modified Student Services Allocation • Faculty, Student, and Staff Headcount • Physical Education Space Allocation • Undergraduate FTE • Average Credit Hours Taught • Fixed Charge • Strategic Savings
Student Services (including financial aid)	<ul style="list-style-type: none"> • Undergraduate FTE • Student Headcount • Graduate Student Headcount • Grad/Professional Student Headcount • Two-Year Average Total Direct Expenditures • Average Credit Hours Taught • Faculty/Staff Count • Weighted Undergraduate Student Headcount • Weighted Medical/Professional Student Headcount • Income and Strategic Savings
University Services	<ul style="list-style-type: none"> • Two-Year Average Direct Expenditures • Revenue Offset and Strategic Savings

1) For additional detail on how costs are assigned to drivers in model, please see Case Western's Indirect Cost Allocation Schedule on page 30 of this publication.

Case Western Reserve University (cont.)

Subvention Methodology:

- Center does not subvent units that incur deficits, though it allows units to carry forward deficit retained earnings balances
- Center requires that units repay deficit balances with future surpluses

Strategic Reserves:

- Units not taxed to cover central costs or strategic investments
- Central expenditures paid for outside of the operating budget, largely through philanthropy

Case Western Reserve University Indirect Cost Allocation Schedule



Schedule A

FY 2017 Budget - IDC Allocation Methodology

Cost Category	Cost Pool	Allocation Methodology
Library	University Library - 75%	Total Headcount, less MSASS, LAW, DENT, CSOM
	University Library - 25%	Total Headcount, less CAS, CSE, WSOM, LAW
	Health Science Library - 75%	Total Headcount, less CAS, CSE, WSOM, MSASS, LAW
	Health Science Library - 25%	Total Headcount, less LAW, DENT, CSOM
	MSASS Library - 75%	100% to MSASS
	MSASS Library - 25%	Total Headcount, less MSASS, LAW
	Law Library	100% to LAW
	UGEN Library Allocation	Endowment Revenue, Income and Strategic Savings
Student Services	Undergraduate FTE	Undergraduate FTE
	Student Head Count	Student Headcount
	Graduate Student Head Count	Graduate Student Headcount
	Grad/Prof Head Count	Grad/Professional Student Head Count
	University Services	2-Year Average Total Direct Expenses
	SAGES	Average SAGES Credit Hours Taught
	Faculty/Staff Count	Faculty/Staff Count
	Financial Aid	Undergrad Student Count weighted 1.5, Medical Professional Count weighted 0.5, all other student count weighted 1.0
UGEN Student Services Allocation	Income and Strategic Savings	
Plant Services	Direct Plant	Sq. Footage and Utility Rates
	UGEN Allocation	2-Year Average Total Direct Expense
	University Library	Total University Library Allocation
	Health Sciences Library	Total Health Science Library Allocation
	Student Services	Total Student Service Allocation
		Excluding Physical Education and SAGES Allocation
	University Center	Faculty/Staff/Student Headcount
	Athletic Space	Physical Education Space Allocation
	Shared Classroom	Undergraduate FTE
	SAGES	Average SAGES credit hours taught
	Waste Removal	Fixed Dollar Amount
	UGEN Plant Allocation	Allocation Methodology and Strategic Savings
	ITS	ITP
Instructional		Student Count
Administrative		2-Year Average Total Direct Expense
Infrastructure		Faculty/Staff/Grad Student Headcount
UGEN ITS Allocation		Income and Strategic Savings
University Services	2 Year Avg. Direct Expenses	2-Year Average Total Direct Expense
	UGEN University Services Allocation	Revenue Offset and Strategic Savings

Source: Case Western Reserve University, Cleveland, OH: EAB interviews and analysis.



Location: Rockhampton, Queensland, Australia

Enrolment: 35,000

Operating Expenditures (in millions): 483 AUD (FY20)

Academic Faculties and Units:

School of Access Education	School of Engineering and Technology	School of Nursing, Midwifery and Social Sciences
School of Business and Law	School of Graduate Research	
School of Education and the Arts	School of Health, Medical and Applied Sciences	College of Trades

Date of Current Model Adoption: Transitional implementation from 2018; full implementation in 2020

Income Allocation:

- Academic Faculties and Units Subject to the Allocation Model
 - School of Access Education
 - School of Business & Law
 - School of Engineering & Technology
 - School of Health, Medical & Applied Sciences
 - School of Nursing & Midwifery
 - Tertiary Education Division (Including all schools above and two resource/administrative centres)
 - Global Development Division (Including six resource/administrative shared services centres)
 - Student & Corporate Services Division (Including three resource/administrative shared services centres)
 - Vice-Chancellor & President's Division (Including three resource/administrative shared services centres)
 - Research Division (Including one resource/administrative centre)
- In its current model, schools retain 40% of gross revenue and 60% goes to the rest of the university which includes the “off the tops” (i.e., leases, corporate contracts, international waivers, etc.). The allocation to divisions is based on cost per EFTSL¹ (Equivalent Full-Time Student Load)—as EFTSL increases then allocation will increase, similarly an EFTSL decrease will decrease allocation.
- There is some flexibility with this model if a school is running an expensive operation. For example, the school that houses aviation may have a 45/55 split to account for fees which can be \$100,000 per student. The driver for the allocation for schools is the EFTSL (taught load in those courses) and revenue/cost particularly for programs like aviation where costs are higher than others.

1) EFTSL is the measure used to determine a student's study-load. The University sets a unit value for each of its courses. One EFTSL is the amount of student load determined by the University to be equal to a full-time load at 100 percent intensity for one student for one year.

Source: Central Queensland University, Rockhampton, Queensland, Australia; EAB interviews and analysis.

Central Queensland University (cont.)

Additional Information on Income Allocation:

- Other sources of income allocation and allocation methodology:

Source of Income	Allocation Methodology
Donor Gift Income	Allocated to Alumni Relations & Advancement Services
Endowment Income	Allocated to Alumni Relations & Advancement Services
Research Income	Allocated directly to the Research Division - separate model for Research Grant Income
Indirect Cost Recovery	Allocated directly to relevant Responsibility Centre
Auxiliary Income	Allocated to the College/Division that is responsible for generating the income

- CQU refers to its budget model as a budget distribution model, meaning it does not distribute actual student tuition revenue to the Schools that earn the revenue. This revenue is recorded centrally within the Financial Management System.
- Under the budget distribution model, each division receives a distribution based on student revenue using two key drivers:
 - The school contribution margin, which is equal to the gross student revenue (taught course load) less the school operating costs (expressed as a percentage)
 - The divisions costs per equivalent full-time student load (EFTSL)¹, which is based on historical trends
- The model is broken into four components:
 - General operations (main model)
 - Vocational Education
 - Research
 - Reserve/Restricted
- The methodology of the model is:
 - Gross Student Revenue - School Operating Costs = School Contribution Margin + Corporate Income – Corporate Contracts – Capital Expenditure (P&L) – Other Fixed Commitments and University Investments – Strategic Initiatives – Divisional Distributions
- Student Waivers/Scholarships/Discounts are included in 'Fixed Commitments'. Schools receive the gross student revenue earned and not the net amount.
- Student tuition revenue and grants are allocated based on current-year actual enrolment forecasts. Current-year actual enrollment forecasts are determined with algorithms that look at course, unit, school, student type, application data, and academic career (i.e., undergrad, post, grad, etc.). Afterwards, the data is broken down by new to university & continuing, then populating it by years to completion.
- Revenue for commercial activities (e.g., Student Residential Campuses) are allocated directly to the relevant activities.

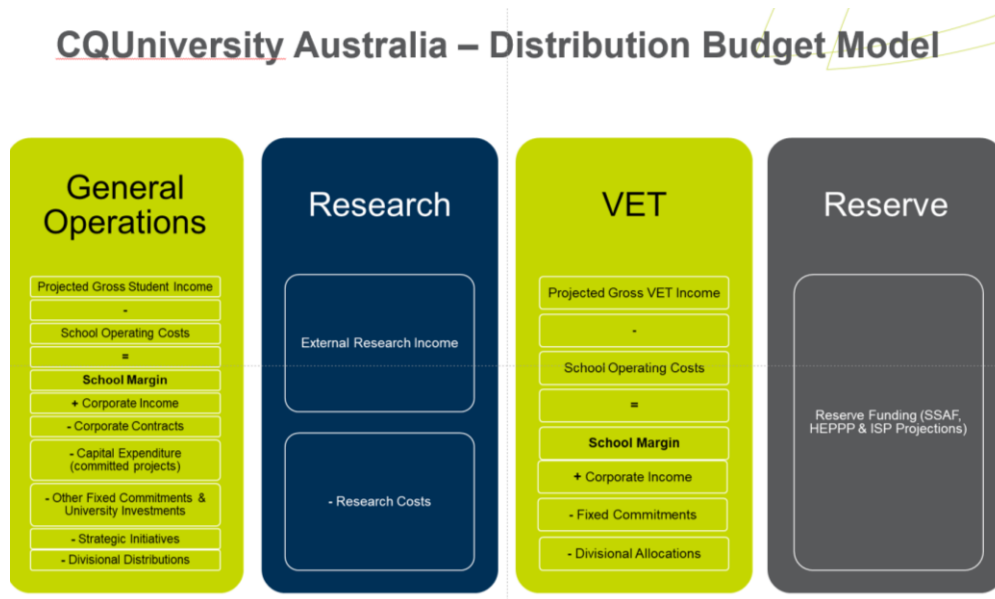
1) EFTSL is the measure used to determine a student's study-load. The University sets a unit value for each of its courses. One EFTSL is the amount of student load determined by the University to be equal to a full-time load at 100 percent intensity for one student for one year.

Source: Central Queensland University, Rockhampton, Queensland, Australia; EAB interviews and analysis.

Central Queensland University (cont.)

Additional Information on Income Allocation:

- CQU’s budget model structure completely separates funding sources for general operations, research (which primarily involves managing research grants), and vocational education and training or VET:



Central Overhead Cost Allocation:

- The budget model does not allocate central overhead costs to each budgetary unit or levy administrative cost recovery chargers on auxiliary revenues.
- Research operating costs are funded through a separate research budget model with a pre-determined research investment percentage from general operating higher education student tuition revenue (outlined in 'Strategic Initiatives').
- CQU’s organisational structure is centralised. Therefore, there is no requirement for the allocation of central overhead costs to each budgetary unit as each centralised 'overhead' unit receives a budget distribution.

Subvention Methodology:

- The budget model accounts for units incurring deficits or those with high costs of instruction through University Executive review on a regular basis. Ultimately, each Executive is provided a 'Total Distribution' detailing the 'recommended distribution' for each of their units equaling this Total Distribution within their Division. Each executive determines how their budget is distributed within their respective Divisions.

Strategic Reserves:

- An additional off-the-top/front-end 'tax' of 10% EBITDA KPI is applied to tuition income to fund strategic priorities before allocating income.
- The primary goal of the strategic reserve fund is to help fund the student experience/journey and the University’s continuous improvement. Decisions regarding the strategic fund are made by the University Executive.

Additional Information:

- No carry forward of General Operating funds, either actuals or budget, are permitted. For Research and Reserve funding carry forward spend is permitted considering an expenditure budget has been submitted.

