To: School, Administrative and Auxiliary Fiscal Officers

Copy: University Senior Leadership Team

From: Cathie Nadeau

Subject: Preparation of the Fiscal 2020 Budget and Financial Plan

Date: February 1, 2019 (Page 8 revised on 9/9/19)

Dear team,

The objective of the fiscal 2020 budget process is to support the attainment of the University's strategic goals while considering three critical priorities:

- Affordability of an NYU undergraduate education
- Investments in the University’s core academic mission of teaching, learning and research
- Short and long-term financial strength to enable investment in NYU's future, considering current economic and operational risk factors.

This memo provides guidance for the preparation of your budget and financial plans. As is always the case at this time of year, numerous opportunities and challenges will be considered and evaluated based on their strategic fit and alignment with the priorities listed above. Our process will ultimately produce a budget that fits within the University’s financial plan framework and will be presented to the Board for final approval in June.

Please direct questions about this memo or the budget process to me or to your Budget Office analyst.

Submitting Your Principals Meeting Budget Presentation

Please submit your draft budget presentation to your Budget Office analyst at least 5 full business days prior to the Principals Budget Meeting. There are approximately 35 budget meetings scheduled and 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.
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Process, Timing and Deadlines

Fiscal 2020 Budget Preparation Key Dates Revised

- December - Finance Committee of the Board of Trustees reviews preliminary fiscal 2020 University budget considerations
- January, February and March – Fiscal Officer/pre-meetings with Budget Office
- February, March and April – Principals budget meetings
- March 12 – Senate Financial Affairs Committee (SFAC) issues fiscal 2020 final budget recommendation memos
- May 7 – Finance Committee of the Board reviews the proposed fiscal 2020 consolidated University budget and accompanying financial plan
- June 3 – Deans submit Faculty Hiring Plans (approved by school fiscal officers and the Budget Office) to the Provost
- June 12 – Finance Committee of the Board approves the proposed fiscal 2020 consolidated University budget and recommends its adoption by the Board of Trustees
- June 13 – Board of Trustees adopts the fiscal 2020 consolidated University budget
- June 14 – Budget Office distributes memos to individual schools and units with decisions concerning their fiscal 2020 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, including quarterly calendarization

Quarterly Calendarization New
Once the annual budget is approved, a quarterly calendarization will be required as part of the August 22nd deadline. In order to facilitate this exercise, the Budget Office will provide an initial calendarization based on prior year trends. Please review this input and adjust it as required to reflect expected material deviation vs. prior trends. The quarterly approach will result in a more accurate and robust financial forecast, enabling us to identify financial trends and related opportunities and risks, to react to them in a timely manner and to communicate financial status effectively to the Board, Senior University leadership and other constituencies.
Principals Meeting Presentation Revised

The purpose of the Principals meeting is to discuss the strategic goals (as established during the strategic plan process) and priorities of your school or unit and the corresponding financial implications, including options and trade-offs that should be evaluated. The Budget Office has provided to each fiscal officer an outline of 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 will provide the following:

- A concise presentation of key business hydraulics and strategic goals that have significant budgetary implications as well as the school or unit’s recommendations on how to address them

- Discussion of projections to the end of fiscal 2019 **only if there are expected to be major variances +/- from the fiscal 2019 original budget**

- An action plan to eliminate any All Funds Gross Margin deficit in both fiscal year 2020 and future years that may exist in the current financial plan

- School’s proposed budget for fiscal 2020 and future year financial plans that is consistent with its academic and non-academic position management plan, as well as enrollment plan
  - The presentation should include a Preliminary Faculty Hiring Plan that will be finalized in June during the normal Provostial review and approval process.
  - Any variations between the Preliminary Faculty Hiring Plan from your Principals Meeting and your Final Faculty Hiring Plan due to the Provost in June will need to be accompanied by a funding analysis that validates the school’s ability to absorb the incremental changes within your financial plan.

- For academic units only: An action plan to fund the investments required for the expansion of NYU’s High-Performance Computer (“HPC”) infrastructure. The Budget Office will continue to work with fiscal officers and NYUIT to forecast these incremental expenditures, as well as model the impact to your individual school financial plan.

- One of the Provost’s initiatives is to develop a ‘NYU Index’ to measure the University’s contributions to the community. Please include 2-3 financial contributions from your school/unit as applicable in your presentation. Some examples are: the dollar value of all free dental services provided by the College of Dentistry, the number of jobs filled by NYU graduates within a certain industry (either city-wide or nation-wide), value of any community service that students in your school provide as part of their curriculum, etc.
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 2020 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 2019 cycle, which was included in the consolidated University financial plan presented to the Board of Trustees in June 2018

- Version 2.0 (published in Hyperion Planning and dynamic) will contain all approved financial plan changes subsequent to the June 2018 Board of Trustees meeting; those adjustments will not be reviewed 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 2020 financial plan based on NYU Board of Trustees approval of the University’s consolidated budget in June 2019.

