THE UNIVERSITY of NEW MEXICO

MEMORANDUM

Date: May 1, 2013

To: Robert G. Frank, President

From: Chaouki Abdallah, Provost
Paul Roth, Chancellor for Health Sciences
David Harris, EVP for Administration

Re: 2012-13 RCM/PBB Steering Committee Status Report

We are writing to formally submit the report for the 2012-13 RCM/PBB Steering Committee. The committee has worked diligently since October in response to its charge to examine and make recommendations on how to implement an RCM/PBB process at UNM while advocating and reinforcing the core values of the university.

The document that follows represents a status report of committee activities, including a summary of actions to date, recommendations, and proposed next steps. While the attached report contains many specific details, there are a few concrete next steps that need to be underway as soon as possible to stay on track for an FY15 implementation:

- Establish an implementation committee that will create a series of smaller advisory groups to make recommendations on remaining key issues
- Establish a dedicated implementation team responsible for managing project details and ensuring milestone completion
- Establish a communication plan that will provide ample opportunities for input, feedback, and discussion with the campus community

We are confident that the Steering Committee's activities thus far and the recommendations outlined this report will create a budget process that will improve financial performance across the university while advocating and reinforcing our values.

RCM/PBB Steering Committee Status Report

During the Fall 2012 semester, President Frank appointed a representative committee consisting of faculty, staff, student, and administrative representatives to begin discussions about how to move from the current incremental based budget model to a more strategic based model that relies upon the principles of Responsibility Center Management (RCM) and Performance Based Budgeting (PBB). Specifically, the President's charge to the committee was to examine and make recommendations on how to implement an RCM/PBB process at UNM while advocating and reinforcing the core values of the university.

This committee has worked diligently over the past year and has produced the following status report of committee activities, including a summary of actions to date, recommendations, and proposed next steps.

Development of Values, Guiding Principles, and Objectives

The committee believes strongly that a transition to a new budget model and budget process must be done for the right reasons, and that any new model must be driven by the values of the institution and reinforce UNM's role as New Mexico's flagship research university. Specifically, the committee adopted the following 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

In addition to this value statement, the committee adopted a series of guiding principles designed to lead the work of the committee throughout the year, as well as the design and implementation of a new budget model. Those guiding principles are listed below:

- 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
- Funding will be linked to performance, for both academic units and support units

At the inception of the committee's process, President Frank articulated several key objectives:

- An overarching goal is to increase accountability and transparency

- Strategic planning will inform academic planning
- Academic planning and enrollment management will be integrated with the budget planning and revenue allocation process
- This will be a highly collaborative, highly consultative process

In addition, the committee outlined the following additional objectives to frame its work:

- 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

At this point in the process, the committee engaged in a comprehensive review of financial performance data and analyses, which focused and informed committee discussion. Summaries of these data analyses are included in the appendix of this report. Building upon this foundational analysis, the committee then reviewed several RCM models that are utilized at other universities. This review process utilized UNM student, faculty, and financial data to replicate the outcomes of applying a variety of RCM methodologies at UNM.

Review of Sample RCM Models

The development and analysis of these models has helped to facilitate discussions about financial performance, show the extent of cross-subsidies in the current budget system, and illustrate the effect of different assumptions for attributing revenues and costs. These models can be thought of as alternative ways of attributing revenues and costs, using historical data, under a variety of assumptions. While theoretically they could each be implemented, they should not necessarily be viewed as allocation rules that would be set in motion. However, choosing an initial allocation rule, including any detailed performance measures, is a critical next step.

While considerable energy was spent analyzing these models, the committee is not advocating or recommending the adoption of any of one of them. Rather, what follows is a review of the pros and cons of the varying methodologies which is aimed at informing the creation of a UNM-specific budget model that addresses our goal of improving both financial and non-financial performance while recognizing the uniqueness of our university.

Before discussing the details of these specific models, it is important to clearly articulate the scope of these data, analyses, and modeling efforts. Enrollment data, used to estimate tuition and funding formula revenues, consists of census date enrollments for the summer 2011, fall 2011, and spring 2012 semesters. All of the financial information used is from the fiscal year 2012 Report of Actuals, and includes all main campus, current unrestricted funds. In the case of the Health Sciences Center (HSC), the only academic units that were included are those that generate credit hours for formula funding: College of Nursing, College of Pharmacy, and the Health Professions and Public Health Programs in the School of Medicine (HPPHPs). In addition, a proportional amount of HSC central administration activities were included to the extent that they provided direct service to the College of Nursing, College of Pharmacy, and HPPHPs. All HSC clinical revenues and the UNM Health System were excluded.

In discussing the merits of the methodology associated with each of the sample models, we will begin with the various mechanisms used to allocate revenues. Across all of the models, any revenue streams that currently flow directly into a department were assumed to continue unchanged (Research and Public Service Project revenue, mandatory student fees, course and lab fees, sales revenue, etc.) In the case of pooled revenues (those that come into the University centrally, such as tuition, state appropriations, and facilities and administration funds), we examined several methodologies of attributing credit for the generation of these revenues.

In the case of tuition, revenues were modeled based on two basic methodologies – 100% of tuition revenue is credited to the department delivering instruction; or, tuition revenues are credited through a formula that splits revenues between the department delivering instruction and the department where a student is enrolled (where they have declared their major). Proponents of the shared tuition model advocate that this is an incentive for interdisciplinary activity and encourages collaboration across departments and colleges. This is also a solution employed at many universities in response to problems of curriculum creep, where colleges offer courses outside of their discipline as a means of generating additional revenue (for example, an English course offered in the School of Engineering). If a shared tuition strategy is adopted, further discussion is warranted as to the appropriate split between the teaching department and the major department.

In the case of the state appropriation, revenues were allocated on a per-credit-hour basis to the department delivering instruction, based on the per-credit-hour weights associated with the NM Higher Education Department funding formula credit-hour matrix. As detailed in the appendix, in the "Minnesota Model," the state appropriation revenue is pooled centrally to fund overhead expenses at the provost and institution levels, rather than allocated to the colleges. The committee spent considerable time discussing the details of the state funding formula and its evolution over the past decade. These changes, specifically the consolidation of the "instruction" and "general" components of the formula in 2002 and the shift to an outcomes-based formula in 2012, provide a considerable challenge in accurately assigning credit to the generation of state formula funds. The committee recognizes that future growth in state formula funding will come from performance on a variety of outcome measures, and as a result encourages that state formula funds be used in a manner to incentivize outcomes and academic quality, rather than simple allocation on a per-student credit hour basis.