Source: Central Queensland University, Rockhampton, Queensland, Australia; EAB interviews and analysis.

The George Washington University

Type of Institution: Private Doctoral University: Highest Research Activity

Location: Main campus in Washington, DC; GW Virginia Science and Technology Campus in Ashburn, VA; graduate education centers in Alexandria, Arlington, and Hampton Roads, VA



Enrollment: 10,000 undergraduate, 14,000 graduate

Operating Expenditures (in millions): \$887 USD (FY16)

Colleges:

Columbian College of Arts and Sciences	Milken Institute School of Public Health
College of Professional Studies	School of Business
Corcoran School of the Arts & Design	School of Engineering and Applied Sciences
Elliott School of International Affairs	School of Law
Graduate School of Education and Human Development	School of Medicine and Health Sciences
	School of Nursing

Date of Model Adoption: FY16

Revenue Allocation:

- Each college receives a pro rata share of undergraduate tuition revenue at fixed rate based on credit hours taught
- Graduate¹ tuition revenue allocated based on delivery mode:
 - 70% of tuition revenue from main campus on-site instruction allocated to college of enrollment
 - 80% of tuition revenue from off-site instruction allocated to college of enrollment
 - 85% of tuition revenue from online instruction allocated to college of enrollment
- Undergraduate revenue allocated based on average of past three years of credit hours taught
- Graduate revenue allocated based on current-year actual enrollments
- ICR allocation formula:
 - 90% to home college of sponsored research program
 - 10% retained centrally
- Colleges receive 100% of own funds raised

1) The Colleges of Law, Medicine, and Public Health operate on full RCM models and receive 100% of earned tuition revenues regardless of delivery mode.

Source: The George Washington University, Washington, DC; EAB interviews and analysis.

The George Washington University (cont.)

Cost Allocation:

- All overhead costs covered centrally for non-RCM colleges
- RCM colleges (i.e., Law, Medicine, and Public Health) charged for metered overhead consumption (i.e., space, facilities, IT)

Subvention Methodology:

- In addition to pro rata revenue share that non-RCM units receive, center provides supplemental instruction payment to some units to recognize differential instructional costs by discipline

Strategic Reserves:

- Revenues not allocated to schools retained centrally to fund central services, financial aid, and strategic investments

Type of Institution: Public Doctoral University: Highest Research Activity

Location: Main Campus in Manhattan, KS; Regional Campuses in Kansas City, KS (Olathe) & Salina, KS (Salina)



Enrollment: 15,619 undergraduate, 4,610 graduate

Operating Expenditures (in millions): \$790 USD (FY21)

Revenue Responsibility Centers:

Auxiliaries (6)	College of Business	College of Veterinary Medicine
Regional Campus (2)	College of Education	Biosecurity Research Institute
College of Agriculture	Carl R. Ice College of Engineering	National Agricultural Biosecurity Center
College of Architecture, Planning, and Design	College of Health and Human Sciences	Research and Extension
College of Arts and Sciences	Staley School of Leadership Studies	Electronics Design Laboratory
	College of Veterinary Medicine	

Date of Model Adoption: FY21 (Shadow Year, FY19; Bridge Year, FY20)

Revenue Allocation:

- Undergraduate tuition revenue from main campus, online programs, study abroad and the Olathe regional campus is distributed with the following formula:
 - 75% to colleges allocated based on the following formula:
 - 70% by credit hours
 - 30% by majors
 - 25% held centrally for strategic investment
- 100% of graduate tuition revenue from main campus, online programs, study abroad and the Olathe regional campus is allocated with the following formula:
 - 50% by credit hours
 - 50% by majors
- Tuition from the College of Veterinary Medicine and Salina Regional Campus flow directly to those revenue centers
- Directed state appropriations earmarked for areas like the College of Veterinary Medicine or Salina Aerospace & Technology Campus flow directly to those centers
- All other revenue remains in school or center which generates it, excluding certain fees charged with tuition

Cost Allocation:

- Revenue centers responsible for direct operational costs
- Indirect costs of service centers like library, student services, IT, research administration, general administration, academic administration, and utilities & facilities services are allocated to revenue centers

Subvention Methodology & Strategic Reserve:

- 100% of general state appropriation and 25% of undergraduate tuition is held centrally for subvention and other strategic investments (e.g., strategic enrollment management, strategic investment requests, central reserve, and centrally awarded scholarships)

Type of Institution: Public Doctoral University: Higher Research Activity

Location: Main campus in Kent, OH; regional campuses in Ashtabula, East Liverpool, Geauga, Salem, Stark, Trumbull, and Tuscarawas, OH; regional academic center in Twinsburg, OH; College of Podiatric Medicine in Independence, OH

Enrollment: 29,295 undergraduate, 5,466 graduate

Operating Expenditures (in millions) : \$647 USD (FY22)

Responsibility Centers:

Auxiliaries (12 total)	College of Communication & Information
College of Aeronautics and Engineering	College of Education, Health, & Human Services
College of Architecture & Environmental Design	College of Nursing
College of Arts & Sciences	College of Podiatric Medicine
College of the Arts	College of Public Health
College of Business and Entrepreneurship	Regional Campuses (7)

Date of Model Adoption: FY10

Date of Model Refresh: FY18

Revenue Allocation:

- \approx 49% (includes administrative fee, subventions, and consortium fees) of undergraduate tuition revenues and state support for instruction allocated to colleges
- Tuition revenue and state support for instruction allocation formula:
 - 80% by credit hours
 - 20% by FTE majors
- \approx 49% (includes administrative fee, subventions, and consortium fees) of master's graduate tuition revenues allocated to college of instruction
- \approx 49% (includes administrative fee, subventions, and consortium fees) of doctoral tuition revenues allocated to college of enrollment
- Revenue allocated based on current-year actual enrollments
- Non-resident instructional fees allocated directly to units based on same tuition revenue allocation formula
- State support for instruction allocation formula for undergraduate and master's students:
 - 80% by two-year average of FTE course completions using statewide average costs
 - 20% by two-year average of degrees completed using statewide costs

Kent State University (cont.)

Revenue Allocation (continued):

- State support for instruction allocation for doctoral students follows state's formula and uses three components:
 - Historical enrollment: based on five-year average of enrollments and statewide average costs
 - Degree completion: based on three-year average of degree completions and statewide average costs
 - Research activity: based on share of R&D expenditures
- ICR allocation formula:
 - 43% to Division of Research and Sponsored Programs for administrative expenses
 - 20% to home college of sponsored program
 - 20% to Division of Research and Sponsored Programs for investment
 - 12% to home department of sponsored program
 - 5% to individual PI

Cost Allocation:

- 48.7% of net tuition revenues and state support for instruction and 100% of investment income retained centrally to cover institutional service and support expenses

Subvention Methodology and Strategic Reserves:

- 0.5% of net tuition revenues and state support for instruction retained centrally for subvention and strategic initiatives
 - Strategic pool allocation formula:
 - 25% to Facilities
 - 25% to President
 - 50% to Provost
- Academic units receive subvention funding from provost's allocation at provost's discretion



Type of Institution: Public Research-Intensive Doctoral University

Location: Main campus in Hamilton, ON; regional campuses in Burlington, Kitchener-Waterloo, Niagara, and downtown Hamilton

Enrollment: 25,100 undergraduate, 4,200 graduate

Operating Expenditures (in millions): \$589 CAD (FY15)

Responsibility Centers:

- | | |
|----------------------------|----------------------------|
| Arts & Science Program | Faculty of Humanities |
| DeGroot School of Business | Faculty of Science |
| Faculty of Engineering | Faculty of Social Sciences |
| Faculty of Health Sciences | |

Date of Model Adoption: FY15

Revenue Allocation:

- 100% of tuition revenues, provincial grants, and application fees allocated to colleges
 - 100% of undergraduate tuition revenue allocated to faculty of instruction
 - 100% of undergraduate provincial grant funding and application fees allocated to faculty of enrollment
 - 100% of graduate tuition revenue, provincial grant funding, and application fees allocated to faculty of enrollment
- Revenue allocated based on current-year actual enrollments
- ICR allocation formula:
 - 93% to home faculty of sponsored research program
 - 7% to VPR research fund
- 100% of general endowment interest allocated to faculties based on three-year average expenditures

Cost Allocation:

- Six indirect cost pools allocated using one to three cost drivers per pool:

Cost Pool	Cost Driver ¹
Employee Support	<ul style="list-style-type: none"> • Employee FTE • Pensionable salaries
General Administration	Three-year average expenses or revenues
General Resources	<ul style="list-style-type: none"> • Student FTE • Faculty FTE • Employee FTE

1) Detailed information about which drivers are used to calculate cost allocations can be accessed at <https://budgetmodel.mcmaster.ca/cycles/drivers-table>.

Source: McMaster University, Hamilton, ON; EAB interviews and analysis.

McMaster University (cont.)

Cost Allocation (continued):

Cost Pool	Driver ¹
Occupancy	Net Assignable Square Meter
Research Support	Three-Year Average Research Revenue
Student Support	<ul style="list-style-type: none">• Graduate FTE• Undergraduate FTE

- Model uses stepdown allocation methodology to assign overhead costs to units

Subvention Methodology and Strategic Reserves:

- Unit tuition revenues, grants, application fees, earned interest, and ICR taxed at 8% to create University Fund, which funds subvention
- Center holds units harmless during first few years under new model by calculating a fixed subsidy level which units will receive for a predetermined period of time
 - Unit subsidy initially calculated as difference between FY13-14 funding under old model and FY16-17 funding under new model
 - Subsidy level remains constant for duration of hold harmless period
 - Methodology incentivizes units in hold harmless to pursue growth, as units that grow can retain revenues earned through that growth
- Remaining University Fund balance funds facilities infrastructure projects, short-term strategic academic projects, unforeseen events, new initiatives, and unfunded priorities where possible
- Unit tuition revenues, grants, application fees, earned interest, and ICR taxed at 1% (or 3% in high tuition faculties—Engineering and Business) to create Research Infrastructure Fund, which is allocated back out to units based on their proportionate share of research expenditures

1) Detailed information about which drivers are used to calculate cost allocations can be accessed at <https://budgetmodel.mcmaster.ca/cycles/drivers-table>.

Source: "McMaster Budget Model," McMaster University Provost and Vice-President (Academic), <https://budgetmodel.mcmaster.ca/>; McMaster University, Hamilton, ON; EAB interviews and analysis.

Medical University of South Carolina

Type of Institution: Public Special Focus Four-Year: Medical Schools and Colleges

Location: Charleston, SC

Enrollment: 318 undergraduate, 2,830 graduate

Operating Expenditures (in millions): \$ 900 USD (FY21)

Responsibility Centers:

Auxiliaries (3)

College of Dental Medicine

College of Graduate Studies

College of Health Professions

College of Medicine

College of Nursing

College of Pharmacy

Hollings Cancer Center



Date of Model Adoption: FY13

Date of Model Refresh: FY18

Revenue Allocation:

- 100% of tuition revenues and fees allocated to colleges
- 100% of state appropriations allocated to responsibility centers using the following formula:
 - 50% based upon share of tuition revenues
 - 50% based upon share of research expenditures
- 100% of ICR allocated to home college of sponsored research program

Cost Allocation:

Starting in FY18, eight indirect cost pools allocated using one unique cost driver per pool:

Cost Pool	Cost Driver
Engineering & Facilities (including Utilities)	Occupied Square Feet
Executive Administration	
Financial Operations	Direct Expenditures
Operations	
Office of Development (including Alumni Affairs)	Gifts
Office of the CIO	Faculty, Staff, and Student Headcount
VP of Academic Affairs- Education Affairs	Student Enrollment
VP of Academic Affairs- Research Operations	Grants and Contracts Revenue

Medical University of South Carolina (cont.)

