An Overview:
Responsibility Center Management (RCM)

School of Arts and Sciences Town Hall

February 25, 2016

Responsibility Center Management

- A budget model promoting financial responsibility at a unit level

- Works most effectively in an environment of transparency and accountability

- RCM is a tool – academic leaders have responsibility for using the system to advance the missions of the University

Why Switch to RCM?

Academically Centered - "Academics over Economics"

Provides schools with better data, more control, and greater flexibility over resource decisions

Increased accountability and transparency

Greater focus on long-range strategic planning

RCM enables understanding of "ROI" and priority decisions given limited resources

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How Does RCM Work?

Revenues are credited to the Responsibility Center that generates them

REVENUE
- Tuition and Fees
- F&A Return
- Other Income

RESPONSIBILITY CENTERS
- Schools
- Research Centers
- Auxiliaries

Schools must then pay for their direct expenses as well as a share of the expenses to fund the Support Units

DIRECT & INDIRECT COSTS
- Direct Expenses
- System-wide Support Units
- Local/ Regional Support Units

Rutgers Financial Organization under RCM

Units fall into one of two categories within the budget structure:

- **Responsibility Centers** generate revenues for the university and are responsible for paying for all direct and allocated costs
- **Cost Centers** provide services to and are funded by the Responsibility Centers

New Brunswick Responsibility Centers

Instruction	Centers and Institutes	Auxiliaries
Bloustein	AES	Athletics
GSAPP	Alcohol Studies	Dining
GSE	Confucius Institute	Student Affairs
MGSA	DIMACS	Univ Housing
SAS	Eagleton Institute	Univ Student & Rec Ctrs
SCI	HGINJ	University Press
SEBS	IAMDN	
SMLR	IWL	
SoE	LSM	
SSW	NHETC	
Prof Science Masters	Proteomics	
	Waksman	

Allocation of Costs
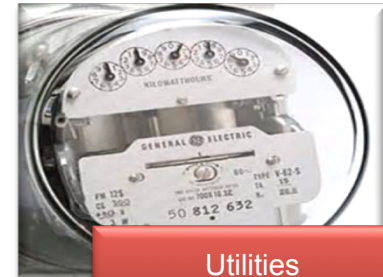# System-wide Cost Pools
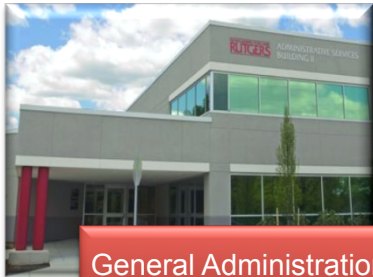
General Administration

