The Impact of Responsibility Center Management on Academic Libraries: An Exploratory Study

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abstract: The goal of this study was to build knowledge about the perspectives of library leaders who have experience with a responsibility center management (RCM) budget model and how the model guides library allocations and planning. The study also sought to provide advice to other library leaders whose institutions may consider adopting an RCM budget model.

Introduction

As academic institutions face fiscal challenges, coupled with the imminent “demographic cliff” and the reduced number of college-aged individuals, they have turned to different budget models to help guide financial decision-making on campus. One budget model, responsibility center management (RCM), also known as responsibility center budgeting or value center management, has gained traction in academia. While the RCM model is often praised in articles for its transparency, predictability, responsiveness, alignment of incentives, and economic efficiency for revenue-generating units like academic colleges, there is little guidance in the model for library leaders and others who oversee support services.

In an RCM budget model, revenue-generating units (also called “responsibility centers,” usually the academic colleges) are responsible for their own bottom line. Each individual college must generate sufficient funds through tuition, grants, and other avenues to finance curricular needs, personnel,
and any entrepreneurial initiatives it decides to pursue. The goal of RCM is to place financial responsibility in the hands of the revenue-generating units, incentivizing deans or other unit leaders to be cost-conscious and entrepreneurial. The revenue-generating units are also levied a tax to support central services not traditionally housed in their academic area. Indirect costs for such services as facilities, administration, information technology, and libraries are either allocated to each responsibility center in proportion to their use of these services, or the costs are subsidized before revenue is redistributed to the responsibility centers. The RCM model recommends that support units establish service-level agreements with revenue-generating units through open communication and dialogue. If support units need additional financial backing during the annual budget cycle and allocation process, the leaders must appeal to the campus-wide budget committee.

Because RCM demands that academic unit leaders watch their bottom line and be savvy consumers of the services they receive, the researchers predicted libraries moving to the RCM budget model would face greater pressure to demonstrate their value and efficiency. The researchers also speculated that RCM would make the allocation of funds to libraries more transparent.

**Literature Review**

Institutions of higher education use a variety of budget models to allocate their revenue. Incremental budgeting was the most common plan in colleges and universities a decade ago and remains widely used today. In an incremental budget model, adjustments to historic base budgets are made centrally, and there may be no correlation between a unit’s revenues and its expenditures. As colleges and universities have grappled with declining state appropriations and enrollment challenges, they have turned to other models that may be more adept at controlling costs and incentivizing revenue-generating activities.

One approach is zero-based budgeting. Zero-based budgeting, also a centralized budget model, does not assume continuity of the previous year’s budget. Instead, each unit must justify all planned expenditures for the coming year. This system has advantages for controlling costs but significant drawbacks when it comes to long-term planning.

Another approach is performance-based budgeting. Most state governments in the United States use performance-based funding to allocate resources to public universities in an attempt to create more accountability. Performance-based metrics can include graduation rate or enrollment of students from low-income backgrounds, and these institutions may, in turn, allocate funds internally based on the same performance metrics. This approach can be used in combination with other formula-based budget models that consider productivity standards such as credit hours offered.

Unlike most other budget models, RCM is decentralized: academic deans or other unit leaders are responsible for balancing their own budget and generating a surplus, which they can reinvest in strategic initiatives. RCM can incorporate elements of other budget models at the discretion of each unit leader, who is responsible for all costs incurred and revenue generated by the unit.

The number of colleges and universities using RCM is steadily increasing, from 14.2 percent in 2011 to 24 percent in 2015 (more recent data are not available because Inside
Higher Ed surveys have not included questions about budget models since 2015). The vast majority of institutions using RCM actually employ a hybrid model, exempting some units or covering some costs centrally before reallocating revenue. The prevalence of hybrid models combined with the tendency of institutions to rename or rebrand RCM makes it difficult to create a comprehensive list of institutions with active RCM budget models; a partial list is provided in Appendix B.