Subvention Methodology:

- Central administration taxes select unit revenues at 17% to create Strategic Investment Fund
- ≈\$4M of Strategic Investment Fund retained annually by central administration to fund facilities and deferred maintenance
- Central administration held units harmless in first three years of decentralized budget model, funded by Strategic Investment Fund; loans or subsidies not available to academic units incurring deficits thereafter
- Select auxiliaries receive subsidies from strategic fund to breakeven

Strategic Reserves:

- Academic units hold their own strategic reserves, funded by their operating performance net of direct costs and cost allocations



Type of Institution: Public Doctoral University: Higher Research Activity

Location: Main campus in Oxford, OH; regional campuses in Hamilton, Middletown and West Chester, OH

Enrollment: 25,306

Operating Expenditures (in millions): \$713 USD (FY22)

Responsibility Centers:

College of Arts and Sciences

College of Engineering and Computing

College of Creative Arts

College of Liberal Arts and Applied Sciences

College of Education, Health, and Society

Farmer School of Business

Note: Auxiliary Enterprises also pay a share of Support Center costs

Date of Model Adoption: FY14

Date of Model Refresh: FY18

Revenue Allocation:

- 100% of undergraduate tuition revenue allocated to colleges
- Tuition revenue allocation formula:
 - 75% by credit hours
 - 25% by FTE majors
- Tuition revenue allocated based on average of past four years of credit hours and FTE majors in order to smooth swings in enrollment
 - Summer and Winter term revenues allocated immediately to units based on current-year actual enrollments
- Non-resident instructional fees allocated directly to units based on tuition revenue allocation formula
- Unit endowment or gift income allocated directly to units
- State subsidy allocated to units based on state subsidy model, which recognizes course and degree completions, and includes limited allocation for doctoral programming
- 100% of ICR allocated to division that won external funding award
- Undergraduate financial aid calculated as flat charge per FTE and allocated evenly between SCHs and FTE majors

Miami University (cont.)

Cost Allocation::

- Eight indirect cost pools allocated based on a three-year moving average of all funds using one cost driver per pool:

Cost Pool	Cost Driver
Advancement	Unit Proportion of Total Revenue, based on three year rolling average
Facilities	
Finance and Business Services	
IT Services	
Library	
President's Office	
Provost's Office	
Student Affairs	

Subvention Methodology:

- Annually determined temporary subvention where colleges receive support for a maximum of two years. Beyond that, college must produce plans to break even or turn a profit.

Strategic Reserves:

- Carry forward balances built the institution's strategic reserve over the years.
- College surplus earnings are centralized to the Provost's Office. Provost makes strategic investments based on plans submitted by deans and annual change in financial performance.



Type of Institution: Public Doctoral University: Higher Research Activity

Location: Main campus in Athens, OH; regional campuses in Chillicothe, Eastern, Lancaster, Southern, and Zanesville, OH; extension campuses in Dublin and Cleveland, OH

Enrollment: 17,312 undergraduate, 4,412 graduate on main campus, 10,610 on remote campuses, 7,113 online

Operating Expenditures (in millions): \$736 USD (FY21)

Responsibility Centers:

College of Arts and Sciences	Gladys W. and David H. Patton	Heritage College of
College of Business	College of Education	Osteopathic Medicine
College of Fine Arts	Graduate College	Regional Campuses (5)
College of Health Sciences and Professions	Russ College of Engineering and Technology	
	Scripps College of Communication	

Date of Model Adoption: FY14

Date of Model Refresh: FY20

Revenue Allocation:

- All tuition for on-campus undergraduate programs is pooled centrally
- Tuition from graduate programs (both on-campus and off-campus) flows to the colleges where the student is enrolled and offsets tuition waivers
- Tuition from off-campus undergraduate e-learning programs flow to the college where the credit hours are produced
- 100% of ICR allocated to academic unit that generates it
- All state support for undergraduate and graduate programs both on-campus and off-campus is pooled centrally
- The centrally pooled tuition (98% of pooled revenues from undergraduate tuition) and state support (98% of pooled revenues from state) is used to fund administrative and academic unit budgets via a spending authorization
- The spending authorizations for academic units are tied to:
 - Trends in measures of academic activity (e.g., majors, credit hours, degrees)
 - Trends in efficiency metrics (e.g., workload, credit hours per faculty, majors per faculty, average class size)

Source: Ohio University Budget Book 2016-2017, https://www.ohio.edu/finance/bpa/upload/BB_FY17_FINAL-6-8-16.pdf; Ohio University, Athens, OH; EAB interviews and analysis.

Ohio University (cont.)

Cost Allocation:

- Central costs are not allocated across responsibility centers. Indirect costs are covered centrally.

Subvention Methodology:

- Center does not subvent units that incur deficits. Units balanced on the combination of revenues flowing directly to them and spending authorizations coming from the centrally pooled revenue.

Strategic Reserves:

- Center holds 2% of pooled revenue from undergraduate tuition, 2% of pooled revenues from state support for instruction, and earned income on cash reserves centrally for strategic investment



Type of Institution: Public Research-Intensive Doctoral University

Location: Kingston, ON

Enrollment: 21,555 undergraduate, 4,746 graduate

Operating Expenditures (in millions): \$ 662 CAD (FY21)

Responsibility Centers:

- | | |
|----------------------------------|--|
| Bader International Study Centre | Faculty of Health Sciences |
| Faculty of Arts and Science | Faculty of Law |
| Faculty of Education | Faculty of Engineering and Applied Science |
| Smith School of Business | |

Date of Model Adoption: FY13

Date of Model Refresh: FY19

Revenue Allocation:

- 100% of undergraduate tuition revenues and provincial support for instruction allocated to faculties
- Undergraduate tuition revenue and provincial support for instruction allocation formula (effective for fiscal 2021-22 and onward):
 - 45% by credit hours (i.e., faculty of instruction)
 - 55% by FTE majors (i.e., faculty of registration)
- Tuition revenue allocated based on three-year average of enrollment data
- International student tuition differential allocated directly to faculties and schools

Cost Allocation:

15 overhead cost pools allocated using multiple drivers:

Cost Pool	Cost Driver
Cost of Assigned Space; Cost of Teaching Space; Cost of Common Space; Maintenance Cost of University Grounds; Fundraising Costs; University-wide Community; Environmental Health & Safety; Custodial, Maintenance, Utilities, etc.	Assigned Space; Teaching Space Utilization; Total Person Headcount;
Student Affairs; University-Wide Student Services; ITS Teaching and Learning Services	Undergraduate & Graduate Headcount
ITS Enterprise Services	Undergraduate, Graduate, Faculty Headcount

Queen's University (cont.)

Development (Advancement Services); Vice Principal (Advancement) Office;	Rolling Average of Queen's Graduates and Rolling Average of Funds Raised
Library Information Services; Library Information Resources; Library Space	Undergraduate, Graduate, & Faculty FTE
Communications (University Relations) & Alumni Relations	Rolling Average of Queen's Graduates
Marketing (University Relations)	Undergraduate & Graduate FTE
School of Graduate Studies Service Operations	Graduate Headcount within School of Graduate Studies
University Bridging Programs; University-Wide Faculty Programs and Services	Faculty EFT
Central Benefits; Pension Plan Special Payments	Continuing Employee Salary Base
Financial, Investment, Procurement and Audit Services within VPFA; University Veterinarian; VP Research Office	Total Revenue; All Funds
Office of the Principal; University Secretariat; Planning and Budgeting; Provost's Office; University-Wide Administrative Functions	Total Revenue; All Funds Excluding Research
eEquip Office; Office of Research Services; Industry Partnerships; Innovation Park; General Research Ethics Board; Health Sciences Research Ethics Board	Volume of Research Activity (50% research income and 50% research grant and contract applications)
Graduate Student Support; Needs-Based Support; Undergraduate Needs-Based Support; Undergraduate Merit-Based Support	Student Financial Support; Rolling three-year average based on actual use
Human Resources	Paid Continuing Employee Headcount

Queen's University (cont.)

Subvention Methodology:

- For first two years of new model, units held harmless to their 2012-2013 budgets
- Held harmless payments attenuated during subsequent four years, with units guaranteed a percentage of their 2013-2014 budgets:
 - Year Three: 90%
 - Year Four: 75%
 - Year Five: 60%
 - Year Six: 30%
 - No hold harmless after year six
- Ad hoc subventions on an as-needed basis to hold units harmless for adjustments to allocation rates (e.g., cross teaching, university fund tax).

Strategic Reserves:

- Maintains Central University Fund of approximately \$48M (FY22)
 - 4.5% (FY22) tax assessed on all revenues to fund Central University Fund
 - Unrestricted gifts, net income from ancillary operations, overhead revenue, late payment fees and investment income allocated directly to Central University Fund

Additional Information:

- Faculties & Schools receive allocations from the University Fund based on their relative ratios of research revenues to operating revenues. The University Fund pool for allocations is set at \$10M in 2021-22.
- 1.0% tax assessed on all revenues re-distributed to faculties/schools based on their percentage share of Tri-Council grant revenue



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Main campus in New Brunswick, NJ; regional campuses in Camden, Newark, NJ; health sciences campuses in New Brunswick and Newark, NJ

Enrollment: (*main campus*) 34,500 undergraduate, 13,800 graduate

Operating Expenditures (in billions): \$4.8 USD (FY22)

Responsibility Centers:

Four campuses in system:

- Rutgers University – New Brunswick
- Rutgers University–Camden
- Rutgers Biomedical and Health Sciences
- Rutgers University–Newark 29 colleges and schools across all four campuses
- + Auxiliaries and certain research centers

Date of Model Adoption: FY16

Date of Model Refresh: FY21

Revenue Allocation:

- 100% of actual tuition revenue and out-of-state tuition differential allocated to schools and colleges
- 100% of other direct revenues (e.g., health care or room/board) allocated to schools and colleges
- Tuition revenue and out-of-state tuition differential allocation formula:
 - 75% by credit hours
 - 25% by FTE majors
- 100% of state appropriations retained centrally by respective chancellors for strategic investments and subvention of schools, centers, and auxiliaries across the campuses
- Gift revenue and F&A allocated directly to schools and colleges
- Need-based financial aid allocated to schools and colleges evenly; merit-based financial aid assessed to the benefiting school or college

Cost Allocation:

- Eight system-wide costs pools¹ allocated using one cost driver each:

Cost Pool	Cost Driver
Academic and Student Support	Student Headcount
Debt Service	Space Occupancy (Direct) or Modified Total Expenditures (MTE)
General Administration	MTE
IT	Faculty & Staff (FTE); Student Headcount (HC)
Libraries	Faculty (FTE) & Student HC (weighted)
Oper/Maint & Public Safety	Space Occupancy (direct) and/or MTE
Research Support	Modified Total Direct Cost for Grant and Contracts
Utilities	Space Occupancy (Direct) or MTE

1) Cost pools are system-wide. Each campus will have its own cost methodology.

