To: School, Administrative and Auxiliary Fiscal Officers

Copy: University Senior Leadership Team

From: Anthony Jiga

Subject: Preparation of the Fiscal 2019 Budget and Financial Plan

Date: February 1, 2018

This memo provides guidance for preparation of school and unit fiscal 2019 budgets and financial plans. As is always the case at this time of year, numerous opportunities and challenges are analyzed and considered. Our process ultimately produces a budget that fits within the University’s financial plan framework and then is presented to the Board for final approval in June. The usual uncertainty about the economic environment is heightened this year as more information concerning implementation of the new federal tax law becomes available, and as we monitor the State’s budget development process.

Please direct questions about this memo or the budget process 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 3 days 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 of this memo that are new or have been modified since last year are so indicated. Revisions have been especially significant in the following sections: All Funds Budgeting and Explanation of Key Financial Plan Sections.
Table of Contents

**Process, Timing and Deadlines**  4

Fiscal 2019 Budget Preparation Key Dates  4

Principals Meeting Presentation  4

Full Reporting of Financial Activity and Risk  5

Fiscal 2019 Financial Plan Versions  5

**Budget Parameters**  7

Budget Planning Parameters for Fiscal 2019  7

Fringe Benefits Rates  8

Exempt Employee Compensation  8

Minimum Wage  9

Graduate Student Employees  10

**Budget Policies**  11

Balance of Trade  11

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  14

Faculty Mortgage Loan Program (FMLP)  14
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrelated Business Income Tax (UBIT)</td>
<td>14</td>
</tr>
<tr>
<td>Endowment Funds</td>
<td>14</td>
</tr>
<tr>
<td>Non-Endowment Gifts</td>
<td>16</td>
</tr>
<tr>
<td>Federal, State and City Grant Funds</td>
<td>16</td>
</tr>
<tr>
<td>Capital Budgets</td>
<td>16</td>
</tr>
<tr>
<td>All Funds Budgeting</td>
<td>16</td>
</tr>
<tr>
<td>Explanation of Key Financial Plan Sections</td>
<td>18</td>
</tr>
<tr>
<td>Transfers</td>
<td>18</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>18</td>
</tr>
<tr>
<td>Gross Margin Surplus/(Deficit)</td>
<td>19</td>
</tr>
<tr>
<td>Undesignated Funds Subsidy</td>
<td>19</td>
</tr>
<tr>
<td>Designated Funds</td>
<td>20</td>
</tr>
</tbody>
</table>
Process, Timing and Deadlines

Fiscal 2019 Budget Preparation Key Dates Revised

- February 20 – Finance Committee of the Board of Trustees reviews preliminary fiscal 2019 University budget issues
- January, February and March – Fiscal Officer/pre-meetings with Budget Office
- February, March and April – Principals budget meetings
- March 20 – Senate Financial Affairs Committee (SFAC) fiscal 2019 final budget recommendation memos
- May 10 – Finance Committee of the Board reviews the proposed fiscal 2019 consolidated University budget and accompanying financial plan
- June 12 – Finance Committee of the Board approves the proposed fiscal 2019 consolidated University budget and recommends its adoption by the Board of Trustees
- June 13 – Board of Trustees adopts the fiscal 2019 consolidated University budget
- June 14 – Budget Office distributes memos to individual schools and units with decisions concerning their fiscal 2019 budgets
- June 14 – July 20 Budget submission for all accounts except position budgets
- August 3 – Budget initialized for all positions in position management staffing model
- August 22 – Final deadline for submission, review and sign-off of budgets

Principals Meeting Presentation Revised

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 concise presentation of key issues and goals that have significant budgetary implications
- Discussion of projections to the end of fiscal 2018 only if there are expected to be major variances +/- from the fiscal 2018 original budget
• The Principals meeting presentation should include a plan to eliminate any financial plan deficit in fiscal years 2019 and future years that may be shown in the current financial plan.

