

TEMPLE
UNIVERSITY



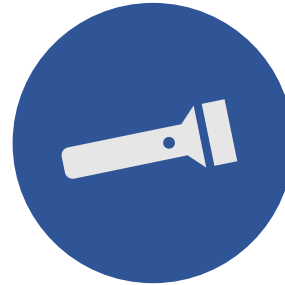
Review of RCM FY2022

Research & Data Collection Fall 2021
Analysis & Recommendations Spring 2022

Temple's 2nd Institutional Review



The promise of continuous improvement means embedding a routine review process into our model.



Fall 2021 marked Temple's 2nd institutional review since its inception in the summer of 2012, implementation July 1, 2014, and first review in 2017.



A critical finding from our first review indicated that the model was widely perceived as being a function of budget and finance.

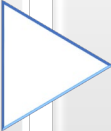


Our team has devoted significant effort to dismantling this perception and re-educating faculty and administrators about the purpose of the tool.

Continuous Improvement

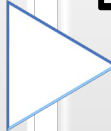
External review

Middle States evaluating team offered the following at the conclusion of their February 2020 visit: *The university should be commended for its implementation of a Responsibility Center Management budget model. The RCM model has improved transparency of information, program and resource planning, and alignment with institutional and academic unit priorities.*



Assessment

One of the fundamental tools in aligning resources with mission-critical priorities is our Responsibility Centered Management model and the annual process of assessing how your school/college/support unit leverages the tool to achieve excellence, support quality and efficiency, and advance Temple's mission.



Research & Testing

Frequently engage opportunities for research and assessment of the model: Building Institutional Capacity for Thriving in the RCM Environment (2017), Designing Service Level Agreements (2018), Access to Data for Decision Support (2018), Higher Ed Finance Structure for the Future (2019) and Onboarding Business Managers and Deans for Success (2021)



Approach & Review Methods



Review 2017 findings & recommendations



Survey faculty & staff October 2021



Interview key stakeholders & external peers

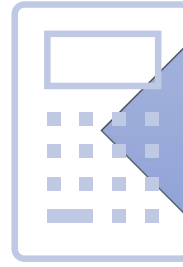


Evaluate systems & process to support model

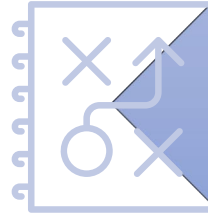


Share findings & develop actionable
recommendations

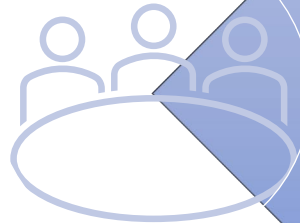
Findings & Recommendations from 1st Review



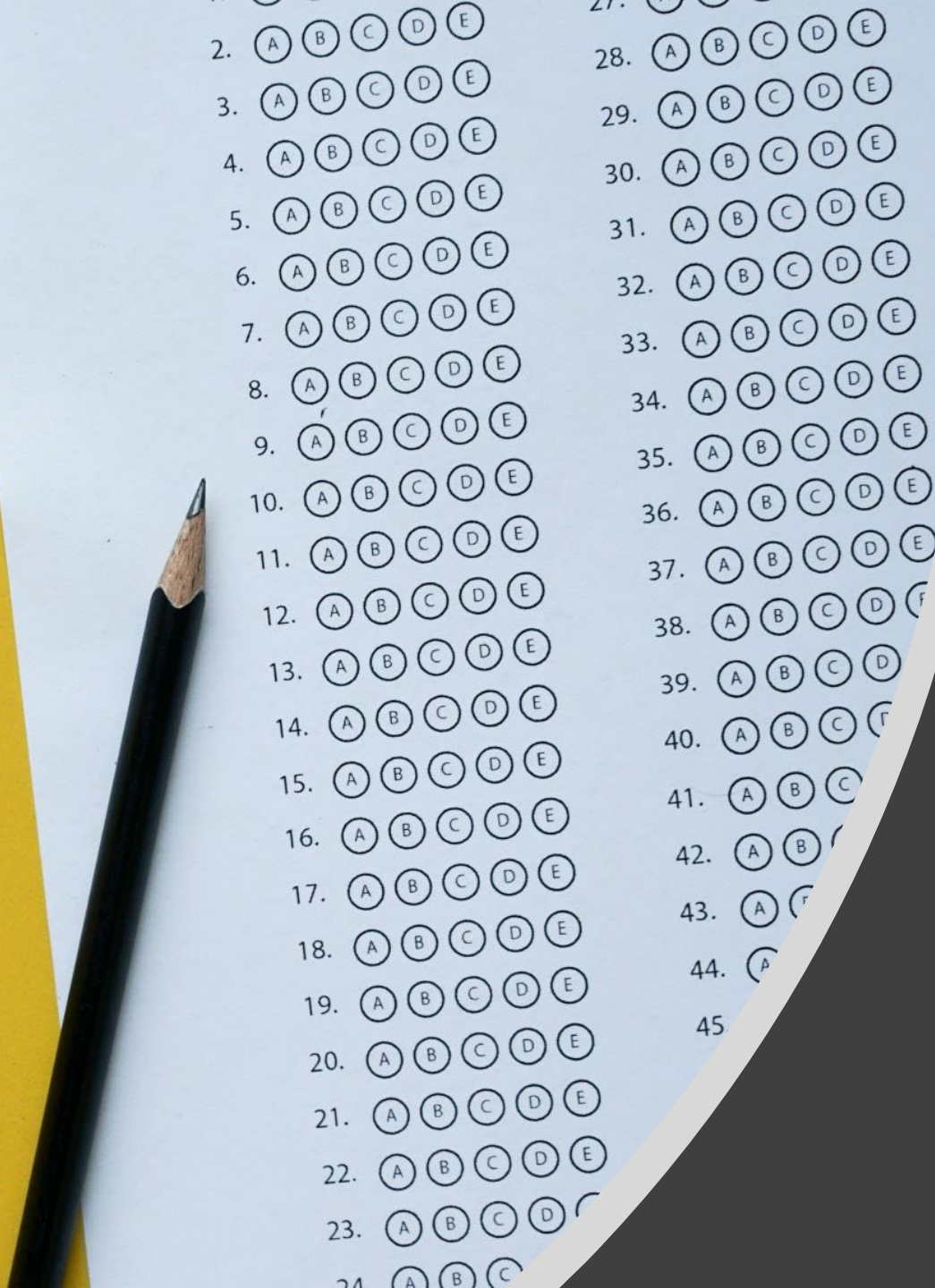
Simplicity: Reduced the number of metrics from 8 to 3, and the number of cost buckets from 15 to 3 to simplify the model, make it more predictable and better align cost drivers with actual activity



Alignment: Revised the rules for carryover and margin management to support long-term strategic planning and further assure financial support of priorities and initiatives that are central to the overall university mission



Transparency & Accountability: Adjusted governance structures to better monitor service levels, benchmark performance and provide greater transparency for the allocation of resources.



