Introduction to Responsibility Center Management

At the University of Florida
Responsibility Center Management (RCM)

• Decentralizes decisions and financial authority/responsibility to academic leadership:
  – For example, college deans and their faculty are in a better position to understand the impact of resource use and related decisions
Responsibility Center Management (RCM)

• Encourages academic units to take greater responsibility for revenue generation and spending decisions
  – Promoting “entrepreneurial thinking”

• Supports growth even when government funding is limited
Why Change Budget Systems?

- In order to sustain standards of quality and achieve greater levels of academic excellence, we must look for ways to:
  - Increase our self-reliance
  - Promote innovative and entrepreneurial activities that are financially viable
  - Generate new revenue sources
State Appropriation and Tuition Revenue per Full-time Equivalent Student

AAU Public Average vs. UF
Why Change Budget Systems?

• Because college-level academic leadership is put in control with RCM
  – Better decisions about how the university uses its resources are expected
Why Change Budget Systems?

• Greater transparency also occurs:
  – Encourages “information-rich” discussion about budget
  – Deepens understanding of financial impacts when making decisions
  – Clarifies current maze of cross-subsidies
    – Now, colleges subsidize each other
    – Need to ask instead—
      • What does this class or program cost?
      • What is its impact?
UF Funding Structure

Instruction:
Student Credit Hours

Entrepreneurial Activities:
Research
Self-Funded Classes
Auxiliaries, etc.

Strategic Direction
Responsibility Centers

• Revenue
  – Receive all revenue earned from their activities
  – Receive an allocation of state appropriations based on a formula using student credit hours

• Expenses
  – Responsible for all direct expenses
  – A share of Support Center costs

• RCM creates a full cost view of academic operations
Support Centers

• Support Centers, or administrative units
  – Tend to generate little or no revenue, but do incur costs
  – Managers of these areas are accountable for costs only—and value of services provided

• Support Centers will be funded via assessments to each Responsibility Center
Support Centers

• Each year, Support Centers will explain their value and services to a Budget Review Council to justify their budget requests.

• Council will be composed of reps from colleges, VP areas, faculty senate – 12-15, with rotating membership.

• Every five to six years, each Support Center also will go through a “zero-based” budget review.
Support Centers

• Support Centers to go through “zero-based” budget review will be:
  – Purchasing and Disbursement Services
  – UF Bridges
  – IT (in general)
  – UF Privacy Office
  – General Counsel Office

• Will need good measurements, benchmarking
Weighted Cost of Delivery

- Five weightings used for each college’s SCHs:
  - Lower Level
  - Upper Level
  - Graduate I
  - Graduate II
  - Graduate III
## Weight By College

<table>
<thead>
<tr>
<th>College</th>
<th>Lower</th>
<th>Upper</th>
<th>Grad I</th>
<th>Grad II</th>
<th>Grad III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, Construction, and Planning</td>
<td>2.604</td>
<td>3.072</td>
<td>6.133</td>
<td>5.509</td>
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<tr>
<td>Liberal Arts &amp; Sciences</td>
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<td>3.016</td>
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<td>11.940</td>
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<tr>
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<td>Engineering</td>
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<td>11.199</td>
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<td>Journalism &amp; Communications</td>
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<td>1.572</td>
<td>7.398</td>
<td>12.234</td>
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<tr>
<td>Law</td>
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<td>7.194</td>
<td>21.448</td>
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<tr>
<td>Health &amp; Human Performance</td>
<td>1.230</td>
<td>1.489</td>
<td>6.214</td>
<td>5.585</td>
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<tr>
<td>Veterinary Medicine</td>
<td>6.473</td>
<td>3.699</td>
<td>11.610</td>
<td>22.194</td>
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<tr>
<td>Medicine</td>
<td>5.742</td>
<td>5.888</td>
<td>11.755</td>
<td>22.194</td>
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<tr>
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<td>3.699</td>
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<tr>
<td>Pharmacy</td>
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<td>3.699</td>
<td>11.610</td>
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<tr>
<td>Public Health &amp; Health Professions</td>
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<td>3.823</td>
<td>10.536</td>
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<tr>
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<td>3.699</td>
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<td>DOCE</td>
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<td>1.838</td>
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<tr>
<td>Latin American Studies</td>
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<td>14.789</td>
<td>15.768</td>
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<tr>
<td>CALS</td>
<td>1.325</td>
<td>2.254</td>
<td>7.954</td>
<td>11.044</td>
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</table>
BSA—Base Student Allocation

- The value for one student credit hour (SCH) with a weight of 1.00
- Used to calculate how much of state appropriations the colleges will receive through RCM
- End result is the allocation of state-appropriated funds
BSA—Base Student Allocation

• BSA provides a baseline associated with a 1.0 weighting
  – For ex., 1 Lower Level SCH = $37.31 (BSA)
Strategic Fund

• Designed to support new or key initiatives
  – Central fund funded by tuition increases as well as Pepsi fund, logo fund, etc.
  – Used at the discretion of the President
College Revenue Components

- 64.4 Percent Based on Student Credit Hours (SCH)
- 27.6 Percent Based on Enrollment
- 8 percent for Leverage Fund

State-Appropriated Allocation Per College
College Revenue Components

From all three sources:
General revenue, lottery, and tuition

64.4 Percent Based on Student Credit Hours (SCH)

8 percent for Leverage Fund

27.6 Percent Based on Enrollment
### College Revenue Components

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage Based On</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage Fund</td>
<td>8 percent</td>
</tr>
<tr>
<td>Student Credit Hours (SCH)</td>
<td>64.4 percent</td>
</tr>
<tr>
<td>Enrollment</td>
<td>27.6 percent</td>
</tr>
</tbody>
</table>

