

# RCM/PBB Committee Update

Discussion Guide

Dean's Council

March 21, 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 Example Models

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

- Model 1 – “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
- Model 2 – “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 enrollment
- Model 3 – “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
- Model 4 – Overhead based on Student Credit Hours
  - Similar to Model 1, but allocates overhead on a per-SCH basis rather an tax on revenue
- Model 5 – Overhead based on “Usage”
  - Similar to Model 1, but allocated overhead based on various “usage” metrics

# 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)
<b>Total</b>	<b>\$27,871,920</b>	<b>\$71,089,746</b>	<b>(\$43,217,826)</b>

Total amount of Provost OH/Subsidy

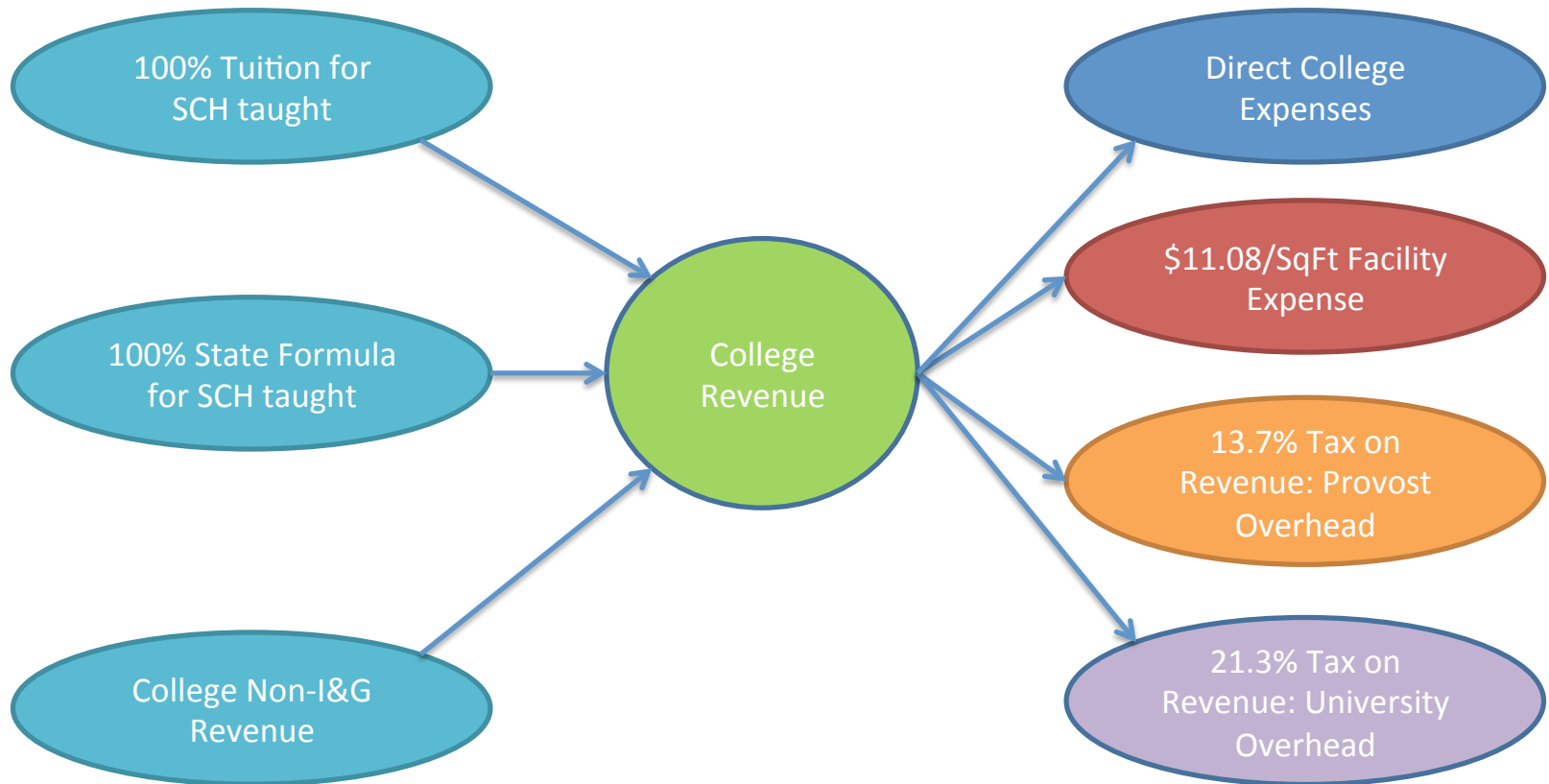
# University Overhead/Subsidy Detail

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
<b>Total</b>	<b>\$205,826,957</b>	<b>\$296,018,583</b>	<b>(\$90,191,626)</b>

