

BUDGET POLICIES

AND PROCEDURES

FOR

UNRESTRICTED OPERATING BUDGET FUND SOURCES
(FORMERLY STATE FUNDS)

Revised August 2010

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Budget Policies and Procedures for Unrestricted Operating Budgets
(Formerly State Fund Sources)
(Revised August 2010)

OBJECTIVES AND APPLICATION

Designed to provide for the most effective and efficient use of scarce state resources, the university's unrestricted operating budget policies and procedures allow units to have maximum flexibility in making judgments regarding the best use of the resources that have been allocated to them, judgments that advance the overall academic goals of the university. Within the basic requirement that units not exceed the dollar or full-time equivalent (FTE) positions allocated to them, the policies delegate authority and responsibility for budget decisions largely to campus, college and departmental levels

While these policies and procedures provide more flexibility for the university's operating units, they also demand more responsibility and accountability at the local level. The policies also allow senior management to establish policies and to delegate responsibilities for their diverse organizational structures more efficiently.

The effectiveness of the policies depend on the understanding of the requirements to comply with state regulations, internal procedures on fund use and information for internal management reporting at all levels of the university. The emphasis is on post action reviews at each level of budget responsibility to ensure that the university's limited resources are being used appropriately, efficiently, and in a manner consistent with the overall university goals.

In addition to the policies and procedures described in this document, managers should refer to the University Policy Library for information on the appropriate use of university funds as well as to the university's more complete regulations.

These budget policies apply to expenditures made from all Fund Sources (formerly known as state accounts) in the General University (GU) and Agricultural Experiment Station (AES) budgets (2-0, 2-1, 2-2, 2-3, 2-4, 2-7xxxx). This unrestricted budget consists of funds provided by the state appropriation, tuition and fee income, summer session revenues, off-campus revenues, facilities and administrative cost recoveries, and several other minor sources. Certain types of fund sources within this grouping, such as off-campus, facilities and administrative cost recoveries, sponsored programs cost sharing accounts and AES accounts, have exceptions which are noted.

This document is divided into three major categories: general policies, policies relating to salary funds and policies relating to non-salary funds. Appendix A includes definitions of the budget terms used.

GENERAL BUDGET POLICIES

As previously noted, the unrestricted operating budget contains resources from a variety of sources, including the state appropriation. The state appropriation brings two types of resources to the university—expendable dollars and budgeted full-time equivalent (FTE) positions. These resources are provided, as stated in the Governor’s FY2011 Budget:

1. To provide quality, affordable baccalaureate programs in the humanities, arts, sciences, and career fields to full-time and part-time undergraduates, enabling graduates to enter productive careers and advanced study in graduate and professional schools.
2. To provide quality post-baccalaureate education in the humanities, arts, sciences, and professions.
3. To stimulate the continuous development of knowledge in the humanities, arts, sciences, and professional fields by professional teacher-scholars as a complement to rigorous classroom inquiry by students and faculty.
4. To make available to the community the professional competence and expertise of faculty and students, and other institutional resources, such as concerts, performances, lectures, and facilities.
5. To meet the needs of faculty and students for current, accessible information.
6. To ensure the personal, social, and intellectual growth of each individual student.
7. To ensure that each campus and its facilities are safe, secure, and well-maintained.

While the objectives of the state appropriation are consistent with the university’s primary mission, the objectives do not extend to all activities of the university. For example, making the professional competence and expertise of faculty and students available to the community does not extend to those instances where the competence and expertise of faculty and students are provided primarily for the benefit of a public or private sponsor, and particularly when the university has contracted for the services of its faculty or students. Similarly ensuring the personal, social and intellectual growth of individual students does not extend to providing housing, dining, and recreational facilities to students.

The officers, faculty, and staff of the university have a fiduciary responsibility to the state to ensure that resources provided through the unrestricted operating budget are utilized only in accordance with state objectives and a responsibility to the university to manage these resources as fully and effectively as possible. These responsibilities extend

to both the very visible value of budgeted dollars and the less visible value of state-budgeted positions, every one representing the cost of providing fringe benefits to a full-time employee. For each state budgeted position (1 FTE), a unit may hire the equivalent of one full-time type 1 regular employee, three academic or calendar year TA/GAs, or one full-time post doc.

