



University budget review

March 2017

Senate Budget and Finance Committee



1. Data



Data sources

Board of Governors' University Working Budget
for Fiscal Years 2015–2016, 2016-2017 (1 page)

New reports on RCM units (~1 page each) - *budgetfacts.rutgers.edu*

University financial statements (2 pages of revenue and expense numbers)

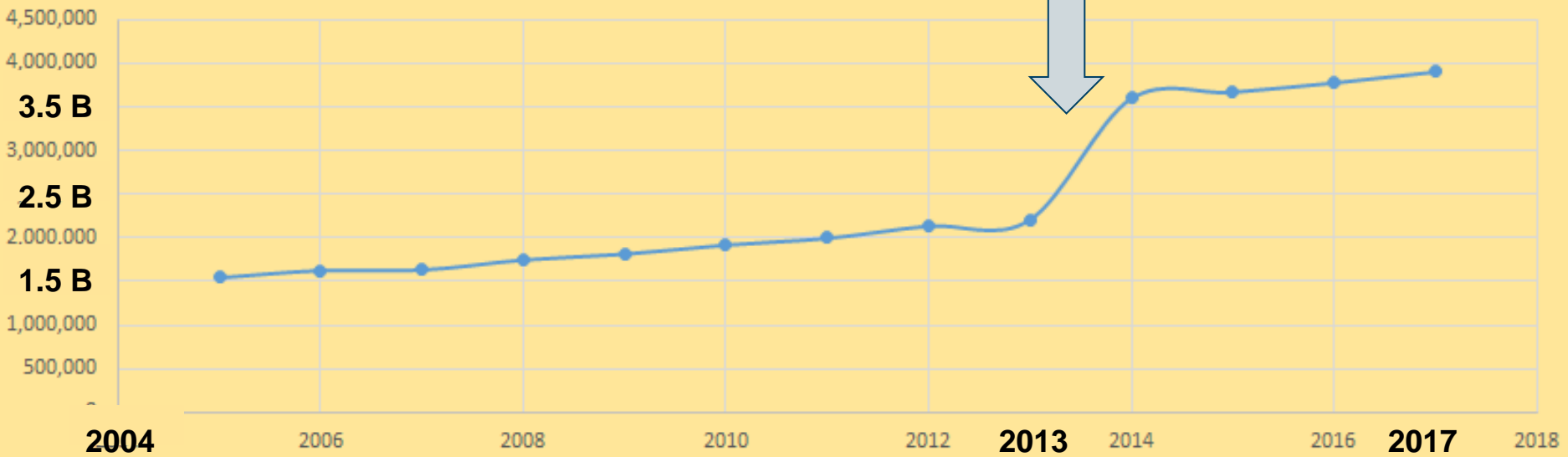
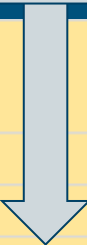
Supplementary materials supplied by Rutgers budget office (Feb 2017)

Financial Analysis of Rutgers and UMDNJ, Howard Bunsis, 2014

IPEDS: Federal data from all universities

Rutgers budgets (\$000)

RBHS MERGER



Data changes after 2013

Addition of RBHS

Development of RCM (Responsibility Center management)

Changes in many categories

- a. Some expenses moved from instruction to libraries and academic support
- b. State pensions moved onto University budget (state requirement)
- c. Central costs allocated to campuses (required by merger act)
- d. Debt service line spread across G&A and others in 2016
- e. B-school reported under Newark: drives Newark numbers up

How RCM works

RCM units are credited with all revenues they generate

RCM units pay for costs and services they use (“cost pools”)

A small “tax” – currently 3% – is held for strategic funds

RCM units include schools, major centers, and auxiliaries

Budgets are now available online for all RCM units, including administrative offices (budgetfacts.rutgers.edu)

How RCM works

COST POOLS	BASED ON
Academic support	student headcount
Debt service	space occupied and G&A metric
General and Administrative service	expenses for auxiliary, designated, endowment, operating, gift, grant, and state fund sources
Information Technology	faculty, staff, student headcounts
Libraries	faculty, staff, student headcounts
Operations and maintenance	space usage and G&A metric
Research support	grant expenses
Student service	student headcount
Utilities	space occupied and G&A metric
Strategic funds	total earned revenue (except grants)

