Reviewing the RCM Review
What Five Years Taught Rutgers about a Broken Budget System

University Budget and Priorities Committee
Our Takeaways

1. RCM prioritizes revenue generation over the academic mission.

2. RCM concentrates power in an unaccountable central administration.

3. RCM imposes a metric-driven process that disguises administration control.

4. RCM penalizes Camden and Newark by creating perpetual austerity.

5. RCM discourages collaboration across disciplines and departments.

6. RCM causes confusion and inefficiency.

The following members of the Rutgers AAUP-AFT University Budget and Priorities Committee contributed to this report:

- Michelle Gittelman, Associate Professor of Management and Global Business, Newark
- Andrew Goldstone, Associate Professor of English, New Brunswick
- Erin Santana, PhD Candidate in American Studies, Newark
- Troy Shinbrot, Professor of Biomedical Engineering, New Brunswick

Assisted by union staff Jacob Chaffin, Alan Maass, and Sherry Wolf.
Reviewing the RCM Review

The Rutgers administration’s five-year review of the RCM (Responsibility Center Management) budget system—completed at the end of last semester with a 121-page report from the review committee to President Jonathan Holloway—has exposed major flaws in a system that our union has long criticized for the burdens it places on our departments and programs and its lack of accountability and transparency.

“RCM at Rutgers: A Five-Year Review” is honest and direct about the system’s shortcomings and makes recommendations for major, not incremental, changes to fix the problems. The report concludes that RCM could work—but that it currently is not working and is, in fact, counter-productive to promoting excellence at the university. To quote one of many such passages:

The current budget model appears to discourage desired behaviors or impede mission-critical programs and initiatives, including those that relate to Ph.D. education, arts and humanities, diversity, equity, and inclusion, and those that support students or further the University’s public mission. (6)

The report dwells not only on the technical details of the budget process but the larger question of how a budget system should be shaped to meet the strategies and priorities of the univer-
sity, and not the other way around. Without the establishment of clear strategic priorities and then designing RCM to support those priorities, the cart is leading the horse. “To ensure that the budget model is working in the service of the university, there is a need for deliberate, intentional, and difficult work to more clearly establish the priorities that the budget model must support,” the report’s executive summary concludes (7).

The widespread discontent with the RCM system is starkly revealed by the results of surveys conducted for the five-year review. In a survey of some 1,500 faculty and staff, fewer than one in seven faculty and staff with some or a lot of engagement with the RCM process agreed with the statement: “The RCM model helps achieve the institutional priorities of Rutgers.” Barely 5 percent agreed that “The RCM model supports Rutgers in becoming a beloved community” (95–98, 113–116).

Significantly, the results were similar in a survey of 100 mem-

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**RCM at a Glance**

- RCM requires each individual unit to pay for its expenses out of the revenue it generates (from tuition, grants, and other sources), minus a portion of that revenue transferred mainly to the central administration.

- The percentage of this “cost pool transfer” varies from unit to unit, but the median share taken under RCM is 21 percent.

- The transfer is ostensibly for “general overhead (‘taxes’) for strategic initiatives at the University and chancellor levels,” according to a University Senate committee report drafted when RCM was adopted.

- Though some of the transferred revenue goes to centralized expenses, like libraries, over half of it is controlled by the central administration, which spends it however they like, without accountability or transparency.

- Meanwhile, academic units have to scramble to balance their budgets after the administration has taken its cut off the top.
bers of the Rutgers Administrative Council—the top administration of the university. Fewer than one in three Council members agreed that “The RCM model helps me meet the financial goals of my unit”; barely one in six agreed that “The RCM model helps achieve the institutional priorities of Rutgers”; and not even 4 percent agreed that “The RCM model supports Rutgers in becoming a beloved community” (52–53, 57–60).

It is worth pointing out that this review was written by a committee stacked with personnel from the highest levels of the university, where support for RCM might be expected to be concentrated. Among the 27 members of the RCM Review Committee, eight hold the title of Dean, six of Vice President, and six of Vice Chancellor. The eight-member RCM Steering Committee was exclusively made up of Chancellors and Executive Vice Presidents.

