



Task Group on Public Good and Fees Report

December 2004

Situation

University of Wisconsin-Cooperative Extension (UWEX-CE) programming competes with many other governmental priorities for public funding. Public funding is becoming increasingly scarce at all levels of government, but, because of tax-shifting, state and local governments have been especially hard-hit. Moreover, UWEX-CE is a “non-mandated program” at the county level. This means that when making hard budget choices, counties allocate funds first to required services. Non-mandated programs compete for what remains, and what remains continues to shrink.

While most local extension offices enjoy strong public support, in some counties, organized groups of citizens who believe that government should be smaller and cost less are influencing public policy. Public funding of UWEX-CE programs that provide what some perceive to be private benefits are coming under greater scrutiny, and questions are being raised about charging user fees. In some other counties, all county departments are expected to generate revenue no matter what their role.

Cooperative Extension Budget Reality

UWEX-CE has incurred budget reductions totaling more than \$1 million in the last two biennia. These reductions were handled through a combination of personnel actions, including leaving vacant positions unfilled longer than normal, capturing retirement savings, and terminating some positions when partners were unable to jointly fund them. But UWEX-CE has also increased its reliance on other funds to offset reduced public funding. Grants, contract work and fees currently account for fifteen percent of the total budget. To date, fee income has been modest relative to grants and contracts. Examples include fees for services such as soil testing and for special programs and conferences that augment rather than substitute for ongoing Extension programming. UWEX-CE fees are predominately generated through on-campus activity, although field staff may be involved in teaching roles.

A small number of Wisconsin counties now require that all county departments, including Extension, raise revenue to be returned to the county’s general fund or to support specific local extension functions. At the present time, a growing number of counties have imposed revenue-generating requirements. Milwaukee County has the highest revenue requirement of approximately \$100,000 annually.

In both Iowa and Ohio, revenue generation including grants and contracts and fee based programs are of growing importance to replace reduced state funds. Other states continue to review and discuss ways revenue can be enhanced.

Anticipated further cuts in public funding at the federal, state and county level raise the possibility that, in order to preserve quality programming, UWEX-CE may need to further diversify its funding. This document provides some basic guidelines and identifies resources faculty and staff may find helpful in the discussion and practice of revenue generation.

Historic Funding Arrangements

Public funds that support Wisconsin's Cooperative Extension programs come from two partnerships. The federal Smith-Lever Act creates a partnership between the United States Department of Agriculture and each state's land grant university. Smith-Lever funds are distributed to states through a formula and require a dollar for dollar state match. In Wisconsin, federal Smith-Lever funds are 17 percent of the total UWEX-CE budget.

The second partnership is between the University of Wisconsin and county government. Wisconsin statutes 59.56(3) allows county government to enter into a partnership with the University of Wisconsin to establish a county extension program. Wisconsin counties now provide 30 percent of the funds that support extension programs. These funds are used to partially support the salaries of county-based faculty and staff and to cover local costs that support the program.

In 1989, the Wisconsin Associated County Extension Committees, Inc. (WACEC) passed a resolution calling for each county to provide 40 percent of funding for county extension faculty and further asked the dean to "...not fill vacant or new positions in those counties which have not reached the 40 percent level by January 1, 1991 and in those counties which do not maintain the 40 percent level every year thereafter."

Another partnership that leverages UWEX-CE funds as well as integrating Extension and research is between UW-Extension and other UW-System campuses. Five UW campuses (Madison, Platteville, River Falls, Stevens Point, and Superior) receive funds from UWEX-CE to support campus-based Extension specialists. Funds are allocated annually between UW-Extension and individual campuses based on Inter-Institutional Agreements (IIAs). These agreements specify the nature of Extension activities supported with extension funds. Faculty and academic staff positions funded through IIAs are most often integrated in campus departments and those employed are employees of the campus, not UWEX. A 75 percent extension, 25 percent research split is a common model, with the research component funded by the campus. Currently, about 20 percent of the UWEX-CE budget supports faculty and staff on UW System campuses. Another 20 percent supports campus based faculty and staff who are housed on a campus but whose administrative home is in UWEX.

