
University budget review

January 2018

Senate Budget and Finance Committee

Overview

- University budget is balanced and growing consistently
- Information greatly improved - but still a long way to go
- RCM has many negative consequences “on the ground”
 - Insufficient involvement and understanding below decanal level
- Budget is not clearly justified by strategy

1. The University's finances

The basic picture

Revenues budgeted at \$4.14 billion, up 6%

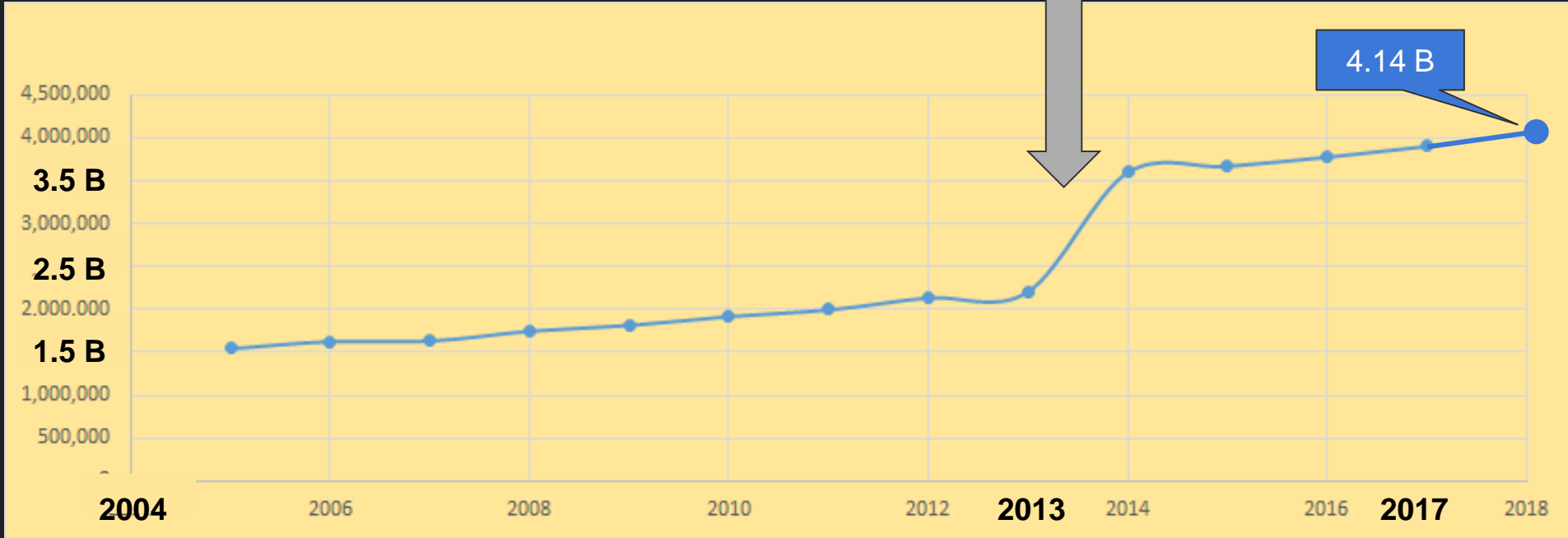
- Primarily driven by 1.85% increase in most tuition rates and fees, and higher enrollments.

Expenses budgeted at \$4.12 billion, up 5.6%

- Primarily driven by mandated salary increases.

Rutgers budgets (\$000)

