

RCM/PBB Committee Update

CFA Faculty Meeting

April 22, 2013

Value Statement

- Uphold and strengthen the University's ability to provide:
 - Superb undergraduate and graduate student learning
 - Excellence in research, scholarship, and creative works
 - Quality health care outcomes, and
 - Service to our communities

Guiding Principles

- Collaborative, highly consultative process
- Shadow system for FY14, implementation in FY15
- Outcomes will be directive, not punitive
- Strive for simplicity
- Promote and enhance transparency and accountability
- Align authority and responsibility
- Can only be held accountable for what you can control
- All funding will be linked to performance (Academic and Support)

Objectives

- Establish a baseline of performance and resource allocation to facilitate ongoing improvement
- Develop financial and non-financial goals
- Incentivize revenue generation and cost effectiveness in support of our values
- Introduce a financial perspective into decision making to
 - Optimize the delivery of the curriculum
 - Direct future investments strategically

Overview of Sample Planning Models

To fully understand the implications of RCM Model implementation, several models employed at other institutions were run with UNM data:

- “Classic” Tax and Square Footage
 - Employ an across the board tax for overhead (13.8% for Provost, 21.3% for University) and a facility fee of \$11.08/SqFt
- “Classic” with 50/50 Tuition
 - Similar to Model 1, but with Tuition revenue allocated 50% to department delivering instruction and 50% allocated to department of student’s declared major
- “Minnesota” Model
 - Allocate 100% of tuition revenue to colleges delivering instruction and 100% of state formula funding to central administration. Formula funding pays for overhead and remainder is used to subsidize unprofitable colleges
- “Minnesota” Model with 50/50 Tuition
 - Similar to Model 3, but with Tuition revenue allocated 50% to department delivering instruction and 50% allocated to department of student’s declared major
- Overhead based on Student Credit Hours
 - Similar to Model 1, but allocates overhead on a per-SCH basis rather an tax on revenue
- Overhead based on “Usage”
 - Similar to Model 1, but allocated overhead based on various “usage” metrics

Summary of Sample Models

- All models investigated would require significant post-RCM redistributions
 - Highlight existing cross-subsidies in the system
 - Result of 30 years of incremental based budgeting
 - State Funding Formula was historically viewed as a “generator” of \$, not an “allocator”
 - No direct historical link between revenue generation and budget allocation
 - Not necessarily good or bad, just a reflection of the current organizational structure

Next Steps

- How can we create a model that incorporates the benefits of an RCM approach while recognizing the uniqueness of UNM and minimizing disruption in the units?
 - Focus on continuous improvement
 - Recognize that the “raw” numbers are relatively unimportant
 - Develop strategies and incentives that will move units that are “in the black” further into the black and units that are “in the red” less in the red
 - Provide a governance structure that adds necessary context to understanding the data and directing investments
- Develop implementation team to coordinate “detailing” process
 - Shadow system for FY14 (compare budget to actuals to projections)
 - Transparent, iterative process

College Gross Instructional Revenue

Instructional/Direct Revenues				
College	State Funding Formula	Tuition	Course/Lab Fees	Total
ASM	\$12,973,325	\$10,232,936	\$471,090	\$23,677,351
A&S	\$70,112,231	\$69,191,739	\$804,496	\$140,108,466
COE	\$18,066,380	\$12,758,952	\$255,980	\$31,081,313
CFA	\$7,922,098	\$8,404,634	\$1,297,571	\$17,624,303
CON	\$5,077,562	\$4,417,458	\$91,940	\$9,586,960
COP	\$7,914,643	\$8,025,210	\$0	\$15,939,853
Provost/AA	\$747,283	\$260,736	\$0	\$1,008,019
SAAP	\$4,611,031	\$3,006,892	\$198,674	\$7,816,597
SOE	\$15,633,558	\$5,731,894	\$480,060	\$21,845,512
SOL	\$4,838,068	\$5,424,998	\$0	\$10,263,066
SOM	\$8,933,297	\$3,397,710	\$159,594	\$12,490,602
SPA	\$1,315,096	\$708,754	\$15,395	\$2,039,246
UC	\$2,219,740	\$2,553,921	\$99,695	\$4,873,355
UL	\$27,387	\$17,342	\$0	\$44,728
Total	\$160,391,700	\$134,133,177	\$3,874,495	\$298,399,372

College Gross “Other” Revenue

Department & College Semi-Direct UR Revenues						
College	Fundraising	Research	Sales/Service	State Appropriation	Student Fees	Grand Total
ASM	\$784,200	\$93,450	\$509,363	\$0	\$0	\$1,387,013
A&S	\$1,529,647	\$8,783,596	\$2,502,679	\$404,991	\$98,552	\$13,319,465
COE	\$413,401	\$328,981	\$141,776	\$419,200	\$9,509	\$1,312,867
CFA	\$619,411	\$57,125	\$1,110,201	\$0	\$100,851	\$1,887,588
CON	\$504,060	\$142,586	\$218,110	\$0	\$0	\$864,756
COP	\$294,414	\$730,311	\$320,807	\$1,669,618	\$0	\$3,015,150
Provost/AA	\$6,308	\$0	\$6,440	\$0	\$0	\$12,748
SAAP	\$625,044	\$82,794	\$82,370	\$0	\$0	\$790,208
SOE	\$706,576	\$5,071,517	\$576,293	\$348,100	\$0	\$6,702,486
SOL	\$1,084,640	\$446,510	\$1,535,025	\$784,400	\$217,042	\$4,067,617
SOM	\$63,729	\$98,887	\$1,737,308	\$0	\$114,182	\$2,014,106
SPA	\$89,210	\$0	\$618	\$0	\$0	\$89,828
UC	\$236,359	\$767	\$22,946	\$0	\$34,674	\$294,746
UL	\$0	\$49,744	\$0	\$0	\$0	\$49,744
Total	\$6,956,999	\$15,886,268	\$8,763,936	\$3,626,309	\$574,810	\$35,808,322

