NJIT Budget Model Redesign Project
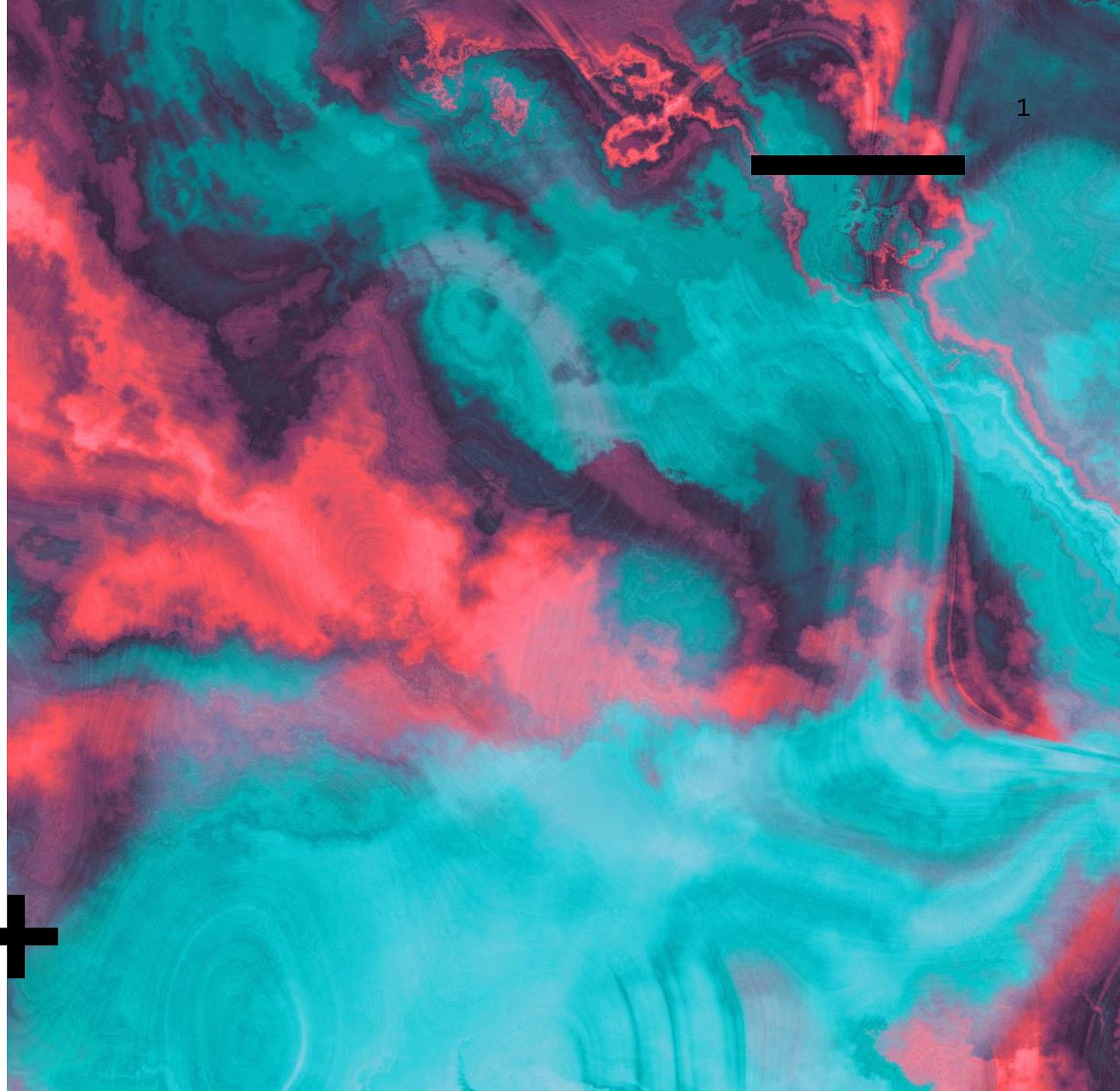
Final Model Overview

Town Hall

12/3/2024

Presented By:
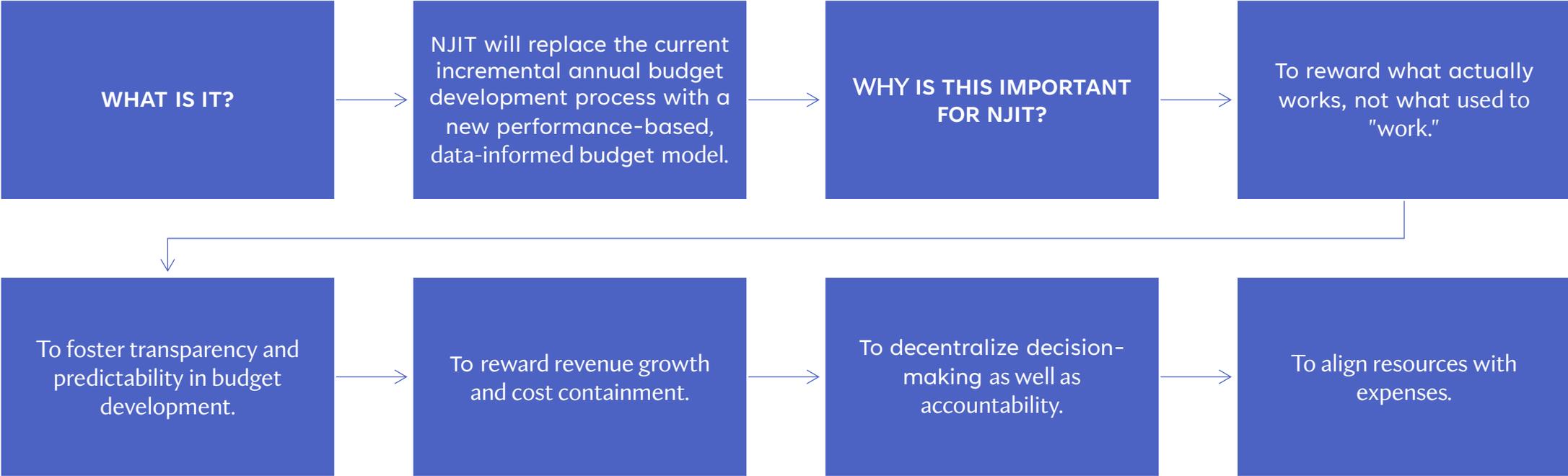
Catherine Z Brennan, SVP for Finance & CFO

