

RCM and the Land Grant Model

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Project Background - RCM

- ◆ Responsibility Center Management (RCM) was implemented at Rutgers in 2016
- ◆ Financial model that gives revenue-generating units responsibility over their own revenue and expenditures
 - Increase transparency
 - Promote responsible management of resources
 - Incentivize entrepreneurial thinking
 - Allow better resource allocation decisions
- ◆ Primary focus to align revenue generation with increases in expenditure costs within units

Project Background - The Land Grant Model

- ◆ Land Grant Model established in 1862 through Morrill Act which gave states federal lands to fund research and education in areas of agriculture, science and engineering
- ◆ In 1914, expanded to include extension and education services through the Smith-Lever Act
- ◆ Both the agricultural experiment stations and the cooperative extension services rely almost completely funding from State funds provided through land-grant system and Federal formula funds to achieve their mission of research, extension and education
- ◆ Rutgers designated the land-grant university of NJ and established the NJAES in 1864, with RCE formed as a sub-unit within the NJAES with passage of the Smith-Lever Act

Incompatible Models

- ◆ Statutorily mandated funding through the State and Federal formula funds declining in real dollars over time
- ◆ NJAES does not generate revenue from tuition
- ◆ Limited ability to secure grants and contracts, often with State agencies at reduced indirect rates
- ◆ Experiment Stations typically manage large amounts of land and buildings both on and off campus to support its mission, disproportionately affecting its costs under RCM compared to other units
- ◆ Cooperative Extension integrated into Experiment Station
- ◆ Land Grant Model designed to serve the public and has a strong service component aimed at providing societal impact regardless of profitability

Issues with Implementation

- ◆ State appropriation treated as revenue under RCM cost pools
- ◆ No indirect on Formula Funds but treated as grants so all expenses out of pocket
- ◆ High level of State contracts with reduced indirect rates
- ◆ Off-campus facilities being charged for IT support cost pools when no support provided
- ◆ All square footage treated the same (barns/animal quarters treated same as full labs)
- ◆ No accounting for deferred maintenance

Example:



No walls, no utilities

Total RCM space cost: \$34,644

- \$29,774 Operations & Maintenance
- \$1,849 Public Safety
- \$3,020 Information Technology

What are other land grant universities doing?

◆ University of Delaware

- State lines are not included in the RCM calculus
- Incentivize research by allocating 25% of unrestricted State funding and tuition to research programs
- Transitioned from strict RCM to RCM-Lite (50% tax on all revenue to cover cost pools) to hybrid block/RCM (new president)

◆ University of Illinois

- No State appropriation, fully reliant on tuition (AES integrated into college)
- “Common Good” centers and institutes subsidized (Extension)
- All outlying stations out of RCM inventory since not maintained by university
- Problem: \$.62 per \$1 revenue charged on revenue but indirect rate maxed at 58%. No indirect on capacity funds.

Future Work

- ◆ Continue interviewing experiment station directors from other universities
- ◆ Develop a framework that contextualizes the NJAES implementation of RCM to other land-grant universities
- ◆ Work with NJAES executive leadership to develop potential policy solutions that could be proposed to University leadership
- ◆ Present framework and potential outcomes to university organizations such as APLU, NERA and NEED

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Thank You!

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