**Responsibility Center Management Operating Manual (2015)**

1. **General Information**
   1. **Introduction**

Welcome to the updated resource manual on Responsibility Center Management at Kent State University. This manual is intended to assist deans, associate deans, chairs, directors, business officers and any other users involved in the RCM process by providing clear documentation and definition on the RCM process and related topics. This manual will be periodically updated and unit heads, business officers and FaSBAC members will be notified when revisions have been made. We hope that you find this manual informative and useful. Please contact us with any questions or comments.

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**RCM Planning Team**

In order to provide comprehensive service to the University about RCM issues, a RCM planning team covering multiple divisions has been appointed. These members include:

Melissa Hunter

Associate Vice President, Academic Budget & Resource Management

Loren (Jeff) J. Milam

Executive Director, Academic Budget & Resource Management

Wayne G. Schneider

Director, Institutional Research

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**\***The list of RCM Planning Team members is as of November 2015. If you are interested in RCM please contact the Office of Institutional Research or the University Budget Office.

* 1. **Overview of RCM**

RCM is a decentralized approach to budget allocation that assigns greater control over resource decisions to deans. Under this budget approach, revenue-generating areas are referred to as “responsibility centers” with all or most of the institution’s revenues and support costs assigned to them. RCM's underlying premise is that the decentralized nature of the model entrusts academic leaders with more control of financial resources, leading to more informed decision-making and better results or outcomes for the University as a whole.

In centralized budgeting models, academic program decision-making is largely decoupled from financial responsibility.  By allowing responsibility centers to control the revenues they generate, decision makers are better able to understand both the academic and financial impacts of their decisions.  Academic planning and resource decisions are more transparent within the unit and throughout the institution.  Armed with improved information and the potential to retain increased financial resources, decision makers at the college/campus level may leverage even limited resources more effectively, improving university accomplishments and outcomes.

* 1. **History of RCM at Kent State University**

At the request of President Lester A. Lefton, David K. Creamer, Senior Vice President for Administration at the time, convened a broad-based university Budget Review Committee in November 2006 to study possible new approaches to the university’s budget-planning process.  This request was, in part, a response to the changing expectations of public universities by taxpayers and government; the reality that traditional revenue sources (i.e., state appropriations) no longer provide sufficient funds for fulfilling the multi-faceted missions of today’s public universities; and the resulting need for public universities to proactively identify and generate new revenue sources.

No new budget approach alone is the answer to the complex financial issues confronting Kent State; however, the Budget Review Committee concluded that RCM has the potential for enabling better resource allocation choices and, in turn, improved accomplishment of university priorities. In its review process, the committee found, for example:

* RCM is a highly flexible budget approach that can be adapted to unique circumstances or characteristics of a university;
* RCM is compatible with shared governance values;
* RCM aligns with unit (college and campus) planning; and
* RCM’s effectiveness and efficiency has been demonstrated in university environments similar to Kent State (i.e., large universities where there is a growing dependence on revenue sources other than state support).

While the Budget Review Committee identified many potential benefits over the current budget model ([See Comparison Chart](http://www.kent.edu/Administration/business_finance/RCM/upload/RCM-Comparison-Chart.doc)) significant changes would also be necessary to implement RCM successfully across the university.  For example:

* New knowledge and skills would be required of deans, other academic administrators, faculty, and staff in the “responsibility centers” created through this approach;
* Improved planning would be required by each college and campus;
* A greater understanding of how to use financial, enrollment, and other information for decision-making and planning;
* Changes in the university’s approach to support services and their funding; and,
* Greater accountability to accompany the increased responsibility and decision-making authority throughout the university.

More information about the Budget Review Committee and its recommendation can be found at:  <http://www.kent.edu/Administration/business_finance/RCM/index.cfm>

* 1. **Kent State University Mission and RCM Vision, Goals and Principles (developed by the Budget Review Committee 2006-07)**
     1. **Kent State University Mission Statement**

The mission of Kent State University is to discover, create, apply and share knowledge, as well as to foster ethical and humanitarian values in the service of Ohio and the global community. As an eight-campus educational system, Kent State offers a broad array of academic programs to engage students in diverse learning environments that educate them to think critically and to expand their intellectual horizons while attaining the knowledge and skills necessary for responsible citizenship and productive careers.

