

# TTU Budget Model

Overview – Proposed Target Contribution Margins – Timeline

June 22, 2016



# Principles for the New Budget Model – developed by President Oldham & the Budget Model Workgroup

- **Transparency**

- There should be no surprises. All parties should fully understand and be able to reasonably anticipate changes in funding levels well in advance in order to make necessary operational adjustments and provide security to make long-term strategic investments.

- **Reflective of Unit Mission, Performance, and Real Costs**

- The budget is most effective as a planning tool when resources are tied to mission priorities and funding is reasonably and predictably adjusted based on unit performance and cost of doing business

- **Effective Tool for Communication, Establishment, and Implementation of Unit Priorities**

- Effective communication and negotiation are essential to establishment of a useful budget. The “why?” discussions are ultimately more important than the answers to “what?” or “how much?”

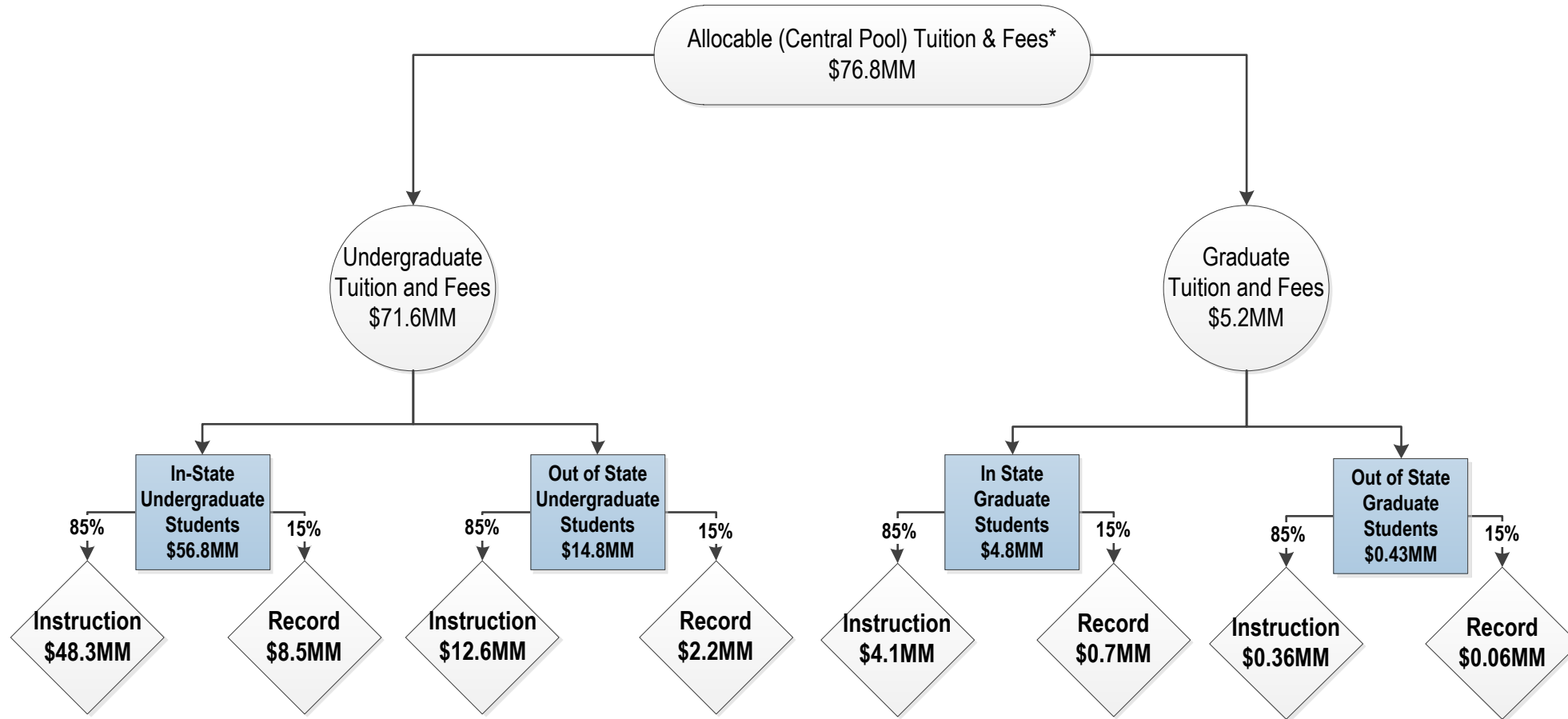
- **Maximum Control at Operational Level**

- Unit leaders (i.e. deans, dept. heads, etc.) must feel empowered to effectively manage available resources within the context of their own unique environments in order to lead their respective units to meet mission objectives.

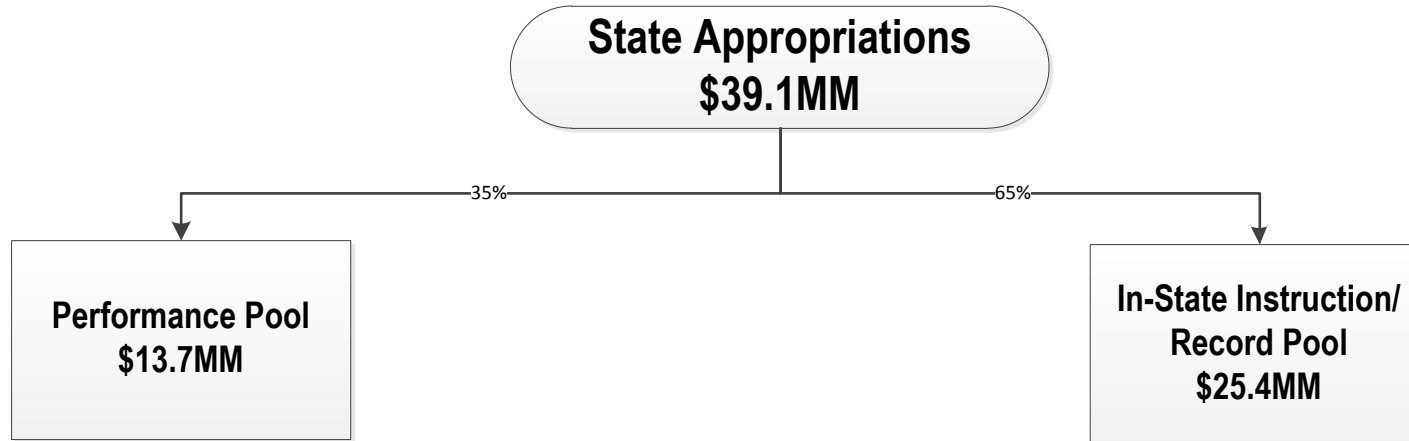
- **Coherent with University Level Priorities**

- High level priorities must be established, communicated, and operationalized within the budget. However, this needs to be accomplished while maintaining appropriate management control and autonomy at the unit level.

# Key Revenue and Cost Allocations – Tuition & Fees



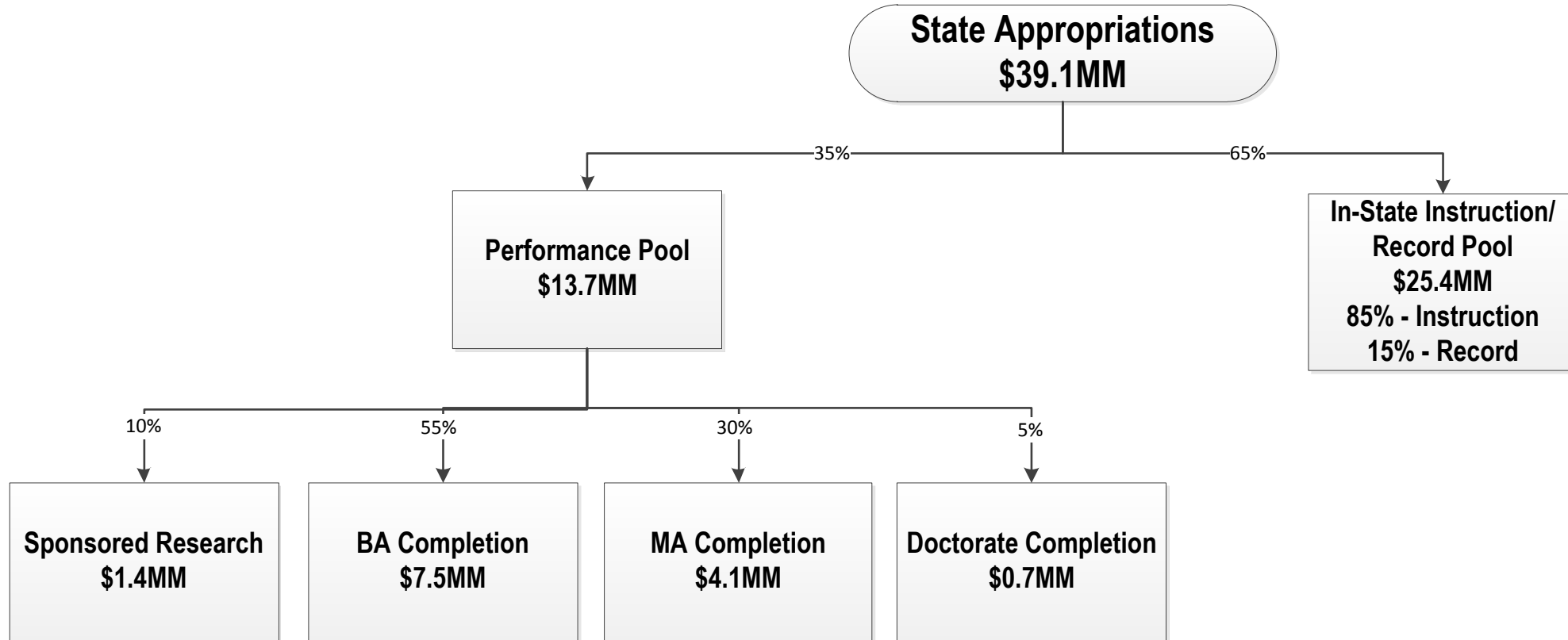
# Key Revenue and Cost Allocations – State Appropriations