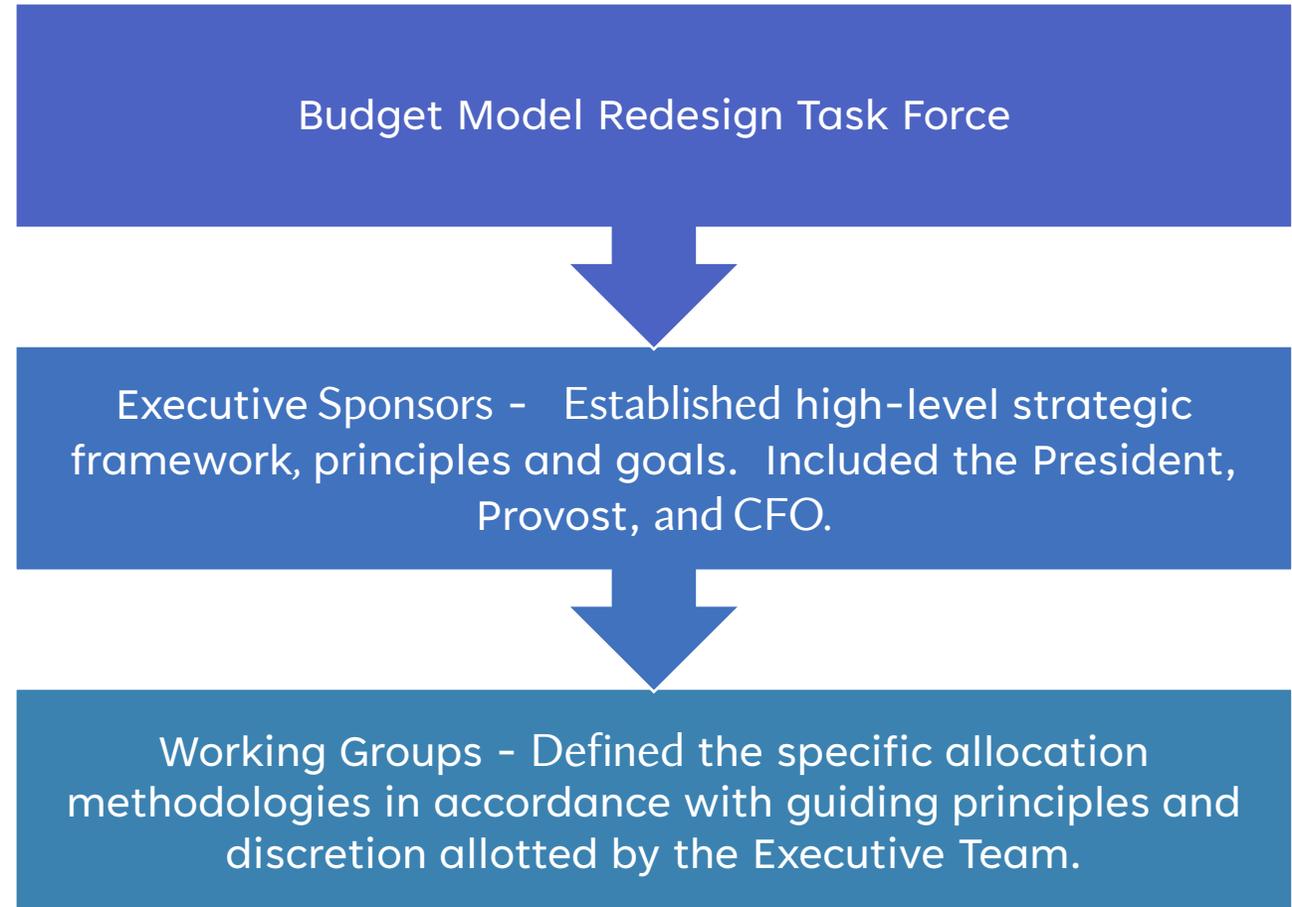Lisa Easton, AVP for Strategic Budget Planning

The Budget Model Redesign Project

| WHAT IS IT? | NJIT will replace the current incremental annual budget development process with a new performance-based, data-informed budget model. | WHY IS THIS IMPORTANT FOR NJIT? | To reward what actually works, not what used to "work." |

| To foster transparency and predictability in budget development. | To reward revenue growth and cost containment. | To decentralize decision-making as well as accountability. | To align resources with expenses. |

Process Used to Develop the Model

Budget Model Redesign Task Force

Executive Sponsors - Established high-level strategic framework, principles and goals. Included the President, Provost, and CFO.