In the case of facilities and administration (F&A) revenues, all of the models reviewed credited F&A revenues to the generating department (based on the Principal Investigators organizational code). Allocating F&A to the units and then levying taxes to fund research operations is a very common practice at universities employing budget models based on a Responsibility Center Management framework. Such a practice would represent a significant culture and policy shift at UNM, but none-the-less one that warrants examination. The committee recognizes that a key implementation milestone is creating a mechanism for allocating F&A that creates the financial incentives necessary to continue to grow our sponsored research portfolio while maintaining support for the mission-critical functions currently funded through F&A.

Turning to the expenditure side of the sample models, a variety of methodologies were employed and analyzed. Across all of the models, costs were allocated to the department where the expenditure actually occurred in an attempt to get as realistic a view of activities as possible. For example, in the case where the Research Office transfers funding to a department to fund faculty start-up expenses, those costs are reflected within the department, as that is where the actual expenditure of funds has occurred. In addition, most of the models allocated costs for facilities to departments based on the level of assignable square footage. While the committee recognizes that this is a relatively crude measure for allocating expenses for utilities and operations & maintenance (O&M), it also feels strongly that we must recognize that space is not a free good and create a mechanism to facilitate efficient and responsible assignment and management of our facilities.

Again, a variety of methods were used to allocate shared support costs – those units at the provost and institution levels that do not generate enough revenue to sustain their operations (typically referred to as overhead in many RCM models). The most basic of these approaches was to apply an across-the-board tax to each of the colleges, resulting in a pool of funds used to fund shared support costs. While this method is relatively simple and straightforward, the committee highlighted some key drawbacks of this approach. Particularly, by providing funding to support functions through across-the-board taxes, there is a risk of essentially "fixing" the level of funding going to those units, thus eliminating any incentive for cost cutting or increased efficiency. Further, a simple across-the-board tax does not take into account the varying levels of usage across different support functions. For example, a college with high student enrollment likely "uses" more student affairs services than a college with lower enrollments.

To address this concern, a model was analyzed that allocated these shared support costs to colleges based on student credit hours (SCH). While this approach was successful in reducing the level of variance across colleges, the committee felt that it lacked the appropriate level of granularity, and that further analysis be done to align the funding of support costs with actual services received. The committee also recognized that given the varying levels of funding across different types of credit hours, a fixed per-SCH rate might create a disincentive for delivering instruction to freshman and sophomores in lower division courses.

This led to the development of a model that allocated support costs based on a variety of proxies for usage. For instance, human resources expenses were allocated based on a college's proportional share of total employees; information technology expenses were allocated based on a college's proportional share of total headcount (student, faculty, and staff); and student affairs expenses based on a college's proportional share of students. While this approach provided a much greater level of accuracy in assigning costs for shared support functions, there was still a large variance of net contribution across colleges.

As a result of these analyses, the committee recognizes that independent of the specific mechanics of a given model there remains a high level of variance in the measured financial performance of colleges. However, this is not necessarily a reflection of current levels of performance or efficiency in any given organization. Rather, we view this as the result of 30 years of incremental based budgeting with little, if any, alignment between revenue generation and budget allocations at the unit level. This is further exacerbated by the historical disconnect between our funding sources and the actual cost of operations.

Recommendations and Next Steps

In an effort to comply with the timeframe set forth by the President at the outset of this process, there are several concrete next steps that must be addressed in parallel. These activities can be organized into roughly four sets of activities, each of which will be addressed over the course of a six-month detailing process. This process will be facilitated by the RCM Steering Committee, and will involve high levels of transparency and engagement of the campus community. The focus of activities over the next six months will be:

- Additional review of the efficacy of employing a governance and oversight structure, which will encourage the generation of new revenues and efficiency savings, and to manage the allocation of funds across all units, both academic and administrative. To achieve the objectives set out by the committee while maintaining our guiding principles, shared governance is crucial. Any new budget model has to be managed and adjusted to best encourage behaviors in support of our strategic objectives while discouraging those that are not aligned with these objectives. Thus, we have to think carefully about ensuring that we have the appropriate oversight and review mechanisms in place, while recognizing the authority of the President over budgetary matters.

  This process should make the best use of current governance structures so that their charges are tied to the needs of a new budget system, as well as recommend the creation of any new entities that may be required to facilitate achieving our goals. It is key to recognize that for our efforts to be effective, this new budget model must function as a component of the University's overall budget process and budget system. The articulation of this budget process, and the role of a new budget model within that process, is of paramount importance.

Another key to the success of the new budget process is the commitment to activities and initiatives that will assist the units in meeting their financial goals. The committee recognizes that both increasing revenues and decreasing costs will be critical to realizing the desired improvements in financial performance. As such, the committee recommends that processes be put in place to identify revenue generation opportunities, and to facilitate activities that lead to maximizing revenue in line with UNM's strategic goals. It is also crucial that processes be put in place to systematically look at opportunities for efficiencies and cost savings. This should include peer benchmarking and analyses of cost, quality, and service levels, with the goal of optimizing the mix of cost effectiveness and service levels. The committee believes that the focus of this effort must be on entire processes, rather than single departments or functional areas, as the greatest opportunities for service improvements and efficiency savings are likely at the point of intersection between academic and administrative units.

- Development of a shadow budget model that will track revenues and costs during FY14 and is open to the campus community to encourage further dialogue and develop a shared understanding of the new budget approach. This process will include making key decisions, based on data analysis and feedback from the campus community, about the operating details of the model. Issues that the committee has identified to be addressed in this process include:

    - Scope – What is the appropriate scope of funding sources to include in the new budget model? Should the model include all unrestricted funds, funding sources that are currently pooled, or only I&G funds?
    - Timing – Should the model utilize historical data for budget creation (e.g., FY12 performance drives FY14 budget), or should the model operate in real-time (e.g., a budget could fluctuate during the fiscal year based on real-time performance).
    - Organizational Structure – How will the model reconcile disconnects between reporting lines and the flow of revenues and expenditures (e.g., a faculty member working in a research center may have their salary paid for by their home department while F&A revenues associated with their sponsored research flow into the center).

