ALL FUNDS BUDGETING
Fiscal Year 2006/07 Projections
Instructions for Development Model

Enclosed is an All Funds Budget Development model, which has been updated to include the FY 2005/06 expenditure plan that you developed in Fall 2005. We are asking that you now project an expenditure plan for FY 2006/07 after you have considered all your unit's anticipated needs, both for mandatory increases and for advancement of academic priorities, and your unit's ability to fund those needs.

With the assistance of the accompanying materials, you will need to make reasonable estimates of what resources you may have available to meet your priorities. Your estimates of increases and decreases in your unit's various revenue streams will need to be evaluated carefully in light of the costs that you are required to meet in the modeled year and the costs of advancing your unit's mission. Proposed advancements for your unit will need to be prioritized, so that you are prepared to take appropriate action depending on how much better or worse your projected income materializes in FY 2006/07.

Below are specific instructions on what is required to complete the All Funds Budget Development sheet for FY 2006/07. Please refer to the Instructions that you were provided in September for the All Funds Budget Development sheet for additional information on the composition of the amounts already completed for you.

The Notes column on the All Funds Budget Development sheet refer to the corresponding item in both the current and the September Instructions. Your completed All Funds Budget Development model and a narrative explanation of the model should be returned to the Office of Budget and Resource Studies two weeks before your scheduled February meeting.

1. <u>Fund Balances.</u> Fund balances for the year beginning July 1, 2005, have been updated to include your authorized General University carryover. For the year beginning July 1, 2006, we have calculated your opening balances for every fund group from your July 1, 2005 balance, projected FY 2005/06 income and transfers, and projected FY 2005/06 expenditures. In some cases, these calculations result in negative July 1, 2006 balances for certain fund groups. Negative balances will need to be corrected by adjusting your 2005/06 projections. Please explain any necessary adjustments that you have made.

2. <u>Tuition.</u> As previously noted, projected tuition for FY 2005/06 was developed from actual credits offered and adjusted enrollments for FY 2004/05. We have enclosed information on the calculation of that amount (Attachment D1). The calculation is the actual tuition applicable to your school for FY 2004/05. Projected tuition for FY 2005/06 is 108% of the calculation. In addition, we are providing information on the changes from Fall 2004 to Fall 2005 in your adjusted enrollments (Attachment D2) and teaching effort (Attachment D3). This information should give you the ability to determine whether actual 2005/06 tuition will be more than, less than, or approximately equal to the amount projected. If significantly more or less, you should either adjust your 2005/06 expenditure plan and/or adjust your July 1, 2006 General University balance. Please explain any adjustments. For 2006/07, consider where teaching effort and enrollments need to be to have the necessary resources available to accomplish your unit's strategic plan in light of goals already set and actual/projected teaching effort and enrollments for FY 2004/05 and FY 2005/06. In addition, you may project reasonable increases in the general tuition rates and any school specific tuition. To assist with the projection of general increases, we have provided trend data for the last six years (Attachment E). Please note the caps on tuition increases imposed by the state in the last four years.

3. Allowance for Academic Support. The allowance for academic support redistributes tuition income to fund operations that support instructional units from outside the unit, either from the Central Administration or the campus. The allowance has been set at 45% of gross tuition based on current costs. The All Funds Budget Development sheet will automatically calculate the allowance on the basis of your projected tuition.

4. Allocated Student Merit Aid. Allocated student merit aid is deducted from the gross tuition in order to account for the cost of student merit aid incurred for your unit. This merit aid is centrally expensed by the University. The programs that are included are Remissions for TA/GAs on General University accounts, Carr Scholarship, Rutgers' match of the state's Outstanding Scholars Recruitment Program (OSRP), Outstanding Scholars Room and Board (OSRB) and Rutgers National Scholarships. Increases in the number of awards for your school for any of these items would increase costs for FY 2006/07.

5. Base Subsidy. The base subsidy is the portion of the General University (GU) budget funded by state appropriations. The base subsidy excludes allocated student merit aid and discounted tuition.

The FY06 base subsidy was calculated by taking the FY05 base subsidy and increasing it by the FY05 permanent adjustments and estimated FY06 state appropriated salary funding. A similar methodology can be used when planning for FY 2007. Attachment E shows the trend of state support over the past six years. On average, the State support has covered only 33% of the salary increases incurred by the University. If your projection considers 50% funding, we recommend completing another model assuming less than 50% state salary funding. The trend data also shows no net appropriation increases for anything other than the University's salary enhancement program; in fact, on average, there has been a decrease in state appropriations other than for the salary enhancement program.