Working Groups - Defined the specific allocation methodologies in accordance with guiding principles and discretion allotted by the Executive Team.

Project Timeline

President, Provost, and CFO meet on Budget Model Design Principles & Goals

Budget Model Framework is shared with the university community. (President's Council, FS, A&F cmte, Budget Managers, US, Deans, Senior Leadership)

EAB Budget Model Training Series commences.

23 Jan. – 23 Aug.

24 Jan. – 24 Apr.

24 Dec.

22 Sep. – 22 Dec.

23 Sep. – 23 Dec.

24 Aug. -- 24 Dec.

Budget Model Working Groups meet to develop the key elements of the new Budget Model

Budget Model continues to be refined. Shared with Budget units; ALC; Support Centers.

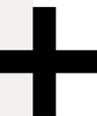Budget Model is Finalized. FY26 Budget Development begins for Year 1
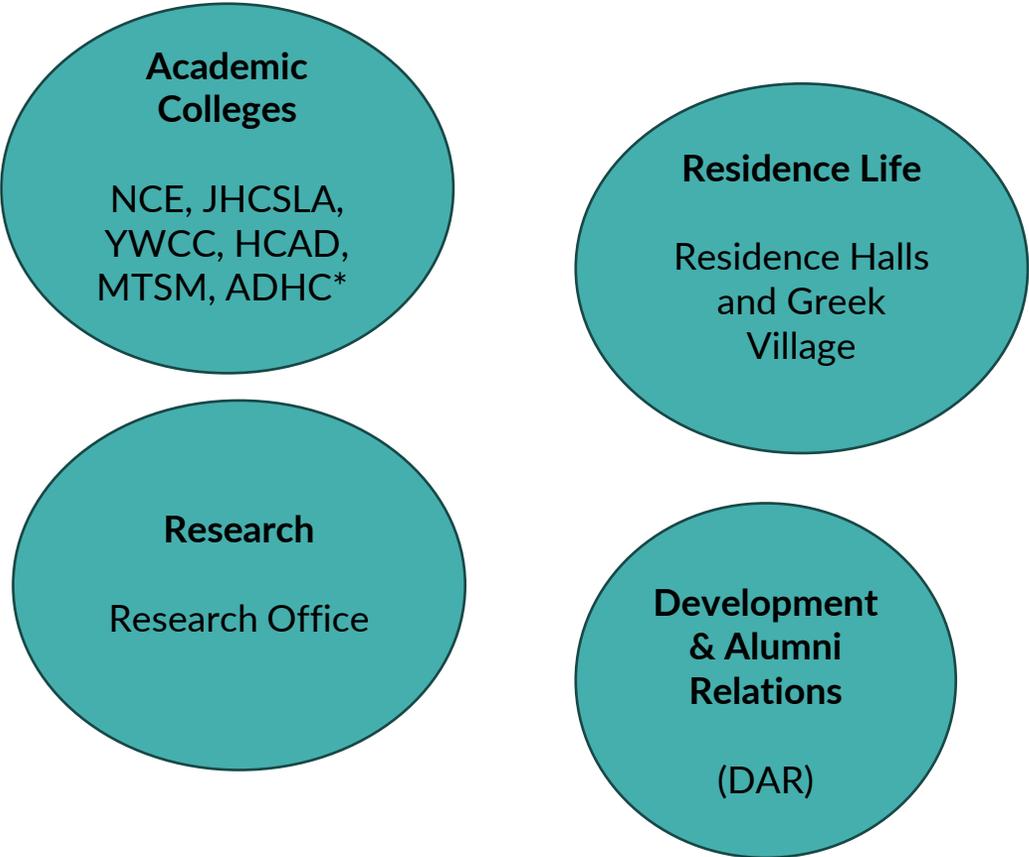
Understanding the New Budget Model