State and federal contracts are a modestly growing area of financial support for UWEX-CE. The single largest source of funds is a grant from USDA's Food and Nutrition Service which is administered through the state's Department of Health and Family Services. Last year, UWEX-CE received \$6.3 million from this source. Wisconsin's Department of Natural Resources contracts with UWEX for the Water Basin Educator program. This partnership provides another \$1.1 million. In total, grants and contracts to make up about 15 percent of UWEX budget.

Grants and contracts provide direct funding for project staff and other costs and also contribute to UWEX indirect costs or overhead. Indirect costs cannot be directly charged to grants since they result from the availability of shared services, such as libraries, plant operation and maintenance, utility costs, departmental support, research administration expenses and depreciation or use allowance for buildings and equipment. Extension's indirect cost rate is 28 percent on most federal grants. Indirect cost rates for other grants and contracts are noted in the report's Appendix.

Task Group Charge

The Public Good and Fees Task Group was formed at the recommendation of UW-Extension Dean and Director Arlen Leholm's Task Force on New Strategies for Enhancing Relationships with Local Governments. **The charge** to this group was to develop detailed guidelines for the development of fee and cost recovery policies for local educational programs based on the concept of public good. To accomplish this, the Task Group reviewed current approaches to charging fees, recovering program costs and also examined the way local agreements have occurred on county-based positions – especially those which have some degree of a revenue requirement. This report summarizes the work of the Task Group with its recommendations.

The Task Group's Operational Boundaries

The task group utilized distinctions of public and private good as a framework for defining its priorities for discussions and in establishing subsequent recommendations. Furthermore, the operational framework, or boundaries for this work included:

- Respect, protect and expand the CES network.
- Maintain a commitment to a research base – respect the connections to existing institutional structures of campuses and centers.
- Counties have a set of core faculty positions. Where core faculty positions are supported by a funding ratio of 60%:40% (state/county)
 - The 60:40 ratios are considered a constant.
 - The local 40% can be from different sources, but must be a long-term on-going commitment (e.g., county or municipality funding, tax levy, etc.).
 - Positions within a county, in addition to core positions, will likely be academic staff positions with employment horizons that match a minimum funding horizon for the source of funds (most conservative estimates).
 - Positions added to the core faculty (in a county) should address the mission of Extension and wherever possible those responsibilities related to and/or directly serving a vision established by core faculty.
- The primary focus of this task group work is county-based fee issues, but the purview of this task group was not limited to just county fee authority. The group did consider differences in fee related issues pertaining to counties, regional programs, Centers and state specialists. However, the Task Force acknowledged that many fee and cost recovery policies affecting campus-based entities (i.e., Colleges, Departments and Centers) have been established over time and in certain instances require broader discussion and authority to address (e.g., in such contractual language as Inter-Institutional Agreements (IIAs)).

Public Good and Fees Task Group Members

Chair: Robin Shepard, CNRED State Program Leader and Assistant Dean
 Sue Buck, Central District Director
 Karen Dickrell, Department Head, Family Living Educator, Outagamie County
 Ellen Fitzsimmons, Associate Dean and Director
 Ed Hass, Department Head, CNRED Agent, Pierce County
 Ed Jesse, Dairy Marketing and Policy Specialist
 Deb Jones, 4-H Youth Development Agent, Jackson County
 John Preissing, Northern District Director

Task Group Responders

Marcia Jante, Department Head, Waukesha County
 Dan Malacara, Director of Budget and Finance, Cooperative Extension
 Jamie Robertson, Director and State Geologist, Wisconsin Geological and Natural History Survey
 Cathy Techtmann, Education Coordinator, Northern Great Lakes Visitors Center

Public Good Concept

The key principles from which the Public Good and Fees Task Group outlined discussions and subsequently in the recommendations it reached were based on the distinctions of public good and private good.

Public Good: joint or simultaneous consumption by many with a community or societal benefit.

Private Good: the proprietary use by one, or a small group, over the use by greater society.

As we explore new strategies for Extension the distinction between public and private good must influence our priorities and policies. Understanding and following these concepts help us find acceptable ground in our efforts to be effective and efficient. Such concepts also help us better address:

- pressures exerted by state and local budgets that push us to be creative in finding new and diverse funding sources;
- serving certain audiences while other program participants cannot afford to pay; and
- achieving outcomes that truly benefit society at large, which may take many, many years to be fully demonstrated.