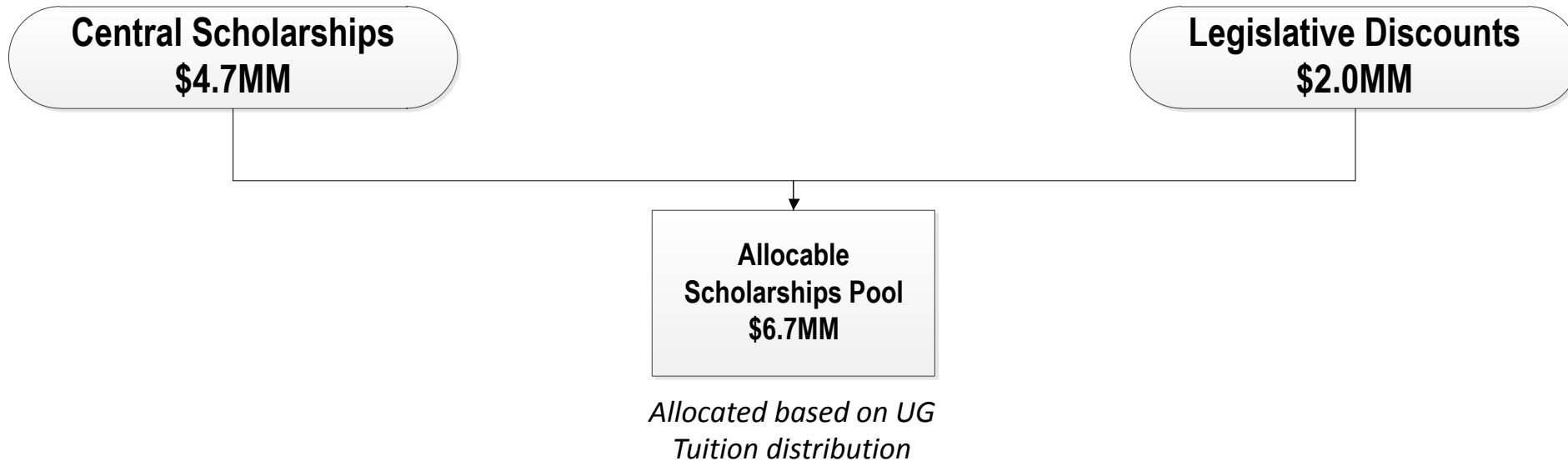
FY14 Actual Data:

|                            |               |
|----------------------------|---------------|
| State Appropriations       | \$39,080,184  |
| Allocable Tuition and Fees | \$76,807,464  |
| Total                      | \$115,887,648 |
| State Appropriations Share | ~35%          |
| Tuition and Fees Share     | ~65%          |

# Key Revenue and Cost Allocations – State Appropriations Cont'd

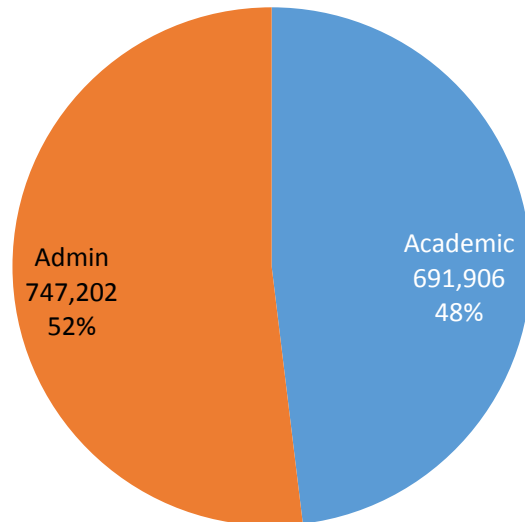
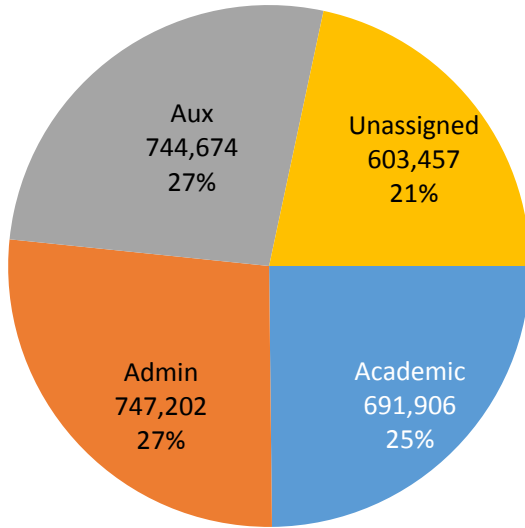


# Key Revenue and Cost Allocations – Unrestricted Centrally-Held Scholarships



Note: Athletic Scholarships are modeled as retained under Athletics and netted against Athletic Fees.

# Key Revenue and Cost Allocations – Space Analysis/Facilities



|                    | Cost                 | Academic Sq Ft | Cost/Sq Ft      |
|--------------------|----------------------|----------------|-----------------|
| Net Expenses       | \$ 9,803,331         | 691,606        | \$ 14.17        |
| Transfers to Plant | \$ 5,195,800         | 691,606        | \$ 7.51         |
| <b>Total</b>       | <b>\$ 14,999,131</b> |                | <b>\$ 21.68</b> |

- \$15.0 million in facilities costs will be allocated to Schools and Colleges according to their share of Academic Space
- **Facilities costs-per-square foot are estimated at \$21.68/sq ft**
- Estimated cost-per-square foot varies according to the size of the Academic Space pool. Cost-per-square foot does not reflect the actual maintenance cost of a given square foot.
- Additional review and updates to space data may adjust Academic Space pool.

# Key Revenue and Cost Allocations – Infrastructure & Reinvestment Pool

An assessment on all unrestricted net revenue except direct fees (projected at 18%) provides for the following:

- Improved flexibility of central administration to control or direct administrative & support unit costs
- Guaranteed coverage of budgeted academic unit losses
- Dollars made available for infrastructure and strategic investments in academic or administrative units
- Available investment funds will increase with revenue growth and A&S unit cost containment
- Alignment with assessment rates utilized by other institutions with decentralized, incentive-based budget models



# Academic & Administrative Units Data – FY15 Actuals

(reference handout)

| Row | FY15 Actuals<br>FY15 Drivers                 | C                                | D                 | E                          | F            | G              | H                            | I            | J                                | K                           | L                                       | M             |
|-----|--|----------------------------------|-------------------|----------------------------|--------------|----------------|------------------------------|--------------|----------------------------------|-----------------------------|---|---------------|
|     |  | Agriculture and<br>Human Ecology | Arts and Sciences | Business<br>Administration | Education    | Engineering    | Interdisciplinary<br>Studies | Nursing      | Infrastructure &<br>Reinvestment | Schools & Colleges<br>Total | Administrative &<br>Support Units Total | Model Total   |
|     | <b>Revenue</b>                               |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 5   | Direct Fees                                  | \$ -                             | \$ 305,345        | \$ 2,008,674               | \$ 571,850   | \$ 1,590,730   | \$ 208,923                   | \$ 343,820   |                                  | \$ 5,029,342                | \$ 8,252,291                            | \$ 13,281,633 |
| 6   | Allocated UG Tuition                         | 3,397,806                        | 33,980,311        | 9,079,923                  | 15,057,849   | 13,744,910     | 580,358                      | 2,332,784    |                                  | 78,173,941                  | -                                       | 78,173,941    |
| 7   | Allocated Grad Tuition                       | 909                              | 503,346           | 1,051,852                  | 2,458,753    | 1,051,776      | 103,665                      | 26,690       |                                  | 5,196,991                   | -                                       | 5,196,991     |
| 8   | RODP Revenue                                 | 12,948                           | 1,975,891         | 275,874                    | 765,482      | 54,382         | 364,466                      | 1,745,837    |                                  | 5,194,881                   | -                                       | 5,194,881     |
| 9   | GA Fee Waivers                               | -                                | (356,019)         | (160,016)                  | (375,389)    | (465,907)      | (115,682)                    | (3,270)      |                                  | (1,476,283)                 | (540,710)                               | (2,016,993)   |
| 10  | Allocated Scholarships                       | (396,488)                        | (4,008,732)       | (1,062,318)                | (1,762,958)  | (1,598,707)    | (65,430)                     | (270,373)    |                                  | (9,165,006)                 | -                                       | (9,165,006)   |
| 11  | Scholarships and Fellowships                 | -                                | -                 | -                          | (103,578)    | (2,200)        | 2,000                        | -            |                                  | (103,778)                   | (4,837,880)                             | (4,941,658)   |
| 12  | Net Tuition and Fees                         | 3,015,175                        | 32,400,142        | 11,193,989                 | 16,612,010   | 14,374,984     | 1,078,299                    | 4,175,488    |                                  | 82,850,088                  | 2,873,701                               | 85,723,789    |
| 13  | State Appropriations                         | 1,800,724                        | 12,240,533        | 4,932,187                  | 9,780,654    | 6,538,173      | 978,412                      | 1,658,229    |                                  | 37,928,913                  | -                                       | 37,928,913    |
| 14  | Federal Grants and Contracts                 | 0                                | 0                 | 0                          | 0            | (0)            | -                            | -            |                                  | 1                           | (1)                                     | (0)           |
| 15  | State Grants and Contracts                   | (0)                              | 0                 | (0)                        | 0            | 0              | -                            | -            |                                  | 0                           | (0)                                     | 0             |
| 16  | Local Grants and Contracts                   | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | -                                       | -             |
| 17  | Private Grants and Contracts                 | -                                | 3,000             | -                          | 213          | 10,488         | -                            | -            |                                  | 13,702                      | 65,760                                  | 79,462        |
| 18  | Indirect Cost Recovery                       | 47,990                           | 163,593           | 80,679                     | 199,282      | 329,615        | -                            | -            |                                  | 821,159                     | 67,191                                  | 888,351       |
| 19  | Sales and Services of Edu Act                | 518,880                          | 68,676            | 623,214                    | 538,255      | -              | 21,257                       | -            |                                  | 1,770,281                   | 101,780                                 | 1,872,062     |
| 20  | Sales and Services of Other Act              | 127,107                          | 13,116            | 40,586                     | 8,688        | 1,522          | -                            | -            |                                  | 191,018                     | 8,798,132                               | 8,989,151     |
| 21  | Investment & Interest Income                 | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | 106,395                                 | 106,395       |
| 22  | Other Sources                                | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | 385,342                                 | 385,342       |
| 23  | Infrastructure & Reinvestment Pool (18%)     | (991,778)                        | (8,025,069)       | (2,675,157)                | (4,782,106)  | (3,539,529)    | (336,428)                    | (988,182)    | 21,338,248                       | -                           | -                                       | -             |
| 24  | Temporary Revenue Adjustments Elim           |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 25  | Total Revenues                               | 4,518,098                        | 36,863,992        | 14,195,499                 | 22,356,998   | 17,715,253     | 1,741,539                    | 4,845,536    | 21,338,248                       | 123,575,163                 | 12,398,302                              | 135,973,465   |
|     | <b>Expense</b>                               |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 28  | Faculty & Academic Salaries                  | 1,543,138                        | 10,379,851        | 3,726,265                  | 7,031,926    | 7,432,429      | (105,350)                    | 1,370,725    |                                  | 31,378,984                  | 2,564,961                               | 33,943,946    |
| 29  | Admin, Prof, Clerical, Supp, & Other Salarie | 740,787                          | 1,315,016         | 1,127,262                  | 2,143,864    | 2,041,629      | 826,008                      | 396,824      |                                  | 8,591,391                   | 24,911,552                              | 33,502,942    |
| 30  | Summer School Salary Allocation              | 85,474                           | 743,053           | 387,766                    | 772,969      | 647,892        | 101,144                      | 78,636       |                                  | 2,816,934                   | 32,195                                  | 2,849,129     |
| 31  | Employee Benefits                            | 852,055                          | 3,998,685         | 1,382,772                  | 3,294,923    | 2,838,514      | 317,117                      | 578,878      |                                  | 13,262,944                  | 8,776,901                               | 22,039,845    |
| 32  | Allocated RODP Expenses                      | -                                | 359,017           | 41,030                     | 10,258       | -              | 123,091                      | 492,366      |                                  | 1,025,762                   | -                                       | 1,025,762     |
| 33  | Operating Expenses                           | 573,183                          | 948,371           | 465,401                    | 878,644      | 1,097,377      | 251,290                      | 89,488       |                                  | 4,303,754                   | 20,094,192                              | 24,397,946    |
| 34  | Capital Expenses                             | 74,344                           | 29,733            | 12,052                     | 10,711       | 246,092        | 18,890                       | -            |                                  | 391,821                     | 720,093                                 | 1,111,915     |
| 35  | Travel                                       | 32,632                           | 118,789           | 107,152                    | 273,499      | 256,280        | 47,727                       | 33,100       |                                  | 869,179                     | 2,238,656                               | 3,107,836     |
| 36  | Debt Service Payments                        | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | 1,999,097                               | 1,999,097     |
| 37  | Transfers to RR                              | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | 2,468,862                               | 2,468,862     |
| 38  | Transfers to Unexpended Plant                | -                                | -                 | -                          | -            | -              | -                            | -            |                                  | -                           | 8,681,563                               | 8,681,563     |
| 39  | Temporary Expense Adjustments Elim           |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 40  | Total Direct Expenses                        | 3,901,613                        | 17,892,515        | 7,249,701                  | 14,416,793   | 14,560,214     | 1,579,917                    | 3,040,018    | -                                | 62,640,770                  | 72,488,073                              | 135,128,843   |
| 42  | Carryforward Utilization                     |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 42  | Strategic Fund Transfer                      |                                  |                   |                            |              |                |                              |              |                                  |                             |   |               |
| 44  | Unit Margin                                  | \$ 616,485                       | \$ 18,971,477     | \$ 6,945,799               | \$ 7,940,204 | \$ 3,155,039   | \$ 161,622                   | \$ 1,805,518 | \$ 21,338,248                    | \$ 60,934,393               | \$ (60,089,771)                         | \$ 844,621    |
| 46  | Space Cost Allocations                       | (2,197,744)                      | (4,101,358)       | (1,141,477)                | (3,834,664)  | (5,408,732)    | (195,757)                    | (722,224)    |                                  | (17,601,956)                | 17,601,956                              | -             |
| 48  | Unit Margin After Space Cost Allocations     | \$ (1,581,258)                   | \$ 14,870,119     | \$ 5,804,322               | \$ 4,105,540 | \$ (2,253,693) | \$ (34,136)                  | \$ 1,083,295 | \$ 21,338,248                    | \$ 43,332,436               | \$ (42,487,815)                         | \$ 844,621    |
| 50  | Academic Infrastructure & Reinvestment       | 1,581,258                        | -                 | -                          | -            | 2,253,693      | 34,136                       | -            | (3,869,087)                      | -                           | -                                       | -             |
| 51  | Administrative Infrastructure & Reinvestment | -                                | -                 | -                          | -            | -              | -                            | -            | -                                | -                           | -                                       | -             |
| 52  | Unit Margin after IRP Allocation             | -                                | 14,870,119        | 5,804,322                  | 4,105,540    | -              | -                            | 1,083,295    | 17,469,161                       | 43,332,436                  | (42,487,815)                            | 844,621       |

