

# Hybrid Budget Report

Update to Faculty Senate

February 5, 2020

NORTHHEASTERN •

# Hybrid Budget Model Overview

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- 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, 3 non-academic RCs) and generally retain annual surpluses for future investment



# Responsibility Centers

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## Academic Responsibility Centers

- Bouvé College of Health Sciences
- College of Arts, Media and Design
- College of Engineering
- College of Professional Studies
- College of Science
- College of Social Sciences and Humanities
- D'Amore McKim School of Business
- Gordon Leadership Program
- Khoury College of Computer Sciences
- Mobility
- School of Law
- University Programs (General Studies and Explore)

## Auxiliary Responsibility Centers

- Campus Dining Services
- Residence Halls

## Other Responsibility Centers

- Summer Conferences

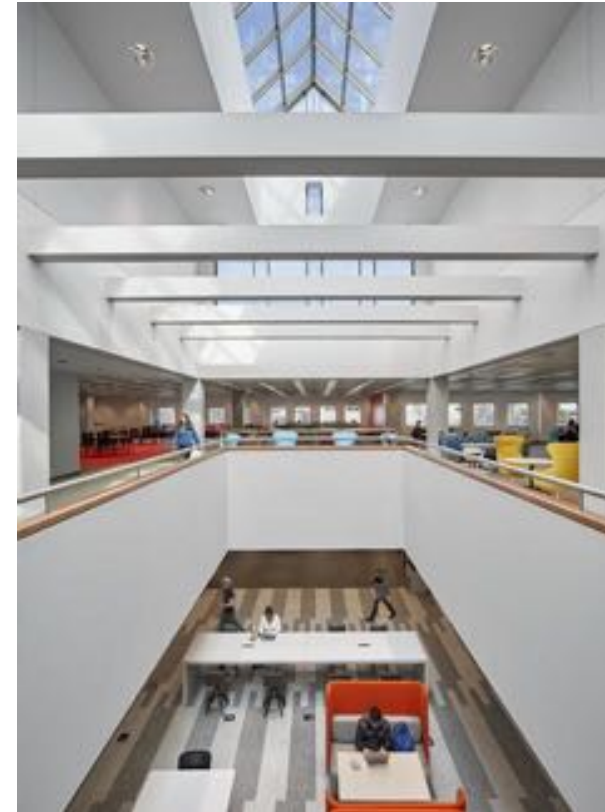


# Cost Centers

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## Cost Centers (selected examples):

- Administrative (Office of the President, Office of the SVP/CFO, Human Resources)
- Academic (Office of the Provost, Office of the Registrar, Career Services)
- Student Services (Undergraduate Admissions, Financial Aid)
- Library
- Research (Office of the SVP Research, NU-RES)



# 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*	\$
<b>TOTAL REVENUE</b>	<b>\$</b>
Salaries and Benefits	\$
Other Direct Expenses	\$
Space	\$
Common Good*	\$
<b>TOTAL EXPENSES</b>	<b>\$</b>
<b>BALANCE for Fiscal Year</b>	<b>\$</b>

\*Hybrid elements



# Revenue in the Hybrid Model

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- Revenue is attributed to the RC that generates it:
  - ✓ Undergraduate tuition (except Study Abroad, DOC) 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
  - ✓ In-Network revenue to instructing unit unless the program is administered separately (i.e., by the mobility unit)



# Hybrid Budget: NUIn Boston and NUFlex

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- NUIn Boston revenue for FY21 and FY22 are split 50/50 between the teaching college and the NUIn Program (under the Chancellor's Office)
- A subset of all NUIn students in FY21 and FY22 are taking courses using the NUFlex model; this revenue follows the same 50/50 split
- Colleges receive 100% of the revenue for NUFlex students who *are not* part of the NUIn program



# Interdisciplinary Impacts - Undergraduates

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- Undergraduate revenue: All boats rise with the tide
- Undergraduates have voted with their feet and are taking part in interdisciplinary programs in very high numbers (combined majors and increasing minors are key indicators)
- Per the hybrid budget model, these programs have distributed revenue amongst colleges in varying ways (i.e., some see increased revenue while some may see a decrease)
- Over time, offering courses and programs that are attractive to students overall will lead to increased yield, retention, and graduation rates, which benefits all colleges and the university