- The fiscal 2020 Original Budget, loaded into FAME as of September 1, 2019, 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 2019.
### Budget Parameters

**Budget Planning Parameters for Fiscal 2020 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, the Budget Office, with the approval of the University’s senior leadership, issues a set of preliminary fiscal 2020 budget planning parameters for use by schools and units in developing their proposed budgets for the following year. The budget parameters for fiscal 2020 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 2020 - Subject to Change

<table>
<thead>
<tr>
<th>Parameter/Increase</th>
<th>Current Financial Plan</th>
<th>Preliminary Fiscal 2020 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate tuition increase¹</td>
<td>3.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Student fees increase¹</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Undergraduate room increase</td>
<td>3.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Undergraduate board increase</td>
<td>3.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Undergraduate financial aid increase²</td>
<td>4.0%</td>
<td>4.0%²</td>
</tr>
<tr>
<td>Graduate and professional tuition increase³</td>
<td>4.0%</td>
<td>TBD</td>
</tr>
<tr>
<td>Full-time faculty salary increase</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Administrator salary increase⁴</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Energy</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Controllable OTPS increase</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

**Notes:**

1. The Tandon School of Engineering rates of increase are 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. In FY 2020, Tandon’s planned rates of increase for tuition and fees are 3.8% and 24.6% respectively.

2. This is the target growth in the Undergraduate Financial Aid budget. May vary slightly based on actual yield.

3. Graduate tuition increases may vary by program.

4. In addition to the AMI pool, there will be a bonus pool equal to .5% of the salary base.
Fringe Benefits Rates
For all budgets the fringe benefits rate for fiscal 2020 is 30.0% of all wages and salaries, with the following exceptions:

- **Federal and Other Sponsored Programs** *Revised on 9/9/19*
  The fringe benefits rate for federal sponsored programs is 30.5% through NYU fiscal year 2019, and the fringe rate for NYU fiscal year 2020 will likely be 30.0%. In February, the University submitted a proposal to the federal government for a predetermined rate and expects to have a rate approved by late summer 2019. 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**
<table>
<thead>
<tr>
<th>Account Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>51130 Salaries - Graduate Asst</td>
<td>51%</td>
</tr>
<tr>
<td>51131 Salary- Research Asst</td>
<td>51%</td>
</tr>
<tr>
<td>51140 Salary- Graduate Asst FAS/CIMS</td>
<td>37%</td>
</tr>
<tr>
<td>51141 Salaries-RA for FAS and CIMS</td>
<td>37%</td>
</tr>
</tbody>
</table>

- **Wages and Salaries Charged to the Following Accounts:**
<table>
<thead>
<tr>
<th>Account Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>51120 Salaries-Fed Work Study-Fed</td>
</tr>
<tr>
<td>51150 Dental School Resident Assts</td>
</tr>
<tr>
<td>51542 Salaries-Instruc. Post Doc &amp; Fellowships</td>
</tr>
<tr>
<td>51220 GS Federal Work Study-Fed</td>
</tr>
</tbody>
</table>

- **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.

*Note: It is likely that starting in FY21, the fringe benefit rate will increase to 30.5%.*

**Exempt Employee Compensation Budgets**

**Salary Increase Pools** *Revised*

The Annual Increase (AI) pool for base salaries for full-time faculty and the Annual Merit Increase (AMI) pool for base salaries for full-time administrators for fiscal 2020 are both 2.5%. The Gross Margin Targets for schools and units are set in their financial plans to provide funding for the AI and AMI pools. Following discussion between the Deans and the Office of the Provost, there will be further communication on funding for compensation adjustments for promotion, retention, equity, or special recognition.

The Budget Office will estimate the fiscal 2020 and future year pool amounts in school and unit financial plans. As in prior years, these amounts will be for budgeting only. The AI and
AMI pools published by the Office of Academic Appointments and University Human Resources govern the maximum pools for each school and unit. AI and AMI pools will be calculated at 2.5% on the total sum of a school or administrative unit’s fiscal 2019 base salaries for eligible employees as of April 30, 2019, excluding vacancies. Detailed guidance on administration of the compensation policy for faculty and administrators in fiscal 2020 will be distributed later in the Spring by University Human Resources and the Provost’s Office.

