



Responsibility Center Management: The Good, The Bad, and The Ugly

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Texas Tech University

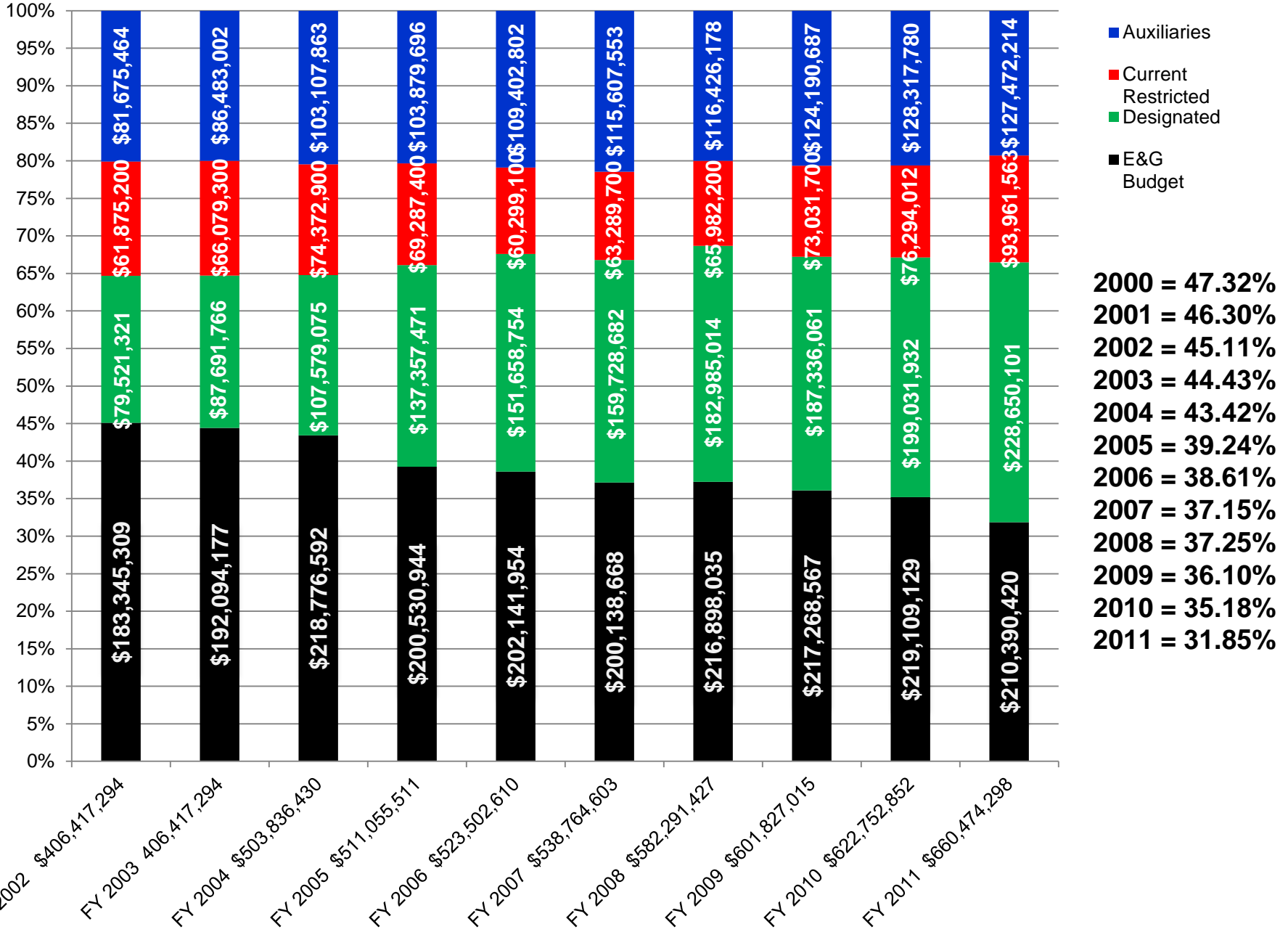
- Largest of four component institutions that make up Texas Tech University System
- Headquartered in Lubbock, Texas
- 7 campuses and academic sites throughout the State of Texas and internationally