6. Base Adjustments. Base adjustments represent funding not included in a unit's beginning base subsidy but allocated on a permanent basis. If applicable, Attachment F lists the FY07 permanent commitments from both Central Administration and the Campus (EVPAA).

7. <u>General University Permanent Budget.</u> This amount is the sum of your discounted tuition, base subsidy, and base adjustments. The All Funds Budget Development sheet will automatically calculate your permanent budget on the basis of your projected tuition base subsidy, and base adjustments.

8. <u>Additional Resources.</u> Additional resources are funds provided through the General University budget by Central Administration or the Campus (EVPAA), incremental to a unit's permanent budget. If applicable, Attachment F lists the FY07 total temporary commitments from both Central Administration and the Campus. To the extent these temporary funds will be expensed through your General University accounts, they should be shown as FY07 additional resources.

9. <u>Special Allocation.</u> These additional university positions without funding, if previously approved, should be carried forward to your projected FY07 resources.

10. <u>Auxiliary Income and Plant Funds.</u> If your unit has auxiliary or plant funds available to it for FY07, project the amounts appropriate for the applicable sources of these funds.

11. <u>Facilities and Administration (F&A) Cost Returns.</u> Your projection of FY07 F&A returns should consider the next phase of the university's new multi-year policy of providing accelerated and higher standard returns to the deans. For FY06, the university has closed most of the lag for standard returns by agreeing to allocate F&A cost recoveries applicable to both FY05 and FY06 grant activity. The FY05 recoveries are being returned at the prior 10.5% rate, and the FY06 recoveries are being returned at the substantially higher 20.0% rate. We have previously cautioned you, however, by noting that the 20.0% return for the last quarter of FY06 may not be available until FY07.

The next phase of the university's new policy for standard returns will allocate 35.0% of the recoveries on FY07 grant activity. Again, we would caution you that returns applicable to grant activity for the last quarter of FY07 may be delayed until FY08. Consequently, you should conservatively assume that F&A returns for FY07 would be 20.0% of the recoveries for the last quarter of FY06 and 35.0% of the recoveries for the first three quarters of FY07. To estimate the grant activity to which these returns will be applicable, you will need to evaluate the potential grant activity of your school, but we have also provided information on the university-wide trends (Attachment E).

Special returns represent agreements made by Central Administration to allocate a portion of F&A recoveries for certain grants to particular faculty members, departments, centers, or schools outside of the standard return. These returns are administered centrally by the Division of Grant and Contract Accounting and will continue into FY07 unless the agreements with Central Administration have expired by June 30, 2006. Deans may extend current special returns or create new ones below the 20.0% rate in FY06 or the 35.0% rate in FY07, but dean-authorized returns will be subsumed in the standard return and administered and paid by the school. To estimate your school's special returns for FY07, you will need to review existing Central Administration agreements within your school and determine which agreements are subject to expiration before or during FY07.

12. **Off Campus Profits.** Off campus profits earned in one year are distributed in the subsequent year. Your projection of profits for FY07 should reflect the anticipated outcome for off campus credit programs offered in FY06.

13. Summer Session Profits. Project the profits you anticipate to generate for summer 2006 under New Brunswick's revised distribution policy.

14. Continuing Education Profits. Project the profits you anticipate from your school's FY07 continuing education activities.

15. Other Internally Designated Funds. Project your total income and transfers for FY07. Transfers should include any temporary commitments on Attachment F that will not be expensed through your General University accounts or other fund groups.

16. Research. Project research grant activity for your school for FY07. To estimate how much growth your school may experience, you may consider the university-wide trends in grants and gifts on Attachment E.

17. Restricted Gifts. Project gift income for your school for FY07. To estimate how much growth your school may experience, you may consider the university-wide trends in grants and gifts on Attachment E.

18. Endowment Operating Funds. Project endowment income for your school for FY07.

19. **Expenditures.** Your projected expenditures should reflect mandatory cost increases, including salary contracts, that you must accommodate in FY07. They should also include the costs of those proposed advancements for your unit that you anticipate effecting in FY07. All costs should be met with the income and transfers that you have projected. To assist you in estimating mandatory increases associated with the university's salary contracts and salary program for non-unionized employees, we have provided you with estimates of the net cash cost in FY07 for various employee categories on Attachment E. To the extent that your expenditure plan is greater than or less than projected income and transfers, you should explain how existing balances are being reduced or how balances are growing to meet your needs for FY08 and beyond.