

RCM IMPLEMENTATION ARTICLES ▼

President Leitzel, VP Corvey and Provost David Hiley, Dean Marilyn Hoskin and Associate Professor Deborah Winslow wrote articles that were published in the Campus Journal regarding the evaluation of RCM at UNH. Below are those articles.

President Leitzel, VP Corvey and Provost David Hiley, Dean Marilyn Hoskin and Associate Professor Deborah Winslow wrote articles that were published in the Campus Journal regarding the evaluation of RCM at UNH. Below are those articles.

President Joan Leitzel Discusses RCM Plans

Published 10/8/99

To the University Community:

During the 1997-1998 academic year, we embarked on a process to explore the potential benefits of a new budget model. The goal was to devise a system that would rely on less centralized control, place financial authority and accountability more clearly at the college/division level, encourage revenue generation and cost-effectiveness, and enable us all to better understand our financial resources and commitments. We have frequently referred to this as the Responsibility Center Management Project, or RCM.

The project has been led by a Steering Committee, whose membership is detailed below. In addition, 13 sub-committees with a total membership of 9 deans, 17 faculty members, and 16 staff members have made important contributions to the work. I have been impressed with the care that has been taken to solicit a wide range of views, as well as to learn from the experience of other institutions. The schedule calls for me to make a decision in December as to whether we should adopt the new budget model and, if so, whether we should make that change effective on July 1, 2000.

As I consider this important decision, I will carefully weigh the viewpoints of the RCM Steering Committee, the vice presidents and deans, the executive committees of each college, the Faculty Senate, staff councils, and individual faculty and staff who care to comment.

Numerous meetings are scheduled during the fall to provide for group discussion and input, but we also want to provide an opportunity for the whole community to be updated on the most important issues that surround the change we are contemplating. For that reason, we will publish a number of articles about RCM in the Campus Journal during October and November. We hope these will be informative for all members of the UNH community, and will better enable you to form educated opinions about the potential rewards and risks of a decentralized budget system.

Steering Committee:

Candace Corvey (Chair) -- Vice president for finance and administration; Victor Benassi, associate vice president for academic affairs & professor of psychology; Liz Bourbeau, USNH director of internal audit; Pedro DeAlba, professor of civil engineering and chair of Faculty Senate; Jeff Diefendorf, professor of history and senior faculty fellow in the College of Liberal Arts; John Griffith, assistant vice president for budget and financial planning; James Horrigan, professor emeritus of accounting and finance; David Proulx, financial administrator; Bruce Spencer, executive director of budget and finance; Roy Torbert, dean of the College of Engineering and Physical Sciences; Rob Toutkoushian, USNH executive director of policy analysis.

Former committee members: Neil Lubow (deceased), associate provost; Larry O'Connell, professor of political science; Michael Donnelly, professor of sociology.

Striking a Balance between Budget Extremes

First in a series of articles on Responsibility Centered Management - Published 10/15/99
by David Hiley, Provost and Vice President for Academic Affairs

You may recall that Aristotle analyzed moral virtues as the mean between the extremes -- between too much and too little of a certain kind of behavior. Courage, for example, was the mean between its excess, foolhardiness, and its deficiency, cowardice. Aristotle also understood that there was not an absolute mean. The "golden mean" will be relative to individual character and circumstances.

The "golden mean" is not a bad reminder for thinking about the challenges of developing and implementing a decentralized budget model at the university. There is no single best model. Our challenge has been finding the model that makes sense for our circumstances. And finding that model has been governed by the need for hitting the mean between too little and too much control, or the same thing from the other side, between excesses and deficiencies of decentralization.

The tradition of budget management at UNH, like many universities, has been central control over budget allocations and decisions. That approach is inadequate for our current needs. It is insufficiently flexible, often too removed from where the action is in the institution, and offers too few incentives for cost control and revenue enhancement.

But we have learned from other universities that too much decentralization of the budget also has its problems. The risk is the devolution of the university's mission and academic priorities to individual colleges and schools. Universities become mere holding companies, driven by the market place rather than by shared educational goals and values.

