

## Understanding Your Formula Allocation Amount

Your F&A budget is made up of four parts:

- Permanent budget – the amount distributed to departments each year based on an established, approved amount. This amount is typically the same from year to year.
- Formula allocation – the amount distributed to departments based on what each department earned in the previous fiscal year. The term “earned” means how much F&A the department spent.
- Carryforward – the amount of unused budget from the previous fiscal year brought over to the new fiscal year.
- Miscellaneous allocations made throughout the year by the Office of Budget, Planning, and Analysis (Budget Office).

This document explains how ConnectCarolina calculates the F&A formula allocation amount.

### **Formula allocation: Previous System vs. ConnectCarolina**

There are a couple differences between the previous system and ConnectCarolina in how you see your formula allocation amount. But one thing that’s important to keep in mind is that you would receive the same amount regardless of what system was used. You are not receiving more or less with ConnectCarolina than you would have received in the previous system.

#### **Permanent budget and formula allocation**

With our previous system, you received your permanent budget and formula allocation as a single, combined amount each year. Formula allocation was lumped together with permanent budget because these amounts did not generally change from year to year. For example, a department might have received \$25,000 in permanent budget and \$75,000 in formula allocation, and these amounts did not change from one year to the next.

However, because the \$75,000 in formula allocation may have been more or less than what the department actually earned, the Budget Office entered a second journal to adjust the amount based on the actual F&A amount earned. In effect, in the previous system, the Budget Office entered two budget journals for formula allocation.

With ConnectCarolina, the Budget Office calculates the formula allocation up front, based on the actual F&A amount earned in the previous year. In effect, the Budget Office now calculates formula allocation just once, based on the true amount, rather than twice - the recurring amount followed by the adjustment.

Because of this approach, formula allocation amounts in ConnectCarolina are shown separately from permanent budget. They are no longer lumped together. Keep this in mind as you review your amounts for both permanent budget and formula allocation. They will generally be a smaller amount than what you were used to in the previous system, but only because they are not lumped together.

## Multiple calculations

In addition to being separate from permanent budget, another difference in formula allocation with ConnectCarolina is in the number of calculations used to arrive at your total formula allocation amount.

In the previous system, only one calculation was needed. With ConnectCarolina, there could be several calculations used to arrive at your total formula allocation amount. We'll go through the details of these calculations a later in this document, but the important thing to know is that the end result gives you the same amount as you would have received in the old system.

## Factors that determine the amount of formula allocation each department receives

The amount of formula allocation received by each department is based on the amount of earned F&A in the prior fiscal year. To calculate the earned F&A, ConnectCarolina totals all transactions for the prior year that have a project ID and one of these three accounts:

- 559010
- 559020
- 559030

The total earned F&A amount is distributed to various areas across the University, with departments receiving a percentage. The percentage departments receive depends on two factors:

- 1) which school the department belongs to, and
- 2) the Resource Type of the projects in the department.

### **Factor 1: How the school affects the formula allocation amount**

For some schools, the formula allocation amount is split between the department and the dean's office. For others, the departments receive the entire amount.

These four schools split the formula allocation amount between their departments and the dean's office:

- the College of Arts and Sciences
- the School of Dentistry
- the School of Medicine, and
- the School of Public Health.

For these four schools, departments receive 15.6% of the earned F&A amount, and the dean's offices receive an additional amount.

For all other schools, the formula allocation is distributed entirely to the departments, not split between the departments and dean's office. For these schools, departments receive 19.5% of the earned F&A amount.

The table below shows, by school, the percentage of the F&A amount the departments receive.

School	Percentage received by department
College of Arts & Sciences	15.6%
School of Dentistry	
School of Public Health	
School of Medicine	
All other schools	19.5%

### Factor 2: The Resource Type

Many research projects are assessed a tax on their earned F&A. This tax is organized into groups called Resource Types and is based on: 1) the type of research, 2) the type of funding, and 3) where the project is located. The two types of research for formula allocation purposes are clinical trials and projects that use animals in their research.

