



BUDGET POLICIES & PROCEDURES

Office of Budget and Planning

APRIL 22, 2020

TABLE OF CONTENTS

1	UNIVERSITY BUDGET MANAGEMENT	3
1.1	Montclair State University Budget	3
1.2	Office of Budget and Planning	3
1.3	Office of Finance and Treasury	4
1.4	Division Managers	4
1.5	Cost Center Managers	5
1.6	MSU Foundation.....	5
2	BASIC CONCEPTS	5
2.1	Accounting Standards	5
2.2	Fund Accounting	6
2.3	Fiscal Year and Accounting Periods	6
2.4	Revenue, Expense, Net Income – A Balanced Budget	7
2.5	Budgets vs. Actuals – Basics	7
3	UNIVERSITY COMPUTER SYSTEMS	8
3.1	Adaptive Insights – Budget Planning and Reporting	8
3.2	Workday Financials – Financial Transactional System	8
3.3	Systems that Interface with Workday Financials and Adaptive Insights	8
3.4	Reports & Tools	9
4	WORKDAY - FOUNDATION DATA MODEL (FDM)	9
4.1	Workday Foundation Data Model (FDM)	9
4.2	Fund	10
4.3	Ledger Accounts and Ledger Account Summaries	10
5	BUDGET CYCLE	11
5.1	Cycle Overview	11
5.2	State Budget Submission	12
5.3	Budget Call – Annual Budget Development Process	12
6	ANNUAL “BUDGET CALL” PROCESS	12
6.1	Process Overview	12
6.2	Revenue - Tuition and Fees	13
6.3	Tuition Policy for Post-baccalaureate and Off-campus Students.....	14
6.4	Revenue - Other	15
6.5	Revenue – Private Gifts – MSU Foundation	15
6.6	Revenue - Earnings by Self-Supporting Cost Centers	15
6.7	Expense Budgets - Personnel.....	16

6.8	Expense Budgets – Non-Personnel	17
6.9	Expense Budgets – Marketing & Advertising	17
6.10	Expense Budgets - Copiers and Computers	17
6.11	Charge-backs for Postage, Telephone, Parking, Etc.	17
6.12	Supplemental Requests	18
6.13	New Program Approval	18
7	BUDGET POLICIES & GUIDELINES	18
7.1	Accountability.....	18
7.2	Budget-Checking & Purchasing	18
7.3	Budget Amendments	19
7.4	Carry-forward Budget Requests for Self-Supporting (Revenue) Centers	19
7.5	Salary Savings.....	20
7.6	Revenue-Sharing Policy Related to Certain Revenue-Generating Educational Programs and Initiatives.....	20
7.7	Indirect Cost Recovery/Revenue Center Overhead	22
7.8	Indirect Cost Share/Grant Facilities & Administration ("F & A")	22
7.9	Course & Lab Expenses.....	22
7.10	Special Program Fees	23
7.11	Cost Share	23
7.12	Marketing, Advertising and Promotion	24

1 UNIVERSITY BUDGET MANAGEMENT

1.1 Montclair State University Budget

The budget is the primary instrument of fiscal control and, accordingly, contains all projected revenues and expenditures of the University, also characterized as **Unrestricted Current Funds**. Note: This manual does not address grants, capital projects or agencies (clubs and funds held for others). Also, it does not contain policies and procedures for general accounting, or procurement. See Finance and Treasury website.

The budget expresses, in terms of dollars, the approved plans of the University for the fiscal year and the estimated incomes necessary to finance these plans. Montclair State University receives about 59% of its support from student tuition and fees and 17% from auxiliary enterprises, such as Residence Life. State Appropriation comprises about 20% of revenues. Changes in State funding, therefore, impact the University's flexibility in funding new initiatives and supplemental requests. Other sources of funds include, private gifts and miscellaneous sources totaling 4% of revenues.

In accordance with New Jersey statute, the Board of Trustees has general supervision over the University and its budget. The Board establishes tuition and fees and disburses "all monies appropriated to the University and all monies received from tuition, fees, auxiliary services and other sources."

The President, Office of Budget and Planning, Finance and Treasury, the divisions, colleges and departments are jointly responsible for identifying resources needed to achieve the goals set forth in strategic plans, achieving revenue goals and managing spending within their approved budgets, while upholding State and University policies.

1.2 Office of Budget and Planning

Reporting to the President, the Office of Budget and Planning (Budget Office) facilitates the annual budget process, funding allocations, and budget management. It works closely with, but is separate from Finance and Treasury. Primary responsibilities are to:

- Prepare the annual budget submission to the State of New Jersey.
- Support the President, Executive Council, and Board of Trustees on budget matters.
- Establish and enforce budget policies and procedures.
- Manage resource allocation for the University
- Develop and monitor the University's annual operating budget.
- Link University budgets with strategic planning.
- Approve budget amendments (transfers) and funding requests for new initiatives.
- Report on budget variances.
- Provide analysis for departments and the University.
- Manage the *Adaptive Insights* system used for budgeting and reporting.
- Allocate funding to capital projects and plant reserves.

The Budget and Planning website is located at www.montclair.edu/budget-planning/. Each division is assigned a budget staff member as their liaison, as listed below. The main contact number is (973) 655-7428, or e-mail at budget@montclair.edu.