• Schools’ proposed budgets for fiscal 2019 and future year financial plans must be consistent with their academic and non-academic position management plans 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

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 2019 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 2018 cycle, which was included in the consolidated University financial plan presented to the Board of Trustees in June 2017.

• Version 2.0 (published in Hyperion Planning and dynamic) will contain all approved financial plan changes subsequent to the June 2017 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 approved and proposed financial plan changes; the latter 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 2019 financial plan upon NYU Board of Trustees approval of the University’s consolidated budget in June 2018.
• The fiscal 2019 Original Budget, loaded into fame as of September 1, 2018, 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 2018.

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Budget Parameters

Budget Planning Parameters for Fiscal 2019 Revised

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 fiscal 2019 budget planning parameters for use by schools and units in developing their proposed budgets for the following year. The budget parameters for fiscal 2019 shown in the highlighted column below are not final. All budget planning parameters are subject to change until approved by the Board in June.

### Key Budget Planning Parameters for Fiscal 2019 - Subject to Change

<table>
<thead>
<tr>
<th>Key Budget Planning Parameters for Fiscal 2019 - Subject to Change</th>
<th>Current Financial Plan</th>
<th>Preliminary Fiscal 2019 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Undergraduate tuition rate increase$^1$</td>
<td>3.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2. Student fees rate increase$^1$</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>3. Undergraduate housing: average freshman room rate (NYU NY)</td>
<td>3.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>4. Dining: weighted average meal plan price increase (NYU NY)</td>
<td>3.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>5. Undergraduate financial aid funding increase$^2$</td>
<td>See note</td>
<td>See note</td>
</tr>
<tr>
<td>6. Graduate and professional tuition rate increase$^3$</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>7. Full-time faculty AMI pool increase</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>8. Administrators AMI pool increase$^4$</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>9. PhD student stipend increase</td>
<td>2.25%</td>
<td>2.25%</td>
</tr>
<tr>
<td>10. Union contracted personnel</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>11. Controllable other-than-personnel-services increase</td>
<td>2.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>12. Endowment distribution$^5$</td>
<td>See note</td>
<td>See note</td>
</tr>
</tbody>
</table>

### Notes

1. The Tandon school of Engineering rate of increase in tuition and mandatory student fees is planned to be higher than the inflators for other schools until tuition and fees are at parity with the College of Arts and Science in FY 2021.

2. Undergraduate financial aid will change at the rate required to maintain each school’s discount rate.

3. It is the responsibility of every school to be aware of the pricing of competitor graduate programs. Although the University’s guidance for increase in the rate of graduate tuition for fiscal 2019 is 4.0%, schools may propose tuition rate changes that are greater or less than 4.0%. Proposals should be submitted to your Budget Office analyst, together with a brief statement of justification, for prompt review and response.

4. In addition to the AMI pool, there will be a bonus pool equal to .5% of the salary base.

5. The spending rule for fiscal 2019 will be announced on or about Feb. 26. Until that time, assume no increase in endowment income, except income from new gifts to endowment received prior to January 1, 2018. Use 4.5% of market value as the multiplier for new gifts.
Fringe Benefits Rates  
For all budgets the fringe benefits rate for fiscal 2019 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 30.0% through NYU fiscal year 2018, and the provisional rate for NYU fiscal year 2019 will likely be 30.5%. 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 2018. 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 Revised**  
The Annual Merit Increase (AMI) pool for base salaries for full-time faculty and administrators for fiscal 2019 is 2.5%. Schools and units are responsible for funding the AMI for their faculty and staff. The Budget Office will estimate the fiscal 2019 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 2018 base salaries for eligible employees as of April 30, 2018, excluding
vacancies. Detailed guidance on administration of the compensation policy for faculty in fiscal 2019 will be distributed later in the Spring by University Human Resources and the Provost’s Office.

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.

