



## Instructional Revenue Center Guidelines

Budget Office  
Provost's Office

November 6, 2008  
2:00 – 4:00 p.m.  
Hughes Formal Lounge

# Name Change



**Institute → Instructional Revenue Center (IRC)**

**Why?**

- To help differentiate between the university's experimental academic endeavors and academic centers
- Examples:

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**IRC**

Fairfax County Leadership Development Program

Teacher Quality Enhancement Program

**Institute**

Campaign Management Institute

Women and Politics Institute

# IRC Impact



## Fiscal Year 2008

Twenty-seven credit and non-credit IRC programs were offered, generating \$3.5 million in net income and \$1.8 million in residual return:

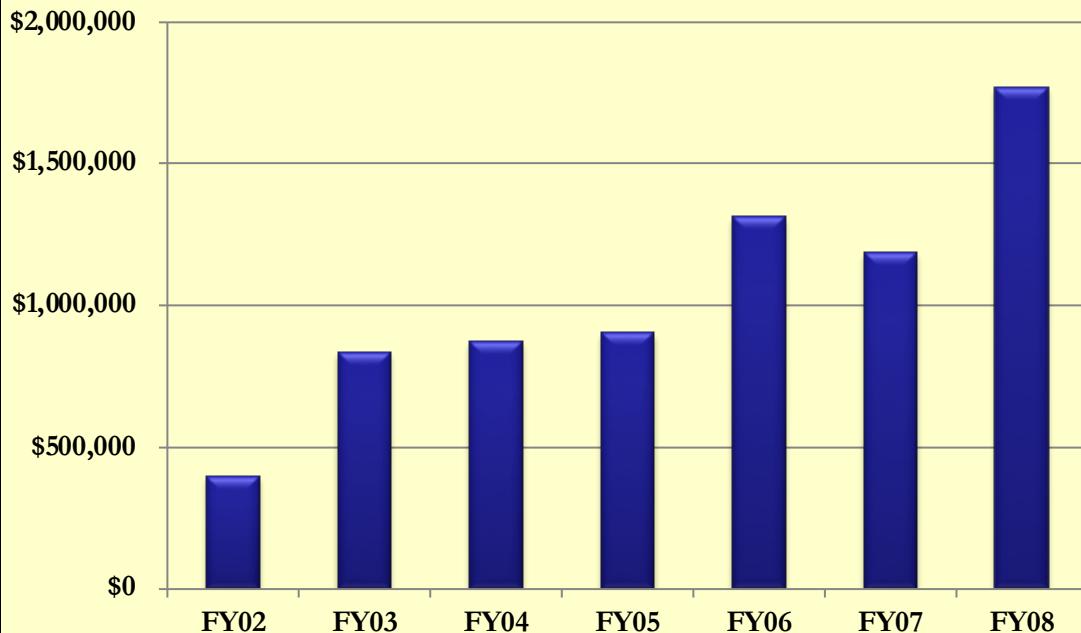
Revenue	\$9.4 million
Direct Costs	\$4.7 million
Indirect Costs	\$1.2 million
Net Income	\$3.5 million
Income to Expense Ratio	2.0
<b>Residual Return</b>	<b>\$1.8 million</b>

# IRC Impact

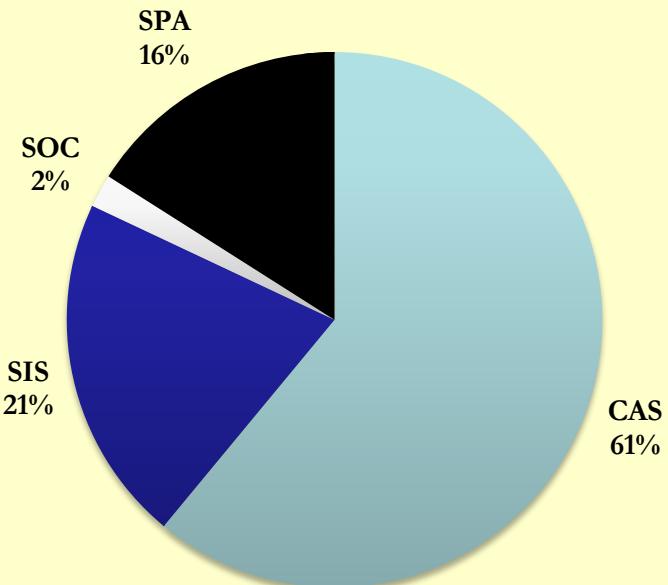


## IRC Residual Return Fiscal Years 2002 – 2008

IRC Residual Return to Academic Units



IRC Residual Return by School



# IRC Guidelines Overview



## 1. Overview

- **Scope:** IRC Guidelines addresses policies and procedures for developing, implementing, managing, and evaluating IRC programs
- **Who should read the IRC Guidelines?**
  - University administrators, deans, department chairs, and unit budget managers
  - IRC program administrators
  - Faculty or staff interested in developing a new IRC program
- **Contents**
  - Overview
  - Definition and Characteristics
  - Roles and Responsibilities
  - Procedures and Guidelines
  - Glossary
  - Appendix
    - Frequently Asked Questions
    - Document Templates
    - List of IRC Programs