AI and AMI 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 2020. Bonuses are one-time payments and are not added to base salaries. The Budget Office will estimate the fiscal 2020 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, 2019, 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, 2019, 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 non-exempt employees in the United States is currently $15.00
**Graduate Student Employees** Revised
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>
</tr>
</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>School of Law Students</td>
<td></td>
</tr>
<tr>
<td>School of Medicine Students</td>
<td></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>
</tr>
<tr>
<td></td>
<td>Research Assistants – Neural Science</td>
</tr>
<tr>
<td></td>
<td>Research Assistants – Physics</td>
</tr>
<tr>
<td></td>
<td>Research Assistants – Mathematics</td>
</tr>
<tr>
<td></td>
<td>Research Assistants – Computer Science</td>
</tr>
<tr>
<td></td>
<td>Research Assistants – Psychology</td>
</tr>
<tr>
<td>PhD beyond Yr. 7, who are hourly employees and</td>
<td></td>
</tr>
<tr>
<td>not adjuncts - New</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 2019-2020, the minimum hourly rate is $20 per hour for Local 2110 bargaining unit employees.
- Hourly graduate student BU positions carrying higher rates than the minimum rates received a 2.5% increase in AY 2019-2020
BUDGET POLICIES

All Funds Budgeting
All Funds budgeting is required to: (1) determine and monitor the actual 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.

The measure of financial performance for all schools and units continues to be the All Funds Gross Margin (see detailed explanation in following section). Although the Undesignated Funds Net Income/(Loss) After Allocations is still included in budgets and financial plans to provide a fully-allocated budget perspective, end-of-year financial performance will compare the original budget Gross Margin with the actual Gross Margin. This change was made in fiscal 2019 to drive focus on the revenues and expenses that are under the control of the school or unit vs. those outside their direct control.

Fund Group Policies:
- Budget and record revenues and expenses in their appropriate and respective funds and minimize transfers between funds. **Use of fund balances must be planned and proposed at the Principals budget meeting.** This is necessary because these activities result in cash usage that must be planned by Treasury and increase in current year expenses that need to be comprehended in the budget commitment to the Board of Trustees. 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 budget in and charge fixed-term positions 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 and existing fund balance will support such expense (and in accordance with donor restrictions, if any).

- 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.

**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.
Since fiscal 2019, actual BOT revenue allocations, including those for Global Programs,
match budgets, and are 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**
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 is $30 per student per day, unchanged from FY 19.
**Discretionary vs. Mandatory Expenses**

Starting this year, the Budget Office will begin to work with schools and units on an estimate of discretionary vs. non-discretionary expenses within your financial plans. This is a request from the Board of Trustees to aid in future financial planning and stress testing analysis. For this exercise, discretionary expenses are defined as those that can be eliminated, postponed or reduced for a few semesters or the entire fiscal year. These reductions might not be desirable but required in the short to medium term. Examples of discretionary expenses include travel and meeting costs, professional services, certain administrative positions and vacancies. The Budget Office has developed a high-level estimate of the proportion of discretionary expenses by type of expenses. Please review this estimate and adjust it to better reflect your school/unit hydraulics. The Budget team will review this analysis with the fiscal officer of each school and unit; it will not be discussed during the Principal meeting.

**Financial Aid and Student Success Initiatives**

Determining a strategy for financial aid is a significant strategic decision that should be presented for approval at the time of a school’s principals meeting. Deans are expected to develop a five to ten year financial aid strategy that considers both changes in net revenue and additional donor funds. Funds must be available in order to increase a discount rate.

**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 Senior Vice President for Enrollment Management and the Budget Office that take place during January of each year. The policy discount rate is calculated as:

\[
\text{Total NYU scholarship dollars}^1 \text{ (undesignated and designated funds)} \div \text{The sum of the school’s UG tuition and mandatory University fees from the school’s matriculated undergraduate students for Fall, Spring and Summer semesters, before additions or subtractions for Balance of Trade}
\]

^1Loans and government grants (such as Pell grants) are excluded from the numerator.

The following budget policies apply:

1. A school’s budget for undergraduate financial aid (**both undesignated AND designated funds**) in fiscal 2020 must equal the amount needed to achieve the
school's discount rate, as agreed to by the dean and the Senior Vice President Enrollment Management.

2. 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 2020 financial plan.

3. If a school want to change its policy discount rate, it must propose this change through the annual Principals Meeting process.

**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 optimal amount of financial aid needed to maximize net tuition revenue.

**Student Success Initiatives**
If the University’s Student Success initiatives lead to higher retention rates and incremental net revenue to the financial plan, Gross Margin Targets will be re-evaluated to ensure that the incremental resources generated from this University-wide initiative are allocated strategically.
Financial Aid Discount Rates Include Controllable and Uncontrollable Funds:

The Discount Rate Includes Both Tuition and Donor Funds:

**Federal Work Study**
The current NYU Federal college work study formula covers 75% of the cost of a student employee. For fiscal 2020 planning purposes, assume no increase above your fiscal 2020 allocation. Schools and units will be notified in the Spring of their final fiscal 2020 CWS budget allocations.
Reminder: Federal guidelines require that all FWS hours be certified, reconciled, and approved by the student’s supervisor in order to use the Federal funds. In the event that a FWS student’s time sheet is not approved in myTime before the payroll deadline (XLS), the unapproved hours worked will be automatically be charged to a non-federal work study salary account (default chartfield) in PeopleSync for the appropriate school or unit, instead of being charged to the FWS program. If you have any questions, please contact PeopleLink at askpeoplelink@nyu.edu or 212-992-LINK (5465).