College Unrestricted Expenses

Department & College UR Expenses								
College	Faculty Salary	Labor	Fringe	Supplies	Travel	Equipment	Other	Total
ASM	\$7,420,729	\$2,695,387	\$2,604,646	\$852,365	\$342,429	\$193,625	\$582,895	\$14,692,075
A&S	\$42,338,628	\$11,629,624	\$13,895,469	\$3,624,844	\$1,106,384	\$953,960	\$1,623,896	\$75,172,806
COE	\$9,768,342	\$3,940,318	\$3,529,636	\$1,000,346	\$241,000	\$263,656	\$437,691	\$19,180,989
CFA	\$7,191,734	\$3,352,234	\$2,714,807	\$1,369,355	\$289,800	\$341,938	\$1,056,319	\$16,316,187
CON	\$3,868,580	\$2,241,146	\$1,573,101	\$278,701	\$113,796	\$32,049	\$602,347	\$8,709,720
COP	\$3,672,872	\$3,253,081	\$1,783,259	\$563,891	\$222,435	\$13,283	\$836,228	\$10,345,050
Provost/AA		\$154,149	\$39,689	\$27,581	\$4,516	\$3,224	\$21,458	\$250,617
SAAP	\$2,534,190	\$871,369	\$876,846	\$338,878	\$88,315	\$43,560	\$112,144	\$4,865,302
SOE	\$10,084,919	\$4,427,026	\$3,736,461	\$1,499,151	\$389,169	\$411,743	\$606,747	\$21,155,215
SOL	\$3,542,249	\$4,535,651	\$2,079,856	\$1,735,664	\$262,453	\$126,331	\$1,535,975	\$13,818,180
SOM	\$4,079,407	\$3,366,090	\$1,917,028	\$510,200	\$182,581	\$153,559	\$1,218,571	\$11,427,436
SPA	\$807,405	\$149,150	\$246,289	\$57,562	\$23,308	\$3,167	\$106,225	\$1,393,106
UC	\$1,440,917	\$827,570	\$584,078	\$213,413	\$153,580	\$26,045	\$135,913	\$3,381,516
UL	\$8,000	\$0	\$2,060	\$0	\$0	\$0	\$0	\$10,060
Total	\$96,757,972	\$41,442,796	\$35,583,226	\$12,071,950	\$3,419,765	\$2,566,139	\$8,876,411	\$200,718,258

College Gross Contribution

Gross Department & College Level Gross Unrestricted Controllable Contribution			
College	Revenue	Expense	Gross Contribution
ASM	\$25,064,364	\$14,692,075	\$10,372,289
A&S	\$153,427,931	\$75,172,806	\$78,255,125
COE	\$32,394,180	\$19,180,989	\$13,213,191
CFA	\$19,511,892	\$16,316,187	\$3,195,705
CON	\$10,451,716	\$8,709,720	\$1,741,997
COP	\$18,955,004	\$10,345,050	\$8,609,954
Provost/AA	\$1,020,767	\$250,617	\$770,149
SAAP	\$8,606,805	\$4,865,302	\$3,741,503
SOE	\$28,547,998	\$21,155,215	\$7,392,783
SOL	\$14,330,683	\$13,818,180	\$512,503
SOM	\$14,504,708	\$11,427,436	\$3,077,272
SPA	\$2,129,074	\$1,393,106	\$735,968
UC	\$5,168,101	\$3,381,516	\$1,786,585
UL	\$94,472	\$10,060	\$84,412
Total	\$334,207,694	\$200,718,258	\$133,489,436

Provost Overhead/Subsidy Detail

Provost Level Units	Revenue	Expense	Gross Contribution
Continuing Education	\$4,245,162	\$5,281,621	(\$1,036,459)
Enrollment	\$321,458	\$7,134,494	(\$6,813,036)
International Programs	\$442,407	\$1,637,272	(\$1,194,865)
Libraries	\$2,466,743	\$16,786,643	(\$14,319,900)
Provost	\$4,234,070	\$14,595,159	(\$10,361,088)
Research	\$8,988,781	\$11,567,243	(\$2,578,462)
Student Affairs	\$6,858,922	\$10,498,095	(\$3,639,173)
HSC	\$314,377	\$3,589,218	(\$3,274,842)
Total	\$27,871,920	\$71,089,746	(\$43,217,826)

