

DoIT COST-RECOVERY MODEL: METHODOLOGY, ANALYSIS, PROPOSALS

January 17, 2017

I. BACKGROUND: FEES, CHARGEBACK ASSESSMENTS

1. Cost recovery for IT services provided by DoIT is mandated by campus policy. This funding model has been in place for over 20 years. Cost recovery includes the following components:
 - a. Fees for IT services provided by DoIT to campus units. Two types of fees:
 - Fees for voluntary requests for **targeted services** such as **application development, project management**, etc. Fees are based on hourly rates.
 - Fees for voluntary use of **core services**, such as storage, virtual machines, etc. Typically, fees are based on rates per GB for storage, virtual machines, etc.
 - We need to know what the level of
 - b. Chargeback assessments to campus units, including:
 - Assessments for campus IT licenses and shared campus IT systems (EXCLUDING assessments for Common Systems Operations).
 - Assessments for Common System Operations such as Service Center, Shared Financial Systems (SFS), etc.
 - Assessments of UW-Madison fees for Network Services.

There are also chargebacks/fees for IT services that DoIT provides to UW-System/other UW Schools.
2. The methodology for calculating cost-recovery fees for DoIT services is designed to recover direct costs as well as indirect (overhead) costs. Indirect costs include: Employee salary for non-billable hours; Division (DoIT) overhead; DoIT department overhead; DoIT group overhead.
3. For example, hourly rates charged in FY17 by DoIT's Application Development & Integration (ADI) Department are: \$67, \$78, \$87, \$94, \$97. (The specific rate depends on the employee's salary level.)
4. Chargebacks for campus IT licenses, shared campus IT systems and for Common Systems Operations:
 - Central campus funding is guaranteed to cover at minimum 50% of these costs. The remaining amount is assessed to campus divisions.
 - 50% of these costs were assessed to campus divisions in recent years.
 - The assessment methodology is based on equal weighting of annual expenditures and October payroll headcount.
5. Chargebacks for campus network costs:
 - 100% of the campus network costs are assessed to campus units.
 - The assessment is based on FTE counts.

Discussion questions for ITC March meeting:

Is the current cost-recovery model an effective mechanism for

(a) prioritizing IT services across campus

(b) allocating scarce IT resources effectively? In particular:

- **Is it aligned with the mission and objectives of the university as a whole?**
- **Does it provide the right incentives for promoting decisions on the part “customers” (campus units) and providers (DoIT units) that are effective and optimal from the point of view of the campus as a whole?**
- **What are the incentives/disincentives for using/adopting centralized IT services?**
- **Do these vary by college/department or area (research, teaching & learning)?**

- **What other entities on campus work like this?**
- **Why is the system like this?**
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