

FY10 Budget Planning Guidelines

Academic Units

February 2009

Highlights/Changes for FY10

- Separate Focused Compact Instructions
- New Budget Framework – Governor’s Recommendation (see pages 5-8)
- Salary Increase Assumption (see page 8)
- Tuition Assumption (see page 18)
- Budget Development Worksheet in Enterprise Financial System – (see page 26)
- Reallocation Response (see page 28)
- Past Efficiencies Response (see page 30)

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

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A. Budget/Compact Process for FY10

All units will be asked to submit budget materials and a portion of the full compact. The compact instructions have been distributed as a separate document, but the content, submission deadlines and process have been coordinated with these budget instructions to result in one priority setting and resource planning process with central administration. The compact submission due with the budget materials has been shortened to focus on the highest University and unit-level priorities and planning surrounding reallocations.

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 a DeptID level (department or lower), by and large decisions will continue to be made at the RRC level. If a Dean/Chancellor/RRC Unit Head 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 FY10</u>
Ag. Experiment Station	Julie Tonneson
Athletics	Brian Swanson
Auxiliary Services	Sue Niehoff
Biological Sciences	Julie Tonneson
Continuing Education	Carole Fleck
Crookston Campus	Carole Fleck
Design	Lincoln Kallsen
Duluth Campus	Carole Fleck
Education & Human Dev	Lincoln Kallsen
Liberal Arts	Julie Tonneson
Ag., Food & Environmental Sc.	Lincoln Kallsen
Carlson School of Mgmt	Robin Dittmann
Dentistry	Sue Niehoff
Humphrey Institute	Robin Dittmann
Institute of Technology	Julie Tonneson
Law School	Robin Dittmann
Medical School	Sue Niehoff
MN Extension	Julie Tonneson
Morris Campus	Carole Fleck
Nursing	Sue Niehoff
Pharmacy	Sue Niehoff
Public Health	Sue Niehoff

<u>Unit</u>	<u>Budget Office Contact for FY10</u>
Rochester Campus	Carole Fleck
Veterinary Medicine	Sue Niehoff
<u>SCA</u>	
Weisman	Julie Tonneson
Concerts & Lectures	Julie Tonneson
Institute for Advanced Study	Julie Tonneson
<u>AAPRV</u>	
Inst. on the Environment	Robin Dittmann
<u>GRAD</u>	
University Press	Robin Dittmann
<u>SAAAU</u>	
CURA	Robin Dittmann
Ctr. Transp. Studies	Robin Dittmann
Children, Yth, Families	Robin Dittmann
Ctr. For Global Change	Robin Dittmann
U Metropolitan Consortium	Robin Dittmann
<u>RSRCH</u>	
Hormel Inst.	Robin Dittmann
MN Population Center	Robin Dittmann
MN Supercomputer Institute	Robin Dittmann
<u>STDAF</u>	
Boynton	Lincoln Kallsen
Rec Sports	Lincoln Kallsen
TC Student Unions	Lincoln Kallsen
Student Legal Serv.	Lincoln Kallsen
Student Conflict Res.	Lincoln Kallsen
<u>AHCSH</u>	
AHC Mayo	Sue Niehoff
Bioethics	Sue Niehoff
Bioinformatics	Sue Niehoff
CAHP-Administration	Sue Niehoff
CAHP-OT	Sue Niehoff
CAHP-Clinical Lab Science	Sue Niehoff
Cancer Center	Sue Niehoff
Clinical Research	Sue Niehoff
Ctr. For Drug Design	Sue Niehoff
CUHCC	Sue Niehoff
Genomics	Sue Niehoff
Health Informatics	Sue Neihoff
Infectious Diseases	Sue Niehoff
Influenza Research	Sue Niehoff
MMCT	Sue Niehoff
Obesity Prevention	Sue Niehoff
Office of Education	Sue Niehoff
Post Harvest Food	Sue Niehoff
RAR	Sue Niehoff
Spirituality & Healing	Sue Niehoff
Translational Medicine	Sue Niehoff
Translational Neuroscience	Sue Niehoff