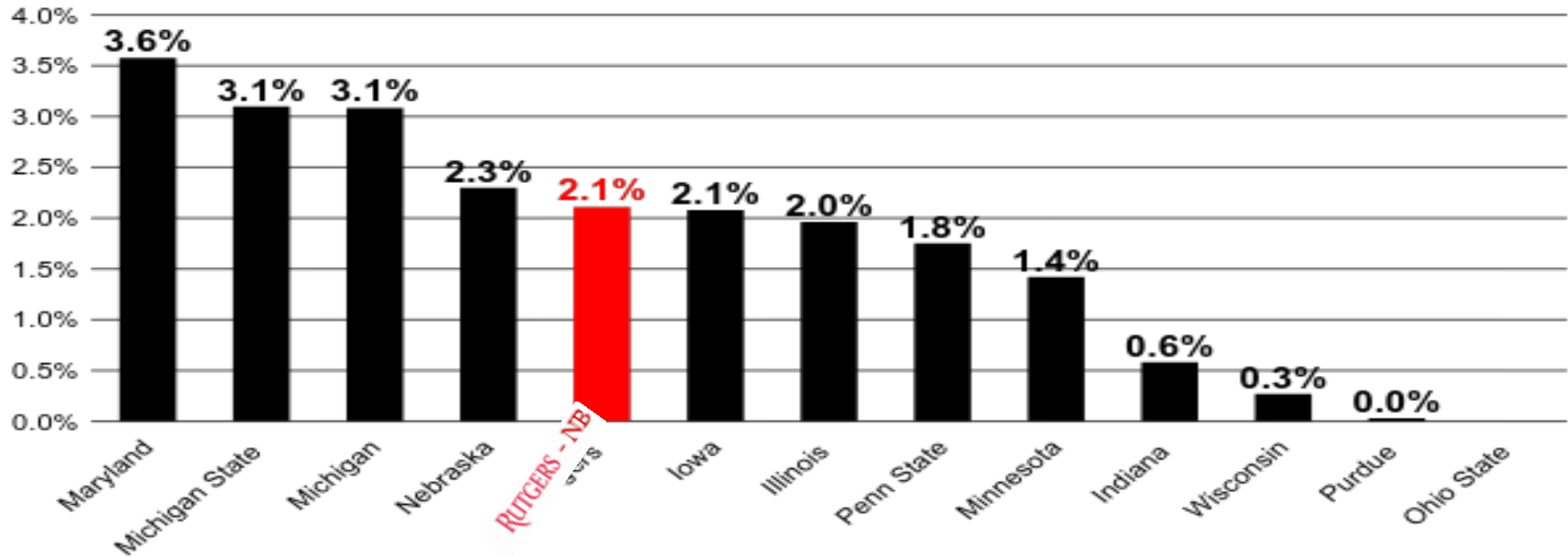
RBHS MERGER



After restatement of fringe benefits

3-Year Average Annual Tuition and Fee Increases

New Brunswick & Comparators - Big 10 Institutions



FY 2018 Revenues (estimated fringes)

Auxiliary Revenue

7.3%

Other Sources Revenue

2.5%

Affiliated and House...

6.4%

Healthcare Revenue

13.2%

Endowment and Inve...

1.3%

Gift and Contribution...

1.0%

Facilities and Admini...

2.6%

Grants and Contracts

11.2%

Student Tuition and F...

30.2%

**Student tuition and fees
30%**

Federal & State Stude...

