

FY09 Budget Instructions Academic Units

December 2007

Materials Due: five working days prior to scheduled budget oversight/compact meeting

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A. Budget/Compact Process for FY09

All units will be asked to submit budget materials and a compact progress report (details following in this document), but there will not be a separate requirement to develop and submit a full compact document for FY09. The decision has been made to run the full compact process on a two-year cycle – corresponding to every even-numbered fiscal year.

Level of Implementation

For purposes of budget development, the “unit” designation used in these instructions remains the Resource Responsibility Center (RRC). Although some aspects of the budget model require calculations at an area level (identified below), by and large the model will continue to rely on RRC level decision making. If a Dean wishes to systematically or formulaically allocate costs down to a department level, he or she will first need approval from the Senior Vice Presidents. Each RRC remains the organizational level of the University to be held accountable for the financial management of the units within it, so there is no expectation that a unique knowledge and skill base in financial management be developed in all departments in response to this budget model.

B. Academic Units Included in these Instructions

Units receiving these instructions are considered academic units for purposes of the internal budget model. These are the units that will:

- 1) receive earned revenues directly
- 2) receive as allocations 100% of the state appropriation
- 3) receive charges annually for the costs represented by central support unit budgets

<u>Unit</u>	<u>Budget Officer for FY09</u>
Crookston Campus	Carole Fleck
Duluth Campus	Carole Fleck
Morris Campus	Carole Fleck
Rochester	Carole Fleck
Ag. Experiment Station	Julie Tonneson
Athletics	Brian Swanson
Auxiliary Services	Sue Niehoff
Biological Sciences	Julie Tonneson
Continuing Education	Carole Fleck
Design	Lincoln Kallsen
Education & Human Dev	Lincoln Kallsen
Liberal Arts	Julie Tonneson
Ag., Food & Environmental Sc.	Lincoln Kallsen
Carlson School of Mgmt	Robin Dittmann
Dentistry	Sue Niehoff
Duluth School of Medicine	Sue Niehoff
MN Extension Service	Julie Tonneson
Humphrey Institute	Robin Dittmann
Institute of Technology	Julie Tonneson
Law School	Robin Dittmann
Medical School	Sue Niehoff
Nursing	Sue Niehoff
Pharmacy	Sue Niehoff
Public Health	Sue Niehoff

<u>Unit</u>	<u>Budget Office Contact for FY09</u>
Veterinary Medicine	Sue Niehoff
Scholarly & Cultural Affairs	
285 – Weisman	Julie Tonneson
311 – Concerts & Lectures	Julie Tonneson
454 – Institute for Advanced Study	Julie Tonneson
TEVP	
937 – Inst. on the Environment	Robin Dittmann
TGRD	
291 - University Press	Robin Dittmann
TSAA	
292 – CURA	Robin Dittmann
539 – Ctr. Transp. Studies	Robin Dittmann
787 – Children, Yth, Families	Robin Dittmann
852 – Ctr. For Global Change	Robin Dittmann
TRES	
343 – Hormel Inst.	Robin Dittmann
449 – MN Population Center	Robin Dittmann
TCLF	
686-91 – Boynton	Lincoln Kallsen
695 – Rec Sports	Lincoln Kallsen
699/701 – TC Student Unions	Lincoln Kallsen
702 – Student Legal Serv.	Lincoln Kallsen
914 – Student Conflict Res.	Lincoln Kallsen
TAHS	
652 – Cancer Center	Sue Niehoff
811 – CUHCC	Sue Niehoff
812 – Office of Education	Sue Niehoff
845 – RAR	Sue Niehoff
846 – MMCT	Sue Niehoff
847 – Bioethics	Sue Niehoff
875 – Ctr. For Drug Design	Sue Niehoff
881 – Spirituality & Healing	Sue Niehoff
883 – Genomics	Sue Niehoff
889 – Infectious Diseases	Sue Niehoff
893 – Bioinformatics	Sue Niehoff
900 – Interprofessional Ed.	Sue Niehoff
904 – AHC Mayo	Sue Niehoff
910 – Post Harvest Food	Sue Niehoff
911 – Obesity Prevention	Sue Niehoff
915 – Clinical Research	Sue Niehoff
918 – Allied Health Center	Sue Niehoff
922 – Allied Health – OT	Sue Niehoff
923 – Allied Health – MT	Sue Niehoff
941 – Translational Medicine	Sue Niehoff
TUED	
284 – Academic Counseling	Lincoln Kallsen
293 – Air Force ROTC	Lincoln Kallsen
294 – Army ROTC	Lincoln Kallsen
295 – Navy ROTC	Lincoln Kallsen

*Note – Student Affairs units are included here as part of the academic unit budget process. However, their materials were submitted in the fall to accommodate the student fee approval process. Final budgets will be approved as part of this process, so they are listed here, but they need not resubmit budget materials in accordance with these instructions.

C. Changes in the Process for FY09

As mentioned above, submittal of a full compact document is not required for FY09. Instead, the Senior Vice Presidents wish to review a brief compact progress report from each unit. Instructions for this submittal are found on page 17 of these instructions.

D. FY09 Budget Parameters – Planning Assumptions

1. Context of the Biennial State Appropriations:

The development last spring of the FY08 operating budget and the preliminary financial plan for FY09 was conducted within a framework of resource timing. The increase in state appropriation for FY08 was \$67,647,000 (\$2.2 million of which is nonrecurring) which exceeded the amount requested for that year by \$8,747,000. In FY09, the second year of the biennium, however, the state appropriation increases \$16,510,000 which is \$47,990,000 less than requested. While state appropriations for the first year of the biennium provided needed new investments and allowed the University to hold tuition growth to 4.5%, the second year appropriation fails to provide sufficient resources to meet core costs or to continue the essential financial investments to maintain and increase the University’s quality and productivity. As a result, the preliminary financial plan for FY09 includes the potential for further internal reallocation and an increase in tuition revenue. The plan for FY09 includes a tuition revenue increase of 7.5% instead of the 4.5% level contemplated in the original biennial budget proposal to the state of Minnesota.

The current FY09 framework for allocation and resources is as follows:

Resources

New State Appropriations	\$16,510,000	
Tuition & University Fee	\$39,300,000	
FY08 Appropriation Balance	\$4,800,000	<i>Funds purposely uncommitted from the FY08 appropriation.</i>
Central Recurring Balance	<u>\$3,700,000</u>	<i>Funds available by recycling previous nonrecurring allocations.</i>
 Total Resources	 \$64,310,000	

Required Expenses

Student Aid	\$5,610,000
General Compensation	\$27,500,000
Facilities	<u>\$3,900,000</u>
 Total Required Expenses	 <u>\$37,010,000</u>

**Available for Investment
(For Cost Pool Increases
And New Initiatives)** \$27,300,000

At this point in the planning process, the financial plan for FY09 includes total incremental new resources (state appropriation and tuition/university fee) of \$64,310,000 compared to \$107,600,000 in FY08. The \$64,310,000 is sufficient to fund items that are considered essential or required (general salary and fringe increases, the Founders Free Tuition Program, year two of the new scholarship program for resident undergraduate students, and projected facilities costs). Assuming those costs are covered in full, there would be remaining incremental funds of \$27,300,000 for investment in new initiatives and for potentially supporting additional cost pool increases in the academic units.

Preliminary reallocation and investment decisions have been made relative to support unit budgets, in addition to their portion of the required items listed in the paragraph above, and the cost pools have been calculated for FY09 based on those decisions. (See details on the cost pool increases in Section D8 on page 15.) If all of the cost pool increases are covered through new allocation to the academic units, then the amount of funds available for new initiatives in the academic units is \$17,500,000. Each decision to implement a reallocation within academic units (asking them to cover cost pool or compensation cost increases with internal funds for example) will increase that \$17,500,000.

No preliminary reallocation decisions have been made for the academic unit budgets. The all-funds budget of each academic unit will be reviewed, including projected revenue and cost increases, and decisions regarding the unit’s level of state appropriation and potential reallocation will be made on an individual basis.

