

Date: January 14, 2020
To: Chairs and administrators of L&S 131 programs
From: James Montgomery, L&S Associate Dean for Fiscal Initiatives
Re: **New cost-accounting procedures for L&S 131 programs**

Because revenue-generating programs directly capture tuition revenue on fund 131, they are expected to cover the associated instructional and administrative costs using 131 resources. We need to be able to demonstrate to stakeholders (e.g., UW System) that 131 programs are fully self-supporting, not making inappropriate use of 101 resources. In particular, we cannot claim that seats in 101-funded courses are “free” to 131 programs just because the department would have run the courses anyway.

To date, L&S has addressed this issue by monitoring the use of 131 program surplus to ensure that departments provide sufficient backfill for any 101 resources used by the program (e.g., by hiring faculty on fund 131 who teach courses to traditional students). However, in order to more clearly demonstrate that our revenue-generating programs are self-supporting, central campus has asked the College to adopt new 131 cost-accounting procedures starting in FY21.

This will entail two key changes to our current accounting practices:

1. Charge for enrollments in 101-funded courses (with offsetting tally sheet credit to department). At the end of each fiscal year, L&S calculates the credits taken by 131 program students on a course-by-course basis. Under current policy, programs are already charged \$600 per credit (in 131 funds) for any courses taken outside the home department (with revenue transferred to the department teaching the course). Under the new policy, programs will also be charged \$300 per credit (in 131 funds) for any courses taken within the home department taught by 101-funded instructors. In turn, the home department will receive \$240 per credit through its tally sheet. Recognizing that the tally sheet operates in 101 dollars (with fringes covered) and that the average fringe rate on 131 is about 25 percent, departments will essentially break even on this revenue transfer. However, the new policy is intended to provide an explicit audit trail to show that 131 programs have paid for seats in 101-funded courses. Both the 131 charge and 101 credit will be reviewed annually by central campus.

2. Year-end transfer of program surplus to department’s 131-48xx07 account. To the extent that programs currently use 131 surplus to backfill 101 resources, it may be difficult to distinguish program costs from the uses of program surplus, and hence calculate annual program profit (or loss). With the new accounting for instructional costs, this calculation becomes more straightforward. Starting at the end of the current fiscal year (FY20), any surplus in the program’s 131 account will be transferred to the department’s 131-48xx07 account. Going forward (starting in FY21), the balance in the program account will thus reflect revenues and costs only over the current year, and the year-end (June) balance will reflect the program’s annual surplus (or loss). Note that we already follow a similar process for summer accounting, with surplus transferred from the summer account (131-9348xx) to the departmental account (131-48xx07) each year.

As a result of these changes, departments that currently use program surplus to pay faculty or staff will need to modify the funding source, incurring these costs on 101 (through the tally sheet) or the departmental 131 account (131-48xx07) instead of the program’s 131 account. The Budget Office will work with departments to implement changes in funding strings during the FY21 budget build. Please contact me or marybeth.roberts@wisc.edu with any questions.