

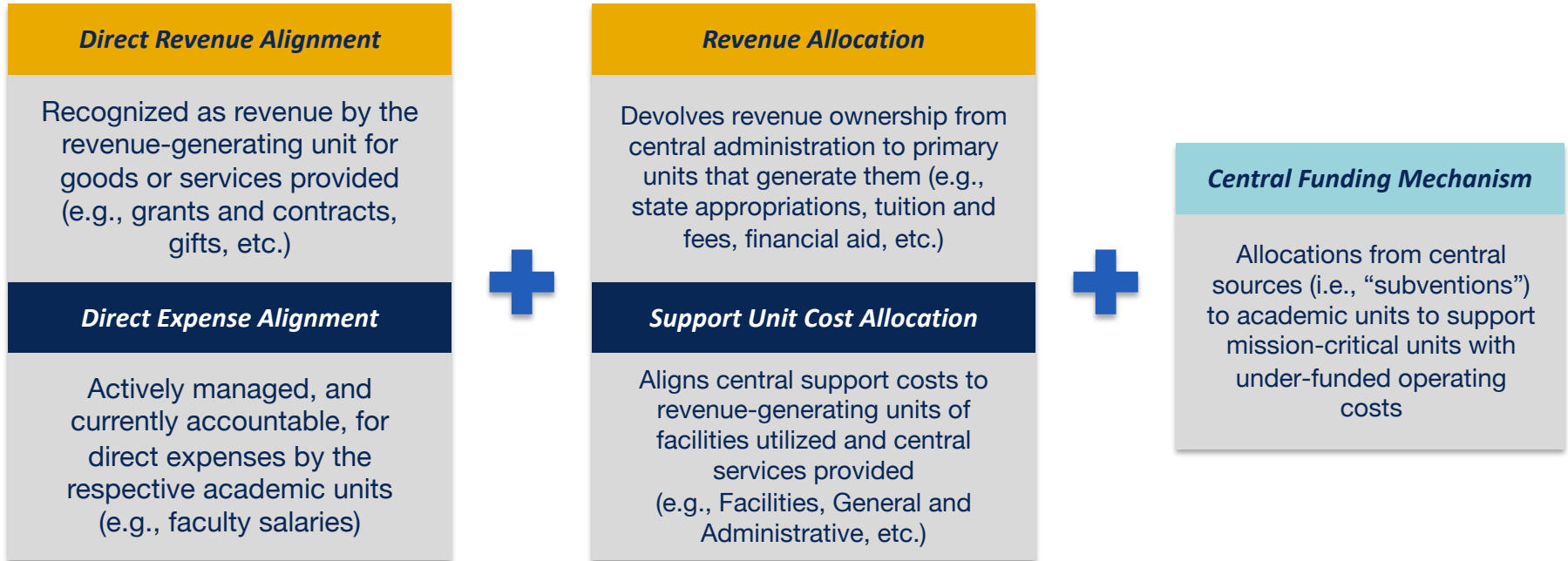


WVU Modernization Program

**BUDGET MODEL  
REDESIGN**

# INCENTIVE-BASED BUDGET MODEL ELEMENTS

Incentive-based budget models share five common elements related to the flow of revenues and expenses across the institution. Each element may contain incentives applied through allocation rules or algorithms used to promote them.



# REVENUE ALLOCATION RECOMMENDATIONS

Revenue allocations are focused on unrestricted funds, specifically tuition and state appropriations. Allocation recommendations by the Design Team are based on various metrics informed by industry best practices.

| REVENUE                                | DESIGN TEAM RECOMMENDED ALLOCATION METRICS  | DESIGNATED REVENUE <sup>1</sup>            |
|--|---|--|
| <b>Undergraduate Tuition</b>           | <ul style="list-style-type: none"> <li>✓ 80% College of Instruction (<i>using Credit Hours Instructed</i>)</li> <li>✓ 20% College of Record (<i>using Credit Hours for Student's Declared College of Record</i>)</li> </ul> | College Tuition Differential               |
| <b>Graduate / Professional Tuition</b> | <ul style="list-style-type: none"> <li>✓ 80% College of Instruction (<i>using Credit Hours Instructed</i>)</li> <li>✓ 20% College of Record (<i>using Credit Hours for Student's Declared College of Record</i>)</li> </ul> | College Tuition Differential               |
| <b>University Online Tuition</b>       | <ul style="list-style-type: none"> <li>✓ 80% College of Instruction (<i>using Credit Hours Instructed</i>)</li> <li>✓ 20% College of Record (<i>using Credit Hours for Student's Declared College of Record</i>)</li> </ul> | College Tuition Differential               |
| <b>Scholarships / Financial Aid</b>    | <ul style="list-style-type: none"> <li>✓ 80% College of Instruction / 20% College of Record</li> </ul>  | Direct Revenue ( <i>Contra</i> ) Alignment |
| <b>Student Fees</b>                    | <ul style="list-style-type: none"> <li>✓ 80% College of Instruction; 20% College of Record (<i>General Students Fees Only<sup>2</sup></i>)</li> </ul>   | Course / Auxiliary Fees                    |
| <b>State Appropriation</b>             | <ul style="list-style-type: none"> <li>✓ Extension Subsidization</li> <li>✓ Research Subsidization</li> <li>✓ State Formula Funding: Degrees Awarded and CHP by College of Instruction</li> </ul>                           | State Designated Appropriations            |
| <b>Indirect Cost Recovery</b>          | <ul style="list-style-type: none"> <li>✓ F&amp;A Recovery Directly to Unit</li> </ul>   | Alignment to Expense                       |

