OVERVIEW

- Opportunity through RCM
- Guidelines & recommendations
- RCM advisory committees
- Overview of financial information

OVERVIEW

Why RCM?

- Better align with today’s realities
- Better utilize the role and importance of the academic colleges in the future success of the university
- More effective in realigning academic resources as enrollment and other shifts occur
- Aligns better with the decentralized nature of decision making and the need for greater transparency in decision making
OVERVIEW OF RCM
Why RCM?

- Intended to lead to future changes in the allocation of financial resources and not a restatement of university budgets
- Aims for both simplicity and budget stability at the outset of the change
- More complexity may be appropriate in the future
- Aims for each academic center to be successful

OPPORTUNITY THROUGH RCM
Why RCM?

- Puts Academic Affairs at the center of the university budget model and process
- Moves responsibility and control to the places where revenues are generated
- Links revenue to institutional and academic priorities: RCM “quantifies the strategic plan”
- Grounds decisions in achieving academic goals and fiscal soundness at the same time

OPPORTUNITY THROUGH RCM
The “Right” Incentives

- Creates incentives to enhance revenues and manage costs
- More immediately makes visible the effect of enrollment increases and resources available
- Encourages pursuit of enterprising initiatives
- Makes hard work pay off
OPPORTUNITY THROUGH RCM
Knowing How To Decide

- Supports better-informed decision making
- Clarifies the relationship between resource decisions and resulting revenue (such as section size)
- Links efficiency to effectiveness in academic program delivery
- Encourages efficient administrative services

KEY STRATEGIES

- Enrollment management & student success
- Strategic use of faculty & staff resources
- Targeted programs

KEY STRATEGIES

- Enterprising pursuit of initiatives
- Strategic investments
- Incentives
QUESTIONS AND DISCUSSION

ADVISORY COMMITTEES

- University-wide committee (FaSBAC)
- Academic Affairs committee
### FaSBAC

**Scope of Responsibilities**

- Advising on institutional funding priorities and proposing budgetary guidelines consistent with the university mission, strategic plan, and best interests of the university as a whole
- Reviewing and commenting annually on institutional and non-academic financial plans for alignment with the university mission and strategic plan

### AA COMMITTEE

- A division-level committee with faculty representatives determined by CACs & FCS
- Advises provost on academic planning & priority setting, including use of an investment/subvention pool
- Convened by SR VP for Academic Affairs & Provost
- Convened by VP for Finance & Administration

### FaSBAC CHARGE

**Scope of Responsibilities**

- Reviewing and commenting on requests submitted by non-academic units for annual budget increases or supplemental funds for special projects consistent with the university mission and strategic plan
- Reviewing and commenting on the final draft of the university operating budget, including proposed changes in instructional and/or general fees
FaSBAC
Scope of Responsibilities
- Reviewing and commenting on proposed strategic changes in undergraduate and/or graduate enrollment targets
- Reviewing periodically and commenting on the performance and budgets of non-academic units (and establishing an appropriate review cycle)
- Reviewing periodically and commenting on the impact of the budget process on academic quality and the success of the budget process in achieving its goals

FaSBAC
- Consider University interests
- Ensure RCM goals are being met and guidelines followed
- Address any issues that may arise in subsequent years from implementation

AA COMMITTEE
- Consider Academic Affairs’ priorities in the context of division and University goals
- Recommend academic budgetary guidelines & performance measures
- Advise on use of subvention/investment pool

GUIDELINES & RECOMMENDATIONS FOR AN RCM APPROACH
GUIDING PRINCIPLES

- RCM should be implemented in a manner that enhances rather than drives academic priorities
- Appropriate incentives to pursue both academic quality and efficiency should be established in the belief that good incentives foster good outcomes

GUIDING PRINCIPLES

- RCM methodology should be as simple as possible so that it is easy to understand and implement
- RCM rules should be fair and consistent for assigning both revenues and costs to centers and provide stable and predictable outcomes for academic and enrollment planning

GUIDING PRINCIPLES

- The initial stages of the RCM implementation process should not lead to major reallocations in how budget resources historically have been allocated
- RCM rules should encourage and support initiatives that will increase future University resources
IMPLEMENTATION
RESPONSIBILITY CENTERS

- Degree-granting colleges
- Each Regional Campus
- Auxiliary operations

IMPLEMENTATION
Expectations For Responsibility Centers

- Operate within budget
- Demonstrate enterprising pursuit of initiatives
- Retain more of the benefits of centers’ success