Many institutions that adopt an RCM model do so in hopes that it will improve efficiency. RCM can increase efficiency because the bottom line is no longer “someone else’s” problem. Instead, each leader of a responsibility center is responsible for their own costs and revenue. This incentivizes unit leaders to critically examine all expenses, reduce nonessential spending, and save for strategic initiatives. The potential downsides of RCM include competition for students between academic colleges and tension over indirect costs. In an RCM budget model, units that do not generate significant revenue (such as the library, information technology, or advising) are subsidized by the revenue-generating units. At most institutions, these support units function as a monopoly, and they may lack motivation to keep costs down because their budgets are not revenue-dependent. To promote efficiency, John Curry, Andrew Laws, and Jon Strauss recommend benchmarking costs and establishing service-level agreements to allow academic units some room for negotiating prices and services. However, most institutions that have implemented RCM have yet to arrive at a satisfactory means of ensuring efficient central services.

Compared with an incremental budget model that relies on historical allocations with unclear origins, RCM is more transparent. In an RCM budget model, each unit is responsible for its own revenue and direct costs, and indirect costs are explicit and allocated proportionally based on services rendered. University administrators exploring RCM cite transparency as one of its main benefits. A survey of academic deans found consensus that RCM resulted in greater fiscal awareness and that the information available to deans in the RCM model allowed them to be more accountable and entrepreneurial. RCM can also make the true cost of central services such as libraries more transparent to the units subsidizing them, especially when these indirect costs are allocated directly to revenue-generating units.

**RCM and Academic Libraries**

In RCM, library costs can be allocated centrally or they can be divided among responsibility centers proportionally, based on head count. When costs are assigned directly to the revenue-generating units, libraries can expect greater scrutiny over their expenditures. When costs are allocated centrally, responsibility centers will more likely request service enhancements.

Little has been published about the impact of RCM on academic libraries. A now dated 1995 article details how RCM affected Indiana University Libraries in Bloomington.
When costs are assigned directly to the revenue-generating units, libraries can expect greater scrutiny over their expenditures. The authors found that RCM had a “significant” impact on their budget-planning process but provided no detail about the long-term effects. More recently, researchers at the University of Florida in Gainesville have written about the impact of RCM on their library. When the university first moved to an RCM model in 2010, the library had to justify its spending in each discipline and make plans to redistribute its materials budget more proportionally. After using the RCM model for several years, a disparity remained between the amount colleges “spent” on the library and the true cost of the resources they used, and the library remained underfunded compared with peer institutions.

Methodology
This article presents qualitative data gathered from semi-structured interviews. The authors developed interview questions based on their own experiences with RCM and on issues raised in the literature. They chose to conduct semi-structured interviews so that all respondents would address the same research questions but have room to expand on their responses and suggest new lines of inquiry. A draft of the interview questions was piloted with a library dean at another institution, and the authors obtained approval from their Institutional Review Board prior to conducting interviews.

The researchers identified five institutions that publicly stated they were engaged with an RCM budget model and that were similar in size to the authors’ own institution (Carnegie Classifications M1-R2, large master’s colleges and universities or doctoral universities with high research activity). The authors reached out to the library deans at those institutions, and all agreed to be interviewed. The interview protocol consisted of eight open-ended questions administered over Zoom in early 2021 (see the interview questions in Appendix A). The interviews were not recorded, but the authors typed detailed notes during each interview.

The researchers coded each interview transcript to conduct a thematic analysis of the responses. They used primary-cycle coding to identify initial themes from their notes on the interviews. In primary-cycle coding, researchers initially set aside their research questions and look for themes that arise from the data gathered. In the secondary-coding cycle, the researchers organized all identified themes into key concepts and aligned these with their research questions to assess how well the data aligned with their expectations. Both authors reviewed and coded all interview transcripts. The participants candidly described their RCM experiences, and the researchers gained a deep understanding of the participants’ perspectives on libraries that have experienced either the implementation or revitalization of an RCM model.

Results
The goal of this research study was to build knowledge about the perspectives of library leaders who have experience with an RCM budget model and to learn how the model
guides library expenditures and planning. The study also sought to provide advice to other library leaders at institutions who are considering an RCM model. The themes that emerged from the interviews correlated with but did not support the researchers’ conjecture that RCM would make library budget allocations more transparent and efficient. According to the five library deans interviewed, RCM did not improve library efficiency and was not more transparent than other budget models. RCM places more budget authority with each responsibility center manager but does not change the challenges library leaders face. They must engage in education and advocacy under every budget model, such as explaining annual increases in journal costs, managing deposit accounts, negotiating multiyear license agreements, and carving out funds to support new programs.

