

The Annual Budget Review FY 2019

The Budget and Finance
Committee

Two parts:

1. Analyzing the budget numbers
2. Discussing other budgeting issues

Definition

- A budget is the summary of the **estimated** \$ costs of the planned activities and the **estimated** revenues or funding sources.
- A **budget** is a plan for a future period, not the past period.
- RU typical budget is for 12 months ending June 30.

Objectives of the budget

- 1. Activity planning.
- 2. Financial control.
- Typically, RU budget needs to be approved by the Board of Governors. Our main source of information is BOG approve budgets.

Recent Budget Reporting System

1. One page budget reporting Expenses and Revenues by campus and Central.

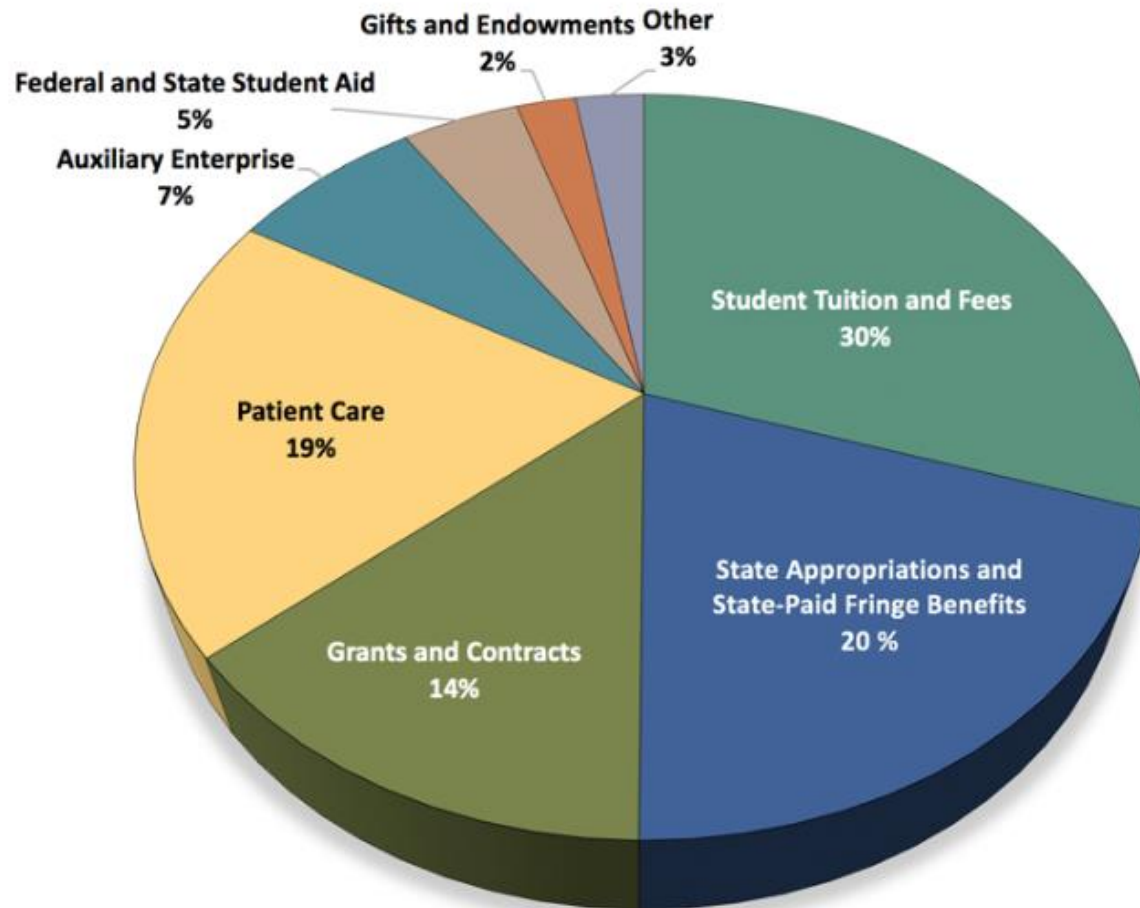
<https://budget.rutgers.edu/fiscal-year-budget>

