



Robert L. Barchi, President

May 9, 2018

Ms. Mary Mickelsen
University Senate
Rutgers, The State University of New Jersey
Liberty Plaza, Suite 1200
College Avenue Campus

Dear Ms. Mickelsen:

I am writing in response to the University Senate's March 2014 report and recommendations on Charge S-1312, Implementation of Responsibility Center Management. I thank the members of the Senate's Budget and Finance Committee for their work on this issue.

The RCM budgeting model was launched in the fall of 2014 and became fully operational in July 2015. Thus, we are in our third year of operating under the full RCM model. Under RCM, tuition generated by a school is allocated to that school. Appropriations to the various chancellor units (RBHS, Newark, Camden and New Brunswick) are allocated by the chancellors to the schools, centers and institutes in those units. Funding for strategic purposes is allocated to the chancellors and the president through cost pools at the campus and central level.

I am responding to each of your recommendations separately:

Recommendation 1: The core strategic mission of the University – especially the central criterion of academic excellence – should be explicitly included in the RCM mechanisms at all levels.

The primary benefit of the RCM budgeting model is transparency. Departments and schools see the sources of their revenues and the impact of their expenditures. I concur completely with your recommendation that those who make decisions about expenditures focus primarily on academic excellence.

Recommendation 2: All Responsibility Center Management (RCM) units' plans should include detailed discussion of their contribution to the strategic plan and to the academic mission of the unit.

Again, I concur with this recommendation. Chancellors hold deans and directors of centers and institutes to the requirement that expenditures be closely tied to their chancellor-led strategic plan and the University's strategic plan. I review with the chancellors each year the progress their campus and academic programs have made in conjunction with their own strategic plans and that of the University.

Ms. Mary Mickelsen
May 9, 2018
Page Two

Recommendation 3: The administration should be explicit about the priorities that justify allocation of funds to any RCM units and to new initiatives.

As noted above, the chancellors allocate to units on their campus the legislative appropriation given to each campus. A major percentage of state funds is allocated to each unit by a formula that includes the amount of research funding and teaching attributable to that unit. The remainder is allocated according to priorities set by each chancellor. Allocations from the president's strategic funds, such as creation of the Henry Rutgers Professorships and Term Chairs, the President's Faculty Diversity Hiring Initiative, and the funding allocated to Newark, Camden, and New Brunswick to strengthen the Humanities, were announced in e-mails to the Rutgers community.

Recommendation 4: In the process of developing the RCM model, *elected stakeholder representatives* (especially faculty, students, staff, and alumni) be an integral part of planning bodies. These representatives could come from the University Senate, which is currently the only existing, elected, multi-stakeholder body at Rutgers. Representatives should extensively communicate with their constituencies, and the University should run frequent forums for wide discussion and learning about key issues.

Nearly all of the funding received by the University, whether from tuition or from appropriations, goes to the chancellor units in Newark, Camden, New Brunswick, and RBHS. Therefore, such a planning body, if developed, would most appropriately be at the level of the chancellors. I am referring this recommendation to the chancellors for their consideration.

Recommendation 5: A permanent budget committee with elected representation from major stakeholders should consider major budgeting issues:

- 1. Appropriate algorithms for the sharing of the state and federal appropriations among the RCM units as well as other (reoccurring or one-time) non-tuition revenues;**
- 2. Needs for, and the amounts of, overhead expenses, and the appropriate sharing algorithm of these costs between the RCM units;**
- 3. Needs and justifications for any unit subventions should be made public to the University community.**

With the initiation of RCM, an RCM Oversight Committee was created on which the chancellors are represented. The chancellors are heavily involved in setting algorithms and, as noted above, distribute the majority of the appropriation received by their campus. Decisions about subventions of academic units are made at the level of the chancellor.

Recommendation 6: In the planning and implementation phases of the new RCM model, all faculty and staff should be fully aware of the details of the process.

I concur with this recommendation. I am referring this recommendation to the chancellors, who are responsible for communicating to faculty and staff the details of the RCM planning and implementation process.

Ms. Mary Mickelsen
May 9, 2018
Page Three

Recommendation 7: Department heads, like heads of RCM units, should have access to real time information and short-term projections of their budgetary standing.

This recommendation would need to be implemented by deans of the various schools in RBHS, Newark, Camden, and New Brunswick. I am referring it to the chancellors for their consideration.

Recommendation 8: Accessibility to budget information for other internal users should generally be higher than at present. Heads of stakeholders groups and heads of the University Senate should have access to detailed budgetary information at the RCM unit level and administrative units level for prior years.

It is my understanding that Vice President Kathy Dettloff met with the Senate Budget and Finance Committee to review the University's budget in detail. Each chancellor has a vice chancellor for finance who is closely involved with the creation of the RCM budget for both the chancellor unit and the university as a whole. These individuals have the information that your recommendation seeks to obtain.

Recommendation 9: Budget transparency to public (outside users) should be increased in line with the policies of peer RCM universities.

Detailed budget information is posted on the Finance website: finance.rutgers.edu.

Recommendation 10: Under RCM, units are encouraged to accrue savings over budget years to apply to future investments in their strategic plans.

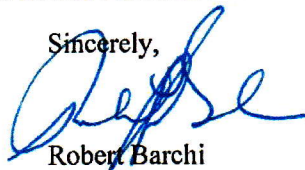
Given the decentralized budgeting process at the campus level, this recommendation will be referred to the chancellors.

Recommendation 11: Within the core mission of the University, we recognize that revenue-generation capabilities vary among schools and departments, and the RCM implementation should take this into consideration.

One feature of RCM is that entrepreneurial units are allowed to carry positive balances forward. Given the decentralized budgeting process at the campus level, this recommendation will be referred to the chancellors.

I appreciate the time and attention the Senate committee has devoted to these important issues.

Sincerely,



Robert Barchi

c: Nancy Cantor, Chancellor, Rutgers University-Newark
Debasish Dutta, Chancellor, Rutgers University-New Brunswick
Phoebe Haddon, Chancellor, Rutgers University-Camden
Brian Strom, Chancellor, Rutgers Biomedical and Health Sciences
J. Michael Gower, Executive Vice President for Finance and Administration
Barbara A. Lee, Senior Vice President for Academic Affairs