

Seminar Paper

Developing the 2008/09 University Operating Budget

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Nancy Stier, Vice President for Budget and Planning

I. Introduction

The seminar on March 20, 2008 will describe the process for developing the university's 2008/09 operating budget. The seminar is intended to be an open discussion of policy issues and choices that ultimately will determine the final operating budget for the new year. The university community is invited to express its views at the seminar.

The university's operating budget is developed incrementally. This means that the annual budget process focuses on changes the university wants to make, and can afford to make, between this year (2007/08) and next year (2008/09). However, funding priorities that guide the development of the budget each year are based upon multi-year institutional goals. To understand the development of the 2008/09 operating budget it is first necessary to take a look at this year's budget – where the university gets its revenue and how the funds are spent. Section II of this paper provides an overview of the 2007/08 operating budget.

The 2008/09 budget is developed based on guidelines and assumptions about revenue and expense changes between this year and next. Enrollment changes, the tuition rate increase, financial aid policy and fundraising all determine the funds available for spending on new items next year. The process for developing these guidelines and assumptions is described in Section III of this paper.

The final step of the budget process is to determine what "improvements" – the university's term for new items – will be funded for the new year. This includes such items as new faculty and staff, student services enhancements, facilities renovations and expansions, the purchase of new technology, other expense additions, etc. Decisions about improvements for 2008/09 will be made during the next month. Section IV of this paper provides examples of improvements funded in the 2007/08 operating budget.

Finally, section V provides the key dates in the development of the 2008/09 operating budget.

II. 2007/08 Operating Budget

A. Revenues

The university's 2007/08 operating budget totals \$260 million. Table 1 shows the major sources of the university's revenues.

Table 1
2007/08 Revenue Sources

		Percent of Revenues
1	Tuition and fees	75%
2	Dormitories and Health Center	11%
3	Gifts, grants, contracts	8%
4	Endowment	4%
5	Governmental aid and other	2%

As you can see, the university is dependent upon tuition and fees for three-quarters of the annual operating budget. This figure is net of funds spent on financial aid. The university's operating budget treats awards to students for scholarship aid as a "tuition discount" by reducing gross revenues.

Of the total tuition revenues, more than 90% is from degree programs, as opposed to continuing education programs. This makes degree enrollment the most important factor in The New School's revenue budget.

After tuition revenues, dormitory and health fees are the second largest revenue source; funds are used to operate the residence halls and Health Center, respectively. The third largest source of University funds are gifts, grants and contracts.

B. Expenses

To maintain a balanced budget, the university plans to spend no more than our annual revenues -- \$260 million.

Every multi-divisional university in the country is structured to have some operating activities budgeted in its academic divisions and others budgeted at the university-wide level. The major reason for organizing some functions at the university-wide level is to provide the most efficient means for providing services. Examples of this are enrollment and administrative services – registration, student financial services, human resources, purchasing, facilities services, security, etc. – where university-wide offices provide services for the benefit of faculty and students in all divisions.

Overall, approximately one-half of The New School's operating budget is budgeted in the academic divisions of the university and one-half funds university-wide activities that support students in all programs. School budgets include instructional

activities and many academic and student support services. In addition to the areas listed above, other university-wide functions include the libraries, computing centers and the network, the admissions and housing offices, undergraduate student affairs activities and commencement.

Another way to look at the operating budget is by type of expense such as salaries, fringe benefits, and other expenses. Table 2 shows the proportion of budget for each category of expense in 2007/08. As you can see, salaries and fringe benefits are the largest expense category, constituting close to two-thirds of the operating budget.

Table 2
Spending by Expense Category

		Percent
1	Salaries and fringe benefits	63%
2	Operation of plant	15%
3	Dormitories and Health Center	11%
4	Departmental supplies, equipment, publications, etc.	6%
5	All other	5%

III. 2008/09 Operating Budget Development

A. Revenue projections

With 75% of the university's revenues coming from tuition and fees, enrollment projections are the most important estimates in developing the university's budget. Other important factors in determining revenues are: the tuition rate increase – and tuition discount – for the new year; the endowment spending rate; dormitory rates; and projections of gifts, contracts, and other revenue sources.

1. Enrollment

The university's enrollment projections are split into three categories: 1) degree enrollment, which includes students in degree, certificate, and diploma programs; 2) students taking courses for credit who are not enrolled in a degree program; and 3) non-credit enrollment, which includes students in the university's many adult and continuing education programs.

Tables 3, 4, and 5 show the enrollments in each program between 2005 and 2007 and provides the percentage change between 2006 and 2007. As shown, enrollment in degree programs increased 6.0% in Fall 2007 over the previous year, with most of the growth among undergraduate programs. Meanwhile, enrollment of non-degree credit and non-credit enrollments have declined.

Our experience in Fall 2007 is consistent with recent trends in the university's enrollment – the number of students enrolled in degree programs has been increasing while non-credit enrollment has declined. The final targets for Fall 2008 are still being

determined, but we anticipate similar enrollment patterns for next year: continued growth in degree programs, particularly at the undergraduate level, while other programs remain steady or decline lightly.