4.5%

Federal Appropriation

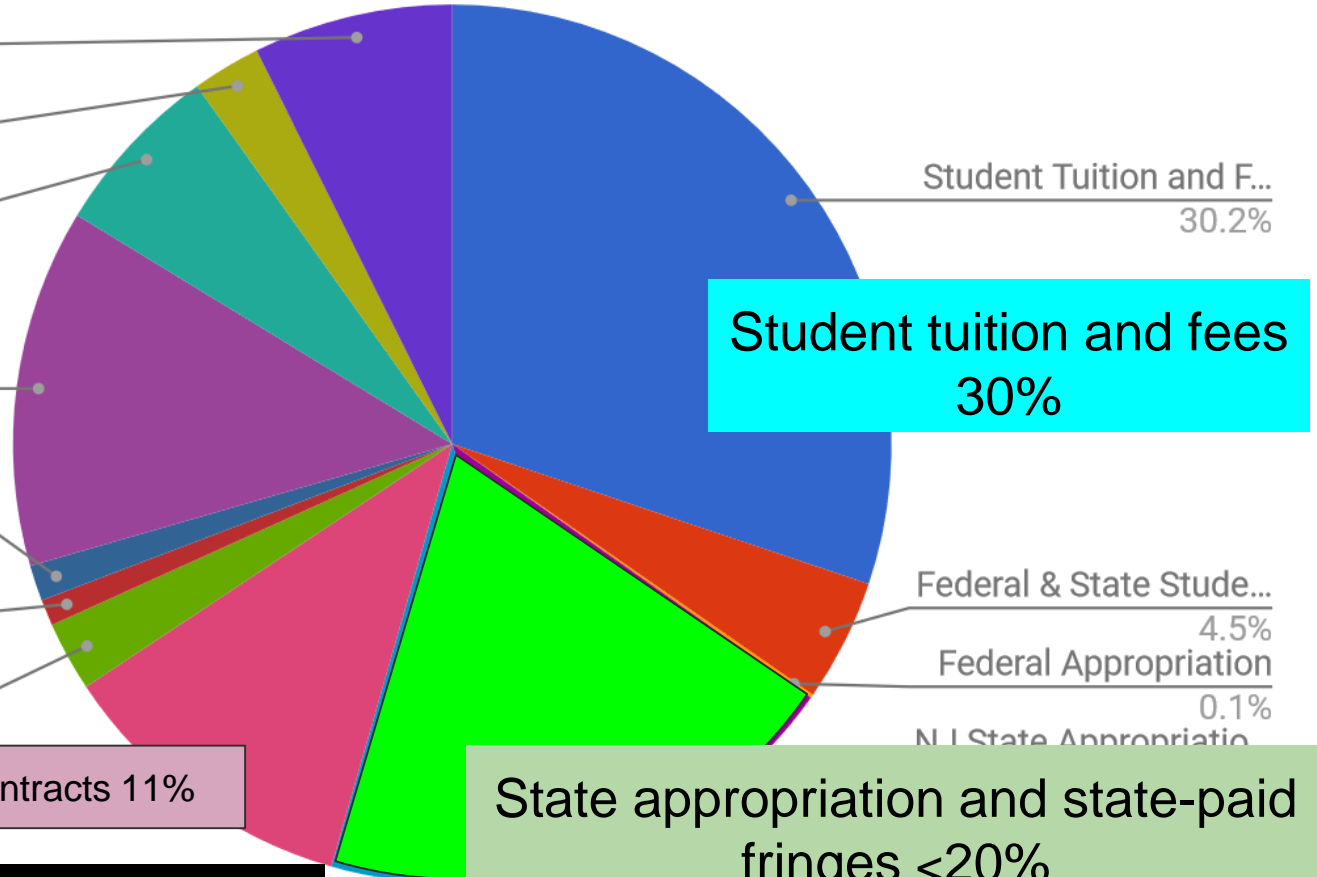
0.1%

NI State Appropriatio

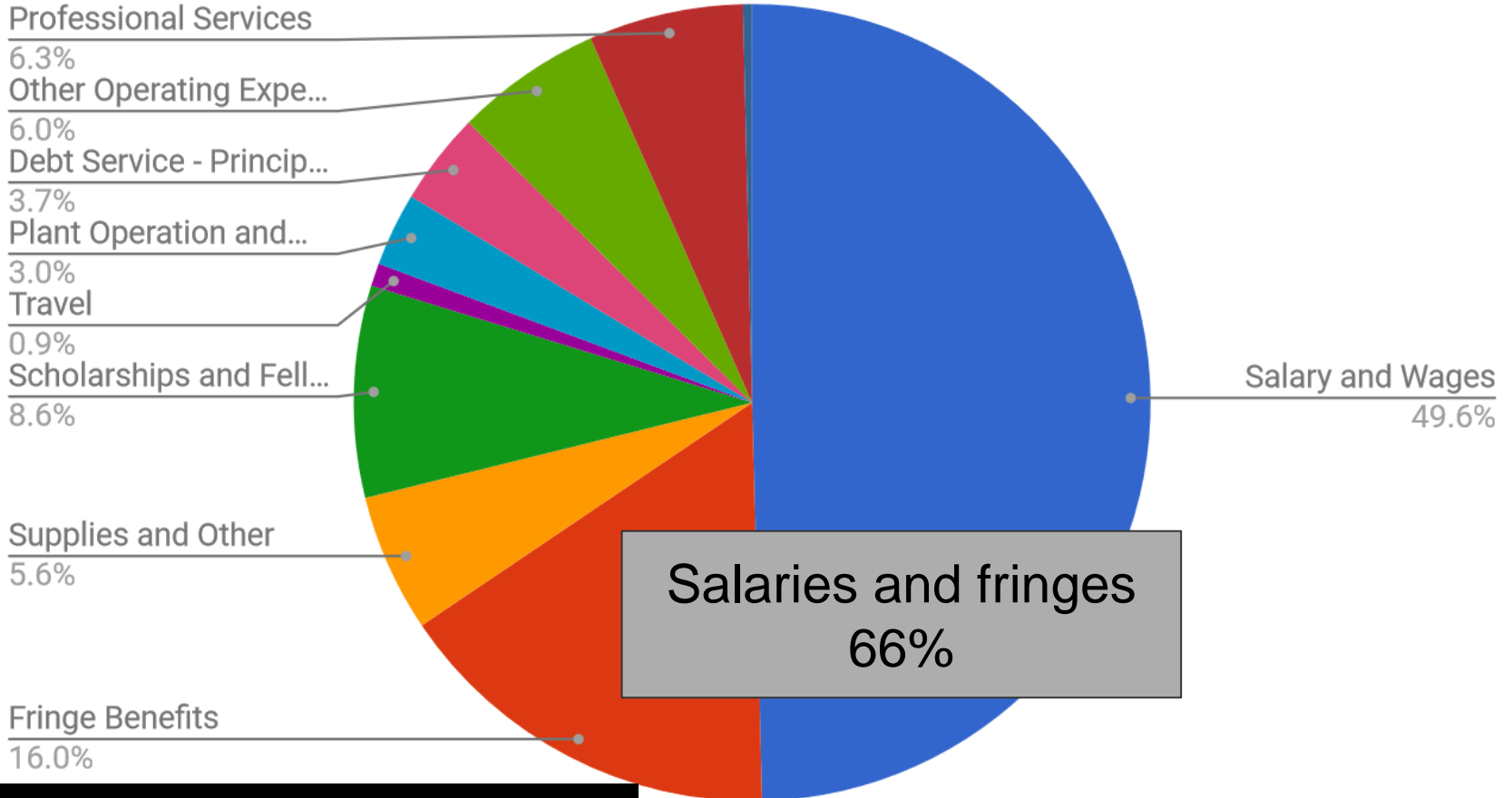
Grants & contracts 11%

**State appropriation and state-paid
fringes <20%**

After restatement of fringe benefits



FY 2018 Expenses (budgeted)



After restatement of fringe benefits

2. Transparency

Transparency: real progress - but incomplete

Improvements

- Far more detail than the old “one-page” budget
- Greatly improved discussions of data with VP Dettloff

Continuing issues

- Frequent data presentation changes, inconsistencies in numbers
- Difficult to compare projected to actual revenues / expenditures
- Insufficient communication of RCM formulas across University
- Inconsistent, usually obscure, communication below decanal level
- Lack of accountability of service units – poor feedback mechanisms
- Opaque criteria for distribution of University Support – little visible connection to strategy

Example of RCM budget: SAS New Brunswick - FY2018

(available online): budgetfacts.rutgers.edu

Revenue (Sources of Funds)	FY 2017	FY 2018	\$ change	% change
Student Tuition and Fees	307,102	314,393	7,291	2.37%
Federal and State Student Aid	0	0	0	n/a
Federal Appropriations	0	0	0	n/a
Allocated University Support	40,565	33,556	(7,009)	-17.28%
NJ State Appropriations	0	0	0	n/a
State Paid Fringe	36,975	83,273	46,298	125.21%
Grants and Funded primarily by state appropriation via Chancellors' office	47,915	31,098	(16,817)	-35.10%
Facilities and	10,945	7,625	(3,320)	-30.33%
Gift and Contribution Revenue	2,433	2,478	45	1.85%
Endowment and Investment Income	4,336	5,151	815	18.80%
Healthcare Revenue	0	0	0	n/a
Affiliated and Housestaff	0	0	0	n/a
Other Sources Revenue	4,129	2,468	(1,661)	-40.23%
Auxiliary Revenue	0	0	0	n/a
Total Revenue	454,400	480,042	25,642	5.64%

(excerpt - \$,000)