|                |   | O                              | P                                | Q            | R                               | S                  | T                               | U               | V                      | W           | X                                  | Y            | Z                                    | AB                                | AD          |
|----------------|---|--------------------------------|----------------------------------|--------------|---------------------------------|--------------------|---------------------------------|-----------------|------------------------|-------------|------------------------------------|--------------|--------------------------------------|-----------------------------------|-------------|
|                |   | Administrative & Support Units |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   |             |
| FY15 Actuals   | FY15 Drivers                                  | University President           | Exec VP Acad Affairs and Provost | Facilities   | Information Technology Services | Planning & Finance | Research & Economic Development | Student Affairs | University Advancement | Athletics   | Cookeville Higher Education Campus | Central Pool | Administrative & Support Units Total | Temporary Adjustments Elimination | Model Total |
| Row            | Revenue                                       |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   |             |
| 5              | Direct Fees                                   | \$ -                           | \$ 2,045,888                     | \$ 1,685,877 | \$ 2,443,598                    | \$ 1,051,615       | \$ -                            | \$ 1,030,264    | \$ -                   | \$ -        | \$ -                               | \$ (4,952)   | \$ 8,252,291                         |                                   | 13,281,633  |
| 6              | Allocated UG Tuition                          |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 78,173,941  |
| 7              | Allocated Grad Tuition                        |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 5,196,991   |
| 8              | RODP Revenue                                  |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 5,194,881   |
| 9              | GA Fee Waivers                                | (39,842)                       | (250,886)                        | -            | -                               | (17,610)           | (37,964)                        | (140,025)       | -                      | (54,383)    | -                                  | -            | (540,710)                            |                                   | (2,016,993) |
| 10             | Allocated Scholarships                        |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | (9,165,006) |
| 11             | Scholarships and Fellowships                  |                                | (137,833)                        |              |                                 |                    |                                 | (6,889)         |                        | (4,674,796) |                                    | (18,362)     | (4,837,880)                          |                                   | (4,941,658) |
| 12             | Net Tuition and Fees                          | (39,842)                       | 1,657,170                        | 1,685,877    | 2,443,598                       | 1,034,005          | (37,964)                        | 883,350         |                        | (4,729,179) |                                    | (23,313)     | 2,873,701                            |                                   | 85,723,789  |
| 13             | State Appropriations                          |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 37,928,913  |
| 14             | Federal Grants and Contracts                  |                                | (0)                              |              |                                 |                    | (0)                             |                 |                        |             |                                    | (0)          | (1)                                  |                                   | (0)         |
| 15             | State Grants and Contracts                    |                                |                                  |              |                                 |                    | (0)                             |                 |                        |             |                                    | 0            | (0)                                  |                                   | 0           |
| 16             | Local Grants and Contracts                    |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 17             | Private Grants and Contracts                  |                                |                                  |              |                                 |                    | 47,492                          |                 |                        |             |                                    | 18,269       | 65,760                               |                                   | 79,462      |
| 18             | Indirect Cost Recovery                        |                                | (3,619)                          |              |                                 |                    | 70,810                          |                 |                        |             |                                    |              | 67,191                               |                                   | 888,351     |
| 19             | Sales and Services of Edu Act                 |                                | 920                              |              |                                 |                    | 98,485                          | 2,375           |                        |             |                                    |              | 101,780                              |                                   | 1,872,062   |
| 20             | Sales and Services of Other Act               |                                | 711,098                          | 96,924       | 7,200                           | 16,027             | 13,025                          | 309,845         | 235,281                | 6,715,276   |                                    | 693,457      | 8,798,132                            |                                   | 8,989,151   |
| 21             | Investment & Interest Income                  |                                |                                  | 83           |                                 |                    |                                 |                 |                        |             |                                    | 106,312      | 106,395                              |                                   | 106,395     |
| 22             | Other Sources                                 |                                |                                  |              |                                 |                    |                                 | (12)            |                        |             |                                    | 385,355      | 385,342                              |                                   | 385,342     |
| 23             | Infrastructure & Reinvestment Pool (18%)      |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 24             | Temporary Revenue Adjustments Elim            |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 25             | Total Revenues                                | (39,842)                       | 2,365,569                        | 1,782,884    | 2,450,798                       | 1,050,032          | 191,847                         | 1,195,557       | 235,281                | 1,986,097   |                                    | 1,180,080    | 12,398,302                           |                                   | 135,973,465 |
| <b>Expense</b> |   |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   |             |
| 28             | Faculty & Academic Salaries                   | 2,400                          | 2,297,420                        | -            | -                               | -                  | 262,996                         | -               | -                      | 2,145       | -                                  | -            | 2,564,961                            |                                   | 33,943,946  |
| 29             | Admin, Prof, Clerical, Supp, & Other Salaries | 1,189,673                      | 6,420,701                        | 2,616,023    | 2,891,412                       | 2,515,005          | 1,317,473                       | 2,731,844       | 2,158,601              | 3,070,819   | -                                  | -            | 24,911,552                           |                                   | 33,502,942  |
| 30             | Summer School Salary Allocation               |                                | 32,195                           |              |                                 |                    |                                 |                 |                        |             |                                    |              | 32,195                               |                                   | 2,849,129   |
| 31             | Employee Benefits                             | 306,750                        | 2,972,694                        | 1,284,873    | 992,166                         | 985,904            | 510,119                         | 1,080,364       | 825,177                | 1,060,575   |                                    | (1,241,720)  | 8,776,901                            |                                   | 22,039,845  |
| 32             | Allocated RODP Expenses                       |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 1,025,762   |
| 33             | Operating Expenses                            | 481,660                        | 2,531,307                        | 6,760,047    | 4,756,331                       | 417,851            | 338,240                         | 881,714         | 554,673                | 1,855,066   | 2,751                              | 1,514,552    | 20,094,192                           |                                   | 24,397,946  |
| 34             | Capital Expenses                              |                                | 193,486                          | 18,901       | 432,860                         |                    | 66,946                          |                 |                        | 7,900       |                                    |              | 720,093                              |                                   | 1,111,915   |
| 35             | Travel  | 54,542                         | 678,020                          | 23,433       | 99,591                          | 45,330             | 39,663                          | 65,043          | 57,976                 | 1,174,558   |                                    | 500          | 2,238,656                            |                                   | 3,107,836   |
| 36             | Debt Service Payments                         |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              | 1,999,097                            |                                   | 1,999,097   |
| 37             | Transfers to RR                               |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              | 2,468,862                            |                                   | 2,468,862   |
| 38             | Transfers to Unexpended Plant                 |                                |                                  | 8,681,563    |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | 8,681,563   |
| 39             | Temporary Expense Adjustments Elim            |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 40             | Total Direct Expenses                         | 2,035,024                      | 15,125,824                       | 19,384,840   | 9,172,360                       | 3,964,090          | 2,535,437                       | 4,758,966       | 3,596,428              | 7,171,063   | 2,751                              | 4,741,291    | 72,488,073                           |                                   | 135,128,843 |
| 42             | Carryforward Utilization                      |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 42             | Strategic Fund Transfer                       |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 44             | Unit Margin                                   | (2,074,867)                    | (12,760,255)                     | (17,601,956) | (6,721,562)                     | (2,914,058)        | (2,343,590)                     | (3,563,408)     | (3,361,147)            | (5,184,966) | (2,751)                            | (3,561,211)  | (60,089,771)                         |                                   | 844,621     |
| 46             | Space Cost Allocations                        |                                |                                  | 17,601,956   |                                 |                    |                                 |                 |                        |             |                                    |              | 17,601,956                           |                                   | -           |
| 48             | Unit Margin After Space Cost Allocations      | (2,074,867)                    | (12,760,255)                     | 0            | (6,721,562)                     | (2,914,058)        | (2,343,590)                     | (3,563,408)     | (3,361,147)            | (5,184,966) | (2,751)                            | (3,561,211)  | (42,487,815)                         |                                   | 844,621     |
| 50             | Academic Infrastructure & Reinvestment        |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 51             | Administrative Infrastructure & Reinvestment  |                                |                                  |              |                                 |                    |                                 |                 |                        |             |                                    |              |                                      |                                   | -           |
| 52             | Unit Margin after IRP Allocation              | (2,074,867)                    | (12,760,255)                     | 0            | (6,721,562)                     | (2,914,058)        | (2,343,590)                     | (3,563,408)     | (3,361,147)            | (5,184,966) | (2,751)                            | (3,561,211)  | (42,487,815)                         |                                   | 844,621     |