Total amount of Provost OH/Subsidy

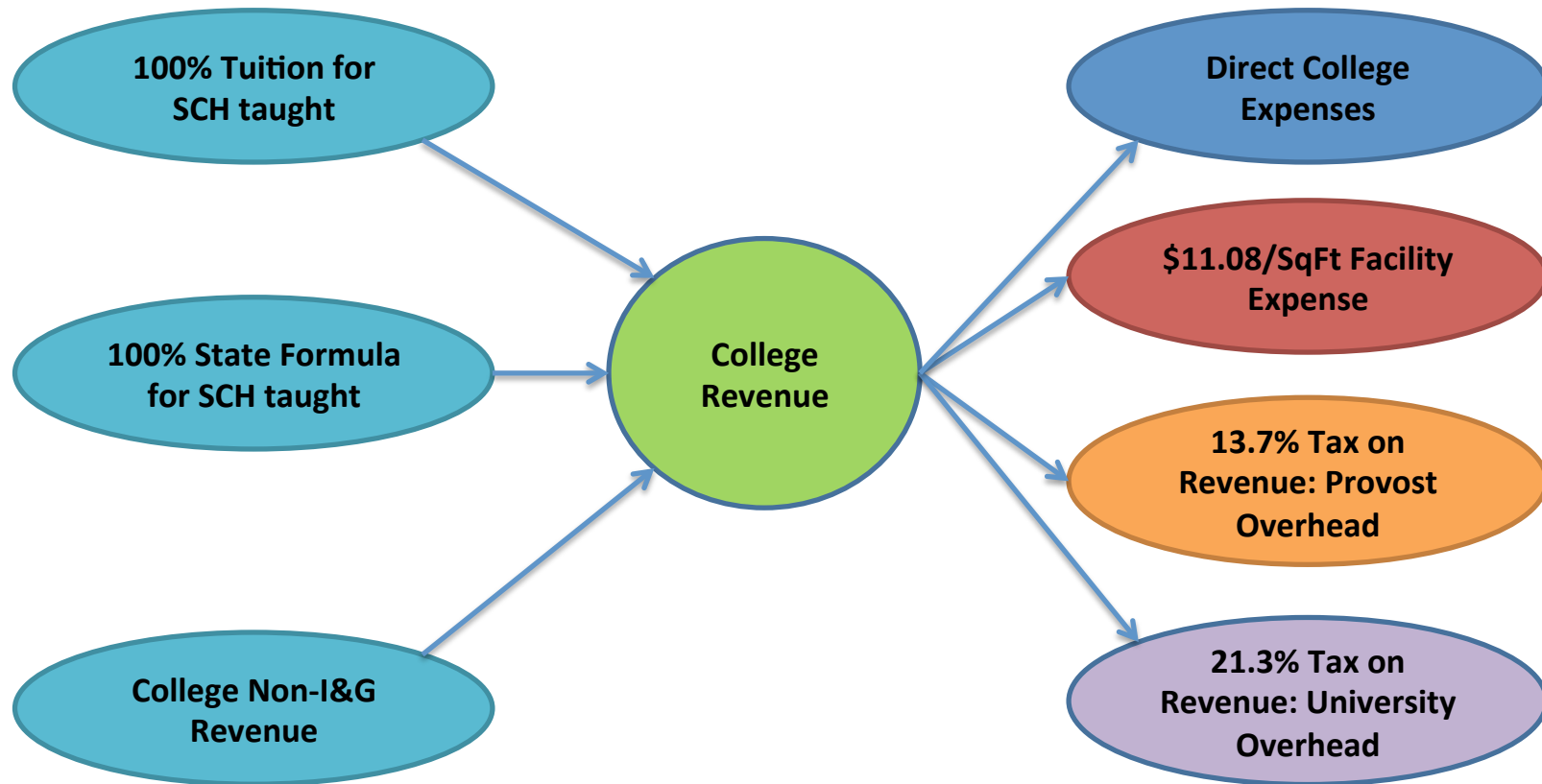
University Overhead/Subsidy Detail

University Level Units	Revenue	Expense	Gross Contribution
Auxiliaries	\$75,057,325	\$66,453,989	\$8,603,336
Athletics	\$33,830,605	\$35,236,634	(\$1,406,029)
Equity & Inclusion	\$330,003	\$1,500,769	(\$1,170,766)
Executive	\$20,311,285	\$29,372,866	(\$9,061,581)
Facilities	\$7,794,183	\$50,646,771	(\$42,852,587)
Human Resources	\$629,886	\$5,649,754	(\$5,019,868)
Information Technology	\$9,401,324	\$17,113,466	(\$7,712,142)
Scholarships	\$33,386,836	\$45,343,696	(\$11,956,860)
Debt Service	\$20,455,488	\$41,135,312	(\$20,679,824)
HSC*	\$4,630,021	\$3,565,325	\$1,064,696
Total	\$205,826,957	\$296,018,583	(\$90,191,626)

