

UIC Administrative Operational Guidelines



GUIDELINE TITLE: **Full Cost Recovery (FCR) Instructional Programs**

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I. PURPOSE / SCOPE OF GUIDELINE

This guideline outlines the process to initiate, obtain approval and the administrative requirements of "**Full Cost Recovery (FCR)**" academic programs. Full cost recovery programs will be market driven and priced competitively to achieve enrollment goals, cover costs, and generate revenues for investment in the University's instructional mission.

A "**full cost recovery**" tuition model must demonstrate that sufficient revenues will be generated to offset expenses. Such a program may be for credit or non-credit. Tuition rates must be approved by the University of Illinois Board of Trustees.

II. FULL COST RECOVERY PROGRAMS

A. Overview / Background

A FCR model provides an opportunity for academic units to deliver credit courses, certificate and degree programs, generally to new student populations that may not be currently served by existing UIC programs. Examples of such programs include online degree and certificate programs; degree programs that target working professionals, adult learners and international students. Full cost recovery programs can be online, blended, or face-to-face. Full cost recovery programs are a method to reach new individual students.

B. Key Features of Full Cost Recovery (FCR) programs:

- 1. FCR programs are created in response to market demand and have the potential for generating additional income for UIC.**
- 2. FCR programs operate under specific financial rules:**
 - FCR programs are not supported by state appropriations but instead generate tuition revenue to cover all programmatic costs.
 - Tuition rates must be pre-approved by the University of Illinois Board of Trustees (BoT), and be reflective of the market for comparable programs.

UIC Administrative Operational Guidelines

- Tuition rates submitted to the Board must be priced to fully recover all the direct and indirect costs incurred in delivering the program on a marginal-student basis as evidenced by an approved financial proforma.
- FCR programs are exempt from discretionary tuition and fee waivers, but must honor statutory waivers.¹
- On-the-ground programs held in UIC-owned facilities may be required to charge certain student fees and assessments depending on the duration of the program and other circumstances. This determination is made by the Office of Budget and Program Analysis (BPA) at the time the proforma review is conducted.
- Tuition revenues from FCR programs are deposited into the Income Fund.

3. FCR programs will generally have flexible academic calendar and related admissions/support structures. FCR programs may include features such as:

- Multiple “starts” per year;
- 8-week semesters (Banner “parts of term” A and B);
- Flexible admission deadlines;
- Dedicated marketing, recruiting and advising staff;
- Applications materials collected by program staff, and not necessarily the Office of Admissions and Records.

C. Establishing a Full Cost Recovery (FCR) Program

When a college has determined that a new degree or certificate program will be offered on a full cost recovery basis, the following reviews and approvals are required. Refer to **Appendix A: Timeline and Process for Establishing a Full Cost Recovery Program**.

1. Defining the Program

Appendix B: Questionnaire to Establish a Full Cost Recovery Program must be completed to support establishment of a FCR program. The following items are included in this document:

- **Academic content:** specify the degree or certificate to be awarded upon successful completion. If the program is yet to be IBHE approved, note the expected timeline and process for approval.
 - a. List the college, department and academic program code for degree-granting programs.
 - b. *Not for credit*, open-enrollment programs such as Continuing Professional Education or Certificate Programs. The Illinois Board of Higher Education has established a set of standards for undergraduate and graduate certificates that can be used as a starting point to develop campus standards for both IBHE-approved certificate programs and “campus certificates.” More information is found at: <http://osssql1.admin.uillinois.edu/oaa/CertificatePrograms.asp>

¹ For more information see the UIC Tuition Waiver Guideline at:
<http://www.uic.edu/depts/oaa/bpa/Tuition%20and%20Fee%20Waivers.pdf>

UIC Administrative Operational Guidelines

- c. Delivery mode: online, blended or face-to-face. If blended or face-to-face, note if the course will be offered on the UIC campus.
- o Program Administration: It is encouraged that the college/department partner with the School of Continuing Studies (SCS) <https://scs.uic.edu/> as SCS will work with the unit to develop the required financial pro-forma. If the college/unit does not partner with SCS, it must demonstrate the ability to support the development, instruction and administration of the program in addition to providing a completed financial pro-forma.
- o Target Audience & Evidence of Market Demand: Identify the value of the degree/credential to the target audience. Describe program eligibility requirements. Include evidence of market demand: a current and detailed evaluation of market demand and a scan of competing program, program content and prices.
- o Academic structure: proposed session lengths, number of sessions, number of admission cycles per year.
- o Instruction: Identify details of who will instruct in the program; specify if they will be regular UIC faculty or adjuncts. If adjuncts, specify how adjuncts will be identified.
- o Target Enrollments & Program Fees: Based on demand, instructional capacity and other relevant factors; identify the expected cohort/annual enrollments. Describe tuition scheme for face-to-face or online instruction and implications for range tuition, fees or assessments (or variations to the standard tuition assessment) and Banner Accounts receivable processing.
- o Marketing and Recruitment Strategies: Based on the profile of the target audience and other factors, identify opportunities, methods and costs for reaching the target audience.