Academic and Student Support

Debt Service

Utilities

Operations and Maintenance

Information Technology

Libraries

Research Support

Allocation of Costs

System-wide

Costs that are incurred by system-wide support units providing services to all

Local/ Regional

Costs that are incurred by support units providing services at the local/ regional or chancellor level
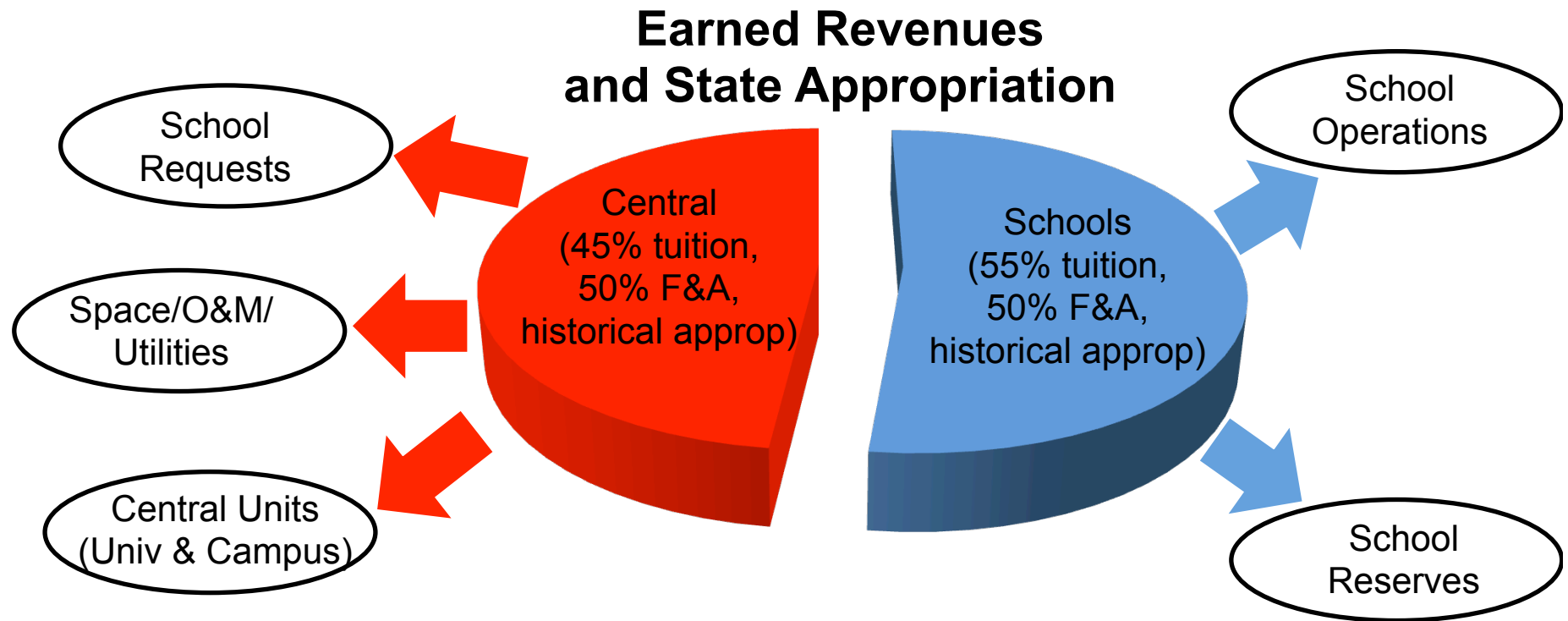
Cost Centers (University and New Brunswick)

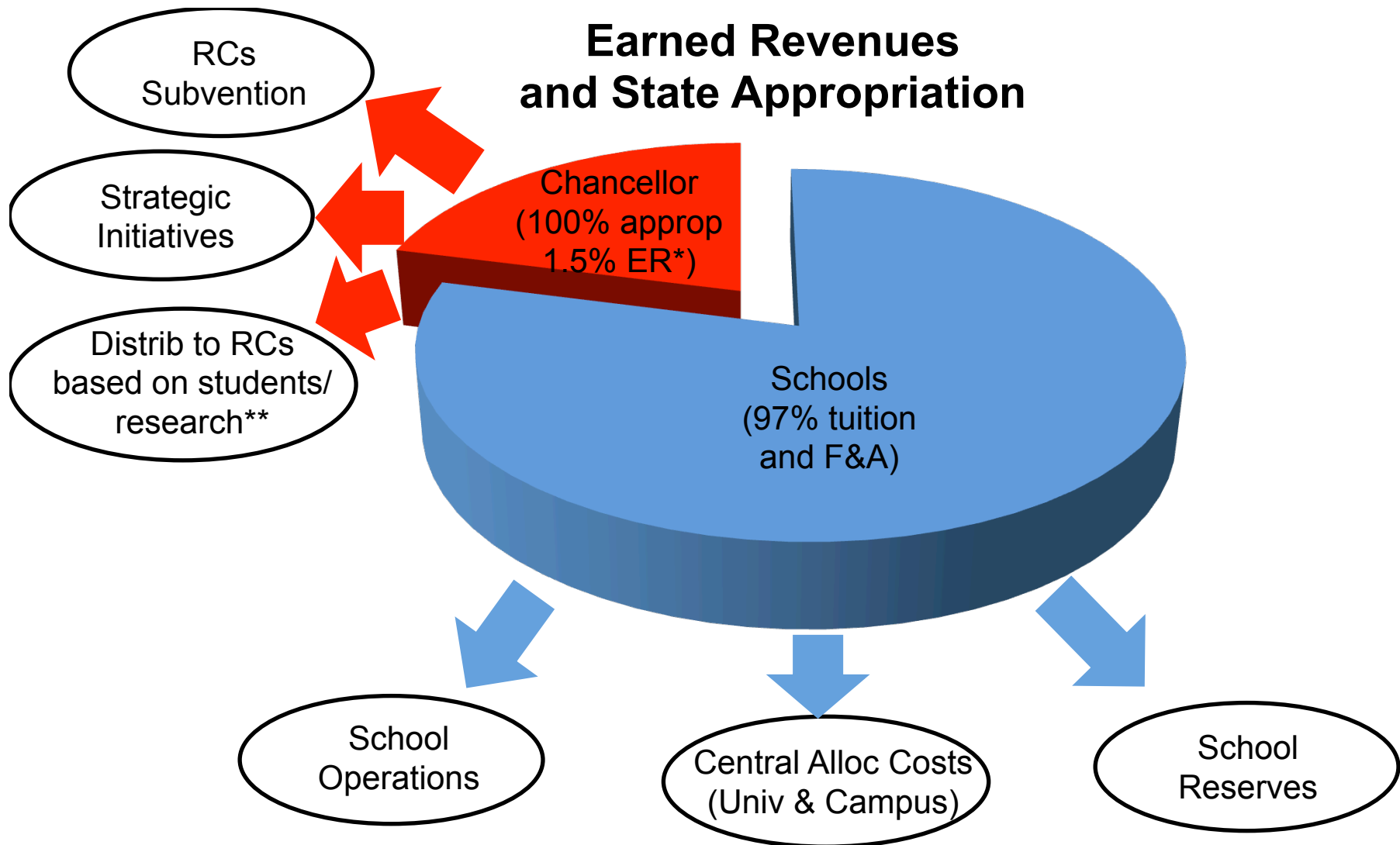| University-Wide	New Brunswick Local
Academic Labor Relations	Chancellor's Office
DOCS	Graduate School-New Brunswick
Enrollment Management	Honors College
ERM, Ethics and Compliance	ROTC Airforce, Army, and Navy
External Affairs and Communication	SVPAA (New Brunswick portion)
Facilities	Undergraduate Academic Affairs
Finance	Zimmerli Art Museum
GAIA	
General Counsel	
Human Resources	
Institutional Research	
Libraries	
OIT	
President	
Public Safety	
Research and Economic Development	
RU Foundation	
SVPAA (University-wide portion)	
University Secretary	