2. Salary and Fringe Benefit Assumptions: Information in this document related to compensation matters has been prepared for budgeting purposes only and should not be interpreted as an attempt by the University to disregard good faith bargaining with affected employee groups or to ignore all other mandates of PELRA. In addition, all described plans are subject to Board of Regents approval.

Consistent with plans outlined for the 2008-2009 biennium, a general 3.25% salary increase, along with the associated fringe increases outlined below, should be assumed in developing overall cost estimates for compensation in FY09. This estimate represents a general planning parameter to be used at the unit level. A set of documents outlining the details of implementing the final salary plans for FY09 will be disseminated from Human Resources at a later date.

Projected fringe benefit rates for FY09 for use in budget planning are outlined below. See Figure 1 on page 7 for a listing of the rates by component.

	<u>Projected 2008-09</u>
Civil Service (and undergraduate students)	32.8%
Academic	30.4%
Graduate Assistant	21.9%

Figure 1
2008-09
Fringe Benefit Rates by Component

2006-07 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	Retirement	13.3	4.4
Group Life & Disability	.7	---	---
Workers Compensation	---	1.3	---
Unemployment	.1	.1	---
Social Security	4.8	5.8	5.5
Medicare	1.3	1.4	1.3
Tuition	.2	1.5	**
Health Insurance	11.5	20.5	15
Vacation	.5	1.1	---
	32.4	36.1	21.8

2007-08 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	Retirement	13.60	4.07
Group Life & Disability	.38	---	--
Workers Compensation	---	.40	--
Unemployment	.01	.01	--
Social Security	5.34	6.09	5.40
Medicare	1.58	1.48	1.37
Tuition	.34	1.38	**
Health Insurance	9.81	18.93	12.13
Vacation	.54	.34	--
	31.60	32.70	18.90

2008-09 Proposed	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	Retirement	13.26	4.30
Group Life & Disability	.38	---	---
Workers Compensation	.08	.77	---
Unemployment	.01	.01	---
Social Security	4.65	6.11	6.03
Medicare	1.43	1.37	1.41
Tuition	.42	1.66	**
Health Insurance	9.69	17.77	14.46
Vacation	.48	.81	---
	30.40	32.80	21.90

** Graduate Student tuition remission is a flat charge per hour that a student works.

Budgeting for Graduate Student Remission Charges:

Graduate assistants qualify for tuition benefits according to the number of hours worked per semester, with 100% tuition benefits earned for 390 hours (20 hours per week for 19.5 weeks, which is a 50% appointment.) Students appointed between 97.5 and 390 hours per semester will receive prorated tuition benefits; for example a 12.5% appointment (97.5 hours) would receive one quarter of the tuition amount and a 25% appointment (195 hours) would receive half tuition. As in the past, students appointed below the 12.5% level will not receive tuition benefits. Those students appointed between 12.5% and 25% only get the hourly benefit toward resident tuition. A student must have a 25% appointment (195 hours) in order to qualify for the waiver of non-resident tuition. All graduate assistants will be required to be on biweekly payroll. It is possible to move individuals currently at the University to “positive pay” to avoid requiring them to begin keeping a timecard.

Graduate assistants will be required to register for at least 6 credits (except for those in the special advanced Ph.D. categories described below.) Students (such as masters students who have completed their coursework and thesis credits and part-time students) may petition to the Graduate School to register for fewer credits.

Charges to Employers

1. The fringe benefit charge for tuition is a flat hourly rate that is set to recover the tuition benefit which the graduate assistant earns. To recover next year’s projected \$5,773 semester benefit (graduate school tuition plus the University fee) for 390 hours of work requires a tuition fringe rate of \$13.32 per hour. Because tuition rates have not yet been approved by the Board of Regents, the rate of \$13.32 is preliminary and reflects our best estimate at the time these instructions were written. This hourly rate will be charged to employers for every hour of work, even if the student works less than 12.5% or more than 50% time. Anticipated charges for graduate student tuition remission should be budgeted in object code 7102.

2. The graduate assistant health insurance benefits program will continue with similar benefits for graduate assistants and their enrolled dependents; the student will again pay 5% of the plan premium. The plan administrator will again be Blue Cross Blue Shield of Minnesota. The health fringe rate for FY07 will be 14.46% of salary.

Ph.D. Candidates

1. Once a Ph.D. student has passed the preliminary oral exam and completed 24 doctoral thesis credits he/she is eligible for employment in one of three job classes at a significantly lower tuition fringe cost. The student would receive the value of one credit of tuition. This benefit would be prorated for those appointed less than 50% time, as noted above. The employer would pay a corresponding hourly fringe rate estimated at \$2.14.

Summer

1. The full benefit for 260 hours of graduate assistant employment during the 13 week summer period will equal the previous year’s semester value. Students who work fewer than 260 hours will receive prorated benefits (except for summer session teaching assistants; see below.) Students may use this benefit for any mix of registrations during summer session terms. Employers will pay the same \$13.32 hourly fringe rate on these job classes.

2. In order to avoid unnecessary tuition fringe charges for graduate assistants who don't need to register during the summer, four job classes are available for that period only. They carry no tuition benefit or tuition fringe charge, but of course they must then incur FICA taxes because the employee is not a registered student. For graduate assistants who do need to register during the summer, the regular year-round job classes should be retained. Health insurance coverage and fringe charge continues on both sets of job classes.

3. Summer session teaching assistants pose a unique problem because their entire salary (as with summer session faculty) is paid (at a higher hourly rate) in the 200 hours of a five-week term. To provide the same tuition benefit that a comparable graduate assistant would earn for teaching a course during fall, winter or spring quarters, requires charging a higher hourly fringe rate (\$31.49 for 2008-09) on those recorded 200 hours of teaching during the summer session. They end up with the same total pay and benefits as in other semesters and summer session departments will pay the same total fringe charge.

Professional Program Assistantships

1. The job classes of Medical Fellow and Medical Resident are clinical residency positions that typically involve 100% time appointments. Therefore, the fringe rate has been set to recover the tuition costs over 780 hours of work per semester.

2. Students pursuing professional post-baccalaureate degrees outside the Graduate School (such as JD or MBA) do not generally need the teaching or research experiences as preparation for their future careers. A specific job class, Professional Program Assistant, is for such students in those professional degree programs who are employed within their college of registration. These positions will carry no tuition benefit or fringe charge, but will be included in the graduate assistant health benefit program for students whose appointments are 25% time or greater.

The above information is summarized in table format in Figure 2 of these instructions. For questions about this policy, please contact George Green, Associate Dean in the Graduate School (625-7368 or green007@umn.edu.)

Figure 2

Graduate and Professional Student Fringe Table
Tuition Fringe as Dollar per Hour Charge

Fiscal Year 2008-09

	Tuition	Health	Social Security Medicare	Total % Fringe
<i>Summer Only</i>				
9571 Summer Quarter TA	\$0.00	14.46%	7.44%	21.90%
9572 Summer Quarter RA	\$0.00	14.46%	7.44%	21.90%
9573 Summer Quarter AF	\$0.00	14.46%	7.44%	21.90%
9574 Summer Quarter TA w/ T. Ben	\$31.49	14.46%	7.44%	21.90%
9575 Summer Session TA w/o T. Ben	\$0.00	14.46%	7.44%	21.90%
<i>Academic Year and Summer Quarter</i>				
9511 Teaching Assistant (TA)	\$13.32	14.46%	7.44%	21.90%
9515 Graduate Instructor	\$13.32	14.46%	7.44%	21.90%
9517 Ph.D. Cand. Graduate Instructor	\$2.14	14.46%	7.44%	21.90%
9518 Advanced Masters TA	\$2.14	14.46%	7.44%	21.90%
9519 Ph.D. Cand. w/24 thesis cred. TA	\$2.14	14.46%	7.44%	21.90%
9521 Research Assistant (RA)	\$13.32	14.46%	7.44%	21.90%
9526 Graduate Research Project Asst.	\$13.32	14.46%	7.44%	21.90%
9527 Ph.D. Cand. Grad Research Asst.	\$2.14	14.46%	7.44%	21.90%
9528 Advanced Masters RA	\$2.14	14.46%	7.44%	21.90%
9529 Ph.D. Cand. w/24 thesis cred. RA	\$2.14	14.46%	7.44%	21.90%
9531 Administrative Fellow (AF)	\$13.32	14.46%	7.44%	21.90%
9532 Advanced Masters AF	\$2.14	14.46%	7.44%	21.90%
9533 Ph.D. Cand. w/36 thesis cred. AF	\$2.14	14.46%	7.44%	21.90%
9535 Professional Program Asst.	\$0.00	14.46%	7.44%	21.90%
9538 Legal Project Assistant w/T. Ben	\$25.89	0.00%	7.44%	7.44%
9539 Legal Project Assistant w/o T. Ben	\$0.00	0.00%	7.44%	7.44%
9553 Dental Fellow	\$13.32	0.00%	7.44%	7.44%
9554 Med Fellow, Graduate Program	\$6.66	0.00%	7.44%	7.44%
9559 Med Resident, Graduate Program	\$6.66	0.00%	7.44%	7.44%

