MECHANICS OF RESPONSIBILITY-CENTERED MANAGEMENT (RCM) BUDGETING
Training Overview

- RCM Review
- Traditional Budget VS. RCM
- MUSC RCM Executive Review Process
- Model Mechanics......followed by practical walk-through of Model
- FY14 RCM Proposed Timetable
Review Of Responsibility-Centered Management (RCM)

**RCM’s Underlying Premise:** The decentralized nature of the model entrusts academic leaders with greater control over financial resources, leading to more informed decision-making and improved outcomes for the University as a whole.

**RCM’s Greatest Challenge:** Finding the best combination of resources and strategies that will optimize the mission and vision of the University as a whole.
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<tr>
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<th><strong>TRADITIONAL</strong></th>
<th><strong>RCM</strong></th>
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</thead>
<tbody>
<tr>
<td>Decisions:</td>
<td>Centralized¹</td>
<td>Decentralized</td>
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<tr>
<td>Organization:</td>
<td>Independent</td>
<td>Interdependent</td>
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<tr>
<td>Revenues:</td>
<td>Centrally Distributed¹</td>
<td>ARC Receives All</td>
</tr>
<tr>
<td>A&amp;S Unit Support:</td>
<td>Centrally Funded</td>
<td>ARC Funded (Recoveries)</td>
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Note: 1) Certain exceptions apply
MUSC RCM Executive Review Process

President & Dean’s Council
Recommendations presented by Funds Flow Steering Committee
Dec 2010

Academic Leadership Retreat
Discussion of RCM principles, model components & scenarios
Feb 02, 2011

Academic Leadership Retreat
Review of RCM 2010 & 2011 P&Ls & Investment Fund
May 24, 2011

Academic Leadership Retreat
Review of model adjustments & HH transition, Formal adoption of RCM Model
Oct 25, 2011

Recharge Committee
Begins review process of all A&S Units
Dec 2011

Academic Leadership Retreat
Investment Fund Contribution & Responsibility Hold Harmless
Apr 16, 2012

Academic Leadership Retreat

Apr 30 - May 1 2012 Budget Meetings 1st Round
May 14- May 25 2012 Budget Meetings 2nd Round

Sep 17th, 2012
Model Mechanics- Terminology

- **ARC (Academic Responsibility Centers)** – a revenue generating entity. Includes 6 Colleges & 3 Auxiliary Units. (ex: COM, COP, Wellness Center).

- **A&S Unit (Administrative & Support)** - a non-revenue generating entity. 40+ allocable Units (ex: OCIO, E&F, Parking Management, etc.).

- **Driver** – a pre-selected metric used to allocate an expense. The current model drivers are:
  - Expense (unit ex: Controller, VPAA)
  - Faculty, Staff, & Student Headcount (unit ex: Public Safety, Library)
  - Faculty & Staff Headcount (unit ex: EEO, HR)
  - Research-based expense (unit ex: GCA, Research Admin)
  - Space-based expense (unit ex: Utilities, E&F)
  - Enrollment-based expense (unit ex: ESL, Alumni)
  - Gifts-based expense: (unit ex: Office of Development)

- **Investment Fund** – A fund developed within the RCM Model to provide financial support for approved strategic initiatives. ARCs contribute to this fund.

- **Hold Harmless Agreement** – To assist ARCs in transition from traditional to RCM budget model.

- **Recharge Committee** – Charged with reviewing A&S Unit services and allocations.
**RCM... Changing What’s Possible**

**$ Amounts in thousands**

<table>
<thead>
<tr>
<th></th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12 Projected</th>
<th>FY13 Projected</th>
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<tr>
<td>Revenues</td>
<td>480,956</td>
<td>507,707</td>
<td>523,598</td>
<td>545,292</td>
<td>572,166</td>
<td>570,367</td>
<td>588,470</td>
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<tr>
<td>Expenditures</td>
<td>(490,087)</td>
<td>(530,771)</td>
<td>(554,493)</td>
<td>(574,387)</td>
<td>(596,518)</td>
<td>(613,658)</td>
<td>(622,952)</td>
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<td>Other Additions (Deductions)</td>
<td>13,716</td>
<td>25,129</td>
<td>42,614</td>
<td>36,342</td>
<td>32,219</td>
<td>43,564</td>
<td>34,893</td>
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<td>Revenues Over (Under) Expenditures</td>
<td>4,585</td>
<td>2,065</td>
<td>11,719</td>
<td>7,247</td>
<td>7,867</td>
<td>273</td>
<td>411</td>
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**RCM Began Operations July 1st, 2012**
Tracking Progress of FY13 RCM

