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BENCHMARKING ANALYSIS – BUDGETING MODELS AND ALLOCATIONS

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In the following report, Hanover Research examines research literature, trade publications, and case studies highlighting the balance of academic and nonacademic revenues in Responsibility Center Management (RCM) budgeting models.



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EXECUTIVE SUMMARY

RECOMMENDATIONS

Based on an analysis of Responsibility Center Management (RCM) best practices, case studies and financial outcomes data, Hanover recommends that institutions:

EMPHASIZE SIMPLICITY WHEN IMPOSING A CENTRAL ADMINISTRATIVE “TAX” ON REVENUE UNITS AND MAXIMIZE TRANSPARENCY ABOUT HOW THOSE FUNDS ARE SPENT.

Administrative “tax” rates vary substantially by model and even across revenue types, so prescribing an optimal rate based on what other institutions are doing is difficult. Evidence from institutions that have tried and rejected RCM, such as University of Arizona, and those that have struggled to implement it, such as Rutgers University, suggests that simplicity, transparency, and administrative accountability are major concerns. If they are not addressed in a manner that is perceived to be open and fair, the chances that RCM will be rejected by stakeholders are higher. For instance, most stakeholders that are somewhat or heavily involved in budgeting at Rutgers have concluded that RCM hinders the university’s fulfillment of its mission and damages the campus climate.

DEMONSTRATE GAINS IN UNIVERSITY REVENUES, REVENUE UNIT FINANCIAL HEALTH, AND THE OVERALL OPERATIONAL AND FINANCIAL EFFICIENCY OF THE UNIVERSITY THROUGHOUT THE RCM IMPLEMENTATION PROCESS.

RCM has been a higher education management strategy since the 1990s and most recent studies conclude that it has not discernibly improved the financial health of the institutions where it is has been tried. Data from Hanover’s own study of nine RCM institutions and nine comparable non-RCM institutions suggests that administrative and academic support costs represent a higher and rising share of the RCM institutions’ expenditures. Showing that the opposite is true will be essential to maintaining long-term stakeholder buy-in.

KEY FINDINGS

Non-revenue units tend to be funded via a “tax” on revenue units’ earnings, which covers facilities and administrative costs and can exceed 30 percent in some cases. The size of this tax varies depending on the services it has to fund, but in the models profiled in Section II it ranges from 15 to 28.5 percent at University of New Hampshire, depending on the revenue source, to 43.2 percent at Kent State University. In some cases, facilities units are funded using a formula based on the square footage occupied by each revenue-generating unit they support.

Financial performance indicators across units in higher education institutions include a range of potential metrics, most of must be applied consistently across revenue-generating units or support units. Typical components for revenue-generating units include the following, though some revenue sources may be minimal or nonexistent for certain academic units:

- Enrollment and tuition data for associated majors
- Credit load data, which is often used to ensure that departments are compensated for teaching general education courses for non-majors
- External grants and contracts revenues
- Operating expenses, primarily focused on salaries and benefits
- State or federal funding

Institutions with RCM or RBB budget models tend to review them on three-to-five-year cycles in order to determine whether the budget models are incentivizing mission-critical activities and priorities and assess whether any adjustments to formulas or metrics should be made. These types of reviews often solicit feedback from faculty and administrators and result in a formal report with recommendations. In several cases, including Rutgers University and University of Arizona, stakeholders express high levels of dissatisfaction with RCM.

INTRODUCTION AND METHODOLOGY

The system's current annual budgeting structure follows an outdated and centralized model of incremental budgeting. It is moving to a less centralized budgetary model based on Responsibility Center Management (RCM) fiscal principles. The leadership understands that describing this shift to the faculty will help demonstrate the value and importance of this key fiscal and administrative change. Hanover therefore presents this benchmarking analysis of budget models to provide leadership with data to inform the faculty about the rationale behind this change, reference points to peer and competitor institution's budgetary allocations, and strategic budgeting priorities.

REPORT CONTENTS AND STRUCTURE

This report includes three sections:

- **Section I: Best Practices for Effective Decentralized Budgeting** provides an overview of recent research on how institutions can best implement decentralized budgeting systems such as RCM, as well as whether or not it results in operational efficiencies or revenue gains.
- **Section II: RCM Case Studies** examines the school or unit-level metrics and central administration allocation rates used by four institutions that have implemented RCM. Where information exists about these institutions' review processes and overall experience with decentralized budgeting, we provide that information as well.
- **Section III: RCM vs. Non-RCM Expenditures Trends** provides a comparison of FY 2016 to FY 2021 expenditures by IPEDS GASB category for nine R1 institutions that implemented RCM prior to 2016 and eight R1 and one R2 institutions that did not use RCM during the same period, with a focus on academic and administrative spending trends.

RESEARCH QUESTIONS



What percentages of the budget at peer institutions are allocated to academic programming, and to non-academic and administrative functions / costs? (as available)

- What are major areas of investment (top-level budget lines) on the academic and nonacademic sides?



What are the major sub-categories (second level budget lines) in the following organizational areas, and as available, percentages of allocations in those areas:

- Human Resources
- Information Technology
- Academic Affairs
- Financial Aid
- Instruction and Academic Programming
- Research
- Facilities Management/Physical Plan
- Communications and Marketing
- Alumni Relations and Development



BEST PRACTICES FOR EFFECTIVE DECENTRALIZED BUDGETING

Review of recent research on the potential benefits and challenges of Responsibility Center Management.

INTEGRATING FINANCIAL METRICS WITH OUTCOMES METRICS

TEMPERING RCM INCENTIVES WITH A FOCUS ON STUDENT OUTCOMES

A 2016 Lumina Foundation report advocates for Responsibility Center Management (RCM) at the university level only if it is paired with Outcomes-Based Funding models for state contributions. The author, University of Denver's Linda A. Kosten, argues that the decentralized, unit-focused budgeting structure of RCM or Responsibility Based Budgeting (RBB) can potentially warp incentives in ways that negatively impact student success. With this in mind, she explores the idea that a well-designed outcomes-based budgeting system can ensure that universities incentivize their academic and administrative budget units to focus on student success.

“

...the strengths of each funding structure can help to mitigate the potential drawbacks of the other when they are implemented together.

By using Responsibility Center Management, college and university administrators are better able to marshal resources to help students complete their degrees and other credentials while also reaping the benefits of an outcomes-based funding system that directs public funding toward institutions that are doing just that.

Kosten, [2016](#), pp. 2-3

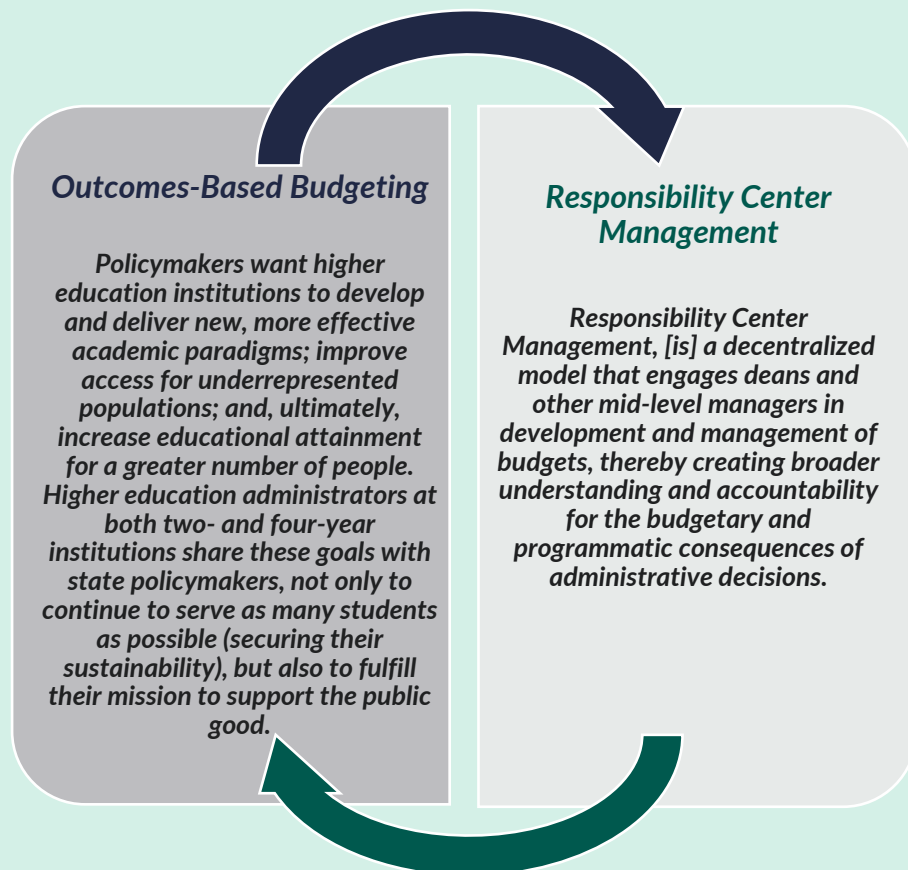
”

By devolving decision making and budgeting to financial units, RCM or RBB models can make them more entrepreneurial. Studies by Kosten (2009) and Kosten and Lovell (2011) show that this occurs in most cases, but that it can lead to financially-induced myopia in how units are managed. In such instances:

- Financial considerations supersede academic ones
- Interdisciplinary teaching and research are hindered
- Academic units compete, rather than collaborating
- An intense focus on unit-level goals makes it harder to plan and achieve university-level priorities

BALANCED INCENTIVES HELP TO AVOID MISSION DISTORTION

Graphic juxtaposes excerpts from Kosten, 2016, p. 2.



