RCM at Rutgers, The State University of New Jersey

APLU CIMA – Summer Meeting

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Rutgers, The State University of New Jersey

History of Rutgers

- Rutgers is the only university in the nation that is a colonial college, a land-grant institution, and a leading public research university
- Rutgers is the nation's eighth oldest institution of higher learning
  - One of only nine colonial colleges established before the American Revolution, and has a centuries-old tradition of rising to the challenges of each new generation
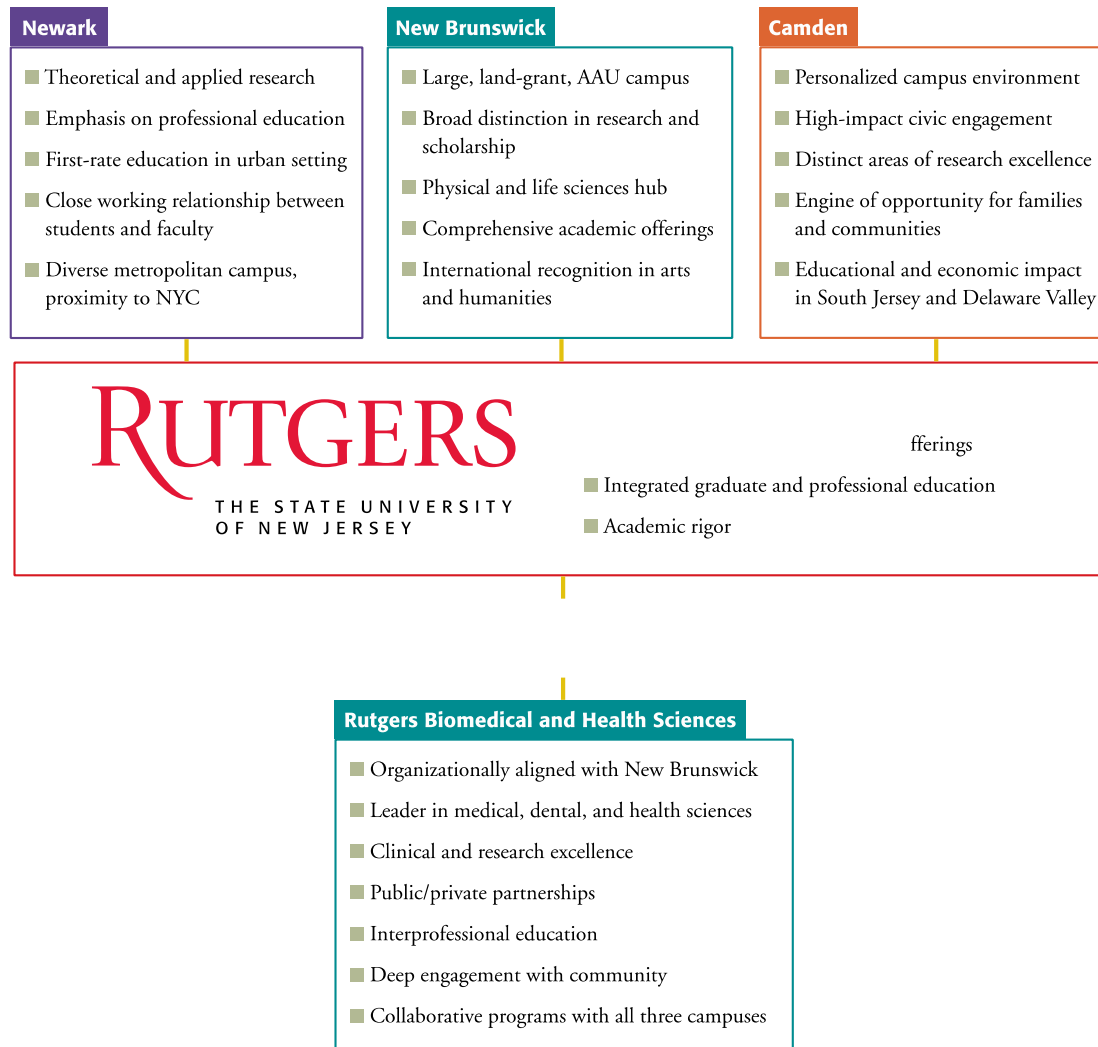
- Rutgers was chartered in 1766 as Queen's College, and renamed Rutgers College in 1825