Survey Respondents

A bit about the 760 who started and 729
who responded to the survey invitation

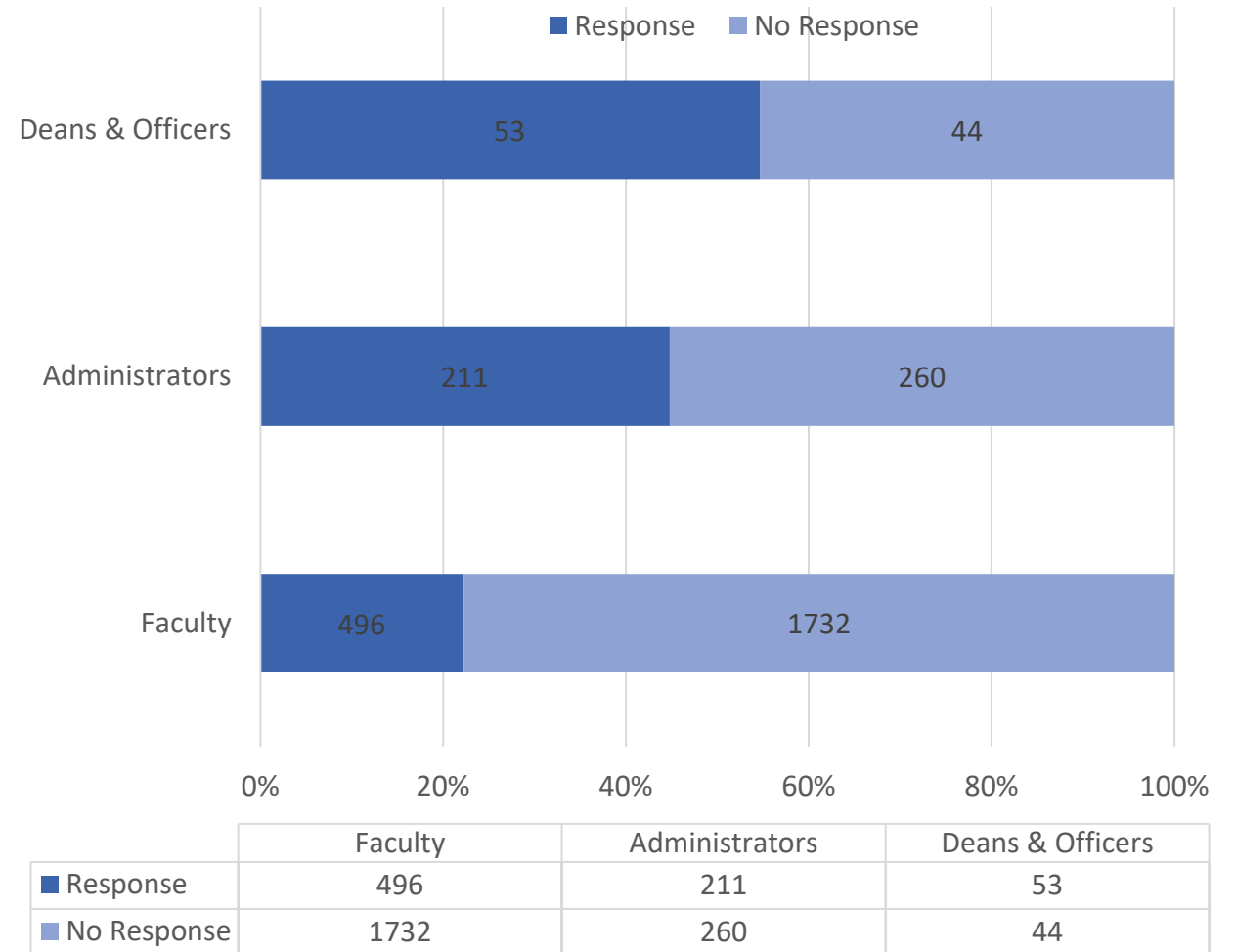
October 6 – 17, 2021

Plenty of feedback to share!

2,797 faculty, chairs, deans and administrators were invited to participate and 26% responded.

