

# REVENUE AND EXPENSE ALLOCATION PRACTICES

*In thousands of dollars, unless otherwise noted*

Case Western Reserve University (the “University”) operates under a decentralized structure with the philosophy that each management center is responsible for the planning and implementation of academic programs, revenue development and expense management. This concept is implemented with all revenue, except Undergraduate tuition revenue, and direct expense flowing to their respective management center. Because not all revenue or expense is directly developed by a school, allocation rules assign certain revenue and indirect expense for support services. The operating principle guiding these rules is that they fairly assign revenue or expense as a proxy for actual direct generation of revenue or occurrence of expense.

## REVENUE ASSIGNED

### Tuition

A significant portion of Graduate and Professional Tuition is assigned to the schools in which the student is registered as a degree student. Credit hours taken in a school outside a student’s home school are assigned to the school teaching the credit hours for purposes of partial tuition revenue allocation.

The rate used to calculate the Tuition assignment will be \$874 per credit hour in 2024, increasing at the same rate as the increase in Graduate Tuition revenue in subsequent years. Any program exemptions from this model must be approved through a formal process administered by the University Budget Committee.

Undergraduate Tuition is assigned to those schools that teach undergraduates, primarily the College of Arts and Sciences, the Case School of Engineering, Weatherhead School of Management and the Frances Payne Bolton School of Nursing. SAGES tuition is distributed to the units teaching those courses. Tuition revenue, net of unfunded financial aid and Undergraduate Strategic Reserve, is distributed among the schools as follows: 85% is assigned based upon the proportion of undergraduate student credit hours taught by each school in 2021 and 2022; the remaining 15% is assigned based upon the proportion of baccalaureate majors of the graduating students in 2021 and 2022.

**Undergraduate tuition assignment is based on:**  
 6,004 students for the academic year  
 28.3 credit hours/student  
 1,550 first-year students

Undergraduate Tuition Revenue	\$328,887
Less: Strategic Reserve	(3,796)*
Less: Unfunded Student Aid	(165,450)*
<b>UG Tuition Distributed to Schools</b>	<b>\$159,641</b>
Regular Credit Hour Distribution	\$124,845
SAGES Credit Hour Distribution	10,860
Majors Granted Distribution	23,936
<b>Total UG Tuition Distribution</b>	<b>\$159,641</b>

*\*100% assigned to UGEN*

Undergraduate tuition revenue is distributed using the average credit hours taught by the management center in 2021 and 2022 to calculate the percentage distribution. The majors of the graduating students is an average of 2021 and 2022.

**Undergraduate Tuition Distribution and Total Revenue:**

	Regular Credit Hour Distribution	SAGES Credit Hour Distribution	Majors Granted Distribution	Total Tuition Distribution
CAS	\$69,642	\$5,519	\$8,458	\$83,619
CSE	29,781	560	9,150	39,491
WSOM	13,074	547	2,692	16,313
MSASS	254	-	-	254
LAW	2	109	-	111
DENT	-	22	-	22
NURS	6,234	331	1,757	8,322
CSOM	5,858	124	1,879	7,861
UGEN	-	3,648	-	3,648
<b>TOTAL</b>	<b>\$124,845</b>	<b>\$10,860</b>	<b>\$23,936</b>	<b>\$159,641</b>
Unfunded Aid				165,450
Strategic Reserve				3,796
<b>TOTAL UNDERGRADUATE TUITION REVENUE</b>				<b>\$328,887</b>

## Endowment

Endowment funds are classified as belonging to a school or University General, and largely pooled for investment purposes. The amount or payout rate made available from the pool to operations each year is approved by the Trustees and considers not only current operational needs, but also long-term interests of intergenerational equity for future endowment beneficiaries. For 2024, the payout rate for the current year spending pool allocation is 4.8%. In addition, the Trustees approved a distribution of 0.8% (\$13.8 million) for administrative expense to administer the endowment. Endowment revenue is allocated based on the twenty quarter average market value of funds as of June 30, 2022. Revenue from new gifts and/or additions to existing gifts will be allocated one year after receipt. The revenue from a small number of endowment funds jointly shared by the schools teaching undergraduates is assigned based upon undergraduate credit hours taught. Funds Held by Others (FHBO) and Un-pooled funds are managed outside the University’s pooled investment and are not considered in the spending allocation. Income generated by FHBO and Un-pooled funds is sent to the University, then distributed to the appropriate management center(s).