- In 1864 Rutgers became *New Jersey's land grant university*, as Congress established the nation's land-grant colleges in response to the Industrial Revolution

- In 1924, Rutgers College officially became Rutgers University

- In 1945 and 1956, state legislative acts formally designated Rutgers as *The State University of New Jersey*

- In 1989, Rutgers was invited to join the Association of American Universities, an organization comprising the top 62 research universities in North America

- Today, Rutgers has *31 schools and colleges*, offering 100 undergraduate majors and more than 100 graduate and professional degree programs across four major operating units

- Rutgers has nearly 67.000 students and approximately 23,000 faculty and staff across three campuses in New Brunswick, Newark, and Camden and health sciences campuses in New Brunswick and Newark

- In 2012, the New Jersey Medical and Health Sciences Education Restructuring Act was passed by the New Jersey Senate and Assembly, and signed by the Governor The law *integrated all units of UMDNJ*, except University Hospital in Newark and the School of Osteopathic Medicine in Stratford, *into Rutgers on July 1, 2013*

Rutgers Today

Rutgers is one University with three geographic campuses…

Newark
- Theoretical and applied research
- Emphasis on professional education
- First-rate education in urban setting
- Close working relationship between students and faculty
- Diverse metropolitan campus, proximity to NYC

New Brunswick
- Large, land-grant, AAU campus
- Broad distinction in research and scholarship
- Physical and life sciences hub
- Comprehensive academic offerings
- International recognition in arts and humanities

Camden
- Personalized campus environment
- High-impact civic engagement
- Distinct areas of research excellence
- Engine of opportunity for families and communities
- Educational and economic impact in South Jersey and Delaware Valley

fferings
- Integrated graduate and professional education
- Academic rigor

Rutgers Biomedical and Health Sciences
- Organizationally aligned with New Brunswick
- Leader in medical, dental, and health sciences
- Clinical and research excellence
- Public/private partnerships
- Interprofessional education
- Deep engagement with community
- Collaborative programs with all three campuses

Strategic Framework

**To be broadly recognized
as among the best public universities: preeminent
in research, excellent in teaching, and committed to community**

| Themes for academic distinction	Building on Faculty Excellence	Transforming the student experience	Collaborations and partnerships	Enhancing our visibility
• Ethnicity, diversity and migration… • Creating a sustainable world.. • Health and wellness in individuals and populations • Educating citizens for a dynamic world • Creative expression and the human experience	• Recruiting and retaining the strongest faculty • Research facilities and infrastructure • Breadth and depth of graduate education • Professional education as a core strength • Endowment support for academic effort	• Honors Colleges • Learning environment • Culture/social environment • Student support services • Faculty interactions • Physical environment • Transportation and access	• State (NJ) • Business • Alumni • University • Tech transfer • Private-public	• Regional and national brand • Public spaces • Public image • Prospective students and faculty

Robust core of sciences and humanities

Cohesive, vibrant, diverse, and inclusive culture

Efficient and responsive processes, infrastructure, supporting staff, and leadership