* + 1. **Vision of RCM**

In 1980, more than 60 percent of Kent State University’s unrestricted general operating budget was funded through state funds.  Today, that figure is less than 28 percent.  As the nation’s public universities receive less state support, they are finding it necessary not only to develop new sources of funding, but to adopt new budget approaches that encourage greater academic planning by colleges; better align financial resources with priorities; and, that are consistent with the creative and entrepreneurial activities occurring on university campuses.

* + 1. **Goals for RCM Budget Model**

1. Advance the university’s mission through a greater alignment between financial resource allocation decisions and university priorities;
2. Place a premium on program quality and long-term accomplishments rather than short-term financial gains;
3. Promote fiscal responsibility and accountability;
4. Promote innovative and entrepreneurial activities that are financially viable;
5. Preserve high quality programs central to the university mission that may not be financially self-sufficient;
6. Achieve greater transparency in departmental, school, college, campus, and university fiscal decision making;
7. Maintain and promote shared governance as established by university policy and the collective bargaining agreement with faculty;
8. Provide deans and other academic decision makers with more control and influence over financial resource decisions; and
9. Improve the understanding of fiscal matters among faculty and staff.

* + 1. **RCM Principles**

1. RCM practices should be implemented in a manner that enhances rather than drives academic priorities;
2. There should be appropriate incentives to pursue both academic quality and efficiency in the belief that good incentives foster good outcomes;
3. The RCM methodology should be as simple as possible so that it is easy to implement and understand;
4. The RCM rules should be internally consistent to ensure a degree of fairness and predictability in how revenues and costs are assigned to centers; and
5. The RCM implementation process should not lead to major reallocations in how budget resources historically have been allocated. The major emphasis should be on how to increase future resources. This position is especially necessary since an academic plan is not available to compare academic program priorities with the expected outcomes from the RCM budget changes.

* 1. **Responsibility Center Units**

Fundamental to implementing RCM is identifying the areas of the University that would become "responsibility centers".  By definition, responsibility centers must generate revenues.  Areas not generating revenues are considered part of the University support costs.  If an area is identified as a responsibility center, that unit is responsible for all financial decisions as well as managing revenues, expenditures and fund balances.  The following areas are identified as responsibility center units:

**Kent Campus Colleges (RC Units):**

Applied Engineering, Sustainability & Technology

Architecture & Environmental Design

Arts & Sciences

Arts

Business Administration

Communication & Information

Digital Sciences (School w/Provost Office)

Education, Health & Human Services

Nursing

Public Health

**Regional Campuses:**

Ashtabula

East Liverpool

Geauga

Salem

Stark

Trumbull

Tuscarawas

**College of Podiatric Medicine**

**Honors College, University College and Graduate Studies**

While the Honors College, University College, and Graduate Studies generate revenue, they are considered academic support units because:

1. These units do not have sufficient capacity to generate revenue necessary to be treated as a full responsibility center.
2. These units provide university wide services and benefits and thus should be funded as part of academic affairs support costs or from central allocations.

Revenues generated from these units are allocated back to the Kent Campus Colleges.  In most instances the revenue generated by these units is allocated back to the responsibility unit of the instructor generating the revenue.  The remaining revenues (i.e., revenue earned by non-instructional staff members) are allocated back to responsibility centers based upon their proportion of total revenues. This allocation is completed by student level (i.e., undergraduate, masters, doctoral). See the Revenues Allocation section of this manual for further discussion.

**Military Science and Aerospace Technology**

Military Science and Aerospace Technology are primarily funded through the U.S. Government; however, these units do generate some revenues for the University. The revenues generated by these units are allocated to the Kent Campus Colleges.

**Auxiliaries**

Kent State University auxiliary operations already operate as responsibility centers. Their revenues and expenses are typically excluded from the Kent State RCM model, with the exception of the service charge paid for Kent State Services. This service charge is used to offset overhead expenses.