	Estimated Unused Income Beginning of Year	Current Year Allocation	FHBO	Un-pooled	Total Available	2024 Budget*	Estimated Unused Income End of Year
CAS	\$8,908	\$13,590	\$2,339	\$-	\$24,837	\$16,892	\$7,945
CSE	5,796	9,955	664	-	16,415	9,549	6,866
WSOM	4,711	3,915	181	-	8,807	7,218	1,589
MSASS	1,088	2,406	-	-	3,494	2,327	1,167
LAW	1,095	4,572	595	175	6,437	5,511	926
DENT	1,116	846	608	-	2,570	1,439	1,131
NURS	2,067	4,125	-	-	6,192	4,178	2,014
CSOM	32,988	20,884	9,615	-	63,487	32,883	30,604
UGEN	9,580	15,874	-	-	25,454	17,024	8,430
<b>TOTAL</b>	<b>\$67,349</b>	<b>\$76,167</b>	<b>\$14,002</b>	<b>\$175</b>	<b>\$157,693</b>	<b>\$97,021</b>	<b>\$60,672</b>
Supplemental Distribution – Administrative support						13,806	
<b>TOTAL ENDOWMENT REVENUE</b>						<b>\$110,827</b>	

\* Includes temporarily restricted funds functioning as endowments and board-designated funds for LAW.

## Other Revenue

All other revenue is developed directly by the schools’ efforts and the schools receive full credit for sums received. Revenue generated for the University as a whole is attributed to University General. Revenue shown as restricted is only to be used by a particular school or for a particular purpose. Restricted revenue (restricted endowment, research and training grants, and restricted gifts) supports “funded” expense. In these instances, revenue is recognized as the matching expense is incurred. All other revenue is unrestricted and flows directly to the management center that generated the revenue. This revenue is recorded when received and supports a school’s unrestricted and “indirect” expense.

## INDIRECT EXPENSE ASSIGNED

Each school incurs operating expense that appears in the budget as “Direct Expense.” These expenditures include faculty, staff and student salaries, fringe benefits, graduate and professional student aid, and non- salary expense. In addition, each school is allocated a share of the expense to provide central and support services. These expenditures are categorized as Library, Student Services, Plant Services, Information Technology Services and University Services and are recorded in each budget summary as indirect expense.

### Indirect Expense Simplification

Beginning in 2019, certain changes were implemented in Indirect Expense assigned. The change reduced the number of cost drivers to five and retained the current Library allocation and the current Utilities Non-salary cost allocation. In summary, Indirect Expense is allocated using the following cost drivers:

Cost Driver	Indirect Expense Proportion
Current Utilities Non-salary Allocation	Historical Calculation
Current Library Allocation	Historical Calculation
Undergraduate FTE	9.8% of Remaining Indirect Expense
Student Head Count	14.7% of Remaining Indirect Expense
Faculty/Staff Count	2.9% of Remaining Indirect Expense
Square Footage	19.4% of Remaining Indirect Expense
Direct Expense Percentage	31.7% of Remaining Indirect Expense

The data used to calculate the expense allocation represent a sub-set of existing cost drivers historically used to calculate the Indirect Expense allocation. The final Indirect Expense allocation, as shown below, is not reported in the Operating Statement as a single line item for each management center. For comparability with prior years, we have retained the former Indirect Expense allocation, as described within this appendix. Any reconciling differences between the historical Indirect Expense allocation and the below Indirect Expense allocation are reflected in the University Services cost pool on the Operating Statement.