Financial resources sufficient to fund the aspiration
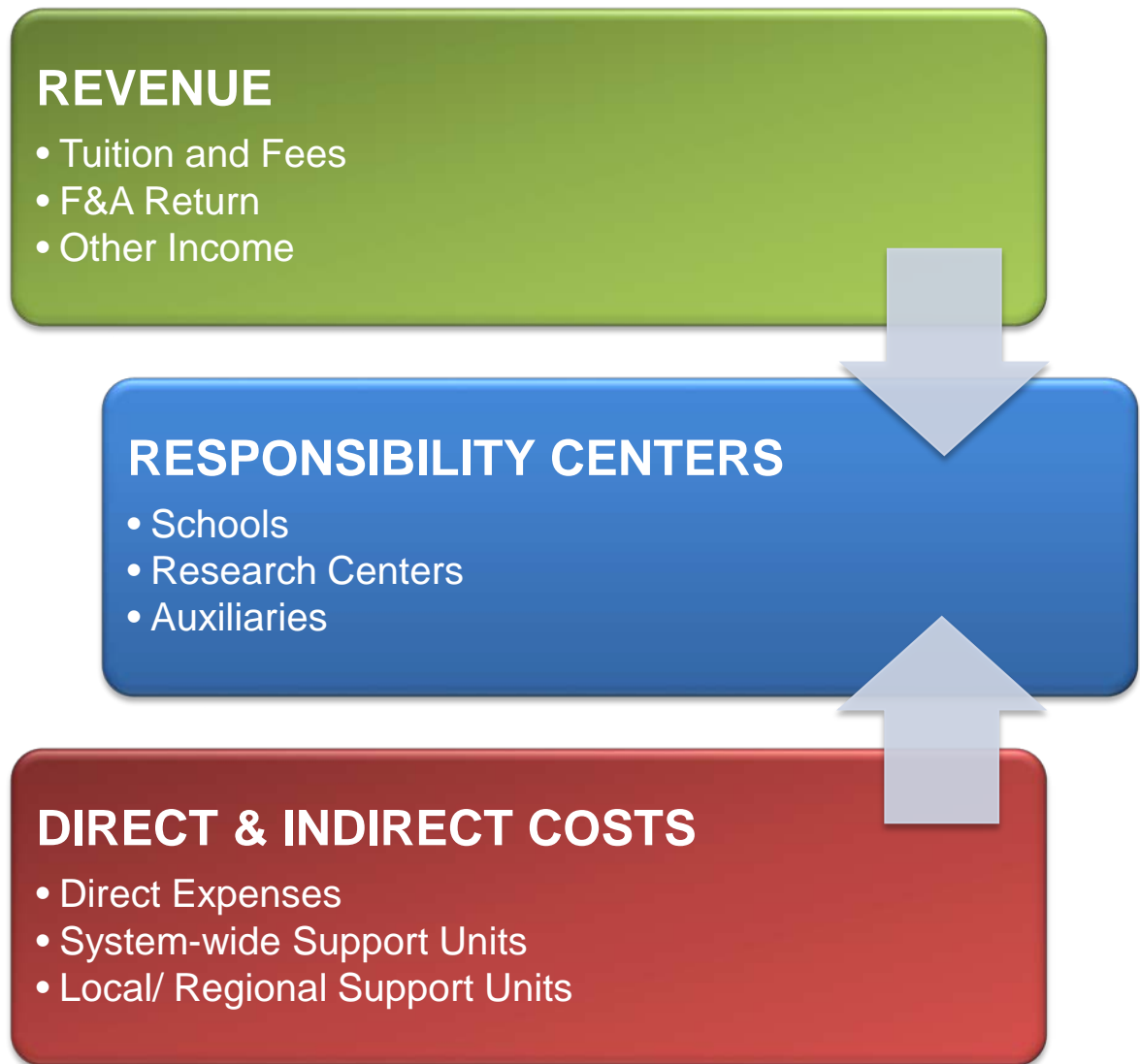