Airport

Dining Services

Flashcard Operations

Golf Course

Ice Arena

Intercollegiate Athletics

Kent Student Center

Parking Services

Recreational Services

Residence Services

Transportation Services

University Health Services

1. **RCM Oversight**
   1. **Central Administration Roles and Responsibilities**

Ultimately, the Kent State University president and the board of trustees determine the university strategy and budget priorities. The office of each vice president provides oversight to the units reporting to it and ensures the unit budgets reflect priorities as described in the unit’s and the University’s strategic plans. Each vice president is a member of the President’s Cabinet whose responsibilities include overall stewardship for the university’s budget.

The Provost and Senior Vice President for Academic Affairs is responsible for leading the academic planning process and ensuring academic quality in all colleges.

The Senior Vice President for Finance and Administration is responsible for ensuring all units are using resources efficiently and effectively and within designated authority. This is accomplished through various means including management reporting, the budget process, and mitigation planning.

* 1. **Responsibility Center (RC) Unit Roles and Responsibilities**

Each RC unit is responsible for developing strategic and financial plans that fit within the overall academic and university plans. All operating decisions must comply with university policies and practices. The offices of the Provost and Senior Vice President for Academic Affairs and the Senior Vice President for Finance and Administration will provide budget modeling for the colleges.

Financial modeling for the college departments and for new and/or existing programs is the responsibility of the RC, with assistance from the RCM planning team. RC units are responsible for the overall fiscal performance of their college to include all funds assigned to the unit. RC’s will have flexibility to implement incentives for improving fiscal performance provided that plans have been shared and approved by the Provost and Senior Vice President for Academic Affairs to assure consistency with the overall academic strategic plan.

RC’s are held accountable for the effective and efficient management of their resources and are required to report periodically on the status of their unit. Units operating with financial difficulty are required to develop and discuss mitigation plans with the responsible vice president.

* 1. **Business Officers**

The business officers in the colleges exist to support the RC units in fulfilling their roles and responsibilities. These individuals are required to:

* Develop proficiency with the RCM tools, IR data and COGNOS reports
* Assist with budget modeling
* Track monthly expenses
* Project actual performance for the unit at key points in the year and compare the projections to the budget
* Identify areas where actual financial results are projected to vary from the budgeted financial results for the responsibility center and investigate the source of the variances
* Lead the process of identifying alternative courses of action to minimize unfavorable variances

Each responsibility center has an assigned business officer, although some business officers are shared between units.

* 1. **University-wide consultation**

The Faculty Senate Budget Advisory Committee (FaSBAC) was established to provide university-wide consultation and advice on budgetary issues at the university and division levels. The responsibilities of this committee are:

* 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

The committee is co-chaired by the Provost and Senior Vice President for Academic Affairs and the Senior Vice President for Finance and Administration. The committee is comprised of representatives from faculty, deans, chairs and directors and students. Faculty representatives shall be nominated by College Advisory Committees, the Regional Campus Faculty Advisory Council and the Faculty Senate.

1. **RCM Revenue Allocation Methodologies – *Kent Campus RC Units***
   1. **Revenues generated from Instructional fees, Out-of-State Surcharge Revenues and State Share of Instruction (Course completion component)**
      1. Undergraduate Revenues*.*  Revenues are shared between the unit delivering the instruction (80%) and the unit in which the student is enrolled as a major (20%). If a student has a dual major, then the 20% portion will be divided equally with 10% of the revenues going to each major. Revenues are distributed based on current year enrollment data.

The per credit hour tuition assessed to students enrolled above the ceiling of the full-time plateau will also be used to pay the debt service. These revenues will not be provided to RC’s and are not included in the model.

Beginning in FY15, the internal allocation of State Share of Instruction (SSI) deviates from the State’s formula. Due to numerous changes in the formula in recent years, FaSBAC adopted a separate allocation that will be used internally. Eighty percent (80%) of the course and degree completion amount from the State is used in the internal course completion allocation. The internal allocation is based on a two year average of completed course enrollments and weighted for at-risk factors. The two year average is based on the two prior years of course completion information provided to the State. A successful course completion is defined as receiving a grade of “D” or better in the course. The student must also be eligible for SSI. Undergraduate students who are non-Ohio residents are not eligible for SSI.