2. One page budget reporting for each RCM unit and each Cost Center unit.

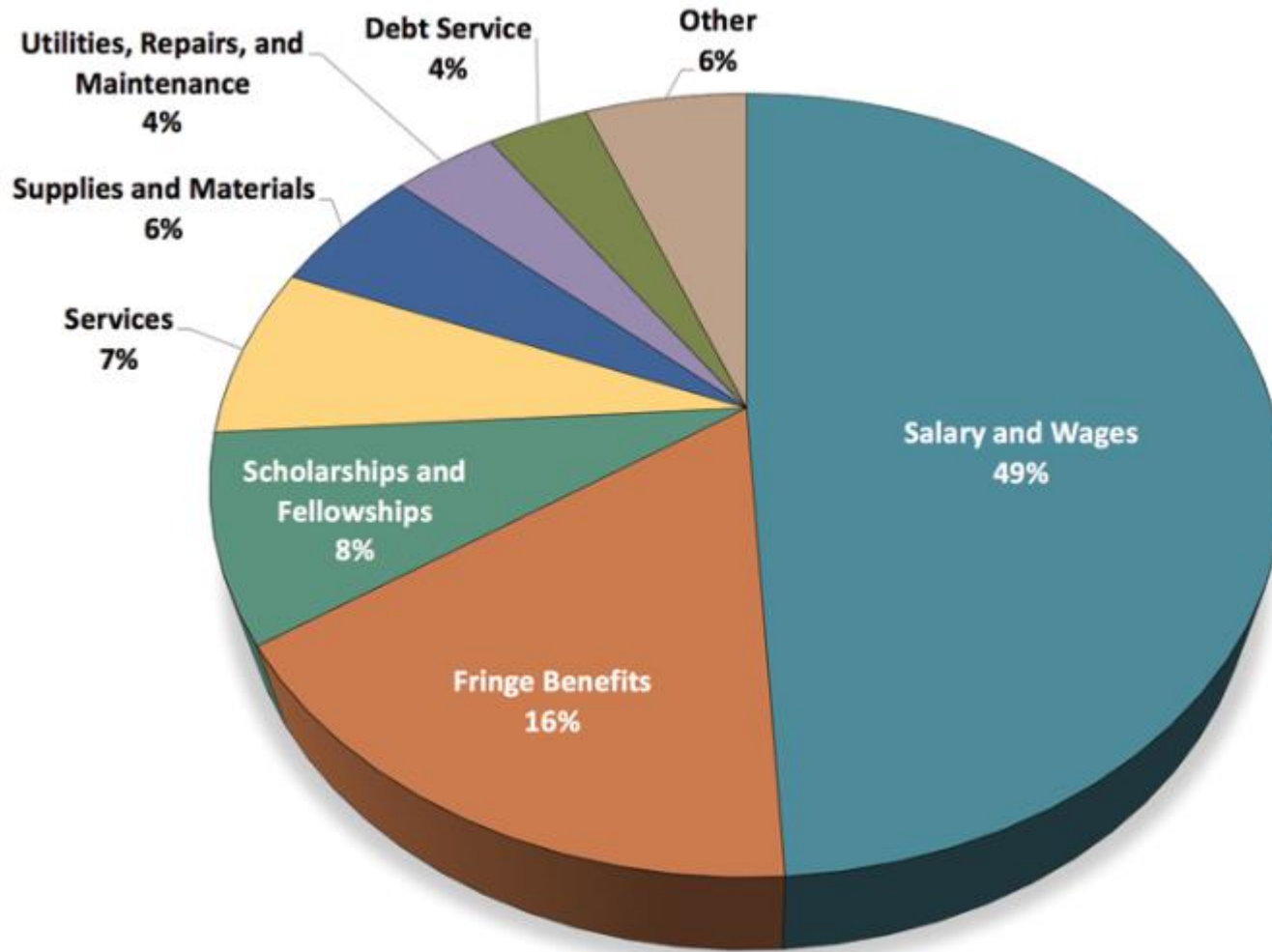
<https://budget.rutgers.edu/sites/default/files/FY19%20BOG%20Budget%20by%20Unit.pdf>

