To: School, Administrative and Auxiliary Fiscal Officers

Copy: University Senior Leadership Team

From: Anthony Jiga

Subject: Preparation of the Fiscal 2018 Budget and Financial Plan

Date: February 6, 2017

This memo provides guidance for preparation of the fiscal 2018 budget and financial plan. Please direct questions to me or to your Budget Office analyst.

Submitting Your Principals Meeting Budget Presentation
It is very important that you submit your draft budget presentation to your Budget Office analyst at least 5 full business days prior to the Principals Budget Meeting. There are 35 budget meetings scheduled during March and April. The Budget Office needs that time to review each presentation and ensure that the completed presentation can be distributed to the principals at least 2 business days in advance of the meeting.

New and Revised Policies
Sections that have been added have the designation NEW at the end of the section title. Sections with material revisions to rules and guidance presented in last year’s memo have the designation REVISED at the end of the section title.
Table of Contents

Process, Timing and Deadlines 4
Fiscal 2018 Budget Preparation Calendar Summary 4
Principals Meeting Presentation 4
Full Reporting of Financial Activity and Risk 5
Fiscal 2018 Financial Plan Versions 5

Budget Parameters 6
Budget Planning Parameters for Fiscal 2018 6
Fringe Benefits Rates 7
Exempt Employee Compensation 7
Minimum Wage 9
Graduate Student Employees 9

Budget Policies 10
Balance of Trade 10
School-Sponsored Programs at Global Sites 12
Undergraduate Financial Aid 12
Graduate Financial Aid 13
College Work Study 13
Student Fees 13
Common Activity and Facilities Charges 13
Unfunded Tuition Remission Expenses 13
Faculty Mortgage Loan Program (FMLP) 13
Process, Timing and Deadlines

**Fiscal 2018 Budget Preparation Calendar Summary** Revised
- Senate Financial Affairs Committee (SFAC) meetings in October, November and December 2016; February, March, April and May 2017.
  - Fiscal 2018 budget recommendation memos February 1 and March 31
- February 21 – Finance Committee of the Board of Trustees reviews preliminary fiscal 2018 University budget issues
- February, March and April – “Principals” budget meetings take place
- May 10 – Finance Committee of the Board reviews the proposed fiscal 2018 consolidated University budget and accompanying financial plan
- June 12 – Finance Committee of the Board approves the proposed fiscal 2018 consolidated University budget and recommends its adoption by the Board of Trustees
- June 13 – Board of Trustees adopts the fiscal 2018 consolidated University budget
- June 19 - July 17 Budget submission for all accounts except position budgets
- August 9- Budget initialized for all positions in position management staffing model
- August 11 - August 17 Review budget initialization for position budgets

**Principals Meeting Presentation**
Attendance at the annual principals budget meetings will vary depending on the school or unit, but typically will include some combination of the following: the Provost; the Executive Vice President, Finance and Information Technology; the EVP for Health; the EVP for Operations; the Dean or Officer of the administrative/auxiliary unit; the unit fiscal officer; the VP for Budget and Planning; and staff from the Budget Office. The Budget Office has provided to each fiscal officer an outline for the presentation package to be used in the principals meeting as well as certain key tables and charts that the Budget Office will supply. The school or unit’s responsibility includes:
- A presentation of budgetary policy issues
- Projections to the end of fiscal 2017 and explanation of major variances
- Elimination of any financial plan deficit in fiscal year 2018, and addressing deficits in years beyond.
• Schools’ proposed budgets for fiscal 2018 and future year financial plans must be consistent with their plans for academic and non-academic positions and with enrollment plans.

Timing and Distribution of Principals Meeting Presentation
• Please forward your draft presentation to your Budget Office analyst no later than 5 full business days prior to the principals meeting.

• Please distribute the final document electronically in pdf format no later than 2 full business days prior to the scheduled principals meeting.