Three Key Elements of the 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 are Derived, and Overhead Costs are Allocated
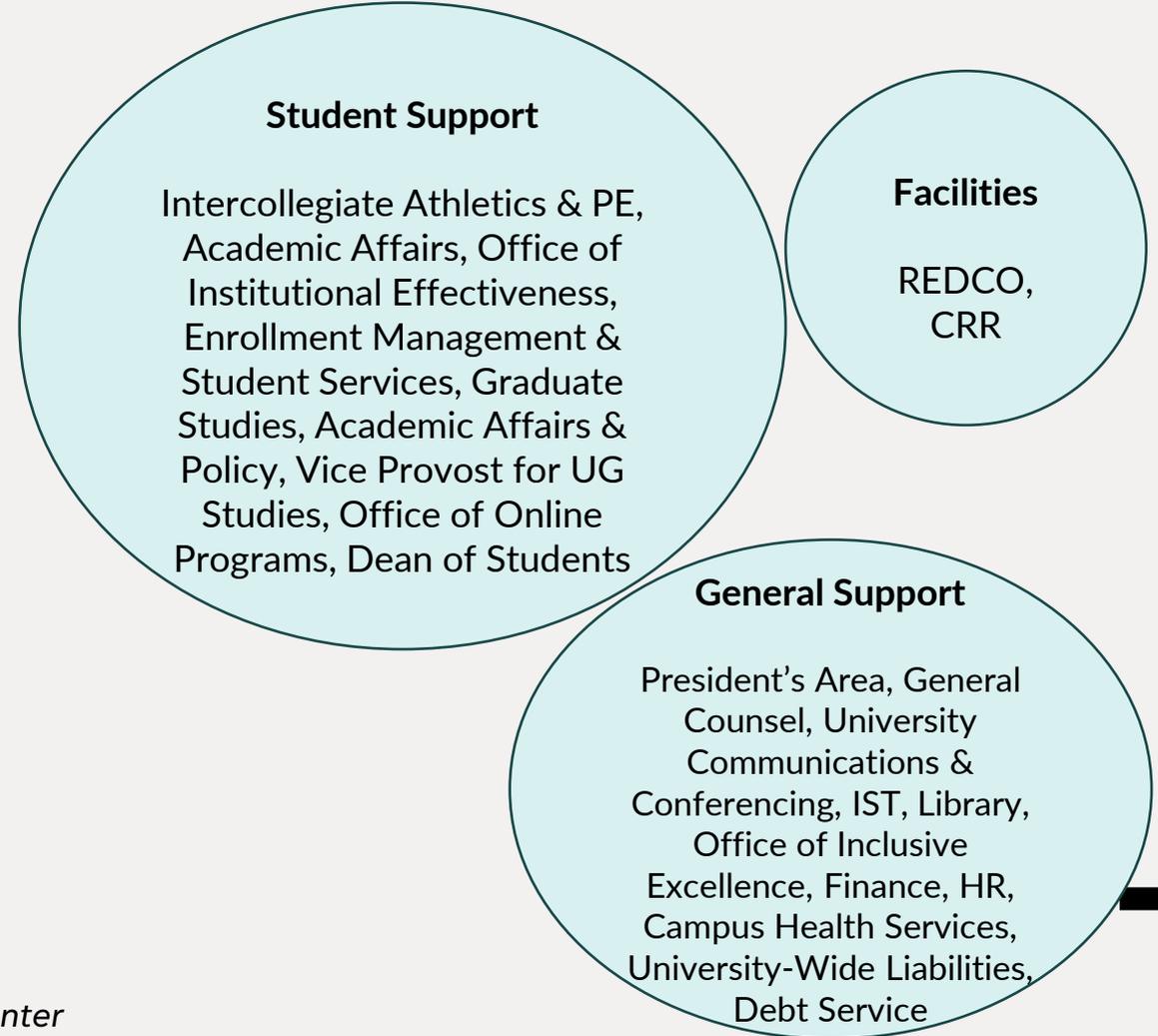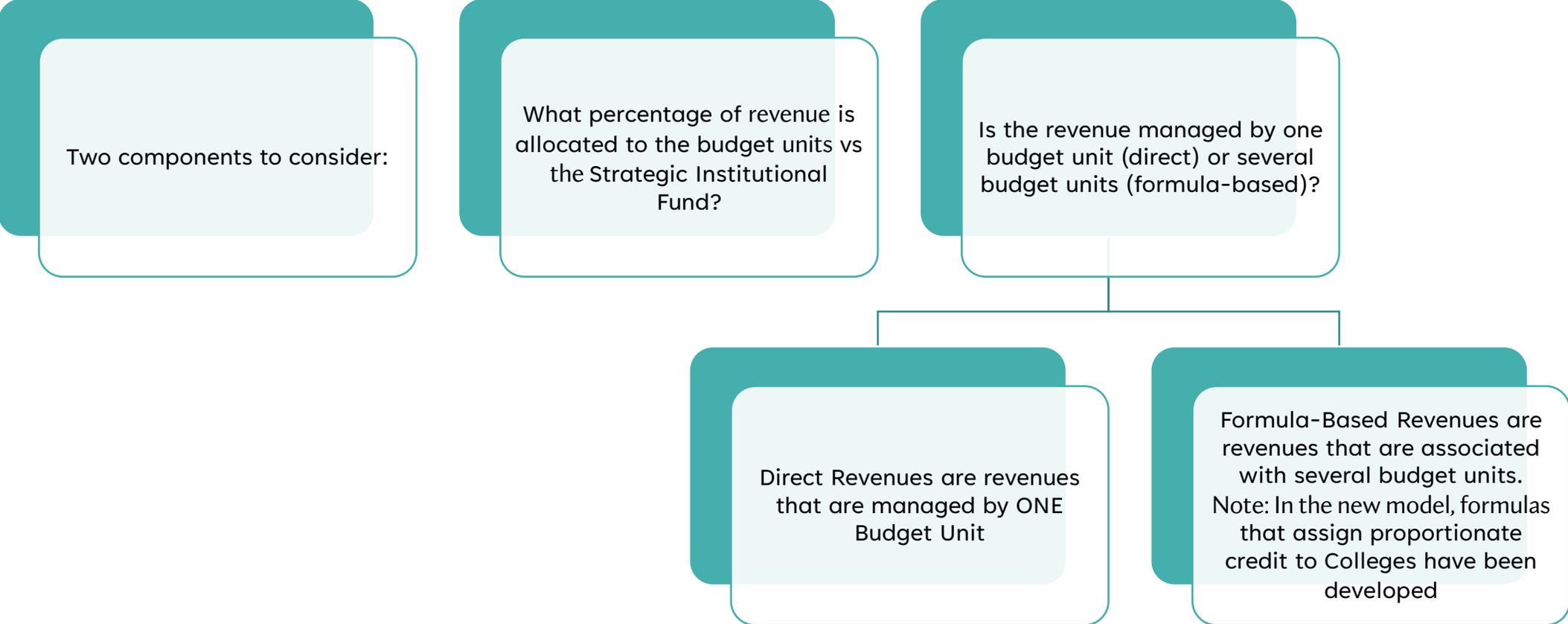
Organizational Structure