Adapted from What is This Issue of Public Versus Private Good? By Robin Shepard (2004). A more complete discussion of public good/private good framework for decision making is available at http://www.uwex.edu/ces/strategies/documents/pubvsprivgood_000.pdf and in the Appendix of this report.

Public Good also implies that one person consuming or using the resource (information, etc.) doesn't lead to others being restricted to its use. An example here would be one person utilizing educational materials on parenting would not be negatively effect or limit another person for using the same information. However, a downtown retail trade analysis used proprietarily by a specific business that gains competitive advantage is an example private good over public benefits.

Many Extension programs and services cannot easily be categorized as "exclusively" public good or private good. For example, programming that is targeted or customized, is a component to an effective outreach strategy. However, such focusing on specific clientele groups or stakeholders also means we have provided education and information so specific that it may become a private good to that targeted audience. While the determination of public versus private good can be very subjective, there are some major differences.

Public Good

- Anyone may attend.
- Content is part of an on-going program effort and may be broadly applied and utilized.
- Information and materials that are developed are available broadly and may be shared with others.

Private Good

- Attendance is restricted to a specific group.
- Content requires high degree of customizing to a specific group.
- Information and materials are only available to the participants and the audience has exclusive use.

From: Adapted from Ohio State University. 2004.

When to Charge Fees

The distinction between public and private good provides important context from which UW-Extension should address when and to what extent fees for our programs should be assessed. Because such decisions are often not clear-cut we must ask ourselves who benefits from our programs. The audience for our programs, and the collective public benefit versus individual benefit should determine when and to what extent fees will be charged. Because distinctions are not always clear, a cost recovery continuum is suggested (See the Appendix of this report).

Fees are generally not assessed when the program or services are in the public good. Examples of this might be an infant nutrition class that is open to the public.

The Types of Recoverable Costs:

- ❖ Direct project expenses (basic materials and supplies).

Partial cost recovery is usually justified for programs or services that may be targeted to a group, and where public good and personal gains are within reasonable balance. In such programs the content is usually easily modified or customized, and can be easily be used in different settings with other audiences. An example of this might be providing a water quality oriented workshop for a group of farmers about improving how they manage on-farm nutrients.

The Types of Recoverable Costs:

- ❖ Direct project expenses (basic materials and supplies)
- ❖ Project personnel expenses

Full cost recovery is recommended when the programs or services have been developed for a specific individual, group, or business that realizes primary economic benefits. An example of this might be helping an individual farmer complete state and federal permit applications for a large animal feeding operation.

The Types of Recoverable Costs:

- ❖ Direct project expenses (basic materials and supplies)
- ❖ Project personnel expenses
- ❖ Project development
- ❖ Indirect costs

Discussions and agreement about how costs will be recovered and returned to the Extension unit should occur when the program is being developed. This is especially important when programs are designed and implemented with partners.

Cooperative Extension Principles

Careful review of Cooperative Extension Core Values found in the Appendix of this report will help identify principles which provide a framework for revenue enhancement efforts. More specifically, the Cooperative Extension principles which guide revenue enhancement include:

- Maintaining local county offices staffed with core faculty. Composition of the staff is determined through consultation between state and local partners. Core faculty positions require funding support from continuing sources.
- Working collaboratively with partners to develop programs that address local needs and involve constituents in public work.
- Making the best possible use of public funds and using public funds for the benefit of the public.

Report Recommendations

Cooperative Extension believes that it serves the public best by continuing its strong history of public work that benefits the good of all the public. To serve that goal, we recommend that developing new funding sources be done carefully. New funds are important to augment existing resources, to provide ways to serve new audiences and to develop new, important programs within the Cooperative Extension mission. However, funding positions from non-recurring sources increases the risk that programs will follow funding streams as opposed to local needs. This does not mean programmers would not be doing good work; rather we must weigh the extent of public need before we merely chase revenue.

Implementing the following recommendations will assist UW Cooperative Extension in its revenue enhancement efforts.