FICA assessed only if student fails test for exclusion. Graduate students employed at the University will be exempt from FICA withholding on their University wages, and therefore, their salaries will not be assessed for the employer's share of FICA, if they meet the following test:

- Enrolled for at least 6 credits per term if an undergraduate student; or
- Enrolled for at least 3 credits per term if a graduate student (one credit for Ph.D. candidates working on a dissertation)

Social Security and Medicare components are 6.03% for FICA and 1.41% for Medicare (7.44% total)

3. Enterprise System Assessment - The Enterprise Assessment was established as a systematic method of assessing units for the purpose of paying for the development, implementation, maintenance and replacement of institutional business systems. Under the new budget model, the Enterprise Assessment will continue until the projects funded through this mechanism are paid off. We do not anticipate funding any new additional projects using this assessment. Current projections expect the assessment to continue through FY14.

The assessment rate and current methodology for FY09 will remain the same as the rate and methodology used in FY08. The following assumptions should be built into the FY09 plans at this time:

- Estimated assessment cost of **1.25%** of projected FY09 salaries
- Object code used for budgeting the expected assessment is **8610** – Administrative Fees
- Assessment is on **actual** salary expenditures in the following fund classes, with a few individual account exceptions:
 - GOM** – General Operations & Maintenance – funds 1000-1003
 - GOM** – University Fee Income – funds 1005-1008
 - GOM** – Tuition Income – funds 1010-1013
 - AUX** – Auxiliaries – funds 1100-1125, 1163
 - ICR** – Indirect Cost Recovery – funds 1040-1043
 - RSS** – Restricted State Specials – funds 1521-1526, 1528-1533, 1535-1540, 1543-1549, 1556-1558 (this excludes LCMR funds 1520, 1527, 1534, 1542)
 - UNR** – Other Unrestricted – funds 1021, 1022, 1190, 1194-1198
 - Funds 1570 and 1571** – Private Practice
- Assessment occurs near the end of an accounting period based on actual salary expenses in that month. Both debits and credits to salaries are included in the assessment calculation.

Salary expense used in the calculation will include the following object codes with all the related subobject codes except subobject 50 (workstudy):

- 7000 – Academic Salaries
 - 10 – Professional/Administrative
 - 20 – Ranked Faculty
 - 30 – Student – graduate
- 7005 – Academic Salaries-Stdts-Grad/Prof/Trng
 - 10 – Grad/prof/Trng
- 7010 – Civil Service & Union Salaries
 - 10 – Civil Service
 - 30 – Union Represented
- 7015 – Undergraduate Student Employees
 - 10 – Academic
 - 20 – Civil Service

Questions regarding the Enterprise Assessment process can be directed to the FSS Helpline at 624-1617.

4. Property & Liability and Non-Profit Organization Liability Insurance

Property and Liability Insurance: The University centrally purchases property and liability insurance for all of its campuses and programs. General Liability insurance provides coverage for third party

injury/damages. This policy responds to injuries/damages to students, volunteers, and visitors on campus when the University is determined to be negligent. The University’s property insurance provides coverage to buildings and contents for perils such as fire, windstorm, hail, explosions, smoke, vandalism, water damage, etc.

Since July 1, 1997, the Office of Risk Management has charged RRCs for University property and liability insurance premiums based on each RRC’s share of total University space. The premium expenditure should be budgeted by each RRC as object code 7301. The Office of Risk Management will then initiate an IX document to complete the transaction in July of 2008.

Non-Profit Organization Liability: The University centrally purchases Non-Profit Liability Insurance for all its employees, officials and authorized volunteers. Non-profit liability insurance has primarily focused on the cost of employment disputes, including claims of sexual harassment, unlawful discrimination and various constitutional violations. Employment related litigation has increased during the past ten years, as has the volatility of damage awards.

As done previously, the Office of Risk Management will continue to charge RRCs for a portion of the university Non-Profit Organization Liability insurance premiums based on each RRC’s share of the total current, non-sponsored salaries in fiscal year accounts during FY08. The premium expenditure should be budgeted by each RRC as object code 7301. The Office of Risk Management will then initiate an IX document to complete the transaction in July of 2008.

The estimates of cost for these insurance items are based on the best information available today. For FY09 planning purposes, each unit should assume an 8% increase in the amounts billed for FY08. The FY08 charge and the projected FY09 estimates are listed below by unit. These estimates have been prepared at an RRC level only – not at a departmental level.

	Property/Liability		Non-Profit Org Liability	
	FY08 Charge	FY09	FY08 Charge	FY09
Crookston	\$114,618	\$123,787	\$5,470	\$5,907
Duluth Medicine	20,364	21,993	3,320	3,586
Duluth	544,412	587,965	42,487	45,886
Morris	175,975	190,053	9,807	10,591
Rochester	0	0	724	782
Ag. Experiment Station	46,089	49,776	914	987
AHC Shared	94,069	101,594	11,587	12,513
Athletics	219,220	236,757	8,705	9,402
Auxiliary Services	677,722	731,940	12,522	13,524
Biological Sciences	89,602	96,770	9,404	10,156
Continuing Education	27,785	30,008	6,271	6,773
Design	43,131	46,582	4,633	5,004
Ed. & Human Dev.	115,628	124,879	22,826	24,652
Liberal Arts	239,749	258,929	49,322	53,268
Food, Ag., Nat. Resouce Sc.	309,184	333,919	26,595	28,722
Carlson School	43,663	47,156	18,611	20,100
Dentistry	59,729	64,508	12,172	13,146
Extension Service	8,548	9,232	15,051	16,255
Humphrey Institute	16,397	17,708	3,726	4,024
Inst. of Technology	351,764	379,906	43,216	46,674
Law School	60,222	65,039	7,533	8,135

	Property/Liability		Non-Profit Org Liability	
	FY08 Charge	FY09	FY08 Charge	FY09
Medical School	286,972	309,929	75,645	81,697
Nursing	10,845	11,713	3,537	3,820
Pharmacy	32,434	35,028	6,784	7,327
Public Health	55,405	59,837	8,561	9,246
Veterinary Medicine	91,918	99,272	15,705	16,962

5. Utility Rates

Utility costs will continue to be managed by each campus (or research and outreach station).

On the Twin Cities campus, costs for steam, electrical, and gas use will be allocated to each RRC based on the actual consumption of these utilities by the buildings in which the RRC has programs in operation. The cost for the remaining utilities (water and chilled water – more commonly called central air conditioning), will be included in the Facilities Management O&M (Operations and Maintenance) cost pool based on proportionate share of ASF. If your RRC is not included in the O&M cost pool, you will continue to be directly billed for all FM services and these additional utilities.

Below is a short summary of these utilities, their cost components, how FM develops and tracks both cost and utilization of these utilities, and a summary of the rates themselves.