# Academic & Administrative Units Data – FY17 Proposed Budget

(reference handout)

Tennessee Technological University  
FY17 Proposed Budget Model Unrestricted

| Row | FY17 Budget<br>FY15 Drivers                                  | Schools and Colleges                  |                        |                              |                     |                     |                                |                     |                                       | Schools & Colleges Total | Administrative & Support<br>Units Total | Model Total |
|-----|--|---------------------------------------|------------------------|------------------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------------------------|--------------------------|---|-------------|
|     |  | C<br>Agriculture and Human<br>Ecology | D<br>Arts and Sciences | E<br>Business Administration | F<br>Education      | G<br>Engineering    | H<br>Interdisciplinary Studies | I<br>Nursing        | J<br>Infrastructure &<br>Reinvestment |                          |   |             |
| 5   | Direct Fees  | \$ -                                  | \$ 296,457             | \$ 2,419,800                 | \$ 482,419          | \$ 2,523,000        | \$ -                           | \$ 362,476          | \$ 6,084,152                          | \$ 10,173,454            | \$ 16,257,606                           |             |
| 6   | Allocated UG Tuition   | 3,217,022                             | 31,634,758             | 8,409,928                    | 14,159,482          | 12,615,008          | 543,347                        | 2,222,220           | 72,801,766                            | -                        | 72,801,766                              |             |
| 7   | Allocated Grad Tuition                                       | 1,033                                 | 559,222                | 1,182,541                    | 2,774,592           | 1,156,748           | 117,811                        | 30,053              | 5,822,000                             | -                        | 5,822,000                               |             |
| 8   | RODP Revenue   | 11,659                                | 1,779,128              | 248,366                      | 687,422             | 48,967              | 325,405                        | 1,558,854           | 4,659,800                             | -                        | 4,659,800                               |             |
| 9   | GA Fee Waivers   | -                                     | (282,700)              | (112,570)                    | (379,240)           | (126,540)           | (45,000)                       | -                   | (946,050)                             | (699,890)                | (1,645,940)                             |             |
| 10  | Allocated Scholarships                                       | (426,895)                             | (4,242,521)            | (1,118,494)                  | (1,884,895)         | (1,667,643)         | (69,677)                       | (292,983)           | (9,703,109)                           | -                        | (9,703,109)                             |             |
| 11  | Scholarships and Fellowships                                 | -                                     | (18,303)               | (3,700)                      | -                   | -                   | -                              | (10,000)            | (32,003)                              | (5,721,390)              | (5,753,393)                             |             |
| 12  | Net Tuition and Fees   | 2,802,819                             | 29,726,041             | 11,025,871                   | 15,839,780          | 14,549,540          | 871,886                        | 3,870,620           | 78,686,556                            | 3,752,174                | 82,438,730                              |             |
| 13  | State Appropriations   | 1,989,105                             | 13,521,062             | 5,448,162                    | 10,803,845          | 7,222,157           | 1,080,767                      | 1,831,703           | 41,896,800                            | -                        | 41,896,800                              |             |
| 14  | Federal Grants and Contracts                                 | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 869,670                  | 869,670                                 |             |
| 15  | State Grants and Contracts                                   | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 59,400                   | 59,400                                  |             |
| 16  | Local Grants and Contracts                                   | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 3,200                    | 3,200                                   |             |
| 17  | Private Grants and Contracts                                 | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 39,100                   | 39,100                                  |             |
| 18  | Indirect Cost Recovery                                       | 47,990                                | 163,593                | 80,679                       | 199,282             | 329,615             | -                              | -                   | 821,159                               | 67,191                   | 888,351                                 |             |
| 19  | Sales and Services of Edu Act                                | 495,710                               | 37,936                 | 623,210                      | 466,010             | -                   | 5,500                          | -                   | 1,628,366                             | 131,390                  | 1,759,756                               |             |
| 20  | Sales and Services of Other Act                              | 133,990                               | 7,280                  | 35,000                       | 8,000               | -                   | -                              | -                   | 184,270                               | 8,143,539                | 8,327,809                               |             |
| 21  | Investment & Interest Income                                 | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 126,000                  | 126,000                                 |             |
| 22  | Other Sources  | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 565,000                  | 565,000                                 |             |
| 23  | Infrastructure & Reinvestment Pool (18%)                     | (984,530)                             | (7,768,702)            | (2,662,762)                  | (4,830,210)         | (3,524,096)         | (352,468)                      | (961,172)           | 21,083,940                            | -                        | -                                       |             |
| 24  | Temporary Revenue Adjustments Elim                           | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | -                        | -                                       |             |
| 25  | <b>Total Revenues</b>  | <b>4,485,083</b>                      | <b>35,687,210</b>      | <b>14,550,160</b>            | <b>22,486,707</b>   | <b>18,577,215</b>   | <b>1,605,686</b>               | <b>4,741,151</b>    | <b>21,083,940</b>                     | <b>123,217,151</b>       | <b>136,973,816</b>                      |             |
|     | <b>Expense</b>   |                                       |                        |                              |                     |                     |                                |                     |                                       |                          |   |             |
| 28  | Faculty & Academic Salaries                                  | 1,579,626                             | 10,788,988             | 3,912,452                    | 7,394,678           | 7,870,210           | 421,285                        | 1,322,061           | 33,289,300                            | 2,327,995                | 35,617,295                              |             |
| 29  | Admin, Prof, Clerical, Supp, & Other Salaries                | 760,932                               | 1,372,607              | 1,272,120                    | 1,985,253           | 1,793,692           | 595,371                        | 446,321             | 8,226,296                             | 29,514,037               | 37,740,333                              |             |
| 30  | Summer School Salary Allocation                              | 57,282                                | 497,633                | 259,627                      | 517,530             | 433,862             | 67,701                         | 52,730              | 1,886,365                             | 21,575                   | 1,907,940                               |             |
| 31  | Employee Benefits  | 811,364                               | 3,752,925              | 1,345,885                    | 3,174,775           | 2,792,408           | 195,030                        | 542,930             | 12,615,317                            | 13,073,123               | 25,688,440                              |             |
| 32  | Allocated RODP Expenses                                      | -                                     | 408,913                | 48,928                       | 17,647              | -                   | 139,902                        | 541,316             | 1,156,707                             | 360,207                  | 1,516,914                               |             |
| 33  | Operating Expenses   | 440,940                               | 799,344                | 709,728                      | 565,088             | 2,139,991           | 97,526                         | 206,747             | 4,959,364                             | 18,153,526               | 23,112,890                              |             |
| 34  | Capital Expenses   | -                                     | -                      | -                            | -                   | 6,000               | -                              | -                   | 6,000                                 | 345,890                  | 351,890                                 |             |
| 35  | Travel   | 1,330                                 | 60,563                 | 55,000                       | 155,905             | 36,990              | 56,167                         | 4,690               | 370,645                               | 1,523,335                | 1,893,980                               |             |
| 36  | Debt Service Payments  | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 2,951,910                | 2,951,910                               |             |
| 37  | Transfers to RR  | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 1,735,707                | 1,735,707                               |             |
| 38  | Transfers to Unexpended Plant                                | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | 3,676,430                | 3,676,430                               |             |
| 39  | Temporary Expense Adjustments Elim                           | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | -                        | -                                       |             |
| 40  | <b>Total Direct Expenses</b>                                 | <b>3,651,474</b>                      | <b>17,680,973</b>      | <b>7,603,740</b>             | <b>13,810,876</b>   | <b>15,073,153</b>   | <b>1,572,982</b>               | <b>3,116,795</b>    | <b>62,509,994</b>                     | <b>73,683,735</b>        | <b>136,193,729</b>                      |             |
| 42  | Carryforward Utilization                                     | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | -                        | -                                       |             |
| 42  | Strategic Fund Transfer                                      | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | -                        | -                                       |             |
| 44  | <b>Unit Margin</b>   | <b>\$ 833,609</b>                     | <b>\$ 18,006,236</b>   | <b>\$ 6,946,419</b>          | <b>\$ 8,675,831</b> | <b>\$ 3,504,062</b> | <b>\$ 32,704</b>               | <b>\$ 1,624,355</b> | <b>\$ 21,083,940</b>                  | <b>\$ 60,707,157</b>     | <b>\$ (59,927,071)</b>                  |             |
| 46  | Space Cost Allocations                                       | (1,466,053)                           | (2,735,900)            | (761,447)                    | (2,557,996)         | (3,608,013)         | (130,584)                      | (481,775)           | (11,741,768)                          | 11,741,768               | -                                       |             |
| 48  | <b>Unit Margin After Space Cost Allocations</b>              | <b>\$ (632,443)</b>                   | <b>\$ 15,270,336</b>   | <b>\$ 6,184,973</b>          | <b>\$ 6,117,835</b> | <b>\$ (103,951)</b> | <b>\$ (97,880)</b>             | <b>\$ 1,142,580</b> | <b>\$ 21,083,940</b>                  | <b>\$ 48,965,389</b>     | <b>\$ (48,185,303)</b>                  |             |
| 50  | Academic Infrastructure & Reinvestment                       | 632,443                               | -                      | -                            | -                   | 103,951             | 97,880                         | -                   | (834,275)                             | -                        | -                                       |             |
| 51  | Administrative Infrastructure & Reinvestment                 | -                                     | -                      | -                            | -                   | -                   | -                              | -                   | -                                     | -                        | -                                       |             |
| 52  | <b>Unit Margin after IRP Allocation</b>                      | <b>-</b>                              | <b>15,270,336</b>      | <b>6,184,973</b>             | <b>6,117,835</b>    | <b>-</b>            | <b>-</b>                       | <b>1,142,580</b>    | <b>20,249,665</b>                     | <b>48,965,389</b>        | <b>(48,185,303)</b>                     |             |
| 54  | SACF Budgeted Revenues                                       | -                                     | -                      | 759,300                      | 355,000             | 2,523,000           | -                              | 316,000             | 3,953,300                             | -                        | 3,953,300                               |             |
| 55  | SACF Budgeted Expenses                                       | -                                     | -                      | 760,150                      | 355,000             | 2,523,000           | -                              | 316,000             | 3,954,150                             | -                        | 3,954,150                               |             |
| 56  | SACF Margin (Protected)                                      | -                                     | -                      | (850)                        | -                   | -                   | -                              | -                   | (850)                                 | -                        | (850)                                   |             |
| 58  | <b>Unit Margin after IRP Allocation &amp; SACF Protector</b> | <b>-</b>                              | <b>15,270,336</b>      | <b>6,185,823</b>             | <b>6,117,835</b>    | <b>-</b>            | <b>-</b>                       | <b>1,142,580</b>    | <b>20,249,665</b>                     | <b>48,966,239</b>        | <b>780,937</b>                          |             |