Source: "An Overview: Responsibility Centered Management (RCM)." Treasurer's Town Hall, 2015, <http://finance.rutgers.edu/sites/finance/files/RCM-HFM-FG%20for%20TTH%2020150115.pdf>; Rutgers University, New Brunswick, NJ; EAB interviews and analysis.

Rutgers University (cont.)

Subvention Methodology:

- All state appropriations retained at chancellor-level for subvention and strategic investments across campuses and colleges

Strategic Reserves:

- 3% tax on unit revenues creates strategic reserve fund, split 50/50 between chancellor and president.
- Chancellor's portion used to support particular units and strategic initiatives, while president's fund supports strategic initiatives and university-wide projects.



Type of Institution: Public Research-Intensive Doctoral University

Location: Main campus in Burnaby, BC; regional campuses in Surrey and Vancouver, BC

Enrollment: 22,700 undergraduate, 3,600 graduate

Operating Expenditures (in millions): \$488 USD (FY15)

Responsibility Centers:

- | | |
|--|----------------------------|
| Beedie School of Business | Faculty of Education |
| Faculty of Applied Sciences | Faculty of Environment |
| Faculty of Arts and Social Sciences | Faculty of Health Sciences |
| Faculty of Communication, Art and Technology | Faculty of Science |

Date of Model Adoption: 2011

Revenue Allocation:

- 65% of all revenues (i.e., tuition revenue, provincial funds, overhead funds from federal research grants) allocated to faculties and academic support units
- Tuition revenue allocation formula:
 - 100% by credit hours
- 35% of all revenues retained centrally for costs, indirect costs, and institutional priorities
- Tuition revenue allocated on a three-year rolling average
- Faculties charged directly for undergraduate and graduate bursaries and scholarships in proportion to their share of total revenue

Cost Allocation:

- Majority of academic support unit budgets funded incrementally from a 35% off-the-top tax on all revenue
- Four cost pools allocated to academic faculties using one cost driver per pool to cover a portion of academic support unit costs:

Cost Pool	Cost Driver
Academic Relations	Faculty FTE
Graduate Studies	Graduate Student FTE
Student Services	Student FTE
Teaching and Learning Center	Faculty FTE

Simon Fraser University (cont.)

Subvention Methodology:

- Previously used weighted credit hours to subvent units with higher costs of instruction
- In FY16-17, began charging all faculties a 9% participation tax for subvention
- Units to be held harmless to prior-year funding levels in first year of new methodology; subsequently, units will receive the same level of subvention each year with minor adjustments

Strategic Reserves:

- $\approx 1.9\%$ taken-off the top of all operating revenues and retained centrally for University Priority Fund, supporting one-time strategic initiatives
- The University Planning Committee reviews and vets proposals for initiatives requesting funding from University Priority Fund to ensure alignment with institutional strategic priorities
- Additional \$10M (i.e., $\approx 2\%$ of total operating budget) generated from Fraser International College (FIC, a collaboration between global higher education partnering organization and SFU) used for strategic initiatives at provost's discretion

Type of Institution: Private Doctoral University: Highest Research Activity

Location: Syracuse, NY

Enrollment: 15,200 undergraduate, 6,600 graduate

Operating Expenditures (in billions): \$1.2 USD (FY15)



**SYRACUSE
UNIVERSITY**

Responsibility Centers:

Athletics	Drumlins Country Club	School of Architecture
Bookstore	Food Services	School of Citizenship and Public Affairs
Carrier Dome	Health Services	School of Education
College of Arts and Sciences	Hotel and Conference Center	School of Information Studies
College of Engineering and Computer Science	The Martin J. Whitman School of Management	S.I. Newhouse School of Public Communications
College of Law	Parking Services	Steam Station
College of Visual and Performing Arts	Printing Services	Syracuse University Press
David B. Falk College of Sport and Human Dynamics	Residence Services	

Date of Model Adoption: 2007

Revenue Allocation:

- 100% of tuition revenue allocated to units
- Tuition revenue allocation formula:
 - 75% by credit hours
 - 25% by FTE majors
- Tuition revenue allocated based on current-year actual enrollments
- 100% of ICR allocated to home college of sponsored research program
 - ICR revenues subject to indirect cost assessments
- Undergraduate financial aid charges allocated to units based on proportionate share of undergraduate tuition revenue

Syracuse University (cont.)

Cost Allocation:

- Three indirect cost pools allocated using one to two cost drivers per pool:

Cost Pool	Cost Driver
Administration	Share of Total Revenues Subject to Indirect Cost Assessments ¹
Facilities Administration & Services	<ul style="list-style-type: none">• Net Assignable Square Feet• Share of Total Revenues Subject to Indirect Cost Assessments²
Fringe Benefits	Share of Salary Expenditures

Subvention Methodology and Strategic Reserves:

- Units charged 11.5% participation fee on revenues subject to indirect cost assessments to fund subvention pool, used to strategically subsidize units and fund academic initiatives, research, and debt services
- Unit fundraising revenues exempted from revenue-based indirect cost assessments, including participation fee
- Subvention funding allocated to responsibility centers at the University's executive leaders' (i.e., chancellor, vice chancellor and provost, and executive vice president and chief financial officer) discretion, with funding amounts reassessed on an annual basis

1) To incent fundraising, unit fundraising revenues are exempted from overall revenues when calculating overhead cost charges.
2) Certain facilities costs are allocated on a revenue basis such as costs associated with the general pool of classrooms, i.e., those not captive by a particular school and college.



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Main campus in Philadelphia, PA; regional campuses Ambler, Center City, Fort Washington, and Harrisburg, PA

Enrollment: 27,307 undergraduate, 10,058 graduate/professional

Operating Expenditures (in billions): \$ 1.26 USD (FY21)

Responsibility Centers:

Beasley School of Law

Boyer College of Music and Dance

College of Education & Human

Development

College of Engineering

College of Liberal Arts

College of Public Health

College of Science and Technology

Fox School of Business
and Management

Kornberg School of Dentistry

Lewis Katz School of Medicine

Liacouras Center

Residence Halls

School of Pharmacy

School of Podiatric Medicine

School of Sport, Tourism and
Hospitality Management

School of Theater, Film and
Media Arts

Tyler School of Art and
Architecture

Date of Model Adoption: FY15

Date of Model Refresh: FY22

Revenue Allocation:

- 100% of gross tuition revenue allocated to academic schools and colleges
- Gross tuition revenue allocation formula:
 - 100% by student major
- Tuition revenue then transferred to school of instruction based on set credit hour rates:
 - Undergraduate fall and spring tuition transferred at fixed rate:
 - Fixed rate calculated by dividing current-year's fall and spring undergraduate tuition revenue by previous fall and spring credit generation; rate is multiplied by each school's credit hours for the previous fall and spring, which then becomes the school's fall and spring tuition allocation for the fiscal year
 - Undergraduate summer tuition transfer based on current summer's instructional credit hours generated and is transferred at undergraduate part-time resident rate for respective summer session
 - Graduate tuition transfer based on the current term's graduate instructional credit hours generated and is transferred at the graduate part-time resident rate for the respective semester/session
 - Professional tuition transfer based on current term's professional instructional credit hours generated and transferred at graduate part-time resident rate for the respective semester/session
- School-specific tuition differentials retained by individual schools and colleges regardless of term
- 100% of ICR and other direct revenue (i.e., gifts, sales, fees) allocated directly to schools and colleges
- Colleges charged 18.3% net undergrad tuition income and 1.9% net graduate tuition income for financial aid, and 4.9% for campus deferred maintenance fund

Temple University (cont.)

Cost Allocation:

As of FY19, three overhead cost pools are allocated using three drivers per pool:

Cost Pool	Cost Driver
Students	100% of Total Credit Hours
General	Net Direct Expenditures
Space	Unit Square Footage

Subvention Methodology and Strategic Reserves:

- \$7M strategic fund created through an expense tax on units
 - Schools assessed tax based on share of total net direct expenses (i.e., school with 20% of total net direct expenses pays 20% of the set strategic fund amount)
 - Central administration strategically allocates funds for subvention and strategic purposes
 - In first year of model, state appropriations provided to schools and colleges in deficit to hold them harmless; schools and colleges that generated profits retained earned revenues



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Main Campus in Tucson, AZ; regional campus in Sierra Vista, AZ

Enrollment: 33,000 undergraduate, 9,000 graduate

Operating Expenditures (in billions): \$1.8 USD (FY17- excludes health center)

Revenue Responsibility Centers:

Auxiliaries (7)	College of Engineering	College of Nursing	College of Social and Behavioral Sciences
College of Agriculture & Life Sciences	College of Fine Arts	College of Optical Sciences	Eller College of Management
College of Architecture, Planning, and Landscape Architecture	College of Humanities	College of Pharmacy	James E. Rogers College of Law
College of Education	College of Medicine -Phoenix	College of Public Health	UA South
	College of Medicine -Tucson	College of Science	

Date of Model Adoption: 2015

Revenue Allocation:

- 100% of pooled undergraduate tuition revenue net of institutional financial aid allocated to colleges and Revenue Responsibility Centers on a weighted basis
- Undergraduate tuition revenue allocation formula:
 - 75% by credit hours (weighted)
 - 25% FTE majors
- 100% of graduate tuition revenue allocated to colleges and Revenue Responsibility Centers
- Graduate tuition revenue allocation formula:
 - 75% by FTE majors
 - 25% by credit hours
- Tuition revenue allocated based on prior-year enrollment data
- Undergraduate out-of-state tuition differential pooled and evenly allocated to schools and colleges
- 100% of state appropriations provided as subvention funding to hold Revenue Responsibility Centered Units (RCUs) to their historical operating budgets in year one of RCM model
- 100% of ICR allocated to responsibility centers associated with the grant activity
- 100% of program fees and differential tuition allocated to colleges
- Institutional financial aid taken off-the-top of revenue evenly across all colleges; colleges responsible for college-provided aid to graduate tuition and program fees

The University of Arizona (cont.)

Cost Allocation:

- All revenue streams assessed charge to fund university support and service functions
 - Assessment rate adjusted periodically based on actual costs
- Undergraduate tuition and subvention currently assessed 30.96%
- Graduate tuition, program fees, and ICR currently assessed 12.38%
- Responsibility centers charged for facilities costs—which include operations, maintenance, utilities, and debt payments—based on their space usage (i.e., \$25.19 per NASF¹)

Subvention Methodology:

- 100% of state appropriations provided as subvention funding to hold Revenue RCUs to their historical operating budgets in year one of RCM model
- Changes to subvention may occur if central administration decides to reallocate funds between colleges, the state reduces or increases appropriations, or to reflect movement of funds between colleges
- Weighted credit hour allocations shift additional resources to colleges and schools with higher costs of instruction

Strategic Reserves:

- Responsibility centers assessed 1.7% tax for Strategic Investment Fund, with plans to grow the tax to 5% over four years
- Provost allocates non-recurring funds to colleges to support strategic initiatives

Source: "Overview of Responsibility Centered Management (RCM) Budget Model," July 2015, http://rcm.arizona.edu/sites/rcm2/files/overview_of_responsibility_centered_management_july2015_0.pdf; University of Arizona, Tucson, AZ; EAB interviews and analysis.