BASIC RCM FINANCIAL INDICATORS

RCM budgeting strategies first rose to prominence in the 1990s, and by the early 2000s experts were arguing that “there is a great need to measure institutional performance and determine if and how it has changed after moving to RCM” (Toutkoushian and Danielson, [2002](#), 206). In his [2018](#) Auburn University dissertation on RCM, Jeff Long argues that “RCM has been a system that has relied on performance measures among revenue line items, as well as expense line items across a university” (54). On the revenue side, the central focus is typically tuition revenues, which Long describes as “a critically vital revenue to manage” (55). RCM is also well-known for incentivizing units to seek alternative funding streams.

In addition to tuition revenues, commonly-tracked financial metrics include the following:

- **Grants and external contracts revenues**, which some studies (e.g. Leslie, Oaxaca, and Rhoades, [2002](#), 68) argue increase among RCM institutions
- **Reduced operating expenses** due to “enhanced transparency of financial information under an RCM system” (Long, [2018](#), 56)

A [2020](#) blog post by ESI’s Higher Education Practice Area notes that when calculating department or college-specific tuition revenues under and RCM model, general education courses need to be considered. They note that:

Responsibility/Revenue Centered Management (RCM) budgeting systems address this issue by allocating revenue to the program of a student’s major and then having that program negotiate a payment to the general education department for the instruction that they provide.

DOES RCM IMPROVE FINANCIAL VIABILITY?

Several recent studies that pair RCM and non-RCM institutions have found that implementing decentralized budgeting results in little to no discernible changes in an institution’s overall financial position. Long’s recent [work](#) concludes that decentralized budgeting has no impacts on an institution’s financial health. His study looked at the budgetary impacts of RCM across university financial indicators at 50 public universities using a mix of centralized and RCM budgeting from 2007 to 2016. His analysis, which also accounted for how long RCM had been in place before the ten-year period of the study, found that RCM institutions did not outperform non-RCM peers in terms of university operating revenues, tuition revenues, and grant revenues. Long found only marginal impacts on expenditures for one of the ten years studied (91-96). A [2018](#) Texas Tech University dissertation by Beverly Cotton compared changes in Composite Financial Index (CFI) scores across otherwise similar public universities and found that “that differences were not significant in matched pairs of RCM and non-RCM IHEs’ financial health based on the longitudinal changes” (76).

A 2017 *Journal of Higher Education* [study](#) by Jaquette, Kramer, and Curs found that “RCM positively affected tuition revenue” and that “the magnitude of these effect sizes was sufficiently large” at three out of four studied institutions (33), but it should be noted that the authors compared RCM financial results with counterfactual non-RCM statistical models. Their findings are based on an analysis of actual institutional financial indicators compared to a “synthetic control” version of the institution which “approximates the counterfactual for the treated unit.” In essence they used data from universities that did not adopt RCM to inform models of each of the four universities studied in order to compare the “synthetic control” non-RCM outcomes with the actual ones (13-14). On this basis they conclude that RCM generated additional tuition revenues at Iowa State University, University of Cincinnati, and Kent State University, but not at the University of Florida.

PERCEPTIONS OF RCM AND ITS LIMITATIONS

STAKEHOLDER PERCEPTIONS

Kosten's recommended Outcomes-Based metrics for augmenting RCM are shown at the top right, and her argument for a more mission-focused RCM aligns with findings from other recent studies and the self-reported experiences of institutions that use RCM. For instance, Katherine Walker's 2018 [dissertation](#) surveyed 669 respondents at seven institutions that had implemented RCM. She received 141 responses, with 108 representing institutions that had implemented RCM since FY 2016 and 33 representing institutions with RCM systems established before FY 2013. Respondents included campus leaders, middle managers, and faculty (114). Their perceptions are discussed in the figure below.

STAKEHOLDER PERCEPTIONS OF RCM

List summarizes Walker's research questions and major findings, based upon her survey of university stakeholders at seven RCM institutions, [Walker](#) 2018, 199-214.

To what degree do institutions that adopt RCM successfully implement its practices?

- "The vast majority of participants at least somewhat agreed that direct costs were being allocated, with a smaller majority feeling the same way about allocation of direct revenues, and an even smaller majority feeling the same way about indirect costs."
- "A vast majority of respondents believed that central executive leaders continued to make the majority of institutional decisions."
- "Fewer than 40 percent of respondents at least somewhat agreed there were clear and worthwhile incentives built into their RCM models."

To what degree do institutions that adopt RCM achieve success in their implementations?

- "A slight majority of respondents believed their institutions successfully implemented RCM."
- However, "significant differences emerged among older and newer implementers and central and school respondents," with the former voicing more satisfaction.
- "There was widespread disagreement within institutions about whether institutions had achieved success, most notably between personnel who were employed in central administration as compared to those employed by schools and colleges."

OUTCOMES-BASED BUDGETING METRICS FOR RCM

List summarizes and excerpts content from Kosten, [2016](#), p. 6.



Enrollments and retention rates



Course-level outcomes



Job placement success rates



Licensure/exam passage rates (where applicable)

REVIEWING RCM

Institutions generally conduct periodic reviews of their RCM systems to ensure that their budgeting models are not warping units' incentives, threatening interdisciplinary collaboration, or leading to undue competition among units. For instance, Rutgers University conducted a five-year [review](#) of its RCM system in 2021. The 27-person review committee was charged with evaluating how well the system was contributing to institutional strategies and priorities, reviewing allocation formulas, improving the mechanics of RCM, and increasing dialogue and transparency (6).

As noted below, University of Arizona [adopted](#) RCM in FY 2017 but has opted to [replace](#) it with Activity Informed Budgeting for FY 2023. The AIB system is designed to provide a transparent and predictable budgeting process that rewards positive student outcomes and research success. The university opted to transition to AIB after five years of RCM and a three-year review in [2018](#).



RCM CASE STUDIES

Examples of school or budget unit metrics at institutions with established RCM or RBB models. The analysis focuses on the share allocated or redirected to central administrative functions and stakeholder perceptions of RCM.

RCM AT KENT STATE UNIVERSITY

Kent State University **divides** its budget units into Responsibility Centers, which generate revenues through their activities, and Non-Centers, which are funded with a “tax” of 42.3 percent of RCM revenues to cover centralized administrative and facilities costs, as well as university-level strategic priorities (28). The university implemented RCM in July 2009 and reviewed the practice in 2012 and 2015, making changes to its allocation methods each time. Its Responsibility Centers have three essential roles, which include financial planning and reporting to the central administration.

RESPONSIBILITY CENTER ROLES

Figure reproduces content Kent State University, [2015](#), p. 12.

Responsibility Center Roles
Responsible for developing strategic and financial plans that fit within the overall academic and university plans.
Responsible for their overall fiscal performance.
Held accountable for the effective and efficient management of their resources and are required to report periodically on the status of their Center.

Each Responsibility Center develops an operating budget composed of the funding sources listed in the figure at the top of the right-hand column. This budget is allocated toward expenses paid by each center, which include salaries and benefits; travel, supplies, and equipment; minor space renovations; college-specific services; and GA tuition and health care benefits (30). Each Responsibility Center undertakes its own planning with assistance from the university’s RCM planning team, but all strategic plans at the department and unit level must align with overall university priorities and policies according to the [2015](#) RCM Operating Manual (6).

RESPONSIBILITY CENTER OPERATING BUDGETS

Figure reproduces content Kent State University, [2015](#), p. 27.