Tennessee Technological University  
FY17 Proposed Budget Model Unrestricted

|                             |  | O                              | P                                | Q               | R                               | S                  | T                               | U               | V                      | W              | X                                  | Y              | Z                                    | AB                                | AD          |
|-----------------------------|--|--------------------------------|----------------------------------|-----------------|---------------------------------|--------------------|---------------------------------|-----------------|------------------------|----------------|------------------------------------|----------------|--------------------------------------|-----------------------------------|-------------|
|                             |  | Administrative & Support Units |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   |             |
| FY17 Budget<br>FY15 Drivers | Revenue  | University President           | Exec VP Acad Affairs and Provost | Facilities      | Information Technology Services | Planning & Finance | Research & Economic Development | Student Affairs | University Advancement | Athletics      | Cookeville Higher Education Campus | Central Pool   | Administrative & Support Units Total | Temporary Adjustments Elimination | Model Total |
| 5                           | Direct Fees  | \$ -                           | \$ 2,078,548                     | \$ 2,601,433    | \$ 2,277,900                    | \$ 1,276,067       | \$ -                            | \$ 1,181,732    | \$ -                   | \$ -           | \$ 57,774                          | \$ 700,000     | \$ 10,173,454                        |                                   | 16,257,606  |
| 6                           | Allocated UG Tuition                               |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 72,801,766  |
| 7                           | Allocated Grad Tuition                             |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 5,822,000   |
| 8                           | RODP Revenue                                       |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 4,659,800   |
| 9                           | GA Fee Waivers                                     | (16,480)                       | (489,610)                        |                 |                                 |                    | (23,130)                        | (87,420)        | (25,440)               | (57,810)       |                                    |                | (699,890)                            |                                   | (1,645,940) |
| 10                          | Allocated Scholarships                             |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | (9,703,109) |
| 11                          | Scholarships and Fellowships                       |                                | 21,390                           |                 |                                 |                    |                                 | (21,390)        |                        | (5,721,390)    |                                    |                | (5,721,390)                          |                                   | (5,753,393) |
| 12                          | Net Tuition and Fees                               | (16,480)                       | 1,610,328                        | 2,601,433       | 2,277,900                       | 1,276,067          | (23,130)                        | 1,072,922       | (25,440)               | (5,779,200)    | 57,774                             | 700,000        | 3,752,174                            |                                   | 82,438,730  |
| 13                          | State Appropriations                               |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 41,896,800  |
| 14                          | Federal Grants and Contracts                       |                                | 59,470                           |                 |                                 |                    |                                 |                 |                        |                |                                    | 810,200        | 869,670                              |                                   | 869,670     |
| 15                          | State Grants and Contracts                         |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    | 59,400         | 59,400                               |                                   | 59,400      |
| 16                          | Local Grants and Contracts                         |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    | 3,200          | 3,200                                |                                   | 3,200       |
| 17                          | Private Grants and Contracts                       |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    | 39,100         | 39,100                               |                                   | 39,100      |
| 18                          | Indirect Cost Recovery                             |                                | (3,619)                          |                 |                                 |                    | 70,810                          |                 |                        |                |                                    |                | 67,191                               |                                   | 888,351     |
| 19                          | Sales and Services of Edu Act                      |                                |                                  |                 |                                 |                    | 22,000                          | 9,390           |                        |                | 100,000                            |                | 131,390                              |                                   | 1,759,756   |
| 20                          | Sales and Services of Other Act                    |                                | 358,570                          | 72,169          | 5,460                           | 16,000             |                                 | 110,800         | 104,650                | 6,060,890      | 5,000                              | 1,410,000      | 8,143,539                            |                                   | 8,327,809   |
| 21                          | Investment & Interest Income                       |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                | 126,000                              |                                   | 126,000     |
| 22                          | Other Sources                                      |                                |                                  |                 |                                 |                    |                                 |                 |                        |                | 5,000                              | 560,000        | 565,000                              |                                   | 565,000     |
| 23                          | Infrastructure & Reinvestment Pool (18%)           |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 24                          | Temporary Revenue Adjustments Elim                 |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 25                          | Total Revenues                                     | (16,480)                       | 2,024,749                        | 2,673,602       | 2,283,360                       | 1,292,067          | 69,680                          | 1,193,112       | 79,210                 | 281,690        | 167,774                            | 3,707,900      | 13,756,664                           |                                   | 136,973,816 |
| 28                          | Faculty & Academic Salaries                        | 4,000                          | 1,727,880                        |                 | 5,000                           |                    | 123,100                         |                 |                        |                |                                    | 468,015        | 2,327,995                            |                                   | 35,617,295  |
| 29                          | Admin, Prof, Clerical, Supp, & Other Salaries      | 1,199,587                      | 7,533,791                        | 3,120,108       | 3,288,118                       | 3,223,873          | 1,377,569                       | 2,969,050       | 2,630,178              | 3,338,047      | 317,601                            | 516,115        | 29,514,037                           |                                   | 37,740,333  |
| 30                          | Summer School Salary Allocation                    |                                | 21,575                           |                 |                                 |                    |                                 |                 |                        |                |                                    |                | 21,575                               |                                   | 1,907,940   |
| 31                          | Employee Benefits                                  | 318,150                        | 2,861,730                        | 1,377,074       | 1,094,040                       | 1,146,045          | 673,295                         | 1,168,321       | 924,827                | 1,120,726      | 120,104                            | 2,268,811      | 13,073,123                           |                                   | 25,688,440  |
| 32                          | Allocated RODP Expenses                            |                                | 360,207                          |                 |                                 |                    |                                 |                 |                        |                |                                    |                | 360,207                              |                                   | 1,516,914   |
| 33                          | Operating Expenses                                 | 581,556                        | 2,677,923                        | 6,234,028       | 4,652,291                       | 140,337            | 600,320                         | 801,590         | 295,097                | 909,376        | 45,225                             | 1,215,783      | 18,153,526                           |                                   | 23,112,890  |
| 34                          | Capital Expenses                                   |                                | 220,000                          |                 | 118,920                         |                    |                                 |                 | 6,970                  |                |                                    |                | 345,890                              |                                   | 351,890     |
| 35                          | Travel   | 22,700                         | 522,510                          | 7,730           | 131,135                         | 32,400             | 4,820                           | 40,930          | 19,860                 | 738,250        | 3,000                              |                | 1,523,335                            |                                   | 1,893,980   |
| 36                          | Debt Service Payments                              |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    | 2,951,910      | 2,951,910                            |                                   | 2,951,910   |
| 37                          | Transfers to RR                                    |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    | 1,735,707      | 1,735,707                            |                                   | 1,735,707   |
| 38                          | Transfers to Unexpended Plant                      |                                |                                  | 3,676,430       |                                 |                    |                                 |                 |                        |                |                                    |                | 3,676,430                            |                                   | 3,676,430   |
| 39                          | Temporary Expense Adjustments Elim                 |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 40                          | Total Direct Expenses                              | 2,125,993                      | 15,925,616                       | 14,415,370      | 9,289,504                       | 4,542,655          | 2,779,104                       | 4,979,891       | 3,876,932              | 6,106,399      | 485,930                            | 9,156,341      | 73,683,735                           |                                   | 136,193,729 |
| 42                          | Carryforward Utilization                           |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 42                          | Strategic Fund Transfer                            |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 44                          | Unit Margin  | \$ (2,142,473)                 | \$ (13,900,867)                  | \$ (11,741,768) | \$ (7,006,144)                  | \$ (3,250,588)     | \$ (2,709,424)                  | \$ (3,786,779)  | \$ (3,797,722)         | \$ (5,824,709) | \$ (318,156)                       | \$ (5,448,441) | \$ (59,927,071)                      | \$ -                              | \$ 780,087  |
| 46                          | Space Cost Allocations                             |                                |                                  | 11,741,768      |                                 |                    |                                 |                 |                        |                |                                    |                | 11,741,768                           |                                   | -           |
| 48                          | Unit Margin After Space Cost Allocations           | \$ (2,142,473)                 | \$ (13,900,867)                  | \$ -            | \$ (7,006,144)                  | \$ (3,250,588)     | \$ (2,709,424)                  | \$ (3,786,779)  | \$ (3,797,722)         | \$ (5,824,709) | \$ (318,156)                       | \$ (5,448,441) | \$ (48,185,303)                      | \$ -                              | \$ 780,087  |
| 50                          | Academic Infrastructure & Reinvestment             |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 51                          | Administrative Infrastructure & Reinvestment       |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | -           |
| 52                          | Unit Margin after IRP Allocation                   | (2,142,473)                    | (13,900,867)                     | -               | (7,006,144)                     | (3,250,588)        | (2,709,424)                     | (3,786,779)     | (3,797,722)            | (5,824,709)    | (318,156)                          | (5,448,441)    | (48,185,303)                         |                                   | 780,087     |
| 54                          | SACF Budgeted Revenues                             |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 3,953,300   |
| 55                          | SACF Budgeted Expenses                             |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | 3,954,150   |
| 56                          | SACF Margin (Protected)                            |                                |                                  |                 |                                 |                    |                                 |                 |                        |                |                                    |                |                                      |                                   | (850)       |
| 58                          | Unit Margin after IRP Allocation & SACF Protection | (2,142,473)                    | (13,900,867)                     | -               | (7,006,144)                     | (3,250,588)        | (2,709,424)                     | (3,786,779)     | (3,797,722)            | (5,824,709)    | (318,156)                          | (5,448,441)    | (48,185,303)                         |                                   | 780,937     |