Full Reporting of Financial Activity and Risk
Recurring annual operations and activities, other than budgets for sponsored research and programs, should be included in the undesignated operating budgets of schools and units or fund 21 (endowment) accounts. See the All Funds Budgeting section’

We expect fiscal officers to identify and bring to the attention of the Principals at the budget meeting all significant potential liabilities and risks to the school or unit’s financial plan – both near-term and long-term. “Significant” will depend on the context, and may include such things as the risk of shortfall in meeting enrollment targets; expiring contracts or grants for which replacement funds are not available, but there is an academic interest in continuing the activity; planned faculty hires that require new or renovated space; new mandatory government policies and/or regulations imposing unplanned new staffing and/or university information system enhancements; etc.

Fiscal 2018 Financial Plan Versions
• Version 1.0 (published in Hyperion Planning and static) will be a copy of each school and unit’s final approved financial plan from the fiscal 2017 cycle, which was included in the consolidated University financial plan presented to the Board of Trustees in June 2016.

• Version 2.0 (published in Hyperion Planning and dynamic) will contain all approved financial plan changes subsequent to the June 2016 Board of Trustees meeting; those which are not required to be proposed at the Principals meetings.

• Version 2.1 (maintained offline in Excel financial planning template and dynamic) will contain all proposed financial plan changes which require presentation and review at the Principals meeting.

• Version 3.0 (published in Hyperion Planning and static) will become the final approved version of each school and unit’s fiscal 2018 financial plan upon NYU Board of Trustees approval of the University’s consolidated budget in June 2017.
The fiscal 2018 Original Budget, loaded into fame as of September 1, 2017, will have the same bottom lines, and major account category totals for expense, revenue, and transfers as the financial plan presented to the Board in June 2017.

**Budget Parameters**

**Budget Planning Parameters for Fiscal 2018**

The University’s budget process engages with numerous constituencies, including the Senate Financial Affairs Committee (SFAC), University leadership, the Board of Trustees, students, and school deans. Each year at this time the Budget Office, with the approval of the University’s senior leadership, issues a set of preliminary budget planning parameters for use by schools and units in developing their proposed budgets for the following year. The planning parameters for fiscal 2018 shown below are not final. All budget planning parameters are subject to change until approved by the Board in June.

<table>
<thead>
<tr>
<th>Key Budget Planning Parameter for Fiscal 2018</th>
<th>Subject to Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Undergraduate tuition increase ¹</td>
<td>2.9%</td>
</tr>
<tr>
<td>2. Student fees increase ¹</td>
<td>2.0%</td>
</tr>
<tr>
<td>3. Undergraduate room increase (NYU NY)</td>
<td>1.5%</td>
</tr>
<tr>
<td>4. Undergraduate weighted average meal plan price increase (NYU NY)</td>
<td>1.0%</td>
</tr>
<tr>
<td>5. Undergraduate financial aid increase ²</td>
<td>See note</td>
</tr>
<tr>
<td>6. Graduate and professional tuition increase ³</td>
<td>4.0%</td>
</tr>
<tr>
<td>7. Full-time faculty - AMI pool increase</td>
<td>2.5%</td>
</tr>
<tr>
<td>8. Administrators - AMI pool increase ⁴</td>
<td>2.5%</td>
</tr>
<tr>
<td>9. PhD student stipends increase</td>
<td>2.5%</td>
</tr>
<tr>
<td>10. Union contracted personnel</td>
<td>3.0%</td>
</tr>
<tr>
<td>11. Hourly paid</td>
<td>2.5%</td>
</tr>
<tr>
<td>12. Controllable other-than-personnel-services increase</td>
<td>0.2%</td>
</tr>
<tr>
<td>13. Endowment distribution ⁵</td>
<td>See note</td>
</tr>
</tbody>
</table>

**Notes**

¹ Rates of increase for tuition and fees at the Tandon School of Engineering will be higher than the increases shown here in order to bring those student charges to parity by fiscal 2021 with the tuition and fees at CAS and portal campuses.

² Undergraduate financial aid will increase at the rate required to achieve each school’s targeted discount rate.

³ Graduate tuition increases may vary by program but are targeted at 4.0% for schools at NYU NY.

⁴ In addition to the AMI pool there will be a bonus pool of 0.5%. Bonuses do not become part of base compensation.