# Interdisciplinary Impacts – Graduate Programs

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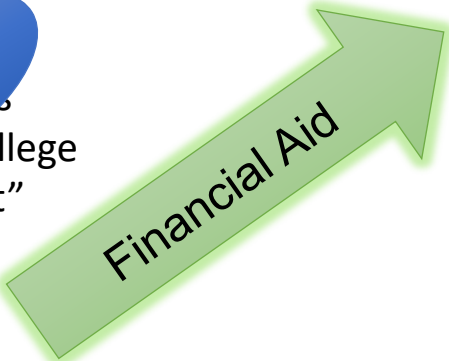
- Graduate Revenue: Cross-college masters and certificate programs can be managed within the hybrid budget to benefit each college proportionately
- Required courses are split amongst the participating colleges and the hybrid budget distributes the revenue (and financial aid) according to the teaching college
- Instructional costs follow the teaching college
- Marketing costs are usually split among the colleges
- Colleges develop protocols for admissions and students advising



# Graduate Tuition Exchange

- 3. College A gives student \$10,000 in tuition remission
- 7. College A sends \$10,000 to College B in "grad aid out"

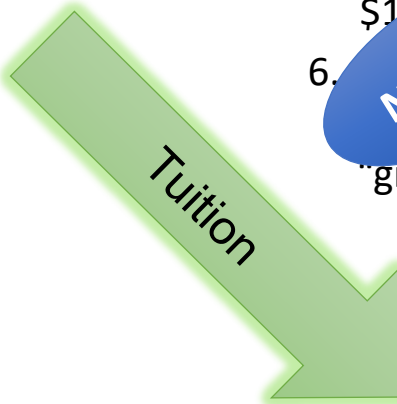
NET = \$0



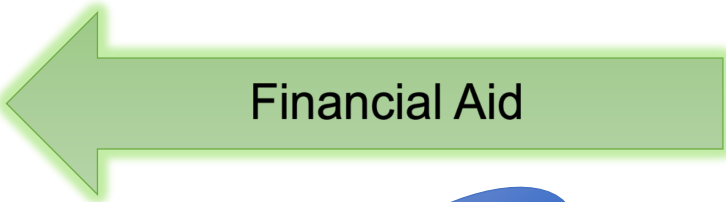
Student

- 5. College B receives \$10,000 on
- 6. College B sends \$10,000 to College A "grad aid in"

NET = \$0



Home College



- 1. Student signs up for classes
- 2. Student charges \$10,000 tuition
- 4. Student receives \$10,000 aid

NET = \$0



Teaching College



# Interdisciplinary Impacts - Research

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- External research funding is distributed according to percentage of effort of each researcher
- When a proposal is submitted, the effort of each researcher on the grant is determined
- New award credit and indirect cost return is then distributed in the hybrid budget model to each college according to those credit splits
- Credit splits to colleges follow the appointment of the researcher. For example: a faculty member appointed 100% in COS with a 50% credit split on a grant will result in COS receiving 50% of all award credit and indirect costs for the grant, regardless of where the grant resides at the university



# University Contribution

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- 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
- The “University Contribution” has declined in recent years
  - ✓ FY18 – Piloted a one-year reduction from 20% to 17.5%
  - ✓ FY19 – Reduced even further from 17.5% to 5%
    - Applied standard “hold harmless” calculations and adjusted CFAs
    - Distributed additional CFA to RCs
  - ✓ FY20-21 – Maintained the lower, 5% rate
  - ✓ FY22 – 5% rate remains



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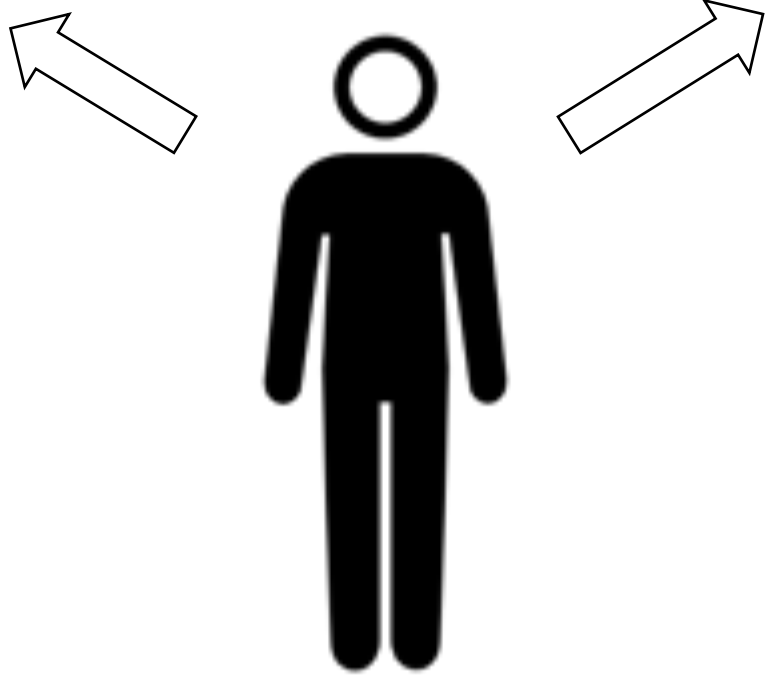