# IRC Definition and Characteristics

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## 2. IRC Definition and Characteristics

### What is an IRC?

An IRC is a specialized and intensive course, or sequence of courses, offered on an experimental basis, or a program contracted by an outside agency to offer credit or noncredit training, which is closely related to the academic mission of the sponsoring teaching unit, and is designed primarily for an audience external to the existing student population. An IRC may be degree, certificate, or noncredit, and may have a fixed period of performance.

**IRC Programs generally fall into one of the following categories:**

- **Market-Based Programs:** developed to test the market for new audiences, and/or offer non-traditional programs
- **Contract Programs:** characterized by an agreement between the university and an outside agency

# Key IRC Terms



- **Revenue:** tuition, fees, and other programmatic income
- **Direct Costs:** costs specifically incurred to operate an IRC including personnel, benefits, travel, administrative expenses, etc.
- **Income to Expense Ratio (I/E Ratio):** a measure of the financial goals of an IRC, calculated as Total Revenue ÷ Total Direct costs = I/E ratio
- **Indirect Costs:** university costs in addition to direct expense to operate an IRC. Effective fiscal year 2009, the indirect cost rates are 50 percent for credit programs and 30 percent for noncredit programs.
- **Net Income/(Loss):** the IRC program's fiscal return to the university, calculated as  
$$\text{Total Revenue} - (\text{Direct Costs} + \text{Indirect Costs}) = \text{Net Income}/(\text{Loss})$$
- **Residual Return:** an IRC program's fiscal return to the sponsoring school, calculated as 50 percent of net income/(loss)
- **Mainstreaming:** incorporating an IRC in the sponsoring school's regular academic offerings and operating budget