1. Rates Allocated based on consumption to all RRCs

There are 2 factors in determining the allocated utility cost for electricity, steam (heat), and gas:

- a. Utility rate
- b. Utility consumption

The Steam, Electrical and Gas utility rates are applicable to units on the Twin Cities campus. The newly published rates will be effective on July 1, 2008 and are held stable for the complete fiscal year. The rates include costs to purchase, produce, manage, and deliver the utilities and will be described in more detail below. Utilities are operated as an internal sales activity and are managed to be a ‘break-even’ operation. Therefore, at the end of each fiscal year, the difference in actual cost to provide the utility vs. the published ‘rate’ cost to provide the utility is rolled into future published rates (i.e. surpluses help lower future rates, and deficits increase future rates).

Consumption of steam, electricity, and gas are metered for every building on campus on a monthly basis. This information is then used to allocate cost for the month based on the ASF (assignable square feet) of each program within each building (area level information from the space database ‘snapshot’ taken in the fall). The space information used for this allocation will be updated annually in the fall (see Space Information section in Appendix B for more on this process).

To assist in budgeting for these utility costs, the projection of costs for FY09 for each unit is included on the budget development worksheet. In addition, a schedule with this information and with projections of utility consumption for each building and RRC (with area detail) will be made available on the Budget Office web site in the near future (you will get e-mail notification of the posting of data). A projection of consumption is also available to non-supported customers such as academic enterprises, independent organizations, and institutional supported departments upon request. Requests can be made to Laura Schiburr at x59514.

	<u>FY2007-08</u> <u>Current Rate</u>	<u>FY2008-09</u> <u>Estimated Rate</u>
Steam – 1,000 lbs of steam (Mlb)	\$20.74	\$20.20

Steam costs are allocated based on Mlb (M-pound, or 1,000 pounds of steam). The steam rate includes the costs of fuel, operations of the boilers and plant, capital and maintenance of the distribution systems, energy conservation projects, and administration.

Electric – Kilowatt Hours (Kwhr)	\$.0784	\$.0767
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Electric costs are allocated based on Kilowatt Hours (Kwhr). The electric rate charged to the U by Xcel is a complicated set of formulas based on peak use, fuel cost pass-through, etc. The above University rate is set for the fiscal year and is a budgeted average cost. The electric utility rate includes the purchased costs of electricity, distributions costs, capital renewal, energy conservation projects and administration.

Gas	\$12.00 Dkthrm	\$11.17 Dkthrm
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The University rate is set for the year and is budgeted based upon average cost. It includes the costs of purchased gas, administration, and energy conservation. The purchased gas is a commercial/industrial firm gas provided by CenterPoint Energy or Xcel. This gas charge only applies to buildings not on the campus steam system.

2. Rates Allocated in O&M cost pool for supported units & billed based on consumption for others

The cost for the remaining utilities (water and chilled water/central air conditioning), will be included in the Facilities Management O&M (Operations and Maintenance) cost pool and spread on the cost/asf charge (see Appendix A for a description of the Facilities O&M cost pool) for FY09. If your RRC is not included in the O&M cost pool, you will continue to be directly billed for all FM services and these additional utilities.

	<u>FY2007-08</u> <u>Current Rate</u>	<u>FY2008-09</u> <u>Estimated Rate</u>
Chilled Water	\$0.26 ton/hour	\$0.24 ton/hour

Chilled water, used for cooling the buildings, includes electric, steam and water costs used to generate the chilled water. Costs also include maintenance, capital renewal, energy administration and energy conservation. The cost is measured in tons of cooling hours. This is a metered measure. The former cost was based on an allocation of estimated chilled water costs to gross square feet of space.

Energy Management has completed installing meters to measure the inputs and outputs for chilled water. Originally, we expected that FY09 chilled water costs would also be directly billed based upon metering consumption and be pulled out of the Facilities O&M cost pool. However, as of the budget due dates, we do not have enough experience to accurately forecast usage, as not all meters were installed to measure chilled water activity last summer. During FY08, Facilities Management continued to install, test and evaluate the meters and cost allocation procedures, but will keep chilled water costs in the Facilities

O&M pool. Direct billing of these charges has been delayed to FY10 to ensure we have accurate estimates to provide at this time.

	<u>FY2007-08</u> <u>Current Rate</u>	<u>FY2008-09</u> <u>Estimated Rate</u>
Water/Sewer – Hundred Cubic Feet (CCF)		
Minneapolis	\$7.06	\$7.53
St. Paul	\$3.84	\$3.83

The Minneapolis water and sewer rate includes purchased costs for water, sewer and storm water. The St. Paul rate includes water and sewer. Also included in the Minneapolis and St. Paul rates are costs for maintaining the water distribution system and capital renewal projects.

Questions for utility rates should be directed to Laura Schiburr, Facilities Management, at 625-9514.

6. Tuition and University Fee Estimates

There are no tuition and university fee estimates included with these instructions. Instead, updated estimates for FY08 and preliminary estimates for FY09 will be distributed in January or early Feb., along with the corresponding instructions related to submitting unit proposed estimates. This portion of the budget instructions is delayed because basing the estimates on more up-to-date information will provide a more accurate estimate for FY09. Work with the Budget Office if timing doesn't allow complete analysis and submission prior to the scheduled budget oversight/compact meeting.

7. ICR Estimates

There are no ICR estimates included with these instructions. Instead, updated estimates for FY08 and preliminary estimates for FY09 will be distributed in January or early Feb., along with the corresponding instructions related to submitting unit proposed estimates. This portion of the budget instructions is delayed because using actual FY08 revenues through accounting period 6 (December) will allow a more accurate FY09 estimate. Again, work with the Budget Office if timing doesn't allow complete analysis and submission prior to the scheduled budget oversight/compact meeting.

8. Cost Pool Allocations

Decisions made on the support unit budget items increased the cost pool allocations for FY09. The specific impacts on each academic unit will be entered into the budget development worksheets, so units can see the difference in what each of the costs were for FY07 and FY08 and what they will be for FY09. Additionally, the spreadsheets used to calculate the cost allocations and the related summary of charges by college, along with the detailed FY09 line-item increases added to each cost pool, will be available on the Budget Office web site in the very near future. An e-mail announcement of that posting will be sent out as soon as those documents are available for viewing.

The general description of the budgets funded within each cost pool is included with these instructions as Appendix A.

In aggregate, the changes in cost pool totals over FY08 (after the distributional impacts of the double-step-down model) are as follows:

A significant amount of investment in the academic priorities of the institution is implemented through the support unit budget development process. The \$3,968,800 listed above under “Investment Decisions”, represents 17% of the increase in the non-consumption based cost pool allocations. The complete list of funded items by cost pool will be posted to the Budget Office web site, but examples of the major investments included in this category are Enhanced Library Collections, Graduate Fellowships, the Honors Program and Honors Scholarships, Professional Scholarship Matches and so forth. Under the budget model, these types of University priorities will continue to be funded through the cost pool methodology.

When the budget for next fiscal year is finalized for Board review, all investments (whether included in the cost pools or direct funded in the colleges and campuses) will be summarized and explained together. To correspond to past descriptions of budget decisions provided to the Board of Regents, the \$24,782,682 in increased costs, along with the additional investments made in the academic units, will be categorized into the four Strategic Positioning goals of Exceptional Students, Exceptional Faculty and Staff, Exceptional Organization and Exceptional Innovation.

E. Submissions – Compact Information

RRCs are not being asked by central administration to prepare and submit a full compact document for FY09. Instead, please submit a compact progress report **of no more than one or two pages**. This report should briefly describe what has been accomplished relative to the compact document submitted for FY08: what actions have been taken; how have any related incremental funds been invested; what metrics have been developed to measure anticipated outcomes; what reallocations were made and what impact did they have, and so forth. This submittal should be considered a status report for all items carried forward from the FY08 compact, with descriptions of any supplemental related activities.

F. Submissions – Budget Information

Items 1 – 9 in this section should be submitted to the relevant Budget Officer five working days prior to the scheduled compact/budget meeting.

1. Revenue Estimates – Tuition/University Fee/ICR

The separate mailing related to tuition, University Fee and ICR estimates will include the relevant Figures to submit for that purpose.

2. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY09, please submit that information to your budget officer as soon as it is available. Do not wait for the final due date mentioned above. Please include the dollar amount to be transferred and the reason for the transfer. It would be most helpful if both RRCs involved in the transfer send in the same information as part of their individual submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

3. Budget Development Worksheet

Budget discussions again this year will focus on each unit’s overall financial structure and health. To that end, all-funds budget development worksheets have been created for each unit (to be sent electronically to each RRC the first week of January). The pages hold the following information for FY06 and FY07 Actuals and the FY08 Approved Budget (the format of the worksheets is the same for all units):

- Actual revenues and expenditures by summary categories – all funds combined (information on the specific revenue and object codes under each category sent along with the financial page)
- Net transfers in/out from other units – all funds combined
- Actual central allocation
- (Decrease)/Increase in net assets overall - defined as Revenues less Expenditures plus Net Transfers plus Central Allocation
- Net assets at the beginning of the year (carryforward) and net assets at the end of the year (ending balance) – all funds combined – and that figure represented as a percent of total expenditures
- Total sponsored expenditures by fiscal year where relevant

As last year, there is also a column to project to through the end of FY08 to arrive at an updated estimate of carryforward into FY09 if that update is warranted.

The final column (column E) is for projecting FY09 activity. The budget submittal should focus on completing column D and then completing column E based on the planning parameters described earlier in this document. For both columns, please fill in each row using the best information available at this time. FY09 projections should only focus on current operations carried forward and should not reflect new initiatives or changes in scope of operations – **this should reflect the ongoing costs of current operations only**. Also, please note that projected increases entered in the various expenditure categories of column E do not guarantee approval of that expenditure level or increased allocations. The purpose of this part of the exercise is to best represent the costs of ongoing current operations. Decisions made on whether that level of activity is appropriate or desired will be made through the budget development process.

Some units received post-budget transfers of recurring dollars in FY08. For reference, those adjustments have been identified on the fiscal page of the affected units for reference and will be identified in the final allocation letters for FY09.

If a transfer of base allocation is submitted under section 1 above, the budget development worksheet should be completed assuming the transfer of activity is incorporated. In other words, if the allocation, and thus expenses, associated with some activity is transferred between RRCs for FY09, then the expense projections in column E of the budget development worksheet should also reflect that transfer.

If there is information missing in these instructions necessary to complete column E, please contact your budget officer for assistance. Please note – the central allocation line for FY09 is intentionally left blank at this point and will not be filled in until final budget decisions are made for each unit.

Endowment Funds

Beginning with the FY08 compact/budget cycle, the all-funds analysis of unit budgets included a review of endowment funds in the University of Minnesota Foundation. This year, a report combining endowment information from the Foundation as well as endowment information from the University Office of Investment and Banking is being created and should be sent to each RRC prior to the scheduled budget oversight/compact meeting. This report is for information only. No action is required related to this report.

4. O&M/State Special Compensation

As part of the University's overall budget development framework, comparing available resources with projected cost increases, an annual calculation of the projected increase in compensation costs is included for the O&M and State Special fund groups. That calculation is done centrally and provides useful

information in trying to estimate the cost of compensation for each unit. To verify that the central methodology yields reliable results, please provide an answer to the question:

“What is your calculated increased cost for salary and fringe for FY09 in O&M and State Special funds only?”

The answer to this question will be a portion of the increase reflected on your budget development worksheet in the lines for salary and fringe expenditures (representing the estimate for O&M and State Special funds only, rather than all nonsponsored funds combined). If you have questions on this, please contact your budget officer.

5. Funding Requests/Significant Financial Concerns

To correspond with the change to a two-year compact development cycle and the limited amount of discretionary funds available for FY09, requests for new funding will be considered on an exception basis only. Requests must make a very compelling case and must be aligned with one of the following three scenarios:

- a) Items for which the University has some **legal/contractual/compliance/safety** obligation – please summarize the issue and required funding level in a short paragraph.
- b) Items for which **start-up funding was provided in FY08** with the expectation that additional funding would be required to maintain or advance the initiative – please summarize the projected outcomes, the funding level provided in FY08 and the future plans and cash flow needs of the initiative.
- c) Items representing an absolutely **essential and critical need** in either program funding or staffing requirements – please provide a full description of what the proposed funding will support, including projected outcomes, along with a justification for why it is necessary at this time.

For scenarios a) and b) just described, please include information:

- demonstrating how the initiative is closely aligned with the strategic goals of the unit and the University;
- indicating how the central investment will be leveraged with either internal unit resources or external sources of funding.

It is important to understand that the funding available for new investments in FY09 is very limited. **Therefore, very few requests for additional resources should be submitted.** Only the highest priority, most critical needs will be considered.

6. Reallocations

As mentioned earlier in this document, there are no firm targets for reallocation for FY09. The all-funds budget of each academic unit will be reviewed, including projected revenue and cost increases, and decisions regarding the unit’s level of state appropriation and potential reallocation will be made on an individual basis.

7. Internal Sales Rate Setting

Units with internal sales activity must continue to submit their rate proposals through the budget process. Any unit without internal sales activity can disregard this section.

University of Minnesota financial policy 3.2.1, Selling Goods & Services to University Departments, ensures that goods and services sold to other University departments are being sold at rates that comply with Federal A-21 regulations and federal Cost Accounting Standards (CAS); and that they are sold at rates that fully cover, but do not exceed costs unless subsidies are documented in the rate development. The intent of the policy is to accumulate all allowable and allocable costs within an identified, segregated set of accounts; to recognize subsidies of the operation, to provide a feasible means of operating a business within federal guidelines, and to establish rates based on total costs.

The Controller's Organization is in the process of finalizing policy and procedure changes related to setting rates for internal sales activity. Communication on the updated procedures will be disseminated in the next two months. Preparation and submittal of rate information through the budget process does not eliminate the need for units to work with Accounting Services in reviewing ISO rates for compliance with federal accounting standards, and that process will be outlined in the new procedures. The submittal of information to the Budget Office as part of budget development is intended to arrive at the appropriate level of individual rates for budget management purposes only, and does not involve reviewing the rates for compliance with federal accounting standards or University policy.

Instructions for internal sales activity that equals or exceeds \$300,000 in annual revenues: All rates for internal sales activity in this category should be developed using the same methodology that was used for FY08. For FY09 budget development, units with internal sales revenue at this level should submit a summary of their major rates for FY07, FY08 and proposed for FY09, including a comparison of the rates, and the percentage increases or decreases each year. "Major rates" are those associated with the product lines that generate the majority (75-80% of annual internal sales revenues). If the data does not provide for accurate or meaningful comparisons between the years, then include only the years for which the data are comparable.

Instructions for internal sales activity with less than \$300,000 in annual revenues: All rates for internal sales activity in this category should be developed using the same methodology that was used for FY08. For purposes of FY09 budget development, units with internal sales at this level should submit rate information only for rates which are new for FY09 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY08
- Proposed rate for FY09
- Product line involved
- Description of any new product line or businesses involved
- Process for setting the rate
- Cost components included in the rate
- Review and approval process for the rate
- Total annual revenue projected for FY09 and growth over FY08 if applicable

Change in Policy: In the updated University policies and procedures related to internal sales activity, the following language will appear:

Expenses related to desktop computer support are considered to be administrative overhead expenses and are included in the F&A rate that is assessed on sponsored projects. Therefore, Recharge Centers (*new name for most major units with internal sales activity*) providing

administrative desktop computer support shall not be allowed to directly charge sponsored projects for their services. Recharge centers that provide both routine desktop computer support and more specialized scientific computer support must maintain the financial activity related to these service lines in separate Programs to ensure that desktop support expenses are not included in a rate that is charged to a sponsored project.

If this language represents a change from current practice for any unit and will cause a significant budget concern related to covering these costs, please submit a paragraph detailing the size and scope of the potential impact for FY09.

8. Course and College Fees

Each unit owning college, course and incidental fees charged to a student (most of which – but not all – are charged to a PeopleSoft student account and appear on billing statements) must review these fees, propose changes and submit this information using the web site fee request system found at <https://intranet.oess.umn.edu//osf/fee/>. The information submitted will be incorporated into the overall tuition and fee plan presented to the Board of Regents along with the budget in April.