### Indirect Expense Allocation

	Undergraduate FTE	Student Headcount	Faculty/Staff Count	Square Footage	Direct Expense Percentage	Utilities Non-salary	Library Allocation	Total Allocation
CAS	\$9,170	\$8,115	\$837	\$6,943	\$7,275	\$2,569	\$3,466	\$38,375
CSE	4,589	4,989	500	7,034	7,621	3,286	2,123	30,142
WSOM	1,888	3,417	284	2,195	3,739	693	1,425	13,641
MSASS	29	595	295	750	2,279	233	580	4,761
LAW	12	1,428	143	1,433	3,106	406	2,305	8,833
DENT	5	875	267	1,820	2,353	989	361	6,670
NURS	936	1,644	334	963	2,484	434	671	7,466
CSOM	867	5,509	2,604	14,766	30,029	13,528	2,644	69,947
UGEN	641	487	-	-	-	-	2,599	3,727
<b>TOTAL</b>	<b>\$ 18,137</b>	<b>\$ 27,059</b>	<b>\$ 5,264</b>	<b>\$ 35,904</b>	<b>\$ 58,886</b>	<b>\$ 22,138</b>	<b>\$ 16,174</b>	<b>\$ 183,562</b>
HEC Expense								10,459
Salary Pool Retained								9,109
Revenue Offsets & COVID-19 Costs								43,582
<b>TOTAL INDIRECT EXPENSE ALLOCATION</b>								<b>\$246,712</b>

## Library

Library includes the operation of the University Library, Health Science Library, Law Library, and the MSASS Library. 75% of the University Library expense is distributed to the core colleges – CAS, CSE, WSOM and a small portion to NURS to recognize support of the BSN program. The remaining 25% is distributed to the other schools. 75% of the Health Science Library expense is distributed to CSOM, DENT, and NURS, with 25% assigned to the other schools. MSASS supports 75% of its Library with the balance distributed to the other schools. LAW pays 100% of its own Library’s expense; however, its share of the other Library expense is calculated without the inclusion of estimated materials expense in those Libraries because LAW covers the full expense for its own extensive materials collection. The allocation uses un-weighted student, faculty, and staff counts.

### Library Expense Assigned, by Management Center:

	University Library	Health Science Library	MSASS Library	Law Library	Total Library Allocation
CAS	\$3,223	\$197	\$46	\$-	\$3,466
CSE	1,974	121	28	-	2,123
WSOM	1,325	81	19	-	1,425
MSASS	153	21	406	-	580
LAW	113	56	9	2,127	2,305*
DENT	199	156	6	-	361
NURS	471	190	10	-	671
CSOM	1,457	1,142	45	-	2,644
UGEN	-	-	86	-	86
<b>TOTAL</b>	<b>\$8,915</b>	<b>\$1,964</b>	<b>\$655</b>	<b>\$2,127</b>	<b>\$13,661</b>
Endowment Support					1,698
Unallocated Library (100% to UGEN)					815
<b>TOTAL LIBRARY</b>	<b>\$8,915</b>	<b>\$1,964</b>	<b>\$655</b>	<b>\$2,127</b>	<b>\$16,174</b>

*\*The Law school contribution to the other Libraries was calculated separately using only the non-materials portion of those Library budgets.*

## Student Services

Student Services include the expense associated with the following operations: Enrollment Management, Undergraduate Studies, Financial Aid, Registrar, Student Affairs, Career Planning, Educational Support Services, Thwing Center, International Students, Education Abroad, Minority Programs, Physical Education and Athletics, UCITE, SOURCE and the Dean of Graduate Studies. The expense associated with the SAGES program (net of the tuition generated by non-school based lecturers) is included in this category and is allocated on the basis of SAGES credit hours taught. The student numbers used in the assignment are an average of the 2021 and 2022 fall semester enrollment. The Student Services expense for each management center is determined by student and faculty/staff head count.