Similar Budget Issues At Other Universities
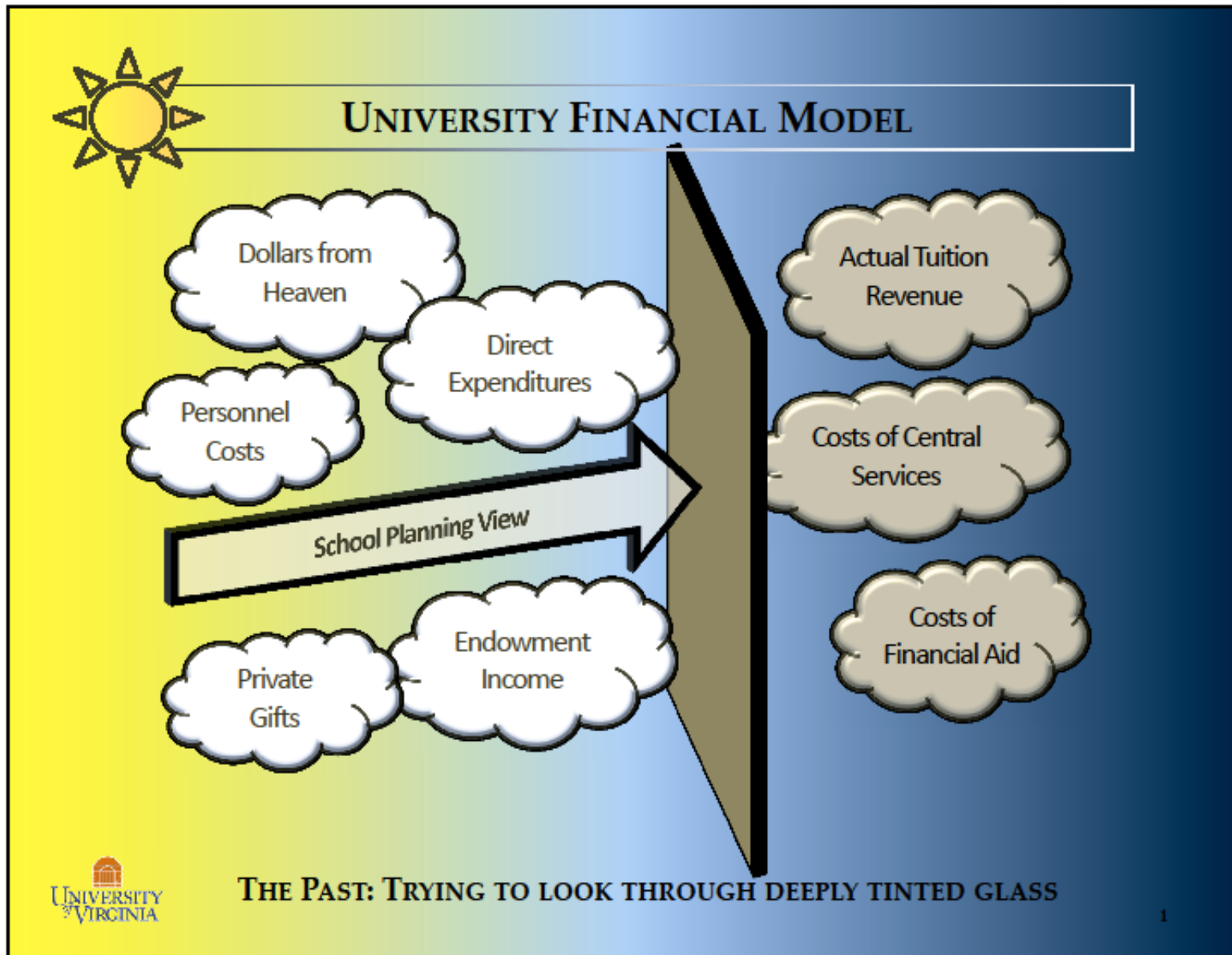
Responsibility Center Management

