Budget Model Redesign Framework
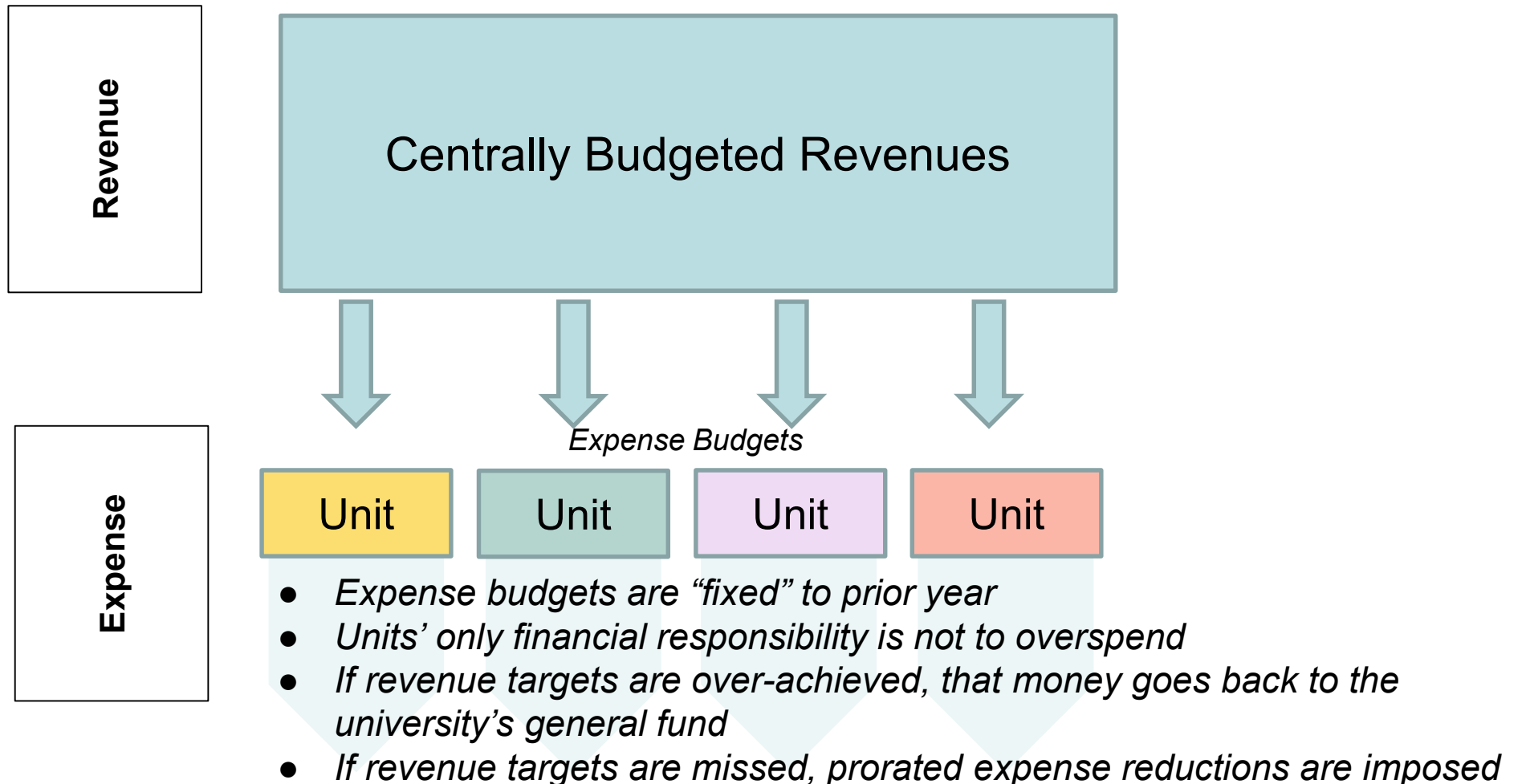
Faculty Senate Presentation

October 24, 2023

Current Budget Methodology

Revenue

Centrally Budgeted Revenues

Expense Budgets

Expense

| Unit | Unit | Unit | Unit |

- *Expense budgets are "fixed" to prior year*
- *Units' only financial responsibility is not to overspend*
- *If revenue targets are over-achieved, that money goes back to the university's general fund*
- *If revenue targets are missed, prorated expense reductions are imposed*

Where Does the Current Budget Methodology Fall Short?