Rutgers University Budget Principles

A. BUDGET RESPONSIBILITY STRUCTURE

Each senior officer is designated responsibility for the management of budget areas that report to him/her. These senior officers are:

President
Executive Vice President for Academic Affairs
Senior Vice President for Administration and Chief Financial Officer
Camden Chancellor
Newark Chancellor

These officers are responsible for the management of the budgets allocated to them and are the final authority on how these funds are disbursed and used by the divisions, colleges, institutes and departments reporting to them. The senior officers have the responsibility and authority to make the most efficient and effective use of all state budgeted resources, and non-state resources allocated to their responsibility.

Budgets are allocated at the executive level and each senior officer has the authority to distribute budgets and to set procedures, within overall university policy and procedures that relate to the lower levels of responsibility. The basic structure of these levels is:

Senior Officers
Vice Presidential Level
Deans/Directors of College, Center, Institute or Division
Department

B. LIMITATIONS ON EXPENDITURES AND BUDGETED FTE POSITIONS

An area of responsibility may not exceed the total unrestricted operating resources (dollars or budgeted FTE positions) allocated to the unit for each fund source. Since state authorized positions have fringe benefits that are funded by the state, it is necessary to ensure that the university does not exceed its count.

If a unit exceeds its budgeted dollar allotment, the unit is responsible for covering the deficit. If a unit exceeds its number of budgeted positions within a BR code, the unit is responsible for covering the cost of the fringe benefits associated with the excess, or having a unit with a higher level of authority provide additional budgeted weight.

C. FUNDING TO MEET SALARY AND NON-SALARY NEEDS

Units will normally be allocated annually a pool of dollars to meet salary and non-salary needs. All salary increases associated with salary program costs (across the board increases, scheduled increments, faculty merit increases, faculty promotion increases, performance-based pay increases for APS and Confidential employees) will be met through this pool and existing resources at the department, college and executive level.

Resources may be transferred between salary and non-salary natural accounts via budget adjustments within unrestricted operating budget fund sources.

D. TRANSFERS BETWEEN FUNCTION CODES (formerly Sub-Elements)

Transfers between function codes (such as instruction, research, library, student services) are permitted, but significant transfers should be reviewed at the executive level.

Since the university must report expenditures to the state by function code, senior officers may be requested to supply explanations for significant shifts in resources between function codes as requested by the Office of Budget and Resource Studies.

Since the University Financial Aid Office needs accurate information on available aid resources to package student aid awards appropriately, such transfers involving student aid must be coordinated with the Office of Financial Aid.

E. SEPARATION OF STATE AND NON-STATE FUND SOURCES

In limited circumstances, funds may now be transferred from Unrestricted Operating (state) fund sources (2-0, 2-1, 2-2, 2-3, 2-4, 2-7xxxx) to non-state fund sources. Starting in FY2011, certain resources which were previously distributed as cash to your “2-8” accounts- summer session/winter session profits, off-campus profits, F&A returns, and unrestricted quasi-endowment income – are now being budgeted as part of the Unrestricted Operating budget. Units will be able to transfer to non-state fund sources an amount equal to the total of the budget of these new unrestricted operating resources.

F. SEPARATION OF GENERAL UNIVERISTY AND AGRICULTURAL EXPERIMENT STATION FUND SOURCES

Funds and budgeted positions may not be transferred between GU fund sources (2-0, 2-1, 2-2 2-3 and 2-7xxxx) and AES fund sources (2-4xxxx). Since the GU and AES budgets are separate appropriations from the state, expenses for the two must be segregated.

G. MANAGEMENT OF OFF-CAMPUS CREDIT PROGRAMS

Since off-campus credit programs are self-supporting and fund all expenses including fringe benefit costs from their tuition and fee income, the senior officer or his/her designee may establish procedures regarding management of these

programs under his/her responsibility within the university's Off-Campus Credit Program Policy, in consultation with the Office of the Vice President for Continuing Education and Outreach.