# Interdisciplinary Impacts – Joint Appointments

## Home College

- Pays proportionate share of salary and benefits, and any start-up costs
- Receives proportionate share of any indirect costs recovered from the Professor's grants
- Receives proportionate credit for external awards to the Professor
- *Usually* responsible for space costs associated with the Professor
- Teaching load is proportionate to appointment split
- Responsible for coordinating with secondary college on merit determination

Jointly  
Appointed  
Grant-Active  
Professor



## Secondary College

- Pays proportionate share of salary and benefits, and any start-up costs
- Receives proportionate share of any indirect costs recovered from the Professor's grants
- Receives proportionate credit for external awards to the Professor
- Teaching load is proportionate to appointment split



# NU Allocated Costs – An Evolution

Consolidated to only three allocated cost buckets:

- *Lifelong Learning Network (LLN) – based on multi-year revenue goals*
- *Space costs*
- *All other – % of direct expenditures: 76% for academic RCs, 27% for non-academic RCs*

Prior to FY2018

Costs distributed across 8 separate categories

- *Admin*
- *Academic*
- *Student*
- *Library*
- *Research*
- *NUGN*
- *Classrooms*
- *Space*

FY2018

FY2019

- Continued with three buckets
- Lowered tax rate to 75% for academic and 26% for non-academic
- Introduced two new incentive pilots:
  - “In-Network” expenses at half-tax (37.5%)
  - Gift/endowment expenditures at half-tax (37.5%)

Allocated Costs Reimagined

FY2020 to date

FY20???

Continuous improvement leads to ...?



# NU Allocated Costs – FY20

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Engineering



Economics







Together...  
at the same rate

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An RC's allocated costs  
will increase or decrease  
at the same rate as its  
own spending

Allocated costs have  
become “common good”



# Common Good Based on Two-Year Lookback

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- Common good changes annually based on percentage change in expenses year over year
- Common good will NOT fluctuate during the course of a year
- Delayed impact of spending gives RCs time to recoup their investments



# Calculating Common Good

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$$\text{FY22 Common Good} = \frac{\text{FY20 Expense}}{\text{FY19 Expense}} * \text{FY21 Common Good}$$

$$\text{FY}_{xx} \text{ Expense} = 0.5 \text{ gift spending} \\ + 0.5 \text{ in-network spending} \\ + \text{all other direct expenses}$$

Continuation  
of incentives



# FY22 Hybrid Budget Model

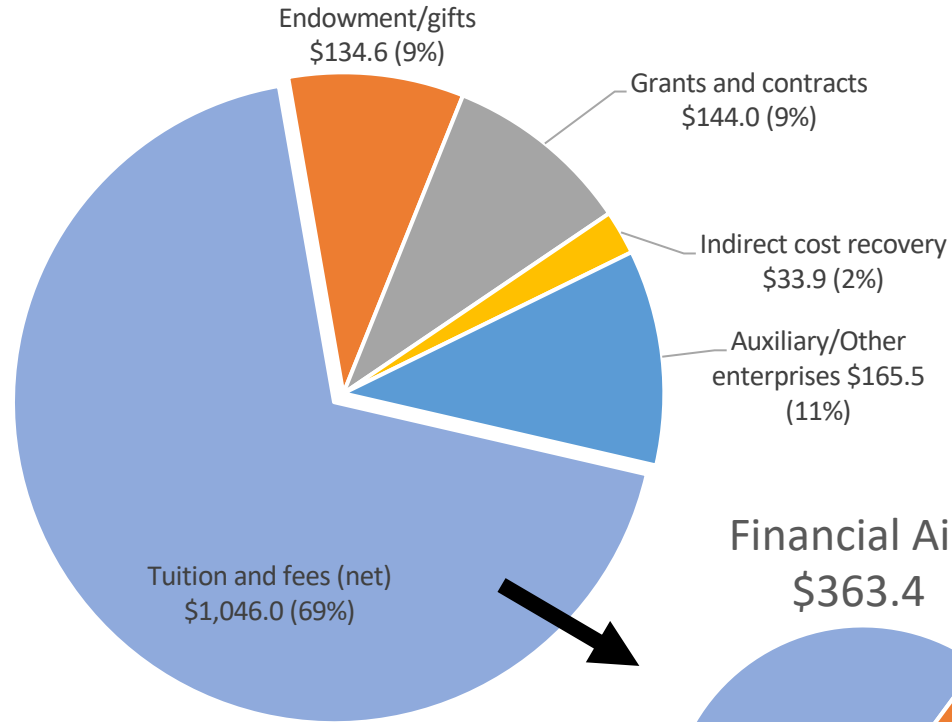
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- No structural changes to the hybrid budget model
  - Model of growing common good at the same rate as an RC's own spending remains
  - UC rate of 5% remains
- Maintaining 5-year professional/scalable program targets by FY25
  - \$625M university revenue diversification strategy implemented
    - Personalized growth targets issued to each college
    - All professional programs remain included targets
  - Focus on growing graduate revenue
    - Developing innovative delivery methods – B2B, subscription-based purchases, stackable non-credit courses
    - Program diversification across the network