Staff Member	Contact For	Telephone	Email
David Josephson Executive Director, Budget and Planning		973-655-6956	josephsond@montclair.edu
Carole A. Schaffer Associate Director, Budget and Planning	College of the Arts, College of Science and Mathematics, Finance and Treasury, University Development, University Communications & Marketing	973-655-6946	schafferc@montclair.edu
Kevin Andreano Assistant Director of Data Management	Adaptive Insights, Student Development and Campus Life	973-655-7053	andreanok@montclair.edu
Debbie Fernbacher Senior Budget Analyst	Office of the President, Provost, Library, Graduate School, Information Technology, University College	973-655-4056	fernbached@montclair.edu
Kerry Semple Budget Analyst	College of Education and Human Services, College of Humanities and Social Sciences, School of Business, School of Nursing, Human Resources, University Facilities	973-655-7496	semplek@montclair.edu
Nikya Rogers Data Analyst	Analysis, Resource Planning	973-655-6808	rogersnik@montclair.edu
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1.3 Office of Finance and Treasury

Finance and Treasury reports to the President and is responsible for:

- Financial management and enforcement of government requirements
- Controller, Accounts Payable (A/P) and Accounts Receivable (A/R)
- Grants accounting and budgeting
- Student accounts (bursar)
- Procurement & pCard (purchasing)
- Investments
- Debt management
- Auditing

1.4 Division Managers

Each division and college employs a “budget manager.” They may bear the title of Budget Manager, Associate Dean, Assistant Dean, or another managerial title. In the Workday Financials systems they hold the role of **Division Manager**.

At minimum, their responsibilities are to:

- Support the Vice President or Dean in developing and monitoring budgets
- Support and educate the departments/cost centers within the division or college
- Know and enforce University policies and procedures
- Serve as liaison to the Office of Budget and Planning, and to Finance and Treasury
- Learn and use the budgeting system, financial system and other software.

1.5 Cost Center Managers

Cost Center Manager is a role within the Workday Financials system for employees responsible for oversight of a specific department budget (cost center). The role is typically assigned to the department chair, program director, etc. who oversees all aspects of the cost center, but may be delegated to a staff member with appropriate budget and finance credentials and job duties. At minimum, Cost Center Managers are accountable for:

- Following University policy and procedure
- Developing the cost center’s annual budget
- Monitoring and staying on budget
- Requesting or approving requests for budget amendments (transfers)
- Approving purchase requisitions
- Working with Accounts Payable and Accounts Receivable to ensure accurate posting of revenues and expenses.

1.6 MSU Foundation

The Foundation is a not-for-profit 501(c)(3) corporation separate from the University. It has been designated by the Board of Trustees to:

- Solicit, receive, hold and manage funds and investments on behalf of the University
- Ensure professional management and stewardship of the contributions to support specific programs and projects at MSU, endowment funds, in particular.
- Maintain strict adherence to donors’ philanthropic intentions

2 BASIC CONCEPTS

2.1 Accounting Standards

Montclair State University conforms to the GASB (Governmental Accounting Standards Board) guidelines of generally accepted accounting principles and practices, as well as applicable FASB (Financial Accounting Standards Board) principles and practices. In 2002,

the University adopted four pronouncements of the Governmental Accounting Standards Board, which require financial statements to focus on the financial condition of the University, the results of operations and cash flows of the University as a whole.

2.2 Fund Accounting

Fund accounting is the method of classifying resources into categories according to the purpose or use of the funds. Each fund is self-balancing and has separate assets, liabilities and a fund balance. The broad fund groups currently being utilized by the University are a Current Fund, Loan Fund and Plant Fund.

Current Funds are earned revenues generated by University operations and used for such purposes as general operations, support of instruction, research, public service and auxiliary enterprises. Current funds are classified as being either unrestricted or restricted.

Unrestricted funds are those accounts which do not have limited external restrictions with regard to their use, and are for general operations. Fund balances of unrestricted current funds are classified on a statement of financial position as unrestricted net assets.

Restricted funds are from external entities, such as donors or external granting agencies, and are restricted for specific purposes such as academic research. Fund balances of restricted current funds represent net assets held for specified operating activities that have not yet been used and are classified on the statement of financial position as temporarily restricted net assets.

Loan Funds are maintained separately to manage the accounting for student loans. These awards may result either from selection by the institution or from an entitlement program. Fund balances of loan funds represent net assets available for lending. The portion of the fund balances representing net assets temporarily restricted by donors are classified as temporarily restricted. Amounts used for loans that have not been restricted by donors, are classified as unrestricted net assets.

Plant Funds include the University's investment in property, plant and equipment, and resources to fund capital projects and acquire long-term assets. The fund consists of four classifications: Unexpended Plant Funds, Funds for Renewal and Replacement, Funds for the Retirement of Indebtedness and Investment in Plant.

Unexpended plant and renewal and replacement fund balances represent net assets that have not yet been used to acquire, renew, or replace property, plant and equipment. Funds for retirement of indebtedness represent net assets held to service debt related to the acquisition or construction of property, plant and equipment. Investment in plant fund balances represents equity in property and equipment.

2.3 Fiscal Year and Accounting Periods

Unrestricted operating funds (non-grant and non-capital) are budgeted and tracked on a fiscal year basis. The **fiscal year** begins on July 1 and ends on June 30 and is identified by the year in which the fiscal year ends. For example, the fiscal year that will begin on July 1, 2020 and end on June 30, 2021 is called FY2021. Each spring, the University closes one budget and opens a new budget for the coming fiscal year.

Within a fiscal year, there are 12 **accounting periods**, one for each month, starting with July as accounting period 1 and ending with June as accounting period 12. Financial activity sometimes occurs on a **quarterly** basis, representing 3 month periods. For example, July-Sept is the First Quarter. Oct-Dec is the Second Quarter, and so on.

2.4 Revenue, Expense, Net Income – A Balanced Budget

Businesses, universities and other organizations are required to track of and classify financial activity. Some basic classifications used in managing budgets day-to-day are:

Revenues (i.e. Income or Funding Sources) are earnings that come into an institution, organization or company from an external source. In a university, revenues may include tuition, fees, State appropriation, donations, grants, interest earned, program incomes, etc.

