Update

- Update on E&G model
- Update on F&A Model
RCM For E&G - Update

• On target for July 2018 implementation
• Developed starting point for budgets (the Year “0” Model)
• Working on incorporating performance and strategic outcomes into an ongoing E&G distribution (“Annual”) model
• Working with UCM on a communications plan
  • Disseminate general, descriptive information
  • Dispel counterproductive myths & assumptions
  • Provide reassurance
RCM Team’s **Recommendation**

- Move beyond the concerns raised last year regarding the distribution of revenues with a formulaic approach that serves as a starting point (Year “0”) for RCM Budget Model
  - Clarifies the makeup of each Responsibility Center’s (RC) budget going into RCM budgeting
  - Identifies where subvention is taking place
- Develop an annual process that considers increments/decrements of revenue from tuition and PBF as well as potentially ‘at-risk’ budget
“Year 0” Approach

• Include only adjusted unrestricted funds
• Cover central units’ costs
• Allocate revenues to colleges in a three step process:
  1. Use *The Delaware Cost Study* to derive “Targeted Direct Cost” amounts for all RCs
  2. Allocate remaining revenues to each RC in proportion to respective “Targeted Direct Costs”
  3. Make additional adjustments to recognize historic legislative intent with respect to FMHI and the College of Marine Science
RCM Model – Ongoing Development

• An Annual RCM Budget Model will be implemented to allocate increments/decrements of revenue (i.e., Tuition/PBF) and allocate central costs and strategic investment pool as a tax

• This will provide stability, predictability and simplicity to the budgeting process for RCs

• The Annual Model is being further developed to incorporate incentives for other strategic outcomes within the revenue distribution algorithm
  
  • Outcomes not represented by the current model (e.g., as represented in non-PBF metrics)
  
  • Activity in line with strategic goals, interdisciplinary and inter-college cooperation
F&A Transition Workgroup Update

- On target for July, 2017 implementation
- Reviewing preliminary budgets over next month
Primary Objectives of Transition Workgroup

1. **Recommend approach to senior leadership regarding the distribution of F&A that encourages transparency and equity:**
   a. Utilize formulas for cost allocations that are predictable, fair, and easy to understand
   b. Support long-term planning to accurately predict F&A share for future years
   c. Highlight opportunities for revenue growth and cost efficiencies

2. **Encourage accountability:**
   a. Share information on research costs borne by Colleges and Research and Innovation (USFRI)
   b. Highlight opportunities for higher rates of return and best use of services

3. **Evaluate Huron recommendations and consider impact of implementing:**
   a. Distinguish between current state and aspirational levels recommended (i.e., 50% net return to colleges) and develop path to attaining practical recommendations of Huron

4. **Develop process for maintaining model and an implementation timeline**

5. **Create an environment that is optimistic about improving research at USF and the return to researchers**
Proposed Budget model using RCM

1. Gross Inflows of F&A
   Less: IDR Building Lease – USF Strategic Priority
   Less: Research Foundation
   Less: Bad Debt Allowance

2. Net F&A Inflows by College/Campus
   Less: USF Research Strategic Pool – 10% (aspirational)
   Less: USFRI Rapid Response Fund – 2% (aspirational)

3. Gross Margin
   Less: USFRI Costs *(shared by each college and regional campuses using a cost allocation methodology and appropriate metrics)*

4. Net F&A Distribution
Planned uses of Strategic and Rapid Response Seed Funds

Strategic Investment Fund – 10%
- Internal awards
- Seed money for proposed and approved investments
- Encouraging interdisciplinary research

Rapid Response Fund – 2%
- Seed money for items or opportunities that come up during the year or unexpectedly

*Intended use of these funds is one-time and non-recurring
Summary of Proposed Cost Allocation Methodology

Sponsored Research
• Pre-Award: Weighted activity counts of proposals, awards and award modifications
• Post-Award: Weighted activity counts of projects and subcontracts

Technology Transfer
• Number of disclosures and patents over the last 4 years

Comparative Medicine
• The proportion of per diem expenses for each college

Research Integrity and Compliance
• IRB Review Board: Number of IRB reviews
• IACUC Review Board: Number of IACUC reviews
• Radiation & Laser Safety: Number of PIs associated with radiation/laser grants
• Biosafety: Weighted number of biosafety reviews
• Diver Safety: Number of diver safety reviews
• Other (includes conflicts of interest and export control): Unweighted proposal count

Administrative/Vice President
• Direct grant expenditures less subcontracts over $25,000 in each college
What is needed to get from Today to Target:
1. Time
2. Increase F&A Inflows
3. Efficiency
4. Strategic investment of other funds
F&A Outlook Into The Future
Illustrating gap to 50% distribution

2017 Inflows are based on USFRI Q1 Forecast

Assumptions:
- Inflows increase 5% per annum
- IDR Lease and Research Foundation are held flat
- Strategic Investment fund and Rapid Response fund remain at 6.5% and 2% respectively
- USFRI costs increase 2% per annum

Forecast
Possible Strategies to Improve Outlook

➢ Consider a longer time horizon to achieve 50% return

➢ Higher annual increases in F&A inflows from higher contract rates or increased grant production. Fluctuations in ‘top line’ is a big component in reaching a higher return

➢ Continue to leave strategic fund at 6.5% until inflows can support a higher commitment

➢ Continue to seek opportunities for efficiencies in USFRI’s budget

➢ Consider a strategic subsidy from other funding sources

➢ Consider tiered returns after fixed costs are covered