- A budget model promoting financial responsibility at a unit level

- Works most effectively in an environment of transparency and accountability

- RCM is a tool – academic leaders have responsibility for using the system to advance the missions of the University

How Does RCM Work?

Revenues are credited to the Responsibility Center that generates them

Schools must then pay for their direct expenses as well as a share of the expenses to fund the Support Units

REVENUE
- Tuition and Fees
- F&A Return
- Other Income

RESPONSIBILITY CENTERS
- Schools
- Research Centers
- Auxiliaries

DIRECT & INDIRECT COSTS
- Direct Expenses
- System-wide Support Units
- Local/ Regional Support Units

Current Budget Model

- All Funds Budgeting (AFB) was a modified version of RCM where a *flat overhead* on tuition and F&A was used to fund the costs of support services not directly budgeted to the schools
- Legacy UMD units were on an RCM type model, different from AFB but lacking in transparency for allocated costs

Why Switch to RCM?

Academically Centered - "Academics over Economics"

Provides schools with better data, more control, and greater flexibility over resource decisions

Increased accountability and transparency

Greater focus on long-range strategic planning

RCM enables understanding of "ROI" and priority decisions given limited resources

Allocation of Costs

System-wide

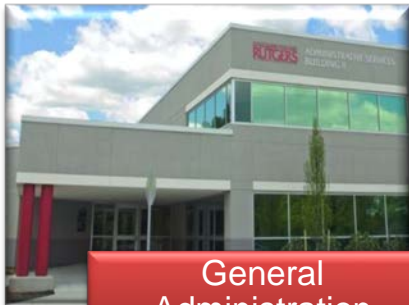Costs that are incurred by system-wide support units providing services to all
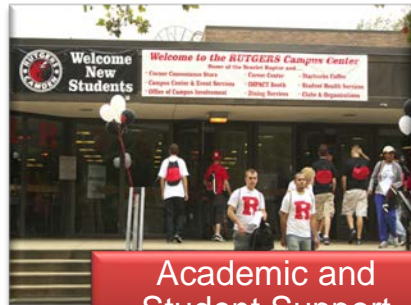

Local/ Regional

Costs that are incurred by support units providing services at the local/ regional or chancellor level

Allocation of Costs
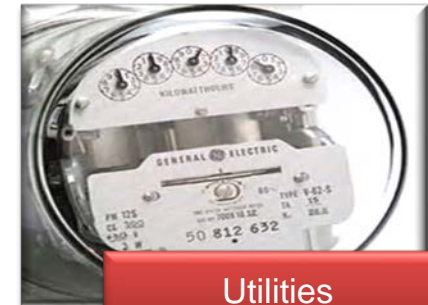# System-wide Cost Pools

