Responsibility-centered budgeting (RCB) is a decentralized form of budgeting in which operational responsibility is delegated to the major academic units. Responsibility-centered budgeting is an effort to provide incentives and empowerment to deans and other managers to more efficiently achieve academic priorities. Resource generation and management effectiveness are enhanced by placing risks and rewards at the appropriate local level. RCB aligns authority with responsibility.

Under RCB, an academic unit receives all of the income that its activities, such as teaching and research, generate. Each unit also may receive an allocation of government support, in the case of a public institution, or an allocation of a central pool generated by taxing units, in the case of a private institution. Such allocations are controlled centrally and are based on institutional priorities. RCB requires agreement on institutional priorities and transparency in the sources and uses of budgeted resources. Each unit is responsible for all of the direct expenses that it incurs (such as faculty salaries and benefits, unit administrative salaries and benefits, supplies, and travel), as well as an allocation of the campus support services that it uses (such as human resources, physical plant maintenance, and accounting).

To the extent that a unit can control costs and/or increase revenues, the unit may carry forward additional resources to future years and use them to implement aspects of its academic strategic plan. In other words, the unit directly benefits by actions that increase its designated revenue stream or decrease its full costs. However, each unit also has responsibility for any budget shortfalls and must carry these forward as liabilities against future years’ budgets.

RCB encourages academic units to compete for resources through student enrollments. If the unit can set its own tuition and fees (pricing), the units have the ability to compete on both price and quality. However, if pricing is controlled centrally, the units can compete only on quality.