Table 3
Fall 2005-2007 Degree Student Headcount

		2005 Final	2006 Final	2007 Final	Change from 2006
1	Parsons BFA	1,874	1,952	2,207	13.1%
2	Parsons BBA	397	428	470	9.8%
3	Parsons AAS	736	801	859	7.2%
4	NSGS BA	713	690	722	4.6%
5	Mannes	136	123	127	3.3%
6	Mannes Classical Diploma	72	74	62	-16.2%
7	Jazz BFA	261	260	245	-5.8%
8	Milano BS (off-campus)	117	121	81	-33.1%
9	Lang	1,054	1,146	1,274	11.2%
10	Undergraduate	5,360	5,595	6,047	8.1%
11	Parsons Masters	401	402	392	-2.5%
12	Media Studies	432	441	448	1.6%
13	Creative Writing	208	213	205	-3.8%
14	International Affairs	246	256	292	14.1%
15	MATESOL	n/a	n/a	21	n/a
16	NSSR	673	675	669	-0.9%
17	Global Finance	0	0	28	n/a
18	Milano (on-campus)	471	424	428	0.9%
19	Milano (off-campus)	16	7	0	-100.0%
20	Mannes	110	133	134	0.8%
21	Mannes Professional Studies	48	51	48	-5.9%
22	Drama	170	150	148	-1.3%
23	Graduate	2,775	2,752	2,813	2.2%
24	Total Degree, Diploma, Certificate	8,135	8,347	8,860	6.1%
	Maintaining status				
24	NSSR	368	378	380	0.5%
25	All Other	98	69	79	14.5%
26	Total Maintaining Status	466	447	459	2.7%
27	Grand Total	8,601	8,794	9,319	6.0%
28	% change from previous year	5.8%	2.2%	6.0%	

Table 4
Fall 2005-2007 Non-Matriculated Credit Student Headcount

		2005 Final	2006 Final	2007 Final	Change from 2006
1	Parsons	41	45	37	-17.8%
2	Lang	18	18	17	-5.6%
3	NSGS Undergraduate	243	203	216	6.4%
4	NSGS Graduate	8	8	5	-37.5%
5	NSSR	30	29	18	-37.9%
6	Milano	30	18	24	33.3%
7	Mannes Extension	4	4	0	-100.0%
8	Other non-degree	26	20	10	-50.0%
9	Total General Credit	400	345	327	-5.2%
10	% change from previous year	-41.3%	-13.8%	-5.2%	

Table 5
Fall 2005 to Fall 2007 Non-Credit Headcount

		2005 Final	2006 Final	2007 Final	Change from 2006
1	Parsons Continuing Education	1,247	1,163	1,240	6.6%
2	NSGS Adult Education	4,322	3,636	3,425	-5.8%
3	Guitar Study Center	237	209	0	-100.0%
4	Mannes Extension Non Credit	199	200	176	-12.0%
5	Mannes Preparatory	422	423	430	1.7%
6	Other CE	51	44	17	-61.4%
7	Total	6,478	5,675	5,288	-6.8%
8	% change from previous year	-5.0%	-12.4%	-6.8%	

The estimates for each degree program enrollments are determined each year by looking at four factors: 1) the number of new students who will enroll next fall; 2) the number of students who will graduate; 3) attrition, or the number of students who, for a variety of reasons, are projected not to return to school in the Fall; and 4) any curricular or program changes that might alter enrollment. The projections for non-degree programs are based upon recent enrollment trends and patterns, as well as any program changes that are being made.

2. Tuition rates and tuition discount

The university's Board of Trustees sets tuition policy. The university's average tuition rate increases have been consistent with the national average for private colleges and universities in recent years. In the past five years, average tuition increases nationally – and at the university – have ranged between 5.5% and 6.5%. The university's average tuition rate increase for 2008/09 will be at the low end of this range.

Universities track their spending on financial aid as a proportion of tuition that is returned to students as aid. This is known as the tuition discount. Table 6 provides a history of the tuition discount at The New School – this includes funds spent only on university scholarships, excluding federal and state funds. As you can see, the discount rate has grown from 8.4% to over 25% since the early 1980s.

Table 6
History of the Tuition Discount Rate

	\$ Millions	Tuition Discount %
2007/08	55.0	25.4
2006/07	49.3	25.2
2005/06	44.3	25.0
2004/05	39.3	24.8
2003/04	35.0	24.0
2002/03	33.0	24.4
1999/00	23.3	23.9
1996/97	16.1	22.7
1991/92	7.4	17.0
1983/84	1.4	8.4

3. Dormitory rates

Dormitory room rates will increase an average of 6% next year, although the increase will vary by location and type of room. This increase is necessitated by higher costs of operating our housing facilities. The increase is market-driven, reflecting the dramatic increase in real estate and rental prices in New York City over the past few years. The university charges students no more for housing than is required to cover the rent and operating expenses of our dormitories and apartments.

The New School has more than doubled the number of students housed in the university's owned and leased facilities in recent years. The next significant increase will occur in Fall 2009, when the university will open a new residence on 15th Street.

