July 14, 2006

Deans, Directors, Department Chairs and Administrative Officers

As announced in the letter of April 19, 2006, to the Deans from EVC and Provost Daniel Neuman, the campus has pursued a change concerning the recharge methodology for the Technology Infrastructure Fee (TIF) that is scheduled for implementation on July 1, 2006. To summarize, based on campus review and approval processes, the campus will convert from a TIF based on the number of phone lines to one based on the number of faculty, staff and student FTE employees, to be calculated at the end of each payroll period. The TIF rate has been established at $39 per FTE per month, based on the components of the POSSSE-approved FY 06/07 pricing model. The transition from line- to FTE-based TIF was also announced in last year’s memo of June 27, 2005, concerning rate changes for FY05/06.

Outlined in the announcement from EVC Neuman, various models -- individual service, usage-based, FTE, headcount and knowledge worker -- were studied and scrutinized within the university's IT governance process. Additionally, the models were reviewed for regulatory requirements with respect to grants and contracts. While there are pros and cons to all of the models, an FTE model emerged as the best proxy for technology usage that also met grant and administrative implementation requirements. The proposed FTE-based TIF model was also reviewed by the University of California Office of the President Office of Costing Policy and Analysis for compliance.

The FTE-based TIF will work as follows:

1. On a monthly basis, Communication Technology Services (CTS) will utilize the actual monthly FTE paid as per the payroll system to generate the TIF charges for each full accounting unit (FAU). The TIF charge will be posted to the ledger and FAU balances updated accordingly on a monthly basis. This should occur within a week to ten days after the payroll data is available at month end. Departments will be able to review these charges in their FAU’s at the Online Financial System Reports (OFSR) website, which is updated nightly.

2. The per-FTE TIF charge will be determined prior to each fiscal year by dividing the total anticipated TIF costs by the historic FTE-employee count. For FY 06/07, $12,960,000 was divided by the FTE-employee count of 27,700, resulting in a monthly charge per FTE of $39.00, effective July 1, 2006. (In planning for the FY 06/07 budget a projected FTE base of 27,700 was used based on historical data from the Office of Academic Planning and Budget.)

3. Each FAU will be charged monthly based on the actual partial and full-time FTE associated with the unit multiplied by the TIF monthly rate.
The impact on contracts and grants is described as follows:

1. Changes in FTE due to employees being hired or leaving, and grants starting and ending, will be taken into consideration monthly for each FAU since actual payroll data will be utilized as the source of the FTE information. While the TIF rate will not change in a given fiscal year, monthly TIF charges to an FAU will reflect actual FTE totals at the end of each monthly payroll period. This calculation will also include any payroll cost transfer adjustments processed through the payroll system.

2. Regarding existing awards: If the notice of award does not explicitly prohibit such costs, communications infrastructure costs are allowable and presumably already being charged if a phone line is currently on the award. If a department has concerns about the whether the cost is allowable on a given award, the TIF charge may be moved by the department via a non-payroll expense transfer (NPEAR) to an unrestricted fund source.

3. Regarding proposals: Effective immediately, TIF charges should be included as a direct cost in all proposals, including new, renewal, supplemental, and revised requests. The TIF charges will commonly be included in the Supplies & Expenses category. Applicable F&A must also be included.

4. Regarding research contracts: any fixed cost agreements that included phone line charges were calculated at a cost level that included the TIF; therefore, there should be no significant impact.

5. In the event of a salary transfer the associated TIF will automatically be transferred with the salary to the new funding source. If the TIF charges are being paid from an unrestricted source other than the salary source, the TIF charges should be transferred via NPEAR.

If you require any additional information about the TIF process please check with your department administrator or your contracts and grants officer.

Sincerely,

James R. Greenwood