

**Responsibility Center
Management at the
University of New Hampshire**

RCM for NEMO

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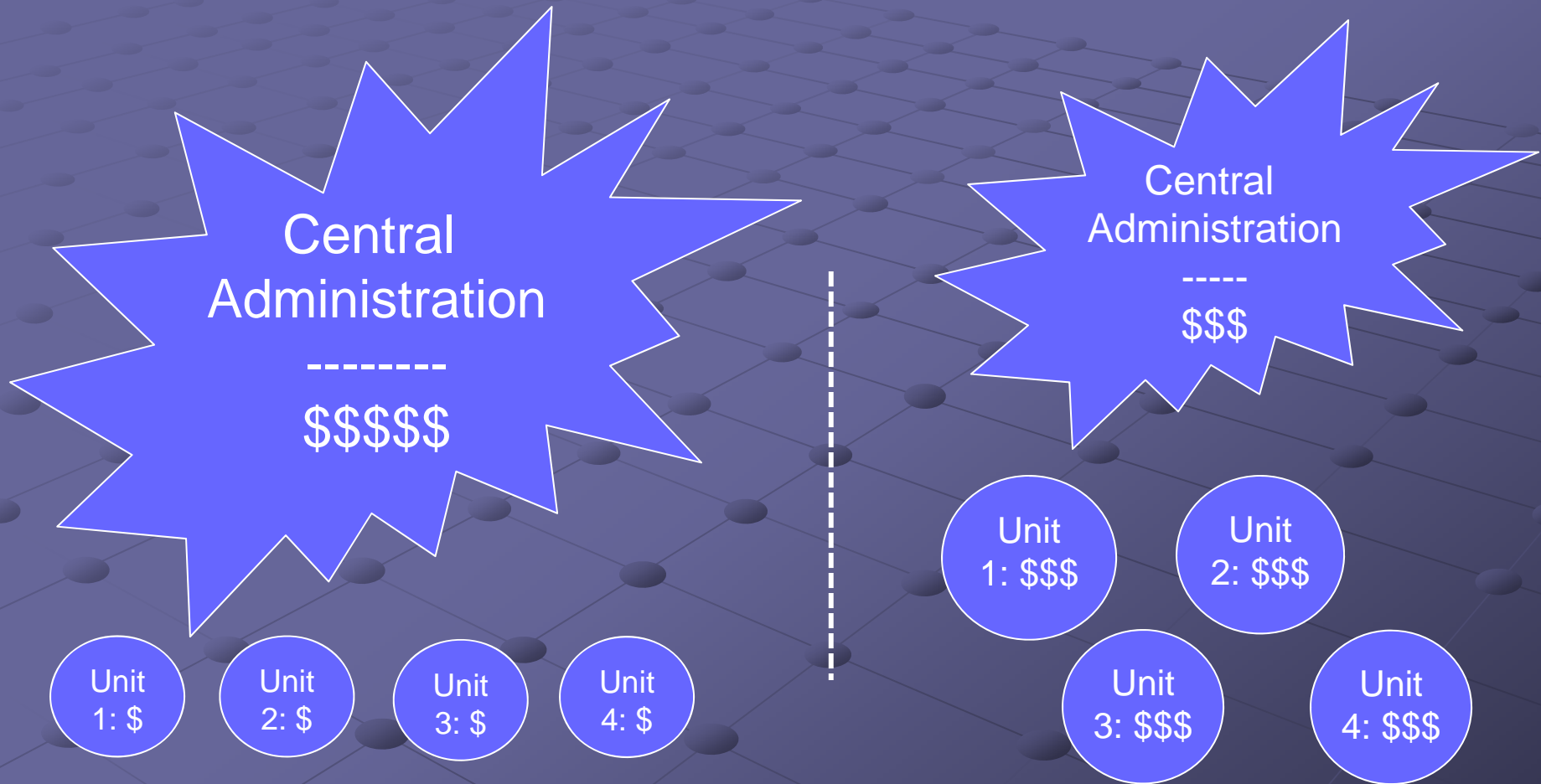
Presentation Outline

1. Overview
2. Allocation Methodologies
3. Implementation Process
4. Lessons Learned



Before RCM

After RCM



Why RCM?

