

# FY09 Budget Instructions Support Units

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*(distributed by Office of Budget and Finance)*

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**A. Compact/Budget Development 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.

**B. Support Units Included in these Instructions**

Units receiving these instructions are considered support units for purposes of the budget model. The budgets of these units (that prior to FY07 were funded through a central allocation of state funds) represent cost pools within the system that are billed out to the academic units. The central support units are identified below, along with their assigned cost pool for allocation and budget contact for the FY09 budget development process. For reference, a brief description of the methodology used to allocate the respective costs to the academic units is included as an attachment to this document. Please note, some Resource Responsibility Centers (RRCs) are split into more than one cost pool. If that is the case, though, the budget for FY09 should continue to be developed for the whole RRC – submittals of information should be done for the unit as a whole. Splitting the budget into different cost pools will occur only after the whole budget for the unit is approved.

Support Unit Designations: Listed below is each support unit to which these instructions apply, along with the unit’s assigned cost allocation pool and budget officer for the FY09 budget development process.

<b>Unit</b>	<b>Budget Officer</b>	<b>Cost Pool Assignment</b>
Board of Regents (TREG)	Robin Dittmann	Admin Services
President’ Office (TPRO)	Robin Dittmann	Admin Services
General Counsel (TGCL)	Robin Dittmann	Admin Services
Audits (TAUD)	Robin Dittmann	Admin Services
Budget & Finance (TBFI) – excluding Leases	Julie Tonneson	Admin Services
Budget & Finance (TBFI) – Leases (excluding gen. purpose classrooms)	Julie Tonneson	Debt/Leases
Controller (TCTR) – excluding SFR	Julie Tonneson	Admin Services
Controller (TCTR) – SFR (area 800)	Julie Tonneson	Research Admin.
VP for University Services (TUSV)	Sue Niehoff	Admin Services
Capital Planning & Project Management (TCAP)	Brian Swanson	Admin Services
University Health & Safety (THSM)	Sue Niehoff	Admin Services
Public Safety (TSAF)	Sue Niehoff	Admin Services
Human Resources (THRS)	Sue Niehoff	Admin Services
University Relations (TINS)	Sue Niehoff	Admin Services
Auxiliary Services-Campus Mail Only	Sue Niehoff	Admin Services
Sr. VP-System Academic Admin. (TSYA) – excluding: Children, Youth & Family CURA Ctr. For Transportation Studies Ctr. For Global Change	Robin Dittmann	Admin Services
VP for Equity/Diversity (TEQD)	Sue Niehoff	Admin Services
Office of International Programs (TOIP)	Sue Niehoff	Admin Services
Sr. VP for Academic Affairs/Provost (TEVP) Excluding: Weisman Art Museum	Robin Dittmann	Admin Services

Unit	Budget Officer	Cost Pool Assignment
Undergraduate Education (TUED) Excluding: Academic Counseling ROTC	Lincoln Kallsen	Student Services
Classroom Management (within area 709)	Lincoln Kallsen	GP Classrooms
Sr. VP for Health Sciences (THSC)	Julie Tonneson	Admin Services
Health Career Center (within THSC)	Julie Tonneson	Student Services
AHC Office of Research (within THSC)	Julie Tonneson	Research Admin.
Classroom Mgmt (within THSC)	Julie Tonneson	GP Classrooms
Technology Support (within THSC)	Julie Tonneson	Technology
Office of Information Technology (TINF)	Carole Fleck	Technology
Facilities Management (TFAC) excluding: Utilities and BSAC	Brian Swanson	Facilities O&M
Facilities Management (TFAC) Bldg Systems Automation Ctr.	Brian Swanson	Admin Services
Utilities	Julie Tonneson	Utilities
*Student Affairs (TCLF) – excluding: Rec. Sports	Lincoln Kallsen	Student Services
Twin Cities Student Unions		
Student Legal Services		
Student Conflict Resolution		
Boynton		
Graduate School (TGRD)	Lincoln Kallsen	Student Services
VP for Research (TRES)-excluding Hormel	Robin Dittmann	Research Admin.
University Libraries (TLIB)	Robin Dittmann	Libraries
University Debt (TDBT)	Carole Fleck	Debt/Leases

Note \*: Student Affairs units excluded in the list above are technically part of the academic unit budget process in the winter and spring. However, to accommodate the student fee approval process, budget discussions for these units will take place in the fall along with the rest of Student Affairs. Final budgets for these excluded units will not be approved until the winter/spring process.