Expenses (aka Expenditures or Spending or Funding Uses) represent purchases and other costs paid out by the University to a variety of entities such as employee payroll, vendors, consultants, and so on.

Net Income is the mathematical difference between revenue and expense. When revenues are greater than expense, the amount represents a “surplus” or in the corporate sector, “profit.” When expenses exceed revenue this is a “deficit.”

Balanced Budget Not-for-profit and non-profit organizations, such as accredited universities, may not earn profits. Nor should they run deficits. Therefore the budget must be balanced to establish the discipline of maintaining expenditures within the expected revenues for the fiscal year.

2.5 Budgets vs. Actuals – Basics

The terms below are used throughout this manual.

Department is a generic term for an academic or administrative organizational entity within a division or college at the University. Sometimes interchangeable with “cost center.”

Cost Center is a worktag in Workday Financials that tracks the financial activity of a specific department or program. Sometimes interchangeable with “department.”

Budget is a plan or forecast of revenues and expenses for a future specified time frame such as a fiscal year. An approved expense budget helps fulfill program goals within the University’s anticipated revenues. A budget is also a mechanism for allowing and controlling spending within a financial system.

Base budget is the **original** Board of Trustees approved budget at the start of a fiscal year, plus any **permanent** amendments that will be part of the base budget for the future, such as a new personnel budget.

Budget Amendment is a budget transfer or other change to the original approved budget. Budget amendments may be permanent (base) or temporary (non-base). Budget amendments must be balanced (debit = credits).

Actuals are the real financial transactions of revenues coming in and expenditures going out. This differs from budgets, which are a forecasts or approved plans.

Accounting refers to the processes involved in recording all actual financial transactions in the Workday Financials system. This activity is subdivided into such areas as Accounts Payable (A/P) for expenditures and Accounts Receivable (A/R) for revenues. The University Controller oversees all Accounting practices.

Hierarchies are used to summarize accounts or organizational entities at a higher level. Hierarchies are also called “roll-ups.”

Journals are the methodology used for recording actual financial activity. Some journals contain many lines of activity and are automated feeds from other systems. Other journals are completed manually to make an accounting adjustment or correction.

Variance is a calculation of the difference between two pieces of data such as Budget vs. Actual (plan vs. reality).

3 UNIVERSITY COMPUTER SYSTEMS

The University’s main administrative systems are: Adaptive Insights for budget development and reporting, Workday Financials for financial transactions, Workday HCM for human resources, and Banner Student for admissions, student billing and registration.

3.1 Adaptive Insights – Budget Planning and Reporting

Adaptive Insights is used to develop the annual unrestricted operating budgets. It is not the transactional finance system. Using a variety of entry sheets, it is a tool for modeling, reviewing and finalizing proposed budgets before they are uploaded to the financial system. Adaptive is also a reporting tool, so on a weekly basis, actuals and revised budget data from Workday Financials is imported into Adaptive and can be used for management reporting on budget variances and other key performance indicators. Workday Financials System

3.2 Workday Financials – Financial Transactional System

Workday Financials is the live financial transactional system for procurement and accounting. Workday Financials also stores the approved budget which was developed in and uploaded from the Adaptive Insights system. Workday tracks and controls available budget through “budget checking” within each spending business process. For Workday access, training or support, email itservicedesk@montclair.edu.

3.3 Systems that Interface with Workday Financials and Adaptive Insights

- **Workday Human Capital Management (HCM).** Workday HCM is the Human Resources system. It houses personnel position budgets, actual payroll distributions, and reallocations (corrections). Position budgets and payroll transactions are linked to Workday Financials through reporting.
- **Banner Student.** Banner provides the suite of systems for admissions, student billing financial aid, and registration. Tuition and fee revenue data come from Banner and are fed into Workday Financials.
- **Third Party Systems.** A variety of systems across the University keep track of financial activity for certain service departments (e.g. Telephone) and revenue centers (e.g. Dining Services). These systems produce actuals journal files which are uploaded to Workday Financials.

3.4 Reports & Tools

Workday Financials provides an Operating Budget Variance report for viewing budgets, actuals, obligations (purchase order encumbrances), commitments (requisition pre-encumbrances) and available remaining budget. See Technology Training & Integration (TTI) website for training in Workday Financials.

Adaptive Insights provides user friendly self-run reporting with data updated weekly. Contact the Budget Office X7053 for questions about access and training.

4 WORKDAY - FOUNDATION DATA MODEL (FDM)

4.1 Workday Foundation Data Model (FDM)

Similar to a chart of accounts, the FDM, is a classification system for financial transactions, comprised of **worktags**, shared across the University, that allow for clearer reporting and data analysis. Five worktags are required for transactions in Workday Financials:

Required worktags:

Fund represents funding sources and their allowable uses such unrestricted funds or restricted grants. Example: *F10* = fund 10 unrestricted operating funds. See list of funds below in 5.3.

Cost Center* represents the organizational unit or department incurring the expense or earning the revenue. Cost Center numbers always begin with CC, such as *CC10054 Center of Pedagogy*.

Ledger Account is the type of revenue or expense such as *60540:Telecommunications*

Program represents broad NACUBO (*National Association of College and University Budget Officers*) categories of revenue and expense used for external reporting.

Revenue / Expense Category is used to classify revenue types and expense commodities at a more granular level than the ledger account. Purchasers select a spend category which the system automatically maps to a ledger account. Various spend categories may map to one same ledger account.

