Responsibility Centered Management
Frequently Asked Questions

Why are we changing our budgeting system to RCM? Why change now?

Beginning with the Vision Ohio process in 2006, we recognized the need to devise an approach that rationalizes resource allocation and maximizes the ability of all units to support the activities we value: inspired teaching and research, innovative academic programs, exemplary student support services and integrative co-curricular activities. Studies have shown that institutions that have adopted RCM have been more successful in aligning their budgeting with their academic priorities. Summaries of these studies are available on the web site.

While the recent economic downturn and leadership changes slowed the shift to an RCM approach, the current relative stability of our funding sources provides an opportunity to finalize a new budget structure and start the transition to an RCM model.

What other schools have implemented RCM and have you consulted with them?

Some of the first schools to adopt RCM were Penn State, Indiana, New Hampshire, Michigan and USC. In Ohio, OSU and Kent State use RCM systems. In the 5 years that Ohio University has been considering a move to RCM it has consulted with the listed schools as well as others. In the process, we have learned that there are many ways of implementing an RCM-based system and those that work best are closely tailored to an institution’s capacity and culture.

What is a responsibility center under RCM?

A responsibility center is a planning unit that has the ability to influence revenue generation and can cover its own direct costs with those revenues. In addition, these units are allocated the cost of the administrative units. Responsibility Centers contribute to and benefit from allocations and are accountable for their own surpluses and losses.

What will be considered a responsibility center under RCM?

Academic colleges and campuses are likely to be treated as centers in the RCM budget approach. Because each college is very different in its size and complexity, different approaches likely will evolve about how schools and departments are treated within responsibility center. Each college will have a role in making this determination.

How will we transition to the RCM model?

The transition to the model will be phased in over several years using two types of buffering. First, responsibility centers will eventually need to forecast their own revenues and adjust their budgets annually as revenues fluctuate. Initially, a hold-harmless approach will be in
place to eliminate or reduce these fluctuations. This buffering will eventually be phased out.

In addition, the RCM model will reveal imbalances created in the incremental budgeting system (i.e. the current approach to budgeting) when resource distributions did not follow shifts in academic activity. Allocations will be used to provide additional resources to units where costs are expected to exceed revenues and to support strategic academic priorities. For some units, allocations will always exist but for others the transition to RCM may include a decrease in allocations over several years.

**How will allocation decisions be made?**

Financial information will help inform these decisions, but the main deciding factors will be tied to academic priorities and values. Allocations could, theoretically, occur in two ways. One way is to provide ongoing funding to responsibility centers that are critical to the university but may not be financially self-sufficient in the new model. Another way is to provide temporary “start-up” funds for new programs or initiatives until the responsibility center becomes financially self-sufficient.

**What is the timeline and steps our RCM implementation?**

The implementation is expected to move through several phases.

- The first stage of the implementation will be to model the responsibility center budgets under RCM for FY2013 with budgets held harmless and allocations held at current levels to prevent any shifts projected by the model.
- In FY2014 the levels of hold-harmless and allocations will be reviewed and plans for shifts in these levels of buffering will be created.
- Starting in FY2015 the hold harmless provision will be phasing out and the first phase of changes in allocation levels will begin.
- The model will be fully implemented in FY2016. Phased changes regarding hold harmless and allocations will continue as planned.
- In addition to annual monitoring of the model and its affect on the budget each year, a comprehensive five-year review will occur in FY2018.

**How will the success of the model be evaluated and over what time period?**

Measures of success for the new budget model will be developed to monitor both the financial performance of units under RCM as well as their academic performance. Academic performance measures will be regularly tracked such as enrollment, retention, graduation, finances, etc. However, more detailed performance measures for each unit will need to be developed, tracked and shared with unit leaders.

**Will future decisions be driven more by financial than academic considerations?**

The RCM model will make the relationship between funding and academic activity more transparent. Academic values will continue to drive the university’s mission and its strategic
planning efforts. The RCM budget model is intended to better inform decision-makers not to replace their decision-making.

**What is necessary to make RCM work well?**

If units do not have a clear sense of their mission and academic priorities, they are more likely to make decisions that can negatively impact the entire university. As a part of a move to RCM, academic planning throughout the university will need to improve. Academic goals and financial considerations need to be integrated more effectively to enable better decision-making.

**How will shared governance be affected by RCM?**

The RCM model offers the potential for strengthened shared decision-making. More responsibility for resource choices will reside in colleges and campuses than under the current, centralized approach to budgeting. Deans and chairs will need to discuss early in the implementation process the academic goals and values that will inform resource decisions. More academic and financial information also will be distributed making the decision-making process more transparent and encouraging more discussion of financial issues in colleges and departments.

In addition, at the level of the university there will need to be new, or restructured, advisory bodies to make recommendations on allocations and help decide what the “ground rules” for RCM implementation will be university-wide.

**Will college and/or department baseline budgets change as we move into RCM?**

Changes, if any, will be implemented gradually. There may be a need to make some baseline adjustments in college budgets over time as a result of past enrollment shifts or changes in academic priorities. The primary objective of the RCM approach is not to reallocate budgets but to encourage decisions that can increase the financial resources available to academic units.

**How will the Provost and other academic leaders be involved in the RCM implementation process?**

The Provost will play a key role in the implementation of the University’s approach to budgeting along with the Deans. Critical to the successful implementation of RCM is a strong academic plan developed by the provost, academic leaders and faculty that will provide guidance to academic units in making their financial resource decisions.

Different leadership and analytical skills will be required in an RCM environment and we are discussing how to support professional development needs and staffing requirements.
How will Regional Campuses operate under RCM?