SALARY POLICIES

The State of New Jersey funds the cost of fringe benefits for eligible employees on state budgeted FTE's paid from the unrestricted operating budgets. The annual state appropriations act sets a maximum number of FTE's the University may fill and expect to have the state fund the associated fringe benefits. Therefore, salary policies are designed to ensure that units do not exceed the allocation of budgeted FTE's.

A. General Salary Policies

1. **UNRESTRICTED OPERATING BUDGETED FTE's MUST SUPPORT STATE OBJECTIVES.**

Since the fringe benefits for each state –funded FTE represents a considerable state funded resource, FTE's should be managed to use this fringe resource as fully and effectively as possible. **However, all appointments to budgeted FTE's must be for functions that support the objectives of the state appropriation to the university as listed on page two.**

While the objectives of the state appropriation are consistent with the university's primary mission, the objectives do not extend to all activities of the university. Using a state-funded position for a purpose outside the above listed objectives is strictly prohibited. For example, housing department maintenance staff working in a residence hall should never be charged to a state-funded position since the housing of students is not one of the primary objectives listed above, and housing is a 100% fee-supported activity.

2. **USE OF FUNDS OUTSIDE OF THE UNRESTRICTED OPERATING BUDGET TO SUPPORT BUDGETED POSITIONS**

As part of Rutgers' state appropriation, the state agrees to cover the cost of fringe benefits on a fixed number of FTE's. Due to changes in policy and as financial circumstances have warranted, it is possible that units have state-funded budgeted FTE's and fringe benefit coverage but not enough unrestricted operating budget funding to support the actual full salary.

These FTE's are a limited and valuable resource and the University aims to maximize the proper and most effective use of them. Units may therefore, in certain circumstances described below, use funds outside the unrestricted operating budget to fund salaries of employees on state supported FTE's.

Due to how the state may view the use of the state funded fringe benefits coverage for FTE's supported by funds outside of the unrestricted operating budget, and the university's fiduciary responsibility to insure that all state resources are appropriately utilized according to state objectives listed on page two, the use budgeted FTE for this purpose must be approved in advance by OBRS.

The use of funds outside of the unrestricted operating budget to support budgeted positions will be limited as follows:

- The positions using state-funded line FTE but supported by funds outside of the unrestricted operating budget are for University activities that clearly meet the criteria of the state objectives. For example, a career counselor position in the unrestricted operating budget could be funded from excess housing fees because the counselor is rendering services that provide for the personal and intellectual growth of students as a whole. A housing manager position in the state budget could not be funded in such a manner because the budgeted position would be rendering services to the function of housing students, not a state objective.
- Most restricted funding sources, including grants and contracts, require the use of separate accounts and do not allow for commingling with other funding sources such as the state budget. Therefore, restricted funds may be transferred to unrestricted operating budget fund sources only if there are no restrictions precluding their transfer.
- Funds outside of the unrestricted operating budget transferred to unrestricted operating budget fund sources must not be for state-allocated positions that perform services to a public or private entity. For example, the University's Graduate School of Education studies K through 12 education and shares with local school districts the results of its studies as part of its research and extension functions. The use of state funds and budgeted positions to support these functions is appropriate. When school districts reimburse the university for specific services rendered, however, the use of neither state funds nor budgeted positions is appropriate.
- **Before budget adjustments are instituted or appointments of employees to unused budgeted FTEs are instituted, a list of proposed funding sources outside of the unrestricted operating budget, the proposed job titles, the names of the individuals to fill the proposed jobs or the plans to recruit for the proposed jobs, and the relationship of the proposed jobs to the funding sources outside of the unrestricted operating budget shall be provided through the Office of Budget and Resource Studies for approval**

by the Executive Vice President for Academic Affairs. If the appointments are to be effective at the start of the fiscal year, the required lists should be submitted no later than May 31st. Lists for all other appointments should be submitted two months prior to the effective date but no later than March 31st of any fiscal year. Appointments temporarily budgeted require resubmission for future periods.