D. UIC and Illinois Board of Higher Education (IBHE) Approval Requirements

Colleges/units will work with the Office of Programs and Academic Assessment (OPAA) to obtain the necessary approvals to establish new FCR programs.

- o All FCR proposed credit programs, including degrees, IBHE-approved certificates or campus certificates must secure required approvals. See **Appendix C** for UIC and IBHE approval process information.
- o If a college intends to develop a new academic program to be offered specifically through the FCR tuition model, academic approval should be concurrent with approvals required in this guideline. Academic approval of the program does not ensure approval to offer it in the FCR model.

1. Tuition Rate Approval

Tuition rates for FCR programs must have prior University of Illinois Board of Trustees (BoT) approval and specifically demonstrate that sufficient revenue will be generated to cover all direct and indirect expenses of the program including department, college and campus administrative overhead. Non-degree and programs offered to governmental or private entities are considered to be Contract-Based (CB) programs and can be minimally discounted from rates set by the Board of Trustees as long as all costs remain covered.

UIC Administrative Operational Guidelines

The timeline for tuition rate approval must be considered when planning a new FCR program. Tuition rate approvals are typically made by the Board of Trustees at their January meeting. To meet published deadlines, the materials are due to University Administration in November and coordinated by the Office of Budget & Program Analysis (BPA) during the Fall semester. A request for off-cycle review may be made at the discretion of University Administration.

2. Establishing a Tuition Rate /Fee Structure and Completing a Financial Pro Forma

A multi-year financial pro-forma must be completed to establish a full cost recovery program. Templates for this purpose are found in **Appendix D**. Guidance on how to complete the template may be sought from BPA or in partnership with SCS. Financial pro-formas must be approved by the Dean, BPA, and SCS if applicable.

Once the program is envisioned and the course requirements are established, the costs to deliver the program must be projected. These will include both direct and indirect costs. It is typically preferable to demonstrate FCR on a per-student cohort basis (meaning a set enrollment of students that complete the program lockstep.)

a. Direct Costs include both *fixed* and *variable* costs in two broad categories: Personnel Services and Supplies and Services. Each of the following activities should be costed:

- Salary costs directly related to the instructional program;
- Program development (*these costs can be amortized over the life of the program and this should be appropriately noted in the pro-forma*):
- Marketing/Recruitment/Admissions
- Space (*if rented specifically for the program*); and
- Equipment, Supplies and Services related to delivering the program.

b. Indirect Costs include costs incurred at the department/program level (e.g., staff costs to provide financial, HR, IT support, equipment, space, etc.). These may be represented as expense line items or expressed as a percentage of direct costs.

c. Campus Holdback is a percentage of the net tuition revenue distributed to the campus as overhead costs related to facilities and administration. The rates are based on net tuition revenues and the percentage will be determined by SCS or BPA based on an assessment of overhead:

Online Degree & Certificate programs	10-25%
Hybrid Degree & Certificate programs	15-25%
Non degree programs – All	10%
On ground (face-to-face) Degree & Certificate programs	15-25% ²

d. The tuition rate should be computed on the basis of the program's projected expenses and the revenue required to cover those expenses. It must also be similar to rates charged by competitive programs. For face-to-face programs offered at UIC on-campus facilities, students must be assessed all relevant campus fees and assessments. Online students will be exempted from all student fees. See the current Tuition and Fee Schedule at:

Undergraduate - https://admissions.uic.edu/undergrad/tuition_undergrad.html

Graduate - https://admissions.uic.edu/grad/tuition_grad.html

Professional - https://admissions.uic.edu/professional/tuition_prof.html

² Hold-back for UG & GR programs is 25% and for professional programs, 15%.

UIC Administrative Operational Guidelines

Non-credit FCR programs of short duration (e.g., a two week non-credit seminar or continuing education program) are exempt from additional fees or assessments.

3. Accounting Requirements & Process

- a. Revenue for FCR programs offered to individual students for credit shall be deposited into the Income Fund (a.k.a. State funds) in accordance with the Legislative Audit Guidelines as applicable to universities in Illinois.³ Coordination for establishing the budget and subsequent distribution of the revenue to the program will be accomplished through BPA.
 - o Transfers of excess revenue to other state fund accounts are allowable once all expenses have been recovered.
- b. Relevant detail codes required for the assessment of tuition revenues must be communicated in a timely manner to the Registrar. Follow the normal campus procedures for establishing chartfields in Banner, known as a C-FOAPAL (Campus-Fund- Org Code-Account- Program-Activity-Location) to isolate the activity: <http://www.obfs.uillinois.edu/forms/accounting-financial-reporting/>

