RCM Budgeting  Model Update

AASUA Council
May 21, 2015

Li-Kwong Cheah
Chair, Ad Hoc Research Committee
# Ad Hoc Committee Members

## Committee Members by Constituency

<table>
<thead>
<tr>
<th>Constituency</th>
<th>Members</th>
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<tbody>
<tr>
<td>AFC</td>
<td>Chris Mackay, Sharon Brintnell</td>
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<tr>
<td>APO’s</td>
<td>Li-Kwong Cheah (Chair)</td>
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<tr>
<td>Librarians</td>
<td>Diane Clark</td>
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<td>CAST</td>
<td>Michael Maier</td>
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<td>TRAS</td>
<td>Barret Weber</td>
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<tr>
<td>SOTS</td>
<td>Miki Andrejevic</td>
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<td>FSO’s</td>
<td>Vacant</td>
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## Ex-Officios

<table>
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<tr>
<th>Name</th>
<th>Position</th>
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<tr>
<td>Kevin Kane</td>
<td>President, AASUA</td>
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<tr>
<td>Brygeda Renke</td>
<td>Executive Director, AASUA</td>
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<tr>
<td>Roxanne Rowe</td>
<td>Business Manager, AASUA</td>
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<tr>
<td>Sylvain Schetagne</td>
<td>CAUT Adviser/Researcher</td>
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Ad Hoc Committee Update (1)

- The Ad Hoc Committee has met 5 times on a bi-weekly basis. At the 5th meeting, we are now almost at full complement with 7 members, 3 ex officios and CAUT representative.
- The committee believes that it has a pretty good understanding of the principles of the RCM Model based on the literature. In particular, the following are highly recommended:
  - Responsibility Center Management: Book by Curry, Laws, Strauss
  - CAUT Research Paper “The recent evolution of Internal Budgeting & Managerial Models in Canadian Colleges & Universities”
- In addition at our last meeting on May 13, we had a guest speaker David Cooper who spent 1.5 hours with the Committee to provide us with further insight into RCM Budgeting Model.
- The challenge at this time is to conduct surveys/discussions with other Canadian Universities
  - 4 Universities have been selected (Lethbridge, York, Uof T and Sasckatchewen) for us to speak to their Academic Union.
Ad Hoc Committee Update (2)

- **UA RCM Budget Model is still a Work in Progress**
  - in that there are several Working Groups which are preparing recommendations on how to allocate revenues and costs to the Faculties which are not yet finalized.
  - Subventions (revenues to retained by Central) are not finalized
  - Investment, Transition and Emergency funds not finalized
  - Notion of Service Level Agreements between Faculties and Central Units are not finalized.
  - The University Steering Committee has declared that its Report to President Turpin will not contain Recommendations for implementation but will outline the process with pros and cons.
Ad Hoc Committee Update (3)

- **Timeline:** Prepare draft report for Council by end of June, if approved, AASUA will request and present the report to incoming President David Turpin in July.

- Given the timeline, the Committee is already gathering input on the Report and will supplement with any findings from its survey.

- Review with you on the outline and invite Council Members to send us any other input or suggestions.

- We believe that we do not want to be seen as being against progress or innovation but do want to express our concerns on a new budget model.
Draft Contents of Report

• Introduction
  – Purpose and Reasons for RCM Budgeting Model

Issues
• Role of the Dean
• Raising Revenues Issues
• Containing costs issues
• Administration of the model issues

Recommendations

Conclusion
Introduction

- Shrinking Campus Alberta funding, UA’s dependency on CA for 50% of its revenue and need to diversify its sources of revenues
- Current incremental model is too inflexible in choosing where and how much to spend. In times of deficit, the only option is to utilize “across the board” cuts to budgets for all units.
- Revenues are not attributed to Faculties where there is increased enrollment and new programs (Envelope of the Future helps to mitigate this).
- Allowing Deans to see the entire financial picture for their faculty may be useful.
- If this model smooths the way for revenue raising to be enhanced, it could be beneficial.
- The RCM budget model represents a fundamental change in culture and management of finances by the Faculties and should not be treated lightly.
Role of the Dean

- Turns Dean into a Business Manager with annual financial performance targets to meet.
- Very likely for Dean to share this mission with his/her Department Chairs who may also incorporate faculty members (professoriate and administrative staff)
- Are the Deans ready for this role? Studies have shown that there is a 70% turnover in Deans where institutions have implemented RCM B.
- Will this new role cause a detraction to the academic role and mission?
- What are the consequences to the Dean or Faculty which does not meet its targets?
Raising Revenues Issues

- Faculties are trying to raise money from the same finite pool of available donors.
- There will be competition amongst faculties in trying to raise money or offering programs to gain more enrollment.
- Revenue raising assumes more importance at the expense of academic goals.
- There is an adverse impact to those “non professional” faculties that may have a problem in raising revenues.
- Donors are not likely to make donate money for general operating purposes but for the establishment of Endowments (with their names) which are restricted to faculties or projects and therefore unavailable for central subvention.
- There is no empirical evidence to show that RCM results in the raising of more revenues by institutions.
Costs Issues

- Impact on employment contracts for current and future faculty staff. Faculties will become more inclined to hire lower paid faculty members or contract positions. CAUT study refers to the “casualization” of academic faculty.
- Value of a program is perceived as being good only if it makes money or generates a positive ROI.
- In the interests of containing costs or increasing return (or profitability), programs with low enrollment face the risk of being scrapped.
Costs Issues

• Impact on employment contracts for current and future faculty staff as Faculties will be more inclined to adopt a more flexible workforce to contain costs. Faculties will be more prone to hire lower paid faculty members or contract positions. CAUT study refers to the “casualization” of academic faculty.

• Value of a program is perceived as being good only if it makes money or generates a positive ROI. Therefore, academic programs of value face the risk of being terminated.

• RCM in fact will lead to the growth of Administration in that there will be a dual or increased level of reporting and a duplication of financial personnel.
Administration of RCM

• Collegiality and co-operation will be impacted
  – Amongst Faculties in competing for students, restrictions on interdisciplinary studies, and barriers between faculties
  – Between Faculties and Central Units as Faculties may want to opt out of central services or choose to source their own services from outside.

• Goal incongruence (in a decentralized model) between overarching goals versus those of the faculty.

• Administrative costs will be increased by increased reporting for RCM.
Recommendations

- **Balanced Scorecard** may be a better method for evaluating Performance Measurement
  - Financial Performance
  - Customer/Stakeholder satisfaction
  - Internal business processes
  - Knowledge and Innovation

- **Under this Balanced Scorecard approach,** Financial Performance would only be one component of the Evaluation.
Appendix
What is RCM? (“purest” form)

Traditional Model Flows

- Grant
- Tuition and Fees
- Misc. Revenues

Central University General Fund

Faculties

Administrative Units

RCM Model Flows

- Grant
- Tuition and Fees
- Misc. Revenues

Faculties

Central University General Fund

Administrative Units

Source: UA Campus Forum on RCM Budgeting Feb 6, 2015

Adapted from Responsibility Centered Management: A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility, John R. Curry, Andrew L. Laws, Jon C. Strauss
Working Groups

Source: UA Campus Forum on RCM Budgeting Feb 6, 2015