The RCM review has revealed a budget system that is inadequate for Rutgers’ academic mission and downright harmful to critical parts of our university. The committee recommended significant changes to stop RCM from being counterproductive.

So what will happen to the report and its recommendations? Will they sit on a shelf and gather dust? The answer to that depends on the commitment of President Holloway and the top level of the administration to change direction from the corporate style of ex-President Barchi, who brought RCM to Rutgers. But there is no way forward with RCM or any other budget system without an accompanying commitment to share governance over our public university with the people who make it work. It is up to faculty, grad workers, staff, and students to demand a greater say in university budget decisions and finances.
How Unpopular Is RCM?

The RCM Review Committee administered two surveys about RCM: one for all faculty and staff and another for the Administrative Council, the 100 or so highest-ranking administrators throughout the university. Participants were asked to agree or disagree with a series of statements.

The opinions about RCM expressed in the survey were highly negative, including among the administrators, who might be expected to have a more positive view of RCM. Below are the results from two questions.

The RCM model supports Rutgers in delivering academic excellence through our teaching and research.

Responses of faculty and staff*

- Totally disagree: 37.3%
- Somewhat disagree: 19.5%
- Not sure: 32.4%
- Somewhat agree: 7.8%
- Totally agree: 2.7%
- Did not respond: 0.3%

Responses of the Administrative Council

- Totally disagree: 18.2%
- Somewhat disagree: 24.7%
- Not sure: 37.7%
- Somewhat agree: 11.7%
- Totally agree: 3.9%
- Did not respond: 3.9%

The RCM model supports Rutgers in becoming a beloved community.

Responses of faculty and staff*

- Totally disagree: 46.2%
- Somewhat disagree: 18.6%
- Not sure: 28.6%
- Somewhat agree: 3.5%
- Totally agree: 2.4%
- Did not respond: 0.5%

Responses of the Administrative Council

- Totally disagree: 41.6%
- Somewhat disagree: 26.0%
- Not sure: 23.4%
- Somewhat agree: 2.6%
- Totally agree: 1.3%
- Did not respond: 5.2%

*Results from the survey of faculty and staff were divided according to participants’ level of involvement with the budget process. The results here are for faculty and staff who are heavily involved with the budget process.

Source: “RCM at Rutgers: A Five-Year Review,” pages 59, 61, 80, and 82
1. RCM Prioritizes Revenue Generation over the Academic Mission

The RCM review states bluntly:

The current budget model appears to prioritize revenue generation over academic excellence and the public mission. This is particularly concerning for units that are dependent on university and Chancellor-level budget support.

The Committee found that the design of the current budget model and the metrics used for certain calculations appear to encourage behaviors that favor revenue generation over other contributions, disadvantaging many non- or low-revenue-generating units that play a critical role in the university’s public mission and hindering some important academic and mission-critical strategic initiatives. (13)

Essentially, RCM pressures departments and programs to do anything they can to increase income, in the form of more tuition dollars and research funding. RCM has no mechanism to ensure that funds flow from the central administration to cover shortfalls in critical programs and departments. The only certainty is that money will flow the other way—away from the parts of the university that do the teaching, research, and service.

The justification for this emphasis on revenue generation is that introducing business principles into the university leads to greater efficiency and a more effective allocation of resources. But the RCM five-year review shows plainly that the exact opposite has happened.

For example, the report describes how PhD education—a
critical element of higher education at an institution like Rutgers—is undermined by RCM. The report states:

The design of the RCM model does not recognize mission-critical programs that may be unfavorable financially for a responsibility center to deliver, such as doctoral graduate education. This lack of recognition creates a tension between delivery of the mission-critical programs and the “bottom line” of the responsibility center. For example, the nature of doctoral graduate education requires significant financial support for doctoral students. If that support is not provided by sponsored research, the responsibility center must provide the funding. To provide the funding, the responsibility center must have a financially strong undergraduate and/or masters level program providing the funding for the doctoral program. If that is not the case, the responsibility center may be required to diminish doctoral education to meet its financial responsibilities. (31)

