WSU Budget Model Redesign
Model FAQs

Initiative Background / General Questions

1. What is a Responsibility Center Management (RCM) budget model?
    a. An RCM budget model is an incentive-based budget system that aligns revenues and expenses (including indirect administrative and facilities costs) with colleges, schools and campuses that produce the revenues through tuition and research. Incentives primarily involve the retention of incremental revenues generated.
        i. *[Link to Dec 2021 Presentation to WSU Community]*

2. What pre-work was completed to ensure the Executive Budget Council (EBC) had appropriate background and insights to inform the budget model design?
    a. The EBC reviewed WSU's historical budget model and reviewed a spectrum of potential incentive-based budget models at peer universities before customizing an RCM budget model specifically for WSU. The EBC then collaborated with stakeholders to refine and build consensus for an initial RCM budget model proposal and is continuing to study and refine a budget governance structure proposal.
        i. *[Link to April 2022 Presentation to WSU Community]*

3. What will a new RCM budget model do for WSU?
    a. A new model will:
        i. Establish a new set of criteria for presenting WSU's financials and informing resource allocation decisions
        ii. Re-design allocation incentives (e.g., enrollment growth), based on outputs such as SCH production, research production, other strategic priorities.
        iii. Include mechanisms to fund central services and strategic investments, and provide transparency for both
    b. A new model will NOT:
        i. Validate / invalidate historical individual unit spending levels
        ii. Indicate overperformance / underperformance based on bottom line
        iii. Generate new unit budgets

4. What is the timeline planned for the new RCM budget model implementation?
    a. The budget model development phase began at the beginning of FY22, and the current plan is to conduct a "parallel year" in FY23. In this parallel year, WSU will operate under the existing budget model, but will run the new RCM model simultaneously to understand how financials would look under new model structures—essentially reviewing on a quarterly basis planned vs. actual revenues—and to continue to refine the model in real time. WSU tentatively plans to go "live" with the new model in FY24.

5. What structures are in place to successfully manage the change to an RCM budget model? Will there be a process for revising policies to adapt to challenges encountered during the transition to an RCM budget model?

a. System leadership and the EBC are currently designing a budget model governance structure that will include several committees charged with overseeing the successful execution of the annual budget process in an RCM environment and will work with System leadership to review and revise policies as needed. Further, the "parallel year" is intended to provide stakeholders with an opportunity to surface any concerns surrounding the model as they arise and provide leadership and the EBC ample time to refine the model and/or attendant processes as appropriate prior to go-live.

Budget Model Organization

Responsibility Centers

1. Will Everett function as its own RC?
    a. Yes, in the new model, Everett has its own budget and functions independently as a RC. Other campuses (e.g., Tri-Cities, Vancouver) function as RCs as well.

2. How is WSU Extension accounted for within the RCM budget model?
    a. WSU Extension sits within CAHNRS on Pullman's campus. Its financials are broken out within CAHNRS, however, to enable understanding of WSU's obligation to manage an organization that by its funding nature cannot fully fund its operations (including indirect costs).

3. What safeguards are in place to ensure programs do not adjust their degree/course offerings to try and maximize program revenue?
    a. The Provost's Office will maintain oversight of academic quality and system-wide efficiency and effectiveness in academic programming to avoid any potential "gaming" of the system (e.g., launching redundant courses to capture additional tuition revenue), in coordination with the Faculty Senate.

4. What incentives will RCs have to generate net positive margins?
    a. RCs are incentivized to maximize revenues, operate efficiently, and "beat" target margins to generate funds to finance strategic initiatives within their unit and to build reserves. Targets may be negative, and a RC "beating" that negative target may retain some or all of those marginal funds based on carry-forward policies that are currently under development.

Administrative & Support Units

1. When will service level agreements be developed that explain the services units will receive in return for A&S cost allocations?
    a. The Cost & Services (C&S) Sub-Committee will help promote the development of service-level agreements between RCs and select A&S Units. WSU leadership and the EBC will finalize the future budget model governance structure and elect membership to the C&S Sub-Committee.

2. How does the model account for campuses that have their own support services compared to campuses that do not?
   a. A thorough review of institutional data was conducted to identify campuses that fund their own A&S costs in lieu of consuming central System-wide A&S services. Campuses will not be charged for central services via A&S cost allocations if they provide similar services for themselves. For example, each campus funds its own Student Affairs A&S Unit, so the previous “central” Student Affairs A&S Unit is funded solely by the Pullman campus.

Budget Model Mechanics

Revenue Allocations

1. What are 'Other Revenues'?
   a. “Other Revenues” include all revenues that are not allocated via model methodology (i.e., student fees, gifts, etc.), and instead flow directly to the unit(s) responsible for their generation.

2. How are summer / winter terms accounted for in the RCM budget model?
   a. All terms in the academic year are considered in the RCM budget model.

3. How will revenue be allocated when a program is online but housed in a college?
   a. Undergraduate tuition is allocated based on which unit funds the instructor’s salary and where the student is enrolled. Graduate and professional tuition is allocated directly to the generating campus / college *(See Question 1 for more detail)*.
   b. If an undergraduate student enrolled in College X takes an online course, 75% of undergraduate tuition revenue will be allocated to the college that funds the online instructor and 25% of undergraduate tuition revenue is allocated to College X. If a graduate student from College X takes an online course, 100% of tuition revenue will be allocated directly to the generating campus / college.

4. How are double majors / minors / undeclared students accounted for in the RCM budget model?
   a. All student majors, second majors, minors, and ‘areas of interest’ are included in the model and inform allocations.

Cost Allocations

1. Does the quality of the assigned square footage factor into the RCM budget model?
   a. All net assignable square footage is factored into the RCM budget model, and the model does not (yet) include any considerations for varied space quality.

2. How are utilities costs allocated in the RCM budget model? How does the RCM budget model incentivize energy conservation?
   a. Utilities costs are a direct cost and are assigned directly to RCs. The RCM budget model incentivizes energy conservation by allocating energy costs to the

RC generating the costs, therefore if a unit reduces energy costs, it will pay less (i.e., its bottom-line margin will improve).

3. How are salaries assigned in the RCM budget model? If an individual sits in multiple campuses or units, who bears the cost?
    a. Faculty compensation is assigned to the generating campus via payroll. If a faculty teaches in multiple units, their compensation will be divided according to their FTE designation in each unit according to payroll.

Participation Fees & Stabilization Funds

1. What is the participation fee and how is the participation fee utilized?
    a. The participation fee is a 20% charge levied to unrestricted revenues in RCs to create a pool of central funds, which will be utilized to offset RC negative margins (where warranted), provide seed funding for new initiatives, fund system-wide strategic priorities, as determined by leadership.

2. What is the stabilization fund within the RCM budget model?
    a. The stabilization fund is sourced from the strategic funds generated by participation fees and is invested back into RCs to stabilize direct expenditures as warranted and into other OneWSU strategic priorities.

3. How and on what basis (or cycle) are the stabilization fund payments decided upon? Will unit-level stabilization distributions change yearly?
    b. Negotiations for stabilization fund allocations to each unit will be a component of the annual budgeting process once the model is live and distribution levels will be negotiated for each year.

4. How will carry forwards be managed in the RCM budget model?
    c. Policies for carry forwards are currently being designed as a component of the Model Governance Structure.