The Fee Request and Approval system will be available for entry of FY09 fee information beginning January 14. All fee entry should be completed by March 12. This system will be used to capture all student fee information and will help ensure that units receive the fee revenues approved in the annual budget process. The fees owned by each college and approved for FY08 have been rolled over in the system to FY09 as pending fees. They are ready to be approved as is, or they can be edited or deleted.

The following data is necessary for fee setup:

- The CUFS account number (fund, area, org, suborg [optional], revenue source and subrevenue) where the fee revenue is to be recorded. (Near the end of FY08, a conversion from CUFS chart string information to PeopleSoft chart string information will take place. There will be communication at that time regarding mapping questions, but if the mapping is known now for these accounts, then adding that information in the notes during fee entry will be useful during that conversion process.)
- The amount of the fee.
- The amount of expected revenue for term fees (fees not associated with a particular course or class). Expected revenue is not required for course and class fees.
- The semesters that the fee should be charged.
- Rate structure (example, is this fee a flat fee or a per credit rate? Are different amounts charged at different credit levels?).
- For course fees, the course subject and designator (for example ACCT 2050). If there are multiple components, the component to attach the fee to must be identified. If fees must be broken down to a section level, the section numbers are necessary.
- The method of assessment, that is, will it be posted as part of the tuition calculation process, will a department be posting it directly to the student accounts, or is it collected by some other method?

Additional information and instructions, including procedures designed to minimize data entry, can be found on the website referenced above. As a reminder, this site should also be used throughout the year to request any late changes or to make clarifications to previously approved fees. Adding changes in the system allows all users to access a complete, up-to-date source of student fee information. It also allows

late changes to be included in the rollover process to provide users with more accurate, comprehensive future year fee data to review in the next cycle.

After fees are submitted, the relevant budget officer in the Office of Budget and Finance will receive an e-mail message indicating that a proposal is awaiting action. After approval is given, the RRC manager will be able to go online and see the results. A report listing the final fee approvals will be generated for review by the Board of Regents. It is this final list of fees that will be entered into PeopleSoft for FY09 implementation.

Please keep in mind, proposals for new course fees must meet the parameters established in Regents Policy – course fees must be designed to recover specific costs. They can be assessed for the purposes of paying for transportation related expenses associated with field trips, paying for expendable materials utilized in instruction, or addressing cost demand for services such as music lessons or access to very specialized equipment. The appropriate rationale for a proposed new fee will need to be entered into the web request system in order for your request to be considered.

There is no other process for implementation of fees – please make sure the list you submit is complete and accurate. Fees that are not requested via the fee request system and approved by the Regents may not be implemented until the next budget year.

9. Student Service Fee Waivers

In 2001, the Office of Student Affairs assembled a work group to examine the wide variety of student service fee waivers currently employed at the University. One clear result was that the process for obtaining waivers for students in a particular academic program was unclear, inconsistently applied, and in many cases unknown to the academic programs.

As a result, the Office of Student Affairs is again requesting Twin Cities colleges to apply for waiver status for all academic programs that wish to allow such waivers in 2008-09. If a waiver is granted, none of the students enrolled in the program in question will be charged student service fees. Though this is a financial benefit for students, it will make these students ineligible for access to student fee supported benefits or services such as the recreation centers, Boynton Health Service, and other student fee supported campus services. Students in these programs have the option of paying the student service fee, or they may purchase the Boynton Health Service extended coverage but are not eligible to enroll in the Student Health Benefit Plan provided by the University (i.e., they are not eligible to purchase student hospitalization insurance). Please take this into consideration as you apply for program waiver status. Academic programs on the Crookston, Duluth and Morris campuses should consult their student affairs offices for policies specific to their campuses.

Programs must have a unique degree and major code, or have some other way in the registration system in which students as a group can be uniquely identified as belonging to the program for which the waiver would be applied. The entire program must qualify for the exemption – specific sections, terms, and locations cannot be made exempt. Remember that all students registering for less than 6 credits during an academic term are automatically exempt from paying the student service fee, and off-campus courses do not count towards this 6 credit limit for purposes of receiving an exemption. Also under current policy, non-degree seeking students and post-secondary enrollment option students are exempt from student service fees, and therefore need not be included in your proposals.

Per the work group recommendations, approved waiver exemptions will be reviewed every three years. Programs on the list below were reviewed last year, and therefore do not have to reapply this year.

Programs currently receiving program waivers are listed at the end of this section. Please contact Jill Merriam at 625-2515 or jmerriam@umn.edu with any questions you may have.

Criteria for granting student service fee waivers to programs:

The program must be designed specifically for full-time working professionals AND one of the following must also be true:

- The program is designed and delivered as a weekend-only and/or evening-only program;
- The program is delivered in its entirety via distance education; or
- The program is delivered in its entirety at an off-campus location.

Each college that has a program or programs that wish to apply for a program waiver should provide the following information as part of this budget submission:

- College
- Name of program
- Degree(s) offered
- Approximate number of students per term
- Approximate number of percentage of students taking six or more credits per term
- Brief description of program and rationale for program waiver

Programs currently approved for fee waivers

Education and Human Development

Office of Professional Development and Outreach
Educational Admin Ed.D cohorts
Leadership Academy

Carlson School of Management

Evening MBA
Evening Masters of Arts in Human Resources and Industrial Relations
Evening MHA
Executive MBA

Continuing Education - Masters of Liberal Studies

Institute of Technology

MS Management of Technology
MS Manufacturing Systems Engineering
MS Software Engineering
MS Infrastructure Systems Engineering
UNITE

Human Ecology - Masters of Social Work – Rochester and Moorhead programs

COAFES - Cooperative program with SWSU

Medical School - Rural Physicians Associates Program

G. Process

1. Meetings and Due Dates

The budget oversight/compact update meetings have been scheduled from January 29 – February 27. The timeline for the FY09 budget has been moved ahead slightly so as to meet deadlines necessary for an April budget review by the Board of Regents. This will also allow for earlier transmittal of allocation decisions and therefore earlier budget entry into CUFS during a period where intense PeopleSoft training is also taking place.

The meetings will focus on the budget submissions, in the context of the unit's overall plans and priorities as addressed in the compact update. The meetings will include representation from the respective unit, the relevant Senior Vice President's Office, and the Budget Office. The agenda for each of these meetings will be to walk through the items submitted under Section F above. No other formal budget presentation materials are necessary.

Submittal Due Date – Five working days prior to the scheduled meeting, please send all required materials in Section F to the relevant budget officer listed in Section B.

2. Budget Recommendations

At the conclusion of the meetings, the Senior Vice Presidents will make recommendations to the President on the approval of specific initiative requests and the level of O&M allocation for each unit. These recommendations will take into consideration the proposals and funding levels necessary to make the unit successful and the necessity of presenting a balanced budget to the Board of Regents. The budget for the University must be balanced by the end of March in order to meet presentation deadlines for the April Board of Regents meeting. All decisions should be communicated to the academic units by early April.

As mentioned previously in these instructions, communication on investment decisions going forward will be done in an all-funds context. Each unit will receive a response to the items submitted for consideration in the budget.

For each requested budget increase, the response from the senior academic leadership could take several different forms. For example, a unit might be told one of the following:

- Yes – go forward with proposed activity and it will be funded through an increased O&M allocation (similar to the past)
- Yes – go forward with proposed activity and it will be funded through the use of increased unit revenues – tuition, ICR, etc.
- Yes – go forward with proposed activity and it will be funded through internal reallocation of unit resources
- Yes – go forward with proposed activity and it will be funded temporarily through the use of unit balances
- No – do not go forward with proposed activity

The budgets will be reviewed in an all-funds context, and as a result, the decisions made about initiative funding will be communicated in that all-funds context.

3. Balancing the Overall University Budget

Approximately half of the budget process has been completed with the distribution of these instructions.