Net RCM Revenue Available to Centers	Non-RCM Revenue	Other Support
<ul style="list-style-type: none"> • Tuition revenue available after the 42.3 percent allocation to the central administration 	<ul style="list-style-type: none"> • Program fees • Course fees • Other fees & departmental revenue 	<ul style="list-style-type: none"> • Provost’s investment/subvention pool • General administrative support • General fee (marching band and theatre) • RCM central pools • Support from reserves or other colleges/divisions

FACULTY SENATE BUDGET ADVISORY COMMITTEE (FaSBAC) UNIT CONSULTATIONS

Figure reproduces content Kent State University, RCM Manual, [2015](#), p. 6, which explains the role of the central FaSBAC in overseeing RCM unit-level planning.

- Periodically review the impact of the RCM model’s
 - Effect on academic quality
 - Effect on unit performance
 - Allocation procedures
- Recommend funding priorities consistent with the University Strategic Plan
- Review requests submitted for subvention or investment funds
- Annually review the University’s performance according to established measures
- Review enrollment projections used for budget modeling
- Review the final draft of the University operating budget
- Review the performance of non-academic service and support units
- Appoint sub-committees as necessary to improve aspects of the RCM model and its functioning, e.g., training

RCM AT UNH

The University of New Hampshire implemented RCM on July 1, 2000 following a three-year feasibility study, with reviews of the system in 2006, 2010, and 2015 (RCM Manual, [2016](#), 7). Every campus Responsibility Center “is responsible for developing strategic and financial plans that fit within the UNH Strategic Plan” (7). In addition to revenue generating Responsibility Centers, the university maintains Service Units that are funded either by a Facilities Assessment based on square footage occupied or via a percentage of selected revenue streams including net tuition, facilities and administration cost recovery, mandatory fees/room/board, and other revenue sources (57).

As part of their budgeting and academic planning efforts, units are required to address academic planning. To this end, “the UNH Budget Office has developed some useful tools to assist RC units in determining the RCM impact on academic programs” (54). These tools are password-protected, but their descriptions in the RCM manual provide a basic sense of what they include.

RESPONSIBILITY CENTER TOOLS

Figure reproduces content University of New Hampshire, [2016](#), p. 54.

Academic Course Analysis Tool

“This tool calculates net tuition and the break-even enrollment for an academic year or summer undergraduate course based on user inputs.”

New Program Budget

“This tool is used to calculate the estimated financial effect of a new undergraduate or graduate program. The template includes nine years of analysis.”

Budget Construction Worksheet

“This tool is used to calculate the estimated financial effect of a new undergraduate academic program. The template includes six years of analysis.”

UNH RCM ALLOCATION RATES

UNH [provides](#) a detailed breakdown of the share of net revenues collected by revenue-generating academic units that must then be paid to the central administration at different rates, and the most recent years discussed in the model (Fiscal Years 2015-2017) show a slight increase in the central administration’s share of revenues. For instance, the most substantial “tax” levied by the central administration is undergraduate net tuition revenue. In FY 2015 26.5 percent of these funds are allocated to the central administration, increasing to 27.5 percent and 28.5 percent in the following two years. Most “tax” rates are in the vicinity of 15 percent of net revenues, though the rate for state appropriation revenues, of which units “receive a designated share” is five percent (14).

The 2009/2010 [review](#) of RCM at UN sought to “align RCM incentives with institutional goals, identify [a] source of central strategic funds, [and] simplify RCM as much as possible” (11) among other objectives, and the decision to implement the central administration “tax” was made to streamline the budgeting process. It is the first among a list of “significant changes” made after the first decade of operation under RCM:

Elimination of the revenue/personnel general assessment and move to funding central administration from a direct % of the following revenue streams: undergraduate, graduate and continuing education net tuition; mandatory fees, room and board; facilities & administrative cost recovery, PAU state appropriations, other revenue (11)

This new funding structure for the central administration “provides financial accountability to the University community as central administration units must operate within the constraints of funds provided by the central administration percentage share of the designated revenue streams” (40).

UNIVERSITY OF NEW HAMPSHIRE, CONTINUED

RCM ALLOCATIONS TO CENTRAL UNITS

Figure reproduces content University of New Hampshire, RCM Manual, [2016](#), 13-15, which lists the FY 2015, 2016, and 2017 allocations for the main Durham campus.

Revenue Category	Calculations	Rates by Fiscal Year		
		2015	2016	2017
Undergraduate Net Tuition	Undergraduate Gross Tuition & Financial Aid allocated to units based on weighted credit hours taught using prior 2 calendar year credit hour average	26.5%	27.5%	28.5%
Graduate Net Tuition	Graduate Gross Tuition & Financial Aid flows directly to unit of matriculation (credit hours not weighted)	15%	16%	17%
Summer Session and January Term Net Tuition	Net tuition allocated to unit based on credit hours taught (not weighted).	15%	15%	15%
Continuing Education Net Tuition	Net tuition allocated to unit based on weighted credit hours taught using prior 2 calendar year credit hour average.	15%	15%	15%
Differential Tuition	Differential tuition flows directly to the unit	15%	15%	15%
Mandatory Fees, Room & Board, and Sales of Auxiliary Services Revenue	Mandatory fees, room and board revenue and sales of auxiliary services revenue flow directly to appropriate RC unit	13.5%	14%	15%

RCM ALLOCATIONS TO CENTRAL UNITS, CONT.

Figure reproduces content University of New Hampshire, RCM Manual, [2016](#), 13-15, which lists the FY 2015, 2016, and 2017 allocations for the main Durham campus.

Revenue Category	Calculations	Rates by Fiscal Year		
		2015	2016	2017
State Appropriations	<ul style="list-style-type: none"> PAUs receive designated share, after % taken off the top and allocated to Central Administration A portion to Resident Financial Aid, including ACE; incremented in future years Remainder for Central Administration and Strategic Initiatives 	5%	5%	5%
Facilities and Administration Cost Recovery Allocation	<ul style="list-style-type: none"> % to Principal Investigator support funds % to Central Administration % to host unit of gran 	<ul style="list-style-type: none"> 10% to PI 24% to Central Admin. 66% to Unit 		
Gifts and Endowment	Received by unit designated in gift		N/A	
Grants	Received by host unit of grant		N/A	
Student Fees (e.g., course fees)	Student fee revenue flows directly to appropriate RC unit.	15%	15%	15%
Other Operating Revenue	Other operating revenue flows directly to appropriate RC unit	15%	16%	17%

RCM AT UNIVERSITY OF ARIZONA

The University of Arizona's most recent revision to its RCM model dates to August [2017](#), and it is notable for the fact that the central administration collected all revenues, including tuition, and then re-allocated those funds back to revenue-generating departments using a series of budgeting formulas. Prior to FY 2016, the university was in an early implementation phase of RCM in which "the overall level of funding did not change within any of the RCUs as historical budgets were maintained at previous levels" (2). However, starting in 2016 and continuing through 2021, unit budgets were adjusted using RCM formula's "based on the activity that occurred in the prior year" (2).

Notably, University of Arizona has opted to [replace](#) its RCM budget strategy with a more centralized Activity Informed Budgeting (AIB) starting in FY 2023. The new model:

...will build upon the lessons learned from Responsibility-Centered Management to reduce complexity, increase transparency and provide the tools necessary to make the informed financial and strategic decisions that best meet our common goal of upholding the University's long-term educational, research and land-grant missions.

Essentially, AIB is designed as a somewhat more centralized, simplified version of RCM.

In the RCM [model](#), the UA budget composed of state funds, tuition, differential tuition, program fees, facilities and administrative cost recovery, and strategic investments is used to fund colleges and support units. These, in turn, fund auxiliary services via an "administrative service charge" and facilities costs "assessed based on net assignable square footage" (1). Colleges and other revenue-producing units are also required to fund the central strategic fund and support unit cost allocations.

ELEMENTS OF THE UNIVERSITY OF ARIZONA RCM BUDGET MODEL

Figure summarizes content from the UA August [2017](#) RCM Overview.