⁵ The dollar per share distribution in fiscal 2018 will be announced on or about February 24th. Until that time, assume no increase in endowment income, except income from new gifts to endowment received prior to January 1, 2017. Use 4.5% of market value as the multiplier for new gifts.
Fringe Benefits Rates
For all budgets the fringe benefits rate for fiscal 2017 is 30.0% of all wages and salaries, with the following exceptions:

- Federal and Other Sponsored Programs Revised
  The fringe benefits rate for federal sponsored programs is 29.5% through NYU fiscal year 2017, and the provisional rate for NYU fiscal year 2018 will likely be 30.0%. In February, the University will submit to the federal government a proposal for a predetermined rate, and expects to have a rate approved by late summer 2017. The fringe benefits rate used for federal programs is also used for all sponsored programs that are budgeted in Funds 24 and 25.

- Fringe rate for graduate employees who are not in the UAW graduate employee bargaining unit
  51130 Salaries - Graduate Asst 51%
  51131 Salary- Research Asst 51%
  51140 Salary- Graduate Asst FAS/CIMS 37%
  51141 Salaries-RA for FAS and CIMS 37%

- Wages and Salaries Charged to the Following Accounts:
  51120 Salaries-Fed Work Study-Fed
  51150 Dental School Resident Assts
  51542 Salaries-Instruc. Post Doc & Fellowships
  51220 GS Federal Work Study-Fed

- Fringe Benefits Rate on Severance Payments
  The fringe benefits rate for one-time payments such as accrued vacation and severance payment is 8.0%, the amount required to cover mandatory payroll taxes. To assist in easy identification and reconciliation of these types of transactions, accrued vacation and severance payments are recorded in payroll expense account 51159 and the associated fringe expense is recorded in account 51176.

Exempt Employee Compensation Budgets
Annual Merit Increase
The plan for the Annual Merit Increase (AMI) pool to base salaries for fiscal 2017 will be consistent with the University’s financial plan. AMI awards are based on individual merit and awards are not to be construed as entitlements.

Schools are responsible for funding the AMI for their faculty and staff. The Budget Office will estimate the fiscal 2018 and future year costs in school and unit financial plans. As in prior years, this amount will be for budgeting only. The merit pools published by the Offices of Academic Appointments and University Human Resources govern the
maximum AMI pools for each school and unit. Merit pools will be calculated at 2.5% on the total sum of a school or administrative unit’s fiscal 2017 base salaries for eligible, continuing faculty, and 2.5% for eligible, continuing, administrative employees as of April 30, 2017, excluding vacancies. The Annual Merit Increase is awarded to an employee based on his/her actual performance during the year and can be higher or lower than 2.5% AMI pool. As in the past, written justifications will be required for all proposed AMIs that are either 0% or greater than 6%. Written justifications for faculty should be submitted confidentially to the Provost with a copy to Vice Provost Carol Morrow. Justifications for administrators are to be included within the comments section of PeopleSync.

Detailed guidance on administration of the compensation policy for fiscal 2018 will be distributed in May. A summary of certain key provisions of the University’s compensation policy are presented below to assist with budgeting. Merit Pool Reports for faculty, researchers and administrators will be available to all schools and administrative units in PeopleSync in early June. UHR will provide instructions for generating these reports in a future communication.

**Full-time Faculty Revised**

Schools are asked to submit a narrative plan outlining procedures and criteria for distributing the faculty AMI pool for the Provost’s prior review and approval. Schools are expected to work within the 2.5% pool to award faculty AMIs; the total AMI allocation cannot exceed the pool without the Provost’s prior approval.

**Bonus Pool for Administrative Employees**

The bonus pool for annual and spot bonuses for meritorious performance by administrators will remain in units’ budgets to provide some flexibility in fiscal 2016. Bonuses are one-time payments and are not added to base salaries. The Budget Office will estimate the fiscal 2018 and future year costs in school and unit financial plans. Bonus pools will be calculated as 0.5% of the total sum of a school or an administrative unit’s base salaries of eligible, continuing employees as of April 30, 2017, excluding vacancies. Members of the University Senior Leadership Team are not eligible for a bonus under this program. Schools and units are responsible for funding the bonus pool within their budgets. The bonus pools published by University Human Resources govern the maximum pool for each school and unit. University Administrative units will be consolidated at the level of certain Vice Provosts, Senior Vice President/Senior Vice Provost (SVP’s) or higher. Bonus Pool Reports will be available to all schools and administrative units in PeopleSync in early June. UHR will provide instructions for generating these reports in a future communication.

