Budget Model Redesign
Framework

Faculty Senate Presentation
October 24, 2023
Current Budget Methodology

- 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**
New Budget Model Framework

Organizational Structure
How Budget Units are classified as either revenue centers or support centers

Allocation of Revenue
How revenues are categorized and distributed

Allocation of Expenses
How direct costs versus indirect costs are shared

Strategic Central Fund
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

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

**Facilities**
- REDCO, CRR

**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*
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

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

**Formula-Based Revenues**

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

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

**Expenses > Flow of Costs Methodology**

<table>
<thead>
<tr>
<th><strong>Total Direct Expenses</strong> (Budget unit expenses supported by the annual operating budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Examples:</strong> Direct salaries, non-personnel, transfers and net fringe benefits (state fringe benefit revenues - fringe expenses)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total Indirect Expenses</strong> (Support Center net costs are allocated back to the Revenue Centers)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support Center (Indirect Cost)</strong></td>
</tr>
<tr>
<td>Facilities</td>
</tr>
<tr>
<td>General Support</td>
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<tr>
<td>Research Support</td>
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<td>Development and Alumni Relations (DAR)</td>
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<td>Student Support</td>
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</tbody>
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**Fully Allocated Costs**

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NJIT
New Jersey Institute of Technology
Budget Model: Revenue & Expense Flow

**Revenue**
- Tuition
- State Appropriation
- Other Sources

**Expense**
- Direct Expense
- Indirect Expense / Support Centers

**Allocated Revenues**
- Retain 70% - 97%
- Retain 70%
- Retain 97%

**Remainder 3% - 30%**

**Strategic Central Fund**
- Central Fund Allowance (Balance)
- Strategic Investment / Cash Reserve Fund (3%)

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

**“Net” Support Center Costs Allocated to Revenue Centers**

**University Support Centers - Net Expenses**
Initiate NJIT budget model redesign project

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

Committee drafts principles / goals for NJIT budget model

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

Committee drafts principles / goals for NJIT budget model

Conduct budget simulations

We are here

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

Incorporate feedback as required and finalize budget model

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

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

Training and new job responsibilities integrated into applicable job descriptions

Financial reporting, policies, and governance structures are developed

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

We are here

We are here

Model Selection

Development

Implementation

NJIT
New Jersey Institute of Technology
**Timeline for Implementation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Phase</th>
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</thead>
<tbody>
<tr>
<td>FY23</td>
<td>Phase 1: Model Design, Iteration, and Communication</td>
</tr>
<tr>
<td>FY24</td>
<td>Phase 2: Implementation - Parallel Process, Training, and Testing</td>
</tr>
<tr>
<td>FY25</td>
<td>Phase 3: Year 1 GO Live with Hold Harmless Provision</td>
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</tbody>
</table>

** FY25 Budget Development **

** FY26 Budget Development **

** FY27 Budget Development **