Budget Model Element	Discussion
Undergraduate Tuition Allocation	Tuition revenues are pooled together, minus financial aid allocations, with 75% allocated on a per-credit hour basis and 25% allocated based on where student majors reside.
Graduate Tuition Allocation	The same centralization and 75%/25% allocation persists, with 100% per-credit allocations for non-degree-seeking students.
Program Fees and Differential Tuition Allocation	Allocated 100% based on the college who owns the program fee or differential tuition.
Facilities and Administration Cost Recovery from Grants	Allocated 100% to the college RCUs based on the F&A distribution with the grant award, which requires 25% to remain with the associated colleges and 75% to be allocated via the central RCM budget process.
Subvention	Defined as "the state funds and another institutional funds that cover the shortfall between revenues distributed and all costs."
Operational Base Budgets	Base budget is the RCM budget "funded from State, Tuition, Department F&A and other institutionally allocated funds such as institutional F&A, Administrative Service Charge, Program Fees and Differential Tuition." These funds typically cover personnel and operations costs.
Facilities Rate	Assessed at a flat rate charged per square foot on all space assigned to the RCM unit.
Support Center Expense Recovery and Strategic Investment	Non-revenue-generating support units are funded through a tax on revenues and subventions, with approximately one-third of each undergraduate tuition dollar taxed for facilities or strategic investment.

RCM AT RUTGERS UNIVERSITY

Rutgers began using RCM in 2016 and conducted a comprehensive **review** of the practice in FY 2021 with a major focus on ensuring that RCM is able to “support institutional priorities, such as academic excellence; public mission; diversity, equity, and inclusion; and strategic clarity” (6). The overall model is similar to what other institutions have in place, in that it includes “taxes” of revenue-generating centers to fund facilities and administrative costs and support for grant-funded activities. An **editorial** by the Rutgers AAUP chapter indicates that “20 to 25 percent of academic units’ revenue” is transferred to the central administration. A 2014 PowerPoint describes the RCM model as follows.

RCM ELEMENTS AT RUTGERS

Figure derives from “An Overview - Responsibility Center Management,” 2014, 7.



RCM COST POOLS & KEY METRICS AT RUTGERS

Figure derives from “An Overview - Responsibility Center Management,” 2014, 11-12.

System Wide Cost Pools	Metrics for Cost Allocation
<ul style="list-style-type: none"> ➤ General administration ➤ Academic and student support ➤ Deb service ➤ Utilities ➤ Operations and maintenance ➤ Information technology ➤ Libraries ➤ Research support 	<ul style="list-style-type: none"> ➤ Unit expenditures ➤ Net assignable square footage ➤ Enrollment and tuition data ➤ Facilities and administration return data ➤ Faculty and Staff FTE data

RUTGERS UNIVERSITY RCM BUDGET SUMMARY

Figure summarizes content from the FY 2022 Rutgers University **budget** entry for the Rutgers Camden School of Business (p. 57), which is typical of revenue producing units.

① Revenue	② Expense
<ul style="list-style-type: none"> ➤ Student Tuition and Fees ➤ Federal and State Student Aid ➤ Federal Appropriation ➤ Allocated University Support ➤ NJ State Appropriations ➤ State Paid Fringe ➤ Grants and Contracts ➤ Facilities and Administrative Recoveries ➤ Gift and Contribution Revenue ➤ Endowment and Investment Income ➤ Healthcare Revenue ➤ Affiliated and Housestaff ➤ Other Sources of Revenue ➤ Auxiliary Revenue 	<ul style="list-style-type: none"> ➤ Salaries and Wages ➤ Fringe Benefits ➤ Supplies and Other ➤ Scholarships and Fellowships ➤ Travel ➤ Plant Operation and Maintenance ➤ Debt Service – Principal and Interest ➤ Other Operating Expense ➤ Professional Services
Total Revenue	Total Expense

③ Change in Fund Balance	④ Change in Fund Balance Operations
<ul style="list-style-type: none"> ➤ Transfers ➤ Rutgers Administrative and Facilities Allocation 	<ul style="list-style-type: none"> ➤ Plant Fund Transfers ➤ Use of Prior Year Net Assets
Total Change in Fund Balance	Total Change in Fund Balance Operations

RUTGERS UNIVERSITY, CONTINUED

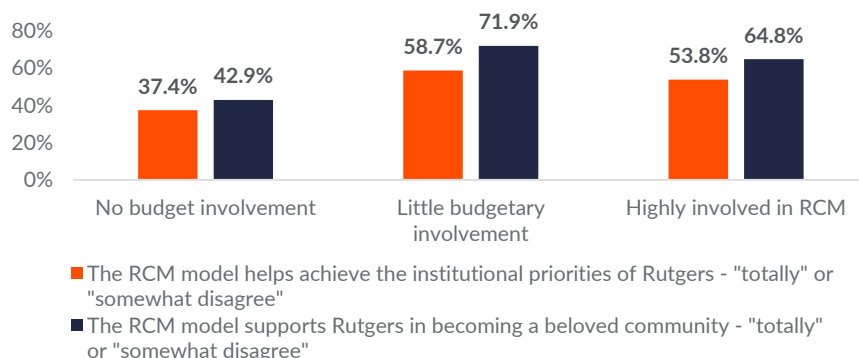
PERCEPTIONS AFTER FIVE YEARS OF RCM

Rutgers commissioned an extensive study of stakeholder perceptions of RCM after its first five years operating under the model, and the majority of respondents with either extensive or limited involvement in the budget process “totally” or “somewhat disagree” that “the RCM model helps achieve the institutional priorities of Rutgers.” The full results for respondents with little budgetary involvement, segmented by respondent type and with the aggregated total shown in the top row (“all responses”), are displayed below.

As shown to the right, respondents with little or substantial (as opposed to no) budgetary involvement disagree at high rates that the RCM system helps to achieve institutional goals or contributes to Rutgers’s efforts to be a “beloved community.” Most respondents with no budgetary involvement indicated that they were “not sure” on these questions.

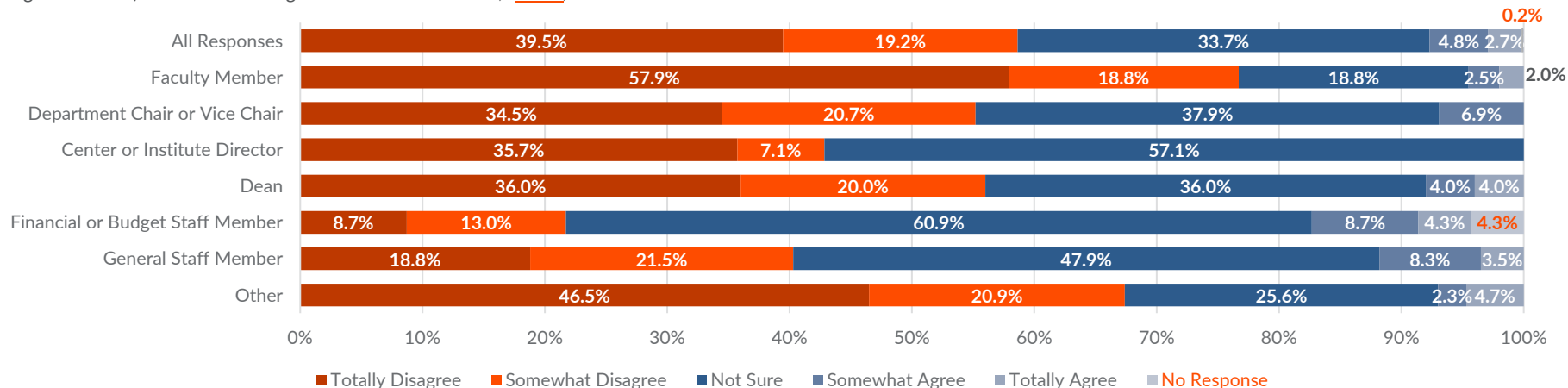
PERCEPTIONS OF RCM BY LEVEL OF BUDGET INVOLVEMENT

Figure derives from “RCM at Rutgers: A Five-Year Review,” 2021, 78, 80, 95, 97, 113, 115.



RCM AND INSTITUTIONAL PRIORITIES – STAKEHOLDS WITH LITTLE BUDGET INVOLVEMENT

Figure derives from “RCM at Rutgers: A Five-Year Review,” 2021, 95.





RCM VS. NON-RCM EXPENDITURES TRENDS

Comparison of FY 2016 to FY 2021 expenditures by IPEDS GASB category for nine R1 institutions that implemented RCM prior to 2016 and eight R1 and one R2 institutions that did not use RCM during those years.

COMPARATIVE TRENDS IN CORE EXPENDITURE CATEGORIES

IMPACTS OF RCM AT R1 INSTITUTIONS

Hanover evaluated IPEDS Governmental Accounting Standards Board (GASB) expenditures data for two groups of nine institutions: nine that implemented RCM prior to 2016, and nine that did not. Hanover found modest increases in administrative spending and academic support services at RCM institutions from 2016 to 2021. Aggregated instructional spending at both groups declined by 2.3 percent per year, and changes in research expenditures amounted to only plus or minus 0.5 percent per year, which suggests minimal impact in that area. It is notable that total expenditures rose for both groups over the six years for which current GASB data are available from IPEDS, though they rose much more quickly at the RCM institutions. Aggregated total expenditures for both groups were fairly comparable across the period of study (see next page).