Special worktags: A unique worktag number is required for transactions on each **Gift***, **Grant***, or **Project***. The worktag **Expense Item** must be selected for travel expenses such as airfare, hotels, etc.

Activity is an optional worktag for users that wish to track financial activity for an event or program that cuts across cost centers or that is a subset of a larger cost center.

**These are "driver" worktags. Select a driver worktag first based on which entity your expense should be charged to; its related allowable worktags will then pre-populate automatically.*

4.2 Fund

The **Fund** worktag segregates funding sources that have different allowable uses. It is required in all budgets amendments and actuals journals.

Fund
F10 Unrestricted Operating Fund
F11 Auxiliary Fund
F12 Self Supporting Fund
F13 Special Program Fees Fund
F14 Indirect Cost Recovery Fund
F16 Grants Cost Sharing Fund
F20 Sponsored Awards Fund
F30 Financial Aid
F40 Loans
F41 Loans - Perkins Fund
F50 Debt Service Reserve Fund
F60 Gifts - Unrestricted Fund
F61 Gifts - Restricted Fund
F79 Investment in Plant Fund
F90 Agency Fund
F99 Waived F& A

4.3 Ledger Accounts and Ledger Account Summaries

The **Ledger Account** worktag classifies types of revenues and expenses, or asset and liabilities. Revenues are tracked in accounts beginning with "4." Expenses are tracked in accounts beginning with 5-9.

Beginning with 4 = revenues

Beginning with 5 = personnel expenses such as salary and fringe.

Beginning with 6 = general operating expenses such as supplies and services.

Beginning with 7 = capital expenses such as major equipment and construction

Beginning with 8 = debt service and financial transfers

Beginning with 9 = contingency and reserves

Each ledger account belongs to a hierarchy or “roll up” called a **ledger account summary** such as the examples shown below.

Travel

62001:Travel - NonStudent- Domestic

62005:Travel - NonStudent - International

62010:Travel - Student - Domestic

Advertising and Marketing

63001:Advertising and Marketing

Food and Dining Services

63501:Food & Dining Services

Budget checking is used within transactional processes to control spending against the remaining budget within the **ledger account summary** (i.e. budget pool) that a specific ledger account belongs to. In the above, 62005 is a ledger account within the ledger account summary called Travel.

5 BUDGET CYCLE

5.1 Cycle Overview

The University’s operating budget is developed annually starting with the **State Budget Submission**, followed by the annual **Budget Call**. The approved budget exists for the duration of a **fiscal year**, July 1 to June 30. Budgets are monitored throughout the fiscal year by Cost Center Managers, Division Managers, and the Office of Budget and Planning.

Budget & Planning Calendar*

- State Appropriation Request Nov 1
- Budget Call begins Mar 1
- Budget Call deadline April 15
- Budget Call hearings May—June
- Old Fiscal Year ends June 30
- New Fiscal Year begins July 1

** Dates are approximate.*

5.2 State Budget Submission

Every year, the University is required to submit its annual budget request to the State of New Jersey, Office of Management and Budget (OMB). The Office of Budget and Planning prepares and submits this annual request in accordance with University priorities.

Preparation for the budget request begins in the fall and is typically submitted to the State in November. Following a review by the OMB, the Governor presents the proposed State budget to the State Legislature in January. The State Legislature approves the State budget, including the appropriation for higher education, prior to the beginning of the fiscal year, or shortly after the fiscal year begins.

The budget request format is dictated by the State and includes actual results from the prior year, revised budgets for the current fiscal year and projections for the next fiscal year. The submission also includes the following requirements:

- President's overview of key accomplishments and request for mission-critical funding
- Financial Summary, which summarizes revenues, expenditures and transfers
- Organization Charts
- Tuition and Fee Projections
- Programmatic Information, such as enrollment, expenditures and salary data
- Budget initiative requests for additional State funding

5.3 Budget Call – Annual Budget Development Process

Each spring, divisions and departments across the University submit budgets for the coming year, a process referred to as "Budget Call." See overview below.

6 ANNUAL "BUDGET CALL" PROCESS

6.1 Process Overview

Every spring, the University develops a new operating budget for the next fiscal year. Pending the Governor's announcement of preliminary State appropriations, the internal budget development process begins on about March 1. The Budget Office distributes guidelines and deadlines, referred to as the "Budget Call," to Vice Presidents and Deans.