Most Student Services expense is assigned on the basis of the students benefiting from the program or service. Several programs are believed to have an overall University purpose and are assigned using the two- year average direct expense methodology. The student numbers used in the assignment are an average of the 2021 and 2022 fall semester enrollment. The Student Services expense for each management center is determined by student and faculty/staff head count.

**Student Numbers used for the 2024 Budget, based on 2021 and 2022 average fall semester enrollment:**

	Undergraduate FTE *	Undergraduate Headcount *	Graduate Full-Time	Graduate Part-Time	Professional Full-Time	Professional Part-Time	Total Head Count
CAS	2,924	2,985	465	31	-	-	3,481
CSE	1,463	1,494	608	125	-	-	2,227
WSOM	602	615	41	5	605	241	1,507
MSASS	9	10	27	9	338	58	442
LAW	4	4	-	-	577	32	613
DENT	2	2	-	-	374	-	376
NURS	298	305	31	1	228	141	706
CSOM	276	282	817	252	1,135	-	2,486
UGEN	205	209	-	-	-	-	209
<b>TOTAL</b>	<b>5,783</b>	<b>5,906</b>	<b>1,989</b>	<b>423</b>	<b>3,257</b>	<b>472</b>	<b>12,047</b>

\* Percentage distribution for undergrad FTE and head count uses 2 years of credit hour data and is equal to the 2024 percentage distribution for net undergrad tuition in schools. FTEs are annualized due to the variation in where undergraduates take their courses.

Graduate and Professional numbers are based on the Fall Semester Enrollment Statistics.

**2024 Student Services Expense Assigned, by Allocation Methodology:**

	Undergraduate FTE	Student Head Count	Graduate Student Head Count	Graduate/ Professional Head Count	University Services	SAGES	Faculty/ Staff Count	Weighted Average Student Headcount	Total
CAS	\$8,178	\$1,162	\$318	\$61	\$46	\$(430)	\$74	\$633	\$10,042
CSE	4,057	714	470	79	49	(73)	44	368	5,708
WSOM	1,663	489	29	105	24	(72)	25	227	2,490
MSASS	28	73	23	30	15	-	26	34	229
LAW	11	184	-	75	20	(14)	13	80	369
DENT	5	112	-	46	15	(3)	24	49	248
NURS	822	235	21	49	16	(43)	30	110	1,240
CSOM	824	627	686	256	194	(16)	231	258	3,060
UGEN	610	70	-	-	-	(762)	-	40	(42)
<b>TOTAL</b>	<b>\$16,198</b>	<b>\$3,666</b>	<b>\$1,547</b>	<b>\$701</b>	<b>\$379</b>	<b>\$(1,413)</b>	<b>\$467</b>	<b>\$1,799</b>	<b>\$23,344</b>
Unallocated Student Services (100% to UGEN)									10,482
<b>TOTAL STUDENT SERVICES</b>									<b>\$33,826</b>

Graduate and Professional numbers are based on the Fall Semester Enrollment Statistics.

## Plant Services

Plant Services include the expense for utilities (electricity, steam/gas, water/sewer, chilled water, and other services) and plant operations (custodial, building maintenance, security, and environmental health and safety). Utilities expense is assigned based on a weighted utilities rate. The rate is adjusted for the budget year to account for estimated changes in utility rates. An adjusted cost per square foot for utilities is calculated and multiplied by the gross square footage in each building.

Non-utility expense is assigned based upon the average remaining operating cost for all academic buildings in the University. The average cost per square foot is multiplied by the number of gross square feet assigned to each school or function. Utility and non-utility expense for parts of buildings used for indirect or support services (e.g. libraries, student services, or University administrative services), are first allocated to the support service and then reallocated through the appropriate basis.

