

# Fully Allocated Cost of Mission Activities: Part I

## **Concept and Methodology**

# Agenda

1. Study Principles and Purpose
2. Methodology and Deliverable:
  - University's Total Costs by Mission Activity
  - Second Level Analysis – Instructional Costs by FYE
3. Methodology and Deliverable:
  - Allocation of the University's Revenues  
Across Mission Activities
4. Initial Conclusions

# Study Principles

- Uses an all-funds, full cost and revenue approach
- Incorporates both direct and indirect/support costs of mission activities
- Ties to the general ledger
- Allows analysis at the system level and where applicable the campus/collegiate (RRC) level
- Is replicable in future years

# Study Purpose

Management data for use by academic leadership

# Study organization

- Fiscal Year 2010 (July 1, 2009 – June 30, 2010)
- Organized by mission through the use of function codes
  - **Instruction**
  - **Research**
  - **Public Service**
  - Auxiliaries
  - Student Aid
- Relies on “chart string” level data, summed to the campus/collegiate/RRC level
  - Every account at the University has a function code
  - Function codes are required by federal government for various reporting purposes
- Relies on Budget Model Cost Pool Allocations

# Fully allocated costs - conceptual

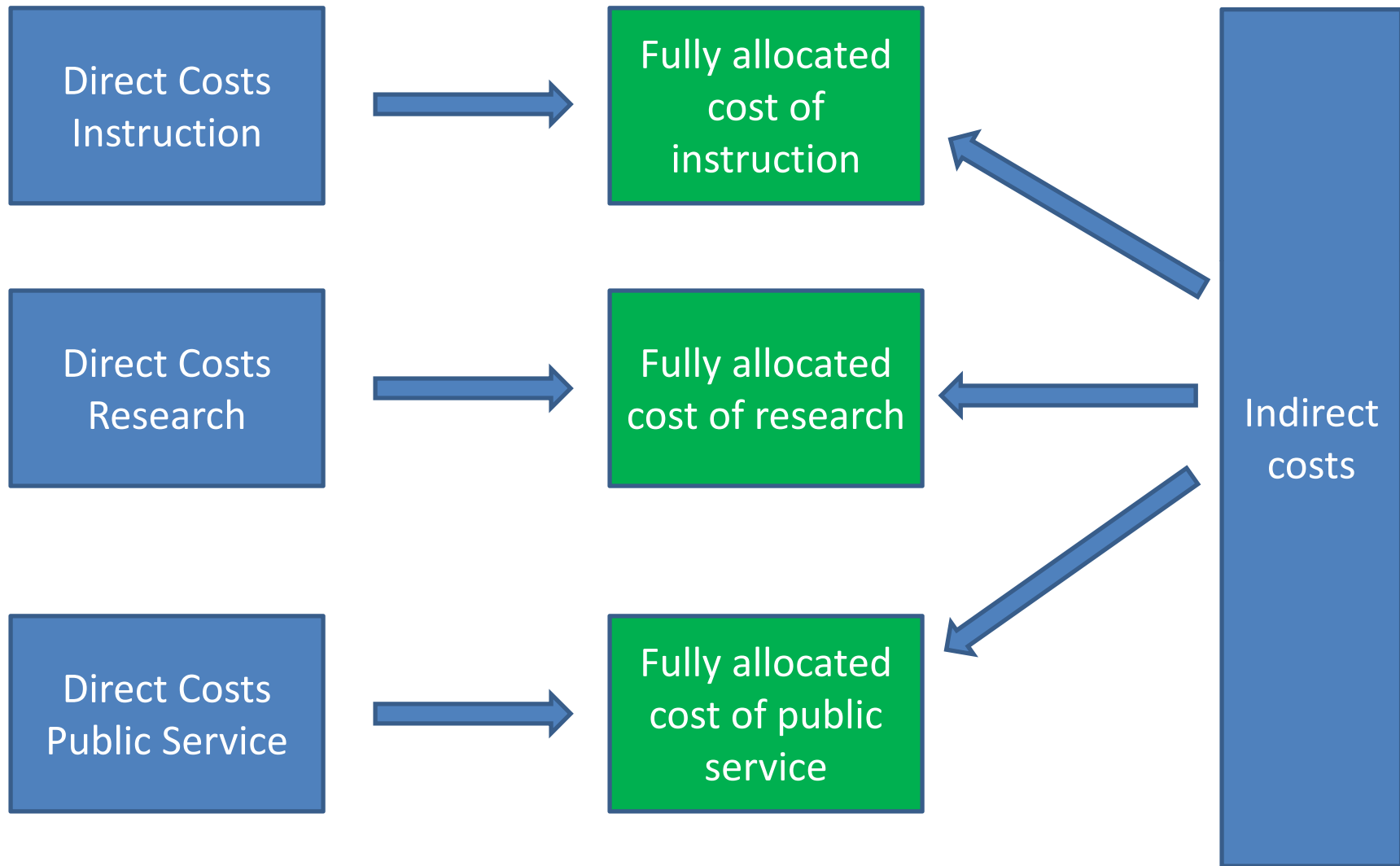
Faculty compensation  
Teaching assistants  
  