In many ways the Regional Campuses are already operating under a RCM model. The RCM implementation process may raise questions about how the overhead rate for Regional Campuses should be set going forward.

Will RCM encourage the development of new academic programs and new student markets?

Compared to incremental budgeting, RCM has greater potential to encourage and support the development of new academic programs. In the past, resources were slow to be moved to programs with enrollment growth, if at all, creating a disincentive for program expansion and new program development. The RCM model provides incentives for entrepreneurial activities such as new programs that attract additional students. Such rewards also are provided for improved student retention so new student markets are not always necessary for an academic program to grow its financial resources.

How much latitude would responsibility centers have to create new faculty lines and set faculty salaries?

Under incremental budgeting, units must wait until the University as a whole recognizes and is able to support growth in their staffing. RCM allows units to retain much of the new revenue they generate. If enough new revenue can be sustained to cover the cost of additional faculty lines, it is expected that these academic units will have the authority to add new faculty positions.

With regard to setting faculty salaries, including merit pay, the university will maintain oversight on raises since benefit rates will still be centrally determined and most if not all of the funding for raises would typically derive from centrally determined sources such as tuition rates.

Will units be able to determine their own tuition?

Tuition rates cannot be different by program at the undergraduate level as required by the state legislature, but graduate fees and course-specific fees can be adjusted. Such fee adjustments will still be centrally reviewed and still require trustee approval.

How would this model impact collaboration between areas? Will it create a barrier for interdisciplinary programs?

One of the strengths of Ohio University is the degree to which interdisciplinary and multi-disciplinary collaborations develop organically. Some universities that use RCM have used targeted funding to encourage collaboration and cross-disciplinary activities. Others have found that the revenue-sharing arrangements negotiated under RCM, because they are explicit, have actually encouraged greater collaboration. We will structure our approach to
RCM in a way that supports individual, interdisciplinary, and campus collaborations.

**How will the need for increased data by colleges and departments under RCM be addressed?**

Information needs for colleges, schools and departments under RCM will increase. While tools associated with the new student information system will help to address these needs, efforts are currently underway to determine how to improve the quality of and access to information and data that colleges, schools, departments and campuses will need.

**Will space and construction be treated differently under the RCM model?**

One of the primary objectives of RCM is to increase the control over resources like space by academic units but it must be done within the state guidelines the university is required to follow. Space costs will be allocated to units on a square foot basis creating an incentive for units to manage their space as efficiently as possible. While options for units will be constrained by historical allocations and quality of space, over time there may be opportunities for units, such as contributing classroom space to central scheduling to reduce their space costs or unneeded space for use as swing space during construction. In addition, this approach makes transparent the full budget impact of a decision to add additional space both in terms of debt service and ongoing operating costs.

**How would funding be provided for support units? Would an “opt out” provision be available to responsibility centers?**

Support units will still operate on an incremental budgeting system with their funding reflected in the model as a service fee that would be charged to all revenue producing centers. The service fee would be based upon the necessary expenses incurred by each of the support units and assessed to the units based upon an allocator associated with the nature of the service, e.g., student/employee headcount, student credit hours, square footage, unit expenditures, etc.

A university-wide budget advisory committee will need to be established to review the services provided and the associated budget of support units. For most support services, an opt-out option will not be allowed. Instead, the university community will set expectations for service levels within the budget provided and support units will need to provide benchmarking and justification for expenditures.

**Will the RCM implementation increase competition and tension between units?**

RCM will increase the necessity of units working together. Productivity and efficiency cannot be achieved in isolation. Units will need to form partnerships in order to make the best use of their available resources. Should pragmatic self-interest prove to be insufficient to promote good university citizenship, bodies such as the University Curriculum Council will ensure that a fair playing field exists. Likewise, the Executive Vice President and Provost has
the authority to overrule decisions made by one unit that would unduly disadvantage other units.

**Financial incentives encourage colleges to duplicate courses and change requirements to hoard credit hours.**

Monitoring and control of curricular changes will need to be provided by the academic leadership. Communication and cooperation among the deans and oversight from the University Curriculum Counsel will supply the needed checks and balances.

**Financial incentives encourage grade inflation and erosion of rigor.**

Short-sighted management of a responsibility center could result in declining standards. However, each responsibility center will be responsible for monitoring a set of academic quality indicators and will be held accountable for maintaining academic excellence.

**Financial incentives encourage the reduction of tenure-track and full-time faculty resources in favor of adjunct and part-time faculty.**

While there are national trends in this direction, Ohio University has experienced this to a lesser extent. Group I faculty are important to the core mission of the institution and will remain so under RCM. However, meeting the instructional needs of students will require a mix of faculty. That mix will vary between units depending on the mission of the unit and the types of faculty a discipline requires. Creating the right mix is why one of the core elements of RCM strategic planning involves a staffing plan for each responsibility center.

**Will my job as a faculty or staff member change as a result of the RCM Implementation?**

Faculty and staff that are currently not involved in budget development are not likely to see their jobs change. Unit leadership (Deans and Associate Deans), Budget Unit Managers, Business Managers in service units and perhaps department chairs and school directors, depending on how colleges manage RCM, are most likely to see changes. However, given the level of budget transparency associated with RCM it is likely that all individuals will have the opportunity to become more knowledgeable about budget issues and will have the chance to participate more frequently in discussions of academic planning.

**Will the RCM implementation result in changes to staffing levels, salaries, or benefits?**

RCM by itself does not require change in staffing levels or compensation. It is simply a model for setting budgets. These sorts of changes are driven by changes in funding which can occur under any budget system.