ROLE OF FaSBAC
RECAP

- Advises on:
  - University interests
  - Meeting of RCM goals by centers
  - Following of RCM guidelines by centers
  - Addressing issues that may arise in subsequent years from implementation
QUESTIONS AND DISCUSSION

Overview of Financial Information

Kent Campus
RCM Model #1.0 – UG Revenues split at 80/20
FY 07 Data

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<tr>
<th>Gender</th>
<th>Gross Revenues</th>
<th>Adjusted Budget</th>
<th>Total Revenues</th>
<th>Non-revenue Support Costs</th>
<th>Remaining Revenues</th>
<th>Net Revenues</th>
<th>Revenue Support Costs</th>
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<td>24,729,587</td>
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The Net Revenue amount represents the change in Kent Campus fund balance and year-end funds earmarked for priorities $2,151,439.
The Model

- Reflects committee’s recommendations
- Elements of the Model
  - Revenues
  - Expenditures
  - Support Costs
  - Subvention/Investment Pool
  - Transition

Revenues

- Premise: All revenues allocated to responsibility centers
- Revenue Categories
  - Instructional fees
  - State Share of Instruction
  - Success Challenge
  - Indirect Costs from Grant Activity
  - Investment Income
  - Non-center Instructional Revenues
  - Course Fees and Other Departmental Revenues

Revenues continued

- **Instructional fee** revenues
  - Includes non-resident fees
  - Reduced for scholarships, collection costs, bad debt expenses, bank service charges
Revenues continued

- State Share of Instruction (SSI)
- Only enrollments eligible for SSI are included in allocation
  - Undergraduate and Master’s allocation
    - Average of prior two years of enrollments
  - Doctoral
    - Weighted average of prior five years

Revenues continued

- Allocation of net instructional fees and SSI
  - Undergraduate
    - 80% to unit delivering instruction
    - 20% based on student’s major
  - Master’s and Doctoral
    - 100% to unit delivering instruction

- While the models are based on a single year’s enrollment, we are planning to use a three year average for enrollment adjusted to actual

Revenues continued

- Success Challenge
  - “At risk”—allocated across responsibility centers based on proportion of undergraduate instructional fees and SSI
  - “Timely completion”—allocated to units whose students generated the funding

- Indirect Costs from Grant Activity
  - Revenue formerly used to support Kent Campus budget
  - Approximately 38% ($1.2M) of total indirect cost
  - Allocated to units based on indirect cost earnings

- Investment Income
  - Provided to units based on proportion of revenues allocated
Revenues continued

- Non-center Instructional Revenues
  - Includes Honors, Undergraduate Studies, Military Science, Aerospace Studies, RAGS, International Programs
  - If instructor is charged to a center, the revenue is included in the center’s total
  - Revenues not assigned are allocated similar to investment income

Expenditures & Support Costs

- All University expenditure budgets are assigned to a responsibility unit
- Components
  - Centers’ expenditures
  - Academic Affairs’ administrative support costs
  - All other administrative support costs

Expenditures

- Centers’ expenditures
- Original budget plus adjustments
- Examples of adjustments
  - Salary adjustments
  - Benefit/telecommunication costs
  - Revenue sharing
  - One-time funding from central administration or Academic Affairs
Support Costs

- Academic Affairs - examples
  - Provost, Library, Kent State University Museum
  - Non-Center instructional areas
- Other Administrative Areas - examples
  - Development, Financial, Human Resources, President’s area, Marketing
- Support costs allocated based on total revenue

Remaining Net Revenues

- Calculated as: revenues less adjusted budget less support costs
- Adjusted budget = spending authority, not actual amount spent
- In most instances, adjusted budget is not equal to actual expenditures. In both fiscal years, many units “carried over” surplus budget variances.
- All budgets under RCM will be adjusted to actual at the end of the fiscal year. In FY 06 and FY 07, revenues were under estimated so there was more authority than planned.

Investment/Subvention Pool

- There are multiple ways of creating a subvention/investment pool.
- While there can be many benefits from these pools, it is a form of reallocation or budget cut so you have to understand both the benefits and issues when creating the pool.
- Some contingency funds that reside in the Provost’s office may lessen the implication of creating this pool.
Transition

- The current thinking is to phase RCM in over three years beginning in FY 2010. However, we remain open to using other approaches.
- The use of a three-year enrollment average for allocating instructional fees also provides a "smoothing effect" during the transition and in future years. (While an average enrollment is used, in total, tuition must still be adjusted to the actual amount collected.)
- The downside to these approaches is that positive enrollment outcomes will be delayed.

QUESTIONS AND DISCUSSION
NEXT STEPS