\*Includes annual HSC transfer to main campus

Total amount of University OH/Subsidy

# Model 1: Classic Tax & Square Footage



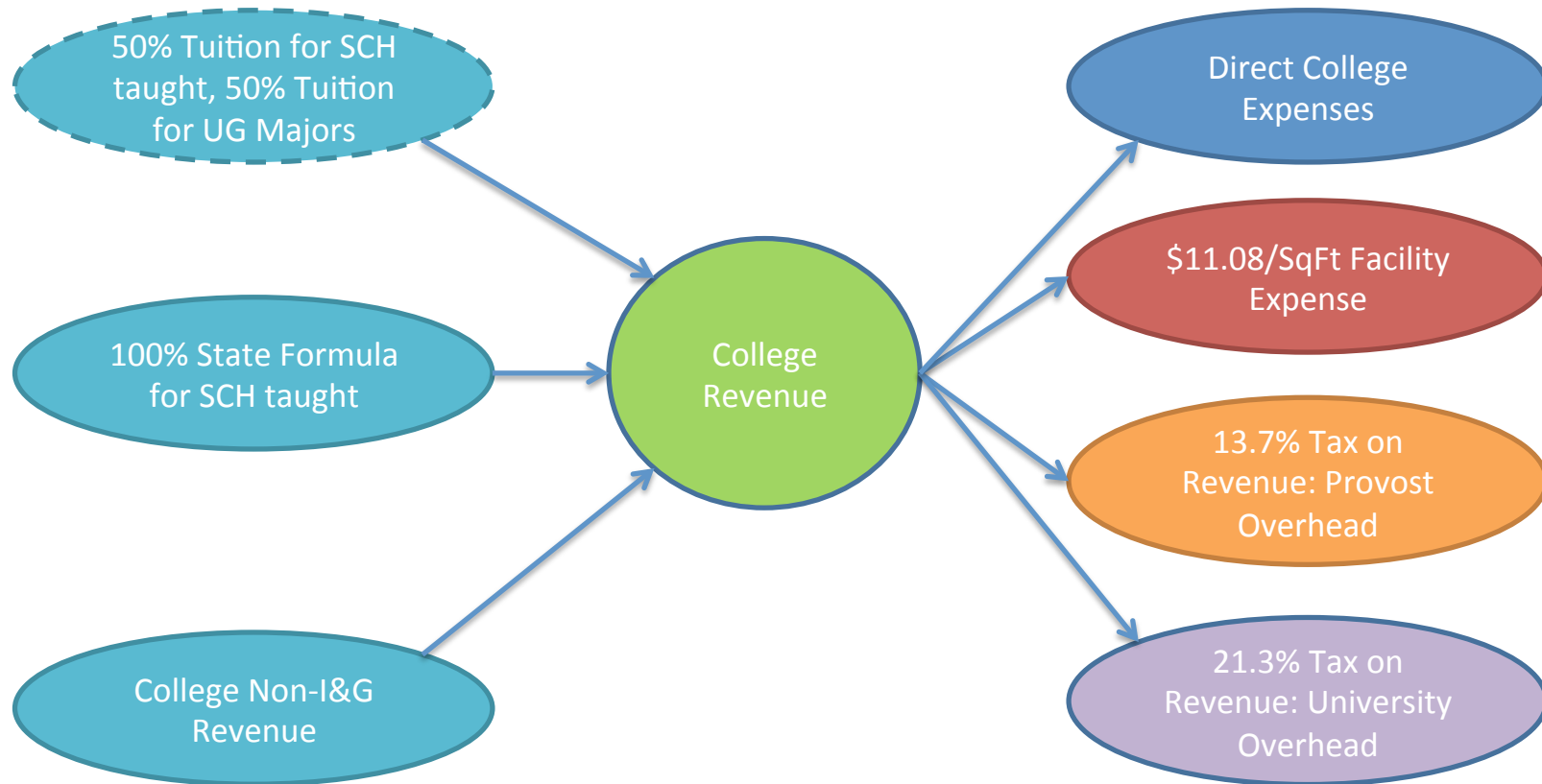


# Model 1 – Classic Tax & Square Footage

- 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
<b>Total</b>	<b>\$334,207,694</b>	<b>\$200,718,258</b>	<b>\$19,091,096</b>	<b>\$43,217,826</b>	<b>\$71,100,530</b>	<b>\$79,984</b>