**RCM Implementation**

The researchers interviewed library deans at five institutions. Two institutions had established RCM budget models. The other three had either recently transitioned or were in the process of transitioning to RCM. Four of the five library deans cited administrative turnover as a challenge when implementing RCM. Consistency in carrying out a budget model is almost impossible, one dean said, when there is “so much turnover at the top.” The result is that “no one really knows what’s going on [with the budget model] or has a firm grasp of the situation.” One respondent noted that “the budget hearings body keeps changing,” and another cited turnover as the reason budget decisions appeared so opaque: the people responsible for those decisions were no longer at the institution.

Four of the five libraries had budgets that were centrally allocated by the division of Academic Affairs under the provost’s office, meaning their allocation was taken “off the top” before revenue was redistributed. Only one library’s budget was allocated to the colleges in proportion to the revenue each college generated. To illustrate, the respondent from that library said, “If one college has 52 percent of the revenue [generated], their tax [for the library’s budget] is 52 percent.” All five respondents implied that the initial library budget for the new RCM model had been determined by historical allocations and past expenditures, as were the budgets of all the other (non-revenue-generating) support units across campus. This finding surprised the authors because basing the allocation for support services on historic figures resembled how incremental budgets typically operate. There was no perceived departure from previous budget models in the establishment of library budgets at each institution.

At the two institutions with the most experience of an RCM budget model (9 and 20 years respectively), the library deans thought the model needed more frequent review and revision to be fully effective. One respondent said their institution “tweaked” the budget model every four or five years, and the other indicated the model had been reviewed “but no changes had been made.” This respondent thought that “in a perfect world, we should review it [the RCM budget model] every two years!” Additionally,
they stated that “not staying on top of the budget model every few years has created structural difficulties across campus.” None of the library leaders could articulate with confidence how library budgets were determined. This finding could be partially attributed to the financial uncertainty during the COVID-19 pandemic and potential apprehension for the future.

**Transparency**

Whether the university had recently adopted RCM or had used an RCM budget model for a decade or more, all five individuals interviewed expressed concern about the perceived lack of transparency and limited understanding of how the budget model was implemented for support services. One individual observed, “There’s no process to determine how much cost centers ‘should’ get. This is a blind spot in the budget plan.” Another dean observed that only the budget allocations of revenue-dependent units were transparent, while those of support units remained opaque.

Every respondent expressed apprehension over how budget reduction targets were established and met. One dean commented on cuts to the budget by stating, “I understand why a flat cut across [support] units would not be wise; however, there is no transparency. There is no way to know or find out [how budget decisions are made].” When asked about the process for budget reductions at their institution, one dean responded, “You tell me. Who knows? The library received a disproportionately large cut.” Another commented that that their library faced annual midyear reallocations, so the budget they thought they had was never the one with which they ended up.

Because of financial challenges over the last few years, most libraries have seen only cuts to their budgets, not increases. Any funds received above the base budget, interviewees said, “had to be given back.”

Most institutions using an RCM budget model have a process in place to make one-time or base budget increase requests to a central fiscal priorities panel or executive committee. Inconsistency in this process can lead to a lack of transparency. One respondent observed that “the budget hearings body keeps changing. It used to just be deans and their budget officers, now it includes [others]. The actual decisions are made by the president, the chief financial officer, and the provost.” Another respondent reported a similar challenge: their chief financial officer (CFO), president, and provost “change all of the time so no one really knows what is going on or has a firm grasp of the situation. [There is] not enough stability for consistency.”
Efficiencies

Most interviewees felt that while RCM as a budget model focused on unit-level efficiencies, the model was not relevant to libraries and did not make them more cost-effective. One respondent said “efficiency” was her new swear word: “I hate that word! I am so tired of talking about efficiencies as we are bare bones now.” Another expressed concern that efficiency was overemphasized because the budget decision-makers are only concerned about the “things you can count,” whereas the library should be “like a public good.” A third respondent, however, welcomed the focus on efficiency as it helped the library target and improve outdated practices and staffing models.

