Overview

The Medical University of South Carolina (MUSC) is preparing to undergo a transformational change in how dollars flow at the institution. This shift is the result of nearly 3 years of study by several university-wide committees and intense planning sessions between the university leadership and the Huron Consulting Group.

The essential change to occur is that the present legacy financial management system that has evolved over decades must be replaced to better address the new financial realities of declining traditional revenue streams and growth in costs. A Funds Flow Committee has worked with the Huron Group to recommend six principles to guide the development of a financial management system:

1) Transparency and integrity (encompasses communication, clear definitions of categories, commonly understood rules, timeliness, accuracy and completeness)
2) Responsibility commensurate with Authority
3) Flexible, Scalable, Translatable
4) Balance between central and local authority (ensure institutional priorities are met)
5) Incentive driven (enables entrepreneurism)
6) Enables forecasting and strategic planning

From October 2010 to July 2011 there has been increasing development of a management model that incorporates those principles with the goal of complete implementation in fiscal year 2013. The characteristics of the new model include the following key elements:

1) Colleges as mission-based Academic Responsibility Centers balancing total revenues and costs
2) Decentralized decision-making within each College
3) Central Administration and Service Units’ fixed costs funded through formula-based assessments levied on the Colleges
4) President/Provost Strategic Investment Fund to provide an institutional “steering wheel” generated annually through an assessment on each College.
Adoption of this new management system emphasizing the creation of “Academic Responsibility Centers” (ARC) is by extension the creation of a new decision-making model. With adoption, in the years ahead, dozens of structures, functions, and decision-making systems that evolved over decades will likely be actively reviewed both within the ARC and University-wide.

Recently, it has become apparent to me that one of the more critical discussions to happen early on is the planning and management of space. This is understandable given that space is so important for delivering the university missions. It is also one of the university’s most precious commodities to generate revenue while representing one of the institution’s largest cost factors. We are currently operating under a research space policy that was issued in 2005 that, while appropriate for the time it was developed and implemented, is no longer appropriate given our emerging ARC model. This memo is meant to clarify my perspective on space planning and management under the new financial management and decision-making model.

Balancing of Central and Local Authority in Space Planning and Management

One of the 6 principles defined by the Funds Flow Committee having great applicability to space planning and management is balancing central and local authority to ensure institutional priorities are met. The Board of Trustees and President ultimately control space at MUSC but such authority can be delegated to numerous entities incorporating a blending of central and local authority.

The Provost’s Office as a central authority has historically had institution-wide oversight of space in 4 key areas, 1) strategic planning, 2) regulatory, 3) efficiency, and 4) accountability. With respect to strategic planning the two most recently constructed buildings (Bioengineering and Drug Discovery) house multiple research laboratories, classrooms, offices, and conference space. The funding raised to erect those buildings was coordinated and driven largely through the efforts of the previous Provost with representation from the colleges and the Hollings Cancer Center. The building footprints represent a blending of colleges, support for the Centers of Economic Excellence, Hollings, and integration of researchers from Clemson University and the University of South Carolina. It is a critical consideration that the Provost’s Office securing of funding for unique intercollege and intra-institutional initiatives continue to be honored well into the future through continued oversight by the Provost.

In terms of regulatory requirements, the Office of Integrated Planning and Space Management resides in the Provost’s Office and reports to the South Carolina’s Commission on Higher Education (CHE) certain information on all of the facilities at MUSC. To conduct its reporting requirement and facilitate space planning, the office must establish and maintain data and information related to facilities space planning and management. It also establishes and
manages leasing agreements for the entire Academic Medical Center and conducts surveys of all space on an annual basis to serve as the basis for the Facilities & Administrative Rate Study, Medicare/Medicaid reports and other requirements.

The efficiency dimension is illustrated by the University Facilities Standing Committee. This committee was formed six years ago and meets monthly to communicate and coordinate space issues that involve the entire MUSC enterprise.

The accountability of the Provost’s Office includes but is not limited to the development of necessary space policies cutting across the institution, setting benchmarks for space utilization, monitoring activities in institutional space, and the brokering of space as needed. The brokering role is likely to increase under the new financial management system in which colleges will increasingly be assessing their ability to cover the costs of their space. Furthermore substantive decisions regarding institutional space need to be vetted with the Provost for advice and consent to assure no misunderstandings and that institutional policies and priorities are being met.

Local Authority recognizes that the dean must have substantial authority for assigning/reassigning space allocated to the college. Several key elements of the Funds Flow principles and new financial management system lead to this perspective.

First, the dean must manage all costs associated with that space. This dictates that the dean has the authority to assign, manage, review, and reassign such space to assure the college/department is positioned to secure sufficient revenue to cover costs. Further, as deans financially invest in developing or renovating space, it is important that they have assurance that such investment, which can be extensive, is not unnecessarily loss through space reallocation.

Secondly, two critical principles from the Funds Flow Committee further refine local authority, “incentive driven (enable entrepreneurism)” and “forecasting and strategic planning.” In short, the ARC model being built for implementation in 2013 puts an emphasis on decentralized decision-making in requiring deans and others within the responsibility center to drive academic mission and incentive based strategic planning. To do this, the ARC must have a substantial authority over space, one of the college’s most precious commodities for realizing such strategic planning and necessary revenue generation, while balancing true costs.

Finally, ARCs should be held accountable for their space utilization and productivity by creating monitoring and review systems internally. It is important that this information be benchmarked with established standards. The role of the Provost’s Office is to assist as necessary in the development of such systems and perform appropriate monitoring to ensure institutional priorities are being realized.
For these and other reasons, the goal for a blending of central and local authority is accomplished through collaboration via various venues to promote the key principles promoted by the Funds Flow Committee and adopted in the new financial management system. This will necessitate the transition to a new policy on research space for the institution, which will effectively balance central and local authority and empower each ARC with authority over the space to which it has been assigned.

It is my intent to initiate planning with the Academic Deans and other constituents as needed to define a new space management policy and process. There have been significant advances in the sophistication of space management methods and we should draw upon those. It is appropriate that the university move away from legacy methods of space commitment that can trap the ARCs and university in inefficient space commitments for many years.

The issues to be confronted regarding space are not specific to research and encompass the entire campus. As indicated previously, this is just one of many issues we will confront over the next few years as our new systems of financial management and decision-making become implemented.