# Model 2 – Classic with 50/50 Tuition

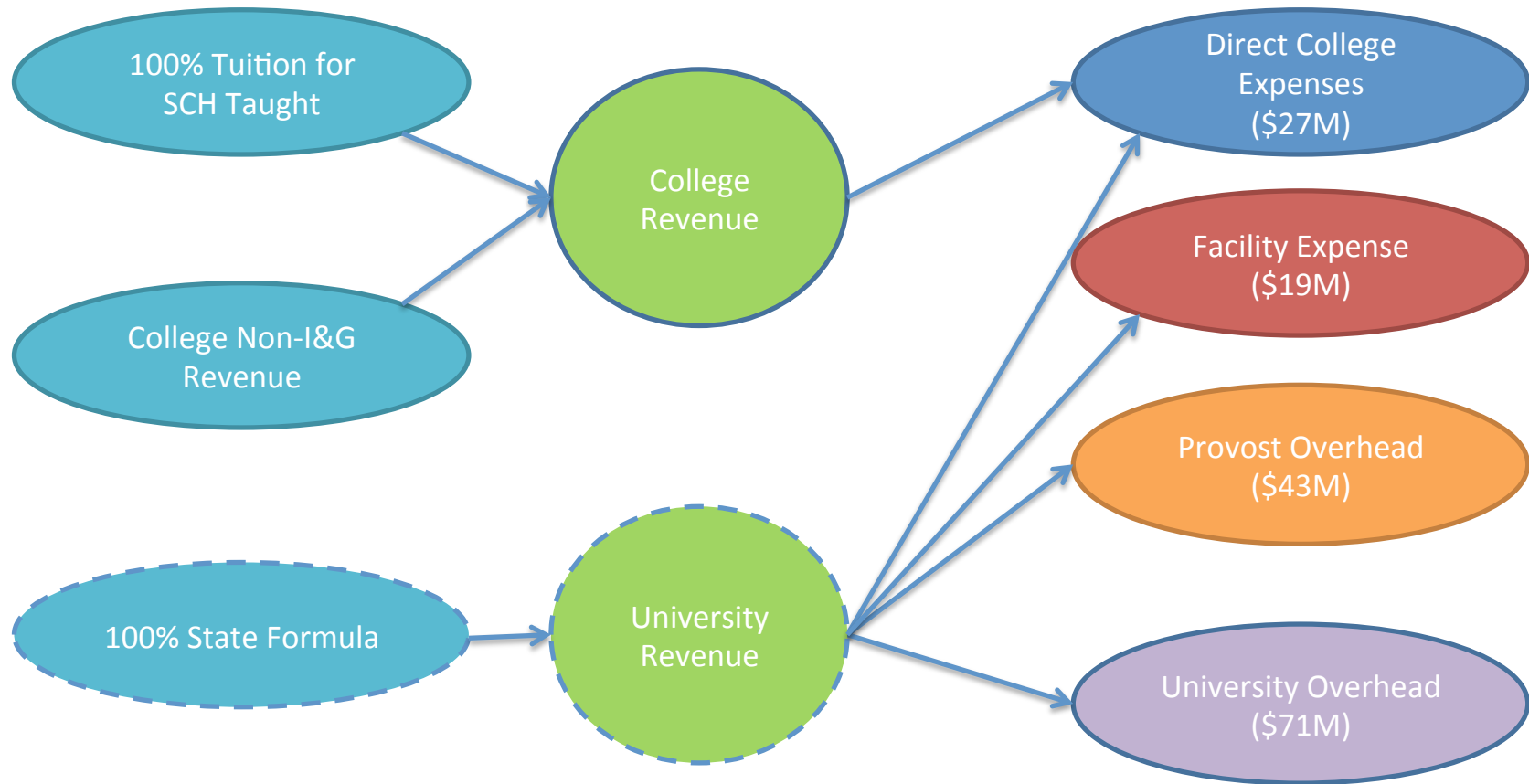


# Model 2 – Classic with 50/50 Tuition

- 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
<b>Total</b>	<b>\$334,207,694</b>	<b>\$200,718,258</b>	<b>\$19,091,096</b>	<b>\$43,217,826</b>	<b>\$71,100,530</b>	<b>\$79,984</b>

