Portland State University

Revenue and Cost Attribution Tool

Introduction
The first step in evaluating our education and general funds budget model at PSU is to understand how these funds flow into and through the university. To accomplish this we developed this revenue and cost attribution tool. Using this tool we can gain insight into the where revenue is generated and where costs are incurred and use this information to inform more strategic decisions.

Principles that guided the creation of this tool:
    Simplicity
    Revenue and the associated costs must “live” in the same location.

Definitions
In order of appearance starting from the top

**Education and General Funds** include the funds appropriated by the state, tuition and fees, indirect cost recovery on sponsored research, and miscellaneous other income (e.g., course fees and fines)

**Tuition** reflects the amount paid by students.

**Remissions** are discounted tuition and reflect the amount of tuition that we did not charge the student.
    **Unit Remissions** are those that are attributable to a specific school or college because they are entirely managed in that school/college.
    **University Remissions** are those managed at an institutional level and are utilized by students across all schools and colleges.
    **Unit GA Remissions** are those graduate student tuition remissions that are awarded by the school or college.
    **University GA Remissions** are those that are awarded by Graduate Studies for students across the university.

**Net Attributable Revenue** = Tuition – Remissions

**State Share of Instruction** is the enrollment allocation from the State.

**State Share of Research Funding** is also an allocation from the State specifically to support research.
**Grant Indirect Cost Revenue** is the full amount of F&A costs collected from grants by Research and Strategic Partnerships and attributed to the school or college that produced the Grant Indirect Cost Revenue.

**Targeted Funding** are funds from the State that are allocated to PSU for a specific purpose and therefore have been attributed to the appropriate recipient.

**Other Revenue** includes course fees and other miscellaneous revenue collected by a school or college. Course fees do not include in-load or self-support tuition. An example of a course fee is the biology lab fee.

\[
\text{Total Net Revenue} = \text{Net Attributable Revenue} + \text{State Shares} + \text{Grant Indirect Cost Revenue} + \text{Targeted} + \text{Other Revenue}
\]

**Direct Expenditures** are expenditures that exist in the school or college and are directly attributable. Listed here by the NACUBO cost category.

**Base Net Revenue** = Total Net Revenue – Direct Expenditures

**Indirect Expenditures** are expenditures that exist in revenue supporters and are not directly attributable to a school or college. Because they are not directly attributable, they must be indirectly attributed using a cost driver.

**Drivers** are the most direct connection to the function of the revenue or cost generation. Drivers are not meant to be a value statement. Drivers are used as a calculation basis to attribute revenue and indirect cost.

\[
\text{Net} = \text{Base Net Revenue} – \text{Indirect Expenditures}
\]

**General Administrative Overhead Charge** is a charge on auxiliaries and self-support classes to cover costs associated with administrative expenditures incurred by the general University (e.g. University Financial Services, Facilities & Planning, the President’s Office). This is often referred to as Indirect Charge. This charge results in a cost reduction for General University expenditures. For clarity, we will refer to this as General Administrative Overhead Charge.

**NACUBO** is the National Association of College and University Business Officers.

**Academic Support** includes the expenses incurred to provide support services for the institution’s primary missions: instruction, research and public service.
**Institutional Support** includes the expenses for central, executive-level activities concerned with management and long-range planning for the entire institution.

**Instruction** includes the expenses for all activities that are part of an institution’s instruction program.

**Operations and Maintenance** includes all expenses for the administration, supervision, operation, maintenance, preservation and protection of the institution’s physical plant.

**Public Service** includes the expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Such activities include community service programs (excluding instructional activities) and cooperative extension services.

**Research** includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution.

**Student Services** includes the expenses for admission, registration, student activities, cultural events, student newspapers, intramural athletics, student organizations, intercollegiate athletics, counseling and career guidance, student aid administration and student health service.