**Other Adjustments for Administrative Employees**

“Other Adjustments” to salaries provide deans and unit heads with flexibility to address certain compensation issues, including those related to market, equity, retention, and career progression such as role enhancement. Such adjustments must be funded within a unit’s own budget. The cap for “Other Adjustments” is calculated as the total sum of a school or administrative unit’s administrative base salaries, multiplied by 1.0% for
eligible, continuing employees, as of April 30, 2017, excluding vacancies. This is a maximum amount and is not intended to serve as a pool to be fully expended.

- Counts toward the cap: role enhancements, market/equity/retention adjustments
- Does not count towards the cap: promotions to new or vacant positions

**Minimum Wage Revised**
The minimum wage for NYU employees in the United States is currently $12.00. The rate will rise to $13.50/hour on September 1, 2017.

**Graduate Student Employees Revised**
This chart provides details on graduate student employees that are included and not included in the UAW graduate employee bargaining unit:

<p>| LOCAL 2110 GRADUATE EMPLOYEE BARGAINING UNIT |
|-----------------------------|-----------------------------|
| <strong>INCLUDED</strong>                | <strong>EXCLUDED</strong>                |
| PhD and Masters (Yrs 1-7)   | MBA Stern Students          |
| PhD and Masters (Yrs 1-7) - Adjuncts | College of Dentistry Students |
|                             | School of Law Students      |
|                             | School of Medicine Students |
| Graduate Assistants         | Graders                     |
| Teaching Assistant          | Tutors                      |
| Research Assistant (if not otherwise excluded) | Research Assistants – School of Engineering |
| Hourly Appointments         | Research Assistants – Biology |
|                             | Research Assistants – Chemistry |
|                             | Research Assistants – Neural Science |
|                             | Research Assistants – Physics |
|                             | Research Assistants – Mathematics |
|                             | Research Assistants – Computer Science |</p>
<table>
<thead>
<tr>
<th>INCLUDED</th>
<th>EXCLUDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Assistants – Psychology</td>
<td></td>
</tr>
</tbody>
</table>

Hourly employees who are in UAW Local 2110 graduate student bargaining unit positions have minimum hourly rates set by the collective bargaining agreement between Local 2110 and the University.

- For AY 2015-2016, the minimum hourly rate is $15 per hour for Local 2110 bargaining unit employees. The rate will change as follows:
  - $16.00 in AY 2016-2017
  - $17.00 in AY 2017-2018
  - $18.00 in AY 2018-2019
  - $20.00 in AY 2019-2020

- Hourly graduate student BU positions carrying higher rates than the minimum rates shall receive the following increases each year:
  - 2.5% in 2015-2016
  - 2.25% in 2016-2017
  - 2.5% in 2017-2018
  - 2.25% in 2018-2019
  - 2.5% in 2019-2020.

**BUDGET POLICIES**

**Balance of Trade** Revised

Balance of Trade is a tuition revenue allocation methodology that transfers revenue to compensate schools for teaching students who are enrolled in other schools. The rules are described below. Calculations that are based on points apply the indicated per point CAS tuition rate for undergraduate students and the per point GSAS tuition rate for graduate students to the number of units taken. Calculations that are based on headcount use the actual per term tuition charged to students.

**NYU – New York Campus**

The following are the standard rules used to allocate tuition revenue for teaching students enrolled in NY schools and studying on the NY campus:

<table>
<thead>
<tr>
<th>Description</th>
<th>Teaching School</th>
<th>Student School</th>
<th>Rate</th>
<th>Basis</th>
<th>Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG students taking courses outside of their home school</td>
<td>70%</td>
<td>30% CAS</td>
<td>Points</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Graduate students taking courses outside of their home school</td>
<td>100%</td>
<td>0% GSAS</td>
<td>Points</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

The financial impact of standard balance of trade is lagged one fiscal year relative to the underlying activity. The budget for a fiscal year is based upon the prior year’s
activity. Allocations based on the current fiscal year’s activity are posted in FAME in the current fiscal year, but are adjusted to budget during the year end closing process.