- **The inclusion of resources such as summer/winter session profits, off-campus profits, F&A returns, and unrestricted quasi-endowment income should eliminate the need to set up an expense recovery account. In case one does need to be used, units must budget the position with the appropriate salary dollars to support the individual that will be placed in it. Units must also budget a negative amount in non-salary Natural Account 19900 (Expense Recovery-Salaries) for that portion of the salary that will not be funded from your total salary and non-salary FY 2011 Working Budget as indicated on your Summary of Resource Changes.**

3. **LIMITATIONS ON APPOINTMENTS AGAINST BUDGETED FTE POSITIONS**

The total appointments in a fund source cannot exceed the number of budgeted FTE's . If the salaries paid for positions are less than the budgeted salaries, any remaining dollars are available to the unit for reallocation.

Since off-campus accounts, summer session, and facilities and administrative cost recovery accounts are charged for fringe benefit costs, budgeted FTE policies do not apply.

4. **MOVEMENT OF FTE's BETWEEN FACULTY AND STAFF**

All positions are budgeted as either faculty or staff positions. Units may change a position from one category to the other at any time with the following exception.

- State regulations do not permit the use of Postdoctoral Associate budgeted FTEs for any other purpose. (Postdoctoral Associate positions are identified by Natural Account (formerly sub-code) 1370, job codes 99631 and 99632 and position numbers between 900 and 925.) These FTE's and the associated fringe benefits were given to the University exclusively for the purpose of maintaining state funding for Postdoctoral Associate appointments. Since the fringe rate is lower on Postdoctoral Associates than other salaried employees, the state restricts the use of these lines. The restriction does not preclude the appointment of a Postdoctoral Associate to a regular faculty position.

5. **CARRY OVER OF YEAR-END UNRESTRICTED OPERATING BUDGET BALANCES**

Units will be permitted to carry over salary savings and/or non-salary savings with the permission of the senior officer. Before permission is granted, however, the senior officer will review with the Executive Vice President for Academic Affairs summary plans for the use of carryover funds in units reporting to the senior officer.

B. Faculty-Specific Salary Policies

1. **FACULTY MEMBER ON SABBATICAL**

The cost of fringe benefits for a faculty member on sabbatical funded from an unrestricted operating budget, with either full or partial salary, is funded by the state. For a faculty member receiving only partial salary, however, any unused salary budget will show in the fund source as a salary savings balance in natural account 12000.

2. **PTLs ON ACADEMIC WAGES OF LABOR**

Appointments of part-time lecturers (PTLs) should be made to academic wages of labor without budgeted FTE. To make use of the academic wages of labor category, units should appoint PTLs (Job Classes 99902, 99903, and 99905) to position 990. As a result of this appointment policy for PTLs, the assignment of budgeted FTE to positions with Job Classes 99902, 99903, and 99905 has been phased out.

C. Teaching Assistant/Graduate Assistant-Specific Policies

1. **FUNDING OF TUITION AND FEE REMISSIONS**

Units will now be funding TA/GA tuition remissions directly. Previously, TA/GA remissions were deducted from your school's tuition revenue in the All Funds Budget calculation of revenues, and paid centrally by the University. Beginning in FY2010, TA/GA remissions will now be paid directly by the units. Funds being held centrally to cover these costs will be budgeted to your unit based on your past levels of TA/GA remissions. The Term Bill system will now charge your fund sources directly. The change in policy is revenue-neutral, but having these revenues and costs as part of your budget will give you additional flexibility to better strategically manage your resources.

2. **RESTRICTIONS ON FUNCTION CODES (formerly subelements)**

Teaching Assistant and Graduate Assistants must be paid from the proper function code. Teaching assistants must be paid from fund

sources in the Instruction (IDR) function code and the graduate and research assistants from fund sources in the Research (SBR) function code so that budgets accurately describe the use of funds.

3. **Beginning in FY 2011, TA/GAs will be budgeted and expensed from natural account 15000, TA/GA salaries.**

D. Staff-Specific Policies

1. **APPOINTMENTS TO POSITIONS THAT ARE VACANT DUE TO RETIREMENTS OR SEPARATION**
When a position becomes open due to the retirement or upcoming separation of an employee, an appointment may occur prior to the employee's last day in office. Units will be responsible for all additional salary costs as well as the cost of the accrued vacation whether as salary or as a lump sum payment but can use the line weight concurrently for the old and new employee for a limited duration.
2. **PAYMENT OF UNUSED SICK LEAVE**
Payment on retirement of unused sick leave an employee has accrued will be funded centrally since departments have no control over the amount of accumulated sick leave.