# Model 3 – Minnesota Model

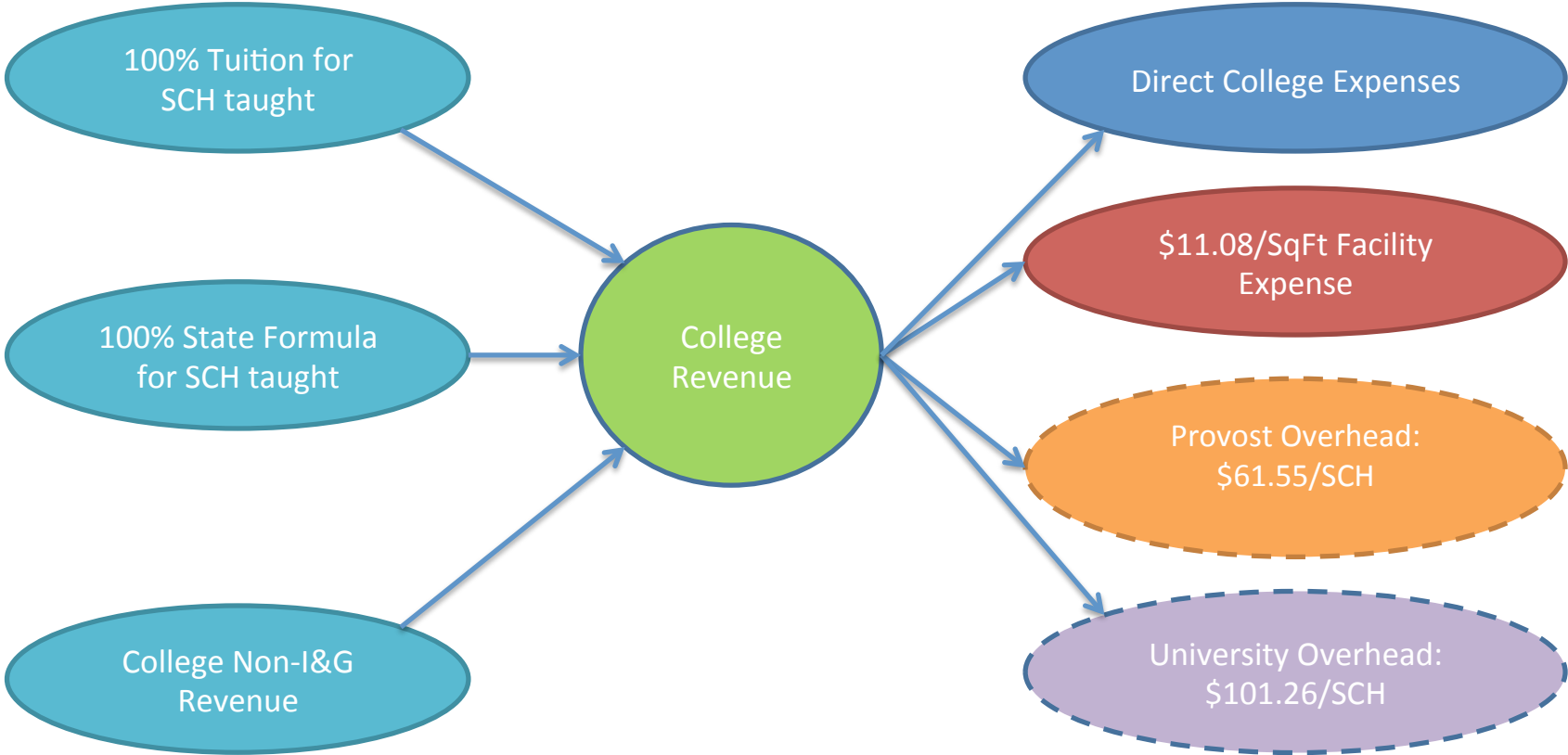


# Model 3 – Minnesota Model

- 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
<b>Total</b>	<b>\$173,815,994</b>	<b>\$200,718,258</b>	<b>\$26,982,248</b>	<b>16%</b>	<b>\$79,984</b>