### Plant Services costs are distributed using ten separate allocation methodologies:

Category	Allocation Methodology
Direct Plant	Utilities and Space Charges
Administrative Space	University Service (Two-Year Average Direct Expense)
University Library	Total University Library Allocation
Health Science Library	Total Health Science Library Allocation
Student Services	Student Service Allocation Excluding Physical Education and SAGES Allocation
University Center	Total Headcount
Athletic Space	Total Physical Education Space Allocation
Shared Classroom	Undergraduate FTE Ratio
SAGES	Two-Year Average SAGES Credit Hours Taught
Waste Removal	Fixed Amount

### Plant Services Allocation:

	Square Footage	% of Total	Total Direct Plant	Administrative Space	University Library	Health Science Library
CAS	591,143	19.3%	\$8,394	\$788	\$776	\$160
CSE	598,890	19.6%	9,194	831	422	87
WSOM	186,872	6.1%	2,529	406	311	64
MSASS	63,840	2.1%	860	249	50	23
LAW	122,013	4.0%	1,615	334	31	14
DENT	154,952	5.1%	2,534	257	55	135
NURS	81,998	2.7%	1,309	271	114	156
CSOM	1,257,158	41.1%	25,772	3,291	326	801
UGEN	-	0.0%	-	-	-	-
<b>TOTAL</b>	<b>3,056,866</b>	<b>100.0%</b>	<b>\$52,207</b>	<b>\$6,427</b>	<b>\$2,085</b>	<b>\$1,440</b>

	Student Services	Athletic Space	Shared Classroom	SAGES Allocation	Waste Removal (Fixed)	Total Plant Allocation
CAS	\$675	\$1,338	\$336	\$34	\$46	\$12,547
CSE	377	709	163	6	46	11,835
WSOM	163	347	67	6	-	3,893
MSASS	13	44	1	-	-	1,240
LAW	23	63	-	1	-	2,081
DENT	14	49	-	-	-	3,044
NURS	81	182	34	3	-	2,150
CSOM	192	459	32	1	373	31,247
UGEN	44	87	24	59	(465)	(251)
<b>TOTAL</b>	<b>\$1,582</b>	<b>\$3,278</b>	<b>\$657</b>	<b>\$110</b>	<b>\$-</b>	<b>\$67,786</b>
Unallocated Plant (100% to UGEN)						9,001
<b>TOTAL PLANT</b>						<b>\$76,787</b>

The Plant Services expense for each school or area is determined by each building's utilities rate and square footage. Utility expense is assigned based on a weighted utilities rate. The estimated annual expense is assigned based on square footage. The cost for Plant Services other than utilities is \$10.372 per gross square foot. This expense is assigned based upon square footage.

### Information Technology Services (ITS)

Information Technology Services include the expense associated with establishing, maintaining, and providing services through the campus network, central information processing, research and academic computing, as well as the operations of the ITS division and the ERP Finance office. ITS expense is separated into four cost pools, each with its own distribution formula. The first pool, Core Technology, covers core network and infrastructure equipment, wiring and maintenance. It includes the debt service related to the deployment of this technology and is distributed on a square footage allocation, including a school's share of indirect space such as Library and Student Services space.

The Instructional component of the ITS budget is allocated using the two-year average student count. It includes support for academic technologies including Blackboard and Courseware lecture capture, the Student Information System, online learning programs and MOOCs, Active Learning Faculty Fellows, instructional design and other curriculum support. This component also includes the design, upgrade and operation of Technology Enhanced Classrooms and Active Learning Spaces, as well as the related debt service.

The expense associated with Core Administrative systems includes providing enterprise applications such as the HCM system, ERP Financial systems, Web Content Management, Identity Management and the software center. This component is distributed using the University Services distribution (a percentage of direct expense) and also includes related debt service on ERP system upgrades.



The remaining cost pool, referred to as Infrastructure, covers basic technology services including security, internet, email, servers, storage, voice and video communications, Help Desk and other network services. These services also include the support of research computing systems such as the High Performance Computing Cluster and the Secured Research Environment, as well as the related debt service. This expense is distributed using a faculty/staff/student count and utilizes the same counts used for the Library distribution.