**C. Changes in the Support Unit Budget 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 8 of these instructions.

**D. FY09 Budget Parameters – Planning Assumptions**

**1. Context of the Biennial State Appropriations:** The University’s investment plans for the 2008-2009 biennium center around the Strategic Positioning goals of Exceptional Students, Exceptional Faculty and Staff, Exceptional Organization and Exceptional Innovation.

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 \$14,310,000, which is \$50,190,000 less than requested. While state appropriations for the first year of the

biennium provided needed new investments and allowed the University to hold tuition revenue growth to roughly 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 an additional planned 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.

At this point in the planning process, the financial plan for FY09 includes total incremental new resources (including planned reallocations) of \$66,910,000 compared to \$107,600,000 in FY08. The \$66,910,000 will provide funds for 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), and a \$13,610,000 undesignated investment balance. The undesignated balance in the FY09 plan results, in part, from an intentional plan to carry forward an operating balance from the FY08 operating budget into FY09. It is yet to be allocated to specific priority investments under the University’s long-term strategic plan. The allocation of those funds to support and academic units will be determined during this budget process for FY09.

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

**Investments/Challenge**

Student Aid	\$3,300,000*
General Compensation	\$34,700,000*
Facilities	\$15,300,000*
New Investment Pool ( <i>Exceptional Students, Faculty &amp; Staff, Organization, Innovation</i> )	<u>\$13,610,000*</u>
Total Investments/Challenge	\$66,910,000

**Resources**

Fiscal Year 2007-08 Balance	\$4,800,000
New State Appropriation	\$14,310,000
Student Tuition & Fees	\$39,300,000*
University Internal Reallocations	<u>\$8,500,000</u>
Total Resources	\$66,910,000

\* Items subject to re-estimation in the coming months.

**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. These are the same rates that were used in development of the biennial budget request to the state for FY09. However, due to the revised methodology for calculating fringe rates, which must reconcile to the annual audited financial statement, these rates will be updated after the financials have been stated around the end of October. Please proceed with the rates as indicated below. Revisions to the rates will be communicated as soon as they are available.

	<u>Projected 2008-09</u>
Civil Service (and undergraduate students)	33.0%
Academic	32.6%
Graduate Assistant	19.0%

**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 purchases property and liability insurance centrally 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 2008.

**Non-Profit Organization Liability:** The University purchases Non-Profit Liability Insurance centrally 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 over the 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 2008.

Because the budget instructions are being prepared early in the year, 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 over the charges billed for FY08. The FY08 charge and projected FY09 estimates are listed below by unit.

<u>RRC</u>	<u>FY08 Charge</u>	<u>FY09 Estimate</u>	<u>RRC</u>	<u>FY08 Charge</u>	<u>FY09 Estimate</u>
TAUD	\$1,380	\$1,490	THSM	\$17,180	\$18,554
TBFI	4,719	5,097	TINF	73,862	79,771
TCAP	8,445	9,121	TINS	7,029	7,591
TCLF	158,023	170,665	TLIB	204,668	221,041
TCTR	8,696	9,392	TOIP	8,248	8,908
TEQD	7,636	8,247	TPRO	6,905	7,457
TEVP	79,617	85,986	TREG	236	255
TFAC	99,095	107,023	TRES	19,073	20,599
TGCL	3,114	3,363	TSAF	9,610	10,379

<u>RRC</u>	<u>FY08 Charge</u>	<u>FY09 Estimate</u>	<u>RRC</u>	<u>FY08 Charge</u>	<u>FY09 Estimate</u>
TGRD	6,211	6,708	TSYA	12,867	13,896
THRS	18,656	20,148	TUSV	4,655	5,027
THSC	88,519	95,601			

**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**

1. 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 listed below in section G. 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 budget submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

2. Budget Development Worksheets

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 in the next week). 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. Each unit with endowment funds will receive a separate e-mail from the Foundation prior to their scheduled compact/budget meeting. That message will include an attached report with information related to the unit's endowment balances. Units do not have to submit any information related to this report, it is just provided for information and will be reviewed in the budget discussions along with all other unit resources.

3. 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.

#### 4. 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, and
- projecting related improvements in productivity and/or service levels (if applicable) to achieve University-wide strategic goals and to create internal funding of new investments. All projected productivity enhancements should include a specific description of how the improvement will control costs, how it will be measured, and how the desired impact or outcome will be demonstrated.