Revenue Centers

Academic Colleges

NCE, JHCSLA, YWCC, HCAD, MTSM, ADHC*

Residence Life

Residence Halls and Greek Village

Research

Research Office

Development & Alumni Relations

(DAR)

Support Centers

Student Support

Intercollegiate Athletics & PE, Academic Affairs, Office of Institutional Effectiveness, Enrollment Management & Student Services, Graduate Studies, Academic Affairs & Policy, Vice Provost for UG Studies, Office of Online Programs, Dean of Students

Facilities

REDCO, CRR

General Support

President's Area, General Counsel, University Communications & Conferencing, IST, Library, Office of Inclusive Excellence, Finance, HR, Campus Health Services, University-Wide Liabilities, Debt Service

For the purposes of the Budget Model, the ADHC is treated as a Support Center

Allocation of Revenues

Two components to consider:

What percentage of revenue is allocated to the budget units vs the Strategic Institutional Fund?

Is the revenue managed by one budget unit (direct) or several budget units (formula-based)?

Direct Revenues are revenues that are managed by ONE Budget Unit

Formula-Based Revenues are revenues that are associated with several budget units.
Note: In the new model, formulas that assign proportionate credit to Colleges have been developed

Allocation of Expenses

Support Center Group	Applied To	Allocation Metric
Facilities	All Budget Units	Square Feet (Sq Ft)
General Support	All Budget Units	Total Direct Expense
Student Support	Academic Colleges	Unduplicated Headcount (AY Only)

Direct Expenses

- Budget unit expenses in the unrestricted operating budget and subject to the annual budget development process.
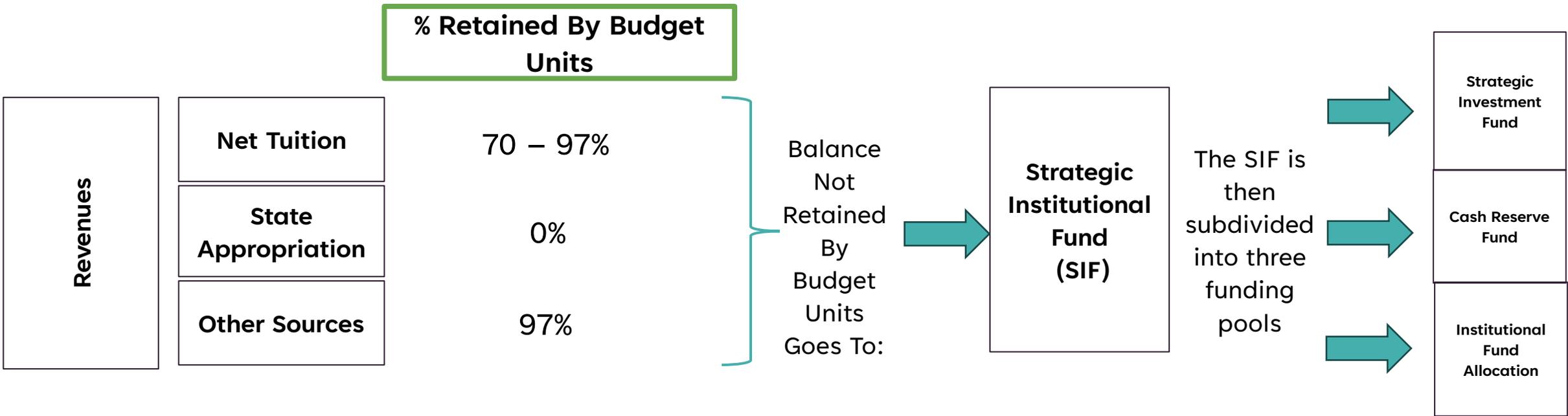- These are the actual and budgeted expenses for every Budget Unit.