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Metrics for Allocation of Costs

➢ The cost pools are allocated to the schools using a metric that best measures the activity

➢ The metrics are based on "best practices", verifiable, easy to understand, and uniform

➢ Our model includes the following metrics: Unit Expenditures; Net Assignable Square Footage; Enrollment & Tuition data; F&A Return data; and Faculty & Staff FTE

All Funds Budgeting Revenue & Expense Distribution

Earned Revenues and State Appropriation

School Requests

Space/O&M/ Utilities

Central Units (Univ & Campus)

Central (45% tuition, 50% F&A, historical approp)

Schools (55% tuition, 50% F&A, historical approp)

School Operations

School Reserves

RCM FY16 Revenue & Expense Distribution (RU-NB)

Earned Revenues and State Appropriation

RCs Subvention

Strategic Initiatives

Distrib to RCs based on students/ research**

Chancellor (100% approp 1.5% ER*)

Schools (97% tuition and F&A)

School Operations

Central Alloc Costs (Univ & Campus)

School Reserves

*ER = earned revenues; another 1.5% goes to the President for strategic initiatives
**Distributed only to RCs that are not self-supporting under the RCM model

12

FY 2016 BUDGET
New Brunswick Campus Summary

REVENUES	New Brunswick FY16 Budget	% of Total Revenues
UNRESTRICTED		
Tuition and Fees	$ 604,118,168	35%
State Appropriations	$ 198,013,570	12%
F&A Costs Recovered	$ 50,441,868	3%
Auxiliary	$ 309,775,042	18%
University Support	$ (0)	0%
Other	$ 198,115,890	12%
TOTAL UNRESTRICTED	$ 1,360,464,538	79%
RESTRICTED	$ 352,758,487	21%
HEALTHCARE	$ -	0%
TOTAL REVENUES	**$ 1,713,223,026**	

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FY 2016 BUDGET
New Brunswick Campus Summary

EXPENSES	New Brunswick FY16 Budget	% of Total Expenses
DIRECT EXPENSES		
Unrestricted	$ 951,609,597	56%
Restricted	$ 352,758,487	21%
Healthcare	$ -	0%
TOTAL DIRECT EXPENSES	$ 1,304,368,084	76%
INDIRECT (COST POOL) EXPENSES		
Academic Support	$ 69,135,821	4%
Debt Service	$ 38,349,374	2%
Facilities O&M	$ 37,533,583	2%
General and Administrative Service	$ 70,907,283	4%
Information Technology	$ 23,030,774	1%
Libraries	$ 15,566,865	1%
Research Support	$ 9,033,265	1%
Strategic Funds	$ 25,855,999	2%
Student Service	$ 3,345,437	0%
Utilities	$ 37,311,481	2%
TOTAL INDIRECT (COST POOL) EXPENSES	$ 330,069,883	19%
ADJUSTMENTS (Transfers & Contigencies)	$ 120,167,648	7%
TOTAL EXPENSES	**$ 1,754,605,615**	**102%**
COST POOL ALLOCATION	$ (28,857,322)	-2%
STRATEGIC FUNDS	$ (12,525,268)	-1%
TOTAL NET EXPENSES	**$ 1,713,223,025**	