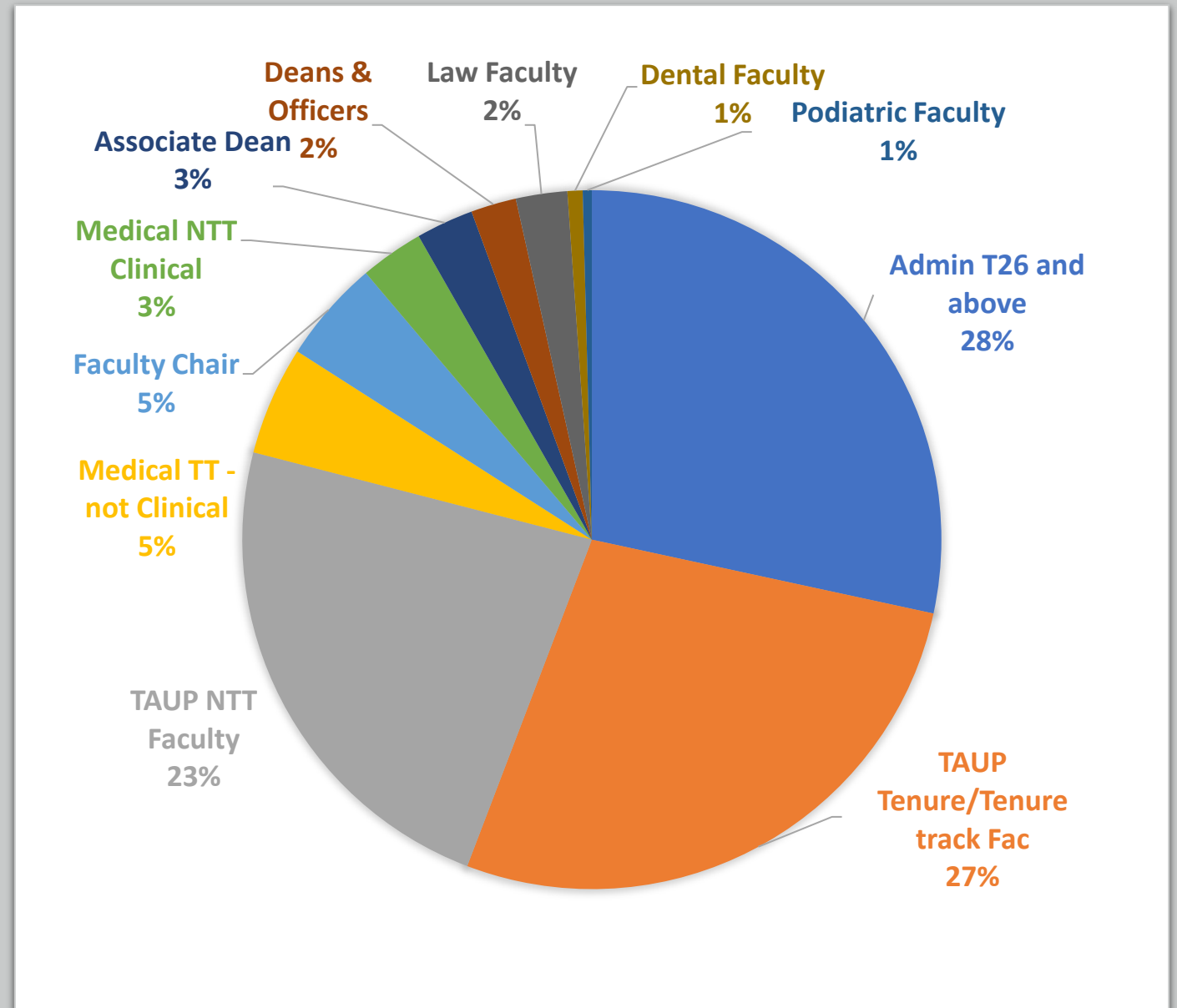
Overall response rates for the core stakeholders:

- 22% of faculty
- 45% administrators
- 54% deans & support unit leaders



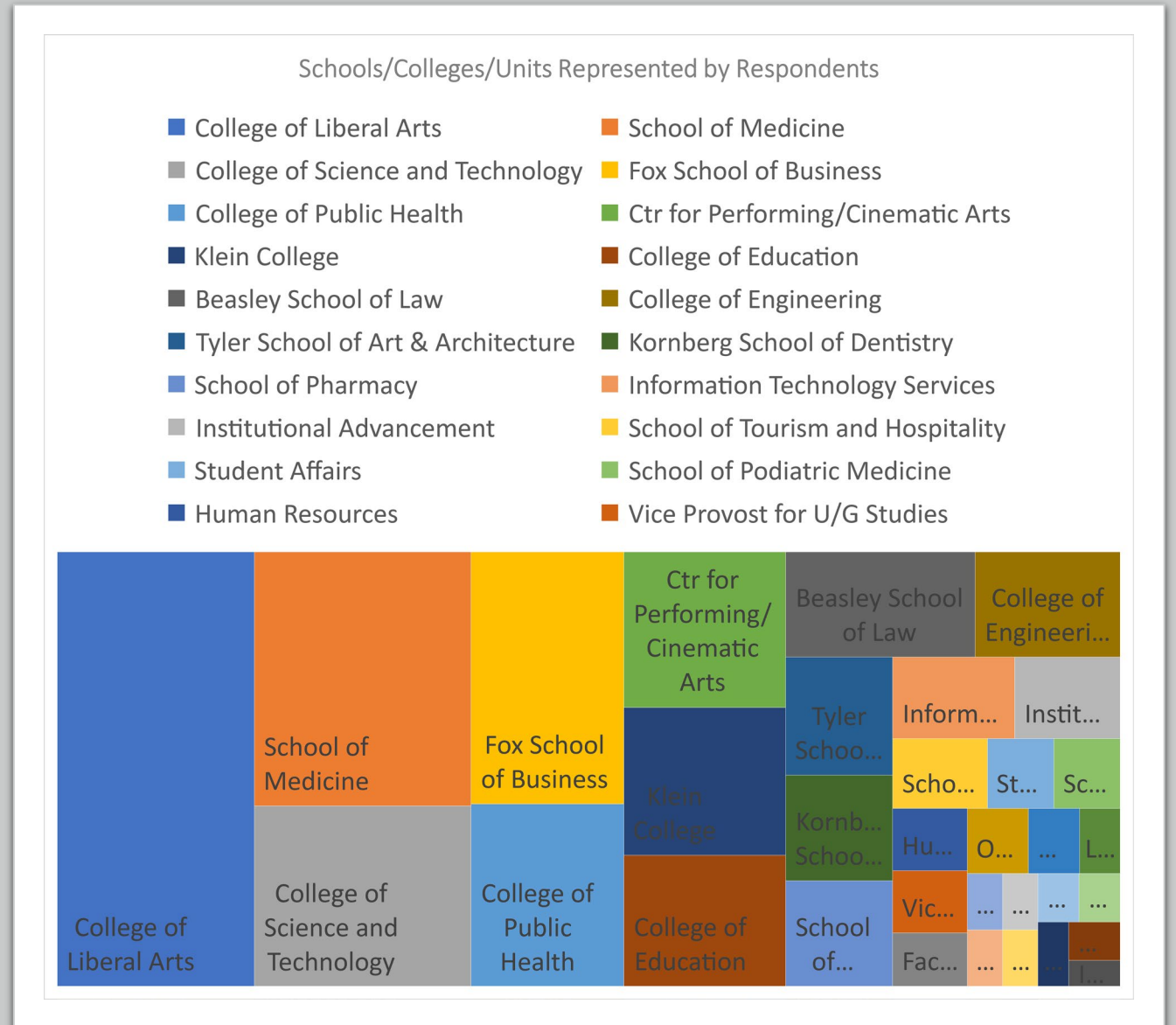
Perspective is everything

- 29% began their career at Temple prior to January 2000 with the earliest hire in 1968
- 26% were hired after July 2014 and have only ever known Temple in the RCM model
- 55% have been in their role for more than 7 years with 275 serving 10+ years
- 28% are administrators for their school/college/support unit
- 66% are faculty and 5% or 34 are deans