- Development of rules for attributing credit for generating revenues. The budget process must foster transparency by providing information that is easy to understand while maintaining predictability for units and promoting the realignment of priorities. It must assure equitable allocation policies across campus. It must provide financial incentives that recognize quality and success in both academic and support units. It must facilitate investment in programs that are central to the University's mission but not necessarily self-supporting. Most importantly, it must ensure that the performance of individual units contributes to the collective goals of the university.

This will involve developing the initial specification of allocation rules and performance measures, as well as processes for transitioning from our historical budgeting system. The core question for this activity might be framed as follows: How do we move units off their historical base, in minimally disruptive ways (incrementally and phased) while encouraging desired outcomes (e.g., improving graduation and retention, increasing diversity, increasing external research funding, etc.).

- Development of systems infrastructure for reporting and analysis. It is crucial that in conjunction with the transition to a new budget model, units are given tools to facilitate operating in the new budget model and incorporating a financial perspective into decision-making. Further, it is imperative that the new budget model recognize the current bandwidth and capacity within individual units and be able to function within UNM's existing infrastructure. In keeping with the guiding principle that the new model must be easy to understand and simple to implement, having the data analysis and reporting resources available at the unit level is critical to successfully accomplishing our objectives.

Based upon these activities, the RCM Steering Committee recommends it be reconstituted to form subcommittees to drive these processes forward. This will be done in a manner that is highly transparent and highly consultative, and will include substantial engagement from the campus community. At the end of this six-month period, we will engage in a test run and implementation of the new budget model. This will be an iterative approach that will involve setting baselines and developing performance targets to allow review of the shadow system (comparing FY14 budget to actuals) and the simulation of the FY15 budget. This testing phase will allow the campus community to review expected results and recommend improvements. This process of iterative evaluation and modification will continue through the implementation of the new budget model for the FY15 budget.

The committee also reaffirms that a key to the successful creation and implementation of a new budget model is the incorporation of both principles of Responsibility Center Management and Performance Based Budgeting. It is imperative that UNM develop its own unique budget model that reflects the specific values and goals of the University. As such, the committee recommends that the university choose an appropriate name and associated terminology reflective of the goals, objectives, and principles associated with the new budget model, budget system, and budget process.

In the appendices that follow, please find:

A. Work plan for implementation
B. Detailed financial analyses and sample models
C. List of committee members

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

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

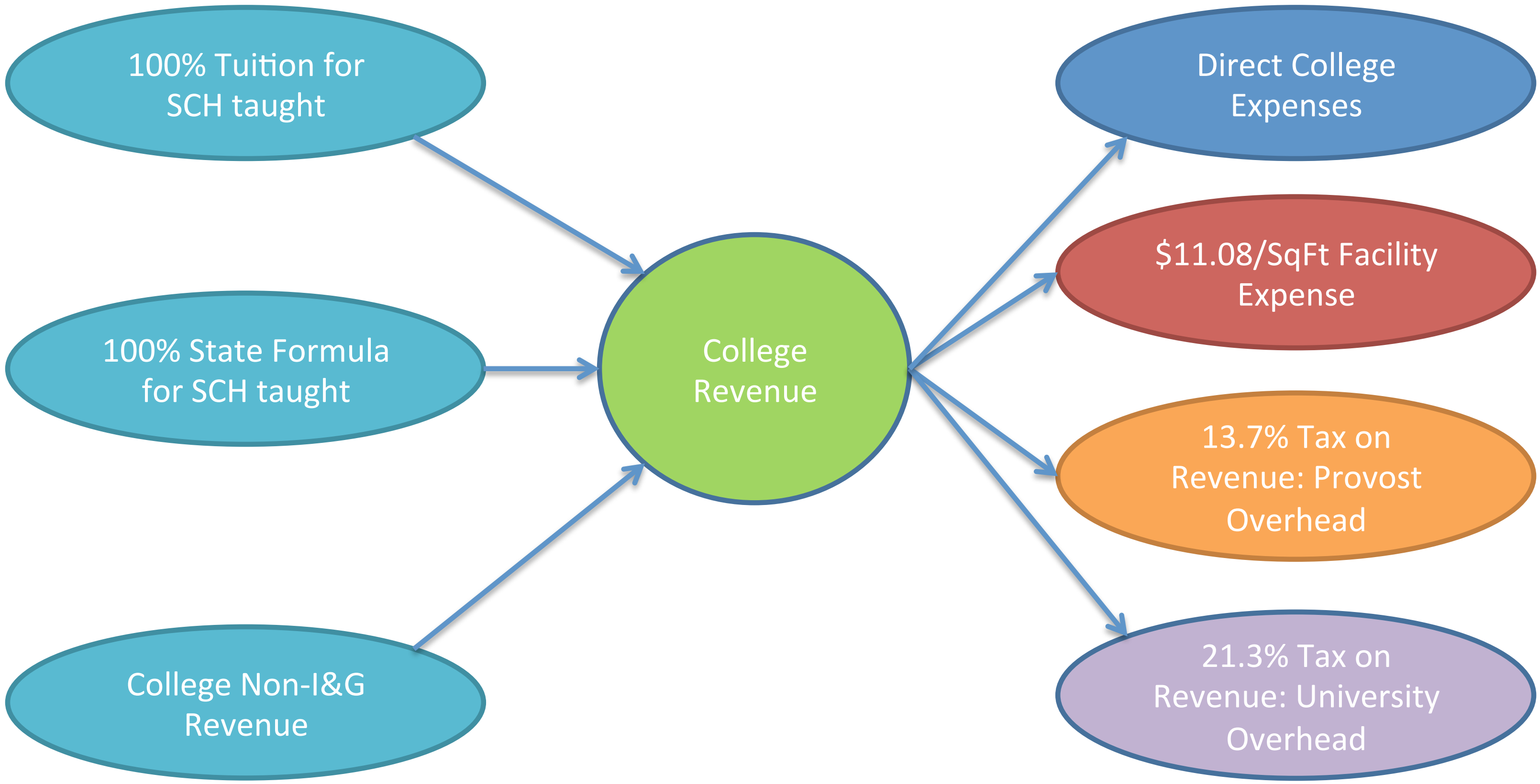
University Overhead/Subsidy Detail

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

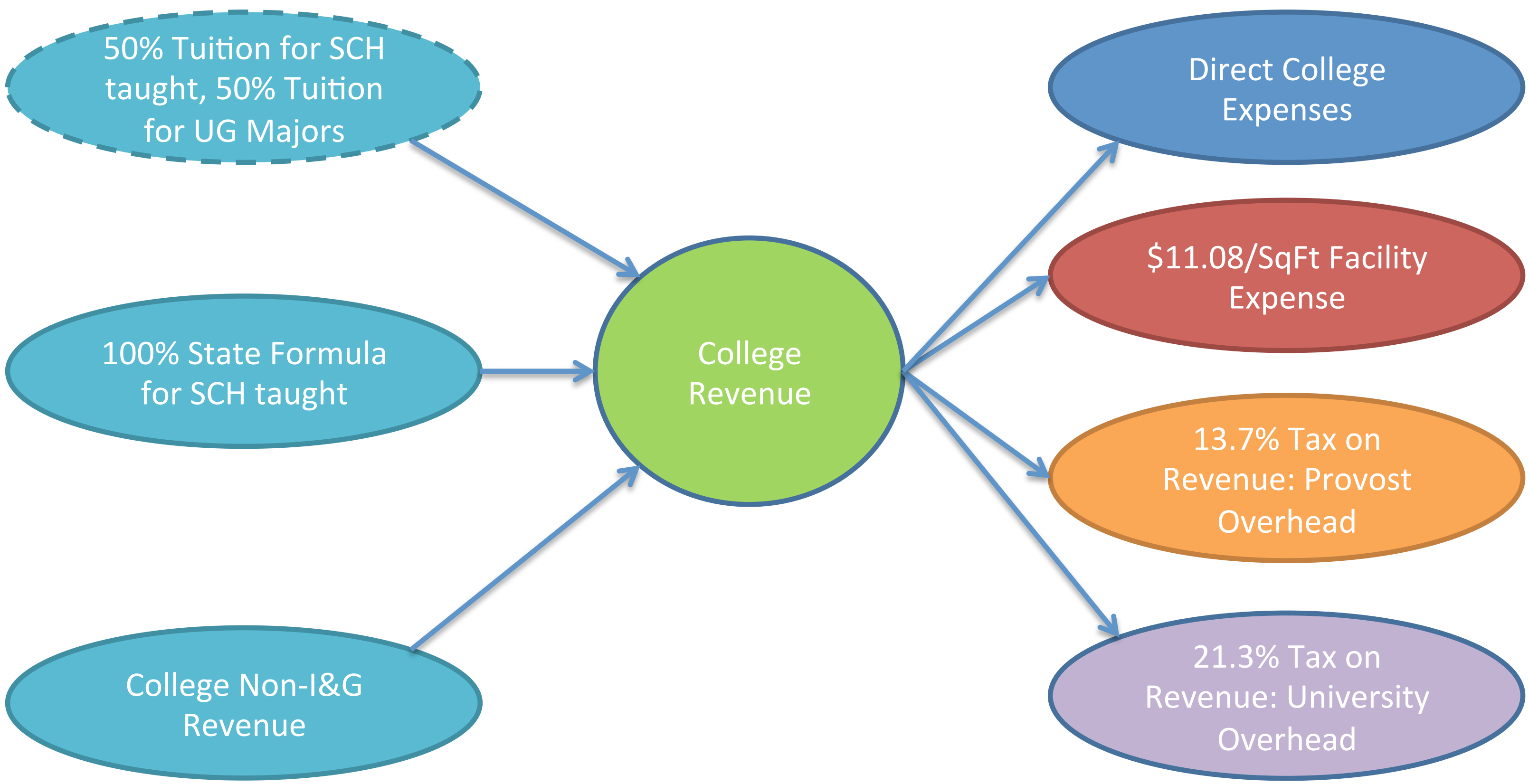