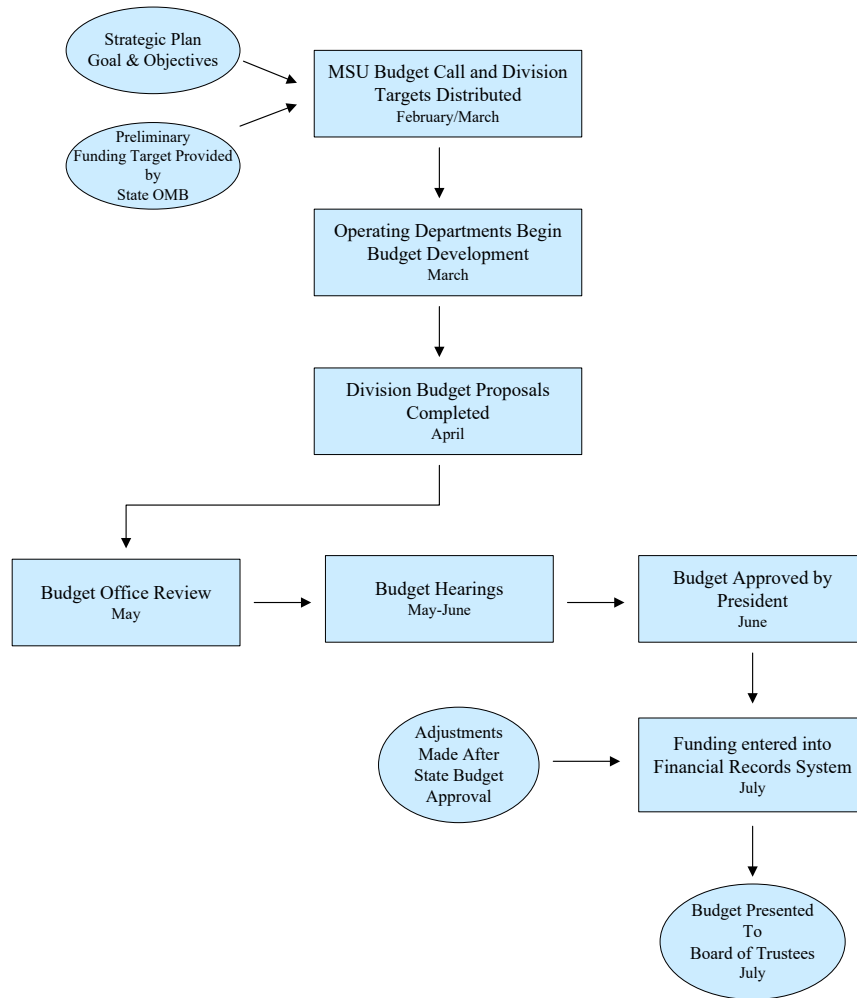
During this process, divisions allocate base budgets, and make above-base "supplemental" requests. The following principles guide budget development decisions:

- Operating budgets will be developed with a long-term, strategic plan perspective.
- Essential academic, teaching and research activities are of the highest priority.
- Streamline workflows to allow for more efficient human resource allocation.
- Non-personnel expenditures will be managed efficiently.
- Existing resources shall be reallocated to meet the highest priorities in each division.

Each division enters budget requests in the Adaptive Insights system, and submits a supporting Narrative. The Budget Office reviews submissions and prepares executive summaries for the President. Each division has a Budget Hearing with the President and

Budget Office. The Budget Office uploads final budgets from Adaptive to Workday Financials for the July 1 start of the fiscal year. Supplemental requests are approved in July or later, after State Appropriations are known.

MSU Budget Development Process



6.2 Revenue - Tuition and Fees

The Board of Trustees approves the annual tuition and fee rates. Rates may be approved for a single fiscal year or for a multi-year period. Prior to finalizing rates, the Budget Office runs models of various proposed rates, varying several factors such as comparative rates of similar institutions, student enrollments, state appropriations, anticipated cost increases, economic indicators and strategic plan goals. In addition, the State of New Jersey may set guidelines regarding the amount of tuition increase permitted. Prior to adopting such rates, the Board shall conduct public hearings to provide members of the University community with an opportunity to share their perspectives.

Upon approval by the Board of Trustees, general tuition and fees are announced to the University community. All non-standard tuition and special fees related to academic courses (credit and non-credit) are reviewed by the Budget Office. Non-standard tuition and fees include special program fees, parking fees and other miscellaneous fees required to support student-related services. Tuition and fee proposals are then forwarded to the President for approval. The final tuition document is then distributed to the Registrar, Controller and initiating unit. It is critical that the unit initiate the tuition or fee request in a timely manner so that the Registrar's Office can publish these rates in the Schedule of Courses and the appropriate information can be entered into the Student Information System by the Bursar's Office prior to student registrations and billing.

Montclair State University assesses two **mandatory student fees**, the Student Services Fee and the Student Government Association Fee. The Student Services Fee supports University health services, recreation center, student center and student newspaper. Graduate students are not assessed the Student Government Association Fee. Once a student registers for classes, they are responsible for all fees associated with their registration. Mandatory student fees are charged every semester and cannot be waived.

Concurrent with the annual budget process, mandatory student fees are reviewed by the Vice Presidents and Deans of the areas responsible for using the fees. Recommendations on rates for the coming year are based on anticipated costs and are reviewed by the Office of Budget and Planning. Final recommendations are approved by the Board of Trustees. Montclair State University reserves the right to change tuition and fees each academic year.

Mandatory fees and the purposes for which they are collected are published on the University's web site. Mandatory fees revenues and expenditures are tracked individually in the University's financial system.

6.3 Tuition and Fee Policies for Post-baccalaureate Students and Off-campus Students, Out-of-State Students, and International Students

- Non-degree-seeking students who hold a bachelor's degree but enroll in all undergraduate courses are charged undergraduate tuition and fees.
- Non-degree-seeking students who enroll in one or more graduate courses are charged graduate tuition and fee rates.
- If non-degree-seeking students make changes to their course enrollment, their classification and charges may change in accordance with these guidelines.
- Accelerated 4+1 combined undergraduate/graduate degree program students taking graduate courses in their junior or senior years will be charged undergraduate rates for all courses. Montclair State University undergraduate students who apply to a combined undergraduate/graduate degree program will have the graduate application fee waived.
- All degree-seeking students will be charged the appropriate rate according to their degree classification, except where noted.

- The standard tuition rate for off-campus undergraduate and graduate degree programs will be the published on-campus tuition rate. No mandatory student fees will be assessed to off-campus students but program-specific fees may apply.
- Tuition rates for off-campus undergraduate and graduate degree programs may be set at a rate different from the published on-campus tuition rate based on market conditions. Such rates must be approved by the Provost, Office of Budget and Planning and the Board of Trustees.
- Out-of-state and international students may be eligible for in-state tuition provided they meet New Jersey and Montclair State University residency requirements. Refer to the University’s policy “Residency Requirements for In-State Tuition”: <https://www.montclair.edu/policies/all-policies/residency-requirements-for-in-state-tuition/>

6.4 Revenue - Other

The Budget Office budgets for the expected amount of revenue from State Appropriation, Tuition and Fees, and other centralized revenues.