Overhead Expenses

- Equates to the 'net' support center costs in the unrestricted operating budget
- These 'net' support center costs, by support center grouping, are allocated back to the revenue centers through allocation metrics.
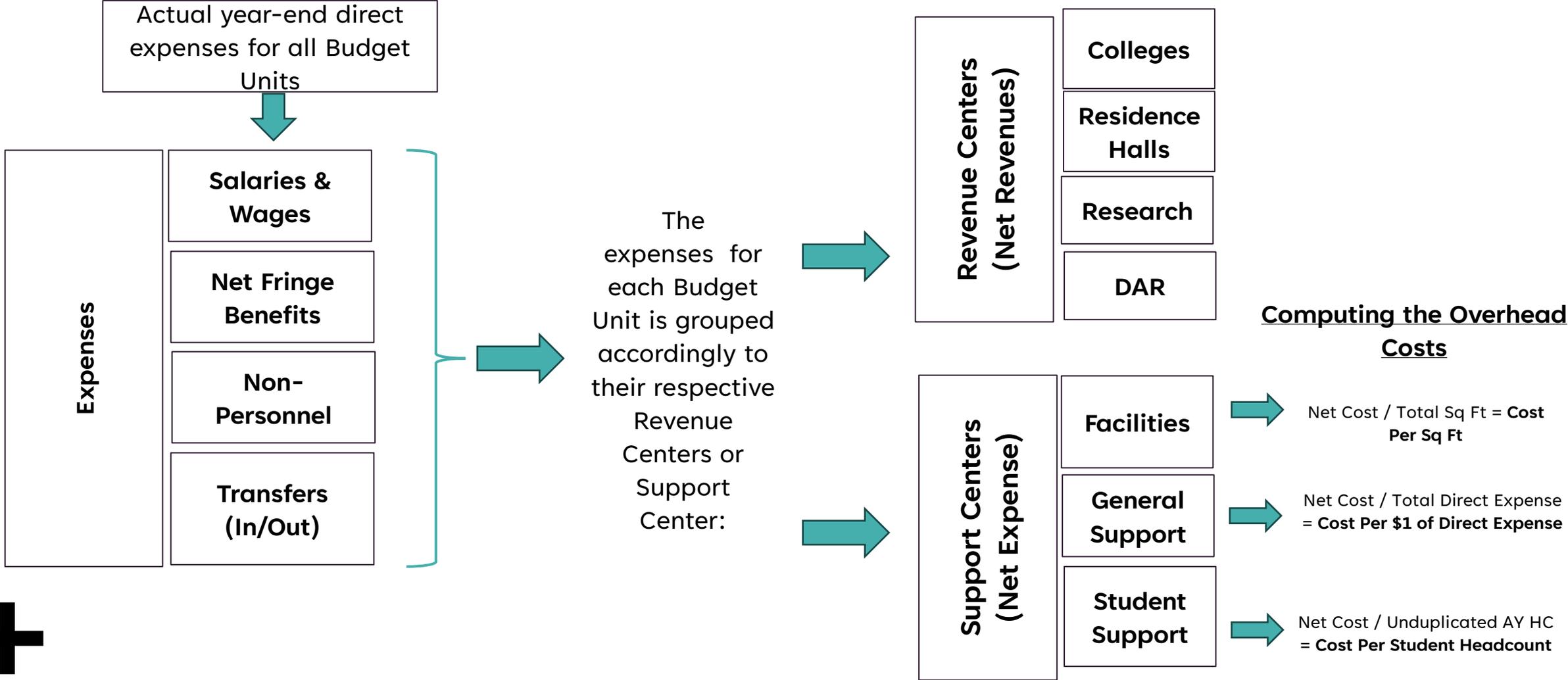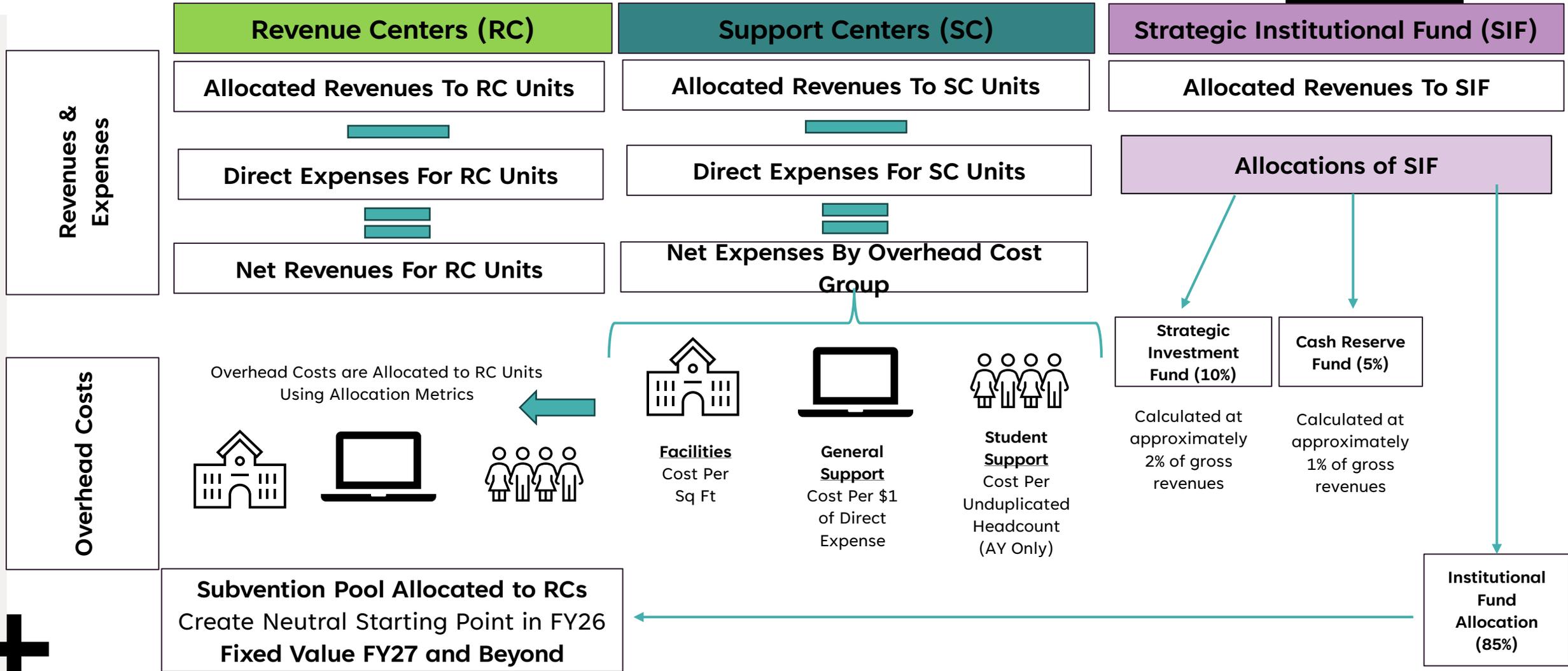
Fully Allocated Costs