Classic Tax & Square Footage

- 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

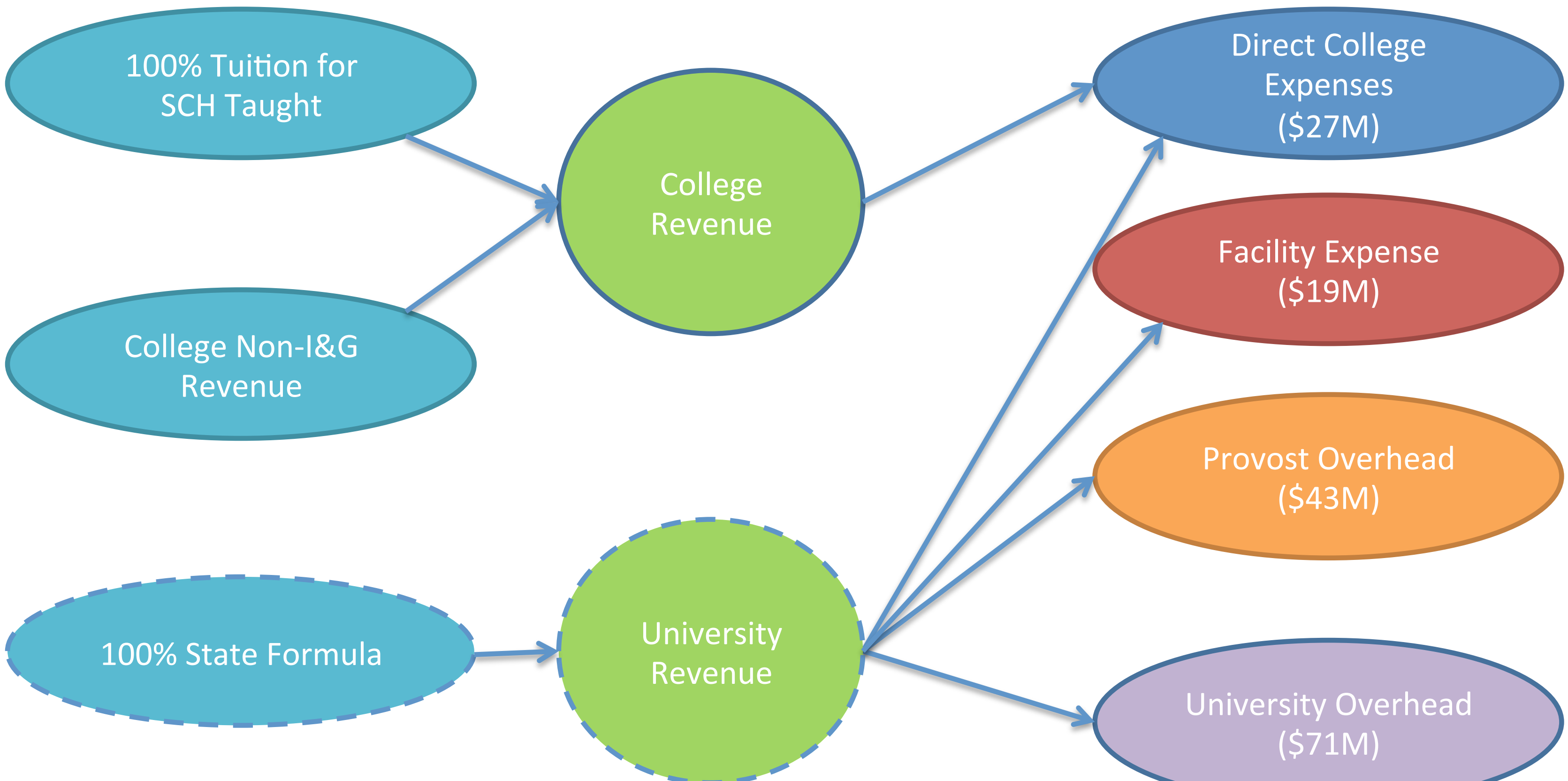


Classic with 50/50 Tuition

- 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**

Minnesota Model

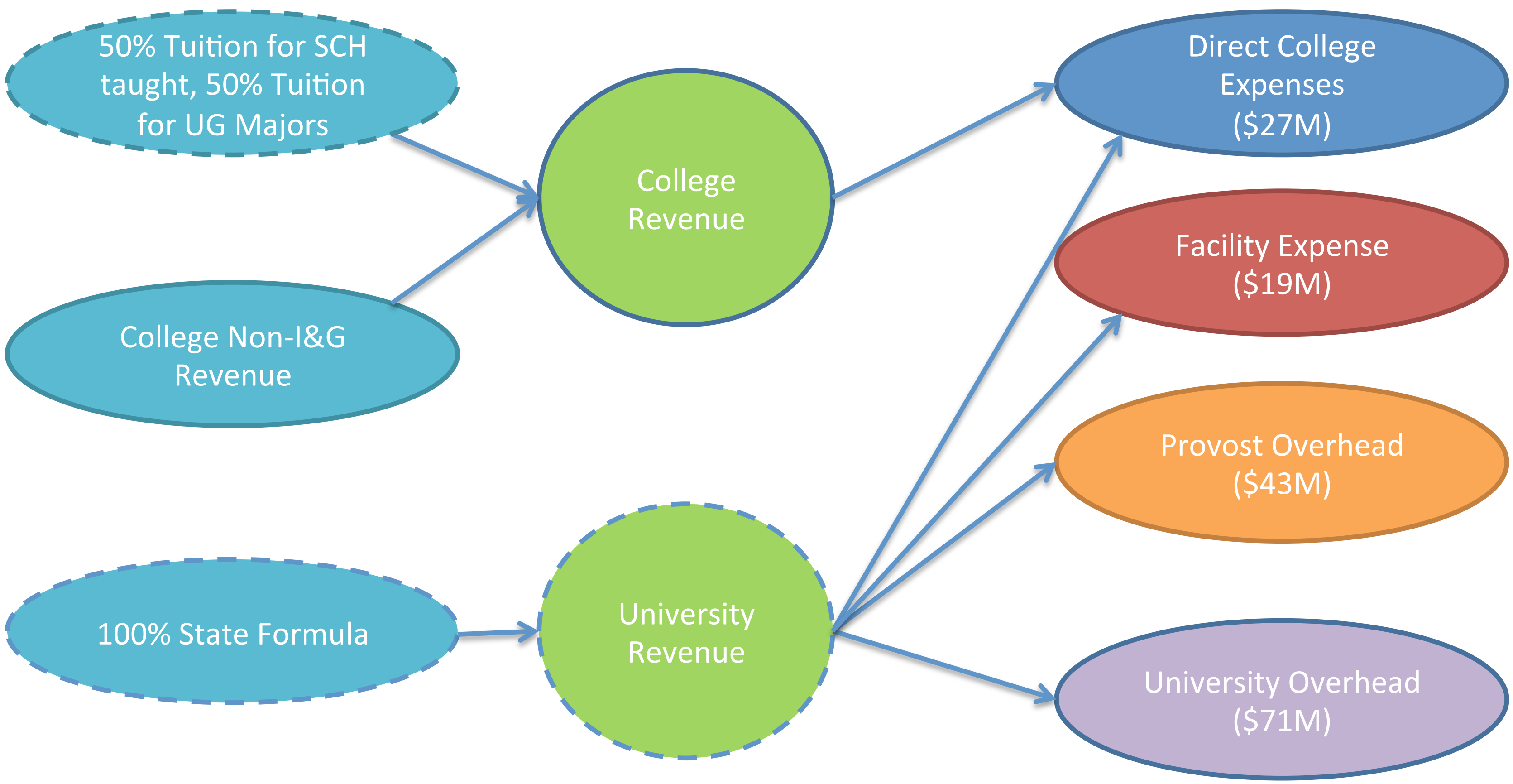


Minnesota Model

- 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 Sate 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



