

Maximize

YOUR LEADERSHIP POTENTIAL



University of Florida Training and Organizational Development, Office of Human Resource Services

Financial Management

UF Budgeting Model

The University of Florida uses a Responsibility Center Management (RCM) structure for budgeting and fund distribution. UF uses RCM to decentralize budget-related decisions. Under RCM, each unit is financially responsible for its activities and is held accountable for its expenditures. The aim is to provide units more flexibility and control to apply their resources in support of their priorities. RCM also provides a higher degree of transparency and predictability with respect to allocations.

Each unit on campus is classified as a Responsibility Center (RC), a Support Unit (SU), a hybrid of these two, or a Direct Funded Unit (DFU).

Responsibility Center (RC) – A unit that generates revenue from third parties. Examples of such revenues are tuition, state appropriations, and sales of products or services. Third parties would include students, governments, or corporations.

Support Unit (SU) – A non-revenue generating unit primarily providing product or services to responsibility centers at the University.

Direct Funded Unit (DFU) – These units are funded directly by the State of Florida and are not included in RCM. These units are managed by the University of Florida for the benefit of the State.

Regardless of whether you manage an RC, an SU, an RC/SU hybrid, or a Direct Funded Unit, it is important for a manager to know the basics about how funds are allocated under RCM. Let's take a look at the general description of each type of unit:

Why it matters?

Understanding how to forecast, build, and manage a budget is an important skill for managers. Most leadership positions carry some responsibility for budget management therefore understanding the budget and skill in managing budget issues and problems are critical competencies for success.

Responsibility Center	Support Unit
<ul style="list-style-type: none"> <input type="checkbox"/> Colleges, auxiliaries, and certain centers <input type="checkbox"/> Generate revenue and incur costs <input type="checkbox"/> The appropriate dean, director, or vice president is accountable for both revenue and expenditures <input type="checkbox"/> Earn revenue through student credit hours and entrepreneurial activities <input type="checkbox"/> Examples include: <ul style="list-style-type: none"> <input type="checkbox"/> College of Liberal Arts and Sciences <input type="checkbox"/> Division of Continuing Education <input type="checkbox"/> Center for Latin American Studies 	<ul style="list-style-type: none"> <input type="checkbox"/> Administrative units that tend to generate little or no revenue, but do incur costs <input type="checkbox"/> Managers of these areas are accountable for their costs—and the value of the services they provide <input type="checkbox"/> Receive funding from the Responsibility Centers <input type="checkbox"/> Examples include: <ul style="list-style-type: none"> <input type="checkbox"/> General Administration (e.g., Human Resources, UPD, Office of the Provost) <input type="checkbox"/> Student Services Administration
Hybrid	Direct Funded Unit
<ul style="list-style-type: none"> <input type="checkbox"/> Acts as both revenue center and service center <input type="checkbox"/> Generates revenue and incurs costs as Responsibility Center and also provides a service to other Responsibility Centers as a Support Unit <input type="checkbox"/> Examples include: <ul style="list-style-type: none"> <input type="checkbox"/> Animal Care Services <input type="checkbox"/> Harn Museum of Art 	<ul style="list-style-type: none"> <input type="checkbox"/> Receives money directly from state rather than student credit hours <input type="checkbox"/> Is neither Responsibility Center nor Support Unit <input type="checkbox"/> Examples include: <ul style="list-style-type: none"> <input type="checkbox"/> Florida Center for Library Automation <input type="checkbox"/> University Press of Florida

RCM uses a formula to allocate state appropriations to Responsibility Centers and hybrids based on Student Credit Hours (SCHs), enrollment, and other factors. With this budgetary system, colleges and auxiliaries keep surplus funds and entrepreneurial revenue generated (minus administrative overhead).

For a Responsibility Center, it is important to know the number of student credit hours taught and the number of students enrolled in the college; this information directly impacts the amount of state funds a college will receive. If a Responsibility Center is predominantly funded by state appropriations, SCH and enrollment numbers will greatly impact its budget and the decisions made about which priorities to fund.

Depending on the amount of state funding your unit receives, it may be necessary to increase the number of sponsored projects it is involved with or increase the entrepreneurial activities your unit engages in to function effectively or to fund new or changing priorities for your area. Sponsored projects are projects proposed by a principal investigator to an outside agency that provides funding. We use the term “Sponsored Projects” to denote a grant, contract, or cooperative funding agreement. Entrepreneurial activities include all activities that generate revenues from a third party and are not paid or supplemented with state appropriations. The RCM model is intended to create incentives for entrepreneurial activities at the unit level. Revenues from entrepreneurial activities are retained entirely by those units undertaking such entrepreneurial risks. That activity must fall within the strategic scope and meet the strategic goals of the university.

A component of the RCM system is the allocation of Support Units’ costs to Responsibility Centers (RC). The Support Units costs are funded from assessments paid by all RC units. The mechanism for periodic review of central services cost is through the Budget Review Committee. The Budget Review Committee is comprised of representatives from each college, each vice presidential unit, and a representative from the Faculty Senate.

