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NEW MEXICO

Responsibility Center Management (RCM)
and
Performance Based Budgeting (PBB)

Wednesday, October 17th, 2012

Welcome and Introduction
President Frank

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o Guiding Principles for Development and Implementation
  ▪ This will be a **collaborative**, **highly consultative** process that will *integrate academic planning* and *enrollment management* with the budget planning and revenue allocation processes. *Strategic planning* will inform *academic planning*, which in turn will *guide enrollment management* and the *allocation of existing and future resources*.
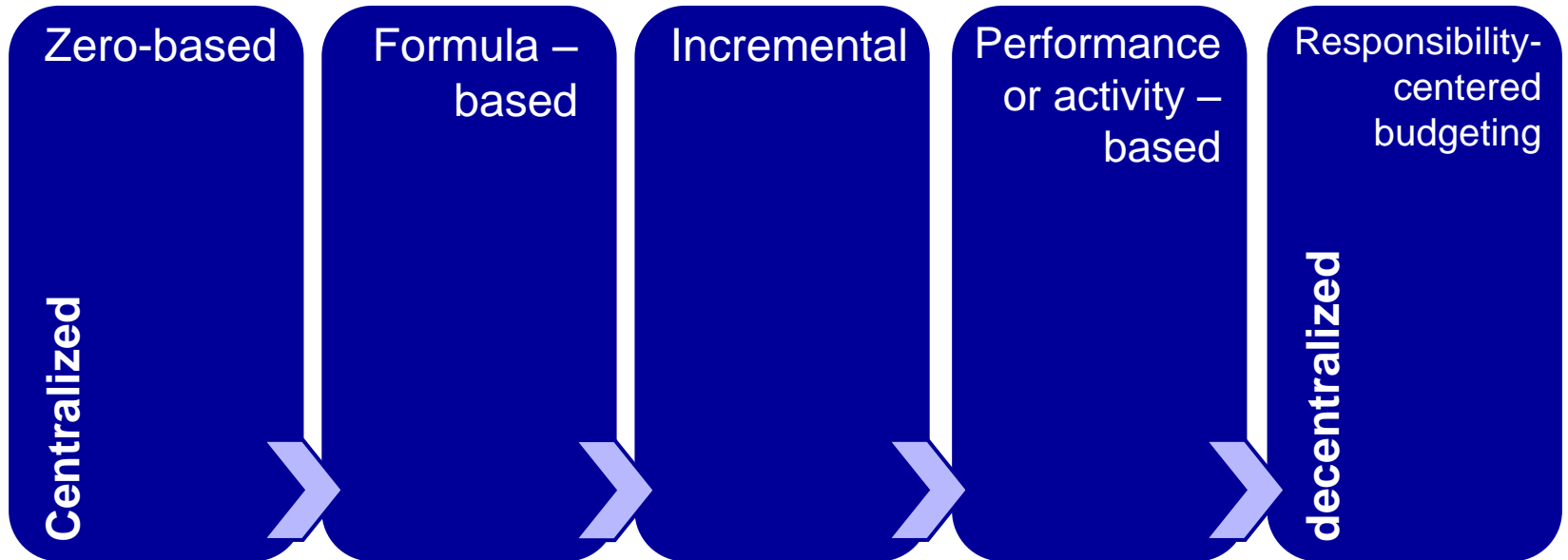
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- Combines top-down guidance (steering committee) informed by bottom-up knowledge and/or realities
- Plan will respond to assessment data
- Emphasizes transparency and accountability versus control
- Caveats – Institutional character dictates approach
  - Culture, climate, and history
  - Institutional Values
  - Trusted data sources and effective reporting system
- This will be an evolutionary process

Resource Allocation Models

| Centralized | Zero-based | Formula – based | Incremental | Performance or activity – based | Responsibility-centered budgeting | decentralized |

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o Budget Model Popularity

- Incremental – 60.2 percent
- Zero-Based – 30 percent
- Formula – 26.1 percent
- Performance-Based – 19.6 percent
- Responsibility-center – 14.2 percent
  - Total exceeds 100 percent because some institutions combine budget models

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Why Change?

o Numerous reasons and advantages for the University of New Mexico

- Reduced state appropriations
- Pressure to minimize tuition and fee increases
- Intense focus on the maximization of existing resources and the prioritization of future revenue streams

o Questions:

- Is UNM meeting strategic goals?