Example of RCM budget (available online):

SAS New Brunswick - FY2016, excerpt

Revenues (,000)

UNRESTRICTED (millions)	FY 2016 BUDGET	% OF UNRSTRCTD REV	% OF TOTAL REV	% OF CAMPUS REV	% OF UNIVERSITY REV
Tuition and Fees	291,898	81%	71%	17%	7.70%
F&A Costs Recovered	12,224	3.40%	3%	0.70%	0.30%
Auxiliary	-				
University Support	40,990	11.40%	10%	2.40%	1.10%
Other	15,217	4.20%	3.70%	0.90%	0.40%

Funded by state appropriation via
Chancellors' office

NB teaching units, university support FY2017 (\$000) and as percent of total unit revenues

EJB	GSAPP	GSE	MGSA	PSM	SAS	SCI	SOE	SEBS	SMLR	SSW
\$4,931	\$4,862	\$3,003	\$5,442	\$0	\$40,565	\$0	\$17,988	\$21,194	\$25	\$0
12.7%	14.4%	12.8%	15.8%	0	9.7%	0	14.2%	24.5%	0.1%	0

SAS New Brunswick FY2016 (cont)

budgetfacts.rutgers.edu

INDIRECT (COST POOL) EXPENSES	FY 2016 BUDGET	% OF TOTAL EXP	% OF CAMPUS EXP	% OF UNIVERSITY EXP
Academic Support	39,720,291	9.60%	2.30%	1.10%
Debt Service	15,619,616	3.80%	0.90%	0.40%
Facilities O&M	11,258,036	2.70%	0.70%	0.30%
General and Administrative Service	19,579,270	4.80%	1.10%	0.50%
Information Technology	9,955,403	2.40%	0.60%	0.30%
Libraries	7,529,803	1.80%	0.40%	0.20%
Research Support	1,877,860	0.50%	0.10%	0.00%
Strategic Funds	9,050,769	2.20%	0.50%	0.20%
Student Service	1,838,395	0.40%	0.10%	0.00%
Utilities	10,345,674	2.50%	0.60%	0.30%
TOTAL COST POOL EXPENSES	126,775,117	30.80%	7.40%	3.40%