NOTES:

- _State paid fringe benefits and Federal/State student aid are shown at the campus level_
- _University Support consists of state appropriation and other President/Chancellor revenues_

FY 2017 Budget Calendar

Task	Dates
Budget meetings with heads of central University cost pool areas	November 2015-February 2016
Preliminary cost pool allocations	March 2016
Responsibility center budget preparation and Chancellor review	March 2016-May 2016
Preliminary budget presentation and tuition and fee proposals to Board F&F committee	June 2016
Tuition and fee rate approvals by RU board and state appropriation allocations set by legislature	July 2016
Final budgets set for all RU units	July 2016

Business Process and Organizational Review Projects

In order for the consolidated Rutgers to benefit from this project:

- Administrative business processes need to be reviewed and updated to reflect the "right practices" suggested by the "vanilla" configurations of the Oracle and other applications

- New organizational designs for service functions are critical to eliminate duplicative efforts (departments, schools, central), improve quality, reduce "touches", and enhance customer service. Improved business processes that are not dependent on technology must go into effect immediately

Assessment and implementation of organizational alignment and business process improvement across the following areas:

- Research Administration

- University Procurement

- Controller's Office

- Budget Office

- Student – Enrollment Management and Student Accounts

- Human Resources / Payroll

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Administrative Systems Projects (Phase 1 to Phase 4)

- **Financial Management**
  - Implement a single Oracle Cloud Financial System that incorporates the needs of both legacy RU and legacy UMDNJ schools, centers and central units currently using Oracle and Banner Systems, with redesign of chart of accounts

- **Budget and Financial Planning**
  - Update the Hyperion Planning application to accommodate the new RCM budget model for FY17 budget process and new chart of accounts structure

- **Cost Management**
  - Implement a University costing management model to answer key questions around revenues, expenses and margins

- **Procurement**
  - Implement automated, university-wide purchasing, accounts payable and expense management tools to streamline and expedite processes at the University, utilizing SciQuest and Oracle

- **Human Resources/Payroll**
  - Migrate employee records on Banner HR/payroll system into existing Rutgers hosted Peoplesoft System in preparation for ultimate migration to Oracle Cloud HCM Solution

- **Research Administration**
  - Implement a series of systems improvements to enable efficiencies in research administration functions for both faculty and staff

- **Student**
  - Selection of a single student information system to be implemented across the University