1. For tenure track positions, secure funding is essential. **Grants, contracts and fee programs should not be developed to supplant resources that support core faculty position.** [For definition of “core faculty” see the Appendix of this report.]
2. UW Cooperative Extension should **modify language for county 133 contracts to more clearly define appropriate funding sources for core salary positions.** Partner contributions for core faculty track positions shall not be program revenue. [For definition of “core faculty” see the Appendix of this report.]
3. Develop recommended practices which **encourage uniformity of fees/charges in publications, training programs, distance education and other areas.**
4. Emphasis should be given to the Public Good and Private Good Continuum (See the Appendix of this report) via **training and professional development opportunities for all faculty and staff**, but additional opportunities should be provided to those with administrative appointments.
5. **Strategies should be encouraged that allow use of fees and cost recovery to be accessible to programmers** (example, UW-Extension Discovery Farm Program, and the Western District horticulture programs utilize multiple donor accounts).

6. Programs that leverage funding among partners should **outline specific procedures for sharing revenue among the partners early in the designing of a program**. At the present time, revenue is maintained locally and unfortunately rarely is revenue sharing discussed among partners.
7. Grants and contracts are the most significant sources of revenue growth for Cooperative Extension and **incentives should be established to reward those who diversify cost recovery efforts**. Incentives may include: increasing the return on indirect costs to principle investigators, and first time principal investigators could receive an even higher percentage of the in-direct costs associated with a project. The Task Group noted that incentives involving the rate of indirect cost return to the principal investigator would require discussions between the Cooperative Extension Dean/Director's office and the Extension Chancellor's office.
8. The Cooperative Extension Dean's office should **establish a working group to outline uniform approaches to indirect cost policies**. Currently many counties have their own formulas for determining indirect/overhead charges. Without careful attention to uniform indirect charges internal competition (especially among counties and campuses) will likely emerge. Furthermore, a lack of uniformity in the indirect fee policy may also foster intentional "absorbing" of administrative costs where they should not be absorbed. Based on conversations with programming staff, most would not charge indirects. The Task Group recognizes that in certain partnerships there are established indirect waivers, but such waivers should be established as a matter of policy and not at the discretion of the principal investigator.
9. **Greater attention should be placed on mechanisms for moving proceeds from revenue generation across divisions, counties, campuses, and departments**. To achieve this, Cooperative Extension (Dean's Office and Budget Director) may need to engage in policy discussions with other appropriate University units (e.g., Chancellor's office, other colleges, etc.).
10. **Extension educators are encouraged to explore partnering with non-profit organizations. But caution is recommended in building upon the existing relationship with non-profits**. The Task Group does not recommend the creation of 5013c entities, but rather greater collaboration with existing non-profit organizations. When such partnerships are established they should reinforce Extension's role in providing educational programming, not a fundraising role.
11. District Directors play a critical role in both problem solving and annually reviewing county-based approaches to addressing revenue issues. The **District Directors should be involved early in county-based discussions** and in creating strategies for the generation of fees, recovering program costs and especially dealing with budget pressures related to county government. Furthermore, Center Directors and Program Leaders can perform similar functions in establishing approaches with integrated and non-integrated state specialist units.

12. These recommendations and supporting documents should be placed on an internet accessible location for faculty. That web-site should include components of this report, and additional "self-help" type information for Extension faculty that should address:
 - a. when to charge fees and recover program costs;
 - b. tips for being proactive;
 - c. existing fee policies and guidance statements;
 - d. case studies of successful approaches; and
 - e. readings and supporting insights from other states.

Primary Documents Used By the Public Good and Fees Task Group
[See also: <http://www.uwex.edu/ces/strategies/benefits.html>]

Iowa State University Fee Review Committee. 2003.
[\[www.extension.iastate.edu/admin/reports.html#fee\]](http://www.extension.iastate.edu/admin/reports.html#fee)

Jesse, E. 1999. CALS Extension Program Revenue Accounts: Implementation Rules and Procedures. [www.uwex.edu/ces/strategies/documents/CALSPRRules.pdf]

Kalambokidis, L. 2004. Journal of Extension. Identifying the Public Value in Extension Programs.

Laband and Lenz. 2004. Journal of Extension. Which Universities Should Provide Extension Services?