Budget Picture Revenues

REVENUES



Budget Picture Expenditures



FY 2019 BUDGET - FINANCIAL SUMMARY

All Units

Dollars in thousands

Revenue (Sources of Funds)	New Brunswick	Newark	Camden	RBHS	Central	Total
Student Tuition and Fees	681,868	265,970	113,688	181,971	39,784	1,283,282
Federal and State Student Aid	0	0	448	0	211,691	212,139
Federal Appropriation	6,857	0	0	0	0	6,857
NJ State Appropriations	203,013	30,630	16,671	183,656	0	433,971
State Paid Fringe	126,561	39,957	18,689	173,860	85,674	444,742
Grants and Contracts	198,101	20,358	12,885	237,827	4,663	473,833
Facilities and Administrative Recoveries	50,366	4,411	673	51,700	1,498	108,647
Gift and Contribution Revenue	20,501	2,839	585	9,920	442	34,286
Endowment and Investment Income	23,204	3,484	1,094	10,863	25,111	63,756
Healthcare Revenue	0	0	15	570,941	0	570,956
Affiliated and Housestaff	0	0	0	286,041	5,673	291,714
Other Sources Revenue	71,384	5,740	3,005	12,787	14,549	107,464
Auxiliary Revenue	264,610	21,998	11,307	12,692	0	310,606
Total Revenue	1,646,465	395,388	179,059	1,732,258	389,085	4,342,255
Total Expense	1,385,106	317,957	147,920	1,528,909	986,462	4,366,354

The Difference: (Total Expenses Minus Total Revenue is about \$24M current year deficit)

Change in Fund Balance	1,505	(2,826)	498	(17,873)	(5,403)	(24,099)
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FY 2018 Budget (estimate) Vs. FY 2018 Actual