The course completion allocation of SSI is also subject to the split between the unit delivering the instruction and the unit in which the student in enrolled as a major as described above.

* + 1. Master's Graduate Revenues*.*  Revenues generated from graduate instruction are distributed entirely to the college of the course taken by the student. Revenues are distributed based on current year enrollment data. The SSI is allocated internally based on a two year average of course completions. The two year average is based on the two prior years of course completion information reported to the State. A successful course completion is defined as receiving a grade of “D” or better in the course and the student must be eligible for SSI. Graduate students, who are not residents of Ohio, are eligible for SSI provided they are not enrolled in a fully online program. Non-Ohio residents enrolled in a fully online program are not eligible for SSI.

* + 1. Doctoral instructional fees. Revenues generated from doctoral instructional fees are distributed entirely to the college of the students’ enrollment. Revenues are distributed based on current year enrollment data. See section 3.3 below for information on the state’s support of doctoral programs.
  1. **Revenues generated from State Share of Instruction – Degree Completion Component**

Beginning in FY15, the internal allocation of SSI deviates from the State’s formula. Due to numerous changes in the State’s formula in recent years, FaSBAC recommended a separate allocation formula that will be used internally. This will allow some stability and predictability in the internal allocation of this revenue source.

Twenty percent (20%) of the course and degree completion amount from the State is used in the internal degree completion allocation. The degree completion amount for baccalaureate and master degrees is allocated to departments using a two year average of degrees completed. The amount received is calculated using the statewide average degree cost for the subject and the average number of degrees. The proportionate share of the sum of the total is applied to the SSI amount that will be allocated for degrees.

**3.3 Doctoral Allocation from State Share of Instruction**

The state allocation for doctoral programs is capped at a certain percentage of the State’s overall amount of SSI. The revenue allocation follows the state formula which is comprised of three components. The first is historical enrollments, which in the RCM model is allocated based upon a 5-year weighted average of SSI eligible doctoral FTE enrollment. Another component is allocated based on degree completion. The third component is based on research activity.

**3.4 Revenues from non-centers**

Revenues from areas not considered responsibility centers (e.g., Honors College and University College) are allocated to the instructor-of-record’s unit.  If the instructor-of-record is not from a responsibility center (e.g., an administrator from a support unit), the revenues are allocated to the responsibility centers based upon the proportion of an RC’s revenues to total revenues. This allocation is completed by level. For example, undergraduate non-Centers’ revenues will be allocated based on the RC’s proportion of undergraduate revenues to total undergraduate revenues.

**3.5 Non-credit**

Courses which do not have credit hours assigned, e.g., workshops, are not considered in the RCM model.

**3.6 Adjustments to RCM revenues**

Instructional fees are reduced for scholarships, collection costs, bad debt expenses and bank service charges. Scholarship amounts provided specifically for the undergraduate out-of-state surcharge revenue deducted from the undergraduate out-of-state surcharge revenues. All other undergraduate scholarship amounts are deducted from undergraduate instructional fee revenues. Reductions for collection costs, bad debt expenses and bank service charges are deducted from all fee revenues at both the undergraduate and graduate levels.

General reductions to RCM revenue include funding for the Foundations of Excellence debt service, support for the Office of Global Education and support for the Office of Research and Sponsored Programs. These reductions are allocated based on net instructional and out-of-state surcharge revenue (discussed above) plus state appropriations revenue.

Some colleges have partnership or collaboration agreements whereby a portion of the fee revenue and/or state appropriation is shared. RCM revenue is reduced for these revenue sharing agreements.

The adjustments listed in this section are not included in the base revenue amount that is assessed 42.3% to fund institutional service and support (section 4.9).