Another example is how RCM-enforced austerity punishes departments with non-grant-funded faculty for doing research instead of teaching more undergraduates. This in turn creates an incentive for the university to rely on adjunct or lower-paid non-tenure-track faculty. The report states:

For example, to conduct research, responsibility centers may provide faculty relief from teaching by reducing the teaching load. If that reduced load is not funded by sponsored research, the responsibility center is required to fund the reduced teaching load by utilizing part-time lecturers or supplementing tenure track faculty.….The current model does not create opportunities for responsibility centers to receive additional resources to support research or academic excellence. (32)
To remedy this, the report recommends adding to RCM “a formula that incorporates revenue generation, non-sponsored research requirements and production, and teaching excellence into the distribution of resources” (32).

2. RCM Concentrates Power in an Unaccountable Central Administration

In theory, RCM is a decentralized budget model under which, as the report puts it, individual academic units “control their own revenues and direct costs (salary, space, etc.) and take on a share of indirect costs (university-wide and shared services, like the library, enrollment management, purchasing, etc.),” thereby “align[ing] with the units that generate them” (8). But that “control” exercised by departments and programs is subject to the dictates of the central administration.

In reality, the adoption of RCM under former President Bar-chi concentrated power over the budget in the hands of the top administration. Rather than a system of negotiation between different layers of authority in the university, the responsibility in Responsibility Center Management only goes one way: the central administration demands accountability from departments and programs, but it isn’t held accountable for its own budget and spending. As the report states: “Governance and design of the budget model are removed from university stakeholders who feel they are best positioned to offer guidance about the impact of decisions” (18).

RCM disguises the transfer of revenue from academics to
administration. The central administration’s expenses—$1.1 billion for 2021–22, 22 percent of the university’s overall budget—are largely paid for by tuition, grants, and state funding, none of which are generated by administrators. The bulk of the central administration budget—$660 million in 2021–22—is transferred through the RCM “cost pool” mechanism, a tax that takes revenue away from each teaching/research unit.

As our union wrote in a fact sheet on RCM published last year:

The central administration spends that money however it wishes, with no accountability. But academic and research units have to balance their budgets after losing a hefty share off the top.

Thus, the administration not only gets a smokescreen to hide the transfer; RCM pressures everyone else to fight over what’s left. Schools, centers, programs, and departments become responsible for imposing the cuts and austerity that are inevitable when they are forced into a financial straitjacket by RCM and have to make decisions based on what costs less, not what’s best for academics. Faculty, grad workers, staff, and students all pay the price.

At a presentation before the University Senate this fall, President Holloway responded to criticisms of the Rutgers Athletics financial disaster by stating that no unit at the university makes money. But this is not true. It only appears that way because RCM transfers funds away from academic units that bring in revenue and gives it to administrative units that only spend money.

To be sure, some of the central administration’s “cost pools,” like the libraries, provide essential support to the academic mission. But the $31 million transferred to libraries is a small fraction (5 percent) of the total transfer. Most of the money is going to purely administrative units like the Chief Financial Officer and Chief Operating Officer.

The report acknowledges that there is no oversight and control over the central administration. “Current structures for managing central costs and engaging with central service providers
lack clarity, creating concern about the existing mechanisms for oversight and quality control,” the report states (17).

The Review Committee’s recommendation for an “RCM Shared Governance Advisory Committee” (29) highlights the current system’s lack of any real oversight of the top administration or process for academic units to shape university-wide budgetary decisions that affect their individual circumstances. A recommendation for the central administration to enter into “Service Level Agreements” that “document and define ranges of services” it provides to the academic units (17) is a further acknowledgement of the problem, if not necessarily something that will fix the flaws of RCM without a shift in overall priorities.

3. RCM Imposes a Metric-Driven Process that Disguises Administration Control

The numerical formulas used to allocate costs under RCM give the appearance of impartiality (or they would if those formulas were public knowledge). But the top administration alone controls the formulas, and they shape them to suit their priorities, without input from those engaged in the real work of the university.