- Decentralization of Budget Authority
- Increase:
 - Incentives for planning, cost effectiveness and revenue generation
 - Local responsibility and authority
 - Flexibility to match revenue streams with changing program demands
 - Attentiveness to all categories of money
 - Accountability at all levels of management
- Decrease:
 - Rigid resource allocation process
 - Involvement of institutional leaders in budgetary detail
 - Mystery and mistrust surrounding UNH finances
 - “Use it or lose it” mentality at all levels of management

Old Budget System

Institutional Revenue

- Tuition
- Indirect Cost Recovery
- State Appropriation Revenue

Department (Direct) Revenue

- Grant/Contracts
- Restricted Gifts/Endowment
- Sales of goods/services
- Fees

University Budget Panel
allocates revenue to departments in form of \$142 million E&G Budget

Institutional Overhead (Service Units)

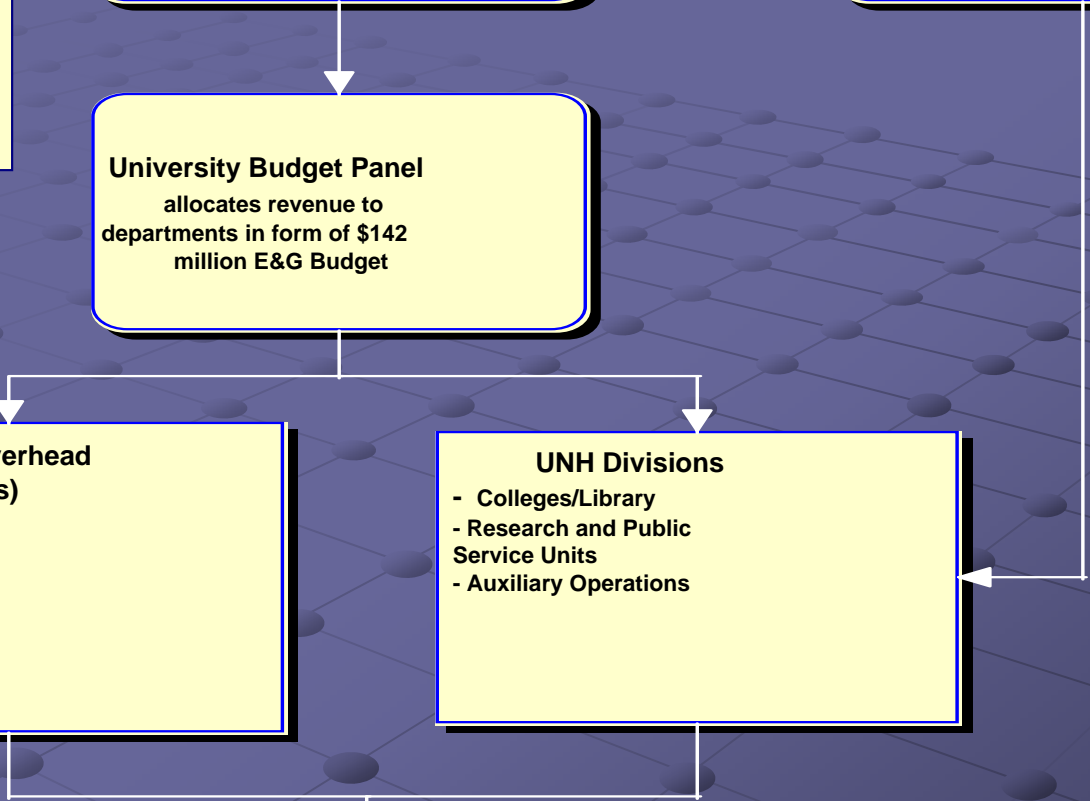
- Facilities
- CIS
- Student Affairs
- VP Research
- General Admin
- Academic Affairs

UNH Divisions

- Colleges/Library
- Research and Public Service Units
- Auxiliary Operations

Direct Expense

- Payroll
- Support
- Debt service



RCM Budget System

Revenue

- Tuition
 - Indirect Cost Recovery
 - State Appropriation
- Revenue
- Direct Revenue (Grant, Gift, Sales, Fees, etc.)

