

From: Alfonso Cardenas [cardenas@cs.ucla.edu]

Sent: Tuesday, June 05, 2007 1:09 AM

To: Waugh, Scott L.; Shetty, Vivek

Cc: Cardenas, Alfonso F.; Bjork, Elizabeth Ligon; Davis, Jim; Komar, Kathleen L.; Lavine, Adrienne G.; Morabito, Sam J.; Schill, Michael; Schilling, Michael

Subject: ITPB TIF Recommendations

Dear Scott and Vivek:

Attached is the "TIF Recommendations" report in response to the Academic Senate TIF Resolution of February and the concerns of deans on the current TIF.
This our ITPB official response to you as EVC and Academic Senate Chair, respectively.

These recommendations are the result of extensive and thoughtful considerations and analysis by the ITPB led by a dedicated TIF subgroup (herein copied) during the last several weeks, which included meetings and discussions with Academic Senate faculty representatives and deans voicing concern about the current TIF.

Jim Davis and I will be at the Academic Senate Legislative Assembly meeting on Wednesday where Jim is scheduled to present these recommendations in response to the Academic Senate resolution.

Several ITPB members of the TIF subgroup, including its chair Jim Davis and I, would like to meet with both of you soon on the recommendations.

Best regards.

Alfonso Cardenas
ITPB Chair

2007 JUN - 5 AM 8:05
UCLA
OFFICE

UCLA ITPB TIF Recommendations

June 4, 2007

The ITPB led by a TIF subgroup has completed a review of the currently implemented TIF model in response to the February TIF resolution by the Academic Senate and concerns of the deans. This document summarizes the analysis and conclusions. Recommendations for the current fiscal year and near term appear at the end.

The TIF review began with a re-review of the TIF principles previously approved by the ITPB in November 2005. The following conclusions formed the basis for a detailed review of FTE models for allocating, charging and mitigating costs to the campus:

1. The phone line basis for allocating technology infrastructure costs is no longer viable.
2. There has been considerable due diligence on categories of models that could serve as better proxies for IT infrastructure usage. An FTE model provides the best opportunity for a sufficiently good proxy of usage that does not introduce problems when used as a cost allocation model, can meet regulatory defensibility with respect to charging contracts and grants and is administratively manageable.
3. Inevitably a review of cost allocation and charging models leads to discussion of services and expenses. The ITPB recommends a review of the infrastructure services that are currently funded through TIF but as a separate activity from this review. This review of the TIF focuses on the impact of allocation and charging models with the current services and associated costs held constant.
4. The ITPB subgroup heard strong concerns from Academic Senate faculty representatives and other faculty about the TIF charge negatively impacting contracts and grants and the research enterprise in general. The ITPB TIF subgroup analysis shows that for the FTE allocation models reviewed, the cost impact on the vast majority of contracts and grants averages less than \$400 per year. Cost impacts of greater than \$5000 per year occur for only 23 grants across the campus. The analysis of not charging grants at all quantified the fact that academic units would have to absorb an additional \$1 million per year that had been charged to grants prior to the TIF implementation. With the recognition that there can be individual hardship situations even though average impacts are low across all contracts and grants, the ITPB concluded that TIF should be charged to grants and contracts but that there should be mitigation (addressed in more detail below).

In light of these conclusions, the ITPB reviewed three FTE allocation models:

1. Payroll Model - The current model in which the FTE base is faculty, staff and students on the university payroll (excluding work study students).
2. Segmented Population Model - An FTE model based on faculty, staff, and student workers except GRA's and work study students in university payroll. This model was eliminated from further consideration because it is not defensible with respect to charging contracts and grants.
3. ALL FTE Model - An FTE model in which the FTE base is all faculty, staff and all undergraduate and graduate students FTEs.

The ITPB conducted an analysis of the usage of the current suite of TIF supported services (network backbone, Exchange email, BOL services, wireless, emergency communications, and CTS engineering, etc.). Identifiable use specifically by the general student is limited in terms of cost. The larger cost items of managing the underground infrastructure, engineering the campus backbone and Internet access are strictly focused at the organization or departmental level. The campus backbone itself is heavily driven by research needs. General student use of these kinds of infrastructure services on campus is concentrated in the residential halls in which 11,000 students reside. However, infrastructure services for the residential halls are constructed and managed independently from the campus and the residential students pay for these services as a portion of their residential hall costs. From a cost standpoint, the current TIF-supported services are used primarily by faculty, staff and graduate students. Overlapping use by the general enrolled student is only a small incremental cost. Between the Payroll and the ALL FTE models, the Payroll Model is the better proxy for actual use of the CURRENT TIF services and more defensible with respect to charging contracts and grants.

In doing the comparative analysis between the Payroll Model and the All FTE Model, the ITPB noted that students did use the current technology services and that TIF-supported services could change such that they are used more by the general student from a cost standpoint. Under these circumstances the All FTE Model would become the better proxy for reflecting the full usage of technology on campus. It is also true that the All FTE Model would certainly be defensible with respect to the regulations for charging contracts and grants.

The comparative impacts of distributing costs based on the All FTE and Payroll FTE models can be viewed as understanding current and projected use of technology by faculty, staff and students and balancing the simultaneous trade-offs between the Medical Enterprise and the College, the campus's research economy and its teaching economy, and the academic and administrative units. When all FTE are used, the base population becomes 53,500 FTE and the monthly charge per FTE becomes \$20.18 compared to the \$39.00 monthly charge for the current Payroll Model, which is charged against a base population of 27,700. In comparing the All FTE model to the Payroll Model, the total charges to contracts and grants go down from \$2.7 million to roughly \$1.4 million but there is also a significant shift in charges from the 'non-student' units to the 'student' units. The largest shifts by far are \$2.4 million less charged to the School of Medicine/Medical Center and \$3.2 million more charged to the College of Letters & Science. The costs to

the other academic units also increase but not as dramatically on a percentage basis with gains shifting to the administrative units.

In reviewing implementation, the ITPB concluded that an ALL FTE model in the current campus fiscal environment would require significant long-term mitigation between winning and losing organizational units to account for dramatic swings in costs between the College and the Medical Enterprise and between other administrative and academic units. The ITPB did take the position that campus budgets are not sacrosanct but concluded that it would be difficult for the campus to eventually shift budgets between the winning and losing units to fully reflect the ALL FTE model allocation without an additional revenue source. The ITPB believes that should the ALL FTE model eventually be needed, it would need to be a campus aspiration that also includes a user fee approach if general student usage increases. In this context, however, the TIF should not be looked at in isolation from other fees and practices on campus that also do not maintain congruence between allocated costs and received benefits.

For the current Fiscal Year and immediate future, the ITPB recommends:

1. Proceed with the currently implemented allocation model that is based on % FTE in the university payroll AND continue charging contracts and grants. The use of alternative accounts for contract and grant charges can be used on an exception basis.
2. Mitigate the increased TIF costs to contracts and grants that have experienced a greater than \$5K annual increase to reduce the burden to an appropriate level compared with the impact on the majority of contracts and grants. The length of mitigation support needs to be determined, but proposed is mitigation support for a period of two years and retroactive to the current fiscal year. Annual cost increases below \$5K should be mitigated on a case-by-case basis within the academic unit.
3. Review the impacts of the TIF in two years to coincide when the mitigation period ends.
4. Communicate to the faculty at large and the deans the final decisions on the allocation model, the fund sources, charging mechanisms, the mitigation plan, the services being paid for and the process by which the TIF and/or services are reviewed and changed.