4. Other revenues

Tuition and other student charges do not cover the full cost of each student's education. The New School relies upon support from private foundations, government, alumni and friends to provide the full range of academic programs and support services for our students. While much fundraising is targeted to capital projects – the renovation of Arnhold Hall, for example, would not have been possible without the generosity of donors – the annual operating budget relies upon these funding sources, as well.

One form of this support is the endowment. The university's Board of Trustees sets a spending rate for the endowment, which is described as a percentage of the endowment that funds expenses in annual operating budget. The current spending rate is 5% of the three-year average of the value of the endowment. The spending rate of 5%, which is common among universities, is established to insure that the endowment will be available for years to come to support the university; increases in the value of the endowment, minus spending, is supposed to at least keep pace with inflation. In 2007/08, almost \$9 million of the operating budget revenues will come from the endowment.

A second form of support is donations, including the Annual Fund. In 2007/08, the university has budgeted the use of \$16 million in gifts that will be spent by the divisions and for university-wide needs.

The third form of support is grants and contracts, which are usually restricted to particular projects. Many faculty research projects currently underway are supported this way, as are some special scholarship funds and lecture series.

B. Expenses

The largest expense item for the university is people: faculty members and administrative staff. As noted earlier, 63% of the university's expenses are for salary and fringe benefits.

Many students have heard about the unionization of the part-time faculty, but students may not know that this is one of many unionized employee groups at the university. Maintenance, clerical, and security officers, as well as the part-time faculty in the Jazz are among the other groups represented by unions. The university negotiates with each of these groups to determine wages, benefits and other issues related to work.

Salary increases for other university employees – full-time faculty and administrative staff – have not yet been determined for the 2008/09 fiscal year. However, in recent years, the university has increased salaries at a faster pace than the inflation rate.

Fringe benefits include health insurance, pension, social security, life insurance, tuition benefits, and other expenses for the university's employees. The estimate of expenses for the new fiscal year are based on three factors: the trend of benefit increases in recent years; the salary increases, which affect social security and pension payments; and a projection of the number of new employees the university will hire in the next year.

The budget also has to consider increases in non-personnel costs. The average cost increase built into the budget for all non-salary items in recent years has been 2.5%. The expected cost increases for items varies; costs for renting facilities in New York City, for example, increase faster than the costs for supplies.

IV. Improvements

In recent years the university has focused a significant amount of its annual improvements on the schools, programs, and administrative areas that needed to be strengthened. One can see the results of these investments in many areas. The following is a partial list of improvements funded this year (2007/08).

- The addition of more than 30 new full-time faculty positions for Fall 2007. While some faculty members are hired by a single division, increasingly faculty are being hired jointly by two or more divisions to help integrate the curriculum across the university.
- Among improvements funded within the academic divisions are enhancements to advising, support for foreign programs, and expansion of Lang College Outdoors.
- University-wide student services were improved by adding staff in student financial services and international student services. Upgrades to the Health Center this year included additional counseling hours and the creation of a Health Educator position.
- Funding was provided to start two new academic programs, the MA in Teaching of English to Speakers of Other Languages (MATESOL) and an MA in Global Finance. Both programs began successfully in Fall 2007.
- Administrative upgrades included staffing to support audio/visual services and the university's computer networks, as well as a review of the staff pension plan.

In addition to these improvements, anyone walking through the campus can see evidence of our multi-year facilities improvement program. The Sheila C. Johnson Center opened a couple of weeks ago, linking the four buildings of the Parsons complex and providing new classroom, exhibition and public spaces. Last Fall, most of the departments of the New School for Social Research moved to newly renovated floors at 79 Fifth Avenue/Union Square and work is underway on the new Psychology Department home at 80 Fifth Avenue. Also last Fall a new floor was rented and renovated for the Fashion Department in the David M. Schwartz Fashion Education Center.

It is too early in the process to provide a list of the items that will be funded in 2008/09. However, priorities for improvements next year will be similar to those of the past few years: new full-time faculty, essential academic and student support needs and facilities improvements, as well as investments to support new programs. Increasingly, requests for new needs are being evaluated with an eye towards how each investment can benefit the larger university and how people and programs can best fit together to enhance the education of our students.

V. Process for Developing the 2008/09 Operating Budget

The university provides opportunities for students, faculty, and staff to review and comment on the development of the operating budget. The timetable for development of the budget for 2008/09 is shown below. In addition, deans have meetings within their divisions to discuss the budget and presentations are made on the university-wide budget to various groups over the course of the year.

- October, 2007: Preliminary guidelines and assumptions for the 2008/09 budget are discussed with the deans and the Budget Planning Committee of the Board of Trustees.
- November, 2007: Preliminary enrollment targets are set for each academic division and discussion begins among deans and officers about budgetary needs for the next fiscal year.
- January, 2008: The Board Budget Planning and Executive Committees receive updates on the preliminary budget.
- March, 2008: University Seminar on the Budget.
- Academic divisions and administrative officers update their budget proposals for 2008/09.
- April/May, 2008: The Board Budget Planning Committee and the full Board of Trustees adopt the 2008/09 budget.