

**BUDGET REVIEW COMMITTEE**  
**November 28, 2006**  
**Summary of Meeting**

Members present:

Jeff Berghoff  
Betsy Boze  
Cheryl Casper  
Dave Creamer  
Laura Davis  
Sally Kandel

Maureen Kennedy  
Mark Kretovics  
Larry Marks  
Tim Martin  
Jeff Milam  
Nancy Mitchell

Charlene Reed  
Rick Rubin  
Wayne Schneider  
Mary Stansbury  
Denise Zelko

Meeting Summary

The meeting summary from 11/14/06 was distributed. Comments and suggestions are to be forwarded to Shelley Steinbrecher ([rsteinbr@kent.edu](mailto:rsteinbr@kent.edu)). These documents will be added to the Business and Finance web site soon.

Budget Strategies Other than RCM

Dave Creamer distributed an article about “Allocating Resources to Achieve Mission.” This approach blends information about market and mission to create a matrix for communicating expectations and financial priorities for an institution’s academic programs. This type of matrix could be used to educate the university community about these difficult choices. Dave Creamer will present more information about this approach at the next meeting.

There was a discussion about decentralized budgeting at Case Western Reserve. Case currently uses a decentralized budget system and they were discussing moving to RCM. The deans like the decentralized budget system. The allocation of expenses to schools or colleges is always difficult, especially as it relates to central support or overhead. It is important under RCM to delegate responsibility to the appropriate people and then let them manage it. Financial forecasting is practiced at Case and if a school is financially successful, their forecast is only done on a quarterly basis, but if a school or college is having financial problems, the forecast must be done on a monthly basis.

One of the committee members commented that when she was at Tulane University she observed there were departments that would not have been able to function on their own without some university subsidy. The university had to decide whether to subsidize or not subsidize these departments. She observed it was an exciting time at Tulane but also said that some people never bought into the RCM model.

The question came up as it relates to our colleges that may never make a profit, how do we handle them? This is an issue that will need to be looked at as a part of the implementation planning.

One of the questions from the committee was if academic units get to decide what size is best for them? Will they be allowed to limit enrollments or will they have to grow? As was mentioned at the last meeting, these are all issues that will need to be addressed. It comes back to the

university's mission and the president's agenda; both of these will be important in making these and other determinations. RCM is about how to better achieve the strategic mission of the university and not an alternative to the strategic mission.

There was discussion about what would be needed for an academic department to make its decisions in the environment. There are many things that an RCM would affect. Departments will need trained managers, a budget reporting system, data that are understandable, and the ability to do forecasting because they will need to be kept informed about budget trends and changes. The concept of a true business manager will be new to many areas of the university. If we create a system like this, we need the talent to make it work.

There was a question asked about space and technology planning and if they will be affected by the new budgeting process. Dave Creamer explained that there are multiple ways to approach these issues. One RCM approach would be to charge a college for all of the space under its control. If the space is "shared" with other colleges, then the cost of this space would be shared in some form. The likely incentive would be to encourage as much sharing of space as practical.

It was explained that the RCM term for shared space is "common space". It was suggested that this issue probably should be discussed in the White Paper. There also was a space discussion regarding new construction and renovations. There was considerable discussion about capital appropriations and how they would be handled following the change.

Another question was if a college pays for its own renovations, would the cost be different than if the renovations were paid for through the central process. Dave Creamer talked about how the operating costs associated with space could be handled through an RCM approach. Another question that came up was would a classroom full of desks and chairs be charged differently than a classroom full of computers? It was explained that while certain buildings are more expensive and would cost colleges more, it was unlikely that differences in space costs would be assessed classroom by classroom.

There also was discussion about those colleges that do not want to share space or do not want to invest in renovations. Will they be allowed this choice? Some colleges will be very aggressive as it relates to investing in renovations and others will not. Also, will capital planning continue to be done centrally or will the funding be allocated to each cost center and the cost center will determine how to invest in its buildings? Will a reserve be funded for the general maintenance of buildings? These are all issues that will need to be determined.

