

RCM 5 Year Review: Initial Hearings

Hearing 5: WSBE
December 14, 2004

Administrative Representatives: Steve Bolander, Tammy Goldberg, Bruce Mallory, Leigh Anne Melanson, Dave Proulx, Chris Shea

Speakers: George Abraham, Steve Bolander, Mary Collins, Chuck Gross, Cari Moorhead, Jim Wible, Joe Durocher, Cari Moorehead, Bill Naumes, Ray Goodman

Background: Provost Mallory framed the discussion by describing the purpose and context for this series of hearings, as well as an overview of the RCM review process and timeline. His assumption is that UNH will maintain a decentralized budget model and not return to the old budget system in which it was very difficult to link associated expenses and revenues, etc.

RCM 101: Dave Proulx reviewed a number of slides from the RCM 101 presentation, including those describing the growth of RC unit budgets and reserves. A participant asked about the amount of reserves in academic vs. non-academic areas. Dave said he would provide that information. Provost Mallory indicated that some research centers and institutes, such as EOS, do have large reserves.

Questions and Comments from Participants:

- If the **Discovery Program** dictates that **class size** will be no more than 20 students, has central administration considered what is the financial break even point? Bruce Mallory responded that only freshman Inquiry courses are capped, and that is at 25. Class size caps were set for pedagogical reasons, not with finances in mind. Curriculum was considered first. Colleges will need to determine the resources, including workload, needed to provide the courses.
- Reported that since implementation of RCM it has been easier to work with the allotment committee on provision of gen ed courses. RCM is **doing what was intended**.
- Wondered what would be the theoretical consequences if WSBE decided not to participate in Inquiry courses.
- Asked about the Delaware Model and how UNH fits into that model. Dave Proulx pointed out that the Delaware study simply provided data.
- Stated the **hold harmless** amount was detrimental to WSBE.
- Also detrimental is the fact that WSBE's **differential tuition** was built into the original model.
- Institutions often see a business school as a cash cow.
- The institution has gone to the well at WSBE's detriment too often. Worries that the institution has its eye on WSBE's **reserve**. Under RCM, WSBE has been entrepreneurial and has prospered. Someone will have to pay for the problems in other colleges. Implied that unit did not keep their reserves (misunderstanding). He has been part of four other institutions and in each the business school was tapped to solve other problems. **Provost Mallory responded that there will be no subsidization by one RC unit of another.** The administration is working hard with colleges in mitigation to keep their deficits from using institutional reserves. Dave noted that there needs to be a level of trust and that the VPFA and President would not touch units' reserves.
- Sees some **harmful aspects** of RCM. The **negative hold harmless** amount has kept WSBE down. Underfunding from the beginning has hurt the college and his program.
- The model rewards efficient units at the starting point, but his concern is the long-run.
- Competitors in the hospitality education area are surging, but at UNH there is **not enough investment capital**. Dave Proulx described the basic structure of the hold harmless allocation – it was a way to reshuffle resources so that no unit began RCM in a better or worse position than at the end of the old system. WSBE had a negative HH because of this, but it's **better to have a**

negative amount because the allocation is flat and decreases in value due to inflation. On the other hand, CEPS has a large HH allocation and must earn \$90K more each year to make up for the value lost to inflation.

- **Credit hour weighting** is an issue. Liberal Arts students subsidize engineering students, who will later have much greater earning power than the LA individuals. A social justice issue. Dave pointed out that tuition is charged at the same rate (other than the in-state/out-of-state variable).
- Some executive development programs are offered off-campus and he doesn't see why they should be **assessed** at the same rate, since the students/clients do not avail themselves of on-campus services. Kerry Scala clarified which executive programs were assessed and which were not.
- Returned to social justice issue – students leave school with such a large debt burden.
- **State appropriation allocation as it relates to research faculty** needs to be reviewed. This is an inappropriate allocation since many research faculty are fully funded on external grants. The state appropriation should support teaching.
- **Consistency of charges**: cited example of facing charges by university web design services, only to find out the same group is providing the service free to other units. There should be fairness.
- Reliance on external funding sources to support operations. These should be used for new investments, not everyday functioning. Having no choice but to do this implies either a deficiency in the model or **overall underfunding**.
- WSBE's higher tuition rate is built into the **hold harmless** allocation. This can't be corrected internally in WSBE.
- **Hold harmless** should be phased out over time. It was appropriate to include it as a starting component, but inflation will take too long to get rid of it. It subsidizes inefficient units such as some of the colleges. It should be dismantled over the next 5 or 10 years.
- Doesn't think units with staff throughout the state should be subject to the **assessments**.
- **Grants** are included in the model? Dave explained briefly how grant dollars bring revenue but are also subject to assessments.
- RCM is not working well because there is no room for his program to expand.
- Fears big swamping decisions that will override all the careful internal decision-making and planning. Examples include **financial aid and fringe benefits** costs. This dampens the desire for individuals to participate in financial management.

Bruce Mallory: Described how he sees three categories emerging from hearing comments:

- RCM model issues;
 - Structural issues (such as, does UNH have enough funding);
 - Policy issues, such as those dictating financial aid costs, etc.
- Do students from one college subsidize students from another college when tuition, assessments, financial aid, cost of education are taken into account?
 - Is there incentive for a school or college to try to attract out-of-state students? Bruce replied, no, the tuition rate is different for in- and out-of-state, but revenue is distributed to units on a different basis.
 - RCM **highlights inefficiencies**. Mentioned the class size cap and colleges and school subsidizing those in trouble.
 - What **incentives** exist for new ideas? Might **assessments** be reduced for these? Bruce described the initial principle of simplicity and how many different assessment rates would stray from this. However, how to reward entrepreneurial activity is an issue to be examined. He welcomed proposals from WSBE for such new ideas.

- Suggests **entrepreneurial ventures** should be allowed to keep all revenue. Noted that researchers can apply for grants. Bruce noted that while researchers have the grant money to spend, they also pay assessments.
- Programs conducted off campus should bear less **assessment**. There is pressure to make use of the New England Center to contribute to the NEC's financial solvency.
- Returned to subject of student residency – what if WSBE really increased out-of-state recruitment and enrollment? The school should receive the increased **tuition** amount. Bruce noted that this could launch a discussion of whether we are a university or a collection of separate entities.
- Suggested that **service units** should be provided guidelines for reasonable cost per delivery. Some fees/charges are twice the national average. Need to establish goals and metrics.
- Generally, RCM is very **positive** and WSBE would not have been able to achieve what it has without RCM. The school would not have been able to address the issues that have arisen in the last 5 years using the old budgeting system.
- Really loves RCM.

Bruce noted that RCM is just a tool, and is only as good as the leader who uses it.

- RCM restrains **territorialism**.
- Returned to subject of **reserves**. How are the reserves invested? Dave explained that they are managed by USNH and that UNH used the investment income for the campus' contribution to System costs. Leigh Anne pointed out that not receiving the income in the units reduces the units' assessments.
- RCM is a **great model**; it just needs tweaking.
- Yes, it allows schools and colleges to recognize the **currency of the institution** and that is credit hours.
- The old budget model was awful.