General Administration

Academic and Student Support

Debt Service

Utilities

Operations and Maintenance

Information Technology
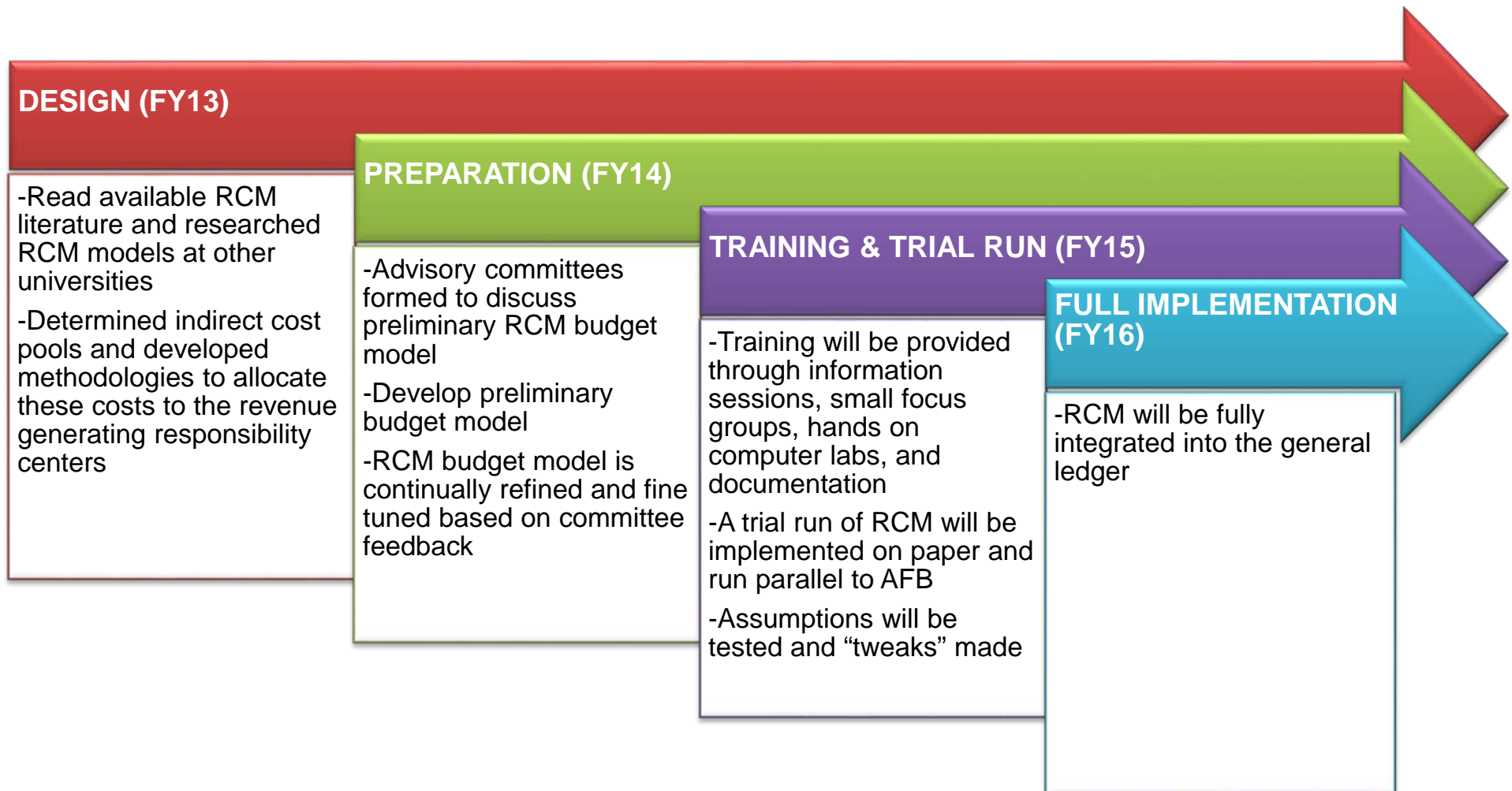
Libraries

Research Support

Metrics for Allocation of Costs

➢ Cost pools allocated to the schools and other RCs using a metric that is a *reasonable measure of their use of those services*

➢ The metrics based on "best practices," verifiable, easy to understand, and uniform

➢ Our model includes the following metrics: unit expenditures, net assignable square footage, F&A return data, student headcounts and faculty & staff FTE

Who Decided on the RCM Model?

- ➤ RCM Steering Committee (Chancellors, CFOs, SVP Finance, SVP Administration, VP Budget) provided policy direction and came to consensus on the current model. This Committee will continue in FY16, adding the SVP Academic Affairs.

- ➤ RCM Advisory Committee (representative of deans, support unit heads, and faculty representatives from the Senate budget committee) provided ongoing advice, questions, etc.

- ➤ RCM Technical Committee (business managers from major units) reviewed metrics, data sources, and calculations

Time Frame

DESIGN (FY13)

-Read available RCM literature and researched RCM models at other universities

-Determined indirect cost pools and developed methodologies to allocate these costs to the revenue generating responsibility centers

PREPARATION (FY14)

-Advisory committees formed to discuss preliminary RCM budget model

-Develop preliminary budget model

-RCM budget model is continually refined and fine tuned based on committee feedback

TRAINING & TRIAL RUN (FY15)

-Training will be provided through information sessions, small focus groups, hands on computer labs, and documentation

-A trial run of RCM will be implemented on paper and run parallel to AFB

-Assumptions will be tested and "tweaks" made

FULL IMPLEMENTATION (FY16)

-RCM will be fully integrated into the general ledger

Is the Model Done?

➢ No budget model is perfect or "done"

➢ Collecting "parking lot" issues for further discussion

➢ Current model is a significant step forward in increasing the understanding of the true financial position of RCs under a common set of assumptions

➢ Begun project to automate cost allocations for budget and accounting needs

Systems Work to Support RCM in Progress

➢ Hyperion Financial Management
  ➢ Consolidated chart of accounts for both Oracle and Banner
  ➢ Align monthly closing procedures

➢ Hyperion Planning/Budget and Strategic Finance
  ➢ Align current budget planning tool with RCM
  ➢ Provide tools for "what-if" analysis
  ➢ Overall economic model

➢ Hyperion Profitability and Cost Management
  ➢ Automate RCM cost allocations (statistics, bases, multiple versions)
  ➢ Foundation for mission-based costing information

➢ Oracle Fusion "Cloud-Based" Financial System
  ➢ Consolidating from two legacy general ledgers

➢ Reporting Strategy for Financial Data
  ➢ Relating to other data from new and legacy systems
  ➢ Multiple tools for analytics

Questions?