Responsibility Center Management at the University of South Florida

Presented to the USF System Faculty Senate

Part 1 of 2

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Responsibility Center Management (RCM)

• Decentralizes agreed upon decisions and financial authority/responsibility to Academic leadership

• Encourages academic units (i.e., colleges) to take greater responsibility for revenue generation and spending decisions that are aligned with the university’s strategic goals
Why Change Budget Systems?

• Moving to a Responsibility Center Management budget system:
  – Increases self-reliance throughout the institution
  – Promotes innovative and entrepreneurial activities that are financially viable
  – Provides an environment that encourages the generation of new revenue sources
Why Change Budget Systems?

• RCM creates greater transparency
  – Encourages “information-rich” allocation decisions
  – Deepens understanding of financial impacts when making decisions
  – Clarifies current cross-subsidies
Others Using RCM

• USF Health
• American Univ.
• Auburn Univ.
• Cal Tech Univ.
• Central Michigan
• Clemson
• Duke
• FIU
• Univ. of Florida
• Harvard

• Indiana
• Kent State
• Purdue
• Temple Univ.
• Tulane
• UCLA
• Univ. of Michigan
• Univ. of Minnesota
• Ohio State
• Vanderbilt
Current: Incremental System

- Central USF administration provides funds to colleges / administrative areas based primarily on historic spending patterns.

Central authority for financial planning, execution, and control

Budgets based on past allocations

Changes are gradual and occur over time as circumstances warrant and resources allow.
Deans have more information (increased transparency) and control over their budget

Can use limited resources more effectively to support priorities

Overall effect: Improved outcomes for USF
RCM

• Uses a formula to allocate State funds
  – Based on Student Credit Hours (SCH) taught, enrollment and other factors

• Colleges keep:
  – Residual funds
  – The entrepreneurial revenue they generate to support their priorities (as an incentive)

• Colleges are allocated charges for support services such as:
  – Human Resources
  – Physical Plant
Proposed RCM Model

**DIRECT FUNDING**
- To Direct-Funded Units

**AUXIL. REV.**
- Stays within colleges/units

**TUITION**
- Allocations per formula TBD
- Cross-subsidies per process TBD

**STATE APPROPRIATIONS**
- Allocations per formula TBD

**F&A**
- TBD following study

RESPONSIBILITY CENTERS

**COLLEGE DIRECT EXPENSES**
- Paid within colleges

**SUPPORT CENTER EXPENSES**
- Assessments per algorithms specific to each Support Center

**STRATEGIC & CONTINGENCY FUNDS**
- To further USF strategic goals @ Presidential discretion
Entities as Defined by RCM

• Responsibility Centers
• Support Centers
• Direct-Funded Units
Responsibility Centers

• Primarily, colleges are considered Responsibility Centers (RC)

• Responsibility Centers generate revenue and incur costs
  – Deans are accountable for both
Responsibility Centers

• **Revenue**
  – Receive an allocation of state appropriations and tuition based on a formula incorporating SCH and other factors
  – Receive the other revenue earned from their activities (e.g., Auxiliaries)

• **Expenses**
  – Responsible for all direct expenses
  – An allocated share of Support Center costs

• **RCM creates a full-cost view of each academic operation**
Support Centers

• Support Centers, or administrative units
  – Typically have little or no revenue, but incur costs
  – Managers of these areas are accountable for both costs and value of services provided

• Support Centers are funded via cost assessments to each Responsibility Center

• Demands good measurements, benchmarking, accountability and reporting
Direct-Funded Units

• Certain areas receive funding directly from the State (e.g., Florida Center for Cybersecurity)
  – Neither Responsibility Centers nor Support Centers

• State-appropriated funds directly provided

• Receive current budget going forward
  – Will change if they receive new State funding or budget reductions

• Expenses
  – Responsible for all direct expenses and an allocated share of Support Center costs