FY10 Budget Instructions
Support Units

Highlights/Changes for FY10

- Separate Compact Instructions
- Salary Increase Assumption – 3% (see page 5)
- Budget Development Worksheet in Enterprise Financial System – (see page 8)
- 1% Reallocation Response (see page 10)
- Past Efficiencies Response (see page 11)

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A. Compact/Budget Development Process for FY10

In FY09, University senior officials made the decision to modify the annual Compact process to occur on a biennial, or two-year cycle, corresponding to every even-numbered fiscal year. Instructions for developing and submitting compact materials are included in the "FY10 Compact Instructions for Administrative and Service Units".

These instructions provide the information necessary for **administrative and service units** to develop their FY10 budget materials.

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 FY10 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 FY10 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. Please note, some RRCs are not required to submit a compact document, and some units listed in the compact instructions are part of a larger RRC for budget development purposes. Please check the two lists carefully.

Support Unit Designations: Please feel free to contact your budget officer if you need any assistance in interpreting or responding to these instructions.

Unit	Budget Officer	Cost Pool Assignment
Board of Regents (RGNTS)	Robin Dittmann	Admin Services
President' Office (PRESD)	Robin Dittmann	Admin Services
General Counsel (OGCxx)	Robin Dittmann	Admin Services
Audits (AUDIT)	Robin Dittmann	Admin Services
Budget & Finance (UFINx) – excluding Leases	Julie Tonneson	Admin Services
Budget & Finance (UFINx) – Leases	Julie Tonneson	Leases
Controller (CONTR) – excluding SFR	Julie Tonneson	Admin Services
Controller (CONTR) – SFR (DeptID 10010))	Julie Tonneson	Research Admin.
VP for University Services (USERV)	Sue Niehoff	Admin Services
Capital Planning & Project Management (CPPMx)	Brian Swanson	Admin Services
University Health & Safety (UHLSF)	Sue Niehoff	Admin Services
Public Safety (PUBSF)	Sue Niehoff	Admin Services
Human Resources (OHRxx)	Sue Niehoff	Admin Services
University Relations (URELx)	Sue Niehoff	Admin Services
Auxiliary Services-Campus Mail Only	Sue Niehoff	Admin Services
Sr. VP-System Academic Admin. (SAAVP)	Robin Dittmann	Admin Services
VP for Equity/Diversity (EQDIV)	Sue Niehoff	Admin Services
Office of International Programs (OIPxx)	Sue Niehoff	Admin Services
Sr. VP for Academic Affairs/Provost (AAPRV)	Robin Dittmann	Admin Services
Excluding: Inst. on the Environment (DeptID 10107)		
Undergraduate Education (UEDUC)	Lincoln Kallsen	Student Services
Excluding: Academic Counseling & ROTC		

Unit	Budget Officer	Cost Pool Assignment
Classroom Management	Lincoln Kallsen	GP Classrooms
Sr. VP for Health Sciences (HLSCI)	Julie Tonneson	Admin Services
Health Career Center (within (HLSCI)	Julie Tonneson	Student Services
AHC Office of Research (within HLSCI)	Julie Tonneson	Research Admin.
Classroom Mgmt (within HLSCI)	Julie Tonneson	GP Classrooms
Technology Support (within HLSCI)	Julie Tonneson	Technology
Office of Information Technology (OITxx)	Carole Fleck	Technology
Facilities Management (FMxxx) excluding: Utilities and BSAC	Brian Swanson	Facilities O&M
Facilities Management (FMxx)		
Bldg Systems Automation Ctr.	Brian Swanson	Admin Services
Utilities	Julie Tonneson	Utilities
*Student Affairs (STDAF) – excluding: Rec. Sports, Twin Cities Student Unions, Student Legal Services, Student Conflict Resolution, Boynton	Lincoln Kallsen	Student Services
Graduate School (GRADx)	Lincoln Kallsen	Student Services
VP for Research (RSRCH)-excluding: Hormel Institute, Minnesota Population Center	Robin Dittmann	Research Admin.
VP for Scholarly & Cultural Affairs (SCAxx) excluding: Concerts & Lectures, Inst. for Advanced Studies, Weisman Art Museum	Julie Tonneson	Admin Services
University Libraries (LIBRx)	Robin Dittmann	Libraries
University Debt (UDEBT)	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/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. FY10 Budget Parameters – Planning Assumptions