Each year, all Support Units are expected to present budget scenarios which typically include:

- 5% decrease over the prior years approved budget
- Support Unit’s optimal budget
- Upcoming year’s budget equal to final current year budget

In addition, budget proposals should include a unit review containing the following information:

- Statement of the services, objectives and programs of the department
- Organization chart(s)
- List of services provided by your unit to campus
- What effect a 5% cut would have on programs and services delivered by the support unit
- Proposed increases to the base budget, justification for service changes and resulting cost
- Salaries and Benefits of all employees

Every five or six years, Support Units will complete a “zero-based” budget review. The areas selected to complete the zero budget are asked to prepare the following additional information:

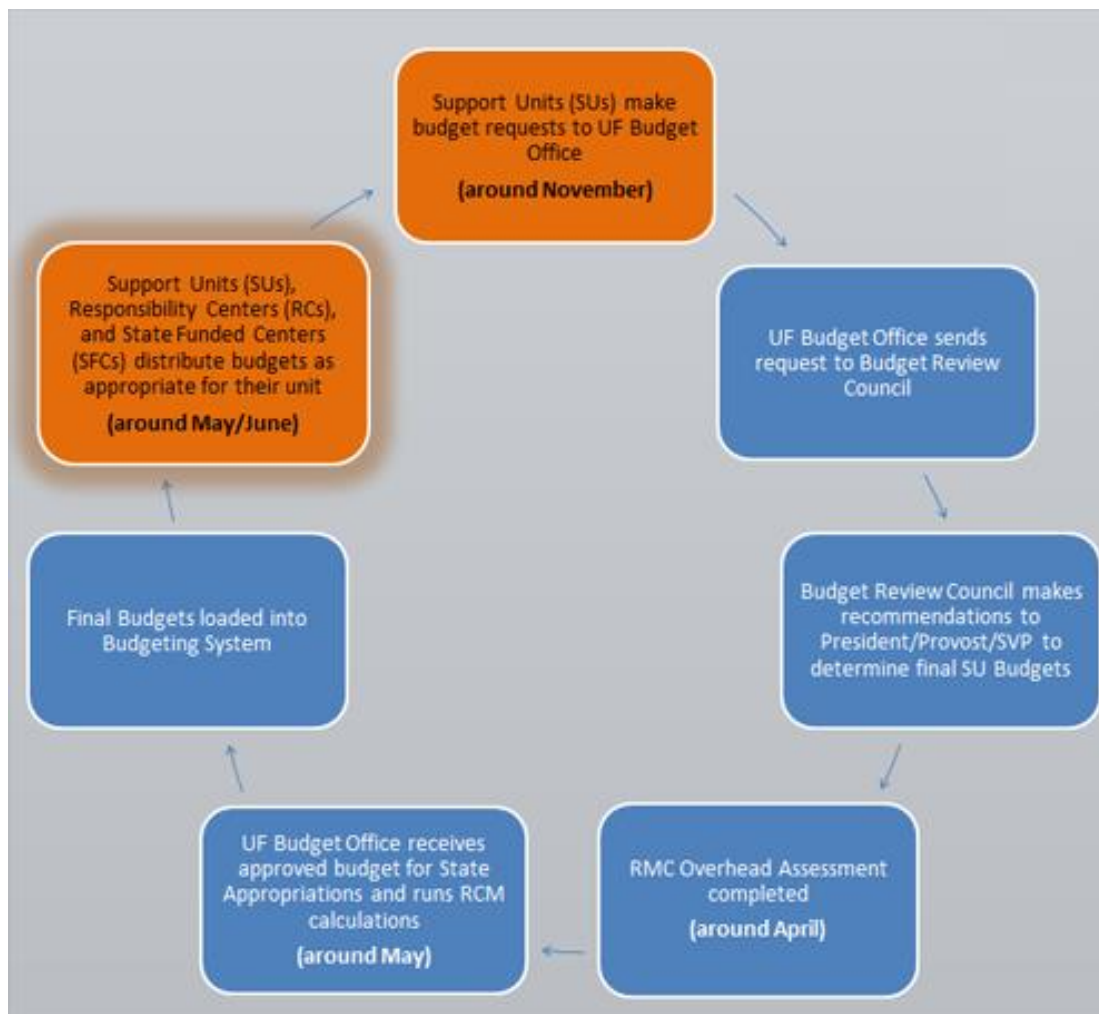
- Internal review of each program. The goal of this requirement is to communicate the unit’s strategic plan, centrality (or essential relationship) to the University role and mission, and value of service offered.
- Baseline data to document the current general assignment of responsibilities, organizational structure and staffing plan, and the amount of resources in terms of dollars and staff FTE’s devoted to the program. As well as highlighting mission-critical programs and services.
- Provide benchmarks or indicators of demand, productivity, and cost effectiveness measured against appropriate peer institutions.
- Develop a measurable standard for evaluating the quality of service delivery and procedures for regular evaluation.
- Review policies and practices with the objective of eliminating low value added activities and enhancing value where appropriate. Identify the unit’s strengths and note areas for improvement in the future.
- Recommend strategies for overcoming any barriers and/or constraints that may be impediments to realizing savings.

UF Budget Cycle

There are important milestones throughout the UF Budgeting process you should be aware of depending on whether you are budgeting for a Support Unit (SU), Responsibility Center (RC) or hybrid.

Starting in November of every year, Support Units make their budget requests for the upcoming fiscal year to the UF Budget Office. The Budget Office submits the request to the Budget Review Committee and then facilitates the reviews, calculations and determination of final budgets.

Starting in May/June, all budget personnel will receive their final budgets and can then manage and distribute the monies as appropriate across their Budget Preparation and All Funds Budget.



Conclusion

The University of Florida has a complex financial system. Although units often assign people to complete the day-to-day financial duties, it is important that leaders understand the underlying concepts of the university's financial system in order to effectively run their unit and maximize its strategic advantage. This job aid only highlights a few elements of the RCM. If you'd like to learn more about this topic, consider enrolling in UF T&OD's course SCS016 Finance for Managers.