Budget Model: Revenue Flow

		% Retained By Budget Units					
Revenues	**Net Tuition**	70 – 97%	Balance Not Retained By Budget Units Goes To:	**Strategic Institutional Fund (SIF)**	The SIF is then subdivided into three funding pools	→	Strategic Investment Fund
	State Appropriation	0%				→	Cash Reserve Fund
	Other Sources	97%				→	Institutional Fund Allocation

Budget Model: Expense Flow

Actual year-end direct expenses for all Budget Units

Expenses

- **Salaries & Wages**
- **Net Fringe Benefits**
- **Non-Personnel**
- **Transfers (In/Out)**

The expenses for each Budget Unit is grouped accordingly to their respective Revenue Centers or Support Center:

Revenue Centers (Net Revenues)

- **Colleges**
- **Residence Halls**
- **Research**
- **DAR**

Support Centers (Net Expense)

- **Facilities**
- **General Support**
- **Student Support**

Computing the Overhead Costs

- Net Cost / Total Sq Ft = **Cost Per Sq Ft**

- Net Cost / Total Direct Expense = **Cost Per $1 of Direct Expense**

- Net Cost / Unduplicated AY HC = **Cost Per Student Headcount**

Budget Model: Revenue & Expense Flow

Revenue Centers (RC)	Support Centers (SC)	Strategic Institutional Fund (SIF)
Allocated Revenues To RC Units	Allocated Revenues To SC Units	Allocated Revenues To SIF
Direct Expenses For RC Units	Direct Expenses For SC Units	Allocations of SIF
Net Revenues For RC Units	Net Expenses By Overhead Cost Group	

Revenues & Expenses

Overhead Costs

Overhead Costs are Allocated to RC Units Using Allocation Metrics

Facilities
Cost Per Sq Ft

General Support
Cost Per $1 of Direct Expense

Student Support
Cost Per Unduplicated Headcount (AY Only)

Strategic Investment Fund (10%)

Calculated at approximately 2% of gross revenues

Cash Reserve Fund (5%)

Calculated at approximately 1% of gross revenues

Subvention Pool Allocated to RCs
Create Neutral Starting Point in FY26
Fixed Value FY27 and Beyond

Institutional Fund Allocation (85%)

Methodology Behind Key Components of the Budget Model

Net Tuition Revenue

Indirect Cost Recovery

State Appropriation

Overhead Costs

Central Reserves

What percentage of **Net Tuition** Revenue is Allocated to Colleges?

– And how was this determined?

– *Lower percentages* reflect greater centralized student support, physical space constraints, and fixed contractual costs.

– *Higher percentages* reflect areas over which the colleges have greater control, reduced central support costs, and lower physical space constraints

Formula-Based Net Tuition Category	% Colleges	% SIF
Net Undergraduate Tuition	70%	30%
Net Graduate On-Campus Tuition	70%	30%
Graduate Online Tuition	70%	30%
Net PhD Tuition	97%	3%
Summer Tuition	97%	3%
Winter Tuition	97%	3%
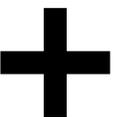
How will Credit Hours Generated (CHG) for sections taught vs. Headcount (Majors) be weighted in the distribution of **Net Tuition Revenues** allocated to the Colleges?

Formula-Based Net Tuition Category	% Taught (CHG)	% Majors (HC)	Further Weighting? (Y/N)	If Yes, Explain
Net Undergraduate Tuition	75%	25%	Y	Multipliers applied to Taught CHG Only: (1) Cost of Instruction (2) Dedicated Honors Courses
Net Graduate On-Campus Tuition	100%	0%	N	
Graduate Online Tuition	100%	0%	N	
Net PhD Tuition	0%	100%	Y	Actual unrestricted tuition award expenses will determine net PhD by College
Summer Tuition	100%	0%	Y	2x Graduate CHG due to tuition differential
Winter Tuition	100%	0%	Y	2x Graduate CHG due to tuition differential

How was this determined?