Strategic Funds 2016-17

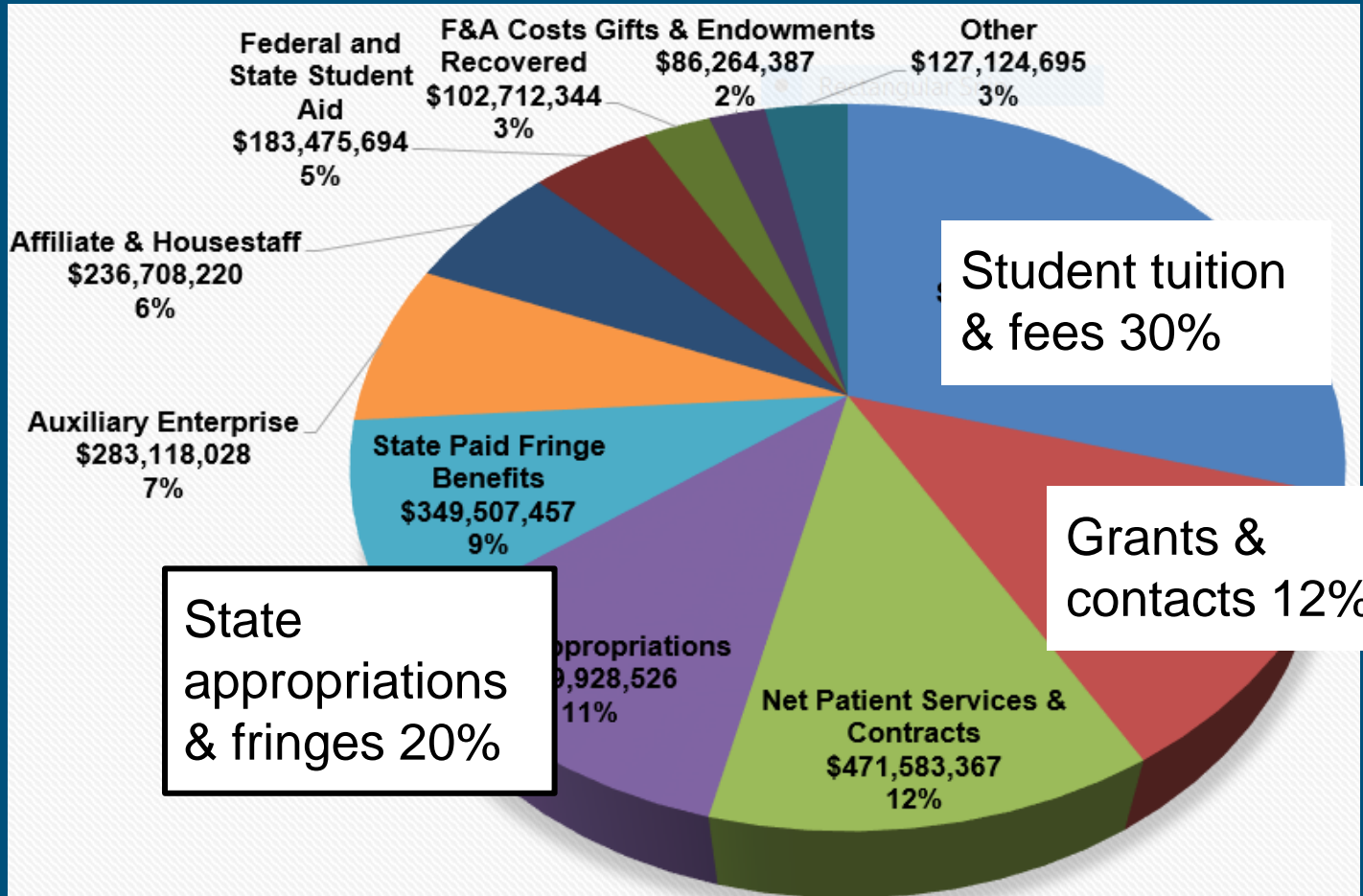
	NB	Newark	Camden	RBHS	Central	TOTAL
Strategic Funds Charges	-27,374,481	-6,786,110	-2,936,761	-19,004,327	-46,398	-56,148,077
President Strategic Funds	--	3,000,000	5,500,000	--	19,589,038	28,089,038
Chancellors Strategic Funds	13,700,844	3,389,792	1,468,401	9,500,002	--	
Strategic Funds net	-\$13,673,638	-296,318	4,031,640	-9,504,325	19,542,640	