There is more to this than finance

65% of respondents do not have budgeting responsibility. This is important feedback as we continue to educate the Temple decision makers that RCM is about more than just the budget

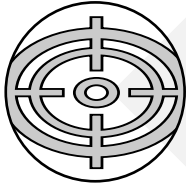


Guiding Principles

In FY2013 the steering committee charged with developing Temple's model focused on developing the **guiding principles** as a way to structure the process and decision-making, irrespective of changes in goals, strategies or leaders.



Temple's Guiding Principles



Mission-driven: The model recognizes that Temple's primary mission is to support its teaching and research enterprise first, and its goals and success supersede those of the individual units and revenue centers.



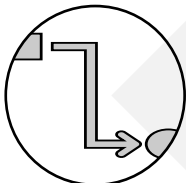
Simplicity: The budget model, including the allocation of revenues and indirect expenses, should be simple to understand, explain and maintain.



Fairness: The model should be consistent, predictable and transparent. Considers a student-focused approach to the delivery and funding of services to ensure equitable access to services



Encourage Innovation, Entrepreneurship and Efficiency: Create incentives to encourage and recognize appropriate risk taking and efforts to enhance revenue or reduce expenses. Support and reward interdisciplinary collaborations and discourage unnecessary internal competition.



Align Authority with Responsibility and Accountability: Realign the authority for making decisions with their financial outcomes.

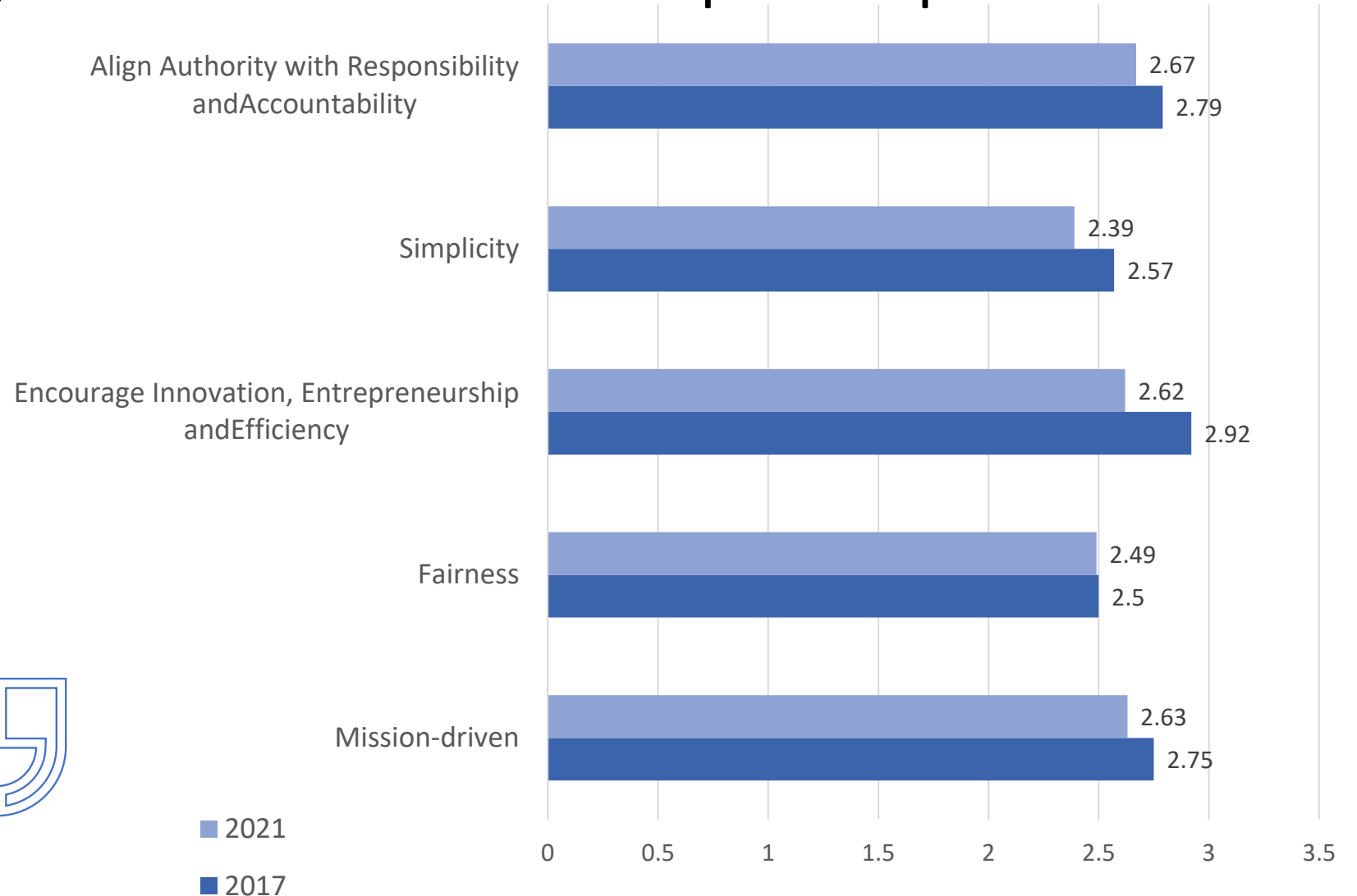
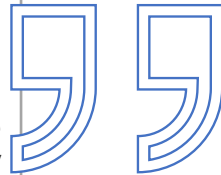
Assessing the tool with the principles



We must remember that **RCM is merely a tool**. Like any tool it can be used well or badly. It is not a substitute for decision-making, judgement or leadership. It is merely an aid.