Our challenge is to develop a model that avoids the difficulties of too much and too little decentralization.

Following are four observations about arriving at the mean:

The first has to do with the budget model itself. A great deal of time has been spent determining how best to allocate tuition revenue and the state appropriations. The goal of the process is to find an appropriate balance between the current model of centralized control and its opposite, total devolution of the budget to the RCM units.

Those of you who have been involved in these discussions know it as determining relative costs of academic programs, division of tuition revenue, the percentage of revenue taxes, and the size of a central University Fund. How we arrive at the balance will be a matter of judgement, not science, and we must be prepared to refine our judgement over time.

The second has to do with processes and procedures. If we are to avoid the excesses of decentralization, we must have in place the appropriate oversight mechanisms. Within the RCM model itself, the primary mechanism will be the Central Budget Committee. Beyond RCM, it includes the recently formed University Curriculum and Academic Policy Committee. The success of these oversight committees,

however, depends on our commitment not only to shared governance, but to shared goals and priorities. Which leads me to a third point.

We have learned from others that decentralized budgeting requires even greater attention to institution-wide planning and priority setting. Without common goals, values and academic priorities, we run a greater risk in an RCM environment of devolving the university's mission and values to its parts with no guarantee that they are compatible and consistent. To achieve agreement about our academic priorities, the President Joan Leitzel and I will initiate an institutional planning process this semester.

Fourth, and finally, 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, judgement 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.

Trust, Risk and Reward

Tenets of the Responsibility Center Management Plan - Published 10/29/99
by Candace Corvey, Vice President of Finance & Administration

In order to function effectively, every organization relies on trust. An institution that entrusts relatively few people with important financial authority and responsibility places a high value on centralized control and is generally risk averse. Conversely, an institution in which leaders delegate considerable financial authority and responsibility throughout the organization is de facto expressing trust in its members.

The Responsibility Center Management (RCM) project aims to decentralize financial management at UNH to a reasonable degree and, as such, it is an expression of trust in our community. Decentralization increases institutional risk, simply because more people hold fiduciary roles and the chances of a weak link grow accordingly. But with risk frequently comes reward.

As we move toward a presidential decision on RCM, we must confront the questions of how much risk we are willing to take, what is the real potential for reward, and whether we have a sufficient level of mutual trust in the community to proceed. As we think about risk, we must ask not only what are the risks of moving to RCM, but what are the risks of not doing so?

I have been at UNH for three years, and I have not heard a positive word about the current resource allocation and budget management systems. Words most often associated with our budget processes are: rigid, retrospective, irrational, archaic, mysterious, "use it or lose it," beauracatic and shortsighted. The risk of not moving to RCM is that we will retard institutional evolution and progress, because we will not be as facile, cost-effective, entrepreneurial or forward-thinking as possible.

We know from the experience of other institutions that have adopted some form of decentralized budgeting that the primary anxiety about moving to RCM is the danger of institutional fragmentation and internal competition. There is a secondary risk, which accompanies any major change in a complex environment, and that is the risk of the unknown.

To significantly reduce the risk of fragmentation, we aim to set RCM in the context of a strong academic/strategic plan, a credible academic policy and curricular advisory committee to the provost, and

policies to limit the capacity of units to charge one another for goods and services. To reduce the risk of the unknown, we would maintain an active RCM Steering Committee to deal with the unexpected, and would conduct a formal five-year review and recalibration of the RCM model.

Financial authority cannot be delegated from UNH senior to responsibility-center units until that authority has first been delegated by the USNH Board of Trustees and/or the chancellor to the president. In the course of the RCM project we have identified several critical areas where changes in USNH policy must occur for RCM to function effectively at UNH. These raise important issues of trust and risk for the board. I have been heartened by the support for RCM that many board members have expressed, and by their willingness to entertain proposals for policy change.