1. Context of the Biennial Budget Request:

The University's request to the state of Minnesota for funding in FY10 and FY11 will be presented to the Board of Regents for review September 12, 2008 and approval October 17. The request is being developed to address key University priorities that we believe will also resonate with state leaders as essential to the health and vitality of the University and the state. Contingent on Board of Regents approval, the proposal will include requests in the areas of core compensation increases for our employees, research enhancement, and student aid.

The state is facing significant budget issues as it approaches the 2009-2011 biennium, with a projected deficit exceeding $1 billion. Recognizing the lack of available resources, the University's proposal will be focused, strong and justifiable. If successful, the University will gain new resources to address the most consequential financial needs, but the fiscal environment will require us to focus on what is truly most strategically important and reschedule investments that can be delayed.

The specifics of the proposal are as follows:

	Increase over FY09 FY2010	Increase over FY10 FY2011	2010–2011 Biennium (biennial math)
Core Compensation (State Share)	$36,500,000	$22,200,000	$95,200,000
Middle Income Scholarship	$8,000,000	$0	$16,000,000
Research Enhancement Fund	$10,000,000	$10,000,000	$30,000,000
Total Request – New State Appropriation	$54,500,000	$32,200,000	$141,200,000

In addition to the funds requested from the state, the overall proposal will include a description of the University's budget framework for tuition and internal reallocation. So, while the state request is for compensation, research enhancement and student aid, tuition increases and internal reallocation will be utilized to meet needs for compensation (in addition to state funds), core infrastructure needs such as utilities, debt service, technology etc., and programmatic commitments and enhancements.

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 the Public Employees Labor Relations Act (PELRA). In addition, all described plans are subject to Board of Regents approval.

Consistent with the biennial budget request for the upcoming biennium (FY10 and FY11), a general 3% salary increase, along with the associated fringe increases outlined below, should be assumed in developing overall cost estimates for compensation in FY10. 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 FY10 will be disseminated from Human Resources at a later date.

A note for your information: if no changes are made to the payroll system, there will be twenty-seven pay periods in FY10 instead of the usual twenty-six. The University has known this would occur for some time and is developing plans for how to address it. At this point in the budget process, though, please do not assume any additional cost or any change in the payroll processes. Further communication will be sent as soon as plans are finalized.

Projected fringe benefit rates for FY10 for use in budget planning are outlined below. Due to the federally required 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. Any revisions to the rates will be communicated as soon as they are available.

	Projected 2009-10
Civil Service (and undergraduate students)	35.8%
Academic	32.3%
Graduate Assistant	25.8%

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 FY15.

The assessment is charged in EFS through the allocation process. The rate will remain 1.25% (the same as the rate used in FY09) and the methodology of applying the rate against actual salaries for each chart string continues as it has in previous years.

The following assumptions should be built into the FY10 budget plans at this time:

- Estimated assessment cost of 1.25% of projected FY10 salaries
- Account code used for budgeting the expected assessment is 820200 – Enterprise Assessment-Final Budget Only. (Actual charges will hit account code 820201).
- Assessment is on actual salary expenditures in the following fund classes, with a few individual account exceptions:
  Tuition, Fees, State Appr – fund 1000
  Auxiliaries – fund 1100
  Other Unrestricted – funds 1020, 1023, 1025, 1026
  Private Practice – fund 1030
  Restricted State Specials – funds 1801 - 1807
- 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 account codes:

- 700101 – Salaries – Faculty
- 700201 - Salaries – Professional & Administrative
- 700301 - Salaries – Graduate Student
- 700302 – Salaries – Professional Student
- 700401 – Salaries – Undergrad Academic
- 700402 – Salaries – Undergrad Non-Academic
- 700501 – Salaries – Civil Service
- 700502 – Salaries – AFSCME
- 700503 – Salaries – Teamster/Law Enforce
- 700504 – Salaries - Trades

Questions regarding the Enterprise Assessment allocation process can be directed to the University Financial Helpline at (612) 624-1617 or finsys@umn.edu.