None of the respondents had been asked to benchmark against other institutions to demonstrate efficiency or justify their budget. Individuals surmised that measuring against other like-sized institutions would be possible, for example, comparing the ratio of librarians to student or faculty FTE (full-time equivalents). Others commented on the difficulty of benchmarking due to differences in operating expenses based on building size, hours of operation, and institutional priorities: “You just do the best you can do and follow the trends. You must be flexible because of a lot of your decisions are based on campus priorities, not necessarily the priorities of other schools. You have to constantly analyze the desire on your campus and try to meet [it] accordingly.”

Service-Level Agreements

Allocations for central cost centers in the RCM model are typically paid for by taxing the revenue-generating colleges. The literature on RCM recommends service-level agreements (SLAs) to govern the level of service and expectations for all support units. While the RCM model calls for SLAs, none of the five institutions had such agreements in place. One dean stated, “I would cry if I had to come up with an SLA.” Another said that “[Constant] downsizing has made it very difficult to even think about service-level agreements. We are down to the bare bones.” One respondent was concerned about the idea of service-level agreements because of the interdisciplinary nature of research. It would be difficult to allocate individual journal costs to separate colleges: for example, psychology journals can and do support research in education, business, science, and health care. As one individual stated, “If you move to a college-level agreement, what if they do not want to contribute to the library? The interdisciplinary nature of journals makes it very complicated.”

Advice for Library Leaders

All respondents stressed the importance of understanding the RCM budget model, having a thorough grasp of the library’s true costs, and educating other decision-makers and stakeholders about the library’s budget.
and stakeholders about the library’s budget. Library leaders need to “understand the big picture” and “know how the model fluctuates and how the factors change the funding” so they understand the financial pressures faced by their administrative colleagues. The respondents all emphasized how important it is to become thoroughly knowledgeable about the library’s budget and the actual cost of its operations. Critical self-awareness is necessary so libraries can “address our own inefficiencies.” Libraries need to be responsive to the changing needs of librarianship and the unique requirements of their campus. When budgets get tight, as one respondent noted, “There is no incentive for colleges to advocate for more resources in the library when they don’t have enough of their own.” As leaders, library deans need to “find a balance of being a strong advocate for the library, and being a team player.”

Over and over, the respondents stressed educating such stakeholders as the provost, the other deans, the CFO, budget officers, and faculty liaisons about the needs of the library. It is essential that the library have advocates at all levels because, as one respondent stated, “There is the model, and then there’s what happens.” The need to educate university administrators and colleagues about the library’s budget and services is a common challenge for libraries, regardless of budget model, because “no one understands libraries.” One example of the need to communicate and educate others about the library was made clear by four individuals who mentioned that the budget model failed to consider adjustments for inflationary costs associated with the library’s journal and database subscriptions. These annual 3 to 6 percent price increases either had to be absorbed into the library’s budget, requiring cuts to other parts of the budget, or the library had to continuously petition for additional funds. As one respondent stated, “Even if you get one-time or base budget funds, they just take it away the next year.” Only one respondent briefly mentioned a carry-forward policy to either save for a rainy day or purchase additional resources, but at their institution, this policy had not been fully implemented.

Significance of the Study

The existing literature on RCM primarily focuses on its impact on academic units, enrollment, and revenue generation. There is little research on how the RCM model affects a university’s support units. This exploratory study found that RCM had little impact on academic libraries’ allocations, which remained based on historic incremental budgets, and neither ameliorated nor exacerbated libraries’ perennially tight finances. The library leaders’ perception of RCM is that it falls short of its promise to improve transparency and efficiency.

Most of the individuals interviewed concluded that RCM had been value-neutral for their library. This may be because the RCM model “does not deal with how to support a cost center.
The consultants said they would get to that later, and later never came. Maybe that’s for the best.” In many cases, the RCM model continues the use of historical allocations for the support units. Several interviewees seemed resigned to the fact that “whatever size piece of the pie we’re given is what we get.” One respondent declared, “In a crisis, the library is a ‘sitting duck’ because our collections and operating budget is so huge. This happens everywhere, in all budget models, at institutions of all sizes.”