*Includes annual HSC transfer to main campus

Total amount of University OH/Subsidy

Classic Tax & Square Footage

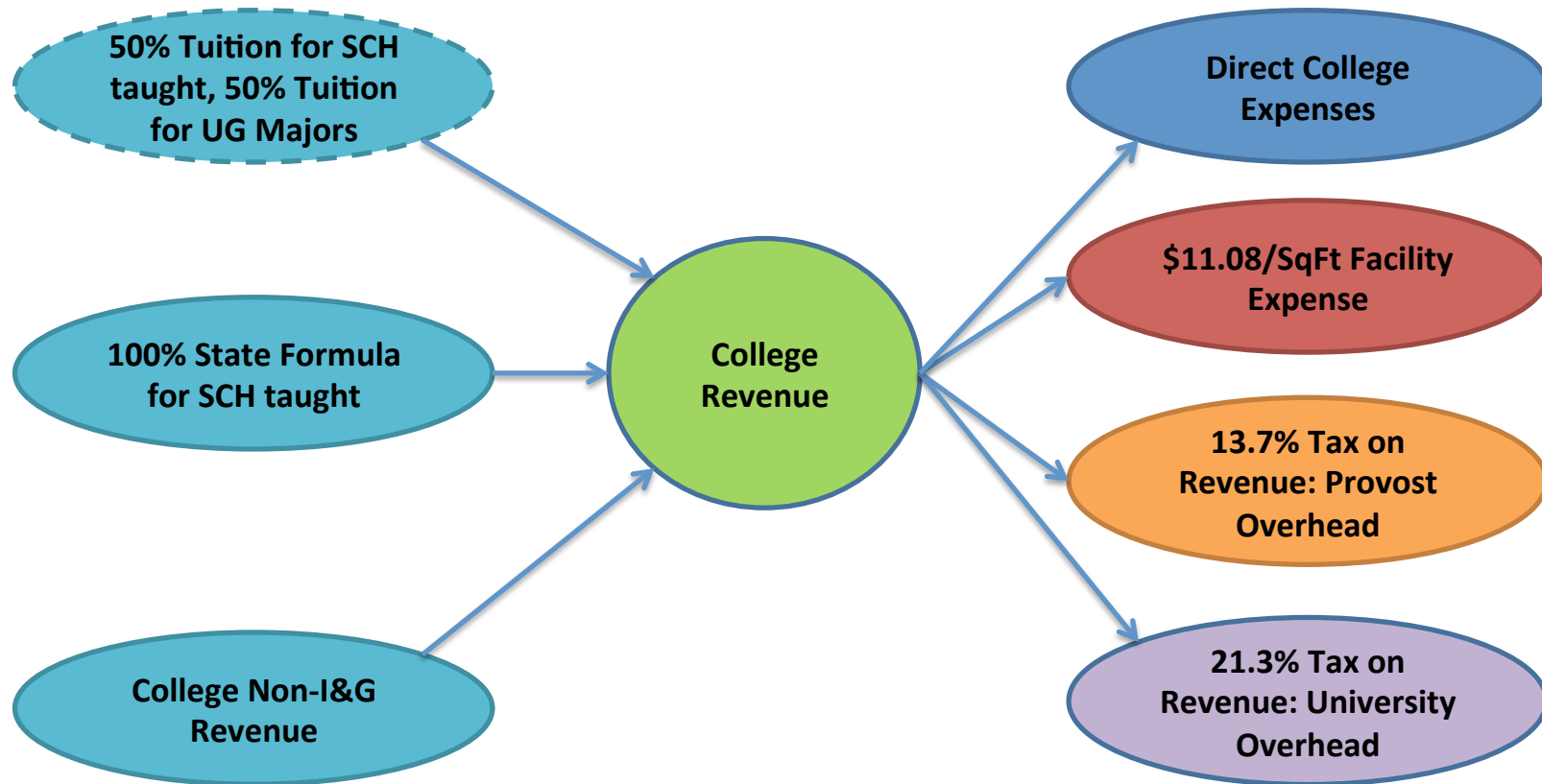


Classic Tax & Square Footage

- All Colleges Pay \$11.08/SqFt for Facilities; 13.7% Tax on Revenue for Provost OH; 21.3% Tax on Revenue for University OH
- 100% of Tuition and State Formula Allocated to Department Delivering Instruction
- Unrestricted Funds Only; Fringe Benefits Distributed with Labor

College	Gross Revenue	Direct Expense	Facility Cost - \$11.08/SqFt	Provost OH - 13.7%	Institution OH - 21.3%	Net Contribution
ASM	\$25,064,364	\$14,692,075	\$352,037	\$3,448,703	\$5,332,282	\$1,239,267
A&S	\$153,427,931	\$75,172,806	\$6,987,354	\$21,110,742	\$32,640,802	\$17,516,228
COE	\$32,394,180	\$19,180,989	\$2,512,945	\$4,457,240	\$6,891,653	(\$648,647)
CFA	\$19,511,892	\$16,316,187	\$2,846,691	\$2,684,717	\$4,151,029	(\$6,486,732)
CON	\$10,451,716	\$8,709,720	\$311,403	\$779,471.77	\$2,223,535	(\$1,572,414)
COP	\$18,955,004	\$10,345,050	\$622,523	\$1,413,632.93	\$4,032,555	\$2,541,244
Provost/AA	\$1,020,767	\$250,617	\$0	\$140,451	\$217,162	\$412,536
SAAP	\$8,606,805	\$4,865,302	\$612,747	\$1,184,244	\$1,831,042	\$113,470
SOE	\$28,547,998	\$21,155,215	\$2,725,873	\$3,928,029	\$6,073,402	(\$5,334,522)
SOL	\$14,330,683	\$13,818,180	\$1,189,686	\$1,971,814	\$3,048,760	(\$5,697,757)
SOM	\$14,504,708	\$11,427,436	\$609,653	\$1,081,737.19	\$3,085,783	(\$1,699,901)
SPA	\$2,129,074	\$1,393,106	\$43,044	\$292,947	\$452,947	(\$52,970)
UC	\$5,168,101	\$3,381,516	\$277,141	\$711,099	\$1,099,480	(\$301,135)
UL	\$94,472	\$10,060	\$0	\$12,999	\$20,098	\$51,315
Total	\$334,207,694	\$200,718,258	\$19,091,096	\$43,217,826	\$71,100,530	\$79,984