Under RCM, each RC unit will have its own fund balance with automatic transfer of any operating surpluses to its fund balance at year-end. Likewise, each unit must have reasonably unencumbered access to its fund balance for the purpose of investing in an important program or physical asset or offsetting an operating deficit.

In addition, RCM works best if unit heads have flexibility in how they expend available funds during the course of a year within overall budgetary limits, consistent with mission and approved strategic plans.

Therefore, UNH will ask for board approval to 1) eliminate the current approval process for carryforwards, 2) permit General Fund balances to be held at the RC unit level, 3) approve a partial decentralization of the existing Campus Reserve so that each school or college will have an opening fund balance, 4) loosen, but not eliminate, current constraints on the institution's capacity to use reserves, and 5) eliminate the current distinction between salary dollars and other dollars.

We are working with the chancellor's office and the other USNH campuses to develop specific proposals that would accomplish these changes, but still provide for appropriate financial oversight by the board. In addition, we are developing internal monitoring systems by which RC units will be held accountable for their management decisions. It is our goal to have these matters settled before the end of December.

RCM's Effect on Academic Programs

Published 11/5/99

by Marilyn Hoskin, Dean, College of Liberal Arts

Few topics have had as much air time on campus as that of the budget system currently under discussion at UNH. And, as previous articles have indicated, the success of any responsibility centered management model here will depend on our ability to maintain a balanced perspective and adapt to the opportunities of a more flexible system.

Some faculty, however, continue to express reservations about the ability of such a system to insure the centrality of academic programs. Since these concerns are both prominent on campus and common to the experience at other universities, it may be useful to address those which appear to be most common.

First, faculty are apprehensive that decisions about academic programs will be driven by costs rather than quality or centrality. The terminology of the system does in fact include revenues and costs, and relates programs to both. In so doing, it provides one metric for understanding what we are embracing when we decide to offer some programs and not others, when we opt to maintain programs even at considerable cost, or even when we decide whether monies should be adjusted for travel, equipment, or supplies. I

would argue that we have always had such a metric in mind and that we often make assessments of choices with cost as a significant factor. The evidence suggests, however, that reducing costs per se has not been our primary orientation. All of our colleges maintain expensive, sometimes under-enrolled, programs because we judge them to be important. All of our colleges recognize the need to make expenditures from which we benefit only indirectly, if at all. And all of our colleges recognize that offering programs or courses which are less costly but low in quality is not an intelligent or efficient decision rule. Adding more information about actual costs is not likely to change our fundamental values. It may, however, help us appreciate the choices we make in the larger context of resources.

A second and related concern is that the small or less central programs will suffer from their inherent inability to generate either large revenues or sizable constituencies. One response to this concern is the constant reminder that the level where specific cost accounting takes place in the academic sphere is the school or college. Even the smaller schools are of sufficient size to be able to adjust resources when either enrollments decline or needs increase, and it is the task of the schools' budget advisory groups to insure that legitimate needs of programs that are expensive or limited are addressed. And in fact, it is precisely at this level that the major responsibility for making such decisions should lie, amid knowledgeable peers and related disciplines. Essentially, RCM enhances the programmatic decision-making process by bringing budgetary issues to the appropriate level. Because schools and colleges have critical masses of students and programs at all times, relatively small shifts in student demand need not have any direct negative impact on the discipline or program involved. On the other hand, major changes which the schools or colleges wish to make will be their own responsibility.

The small unit issue also brings to mind a third concern: that large, but less attached programs such as libraries or even infrastructure will not be appreciated as ³public works.² The worry is that decentralized units will not see the full need or value of such programs over the more proximate needs of their own areas, or that they will leave the underwriting of such programs to undefined others. Most universities have seen the need to build their initial models with the funds for such support services built in at current levels for the baseline, and the UNH model copies this feature. When reviews do take place, therefore, the effect of any increases or decreases can be assessed against the current standard. Moreover, the general fund usually labeled the Provost's Fund or University Fund has an overall responsibility for supplementing budgets as needed, and our own model builds in this source as well. To be sure, some university activities, academic or otherwise, may experience reductions as budgets are allocated and adjusted over time, but that process is only a variation of the budget process we employ currently.

