Responsibility Centered Management Models at Other Universities

University of Minnesota Budget Model

Overview
Minnesota moved toward RCM in 1996, beginning with the distribution of tuition revenue and ICR. Over time they have moved to a full RCM model incorporating both revenues and costs. Their distribution model is at the college level—allocation to departments is at the discretion of the deans. Results have been generally positive—“compacts” have been developed to help mitigate some of the negative consequences of RCM.

Tuition
- Undergraduate (1998 – current): 25% by major, 75% by student credit hour (SCH)
- Graduate (1998 – current): 100% by major
- 100% of tuition revenue is distributed to the college generating the revenue
- Both non-resident and resident tuition revenue distributed to the college generating the revenue—no equalization of non-resident revenue across colleges (need to cross-check this)
- Consequence of ratio favoring undergraduate SCH was that colleges with fewer revenue sources moved toward large, revenue-generating courses

Financial aid:
Financial aid is distributed entirely from state appropriations, not tuition revenue.

Fees
- Differential tuition and program fee revenues are distributed 100% to the unit in which it arises
- Students pay a technology fee at the college level to help cover IT costs

Grant income
Indirect cost recovery is distributed 100% to the unit where the grant direct costs arise. Sharing rules apply when needed.

State appropriations
State appropriations is major source of discretionary funds, allocated centrally to academic units on a cost-plus or cost-minus basis.

Cost pools
Distribution of costs using cost pools began in 2007, using nine cost pools:
- Facilities—operations and maintenance
- Utilities
- Debt and leases
- Information technology
- Administrative service units
- Research administration
- Libraries
- Student services
- General purpose classrooms
Bases for cost allocation
- Consumption based allocations (e.g. utilities)
- Cost-driver based allocations (e.g. libraries)
- Common good based allocations (e.g. administrative service units)

Taxes
Only gift revenue is taxed. State appropriations used to fill gaps.

University of Michigan Budget Model

Undergraduate Tuition
1998 – 2003: 100% Based on majors
2003-2007: 75% by major, 25% by student credit hour (SCH)
2008: 50% by major, 50% by SCH

Graduate/Professional Tuition
1998 – 2008: by major
2009: 75% by major, 25% by SCH

Fees
Registration fees were attributed to unit of registration, but now according to tuition shares.
In-state and out-of-state portion is average across the university
Differential tuition is attributed to the unit in which it arises.

Grant income
Indirect cost recovery attributed to unit where grant direct costs arise. Sharing rules apply when needed.

Financial aid:
Same distribution as tuition for undergrads. For graduate and PhD students – reflects actual aid available.

Space cost assignments
Space: utilities are separately metered, charge per square foot for maintenance, custodial, refuse/recycling, and grounds. Charge is building specific and based on historical information. Not full cost. **The document suggested this cost has not dampened the desire for new buildings. Silent about whether emphasis is placed on reducing the amount of work for the janitorial staff.

Taxes
Based on two year lag to increase predictability. Research – externally sponsored research is taxed at 9% (based only on expenditures for externally supported grants and contracts). General – tax is based on expenditure base other than externally sponsored grants and contracts. Varies by unit type. Research units pay 21% on expenditures other than sponsored research, Schools and colleges pay 24%.

Supplements
Units are also given General Fund Supplements (most units get supplements, few are self-supporting under this system).
**Iowa State Resource Management Model**

**Revenue Distribution**
- Tuition that is actually collected is distributed
- Undergrad tuition: 25% to college of enrollment (primary major), 75% based on SCH. There’s an algorithm to determine the college in which SCH arise.
- Graduate tuition goes to college in which student is enrolled
  - Interdisciplinary degrees go to major professor’s college (students choose this person)
- Distance/continuing education tuition goes to college providing it

**State Appropriation**
- Fully funds admin expense (President and administrators)
- Partially funds student recruitment
- Funds the Resource Management Fund (base budget and for investment)

**Sponsored Funding and ICR**
- Direct expenses managed by PI
- Formula for distributing ICR (20% to facilities fund, 15% to PI, 10% to college administering grant, 20% to college paying PI salary, 35% to site where research conducted)

**Other funds**
- Funds raised at various units stay with the unit
- Revenue from patents, licensing, sales, service, and special state and federal appropriations remain within units that manage these activities

**Direct expenses**
- Salaries, benefits, supplies are responsibility of units that incur them
- Graduate tuition scholarships are unit responsibility
- Utilities are metered and charged at the resource unit level

**Allocated expenses**
- Seven cost pools: university leadership, administrative support programs, library, students services, IT services, business services and facility services.
  - University leadership is funded by state appropriation (see above)
  - Admin support is allocated based on faculty FTE
  - Library and student services are allocated based on student headcount
  - IT is allocated based on student headcount plus faculty staff FTE
  - Business service are allocated on faculty/staff FTE
  - Facility services is allocated on square footage

**Advisory Committees**
- An 18 member advisory committee for the university
- Separate advisory committees for support programs (admin support, library, student affairs, IT services, and business and finance)
- Provides advice to administrators throughout the budget development process
Ohio State Budget Restructure

Re-basing Base Budget
Base budgets were re-allocated over a five-year period and base budgets are reviewed periodically. Financial statements (revenues less expenses) were developed for each college to determine areas for which the surplus (or loss) was inconsistent with the goals of a university academic plan. Basically, revenue generators received more credit for their revenues through an increase in base budget, those who were at breakeven were budget neutral, and others will have increases or decreases in their budgets.

Tuition and state support
- Changes in student credit hours (averaged over two years) result in changes in the amount of tuition and state subsidy flowing to each college. There are 14 categories of course/level students and subsidies from the state vary according to these categories, so they are used as the base for student credit hour revenue allocations. The tuition portion was reweighted for 2008-2009.
- Differential fees go 100% to the college charging the fee.
- Average non-resident/non-resident fee across university is used for undergraduate, but graduate student non-resident tuition goes to college, but colleges pay for out-of-state waivers.
- Any increase or decreases in university tuition and state subsidy will be distributed based on total credit hours delivered.
- No-interest loans are available to fund development of new instructional programs, but must be approved by Council on Academic Affairs.

Indirect Cost Recovery
Allocation of indirect cost recovery (ICR) revenue is based on each college’s percent of the prior year’s total ICR revenues (less a tax for libraries and space related to research). In new budget system, ICR revenues are excluded from the tax base for university taxes.

Cost allocations
Student services
Student affairs: general fee and allocation to colleges based on credit hours generated.
Undergraduate student academic services: Percentage of undergrad degrees by college

Physical plant (does not include utilities)
Custodial service and maintenance cost allocation is an average charge across campus based on square footage. Colleges are charged for special services required to maintain equipment and building systems that is unique to the unit. For a higher fee, higher levels of custodial services are available. Apparently this has changed and in 2008 there was one charge applied across all colleges.

Central tax
This is a tax on the marginal resources colleges earn from instructional fees and state subsidy (the flow based on credit hours excluding differential fees) and is 24% (19% for university overhead and 5% for investment at the provost’s discretion.

Funding for research support
Three prong support: central tax, direct charges to benefiting units, research cost allocation (a tax based on the unit’s proportion of total direct cost expenditures for research)