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.

#### 5. Productivity Improvements and Cost Efficiencies

As indicated earlier in these instructions, the current financial plan for FY09 includes a total University internal reallocation of \$8,500,000. A portion of this reallocation will be implemented within support units through planned productivity improvements and cost efficiencies. Rather than assigning targets to individual units, however, each cost pool “owner” within the budget model is being assigned the responsibility to propose actions that will result in productivity improvements within that cost pool – cost reductions or revenue generating proposals that will reduce the overall cost of the pool. The “owners” and target amounts are as follows:

<u>“Owner”</u>	<u>Cost Pool</u>	<u>Target Amt.</u>
Senior Vice Presidents/CFO	Administrative Service Units	\$680,000
VP & CIO, S. Cawley	Technology Infrastructure	360,000
VP University Services, K. O’Brien	Facilities O&M/Utilities	470,000
Dean, Graduate School, G. Dubrow	Student Services (Graduate)	125,000
VP Research, T. Mulcahy	Research Administration	135,000
University Librarian, W. Lougee	Library	220,000
Vice Provost & Dean,	Student Services (All Students)	70,000
Undergraduate Education, C. Swan	Student Services (Undergraduate)	110,000
	General Purpose Classrooms	30,000

Each “owner” should develop and submit a proposal that will result in cost savings or additional revenue generation for the unit(s) within the relevant cost pool. The proposal should briefly outline the actions to be taken, the projected impact on unit activities and service levels and any relevant breakdown of the estimated financial benefit totaling the target amounts listed above. Proposals should be developed under the following guidelines:

- The proposal should not involve an “across-the-board” reduction to unit budgets, but should instead strive to involve a thoughtful and targeted change in the way business is conducted that will result in cost savings or potential revenue growth.
- The resulting savings (or revenue increases) do not have to impact the budget of each unit within the pool (if there is more than one unit in the pool).
- As much as possible, the “owners” should involve their respective consultative groups associated with each cost pool to develop and discuss different options.
- To verify which unit budgets are included within each pool, please contact Julie Tonneson.

Proposals will be reviewed during the budget oversight meetings of the relevant “owners” and should be submitted by the “owners” at the same time as the other materials outlined in these instructions. Not all proposals will be accepted and implemented, and the units involved should not assume that total O&M allocations will be reduced by the amounts identified above. Productivity improvements may result in available resources to cover other increased costs within the units, rather than a reallocation to other parts of the overall University budget. In addition, any cost saving proposals approved through this process may be combined with approved funding requests for units in the pool, resulting in an increased O&M allocation to these units.

## 6. ISO Rate Setting

Under the budget model, ISO activities are excluded from the cost allocation processes. ISO operations will not be included in the support unit budgets that are allocated out as costs to academic units and will not be included in the academic unit bases used for cost allocation – total expenditures, ASF or headcounts. However, ISOs must continue to submit their rate proposals through the budget process, so this section is intended to provide instruction for that – for the RRCs listed on pages 4 and 5. Any unit without ISO operations 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. If goods and services sold to other University departments do not fully cover costs, all subsidies must be 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 has grouped ISOs based on various “risk factors”. Each of these groups undergo various rates of review to insure compliance with set policies. 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. The submittal of information to the Budget Office as part of budget development is intended to arrive at the appropriate level of individual rates, incorporating the correct planning parameters, and does not involve reviewing the rates relative to federal accounting standards.

Instructions for ISOs that meet or exceed \$300,000 in annual revenues: All rates for ISO activity in this category should be developed using the same methodology that was used for FY07. For FY08 budget development, these ISOs should submit a summary of their major rates for FY06, FY07 and proposed for FY08, 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 revenues for the ISO). 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 ISOs with less than \$300,000 in annual revenues: All rates for ISO activity in this category should be developed using the same methodology that was used for FY07. For purposes of FY08 budget development, these ISOs should submit rate information only for rates which are new for FY08 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY07
- Proposed rate for FY08
- 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 FY08 and growth over FY07 if applicable

## **G. Process**

### **1. Meetings and Due Dates**

The plan is to hold one compact/budget overview meeting with each unit between October 2 and November 6. 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. The meetings are currently being scheduled, and they will include representation from the respective units, the budget office, and the Senior Vice Presidents’ offices. The agenda for each of these meetings will be to walk through the items submitted under section F above. No other formal presentation materials are necessary. Because time will be limited, efforts will be made to focus discussion on areas of primary importance and areas where clarification of materials would be beneficial.