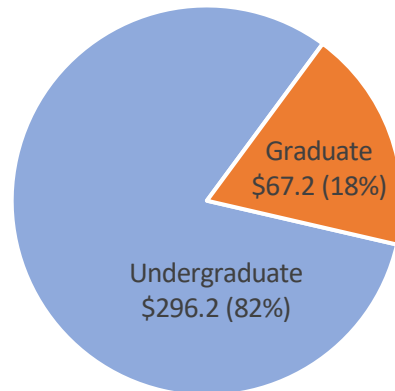


# FY20 Actuals (\$ millions)

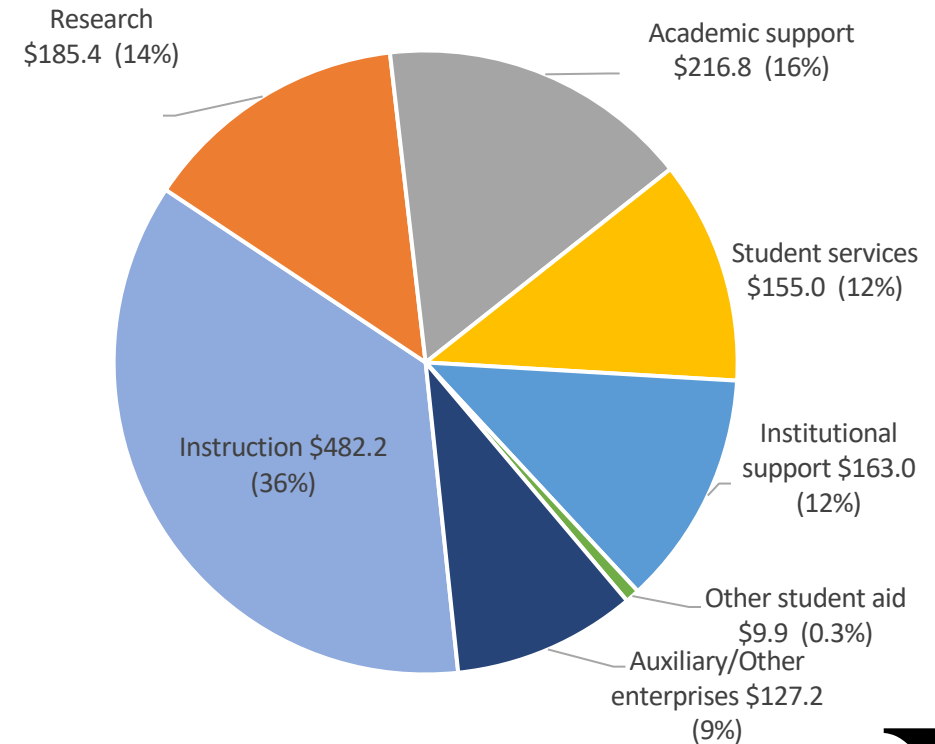
Revenue - \$1,523.9



Financial Aid: \$363.4



Expense - \$1,339.4



# Want to learn more?

[provost.northeastern.edu/budget](http://provost.northeastern.edu/budget)

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