Ohio State University Extension Cost Recovery Policies. 2004. [www.ag.ohio-state.edu/cost/section1.html]

Shepard, R. 2004. Unpublished paper for the Task Force on New Strategies for Enhancing Relationships with Local Governments. What is the Issue of Public Good versus Private Good? [www.uwex.edu/ces/strategies/documents/pubvsprivgood.pdf]

Smith-Lever Act [www.uwex.edu/ces/strategies/documents/SMITH-LEVERACT.pdf]

WACEC (Wisconsin Association of County Extension Committees) Resolution. 1989.

Appendix I

Core Staff Definition

Core faculty and staff are the long term, securely funded faculty or staff who create the base of a local extension program or a campus based administrative unit. In most county offices each program area has one core staff position whose work is augmented by staff funded with grants, contracts or other local resources. However, sometimes counties choose to have a different staffing mix which is developed in partnership with the university. Counties with limited resources may be financially unable to have core positions in all program areas. Again, decisions to determine core staff are made using a collaborative process between county and state partners and local stakeholders.

Appendix II

Cooperative Extension Core Values

WE VALUE

Research, scholarship and community knowledge. We apply research to address local issues and concerns. We hold ourselves accountable for the highest standards of scholarship. We respect and apply the knowledge of the people we serve.

Local needs and interests. We build the capacity of citizens to engage in the public work that helps them solve their own problems. The local community provides the context for our work. To address local needs, our continuing local presence is vital.

Excellence and innovation. We explore new approaches to meeting educational needs. We demonstrate the highest standards for program quality and effectiveness.

Partnerships. We seek partnerships with county, tribal, state and federal governments, private and public organizations, campus and county staff, volunteers and community residents. Our success depends on shared interests, responsibility, resources and recognition.

Honesty and Integrity. We are stewards of the public's trust and resources. We create respectful, supportive work environments by acting on our organization's values.

Diversity. We seek diversity in our faculty, staff and clientele and welcome differences in people, ideas, programs and partnerships.

People are our most important resource. We continuously improve the practices that enable us to hire and retain the highest quality workforce. We embrace open communication and strive to improve our workplace.

Appendix III

UW-EXTENSION - APPLICABLE INDIRECT COSTS RATES (EFFECTIVE 7-1-96)

SOURCE OF FUNDS	INDIRECT COST RATE					
	28% MTDC	26% MTDC	15% OF TDC	8% OF TDC	STIPULATED BY DONOR'S WRITTEN POLICY	NONE
Gifts (must meet all gift criteria)						X
FEDERAL FUNDS						
A. Federal Agencies:						
(on-campus)(unless regulatory restriction)	X					
(off-campus)		X				
B. Federal Pass Through (All sources except State of WI, and other WI governmental units):						
(on-campus)	X					
(off-campus)		X				
Exception, entity with established lower rate that differs from full rate.					X	
C. Federal Pass Through Funds from Wisconsin State Agencies, Counties, Municipalities, or Local Govt. Units:						
1. (All agencies except DHSS, DPI and WTCS)			X			
2. (DHSS, Div of Health & DHSS, Div of Community Svc)			X			
3. (DPI, WTCS and all other divisions of DHSS)				X		
NON-FEDERAL FUNDS						
A. Non-Profit Entities:						
1. Wisconsin Government Units:						
Funded with GPR Funds						X
Partnership agreements with Cooperative Extension & WI Counties, & WHA-TV/Radio and ECB						X
Other than above **			X			
2. Sanctioned Support Entities (i.e. Friends of WHA-TV)						X
3. Other Non-Profit Agencies:						
(on-campus)	X					
(off-campus)		X				
Exception, entity with established lower rate that differs for full rate. TDC					X	
B. For Profit Entities:						
(on-campus)	X					
(off-campus)		X				

MTDC: The Modified Total Direct Cost base is defined as total direct cost excluding capital equipment expenditures, tuition remission, that portion of each subaward **IN EXCESS OF \$25,000**, charges for rental costs, scholarships and fellowships. **TDC:** Total Direct Costs is defined as all direct costs. **OFF-CAMPUS Definition:** When project personnel who are performing project activities do not have access to the facilities at UW-Extension, the project is considered off-campus. The off-campus rate will apply when, a. more than 50 percent of federally supported personnel cost are incurred off-campus during the budget period, **and** b. more than 50 percent of the scope of project activities are performed at facilities that are off-campus, **and/or** c. rent is charged directly to a project where the activities are performed in non-owned institutional facilities. If more than 50 percent of the project is performed off-campus, the off-campus rate will apply to the entire project. Grants or contracts normally will not be subject to more than one indirect cost rate. **Note: the indirect cost rate for cost share can not exceed the maximum indirect cost rate of a federal award, and must be the rate designated in the budget of any non-federal award (i.e. Federal award at off-campus rate, the cost share indirect cost rate applied to any salary and fringe benefits would be our off-campus rate)**