Exceptions to the standard rules at the New York Campus:

Undergraduate

<table>
<thead>
<tr>
<th>Description</th>
<th>Teaching School</th>
<th>Student School</th>
<th>Provost</th>
<th>Rate</th>
<th>Basis</th>
<th>Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG Gallatin Students taking courses outside of their home school</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
<td>CAS</td>
<td>Points</td>
<td>Y</td>
</tr>
<tr>
<td>UG students taking a Tandon course OR Tandon students taking courses outside of Tandon</td>
<td>50%</td>
<td>50%</td>
<td></td>
<td>CAS</td>
<td>Points</td>
<td>Y</td>
</tr>
<tr>
<td>Visiting UG students enrolled in University Programs</td>
<td>100%</td>
<td></td>
<td></td>
<td>CAS</td>
<td>Points</td>
<td>N</td>
</tr>
<tr>
<td>UG students taking courses at School of Medicine</td>
<td>70%</td>
<td>30%</td>
<td></td>
<td>CAS</td>
<td>Points</td>
<td>N</td>
</tr>
</tbody>
</table>

Graduate

<table>
<thead>
<tr>
<th>Description</th>
<th>Teaching School</th>
<th>Student School</th>
<th>Rate</th>
<th>Basis</th>
<th>Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grad students taking a Tandon course OR Tandon students taking courses outside of Tandon</td>
<td>0%</td>
<td>0%</td>
<td></td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Graduate students taking courses at the School of Medicine</td>
<td>100%</td>
<td>0%</td>
<td>GSAS</td>
<td>Points</td>
<td>N</td>
</tr>
</tbody>
</table>

Other special arrangements for allocation of graduate tuition for individual courses or programs may be proposed to the Provost and the Budget Office for consideration.

**NYU – Abu Dhabi and NYU – Shanghai**

These campuses currently do not allocate revenue among units within their campuses.

Undergraduate Study Away

The allocation of revenue for students from all campuses who are studying at NYU locations other than their home campus is based upon the entity that is providing the academic program. Study away opportunities are organized by the Office of Global Programs under the direction of the faculty through the site-specific committees, at the three portal campuses, and by schools (at NYU or non-NYU sites). The following rules apply:

<table>
<thead>
<tr>
<th>Description</th>
<th>Teaching School</th>
<th>Student School</th>
<th>Provost</th>
<th>Global</th>
<th>Rate</th>
<th>Basis</th>
<th>Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG students in programs offered by Global Programs</td>
<td>0%</td>
<td>40%</td>
<td>15%</td>
<td>45%</td>
<td>ACTUAL</td>
<td>Tuition</td>
<td>N</td>
</tr>
<tr>
<td>UG students in programs at another Portal Campus</td>
<td>70%</td>
<td>30%</td>
<td>0%</td>
<td>CAS</td>
<td>Points</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>UG students in programs offered by another school</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>ACTUAL</td>
<td>Tuition</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

Graduate study away typically follows the standard graduate balance of trade rule without a lag. As additional graduate study away programs are developed, additional rules may be created.

**Winter Term**

All revenues for study in the Winter term are allocated to the teaching school regardless of where such courses are offered. The allocation is not lagged. In most cases, but not all, the teaching school receives the revenue directly and a balance of trade entry is not required.
School-Sponsored Programs at Global Sites Revised

As of September 1, 2016, payment for use of the global sites is based on fee-for service, operational cost pricing. Schools are charged for their use of Global sites (not including Housing costs) for graduate programs and all undergraduate non-academic year programs (i.e. summer and J-term). These per-day charges have been determined using actual costs of customary services and site operations. Costs for events, excursions, etc., are directly charged according to actual costs. Please consult the Office of Global Programs for the published price list.

Undergraduate Financial Aid Revised

Undergraduate financial aid is budgeted in accordance with a policy discount rate. The rate is determined in consultation with each school’s dean during meetings with the Vice President for Enrollment Management and the Budget Office that take place during the Fall of each year.

