



Budgeting at Northeastern Update to Faculty Senate

April 2018

Why Move to RCM and Hybrid?

- 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

Northeastern's History with Hybrid

- 2009 - Hybrid Budget Model Planning Team appointed
- Researched, assessed and amended best principles of RCM management strategy pioneered in higher education over 40 years ago and successfully implemented at hundreds of universities in US and abroad
- Held public forums involving all sectors of the University community—every school/college as well as Faculty Senate
- Phased implementation began July 2010 with four academic units – Business, Law, Engineering, CPS
- Full implementation in July 2011
- Model has evolved as experience was gained

Hybrid Budget Model Overview

- Decentralized budgeting system with each School/College established as a Responsibility Center (RC)
- Units that generate significant annual income also designated as Responsibility Centers (Dining Services, Residence Halls, etc.)
- Central support units are Cost Centers
- RCs are the key decision-making units in the budget model (12 academic, 5 non-academic RCs), allowed to retain annual surpluses for future investment

Responsibility Centers

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)

Auxiliary Responsibility Centers

- Campus Dining Services
- Conference Centers
- Parking
- Residence Halls

Other Responsibility Centers

Summer Conferences (EMSA)

Cost Centers

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)

Hybrid Budget

RC/College Template

Undergraduate Tuition	\$
Graduate Tuition	\$
(Financial Aid)	(\$)
Indirect Cost Recovery	\$
Gifts and Endowment Income	\$
Other Revenue	\$
(University Contribution)	(\$)
Current Fund Allocation	\$
TOTAL REVENUE	\$
Salaries and Benefits	\$
Other Direct Expenses	\$
Allocated Costs	\$
TOTAL EXPENSES	\$
BALANCE for Fiscal Year	\$

Revenue in the Hybrid Model

- Revenue is attributed to the RC that generates it:
 - ✓ Undergraduate tuition (except Study Abroad and “Semester In...”) 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 flows 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

University Contribution

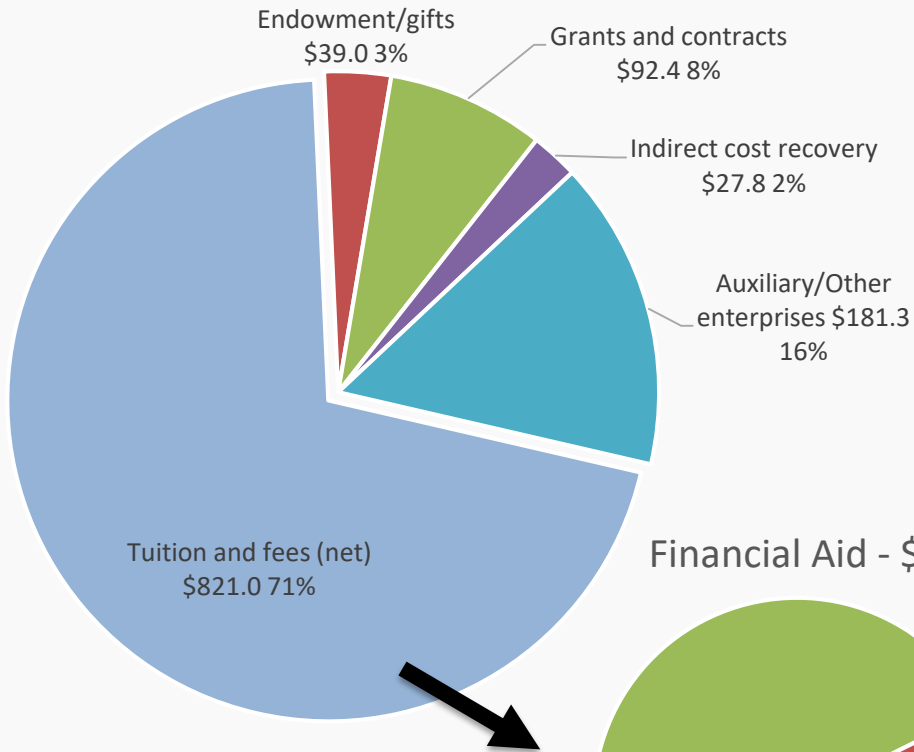
- RCs pay a “University Contribution” (a percentage of all revenues except direct grant funding, gifts and endowment income)
 - ✓ The “University Contribution” funds a “Current Fund Allocation” used by the Provost to achieve appropriate balance between an RC’s revenue and expenses and University initiatives
- For the FY18 budget cycle, piloted a one-year reduction in the the academic RC “University Contribution” rate from 20% to 17.5%
- For FY19, reduced the “University Contribution” even further to 5% for all RCs
 - ✓ Applied our standard “hold harmless” calculations to adjust CFAs
 - ✓ Distributed additional CFA across RCs