- Support unit budget instructions were distributed in September;
- Budget/compact meetings were held with each of the support units in October and November;
- Forecasting items (salary and fringe, revenue estimates etc.) have been updated to support the overall context for making decisions within the University's budget framework;
- Preliminary support unit budgets for FY09 have been recommended to the President and he has given approval to proceed based on those recommendations;
- Cost allocations have been calculated for FY09 based on the approval of support unit budgets

The remaining components of budget development for FY09 will include:

- Budget/compact meetings with each of the academic units in late January and February;
- Development of academic budget recommendations to the President based on the available information regarding resources, all-funds analyses and investment plans of each unit – to be completed by late March;
- Adjustment of support unit budgets, cost allocations and planned academic unit budgets near the end of the process only when a significant unforeseen impact to the budget occurs – otherwise, hold to approved budgets and cost allocations and deal with moderate to low impact variances through the use of central reserves or through adjustments to budgets and rates the following year;
- Delivery of the President's recommended operating budget for FY09 to the Board of Regents for review in April and approval in May.

4. Assistance on the Budget

This is still a relatively new process and a new way of developing budgets. Every question is important and may prove useful in advancing the process or clarifying the materials for others, so please feel free to call or e-mail your budget officer for any assistance you may need.

APPENDIX A
Cost Pool Descriptions

There are nine primary cost pools in the new budget model. A brief description of each cost pool and the basis for allocating the corresponding costs is described below. In addition, the detailed FY09 model that calculates the distribution of costs for each pool (the “double step-down” model) contains the specific unit-level statistics on which each cost pool is allocated and will soon be posted to the Budget Office web site for reference.

1. Administrative Service Units

This cost pool includes the budgets for those units with general administrative responsibilities. Most of them have institution-wide oversight, policy or programmatic responsibilities, but several areas clearly provide services only to the Twin Cities campus, so this cost pool incorporates a two-tiered methodology – spreading the “systemwide” budgets across all campuses and the “twin cities” budgets only to units on the Twin Cities campus. On the “double step-down” model, the statistics and cost allocations for this pool are split into two separate columns – one for System-wide and one for Twin Cities only. The units included within this pool are:

System-wide

Audits
Bldg Systems Automation Ctr
Board of Regents
Budget and Finance
Capital Planning & Project Mgmt.
Controller
Equity and Diversity
General Counsel
Human Resources
Office of International Programs
President’s Office
Public Safety (excluding Police)
Sr. VP – Academic Affairs & Provost (excluding academic areas)
Sr. VP – Health Sciences (excluding academic areas)
Sr. VP – System Administration (excluding academic areas)
University Relations
VP for University Services

Twin Cities Only

Bursar’s Office
Campus Mail
University of MN Alumni Assoc.
University of MN Police
University Services (Finance, HR, IT)

This cost pool is allocated to the academic units based on their proportionate share of total expenditures (all funds) of the most recently closed fiscal year. The combined total of the FY09 approved budgets for the units listed above will be allocated based on the academic units’ proportionate share of FY07 total expenditures. Total expenditures was chosen as the base simply to represent the most reasonable way to spread a shared cost across all units. There is no recognized link between the amount of spending in a unit and that unit’s “use” of the services of a particular office within this pool.

2) Technology

This cost pool includes the portion of the Office of Information Technology’s (OIT) budget that previously was funded through central allocation and a small portion of the technology functions of the

Office of the Senior Vice President for Health Sciences. The portions of OIT's budget that have been managed as an Internal Service Organization (ISO) will continue to operate that way. The cost allocation charge implemented through the budget model will fund such things as the Data Network, Email, Voice Services, UMCAL, File Storage, Peoplesoft, E-Research, Helpdesk, Digital Media Center, Security and so forth.

As with the Administrative Service Unit Pool, much of the budget within this cost pool supports institution-wide oversight, policy or programmatic activities, but some areas within OIT primarily provide services only to the Twin Cities campus, so this cost pool also incorporates a two-tiered methodology – spreading some of the budget across all campuses and some only to units on the Twin Cities campus. For example, the data network is primarily a twin cities campus activity, while the Peoplesoft systems and security policy and procedures are system-wide activities. For FY09, approximately 51% of OIT's approved budget has been allocated on a system-wide basis and the remaining 49% has been allocated only to the Twin Cities campus. Again, on the “double step-down” model, the statistics and cost allocations for this pool are split into two separate columns – one for System-wide and one for Twin Cities only.

This cost pool is allocated to the academic units based on a proportionate share of total employee and student headcount from the fall of the prior year. The FY09 approved centrally allocated budget for these technology functions is spread based on the academic units' proportionate share of total headcount from the fall of 2007. Total headcount was chosen as the basis for this cost allocation because it was believed to be the best proxy for “use” of technology service across the institution. Whether any particular employee actually uses their x.500 account is not measured. Instead, the provision of the opportunity for use and the recognition that all students' and employees' records are maintained within the computer systems and networks of the University were the basis for the decision. It is a relatively stable, predictable and simple basis on which to allocate costs. The detailed query results that led to the headcount statistics for this pool on the “double step-down” model will be available for reference on the Budget Office web site.

3) Facilities Operations & Maintenance

This cost pool includes services within Facilities Management (FM) on the Twin Cities campus only. Facility operational and maintenance costs will continue to be managed outside of this cost allocation pool by each campus (or research and outreach station).

Services provided within the FM O&M cost pool include:

- Custodial Services
- Maintenance (preventive and repair maintenance to facilities and major equipment)
- Landcare
- Waste management
- R&R (Repair and Replacement, ex. extraordinary maintenance and replacement of building components like roofs, windows, elevators, etc.)
- Water, Sewer and Storm-water utility costs
- Facilities Management administration

The costs within this cost pool are based upon an agreed upon set of service levels for the Twin Cities campus. These service levels and the associated costs have been (and will continue to be on an annual basis) reviewed and approved through the budget process. Details of these service levels are available to download from the FM website (<http://www.uservices.umn.edu/fm.html>). In addition, a new customer advisory group has been formed to meet monthly to work on facility related service delivery and service

needs. Additional services beyond those funded within this cost pool are available by FM at their identified rates.

This cost pool is allocated to the academic units based on a proportionate share of total assignable square feet (ASF) from the fall of the prior year. The FY09 approved budget for these activities within Facilities Management will be allocated based on the academic units' proportionate share of ASF from November 2007. Each unit was given an opportunity to review the space data assigned to it and make necessary changes prior to "locking" the data base for use in the budget model. That same process will take place each year. A more complete explanation of the rules used in the assignment of space is included in these instructions as Appendix B.

This pool excludes buildings operated to support auxiliary functions that are required to pay their actual costs, such as athletic venues, residential life student housing, parking ramps, student unions and Boynton. In addition, O&M costs (and the associated ASF) for "warehouse" type space is assigned costs from a separate direct consumption-based cost pool (since these facilities are much cheaper to operate and receive a lower level of services, ex. no custodial services). Warehouse space includes facilities such as gyms, field houses, and barns.

Lastly, the space (and costs) leased to non-university tenants are excluded as well. Non-university tenant space is funded through lease revenue which off-sets these costs.

The space statistics for each academic unit are included on the "double step-down model" that will be available for reference on the Budget Office web site.

4) Student Services

This cost pool is divided into three categories, containing the budgets of various central administrative units dealing with student services.

- a. Category 1 – Services to All Students (regardless of type or level).* This category includes the budgets for Student Finance Administration (primarily Peoplesoft system administration) and the Registrar. Due to the nature of some of these activities, this cost pool also incorporates a two-tiered methodology – spreading some of the budgets across all campuses and some only to units on the Twin Cities campus. Approximately 80-85% of the budgets for these two units (excluding classroom activities) is distributed system-wide, and the remaining 15-20% is distributed just to the Twin cities units. On the "double step-down" model, the statistics and cost allocations for this pool are split into two separate columns – one for System-wide and one for Twin Cities only.