Finally, there is at least a popular belief that with budgets decentralized, collaboration will be discouraged between or among colleges by the incentive to keep resources at the college/school level. Although it is not hard to imagine such hypothetical cases, the reality of research at UNH is one aided by a tradition of interdisciplinary work, and that tradition is based on anticipatory sharing of facilities and indirect cost returns. Such an institutional mind set helps faculty and staff see the greater project first, and we have no reason to believe they would not be able to make the individual or formula adjustments to insure that credits are fairly distributed. Perhaps as important, the relatively small number of schools and colleges lessens the number of likely conflicts. The smaller number of deans has also made collaboration in teaching as well as research part of the way we meet demands and needs, and the RCM model should not undercut that part of our activity. As is true of all proposed changes, this one should be judged ultimately by the ratio of gains to losses. As others have pointed out, the gains are significant in terms of both increased flexibility and increased potential for generating more expendable funds. The losses, given the commitment to start with current budgets and the commitment to a sizable University Fund, are mostly in perceived long-term risk. As an academic administrator, I would have to say that the opportunity to customize programs and investments to the strengths of the college is a far more attractive proposition

than the models of the recent past. With the extraordinary concentrations of talent we have in our colleges, I would be confident that we could, over time, make significant improvements in the way we maintain and develop our academic programs.

Faculty Participation Is Essential for RCM Success

Published 11/19/99

by Deborah Winslow

Chair, Faculty Senate Academic Affairs Committee

This is the last article in a series about RCM. Provost/Vice President for Academic Affairs, David Hiley; Vice President for Finance and Administration, Candace Corvey; and Marilyn Hoskin, Dean of COLA, already have written about this proposed new way of handling money at UNH. They were optimistic that it would be better than the system we have now.

But as a faculty member, I have concerns about the new system's potential unintended effects. Nevertheless, after months of meetings and one site visit to an RCM university, I am beginning to understand why others find the proposals appealing.

Like most faculty, I count myself lucky to have little contact with budgets. Money is always inadequate and the constant indignity of doing without essentials, from travel to phones, is too often accompanied by rushed spending at year's end.

I agree with VPFA Corvey when she says that the current system exacerbates the effects of underfunding. We cannot save and we cannot plan. We see no connection between what we do and the money we are given to do it. A banner classroom year is the same as a disastrous one. We may parley increased enrollments into more colleagues, but even that is a mixed blessing because it stretches funds and space even tighter.

The current system is not good for central administrators either. Yes, they have more power than faculty - they get to decide who gets what. But when no one has enough, how can you cut funding in one place to increase it in another?

Furthermore, the information that anyone in their position would want to make good decisions - program costs, quality, demand, priorities - is not uniformly available. And finally, they ask, and we might agree, shouldn't academic funding choices, like promotion and tenure decisions, really be made at the college level?

RCM is intended to address these problems. It transfers significant financial power from the central administration to the deans. Colleges will get funds automatically, by formula rather than central decision, primarily according to enrollments. Colleges also will pay for services: space, library, administration. Thus all of us -- and the budget information will be available and accessible -- should be able to understand what it costs to do what we do.

That, I think, is both RCM's strength and its weakness. It could be wonderful to have faculty debating academic priorities with the power to act on them. Deans, who have yet to present detailed plans, should facilitate such discussions. But there is the potential for a market culture, particularly enrollment considerations, to overshadow loftier goals. Faculty at some RCM institutions hate it for exactly this

reason. Elsewhere, however, faculty actually find RCM empowering. It lets them choose to support valued but expensive programs, even smaller classes; encourages creative change to make that possible; and increases awareness of student needs.

The difference is faculty oversight and participation. The current plans at UNH call for plenty of both, building on our strong tradition of faculty control of the curriculum. Nevertheless, we all must pay careful attention to exactly how those plans are implemented.

Deborah Winslow is an associate professor of anthropology.