**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 2019. Bonuses are one-time payments and are not added to base salaries. The Budget Office will estimate the fiscal 2019 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, 2018, 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, 2018, 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

**NYU Minimum Wage Revised**
The minimum wage for NYU has established for non-exempt employees in the United States is currently $13.50. The rate will rise to $15.00/hour on September 1, 2018. No further increases are planned.

**New York State Fair Labor Standards Regulation New**
A regulation from the New York State Department of Labor requires the payment of overtime wages for work performed after 40 hours per week. The FLSA and the State
Minimum Wage Act exempt employees who work in a bona fide administrative capacity from the overtime pay requirements and whose salary is a minimum of $58,500/year as of December 31, 2018. The University determined that the salaries of approximately 300 full time and part time administrative employees in schools and units across the University should be increased to $58,500. The Budget Office will distribute to schools and units a report with the number of employees and the cost of the salary adjustments plus the fringe benefit charge. Schools and unit will self-fund the increased base line expense.

**Graduate Student Employees**
This chart provides details on graduate student employees that are included and not included in the UAW Local 2110 graduate employee bargaining unit:

<table>
<thead>
<tr>
<th>INCLUDED</th>
<th>EXCLUDED</th>
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</thead>
<tbody>
<tr>
<td>PhD and Masters (Yrs 1-7)</td>
<td>MBA Stern Students</td>
</tr>
<tr>
<td>PhD and Masters (Yrs 1-7) - Adjuncts</td>
<td>College of Dentistry Students</td>
</tr>
<tr>
<td></td>
<td>School of Law Students</td>
</tr>
<tr>
<td></td>
<td>School of Medicine Students</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>Graders</td>
</tr>
<tr>
<td>Teaching Assistant</td>
<td>Tutors</td>
</tr>
<tr>
<td>Research Assistant (if not otherwise excluded)</td>
<td>Research Assistants – School of Engineering</td>
</tr>
<tr>
<td>Hourly Appointments</td>
<td>Research Assistants – Biology</td>
</tr>
<tr>
<td></td>
<td>Research Assistants – Chemistry</td>
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<tr>
<td></td>
<td>Research Assistants – Neural Science</td>
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<td></td>
<td>Research Assistants – Physics</td>
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<td></td>
<td>Research Assistants – Mathematics</td>
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<tr>
<td></td>
<td>Research Assistants – Computer Science</td>
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<td></td>
<td>Research Assistants – Psychology</td>
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</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 2017-2018, the minimum hourly rate is $17 per hour for Local 2110 bargaining unit employees. The rate will change as follows:
  - $18.00 in AY 2018-2019
  - $20.00 in AY 2019-2020

- Hourly graduate student BU positions carrying higher rates than the minimum rates received a 2.5% increase in AY 2017-2018 and shall receive the following increases in future years:
  - 2.25% in 2018-2019
  - 2.5% in 2019-2020.

**BUDGET POLICIES**

**Balance of Trade** Revised
Balance of Trade (BOT) is a tuition revenue allocation methodology that transfers revenue to compensate schools for teaching students who are enrolled in other schools.

The system of record for BOT enrollment data and reporting is TMI (the “Tuition Modeling Intelligence” system maintained by the Budget Office.) The UDW+/OBIEE cross-enrollment and BOT dashboards and reports are being phased out.

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. Beginning in fiscal 2019, actual BOT revenue allocations, including those for Global Programs, will match budgets, and will be automatically allocated monthly by the Budget Office. The one exception to this is BOT for special students (i.e. visitors). BOT revenue allocations for these students will continue to be based on current year enrollment activity.