Because the tax rate on some of the Resource Types is the same, the Budget Office groups the Resource Types by type of research. The table below shows the Resource Types, the Budget Office groupings, and the tax rates.

Resource Type	Resource Type description	Budget Office Grouping	Tax rate
ANIMA	Animal	Animal (A)	6%
ANIHM	Animal & Human		
ACTFC	Animal CT Fed On Campus		
CTFA	CT Fed Off Campus Adjacent	Clinical Trial 1 (C1)	8%
CTNA	CT Non-Fed Off Campus Adjacent		
CTNC	CT Non-Fed On Campus		
CTFR	CT Fed Off Campus Remote	Clinical Trial 2 (C2)	6%
CTNR	CT Non-Fed Off Campus Remote		
ACTFA	Animal CT Fed Off Campus Adjacent	Animal plus Clinical Trial 1 (AC1)	6% plus 8%
ACTNA	Animal CT Non-Fed Off Campus Adjacent		
ACTNC	Animal CT Non-Fed On Campus		
ACTFR	Animal CT Fed Off Campus Remote	Animal plus Clinical Trial 2 (AC2)	6% plus 6%
ACTNR	Animal CT Non-Fed Off Campus Remote		
CTFC	CT Fed On Campus	blank (no tax)	NA
HUMAN	Human subjects		
Blank	Resource type is left blank on some projects. For such projects, there is no tax on the formula allocation.		

## The calculation for formula allocation

With ConnectCarolina, to calculate formula allocation amounts, there is a separate calculation for each combination of school and tax rate. There are a total of 37 possible combinations. However, in any given year, the University might not have activity in all 37.

The calculation for formula allocation is:



\* 1 minus the applicable tax rate looks like this in the calculations:

- A - animal tax: calculated as 1 minus 6%, so .94
- CT1 - clinical trial tax: calculated as 1 minus 8%, so .92
- CT2 - clinical trial tax: calculated as 1 minus 6%, so .94
- AC1 - animal plus Clinical Trial (CT1) tax: calculated as 1 minus 14%, so .86
- AC2 - animal plus Clinical Trial (CT2) tax: calculated as 1 minus 12%, so .88

The next section contains two examples of how the formula allocation is calculated:

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## Examples of Formula Allocation

**Example 1.** Projects in the Oral Health Science department in the **School of Dentistry** had earned F&A of \$10,000 for fiscal year 2016. The department had one set of projects in the animal tax category with earned F&A of \$5,000, another set in the Clinical Trial 1 (C1) tax category with earned F&A of \$3,000, and another set not subject to any tax with earned F&A of \$2,000. The tables below show the calculation for each combination of school and tax category.

**Note:** The School of Dentistry is one of the four schools that split the formula allocation between the departments and the dean's office. Therefore, the percentage to the departments is 15.6%.

**a. Oral Health Science Department formula allocation for animal tax. The animal tax rate is 6%.**

	Calculation
Amount to Department	$\$5,000 \times 15.6\% \times (1 - 6\%) = \$733.20$  Also written as:  $\$5,000 \times .156 \times .94 = \$733.20$
Amount to Dean's Office	$\$5,000 \times 3.9\% \times (1 - 6\%) = \$183.30$  Also written as:  $\$5,000 \times .039 \times .94 = \$183.30$

**b. Oral Health Science Department formula allocation for Clinical Trial 1 (CT1) tax. The CT1 tax rate is 8%.**

	Calculation
Amount to Department	$\$3,000 \times 15.6\% \times (1 - 8\%) = \$430.56$  Also written as:  $\$3,000 \times .156 \times .92 = \$430.56$
Amount to Dean's Office	$\$3,000 \times 3.9\% \times (1 - 8\%) = \$107.64$  Also written as:  $\$3,000 \times .039 \times .92 = \$107.64$

**c. Oral Health Science Department formula allocation - no tax**

	Calculation
Amount to Department	$\$2,000 \times 15.6\% = \$312.00$  Also written as:  $\$2,000 \times .156 = \$312.00$
Amount to Dean's Office	$\$2,000 \times 3.9\% = \$78.00$  Also written as:  $\$2,000 \times .039 = \$78.00$

**Example 2.** The Digital Media department in the **School of Media & Journalism** had \$10,000 of earned F&A in fiscal year 2016. The department does not have any projects subject to clinical trial or animal tax.

