OHIO RCM Budget Model

Winter 2012 Update
Guiding Principles

The following set of principles will guide the implementation and application of Responsibility Center Management (RCM) at Ohio University. These principles, which also will inform the five-year review of the model and affirm that RCM’s application in planning and decision-making should:

- Ensure the sustained strength of Ohio University by aligning resources with university priorities to support academic excellence.
- Support strong academic governance that promotes collaboration across units and builds on the strengths of the university.
- Present a holistic view of the university budget that provides a clear connection between performance and incentives.
- Empower unit-level decision making authority to promote academic excellence and institutional efficiency that is balanced by responsibility and accountability.
- Create a simple and transparent budget process driven by the goals of financial predictability, and stability.
Academic Quality Indicators

Indicators that can be used to ensure that academic units do not focus solely on financial aspects of the model but also maintain academic quality consistent with the mission of the unit. Changes in these indicators would be monitored and discussed to ensure that they are consistent with the academic strategy of the unit.

- Maintenance of Appropriate Mix of Full-Time Faculty
- Maintenance of Tenure-Track Faculty Workload
- Maintenance of Research and Creative Activity Production
- Minimal Course Duplication and Credit Hoarding
- Controlling Section Size
- Controlling Time to Graduation
- Controlling Grade Inflation
- Maintaining Incoming Student Profile
- Maintaining Program Accreditation
- Maintaining Support for Honors Programs
- Maintaining Support for Interdisciplinary Programs
Huron Model Design Approach and Recommendations

- Represent “all funds” in the model – unrestricted (including designated) and restricted (grants/contracts, foundation)

- Use an Enterprise-wide model – Athens Colleges plus Regional Campuses, HCOM, and Auxiliaries

- Base Model on actual costs and revenues

- Use 20-40 Cost Pools with Differential Allocators
Responsibility Centers and Cost Pools

- **Responsibility Centers**
  - Ability to influence revenue generation
  - Cover their direct costs with revenues
  - Receive indirect cost allocation (facilities, finance, HR, IT, etc)
  - Contribute to and benefit from central investment pool
  - Accountable for performance – retain both surpluses and losses
  - CAS, COB, SCOC, PCOE, RCENT, COFA, CHSP, UNC, INST, HTC, GVS, HCOM, Regional Campuses (including Pickerington/Proctorville)

- **Academic Resource Centers**
  - More closely related to academic units
  - Support an academic function as well as services for the university community
  - Function like a cost pool – RCs split the costs
  - Library, WellWorks, Child Development Center, WOUB, Kennedy Museum
Responsibility Centers and Cost Pools

- **Cost Pools**
  - Limited or no ability to influence revenue generation
  - Provide services and/or support to responsibility centers
  - No indirect cost allocation
  - Accountable for fiscal performance and service levels
  - Accountability maintained via governance committees
  - Enrollment Management, Grad College, eLearning, OIT, Facilities, Utilities, President, Provost, VP Research, Advancement, HR, Debt, Student Affairs, Etc.

- **Auxiliaries**
  - Separate revenues – pay for direct costs
  - Receive indirect cost allocation of some cost pools
  - Athletics
  - Dining & Housing
  - Parking and Transportation
  - Printing Services
Revenue Attribution

• State Investment in Instruction (SII)
  • Distributed as it is earned via the formula
    • Two-year Average to smooth the affect of enrollment shifts
    • Components for Credit Hours and Degrees Granted
    • Separate Allocation for Doctoral
    • HCOM and Regional Campuses have separate allocations

• Undergraduate Tuition and Non-Resident Fee
  • Distributed using weighting
    • Derived from state-wide average costs
    • Provides more revenues for disciplines with higher costs
  • 85% on Credit Hours, 15% on Headcount Majors
    • Reflects the additional costs incurred for majors (recruiting, advising, retention, etc)
  • Net of Undergraduate Scholarships
Revenue Attribution

- **Graduate Tuition & Non-Resident Surcharge**
  - Athens Revenues net of graduate waivers
  - Includes off-campus programs (RDP)
  - Prior year actual
  - Not weighted
    - Athens net revenue is small
    - RDP programs already function this way

- **Indirect Cost Recovery**
  - Allocated to colleges based on prior year actual

- **General Fee**
  - Allocated to colleges based on prior year actual
  - Not weighted
  - Pass through to fund general fee activities

- **Grants and Contracts** – prior year actual
- **Gifts** – prior year actual
- **Sales and Services** – prior year actual
- **Transfers In** – prior year actual
Cost Pools and Allocators

- Resource Centers
  - Library – Headcount Students and Employees
  - WOUB – Headcount Students and Employees
  - Kennedy Museum – Headcount Students and Employees
  - Child Development Center – Headcount Employees
  - Wellworks – Headcount Employees

- General Fee Units
  - In proportion to General Fee revenue = pass through
    - Athletics
    - Student Affairs
    - Marching 110
    - General Fee Buy Down
Cost Pools and Allocators

- **Cost Pools**
  - President – Expenditures
  - Marketing / Communication – Expenditures
  - Provost – Expenditures
  - Enrollment Management – SCH
  - Graduate College – Headcount graduate
  - eLearning – eLearning SCH
  - OIT – Headcount students and employees
  - Finance – Expenditures
  - Human Resources – Headcount employees
  - VP Research – Grant/Contract expenditures
  - Advancement – Student Headcount or Expenditures
  - Facilities & Utilities – Net Assignable Sq Feet
Governance

- RCM Steering Committee (New)
  - Chaired by Provost
  - Includes primarily Deans and some VPs
  - Develop, monitor and review model and formulas

- Administrative & Services Allocation Committee (New)
  - Chaired by CFO
  - Includes associate deans/budget managers, faculty, etc
  - Reviews support units to make recommendations on appropriate funding levels, service levels, customer satisfaction and performance

- Facilities Planning and Advisory Council (Existing)
  - Works with and advises Facilities and University leadership about prioritization of capital and deferred maintenance projects
Governance

- Space Management Committee (Existing)
  - Monitors use of space and tracking of space allocations to units

- University Curriculum Council (Existing)
  - Monitoring of Academic Quality Indicators related to the curriculum
    - Course duplication
    - Curriculum hoarding
Transition Timeline

- **FY2012 (this year)**
  - Model Development

- **FY2013 (next year)**
  - Parallel Budget Process
  - Hold Harmless and Hold Benefit
  - No Rebalancing

- **FY2014**
  - Limited Hold Harmless
  - Set Rebalancing Levels

- **FY2015**
  - Hold Harmless Phasing Out
  - Case-by-Case Rebalancing (potentially over multiple years)

- **FY2016**
  - Full Implementation

- **FY2017**
  - Five-Year Review