The one library dean who reported a positive overall impact from RCM attributed this to the library being part of the division of Academic Affairs, and at their institution Academic Affairs got to keep surplus revenue. Two libraries reported having more decision-making autonomy in the RCM model, though this did not translate into a better overall budget situation.

Limitations and Future Research

Only five library leaders were interviewed for this project, and the sample was based on demographic similarities to the researchers’ own institution. Future research would benefit from a large-scale survey of library leaders at RCM institutions of all sizes. Additionally, some of the challenges these libraries experienced could have resulted from COVID-19-related budget uncertainty and may not reflect the institution’s budget model. Additional investigation could determine the reasons why the libraries interviewed had not been asked to draft service-level agreements or benchmark their budgets, and whether directors of other support units at RCM institutions have similar experiences. Finally, this survey does not compare libraries at RCM and non-RCM institutions.

Conclusion

Communicating the value of the library to the academic community is particularly important during the RCM budget process, as library leaders will have to present their requests for additional funding to a budget committee each year. First, library leaders should educate themselves on their institution’s accrediting organization, its guidelines for reaccreditation, and the institution’s strategic plan. They should use the accreditation standards to frame discussion and rationale for library budgetary requests and clearly articulate how the library supports the institution’s strategic plan. Next, library leaders should show that they are proactive in assessing services and looking for efficiencies.²⁵ Keep in mind that in an RCM budget model, all revenue-generating units must become more efficient, so service units may have to analyze their own operations as well. Lastly, library leaders should benchmark their library with identified peer institutions using data from the Integrated Postsecondary Education Data System (IPEDS), the As-
sociation of College and Research Libraries (ACRL), or other reporting bodies, and be prepared to explain any anomalies. For example, the library may have recently offered retirement incentives, or current personnel numbers may have yet to be reported to the proper agencies. Perhaps a new academic program on campus required the library to boost its collections in certain subject areas. Staying on top of this information will help library leaders advocate for their needs to the budget committee, provost, or other key decision-makers.

As colleges and universities face tighter budgets due to declining enrollment or reduced state appropriations, many seek a budget model that will improve efficiency and incentivize growth of revenue-generating programs. RCM has the greatest impact on revenue-generating deans and their budgets, but it also affects budget allocations and decision-making in non-revenue-generating units. Library leaders at institutions using the RCM model or considering transitioning to such a model need to develop a deep understanding of their own budget and costs, as well as a solid grasp of the pressures and incentives their academic colleagues face. They should not hope for RCM to make the budget process more transparent, especially if their institution experiences a high level of administrative turnover. They should expect an increased emphasis on efficiency, but this may not actually translate into requests for benchmarking, service-level agreements, or significant changes to the process for allocating budget amounts. Despite its emphasis on transparency and efficiency, the RCM model has not delivered either result according to the library deans interviewed for this study, and its benefit to academic libraries has yet to be clearly demonstrated.

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Appendix A

Survey Instrument

1. When did your institution begin using a Responsibility-Centered Management (RCM) budget model?
2. How has your institution’s approach to the RCM model changed over time?
3. Within your institution’s RCM model, how are support unit costs like the library managed? Centrally or allocated to the academic colleges?
4. What are the pros and cons of an RCM budget model for the library?
5. Does your library currently have a service-level agreement (an agreement outlining what services or what level of service you provide at your current funding level)? What challenges does/might a service-level agreement pose?
6. What process does the library follow to request budget increases? What is the process for budget decreases? Does the RCM budget model insulate the library from budget pressures?
7. Do you feel that the RCM budget model helps or hinders the library?
8. What advice would you offer to library leaders at institutions that are considering adopting an RCM budget model?

Appendix B

List of RCM Institutions

The webpages of the universities on this list reference a current RCM budget model or the process of transitioning to an RCM budget model. Many other institutions use a hybrid RCM model or use RCM but call it by another name.