Classic with 50/50 Tuition

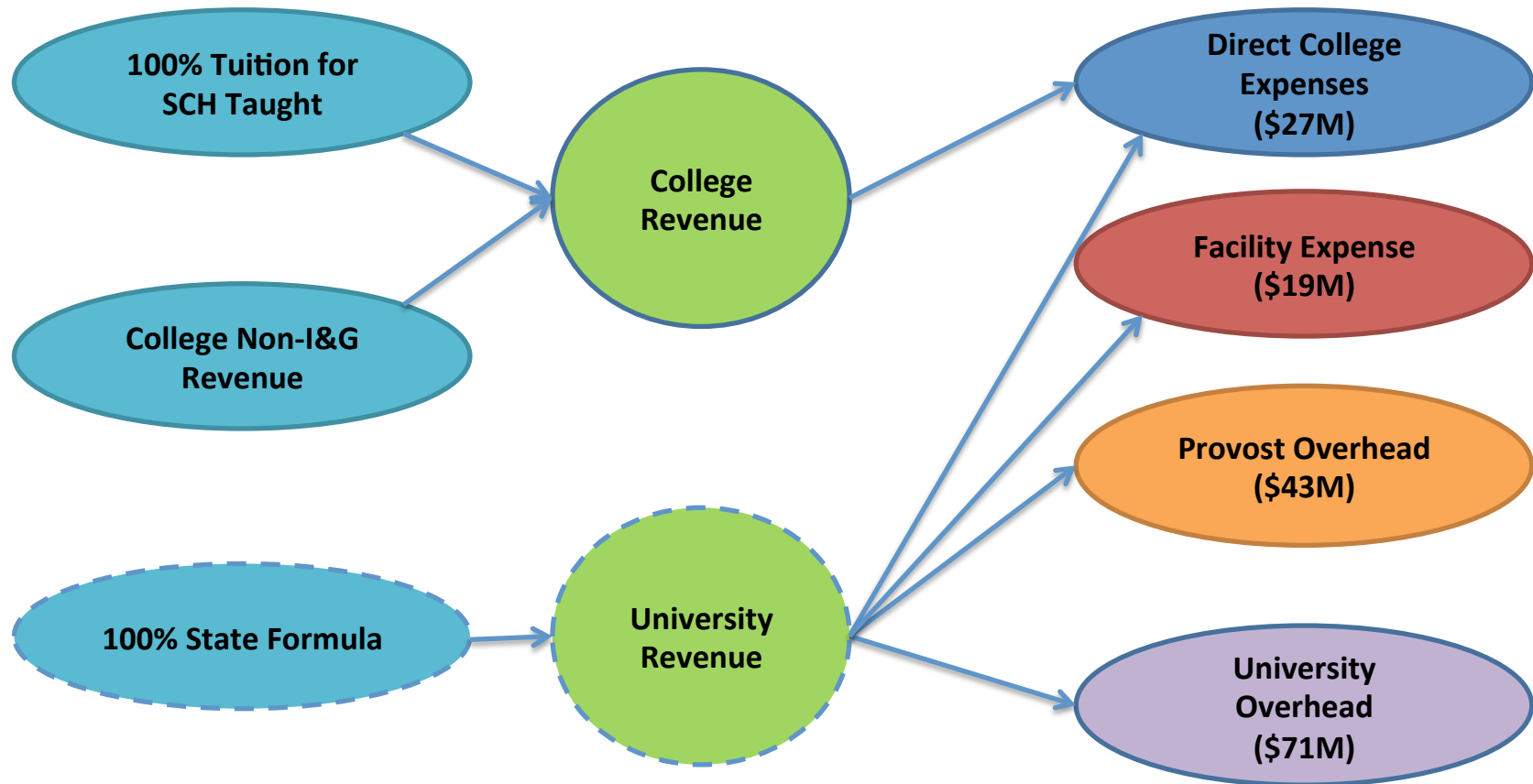


Classic with 50/50 Tuition

- All Colleges Pay \$11.08/SqFt for Facilities; 13.7% Tax on Revenue for Provost OH; 21.3% Tax on Revenue for University OH
- UG Tuition Revenue split 50% to Department Delivering Instruction, 50% to Department of Enrollment
- Unrestricted Funds Only; 100% of State Formula Allocated to Department Delivering Instruction; Fringe Benefits Distributed with Labor

College	Gross Revenue	Direct Expense	Facility Cost - \$11.08/SqFt	Provost OH - 13.7%	Institution OH - 21.3%	Net Contribution
ASM	\$24,990,040	\$14,692,075	\$352,037	\$3,426,232	\$5,316,470	\$1,203,226
A&S	\$136,274,097	\$75,172,806	\$6,987,354	\$18,683,709	\$28,991,435	\$6,438,794
COE	\$30,577,848	\$19,180,989	\$2,512,945	\$4,192,342	\$6,505,240	(\$1,813,667)
CFA	\$18,875,448	\$16,316,187	\$2,846,691	\$2,587,897	\$4,015,630	(\$6,890,957)
CON	\$9,549,975	\$8,709,720	\$311,403	\$729,455.32	\$2,031,696	(\$2,232,299)
COP	\$18,955,004	\$10,345,050	\$622,523	\$1,447,839.25	\$4,032,555	\$2,507,038
Provost/AA	\$1,045,573	\$250,617	\$0	\$143,352	\$222,439	\$429,164
SAAP	\$8,134,450	\$4,865,302	\$612,747	\$1,115,265	\$1,730,552	(\$189,416)
SOE	\$29,449,083	\$21,155,215	\$2,725,873	\$4,037,584	\$6,265,102	(\$4,734,692)
SOL	\$14,330,683	\$13,818,180	\$1,189,686	\$1,964,792	\$3,048,760	(\$5,690,736)
SOM	\$14,369,008	\$11,427,436	\$609,653	\$1,097,547.31	\$3,056,914	(\$1,822,541)
SPA	\$2,129,074	\$1,393,106	\$43,044	\$291,904	\$452,947	(\$51,927)
UC	\$25,439,727	\$3,381,516	\$277,141	\$3,487,886	\$5,412,138	\$12,881,047
UL	\$87,685	\$10,060	\$0	\$12,022	\$18,654	\$46,949
Total	\$334,207,694	\$200,718,258	\$19,091,096	\$43,217,826	\$71,100,530	\$79,984 <small>17</small>