The ultimate success of RCM depends on the people who use it -- on how we choose to use it, how we prepare ourselves to use it well, and how we are held accountable for using RCM to achieve university-wide goals.

Provost David Hiley in an address to the University of New Hampshire community



Key Findings

The survey, combined with in-depth interviews led to **key insights**, some consistent with 2017 findings that persist:

Mission-based

- Model has been leveraged to create competition internally for resources; to discourage collaboration and interdisciplinary effort; and to disparate priorities without a clear university strategy.

Efficiency & Transparency

- Units have found ways to cut costs but have not been encouraged to develop innovative and streamlined processes.
- Access to data that is ready to use and provide context for making decisions, is still not available.

Incentives

- Value assigned to particular characteristics - e.g., credit hours, tuition revenue, unit prestige - benefits the largest and most visible units of the university, but burdens others that contribute value to in other ways.

Learning

- Current onboarding endeavors are not sufficient to build institutional capacity for the RCM tool; and there is a lack of knowledge and understanding of the model among leaders.

Recommendations & Next Steps

Mission-based

- Break down the (real & perceived) barriers to interdisciplinarity and advance the university's strategic priorities.

Efficiency & Transparency

- Reduce duplication of services and redundant systems
- Improve feedback loops and strengthen a system-wide effort of collaboration, communication, and information sharing.

Incentives

- Articulate the university priorities then align resources to drive them, e.g., strategic funds, space, subvention
- Optimize the model by investing in the behaviors that advance the institution

Learning

- Better educate deans and officers on the purpose of the model and develop institutional capacity for the tool among leaders and decision makers.

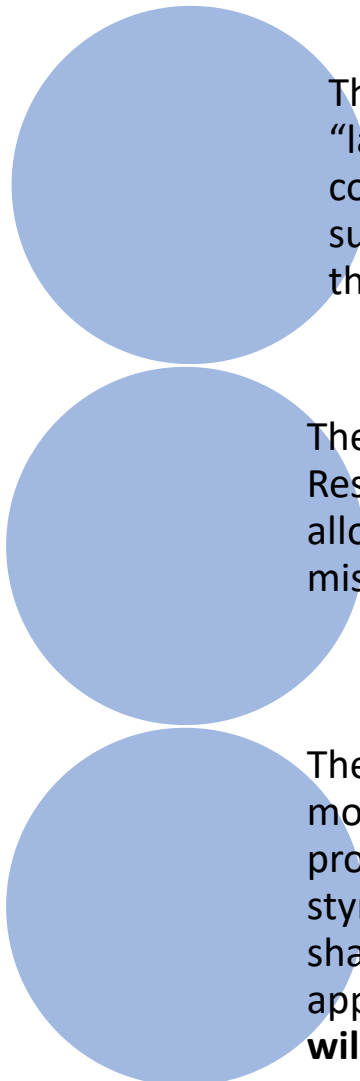
Appendix

Support documents and resources can also be found on our [website](#) and the Budget & Finance tab of TUportal



Key Findings

Qualitative data revealed important themes, supporting the quantitative findings...



The model **unfairly financially benefits some units and burdens others**. For some the pressing issue is that “larger departments have more opportunities for making money,” and smaller units are undervalued for their contribution to the university mission. For a few, the problem is that it forces “successful” programs to subsidize others that do not generate significant revenue. Whatever their perspective, the clear message is that these respondents feel **the model leads to unequal opportunities for growth** across the university.

The structure of the model **disables long-term program planning and achievement of strategic priorities**. Respondents had different perspectives on how this happens: for some they feel they forfeit too much in allocated costs; others feel they are not adequately subsidized for their contribution to the overall university mission; still others lament the inability to retain more of their own extra revenue year to year.

The **inherent structure limits innovation and collaboration across the university**. Some remarked that the model directly leads to units having limited carryover funds, and therefore no cash on hand to invest in programs that will not be immediately profitable. This limits the ability of the unit to innovate, and effectively stymies pursuit of long-term growth. Indirectly, the model makes collaboration costly - due to the revenue sharing required – and units prioritize protection of their funds and devalue collaboration. Essentially, the RCM approach **not only changes what units can afford to do in terms of collaboration, it changes what they are willing to do**.

Key Findings in 2017 & 2021

Over the course of both reviews, several issues were ascribed to the RCM model which appear to be symptomatic of other institutional challenges. The following challenges were identified throughout the stakeholder discussions. Although some may be exacerbated or highlighted by the RCM approach, there is no viable way to overcome these challenges with a change to the financial model alone.

- 1) Research of peer institutions found **evident support for RCM at the highest levels** of administration in other institutions, something not found at Temple.
- 2) Survey data uncovered **inconsistencies in practices** related to RCM among the colleges at Temple, which **hindered some colleges from fully capitalizing on the model's benefits**. The data also gave more detailed insights into the Dean's engagement of faculty and staff in the budgeting process, as well as strategic prioritization.
- 3) Internal interviews showed that Temple faculty felt there is an **overall lack of transparency** related to the financial and academic performance of the schools/colleges. The research also showed that **in some colleges there is a lack of expertise to capitalize on the newfound autonomy afforded by RCM**.
- 4) Interviews also revealed the schools/colleges **have not yet adopted a set of benchmarks to measure and recognize progress attributable to the model**.
- 5) During the interview process many stakeholders expressed **frustration with the allocation process**. Many respondents felt their **ability to control costs was hindered** by a lack of input into the budgeting of central services, and several responses revealed a misunderstanding of the methods used in the allocation process.

Key Findings in 2017 & 2021

Commonwealth Appropriations

Flat or slow growth of revenues outside of Temple's direct control are often conflated with other financial management challenges

Enrollment

Desire for more School/College input on undergraduate admissions and a more strategic and agile approach to financial aid

Branch Campus Utilization

Treatment of Ambler, Center City & Rome campuses beget questions about the University's overall strategy.

Data Analysis and Support

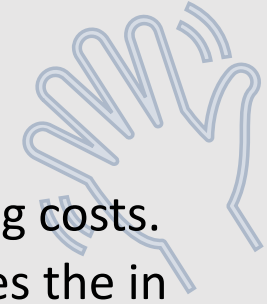
Lack of analytical expertise and support for schools/colleges & support units who need access to timely data to make informed decisions

High Cost of Research

Research costs are intrinsically high across the sector currently and historically regardless of cost allocation rules, and the costs of research are never fully recovered

More Survey Results

What else did we learn?