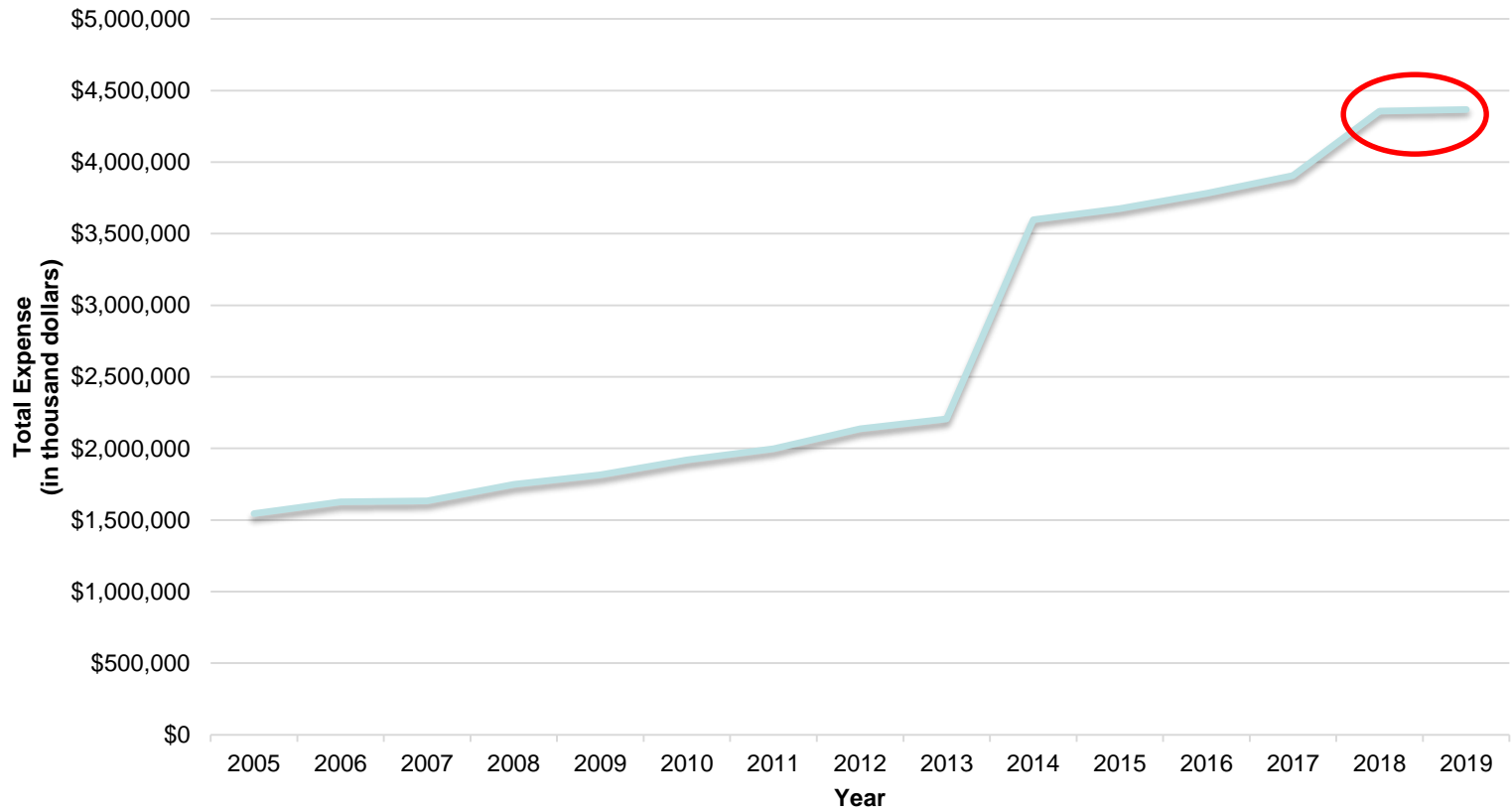
TOTAL RUTGERS as of June 2018

	FY18 Budget	FY18 Actual	Fav/(Unfav) \$ Variance	Fav/(Unfav)% Variance
Revenues (Sources of Funds)				
Student Tuition and Fees	1,249,061	1,235,937	(13,124)	(1.05%)
Federal and State Student Aid	186,798	214,125	27,327	14.63%
Federal Appropriation	5,335	6,592	1,257	23.56%
Allocated University Support	-	(478)	(478)	-
NJ State Appropriations	428,420	428,800	380	0.09%
State Paid Fringe *	385,112	385,111	(1)	(0.00%)
Grants and Contracts	465,777	496,609	30,832	6.62%
Facilities and Administrative Recoveries	106,047	111,737	5,690	5.37%
Gift and Contribution Revenue	40,085	37,751	(2,334)	(5.82%)
Endowment and Investment Income	54,432	61,216	6,784	12.46%
Healthcare Revenue	546,092	524,510	(21,582)	(3.95%)
Affiliate & Housestaff Revenue	266,037	257,824	(8,213)	(3.09%)
Other Sources Revenue	104,433	118,222	13,789	13.20%
Auxiliary Revenue	304,172	297,957	(6,215)	(2.04%)
Total Revenue	4,141,801	4,175,913	34,112	0.82%