Total grants-in-aid from New York University (undesignated and designated funds) awarded to the school’s matriculated undergraduate students during the fiscal year,

\[
\text{divided by}
\]

The sum of the school’s UG tuition and mandatory University fees from the school’s matriculated undergraduate students for Fall, Spring and Summer semesters, before additions or subtractions for Balance of Trade.

Loans are not included in the numerator, nor are stipends and government grants (such as Pell grants). The following budget policies apply:

1. A school’s all-funds budget for undergraduate financial aid in fiscal 2018 should equal the amount needed to achieve the school’s discount rate including appeal funding as agreed to by the dean and the Vice President Enrollment Management. The Budget Office will provide a report to each school that compares the school’s required level of funding with resources in the school’s fiscal 2018 financial plan. Bear in mind that all financial aid awarded to a school’s matriculated undergraduate students will be included in the calculation of the discount rate and the anticipated financial aid spending, as well as on the funding required from all sources.

2. It is the school’s responsibility to provide full funding for all semesters (Fall, Spring, J Term, and Summer) that is adequate to maintain the discount rate.

3. A school may not change its policy discount rate without approval of the Vice President for Enrollment Management and the Vice President for Budget and Planning.
4. Generally, designated funds (funds 21 and 22) are awarded first, then undesignated funds (fund 10) are awarded. In any year in which a surplus occurs in the Fund 10 UG financial aid account, such surplus must be retained by the school in a fund 20 UG financial aid reserve account for possible over-commitments of UG financial aid in the future. If the account grows to a size that exceeds probable future need, the school should ask the VP for Enrollment Management and the VP for Budget and Planning for authorization to reduce or suspend additions to the fund, or to use an agreed-upon portion of the fund for another provost-approved purpose. *Schools may not commit funds in this account without prior approval of the VP for Enrollment Management and the Budget Office.*

**Graduate Financial Aid**

Graduate financial aid is budgeted at the discretion of each school. Schools are encouraged to work with the VP for Enrollment Management to determine the amount of financial aid needed to optimize net tuition revenue.

**College Work Study Revised**

The current NYU Federal college work study formula covers 75% of the cost of a student employee. For fiscal 2018 planning purposes, assume no increase above your fiscal 2017 allocation. Schools and units will be notified in the Spring of their final fiscal 2018 CWS budget allocations.

**Student Fees**

All requests for new student fees or changes to existing fees must be sent to the Budget Office. The Bursar will not implement new fees or changes to fees without Budget Office approval.

**Common Activity and Facilities Charges Revised**

In the fiscal 2018 budget and financial plan, the Common Activity Charge will only be modified for items deemed by University leadership to require additional (non-budget-neutral) funding from the schools and units, something which has only occurred three times in the last five years. The Facilities Charge will be assessed and updated as we have done in previous years, and will be based on space data in the University’s Space Management System (SMS).

**Unfunded Tuition Remission Expenses**

Federal grants may not fully cover the cost of tuition remission for grant-funded employees. Schools are responsible for funding the difference between the grant funding and the full cost of the tuition remission.

**Faculty Mortgage Loan Program (FMLP) Revised**
Every year in February, August and November, the Office of Faculty Housing and Residential Services sends to each school fiscal officer a detailed statement of the school’s FMLP obligations for the current fiscal year, and a projection for the following fiscal year. The school fiscal officer is responsible to update the school's budget and financial plan for the FMLP. The fee charged to schools by the University for ZIP loans under the FMLP is 6.0%, and the rate for the Affordable Mortgage Loan Program (AMPL) is 6.0% for fiscal years 2017 and 2018. (Note that these are not the rates that individual faculty members pay on their loans. Also note that the AMPL program is being phased out; only faculty who have the loans or prior approval for the loan are grandfathered in the program.)

Unrelated Business Income Tax (UBIT)
Each school and unit is responsible for paying the UBIT generated by the activity of the unit. There are no University funds allocated for this purpose. Please direct any questions concerning your unit’s actual or potential liability to the University’s Tax Director in the Controller’s Division. The Tax Services section of the CDV website provides useful information on UBIT.