- 52% of respondents have responsibility for generating revenue or containing costs. Service units feel far more incentivized to contain costs than their colleagues in schools/colleges where 30% academic administrators and 47% faculty feel they are not incentivized to contain costs
- 72% report they do not believe that RCM sufficiently supports strategic plans and priorities of their school/college/departments and 55% of respondents report not knowing how funding priorities are established
- 33% of faculty and 48% of academic deans indicated they have adequate access to data to make informed decisions and 29% of respondents report participating in training

Survey Results...

Q5 Do you feel you have adequate access to data to help make informed financial decisions?



62% reported not having adequate access to data

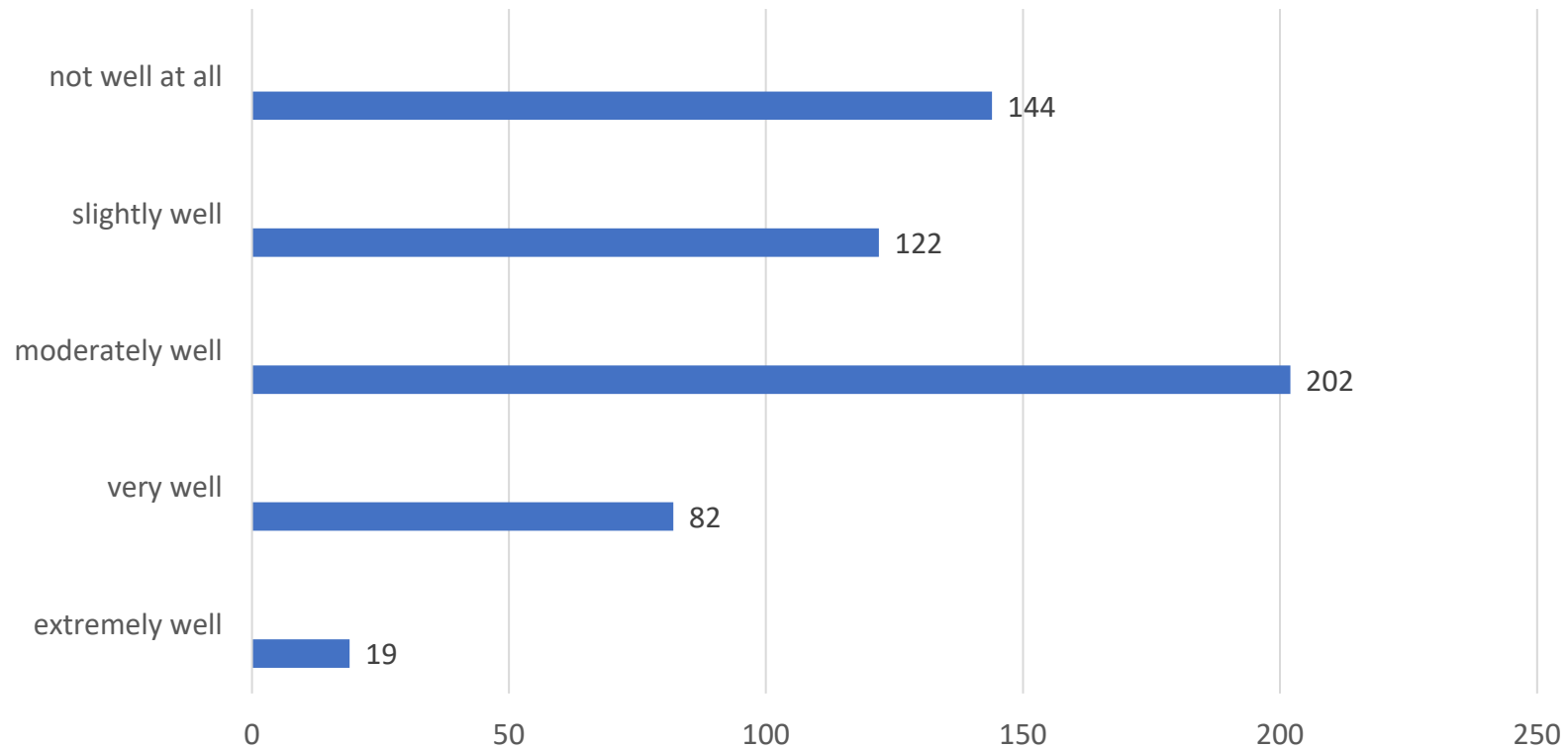
Access to data should be made more easily available to the Colleges, so they can disseminate to the departments

The problem in my college is that the Dean and admin have made decisions supposedly "based" on data but have not shared actual data in any sort of transparent way. RCM without expectations for behavior and inclusiveness...is a recipe for the creation of mini-fiefdoms.....

I do not have clear instructions on how to determine the post-program amount of revenue that was generated to determine if my programs are off-setting the total cost of running them. Additionally, if there was a calculator or downloadable excel with formulas that would allow for external programs (like study abroad) to determine the total costs versus revenue of programs based on credit hours generated that would be helpful.

Survey Results...

Q6: How well do you understand the university's approach to budgeting and the budgeting process?



Survey Results...

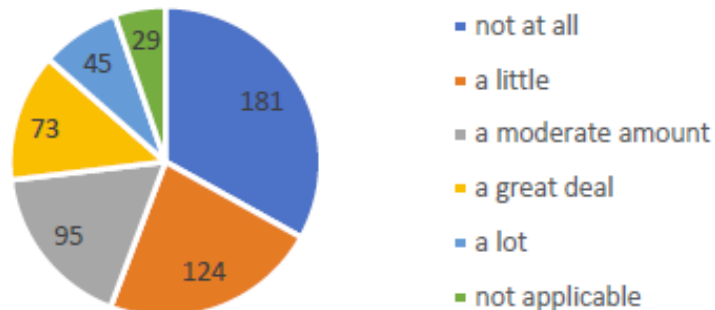
Q7 Do you know how your school/college/department establishes funding priorities?