Minnesota Model

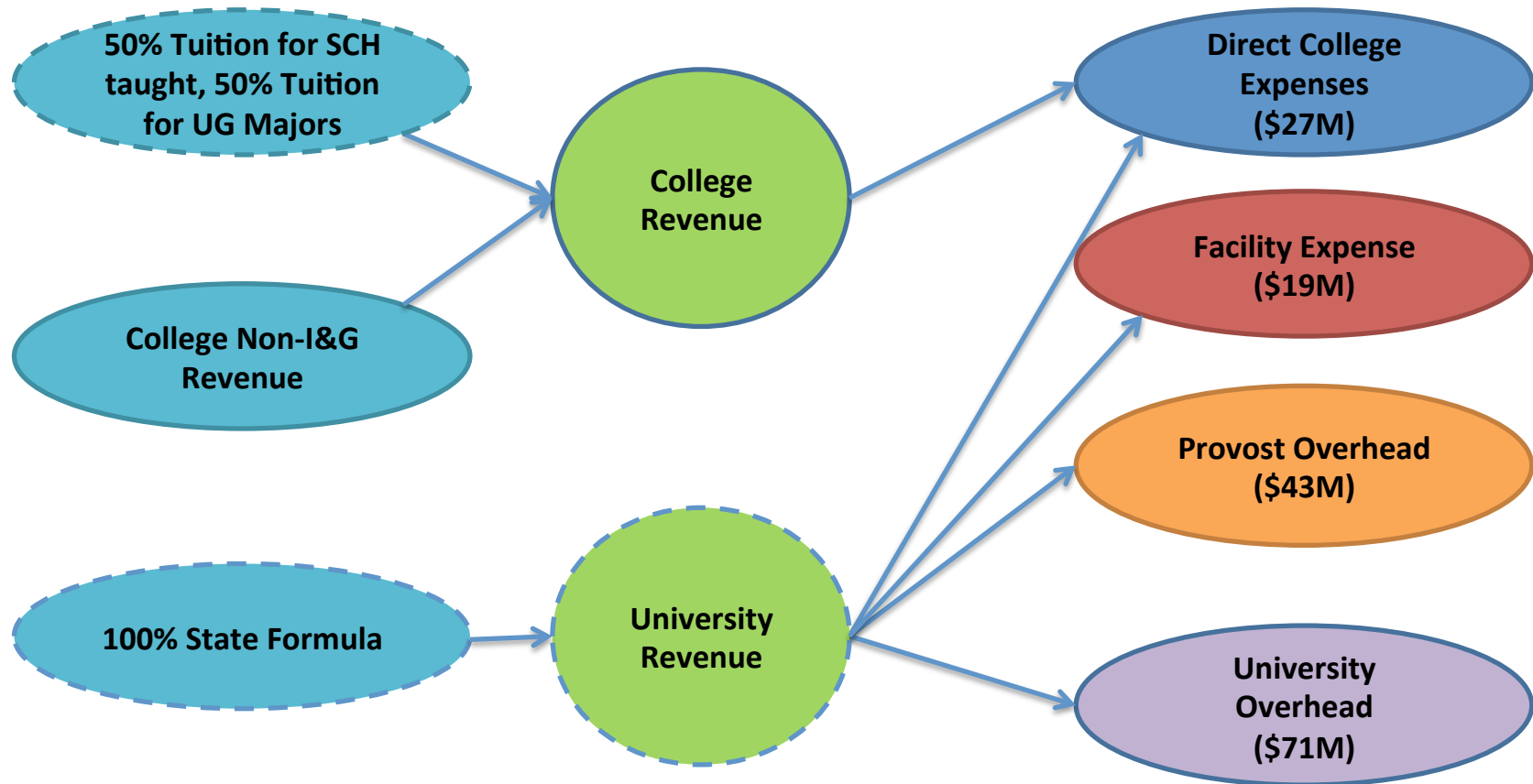


Minnesota Model

- 100% of State Formula Funding Allocated to Central Administration. Formula Funding Pays for University and Provost OH. Remaining Funds Subsidize Unprofitable Colleges
- Unrestricted Funds Only; 100% of Tuition Allocated to Department Delivering Instruction; Fringe Benefits Distributed with Labor
- State Subsidy is the Amount of State Funding Allocated to College by Administration to Subsidize Activities. State % is the Amount of Subsidy as a % of Revenue. Net Contribution is Level of Profit/Loss Formula Subsidy is Applied.

College	Gross Revenue	Direct Expense	State Subsidy	State Subsidy (% of Revenue)	Net Contribution
ASM	\$12,091,039	\$14,692,075	\$1,959,271	16%	(\$641,765)
A&S	\$83,315,700	\$75,172,806	\$0	0%	\$8,142,894
COE	\$14,327,799	\$19,180,989	\$3,655,741	26%	(\$1,197,448)
CFA	\$11,589,793	\$16,316,187	\$3,560,230	31%	(\$1,166,164)
CON	\$5,374,154	\$8,709,720	\$2,512,567	47%	(\$822,999)
COP	\$11,040,361	\$10,345,050	\$0	0%	\$695,311
Provost/AA	\$273,484	\$250,617	\$0	0%	\$22,866
SAAP	\$3,995,774	\$4,865,302	\$654,985	16%	(\$214,542)
SOE	\$12,914,440	\$21,155,215	\$6,207,493	48%	(\$2,033,282)
SOL	\$9,492,615	\$13,818,180	\$3,258,299	34%	(\$1,067,265)
SOM	\$5,571,410	\$11,427,436	\$4,411,143	79%	(\$1,444,883)
SPA	\$813,977	\$1,393,106	\$436,238	54%	(\$142,891)
UC	\$2,948,361	\$3,381,516	\$326,281	11%	(\$106,874)
UL	\$67,085	\$10,060	\$0	0%	\$57,026
Total	\$173,815,994	\$200,718,258	\$26,982,248	16%	\$79,984