E. Academic Affairs, Admissions and Registration Details

1. Once a new FCR program has been approved, OPAA will:
 - a. Request academic program codes for new programs or existing programs that will be offered via new methods of delivery (e.g., creating an online version of a face-to-face program).
 - b. Notify the offices of Budget & Program Analysis, Admissions, Registrar and others when the program code is active in Banner. Admissions and the Registrar use program codes to set up web-based admission applications and to attach tuition and fee information for student billing and financial aid purposes.
 - c. Process any new or revised courses related to the FCR program submitted via the university's Course Request System. OPAA will add/update course information in Banner. Colleges/units can then schedule classes for a given semester in consultation with the Office of Classroom Scheduling.
 - d. Notify the Catalog Office that a new program has been approved and if it should be added to the Undergraduate or Graduate catalogs.
2. The Office of Admissions will need to know how applications will be processed and whether an online application is to be used. The term of admission needs to be articulated along with the academic admission program code.
3. The Office of the Registrar requires notice whether students will be registered in the Banner Student Information System by the unit, or whether students will utilize Banner Student Self Service tools. Tuition and fee handling and accounts receivable processing should be finalized by the unit in conjunction with BPA and OBFS.

³ The accounting treatment of University of Illinois revenue is prescribed in the University Legislative Audit Guidelines as amended: <http://www.ilga.gov/commission/lac/universityguidelines.pdf>.

UIC Administrative Operational Guidelines

F. School of Continuing Studies – Compliance Statement

The UIC School of Continuing Studies (SCS) collaborates with representatives from University Administration, UIS and UIUC to respond to Federal and State regulations concerning the delivery of online courses and programs to out-of-state students. In this capacity, the SCS monitors Federal and State regulations and communicates the potential impact of these regulations to the UIC colleges and departments delivering online programs. The SCS also responds to requests for data regarding online programs in order to meet Federal and State regulations. Consequently, SCS may reach out to those UIC colleges and departments offering online programs to collect information in order to remain in compliance with requirements.

Additionally, the SCS along with University Administration is tracking the progress of the National Council for State Authorization Reciprocity Agreements (NC-SARA), which is intended to ease the workload of institutions seeking authorization to deliver online programs in other states. The goal of NC-SARA is to “establish comparable national standards for the interstate offering of postsecondary distance education courses and programs.” This would allow easier access to online programs for out-of-state students. Illinois has passed legislation leading to participation in the NC-SARA. It is anticipated Illinois will officially become a SARA state in Fall 2015; after which, the University of Illinois will work with the Illinois Board of Higher Education to become an approved SARA institution.

VI. DEFINITIONS

- **Certificate programs:** Certificate programs are defined as independent (stand-alone), self-contained, structured and systematic groups of courses that focus upon a specific area of knowledge and are generally less than and shorter in duration than degree programs. Certificate programs meet the need for higher education to provide flexible, efficient methods of meeting the needs of individuals for career advancement, career change, continuing education requirements, or personal educational enhancement, as well as to respond to requests from external constituencies to offer certificate programs for their employees. They are typically based in a previously approved degree program (i.e., a post-baccalaureate certificate from a previously approved master's program; a post-master's certificate from a previously approved doctoral program).
- **Degree programs:** UIC awards baccalaureate, master's and doctoral degrees. Bachelor's degrees require a minimum of 120 credit hours; master's degrees awarded by the Graduate College require a minimum of 32 hours; and PhD programs required 96 hours beyond the baccalaureate. Professional master's and doctoral degrees may have different credit hour requirements. Please consult OPAA staff for additional information.
- **Direct costs:** are costs that can be specifically assigned or associated with the program.
- **Financial Pro-forma:** a financial statement prepared on the basis of some assumed events and transactions that have not yet occurred. Pro-forma financial statements include projections of revenue and expenses to demonstrate full cost recovery. A pro-forma is similar to a historical financial statement except focus on the future and based upon documented assumptions.
- **Fixed costs:** are unavoidable expenses that must be met regardless of the revenue generated or service provided. Fixed costs are not permanently fixed; they will change over time, but are fixed in relation to the quantity of production for the relevant period.
- **Fully-costed:** all expenses both fixed and variable costs that are associated with the program are recovered from the tuition revenue assessed and identified in the pro forma prepared for approval of the program.
- **Indirect costs:** are costs that are shared amongst a number of programs and activities. These also include costs that are incurred on behalf of the program and expensed in other departments such as HR, Payroll, Purchasing, Facilities, etc. Indirect costs incurred by a department may vary as programs grow.
- **Noncredit:** Noncredit educational courses or programs are those experiences where individuals enroll for personal enrichment purposes. No academic credit is given in return for the tuition paid.
- **Variable costs:** costs that are volume-related and change in proportion to the service delivery or output. For example, instructional costs are variable (and direct.) Not all variable costs are direct costs.

UIC Administrative Operational Guidelines

VII. FORMS, TEMPLATES, REFERENCES & LINKS

Budget Office website: <http://www.uic.edu/depts/oaa/bpa/>

Appendix A: Timeline and Process for Establishing a Full Cost Recovery Instructional Program

Appendix B: Questionnaire for Request to Establish a Full Cost Recovery Program

Appendix C: UIC and Illinois Board of Higher Education approval process information

Appendix D: Financial Pro-Formas