RCM’s reliance on supposedly objective formulas is an example of a wider trend toward metric-based management, which has increasingly been shown to serve as a cover for top-down managerial abuse of power and lack of accountability. RCM creates the illusion of decisions being made simply on the basis of the algorithms, without humans imposing their values. But this hides the very human choices made by administrators, who control the formulas and can adjust them to get the outcomes they want. Thus, it is no accident that, as the report states, “the design of the current budget model and the metrics used for certain calculations appear to encourage behaviors that favor revenue generation over other contributions” (13).
Recent media analyses of social media companies have shown how seemingly value-free algorithms embed inequality. But metric-based management has always been used as a smokescreen for consolidating managerial power over resource allocation decisions.

4. RCM Penalizes Camden and Newark by Creating Perpetual Austerity

According to the budget summary for the current year, New Brunswick, Newark, Camden, and RBHS will all have more revenues than expenses in 2021–22. Estimated total revenues for Newark will exceed total expenses by $93.7 million. Camden campus, routinely penalized for supposedly being in deficit, is expected to have $10.9 million more in revenues than expenses. But these surpluses are greatly reduced—and in Camden’s case, turned into a deficit of $32.9 million—by the RCM-driven transfers to central administration.

The burdens that RCM places on all academic units fall disproportionately on the Camden and Newark campuses, reinforcing historic disparities. The chief reason for this impact is that RCM makes no allowance for the important mission of these campuses to make college accessible to lower-income students. The report states:

In Camden and Newark, tuition discounting—scholarship allocation—is especially heavy to support programs like RUN to the TOP and Bridging the Gap, and results in a lower overall tuition revenue stream. And, at the heart of this dynamic, lies the somewhat distinct particular missions of the campuses: for Camden and Newark a college-access commitment all but requires an aggressive tuition discounting plan. If this results in lower revenue and if central cost pools are assessed at the same rate across the campuses, then the deleterious impact of this funding scheme becomes obvious. Responsibility Center cost pools are calculated on the same metric (headcount) as opposed to revenue (which
How RCM Turns a Surplus into a Deficit

All Rutgers campuses are expected to have more revenues than expenses in 2021–22. But the surpluses are greatly reduced—and in Camden’s case, turned into a deficit—by RCM’S transfer of funds to central administration.

**Before RCM taxes the campuses** (revenues minus expenses)

<table>
<thead>
<tr>
<th>Campus</th>
<th>Surplus</th>
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<tbody>
<tr>
<td>Camden</td>
<td>+$10.9 million</td>
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<tr>
<td>Newark</td>
<td>+$93.7 million</td>
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**After RCM taxes the campuses** (revenues minus expenses)

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<tr>
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<tbody>
<tr>
<td>Camden</td>
<td>-$32.9 million</td>
</tr>
<tr>
<td>Newark</td>
<td>+$6.2 million</td>
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Source: [Fiscal Year 2022 Budget](https://www.rutgers.edu/budget), University Budget Office

accounts for scholarships). This makes service to the mission very challenging to sustain. (40)

The harm caused by RCM is particularly clear at Rutgers-Camden, which has endured drastic financial restrictions imposed by the central administration because of a supposed budget deficit. Until this school year, any non-grant-related expense greater than $500 required the approval of the university’s Chief Financial Officer.

If the Rutgers budget system served the university’s critical priorities, including ensuring access to all students in New Jersey, regardless of income, funds could be transferred to Camden to support its important mission and eliminate the need for cuts and austerity (this is precisely what Rutgers-Camden Chancellor Antonio Tillis suggested when he faced tough questions from College of Arts and
Sciences faculty over his abrupt firing of Dean Howard Marchitello). But RCM fails the test on this most basic measure of fairness.

5. RCM Discourages Collaboration across Disciplines and Departments

At the New Brunswick convocation in the fall, President Holloway talked about the importance of cross-discipline initiatives and collaboration in promoting excellence in higher education. But the review describes—vividly and repeatedly—how RCM undermines collaboration. It states: “The current budget model and related policies and practices can be significant barriers to fostering teaching and learning, which are inherently interdisciplinary and involve collaboration across programs, departments, schools, and campuses” (15).