I am a Department Chair with a good working relationship with my Dean's Office. The main issue for me is not getting the budget for my department until a few months into the financial year. I would also like to learn more about the bigger picture of college finances, but I understand that I am only a Chair.

55% report not knowing how funding priorities are established – an increase from 53% in 2017



Q8 How much does your dean or administrative leader engage you in the strategic planning and budgeting process?

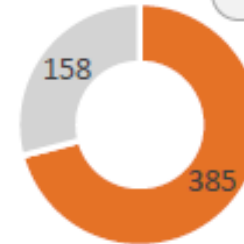


56% reported little engagement or not at all

Survey Results...

Q9 Have you participated in any of the RCM training or on demand learning and development sessions that have been offered since RCM was introduced?

29% report participating in training -UP from 13% in 2017



- no
- yes
- (blank)

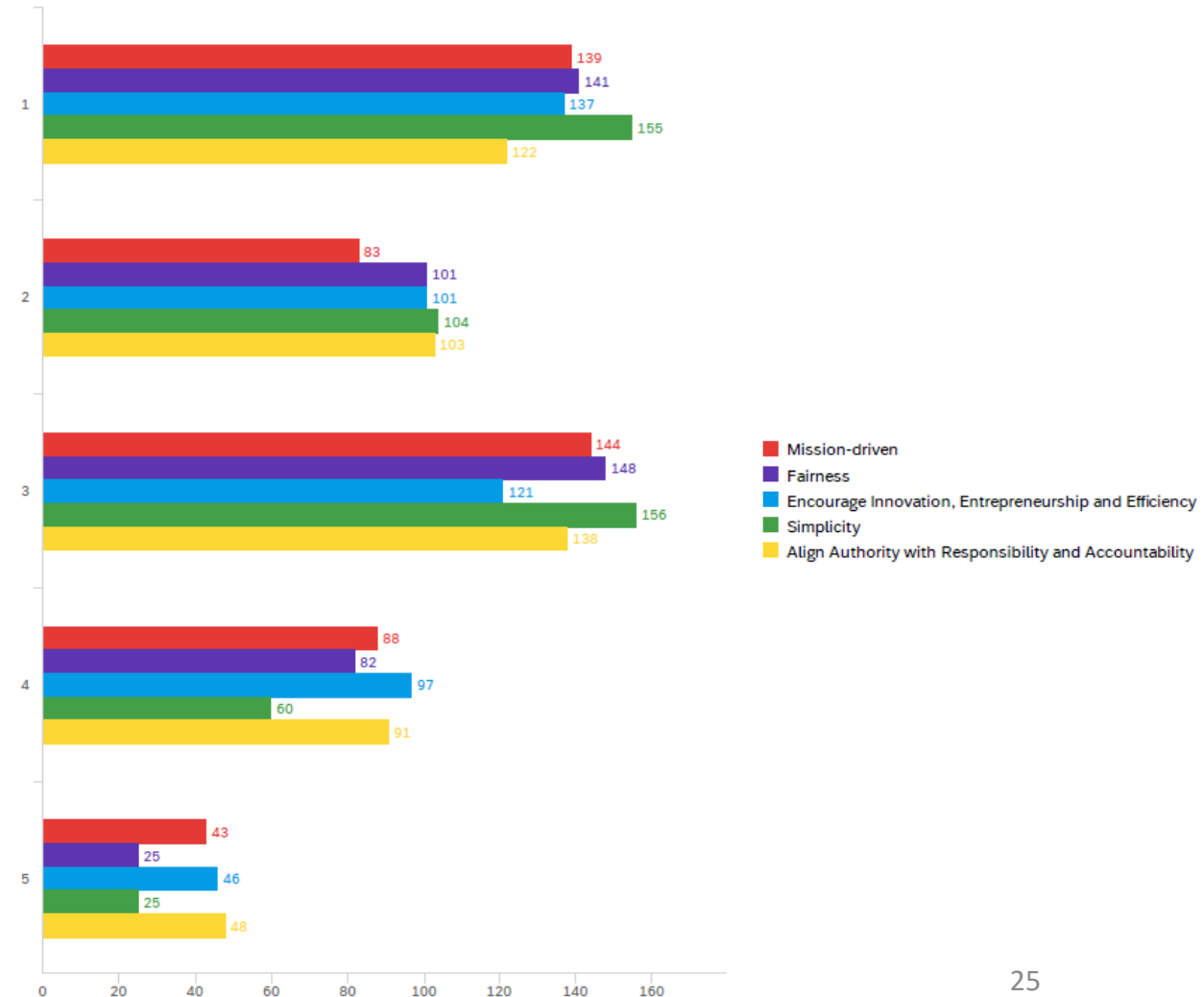
The university needs to build out the budget office or a similar area in the Provost Office to be a decision support...that can provide a road map for our businesses. This suite of tools and others like it should be developed for the schools. This would be better than individual business managers building uneven capacity. I imagine that it would be highly beneficial to review our business processes and how we input data on the front-end with the lens we can better leverage Banner tables for better data outputs/reporting.

The University paid so much for banner - but never made use of all the features which worked together - perhaps someone should check out UMDNJ or now Rutgers and see how their banner system works to full capacity. Instead of allowing departments to go out on their own and get other vendors so that we have a different vendor for so many items - in the end the university probably spent more than if they developed the infrastructure that was available.

Survey Results...