Auburn University, Auburn, Alabama, https://www.auburn.edu/academic/provost/strategic-budgeting/

Ball State University, Muncie, Indiana, https://www.bsu.edu/about/budget-model-planning/

Case Western Reserve University, Cleveland, Ohio, https://case.edu/financialplanning/operating-budget


Central Washington University, https://www.cwu.edu/budget/overview


Drexel University, Philadelphia, https://drexel.edu/provost/priorities/initiatives/rcm/

East Tennessee State University, Johnson City, https://www.etsu.edu/125-chapter-1/newbudgetprocess/process-committees/budget.php

George Mason University, https://budget.gmu.edu/budget-model-faq/
Iowa State University, Ames, https://budget-planning.operationsfinance.iastate.edu/resource-management-model
Kansas State University, Manhattan, https://www.k-state.edu/today/announcement/?id=39842
Kent State University, Kent, Ohio, https://www.kent.edu/budget/responsibility-center-management
Miami University, Oxford, Ohio, https://miamioh.edu/research/policies/indirect-recovery-distribution/
Northeastern University, Boston, https://provost.northeastern.edu/budget/
Northern Kentucky University, Highland Heights, https://inside.nku.edu/newbudgetmodel.html
The Ohio State University, Columbus, https://busfin.osu.edu/university-business/financial-planning-analysis/university-operating-budget
Ohio University, Athens, https://www.ohio.edu/finance/coa/why-redesign
Oregon State University, Corvallis, https://leadership.oregonstate.edu/provost/resources/university-budgeting
Rutgers, the State University of New Jersey, https://finance.rutgers.edu/financial-services/budget
Southern Oregon University, Ashland, https://inside.sou.edu/assets/ir/sou-selfevalsevenyear.pdf
Syracuse University, New York, https://policies.syr.edu/policies/administrative-and-financial/budget-carryover-revenue-centers/
Tulane University, New Orleans, https://coo.tulane.edu/content/divisions/budget-planning
University of Alabama at Birmingham, https://www.uab.edu/rcm/
University of Arizona, Tucson, https://rcm.arizona.edu/
University of California, Riverside, https://fpa.ucr.edu/budget-model-refinement
University of Delaware, Newark, https://sites.udel.edu/budget/budget-model/
University of Florida, Gainesville, https://cfo.ufl.edu/presentations-resources/rcm-comprehensive-reviews/
University of Illinois Urbana-Champaign, https://provost.illinois.edu/budget/budget-reform/integrated-value-centered-budgeting/
University of Kansas, Lawrence, https://provost.ku.edu/pcm-budget-model
University of Memphis, Tennessee, https://www.memphis.edu/processimprovement/ga_rcm.php
University of Michigan, Ann Arbor, https://obp.umich.edu/budget/budget-model/
University of Minnesota, Twin Cities, https://rrc.umn.edu/
University of Missouri, Columbia, https://provost.missouri.edu/resource-allocation-model/
University of Nebraska–Lincoln, https://budget.unl.edu/faqs
University of New Hampshire, https://www.unh.edu/main/leadership
University of New Mexico, Albuquerque, http://rom.unm.edu/frequently-asked-questions/index.html
University of North Dakota, Grand Forks, https://campus.und.edu/finance/resource-planning-allocation/incentive-budget-model.html
University of Tennessee Knoxville, https://budget.utk.edu/budget-allocation-model/model-development/
University of Texas at San Antonio, https://www.utsa.edu/budget/irm/
University of Vermont, Burlington, https://www.uvm.edu/finance/ibb
University of Washington Bothel, https://www.uwb.edu/planning-administration/planning-budget/budget-recalibration
Virginia Commonwealth University, Richmond, https://budget.vcu.edu/budget-redesign/faq.html
Wayne State University, Detroit, https://budget.wayne.edu/
Western Kentucky University, Bowling Green, https://www.wku.edu/ramp/index.php

Appendix C

Bibliography


Notes


3. Smith, How University Budgets Work.


16. Evans, “Planning for a Decentralized Budget Model.”


18. Kosten, “Outcomes-Based Funding and Responsibility Center Management.”


25. ACRL has several helpful resources for assessment, including Lynn Silipigni Connaway, William Harvey, Vanessa Kitzie, and Stephanie Mikitish, Academic Library Impact: Improving Practice and Essential Areas to Research (Chicago: ACRL, 2017) and Eric Ackermann, ed., Putting Assessment into Action: Selected Projects from the First Cohort of the Assessment in Action Grant (Chicago: ACRL, 2015).