**Drivers for Revenue**

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Driver: Steering Committee Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>Student Credit Hours: Resident, Non-Resident, Undergraduate- Upper Division, Lower Division, Graduate</td>
</tr>
<tr>
<td>Education &amp; General Fines and Fees</td>
<td>Direct Allocation to the Department that charges the fines and fees</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>OUS RAM funding model; direct allocation for targeted programs</td>
</tr>
<tr>
<td>Grant Indirect Cost Recovery (F&amp;A)</td>
<td>Full attribution of the revenue to the college that generated it</td>
</tr>
</tbody>
</table>
## Drivers for Indirect Expenditures

<table>
<thead>
<tr>
<th>Cost</th>
<th>Driver: Steering Committee Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Support</td>
<td>Student, Faculty and Staff Full-time equivalent (FTE)</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>Student, Faculty &amp; Staff Headcount</td>
</tr>
<tr>
<td>Instruction</td>
<td>Student Credit Hours</td>
</tr>
</tbody>
</table>
| Operations & Maintenance  | Direct costs – Assigned Square Feet  
Indirect costs – Student, Faculty & Staff FTE                                                                |
| Public Service            | Faculty & Staff FTE                                                                                        |
| Research                  | Sponsored Research Expenditures for RSP and Faculty Headcount for University wide expenditures (Faculty Enhancement Award) |
| Student Services          | Student Headcount                                                                                            |
| Unassigned                | Student, Faculty & Staff FTE                                                                               |

### Mechanics

**Education and general funds:** This attribution tool attributes education and general funds only.

**Tuition:** Tuition is attributed based on the student credit hour generated by each revenue generator. Revenue generators are attributed the variation in revenue from student residency, level and differential tuition. These variations are connected to the student credit hour and therefore are attributed to the school or college that generated the student credit hour. (See Revenue Attribution section for a detailed explanation)

**Summer session:** In practice, revenue and expenditures from summer session have resided in SES. In this attribution tool, revenue from summer session has been attributed to the schools and colleges based on student credit hours. Costs from summer session have been attributed by reviewing the Summer Session budget and identifying the appropriate school/college to attribute the budgeted expenditures directly and reported on the line titled “Adjustment for Summer Session.” In the future, the expenditures will reside in the school/college and will be included with the direct expenditures in the related NACUBO cost categories.

**Online fee revenue:** The online fee comes to PSU as both tuition and a fee. The portion that comes to PSU as tuition has been attributed to each school and college as such. The portion that comes in as a
fee has been attributed to OAA to reduce their expenditures, thereby reducing the indirect expenditure amount attributed to the schools and colleges (see Revenue supporters that generate revenue).

**Self-support:** Self-support revenue has been included in tuition and attributed to the schools and colleges via student credit hours. Self-support expenditures have remained with the school/college as direct expenditures, except the general administrative overhead charge. This expenditure has been removed from the direct expenditures of the revenue generators. Removing this as a direct expenditure requires removing it as a cost-reduction for the revenue supporters.

**State share of instruction:** This has been attributed based on the State’s Resource Allocation Model, and it was decided that the State allocation should follow the model chosen by the State. (See Revenue Attribution section for a detailed explanation)

**Grant indirect cost revenue:** Grant indirect cost revenue has been attributed to the schools and colleges that generated it. This amount reflects the full 93% of the indirect revenue that is kept by PSU. Costs associated with administering grants (which the indirect cost revenue is intended to cover) are reflected in both the direct costs of the school or college and in the indirect costs of RSP. Revenue supporters that generated indirect cost revenue had their expenditures reduced by the amount of grant indirect cost revenue (see Revenue supporters that generate revenue).

**Revenue supporters that generate revenue:** Some revenue supporters generate revenue and/or receive targeted funds from the State. The revenue supporters’ expenditures have been reduced by these amounts. For example, a revenue supporter may have $100 in expenditures and $25 in revenue from a fee. The $25 is used to reduce the revenue supporter’s expenditures and only $75 is attributed to the revenue generators as an indirect expenditure.

**General administrative overhead charge:** The charge collected from auxiliary funds has been treated as a cost reduction to the revenue supporters. The charge collected from self-support classes has been removed both as a cost to revenue generators and a cost reduction to revenue supporters which nets to a zero impact.
**Revenue Attribution Details**

Student credit hours drive revenue attributions based on theoretical tuition generation and Resource Allocation Model (RAM) cell values.