6.5 Revenue – Private Gifts – MSU Foundation

Cost centers expecting MSU Foundation revenues in the coming year will budget a revenue in account 48001 – Gifts and Non-Exchange Grants, and an equal amount in the expense account(s) that reflected the intended use of the funds. In the sample budget below the cost center expects to book \$8,357 in revenue from Private Gifts, which they intend to spend on Scientific Equipment. The budget is balanced because the plan for spending is equal to the plan for gift income.

Revenue	
48001 Private Gifts	\$8,357
Expense	
70465 Scientific Equipment	\$8,357

Gifts that are on-going, named, or endowed will carry a unique **Gift worktag** number for easy tracking and reporting, separate from the Cost Center in which the Gift sits. These major gifts are tracked in fund **F60** Gifts-Unrestricted or **F61** Gifts-Restricted.

6.6 Revenue - Earnings by Self-Supporting Cost Centers

Auxiliaries (Fund F11), Self-Supporting Revenue Centers (Fund F12), Special Program Fees (Fund F13) and Indirect Cost Share (Fund F14) earn revenues to cover their expenses. During Budget Call, the managers of these revenue departments will estimate how much

revenues will be earned in the coming fiscal year. Estimates should be realistic, using predictors:

- Average revenue earned per year for past 5 years.
- Revenue earned in the most recent fiscal year
- Factors that may impact revenues for better or worse
- Efforts to improve advertising and enhance the program

6.7 Expense Budgets - Personnel

Budgets for “permanent” **Positions** are managed in Workday by the Budget Office. These budgets are allocated to cost centers based on where each employee works. Permanent staff may be full-time or a % of full-time. Faculty may be 10-month or 12-month. Budgets for positions that are known to be shared will be split amongst the cost centers or grants. Position budgeting allocates funds for:

- Continuing personnel budgets
- Approved newly authorized personnel
- Annual leave and/or final payments to employees such as lump sum vacation
- Short-term disability and any leave replacements the unit chooses to make
- Reclassification of a position to a new title at a higher salary
- Fringe benefit costs

During the Budget Call process, the Budget Office develops the budgets for permanent position salaries taking into account estimated cost of living and step increases and other information regarding upcoming departures, leaves of absence or position moves to other cost centers. The position budget is updated if the final salary differs from the estimate.

Changes such as reorganizations, reclassifications, and new positions, should be requested and approved during Budget Call.

Contingency funds and one-time allocations cannot be used to fund full-time positions. Lapsed salaries may be used for replacements of positions following approval by Budget and Planning. See 7.6 Salary Savings.

Fringe Benefits are an integral part of the University’s compensation program and must be included in the budget. Fringe includes contributions to life insurance, disability insurance, retirement plans, and health insurance programs, etc. The State of New Jersey reimburses the University for fringe benefit costs for a fixed number of employees, known as the “approved headcount.” The University must allocate other funding sources for the incremental additional headcount. Self-supporting entities (Funds 11-14) are responsible for covering all of their own fringe costs from the revenues they earn.

For continuing cost centers, fringe is budgeted by Budget and Planning. To develop budgets for a new program use the guidelines below to estimate fringe, as percent of the salary budget by employee category.

Rates for estimating fringe budgets (as of 7/1/2020):

- Full-Time Employees 28.00%

- Adjuncts & Post Doc 14.40%
- Maintenance 46.10%
- Temporary 8.70%
- Students 0.08%

New Position Requests begin as a “Supplemental” request during the annual Budget Call process. If the new position funding is approved, cost centers must follow Division of Human Resources procedures for creating a new position in Workday and initiating recruitment (search). Even if a position was approved during Budget Call these processes must take place and are approved by the position’s Manager, by HR Comp and Class group, the position’s Dean or VP, and by the Budget Office, and HR for final approval. See HR policies and procedures.

Temporary Employees are hired for a limited duration to cover a vacant position, or to perform seasonal or project-specific work. Request for planned temporary employee funding are made by departments during Budget Call, accompanied, by a worksheet that justifies the request and calculates the anticipated cost based on hours and hourly rates. When approved, temporary employee funding is allocated as summarized dollars in Workday Financials.

6.8 Expense Budgets – Non-Personnel

During Budget Call, cost centers may propose reallocation of budget from one non-personnel account to another, such as from office supplies to consulting services. This enables the cost center to shift funding per changing needs.

6.9 Expense Budgets – Marketing & Advertising

Budgets for marketing cost center programs, reside with the division of University Communications and Marketing, not with the cost center. Cost centers should contact this division to request inclusion in the coming year’s marketing budget. Self-supporting revenue centers should budget for marketing their programs, but will also need to work with University Communications on the delivery of marketing services.

6.10 Expense Budgets - Copiers and Computers

Copiers are provided to each department and standard lap tops are provided to every employee. Departments needing specialized technology equipment may request these during Budget Call.

6.11 Charge-backs for Postage, Telephone, Parking, Etc.

Cost centers should budget for anticipated charge-backs for services you expect to receive from MSU service centers, such as telephone, postage, parking passes, event labor, campus police, utilities, etc. If you are the service provider, please budget the anticipated costs for

providing these services, but also budget for the charge-back credit in your charge-back line.

6.12 Supplemental Requests

As part of the annual Budget Call, the colleges and divisions may submit a priority list of requests for new funding to support enrollment growth and new initiatives. This includes new positions as well as other operating needs. These requests include “base” funding for on-going needs as well as one-time “non-base” costs. Only the highest priority needs are approved.