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- 100% of State Formula Funding Allocated to Central Administration. Formula Funding Pays for University and Provost OH. Remaining Funds Subsidize Unprofitable Colleges
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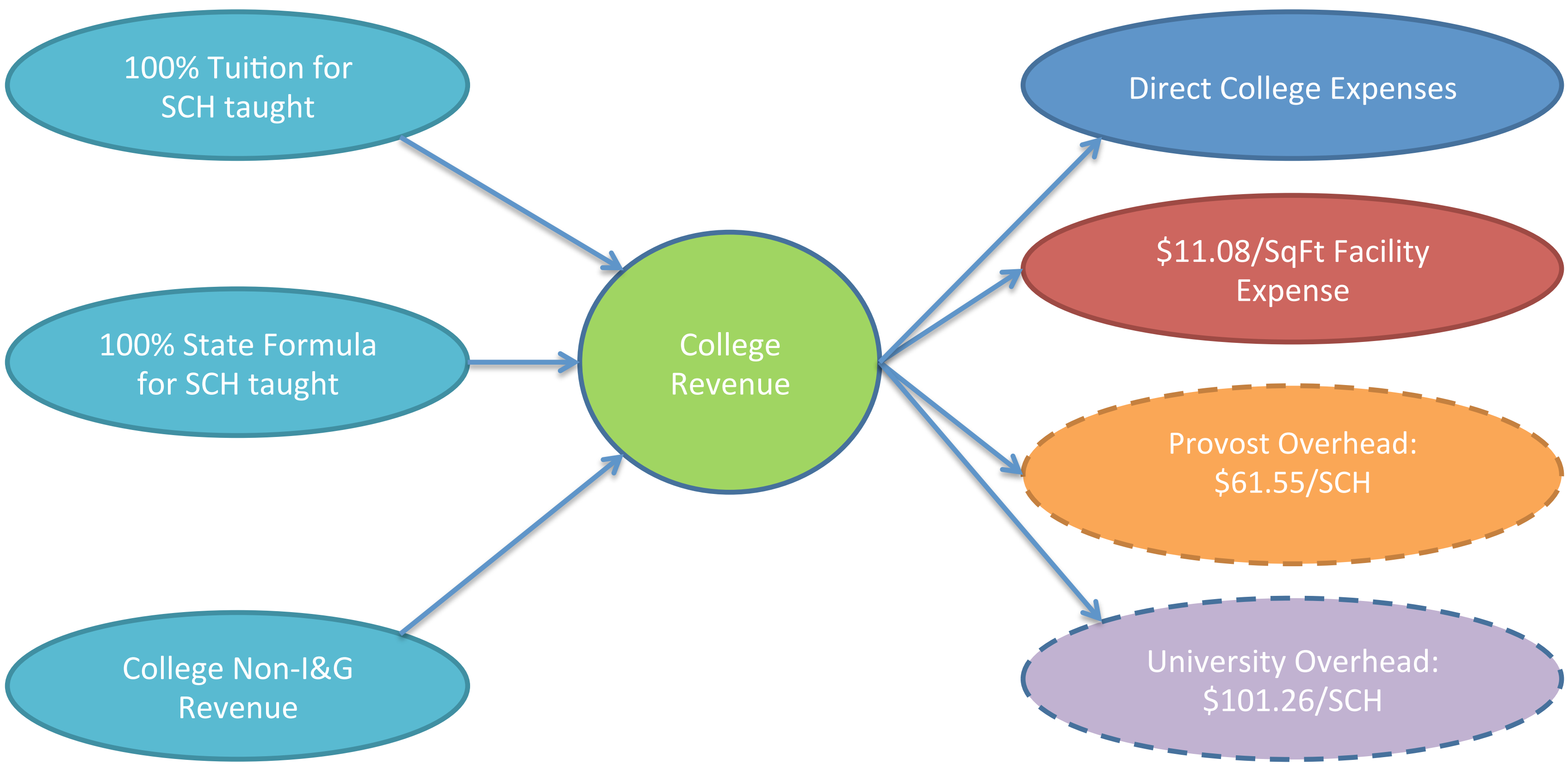
- State Subsidy is the Amount of Sate Funding Allocated to College by Administration to Subsidize Activities. State % is the Amount of Subsidy as a % of Revenue. Net Contribution is Level of Profit/Loss Formula Subsidy is Applied.