Minnesota Model w/ 50/50 Tuition

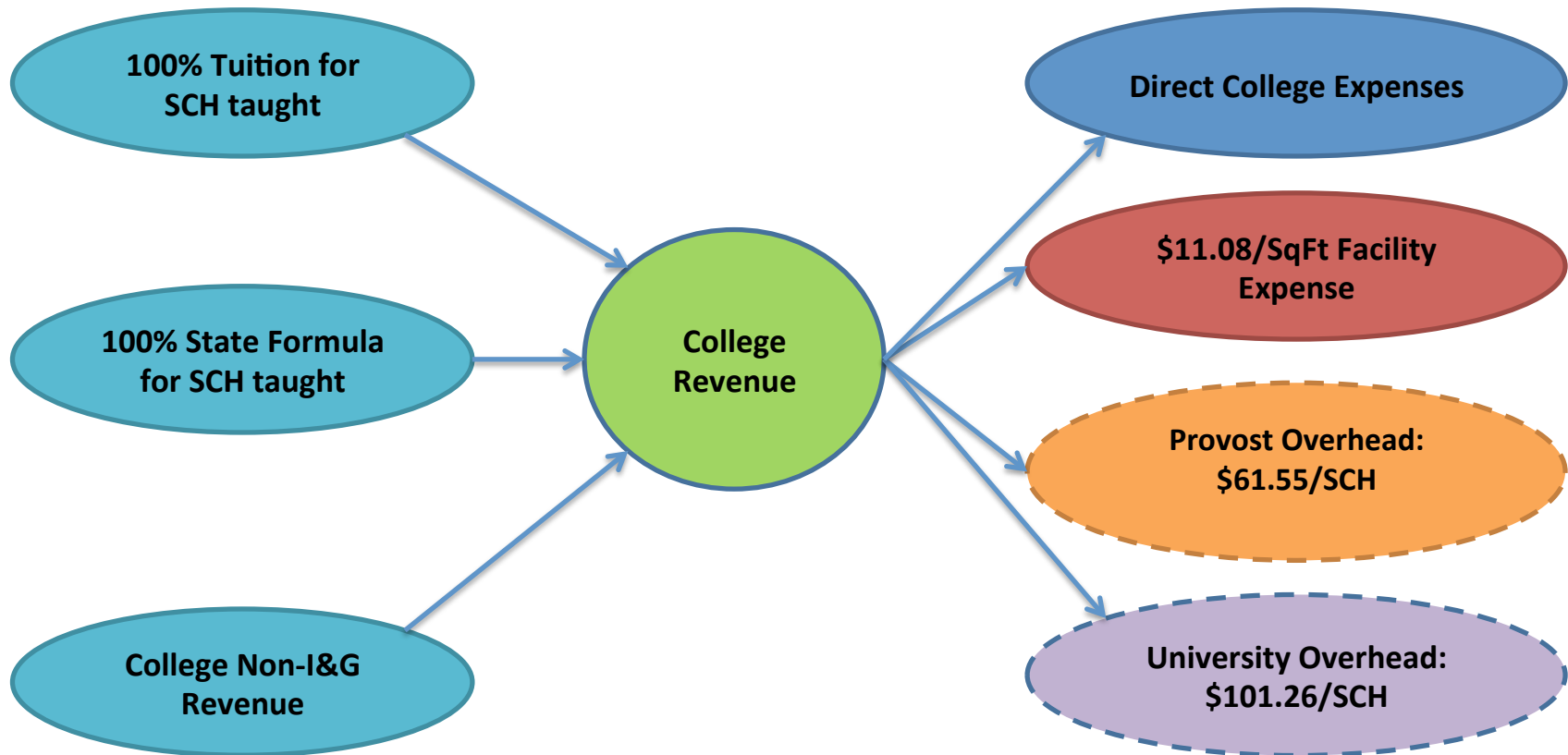


Minnesota Model w/ 50/50 Tuition

- 100% of State Formula Funding Allocated to Central Administration. Formula Funding Pays for University and Provost OH. Remaining Funds Subsidize Unprofitable Colleges
- Unrestricted Funds Only; UG Tuition Revenue split 50% to Department Delivering Instruction, 50% to Department of Enrollment; 100% of Graduate Tuition Revenue to Department Delivering Instruction; Fringe Benefits Distributed with Labor
- State Subsidy is the Amount of State Funding Allocated to College by Administration to Subsidize Activities. State % is the Amount of Subsidy as a % of Revenue. Net Contribution is Level of Profit/Loss Formula Subsidy is Applied.

College	Gross Revenue	Direct Expense	State Subsidy	State Subsidy (%of Revenue)	Net Contribution
ASM	\$13,718,579	\$14,692,075	\$873,526	6%	(\$99,970)
A&S	\$76,229,638	\$75,172,806	\$0	0%	\$1,056,832
COE	\$14,165,999	\$19,180,989	\$4,499,991	32%	(\$514,998)
CFA	\$13,088,274	\$16,316,187	\$2,896,433	22%	(\$331,480)
CON	\$4,923,135	\$8,709,720	\$3,397,733	69%	(\$388,851)
COP	\$11,040,361	\$10,345,050	\$0	0%	\$695,311
Provost/AA	\$397,900	\$250,617	\$0	0%	\$147,283
SAAP	\$3,827,197	\$4,865,302	\$931,500	24%	(\$106,605)
SOE	\$15,664,333	\$21,155,215	\$4,927,014	31%	(\$563,869)
SOL	\$9,492,615	\$13,818,180	\$3,881,365	41%	(\$444,200)
SOM	\$5,793,886	\$11,427,436	\$5,055,030	87%	(\$578,520)
SPA	\$813,977	\$1,393,106	\$519,657	64%	(\$59,472)
UC	\$4,599,800	\$3,381,516	\$0	0%	\$1,218,284
UL	\$60,298	\$10,060	\$0	0%	\$50,238
Total	\$173,815,994	\$200,718,258	\$26,982,248	16%	\$79,983