Endowment Funds
Spending Rate Revised
The dollar per share distribution in fiscal 2018 will be announced on or about February 24th. Until that time, assume no increase in endowment income, except income from new gifts to endowment received prior to January 1, 2017. Use 4.5% of market value as the multiplier for new gifts.

Caps on the Spending Rate
After computing the spending rate, as described in the preceding section, the Budget Office then performs further calculations to ensure that the annual distributions from individual endowment funds are capped such that:

- The distribution of endowment return to support operations (Fund 21 accounts) may not exceed the prior year’s distribution by more than 10%, unless the increase was the result of new gifts to endowment.

- If the results of using only the average market value of either the final four quarters alone or the final eight quarters alone would be a decline in the distribution from the prior year’s distribution, then the distribution may not exceed the previous year’s level.

Examples
1. If the calculation based on the full 12 quarters yields a distribution for fiscal 2018 that is equal to or greater than the distribution for fiscal 2017, but not more than 110% of the fiscal 2017 distribution, then the full calculated amount is distributed to the Fund 21 spending account. Unless:
a. The calculation based on the final 8 quarters, or the calculation based on the final 4 quarters, yields a distribution for fiscal 2018 that is less than the distribution for fiscal 2017. If either of those conditions obtain, then the distribution will equal the amount distributed in fiscal 2017.

2. If the calculation based on the full 12 quarters yields a distribution for fiscal 2018 that is less than the actual distribution for fiscal 2017, then the calculated amount will be distributed.

**Timing of Distributions from Gifts to Endowment**

Contributions to established endowment accounts and to new endowment accounts will purchase shares at the unit market value as of the beginning of the month in which the cash was received. The distribution of endowment return to a Fund 21 account will occur in the fiscal year that begins on September 1 of the following calendar year, unless otherwise required by the donor.

**Fund 21 Endowment Income Budgets**

The annual budget for distribution of endowment return to Fund 21 accounts is developed jointly by the Controller’s Division and the Budget Office in accordance with the rules described above. Budgeted expenditures may occur at any time during the fiscal year, but cannot exceed the sum of budgeted endowment return, plus available fund balance. Spending limits in Fund 21 accounts are set by the expense budget; they are not governed by the timing of the distribution of expendable endowment return. Beginning in November of each year, the Controller’s Division posts the endowment return to Fund 21 accounts in increments equal to 1/10 of the budgeted endowment return. Endowment return is not posted to Fund 21 accounts in September or October.

**Management-designated quasi-endowment funds**

Schools may request the creation of a Management-Designated quasi-endowment account under the following conditions:

1. The request is made to the Budget Office and is accompanied by an explanation of the purpose of the new quasi-endowment account and the source of funds used to establish the quasi-endowment corpus.

2. The minimum new account size generally should be $1 million.

3. The school should plan to keep the quasi-endowment principal intact, without liquidations, for a minimum of two years.

4. Schools must understand the investment risk that the quasi-endowment fund could lose value.

5. The timing of distributions of endowment return to new quasi-endowment accounts follows the guidelines provided above.
Non-Endowment Gifts Revised
The development of fundraising goals for schools and administrative units is an iterative process involving UDAR and unit development officers, who meet throughout the year to review fundraising priorities, progress towards current goals, including the giving pipeline, and the general fundraising climate. Fundraising targets are typically not finalized until July or August, which is after the conclusion of the budget planning cycle.

The Budget Office makes available a set of reports to assist units in developing their budgets for cash flow from non-endowment expendable fundraising, excluding cash flow from grants. Updated reports with activity through calendar year end will be available to fiscal officers in early to mid-February. The Budget Office, using information from UDAR, will meet with each unit to assist them in developing their cash forecast for the coming fiscal year.

All Funds Budgeting New
All Funds budgeting makes it easier to determine and monitor the true operating budget run rate of each school and administrative unit, improves financial reporting to donors, and facilitates GAAP financial reporting to external auditors. Individual budgets and plans for Funds 20, 21 and 22 are required. Budgets and plans in each fund group are subject to the same budgetary oversight as traditionally applied to Fund 10.