Chancellors' pools

President's pool

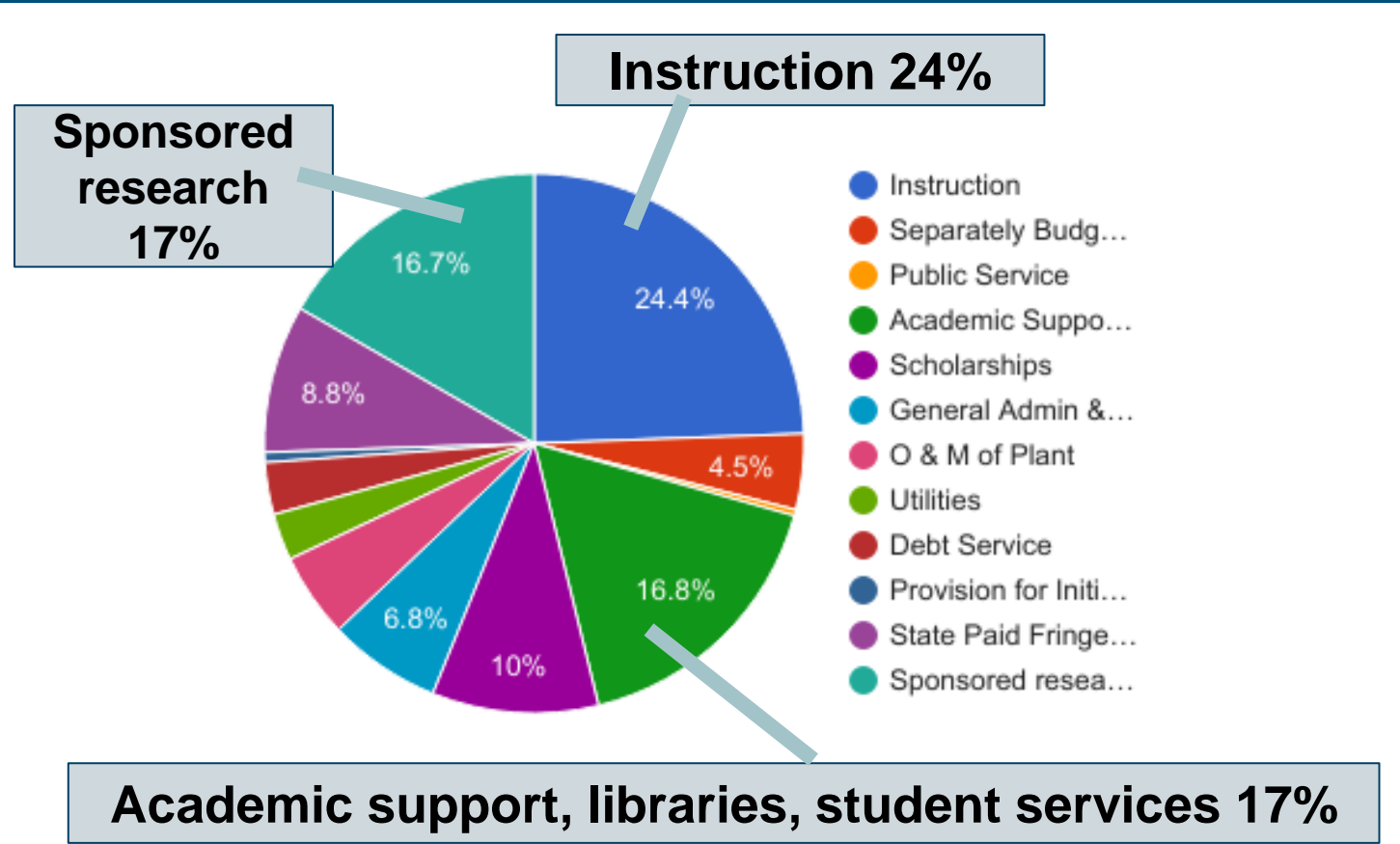
(BOG budget)