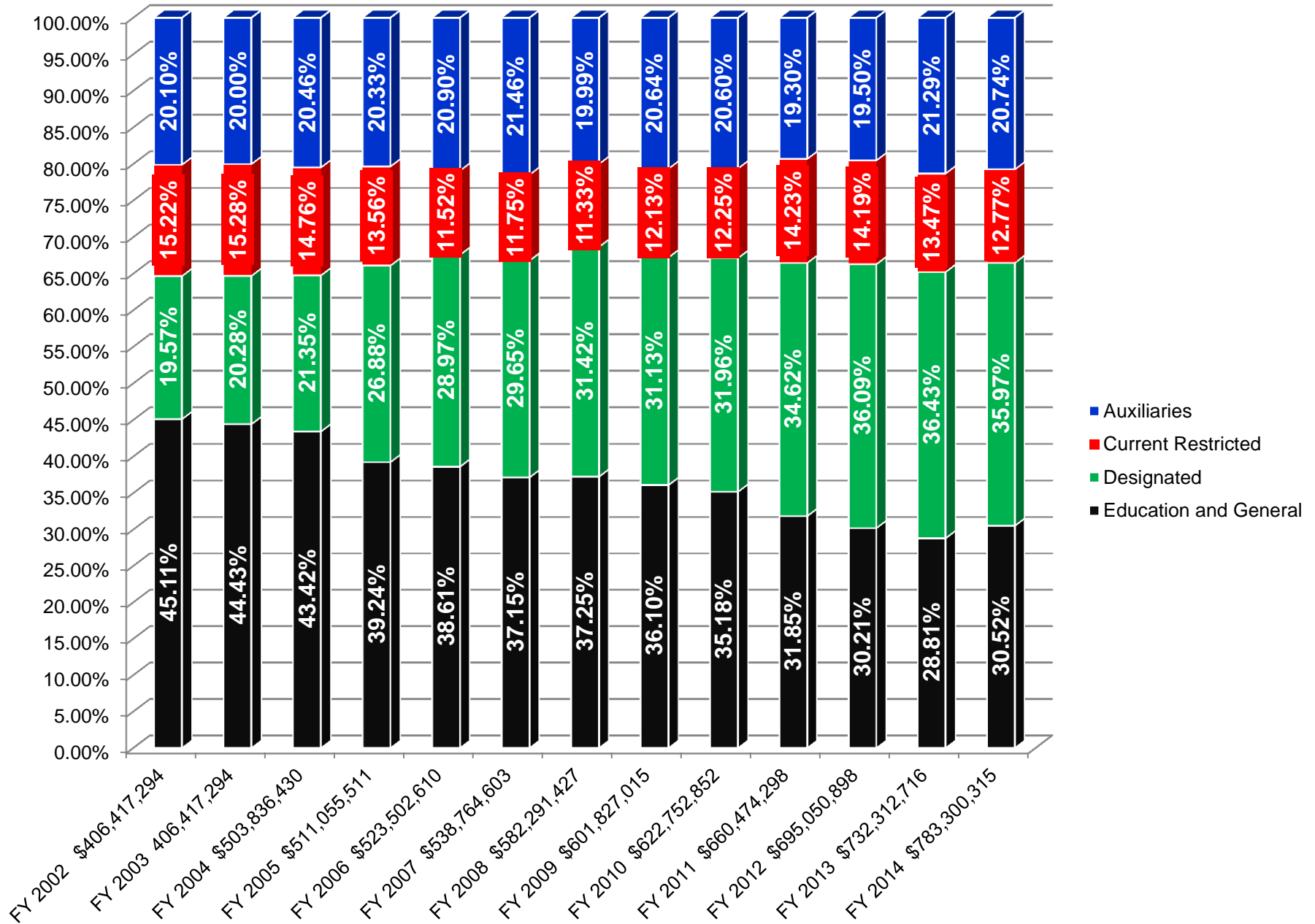
Texas Tech University System

- Enrollment across all campus sites approximately 32,000
- Over 5,400 faculty and staff
- Annual budget totals more than \$783 million

Texas Tech University's Historical Budget by Fund Group



Fund Group Percentage of Overall Operating Budget





Texas Tech's Road to RCM

- During the 2007-2008 academic year, Texas Tech began to discuss how it could achieve the long-term goals established by the university's strategic plan while delivering affordable, quality education.



Texas Tech's Road to RCM

- In 2008, then TTU President, Dr. Guy Bailey, commissioned a Revenue and Enhancement Allocation (REA) task force to research various budget models used in universities across the U.S. to determine the best model for TTU.