**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 and Cost Allocations**

During November and early December, the Budget Office will be developing analysis, models, summaries and recommendations related to the all-funds budget for each unit involved in this fall’s process. Different scenarios for the FY09 budgets will be modeled into the charging mechanism for academic units so the impact of those different scenarios can be understood. Ultimately, meetings will be held with the President and Senior Vice Presidents to review the analyses, summary materials and

recommendations for each budget. Budget levels approved at this time by the senior officers will then be communicated to each of the support units and converted into charges for the academic units by late December or very early January.

### 3. Balancing the Overall University Budget

This support unit portion of the budget development process conducted in the fall is only half of the University's overall budget picture. As mentioned previously, budgets for these units are being approved by the administration before all information related to the University's overall revenue forecasts and investment plans is final. Although the state appropriation for FY09 is known, a change in the tuition revenue estimates, or unforeseen expenditure obligations surfacing in the spring must be built into the final budget recommendation presented to the Board of Regents in April and May. As implemented last year, the plan to deal with "end-of-process" issues is as follows:

- ❖ Update forecasting items with current information (salary and fringe estimates, tuition estimates, etc.) as soon as possible to determine estimated available resources
- ❖ Approve support unit budgets for FY09 by end of December
- ❖ Set FY09 cost allocations for academic units by end of December
- ❖ Approve academic unit budgets by early March based on available resources, all-funds analyses and investment plans
- ❖ Adjust 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

### 4. Assistance on the Budget

This is still a relatively new process, a new timeline 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.

## Attachment – Cost Pool Descriptions

**Cost Pool 1. Administrative Service Units** - This cost pool is allocated to the academic units based on a proportionate share of total expenditures of the most recently closed fiscal year. The FY09 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of FY07 total expenditures. Some of the budgets for the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

**Cost Pool 2. Technology** - 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 budgets for units within this cost pool will be allocated based on the academic units' proportionate share of headcount from the fall of 2007. Some of the budgets for the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

**Cost Pool 3. Facilities Operations & Maintenance** - 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 this portion of TFAC will be allocated based on the academic units' proportionate share of ASF from fall 2007. This cost pool affects only Twin Cities academic units and not the coordinate campuses.

**Cost Pool 4. Student Services** - This cost pool is allocated to the academic units based on a proportionate share of the different categories of students from the fall of the previous year: either a) all students, all levels; b) undergraduate students only; or c) graduate students enrolled in the graduate school plus graduate school faculty. The FY09 approved budgets for units within this cost pool will be allocated based on the academic units' share of the relevant headcount from the fall of 2007. Category (a) will be allocated to the Twin Cities academic units and the coordinate campuses; category (b) will be allocated to only Twin Cities academic units; and category (c) will be allocated to only Twin Cities academic units and Duluth.

**Cost Pool 5. Research Administration** - This cost pool is allocated to academic units based on a proportionate share of the average of the last three years of total sponsored expenditures. The FY09 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of the average of FY05, FY06 and FY07 total sponsored expenditures. This cost pool will be allocated to Twin Cities academic units and Duluth.

**Cost Pool 6. Library** - This cost pool is allocated to academic units on the Twin Cities campus only based on a proportionate share of a weighted faculty and student headcount from the previous fall. The FY09 approved budget for University Libraries will be allocated to the academic units based on the weighted headcount from the fall of 2007. (Weighting scheme: lower division student = .5; upper division student = .75; professional student, graduate student and faculty = 1)

**Cost Pool 7. Utilities** - This cost pool is allocated to the academic units on the Twin Cities campus based on their actual consumption of the utilities involved. Buildings on the Twin Cities campus are metered for use, so the cost for each building can be calculated and then spread across the units within the building based on their proportionate share of ASF.

**Cost Pool 8. Debt & Leases** - This cost pool is allocated to the academic units based on the actual occupancy of space for which the University pays debt service or lease costs. The budget for these items for FY09 will be based on known costs for debt service and leased space, and that will be allocated to the appropriate academic units based on occupancy during FY09.

**Cost Pool 9. General Purpose Classrooms** - This cost pool is allocated to the academic units based on a proportionate share of total student registrations. The budget related to classroom management and the estimated actual costs for debt service/leases/utilities related to general purpose classroom space for FY09 will be allocated based on student course registrations from the fall of 2007.