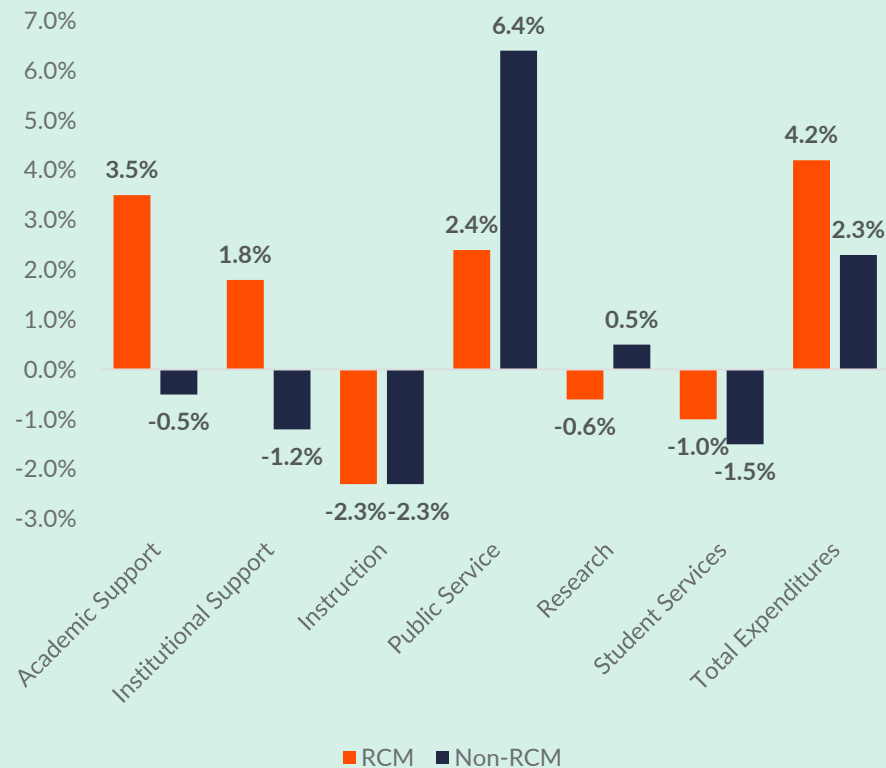
Rising academic support costs could stem from the decentralized funding model's tendency to incentivize revenue-generating units to fund their own services in-house rather than paying other units for them. For instance, Scott Carlson's 2015 [feature](#) on RCM in *The Chronicle of Higher Education* observes that the model can incentivize undue competition between units, among other potential challenges that must be managed:

If improperly managed, [RCM] can pit college against college within a university, creating winners and losers, and leave the central administration with little cash. Experts cite the University of Pennsylvania, which adopted RCM in the 1970s, and where deans created their own fiefdoms. ...

A strong central administration must help redistribute money within the university. That administration also has to levy high enough taxes to maintain a strategic reserve and uphold rules both to prevent deans from haggling over the taxes and to bar competition, like an engineering school offering composition courses to draw students away from the liberal-arts college.

SELECTED EXPENDITURE CATEGORY TRENDS, FY 2016 TO FY 2021

This graph summarizes the six-year average annual growth rate for the summed expenditures of each group of nine institutions (RCM and Non-RCM) from FY 2016 to FY 2021. Categories include total expenditures (rightmost values), academic support (services supporting instruction, research, and public service), institutional support (which includes central administrative functions), instruction, public service, research, and student services (co-curricular programs and services). All data derive from IPEDS.



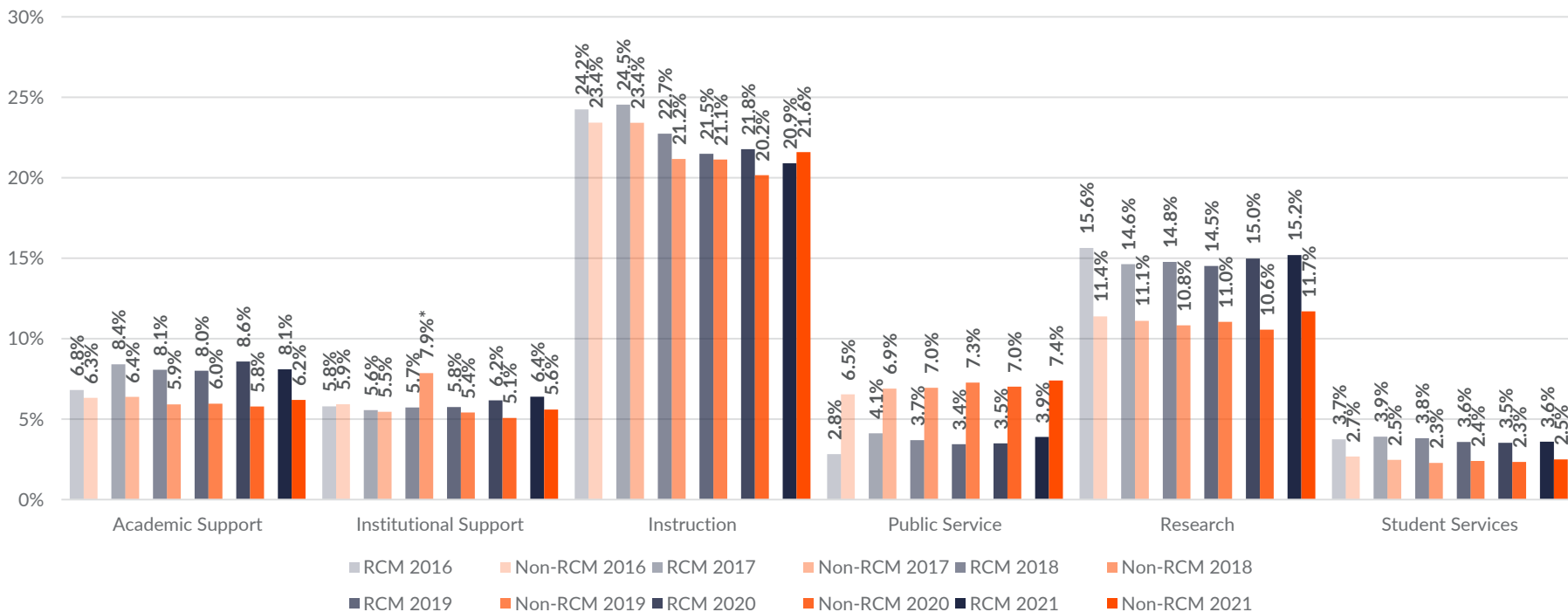
COMPARATIVE TRENDS IN CORE EXPENDITURE CATEGORIES

NOTABLE TRENDS

- Instructional spending as a share of total expenditures has declined for both groups but remains the largest category. RCM institutions exceed non-RCM ones in Academic Support, Research, and Student Services, while Non-RCM institutions appear to be spending more on Public Service activities.
- Institutional Support functions were comparable in the early years of the study, but have been growing more sharply at RCM institutions.

FUNCTIONAL SHARE OF EXPENDITURES BY YEAR, FY 2016 TO FY 2021

This graph summarizes the six-year trends in percent share of expenditures devoted to selected functions for the aggregated Non-RCM group (orange) and RCM group (blue). Note that the 2018 Non-RCM Institutional Value of 7.9% is likely to be anomalously high due to a likely reporting error by Michigan State University. Source: IPEDS.



TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. Michigan State University's 2021 total expenditures are imputed as an average of its 2016-2020 values. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	\$2,335,391,019	\$2,472,572,646	\$3,144,844,000	\$2,724,618,453	\$2,835,373,548	\$2,702,559,933	3.0%
Stony Brook University	\$2,419,279,602	\$2,560,372,996	\$2,716,314,572	\$2,943,221,384	\$3,106,482,152	\$3,047,810,338	4.7%
University at Buffalo	\$1,107,485,634	\$1,142,949,441	\$1,141,013,332	\$1,164,741,841	\$1,149,697,802	\$1,132,161,373	0.4%
University of Connecticut	\$2,346,027,198	\$2,485,430,604	\$2,591,078,569	\$2,605,992,801	\$2,957,316,799	\$3,235,148,266	6.6%
University of Iowa	\$3,112,120,000	\$3,342,749,000	\$3,528,678,000	\$3,695,555,000	\$3,805,943,000	\$4,078,644,000	5.6%
University of Kentucky	\$2,934,861,722	\$3,072,982,227	\$3,234,042,385	\$3,459,102,257	\$3,644,910,176	\$3,895,109,415	5.8%
University of Maine	\$349,271,000	\$361,201,000	\$369,512,000	\$386,843,000	\$385,689,000	\$396,098,000	2.5%
University of Massachusetts-Amherst	\$1,134,000,000	\$1,181,156,000	\$1,262,491,967	\$1,307,214,004	\$1,329,105,773	\$1,277,229,176	2.4%
Washington State University	\$1,169,869,456	\$1,466,259,364	\$1,162,561,309	\$1,160,899,901	\$1,184,315,007	\$1,157,032,988	-0.2%
Grand Total – Total Expenditures	\$16,908,305,631	\$18,085,673,278	\$19,150,536,134	\$19,448,188,641	\$20,398,833,257	\$19,102,288,734	2.5%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. . All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	\$938,058,315	\$1,027,764,533	\$1,102,264,664	\$1,153,118,880	\$1,140,229,313	\$1,235,943,184	5.7%
George Mason University	\$787,511,838	\$800,066,813	\$859,444,689	\$918,713,508	\$975,235,369	\$992,867,752	4.7%
Rutgers University-New Brunswick	\$3,034,707,000	\$3,329,676,000	\$3,557,360,000	\$3,660,858,000	\$3,682,225,000	\$3,532,808,000	3.1%
Texas Tech University	\$864,447,329	\$898,877,297	\$930,889,234	\$1,006,422,876	\$967,991,404	\$1,023,414,505	3.4%
University of California-Davis	\$4,323,821,000	\$4,588,781,884	\$4,810,775,000	\$5,605,487,000	\$5,564,226,000	\$5,574,731,000	5.2%
University of California-Riverside	\$855,432,956	\$920,146,000	\$952,437,000	\$1,028,748,000	\$1,052,889,000	\$1,001,363,000	3.2%
University of New Hampshire-Main Campus	\$562,398,779	\$564,595,451	\$584,864,918	\$572,717,939	\$575,042,649	\$600,105,323	1.3%
University of Vermont	\$673,982,000	\$706,737,607	\$715,253,000	\$728,204,000	\$740,115,000	\$718,902,000	1.3%
University of Virginia-Main Campus	\$2,962,326,578	\$3,145,447,981	\$3,396,207,323	\$3,566,188,381	\$3,650,376,737	\$3,742,685,955	4.8%
Grand Total – Total Expenditures	\$15,002,685,795	\$15,982,093,566	\$16,909,495,828	\$18,240,458,584	\$18,348,330,472	\$18,422,820,719	4.2%



INSTRUCTION AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	30.2%	30.8%	25.9%	29.6%	28.5%	27.6%	-1.8%
Stony Brook University	21.5%	22.0%	18.7%	17.4%	16.1%	16.4%	-5.2%
University at Buffalo	45.9%	45.6%	42.1%	42.3%	42.0%	40.9%	-2.3%
University of Connecticut	27.2%	24.5%	23.2%	23.1%	19.7%	18.2%	-7.7%
University of Iowa	12.8%	12.2%	11.8%	11.5%	11.3%	10.2%	-4.5%
University of Kentucky	11.0%	11.0%	10.4%	9.9%	9.7%	8.5%	-5.1%
University of Maine	26.7%	26.1%	26.3%	26.1%	26.3%	26.5%	-0.1%
University of Massachusetts-Amherst	39.3%	39.7%	39.8%	41.1%	41.7%	43.9%	2.2%
Washington State University	28.0%	32.1%	25.4%	25.2%	25.4%	24.5%	-2.7%
Grand Total – Instruction	23.4%	23.4%	21.2%	21.1%	20.2%	20.9%	-2.3%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	26.8%	31.7%	28.8%	21.9%	21.6%	19.5%	-6.1%
George Mason University	44.2%	44.4%	43.9%	42.3%	43.5%	43.1%	-0.5%
Rutgers University-New Brunswick	27.0%	25.4%	22.3%	22.8%	21.9%	22.0%	-4.0%
Texas Tech University	27.2%	26.9%	26.5%	26.1%	27.5%	26.0%	-0.9%
University of California-Davis	19.7%	20.1%	18.8%	15.8%	17.3%	18.3%	-1.5%
University of California-Riverside	34.8%	36.0%	35.3%	36.7%	36.7%	38.2%	1.8%
University of New Hampshire-Main Campus	32.3%	32.1%	29.8%	29.3%	30.3%	29.5%	-1.8%
University of Vermont	29.9%	29.6%	29.2%	28.9%	27.2%	23.7%	-4.5%
University of Virginia-Main Campus	15.2%	16.1%	14.4%	15.3%	14.4%	13.6%	-2.2%
Grand Total – Instruction	24.2%	24.5%	22.7%	21.5%	21.8%	21.6%	-2.3%

RESEARCH AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	15.0%	15.4%	14.6%	17.2%	16.2%	16.5%	2.0%
Stony Brook University	5.1%	4.3%	4.8%	4.5%	4.3%	5.0%	-0.4%
University at Buffalo	13.4%	11.0%	13.7%	13.1%	13.4%	13.8%	0.7%
University of Connecticut	7.5%	6.9%	6.6%	7.0%	5.9%	5.5%	-5.9%
University of Iowa	12.2%	12.1%	11.6%	11.1%	11.0%	11.6%	-1.1%
University of Kentucky	9.8%	10.0%	9.6%	9.7%	9.4%	9.0%	-1.6%
University of Maine	19.5%	20.7%	20.8%	21.4%	21.5%	22.7%	3.0%
University of Massachusetts-Amherst	12.5%	11.7%	11.6%	11.6%	11.3%	11.8%	-1.1%
Washington State University	21.5%	20.4%	18.5%	20.1%	20.2%	20.2%	-1.2%
Grand Total – Research	11.4%	11.1%	10.8%	11.0%	10.6%	11.7%	0.5%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	13.0%	15.8%	17.4%	18.1%	19.3%	19.3%	8.2%
George Mason University	10.8%	10.3%	11.1%	14.1%	13.2%	15.5%	7.5%
Rutgers University-New Brunswick	19.6%	14.4%	15.9%	15.8%	16.4%	15.9%	-4.1%
Texas Tech University	20.1%	21.6%	20.4%	19.6%	20.5%	20.1%	0.0%
University of California-Davis	15.1%	14.1%	13.3%	11.3%	12.0%	12.8%	-3.2%
University of California-Riverside	16.2%	15.7%	15.3%	15.2%	15.8%	17.2%	1.1%
University of New Hampshire-Main Campus	20.7%	20.5%	20.9%	20.9%	21.2%	22.0%	1.3%
University of Vermont	14.9%	14.3%	14.8%	15.0%	15.7%	16.5%	2.0%
University of Virginia-Main Campus	12.2%	13.1%	12.9%	14.4%	14.3%	13.3%	1.8%
Grand Total – Research	15.6%	14.6%	14.8%	14.5%	15.0%	15.2%	-0.6%

PUBLIC SERVICE AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	10.5%	11.6%	10.7%	13.0%	13.6%	11.8%	2.4%
Stony Brook University	1.2%	1.1%	1.2%	1.1%	1.1%	1.1%	-2.8%
University at Buffalo	1.1%	1.2%	1.3%	1.2%	1.1%	1.5%	5.4%
University of Connecticut	3.8%	3.6%	4.0%	4.6%	3.2%	3.6%	-1.0%
University of Iowa	3.6%	3.3%	3.1%	3.0%	3.1%	3.0%	-3.6%
University of Kentucky	16.9%	18.8%	19.2%	19.4%	18.7%	18.1%	1.4%
University of Maine	11.8%	11.1%	10.3%	10.2%	9.6%	9.4%	-4.4%
University of Massachusetts-Amherst	2.8%	2.8%	2.6%	2.4%	2.0%	2.7%	-0.6%
Washington State University	4.6%	4.7%	3.9%	3.6%	3.5%	2.6%	-10.5%
Grand Total – Public Service	6.5%	6.9%	7.0%	7.3%	7.0%	7.4%	2.4%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	10.1%	11.1%	10.4%	9.4%	9.6%	8.3%	-3.9%
George Mason University	2.8%	2.8%	2.9%	2.9%	2.7%	3.2%	2.6%
Rutgers University-New Brunswick	1.6%	7.2%	6.1%	5.9%	6.2%	7.5%	36.6%
Texas Tech University	1.8%	1.8%	1.7%	1.7%	1.8%	1.9%	1.3%
University of California-Davis	2.3%	2.3%	2.1%	1.8%	1.9%	2.3%	-0.2%
University of California-Riverside	1.2%	1.2%	1.1%	1.2%	1.2%	1.7%	6.8%
University of New Hampshire-Main Campus	2.0%	1.8%	2.0%	2.8%	3.0%	3.4%	11.4%
University of Vermont	10.5%	10.7%	10.4%	10.3%	9.7%	10.8%	0.4%
University of Virginia-Main Campus	1.8%	2.0%	1.7%	1.6%	1.5%	1.4%	-5.2%
Grand Total – Public Service	2.8%	4.1%	3.7%	3.4%	3.5%	3.9%	6.4%