# Target Contribution Margins – Key Considerations

The Target Contributions Margins Subgroup (comprised of members from the Budget Model Workgroup and Cost of Education Model Committee) arrived at the following target margin structure:

- College/school revenues (net of the 18% IRP) as shown in the Budget Model will be used for the revenue component of the target margins calculation ensuring data consistency.
- College/school direct expense budgets will be calculated at a 70/30 split between historical actual expense data and Delaware Study data. 70% of the direct expense budget will be based on the prior year actual direct expenses and 30% of the direct expense budget will be based on a 3-year rolling average of Delaware Study data (scaled to 86%).
- College/school direct expense budgets will be scaled to the total available academic direct expense funds based on the college/school share of total allocated revenues (net of the 18% IRP).
- College/school space cost will be determined by the college/school per square foot space usage – based on the total Facilities costs.
- By calculating the target margins using historical actuals as well as Delaware Study data – the group agreed that cost of programs would be better recognized and that colleges/schools would benefit from “peer benchmarking” as opposed to only including historical data (i.e. using only historical data could inadvertently award stagnant behavior, prevent efficiencies and economies of scale).

(reference handouts)

**Unit Margin Comparisons (FY15 Actuals & FY17 Proposed) -- Detail**

|  | <u>Agriculture &amp; Human Ecology</u> | <u>Arts &amp; Sciences</u> | <u>Business</u>         | <u>Education</u>  | <u>Engineering</u>     | <u>Interdisciplinary Studies</u> | <u>Nursing</u>         | <u>Infrastructure &amp; Reinvestment Pool</u> | <u>Total</u>             | <u>Budget Model Recon.</u> | <u>Totals per Budget Model</u> |               |                        |               |                         |                |                         |               |
|--|--|----------------------------|-------------------------|-------------------|------------------------|----------------------------------|------------------------|---|--------------------------|----------------------------|--------------------------------|---------------|------------------------|---------------|-------------------------|----------------|-------------------------|---------------|
| <b>Unit Margin Using Actuals FY2015 per Budget Model</b> |  |                            |                         |                   |                        |                                  |                        |   |                          |                            |                                |               |                        |               |                         |                |                         |               |
| Total Revenues   | \$ 4,518,098.00                        | \$ 36,863,992.00           | \$ 14,195,499.00        | \$ 22,356,998.00  | \$ 17,715,253.00       | \$ 1,741,539.00                  | \$ 4,845,536.00        | \$ 21,338,248.00                              | \$ 123,575,163.00        | \$ 12,398,302.00           | \$ 135,973,465.00              |               |                        |               |                         |                |                         |               |
| Total Direct Expenses                                    | \$ 3,901,613.00                        | \$ 17,892,515.00           | \$ 7,249,701.00         | \$ 14,416,793.00  | \$ 14,560,214.00       | \$ 1,579,917.00                  | \$ 3,040,018.00        | \$ -  | \$ 62,640,771.00         |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin</b>                                       | <b>\$ 616,485.00</b>                   | <b>13.64%</b>              | <b>\$ 18,971,477.00</b> | <b>51.46%</b>     | <b>\$ 6,945,798.00</b> | <b>48.93%</b>                    | <b>\$ 7,940,205.00</b> | <b>35.52%</b>                                 | <b>\$ 3,155,039.00</b>   | <b>17.81%</b>              | <b>\$ 161,622.00</b>           | <b>9.28%</b>  | <b>\$ 1,805,518.00</b> | <b>37.26%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 60,934,392.00</b> | <b>49.31%</b> |
| Space Cost Allocation                                    | \$ (2,197,744.00)                      | \$ (4,101,358.00)          | \$ (1,141,477.00)       | \$ (3,834,664.00) | \$ (5,408,732.00)      | \$ (195,757.00)                  | \$ (722,224.00)        | \$ -  | \$ (17,601,956.00)       |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin After Space Allocation</b>                | <b>\$ (1,581,259.00)</b>               | <b>-35.00%</b>             | <b>\$ 14,870,119.00</b> | <b>40.34%</b>     | <b>\$ 5,804,321.00</b> | <b>40.89%</b>                    | <b>\$ 4,105,541.00</b> | <b>18.36%</b>                                 | <b>\$ (2,253,693.00)</b> | <b>-12.72%</b>             | <b>\$ (34,135.00)</b>          | <b>-1.96%</b> | <b>\$ 1,083,294.00</b> | <b>22.36%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 43,332,436.00</b> | <b>35.07%</b> |

|  |                        |                   |                         |                   |                        |                 |                        | <u>Infrastructure &amp; Reinvestment Pool</u> |                          | <u>Budget Model Recon.</u> | <u>Totals per Budget Model</u> |               |                        |               |                         |                |                         |               |
|--|------------------------|-------------------|-------------------------|-------------------|------------------------|-----------------|------------------------|---|--------------------------|----------------------------|--------------------------------|---------------|------------------------|---------------|-------------------------|----------------|-------------------------|---------------|
| <b>Unit Margin Using Delaware 3 yr. avg (Instr. Exp. 2011-12, 2012-13, 2013-14)* &amp; Revenues per Budget Model</b> |                        |                   |                         |                   |                        |                 |                        |   |                          |                            |                                |               |                        |               |                         |                |                         |               |
| Total Revenues   | \$ 4,518,098.00        | \$ 36,863,992.00  | \$ 14,195,499.00        | \$ 22,356,998.00  | \$ 17,715,253.00       | \$ 1,741,539.00 | \$ 4,845,536.00        | \$ 21,338,248.00                              | \$ 123,575,163.00        | \$ 12,398,302.00           | \$ 135,973,465.00              |               |                        |               |                         |                |                         |               |
| Total Direct Expenses (IDS Exp. per Budget Model)  | \$ 2,793,857.65        | \$ 24,769,557.65  | \$ 6,830,409.41         | \$ 16,657,883.53  | \$ 13,450,824.71       | \$ 1,579,917.00 | \$ 3,172,845.88        | \$ -  | \$ 69,255,295.82         |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin</b>   | <b>\$ 1,724,240.35</b> | <b>38.16%</b>     | <b>\$ 12,094,434.35</b> | <b>32.81%</b>     | <b>\$ 7,365,089.59</b> | <b>51.88%</b>   | <b>\$ 5,699,114.47</b> | <b>25.49%</b>                                 | <b>\$ 4,264,428.29</b>   | <b>24.07%</b>              | <b>\$ 161,622.00</b>           | <b>9.28%</b>  | <b>\$ 1,672,690.12</b> | <b>34.52%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 54,319,867.18</b> | <b>43.96%</b> |
| Space Cost Allocation  | \$ (2,197,744.00)      | \$ (4,101,358.00) | \$ (1,141,477.00)       | \$ (3,834,664.00) | \$ (5,408,732.00)      | \$ (195,757.00) | \$ (722,224.00)        | \$ -  | \$ (17,601,956.00)       |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin After Space Allocation</b>  | <b>\$ (473,503.65)</b> | <b>-10.48%</b>    | <b>\$ 7,993,076.35</b>  | <b>21.68%</b>     | <b>\$ 6,223,612.59</b> | <b>43.84%</b>   | <b>\$ 1,864,450.47</b> | <b>8.34%</b>                                  | <b>\$ (1,144,303.71)</b> | <b>-6.46%</b>              | <b>\$ (34,135.00)</b>          | <b>-1.96%</b> | <b>\$ 950,466.12</b>   | <b>19.62%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 36,717,911.18</b> | <b>29.71%</b> |

|  |                          |                   |                         |                   |                        |                 |                        | <u>Infrastructure &amp; Reinvestment Pool</u> |                          | <u>Budget Model Recon.</u> | <u>Totals per Budget Model</u> |               |                        |               |                         |                |                         |               |
|--|--------------------------|-------------------|-------------------------|-------------------|------------------------|-----------------|------------------------|---|--------------------------|----------------------------|--------------------------------|---------------|------------------------|---------------|-------------------------|----------------|-------------------------|---------------|
| <b>Delaware Weighted 30%; Actuals 70%</b>  |                          |                   |                         |                   |                        |                 |                        |   |                          |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin Using Delaware 3 yr. avg (2011-12, 2012-13, 2013-14)* &amp; Revenues per Budget Model</b> |                          |                   |                         |                   |                        |                 |                        |   |                          |                            |                                |               |                        |               |                         |                |                         |               |
| Total Revenues   | \$ 4,518,098.00          | \$ 36,863,992.00  | \$ 14,195,499.00        | \$ 22,356,998.00  | \$ 17,715,253.00       | \$ 1,741,539.00 | \$ 4,845,536.00        | \$ 21,338,248.00                              | \$ 123,575,163.00        | \$ 12,398,302.00           | \$ 135,973,465.00              |               |                        |               |                         |                |                         |               |
| Total Direct Expenses (IDS Exp. per Budget Model)  | \$ 3,569,286.39          | \$ 19,955,627.79  | \$ 7,123,913.52         | \$ 15,089,120.16  | \$ 14,227,397.21       | \$ 1,579,917.00 | \$ 3,079,866.36        | \$ -  | \$ 64,625,128.45         |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin</b>   | <b>\$ 948,811.61</b>     | <b>21.00%</b>     | <b>\$ 16,908,364.21</b> | <b>45.87%</b>     | <b>\$ 7,071,585.48</b> | <b>49.82%</b>   | <b>\$ 7,267,877.84</b> | <b>32.51%</b>                                 | <b>\$ 3,487,855.79</b>   | <b>19.69%</b>              | <b>\$ 161,622.00</b>           | <b>9.28%</b>  | <b>\$ 1,765,669.64</b> | <b>36.44%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 58,950,034.55</b> | <b>47.70%</b> |
| Space Cost Allocation  | \$ (2,197,744.00)        | \$ (4,101,358.00) | \$ (1,141,477.00)       | \$ (3,834,664.00) | \$ (5,408,732.00)      | \$ (195,757.00) | \$ (722,224.00)        | \$ -  | \$ (17,601,956.00)       |                            |                                |               |                        |               |                         |                |                         |               |
| <b>Unit Margin After Space Allocation</b>  | <b>\$ (1,248,932.39)</b> | <b>-27.64%</b>    | <b>\$ 12,807,006.21</b> | <b>34.74%</b>     | <b>\$ 5,930,108.48</b> | <b>41.77%</b>   | <b>\$ 3,433,213.84</b> | <b>15.36%</b>                                 | <b>\$ (1,920,876.21)</b> | <b>-10.84%</b>             | <b>\$ (34,135.00)</b>          | <b>-1.96%</b> | <b>\$ 1,043,445.64</b> | <b>21.53%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 41,348,078.55</b> | <b>33.46%</b> |