UNIVERSITY-WIDE
FY13 RCM BUDGET VS ACTUALS
As of SEPTEMBER 30, 2012

ACCOUNTING PERIOD

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<tr>
<th>FY13 BGT</th>
<th>1</th>
<th>2</th>
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<td>FY13 ACTUAL REVENUE</td>
<td>$716,359,843</td>
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<td>FY13 ACTUAL EXPENSE</td>
<td>$595,188,591</td>
<td>$46,020,530</td>
<td>$21,606,627</td>
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<td>FY13 UNIT MARGIN (Before Allocation)</td>
<td>$51,171,252</td>
<td>$36,312,763</td>
<td>$32,186,041</td>
<td>$14,898,326</td>
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<td>FY13 OTHER ADDITIONS (DEDUCTIONS)</td>
<td>$41,124,493</td>
<td>$3,280,646</td>
<td>$4,411,783</td>
<td>$13,386,093</td>
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<td>FY13 UNIT MARGIN (After Allocation)</td>
<td>$10,394,550</td>
<td>$2,903,617</td>
<td>$3,549,286</td>
<td>$5,141,336</td>
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<td>FY13 ASB ALLOCATION</td>
<td>$79,515,071</td>
<td>$113,252,519</td>
<td>$10,878,706</td>
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<td>FY13 MTP ALLOCATION</td>
<td>$22,879,474</td>
<td>($2,903,617)</td>
<td>$25,296,517</td>
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<td>FY13 MTP INVESTIMENT FUND</td>
<td>$30,735,564</td>
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<td>FY13 ASB CONTINGENCY FUND</td>
<td>$5,299,564</td>
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<td>FY13 DEPARTMENT MAINTENANCE</td>
<td>$2,903,617</td>
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<td>FY13 FULLY COSTED UNIT MARGIN</td>
<td>$9,299,328</td>
<td>$2,903,617</td>
<td>$2,903,617</td>
<td>$2,903,617</td>
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<td>FY13 FULLY COSTED HARMLESS</td>
<td>$17,630,097</td>
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<td>FULLY COSTED MARGIN AFTER HOLD HARMLESS ACTUAL</td>
<td>$5,730,264</td>
<td>$2,903,617</td>
<td>$2,903,617</td>
<td>$2,903,617</td>
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UNIVERSITY-WIDE FULLY COSTED UNIT MARGIN (AFTER HOLD HARMLESS) BUDGET VS. ACTUAL

y = -2E+07x^2 + 8E+07x - 7E+07

R^2 = 1
RCM
Revenue And Expense Flow

- Revenue
  - (7) Academic Responsibility Centers
    - Less Direct Expenses
      - Less A&S allocated net expenses (recoveries) to ARCs¹
        - Less Investment Fund Contribution
          = Net Margin

- (45) Admin & Support Units
  - Net Expenses

Note(1): An ARC’s share of A&S allocable costs is based upon the ARC’s proportional share of direct expenditures relative to other ARCs.
Circular Flow Of Investment Fund

INVESTMENT FUND COMMITMENTS
- Hold Harmless
- Provost Legacy
- Deferred Maintenance
- A&S Contingency Fund

$31.2M In Contributions

$17.0M Hold Harmless
$5.5M Provost Legacy
$4M Deferred Maintenance
$1.7M A&S Contingency

COM $15.9M
CODM $4.9M
COP $2.2M
CON $1.9M
CHP $4.8M
COGS $487K
AUX $653K

COM
CODM
COP
CON
CHP
COGS
AUX

A & S Units

Office of Controller

11-05-2012
Investment Fund Contribution Calculation

- Tuition & Fees
- Fee Waivers
- State Appropriations
- State Appropriations-SFSF
- Gifts
- Sales & Services-Educational Departments
- Sales & Services-Auxiliary Enterprises
- Endowment Income
- Interest & Investment Income
- Miscellaneous

\[ \text{Investment Fund Contribution} = (\text{X} \times 20\%) \]

11-05-2012

Office of Controller
Model Walk Through

- Profit & Loss (P&L) Format
- Direct Revenues
- Direct Expenses
- Indirect Expenses (A&S Allocations-Recoveries)
- Unit Margin
FY14 Proposed Budget & RCM Timetable

Vetting Period
ARCs/Activities responsible for reviewing responsible areas of Space, Tuition, Grants & Contracts, Waivers, Staff/ Faculty FTE, and Student Enrollment

Jul 15th 2012 through September 30th, 2012

FY14 Model driver data loaded into FY14 RCM Model
Driver Data Freeze

FY14 A&S Allocations issued to ARCs

Office of Controller
Questions & Contact Information

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