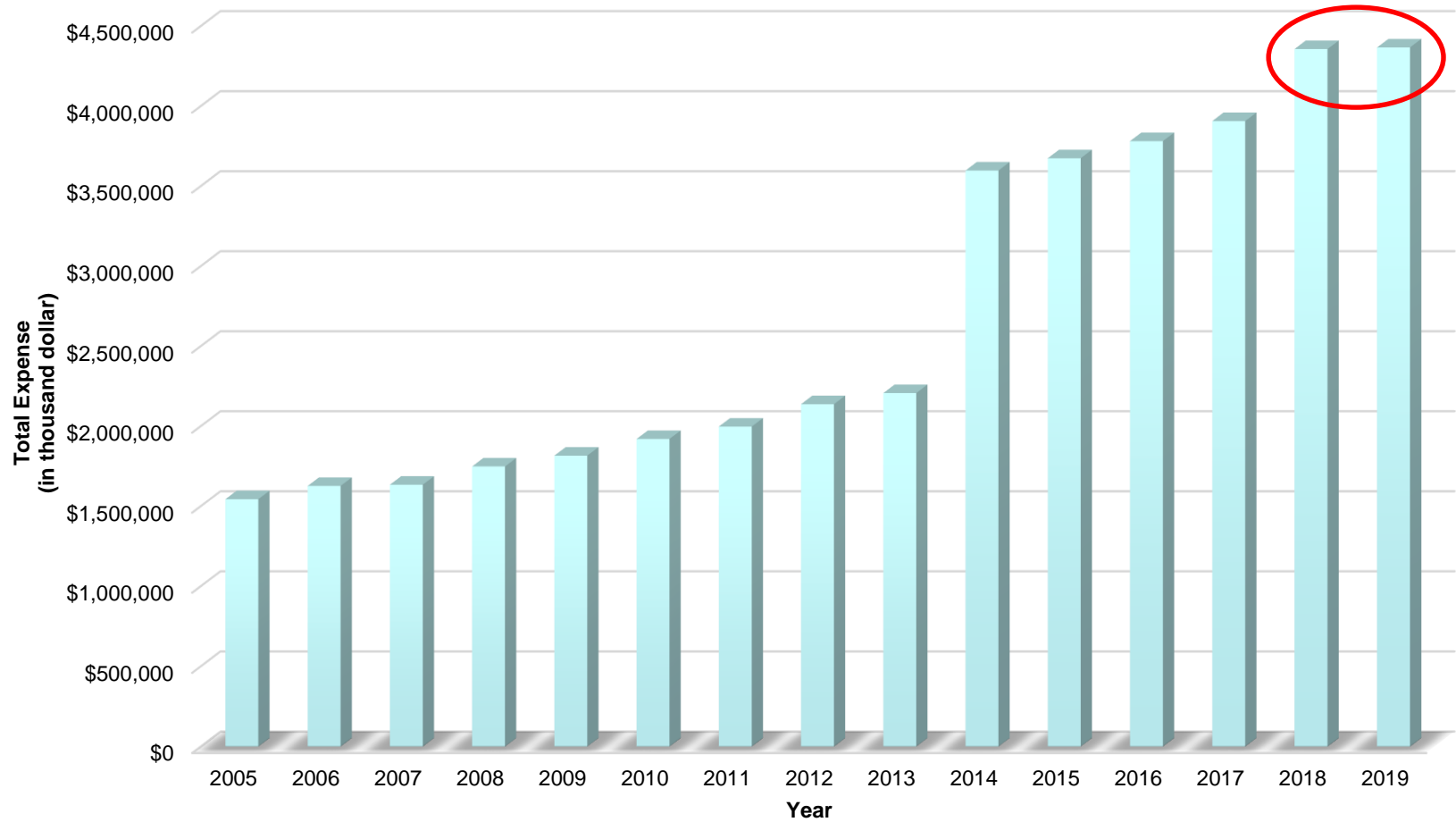
RU Budget Data Limitations

- Starting FY ending 6/30/2013 RU budget data is reported by campus.
- Extremely difficult to chain all budget data backward.
- Will examine below only time series that we could chain backward.