Under RCM, budgets are determined and resources allocated based on revenue generation. This produces an incentive for departments and programs to “go it alone” so they can hang on to more of their revenue. Under this pressure, academic units become rivals—for example, no longer using other department’s courses for their programs or hiring other department’s TAs or graders.

The report portrays this inter-unit competition and redundancy starkly:

The current distribution model creates a competitive atmosphere and “poaching” of other school students and duplication in course offerings.

The current distribution model creates a competitive atmosphere and “poaching” of other school students and duplication in course offerings. Units that engage in collaborative partnerships are left to negotiate fair tuition modeling on their own and routinely make side
deals resulting in inequitable undergraduate student experience or an inefficient way to deliver undergraduate programs. Tuition-split favors the course not the faculty unless they can make a deal thereby making faculty/departments less encouraged to create courses for students not enrolled at their home school/department. (39)

The RCM Review Committee did not spend much time on the experiences with RCM at other colleges and universities, but there is ample evidence and anecdotes about the budget system’s warping effects. To cite one example noted in our union fact sheet:

At Indiana University, an early convert to RCM, the College of Arts and Sciences lost 20 percent of enrollment in two years after the budget system was introduced. Why? Because other colleges changed their required courses and reduced the number of credits their students needed from Arts and Sciences—adding to their budgets at the expense of the university’s biggest school.

6. RCM Causes Confusion and Inefficiency

Because governance of the process lies entirely in the hands of the administration, with no oversight or even input from the academic units, departments and programs are routinely required to respond to unexpected demands and crises. One reason is that the “cost pool transfer” tax bill is dropped on most department administrators right before their budgets are due. “RC directors are informed of applicable taxes to their unit just before fiscal year budgets are due, giving them little time to analyze the data or react,” the report states (38).

The budget system’s inadequacies are particularly clear when it comes to use of university facilities and spaces. Under RCM, departments pay for the spaces they occupy, but at a single set rate. Thus, 100-year-old Murray Hall apparently has the same “rent” as a shiny new Business School facility. “The RCM model does
not account for the extent to which our spaces meet our needs, or the proportion of students whose curricular needs are unmet,” the report states (41).

According to the report: “When RCM was first implemented, one of the purported advantages was that the university’s space usage could be optimized by providing financial incentives for a unit to relinquish unneeded space currently assigned to it, thus allowing the university to reassign the space to another unit. In practice, a unit cannot return space unless there is another unit ready to assume the space and related costs” (19).

Unfortunately, the report’s recommendations on this score don’t venture outside the corporate box: get departments to “rent” individual rooms to other departments in an “internal marketplace,” or “monetize” spaces by handing them over to private concerns.

**What Is the Alternative?**

The five-year review of RCM shows broad agreement that RCM is counter-productive to achieving academic excellence. The recommendations from the RCM Review Committee could make the process less inequitable, undemocratic, and hostile to our teaching and research mission. Whether these recommendations are acted upon will be a test of President Holloway’s administration and his stated commitment to pursue excellence above all else.

In the end, however, RCM is just a budgeting tool. Whether it is scrapped, revised, or unchanged, the larger issue is changing the priorities that the administration has pursued for five years behind
the smokescreen of RCM. As the report states, “Committee analysis revealed the widespread belief that the current budget model design prioritizes revenue generation over academic mission, highlighting a need to create stronger, clearer alignment between academic priorities, mission, and planning, with the budget model reflecting the outcomes of the planning process. The prevailing view is that the budget model is dictating academic strategy, which is an inversion of the desired relationship” (13).

Faculty, staff, and students end up with no voice in the main decisions at the university that affect their work, learning, and lives. This is by design: RCM was introduced to consolidate power over how resources are allocated in the hands of the university’s top administrators. Any approach to overcome the harm the budget system causes immediately raises questions of shared governance. It is an organizing challenge to faculty, grad workers, and staff to win our demands for a say in what happens at our university.

We believe a real alternative to RCM as it operates today has to invert that relationship—recentering Rutgers on its core missions of teaching, research, and service. Whatever budget system is used, financial decision-making needs to be guided by those missions, not the other way around.