|  |                          |                |                         |               |                        |               |                        |               | <u>Infrastructure &amp; Reinvestment Pool</u> |               | <u>Budget Model Recon.</u> | <u>Totals per Budget Model</u> |                        |               |                         |                |                         |               |                   |
|--|--------------------------|----------------|-------------------------|---------------|------------------------|---------------|------------------------|---------------|---|---------------|----------------------------|--------------------------------|------------------------|---------------|-------------------------|----------------|-------------------------|---------------|-------------------|
| <b>*NEW*: SCALED to FY15 Actual Exp: Delaware Weighted 30%; Actuals 70%</b>                              |                          |                |                         |               |                        |               |                        |               |   |               |                            |                                |                        |               |                         |                |                         |               |                   |
| <b>Unit Margin Using Delaware 3 yr. avg (2011-12, 2012-13, 2013-14)* &amp; Revenues per Budget Model</b> |                          |                |                         |               |                        |               |                        |               |   |               |                            |                                |                        |               |                         |                |                         |               |                   |
| Total Revenues   | \$ 4,518,098.00          | 4.42%          | \$ 36,863,992.00        | 36.06%        | \$ 14,195,499.00       | 13.88%        | \$ 22,356,998.00       | 21.87%        | \$ 17,715,253.00                              | 17.33%        | \$ 1,741,539.00            | 1.70%                          | \$ 4,845,536.00        | 4.74%         | \$ 21,338,248.00        | 100%           | \$ 123,575,164.00       | 100%          | \$ 135,973,466.00 |
| Total Direct Expenses (IDS Exp. per Budget Model)  | \$ 3,569,286.39          |                | \$ 19,955,627.79        |               | \$ 7,123,913.52        |               | \$ 15,089,120.16       |               | \$ 14,227,397.21                              |               | \$ 1,579,917.00            |                                | \$ 3,079,866.36        |               | \$ -                    |                | \$ 64,625,128.45        |               |                   |
| <b>Unit Margin Before Scaling</b>  | <b>\$ 948,811.61</b>     | <b>21.00%</b>  | <b>\$ 16,908,364.21</b> | <b>45.87%</b> | <b>\$ 7,071,585.48</b> | <b>49.82%</b> | <b>\$ 7,267,877.84</b> | <b>32.51%</b> | <b>\$ 3,487,855.79</b>                        | <b>19.69%</b> | <b>\$ 161,622.00</b>       | <b>9.28%</b>                   | <b>\$ 1,765,669.64</b> | <b>36.44%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 58,950,034.55</b> | <b>47.70%</b> |                   |
| Proportionate Reduction to Expenses based on Share of Revenues to bring to FY15 Actual Expenses          | \$ (87,693.58)           |                | \$ (715,508.06)         |               | \$ (275,526.16)        |               | \$ (433,935.98)        |               | \$ (343,842.48)                               |               | \$ (33,802.23)             |                                | \$ (94,048.96)         |               | \$ -                    |                | \$ (1,984,357.45)       |               |                   |
| <b>Unit Margin After Scaling</b>   | <b>\$ 1,036,505.19</b>   | <b>22.94%</b>  | <b>\$ 17,623,872.27</b> | <b>47.81%</b> | <b>\$ 7,347,111.63</b> | <b>51.76%</b> | <b>\$ 7,701,813.82</b> | <b>34.45%</b> | <b>\$ 3,831,698.27</b>                        | <b>21.63%</b> | <b>\$ 195,424.23</b>       | <b>11.22%</b>                  | <b>\$ 1,859,718.59</b> | <b>38.38%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 60,934,392.00</b> | <b>49.31%</b> |                   |
| Space Cost Allocation  | \$ (2,197,744.00)        |                | \$ (4,101,358.00)       |               | \$ (1,141,477.00)      |               | \$ (3,834,664.00)      |               | \$ (5,408,732.00)                             |               | \$ (195,757.00)            |                                | \$ (722,224.00)        |               | \$ -                    |                | \$ (17,601,956.00)      |               |                   |
| <b>Unit Margin After Space Allocation</b>  | <b>\$ (1,161,238.81)</b> | <b>-25.70%</b> | <b>\$ 13,522,514.27</b> | <b>36.68%</b> | <b>\$ 6,205,634.63</b> | <b>43.72%</b> | <b>\$ 3,867,149.82</b> | <b>17.30%</b> | <b>\$ (1,577,033.73)</b>                      | <b>-8.90%</b> | <b>\$ (332.77)</b>         | <b>-0.02%</b>                  | <b>\$ 1,137,494.59</b> | <b>23.48%</b> | <b>\$ 21,338,248.00</b> | <b>100.00%</b> | <b>\$ 43,332,436.00</b> | <b>35.07%</b> |                   |

|  |                        |                   |                         |                   |                        |                 |                        |                  | <u>Infrastructure &amp; Reinvestment Pool</u> |                  | <u>Budget Model Recon.</u> | <u>Totals per Budget Model</u> |                        |               |                         |                |                         |               |
|--|------------------------|-------------------|-------------------------|-------------------|------------------------|-----------------|------------------------|------------------|---|------------------|----------------------------|--------------------------------|------------------------|---------------|-------------------------|----------------|-------------------------|---------------|
| <b>*Unit Margin Using Proposed FY2017 per Budget Model</b> |                        |                   |                         |                   |                        |                 |                        |                  |   |                  |                            |                                |                        |               |                         |                |                         |               |
| Total Revenues   | \$ 4,485,083.00        | \$ 35,687,210.00  | \$ 14,550,160.00        | \$ 22,486,707.00  | \$ 18,577,215.00       | \$ 1,605,686.00 | \$ 4,741,151.00        | \$ 21,083,940.00 | \$ 123,217,152.00                             | \$ 13,756,664.00 | \$ 136,973,816.00          |                                |                        |               |                         |                |                         |               |
| Total Direct Expenses                                      | \$ 3,651,474.00        | \$ 17,680,973.00  | \$ 7,603,740.00         | \$ 13,810,876.00  | \$ 15,073,153.00       | \$ 1,572,982.00 | \$ 3,116,795.00        | \$ -             | \$ 62,509,993.00                              |                  |                            |                                |                        |               |                         |                |                         |               |
| <b>Unit Margin</b>   | <b>\$ 833,609.00</b>   | <b>18.59%</b>     | <b>\$ 18,006,237.00</b> | <b>50.46%</b>     | <b>\$ 6,946,420.00</b> | <b>47.74%</b>   | <b>\$ 8,675,831.00</b> | <b>38.58%</b>    | <b>\$ 3,504,062.00</b>                        | <b>18.86%</b>    | <b>\$ 32,704.00</b>        | <b>2.04%</b>                   | <b>\$ 1,624,356.00</b> | <b>34.26%</b> | <b>\$ 21,083,940.00</b> | <b>100.00%</b> | <b>\$ 60,707,159.00</b> | <b>49.27%</b> |
| Space Cost Allocation                                      | \$ (1,466,053.00)      | \$ (2,735,900.00) | \$ (761,447.00)         | \$ (2,557,996.00) | \$ (3,608,013.00)      | \$ (130,584.00) | \$ (481,775.00)        | \$ -             | \$ (11,741,768.00)                            |                  |                            |                                |                        |               |                         |                |                         |               |
| <b>Unit Margin After Space Allocation</b>                  | <b>\$ (632,444.00)</b> | <b>-14.10%</b>    | <b>\$ 15,270,337.00</b> | <b>42.79%</b>     | <b>\$ 6,184,973.00</b> | <b>42.51%</b>   | <b>\$ 6,117,835.00</b> | <b>27.21%</b>    | <b>\$ (103,951.00)</b>                        | <b>-0.56%</b>    | <b>\$ (97,880.00)</b>      | <b>-6.10%</b>                  | <b>\$ 1,142,581.00</b> | <b>24.10%</b> | <b>\$ 21,083,940.00</b> | <b>100.00%</b> | <b>\$ 48,965,391.00</b> | <b>39.74%</b> |

| <b>*Using Delaware Data Scaled at 86% (IDS Exp. per Budget Model)</b> | <u>Agriculture &amp;</u> | <u>Arts &amp; Sciences</u> | <u>Business</u> | <u>Education</u> | <u>Engineering</u> | <u>Interdisciplinary</u> | <u>Nursing</u>  | <u>Total</u>     |
|---|--------------------------|----------------------------|-----------------|------------------|--------------------|--------------------------|-----------------|------------------|
| Instruction at 85%  | \$ 2,374,779.00          | \$ 21,054,124.00           | \$ 5,805,848.00 | \$ 14,159,201.00 | \$ 11,433,201.00   | \$ 1,342,929.45          | \$ 2,696,919.00 | \$ 58,867,001.45 |
| Academic Support at 15%   | \$ 419,078.65            | \$ 3,715,433.65            | \$ 1,024,561.41 | \$ 2,498,682.53  | \$ 2,017,623.71    | \$ 236,987.55            | \$ 475,926.88   | \$ 10,388,294.37 |
| Total Budgets   | \$ 2,793,857.65          | \$ 24,769,557.65           | \$ 6,830,409.41 | \$ 16,657,883.53 | \$ 13,450,824.71   | \$ 1,579,917.00          | \$ 3,172,845.88 | \$ 69,255,295.82 |



