Budgeting at Northeastern
Update to Faculty Senate

February 15, 2017
Why Hybrid for NU?

- Encourages entrepreneurial activities
- Aligns resource generation with resource allocation
- Provides colleges with resources for strategic investment
- Encourages units to set priorities and develop new activities in support of the university’s mission and academic plan
- Promotes efficiency at the unit level
- Includes mechanisms to encourage cross-unit collaborations
Hybrid Budget Model Overview

- Decentralized budgeting system with each School/College established as a Responsibility Center (RC)
- Central support units are Cost Centers
- RCs are the key decision making units in the budget model (12 Academic, 5 Non-Academic RCs)
Hybrid Budget Model Overview

**Academic Responsibility Centers**
- Bouve College of Health Sciences
- College of Arts, Media & Design
- D’Amore McKim School of Business
- College of Computer & Information Science
- College of Engineering
- College of Professional Studies
- College of Science
- College of Social Sciences & Humanities
- Gordon Leadership Program
- School of Law
- International Study Programs (GEO)
- University Programs (General Studies and Undeclared)

**Other Responsibility Centers**
- Summer Conferences (EMSA)

**Auxiliary Responsibility Centers**
- Campus Dining Services
- Conference Centers
- Parking
- Residence Halls
Hybrid Budget Overview

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Tuition</td>
<td>$</td>
</tr>
<tr>
<td>Graduate Tuition</td>
<td>$</td>
</tr>
<tr>
<td>(Financial Aid)</td>
<td>($)</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>$</td>
</tr>
<tr>
<td>Gifts and Endowment Income</td>
<td>$</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$</td>
</tr>
<tr>
<td>(University Contribution)</td>
<td>($)</td>
</tr>
<tr>
<td>Current Fund Allocation</td>
<td>$</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$</td>
</tr>
<tr>
<td>Other Direct Expenses</td>
<td>$</td>
</tr>
<tr>
<td>Allocated Costs</td>
<td>$</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>BALANCE for Fiscal Year</strong></td>
<td>$</td>
</tr>
</tbody>
</table>
Hybrid Budget Model Overview

- Revenue is attributed to the RC that generates it
  - Undergraduate tuition (except Study Abroad) is divided 50%-50% between the RC offering the instruction and the RC of enrollment
  - Undergraduate financial aid is calculated as an average discount on the tuition of all undergraduate students
  - Graduate tuition flows to the instructing unit; Graduate financial aid is assessed based on average prior years discount of the enrolling college
  - Revenue from grants and contracts, gifts, endowments, and non-credit activities flow directly to RCs
  - Indirect cost recovered from externally funded grants and contracts is credited to the RCs, split by the percentages in the grant proposals.
Hybrid Budget Model Overview

- RCs pay a “University Contribution” (a percentage of all revenues except direct grant funding, gifts and endowment income)

  - The “University Contribution” funds a “Current Fund Allocation” used by the Provost to achieve appropriate balance between an RC’s revenue and expenses and University initiatives
Hybrid Budget Model Overview

Cost Centers (selected examples):

- Administrative (Office of the President, Office of the SVP/CFO, Facilities)
- Academic (Office of the Provost, Office of the Registrar, Career Services)
- Student Services (EMSA)
- Library
- Research (Office of the SVP Research, ORAF)
Change: **8 Buckets Reduced to 3**

**Previous**

<table>
<thead>
<tr>
<th>#</th>
<th>Bucket</th>
<th>Driver</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Administrative</td>
<td>Direct Expenses</td>
</tr>
<tr>
<td>2</td>
<td>Academic</td>
<td>Direct Expenses</td>
</tr>
<tr>
<td>3</td>
<td>Student</td>
<td>Students</td>
</tr>
<tr>
<td>4</td>
<td>Library</td>
<td>Students and Faculty</td>
</tr>
<tr>
<td>5</td>
<td>Research</td>
<td>Research Expenditures</td>
</tr>
<tr>
<td>6</td>
<td>NUGN</td>
<td>Revenue Goal</td>
</tr>
<tr>
<td>7</td>
<td>Classrooms</td>
<td>Credits</td>
</tr>
<tr>
<td>8</td>
<td>Space</td>
<td>Square Footage</td>
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</table>

**New in FY18**

<table>
<thead>
<tr>
<th>#</th>
<th>Bucket</th>
<th>Driver</th>
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<tbody>
<tr>
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<td>Allocated Costs</td>
<td>Direct Expenses</td>
</tr>
<tr>
<td>2</td>
<td>PAN</td>
<td>Revenue Goal</td>
</tr>
<tr>
<td>3</td>
<td>Space</td>
<td>Square Footage</td>
</tr>
</tbody>
</table>
Hybrid Budget Model Overview

- Central university costs are now allocated to the RCs in three categories

  ✓ Professional Advancement Network (PAN) costs are allocated based on multi-year revenue goals
  ✓ Space costs (including classroom costs) are allocated based on occupancy and type
  ✓ All other allocated costs are based on a percentage of direct expenditures
Why the Proposed Changes?

• Simpler
• Predictable
• Addresses individual nature of each college
• Enables better planning and prioritization
• Improves accountability
• Aligned with entrepreneurial behaviors
Hybrid Budget at NU Today

- Deans are empowered to make resource allocation decisions for their units and take responsible risks to generate new revenue.

- Hybrid model supports the advancement of metrics which move the institution forward, not just those that maximize revenues.

- Revenue growth, primarily from new Graduate programs, have allowed colleges/schools to invest in new faculty lines and infrastructure improvements.

- Deans are now able to make long term planning decisions as they project revenue and expenses for future years.
Hybrid Budget at NU Today

Learn more at:
https://www.northeastern.edu/hybrid