Working Group 2 Outline

Chapter 3. Standard 3: Institutional Resources

Part 1—Introduction

I. Précis: NJIT Planning and Resource Allocation under Conditions of Scarcity
II. An Overview of Group 2’s Standard 3 Charge and Questions Addressed

Part II—Self Study Inquiry and Outcomes

Resource Development and Allocation Process

New Jersey Institute of Technology follows a budget resource development and allocation process that facilitates clear funding identification as well as assessment of operational results. As displayed in Chart I, this process is conducted on an on-going basis and is closely linked to strategic planning.

In summary, the NJIT resource allocation process seeks to:

• Assess and determine how best to develop and allocate resources that support accomplishing the university’s strategic objectives,
• Determine the financial, human and facility requirement to achieve the operational effect,
• Conduct operations on an annual basis within available resources,
• Assess outcomes of operational programs, processes and financial results on an on-going basis,
• Communicate results to the university community and constituency.
Given the overall economic downturn affecting appropriations received from the State of New Jersey, the University has made business decisions maximizing revenue while prioritizing expense allocations. For example, resources required to effectively support the overall success of our 2005 – 2010 strategic plan, as well as our newly revised 2010 – 2015 strategic plan, were primarily supported by effectively reallocating existing funds.

Personnel costs (salaries and employee benefits) exceed 61% of the total operating budget and, to a large extent, the result of collective bargaining agreements. More than 82% of full-time employees are currently affiliated with one of our seven bargaining units. Additionally, an eighth bargaining unit was recently created that covers approximately 320 graduate students. Human resources are sufficient to adequately support current academic, administrative and support functions. However, administration recognizes the need for revitalization and, as such, has, over the past five years, made selected faculty and staff hires that are in line with its’ mission and strategic objectives, or, are critical to support on-going operations. Funds made available by faculty separation agreements, to a large degree, have been ‘fenced -in’ and applied toward new faculty appointments in the College of Architecture and Design, Biology, Biomedical Engineering and Management. These new hires will enhance the academic programs within their department and support anticipated enrollment growth.

Preliminary base operating budget allocations are distributed during the budget development phase (February), which is closely aligned to the State of New Jersey fiscal cycle and the Governor’s Budget recommendations. The Office of University Budgeting works closely with Dean’s, Vice President’s and President in analyzing supplemental budget requests and displaying these requests on a budget scorecard (attachment I). Once all budget factors (revenue and expense) are fully discussed and prioritized, the Sr. Staff (President and Vice
President’s) make final allocation decisions resulting in a balanced budget, supported by tuition and fees, State appropriations, external research and private/corporate giving. The annual operating budget is summarized and presented to the Audit and Finance Committee of the Board of Trustees for discussion and input. The final budget, including tuition and fee rates for the upcoming academic year, is presented for approval at their July meeting, which is after the State appropriation Act is approved by the State Legislature. The Sr. Vice President for Administration and Treasurer is responsible for briefing the Board of Trustees on all financial matters at their meetings throughout the year. The University is kept informed of the budget process through the ‘Presidential News’ website.

On-going detailed budget monitoring occurs throughout the year, facilitated by an on-line budget management system. This secured access system, which is updated daily, provides fiscal managers drill-down capability to their budgets; providing these managers with up-to-date budget management tools. The Office of University Budgeting also conducts detailed mid-year (December) and end of third quarter (March) budget reviews where any corrective actions required to maintain a balanced budget are reviewed/approved by Sr. Staff and implemented in Banner.

Progress on campus development has been on-going at NJIT, and follows the Facilities Master Plan updated in 2008 (attachment II). The NJIT campus encompasses more than 45 acres. Its 28 buildings contain approximately 2.9 million gross square feet and has a replacement value of $906 Million (attachment III). Of the total building space, approximately 80% was constructed after 1965. Over the past ten years, there has been an acceleration of facility improvements, including an $80 million, 178,023 sq. ft. campus complex that encompasses: a new Campus Center which includes a modern, state-of-the-art servery, campus dining area, the Hazell Ballroom, student activity offices, and a faculty and staff dining facility; the newly constructed Fenster Hall to house the Department of Biomedical Engineering, Admissions, and administrative offices and the full renovation of Eberhardt Hall NJIT Alumni Center to serve as a facility to accommodate alumni and fundraising functions and office space for the Alumni Association of NJIT and University offices of Advancement, Alumni Relations and Development.