**Information Technology Costs Assigned, by cost pool:**

	Core Technology	Instructional	Administrative	Infrastructure	Information Services
CAS	\$526	\$1,526	\$720	\$4,298	\$7,070
CSE	501	965	758	2,719	4,943
WSOM	176	577	371	1,604	2,728
MSASS	60	107	227	469	863
LAW	106	264	305	755	1,430
DENT	127	167	235	587	1,116
NURS	86	270	247	886	1,489
CSOM	1,093	1,052	3,004	4,418	9,567
UGEN	-	91	-	229	320
<b>TOTAL</b>	<b>\$2,675</b>	<b>\$5,019</b>	<b>\$5,867</b>	<b>\$15,965</b>	<b>\$29,526</b>
UGEN Strategic Savings Plan (100% to UGEN)					4,424
<b>TOTAL INFORMATION TECHNOLOGY SERVICES</b>					<b>\$33,950</b>

**University Services**

University Services include the general administrative expense associated with the following operations:

Office of the President, Office of the Provost, International Affairs, Division of Finance, Office of Administration, Development and University Relations, Planning and Institutional Research, General Counsel, Technology Transfer and Research Administration and the Office of Inclusion, Diversity and Equal Opportunity. In addition, insurance expense, auditing, and other expense general to the operations of the University and not related specifically to programs of a particular school or function are charged in University Services to be allocated using the percentage of direct expense methodology. A two-year average, using the second and third years preceding the budget year, is used in the calculation; e.g. for Budget 2024, the average direct expense for 2021 and 2022. It should be noted that for this calculation, R&T expenditures based in the Cleveland Clinic Lerner College of Medicine (CCLCM), tuition expenditures associated with the CCLCM and expenditures related to CSOM off-campus locations have been deducted from the CSOM expense base. Further, the cost of Dental kits purchased and re-sold to students has been deducted from the DENT expense base. Lastly, third party servicing expense for CSE and MSASS distance learning programs have been deducted from the respective expense base.

Certain University Services expense is not allocated to the schools because there are revenue streams that support the expense. This includes the portion of Development, University Relations and other areas expense covered by the administrative support distribution from the endowment.

University Services expense is allocated based on the percentage of direct expense averaged over a two-year period.

**Direct Expense (adjusted)**

	2021	2022	Average 2021-2022	% of Total	University Services
CAS	\$72,292	\$79,694	\$75,993	12.3%	\$5,250
CSE	78,708	81,443	80,076	12.9%	5,533
WSOM	39,042	39,316	39,179	6.3%	3,105
MSASS	23,480	24,451	23,966	3.9%	1,849
LAW	31,009	33,389	32,199	5.2%	2,648
DENT	23,874	25,770	24,822	4.0%	4,632
NURS	25,811	26,419	26,115	4.2%	3,725
CSOM	311,662	322,875	317,269	51.2%	26,501
UGEN	-	-	-	0.0%	-
<b>TOTAL</b>	<b>\$605,878</b>	<b>\$633,357</b>	<b>\$619,618</b>	<b>100.0%</b>	<b>\$53,243</b>
Unallocated University Services (100% to UGEN)					32,732
<b>TOTAL UNIVERSITY SERVICES</b>					<b>\$85,975</b>

**HEALTH EDUCATION CAMPUS**

Operating Expense budgeted to be incurred for the Health Education Campus (HEC) is purposely not included in the calculated portion of the simplified allocation changes for FY 2024. HEC operating costs included in the overall total for Indirect Expense are budgeted to be \$10.459 million and are concentrated in the Plant, ITS and University Services categories of Indirect Expense.

**USE OF RETAINED SURPLUSES**

Schools and auxiliaries are permitted to retain the excess of revenue over expense in a reserve account. Expenditures against the reserve account require the approval of the Provost and Chief Financial Officer. As all schools and auxiliaries are expected to operate in a financial equilibrium over the long run, current year losses must be charged against the reserve account.