**Budget Model**

The Budget Model does not automatically solve an institution's budget problems. Key findings from EAB research on RCM Budget Models are discussed.

**Is RCM the Answer?**

**Key Findings from EAB Research on RCM Budget Models**

Many large universities have switched to or are considering an RCM budget model that allocates most resources to deans. RCM, however, does not automatically solve an institution’s budget problems.

**RCM**

- **Does create incentives for deans to grow revenue, but RCM institutions do not necessarily grow revenue faster than non-RCM institutions.**
- **Does create incentives for deans to manage costs, but also requires additional (and more expensive) administrative support staff to manage.**
- **Focuses resources at the unit-level and often makes it harder to accumulate funds for strategic objectives.**

**RCM focuses resources at the unit-level and often makes it harder to accumulate funds for strategic objectives.**

**ALIGNING RESOURCES WITH INSTITUTIONAL GOALS**

**Budget Model Elements**

1. **Undergraduate Tuition**
   - Completes
   -ug

2. **Graduate Tuition**
   - Completes
   -gr

3. **State Appropriations**
   - Completes
   -sa

4. **Indirect Cost Recovery**
   - Growth
   - icr

5. **Donor Gifts**
   - Growth
   - dg

6. **Non-credit Revenues**
   - Growth
   - nc

7. **Auxiliary Revenue**
   - Gen Fund
   - ar

8. **Endowment Revenue**
   - Gen Fund
   - er

9. **Research Facilities**
   - Gen Fund
   - rf

10. **General Administration**
    - Gen Fund
    - gn

11. **Library**
    - Gen Fund
    - lb

12. **Student Success**
    - Gen Fund
    - ss

13. **Information and Technology**
    - Gen Fund
    - it

14. **Business Services**
    - Gen Fund
    - bs

15. **Priority Setting**
    - Gen Fund
    - ps

16. **Campus Infrastructure**
    - Gen Fund
    - if

17. **B-to-U Debt**
    - Gen Fund
    - db

18. **Credit Milestones**
    - Gen Fund
    - cm

**Methods to Allocate University Revenues to Units**

- Completes
- Number of student completions in a college or department
- Dean/Dept
- Money paid into the dean or department chair
- Enrollment
- Program development in a college or department
- Gen Fund
- Money posted into general fund
- Growth
- Growth in student credit hours in a college or department
- MOU
- Memorandum of understanding with a college or department
- OP Ex
- Money used for non-operating expenditures
- PI
- Money distributed to the principal investigator
- SCH
- Student credit hours generated by a college or department
- VP-R
- Money distributed to the vice president for research

**Revenue Allocation**

**Methods to Allocate University Revenues to Units**

- Completes
- Number of student completions in a college or department
- Dean/Dept
- Money paid into the dean or department chair
- Enrollment
- Program development in a college or department
- Gen Fund
- Money posted into general fund
- Growth
- Growth in student credit hours in a college or department
- MOU
- Memorandum of understanding with a college or department
- OP Ex
- Money used for non-operating expenditures
- PI
- Money distributed to the principal investigator
- SCH
- Student credit hours generated by a college or department
- VP-R
- Money distributed to the vice president for research

**Cost Allocation**

**Methods to Assign University Expenditures**

- Completes
- Number of student completions in a college or department
- Dean/Dept
- Money paid into the dean or department chair
- Enrollment
- Program development in a college or department
- Gen Fund
- Money posted into general fund
- Growth
- Growth in student credit hours in a college or department
- MOU
- Memorandum of understanding with a college or department
- OP Ex
- Money used for non-operating expenditures
- PI
- Money distributed to the principal investigator
- SCH
- Student credit hours generated by a college or department
- VP-R
- Money distributed to the vice president for research

**Performance Targets for Incentivizing Unit Behavior**

- Unit Goals
- Achieve budget control over line items
- Increase credit milestones
- Increase degrees awarded
- Increase success rates
- Increase student retention
- Increase student enrollment
- Increase net assignable square feet
- Increase indirect cost recovery
- Increase margin targets
- Increase loan pool
- Increase revenue tax
- Increase shared expense

**Strategic Funding Sources for Funding Strategic Objectives**

- B-to-U
- Bill to unit for costs
- Debt
- Paid for by issuing debt
- Diff Tuition
- Paid from different tuition fees
- Ex Tax
- Unit charged expense tax
- Gain Share
- Portion of saving gains shared with units
- Infy Goals
- Units gain performance improvement goals
- Mar Tar
- Unit charged revenue tax
- One Stop Plan
- Goals set through strategic planning
- Shared Exp
- Shared expenses from general fund

**Navitating the Model**

1. Locate the elements of your budget model that do not support your institutional goals.
2. Choose the mechanism for each element that creates the right incentives for your campus.
3. Integrate new elements and mechanisms into your budget model to impact your top priorities.