The committee also discussed an alternative approach to budgeting similar to zero base budgeting where each cost center is assessed a charge that would go to a central pool for new initiatives. This type of budgeting had been tried in the past but was not easily sustained. Dave Creamer said that this approach could be adopted under the RCM model and it does not necessarily have to be viewed as an alternative approach. There are ways to accumulate funds for new initiatives and still have a decentralized approach to budgeting. There will be further discussion of the idea of initiatives-funding at the next meeting.

It was asked if there will be any consideration given to other models? The committee also briefly talked about the Mission-Market approach. It is not as decentralized a budget approach as RCM but there are unit incentives for achieving strategic goals. Models seen in other public

institutions have a target revenue with any surplus revenue shared with departments that exceed the performance criteria.

A concern was expressed that the Chairs and Directors, and Deans will have a greater workload with a new budgeting system. The White Paper should discuss this issue as well.

There was a question about curricular changes. Will the college's faculty be given more authority to make curricular decisions? Also, as colleges become more competitive will they begin to recruit each other's students? It was explained that at some universities this has happened and a process would be needed to monitor this. With RCM there will be more competition for students but the problems won't just be limited to unnecessary competition but there also could be outcomes that conflict with the University's mission and priorities.

There was discussion about LER courses and if colleges will view them as a way to gain quick revenue. It was noted that the adopted model would not necessarily be based on credit hours but could be based on declaration of major or other alternatives. Most members agreed that the LER courses need a major overhaul but this is not the role or function of the committee.

It was noted that business managers will need to be trained to better understand and project revenues. The support needed to administer this type of change effectively will be an issue.

There was a lengthy discussion about the non-academic areas of the University and how they would be affected by any change to the budget process. How should we encourage effectiveness and efficiency by the non-academic areas? The University needs accountability back to the colleges for these costs and having input into how these costs are allocated could be helpful in ensuring this accountability. Additionally, the White Paper needs to make it clear that the resulting changes will not just affect colleges but will also affect administrative areas at the university.

#### Discussion of White Paper Outline – Draft

It was asked if the White Paper is to contain recommendations. Dave Creamer said no.

As it relates to the draft outline, the following changes were recommended:

#### **IV. C – Implementation Issues**

There was a suggestion that this should be its own section. There will be many issues to present to the audience and these will stand out better if they are in their own section.

#### **II. D – Increased Competition**

We need to list what our competition is and how we can be more effective. It was noted that we need to turn “competition” into “empowerment.”

#### **III – Objectives and Expectations for New Budget Model**

This section will be very important to much of the University community. There was a lot of discussion about how to approach this chapter.

#### **III. B.1. – Shared Governance**

It was asked if the college will have some control over the overhead allocations that are distributed to them. Will there be a separate body to monitor this?

As we make changes to the budgeting process, are there any state requirements that need to be considered? Dave Creamer indicated these would be addressed in II. C – Current and Expected Funding Environment.

Each college will look at the White Paper and want to know how it could affect them. Will there be examples in the White Paper of the budget model alternatives for the colleges to see? Dave Creamer indicated that this likely would follow the preparation of the White Paper.

### Future Meetings

Dave Creamer explained that he would like the committee to meet twice in January prior to the spring semester beginning. Please let Shelley Steinbrecher know your availability for meetings during this time period, as well as during spring semester.

### **For the next meeting:**

- There will be a presentation on alternative approaches similar to zero base budgeting,
- Dave Creamer with assistance, will give a presentation on the Mission-Market approach, and
- There also will be a presentation on an incentive based approach to budgeting.

These alternative budget approaches could be included in the White Paper. Most universities have adopted one or a combination of these budgeting processes.

Dave Creamer asked each committee member to begin thinking about how to begin writing the White Paper. Ideally the writing will take place in December and be ready for discussion in early January and distribution early in the Spring Semester.