Instructional Revenue Center Guidelines

Budget Office
Provost’s Office

November 6, 2008
2:00 – 4:00 p.m.
Hughes Formal Lounge
Institute → Instructional Revenue Center (IRC)

Why?

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

<table>
<thead>
<tr>
<th>IRC</th>
<th>Institute</th>
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<tbody>
<tr>
<td>Fairfax County Leadership Development Program</td>
<td>Campaign Management Institute</td>
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<tr>
<td>Teacher Quality Enhancement Program</td>
<td>Women and Politics Institute</td>
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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
- **Residual Return**: $1.8 million
IRC Impact

IRC Residual Return
Fiscal Years 2002 – 2008

IRC Residual Return to Academic Units

IRC Residual Return by School

CAS 61%
SIS 21%
SPA 16%
SOC 2%

$0 $500,000 $1,000,000 $1,500,000 $2,000,000
FY02 FY03 FY04 FY05 FY06 FY07 FY08
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
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:
  \[
  \text{Total Revenue} \div \text{Total Direct costs} = \text{I/E ratio}
  \]

- **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:
  \[
  \text{Total Revenue} - (\text{Direct Costs} + \text{Indirect Costs}) = \text{Net Income/(Loss)}
  \]

- **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
IRC Programs in the University’s Budget Process

How are IRC programs incorporated in the university’s budget?

Budget Year

1. Deans submit enrollment projections to the provost that include IRCs
2. Provost formulates an aggregate enrollment target that includes IRCs
3. Board of Trustees approves university budget
4. Provost communicates approved IRC programs to schools
5. IRC budgets are implemented during line-item budget process
IRC Lifecycle

4. American University Instructional Revenue Center (IRC) Lifecycle

1. IRC Development
   - The framework for a new IRC is established. This phase is initiated in the school with the presentation of an idea for a potential new IRC by individual faculty members or teaching units to the dean, or by contacting the Office of Sponsored Programs for contract programs.

2. IRC Implementation & Management
   - This phase is initiated upon approval of the IRC proposal, and receipt of fully executed contract documents for contract programs. Administrative planning and coordination, marketing activities, and the conduct of the IRC are completed during this phase.

3. IRC Evaluation
   - The long-term viability of the IRC is assessed. The IRC is evaluated by the program administrator upon completion of the first program cycle. The Budget Office completes an evaluation of the program's financial performance at fiscal year-end.

4. IRC Renewal or Termination
   - The long-term viability of the IRC is determined upon completion of the third program cycle. The program is subsequently mainstreamed or terminated in consultation with the academic unit and Provost's Office.

**IRC proposal is assembled and approved by the dean, Provost's Office, and Budget Office as part of the two-year budget process.**

**For contract programs, the Office of Sponsored Programs collaborates with the contracting agency to develop, attain approval, and finalize execution of the IRC proposal and contract agreement.**

**The Budget Office implements the IRC budget.**

**The program administrator plans and executes marketing activities.**

**The program administrator oversees application and admission processes, coordinates program logistics, and maintains budget oversight.**

**The registration process is completed.**

**The program administrator completes an IRC evaluation and submits it to the dean, Provost's Office, and Budget Office.**

**The Budget Office completes a financial performance review and shares the report with the dean, program administrator, and Provost's Office.**

**The Budget Office incorporates the mainstreamed IRC program's budget in the applicable academic department's operating budget.**

**The academic department's base budget is increased based on the historical performance of the mainstreamed IRC.**

**The Budget Office closes accounts for terminated IRC programs.**
5. Roles and Responsibilities

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

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

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

  o Provides guidelines for the development of an IRC proposal, which includes a proposal form, narrative, and budget proposal

  o 6.1.1. Development of IRC Proposal includes a step-by-step guide to developing an IRC budget proposal. It explains:
    o Calculating tuition remission expense
    o Calculating instructional costs
    o Identifying the correct indirect cost rate (50 percent for credit programs; 30 percent for noncredit programs)
    o Calculating anticipated residual return

- 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

- 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
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
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
8. Appendix, cont.

- 8.1. Frequently Asked Questions

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

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>IRC</th>
<th>Restricted Grant</th>
</tr>
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<tbody>
<tr>
<td>Purpose</td>
<td>External funding supports an educational or training program</td>
<td>External funding supports research, a project, or technical assistance activity</td>
</tr>
</tbody>
</table>
| Contract Compliance   | Reporting and compliance requirements will vary based on the terms of the contract | • Requires substantial reporting  
• Requires compliance with OMB Circular A-21 if the grant is provided by a federal agency |
| Accounting            | An IRC program’s budget is included in the university’s operating budget if external funding is received as tuition | • External funding is not included in the university’s operating budget  
• The university is reimbursed for direct and indirect costs |
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.
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.
8. Appendix, cont.

• 8.1. Frequently Asked Questions

Why does the university offer financial incentives for IRC programs?

o Financial incentives are provided in the form of residual return

o 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
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
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?

  o No, an exception to the university’s salary increase process cannot be made for a staff member working for an IRC

  o All university policies are applicable to IRC programs
8. Appendix, cont.

• 8.2. Document Templates

  o 8.2.1. IRC Proposal
  o 8.2.2. IRC Narrative
  o 8.2.3. IRC Budget Proposal
  o 8.2.4. IRC Evaluation

  o These forms are available on the IRC Guidelines webpage
8. Appendix, cont.

8.3. Instructional Revenue Center Programs
Accessing the IRC Guidelines
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

Questions?