Overhead by SCH

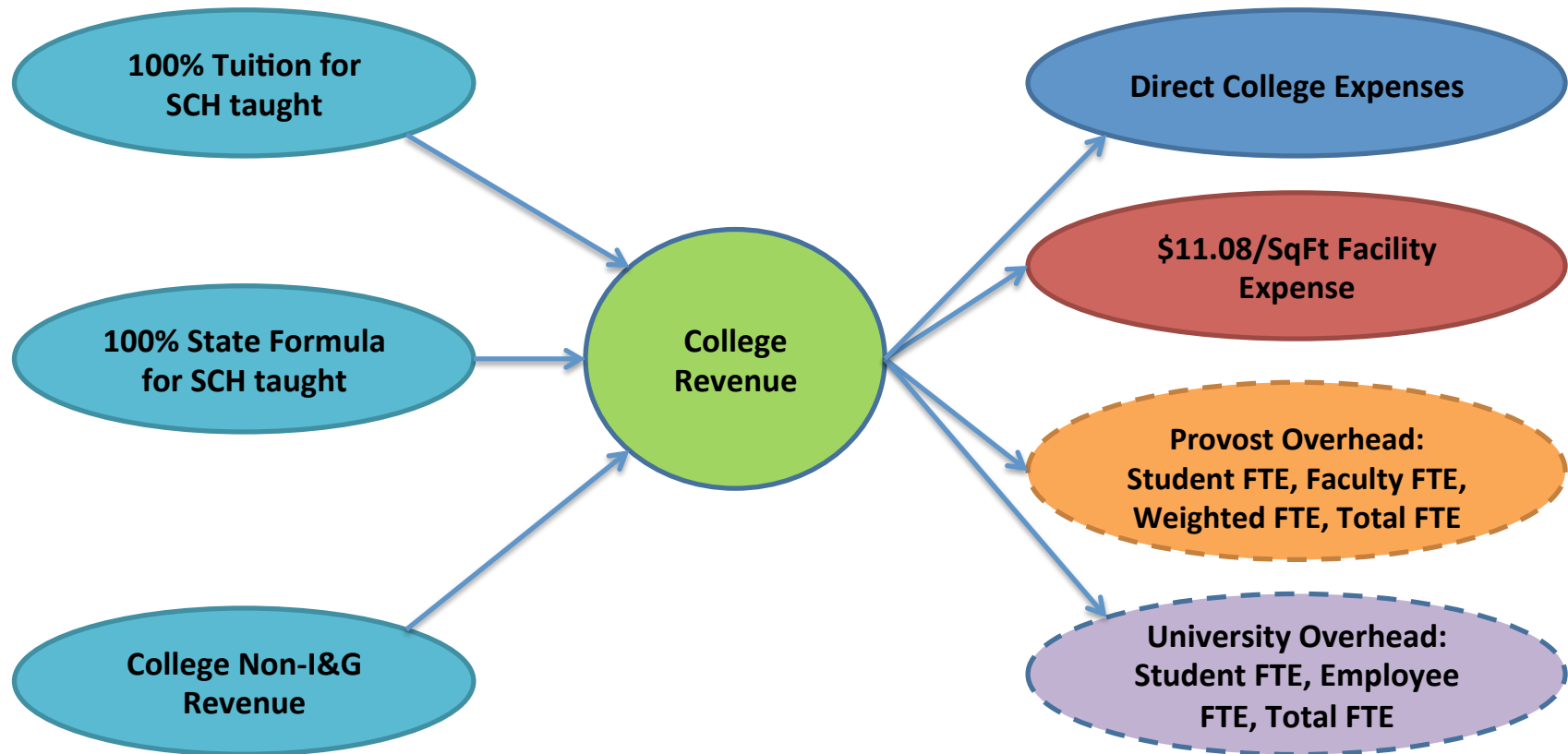


Overhead by SCH

- All Colleges Pay \$11.08/SqFt for Facilities; \$61.55/SCH Provost Overhead, \$101.26/SCH University Overhead
- 100% of Tuition and State Formula Allocated to Department Delivering Instruction
- Unrestricted Funds Only; Fringe Benefits Distributed with Labor

College	Gross Revenue	Direct Expense	Facility Cost - \$11.08/SqFt	Provost OH - \$61.55/SCH	Institution OH - \$101.26/SCH	Net Contribution
ASM	\$25,064,364	\$14,692,075	\$352,037	\$2,830,899	\$4,657,300	\$2,532,053
A&S	\$153,427,931	\$75,172,806	\$6,987,354	\$25,341,694	\$41,691,311	\$4,234,767
COE	\$32,394,180	\$19,180,989	\$2,512,945	\$4,455,492	\$7,330,028	(\$1,085,274)
CFA	\$19,511,892	\$16,316,187	\$2,846,691	\$3,053,769	\$5,023,958	(\$7,728,713)
CON	\$10,451,716	\$8,709,720	\$311,403	\$800,572	\$1,317,074	(\$687,053)
COP	\$18,955,004	\$10,345,050	\$622,523	\$768,258	\$1,263,913	\$5,955,260
Provost/AA	\$1,020,767	\$250,617	\$0	\$95,648	\$157,356	\$517,145
SAAP	\$8,606,805	\$4,865,302	\$612,747	\$922,809	\$1,518,174	\$687,773
SOE	\$28,547,998	\$21,155,215	\$2,725,873	\$2,047,499	\$3,368,477	(\$749,067)
SOL	\$14,330,683	\$13,818,180	\$1,189,686	\$646,145	\$1,063,016	(\$2,386,343)
SOM	\$14,504,708	\$11,427,436	\$609,653	\$1,131,092	\$1,860,834	(\$524,306)
SPA	\$2,129,074	\$1,393,106	\$43,044	\$184,279	\$303,169	\$205,477
UC	\$5,168,101	\$3,381,516	\$277,141	\$933,334	\$1,535,489	(\$959,379)
UL	\$94,472	\$10,060	\$0	\$6,340	\$10,430	\$67,643
Total	\$334,207,694	\$200,718,258	\$19,091,096	\$43,217,826	\$71,100,530	\$79,984

Overhead by Usage



Overhead by Usage

- All Colleges Pay \$11.08/SqFt for Facilities; Provost and University Overhead charged based on a colleges portion of “usage” proxies: Student FTE, Faculty FTE, Employee FTE, Total FTE, or Weighted FTE
- 100% of Tuition and State Formula Allocated to Department Delivering Instruction
- Unrestricted Funds Only; Fringe Benefits Distributed with Labor

College	Gross Revenue	Direct Expense	Facility Cost - \$11.08/SqFt	Provost OH	Institution OH	Net Contribution
ASM	\$25,064,364	\$14,692,075	\$352,037	\$3,042,595	\$4,515,918	\$2,461,738
A&S	\$153,427,931	\$75,172,806	\$6,987,354	\$22,795,749	\$37,168,654	\$11,303,369
COE	\$32,394,180	\$19,180,989	\$2,512,945	\$4,851,753	\$7,550,295	(\$1,701,801)
CFA	\$19,511,892	\$16,316,187	\$2,846,691	\$2,954,534	\$5,096,358	(\$7,701,878)
CON	\$10,451,716	\$8,709,720	\$311,403	\$765,485	\$1,679,951	(\$1,014,844)
COP	\$18,955,004	\$10,345,050	\$622,523	\$1,236,606	\$2,399,824	\$4,351,001
Provost/AA	\$1,020,767	\$250,617	\$0	\$77,552	\$150,798	\$541,799
SAAP	\$8,606,805	\$4,865,302	\$612,747	\$1,119,232	\$1,682,437	\$327,086
SOE	\$28,547,998	\$21,155,215	\$2,725,873	\$2,701,868	\$4,582,212	(\$2,617,171)
SOL	\$14,330,683	\$13,818,180	\$1,189,686	\$1,256,401	\$2,122,422	(\$4,056,006)
SOM	\$14,504,708	\$11,427,436	\$609,653	\$1,272,751	\$2,337,290	(\$1,142,422)
SPA	\$2,129,074	\$1,393,106	\$43,044	\$323,834	\$433,843	(\$64,752)
UC	\$5,168,101	\$3,381,516	\$277,141	\$815,394	\$1,374,396	(\$680,346)
UL	\$94,472	\$10,060	\$0	\$4,073	\$6,131	\$74,208
Total	\$334,207,694	\$200,718,258	\$19,091,096	\$43,217,826	\$71,100,530	\$79,984