1) Net Assignable Square Feet



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Salt Lake City, UT

Enrollment: 24,000 undergraduate, 7,750 graduate

Operating Expenditures (in billions): \$3.4B (FY2014- includes medical center)

Colleges:

College of Architecture and Planning	College of Pharmacy
College of Engineering	College of Science
College of Education	College of Social and Behavioral Science
College of Fine Arts	College of Social Work
College of Health	David Eccles School of Business
College of Humanities	School of Dentistry
College of Mines and Earth Sciences	School of Medicine
College of Nursing	S. J. Quinney College of Law

Date of Model Adoption: 2000

Revenue Allocation:

- Units receive incremental annual base budgets
- Unit base budgets reflect differential tuition rates among programs
- Units can receive additional funds from a performance funding pot that incentivizes and rewards enrollment growth
 - Center reserves percentage of operating revenues to fund pot
 - ≈4% of revenues reserved in FY15
 - Funding subject to grow as additional funds become available
 - Performance pot allocation formula:
 - 40% based on SCH production
 - 40% based on majors declared
 - 20% based on degrees awarded (undergraduate, graduate, and doctoral)
 - Allocations made on a two-year rolling average
 - Rather than receive fixed dollar amount per SCH, units receive percentage of pot based on their performance relative to other units
 - Performance funds awarded at the college level rather than the program level

The University of Utah (cont.)

Cost Allocation:

- Majority of overhead costs covered centrally

Subvention Methodology:

- Subsidies for units in structural deficits built into historical base budgets

Strategic Reserves:

- Percentage of operating revenues allocated to provost for strategic investment
 - $\approx 5.4\%$ of operating revenues allocated to provost in FY15
 - Funding subject to grow as additional funds become available
- Deans submit formal proposals for funds from strategic pool
- Proposals vetted by budget committee and approved by president and provost
- Fund commitments are time-bound, typically three years
- Proposals include metrics to measure project outcomes and to determine if funding should become part of unit's base budget going forward
- In FY15-16, strategic fund balance was \$50M

University at Buffalo, the State University of New York



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Three campuses in Buffalo and Amherst, NY

Enrollment: 20,000 undergraduate, 10,000 graduate

Operating Expenditures (in millions): \$769 USD (FY20)

Responsibility Centers:

College of Arts and Sciences

Graduate School of Education

Jacobs School of Medicine and Biomedical Sciences

Law School

Roswell Park Cancer Institute Graduate Division

School of Architecture and Planning

School of Dental Medicine

School of Engineering and Applied Sciences

School of Management

School of Nursing

School of Pharmacy and Pharmaceutical Sciences

School of Public Health and Health Professions

School of Social Work

Date of Model Adoption: FY15

Date of Model Refresh: FY21

Revenue Allocation:

- Unit base budgets awarded incrementally based on historical investment agreements
- Tuition revenue targets are primary metric that determines academic units' base budgets
 - If unit misses tuition revenue target, unit completes a tuition revenue shortfall assessment and returns 0-80% of the money (based on pre-determined percentage bands below current target) to central administration the following year in non-recurring state operating funds.
 - Units exceeding target revenue receive a one-time 70% share of revenue above target the following year
 - Targets are updated annually, and unit base budgets are adjusted at 70% of the target change
- Allocation formula for incremental revenue from state-approved tuition increases:
 - 100% of the revenue generated as a result of the tuition increase pooled centrally:
 - 50% used for investments in special initiatives, academic infrastructure and academic support needs through the annual resource planning process
 - 50% of the revenue generated as a result of the tuition increase pooled centrally, from which academic units might receive investments based on meeting established performance metrics or other criteria, for academic initiatives, or by requesting these funds through the annual resource planning process
- State appropriations included in base budgets
 - Recent recurring state budgets have remained flat; non-recurring state funds from strategic/performance-based initiatives allocated and managed through annual resource planning process
- Financial aid primarily budgeted and allocated centrally
 - Multi-year financial aid targets reviewed in integrated fashion with new strategic enrollment plan

Source: University at Buffalo, the State University of New York; EAB interviews and analysis.

University at Buffalo, SUNY (cont.)

Cost Allocation:

- Colleges and schools responsible for paying direct costs
- Central administration covers all indirect costs

Subvention Methodology:

- Academic units receive historical base budgets rather than subvention

Strategic Reserves:

- State-approved tuition increases and 30% of incremental revenue from enrollment growth retained centrally in provost's Strategic Investment Fund
- Units submit proposals to Strategic Investment Fund for additional funding for initiatives that align with university strategic priorities.
 - Other funds that flow into central reserves generally include the following:
 - Central portion of ICR
 - Funds from sponsored programs
 - Indirect costs collected on service centers, auxiliaries, and affiliated entities
 - FY21 Strategic Investment Fund projected at $\approx 5.5\%$ of university's overall operating revenues
 - Percentage varies year-to-year based on enrollment dynamics and tuition rate increase scenarios
 - Funds increased for FY21 due to no strategic investments made during FY20 to navigate financial uncertainty of the COVID-19 pandemic
 - Since FY15, funds from real estate activities and utilities efficiencies have supplemented central reserves

Type of Institution: Public Doctoral University: Highest Research Activity

Location: Davis, CA

Enrollment: 31,700 undergraduate, 8,400 graduate

Operating Expenditures (in billions): \$5.7 USD (FY21)

Responsibility Centers:

The Betty Irene Moore School of Nursing
College of Agriculture and Environmental Sciences
College of Biological Sciences
College of Engineering
College of Letters and Science

- Division of Humanities, Arts, & Cultural Studies
- Division of Mathematics and Physical Sciences
- Division of Social Sciences

Graduate School of Management
Office of Graduate Studies
Office of Research
School of Education
School of Law

School of Medicine
School of Veterinary Medicine

Date of Model Adoption: FY12

Date of Model Refresh: FY17

Revenue Allocation:

Undergraduate Tuition

- 70% of net undergraduate tuition revenue and government grants allocated to schools, colleges, and divisions
- 30% of net undergraduate tuition retained centrally for provost's allocation fund
- Undergraduate tuition revenue allocation formula:
 - 60% by credit hours (two-year average)
 - 30% by FTE majors (two-year average)
 - 10% by degrees awarded (two-year average, lagged one year)
- All units receive credit for campus-wide blend of resident and nonresident supplemental tuition for undergraduates
- Distribution includes a share of nonresident supplemental tuition and a share of state funds allocated for enrollment growth
- FY20 revenue growth centralized for student success initiatives

Graduate Tuition

- 67% of incremental growth in graduate tuition (i.e., above 2013-2014 levels) retained by center; 33% allocated to the colleges
- 100% of PhD & MFA nonresident supplemental tuition retained by provost
- 50% of master's nonresident supplemental tuition allocated to Office of Graduate Studies to give to programs, 50% retained by provost
- Graduate tuition revenue allocation formula:
 - 100% by FTE enrollment

Source: University of California, Davis, Davis, CA; EAB interviews and analysis.

University of California, Davis (cont.)

Revenue Allocation (cont.):

Undergraduate Financial Aid

- University financial aid taken off-the-top of undergraduate tuition

Indirect Cost Recovery

- 70% of ICR remains at the center; 30% returned to unit that generates it

Summer Session Tuition Revenue

- 80% of net tuition allocated to unit that generates it
- 20% of net tuition retained at center
- University Student Aid taken off-the-top per return to aid policy
- Centrally held funds taken off-the-top to support historic state reductions

Cost Allocation:

- Revenue centers responsible for direct costs
- Central administration covers all indirect costs

Subvention Methodology and Strategic Reserves:

- Central Campus Funding used for subvention and strategic funding
 - The following revenue streams flow into Central Campus Funding:
 - 100% of state appropriations
 - 30% of net undergraduate tuition
 - 67% of incremental growth in graduate tuition (i.e., above 2013-2014 levels)
 - 100% of incremental growth in PhD nonresident supplemental tuition, 50% incremental growth in master's nonresident supplemental tuition
 - 70% of ICR
 - 20% of net summer sessions tuition
 - Institutional overhead assessments on auxiliary enterprises like Student Housing and Transportation and Parking Services
- Provost allocation funds also used for strategic investments

Type of Institution: Public Doctoral University: Highest Research Activity



Location: Riverside, CA

Enrollment: 22,700 undergraduate, 3,700 graduate

Operating Expenditures (in millions): \$980 USD (FY21)

Responsibility Centers:

Bourns College of Engineering	School of Public Policy
College of Humanities, Arts, & Social Sciences	Vice Provost Undergraduate Education – English
College of Natural & Agricultural Sciences	Vice Provost Undergraduate Education – Summer Sessions
Graduate School of Education	Writing
School of Business	Self-Supporting Auxiliaries (12)
School of Medicine	

Date of Model Adoption: FY16

Date of Model Refresh: FY19

Revenue Allocation:

- Undergraduate tuition revenue is distributed with the following formula:
 - 39% to schools & colleges
 - 75% by credit hours
 - 25% by FTE majors
 - 31% to central campus resources
 - 30% to financial aid
- 100% of graduate (professional masters) tuition revenue allocated by FTE majors with the following formula:
 - 50% to schools & colleges
 - 50% to grad divisions to fund PhD students
- Professional master’s students also pay Professional Degree Supplemental Tuition which is retained 100% by the schools & colleges with 25% of that required to be spent on financial aid for the professional master’s’ students
- 100% of state appropriations held centrally for salary and benefits cost increases can be funded through subvention allocations
- Tuition revenue allocations are based on current year enrollment data. Cash is provided in the fall based on estimated enrollments and then trued up in the spring based on actual enrollment.
- Non-resident instructional fees for undergraduate students are allocated directly to units with the following formula:
 - 19.5% to schools & colleges
 - 35% to financial aid
 - 45.5% remains at the center

Source: "UCR Budget Overview." UC Riverside, October 2015, https://www.ucr.edu/about/admin/docs/15_16_budget_overview.pdf; "Budget Model Cost Pools and SLA Update Meeting," UC Riverside, April 2016, https://www.ucr.edu/about/admin/docs/Budget_Model_Redesign.pdf, University of California, Riverside, Riverside, CA.; EAB interviews and analysis.

University of California, Riverside (cont.)

- Non-resident instructional fees for graduate students (excluding PhDs) are allocated directly to units with the following formula:
 - 70% to schools & colleges
 - 30% to grad divisions to fund PhD students
- PhD student non-resident instructional fees go 100% to the grad division to fund PhD students
- ICR allocation formula:
 - 40% to Strategic Investment Fund (covering costs for research development including faculty start-ups)
 - 25% to College
 - 20% to Vice Chancellor for Research and Economic Development
 - 10% to Department
 - 5% to PI

Cost Allocation:

- Self-Supported Units and Auxiliaries are taxed based on prior year expenditures. This percentage tax on expenditures allows those units to project their overhead charge and incentivizes them to better manage their expenses.

