

# Why Not Responsibility Centered Management Budgeting?

Principles and Concepts

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# Why Change Budget Models?

- Increase self-reliance
- Promote innovative and entrepreneurial activities that are financially viable.
- Decreased state support (while still advocating for increased state support)
- Generate new revenue sources
- Success through decentralization of decision making

# Are There Budget Models Better Suited to UF than the Current Model?

- Incremental
- Zero Based Budget
  - Program review
- Program Planning Budgeting
- Revenue Based Budget (RCM)
- Incentive Based or Outcomes Based Budget

# What is Responsibility Center Management

- RCM is a financial management philosophy
  - Focuses on operational decentralization
  - Designed to support achievement of primary academic priorities
    - Budget follows priorities
    - Aligns authority with responsibility
    - Creates full cost view of academic operations

# Financial Model

- In an academic unit:
  - Income
    - Receives all income earned from its activities
    - Receives an “allocation” of appropriations
  - Expenses
    - All direct expenses
    - A share of support unit costs
    - Pays into an “initiatives” fund

# Basic Concepts of RCM<sup>1</sup>.

- Proximity
- Proportionality
- Knowledge
- Functionality
- Performance recognition
- Stability
- Community
- Leverage
- Direction

1. Edward L. Whalen. Responsibility Center Budgeting, Indiana University Press, 1991

# Questions in the Evaluation Process

- How should a new model be implemented?
- Does the model advance UF's mission through greater alignment between financial allocation and university priorities?
- Can we still place a premium on quality and long-term goals?
- Does the model achieve greater transparency?

# Questions in the Evaluation Process

- Does the model maintain and promote shared governance?
- What kind of information and institutional analysis will be needed and how can it be best provided?
- How should we allocate revenues?
- How do we allocate overhead costs?
- What nomenclature should we use?

# Changes and Challenges

- New knowledge and skills required
- Improved planning
- Coordinated admissions process
- Strong curriculum committee
- Creating proper incentives
- Timing of implementation

# RCM Budgeting Universities

American University  
Auburn University  
Cal Tech University  
Central Michigan University  
Clarkston University (considering)  
Clemson University  
Duke University  
Florida International University  
Harvard University  
Indiana University of Pennsylvania  
Iowa State University (in process)  
Kent State University  
Marquette University  
McGill University  
Mercer University  
Purdue University  
Rensselaer Polytechnic Institute  
Southern Illinois University

Temple University  
Tulane University  
University of Alaska  
University of California at Los Angeles (UCLA)  
University of Connecticut  
University of Illinois – Urbana Champaign  
University of Iowa  
University of Michigan  
University of Minnesota  
University of Oregon  
University of Pennsylvania  
University of Southern California  
Ohio State University  
University of Toronto  
Vanderbilt University  
Washington University of St. Louis  
West Chester University (PA)

# Selected Helpful Websites

Indiana University

<http://weathertop.bry.indiana.edu/mas/rcm/>

University of Michigan

[http://sitemaker.umich.edu/obpinfo/about the um budget model](http://sitemaker.umich.edu/obpinfo/about_the_um_budget_model)

Ohio State University

<http://www.rpia.ohio-state.edu/br/archive.html>

University of Minnesota

[http://www.budget.umn.edu/int bud model overview.pdf](http://www.budget.umn.edu/int_bud_model_overview.pdf)

University of New Hampshire

<http://www.unh.edu/rcm/links.htm>

University of Pennsylvania

<http://www.finance.upenn.edu/comptroller/rcm/>

Kent State University

[http://www.kent.edu/Administration/business\\_finance/rcm/](http://www.kent.edu/Administration/business_finance/rcm/)

University of Pennsylvania

<http://www.finance.upenn.edu/comptroller/rcm/>