- Are revenue streams being maximized?

- Are costs being managed in the best way possible?

- Are control processes adding value?

- Are deans and senior administration satisfied?

Discussion

o **Responsibility Center Management (RCM)**
  - Underlying theory - Assign revenue and associated expenses directly to the centers that earn the revenue

o Benefits
- Increases incentives for revenue generation and cost effectiveness
- Improves transparency surrounding decisions, and thus improves accountability and management of resources
- Clarifies the maze of cross-subsidies
- More clearly links performance to rewards and thus provides incentives to increase productivity

o Concerns and/or Challenges

- Significant commitment of human resources
- Focus is on quantitative measures instead of qualitative measures
- Centers can lose sight of the big picture
- Centers sometimes compete with each other for funds and duplicate efforts
- Challenge in funding institutional common goals, academic priorities and interdisciplinary programs and research

o Component of RCM – Financial Study

- Instructional Cost Drivers/Revenues

    • Direct faculty costs

    • College/School overhead

    • Ideal number of students - tuition

- Objectives/Goals

    • Establish a baseline for performance

    • Promote Ongoing improvement/performance

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Discussion

- **Performance Based Budgeting (PBB)**
  - Underlying theory - tie the allocation of funds to the achievement of certain goals and objectives
  - Once again finding favor with policymakers: It has intuitive appeal--what's not to like about paying for results

o **Underlying Principles**
  ▪ Design Considerations
    • Agree on goals before putting performance funding in place
    • Design the funding model to promote mission differentiation
    • Construct performance metrics in broad terms, such as:
      ▫ Innovations that expand and broaden the state's economy
      ▫ Productions of graduate and professional degrees in STEMH fields
      ▫ Development of highly skilled graduates

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- Include provisions that reward success with underserved populations
- Include provisions that reward progress and continuous improvement, as well as ultimate success
- Make the performance funding pool large enough to command attention
- Most importantly – ensure that the incentives in all parts of the funding model align with the institution's mission, stated goals and objectives

o Implementation Considerations
- Don't wait for new money
- Include a phase-in provision
- Continue performance funding in both good times and bad

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Discussion/Questions

		Student Credit Hours for Completed Courses	Outcomes: Total Awards	Outcomes: Workforce Incentive (STEMH)	Outcomes: At-Risk Financial	Total Outcomes
FY13 Funding Formula Outcomes by College/School						
Institution	**FY12 Appropriation**					
		82.25%	**1.15%**	**2.15%**	**0.95%**	
University of New Mexico	$160,933,600	$4,393,564	$2,370,446	$1,803,471	$684,029	$9,251,510
UNM Main Campus Colleges/Schools						
Anderson School of Management		$ 501,192	$ 247,873	$ -	$ 66,273	$ 815,338
College of Arts and Sciences		$ 1,904,893	$ 886,722	$ 577,977	$ 210,091	$ 3,579,684
College of Education		$ 528,170	$ 273,195	$ -	$ 80,617	$ 881,983
College of Fine Arts		$ 317,279	$ 82,688	$ -	$ 25,353	$ 425,320
School of Architecture Planning		$ 104,078	$ 50,464	$ -	$ 15,044	$ 169,586
School of Engineering		$ 212,122	$ 254,562	$ 475,921	$ 43,363	$ 985,968
School of Law		$ 122,558	$ 98,406	$ -	$ 60,405	$ 281,369
School of Public Administration		$ 74,789	$ 8,430	$ -	$ 176	$ 83,395
University College		$ 37,544	$ 71,926	$ 8,888	$ 31,119	$ 149,477
Total Main Campus		**$ 3,802,624**	**$ 1,974,266**	**$ 1,062,786**	**$ 532,442**	**$ 7,372,118**
UNM Health Sciences						
College of Nursing		$ (202,728)	$ 120,995	$ 226,208	$ 28,131	$ 172,607
College of Pharmacy		$ 112,042	$ 124,472	$ 232,709	$ 62,765	$ 531,988
School of Medicine		$ 681,626	$ 150,713	$ 281,768	$ 60,690	$ 1,174,797
Total HSC		**$ 590,940**	**$ 396,180**	**$ 740,685**	**$ 151,587**	**$ 1,879,392**
Total UNM		**$ 4,393,564**	**$ 2,370,446**	**$ 1,803,471**	**$ 684,029**	**$ 9,251,510**

*Figures based on data submitted to HED.