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 account code 720313. The Office of Risk Management will then initiate a journal entry to complete the transaction in July 2009.

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 FY09. The premium expenditure should be budgeted by each RRC as account code 720313. The Office of Risk Management will then initiate journal entry to complete the transaction in July 2009.

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 FY10 planning purposes, each unit should assume a 6% increase over the charges billed for FY09. The FY09 charge and projected FY10 estimates are listed below by unit. Please note that for those RRCs with academic units, the entire charge for the RRC is listed here, rather than splitting the estimate between the support and academic portions.

RRC	FY09 Charge	FY10 Estimate	RRC	FY09 Charge	FY10 Estimate
AAPRV	$7,622	$8,079	PRESD	$9,677	$10,258
AUDIT	1,563	1,657	PUBSF	10,677	11,318
CONTR	9,070	9,614	RGNTS	312	331
CPPMx	6,139	6,507	RSRCH	26,140	27,708
EQDIV	8,698	9,220	SAAVP	7,618	8,075
FMxxx	111,545	118,238	SCAxx	29,192	30,944
GRADx	6,819	7,228	STDAF	155,378	164,701
HLSCI	64,436	68,302	UEDUC	58,433	61,939
LIBRx	199,269	211,225	UFINx	5,153	5,462
OGCxx	3,569	3,783	UHLSF	17,142	18,171
OHRxx	19,496	20,666	URELx	7,232	7,666
OIPxx	8,625	9,143	USERV	4,673	4,953
OITxx	77,110	81,737			

D. Budget Submissions

1. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY10, 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 F. 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, for the first time, the all-funds budget development worksheets have been created for each unit within the Enterprise Financial System (EFS). The worksheets have the same basic format and purpose as those from prior years. An on-line tutorial has been developed to learn how to enter the information in EFS. The new process gives RRC managers the option of completing the worksheet just at the RRC level, or asking their budget departments to complete the worksheet at the lower structural level, which then rolls up to the RRC level.

> (The budget departments for worksheet purposes can be located in EFS on the Budget Tree – follow this path in the Reporting Instance (not production) to find the relevant breakdown by RRC: Tree Manager > Tree View > choose tree UM_DEPTID_BUDGET effective dated 7/1/08. It is easiest to view this tree in the Tree Print Option.

Only one worksheet per RRC will be accepted by the Budget Office, so this optional functionality is provided just for those RRCs that would like their budgeting departments to submit a more specific level of financial planning information to them. The Budget Office will not see the worksheets from that lower structural level if they are prepared.

The on-line tutorial will be available for use beginning Monday, September 8, and the budget development worksheets will be available for entry beginning Thursday, September 11. The tutorial can be accessed in each individual's "MYU" portal. **If it doesn't appear in the list of available courses at tha site**, "enroll" in it by longing onto the training website at http://www1.umn.edu/ohr/est/schedule/index.html and clicking on "Budget Development Worksheets".

The correct path to access the worksheets within PeopleSoft is: UM Budgeting > UM Budget Development Worksheet > UM RRC Managers ***OR*** UM Department Users > UM Budget Dev Worksheet. All RRC managers and their designees whose names have been submitted to security will have access to the worksheets in PeopleSoft. The list of RRC Managers has been provided to the Enterprise Systems Training Office and EFS Security. Each RRC Manager should automatically be enrolled in the Budget Development Worksheet online tutorial and automatically be given access to the Budget Development Worksheet. If RRC managers wish to give others within their RRC access to complete the worksheets at the budget department level, then a list of those names and X.500 addresses will need to be sent in. A template for submitting that information will be sent to RRC managers in the next few days. Budget tool access for his fall process will be temporary. Once the Final Budgeting tool ("budget prep") is open for entry, anyone requiring budget access will have to sign up for an instructor led course for Final Budgeting. An ARF will need to be completed and the assessment passed for permanent access to the entire budgeting tool.

