



WAYNE STATE UNIVERSITY

New Budget Model Overview
Board of Governors
December 6, 2019

Background: Moving from Incremental to RCM-based Model

Current Budget Model- “Incremental”

- Results in incremental budget changes from a unit’s previous year base budget
- Simple to understand
- *Provides little to no incentive for leaders to grow revenue or become more efficient in their spending*

What is “Responsibility Center Management (RCM)?”

- A financial management philosophy focused on operational decentralization
- Align authority with responsibility by moving budget authority from central administration out to the individual schools/colleges/divisions
- Enable units to have greater control over the revenue they generate and the costs they incur
- Can create incentives for revenue generation and cost effectiveness



Timeline

BOG PRESENTATION, INTRODUCTION OF A NEW BUDGET MODEL

TASK FORCE RESEARCH MODEL DEVELOPMENT

FINALIZE MODEL ELEMENTS
FY 2020 BUDGETS- RCM
BOG, STATUS UPDATE

2017

Fall 2018

2020

Early 2017

2018

2019

PROJECT KICKOFF
TASK FORCE CREATION
BOG, STATUS UPDATE

PRELIMINARY RCM PRO FORMA
SCHOOL/COLLEGE PRESENTATIONS
COLLECT FEEDBACK
BOG, STATUS UPDATE

RCM "GO LIVE", FY 2021



Expectations and Next Steps

What is the new budget model expected to do?

- Encourage and reward revenue generation and cost effectiveness
- Provide transparency in the budgeting process and flow of funds
- Link dean authority and financial responsibility



What is the new budget model NOT expected to do?

- Create new resources at time of implementation
 - The model itself does not generate additional revenue
- Provide an all-encompassing solution to higher education funding concerns
- “Every Tub on its Own Bottom” approach



Going Forward...

- Training
- Continuous improvement of the model
 - Critical to have both model stability and regular opportunities for improvement