It Does NOT:

- Create **Incentives**
- Foster **Transparency**
- Support **Decentralized** Decision Making
- Promote **Accountability**
- Encourage **Collaboration**
- Cultivate **Data-Driven Decision Making**

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New Budget Model Framework

Organizational Structure	Allocation of Revenue	Allocation of Expenses	Strategic Central Fund
How Budget Units are classified as either revenue centers or support centers	How revenues are categorized and distributed	How direct costs versus indirect costs are shared	How funds are identified to support strategic initiatives and the central fund allowance

Organizational Structure

Revenue Centers

Academic Colleges Areas

NCE, CSLA, YWCC, HCAD, MTSM, ADHC*

Residence Life

Residence Halls and Greek Village

Support Centers

Development & Alumni Relations (DAR)

Research Support

Research Office

Facilities

REDCO, CRR

Student Support

Intercollegiate Athletics & PE, Provost, Enrollment Services, Academic Affairs, Office of Online Programs, Dean of Students

General Support

President's Area, General Counsel, Strategic Initiatives, IST, Library, Finance, HR, Campus Health Services, University -Wide Liabilities, Debt Service

*For the purposes of the Budget Model, the ADHC will be treated as a Support Center

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Allocation of Revenues

Two components to consider:
- What percentage of that revenue is allocated to the budget unit vs Strategic Central Fund?
- Is the revenue managed by one budget unit (direct) or several budget units (formula-based)?

Direct Revenues

Revenues that are managed by one budget unit

Formula-Based Revenues

Revenues that are associated with several budget units. Formulas are under development that assign proportionate credit to Colleges.

Examples:
- Parking revenues are managed by Facility Systems
- Housing revenues are managed by the Residence Halls.

Examples:
- Tuition revenues are recorded at the student level or term (UG, GR, PhD, Summer Session).

Allocation of Expenses

Expenses > Flow of Costs Methodology

Total Direct Expenses (Budget unit expenses supported by the annual operating budget)

Examples: Direct salaries, non-personnel, transfers and net fringe benefits (state fringe benefit revenues - fringe expenses)

+

Total Indirect Expenses (Support Center net costs are allocated back to the Revenue Centers)

=

Fully Allocated Costs

Support Center (Indirect Cost)	Applied to	Allocation Metric
Facilities	All Budget Units	Square Footage
General Support	All Budget Units (Excluding Facilities)	Total Direct Expenses
Research Support	Budget Units that have grant expenses in a given fiscal year	Total NJIT External Grant Direct Expenses
Development and Alumni Relations (DAR)	Academic Colleges	Total Living Alumni
Student Support	Academic Colleges	Total Unduplicated Headcount (Academic Year Only)

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Budget Model: Revenue & Expense Flow

Revenue

Allocated Revenues

Tuition	Retain 70% - 97%
State Appropriation	Retain 70%
Other Sources	Retain 97%

Remainder 3% - 30% →

Strategic Central Fund

Central Fund Allowance (Balance)

Strategic Investment / Cash Reserve Fund (3%)

Expense

Direct Expense ← **Budget Unit(s) - Salaries, Non-Personnel, Transfers and Net Fringes,**

"Net" Support Center Costs Allocated to Revenue Centers

Indirect Expense / Support Centers ← **University Support Centers - Net Expenses**

Budget Model Redesign Milestones

Start

Initiate NJIT budget model redesign project

1

New committee formed to review budget models. Goal: identify accountability based budget model

2

Committee drafts principles / goals for NJIT budget model

3

New working groups formed to examine budget metrics (Colleges & Other Units)

10

Financial reporting, policies, and governance structures are developed

Finish

Model launched with hold harmless provision for the 1st fiscal year in operation

Model Selection

Development

Implementation

4

Conduct budget simulations

9

Training and new job responsibilities integrated into applicable job descriptions

We are here

5

Finance officers meet with all budgetary unit leaders to discuss model impacts

8

Budget office works with Provost/HR and develops training for unit leadership and managers

7

Incorporate feedback as required and finalize budget model

6

Open forums held to review new budget model and impacts on campus (feedback period opens)

Budget Model Redesign Implementation Timeline

Phase 1: Model Design, Iteration, and Communication

Phase 2: Implementation- Parallel Process, Training and Testing

Phase 3: Year 1 GO Live with Hold Harmless Provision

Timeline for Implementation			
FY23 Jul '22- Jun '23	FY24 Jul '23- Jun '24	FY25 Jul '24- Jun '25	FY26 Jul '25- Jun '26
Phase 1: Model Design, Iteration, and Communication		Phase 2: Implementation- Parallel Process / Hold Harmless	Phase 3: Year 1 GO LIVE with Hold Harmless Provision
	Implementation: Model Feedback, Training, Infrastructure and Resource Development, Parallel Process (FY25)		
	FY25 Budget Development	FY26 Budget Development	FY27 Budget Development

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