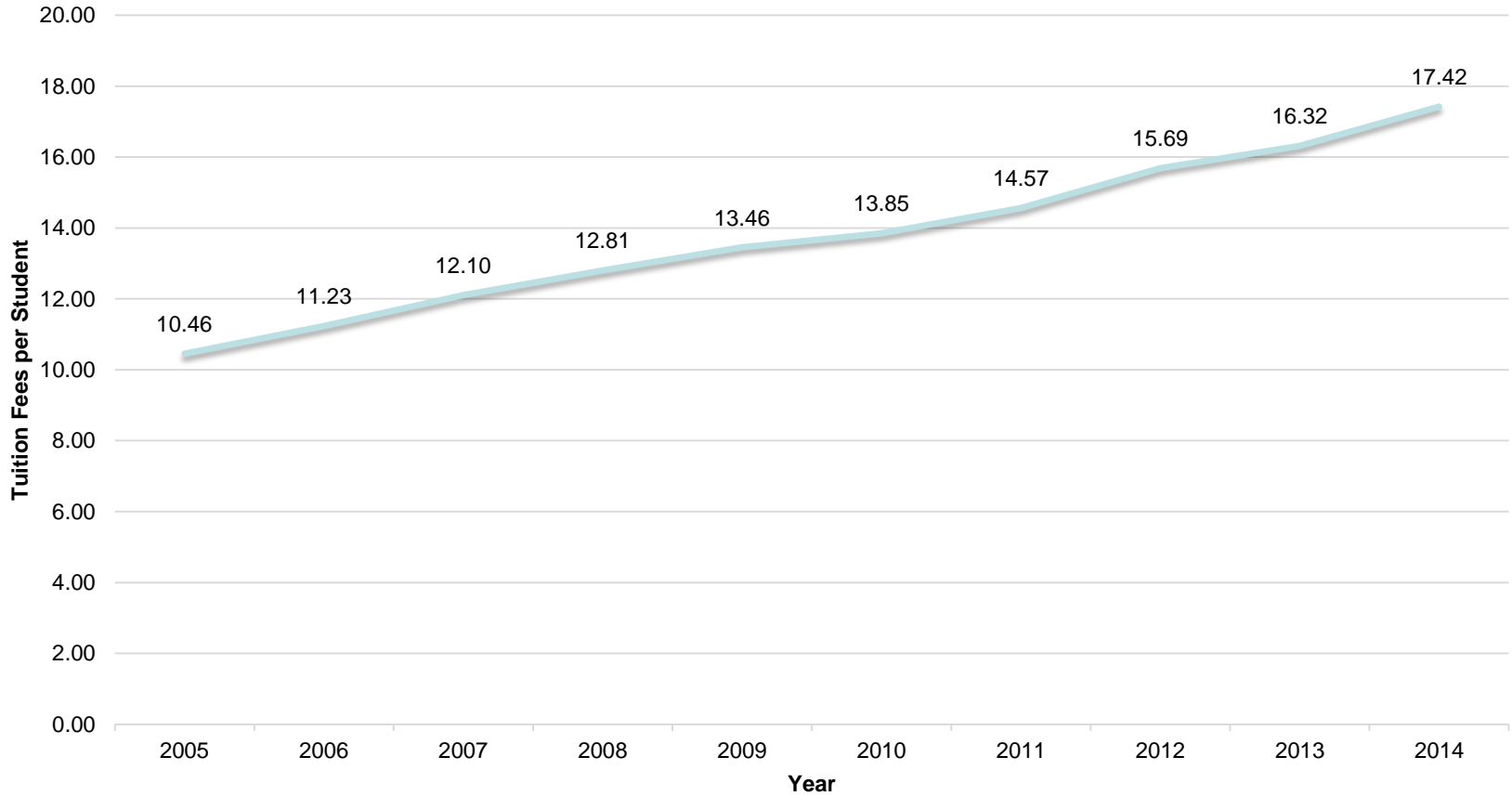
Total Expense per Year



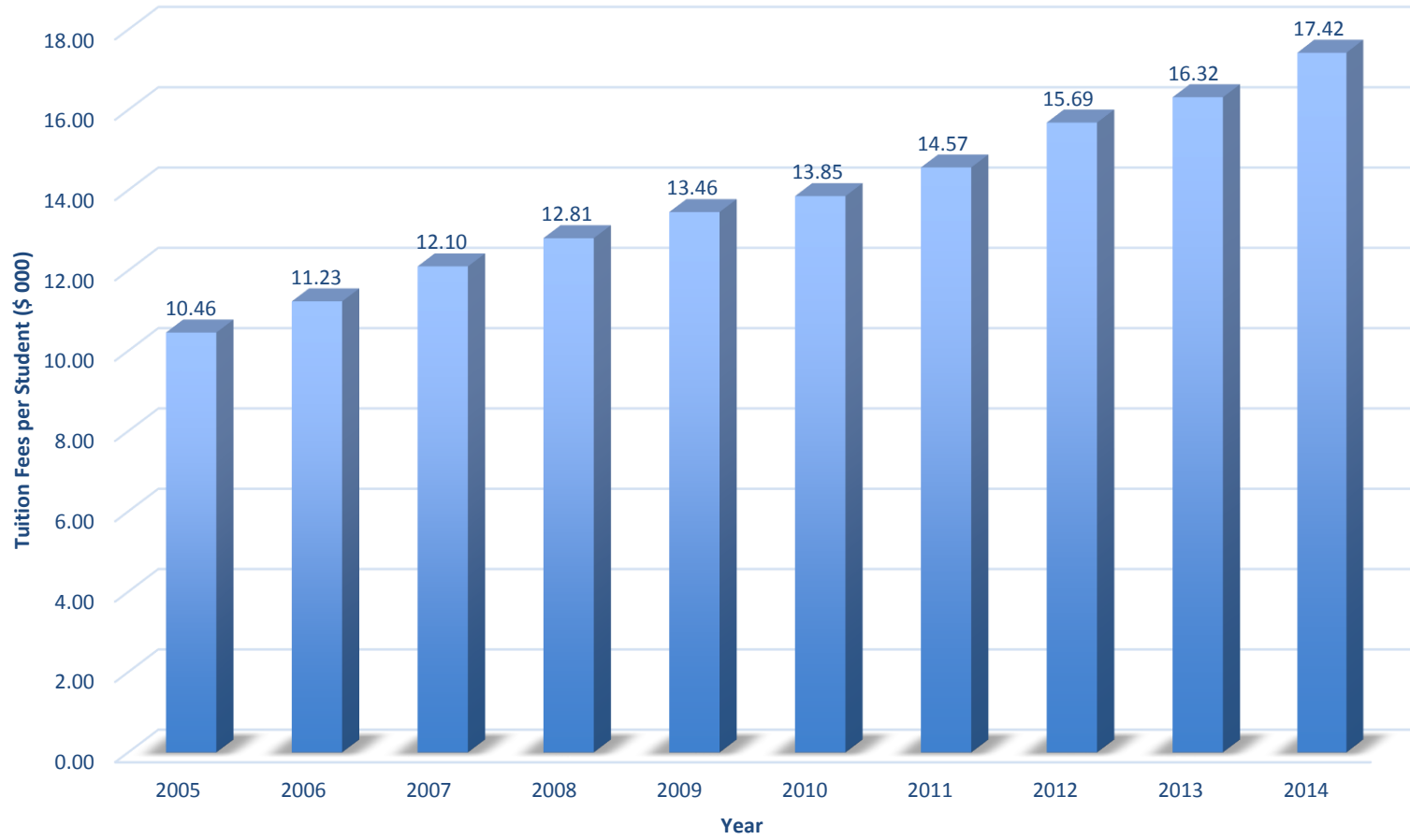
Total Expense per Year



Tuition Fees per FTE Student

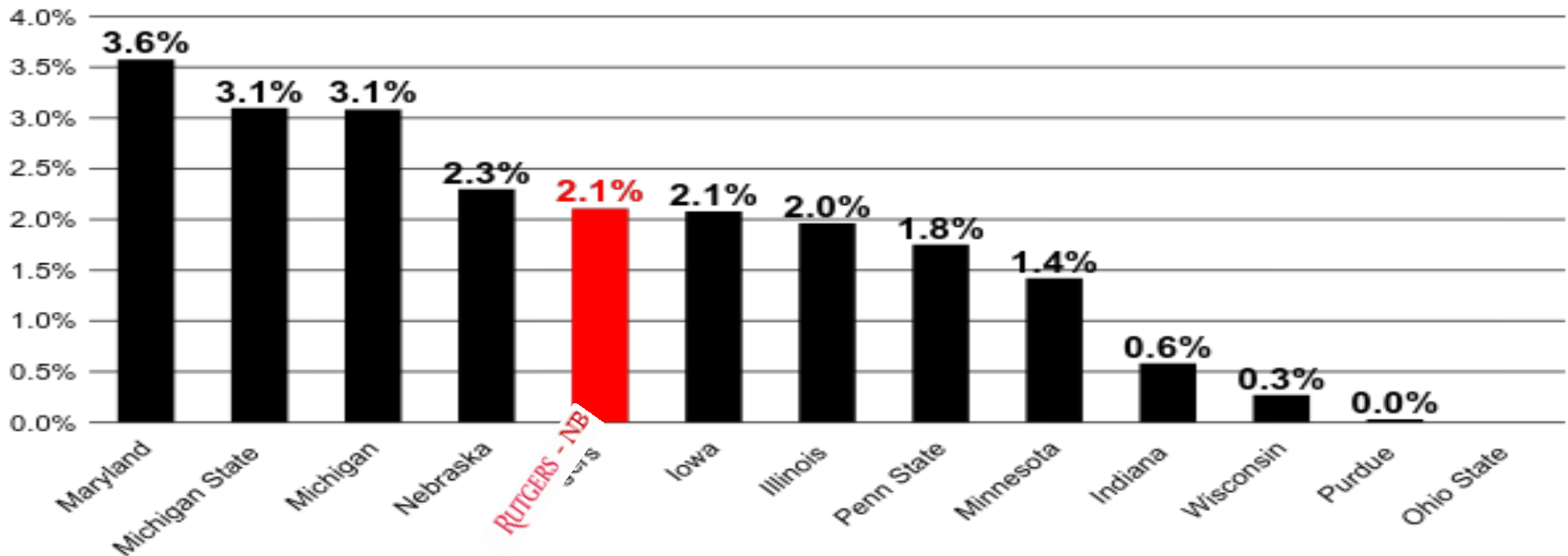


Tuition Fees per FTE Student



3-Year Average Annual Tuition and Fee Increases

New Brunswick & Comparators - Big 10 Institutions



Tuition and Fees

- The % change in “Sticker price” of Tuition and Fees. About 2%-3%.
- The % change in “Actual price” of Tuition and Fees.

RU Budget Model AFB

- Rutgers budget model 2005-2015:
 - All Funds Budgeting. (AFB)
 - Teaching *units* are getting 55% of tuition revenue to pay direct teaching costs. Administration takes 45% to pay for all other costs.

RU Budget Model RCM

- Rutgers Budget Model since 2016:
 - Responsibility Center Management. (RCM)
 - Teaching units get all tuition they generate and are responsible for most costs and funding of cost center. Pay a small tax (about 3%) to support strategic funds.
 - Cost Center
 - Provide services to Responsibility Centers
 - Funded by the Responsibility Centers.

Objectives of RCM

- Increase awareness to financial issues:
 - On the revenue side, to increase entrepreneurial capacity of teaching units.
 - On the expense side, to increase the awareness to the cost of the components used.

Areas of Insufficient Transparency

- Criteria for allocation of university support by the means of “transfers” and the use of strategic funds.
- Incentives to efficient RCM units.
- Incentives to efficient Cost Center units.

Transparency of Budget Rules and Results

- TRANSPARENCY is information sharing activity.
- Question:
 - How much should we invest in transparency?

Continued Problems with Cornerstone

- About 11%-14% of the revenue side of RU annual budget is coming from “Grants and Contracts”.
- Many of the users of Cornerstone are not satisfied with help and performance of their major source of financial information needed to comply with rules set by the grantors.

