

**Indiana University East
Budgetary Affairs Committee
2009-2010 Year-End Report**

Members of the Committee

Rudy Kunshek (Co-Chair, BUSE, '10)
Mort Seddighin (Co-Chair, NSM, '11)
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Judy Batraw (EDUC, '10)
Sue McFadden (LIB, '11)
Jerome Mahaffey (HSS, '11)

Original Charges to the Committee

Become informed about RCM and prepare to initiate with the School Deans in 2010/2011 about how RCM is working. Some elements of RCM will be implemented for the first time during 2009/2010. Meet with the Chancellor and Vice Chancellor for Administration and Finance.

Report of the Committee's Activities

The Budgetary Affairs Committee met with Chancellor Paydar and Vice Chancellor for Administration and Finance Dan Dooley during the 2009/2010 fiscal year. A Fall 2009 meeting was held on September 22, 2009. At the meeting, the Chancellor with the Vice Chancellor for Finance presented the 2009/2010 fiscal budget. Another meeting was held on January 27, 2010 which included updates and progress of the 2009/2010 budget.

[Senate president's note: The following explanation of RCM was partly based on sources listed below. The list of sources was provided by 2009-2010 co-chair R. Kunshek.*] Responsibility Center Management (RCM) has been adopted and, as such, there are 16 RCM centers. RCM is designed to improve the incentives for sound fiscal management and to allow Academic Affairs and School Deans to make informed financial decisions about activities intended to support the University's mission. The budget is interpreted as a base budget (Base) and consists of the legislative appropriation of funds to the public universities. The other portion of the budget (Non-Base) consists of funds generated internally by the university. These funds consist mainly of student tuition but also include some miscellaneous sources. Administrative, academic, and staff salaries of the University are allocated to the Base while the remaining University activities are allocated to Non-Base. Over the past two years, student enrollment has increased, adding to Non-Base funds that are available to the University.

RCM is accomplished by 16 RCM centers requesting funds for their activities. Some centers such as Academic Affairs do not "generate" income by the teaching of students (student tuition) and are viewed as "expense" centers. The associated expenses are budgeted by allocating their expense to the "revenue" centers of the university, those that do generate funds by the teaching of students (Schools). Currently, student tuition funds are allocated based upon the credit hours attributed to each School. The University is approximately budgeted at the 50,000 credit hours. A 2% increase in enrollment equates into approximately \$250,000 in the Non-Base Budget. In addition to the current budget, the university maintains funds from previous budget periods, normally referred to as escrow funds. Currently, the escrow funds are under the control of

Academic Affairs and the Office of the Chancellor. The current goal is to accumulate approximately one million dollars in escrow over the next two fiscal budget periods.

As it stands, the Base presents the biggest current challenge in that the legislature has not deemed any current increase and, in fact, has reduced the Base in light of current economic conditions affecting the State. This has required the University to initiate budget cuts including funds allocated for travel and not filling some vacant staff positions. For 2009, Federal stimulus funds (allocated to States on a one time basis) have made up the short-fall experienced by the cut in Base funds. On the other hand, the student enrollment and total credit hours have increased by double-digit percentages during the last two years. In summary, Base funds are decreasing while the Non-Base funds are increasing and the University budget reflects this reality.

According to the Chancellor, RCM will be enacted in stages and he has requested that any comprehensive RCM review not be undertaken until after its third year of operation. Two informal conversations were held by one member of the committee regarding the RCM budgeting process with his/her School Dean. Accordingly, the budget information distributed and budget discussions are comprehensive and do indicate the each School's financial position within the University. Currently, there is some informal guidance as to the amount of funds that may be used but no written guidelines exist notwithstanding past practices in spending. In line with the plan for the implementation of RCM over the next several years, requests for the spending of funds are made to the Chancellor before funds are committed. This involves amounts that are deemed significant and that vary among the Schools based on their RCM budget.

Recommendations:

- Verify that RCM incentives align with University goals and that the number of RMC centers is representative.
- Implement and incorporate strong incentives for revenue growth in the RMC budget (i.e., graduate programs, continuing studies, gifts, research).
- Develop methodology for greater financial accountability for all RMC centers.
- Verify best practices of using facilities allocation bases (square feet, computer usage, etc.) versus direct charges.
- Equal sharing of out of state tuition by weighing of credit hours among Schools.
- Written policy on the use of reserves including minimum/maximum reserve levels that Schools are allowed to spend up to a certain percentage (i.e., 15 -25%) of non-basis budget reserves without approval as long as minimum reserve balance is met.
- Include budget incentives for securing outside grants.

*Partial List of Sources

Responsibility Center Management – IU (Indiana University).

<http://weathertop.bry.indiana.edu/mas/rcm/>

Responsibility Center Management at Major Public Universities.

<http://www.washington.edu/admin/pb/home/pdf/abb/RCM-at-Maj-Pub-Univ-from-HRC.pdf>

Responsibility Center Management – Allocation of Revenue Methodology – University of Florida. <http://cfo.ufl.edu/rcmc/Revenueallocations.pdf>

Responsibility Center Management – The University of New Hampshire – Resource Manual.

<http://www.unh.edu/rcm/manual15rcmaccounting.htm>

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