	Total Unrestricted Credit Hours for Entire Academic Year						
	Actuals				**Three Year Average* &**		
	2008-09	**2009-10**	**2010-11**	**2011-12**	**Change from FY09**		
Provost Academic Affairs							
Anderson Schools of Management	38,803	41,576	43,601	45,202	43,460	4,657	
College of Arts Sciences	358,641	378,397	402,106	410,565	397,023	38,381	
College of Education	66,295	71,677	74,485	71,103	72,422	6,127	
College of Fine Arts	42,496	47,053	49,424	48,913	48,463	5,967	
Provost Units	-	-	-	6,198	2,066	2,066	
School of Architecture Planning	11,782	13,340	13,451	13,917	13,569	1,787	
School of Engineering	30,183	31,710	32,751	34,350	32,937	2,754	
School of Law	9,554	9,864	10,165	10,001	10,010	457	
School of Public Administration	2,252	2,671	2,928	3,007	2,869	617	
University College	13,330	13,848	14,738	8,007	12,197	(1,132)	
University Libraries	-	-	-	101	34	34	
Total	**573,336**	**610,136**	**643,648**	**651,364**	635,050	61,714	
VP Health Sciences Center							
College of Nursing	15,583	15,261	13,757	13,100	14,039	(1,544)	
College of Pharmacy	12,009	12,052	12,428	12,458	12,312	303	
School of Medicine	13,073	14,400	16,190	16,150	15,580	2,507	
Total	**40,665**	**41,712**	**42,375**	**41,707**	41,931	1,267	
Main Campus Total	**614,000**	**651,848**	**686,023**	**693,071**	**676,981**	**62,981**	

*Green if average over past 3 years is greater than FY09, Red if average is less than FY09.

Total Unrestricted Graduate Credit Hours for Entire Academic Year							
	Actuals				**Three Year Average* & Change from FY09**		
	2008-09	**2009-10**	**2010-11**	**2011-12**			
Provost Academic Affairs							
Anderson Schools of Management	9,461	11,054	12,813	14,165	12,677	3,216	
College of Arts Sciences	22,992	22,720	23,421	23,141	23,094	102	
College of Education	19,249	20,484	22,389	21,307	21,393	2,145	
College of Fine Arts	2,838	3,052	3,246	2,884	3,061	223	
Provost Units	-	-	-	-	-	-	
School of Architecture Planning	4,397	5,125	5,139	5,107	5,124	727	
School of Engineering	9,977	10,664	10,378	11,232	10,758	781	
School of Law	9,554	9,864	10,165	10,001	10,010	457	
School of Public Administration	2,252	2,671	2,928	3,007	2,869	617	
University College	200	255	264	242	254	53	
University Libraries	-	-	-	20	7	7	
Total	**80,918**	**85,891**	**90,744**	**91,105**	**89,246**	**8,328**	
VP Health Science Center							
College of Nursing	3,120	3,398	3,310	3,360	3,356	236	
College of Pharmacy	12,009	12,051	12,422	12,458	12,310	301	
School of Medicine	6,474	7,037	8,512	9,242	8,263	1,790	
Total	**21,602**	**22,486**	**24,244**	**25,059**	**23,929**	**2,327**	
Main Campus Total	**102,521**	**108,376**	**114,988**	**116,163**	**113,176**	**10,655**	
*Green if average over past 3 years is greater than FY09, Red if average is less than FY09.							

Financial Planning Project pie chart: College Initiatives 40%, Institutional Initiatives 40%, Presidential Initiatives 20%