Phase 1 Projects

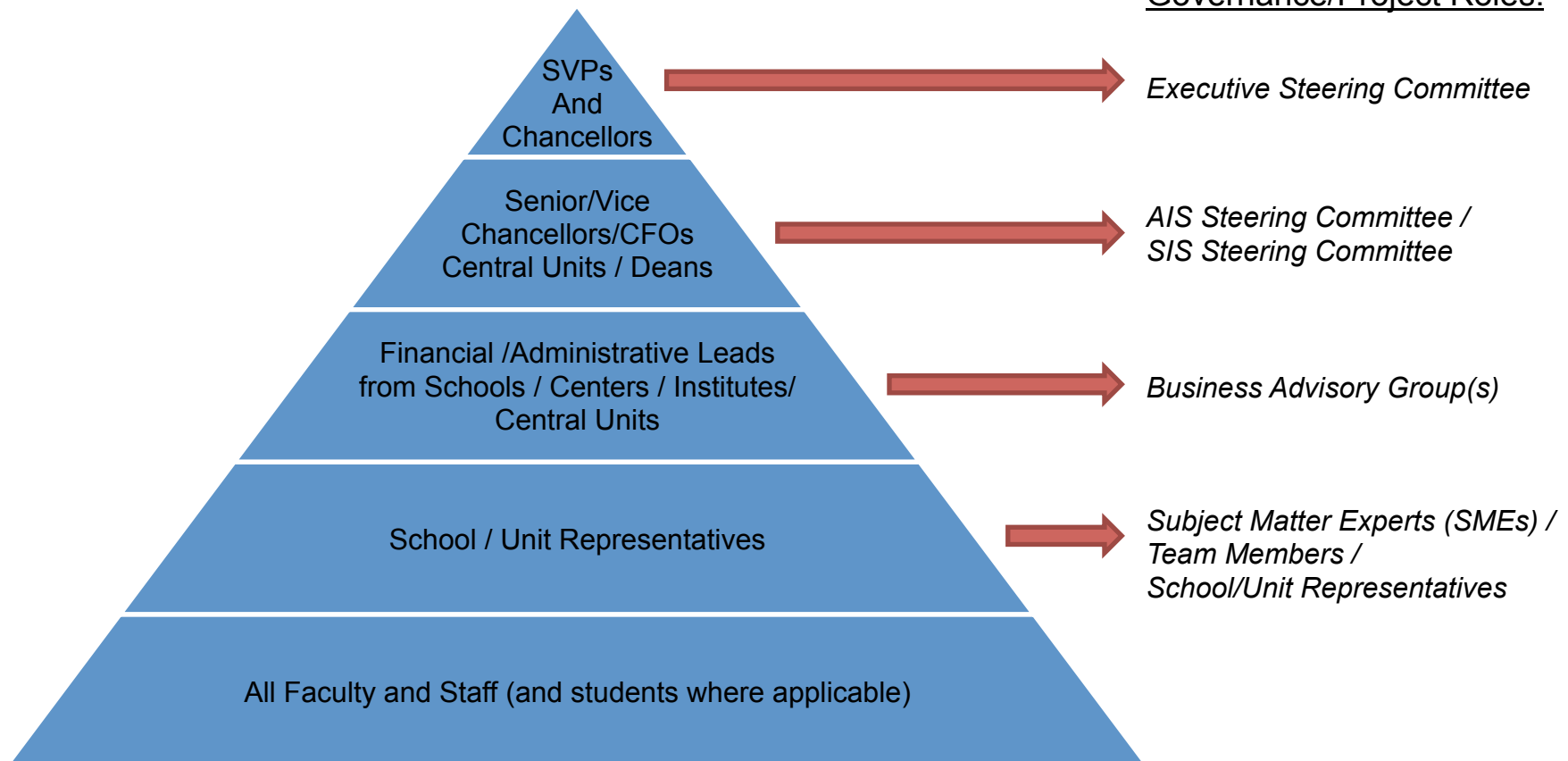Phase 1 administrative systems projects include:

1. **General Ledger and Project/Grant Accounting, including Redesign of Chart of Accounts**

2. **Procure-to-Pay and Expense Management**

3. **Human Resource/Payroll – RBHS Employee Migration to PeopleSoft**

4. **Budget and Financial Planning – common Hyperion budgeting tools**

The original go-live date for the first three items has been July 1, 2016, is being moved to October 1, 2016.

The budget planning tool (item 4) is live now for cost centers and will be live for responsibility centers on schedule by March 10, 2016.

Stakeholder Engagement

Governance/Project Roles:

Pyramid levels (top to bottom):
- SVPs And Chancellors → *Executive Steering Committee*
- Senior/Vice Chancellors/CFOs Central Units / Deans → *AIS Steering Committee / SIS Steering Committee*
- Financial /Administrative Leads from Schools / Centers / Institutes/ Central Units → *Business Advisory Group(s)*
- School / Unit Representatives → *Subject Matter Experts (SMEs) / Team Members / School/Unit Representatives*
- All Faculty and Staff (and students where applicable)

Stakeholder engagement at *multiple* levels throughout the organization.

Change Management

Stakeholder Engagement

- Role of Business Advisory Groups:
  - Participates
  - Serves as liaisons to the chancellor unit /campus represented
  - Assists in determining change management, communications, and/or training strategies for a specific project
  - Assists in disseminating information to your chancellor unit/campus
  - The role of this group is advisory only, with final decisions made by an executive committee formed of by direct reports to President Barchi

- Role of School/Unit Representatives:
  - Provides input into the project
  - Hands on during design and testing
  - Serves as a change agent
  - Communicates project updates and key changes within their organization

- Will conduct targeted focus groups

- Encourage grass roots communication and solicit feedback

Recruitment

- Director of Communications – Stephanie Reed starting 2/17/16
- Director of Training – position posted