Revenues FY2017

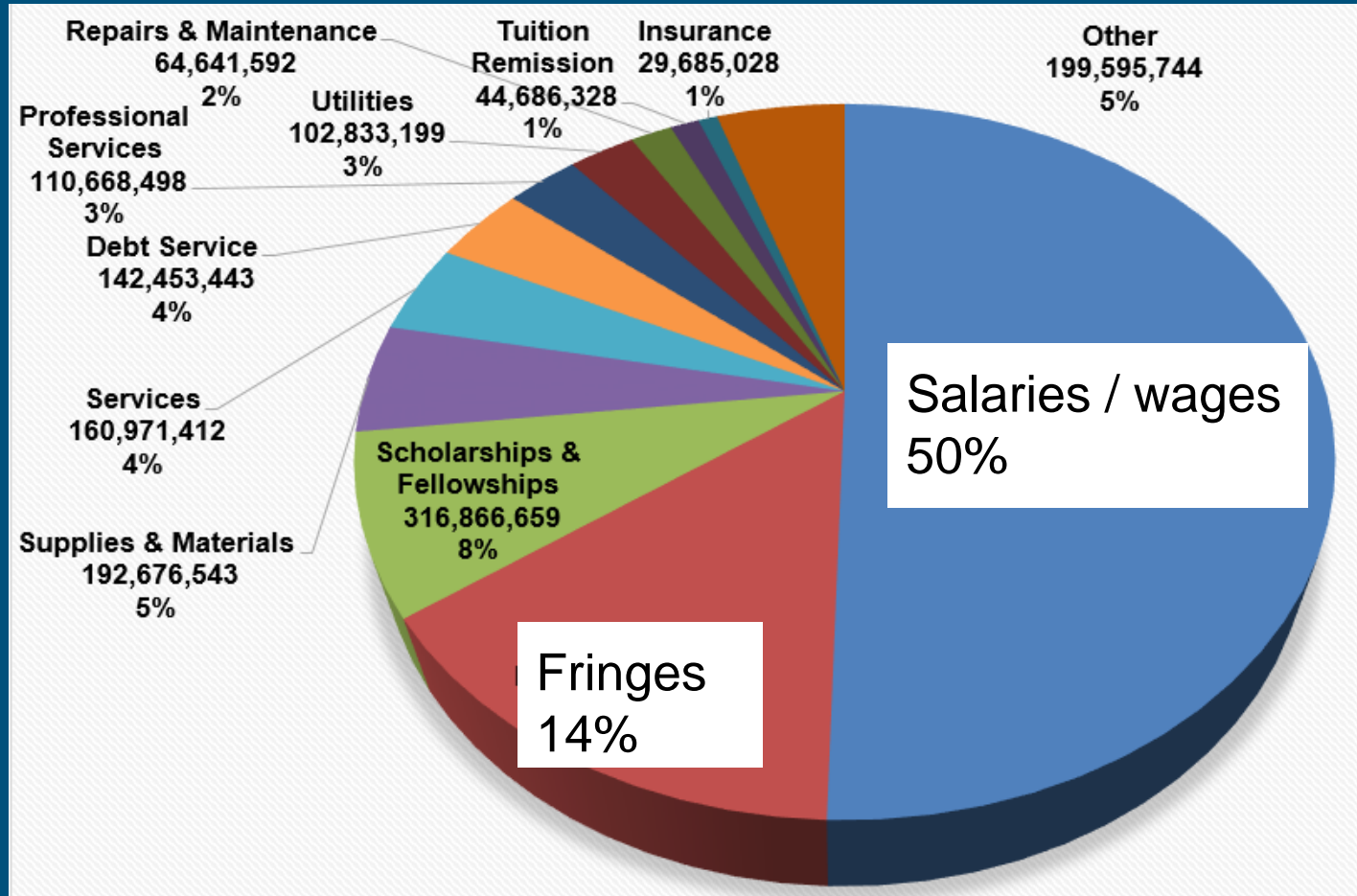


Expenses FY16

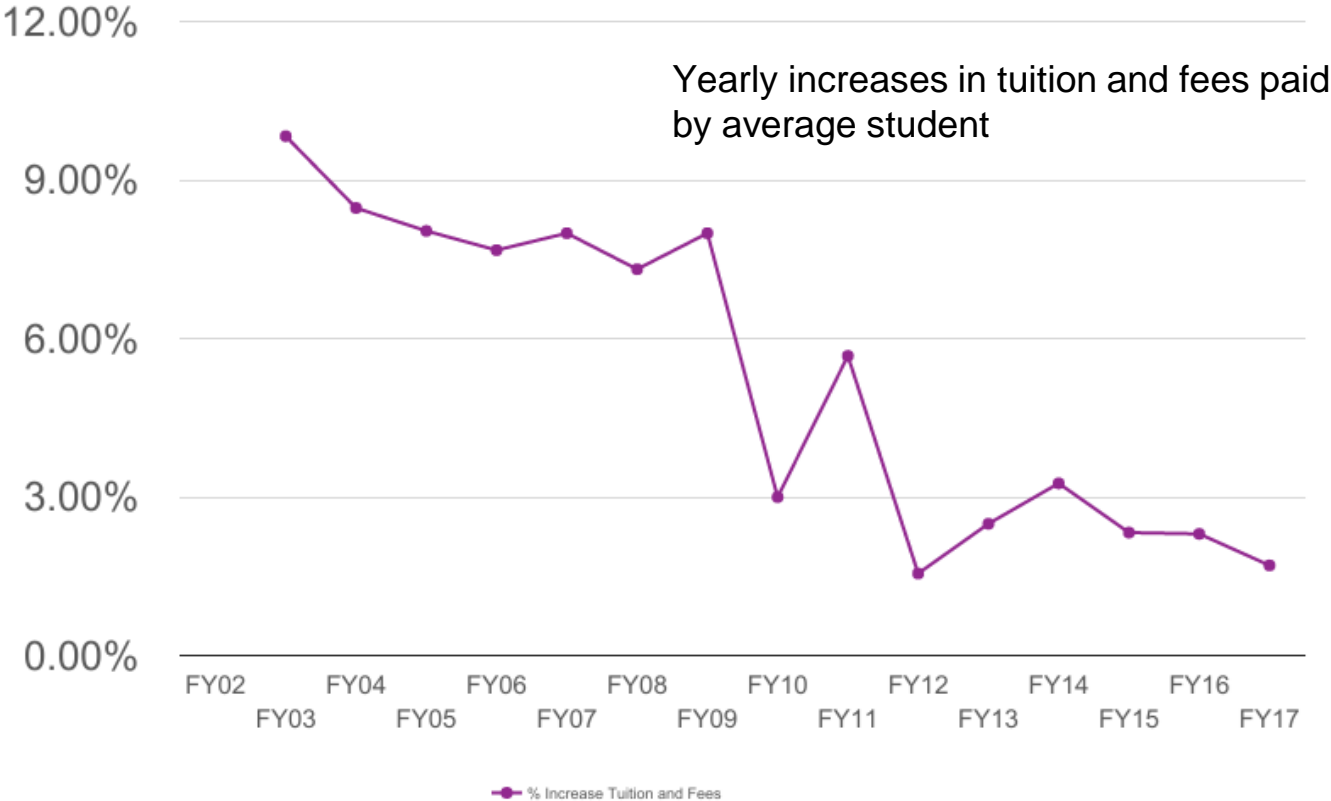
(BOG budget 2016-17)