REA Task Force

- The REA Task Force spent the 2008 year benchmarking other public universities that use a decentralized budget model including:
 - Iowa State University
 - Kent State University
 - Indiana University
 - University of Missouri-Kansas City
 - Ohio State University



REA Task Force

- At the end of the year, Responsibility Center Management (RCM) was identified as the best decentralized budget model for Texas Tech.



What is RCM?

RCM is...

- A decentralized financial management model that aligns financial responsibility with the natural decentralization of authority in universities.
 - Promotes semester credit hour growth.
 - Provides an excellent picture of the per student costs of educational programs.
 - Allows for analysis of faculty financial productivity at the University and College levels.
 - Drives efficient provision of administrative and space related services at competitive prices.
 - Encourages centers to adopt successful strategies of other centers.

From REA to RCM

- In June 2009, Texas Tech hired Dr. Jon Strauss to serve as both the Interim Dean of Engineering and the Chair of the RCM Council.
 - Responsibility Center Management: Lessons from 25 Years of Decentralized Management by Jon C. Strauss and John R. Curry
 - Responsibility Center Management, A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility by John R. Curry, Andrew L. Laws and Jon C. Strauss



RCM at Texas Tech

- After careful planning and modeling, RCM was implemented at Texas Tech starting with Fiscal Year 2012 budget.
- In the time preceding implementation and since TTU began RCM, the university has experienced both victories and pitfalls.



RCM at Texas Tech University: The Good



RCM at Texas Tech: The Good

- Heightened financial awareness
- Understanding of and allegiance to strategic initiatives
- Improved revenue generation
- Expense efficiencies



RCM at Texas Tech: The Good

Heightened Financial Awareness

- Business managers have a firmer grasp on numbers
 - Move away from historic budget
 - Mentality of this is the way it's always been
- Deans understand how their colleges operate in terms of revenues and expenses



RCM at Texas Tech: The Good

Stronger Understanding of and Allegiance to Strategic Initiatives

- 10-year Strategic Plan released in 2010
- RCM aligned finances with five top priorities of the Strategic Plan, specifically:
 - Increase Enrollment and Promote Student Success
 - Increase and Maximize Resources



RCM at Texas Tech: The Good

Improved Revenue Generation due to Financial Transparency

- Align financial responsibility with decentralized authority
- Colleges own their portion of revenues due to nature of RCM
- Increased interest in WSCH/SCH generation



RCM at Texas Tech: The Good

Encourages Expense Efficiencies due to Financial Transparency

- Colleges responsible for expenses
- Awareness of both administrative and academic costs
- Drives efficiency in personnel, travel, operating, and space costs
 - New expense OPs



RCM at Texas Tech University: The Bad



RCM at Texas Tech: The Bad

- State restricted appropriations
- Lack of cross-campus collaboration
- Cost-sharing



RCM at Texas Tech: The Bad

State Restricted Appropriations

- “Color of Money”
 - State line item restrictions
 - Purpose restricted unrestricted accounting
- The lure and disadvantages
 - Benefits
 - Time sensitive



RCM at Texas Tech: The Bad

Lack of Cross-Campus Collaboration

- Spousal accommodations
- Cross-department courses
- Shared space
- Joint appointments
- Start-up packages



RCM at Texas Tech: The Bad

Cost-Sharing

- Indirect cost misinterpretation
 - Why are they taking my money?
 - Residual space
 - Unused services



RCM at Texas Tech University: The Ugly



RCM at Texas Tech: The Ugly

- High Administrative Turnover
- State Appropriation Cuts
- Competing Resource-Intense Strategic Initiatives



RCM at Texas Tech: The Ugly

High Administrative Turnover

- Due to state budget cuts and personnel changes, the university experienced high administrative turnover
- Inability of administration/key faculty to be 100% supportive due to changes



RCM at Texas Tech: The Ugly

State Appropriation Cuts

- 10% reduction in state appropriations during the year of implementation
- 28% reduction in state special line items
- Community associated RCM with painful budget cuts



RCM at Texas Tech: The Ugly

Competing Resource-Intense Strategic Initiatives

- Striving for Tier One status parallel to implementing RCM
- Resources focused on Tier One and research dollars
- RCM became secondary focus
- Graduate and undergraduate enrollment
 - Goal-40,000 by 2020
- Student-to-faculty ratio enhancements



RCM at Texas Tech University: Other Lessons

Other Lessons

Communication

- Transparency without clarity
 - Restricted funds
- Hold harmless period
- Over-communicating can be just as bad as under-communicating
 - Meeting just to meet
 - Drawing a healthy line of communication with the community
 - Too many subcommittees

Are you lonely?