**Standard BOT rules are as follows:**
- Undergraduate – 70% to teaching school, 30% to student school, based on prior year points taken @ CAS per point tuition rate
- Graduate – 100% to teaching school, 0% to student school, based on prior year points taken @ GSAS per point tuition rate

**Non-standard BOT rules are as follows:**
- Gallatin Undergraduate – 60% to teaching school, 40% to student school, based on prior year points taken @ CAS per point tuition rate
- Winter (J-Term) – 100% to teaching school, 0% to student school, based on current year actual tuition paid to teaching school. In most cases, but not all, the
teaching school receives the revenue directly and a balance of trade entry is not required.

- **TBD – Other non-standard BOT rules are currently under review. This memo will be updated and a separate communication will be sent if additional non-standard BOT rules must be added.**

**School-Sponsored Programs at Global Sites Revised**

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. The rate beginning September 1, 2018, will be $30 per student per day. This is an increase over the previous rate of $29 per student per day, which has been in effect since September 2016.

**Undergraduate Financial Aid**

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,

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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 2019 should equal the amount needed to achieve the school’s discount rate including appeal funding as agreed to by the dean and the Senior 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 2019 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 agreed-upon discount rate.

3. A school may not change its policy discount rate without approval of the Sr. 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 Sr. 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 Sr. VP for Enrollment Management to determine the amount of financial aid needed to optimize net tuition revenue.

College Work Study
The current NYU Federal college work study formula covers 75% of the cost of a student employee. For fiscal 2019 planning purposes, assume no increase above your fiscal 2018 allocation. Schools and units will be notified in the Spring of their final fiscal 2019 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 2019 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 occurred four times in the last six 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). The Budget Office will work with you to incorporate any incremental
Facilities Charges for projected space changes that may not yet be ready for entry into 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)**
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 2018 and 2019. (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 2019 will be announced on or about February 26th. Until that time, assume no increase in endowment income, except income from new gifts to endowment received prior to January 1, 2018. 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
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.

Federal, State and City Grant Funds
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 “FY19 FinPlan Unit Template” (Excel) contains line item selections for inputs of 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 latest SPWG Guidelines.

All Funds Budgeting Revised
All Funds budgeting is required to: (1) determine and monitor the true operating budget run rate of each school and administrative unit, (2) accurately report to donors, and (3) facilitate GAAP financial reporting to NYU’s Board of Trustees and our external auditors. Individual budgets and plans for Funds 20, 21 and 22, as well as undesignated funds, are required. Budgets and plans in each fund group are subject to the same budgetary oversight as traditionally applied to undesignated funds.
Beginning in Fiscal 2019, the measure of financial performance for all schools and units will change from the current Undesignated Funds Subsidy from / (Contribution to) University Common Fund to the All Funds Gross Margin (see detailed explanation in following section). Although the Subsidy from/(Contribution to) University Common Fund will continue to be reflected in budgets and financial plans to provide fully-allocated budget views, end-of-year financial performance will compare the original budget Gross Margin with the actual Gross Margin.

At the end of the fiscal year, the Budget Office will work with school and unit fiscal officers to analyze each fund group’s contribution to the Gross Margin variance. To assist you in adapting to this change, your respective Budget Office analyst will work with you throughout this planning cycle to ensure appropriate and accurate budgets and financial plans, specifically in your designated funds and transfer lines.

Fund Group Policies:

- Revenues and expenses are to be budgeted and posted in their appropriate and respective funds; transfers between funds 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 or to retain anticipated surpluses 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.

- 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 applies to all new 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 continue to review Fund 22 projects having 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.
Explanation of Key Financial Plan Sections

Transfers Revised
There are two categories of transfers: operating and non-operating. Transfer revenue and transfer expense for both operating and non-operating transfers must be included in your proposed budget for fiscal 2019, and must be balanced, as explained below.

Operating transfers
- All transfer revenue (in) and transfer expense (out) are budgeted and actual transfers are compared to budget. When a school or unit consolidates transfer revenue and transfer expense for the school or unit’s own undesignated and designated operating funds, the net must be zero.