<sup>1</sup> Represent Designated funding which will be held where currently recorded in the GL and will not be redistributed using a formula

<sup>2</sup> General student fees include Banner Online Learning Fee, Banner Univ. Fees Non-Auxiliary, Banner Univ Tuition Info Technology Fee, and Banner Univ. Tuition Library Student Fee

# EXPENSE ALLOCATION RECOMMENDATIONS

The chart below outlines WVU’s support units by function with potential metrics to allocate current activities. The Design Team has made an initial recommendation of how cost pools should be allocated, based on which variables resonate best with WVU.

| SUPPORT UNIT COST POOLS           | SAMPLE COMPONENTS   |   | DESIGN TEAM / SPONSOR RECOMMENDATIONS   |
|-----------------------------------|---|---|---|
| <b>Academic Support</b>           | <ul style="list-style-type: none"> <li>✓ Office of the Provost</li> <li>✓ Libraries</li> <li>✓ Enrollment Management</li> </ul>                                 | <ul style="list-style-type: none"> <li>✓ University Registrar</li> <li>✓ Academic Affairs Support</li> <li>✓ Student Financial Services</li> </ul>          | Faculty and Student FTE   |
| <b>Facilities (Main WVU)</b>      | <ul style="list-style-type: none"> <li>✓ Utilities</li> <li>✓ Environmental Health and Safety</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Facilities Management</li> <li>✓ Physical Plant</li> </ul>   | WVU Net Assignable Square Footage   |
| <b>Information Technology</b>     | <ul style="list-style-type: none"> <li>✓ Information Technology</li> </ul>  |   | Employee and Student Headcount  |
| <b>General and Administrative</b> | <ul style="list-style-type: none"> <li>✓ Office of the President</li> <li>✓ Shared Services</li> <li>✓ Fringe Accounts</li> </ul>                               | <ul style="list-style-type: none"> <li>✓ Finance and Administration</li> <li>✓ University Relations</li> <li>✓ Human Resources</li> </ul>                   | Total Direct <i>Unrestricted</i> Expenditures                                     |
| <b>Research</b>                   | <ul style="list-style-type: none"> <li>✓ WVU Research Office Admin</li> <li>✓ Research Office</li> <li>✓ Sponsored Programs</li> </ul>                          | <ul style="list-style-type: none"> <li>✓ WVU Centers and Institutes</li> <li>✓ Regional Research Institute</li> <li>✓ Research and Economic Dev.</li> </ul> | Research Expenditures   |
| <b>Student Affairs</b>            | <ul style="list-style-type: none"> <li>✓ Dean of Students</li> <li>✓ Office of VP of Student Life</li> <li>✓ Office of International Global Outreach</li> </ul> | <ul style="list-style-type: none"> <li>✓ Residential Education</li> <li>✓ SL Student Success</li> <li>✓ Center of Black Culture</li> </ul>                  | Student Headcount   |
| <b>Debt Services</b>              | <ul style="list-style-type: none"> <li>✓ General Ops. (Debt Services)</li> </ul>  |   | Direct assignment to HSC and Regionals; remainder allocated by Net Square Footage |
| <b>Facilities (HSC)</b>           | <ul style="list-style-type: none"> <li>✓ HSC Facilities</li> </ul>  | <ul style="list-style-type: none"> <li>✓ HSC Utilities</li> </ul>   | HSC Net Assignable Square Footage   |

\* Support unit expenses will be netted against unallocated support unit revenues prior to expense allocations to revenue-generating units.

# SUBVENTION AND STRATEGIC INVESTMENT POOL

One of the most critical elements of an incentive-based budget model is the creation of a pool of resources to address unit-level subsidies, university priorities, revenue growth strategies, and other strategic initiatives.

|                        |   |
|------------------------|---|
| <b>RATIONALE</b>       | / <b>The sum of the parts is not optimal for the whole</b> , therefore the University needs the ability and flexibility to act as <b>one entity</b> with respect to key initiatives   |
| <b>FUNDING SOURCE</b>  | / <b>Central funds</b> are centrally <b>retained</b> and/or <b>generated</b> revenues purposed for <b>mission and strategic investment</b>  |
| <b>FUND PRINCIPLES</b> | <ul style="list-style-type: none"><li>/ The Strategic Initiative Pool can be a useful management tool to <b>help fund long-term initiatives</b> by advancing capital, provide critical subsidies to kick-start initiatives</li><li>/ Funding sizes should <b>enable leadership to “steer,”</b> which will ultimately benefit the university mission as a whole</li><li>/ Funds provided to any unit should <b>never be viewed as an annual entitlement</b> only to kick-start initiatives</li><li>/ The model uses a participation fee to generate the central fund, applying a participation rate to selected revenues. <b>Having a diverse revenue portfolio rather than a single source allows for stability</b></li><li>/ Participation fees need to <b>ensure “neutral starting points” at implementation;</b> thus, the rate needs to be high enough to ensure surpluses are available to fill all Academic Unit deficits</li></ul> |

\*Support unit expenses will be netted against unallocated support unit revenues prior to expense allocations to revenue-generating units.

**QUESTIONS?**