Subvention Methodology:

- 31% of undergraduate tuition, 100% of state appropriations, and 45.5% of undergraduate non-resident instructional fees are retained centrally to cover salary and benefit cost increases through subvention allocations.
- Subvention levels set to hold academic units harmless in first year of model with incremental adjustments in subsequent years
 - Incremental adjustments based on merit increases, benefit increases, and central investments from institution's cluster hire process



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Cincinnati, OH; regional campuses located in Blue Ash and Batavia, OH

Enrollment: 35,897 undergraduate; 10,901 graduate

Operating Expenditures (in billions): \$1.62 USD (FY22)

Colleges:

College of Allied
Health Sciences

College of Arts and Sciences

College of Business

College of Design, Architecture,
Art, and Planning

College of Education, Criminal
Justice, and Human Services

College of Engineering and
Applied Sciences

College of Law

College of Medicine

College of Nursing

College of Pharmacy

Conservatory of Music

Dual Enrollment

Professional Practice

Date of Model Adoption: FY10

Revenue Allocation:

- 100% of undergraduate and graduate tuition revenues allocated to colleges
- Tuition revenue allocation formula:
 - 100% by FTE majors
 - Portion of tuition revenue transferred to college of instruction based on university-wide transfer rate
- University sets annual tuition revenue targets for each college based on prior-year's final tuition results
 - University may assign individual colleges additional target amounts based on strategic needs
 - Surplus tuition revenue remaining after a college meets tuition target split between college and provost in the form of expense budget increases
 - Colleges that do not meet targets receive expense budget reductions
- 100% of state appropriations retained centrally
- Only tuition revenues subject to activity-based model

Cost Allocation:

- All indirect costs covered centrally

Subvention Methodology and Strategic Reserves:

- Surplus tuition revenue remaining after a college meets tuition target split between college and provost
- Provost may provide subsidies to colleges that do not meet targets at his/her discretion
- University-wide strategic investments funded through university budgeting process, either through new revenue or budget reallocations; reallocations collected from all units as percentage of their base budgets



Type of Institution: Private Doctoral University: Higher Research Activity

Location: Denver, CO

Enrollment: 5,488 undergraduate, 8,368 graduate, 427 pre-collegiate

Operating Expenditures (in million): \$485 USD (FY21)

Schools and Colleges:

Daniel Felix Ritchie School of Engineering and
Computer Science

Daniels College of Business

College of Arts, Humanities, and Social Sciences

College of Natural Sciences and Mathematics

Graduate School of Professional Psychology

Graduate School of Social Work

Josef Korbel School of International Studies

Morgridge College of Education

Sturm College of Law

University College

Date of Model Adoption: 1990s

Revenue Allocation:

- Provost sets annual revenue expectations after budget development discussions with units' leaders and CFO informed by enrollment trends and strategic priorities
- Revenue earned by units are recorded directly in units' operating statements
- Revenue earned in excess of budget is shared 50% with unit and 50% with central administration. These excess dollars are held in designated funds for strategic investment including seeding new programs, space enhancements, other strategic expense.

Cost Allocation:

- Direct expenses incurred by units are recorded directly in units' operating statements
- Indirect expenses are not billed to units in current year. In retrospective analysis (the Contribution Margin Report) indirect expenses are allocated to revenue generating units. The results of this report are reflected on by leadership in the development of future budgets
- Units keep 100% of expense savings compared to budget. These funds are combined with revenue excess and held in same designated fund for strategic investment

Subvention and Strategic Reserves:

- Operating margin managed each year during budget development process. Revenue generating units operate with positive bottom line; cost centers with negative bottom line
- \$15M of the annual operating budget for contingent transfers to designated funds for strategic planning implementation, deferred maintenance, technology, energy savings initiatives, and capital expenditures

Type of Institution: Public Doctoral University: Highest Research Activity

Location: Lawrence, Kansas

Enrollment: 19,145 undergraduate, 7,635 graduate

Operating Expenditures (in millions): \$1,340 USD (FY21)

Colleges:

College Liberate Arts & Sciences	School of Journalism & Mass Communication
School of Architecture, Design & Planning	School of Law
Business School	School of Music
School of Education and Human Sciences	School of Pharmacy
School of Engineering	School of Social Welfare



Date of Model Adoption: FY 2020

Revenue Allocation:

- 51% of budget is allocated to academic units through RCM allocation formulae:
 - 65% based on student credit hours
 - Undergraduate student credit hours allocation:
 - 48.75% to the unit of instruction, 16.25% to the school of major
 - Graduate student credit hours
 - Weighted at 2x
 - 20% based on research metrics
 - 10% expenditures
 - 2% faculty grant participation
 - 8% research products & impact (peer-reviewed and provost scored)
 - 10% based on student success metrics
 - 2.5% degree conferral
 - 2.5% average time to degree from junior-level
 - 5% student experience at KU, success post-KU, teaching/mentoring quality (peer-reviewed and provost scored)
 - 5% flow to other strategic priorities (e.g., faculty/staff development, DEI, etc.)
- 49% of budget is allocated to support units through benchmarked estimates for each unit
 - Plans to implement a performance-based RCM model for support units once reliable peer and aspirational benchmarks are determined.

University of Kansas (cont.)

Cost Allocation & Strategic Reserves:

- An annually-determined portion of funds from state appropriations and tuition revenue are held centrally before revenue allocation to support:
 - Central foundational priorities (e.g., restoration of reserves and contingency funds; regular merit raises that flow through to unit budgets, deferred maintenance needs, mandatory costs)
 - Strategic priorities (e.g., one-time or limited-term investments that build reputation or revenue opportunities or otherwise support the University strategic plan)

Subvention Methodology:

- Subsidy pool is initially set at \$20M for FY20, representing 10% of overall academic unit allocation. The amount allocated to the pool is annually re-evaluated and determined by the Provost.
- Subvention allocation is based:
 - 50% on a unit's instructional costs (benchmarked against average instructional costs of peer institutions to ensure costs are in line with discipline and geographic norms)
 - 50% through the provost's discretion (informed by metrics and the best interests of the institution)



Type of Institution: Public Doctoral University: Highest Research Activity

Location: Lexington, KY

Enrollment: 22,865 undergraduates, 7,332 graduates

Operating Expenditures (in billions): \$2B (FY17- excludes University of Kentucky HealthCare System)

Colleges:

College of Agriculture, Food,
and Environment
College of Arts & Sciences
College of Communication
and Information
College of Dentistry
College of Design

College of Education
College of Engineering
College of Fine Arts
College of Health Sciences
College of Law
College of Medicine
College of Nursing

College of Pharmacy
College of Public Health
Gatton College of Business
and Economics
School of Diplomacy and
International Commerce
School of Public Policy
and Administration

Date of Model Adoption: FY16

Revenue Allocation:

- Units receive incremental annual base budgets
- Units can receive additional funds from performance funding pools
 - Performance funding pools incentivize and reward student success
 - For FY16, central administration reserved \$5M of operating revenues to fund student success pool
 - Performance pool allocation formula for undergraduate and graduate colleges:
 - 75% based on undergraduate retention gains
 - 25% based on proportionate share of overall state appropriations and tuition revenues
 - Units receive performance funding for improving retention on a per-student basis
 - Per-student award rate = (performance pool/ increase in first-time, full-time, fall-to-fall students retained year-over-year)
 - For professional colleges, performance pool allocation formula:
 - 75% based on the following factors:
 - 52.5% on degrees conferred
 - 11.3% on earned student credit hours
 - 11.2% on student headcount
 - 25% based on proportionate share of overall state appropriations and tuition revenues
 - Performance funds awarded at college level rather than program level

University of Kentucky (cont.)

Cost Allocation:

- Central administration covers all indirect costs

Subvention Methodology:

- Subsidies for units in structural deficits built into historical base budgets

Strategic Reserves:

- Institutional strategic initiatives funded centrally with operating funds remaining after funding unit base budgets and \$5M performance pools

Location: Callaghan, New South Wales, Australia

Enrolment: 37,677 (2018)

Operating Expenditures (in millions): 790 AUD (FY2020)

Academic Faculties and Units:

Faculty of Humanities and Social Sciences

Faculty of Medical Sciences

Faculty of Science, Agriculture and Engineering



Date of Current Model Adoption: 2015

Income Allocation:

- Academic Faculties and Units Subject to the Allocation Model
 - College of Human and Social Futures
 - College of Engineering, Science and Environment
 - College of Health, Medicine and Wellbeing
 - Academic Division
 - Research and Innovation Division
- 100% of undergraduate tuition for both home and international students are allocated to units above.
- 100% of postgraduate tuition for both home and international students are allocated to units above.
- Tuition income allocation is based on the current year actual enrolments times the course fees.
- Tuition income allocations are subdivided between units of instruction and units of enrolment. The income for the course/unit studied by the student is allocated to the School/College that teaches that course.
- Other sources of income allocation and allocation methodology:

Source of Income	Allocation Methodology
Donor Gift Income	100% to the Philanthropic division ¹
Endowment Income	100% to the Philanthropic division ¹
Research Income	Allocated to the College/School that secures the grant
Indirect Cost Recovery	N/A
Auxiliary Income	Allocated to the College/Division that is responsible for generating the income

- Investment returns are allocated centrally to a "Corporate Services" unit (i.e., the CFO).

*The raising of philanthropic funds are largely coordinated through the Office of Alumni and Philanthropy within the Division of Global Engagement and Partnerships. Once the funds are earned by the University they are maintained in a separate fund pool and administered by the responsible officer who may reside in any of the Colleges or Divisions. The responsible officer is determined by the nature of the purpose for which the funds are received.

Source: University of Newcastle, Callaghan, New South Wales, Australia; EAB interviews and analysis.

University of Newcastle (cont.)

Central Overhead Cost Allocation:

- The budget model does not allocate central overhead costs to each budgetary unit or levy administrative cost recovery chargers on auxiliary revenues.
- Research operating costs are funded through research grants that each School/College is responsible for securing.
- College expenditure budgets are determined by applying a target profit margin ("contribution margin") to the income they generate. The contribution margin is provided to the 'centre' to fund the operating costs of the Divisions, depreciation and to produce any operating surplus.
- Divisional (i.e., central support units) expenditure budgets are determined on a more "bottoms-up" approach. In consultation with the Finance Business Partners, the Divisions determine their first draft budget by identifying required staff and non salary expenditures. This is then adjusted accordingly depending on the funds available through the contribution margin produced by the Colleges.

Subvention Methodology:

- The budget model does not account for units incurring deficits or those with high costs of instruction because colleges are expected to make profits on the income they generate. Colleges are also expected to generate sufficient income to cover the costs of the central support units. The profit-centres are therefore meant to offset the cost-centres.
- If the contribution margin from the College is not sufficient to meet the central support costs and the University is predicted to generate losses, mitigation measures are put in place such as recruitment freezes, discretionary spend cuts etc.