Example of RCM budget (available online): SAS New Brunswick - FY2018, excerpt - \$,000

Expense (Uses of Funds)				
Salaries and Wages	205,775	201,947	(3,828)	-1.86%
Fringe Benefits ¹	44,869	90,326	45,457	101.31%
Total Compensation	250,644	292,273	41,629	16.61%
Supplies and Materials	8,228	7,254	(974)	-11.84%
Scholarships	30,009	29,873	(136)	-0.45%
Travel	5,099	4,494	(605)	-11.87%
Plant Operation and Maintenance	743	704	(39)	-5.25%
Debt Service - Principal and Interest	0	0	0	n/a
Other Operating Expense	15,925	19,547	3,622	22.74%
Professional Services	17,203	13,507	(3,696)	-21.48%
Provision for Initiatives and Contingencies	0	(10,708)	(10,708)	n/a
Total Expense	327,851	356,944	29,093	8.87%

Error this year leads to apparent jump in fringes - will be restated

Example of RCM budget (available online): *SAS New Brunswick - FY2018, excerpt - \$,000*

Transfers	(392)	1,129	1,521	-388.01%
Cost Pool Transfers	(126,155)	(124,227)	1,928	-1.53%

Charges for services (libraries, IT, G&A, space, etc)

RCM

(Responsibility Center Management)

Major intentions of RCM

1. Increase transparency
2. Provide data for strategic decisions
3. Increase “budget awareness” (proper incentives) at all levels

How RCM works

- *RCM units include schools, major centers, and auxiliaries*
- *Budgets are now available online for all RCM units, including administrative offices (budgetfacts.rutgers.edu)*
- Units are credited with all revenues they generate
- Units pay for costs and services they use (“cost pools”)
- Units pay ~10% to 42% to cost pools - based on space, head counts, etc (*hard sciences at high end, auxiliaries at low end*)
- A small “tax” – currently 3% – is held for strategic funds

A slow process of change

Still much confusion and missing information at level of Schools and Centers

Lack of clarity about:

- Some categories of expenditure, such as research overhead (G&A)
- 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.”

Widely-held perceptions of RCM “on the ground” (faculty & staff)

RCM has:

- increased the isolation of “silos”, reduced collaboration
- increased pressure for larger classes and more use of NTTs
 - enrollment the main (perceived) strategic driver
- made budgeting much more complex, with more layers and approvals
- created disincentives for savings – fear that prudent budgeting will lead to cuts
- created disincentive for grants with low or no overhead

Poor service center accountability: “We are billed for things we can’t control or improve.”

Budget choices
are strategic choices

Strategic decisions: Insufficient knowledge and involvement

Key decisions:

- Criteria and process for allocation of **University support**
 - Wide range of University support allocations from - 5 million to zero to large amounts
- Criteria and process for allocation of **cost pools**, especially to strategic areas like libraries, research support, etc
- Criteria and process for **strategic fund allocations** by President and Chancellors

Athletics

Gradually increasing transparency, in posted budgets and elsewhere

- Allocated University support: \$10.3M, down 19% FY17 -> FY18

\$100M campaign for new facilities - Livingston facility under way

By 2021, plan shows “direct institutional support” going to zero

- Student fees continue: \$12.7M in 2021 – steady increase each year ~3%
- Big projected jump in Big 10 Conference support (\$29 -> \$44 M)
- Modest projected increases in ticket sales, contributions
- Paying off \$18.7M loans from University at 5.75% interest

Starting a conversation

Current budgeting process

- RCM oversight provided by four chancellors
 - Working group consists of 4 Chancellors' CFOs
+ EVP Finance Gower, SVPAA Lee, VP Budget Dettloff
- Each Chancellor meets annually with RCM units to discuss and approve budget plans.

RCM Project Committee Structure

RCM Steering Committee

- Chancellors
- SVP for Finance
- SVP for Administration

RCM Advisory Committee

- Faculty
- Deans
- Vice Presidents
- University Senate representatives

RCM Technical Committee

- Key unit administrators from across the university

Thus we recommend:

1. **Continued efforts to increase transparency about RCM data, especially at RCM unit / decanal 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 the budgeting process.