EXCEPTIONS TO ANY OF THE ABOVE WILL REQUIRE THE APPROVAL OF THE CHANCELLOR OR HIS/HER DESIGNEE.

** 15 percent TDC will be requested with the following clarifying statement attached to the budget. If funded from state GPR funds or Nonfederal funds that do not provide indirect costs, indirect costs should be excluded from the award.

Suggested Cost Recovery Continuum

Public Good



Private Good

No Cost Recovery

Program is primary and fundamental to the mission of The University of Wisconsin.

Program is imperative that a need be met and the audience has no or limited means of payment.

Program is clearly in the overall interests of the community, and individual benefit is secondary to public good.

Content and materials are available broadly and may be shared with others.

Time needed to develop the program is reasonable and part of the overall plan of work.

Time needed to deliver the program is reasonable and part of the educator's work assignment.

Subject matter expertise fits Extension priorities and is immediately available.

Program costs are already covered by Extension funding and/or contractual funding of a partner.

No formal certification or credits are offered.

Partial Cost Recovery

The program has both public good and personal gain associated with the content, information and/or materials.

Program or service is targeted and content specific for a group where public good and personal gain or within a reasonable balance.

Program or service is based on existing programs that are modified or customized for a specific individual, business or narrowly defined group.

Program has clearly designated logistical costs of materials, supplies and/or delivery charges, where the benefit is to a specific group or specific set of individual for their use is overshadowed by the potential for person gain.

Alternative funding for the program is possible from the group or individuals which personally gain from the program's content.

Full Cost Recovery

Program benefits a specific group and/or private interest.

Program offers principal benefit in individual profit.

Content and materials require customizing the curriculum/product for the benefit of a specific group.

Materials are available only to those identified by the specific group.

Time needed to deliver the program exceeds what is reasonable and available within the educators planned work.

Subject matter is appropriate for Extension, but current educator(s) need to acquire expertise and/or training for the specific programming.

Academic credit and/or some type of Continuing Education Units or Certification may be involved.

Appendix V

Steps to Being Proactive

The pressures of revenue generation, cost recovery and program fees seem inevitable. While most local Extension offices enjoy strong public support it is important wherever possible to strengthen your local relationships with stakeholders, elected officials and citizens. Here are a few ideas for being proactive in your understanding of fee related issues and in your local relationships with stakeholders.

- ✓ Work to understand the financial leveraging that already exists in your programs, and find ways to tell that story, especially in ways that illustrate value added messages for existing programs.
- ✓ Where appropriate, utilize the County Partner Advisory Groups to discuss the program leveraging and real program costs, especially in ways to identify future pressures to charge fees and recover program costs.
- ✓ Consider where your programs may overlap with other public good entities (SBDCs, health and social services), and begin to anticipate where there may be perceptions of duplication.
- ✓ Department Heads and District Directors are encouraged to have internal discussions about both real and perceived pressures the county office is feeling related to fees and generating revenues.
- ✓ Dedicate time during internal staff meetings (including district meetings) to discuss how individual program areas are addressing cost recovery in an effort to identify policy needs and to encourage local uniformity, and sharing what is happening across county and the district.
- ✓ Communicate with District Directors and Program Leaders about fees and cost recovery pressures, especially those issues that involve cross-county, cross-campus and center partners.

Appendix VI

UW Extension – Task Force on New Strategies for Enhancing Relationships with Local Governments
December 9-10, 2003 [Milwaukee, WI]

Panel Discussion: Education for The Public Good

**Comments by: Robin Shepard, State Program Leader, Community, Natural Resources and
Economic Development.**

[See <http://www.uwex.edu/ces/admin/documents/pubvsprivgood.pdf>]