Strategic Reserves:

- Units are expected to contribute to fund strategic priorities after income allocation. The costs of the strategic priorities are estimated, then the profit margin targets for the Colleges are adjusted to reflect this estimate.
- The primary goal of the strategic reserve fund is to ensure strategic projects are sufficiently funded. The University Council (i.e., Board of Directors) approves the strategic reserve fund as part of the annual budget approval process.
- At the end of the fiscal year, 100% of unit-level budgetary surpluses are returned to the centre.

Additional Information:

- Expenditure for large-scale change projects (including costs related to redundancies) are held centrally.
- The Budget is discussed and approved by the entire Executive team, the Finance Committee of Council, and the full Council - therefore there are several opportunities for 'exceptions to the rule' to be agreed upon and included in any given budget.

University of Notre Dame

Type of Institution: Private Doctoral University: Highest Research Activity

Location: Notre Dame, IN

Enrollment: 8,874 undergraduate, 3,935 graduate

Operating Expenditures (in billions): \$1.6 USD (FY22)

Colleges:

College of Arts and Letters

College of Engineering

College of Science

First Year of Studies

The Graduate School

Keough School of Global Affairs

The Law School

Mendoza College of Business

School of Architecture



Model Origins: Has historically been a centralized budget model with hybrid RCM elements for auxiliaries, research, and graduate professional programs

Revenue Allocation:

- 100% of undergraduate tuition retained by central administration for incremental allocation to colleges and schools and central administration
- Central administration makes targeted investments through thorough annual vetting and prioritization process
- Units present priorities for upcoming three years through business cases, detailing clear business plans, long-term implications of requests, and alignment with strategic plans and university goals
- Gainsharing policy allows colleges and major administrative units to retain 100% of year-end unrestricted residual funds for one-time expenses
- Revenue-sharing agreements with professional master's and online programs:
 - 85% of tuition revenue retained by unit
 - 15% of tuition revenue returned to central administration
- Revenue-sharing with Vice President of Research on ICR:
 - 80% of ICR returned to VPR, who then shares with colleges, departments, and individuals performing the research
 - 20% of ICR retained centrally to support research infrastructure

Cost Allocation:

- Colleges and schools responsible for paying direct costs
- Central funding covers all indirect costs and utilities and facilities costs

Strategic Reserves:

- Favorable performance-versus-budget on other central revenues and expenses, provides funds for one-time, university-wide strategic investments
- Percentage of endowment payout each year also taken centrally to support endowment overhead costs and provide funds for one-time strategic investments

Source: University of Notre Dame, Notre Dame, IN; EAB interviews and analysis.

Type of Institution: Private Doctoral University: Highest Research Activity

Location: Philadelphia, PA



Enrollment: 11,300 undergraduate, 16,700 graduate

Operating Expenditures (in billions): Academic: \$3.55 USD; Consolidated (i.e., including health system): \$11.60 USD (FY21)

Academic Component Responsibility Centers:

Schools (12):

Annenberg School for Communication
 Graduate School of Education
 Penn Carey Law School
 Perelman School of Medicine
 School of Arts and Sciences
 School of Dental Medicine
 School of Engineering and Applied Science
 School of Nursing
 School of Social Policy and Practice

School of Veterinary Medicine
 Weitzman School of Design
 The Wharton School
Resource Centers (8):
 Division of Recreation and Intercollegiate Athletics
 Institute of Contemporary Art
 Interdisciplinary Programs
 Morris Arboretum

Penn Global
 Penn Live Arts
 University Libraries
 University Museum
Other:
 Administrative Service Centers
 Business Services

Date of Model Adoption: 1970s

Date of Model Refresh: FY19

Revenue Allocation:

- 20% of undergraduate, graduate (excluding doctoral), and professional tuition is allocated to subvention fund
- 80% of undergraduate, graduate (excluding doctoral), and professional tuition is distributed as follows:
 - 75% to teaching school
 - 25% to home school
- Distributed undergraduate tuition is adjusted under block tuition methodology
- For undergraduate tuition, financial aid discount subtracted from adjusted tuition to fund financial aid
- Graduate and professional student aid expense retained by home school, which determines aid amounts
- ICR allocation formula:
 - 88.5% to dean’s office of the school receiving the grant
 - 10.5% to subvention pool
 - 1.0% to Research Facilities Development Fund
- All other revenue remains in school or center which generates it, excluding certain fees charged with tuition

Source: "Responsibility Center Management." University of Pennsylvania Office of Budget Planning & Analysis, <http://www.budget.upenn.edu/dlDocs/rcm.pdf>; University of Pennsylvania, Philadelphia, PA; EAB interviews and analysis.

University of Pennsylvania (cont.)

Cost Allocation:

- Six overhead cost pools allocated using a unique cost driver each:

Cost Pool	Cost Driver
Development & Alumni Relations	Fundraising Receipts over Past 3 Years and Number of Living Alumni at Fiscal Year-End
Facilities Renewal	Estimated Replacement Value of Each Building Occupied by Paying School/Center
Library	Relative Number of Faculty and Graduate/Professional Students in Each School and Number of Undergraduate Course Units Taught by Each Responsibility Center
Operations and Maintenance, including Utilities	Average Actual O&M Expenditures per Building, Including Pro-Rated Share of Public Spaces and Facilities Central Overhead Costs over Past Two Years
Research	Either Specific Utilization Statistics or Modified Total Direct Costs <ul style="list-style-type: none"> • Costs for these services distributed across paying schools and centers
University Services	Average Direct Expenditures of Paying Schools/Centers over Past Four Years (most costs)

Subvention Methodology and Strategic Reserves:

- Units charged 20% tax on undergraduate, graduate (excluding doctoral), and professional tuition and 10.5% tax on grant overhead for subvention and strategic initiatives
 - Subvention directed back to schools, resource centers, and academic initiatives as directed by the President’s Office and the Provost’s Office
 - Majority of subvention pool committed as program regular subvention and graduate student support to the schools
 - On average, schools receive back about 70-80% of their contributions
 - Small amount retained centrally to support strategic investments

Source: "Responsibility Center Management." University of Pennsylvania Office of Budget Planning & Analysis, <http://www.budget.upenn.edu/dlDocs/rcm.pdf>; University of Pennsylvania, Philadelphia, PA; EAB interviews and analysis.



Type of Institution: Public Research-Intensive Doctoral University

Location: Main Campus in Toronto, ON; regional campuses in Mississauga and Scarborough, ON

Enrollment: 65,000 undergraduate, 19,500 graduate

Operating Expenditures (in billions): \$ 3.1 CAD (FY22)

Responsibility Centers:

Faculty of Applied Science and Engineering	Faculty of Medicine	Faculty of Music	School of Continuing Studies
Faculty of Architecture, Landscape, and Design	Faculty of Information	Faculty of Nursing	School of Public Health
Faculty of Arts and Science	Faculty of Kinesiology and Physical Education	Faculty of Pharmacy	University of Toronto Mississauga (UTM)
Faculty of Dentistry	Faculty of Law	Faculty of Social Work	University of Toronto Scarborough (UTSC)
	Faculty of Management	Ontario Institute for Studies in Education	

Date of Model Adoption: FY2007

Revenue Allocation:

- ≈86% of tuition revenue and government operating grants allocated to responsibility centers
- Tuition revenue and operating grant allocation formula:
 - 100% by faculty of student registration (i.e., FTE majors)
 - Interdivisional Teaching (IDT) revenue-sharing agreements between faculties with high frequency of cross-teaching are divided into two types of activity:
 - Service Teaching: Governance of the program resides in home division while other division provides some teaching. Service teaching revenue sharing rates are dependent upon whether a program has a standard cost or higher cost and whether the program revenue is standard or deregulated.
 - Joint Program: Joint governance of program. This IDT is considered as a stand-alone with teaching cost and revenue jointly shared.
- Tuition revenue and operating grants allocated based on current-year projections , with reconciliation at year-end
- Investment income allocated directly to responsibility centers based on each center’s share of total attributed revenue from all other sources
- Revenue from application fees allocated directly to responsibility centers based on number of applications
- Canada Research Chair funds flow directly to responsibility centers through divisional income
- 100% of ICR allocated directly to responsibility centers performing the research
- Undergraduate financial aid allocated to responsibility centers in proportion to their total domestic tuition revenue

Source: "University Of Toronto Review of The New Budget Model." University of Toronto Budget Model Committee. 2011. [http://www.planningandbudget.utoronto.ca/Assets/Academic+Operations+Digital+Assets/Planning+\\$126+Budget/budget_reports/New+B_udget+Model+Review+Report+-+Final+4Mar11.pdf](http://www.planningandbudget.utoronto.ca/Assets/Academic+Operations+Digital+Assets/Planning+$126+Budget/budget_reports/New+B_udget+Model+Review+Report+-+Final+4Mar11.pdf); "University of Toronto New Budget Model," University of Toronto Office of Planning and Budget, 2012, <http://www.planningandbudget.utoronto.ca/enrolment.htm>; University of Toronto, Toronto, ON. EAB interviews and analysis.

University of Toronto (cont.)

Cost Allocation (continued):

12 overhead cost pools allocated using one to three cost drivers per pool:

Cost Pool	Cost Driver
Advancement	<ul style="list-style-type: none"> Alumni Affairs: Ten-year rolling average of degrees awarded Development Costs: Ten-year rolling average of funds raised
Financial Management	Proportion of Operating, Divisional, and Research Revenue
University Management	
University-Wide Academic Expense	
University-Wide General Expense	
Information Technology	<ul style="list-style-type: none"> Proportion of Operating, Divisional, and Research Revenue Number of Students Number of Faculty and Staff
Human Resources	Faculty and Staff FTE
Library	<ul style="list-style-type: none"> Library Acquisitions: Research Revenue, Student and Faculty FTEs Library Service Cost: Faculty and Student FTEs
Occupancy (downtown campus only, excludes UTM and UTSC)	<ul style="list-style-type: none"> Utilities and Caretaking: Net Assignable Square Meters on Per Building Basis Shared Classroom Space: Classroom Usage Deferred Maintenance and Other Costs: Averaged Across All Net Assignable Square Meters
Pension Deficit Reserve	Salaries of Appointed Staff
Research Administration	Rolling Three-Year Average of: <ul style="list-style-type: none"> Research Revenue Research Funding Applications Number of Active Research Grants Number of Protocols
Student Recruitment and Registrarial Services	<ul style="list-style-type: none"> Student FTEs and Headcount Number of Applications Number of Financial Aid Applications

Subvention Methodology and Strategic Reserves:

- University takes 14% off-the-top of total attributed revenue from operating grant, tuition fee, investment income, and "other income" for the University Fund (total ≈\$365M in FY22)
- Original FY07 University Fund of \$100M used to preserve historical responsibility center budgets indefinitely
- Remaining \$226M dedicated to strategic investments, including:
 - Allocations to assist responsibility centers with continuing structural budget deficits
 - Centers must show signs of progress to receive incremental University Fund allocations
 - Allocations for investment in faculty positions, interdivisional teaching, research (4% of total revenue earmarked for research priorities), student experience, entrepreneurship priorities, and other strategic initiatives
- New strategic fund created to fund international scholarships, funded by tax on international tuition revenue

Location: Wollongong, New South Wales, Australia

Enrolment: 36,038 (2021)

Operating Expenditures (in millions): 673 AUD (FY2020)

Academic Faculties and Unis:

Arts, Social Sciences, and Humanities

Business and Law

Engineering and Information Sciences

Science, Medicine and Health



Date of Current Model Adoption: 2013

Income Allocation:

- Academic Faculties and Units Subject to the Allocation Model
 - Faculties
 - Academic Divisions
- 100% of undergraduate tuition for both home and international students are allocated to units above.
- 100% of postgraduate tuition for both home and international students are allocated to units above.
- Current year actual enrolments are used as the basis for tuition income allocation.
- Tuition income allocations are subdivided between units of instruction and units of enrolment based on student teaching load by unit of study.
- Other sources of income allocation and allocation methodology:

Source of Income	Allocation Methodology
Donor Gift Income	Central
Endowment Income	Central
Research Income	Central/Faculty
Indirect Cost Recovery	Central/Faculty
Auxiliary Income	Central
Other	Central/Faculty

- For some start-up operations, income is held centrally with costs for faculties reimbursed for delivering into the new initiative. There is full income distribution once initiative start up costs are recovered.