- Transfers of operating funds between schools and units are non-zero sum within the individual school or unit, but must be zero when summed across the University. It is only these transfers that will result in a non-zero value appearing on the operating budget Net Transfer line.

- Operating transfers are located on financial plans above the Gross Margin because the net transfer is a component of the school or unit’s Gross Margin, even though at the consolidated University level the net transfer is eliminated and is not part of the University’s gross margin calculation.

Non-operating transfers
- Non-operating transfers typically occur for one of two reasons: (1) transfers to or from a school’s quasi-endowment funds or (2) transfers from operating funds to a capital fund.

- All transfer revenue (in) and transfer expense (out) are budgeted and actual transfers are compared to budget.

Gross Margin New
The Gross Margin is the result of operations: Total Operating Revenue – Total Direct Expense + Net Operating Transfers. The Gross Margin Target is established, and actual results are reported, before indirect expenses, non-operating transfers and before Subsidy from / (Contribution to) the University Common Fund. The target is set once each fiscal year and, beginning with fiscal 2019, will be part of every school and unit’s original budget. The All Funds Gross Margin Target is the sum of the Gross Margin Targets for the Undesignated Funds and Funds 20, 21, and 22.

The Budget Office aggregates the Gross Margins across all schools and units, subtracts net operating transfers, and presents that to the Board of Trustees as the Operating Margin for the University. When the Board approves the University budget in June, the Operating Margin becomes the metric against which actual operating budget performance is compared. After the end of each fiscal year, the Budget Office must
explain variances to the Operating Margin. The University’s performance against the annual Operating Margin is an important factor in the rating agencies’ assessment of NYU’s financial stability.

**Gross Margin Surplus/(Deficit) New**
This is the difference between a school or unit’s projected Gross Margin and its Gross Margin Target. It replaces the previous “Financial Plan Surplus/(Deficit)” line.

**Planning and Budgeting**
Any surpluses or deficits for 2019 must be eliminated by increasing or decreasing revenue projections, direct expense projections, or some combination of the two. Proposed uses of surpluses -OR- funding for deficits remaining in the financial plan for 2020 and beyond must be presented at the Principals meeting.

**Year End**
At year-end, Gross Margin variances will be evaluated on a fund-by-fund basis, and indirect expense and non-operating transfer activities will be taken into account, to determine if true surpluses or deficits remain. Upon review, the Budget Office will process any necessary transactions to distribute or recapture funding prior to closing the year.

For Schools – Deficits will be funded through a transfer of unrestricted designated fund balance from the School to the University. Surpluses will be retained by the School and rolled over for use in subsequent years, with the following exceptions:

- A surplus in undesignated undergraduate financial aid accounts will be reserved in a Fund 20 account for possible future 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.

For Administrative and Auxiliary Units – Every attempt should be made to prevent year-end deficits. If required and available, remaining deficits at year end will be funded through a transfer of unrestricted designated fund balance from the Unit to the University. Surpluses will be used to help improve the University’s consolidated operating margin in that year.

**Undesignated Funds Subsidy from / (Contribution to) University Common Fund Revised**
This line is the result of all transactions occurring in the undesignated funds, and is calculated as follows: Total Operating Revenue – Total Direct Expense + Net Operating Transfers – Total Indirect Expense + Net Non-Operating Transfers. It is an internal budgetary/cost-accounting metric that approximates each school and admin/auxiliary unit’s allocated contribution to, or use of, the University’s shared annual operating resources. Although it can be a helpful indicator for internal management purposes, the
subsidy/contribution in no way represents contributions to the University’s annual Operating Margin, particularly because it excludes designated funds, and includes indirect expenses and transfers within the University, both of which are non-financial accounting items.

**Designated Funds Additions to/(Uses of) Fund Balance Revised**

This line is the result of all transactions occurring in the designated funds, and is calculated as follows: Total Operating Revenue – Total Direct Expense + Net Operating Transfers – Total Indirect Expense + Net Non-Operating Transfers.