Scientists  
Sponsored research  
  
Extension services  
Clinical trials



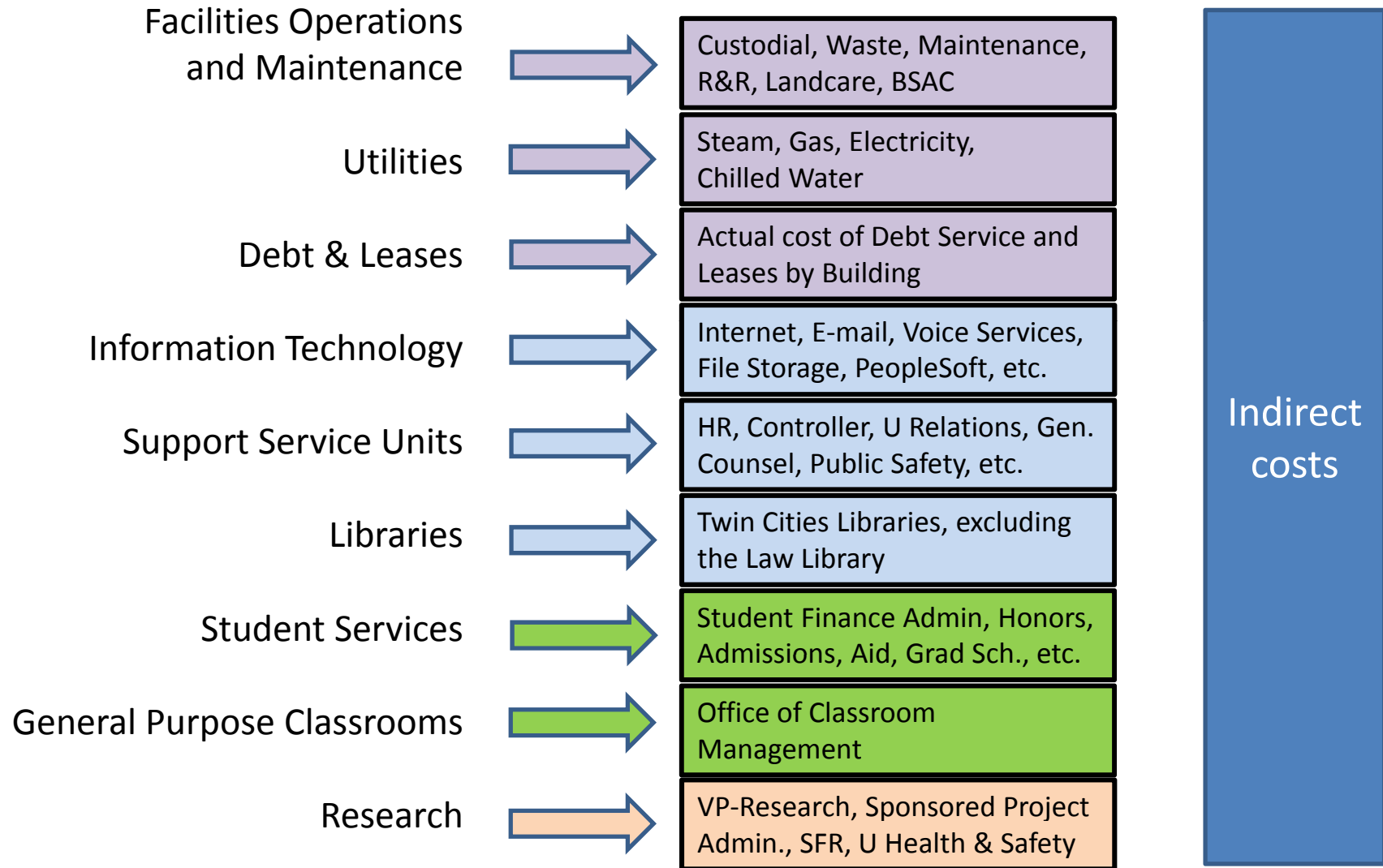
Advisors  
Registrar  
  
Dean's Offices  
Libraries  
  
President's Office  
General Counsel  
  
Utilities  
Repair & Maintenance



# Fully allocated costs - conceptual



# 9 Primary Cost Allocation Pools



# Indirect costs commonly found within campuses or colleges

## **Institutional Support**

Chancellor's offices  
Coordinate campus business offices  
Campus security

## **Academic Support**

Dean's offices  
Course and curriculum development  
Fundraising and alumni relations  
Museums and galleries  
College specific libraries