University of Wollongong (cont.)

Central Overhead Cost Allocation:

- Faculties at UoW are expected to run a surplus of roughly 50%, and those surpluses fund the larger institution.
- The budget model accounts for research expenditures by expending costs within faculty. Direct expenses for projects (for example, against a specific grant) are accounted for directly. Research is considered part of workload and is costed to general expenditures.

Subvention Methodology:

- The budget model sometimes accounts for units incurring deficits or with high costs of instruction. They are either held harmless or reviewed depending on the unit and the circumstance.
- There is a budget review process that involves regular faculty and process review at a management level each month. At the governance level, when dealing with losses, the executive dean of each faculty is held accountable for their budget position. The process is overseen by a VC,. Based off the VC's discretion, if a faculty suffers a net loss, they're not necessarily required to make that up the next year.

Strategic Reserves:

- An off-the-top/front-end 'tax' of 1.5% of the 50% surplus from faculties before allocating income is used to fund strategic priorities. This only applies to a small component of untied research revenue. The funds held centrally are ultimately deployed to faculties.
- The goals of the strategic reserve fund are to incentivize early career research and collaboration, as well as the support organizational strategic objectives.
- At the end of the fiscal year, unit-level budgetary surpluses are returned to the centre.

Type of Institution: Private Doctoral University: Highest Research Activity

Location: Nashville, TN

Enrollment: 6,900 undergraduate, 5,700 graduate

Operating Expenditures (in billions): \$4.1B¹ (FY2015)

Colleges:

College of Arts and Science

Blair School of Music

Divinity School

Graduate School

Law School

Owen Graduate School of Management

Peabody College of Education and Human Development

School of Engineering

School of Medicine

School of Nursing



VANDERBILT
UNIVERSITY

Date of Model Adoption: 2010

Revenue Allocation:

- Undergraduate schools' base budgets assessed annually using an all-funds, first-dollar principle approach
 - Schools' restricted income and reserve balances influence the amount of money they receive each year
 - Schools expected to make tradeoffs or find new efficiencies when budget increases lag costs of inflation
- 100% of actual tuition and fee revenue allocated to professional schools
- Professional schools cover their own financial aid expenses
- 100% of ICR revenue attributable to professional schools allocated to home schools of sponsored research programs
- 100% of ICR revenue attributable to undergraduate schools retained centrally
 - Beginning in FY17, ICR revenue related to undergraduate schools to be allocated to home school of sponsored research program

Cost Allocation:

- All indirect costs covered centrally for undergraduate schools
- Professional schools assessed for certain indirect costs; arrangements vary by school

1) Reflects information compiled prior to Vanderbilt University Medical Center becoming financially distinct from Vanderbilt University in April 2016.

Source: Vanderbilt University, Nashville, TN; EAB interviews and analysis.

Vanderbilt University (cont.)

Subvention Methodology:

- Subsidies for units in structural deficits built into unit base budgets

Strategic Reserves:

- 5% of all external revenues, net of financial aid and gifts, taxed to fund University support/overhead units and support chancellor's strategic initiatives
- Gross professional and graduate tuition revenue taxed to fund academic support units:
 - 5.7% tax on professional tuition revenue
 - 12.4% tax on graduate tuition revenue
 - Undergraduate tuition revenue retained centrally and not subject to tax

Washington University in St. Louis



Type of Institution: Private Doctoral University: Highest Research Activity

Location: St. Louis, MO

Enrollment: 7,300 undergraduate, 6,800 graduate

Operating Expenditures (in billions): \$2.5B (FY15- includes medical center)

Responsibility Centers:

Arts & Sciences

Brown School of Social Work

Dining

Off-campus Housing (Quadrangle)

Olin Business School

Sam Fox School of Design & Visual Arts

School of Engineering & Applied Science

School of Law

School of Medicine

Undergraduate Housing (Reslife)

Date of Model Adoption: Has used decentralized budget model for over 20 years, with tweaks made regularly since implementation

Revenue Allocation:

- 96% of net undergraduate tuition revenue allocated to academic colleges
- Tuition and financial aid allocated to schools based on five-year average of credits taught (50%) and five-year average share of historical income (50%)
 - Undergraduate financial aid policies ensure that students receive comparable aid packages across the institution
- 100% of net graduate tuition revenue allocated directly to schools/colleges of enrollment
- 100% of ICR revenues allocated to home college of sponsored research program
- Central administration retains unrestricted gifts and bequests but allocates funds back to the schools for financial aid or academic initiatives

Washington University in St. Louis (cont.)

Cost Allocation:

- 17 overhead cost pools allocated using multiple drivers:

Cost Pool ¹	Cost Driver
Alumni and Development Capital Campaign	Three-Year Average of Cash Gifts Raised, Excluding Gifts to the University (i.e., not a particular school)
Alumni Relations	All Student FTEs
Campus Police (allocated to schools on Danforth Campus)	Square Footage
Museum	Student FTEs
Olin Library (not allocated to graduate schools-- Law, Social Work, Medical School)	Student FTEs
Research Administration and Tech Transfer (allocated to Arts & Sciences, Engineering, Social Work, and Medicine only)	Three-Year Average Research Expenditures
Student Affairs	All Student FTEs
Student Affairs (allocated to all schools except Medicine)	All Student FTEs except Medical School
Undergraduate Admissions & other Undergraduate only services (only allocated to schools with undergraduate programs)	Undergraduate Student FTEs
University Central Offices (Financial Services, HR, Office of the General Counsel, Chancellor, etc.)	Schools' Direct Expenditures
University Central Offices only supporting the Danforth Campus (telephone, parking, etc.) (allocated to schools on Danforth Campus)	Schools' Direct Expenditures

Subvention Methodology:

- Central administration supports units incurring deficits through combination of targeted fundraising, unrestricted gifts and bequests, unrestricted endowment income, and allocated interest income

Strategic Reserves:

- Designated portion of endowment income and savings generated by central administrative units supports central strategic priorities
- 4% of undergraduate net tuition revenues retained by provost's office to fund interdisciplinary strategic priorities

1) The remaining six cost pools collectively comprise only 5% of the total overhead cost allocation.

Location: Toronto, Ontario, Canada

Enrollment: 55,000

Operating Expenditures (in billions): \$1.171 CAD (2021)



Responsibility Centers:

Ancillary Services	Faculty of Science
Faculty of Environmental and Urban Change	Osgoode Hall Law School
Faculty of Education	Schulich School of Business
Faculty of Health	School of the Arts, Media, Performance & Design
Faculty of Liberal Arts & Professional Studies	School of Continuing Studies
Lassonde School of Engineering	Glendon College

Date of New Model Adoption: FY17

Date of Model Refresh: FY22

Revenue Allocation:

- 100% of tuition revenue, net of Tuition Set Aside and International Student Recovery tax, flows directly to faculties/units
 - Tuition revenue for Inter-Faculty double majors is split 50/50 between the faculties, and for majors/minors, it is split 70/30
 - Tuition revenue for non-credit courses is allocated in full to faculty that generates it
- Enrollment-driven government grants are allocated to individual faculties based on eligible enrollments. Grants are allocated on a similar formula the government uses to fund the institution
- Targeted grant revenue is allocated to shared service units or facilities that have specific accountability for the grant
- Federal and provincial research overhead is allocated to faculties and units of the principal investigator and is issued based on a three-year rolling average of all Tri-Council¹-grants
- Research contract overhead flows to the faculty or unit of the principal investigator
- Donations are allocated to according to donor’s specified purpose, in the following areas:
 - Endowed donations are allocated according to donor’s specified purpose, toward endowment & annual income flows
 - Capital donations are allocated according to donor’s specified purpose, toward capital projects.
 - Expendable donations flow to a particular or general activity for immediate impact (i.e., building facilities, acquiring equipment, etc.)
 - Undesignated donations are allocated directly to the central reserve or university fund.
- Ancillary revenue generated from counselling fees, athletics, and/or recreation fees are allocated to the specific units that provide the particular service (e.g., Registrar’s Office, Sports and Recreation).

1.) The Tri-Council funding agencies are comprised of the Canadian Institutes of Health Research, Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council. The Tri-Council is the primary mechanism for the Canadian Government to support research and training at post-secondary institutions.

Source: York University, Toronto, ON;; EAB interviews and analysis.

York University Cont.

Cost Allocation:

- All revenue-generating faculties and units incur shared service costs. There are 11 cost pools and each one is associated with one or more shared services defined by the budget model:

Cost Pools	Cost Driver
Financial Management	3 year rolling average of Total Operating & Research Expenditures
Academic Management	FTEs of Students & Faculty
Human Resources	Population Headcount (full time, part-time and casual employees)
Libraries	FTEs of Students & Faculty
Advancement (Development & Alumni/Community Relations)	5-year rolling average of graduates by Faculty; 10-year rolling average of funds raised Faculty
Campus Services (Utilities and Facilities Maintenance Costs)/Community Safety	Net Assignable Square Metres; FTEs (students, faculty and staff); Population Head count (students, faculty and staff); Length of time space is utilized
University Information Technology (UIT)	FTEs (Undergraduate & Graduate students); Total population of students, faculty and staff
Graduate Administration	Population of Graduate Students
Student Services Administration	Student Headcount (FT & PT, UG & Graduate)
Research Management	Population of Tenure Stream & Probationary Faculty; Research Expenditure
General Institutional	Enhanced Fringe Benefit Overhead Rate; Pensionable Salary Base of employee groups eligible for pension & post-retirement benefits; Faculty and Ancillary unit share of population of employees (headcount) eligible for tuition waivers (faculty & staff); Ratio of uncollectable fees to total fees in defined bad debt generating categories (student accounts only); Capital Debt, Capital Reserve Payments, FTEs (UG & Graduate students)

Subvention Methodology:

- The central strategic reserve has a portion dedicated to providing tailored faculty support where needed.

Strategic Reserves:

- The central reserve also known as the university fund is financed from unallocated revenue and contributions from faculties and units. The university fund is created for the following:
 - Strategic Initiatives*: to support institutional priorities, assist special projects overseen by faculties/units, and alleviate any institutional challenges
 - Tailored faculty support*: to subvent faculties in need
 - Contingency*: to manage unanticipated costs and institutional risks



Advisors to Our Work

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