1. **Expense Allocation**
   1. **Personnel—salaries and benefits**

All Responsibility Center personnel expenses are charged to the unit where the faculty and staff members are employed. This includes salaries, wages and fringe benefits. Units are responsible for covering benefits costs as well as salary costs for new positions. Units will fund salary and benefit increases for all positions charged to the unit. (The process for funding salaries and benefits is slightly different for non-Centers. Non-Centers must fund new positions and benefits through internal reallocation or through an allocation from the central operating budget.)

**4.2** **Travel, equipment and supplies**

These normal operating expenses are funded by the unit.

* 1. **Facilities - *Kent Campus RC Units***

For the RCM implementation, the Budget Review committee recommended that all space be allocated as overhead instead of allocating space by any square footage formula. Because of the extensive deferred maintenance needs, monies flowing to the investment/subvention pool can be used to provide improvements to the physical plant not covered under the capital budget. In addition, in FY12, a Campus Depreciation and Renovation reserve was established to assist with deferred maintenance needs and/or fund debt service on bonds issued for capital improvements. The contribution to the fund is deducted from RCM revenue. The annual amount of funding is $1.0 million in FY12, $2.0 million in FY13 and $3.0 million beginning in FY14. This amount is earmarked to fund the debt service on institutional bonds issued for the Foundations of Excellence initiative.

RC units will have to fund minor space renovations, such as paint, carpet, etc. Funding for larger building issues and requested renovations are determined for each project. RC units may be asked to assist in funding a portion of the project cost.

* 1. **Tuition benefits for employees (excluding graduate assistants/teaching fellows)**

A central pool funds tuition benefit expenses for Kent Campus RC Units. All RC units fund a portion of the pool. Funds are transferred on a monthly basis to cover expenses incurred.

* 1. **Tuition and health care benefits for graduate assistants/teaching fellows**

These are operating expenses funded by the unit.

* 1. **Telecommunications pool**

For Kent Campus RC Units, a central pool is used to fund expenses assessed by Telecommunications for line and network IP charges. All RC units fund a portion of this pool. As expenses are incurred, funds are transferred to cover the expenses.

* 1. **ADA contingency fund**

For Kent Campus RC Units, a central pool is used to fund expenses for ADA accommodations submitted and approved by the VP of Human Resources.

* 1. **RC Unit Service and Support Expenses**

Each RC center unit is likely to have college-specific service and support expenses. These expenses could include professional advisers, college-specific centers and institutes, unit administrators, etc. These expenses are supported by RC unit revenues.

* 1. **Institutional Service and Support Expenses**

Institutional support costs are comprised of non-revenue generating expenses and fall into two distinct areas: academic support and administrative support. Examples of these expenses are:

* Academic Support: Library, Institutional Research, Global Education
* Administrative Support: Bursar’s office, University Facilities Management, University Communications and Marketing, Alumni, General Counsel

*

Centers are not permitted to “opt-out” of services to reduce the service and support expenses charged to their unit.  To provide support for institutional expenses and strategic priorities, the Kent Campus RC units contribute 42.3% of net RCM revenues. Net RCM revenues are defined as instructional fees plus SSI less the sum of the following: scholarships and fellowships, collection costs, bad debt expense, bank services charges, contribution to campus depreciation and renovation fund (see section 4.3), 1% of the instructional fee increase in FY13, adjustments for pricing due to specific academic consortium or partnership agreements, investments in Global Education and Research and Sponsored Programs, amounts paid to third party providers for online programs. The College of Public Health is assessed 30% rather than 42.3% on net RCM revenues from the Twinsburg program. Revenues from academic program fees, course fees and any other departmental revenues are not included in this net RCM revenue calculation. Tuition assessed to students enrolled in hours above the full-time credit hour plateau is not included in RCM revenues.

* 1. **Investment/Subvention Fund**

Responsibility centers are expected to operate within their budgets, to demonstrate efficiency, and to generate sufficient revenues to cover their costs. To address critical needs, a Kent Campus fund is available to address investment and subvention needs. Subvention funding refers to support for programs important to the university, and investment refers to seeding new programs.