Hate having to make decisions?

Rather talk about it than do it?

Then why not

HOLD A MEETING

Feel important

Sleep in peace

Offload decisions

Get to see other people

Impress (or bore) your colleagues

Learn to write volumes of meaningless notes

And all in work time



‘MEETINGS’

The Practical Alternative to Work

Courtesy of www.rogerdarlington.co.uk/

Other Lessons, cont.

Deans and Faculty

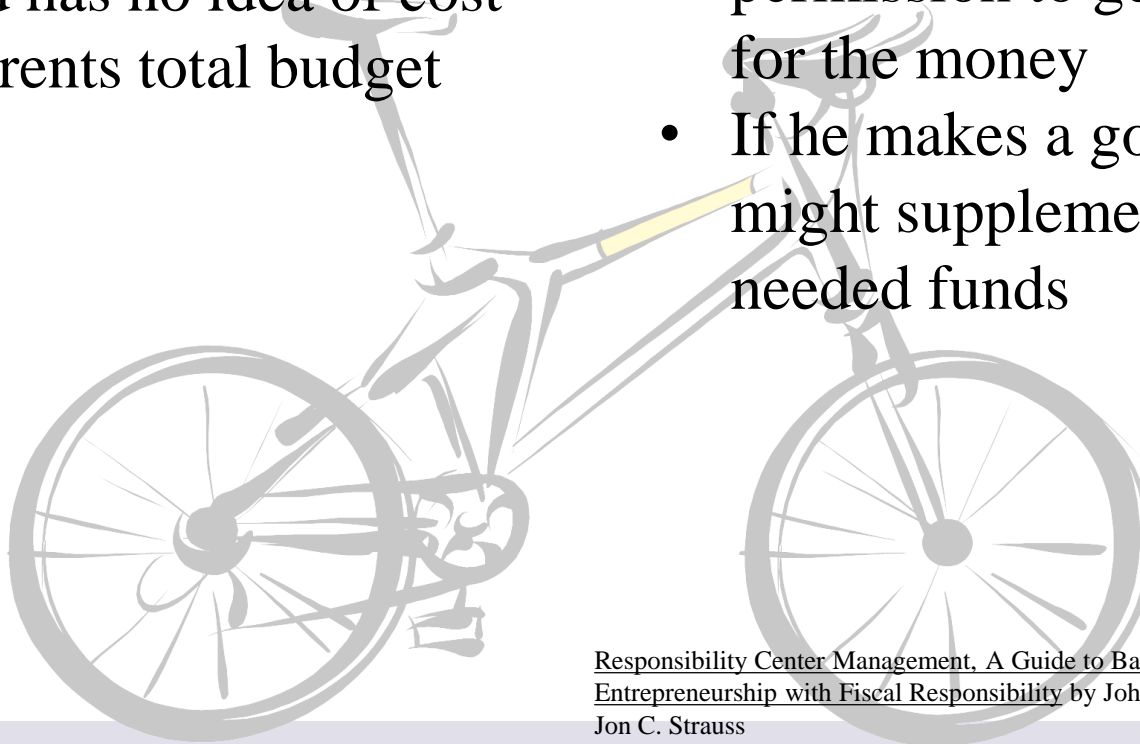
- While it is good to have the Colleges know their real revenues and expenses, deans and faculty aren't traditionally developed to be business managers.
- Used to the “Mother May I?” mentality of securing funds.

Scenario A:

- Child desires a bike and makes a pitch to his parents
- Child has no idea of cost or parents total budget

Scenario B (RCM):

- Child knows he has to generate his own money for the bike
- But he needs his parents' permission to get a paper route for the money
- If he makes a good case, they might supplement some of his needed funds



Other Lessons, cont.

Deans and Faculty

- Preventing a cross-campus subsidizing war
 - Agricultural Sciences
 - Fine Arts
 - Arts and Sciences
 - Law School

Other Lessons, cont.

Timeline

- From REA task force to budget implementation, TTU's timeline stretched over four years.
- A long process creates too much lag time for doubt to emerge and positive energy to wane.
- Keep the process to 2 years from task force to implementation.

Other Lessons, cont.

RCM Champions

- A consultant may be essential, but should never be the driving force of RCM.
- President, Provost, and CFO together should be leaders of RCM.



Concluding Thoughts

Even though TTU's version of RCM has been modified due to challenges, the overall benefit of community involvement and widespread financial understanding has been worth the process.

QUESTIONS