The table below shows the calculation for this department’s formula allocation.

**Note:** The School of Media & Journalism does not split the formula allocation between the departments and the dean’s office. Therefore, the percentage to the departments is 19.5%.

	Calculation
Amount to Department	$\$10,000 \times 19.5\% = \$1,950.00$  Also written as:  $\$10,000 \times .195 = \$1,950.00$
Amount to Dean’s Office	NA

**Note!** The Formula Allocation Report shows the school percentage and tax rate in one number. For example, projects in the School of Medicine have a rate of 15.6%. Suppose one of their projects is subject to animal tax of 6%. The Dept Rate column in the Formula Allocation Report applies the 6% to the 15.6% and shows it as one number, .14664. In other words,  $15.6\% \times 6\% = 14.664\%$ . This is the case in the Dean’s Office Rate column too.

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## How the Formula Allocation budget journals are entered

The Budget Office enters a separate formula allocation budget journal for each combination of school and tax category. There are 37 possible combinations. However, the University may not have activity in all combinations in any given year, so there can be fewer than 37 budget journals.

The tables below illustrate the format and corresponding calculation for formula allocation budget journals, using the 2017 journals as an example. Note the following:

- Formula allocation budget journals begin with FORM
- The two digits after FORM, such as FORM17, indicate the fiscal year the budget journal is entered
- Each budget journal corresponds to one of the 37 possible calculations. For example, budget journal FORM170001 corresponds to the base amount x 15.6%.

### Formula Allocation Budget Journals for Departments in the CAS, SOM, SOD, and SPH

BU	Budget Journal ID	Journal Date	Budget Journal Description	Name of calculation
UNCCH	FORM170001	07/01/2016	F&A Formula Alloc @ 15.6%	F&A 15.6
UNCCH	FORM170002	07/01/2016	F&A Formula Alloc @ 15.6%X.94	F&A 15.6_A
No expense activity in this category for FY16			F&A Formula Alloc @ 15.6%X.88	F&A 15.6_AC2
UNCCH	FORM170003	07/01/2016	F&A Form Alloc@15.6%X.92	F&A 15.6_C1
UNCCH	FORM170004	07/01/2016	F&A Form Alloc@15.6%X.86	F&A 15.6_AC1
UNCCH	FORM170005	07/01/2016	F&A Form Alloc@15.6%X.94	F&A 15.6_C2

### Formula Allocation Budget Journals for Departments NOT in the CAS, SOM, SOD, and SPH

UNCCH	FORM170006	07/01/2016	F&A Formula Alloc @ 19.5%	F&A19.5
UNCCH	FORM170007	07/01/2016	F&A Formula Alloc @ 19.5%X.94	F&A19.5_A
No expense activity in this category for FY16			F&A Formula Alloc @ 19.5%X.86	F&A19.5_AC1
No expense activity in this category for FY16			F&A Formula Alloc @ 19.5%X.88	F&A19.5_AC2
UNCCH	FORM170008	07/01/2016	F&A Form Alloc@19.5%X.92	F&A19.5_C1
No expense activity in this category for FY16			F&A Formula Alloc @ 19.5%X.94	F&A19.5_C2

### Examples of Formula Allocation Budget Journals for Dean's Offices in the CAS, SOM, SOD, and SPH

UNCCH	FORM170014	07/01/2016	F&A Formula Alloc CAS @ 3.9%	F&ACAS
UNCCH	FORM170015	07/01/2016	F&A Formula Alloc CAS@3.9%X.94	F&ACAS_A
No expense activity in this category for FY16			F&A Form Alloc CAS@3.9%X.86	F&ACAS_AC1
No expense activity in this category for FY16			F&A Form Alloc CAS@3.9%X.88	F&ACAS_AC2
UNCCH	FORM170016	07/01/2016	F&A Form Alloc CAS@3.9%X.92	F&ACAS_C1