In June, 2010, the University purchased the historic Central High School building. Upgrading the fire detection and suppression systems are underway (January 2011) and the second floor will be used for classrooms. The full use of this facility is still in planning stages, but will be consistent with strategic priorities.

The Naimoli Family Athletic and Recreational Facility, opening in the spring of 2011, is a 25,600 square foot facility housing athletic and recreational activities as well as year-round tennis. This facility, made possible, in part, by a generous gift from Vincent Naimoli ’62, Founder and Chairman Emeritus of the Tampa Bay Rays of Major League Baseball.

In addition, management of the Big Bear Solar Observatory in Big Bear Lake, California, and a dedicated array of solar radio telescopes at Owens Valley Radio Observatory in Owens Valley, California, became the responsibility of the Center for Solar Research at New Jersey Institute of Technology effective July 1, 1997 under a lease for the land and buildings until the year 2048. The observatories and equipment are valued at about $12 million.
Funds to support all facility improvements have come from State bonds, NJIT bonds, private gifts and operating reserve funds. Recently, Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services have assigned their municipal bond ratings of “A1” and “A+”, respectively.

Implementation of the NJIT Campus Gateway, a mixed-use, residential and retail redevelopment of properties north of campus, plus an NJIT parking lot has taken some major steps forward. A designated redeveloper for the project is to fund these initiatives through private investment. This project focuses on neighborhood residential, retail, and entertainment enhancements to the area. Implementation has begun in partnership with the Master Developer, Jones Lang LaSalle. Proposals for development of a “Greek Village”, as well as a potential residential and retail complex on Warren Street within the same footprint, have been received and are currently being evaluated.

During the past ten years, direct state appropriations have declined while state support for employee fringe benefits has grown. Overall, total State support for university operations has declined compared to the growth in the overall budget, and now represents 23 percent of total revenue. For comparison, State support represented 34 percent in FY02. Chart II displays the significant growth in revenue NJIT experienced in comparison to State appropriations. Chart III displays the major income sources over the past ten years, indicative of steady, significant financial growth. Since FY02, total NJIT revenue has grown by 47 percent and totals $296 million in FY11. Owing to the continued downward trend in State support, the university has relied more heavily on tuition and fee income as a major revenue source. Tuition and fee revenue has increased from $65 million in FY02 to an estimated $122 million in FY11, representing 41% of total operating revenue. Another significant factor in NJIT’s financial growth is in research and development activities, which has grown from $50.1 million in FY02 to an estimated $74.6 million in FY11.

The overwhelming majority of expenditures at NJIT continue to be academic or research related (Chart IV). Over the past ten years, scholarship and fellowship expenses have more than doubled. Over the same period, support and auxiliary service expenses have had very modest growth.

An independent auditing firm (currently KPMG LLP) annually audits the university financial statements with results discussed with senior administration and the Board of Trustees. Their unqualified opinion consistently recognizes that the financial position of New Jersey Institute of Technology and the changes in its financial position and its cash flows for the years then ended are in conformity with U.S. generally accepted accounting principles with no material weaknesses indicated (attachment III – FY10 Financial Statements and Management’s Discussion and Analysis).

Further, financial data are provided to the Office of Institutional Research for inclusion in annual IPED’s and other external reports, as well as to the New Jersey Commission on Higher Education.
Chart II

NJIT Operating Resources *Dollars In Thousands*

- **Total FY11 NJIT Resources**: 229,019
- **FY11 NJ State Support**: 66,847

Legend:
- Blue: NJIT Resources
- Green: Appropriation
Chart III – 10 year History of Revenue Sources

![Chart III](image)

Comments on budget trends will be made once below attachments are finalized.

It is recommended that the Attachments be part of the appendix.

Attachment IV – FY02 – FY07 – FY11 Operating Budget – Revenue Detail

Attachment V – FY02 – FY07 – FY11 Operating Budget – Expense Detail

Attachment VI – Comparison of General Operating Expense Trends for University and Key Support Areas

Attachment VII – FY11 operating budget and revenue projections for FY12 – FY14

Attachment VIII – FY11 operating budget and expense projections for FY12 – FY14
Part 3—Critical Analysis and Conclusions

Part 4—Collaboration with other Working Groups

Part 5—Recommendations for Improvement