The fund is created from two sources and then divided into three components. First, the amount generated from a 1.5% increase in the Regional Campus service charge was permanently allocated. The second source is a 0.5% charge against net RCM revenue. From this pool, monies will be allocated to cover deferred maintenance facility issues, central administrative initiatives, president initiatives and academic affairs initiatives. This methodology, which is summarized in the following table, was approved by FaSBAC at its January 7, 2009 meeting.

|  |  |  |  |
| --- | --- | --- | --- |
| **Source** | **Allocation** | **Contribution** | **Notes** |
| FY10 increase in Service Charge assessed to the Regional Campuses | President: 33%  Academic Affairs: 67% | President: $477,315  Academic Affairs: $954,631 | Permanent allocation |
| 0.5% of net RCM revenue | Facilities: 25%  President: 25%  Academic Affairs: 50% | Facilities: $394,927  President: $394,927  Academic Affairs: $789,855 | FY16 Original Budget |

The need for subvention funding will be consistent with the academic plan and priorities and will be reviewed. FaSBAC is apprised of subvention and investment allocations in both academic and non-academic units**.**  Units requesting subvention funding should first consider using any departmental reserves to cover deficits before requesting central support.

**5. Reserves**

* 1. **Current Fund Reserves**

Financial reserves are generated from unspent funds of the institution from current operating sources. Financial reserves allow the University to protect itself against funding shortfalls, unanticipated expenses and plan for investments in strategic initiatives. Financial reserves also allow the University to achieve greater debt capacity and maintain its bond rating. Fund reserves have been decentralized in the responsibility centers. Reserves accumulated in these funds can be used for one-time investments, protect against future downturns in revenues, or assist in the funding of general activities within the unit.

* 1. **Gift/Grant Fund Reserves**

Gift and grant funds are externally restricted and are held by the Kent State University Foundation. Gift funds must be expended in accordance with donor restrictions and grant funds must be expended in accordance with the stipulations in the grant/contract. Any reserve funds that exist can only be used for those purposes and cannot be used for general operations of the University. Gift and grant fund reserves should be part of an RC unit’s financial plan and should be leveraged to the fullest extent possible to help reduce financial pressures on general funds. Gift/grant expenses covering faculty replacement costs, facilities, technology and other needed academic and administrative support services should be considered when seeking funding.

1. **Indirect Cost Recovery**

Indirect Cost Recovery (IDC) revenue comes to the University through agreement with external sponsors to help defray overhead costs resulting from research activities. IDC is allocated directly to the unit that generates the overhead costs in an effort to link the IDC to research activity, provide better incentives for conducting research, and make units responsible for their portion of overhead costs.

Indirect Cost Recovery Revenue is allocated to the responsibility center unit as follows:

RASP administration 43%

RASP Investment 20%

College 20%

Department 12%

Faculty Incentive 5%

1. **Oversight for Operations in Financial Difficulties**

Overseeing the financial operations of the University is primarily the responsibility of the President, Provost and Senior Vice President for Academic Affairs, and Senior Vice President for Finance and Administration. Resolving operating deficits is a university priority and needs to be addressed in a timely manner.

The responsibility center dean is responsible for developing and updating a comprehensive mitigation plan for units in financial difficulty. The mitigation plan should describe what actions the unit will take to enhance revenues and/or decrease expenses, when those actions will occur and who is responsible for those actions.

Meetings will be periodically scheduled to review financial projections and monitor progress on the unit’s mitigation plan.

1. **RCM Data and Tools** 
   1. **Detailed RCM Data Base**

All colleges are provided information on revenue allocations. The information is used in the original budget and then updated projections are completed in fall and spring semesters using updated enrollment information. A final year end allocation is also provided. This information is shared with the college business officers and deans.

State appropriations are estimated for the original budget and final allocations are completed with the spring update. These calculations are shared with the business officers.

* 1. **RCM planning tools**

A series of planning data tools have been developed to help responsibility centers plan and be successful in RCM. A description of these tools is located in the RCM website.

<http://www.kent.edu/about/administration/business/rcm/resources.cfm>

* 1. **RCM overview – presentation format**

<http://www.kent.edu/budget/rcm-overview>

1. **Glossary**

**Direct Costs** Costs of operation, such as salaries, fringe benefits, supplies, equipment, travel, telecommunication costs, printing and postage incurred by a responsibility center. These costs are within control of the responsibility center.