### 3. IRC Programs in the University's Budget Process

#### How are IRC programs incorporated in the university's budget?

##### Budget Year

Deans submit enrollment projections to the provost that include IRCs



Provost formulates an aggregate enrollment target that includes IRCs



Board of Trustees approves university budget



Provost communicates approved IRC programs to schools

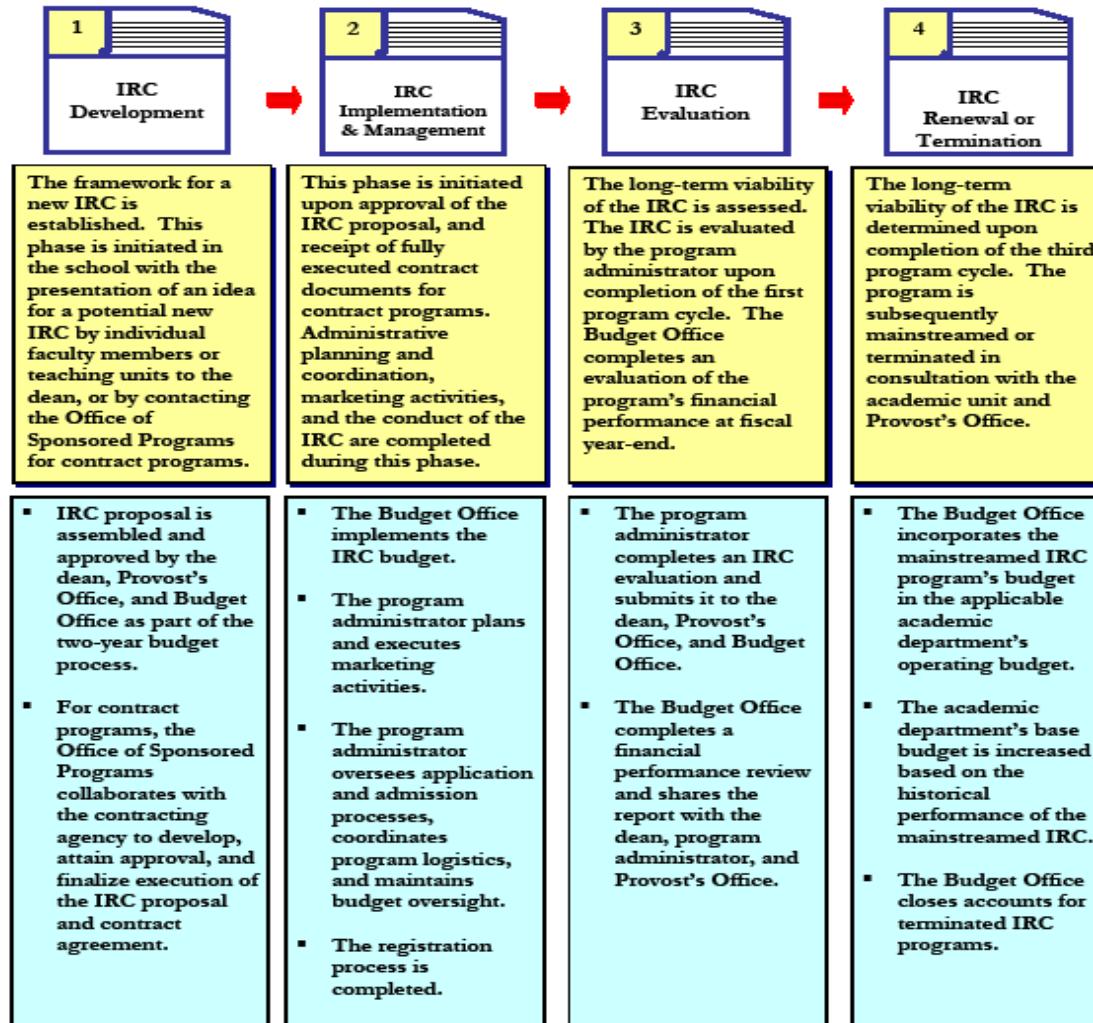


IRC budgets are implemented during line-item budget process

# IRC Lifecycle



## 4. American University Instructional Revenue Center (IRC) Lifecycle





# Roles and Responsibilities

## 5. Roles and Responsibilities

This section of the IRC Guidelines outlines the roles and responsibilities of university offices and personnel throughout the IRC lifecycle.

Department/Office	Primary Role
Academic Departments	Serves as the primary point of origin for, and oversees the implementation and management of, IRC programs
Provost's Office	Approves IRC programs and grants policy exceptions
Budget Office	Provides IRC program support including budget, financial review, and residual return
Office of Sponsored Programs	Assists academic departments in the development and management of contract programs; acts as a liaison between the university and contracting agencies

# Procedures and Guidelines

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## 6. Procedures and Guidelines

This section serves as a “how-to” guide for the development; implementation and management; and evaluation of IRC programs.

- **6.1. Phase I: IRC Development**
  - Provides guidelines for the development of an IRC proposal, which includes a proposal form, narrative, and budget proposal
  - 6.1.1. Development of IRC Proposal includes a step-by-step guide to developing an IRC budget proposal. It explains:
    - Calculating tuition remission expense
    - Calculating instructional costs
    - Identifying the correct indirect cost rate (50 percent for credit programs; 30 percent for noncredit programs)
    - Calculating anticipated residual return

# Procedures and Guidelines

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## 6. Procedures and Guidelines, cont.

- **6.2. Phase II: IRC Implementation and Management Procedures**
  - Budget Implementation
  - Marketing
  - Admission
  - Registration Process
  - Budget Oversight
    - List of commonly used object codes
    - Helpful Datatel reports
  - Adherence to university policies and regulations

# Procedures and Guidelines

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## 6. Procedures and Guidelines, cont.

- **6.3. Phase III: IRC Evaluation**
  - Program evaluation
  - Fiscal year-end evaluation
    - Calculation of I/E ratio, net income/(loss), and residual return to the school
- **6.4. Phase IV: IRC Renewal or Termination**
  - The long-term viability of an IRC program is evaluated at the end of the third program cycle
    - Mainstreaming: if an IRC is deemed sustainable, it is mainstreamed and becomes part of the regular offerings within an academic department
    - Terminating: an IRC may be terminated based on qualitative and quantitative criteria and input from various offices

# Glossary

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## 7. Glossary

**This section defines the following terms:**

- Direct Costs
- Income to Expense Ratio (I/E Ratio)
- Indirect Costs
- Mainstreaming
- Net Income/(Loss)
- Remitted Tuition
- Residual Return
- Residual-Bearing IRC Programs
- Revenue
- Total Costs
- Total Modified Direct Costs

# Appendix



## 8. Appendix

### • 8.1. Frequently Asked Questions

**As a faculty member with an idea for a new IRC, where should I begin?**

- Read the IRC Guidelines
- Seek input from colleagues who have developed an IRC
- Discuss your idea with your department chair or division director
- Work with your school's budget administrator to develop an IRC proposal for submission to your dean
- If the proposed IRC is a contract program, contact OSP

# Appendix



## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

**What is the difference between an IRC and a restricted grant?**

Characteristic	IRC	Restricted Grant
Purpose	External funding supports an educational or training program	External funding supports research, a project, or technical assistance activity
Contract Compliance	Reporting and compliance requirements will vary based on the terms of the contract	<ul style="list-style-type: none"><li>Requires substantial reporting</li><li>Requires compliance with OMB Circular A-21 if the grant is provided by a federal agency</li></ul>
Accounting	An IRC program's budget is included in the university's operating budget if external funding is received as tuition	<ul style="list-style-type: none"><li>External funding is not included in the university's operating budget</li><li>The university is reimbursed for direct and indirect costs</li></ul>