NON-SALARY POLICIES

Non-salary policies apply to all unrestricted operating budgets, including GU and AES fund sources, off-campus credit programs, sponsored program cost sharing, summers session and facilities and administrative cost recovery fund sources. For the purpose of these policies, personnel costs other than the following salary items (natural accounts 12000, 12100, 13700 and 15000) are treated as non-salary. This includes, but is not limited to, wages of labor (12300), student wages (12500), overtime (12700) and shift differential (13100).

- A. **PAYMENTS TO FELLOWS & OTHER STIPEND APPOINTMENTS**
Payments to fellows and other stipend appointments are classified as student aid, not salaries, and should be charged to student aid fund sources. To insure that the Office of Financial Aid can monitor the appropriate use of student aid funds, student aid natural account 84500 should be used for these appointments. All charges to natural account 84500, as well as other student aid natural accounts 82000-82300, 84400 and 8460, should always be recorded to fund sources that are in the Student Aid function code.

- B. RESTRICTIONS ON USE OF FUEL & UTILITY FUNDS**
Funds budgeted in fuel and utility natural accounts (20300-20600) are restricted for that purpose and may not be transferred to other natural accounts or used for other purposes.

Glossary of Terms

Appendix A

Budget Adjustment – A change in the allocation of dollars and/or budgeted FTE to the original budget. Dollar adjustments may be temporary (i.e., they are reversed at the end of the fiscal year) or permanent (i.e., they are not changed at the end of the fiscal year). FTE budget adjustments can only be made permanently.

Budgeted FTE Positions – Those positions that have been authorized by the State and which carry a full state-funded fringe benefit package. A full-time position carries a weight of 1.00. The position could be occupied by more than one employee, each using a portion of the weight. For example, an employee with one-half of his/her full-time salary charged to a position uses .50 of the weight.

Fringe Benefits – Benefits received by employees in addition to their regular pay which may include retirement, health insurance, social security, workers compensation, unemployment insurance, and temporary disability insurance. Most employees are eligible for the latter four benefits, but only full-benefit employees also receive health and/or retirement benefits.

Off-Campus Credit Program Fund Sources – Fund Sources for credit courses offered to students at off-campus locations. These programs are self-supporting and must cover all costs including fringe benefits.

Fund Sources Outside of the Unrestricted Operating Budget – All fund sources not in the 2-0, 2-1, 2-2, 2-3, 2-4 and 2-7XXX series. Included are auxiliary, grant, gift and endowment accounts.

Salary Program – The cost of the salary increases negotiated each year by the various bargaining units and the cost of salary increases granted each year to non-represented employees. This includes across-the-board increases, increments, merit increases, etc. Excluded are promotions, reclassifications, and unit-initiated adjustments.

Salary Savings – The difference between the amount budgeted for salaries and the year-to-date expenditures and projected expenditures to the end of the fiscal year for those same budgeted positions.

Senior Officer – The controller of an executive level budget responsibility or several responsibilities.

Glossary of Terms
Appendix A
(Continued)

F&A Special Project Fund Sources – Fund sources funded from recovery of facilities and administrative costs on grants and contracts. The fund sources have no budgeted positions and are charged for fringe benefits for any salary costs incurred.

Unrestricted Operating Budget – All the state fund sources (fund sources funded by state appropriations, general tuition and fees and some minor miscellaneous income) are collectively referred to as the state budget.

State Funded Fund Sources – Those fund sources that are supported by state appropriations, general tuition and fees and some minor miscellaneous income. The first two digits of these fund sources are: 2-0, 2-1, 2-2, 2-3, 2-4, and 2-7.

Function Codes (formerly Sub-Elements) - An attribute assigned to every account in the state budget that identifies the purpose of expenditures from the account. The function codes are: Instruction and Departmental Research(IDR), Separately Budgeted Research(SBR), Extension and Public Service(EPS), Student Services(SS), General Institutional Support(GI), Physical Plant(PP), General Administration(GA), Library(LIB), Student Aid(SA), and Special Projects(SP).

Transfers – A transaction that reallocates dollars from one funded item to another funded item using natural accounts 69XXX or 099XX.

8/1/10