The SCH is separated into seven pools:

<table>
<thead>
<tr>
<th>Fundable</th>
<th>Non-Fundable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Division Undergraduate</td>
<td>Lower Division Undergraduate</td>
</tr>
<tr>
<td>Upper Division Undergraduate</td>
<td>Upper Division Undergraduate</td>
</tr>
<tr>
<td>Graduate</td>
<td>Graduate</td>
</tr>
<tr>
<td>Doctorate</td>
<td></td>
</tr>
</tbody>
</table>

**Step 1** - For the first revenue attribution which is based on theoretical tuition generation, there is a simple formula: SCH multiplied by tuition per credit hour. For units that have undergraduate differential tuition we made a broad assumption that all upper division SCH are charged differential tuition. This attribution is considered theoretical because of the differential tuition assumption and because it does not take into account the faculty/staff rate. For example with faculty/staff rates, SCH x tuition per credit hour may equal $100 but we only bill for $30. In the very last step of the tuition revenue attribution we discount the tuition back to the amount we billed for using a relative percentage method.

**Step 2** - The next revenue attribution is based on RAM cell values. SCH is used to calculate a full-time equivalent by taking the total Fundable SCH in each category and dividing that by 45 for undergraduates, 36 for graduates, and 27 for doctorates. Those numbers represent the number of credit hours per academic year that a full-time student takes. Once the full-time equivalent is determined that amount is multiplied by the RAM cell value for the student level and program. As with theoretical tuition, in the last step enrollment funding from state appropriations is discounted back to the amount we actually expect to receive from OUS using a relative percentage. This amount varies because the actual state appropriation is based on projected enrollment and may include mid-year changes to the allocation (i.e. budget cuts, tuition buy-downs).

**Step 3** - The third revenue attribution for state share of research funding is based on grant expenditures. The basis for attribution is the unit's relative percentage of total grant expenditures from the prior fiscal year multiplied by the expected OUS allocation for research.
Example:

<table>
<thead>
<tr>
<th></th>
<th>Undergraduate Tuition</th>
<th>Graduate Tuition</th>
<th>RAM</th>
<th>Research</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>College X</td>
<td>30%</td>
<td>$18.0</td>
<td>38%</td>
<td>$7.6</td>
<td>37%</td>
</tr>
<tr>
<td>College Y</td>
<td>45%</td>
<td>$27.0</td>
<td>40%</td>
<td>$8.0</td>
<td>43%</td>
</tr>
<tr>
<td>College Z</td>
<td>25%</td>
<td>$15.0</td>
<td>22%</td>
<td>$4.4</td>
<td>20%</td>
</tr>
<tr>
<td>Totals</td>
<td>100%</td>
<td>$60.0</td>
<td>100%</td>
<td>$20.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Current Resources

Student credit hours: OIRP projection accepted by OUS
Student headcount: based on majors provided by OIRP
Faculty and staff data: Human Resources Cognos Query
Square feet: Facilities Space Study
Revenue projections: Budget Office
Grant related revenue and costs: Research and Strategic Partnerships
Remission data: EMSA and Budget Office
Expenditures: FY13 Initial Budget amounts
Tuition: Tuition and Fee Book
RAM Cell Values: OUS Budget Report Summary
Classification of Instructional Programs Codes (CIP): PSU SCARF as approved by OUS

### Future Resources

Student credit hours: Unit projection accepted by UBT
Student headcount: based on majors provided by OIRP
Faculty and staff data: Human Resources Cognos Query - Staffing plan?
Square feet: Facilities Space Study
Revenue projections: Budget Office w/ Unit input
Grant related revenue and costs: Research and Strategic Partnerships
Remission data: EMSA and Budget Office
Expenditures: UBT Approved Expenditure Plans
Tuition: Tuition and Fee Book
RAM Cell Values: Most current OUS Budget Report Summary
Classification of Instructional Programs Codes (CIP): PSU SCARF as approved by OUS