These specific policies apply:

- Revenue and expense are to be matched in each fund; fund transfers are to be minimized. Use of fund balances must be planned and proposed at the principals budget meeting. Transfers during the year to mitigate operating deficits are not allowed.

- The primary purpose of Fund 20 is to act as a reserve fund. The fund may also be used to budget term-limited operating initiatives and faculty spending accounts. End-of-year Fund 10 budgetary surpluses that are retained by a school will continue to be transferred to the school’s Fund 20 reserve account after the first close of the fiscal year.

- Only fixed-term positions can be budgeted in, and charged to, Fund 20 and Fund 22. Full or partial funding of permanent positions may be budgeted only in Fund 21, and only to the extent forecasted endowment income will support such expense.

- All new accounts require the inclusion of a project purpose description (Funds 20 and 22) or program purpose code (Fund 21).

- A 5-year sunset period will be established for all Fund 20 and 22 projects. Funds may be continued beyond five years with an acceptable rationale. Fund 20 projects that have been established as reserve funds are exempt from the 5-year sunset rule.
The Budget Office, in conjunction with Financial Operations and Treasury, will review Fund 22 projects having fiscal 2017 activity under “Other Revenue” with the intent of re-classing this revenue to new or existing Fund 20 projects or Fund 10 programs. Other Revenue is defined as revenue other than gifts or pledge payments. The review and re-class is expected to be complete before the start of fiscal 2018.

Federal, State and City Grant Funds Revised
School and unit fiscal officers should review the end dates of their federal grants and identify near-term risks to their operating budgets if various grants are not renewed. Such risk should be reported at the principals budget meeting. All schools and units should endeavor to expend Federal, State and City grant and contract funds without delay, consistent with programmatic goals and timelines.

Capital Budgets Revised
The new “FY18 FinPlan Unit Template” (Excel) contains sections for inputs for proposed capital expenditures and funding. Please work with your Budget Office analyst to complete the template, and to include any capital proposals in your Principals meeting presentation. For additional assistance in this area, refer to the Revised Capital and Space Planning processes provided by the Budget Office (November 2016), as well as the Revised SPWG Guidelines.

Explanation of Key Financial Plan Sections

Transfers
All transfer revenue (in) and transfer expense (out) are budgeted and reported. The Net Transfers In/(Out) should be zero when a school or unit consolidates that line across the financial plans for its undesignated and designated operating funds. The only acceptable reasons for the Net Transfers In/(Out) to be non-zero are: (1) Transfers to or from quasi-endowment funds or capital funds, or (2) Transfers to or from operating funds of other schools or units.

- Every school and unit must provide to the Budget Office an explanation of non-zero sums for the Net Transfers In/(Out) line when added across the financial plans for its undesignated and designated operating funds. The explanation should include all years of the financial plan.

Net Income After Total Expense and Net Transfers
The net income is the result of operations before the Subsidy from/(Contribution to) the University Common Fund.

Subsidy from/(Contribution to) University Common Fund
This line in the financial plan reflects the budget policy for the individual school or unit that has been approved by the Provost or EVP. The numbers in each year will not fluctuate due to the results of annual operations. The numbers may change between versions of the financial plan due to budget-neutral changes made by the Budget Office to offset technical adjustments to Common Activity or Facilities charges. Any change to this line will be explained to the school or unit.

Financial Plan Surplus/(Deficit) Revised

- Schools – A surplus on this line is retained by a school for allocation toward Provost-approved academic plan initiatives within the school, subject to the following:
  - An end-of-year surplus in the Fund 10 undergraduate financial aid account will be reserved in a Fund 20 account for possible over-commitment of financial aid.
  - Up to 50% of a school’s remaining eligible surplus at the end of the fiscal year will reimburse the Provost for grants made by the Provost to the school during the year.

- Schools – A projected deficit for fiscal 2017 and 2018 must be eliminated by one or a combination of the following actions: a reduction in expense, an approved increase of revenue, or use of designated fund balances. If deficits are projected after 2018, the school must present a plan for elimination of the deficits.

- Admin and auxiliary units – Any surplus will revert to the University Common Fund. Any deficit for fiscal 2017 and future years must be eliminated by an approved reduction in expense and/or increase of revenue.