Please note that there may be some additional editing done to the worksheets as they appear in PeopleSoft in the upcoming months; to correct things that do not impact the functionality of the worksheets, but just improve their readability. For the FY10 budget process, FY07 data will not appear on the worksheet – in the future, two years worth of actuals will exist for reference. The worksheets hold the following information for FY08 Actuals and the FY09 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 account codes under each category can be found in the ***reporting instance*** > Tree Manager > Tree View. Choose the tree UM_ACCOUNT_REPTG and pick the effective date 7/1/08. Use the "tree print option" to view all.)
- 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

As in past years, there is also a column for projections through the end of FY09 ("Forecast") to arrive at an updated estimate of carryforward into FY10 if that update is warranted.

The final column (Budget 2010) is for projecting FY10 activity. The budget submittal should focus on completing the Forecast 2009 column and then completing the Budget 2010 column 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. FY10 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 the Budget 2010 column 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 FY09. Those adjustments have been identified on the budget development worksheet of the affected units for reference and will be identified in the final allocation letters for FY10.

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 FY10, then the expense projections in the Budget 2010 column of the budget development worksheet should also reflect that transfer.

If there is information missing in these instructions necessary to complete the Budget 2010 column, please contact your budget officer for assistance. Please note – the central allocation line for FY10 should intentionally be left blank at this point and not be filled in until final budget decisions are made for each unit.

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 FY10 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

In section C of the compact instructions, there is an opportunity to discuss the unit's top 3 core activities/programs and/or new ideas that will be focused on or pursued over the next three to five years. To the extent there are significant financial needs that do not rise to the level of "top 3" for inclusion in the compact submittal, units can submit corresponding proposals through the budget process. Requests for new funding will be considered on an exception basis only; must make a very compelling case; and, as with the compact proposals, 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 or FY09** 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 the past and the future plans and cash flow needs of the initiative.

c) Items representing an absolutely **essential and critical strategic need** in operations, 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.

It is important to understand that the funding available for new investments in FY10 will be 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 the next biennium includes a total University internal reallocation of 1% on state appropriation plus tuition/University fee, which equates to $13.3 million per year. A portion of this reallocation will be implemented within support units through planned productivity improvements and cost efficiencies. The 1% calculation by RRC, based on FY09 allocations, is as follows:

Unit	1%	Unit	1%
Audit	$20,800	President's Office	$48,800
Auxiliary Services	5,700	Public Safety	97,600
Board of Regents	9,000	Research	139,200
Budget & Finance	30,300	Scholarly & Cultural Affairs	5,700
Capital Planning/Project Mgmt	16,300	Sr. VP Academic Affairs	51,800
Controller	99,000	Sr. VP Health Sciences	114,300
Equity & Diversity	89,600	Sr. VP System Academic Admin	66,700
Facilities Management	937,900	Student Affairs	39,900
General Counsel	43,800	Undergraduate Education	279,700
Graduate School	190,600	University Hlth & Safety	46,700
Human Resources	103,600	University Libraries	371,800
Information Technology	606,100	University Relations	89,900
International Programs	47,200	University Services	61,100

Each RRC receiving these instructions should develop and submit a proposal that will result in cost savings or additional revenue generation equal to the amount identified above. (If Vice Presidents wish to alter the specific target amounts for the units within their purview, while keeping the total the same, please contact the Budget Office.) 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. The proposal should strive to involve a thoughtful and targeted change in the way business is conducted that will result in cost savings or potential revenue growth.

Proposals will be reviewed during the compact/budget oversight meetings. 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 for a variety of reasons:

- The revenue and cost estimates used in the biennial budget framework are planning parameters at this point, which will likely change before the final budget recommendation is submitted to the Board of Regents.
- Final decisions on unit level impacts will be informed by input from the relevant Vice Presidents.
- 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.
- Cost saving proposals approved through this process may be combined with approved funding requests, resulting in an increased O&M allocation to these units.

<u>6. Past Efficiencies</u>

The University would like to make a concerted effort to communicate the very real evidence of internal efficiencies or cost saving measures put into place over the last several years. There are definitely stories to share, so the budget process is being used as the mechanism to gather those stories for later summarization and dissemination – both internally within the University and externally as appropriate. Therefore, please provide a written description (if relevant) of what actions your organization has taken; what new procedures or processes you have implemented; what decisions have been made, or what projects of a larger scale you have been involved with that have led to real savings or future cost avoidance for the University. Please focus only on your FY07, FY08 or FY09 budget in thinking about what good news stories you can share.