**Direct Revenue** Revenue from instructional fees, state appropriations, course and program fees, sales, investment returns, transfers from the Kent State University Foundation and other revenues that are credited directly to a responsibility center.

**FTE (Full Time Equivalent)** The FTE is how the state standardizes student credit hours for the purpose of funding. A full-time student, or a combination of part-time students, enrolled for a total of 30 credit hours over the course of one fiscal year equals 1 FTE. The fiscal year is defined as July 1 through June 30. The summer semester is the first semester of the fiscal year.

For example: Student “A” enrolled for 15 credit hours in the Fall semester and 15 credit hours in the Spring semester, for a total of 30 credit hours for the academic year would be considered generating one FTE.

Students “B” and “C” enroll for 5 credit hours each in the Summer and Fall semesters. Student “D” enrolls for 5 credit hours in the Fall semester and 5 credit hours in the Spring semester. The total hours enrolled for students “B”, “C”, and “D” total of 30 credit hours as well. Students “B”, “C”, and “D” combined equal one FTE.

**Indirect Costs or Support Costs** These include facilities costs, administrative support, academic support, and all other support costs. RCM revenues are assessed at a rate to fund these costs.

**Investment/Subvention Pool** Responsibility centers are expected to operate within their budgets, to demonstrate efficiency, and to generate sufficient revenues to cover their costs.  To address critical needs and in recognition of the diversity of academic programs, a dual-purpose pool was established to achieve the following:

a.   Provide targeted investments for the development of academic initiatives and other university priorities. Such funding would likely be provided for a specific period of time, after which the initiative would become self-supporting or the need for investment funding would cease.

b.   Address the impacts of differing unit costs within academic programs for which income is less than cost. Such circumstances might be intrinsically related to the nature of the academic offering or a planned feature of resource management. Like new investment initiatives, such programs would be aligned with university priorities. While in rare instances the funding for these activities may be permanent, generally there would be an expectation that such funding is temporary.

**Out-of-State Surcharge**  Non-Ohio residents are assessed a surcharge in addition to regular tuition. This revenue is distributed similarly to instructional fees. Scholarships earmarked for the out-of-state surcharge are deducted from this revenue source.

**Restricted Funds**Revenue that can only be used for a specified purpose. Research grants, scholarship funds, and some endowment donations can only be used for the purpose specified in their decree.

**Responsibility Centers** Responsibility centers are those areas that generate revenue.  The Regional Campuses, auxiliary operations and the College of Podiatric Medicine have separate revenue streams that support expenses. The following Kent Campus colleges or schools are considered Responsibility Centers and are allocated resources based on the RCM model: Applied Engineering, Sustainability & Technology; Architecture & Environmental Design; Arts & Sciences; Arts; Business Administration; Communication & Information; Digital Sciences; Education, Health & Human Services; Nursing; and Public Health.

**State appropriation (State Share of Instruction or SSI)** Revenue received by Kent State University from the state government to support a portion of the cost to educate students. The amount of money received is determined by several different factors including successful completion of courses (grade of “D” or better) by eligible students, degree completion, and research activity.

**Tuition**   Tuition is comprised of the instructional fee and general fee.  General fees are allocated to certain areas based upon a particular service provided to students, e.g., Student Center, Health Services, and Transportation Services. Tuition is assessed to students based on enrolled credit hours. In RCM instructional fees are allocated to the Responsibility Centers. However, the following expenses reduce the overall instructional revenues in the RCM model: scholarships, collection costs, bad debt expense, and bank service charges.

**University Strategic Plan** The plan which guides Kent State University. For details of the Strategic Plan, see <http://www.kent.edu/strategicvisioning>.

**Unrestricted Funds** Revenue from student fees, auxiliary unit sales income, investment return, state appropriations, and unrestricted endowment donations that can be used by a responsibility center for any allowable purpose, including salaries, general operating expenses, capital budgeting, and reinvestment.

11/5/15