# Model 4: Overhead by SCH

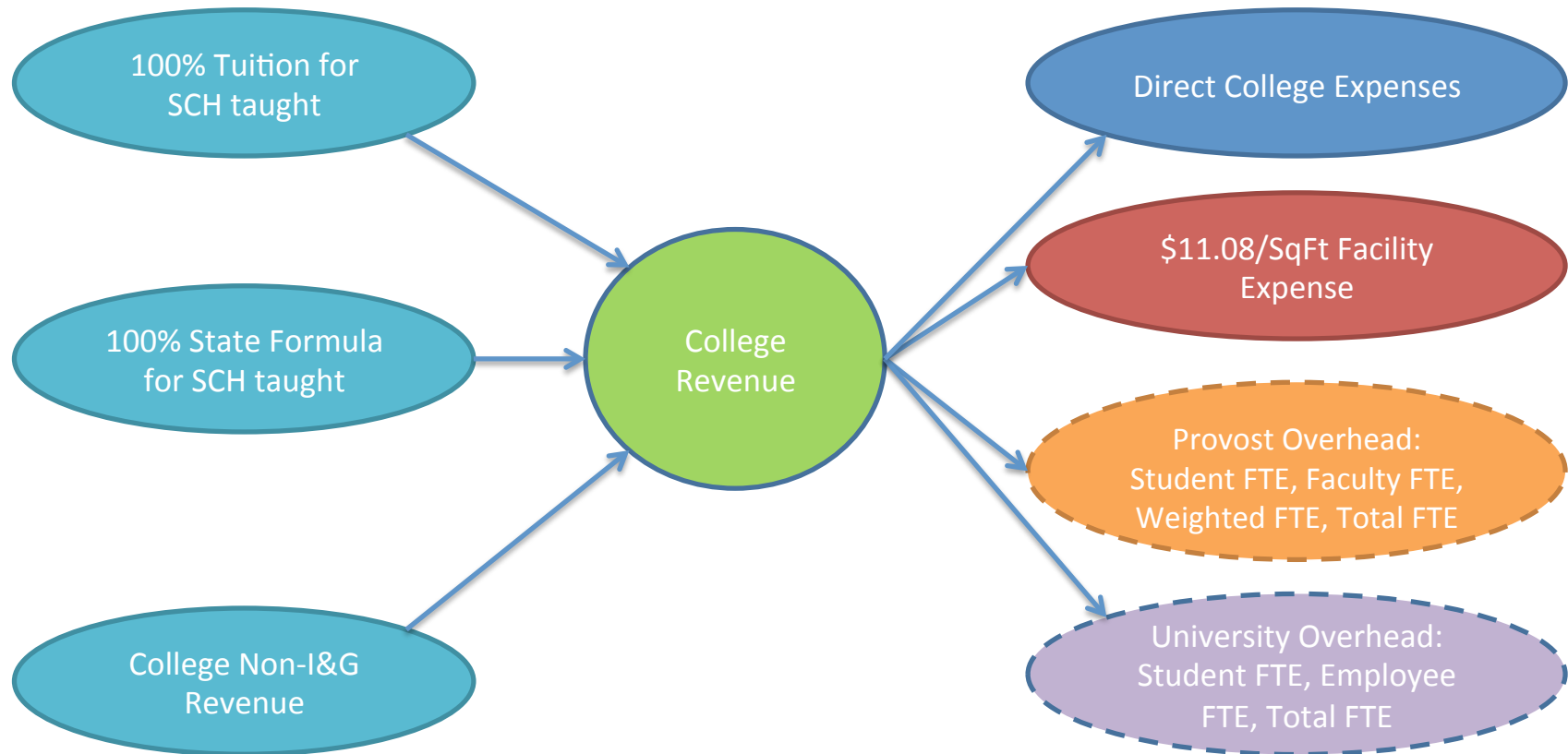


# Model 4 – Overhead by SCH

- 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
<b>Total</b>	<b>\$334,207,694</b>	<b>\$200,718,258</b>	<b>\$19,091,096</b>	<b>\$43,217,826</b>	<b>\$71,100,530</b>	<b>\$79,984</b>

# Model 5: Overhead by “Usage”





# Model 5 – 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, and 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
<b>Total</b>	<b>\$334,207,694</b>	<b>\$200,718,258</b>	<b>\$19,091,096</b>	<b>\$43,217,826</b>	<b>\$71,100,530</b>	<b>\$79,984</b>

# Summary of Sample Models

- All models investigated would require significant post-RCM redistributions
  - 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
- 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?