# Appendix

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## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

#### What are indirect costs?

- On average, an IRC program's actual full cost to the university is twice as much as its total direct costs
- The university calculates indirect costs based on a formula in order to identify the actual total cost of offering an IRC
- Indirect cost rates (effective fiscal year 2009): 50 percent for credit programs, 30 percent for noncredit programs
- Indirect costs include academic administration and support, institutional support, electricity, facilities maintenance, technology support, debt service, etc.
- Expenses such as food service, student travel, equipment rental, capital equipment, and remitted tuition are exempt from the indirect cost assessment; a 10 percent processing fee is assessed for these expenses

# Appendix



## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

**There are no indirect costs associated with my IRC. Why should the IRC pay indirect costs?**

- Indirect costs may not be apparent because they are not delineated in the budgets for IRC programs
- Significant expense is factored into the university's budget for items such as academic, institutional, and student support; operations and maintenance; and institutional scholarships
- Utilizing the indirect cost formula for IRC programs ensures that they carry their share of the aforementioned expenses

# Appendix



## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

#### **Why does the university offer financial incentives for IRC programs?**

- Financial incentives are provided in the form of residual return
- The purpose of residual return:
  - Provide incentive to enhance academic offerings
  - Support future program development
  - Reward faculty and academic departments for engaging in new entrepreneurial activities

# Appendix

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## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

#### **Where do the financial incentives go?**

- Residual return is calculated at the end of the fiscal year based on the IRC program's net income
- Residual return, half of the IRC program's net income, is split evenly between the university and the dean's office of the pertinent school
- Residual returned to an individual department is at the discretion of the dean, though IRC policy encourages the dean to reward the initiating department

# Appendix



## 8. Appendix, cont.

### • 8.1. Frequently Asked Questions

**As a program administrator, can I grant a salary increase outside of the university's normal cycle to my staff assistant who is working in an IRC?**

- No, an exception to the university's salary increase process cannot be made for a staff member working for an IRC
- All university policies are applicable to IRC programs

# Appendix



## 8. Appendix, cont.

- **8.2. Document Templates**
  - 8.2.1. [IRC Proposal](#)
  - 8.2.2. [IRC Narrative](#)
  - 8.2.3. [IRC Budget Proposal](#)
  - 8.2.4. [IRC Evaluation](#)
  - These forms are available on the IRC Guidelines webpage

# Appendix



## 8. Appendix, cont.

### 8.3. Instructional Revenue Center Programs

# Accessing the IRC Guidelines



AMERICAN UNIVERSITY WASHINGTON, D.C.

BUDGET OFFICE

**AMERICAN UNIVERSITY INSTRUCTIONAL REVENUE CENTER GUIDELINES**

The American University Instructional Revenue Center Guidelines (IRC Guidelines) addresses policies and procedures for developing, implementing, managing, and evaluating Instructional Revenue Center (IRC) programs. The IRC Guidelines applies to all university departments, faculty, and staff.

**IRC Guidelines Document Templates:**

- [Instructional Revenue Center Proposal](#)
- [Instructional Revenue Center Narrative](#)
- [Instructional Revenue Center Budget Proposal](#)
- [Instructional Revenue Center Evaluation](#)

- [Home](#)
- [Mission Statement](#)
- [Staff & Assignments](#)
- [FY2004 - 2005 University Budget](#)
- [FY2006 - 2007 University Budget](#)
- [University-wide Budget Meeting: 02-10-2003 \(PPT\)](#)
- [Budget & Payroll](#)
- [Forum Presentations](#)
- [Forms](#)
- [Contact Us](#)
- [VP Finance & Treasurer](#)

contact: budget@american.edu

4400 Massachusetts Avenue, NW \* Washington, DC \* 20016-8009  
202.885.3951 \* Fax 202.885.3999

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Instructional Revenue Center Guidelines

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- Student Conduct Code
- Academic Calendar
- Student Handbook
- Academic Regulations
- Faculty Manuals and Information
- Academic Integrity Code
- Weather Emergency Operating Policy
- International Travel Handbook
- University Catalog

**Office of the Provost**

The office of the university's chief academic officer...

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AU Policy Page  
text only version

[www.american.edu/finance/budget/irc.html](http://www.american.edu/finance/budget/irc.html)

[www.american.edu/academics/](http://www.american.edu/academics/)

# **Whom to Contact**

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**Please direct your questions, comments, or suggestions in regard to the  
IRC Guidelines to:**

**Budget Office**

**x. 3951**

**Provost's Office**

**x. 2127**

# IRC Guidelines

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## Questions?