Expenses FY17: salaries, wages, fringes (VP Finance budget)



Year-to-year Changes in Tuition & Fees



Rutgers athletics borrows against future Big Ten revenue to cover \$39M shortfall

*NJ.com, January 25**

Chasing Big Sports

Goals, Rutgers Stumbles

Into a Vat of Red Ink

*The New York Times, March 12***

NJ.com

** [Sports of The New York Times](#) By [MICHAEL POWELL](#)

- We don't know much!
- We issued a report less than 2 years ago
- For now, the problem is transparency

Starting a conversation



Implementation of RCM

Lack of clarity about:

Criteria and process for allocation of University support

Criteria and process for strategic fund allocations
by President and Chancellors

Some categories of expenditure, most notably University athletics

Cost formulas

“I still can’t tell what I am being charged for, why I am paying for it, and if I should be – or if I am even receiving the service I am paying for.”

Concerns about impacts of RCM on strategic priorities

Teaching:

- Larger classes

- More use of NTTs

- Monetary disincentives for PhD programs

Research:

- Pressure for revenue-generating grants (new in humanities, social sciences)

- “Taxes” taken by schools from grants without overhead

Current budgeting process

RCM oversight provided by four chancellors

Working group consists of 4 Chancellors' CFOs

+ EVP Finance Gower, SVPAA Lee, VP Budget Dettloff

RCM units present plans annually to the working group

Starting a conversation

The administration view:

RCM does not determine allocations: it provides data for conversations.

Priorities are based on the strategic plan.

But:

No (public) discussion of criteria for budget allocations in relation to strategic plan.

RCM unit budget officers we have spoken to are unclear about criteria.

Senate has not been included.

The Rutgers strategic plan *(in brief)*

Steps needed to close the “quality gap” with our aspirational peers

Academic programs

- Focus selectively on **strengthening** key large ranked disciplines, including engineering, health and biological sciences, and business ...
- ... while **sustaining quality and excellence** in the humanities and the core sciences.

Faculty

- Target **academic excellence** in our faculty by **recruiting and retaining the best** individuals in strategically identified areas, **supporting** them for success, and **creating a culture** that rewards faculty productivity and faculty recognition.

Students

- Construct a **campus environment** that supports student social needs, enhances educational opportunities, and improves student satisfaction while encouraging academic growth and engagement.
- Enhance the **academic profile** of the student body and **improve retention, graduation rates, and placement.**

Infrastructure

- Provide **best-practice academic and administrative systems** and organizations, backed by updated technology.

Thus we recommend:

- 1. Greater transparency about cost pool formulas** at school and unit level.
- 2. Justification of strategic fund allocations and University support** by the strategic plan.
- 3. Involvement of the Senate**, as the primary multi-stakeholder body of the University, in discussion of major priorities.