The basis for distribution of this cost pool is total student headcount from a point in time during fall semester of the previous year. The FY09 approved budgets for these two units is allocated based on the academic units' proportionate share of the total student headcount from the fall of 2007. The detailed query results that led to the headcount statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

- b. Category 2 – Services to Twin Cities Undergraduate Students.* This category includes the budgets (previously funded by central allocations) for:
 - Admissions Office and Scholarships
 - Orientation & First Year Programs
 - Health Career Center

Student Affairs (excluding activities funded through student fees)
Student Finance – Financial Aid
Office of the Vice Provost for Undergraduate Education

The combined budgets for these activities are distributed only to units on the Twin Cities campus. The basis for distribution of this cost pool is total undergraduate student headcount from a point in time during fall semester of the previous year. The FY09 approved budgets for these units and activities is allocated based on the academic units' proportionate share of the total undergraduate student headcount from the fall of 2007. The detailed query results that led to the headcount statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

- c. **Category 3 – Services to Students Enrolled in the Graduate School.** This category includes the budget for the Graduate School and the UROP program.

The basis for distribution of this cost pool is total headcount of students enrolled in the Graduate School and total headcount of Graduate School faculty – again from a point in time during fall semester of the previous year. The FY09 approved budgets for the Graduate School and UROP (excluding the University Press) are allocated based on the academic units' proportionate share of the total headcount of students enrolled in the graduate school and total headcount of graduate school faculty from the fall of 2007. Again, the detailed query results that led to the headcount statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

5) Research Administration

This cost pool includes the budgets for central units that administer, support and monitor sponsored research activity. Structurally, these budgets exist within the office of the Vice President for Research (excluding the Hormel Institute and the MN Population Center), Sponsored Financial Reporting in the Controller's Organization, University Health and Safety, and the AHC Office of Research.

This cost pool is allocated to academic units based on their proportionate share of the average of the last three years of total sponsored expenditures. The three-year rolling average is used in this formula to recognize the relative variability in this revenue source for some units, which will serve to lessen large swings in the costs distributed by unit. The total of the FY09 approved budgets for the units identified above will be allocated based on the academic units' proportionate share of the average of FY05, FY06 and FY07 total sponsored expenditures.

6) Library

This cost pool includes only the approved centrally allocated budget for the University Libraries. Because this budget supports Twin Cities activities almost exclusively, this cost pool is allocated only to units on the Twin Cities campus. The basis for distribution is a weighted faculty and student headcount from the previous fall. The weighting factors are as follows:

Lower division undergraduate students	.5
Upper division undergraduate students	.75
Professional and graduate students	1.0
Faculty (broadly defined)	1.0

This weighting scheme has been used for many years as part of the instructional cost study. There is concern, however, that perhaps the scheme is outdated and doesn't best reflect the usage patterns of today, so this weighting mechanism will be reviewed and potentially revised in the future.

The FY09 approved budget for the University Libraries is allocated to the academic units based on the weighted headcount from the fall of 2007. The detailed query results that led to the headcount statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

7) Utilities

This cost pool represents the actual costs for the following utilities: steam, electricity and gas. A more complete description of this cost pool is included within the instructions, Section D-5 on page 13. Some units will continue to need the utility rates to plan for their budgets, so that information was included in the instructions as planning parameters.

The actual costs will be allocated to the academic units on the Twin Cities campus based on their actual consumption of the utilities involved. The cost is calculated at a building level and then distributed within the building based on each unit's share of total assignable square feet for that building.

8) Debt & Leases

This pool includes the costs of centrally supported debt service and leases on behalf of units on all campuses. Costs are allocated based on the actual occupancy of space for which the University pays debt service or lease costs (again distributed within a shared building based on each unit's share of total assignable square feet for that building).

9) General Purpose Classrooms

This cost pool includes the budgets for central units that support, monitor and manage general purpose classroom space on the Twin Cities campus. The units involved are the Classroom Management Offices within the Sr. Vice President for Academic Affairs & Provost Office and the Sr. Vice President for Health Sciences Office.

This cost pool is allocated to the academic units based on their proportionate share of total course registrations in the fall of the prior year. The approved budget for these activities for FY09 is allocated based on total course registrations from the fall of 2007. The detailed query results that led to the course registration statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

APPENDIX B
Treatment of Space in the Budget Model

Space Information as it relates to Cost Pools:

There are four cost pools in the new budget model which rely upon how much space is assigned to RRCs:

Property & Liability Insurance (not a new cost pool)
Twin Cities Campus Utilities
Twin Cities Campus O&M costs
Twin Cities Debt allocation

[Note: For coordinate campuses and research/outreach stations, the cost allocation processes for the Twin Cities (utilities, O&M, and debt) will be allocated based on the campus/site and will not utilize individual space allocations within a building.]

Separately in these instructions, (in the Property & Liability and Non-Profit Organization Liability Insurance section on page 14 and in Appendix A) the cost allocation for each of these cost pools is described. This section is intended to explain how the baseline space information is generated, managed and will be used to support cost allocation.

In a memo sent on October 5, 2006 to RRC managers from the Budget Office and the Office of Space Management, each RRC was asked to verify the CUFS area to which each room on the Twin Cities campus is assigned. This memo summarized how and where the University maintains the allocation of space:

“The SPACE database, which tracks assignment, function and use of every room in every building at the University of Minnesota, is now being used as the basis for determining the quantity of assignable square footage (ASF) assigned to each Area Group (RRC) for calculation of the costs which will be allocated by ASF in the new budget model. Assignment information is normally updated by the Office of Space Management on a one to three year basis for strategic planning purposes, indirect cost recovery, and allocation of insurance and utilities costs.

With this notice RRCs were given the opportunity to update the information within the SPACE database. In the future, early each fall, the Budget Office in collaboration with the Office of Space Management will send a listing of rooms assigned to each RRC by building. RRC Managers should review this information and send back corrections if needed. (There will be a link on the Budget Office website for an example of this form.) After the SPACE system is updated, a snap-shot will be taken and that information will be used to calculate the building cost allocation for the following fiscal year. (For FY '08, the snap shot was taken on 12/5/06.) Changes to space allocation after that point and throughout the fiscal year will not be utilized to change any cost allocation throughout the year, but will be part of calculating the allocation of costs for the next fiscal year.

Any change in the allocation of space needs to be reviewed and approved by the Office of Space Management. Though changes in the assignment of space may be approved or dis-approved for a number of reasons, some general criteria and practices include:

- Space assignments within an area require approval by the Director
- Space assignments within an area require approval by the RRC (Dean/AVP/etc.)
- Space assignments within a VP unit require approval by a VP

- Space changes between units require the approval of both sides of the change or the administrative leader for both of them (ex. a Dean can approve changes between departments) and the Office of Space Management.
- Space may be considered for a ‘return’ to the University as unassigned or changed to inactive (and not charged to an RRC) if:
 - The change helps achieve a strategic goal
 - The space is contiguous, accessible from a public corridor, and of sufficient size to be assigned to another program

All cost will be allocated according to **Assignable Square feet**, defined as:

Assignable square feet (or “ASF”) is the sum of all areas on all floors of a building assigned to, or available for assignment to, an occupant. It is measured and tracked at the room level. Note that it does not include space used for the general operations of the building as described under non-assignable space below.

This means that all the costs relating to non-assigned space is excluded from the cost allocation process and are shared equally by each ASF within a building. **Non-Assignable space** is defined as:

The sum of all areas on all floors of a building not available for assignment to an occupant or for specific use, but necessary for the general operation of a building. This includes areas like public restrooms, corridors, stairwells, elevator lobbies and shafts, custodial closets, loading platforms, and mechanical rooms.

Finally, there is **Unassigned Space**, i.e. space which could be assigned to someone but is not due to it being decommissioned, unfinished, inactive or under renovation. Space that is unassigned is handled based on the following rules.

- Decommissioned or unfinished space is excluded from the total assignable square footage.
- Inactive space is assigned to the Facilities Cost Pool and allocated accordingly.
- Space that is being remodeled is assigned to the future tenant.

There will soon be a link on the Budget Office website to this year’s space inventory. A communication describing all budget model information available for reference on the Budget Office web site will be distributed in the next two week. Any questions regarding the space data base should be directed to the Office of Space Management at 6-7996.

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