What is Responsibility Centered Management?

• Budget model that links budgets to activity
• Allocates revenues based on activity metrics
• Allocates costs to the Responsibility Center Units
• Provides local authority and responsibility
Keys to Success

- Full support of university leadership
- Inclusive process that includes all areas of campus
- Communication
- Availability of reliable and timely data
- Transparency

Lots of Input

- Steering Committee
  Cross section of deans, department heads, faculty, graduate and undergraduate students, administrators, and staff
- RCM Subcommittees
  Nine subcommittees with approximately 10 members each that crossed most organizations across the institution
- Responsibility Unit Business Officers (RUBO)
  Over 35 financial leads representing all colleges and VPs
## Guiding Principles

- Strategic Plan
- Incentives
- Minimize Negative Outcomes
- Balance RCUs & UA
- Transparency
- Matching Revenues to Associated Costs
- Simplicity
- Predictability
- Adaptability
- Central Funds Investment
- Data
- Risk
- Communication
- Leadership
- Governance

## The Fundamentals of RCM

- Simply a budget allocation tool to be used by academic and administrative leaders
- Does not add dollars into the system or create new costs
- Flows funds to the Colleges. *Funds allocated to the departments are at discretion of the dean and should not follow this model directly.*
The Fundamentals of RCM

• Values
  • Most importantly, decision making should; incentivize higher quality programs, innovation, flexibility, efficiency, and equitable resource allocation.
  • As measured through mission-driven metrics; completion rates, degrees awarded, time to degree, faculty and student productivity, student placements, etc.

Success of College Management under RCM is evaluated here

Challenges in building the new model

• Change Management

• Complexity of University funding

• Differences in historical practices/systems/data reporting

• Ability to identify and report using “New Buckets”
Annual Marginal Changes in Funding:
- State Funds
- Tuition
- Administrative Service Charge
- Indirect Cost Recovery (75%)

Central Administration

Marginal Changes to Base Budgets

Colleges Budget Base
Support Units Budget Base
Facilities Cost Budget

RCM Budget Process

Support Units and Institutional Costs
- Subventions
- Mandatory Fees
- Other Misc. Fees
- Auxiliaries
- Philanthropy

Administrative Service Charge

Auxiliaries

Facilities
Cost Assessed based on Net Assignable Square Footage

UA Budget
- State General Funds
- Tuition
- Differential Tuition
- Program Fees
- F&A Recovery (100% less VPR/ORD costs and Research Investments)
- Strategic Investments

Allocations
Subventions
Strategic Investments

Colleges
- RCM Allocations
- Subventions
- Sponsored Activity
- Course fees
- Outreach
- Summer Session
- Philanthropy
- Sales and Service
Revenue Allocation

**Undergraduate Tuition**

- Revenues pooled and allocated based on 75% SCH and 25% Majors. It is insensitive to the source of tuition (in vs. out of state, scholarship, need-based aid, etc.)
- All financial aid is deducted from the pool.
- First year allocation of UG SCH was calculated using 4-year weighted average to account for past activity during implementation.

Revenue Allocation

**Graduate Tuition**

- Allocated student by student based on 75% Major and 25% SCH
- GIDP’s allocated 100% SCH
- Regents Set-Aside aid and aid directed by the RCU is deducted from the allocation.
Revenue Allocation

Differential Tuition and Program Fees

• Distribution of program fee goes 100%, less Regents Set-Aside, to college owning the fee or differential tuition.

Revenue Allocation

Sponsored Activity

• 100% of Facilities and Administrative Recovery (F&A) is returned to the colleges
Cost Allocations

Support Center Cost Recovery

• Costs related to institutional administration, student support, business services is recovered based on a percentage assessed to all revenues and subventions

• Institutional costs associated with running the institution not related to a single entity (insurance, cost of banking, ABOR support etc.) is included in the Support Center Cost Recovery

Facilities and Space

• A single rate based on net assignable square feet assigned to an RCU — recovers all institutional facilities-related costs

Auxiliaries and Service Centers

• Continue to assess administrative service charge (on external contracts and external revenue) to offset support center costs and institutional costs
Strategic Allocation

Strategic Investment Fund

• An additional percentage is assessed against revenues and subvention funds to provide a pool of funds for Institutional Strategic Investments

Important Factor for the Success of RCM

Governance

• Appropriate and effective governance has been established and integrated into University committees to ensure the principles of RCM are included in decision making processes

• A committee will be established to review RCM and make recommendations for changes after 3 years
The Input Variables Section

Each of the links listed in the Input Variables Section will take the user to an area of the model where the relevant data needs to be entered for the listed component.

The input area is shaded and updates the numbers in the section either directly above the input area or to the left of the area.
Allocation and Forecasting Model

Operational Impacts of RCM

• **RCM calculates a lump sum that is allocated to Colleges:** The RCM methodology develops a single amount based on the net of revenue allocations and expenses allocations. This amount is added to or taken away from a College’s existing budget at the beginning of the year.

• **RCM does not change how we do accounting at the institutional level:** RCM is a tool to allocate annual changes in resources. We do not post the RCM revenue and expense allocations directly to accounts. Only the net lump sum budget change is posted to a college account.
Operational Impacts of RCM

Deans Allocate Resources Within Their College

- The Provost discussed with the Deans the importance of following the principles of RCM and activity based budgeting.

- Deans determine where funds are allocated within their colleges. No two colleges are expected to make allocations in the exact same manner.

Implementation Questions to Colleges

- What shared governance advisory groups will you utilize in determining how RCM will be set up in your college?
- How will the changes in instructional activity be recognized within the college when allocating funds?
- How will the changes in sponsored activity be recognized within the college when allocating funds?
- How will the changes in the use of space be handled within your college?
- What percentage of the change in allocated revenue will be held at the college for strategic investments?
- What percentages of reserves will be held at the college to handle year-to-year changes in activity within RCM?