RC Units

- Academic
- Research
- Auxiliary

Direct Expense

- Salaries, Wages & Benefits
- Support
- Debt service

Institutional Overhead

- Facilities
- CIS
- Student Affairs
- VP Research
- General Admin
- Academic Affairs

RC Units

Colleges and Related Service Units

- College of Life Sciences and Agriculture
- College of Liberal Arts
- College of Engineering and Physical Sciences
- Whittemore School of Business and Economics
- College of Health and Human Services
- UNH – Manchester
- Library

Student and Community Life Units

- Student Affairs
- Housing
- Hospitality Services
- Intercollegiate Athletics
- Whittemore Center Arena

Research and Public Service Units

- **Cooperative Extension**
- Research and Public Service
- Institute for Earth, Oceans and Space

Governance, Advancement and Infrastructure Units

- Facilities Services
- UNH IT
- General Administration
- Academic Affairs

RCM Principles

1. Create incentives for good management
2. Fairness/Simplicity
3. Unit plans must align with University's mission and strategic plan
4. Smooth transition - no redistribution of resources
5. Credible governance mechanisms required to prevent unhealthy internal competition
6. Same rules for all operations – academic, research, auxiliary, administrative

RCM Principles, cont.

7. RCM principles/formulas apply to the RC unit level.
8. RC units receive all revenue and are responsible for all expenditures generated by their activities.
9. RC units carry forward excess funds from one year to next and manage reserves at the unit level.
10. RCM is not a cost accounting model but rather a general incentive/allocation model.

Shared Governance

● Central Budget Committee

- The governing group on budget policy and financial planning for the campus community.
- Comprised of President, Vice Presidents, 2 Deans, 4 Faculty, 2 RC Unit Directors, Student Treasurer

● Service Unit Advisory Board

- Functions as subcommittee of the Central Budget Committee
- Approves rates of service units

Unit Financial Structure

- Units receive direct revenues (fees, grants, gifts, etc) as well as applicable allocated revenues (net tuition, state appropriations, indirect cost recovery, CBC allocations and hold harmless)
- Units are responsible for direct expenses (salaries, wages, fringe benefits, support) as well as indirect expenses (facilities, general and academic overhead)
- Unspent funds at end of year are allowed to drop to a unit “reserve”

RC Unit Revenues

- Direct revenues - fees, sales of goods/services, gifts, grants/contracts, endowment income
- Allocated revenues:
 - Undergraduate net tuition - based on share of weighted credit hours taught over prior two years. Weights are based on historical average expense per credit hour
 - Graduate tuition - based on enrollment
 - **State Appropriations**
 - **Indirect Cost Revenue - based on actual indirect costs earned**

RC Unit Expenses

- Direct Expenses - salaries, wages, fringe benefits, supplies, other direct expenses.
- Allocated expenses (overhead):
 - Facilities Services (maintenance, utilities, housekeeping, R&R) - based on net square feet
 - General Administration (President, Research, Finance & Administration, Student Affairs, Academic Affairs)

Reserves

- Under RCM, unspent funds at year end are automatically added to the School/College fund balance. This required a change in Board of Trustees policy.
- RC units are obligated to meet an agreed upon minimum fund balance level – 6% to 10% of revenue.
- RC units can access reserves above their minimum with RC unit head approval and below their minimum with VP approval.
- Unit reserves reduce dependence on limited central reserves

Results

Better Management

- Managers at all levels discussing financial impacts of decisions – direct and indirect
- Decisions being made with the long term in mind vs. short term
- Decisions aligning with goals in strategic plan
- Use of all funds not just general fund
- More communication at all levels of management

Keys to Successful Implementation

- Top-level support
- Academic/research involvement in developing model – users must be part of the process
- Communication – meet with anyone, anytime, anywhere
- Establish credible governance mechanisms
- Automatic rollover of unspent funds for units
- No budget reallocation – transition does not result in base budget changes – “hold harmless” principle

What Would We Do Differently?

- “RCM” name? Maybe call it “Budget Redesign” or “Budget Decentralization”
- Simplification of assessments
- Address structural issues before implementing
 - Urban campus was built into the model using different weighting factors creating complexity in financial arrangements between campuses.
 - Library funding – treated them as a school/college rather than service unit. Issues with rising periodical costs.
 - Athletics funding – space cost allocations comprise a significant part of their budget (20%). This is a new expenditure for them under RCM.
 - Indirect cost return to PI’s. Kept historical allocation.

A Final Thought

From our prior Provost, David Hiley in a letter to the University community:

“We must remember that RCM is merely a tool. Like any tool it can be used well or badly. It is not a substitute for decision-making, judgment or leadership. It is merely an aid. The ultimate success of RCM depends on the people who use it -- on how we at UNH choose to use it, how we prepare ourselves to use it well, and how we are held accountable for using RCM to achieve university-wide goals.”

More Information

The RCM manual, review report and other information on RCM can be found at the UNH RCM Website at

<http://www.unh.edu/vpfa/rcm.html>