ACADEMIC SUPPORT AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	5.5%	5.3%	5.7%	6.4%	6.3%	6.4%	3.2%
Stony Brook University	5.1%	5.2%	4.3%	3.9%	3.6%	3.5%	-7.2%
University at Buffalo	12.1%	13.1%	11.7%	13.3%	12.9%	13.2%	1.8%
University of Connecticut	8.5%	7.1%	6.9%	6.9%	6.3%	5.6%	-8.1%
University of Iowa	4.8%	5.5%	5.2%	4.9%	5.0%	4.6%	-0.9%
University of Kentucky	3.7%	3.8%	3.7%	3.6%	3.5%	3.2%	-2.7%
University of Maine	10.0%	10.0%	10.1%	9.7%	9.7%	10.2%	0.4%
University of Massachusetts-Amherst	7.1%	7.5%	7.4%	7.2%	7.2%	8.3%	3.1%
Washington State University	9.6%	9.6%	8.1%	8.7%	8.8%	9.5%	-0.3%
Grand Total – Academic Support	6.3%	6.4%	5.9%	6.0%	5.8%	6.2%	-0.5%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	6.1%	8.2%	9.7%	11.7%	12.7%	11.8%	13.9%
George Mason University	9.3%	9.5%	9.4%	9.7%	10.2%	10.3%	2.1%
Rutgers University-New Brunswick	3.6%	10.8%	10.3%	10.8%	11.4%	10.3%	23.5%
Texas Tech University	11.9%	11.4%	11.5%	11.6%	11.7%	10.6%	-2.3%
University of California-Davis	7.6%	7.1%	6.3%	5.4%	6.0%	6.0%	-4.6%
University of California-Riverside	6.6%	6.7%	6.8%	5.9%	6.5%	5.5%	-3.8%
University of New Hampshire-Main Campus	9.6%	9.6%	11.9%	11.8%	11.8%	11.8%	4.1%
University of Vermont	10.7%	10.6%	10.3%	10.6%	12.1%	12.1%	2.5%
University of Virginia-Main Campus	5.7%	6.5%	5.6%	6.0%	6.6%	6.0%	0.8%
Grand Total – Academic Support	6.8%	8.4%	8.1%	8.0%	8.6%	8.1%	3.5%

INSTITUTIONAL SUPPORT AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide. Michigan State University's 2018 data is potentially anomalous.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	6.0%	5.8%	21.4%	7.2%	7.8%	7.3%	4.1%
Stony Brook University	5.6%	5.6%	4.7%	4.4%	4.4%	4.7%	-3.5%
University at Buffalo	12.5%	13.3%	12.9%	11.7%	11.2%	10.3%	-3.8%
University of Connecticut	8.4%	5.3%	6.0%	6.5%	4.9%	4.4%	-12.3%
University of Iowa	2.5%	2.3%	1.9%	1.9%	1.9%	1.7%	-7.8%
University of Kentucky	2.5%	2.5%	2.4%	2.7%	2.0%	2.2%	-2.7%
University of Maine	8.3%	9.3%	9.2%	8.9%	9.2%	8.8%	1.1%
University of Massachusetts-Amherst	8.2%	7.6%	7.9%	8.0%	8.6%	10.2%	4.4%
Washington State University	10.2%	9.5%	10.6%	10.6%	9.7%	13.0%	5.1%
Grand Total – Institutional Support	5.9%	5.5%	7.9%	5.4%	5.1%	5.6%	-1.2%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	7.9%	8.4%	8.8%	7.7%	8.0%	9.4%	3.5%
George Mason University	7.2%	7.4%	7.0%	6.8%	7.2%	7.9%	1.7%
Rutgers University-New Brunswick	8.6%	6.1%	6.8%	6.8%	7.2%	6.6%	-5.1%
Texas Tech University	6.0%	6.0%	6.3%	6.1%	6.6%	6.4%	1.4%
University of California-Davis	3.4%	4.0%	3.7%	3.4%	4.0%	3.7%	2.1%
University of California-Riverside	8.2%	8.5%	7.7%	7.7%	9.5%	7.7%	-1.1%
University of New Hampshire-Main Campus	6.5%	7.1%	7.7%	7.3%	7.3%	7.2%	2.2%
University of Vermont	6.3%	6.7%	7.2%	8.1%	8.9%	10.2%	10.1%
University of Virginia-Main Campus	4.5%	4.4%	4.8%	6.1%	5.9%	7.4%	10.3%
Grand Total – Institutional Support	5.8%	5.6%	5.7%	5.8%	6.2%	6.4%	1.8%

STUDENT SERVICES AS A SHARE OF TOTAL EXPENDITURES

NON-RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Michigan State University	2.3%	2.1%	2.0%	2.4%	2.3%	2.5%	1.2%
Stony Brook University	2.6%	2.5%	2.2%	2.2%	2.4%	2.4%	-2.0%
University at Buffalo	3.6%	3.6%	3.4%	3.7%	4.3%	4.4%	3.6%
University of Connecticut	2.8%	1.8%	1.8%	1.8%	1.7%	1.4%	-12.2%
University of Iowa	1.4%	1.5%	1.2%	1.5%	1.4%	1.3%	-1.0%
University of Kentucky	1.7%	1.4%	1.5%	1.4%	1.4%	1.7%	0.1%
University of Maine	7.9%	7.5%	7.8%	8.0%	7.9%	7.0%	-2.3%
University of Massachusetts-Amherst	6.3%	6.4%	6.1%	6.0%	5.5%	5.2%	-3.8%
Washington State University	3.5%	3.6%	2.8%	2.9%	2.8%	2.5%	-6.3%
Grand Total – Student Services	2.7%	2.5%	2.3%	2.4%	2.3%	2.5%	-1.5%

RCM INSTITUTIONS

Data derive from IPEDS, as reported by the institutions themselves. All Average Annual Growth Rate figures are heat mapped red (lowest) to green (highest), with scaling consistent across all tables. Annual percentage values are heat mapped red-green across both tables on this slide.

Institution	2016	2017	2018	2019	2020	2021	Average Annual Growth Rate
Auburn University	3.0%	4.0%	3.9%	3.5%	3.4%	3.0%	0.4%
George Mason University	4.3%	4.5%	4.4%	4.3%	4.1%	4.1%	-1.2%
Rutgers University-New Brunswick	2.8%	3.0%	3.0%	2.9%	2.8%	2.7%	-0.6%
Texas Tech University	5.5%	5.7%	5.7%	5.7%	5.7%	5.8%	1.2%
University of California-Davis	3.6%	3.6%	3.4%	2.8%	3.1%	3.0%	-3.3%
University of California-Riverside	9.9%	10.3%	10.3%	10.4%	9.7%	9.6%	-0.6%
University of New Hampshire-Main Campus	3.7%	3.8%	4.4%	4.6%	4.0%	6.1%	10.5%
University of Vermont	7.8%	7.7%	7.6%	7.1%	6.9%	7.8%	0.0%
University of Virginia-Main Campus	1.9%	2.1%	1.8%	1.9%	1.8%	1.8%	-0.8%
Grand Total – Student Services	3.7%	3.9%	3.8%	3.6%	3.5%	3.6%	-1.0%