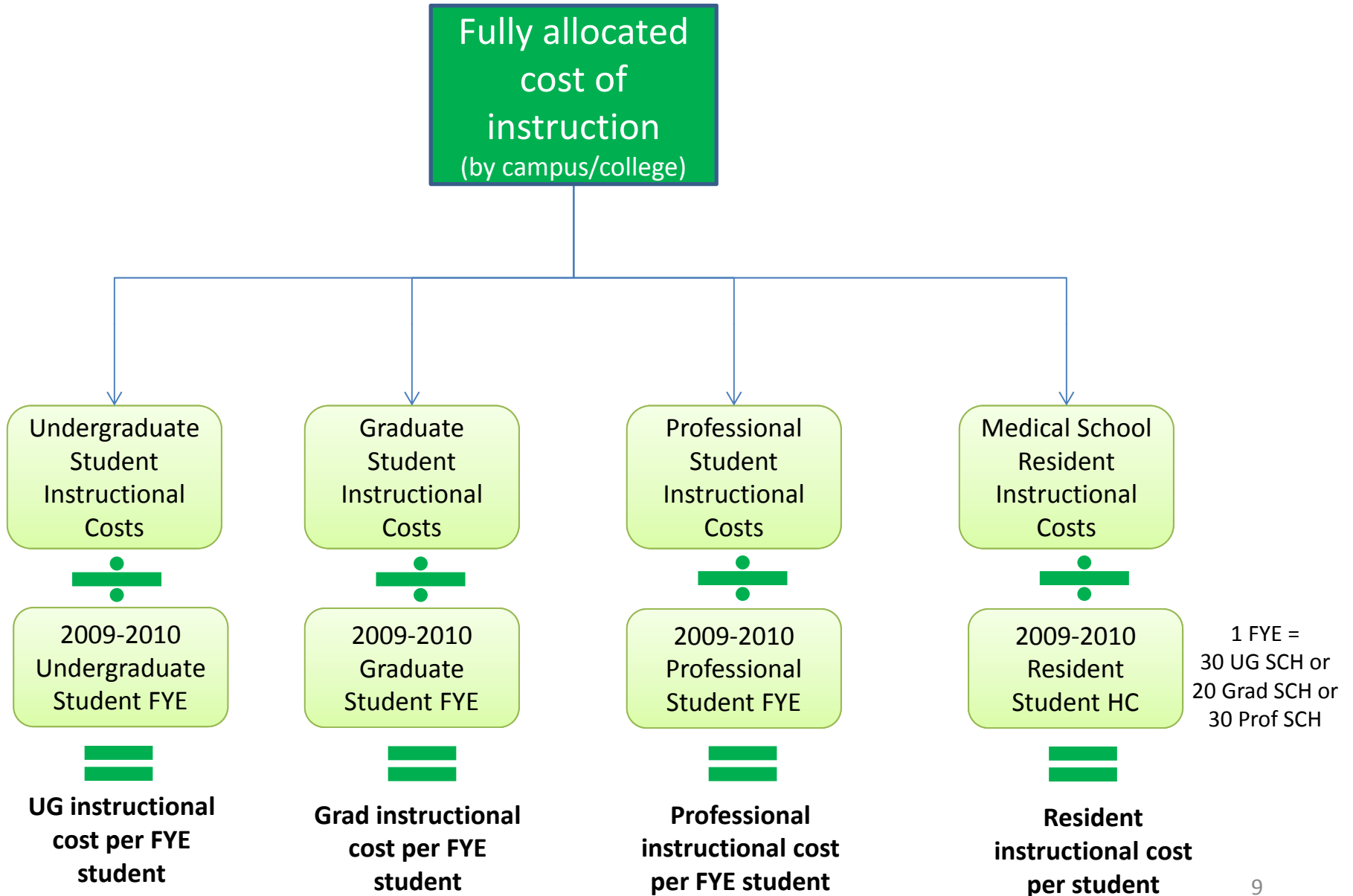
## **Student Services**

Advisors and counselors  
Career centers  
Recruitment and admissions  
Student organizations