Consideration given to:

- Taught vs Major weighting used by a majority of peer institutions
- The listing and teaching of courses by the colleges
- The differential cost of instruction by college

What timeframe or methodology will be used to allocate **net tuition** revenues?

A multi-year average will be used to allocate net tuition revenues by College as part of the upcoming FY's budget development process.

The multi-year allocation will be an average of the two prior fiscal year-end results and a current year forecast once 10th day fall headcount is known.

Net-tuition revenues by College will be communicated during the annual budget development process for the upcoming FY annually as follows:

- **December:** Preliminary net-tuition revenues (includes most recent fall results)
- **March:** Updated net-tuition revenues (includes results of spring enrollment)
- **July:** Final net tuition revenues CONFIRMED (once State budget results are known and T&F increases are adopted by the BOT).

How are **indirect cost recovery (ICR)** revenues allocated?

Indirect Cost Recovery (ICR) revenues will be allocated as follows:

- 75% to the Research Revenue Center
- 22% to the Budget Unit (mainly Colleges) that generates the ICR
- 3% to the Strategic Institutional Fund
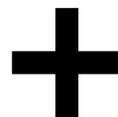
How are **State Appropriations** treated?

State Base Appropriations are 100% allocated to the Strategic Institutional Fund

State-Supported Fringe Benefits will be netted against actual fringe expenses charged to the unrestricted operating budget. This will be referenced in the new Budget Model as 'Net Fringe Benefits.'

How are Overhead Costs Allocated?

Support Center Group (Overhead Cost)	Support Center Cost is Applied To:	Support Center Allocation is Assessed Based On:
Facilities	All Budget Units with Space on Campus	Square Feet (Sq Ft)
General Support	All Budget Units (Excluding Facilities)	Total Direct Expenses
Student Support	Academic Colleges	Total Unduplicated Headcount (Academic Year)

How are **Central Reserves** Ensured?

Residual revenues NOT allocated to Budget Units are allocated to the Strategic Institutional Fund (SIF)

Three pools comprise the Strategic Institutional Fund:

Strategic Investment Fund (10%). This dedicated fund, equal to about 2% of gross revenues, is **meant to support university-wide priority needs.**	**Cash Reserve Fund** (5%). This fund, equal to about 1% of gross revenues, is **intended to build cash reserves annually** and should not be spent.	**Institutional Fund Allocation** (85%). This fund provides the subvention (subsidy) **to the revenue centers** to create a neutral starting point in FY26 for Hold Harmless implementation. **Intended to be a fixed value for FY27 and beyond.**

+

Concerns & Guardrails

Concerns	Guardrails
Prioritizing Metrics over Quality	Creation of new courses will be scrutinized, and duplication will generally not be allowed
College Competition Over Collaboration	Financial collaboration will yield more lucrative financial results gained through sharing costs while increasing revenues
Accountability for Support Centers	Service Level Agreements (SLAs) are under development. Overhead costs will be transparent across campus

How To Drive The Model to Benefit Your College.

Understand the drivers in the model (e.g. CHG Taught, Majors)

Focus on Drivers that You have Control Over

Revenue Enhancements	Cost Reductions
• Market-analysis for new or existing academic programming • Schedule Summer/Winter course offering around student needs to progress	• Sunset activities/degrees to make way for new strategic priorities • Critically analyze all staff/faculty turnover as opportunities to redeploy resources • Look for opportunities to centralize functions • Reduce underfilled course sections • Review faculty course loads / releases

Driving the Budget Model
## *Financial Incentives*

Undergraduate – Focus on recruitment, retention, and efficiency in course scheduling to increase revenue & reduce instructional costs

Graduate – Review degree programs to ensure high demand programs that attract students. Retain all courses taught within and across colleges.

PhD Programs - Incentive to charge stipend & tuition awards to grants where possible

Summer & Winter Programs – Smarter scheduling of courses to increase enrollment (what courses do students need to progress)

ICR Revenue Distribution – Incentives for Colleges & Research Office to grow sponsored research and ask for full ICR wherever possible
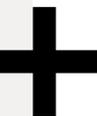
How to Prepare for the Transition To the New Budget Model

EAB Training Sessions

- Training on how to improve decision making around financial performance. Training materials on Website

How Budget Functions Will Need To Evolve

- **Central Budget Office**
  - Current State: 50% Transactional / 50% Analytical
  - Future State: 100% Analytical
- **Unit Budget Managers**
  - Current State: 100% Transactional
  - Future State: 50% Transactional / 50% Analytical
- **Finance Support Center**
  - Future State: 75% Transactional / 25% Business Process Redesign & Training

Next Steps

FY26 Budget Development Timeline/Calendar

Budget Units Workbooks will be provided in March to support FY26 Budget Development and will include:

FY23 and FY24 year-end actual budget model results

FY25 Approved Budget and Estimated Forecast

FY26 Budget Development

Net Tuition Allocation by College (multi-year average)

Direct Revenue projections by Budget Unit

Baseline expense budget targets with base assumptions for each Budget Unit

Service-Level Agreement (SLA) for Marketing/Communications is under development with an internal working group

All Final Revenue Center Units' Institutional Fund Allocation amounts will be provided after the budget adoption by the BOT