RCM AND NON-RCM INSTITUTION GROUPS

BENCHMARKED RCM INSTITUTIONS

Institution	Sources	Budget Details
Auburn University	Lyles, 2020 Strategic Budgeting	<ul style="list-style-type: none"> Implemented in 2016 Current model governs FY 2022 through 2026
George Mason University	Lyles, 2020 Budget Model FAQ	<ul style="list-style-type: none"> Implemented in 2017 Implementation is ongoing
Rutgers University	RCM at Rutgers: A Five-Year Review, 2021 Rutgers AAUP-AFT Report, 2022	<ul style="list-style-type: none"> Implemented in 2016 The “percentage of this “cost pool transfer” varies from unit to unit, but the median share taken under RCM is 21 percent” (2)
Texas Tech University	Lyles, 2020 RCM: The Good, the Bad, and the Ugly	<ul style="list-style-type: none"> Implemented in 2012 Circa 2015 conference presentation noted mixed results and ongoing changes to the budget model
University of California – Davis	Lyles, 2020 Budget Model	<ul style="list-style-type: none"> Implemented in 2016 The university characterizes its budget as “a hybrid of formulaic allocations” and “budget decisions made by leadership”
University of California – Riverside	Lyles, 2020 Budget Model Survey Results Summary	<ul style="list-style-type: none"> Implemented in 2016 and currently in use Recent surveys suggest widespread discontent with the model
University of New Hampshire	RCM Operating Manual, 2016	<ul style="list-style-type: none"> Has operated under an RCM model since 2000, with periodic revisions based on 5-year reviews
University of Vermont	IBB 2.0 Final Report, 2018	<ul style="list-style-type: none"> Implemented RCM (called “Incentive-Based Budgeting”) in 2015 after two years of planning (1)
University of Virginia	Lyles, 2020 UVA Business Terms	<ul style="list-style-type: none"> Implemented in 2015 The “University Financial Model” is “based on Responsibility Center Management...budget models”

BENCHMARKED NON-RCM INSTITUTIONS

Institution	Sources	Budget Details
Michigan State University	Shuford, 2018 FY 2022-23 Budget	<ul style="list-style-type: none"> FY 2022-23 Operating Budget is an “all funds budget”
Stony Brook University	Budget Development	<ul style="list-style-type: none"> While many documents are password-protected, it is clear that Stony Brook uses a centralized annual budgeting process
SUNY University at Buffalo	Annual Operating Budget Report, 2021-2022	<ul style="list-style-type: none"> UB uses a, centralized, integrated Annual Resource Planning Process (20-21)
University of Connecticut	Budget FAQ – University Senate Budget Committee, 2023	<ul style="list-style-type: none"> “The university allocates funds to the functional areas of Administration and Academics” “Schools, colleges, and other units that report directly to the Provost receive funds distributed at the discretion of the Provost”
University of Iowa	Shuford, 2018 General Fund Budget Narrative	<ul style="list-style-type: none"> Currently described as a “value-based budgeting process” that does not operate on RCM-like formulas
University of Kentucky	FY 2022-23 Operating and Capital Budget	<ul style="list-style-type: none"> “The university’s consolidated budget is based upon Current Funds and establishes the operating expenditure authority for each area, college and department” (4)
University of Maine	Office of Budget and Business Services	<ul style="list-style-type: none"> Office of Budget and Business Services provides centralized budgeting services
University of Massachusetts – Amherst	Joint Task Force on Resource Allocation, 2016 Revenue Operations Guide	<ul style="list-style-type: none"> A 2016 report that considers and rejects RCM states that “budgeting on this campus currently can be best described as incremental” (5) Current budget is also incremental, with central planning and Budget Office review of unit budgets
Washington State University	Budget Model Development Initiative Update Evaluating Budgets and Our Budget Model	<ul style="list-style-type: none"> Has not historically used RCM, and operated under an “All Funds” budget However, WSU “will begin the implementation of a responsibility center management hybrid budget model” planned for FY 2024

APPENDIX – NOTES AND DEFINITIONS

FORMER RCM INSTITUTIONS

Institution	Sources	Budget Details
Ohio University	Lyles, 2020 Ohio University, 2019	<ul style="list-style-type: none"> Implemented in 2014 As of 2019, “the University has moved completely away from RCM as a budget model, although academic resource allocation decisions will still be based on metric-drive data considered by the Provost in consultation with the Academic Leadership”
University of Arizona	Activity Informed Budgeting	<ul style="list-style-type: none"> Implemented in 2016, revised in 2017, converted to Activity Informed Budgeting in FY 2023
University of Delaware	2021 Budget Model Report, 26	<ul style="list-style-type: none"> Operated under RCM from FY 2009-2017 Fully transitioned to a “Hybrid” model in FY 2020

ADDITIONAL NOTES AND RESOURCES ON SELECTED PEERS

- **University of Delaware** – “hybrid” budget model. RCM was [rejected](#) because it was too decentralized to support strategic initiatives (28).
- **Rutgers University** – Rutgers released a [2021 study](#) of RCM with segmentations by role, including faculty. The Rutgers chapter AAUP [response](#) to the model is highly negative and claims that administration ended up with 1/7 of the budget.
- **Stonybrook University** – Does not appear to use RCM. Budget data, including expenses by administrative function, are [here](#).
- **SUNY Buffalo** – [Does not use](#) RCM.
- **University of Massachusetts-Amherst** – [Does not](#) appear to use RCM. A 2016 Joint Task Force on Resource Allocation [report](#) specifically warned against implementing RCM (pp 6-7).
- **University of Connecticut** – Traditional incremental [budgeting](#).
- **University of Vermont** – Implemented RCM in 2015, but [calls](#) it “Incentive-Based Budgeting.”
- **University of New Hampshire** – Has used RCM since the early 2000s.
- **University of Maine** – [Does not](#) appear to use RCM.

GLOSSARY OF IPEDS EXPENDITURE CATEGORIES

Definitions derive from the IPEDS Data Center variable descriptions. Instruction and Research are the primary academic expenditure categories, while central administrative services are classified as Institutional Support expenditures.

Expenditure Category	Definition
Instruction	Instruction - total expenses is the sum of all operating expenses associated with the colleges, schools, departments, and other instructional divisions of the institution and for departmental research and public service that are not separately budgeted. This would include compensation for academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students.
Research	Research - total expenses is the sum of all operating expenses associated with activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. The category includes institutes and research centers and individual and project research. This function does not include non-research sponsored programs (e.g., training programs).
Public Service	Public service - total expenses is the sum of all operating expenses associated with activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. Examples are conferences, institutes, general advisory services, reference bureaus, and similar services provided to particular sectors of the community. This function includes expenses for community services, cooperative extension services, and public broadcasting services.
Academic Support	Academic support - total expenses is the sum of all operating expenses associated with activities and services that support the institution's primary missions of instruction, research, and public service.

APPENDIX – NOTES AND DEFINITIONS, CONTINUED

GLOSSARY OF IPEDS EXPENDITURE CATEGORIES, CONTINUED

Expenditure Category	Definition
Student Services	Student services - total expenses is the sum of all operating expenses associated with admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program. Examples include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal academic program (remedial instruction for example), career guidance, counseling, financial aid administration, and student records.
Institutional Support	Institutional support - total expenses is the sum of all operating expenses associated with the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.
Scholarships and Fellowships	Scholarships and fellowships - total expenses is the sum of all operating expenses associated with scholarships and fellowships treated as expenses because the institution incurs an incremental expense in the provision of a good or service. Thus, payments, made to students or third parties in support of the total cost of education are expenses if those payments are made for goods and services not provided by the institution. Examples include payments for services to third parties (including students) for off-campus housing or for the cost of board provided by institutional contract meal plans. The amount of expense in this function is the total of all institutional scholarships reduced by the amount that is classified as discounts and allowances.

GLOSSARY OF IPEDS EXPENDITURE CATEGORIES, CONTINUED

Expenditure Category	Definition
Auxiliary Enterprises	Auxiliary enterprises - total expenses is the sum of all operating expenses associated with essentially self-supporting operations of the institution that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services, student health services, intercollegiate athletics (only if essentially self-supporting), college unions, college stores, faculty and staff parking, and faculty housing.
Hospital Services	Hospital services - total expenses is the sum of all operating expenses associated with a hospital operated by the postsecondary institution (but not as a component unit) and reported as a part of the institution. This classification includes nursing expenses, other professional services, general services, administrative services, and fiscal services.
Independent Operations	Independent operations - Expenses associated with operations that are independent of or unrelated to the primary missions of the institution (i.e., instruction, research, public service) although they may contribute indirectly to the enhancement of these programs. This category is generally limited to expenses of a major federally funded research and development center. Also included are information technology expenses, actual or allocated costs for operation and maintenance of plant, and depreciation related to the independent operations. Excluded are expenses of operations owned and managed as investments of the institution's endowment funds.
Total Expenses – Current Total Year	Total expenses and deductions - total expense is the sum of operating and non-operating expenses and deductions.



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