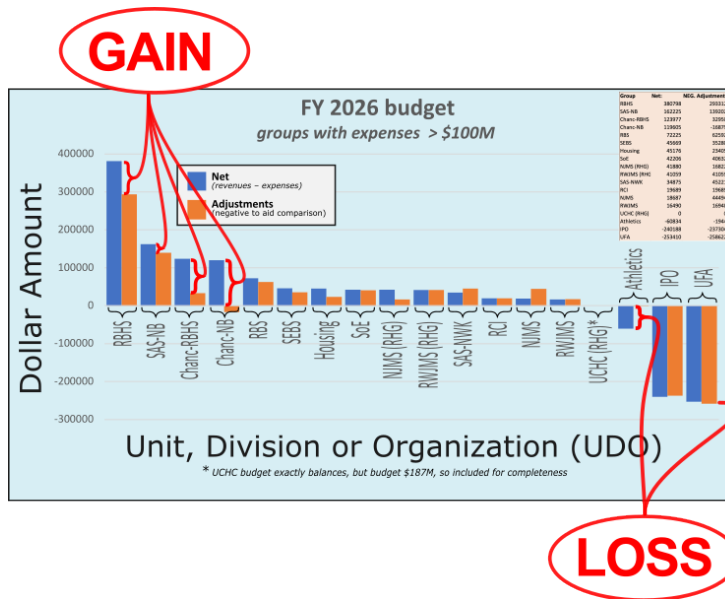




**March 28, 2026, Senate Meeting Follow Up: Budget Questions**

1. In short, my question is, some units gain net money for the university - RBHS & its Chancellor, SAS & its (NB) Chancellor, etc. Other units lose net money for the university - Athletics, UFA, etc. So my question is, why are cuts being made to units that MAKE money, and not to units that LOSE money? Based on the most recent budget that we have access to, the largest units shown (in reference to the chart below), there are gainful units, and 'lossful' ones. Why, as a strategic matter, are we making cuts to the gainful ones? Shouldn't we invest more in units that make more money, and less in units that lose money?



**UFA RESPONSE:** A fundamental component of the RCM budget model is that revenue-generating units help fund the infrastructure that supports the entire university. To manage the university effectively, we have to look beyond the surface level surplus or deficit of any single unit and recognize that our institution functions as a single budgetary enterprise. As we pursue improvements in programs, services, and support for our students, faculty, and staff, the revenue-generating units may be asked to trim costs while units operating in deficit may be subvented or subsidized.

While units like RBHS and SAS are very successful at generating revenue, that success is built on a shared institutional infrastructure that relies on Central services. In any RCM model, a portion of revenue from high-growth units necessarily supports core mission functions that simply cannot be self-sustaining. This



includes essential services like University Financial Aid, which is a strategic investment in our students, and administrative offices that handle compliance and accreditation work, that allow our academic units to operate.

When the university faces systemic financial pressure, such as inflation or rising fringe costs, we have to seek balance by utilizing the resources available. A budget reduction in a “profitable” unit should not be viewed as a penalty for doing well. Instead, it is a recognition that even our most successful programs need to run efficiently to keep the entire enterprise stable. In addition, many of the units that show a loss provide essential services or are core to Rutgers’ mission. At the CLU level, local decisions aim to balance incentivizing revenue growth with supporting the university’s overall financial health.

2. Does cash on hand/burn rate take into account unrestricted reserves?

**UFA RESPONSE:** Yes. Cash on hand includes all university cash, both restricted and unrestricted. However, it’s important to note that both restricted and unrestricted funds are designated for specific purposes.

3. If the Athletics deficit was zero, what would be our net operating margin?

**UFA RESPONSE:** Based on the Q2 forecast for this fiscal year, which ends on June 30, the University Budget Office is projecting a year-end operating margin of -0.31%, inclusive of Athletics. Assuming Athletics operates at breakeven, the overall operating margin projection improves to 0.91%.

4. Since 20% of our revenue is from the state, does the 5% hold that in steady state? If so, does the state now have incentives and justification to hold our funding static? Very hard to understand this when 20% of our revenues are out of our control.

**UFA RESPONSE:** The 5% fiscal sustainability goal (by 2030) contained within the Financial Policy adopted by the Rutgers Board of Governors is not based on a hold-harmless or steady-state assumption about State support, nor does it signal to the State that its appropriation to Rutgers should remain static or be reduced.



The 5% target is an internal planning metric intended to ensure that the university maintains adequate funds and financial flexibility for capital and program needs, and that it can navigate risks and unexpected circumstances and events. That uncertainty is precisely why a sustainability target exists: to protect the institution against fluctuations in external funding – including State support.

Importantly, the fiscal sustainability policy does not reduce, replace, or weaken the case for State support. State appropriations are determined by legislative and executive priorities, enrollment, programmatic outcomes, and broader economic conditions, not an internal reserve target. The existence of a *modest* sustainability goal neither creates an incentive nor provides justification to the State to limit funding. Rather, it signals responsible stewardship, which historically has strengthened our credibility in State funding discussions and with external parties such as rating agencies. This is borne out by the State’s own concern for university metrics, as reflected in OSHE’s Financial Assessment and Risk Monitoring Survey, which annually gathers data on the university’s cash position, operating margin, and other financial metrics.

5. What assumptions are being made about future state funding in budgeting a 5% margin? Or are we making that happen after we know what we’re getting from them?

**UFA RESPONSE:** The budgeting assumption underlying the 5% fiscal sustainability goal is that base State operating support follows historical trends, absent explicit new information to the contrary. In other words, we are not assuming any material increases or decreases in base funding when constructing the long-range plan.

Special Purpose appropriations, which tend to fluctuate from year to year, when awarded, are treated as budget neutral because these funds are targeted for specific programs. They do not change the university’s operating margin and therefore do not affect progress toward (or away) from the 5% goal. Similarly, the occasional capital appropriations awarded by the State are typically outside the operating budget and are thus not incorporated into the operating margin calculation.

Once actual State funding levels are known, typically in July of each year, the university aligns spending and revenues accordingly while continuing to progress toward the long-term sustainability goal.



6. If units are balancing budgets, how do you get to the 5% surplus? A clarification on goals of 'breakeven' (0) vs. 5% surplus target would be very helpful.

**UFA RESPONSE:** In the near term, our budget development focuses on Central Administration units and the CLUs balancing their operating budgets, so the university can achieve an overall break-even position. The 5% operating margin is not expected to be achieved in a single year, nor through unit level surpluses alone, but incrementally over multiple years through disciplined budgeting, including both expense management and revenue growth and diversification.

7. On deferred maintenance: Have units never paid for maintenance in the last few years? If not, why not? If so, where has that money gone?

**UFA RESPONSE:** The university does not maintain a centralized, recurring budget dedicated to deferred maintenance. Deferred maintenance and capital renewal needs are identified annually through Institutional Planning and Operations' Facilities Condition Analysis process, which prioritizes projects based on urgency and risk. Chancellors and their units, in coordination with Institutional Planning and Operations, establish priorities and fund projects using resources from their respective schools, institutes, or centers, as well as internal loans and, at times, supplemental State grants or other financing sources.

Despite ongoing investments, deferred maintenance has accumulated over time due to historical funding constraints, rising construction costs, and the scale and age of the university's facilities, resulting in a significant backlog.

8. What bottom line should we be looking at to measure the target?

**UFA RESPONSE:** Based on the current operating budget of approximately \$6 Billion annually, the university would need to achieve a year-end surplus balance of approximately \$300 Million to reflect a 5% operating margin.