Q11: Please rate from 1 (low) to 5 (high) how well the university's approach supports each one

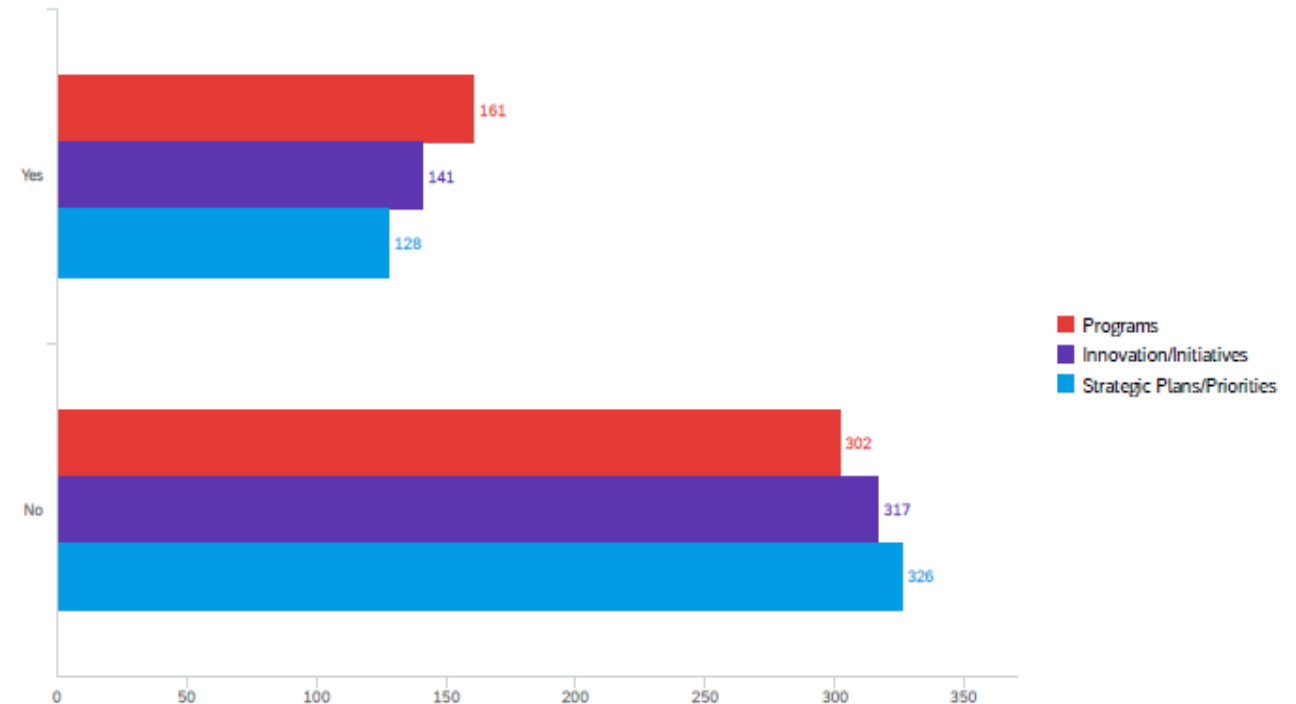
Guiding Principle	Mean	Count
Mission-driven	2.62	497
Fairness	2.49	497
Encourage innovation, entrepreneurship & efficiency	2.63	502
Simplicity	2.39	500
Align authority with responsibility & accountability	2.68	502



Survey Results...

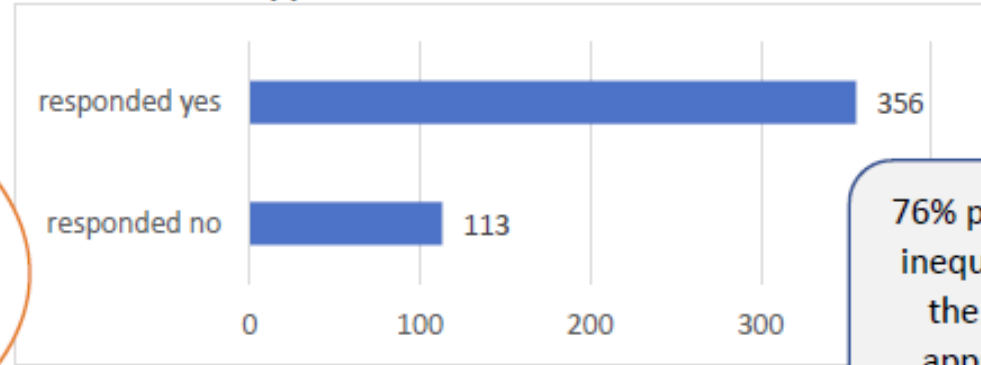
Q14: Do you believe that the current RCM model sufficiently supports your school/college/department – Programs?
Innovation/initiatives? Strategic plan/priorities?

	YES	NO
Programs	35%	65%
Innovation / Initiatives	31%	69%
Strategic Plans / Priorities	28%	72%



Survey Results...

Q16 Do you perceive there to be inequities in the RCM approach?



76% perceive
inequities in
the RCM
approach

We have different tuition rates and not all colleges and schools can build infrastructure required to innovate and grow, which places a greater emphasis on receiving the support of central units which do not have the necessary will and/or bandwidth to effectively

In our department, more recently, we do receive some understanding of the budget allotted and what we can spend. We do not know the budget of other departments and disciplines and whether there is any discrimination being practiced. There may be a hierarchy of disciplines in that some are favored and others not. If that is the case, we are not informed. Without an overall understanding of how money is distributed to departments, or any knowledge of whether there is a controlling mechanism that seeks fairness and if so how? Most professors are very likely only interested in their own financial needs and perhaps that is enough.



RCM Optimization

Temple's Cost & Services Committee and RCM Optimization Committee began working with findings and recommendations January 2022



Agenda: Revenue Allocations

- Review of issues identified by survey
- Current state of revenue allocations
- Areas to focus
- Peer comparison
- Suggestion for revised allocations

Issues Identified

- Model inherently disadvantages units that do not generate credit hours or tuition revenue
- RCM model discourages interdisciplinary and collaborative efforts amongst units
- Disincentivizes innovation within units and discourages collaboration between them
- Allocation of appropriation is not consistent or transparent
- Historical spending habits are embedded in model (hold-harmless)
- Internal competition for credit hours at the expense of the student experience
- Allocation of subvention and/or strategic fund not clear

Current State

- Undergraduate Tuition
 - Fall and Spring
 - Base tuition pooled centrally and allocated to schools based upon instructional credit hours of previous fall and spring term
 - Differential tuition 100% to home college
 - Summer Sessions
 - 100% to home college and tuition transferred to instructional college based credit hour generation
- Graduate and Professional Tuition
 - 100% to home college and tuition transferred to instructional college based credit hour generation
- Fees, Indirect Cost Recovery, Other Income
 - 100% to revenue center generating the revenue

Areas to focus

- Allocation of Tuition Revenue – Undergraduate Revenue
- How does Commonwealth Appropriations factor into tuition pool?
- How should Subvention Pool / Strategic be funded?