6.13 New Program Approval

New Programs require full approval from the Dean/Vice President, Provost (if academic), the Budget Office, and the President. Degree programs also require approval from the State of New Jersey. To propose a new programs, submit a narrative, market research, and a *New Program Budget Worksheet* of 3 years of projected budgets, to the Provost Office or Vice President and to the Budget Office.

7 BUDGET POLICIES & GUIDELINES

7.1 Accountability

Vice Presidents and Deans have budget responsibility for their division or college. Divisions and colleges also have designated **budget managers** who support their division in conducting financial business and overseeing the division or college budget. The **cost center manager** is responsible for budget management and purchasing approval of one or more specific Workday Cost Center IDs.

These employees are accountable for financial performance against their budget, and must follow University policies.

7.2 Budget-Checking & Purchasing

Purchase requisitions will be budget-checked in the system before processing. Make sure you have adequate budget remaining in the parent budget pool for the purchase you are making. Make sure you have set aside budget for pCard purchases as well as items you will buy through Procurement.

7.3 Budget Amendments

Divisions and Cost Centers reallocate their budgets during the annual Budget Call, to reduce the need for budget transfers during the year. However, when budget transfers are needed mid-year, the Cost Center can submit a **Budget Amendment** request via Workday. Budget amendments can be made for the following purposes:

- Reallocation of non-personnel or temporary employee budget
- Budget an approved new cost center
- Revise the revenue and expense budgets for a revenue center
- Request "salary savings" budget to back-fill a vacant position
- Request "carry-forward" budget based on prior years cumulative net surplus

The requester or Cost Center Manager must provide a justification and verify that there are sufficient funds to transfer. The Cost Center Manager must approve the amendment, which will route to the Budget Office for final approval.

Budget amendments require budget increases and budget decreases that balance each other out.

Example – Budget amendment to transfer \$112.00 from Materials & Supplies to Postage and Delivery.

Budget Amendment Lines Attachments

Budget Amendment Lines 13 items

Ledger Account/Summary	*Worktags	Restricted	Current Budget Amount	Current Spend	Remaining Budget	Percentage Change	Amount Change
60101:Materials & Supplies	Cost Center: CC10310 Information Technology Cost Center Division: D70 Information Technology Fund: F10 Unrestricted Operating Fund Program: N15 Institutional Support	No	\$2,001.00	\$809.24	\$1,191.76	-5.97201	-112.00
60401:Postage and Delivery	Cost Center: CC10310 Information Technology Cost Center Division: D70 Information	No	\$1,027.00	\$0.00	\$1,027.00	10.90555	112.00

7.4 Carry-forward Budget Requests for Self-Supporting (Revenue) Centers

Self-supporting Cost Centers and programs (Funds F11-F14) that do not receive any University subsidy, are eligible to request a budget increase in the current year up to the amount of the cumulative net asset surplus through the prior closed fiscal year. Programs that fall under special revenue-sharing arrangements should refer to the policy for their program, as it may differ from the standard policy contained here.

Timing

In early October, after the financial audit of the prior year has been completed, the Office of Budget and Planning will create a list of eligible cumulative net balances available for carry-forward. Approvals will be made on a rolling basis from October forward, according to the considerations below.

Approval

To request a carry-forward budget, submit an online budget amendment request. Below are guidelines for kinds of self-supporting programs that may be eligible for carry-forward.

- **Auxiliaries (Fund F11) and Revenue Centers (Fund F12).** A cumulative net surplus from prior years is only available as a carry-forward if the program is not subsidized by the University, nor required to support plant and debt service. To make a request, enter a budget amendment and explain the carry-forward need.
- **F&A/Indirect Costs (Fund F14).** Indirect Cost revenues from grants may be used for general expenses or development of future research projects. These funds cannot be used to compensate the PI.
- **Special Program Fees (Fund F13).** Fees should be spent in the same year they are collected, but some allowance is made for cost fluctuations. Fees that are significantly or routinely under spent or overspent will be subject to further review to recalibrate the fee rates.

7.5 Salary Savings

When a permanent position becomes vacant, the remaining salary budget is not available to the department unless there is a demonstrated critical need to “back-fill” the position with a temporary employee. In these cases, the department may request “salary savings” budget to cover the temporary hire. See “Budget Amendments” section 8.4.

Departments are not authorized to hire temporary staff without sufficient budget. Refer to procedures for the hiring of temporary staff issued by the Division of Human Resources.

7.6 Revenue-Sharing Policy Related to Certain Revenue-Generating Educational Programs and Initiatives

This policy outlines the procedures for sharing net revenue generated by certain revenue generating programs and other educational initiatives.

A. Eligibility for revenue-sharing

Programs and other educational initiatives that are eligible for revenue-sharing include: corporate and other third-party contracts for services, which may or may not be credit or degree granting; professional development and other continuing education programs; and

children’s and other community educational programs. Programs and other educational initiatives which are not eligible for revenue-sharing are baccalaureate, master’s or doctoral degree granting programs, and certificate programs which are closely aligned with, or the credits of which may be accepted as part of, a degree-granting program, unless they are delivered specifically pursuant to a corporate or other third-party contract for service. The eligibility of a program for revenue-sharing is not determined by the mode of instruction or the geographical location or the date or time of delivery of the program.