**Unit Margin Comparisons (FY15 Actuals & FY17 Proposed) -- Summary**

30 Delaware/70 Actuals

|  | <u>Agriculture &amp; Human Ecology</u> | <u>Arts &amp; Sciences</u> | <u>Business</u>        | <u>Education</u>       | <u>Engineering</u>     | <u>Interdisciplinary Studies</u> | <u>Nursing</u>         | <u>Infrastructure &amp; Reinvestment Pool</u> | <u>Total</u>            |
|--|--|----------------------------|------------------------|------------------------|------------------------|----------------------------------|------------------------|---|-------------------------|
| <b>Unit Margin Using Actuals FY2015 per Budget Model</b>   |  |                            |                        |                        |                        |                                  |                        |   |                         |
| Unit Margin before space   | \$ 616,485.00 13.64%                   | \$ 18,971,477.00 51.46%    | \$ 6,945,798.00 48.93% | \$ 7,940,205.00 35.52% | \$ 3,155,039.00 17.81% | \$ 161,622.00 9.28%              | \$ 1,805,518.00 37.26% | \$ 21,338,248.00 100.00%                      | \$ 60,934,392.00 49.31% |
| <b>*NEW*: SCALED to FY15 Actual Exp: Delaware Weighted 30%; Actuals 70%</b>                              |  |                            |                        |                        |                        |                                  |                        |   |                         |
| <b>Unit Margin Using Delaware 3 yr. avg (2011-12, 2012-13, 2013-14)* &amp; Revenues per Budget Model</b> |  |                            |                        |                        |                        |                                  |                        |   |                         |
| Unit Margin After Scaling before space   | \$ 1,036,505.19 22.94%                 | \$ 17,623,872.27 47.81%    | \$ 7,347,111.63 51.76% | \$ 7,701,813.82 34.45% | \$ 3,831,698.27 21.63% | \$ 195,424.23 11.22%             | \$ 1,859,718.59 38.38% | \$ 21,338,248.00 100.00%                      | \$ 60,934,392.00 49.31% |
| <b>DIFFERENCE</b>  | \$ 420,020.19 9.30%                    | \$ (1,347,604.73) -3.65%   | \$ 401,313.63 2.83%    | \$ (238,391.18) -1.07% | \$ 676,659.27 3.82%    | \$ 33,802.23 1.94%               | \$ 54,200.59 1.12%     |   |                         |
|  | <i>Margin +</i>                        | <i>Margin -</i>            | <i>Margin +</i>        | <i>Margin -</i>        | <i>Margin +</i>        | <i>Margin +</i>                  | <i>Margin +</i>        |   |                         |

\*\*\*\*\* 3 Year Phase-In Approach

|  | <u>Agriculture &amp; Human Ecology</u> | <u>Arts &amp; Sciences</u> | <u>Business</u>        | <u>Education</u>       | <u>Engineering</u>     | <u>Interdisciplinary Studies</u> | <u>Nursing</u>         | <u>Infrastructure &amp; Reinvestment Pool</u> | <u>Total</u>            |
|--|--|----------------------------|------------------------|------------------------|------------------------|----------------------------------|------------------------|---|-------------------------|
| <b>Year 1 FY2016-17</b>  |  |                            |                        |                        |                        |                                  |                        |   |                         |
| <b>Unit Margin Using Proposed FY17 per Budget Model</b>  |  |                            |                        |                        |                        |                                  |                        |   |                         |
| Unit Margin before space   | \$ 833,609.00 18.59%                   | \$ 18,006,237.00 50.46%    | \$ 6,946,420.00 47.74% | \$ 8,675,831.00 38.58% | \$ 3,504,062.00 18.86% | \$ 32,704.00 2.04%               | \$ 1,624,356.00 34.26% | \$ 21,083,940.00 100.00%                      | \$ 60,707,159.00 49.27% |
| <b>Year 2 FY2017-18</b>  |  |                            |                        |                        |                        |                                  |                        |   |                         |
| <b>50% to Target</b>   |  |                            |                        |                        |                        |                                  |                        |   |                         |
| Unit Margin  | \$ 935,057.10 20.77%                   | \$ 17,815,054.64 49.14%    | \$ 7,146,765.82 49.75% | \$ 8,188,822.41 36.52% | \$ 3,667,880.14 20.25% | \$ 114,064.12 6.63%              | \$ 1,742,037.30 36.32% | \$ 21,211,094.00                              | \$ 60,820,775.50 49.29% |
| <b>DIFFERENCE from Year 1 to Year 2</b>  | \$ 101,448.10 2.18%                    | \$ (191,182.37) -1.33%     | \$ 200,345.81 2.01%    | \$ (487,008.59) -2.07% | \$ 163,818.14 1.39%    | \$ 81,360.12 4.59%               | \$ 117,681.30 2.06%    | \$ 127,154.00                                 | \$ 113,616.50 0.02%     |
| <b>Year 3 FY2018-19</b>  |  |                            |                        |                        |                        |                                  |                        |   |                         |
| <b>*NEW*: SCALED to FY15 Actual Exp: Delaware Weighted 30%; Actuals 70%</b>                              |  |                            |                        |                        |                        |                                  |                        |   |                         |
| <b>Unit Margin Using Delaware 3 yr. avg (2011-12, 2012-13, 2013-14)* &amp; Revenues per Budget Model</b> |  |                            |                        |                        |                        |                                  |                        |   |                         |
| Unit Margin After Scaling before space   | \$ 1,036,505.19 22.94%                 | \$ 17,623,872.27 47.81%    | \$ 7,347,111.63 51.76% | \$ 7,701,813.82 34.45% | \$ 3,831,698.27 21.63% | \$ 195,424.23 11.22%             | \$ 1,859,718.59 38.38% | \$ 21,338,248.00 100.00%                      | \$ 60,934,392.00 49.31% |
| <b>DIFFERENCE from Year 2 to Year 3</b>  | \$ 101,448.10 2.18%                    | \$ (191,182.36) -1.33%     | \$ 200,345.82 2.01%    | \$ (487,008.59) -2.07% | \$ 163,818.14 1.39%    | \$ 81,360.12 4.59%               | \$ 117,681.30 2.06%    | \$ 127,154.00                                 | \$ 113,616.50 0.02%     |
| <b>TOTAL DIFFERENCE from Year 1 to Year 3</b>  | \$ 202,896.19 4.35%                    | \$ (382,364.73) -2.65%     | \$ 400,691.63 4.02%    | \$ (974,017.18) -4.13% | \$ 327,636.27 2.77%    | \$ 162,720.23 9.18%              | \$ 235,362.59 4.12%    | \$ 254,308.00                                 | \$ 227,233.00 0.04%     |
|  | <i>Margin +</i>                        | <i>Margin -</i>            | <i>Margin +</i>        | <i>Margin -</i>        | <i>Margin +</i>        | <i>Margin +</i>                  | <i>Margin +</i>        |   |                         |

# Target Contribution Margins – 3-year Phase-In Approach

- In Year 1 – all colleges/schools would be responsible for meeting their current margin as dictated by the Proposed Budget FY17 data. For example, College A's revenues are allocated in the model at \$10,000,000 and their current direct expenses are budgeted at \$5,000,000 – therefore their current contribution margin is 50%. However, the target margin calculation arrives at a 46% contribution margin for College A. In Year 1 – College A would only be “targeting” a contribution margin of 50%.
- Using the same example above – in Year 2, College A would be allowed to reduce their contribution margin (increase direct expense budget) by \$200,000 thus “targeting” a contribution margin of 48% - getting College A halfway to their proposed target contribution margin.
- Again, using the same example above – in Year 3, College A would be allowed to further reduce their contribution margin (increase direct expense budget) by another \$200,000 thus targeting a contribution margin of 46% - getting College A fully to their proposed target contribution margin.
- The inverse of this example would work the same way, the college/school would have three years to reach their proposed target contribution margin.

# Cost of Education/Financial Review Model

- How can the Cost of Education/Financial Review Model data be used to support budget and strategic planning at the college level?
- Compare/Contrast COE to Budget Model
- Future Reporting Capabilities

# Notes

- “Hold Harmless” agreement for all colleges & schools in Year 1 (FY2016-17)
- 65/35 carryforward split to be effective in Year 1 (FY2016-17)
- Carryforward funds should only be utilized on one-time, temporary expenditures (operating, capital) until the source of the funding is proven to be consistent and reliable year-over-year – only then could permanent expenditures be allowed for things like faculty lines, A&S positions, etc.
- A marketplace for space will need to be created – most likely oversight would be by the University’s Space Allocation Committee
- An overall Budget Guidebook/Manual is being developed and will contain budget guidelines, timelines, and a guide to the new model – complete with examples and illustrations of key model calculations
- Individual college/school Budget Model Committee’s/Task Forces/Workgroups will be necessary to ensure model effectiveness through planning and strategic decision-making on how each college/school will meet their respective target contribution margins – deans should lead these committees and other members should include department chairs, Academic Affairs, and the Budget Office

# Budget Model / Target Contribution Margins Timeline

- June 16, 2016: Meeting with President, Provost, CFO to confirm key model decisions and target contribution margin formula.
- June 21, 2016: Meetings with 4 of 7 Deans to confirm key model decisions and individual target contribution margins for their respective college/school. (Meetings with 3 remaining deans will be scheduled as soon as possible.)
- June 22, 2016: Meeting with Budget Model Workgroup and Target Contribution Margins Subgroup to confirm key model decisions and target contribution margin formula.
- July 1, 2016: Deans of all colleges/schools will have been informed of their Year 1 (FY2016-17) margins. They will also be aware of their proposed target contribution margins to be achieved by Year 3 (FY2018-19).
- July 2016: Meeting with Budget Model Steering Committee (Deans Council) to confirm and approve key model decisions and individual target contribution margins for each college/school.
- July / August 2016: Meeting to be held with the Budget Advisory Committee to provide a high-level overview of the key model decisions and the target contribution margin formula.
- FY2016-17: Each college/school should establish Budget Model committees/ workgroups/etc. and begin regular meetings focused on achieving their respective target contribution margins by Year 3 (FY2018-19).
- FY2017-18: Colleges/schools should plan to meet their “halfway” mark to their proposed target contribution margin. Decisions will need to be made in Spring 2017 in time to incorporate into Proposed Budget for FY18.
- FY2018-19: Colleges/schools should plan to meet their proposed target contribution margin. Decisions will need to be made in Spring 2018 in time to incorporate into Proposed Budget for FY19.