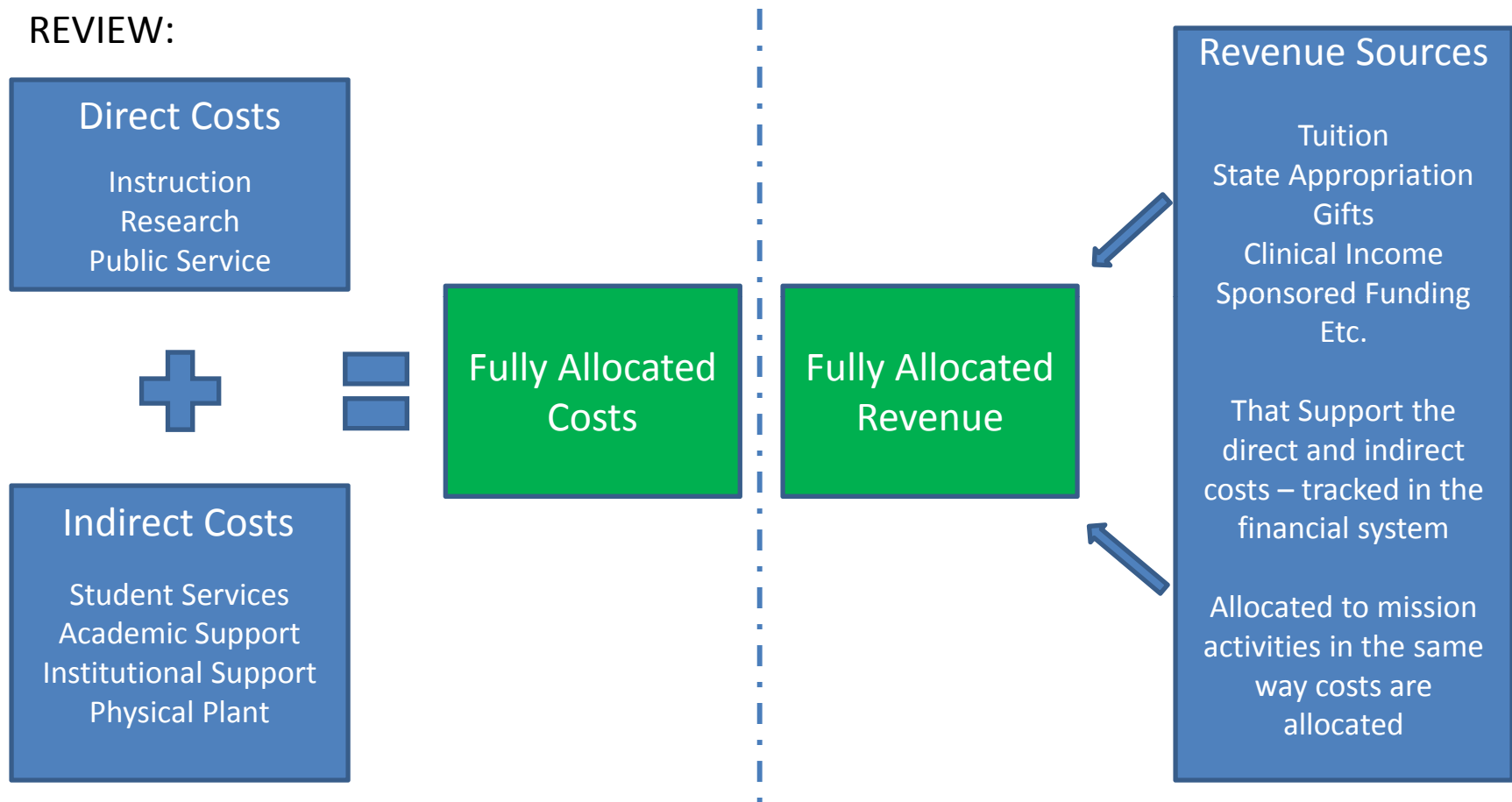


# Methodology: Distributing fully allocated instructional costs among student types



# Allocation of Revenues - conceptual

REVIEW:



# Revenue Allocation - Deliverable

1. Revenues that support each of the cost categories & their relative share:  
(\$ amount and % for each)

*Category: Instruction*

**Supported by:**

*Tuition  
State Appropriation  
Clinical Income  
Etc.*

*Category: Research*

**Supported by:**

*Sponsored Funds  
Indirect Cost Recovery  
State Appropriation  
Etc.*

*Category: Pub. Serv.*

**Supported by:**

*State Appropriation  
Sponsored Funds  
Clinical Income  
Etc.*

2. Cost Categories Supported by Each Major Revenue Source:  
Examples: (\$ amount and % for each)

*Category: O&M Approp*

**Supports:**

*Instruction  
Research  
Public Service  
Etc.*

*Category: Tuition*

**Supports:**

*Instruction  
Research  
Public Service  
Etc.*

*Category: State Specials*

**Supports:**

*Instruction  
Research  
Public Service  
Etc.*

# Revenue Allocation: Two Nuances

## 1. Tuition and O&M Appropriation

- Revenues are co-mingled as general “O&M” at department level where spending occurs
- To report separately, then, a decision needs to be made on the split between them wherever “O&M” revenue supports spending

## 2. Research Category

- For the cost allocation analysis, research spending does not have to be further identified as sponsored vs. nonsponsored
- For revenue allocation purposes – it might be useful to separately identify them - to better understand how nonsponsored revenues flow through to support research

# Initial conclusions

- Each of our mission activities is supported by multiple revenue streams
- Fully allocated costs of instruction varies among colleges and campuses, and between student levels (undergraduate, graduate, professional)
- Few institutions complete costs studies of this type, and those that do all use different methodologies. Results are not comparable between institutions, but are valid for measuring changes within the University over time