B. Definition of Net Revenue

Net revenue is defined as the actual revenue received in a given fiscal year, minus that year’s direct and indirect costs and minus any prior year’s deficit. Direct costs are costs necessary to and associated with the delivery of a program or other educational initiative, including: salaries, wages, and associated fringe benefits; program development costs; consultants; third-party payments or contractual revenue shares; facility rental fees; equipment and supplies; marketing; and all other operating costs. Indirect costs (also referred to as overhead) are those costs incurred by the University to support a program that are not charged to the program, for example, operation and maintenance of facilities, energy, financial and accounting services, human resource, procurement, and computing services, etc. The indirect cost for any given program is calculated as 20% of that program’s direct costs. (See the University’s indirect cost policy for further information.)

C. Distribution of Net Revenue

The net revenue-share earned by a college or school shall be made available to the college or school in the fiscal year after it is earned once the annual audit is completed. Net revenue shall be allocated as follows:¹

Up to \$100,000	100% College or School
Above \$100,000 to \$200,000	50% to University; 50% to College or School of incremental revenue above \$100,000
Above \$200,000 to \$500,000	60% to University; 40% to College or School of incremental revenue above \$200,000
Above \$500,000 to \$1,000,000	70% to University; 30% to College or School of incremental revenue above \$500,000
Above \$1,000,000 to \$2,000,000	80% to University; 20% to College or School of incremental revenue above \$1,000,000
Above \$2,000,000	90% to University; 10% to College or School of incremental revenue above \$2,000,000

¹ Exceptions to the general allocation policy apply to the P-3 Abbott Program in the College of Education and Human Services, and the Disney Program in the Feliciano School of Business, as follows:

P-3 Abbott Program	
All net revenue:	60% to University; 40% to College
Disney Program	
All net revenue:	40% to University; 60% to School

D. Procedures

Proposals for programs intended for revenue-sharing must be submitted by the Dean to the Office of the Provost, with a copy to the Office of Budget and Planning, and must include a budget plan with a minimum of three years of projected revenues and costs. (Please complete the form *Budget Worksheet for New Programs* available at <http://www.montclair.edu/budget-planning/forms>). After review, the Provost will provide a recommendation to the President.

Once a revenue-sharing program is approved, a new "cost center" worktag will be set up in the financial system to track all program-related revenues and expenses.

Allocations of net revenue shall be made into the Dean's operating budget account. All spending from net revenue must be approved in advance by the Provost's office.

7.7 Indirect Cost Recovery/Revenue Center Overhead

Revenue centers are charged an overhead rate by the University to cover centralized facilities and administration costs the University incurs to support the program. This charge calculated as 20% of all expenses, except capital equipment.

7.8 Indirect Cost Share/Grant Facilities & Administration ("F & A")

Grants often provide revenue to the University to cover facilities and administration costs (also known as "F&A" or "indirect costs" or "overhead"). It is the University's policy to share these revenues amongst the Principal Investigator (PI), department, college and University. These funds may be used to support future research and may not be used to compensate or train the PI. These funds are distributed as follows:

- 10% Principal Investigator
- 25% Department / Cost Center
- 15% College
- 20% Research & Sponsored Programs
- 30% University

7.9 Course & Lab Expenses

Beginning in fall 2017, the University discontinued the practice of charging individual courses fees. A small number of special program fees will remain, as described below under "Special Program Fees."

In lieu of course fees, the University allocates funding for the operation of labs, studios, and other course-related instructional needs. Budgets reside in fund F10 and are reviewed annually. These budgets support the necessary instructional non-capital equipment

materials, and expenses, and may not be transferred to serve other departmental, faculty, or administrative purposes. Note: Capital equipment funding resides with the Provost.

Course & Lab Expense budgets may be used for:

- Instructional materials consumed by students in the classroom, studio, or lab.
- Local field trips with no overnights (students are responsible for any meals)
- Honoraria for guest speakers each academic year
- Maintenance of instructional equipment
- Live models for art classes
- Course-related specialized software licenses and purchases
- Lab coordinators, monitors and assistants
- Registration fees for students delivering papers at conferences

Course & Lab Expense budgets may not be used for:

- Expenses covered elsewhere by a special program fee (see below)
- Employee salaries, supplies, training, travel, conferences (unless specified above)
- Accreditation dues and visits
- Administrative office equipment, supplies, furnishing
- Basic classroom furnishings fixtures, and general maintenance
- Text books and personal supplies (these are purchased by students directly)
- Facilities improvements, capital construction and capital equipment.
- Parties, monetary prizes, scholarships, parking permits
- Employee computers, lap tops (OIT provides leased equipment as appropriate)
- Capital equipment (funding resides with Provost Office)

7.10 Special Program Fees

Special program fees may be charged for exceptional educational experiences. Examples include fees for private music lessons, student teaching, fieldwork travel excursions, special senior year showcase performances, and costly professional certification exams. Fees must be used only for the express purpose of each fee and cannot be transferred to other purposes. The department will reduce or eliminate the fee if programming no longer calls for the activity. The establishment of new special program fees is discouraged and requires the express approval of the Dean, Provost, and Executive Director of Budget and Planning.

7.11 Cost Share

A Principal Investigator seeking a grant that requires a "cost share" match by the University, must work with their department chair and the Provost Office to identify the existing unrestricted operating budgets to reallocate as cost share. This may include department personnel who will shift some of their time to the grant project.

7.12 Marketing, Advertising and Promotion

Marketing, advertising and branded promotional materials, are delivered by or approved by **University Communications and Marketing**. The division ensures that program marketing is carefully considered within an overall marketing and branding approach for the University. Budgets reside centrally with University Communications and Marketing, rather than with individual divisions, colleges, departments or programs. One exception is that when providing marketing for a self-supporting/revenue center, University Communications will charge-back marketing expenses to that revenue-center.

Regardless of where the budget is allocated, all marketing and promotion is either delivered by University Communications or approved as a non-marketing item that the cost center may handle directly.