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

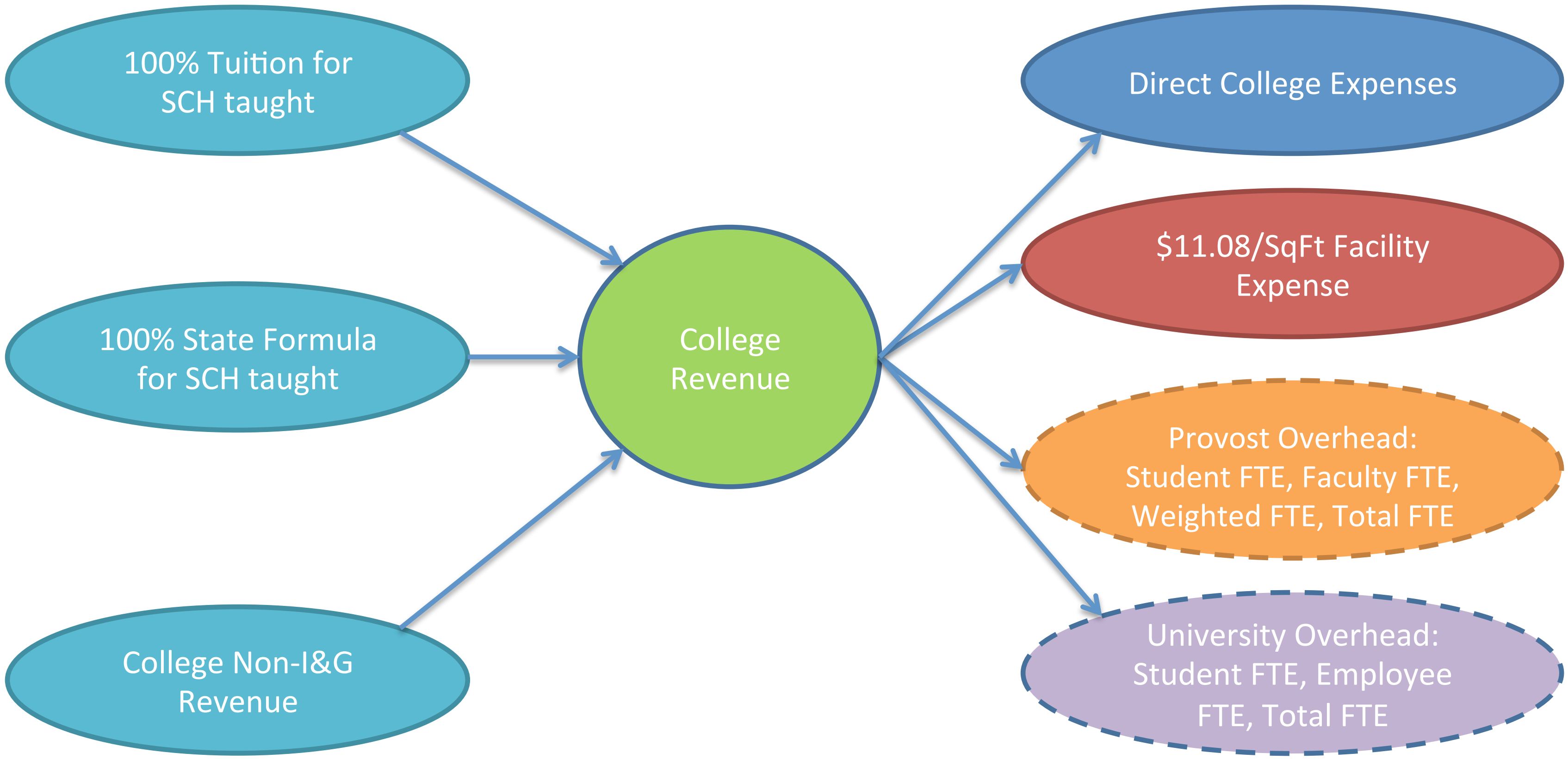


Overhead by SCH

- 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

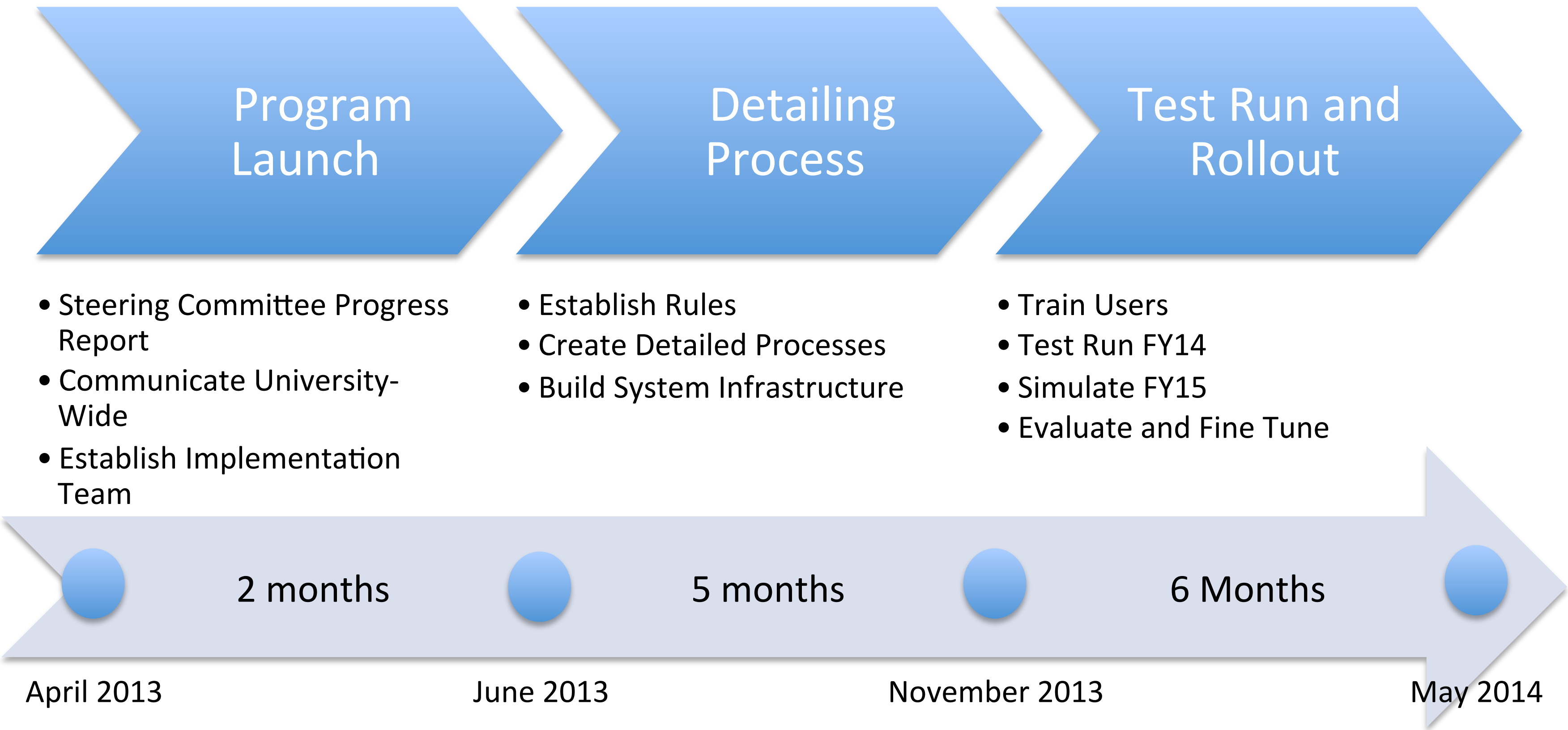


Overhead by Usage

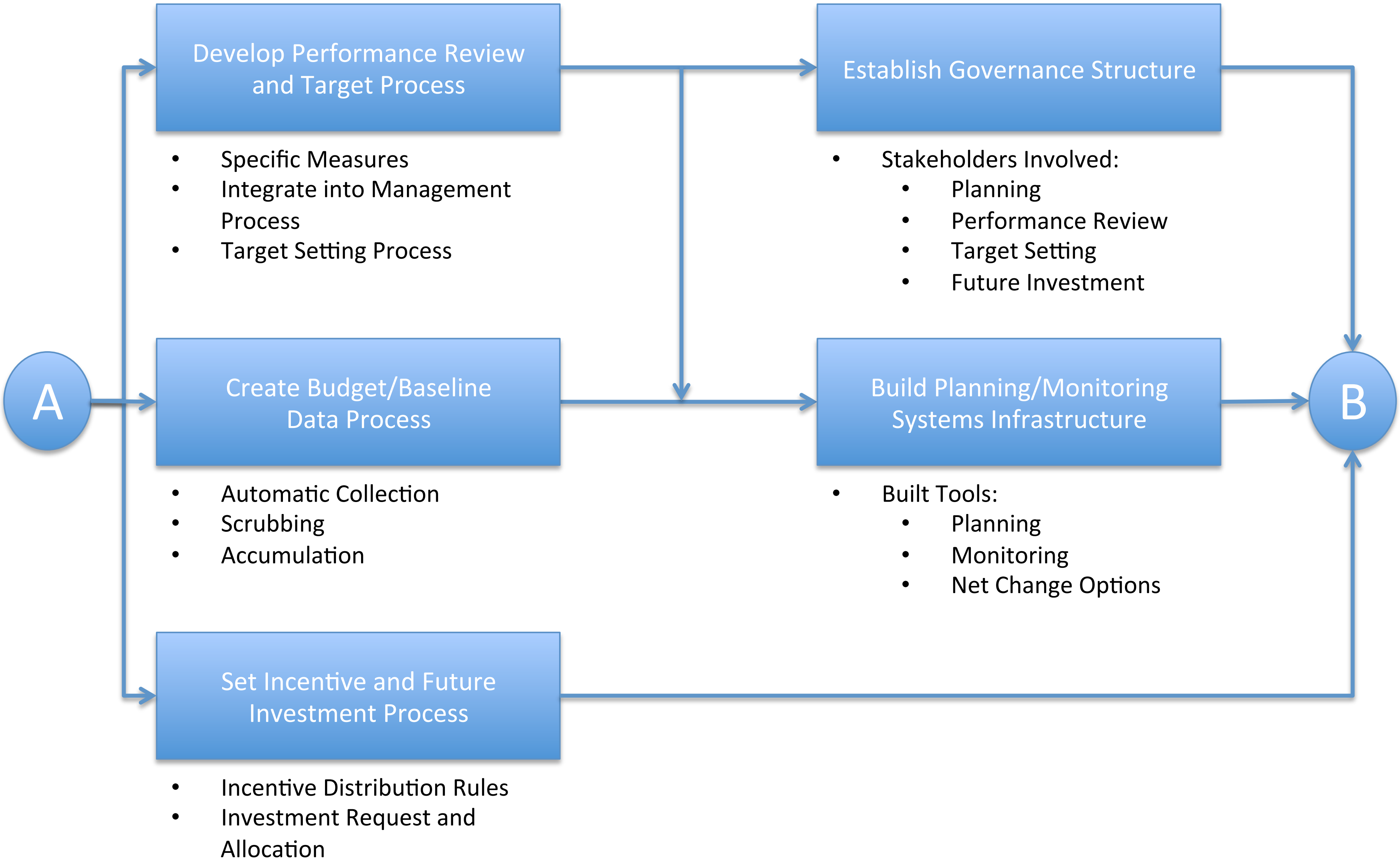
- All Colleges Pay $11.08/SqFt for Facilities; Provost and University Overhead charged based on a colleges portion of "usage" proxies: Student FTE, Faculty FTE, Employee FTE, Total FTE, or Weighted FTE
- 100% of Tuition and State Formula Allocated to Department Delivering Instruction
- Unrestricted Funds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

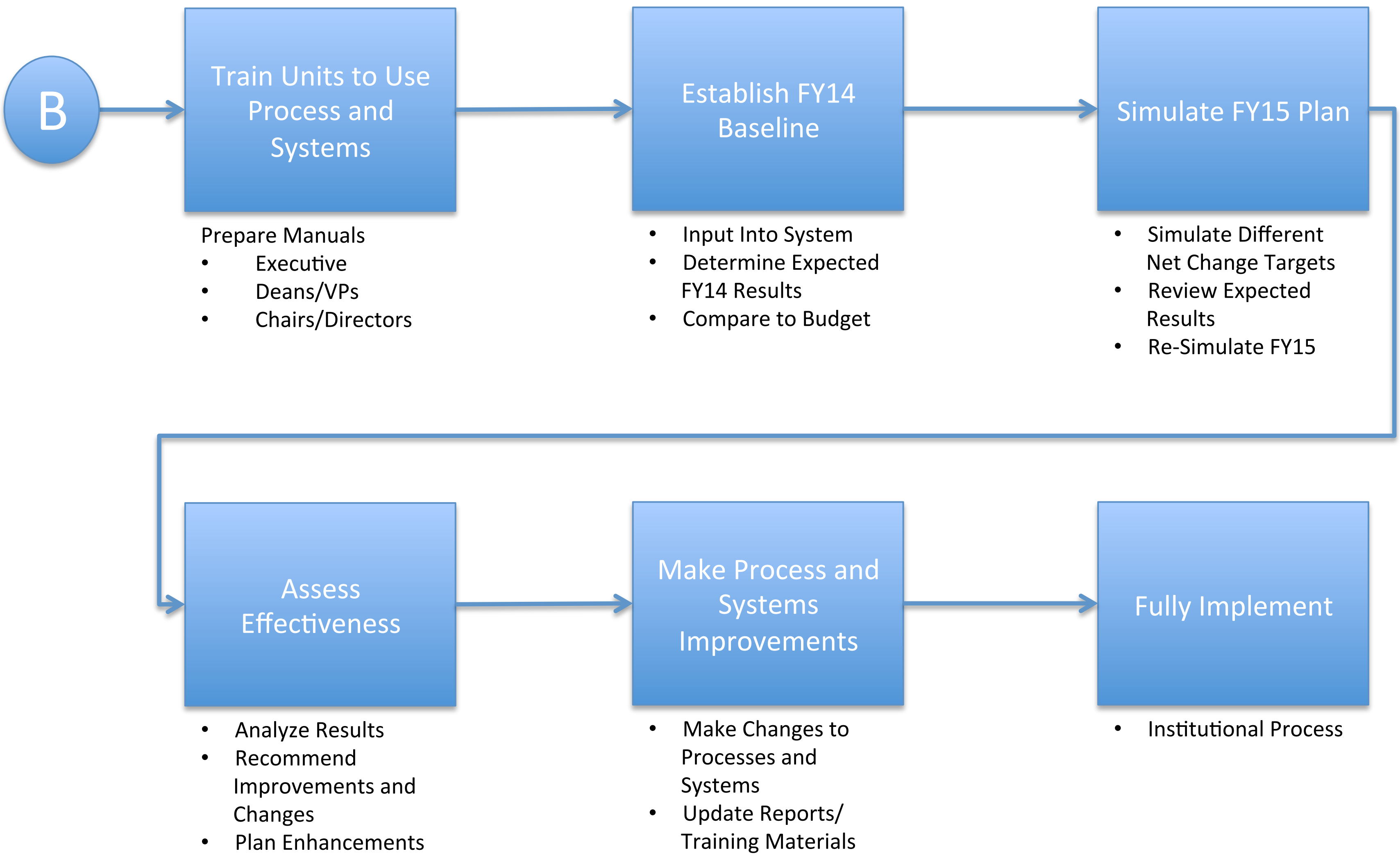
Implementation Plan



Detailing Process



Test Run and Rollout



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