<u>7. Internal Sales Rate Setting</u>

Under the budget model, internal sales activities are excluded from the cost allocation processes. Internal sales 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, units conducting internal sales activity 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 3 and 4. 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. If goods and services sold to other University departments <u>do not</u> 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.

Submittal of Internal Sales Information – Two Separate Procedures:

1) **Internal Sales Office -** Rate development information for the forthcoming year and annual management reviews of internal sales activity for the prior fiscal year must be submitted to the Internal Sales Office. Information submitted will be used to review internal sales rates for compliance with federal accounting standards. The Controller's Organization has grouped units conducting internal sales based on various "risk factors". Each of these groups undergo various levels of review to insure compliance with set policies. Rate information for the forthcoming fiscal year must be submitted to the Internal Sales Office regardless of expected annual revenue amounts. Refer to procedure "Reviewing Internal Sales Activity Annually" in the "Selling Goods and Service to University Departments" policy for the documentation due to the Internal Sales Office by September 30 of each year.

2) **Budget Office -** Rate information for the forthcoming fiscal year must be submitted to the Budget Office according to the instructions below. Submittal of rate information through the budget process does not eliminate the need for units to work with the Internal Sales Office in reviewing internal sales rates for compliance with federal accounting standards. The submittal of information to the Budget Office is intended to arrive at a decision on 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 units conducting internal sales that meet or exceed $300,000 in annual revenues: All rates for internal sales activity in this category should be developed using the procedures defined in University of Minnesota financial policy 3.2.1, Selling Goods & Services to University Departments. For FY10 budget development, units conducting internal sales at this level should submit a summary of their major rates for FY08, FY09 and proposed for FY10, 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 units with less than $300,000 in annual internal sales revenues: All rates for internal sales activity in this category should be developed using the procedures defined in University of Minnesota financial policy 3.2.1, Selling Goods & Services to University Departments. For purposes of FY10 budget development, units conducting internal sales at this level should submit rate information only for rates which are new for FY10 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY09
- Proposed rate for FY10
- 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 FY10 and growth over FY09 if applicable

E. Process

1. Meetings and Due Dates

Compact-budget overview meetings will occur with each unit between October 1 and November 5. The timeline has been set so as to meet deadlines necessary for a May budget review by the Board of Regents.

The meetings will focus on the questions outlined in the compact instructions and any significant issues surfacing from the submitted budget materials. No supplemental presentation materials are necessary. The meetings are currently being scheduled, and they will include representation from the respective units, the budget office, and the Senior Vice Presidents' offices.

Submittal Due Date – Five working days prior to the scheduled meeting, please send all required materials in section D to the relevant budget officer listed in section B. Compact materials should be submitted ten working days prior to the meeting (see compact instructions for submittal direction).

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 FY10 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 preliminarily approved by the administration before all information related to the University's overall revenue forecasts and investment plans is final. The state appropriation for FY10 will not be known until May, so tuition levels and expenditure plans cannot be finalized until spring and must then be built into the final budget recommendation presented to the Board of Regents in May and June. Recognizing "end-of-process" decisions may necessitate changes in the preliminary support unit budgets the overall process 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 FY10 by end of December
- ❖ Set FY10 cost allocations for academic units by end of December
- ❖ Approve academic unit budgets by late 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

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 FY10 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of FY08 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 FY10 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of headcount from the fall of 2008. 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 FY10 approved budget for this portion of Facilities Management will be allocated based on the academic units' proportionate share of ASF from fall 2008. 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 FY10 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 2008. 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 FY10 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of the average of FY06, FY07 and FY08 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 FY10 approved budget for University Libraries will be allocated to the academic units based on the weighted headcount from the fall of 2008. (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 FY10.

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 FY10 will be allocated based on student course registrations from the fall of 2008. This cost pool affects only Twin Cities academic units and not the coordinate campuses.