

RCM 5 Year Review Executive Summary

Responsibility Center Management (RCM) was implemented on July 1, 2001 to improve the incentives for sound fiscal management and to help all levels of University management to make informed financial decisions about activities to support the University's mission. In 2005, we commenced a formal RCM review process. It was a thorough and open one, consuming over one year's time and involving hundreds of members of the University community. The overall conclusion we draw from the review is that there remains campus-wide support for decentralized budgeting at the University of New Hampshire. Further, there is no qualitative or quantitative evidence to suggest that RCM has impacted academic quality, funded research activities, or collaborative ventures among individual or groups of faculty or staff despite widespread perceptions around the University to the contrary. We are reminded, however, that RCM is a work in process and must continuously be viewed as a tool and only a tool to help us achieve the goals outlined in the University's academic plan.

The principles that we use to help us structure RCM are:

- 1) It should be as simple as possible to promote easy comprehension and efficient administration.
- 2) It should produce results that are widely perceived as fair and in keeping with the core values of the institution.
- 3) It should encourage behaviors on the part of faculty and staff that support the institution's mission and academic plan.
- 4) It should have strong governance and planning mechanisms in place to ensure that it is wisely used as a tool and does not become an end in itself.

Keeping these principles in mind, we have thoroughly reviewed the implementation of RCM at the University of New Hampshire and we are presenting recommendations to enhance the effectiveness of RCM. The attached report describes those recommendations and the process we used to develop those recommendations.

The changes recommended have been justified in extended, thorough, and candid committee discussions. There are several overarching reasons for the changes that have emerged.

The first is that the Academic Plan did not exist at the time the first RCM model was developed. The current clarity that exists in the Plan concerning the vital strategic importance to UNH of full integration and healthy interdependence of teaching, research, and outreach scholarship informed much of the committee's work. The conviction that none of these three areas should thrive at the expense of the others, recognizing that resource constraint is a fact of life throughout UNH, was a driving principle in the discussions.

Second, there was recognition that the current RCM model favored too much segmentation of the University and, conversely, not enough support for the notion that we are one community. The fact that the current model required the schools and colleges to supply the sole support for mission critical academic administration and enrollment management offices, rather than to require all units to contribute to these activities, is the leading example of what the committee believes was a segmentation error in the original model.

Third, the committee focused hard on incentives. The critical role of vibrant graduate programs, consistent with the Academic Plan, and an assessment that the current model carried little or no explicit incentives for graduate student support led to several recommendations intended to strengthen those incentives. In addition, the recommendations are intended to remove the disincentive for low or no indirect cost grants inadvertently embedded in the original model.

Fourth, the committee recognized that the University has experienced important changes in the six years since RCM was implemented, as a result of both internal and external factors. Continued strong growth in funded research, the creation of a new research center in the social, behavioral, and health sciences, renovation and expansion of academic and research facilities, changes in senior leadership, and the initial implementation of a revised general education program are examples of such changes. These changes and others informed the deliberations of the committee to a considerable degree.

Finally, the committee assessed the level of financial risk to each unit given the nature and number of revenue streams on which it relies in the model. The conclusion that greater diversification of revenue streams where possible would be advantageous led to some recommended model change.

The recommendations are broadly grouped into the following themes:

General/Overall Recommendations

Covers the frequency of future RCM reviews and recommendations for strategic funding.

Revenue/Expense Allocation Recommendations

These recommendations are focused on the revenue and expense allocation formulas grouped by revenue and expense type.

Policy and Procedure Recommendations

These recommendations focus on the roles of the central administration, Central Budget Committee, Faculty Senate, Deans and the University Curriculum and Academic Policy Committee (UCAPC). In addition there are specific policy recommendations regarding the use of reserves and the approvals of internal fees.

We strongly believe that the implementation of these recommendations will result in a structure that provides the University with the best possible set of tools to make effective financial decisions within the context of the academic plan.