- **Goes to college teaching the class**
College Revenue Components

8 percent for Leverage Fund

64.4 Percent Based on Student Credit Hours (SCH)

27.6 Percent Based on Enrollment

SCHs are weighted based on cost of instruction of the class
## College Revenue Components

<table>
<thead>
<tr>
<th>8 percent for Leverage Fund</th>
<th>64.4 Percent Based on Student Credit Hours (SCH)</th>
<th>27.6 Percent Based on Enrollment</th>
</tr>
</thead>
</table>

Based on number of students officially accepted and enrolled in your college.
College Revenue Components

- 64.4 Percent Based on Student Credit Hours (SCH)
- 27.6 Percent Based on Enrollment

8 percent for Leverage Fund

The portion of funding received from general revenue and lottery will be weighted
College Revenue Components

- 64.4 Percent Based on Student Credit Hours (SCH)
- 27.6 Percent Based on Enrollment

The portion from tuition will not be weighted
College **Revenue Components**

- **State Appropriations**
- **Entrepreneurial Activities**
  - 100 percent of revenue returned to college
  - For example:
    - Sales and service
    - Self-funded “off book” academic programs (receive no state funding)
College Revenue Components

- State Appropriations
- Entrepreneurial Activities
- Contracts and Grants
  - Sponsored projects—Federal and non-federal contracts and grants awarded typically in support of research activities
College Revenue Components

- State Appropriations
- Entrepreneurial Activities
- Contracts and Grants

- 100 percent provided to college, including all Indirect Costs (funds collected to operate and support UF’s sponsored research program)
College Revenue Components

- State Appropriations
- Entrepreneurial Activities
- Contracts and Grants
- Endowment Earnings and Gifts
  - Spendable gifts plus endowment earnings received in a year
College Revenue Components

- State Appropriations
- Entrepreneurial Activities
- Contracts and Grants
- Endowment Earnings and Gifts
- Material & Supply (M&S) & Equipment Use Fees
College Revenue Components

- State Appropriations
- Entrepreneurial Activities
- Contracts and Grants
- Endowment Earnings and Gifts
- Material & Supply (M&S) & Equipment Use Fees

• 100 percent of revenue returned to college
<table>
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<tr>
<th>College Expense Components</th>
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<tr>
<td>Info Technology</td>
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<tr>
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<tr>
<td>Sponsored Project Admin</td>
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College Expense Components

Info Technology

• Bridges
• Information Technology
  • Covers cost of UF infrastructure and base level of services
  • Will still pay separately for equipment, software, “wall plates” (network cabling to each workstation), etc.
College Expense Components

Info Technology

- Percentage based on your direct expenditures, excluding Sponsored Research
## College Expense Components

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College Expense Components

- Info Technology
- General Admin

  - Audit & Compliance Review
  - Board of Trustees
  - Business Affairs
  - Business Services
  - CFO
  - EH&S
  - Finance & Accounting
  - General Counsel
College Expense Components

- Info Technology
  - General Admin
    - Governmental Relations
    - Human Resources
    - Institutional Activities
    - Operations Analysis
    - UF Police Department
    - President’s Office
    - Provost’s Office
    - University Relations
    - UF International Center*
College Expense Components

- Info Technology
- General Admin

- Percentage based on your direct expenditures, excluding Sponsored Research
## College Expense Components

- Info Technology
- General Admin
- HSC Admin
College Expense Components

- Info Technology
- General Admin
- HSC Admin

- VP Health Affairs
- Only applies to Health Science Center (HSC) colleges
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College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
  - Admissions
  - Financial Aid Admin
  - Graduate School
  - Registrar
  - Student Affairs
  - UF International Center*
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin

- Amount paid will be based on number of students
- Distinction made for graduate vs. undergraduate students
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College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities
  - Construction and Planning
  - Physical Plant Division
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities

- Cost of utilities, custodial services, and building maintenance
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- Based on square feet of what you “own” as reflected in UF’s Space Tracking and Reporting System (STARS)
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities

- Different amounts will be charged for office, lab, classroom, and “other”
## College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities

*Shared space will be paid for by area to which it is assigned*
## College Expense Components

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- No charge for off-campus facilities if already responsible for own utilities, custodial services, etc.
**College Expense Components**

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<td>Library</td>
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- Charge based on number of students and faculty
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities
- Library

• Three weights: Lower vs. upper undergraduate vs. graduate students/faculty
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities
- Library
- Sponsored Project Admin
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities
- Library
- Sponsored Project Admin
  - Contracts and Grants
  - DSR
  - Cost Analysis
College Expense Components

- Info Technology
- General Admin
- HSC Admin
- Student Services Admin
- Facilities
- Library
- Sponsored Project Admin

• Percentage charged based on Sponsored Research expenditures
## College Expense Components

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<td>Library</td>
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<tr>
<td>Sponsored Project Admin</td>
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<tr>
<td><strong>Total Assessments</strong></td>
</tr>
</tbody>
</table>
Timeline

• July 1, 2009
  – Incremental budget process
  – Parallel RCM budget system

• July 1, 2010
  – Refinement of RCM budget system
  – Implementation of RCM budget system
  – Begin amortization of historical cross-subsidies