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.

Faculty Hiring
All Faculty Hiring requests to the Provost must be approved by both the School’s Fiscal Officer and the Budget Office. This is to ensure that required funding is available and that the proposal is aligned with the school or unit’s latest Faculty Hiring schedule reviewed at the Principals Meeting.

Common Activity and Facilities Charges
In the fiscal 2020 budget and financial plan, the Common Activity Charge will only be modified for items requiring additional (non-budget-neutral) funding from the schools and units as deemed by University leadership. 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 Gross Margin dollars required to support 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 2020 and 2021. (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 2020 will be announced in the later part of February. Until that time, assume no increase in endowment distribution, except income from new gifts to endowment received prior to January 1, 2019. Use 4.5% of market value as the multiplier for new gifts.

**Caps on the Spending Rate**

![Decision Tree Image]

**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 distribution to Fund 21 accounts in increments equal to 1/10 of the budgeted endowment...
distribution. Endowment distribution is not posted to Fund 21 accounts in September or October.

“Underwater” Endowment funds
An individual donor-restricted endowment account is "underwater" when the fair value of the fund at the reporting date (calendar year-end) is less than either the original gift amount or the amount required to be maintained by the donor or by law. In instances when an endowment account is “underwater”, the University will not take a distribution from that account in the upcoming fiscal year and will continue to reinvest 100% of the returns into the Endowment until the fair value for that account is equal to, or greater than, the original corpus amount.

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

1. The request is included in your approved budget as a “Transfer to Endowment Funds” within your financial plan 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.

Additionally, any additional transfers into, or liquidations of, these management-designated quasi-endowment funds must be included in your approved financial plan in order to process the transaction.

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 late August and frequently not until the close of the academic and fiscal year.

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 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 review the end dates of their federal grants and identify near-term risks to their operating budgets if various grants are not renewed. These risks need to be reported at the Principals budget meeting. All schools and units need to take the required actions to expend Federal, State and City grant and contract funds, in compliance with the terms of the grant, without delay, consistent with programmatic goals and timelines.

**Capital Budgets Revised**
It is critical that you **include all FY 2020 contemplated capital investments** in your Principals meeting presentation and in the appropriate template (see new “FY20 FinPlan Unit Template” in Excel). Given budgetary constraints, it is **highly unlikely that unplanned projects will be funded during the fiscal year**.

In addition to FY 2020 projects, please include expected capital needs (which must be accompanied by appropriate operating-side impacts, such as space costs, additional staff, incremental revenue, etc.) for the next five years, including a brief description of the desired facilities state for your school or unit. It is understood that these investments may not yet be funded and are subject to significant changes, but your inputs will help guide long term capital planning.

Please work with your Budget Office analyst to complete the template, and to include 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.

**Momentum Fund New**
Starting in FY20, to further simply and streamline all Indirect Expenses that are allocated to school and unit financial plans, the “Momentum Fund” line item will be eliminated.

This change will have **no impact** to individual school and unit All Funds Gross Margin Targets. Additionally, with the elimination of this line item, the practice of assessing an indirect charge to all incremental changes to for-credit tuition within the financial plan (2%) will be discontinued.
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 2020, and must be balanced, as explained below.

Operating transfers
- Budget all transfer revenue (in) and transfer expense (out) and compare actual transfers 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 (“intra-unit transfers”), the net must be zero.

- Transfers of operating funds between schools and units (“inter-unit transfers”) are non-zero sum within the individual school or unit but must equal zero when summed across the University. The unit sending and the one receiving the transfer must agree on the value and accurately reflect it in their respective budget. Only the transfers that will result in a non-zero value will appear 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
The Gross Margin is the result of a school or unit’s operations: Total Operating Revenue – Total Direct Expense + Net Operating Transfers. The Gross Margin Target is established, and actual results are reported, before indirect expenses, and non-operating transfers. The target is set once per fiscal year and 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)**

This is the difference between a schools 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 2020 must be eliminated by increasing revenue projections or reducing direct expense projections, or some combination of the two. These changes must be supported by realistic assumptions and an operational action plan to deliver. **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 – Actual operating deficits will be funded through a transfer of a school’s unrestricted designated fund balance to the University. Actual operating surpluses will be retained by the School and rolled over for use in subsequent years, with the following exceptions:

- 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 Net Income/(Loss) After Allocations 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, this line 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.