Agenda

• General overview of RCM

• Overview of the model and college budget composition

• Education’s view of RCM
General Overview of RCM
RCM Basics

- How is an RCM budget different than the current budget system?
  - Incremental

- Activity Based Budgeting
  - Revenue associated with tuition flows to colleges
  - Expenses associated with activity flows to colleges
The Fundamentals of RCM

• Values

• Most importantly: Decision making should incentivize higher quality programs, innovation, flexibility, efficiency, and equitable resource allocation.

• As measured through mission-driven metrics: Completion rates, degrees awarded, time to degree, faculty and student productivity, student placements, etc.

Success of College Management under RCM is evaluated here
Guiding Principles

- Governance

- Strategic Plan
- Incentives
- Minimize Negative Outcomes
- Balance RCU & UA
- Transparency
- Matching Revenues to Associated Costs

- Simplicity
- Predictability
- Adaptability
- Central Funds Investment
- Data
- Risk
- Communication
- Leadership
What is an RCU?

- Responsibility Center Units are either:
  - Revenue Units or Support Center Units

- Revenue Units
  - Colleges
  - Auxiliary Units
What is an RCU?

- **Responsibility Center Units** are either:
  - Revenue Units or **Support Center Units**

- **Support Center Units**
  - Research and Public Service
  - Administration & Institutional Support
  - Student Support
  - Facilities
Overview of the RCM Model and College Budget Composition
Current Incremental Budget Process

Annual Marginal Changes in Funding:
- State Funds
- Tuition
- Administrative Service Charge
- Indirect Cost Recovery (75%)

Central Administration

Marginal Changes to Base Budgets

- Colleges Budget Base
- Support Units Budget Base
- Facilities Cost Budget
RCM Budget Process

Support Units and Institutional Costs
- Subventions
- Mandatory Fees
- Other Misc. Fees
- Auxiliaries
- Philanthropy

Administrative Service Charge

Auxiliaries

UA Budget
- State General Funds
- Tuition
- Differential Tuition
- Program Fees
- F&A Recovery (100% less VPR/ORD costs and Research Investments)
- Strategic Investments

Facilities
Cost Assessed based on Net Assignable Square Footage

RCM Allocations
- Subventions
- Sponsored Activity
- Course fees
- Outreach
- Summer Session
- Philanthropy
- Sales and Service

Strategic Investments

Colleges

Allocations
Subventions
Strategic Fund & Support Unit Cost Allocations

Subventions
# Transition of Budgets to RCM

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<th>&quot;Old&quot; Budget System</th>
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<td>Direct revenues</td>
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College Revenue

RCM Allocation

• Undergraduate Tuition
• Graduate Tuition
• Differential Tuition
• Program Fees
• Revenue associated with Sponsored Activity: F&A (ICR)
• Subvention

Direct Revenue

• Summer Session
• Outreach College/AI&SS
• Philanthropy
• Sales & Service
• Auxiliaries
Model Assumptions: Revenue

- Undergraduate revenue is pooled and allocated to colleges: 75% SCH / 25% Majors

- Graduate revenue is allocated by student to colleges: 75% Majors / 25% SCH
  - GIDP Students allocated 100% SCH
  - Graduate allocations are not weighted (as a consequence of being done on a student-by-student basis)

- F&A Allocated 100% to colleges
  - Less proportionate share of SVPR operations
  - Less proportionate share of Research Investment Fund
RCM Revenue Components

Components of RCM Revenue Allocations

- F&A Recovery After Research Costs
- Differential Tuition and Program Fees
- Graduate Tuition
- Undergraduate Tuition
RCM Revenue Allocations

- F&A Recovery After Research Costs
- Differential Tuition and Program Fees
- Graduate Tuition
- Undergraduate Tuition
Components of the RCM Model

• Expenses
  • Cost Associated with Sponsored Activity
    • Sponsored Projects Services
    • Contracting & Research Services
    • Research Compliance Units
  • Cost Associated with Space
    • Facilities Management
Expense Components continued:

Costs associated with Administration & Institutional Support

- **Administration**
  - President’s Office
  - Academic Affairs & Provost
  - University Information and Technology Services (UITS)
  - Human Resources
  - University Libraries
  - Business Affairs (Non-Facility Related)
  - Arizona Health Sciences Center (Administration)
  - Distributed Education (Outreach, UA South, Global Initiatives)

- **Institutional Support**
  - University Insurance
  - Bank Fees

- **Strategic Investment Fund**
Model Assumptions: Expense

- All costs of running the university are billed to colleges

- Space is billed to colleges at a single rate based on net assigned square footage of the college
RCM Expense Allocation

RCM Expenditure Allocations

- Strategic Institutional Investment Pool
- Support Units and Institutional Costs
- Facilities NASF Cost
- Historical Operational Base Budget

Institutional Expenditure by College:

- College of Science (Tucson)
- College of Medicine (Tucson)
- College of Social & Behavioral Sciences
- Eller College of Management
- College of Engineering
- College of Humanities
- College of Fine Arts
- James E. Rogers College of Law
- College of Arts
- College of Education
- College of Pharmacy
- College of Public Health
- College of Nursing
- College of Optical Sciences
- University of Arizona South
- College of Architecture & Landscape Architecture
- Colleges of Letters, Arts & Science
College Budget Composition: EDUC

**COLLEGE OF EDUCATION**

**PRE-RCM BUDGET $10.7M**

- 25% FA Allocation: 141,552 1%
- State, Differential and Program fees: 10,586,382 99%

**RCM BUDGET $17M**

- Subvention: 5,191,927 30%
- RCM Activity Allocations: 11,844,252 70%

**COLLEGE OF EDUCATION**

- Sponsored Support Costs: 454,872 3%
- Facilities Cost: 1,611,234 9%
- Support Units and Institutional Costs: 3,980,999 23%
- Strategic Investment Pool: 261,140 2%
- Salaries and Operations Base: 10,727,934 63%
College Budget Composition: ENGR

**COLLEGE OF ENGINEERING**

**PRE-RCM BUDGET $25.5M**

- 25% FA Allocation: 1,477,472 (6%)
- State, Differential and Program fees: 24,048,941 (94%)

**COLLEGE OF ENGINEERING**

**RCM BUDGET $47.6M**

- Subvention: 15,477,243 (33%)
- RCM Activity Allocations: 32,088,300 (67%)

**COLLEGE OF ENGINEERING**

- Sponsored Support Costs: 1,863,186 (4%)
- Strategic Investment Pool: 674,373 (1%)
- Facilities Cost: 8,339,307 (18%)
- Support Units and Institutional Costs: 11,162,263 (23%)
- Salaries and Operations Base: 25,526,413 (54%)
http://rcm.arizona.edu