Allocated Costs

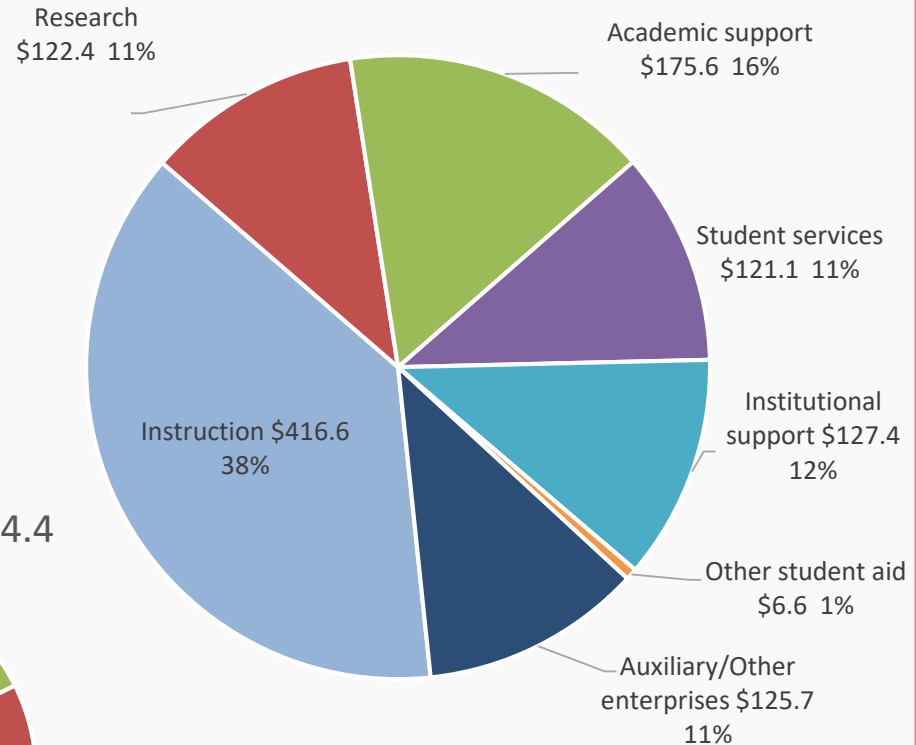
- Central university costs are covered by the RCs through an allocated cost model
- Prior to FY18, costs were distributed across 8 separate categories:
 - ✓ Administrative
 - ✓ Student
 - ✓ Research
 - ✓ Classrooms
 - ✓ Academic
 - ✓ Library
 - ✓ NU Global Network
 - ✓ Space
- Last year, to help RCs project costs, the university moved to a consolidated model with only three allocated cost buckets:
 - ✓ Professional Advancement Network (PAN) – based on multi-year revenue goals
 - ✓ Space costs – based on occupancy and type
 - ✓ All other – 76% of direct expenditures for academic RCs and 27% for non-academic
- For FY19, the “all other” allocated cost rate has been reduced:
 - ✓ 75% for academic RCs
 - ✓ 26% for non-academic RCs

FY17 Actuals (\$ millions)

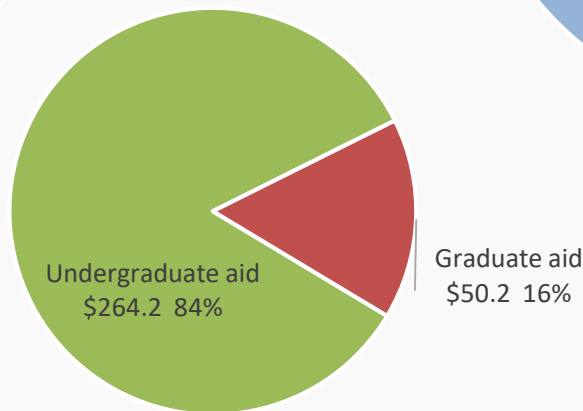
Revenue - \$1,163.1



Expense - \$1,095.3



Financial Aid - \$314.4



Source: 2017 audited financial statements
2018 presentation to Board of Trustees

Hybrid Budget at NU Today

- Revenue growth has allowed colleges/schools to invest in new faculty lines and programs
- Increased spending from the RCs has generated additional funds for central to invest in research, infrastructure improvements and NU2025
- 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
- The model continues to evolve – we remain committed to RCM but acknowledge there is always room for improvement

Additional Information

➤ Learn more at:

<https://provost.northeastern.edu/budget/>