Unit Budget Office Contact for FY10

UEDUC

Academic Counseling	Lincoln Kallsen
Air Force ROTC	Lincoln Kallsen
Army ROTC	Lincoln Kallsen
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. FY10 Budget Parameters – Planning Assumptions

1. Context of the Biennial Request to the State:

In October of 2008, the Board of Regents approved the University’s biennial budget request to the State of Minnesota. Recognizing that the state was facing significant budget issues for the 2009-2011 biennium, the University’s proposal was focused, strong and justifiable. It was designed to address the most consequential financial needs, with an understanding that we would focus on what is truly most strategically important and reschedule investments that could be delayed.

The specifics of the proposal were as follows:

	Increase over FY09	Increase over FY10	2010–2011 Biennium
	FY2010	FY2011	(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 included a description of the University’s budget framework for tuition (increases of 4.5% in each of the next two years) and internal reallocation (planned at 1%, or \$13 million, for each of the next two years). So, while the state request is for compensation, research enhancement and student aid, tuition increases and internal reallocation were to 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. Core Principles to Guide Decision Making:

The University has always found the development of a set of core principles to guide decision making to be beneficial in communicating its values and intentions. The turbulent global economic crisis and its likely short and long range impact on our strategic aspirations require us to not only reexamine those principles but to also recommit to those core principles. The development of the revised financial

planning framework outlined in these budget instructions has been constructed within the framework of the core principles outlined below:

1. Advance and maintain the University's quality, competitiveness, and momentum through prudent investment in its research, education, and public mission
2. Compensate, support and retain talented faculty and staff
3. Take substantial action to increase overall productivity by reducing costs and increasing revenues without sacrificing excellence, quality, and responsiveness.
4. Continue to support strategies that improve financial access and affordability for students at all levels
5. Use all available tools to address long-term and short-term budget and investments challenges (reduce costs; eliminate, reduce or defer programs and investments; and increase revenues)
 - a. Short-term state budget reductions (FY09) represent a one-time adjustment rather than a permanent base budget reduction, and must be shared very broadly, using available basic university operating funds (minus sponsored funds, grants, contracts gift support, etc.). Unit balances should play a role in determining the distribution of short-term budget reductions.
 - b. Long-term state budget reductions (FY10-FY11) must be managed primarily through internal reallocation, reducing or deferring investments and increasing revenues. Units must look to permanent reductions and eliminations of programs and activities that are lower priority and/or not critical to maintaining our quality, competitiveness, or momentum in our research, education, and public service missions. We must also consider necessary cuts in the provision of services; however, these decisions need be made in partnership between the academic and service units at the University.
 - c. While increased tuition revenue will be considered as a component of resolving serious state budget reductions, this source will be considered after maximizing available cost reductions.
6. Remain accountable to these principles, and the University's well-established strategic planning criteria.

3. Revised Preliminary Financial Planning Framework

Since the biennial budget proposal was approved by the Board of Regents, two significant developments have occurred regarding the University's state appropriations. First, the University received an unallotment to our appropriation in the current fiscal year of \$20 million. In response, a corresponding unallotment amount was communicated to each academic and support unit in January.

Second, the Governor's budget recommendation for the upcoming 2010-2011 biennium, in which he identified his plans to address a projected \$4.8 billion shortfall, was released on January 27, and it included a recurring reduction in FY10 of \$75.5 million to the University's base appropriation. This is on top of the recurring \$2,550,000 base reduction for FY10 that was passed into law during the 2008 legislative session. Therefore, the total recurring base reduction to the University's appropriation for FY10 is \$78,050,000. The Governor did not recommend an additional reduction to the University's

appropriation for FY11. From the perspective of the traditional biennial viewpoint, the Governor’s budget recommendation results in a biennial reduction of \$156,100,000, or approximately 11%.

In light of the global economic crisis and its negative impact on state resources, it is highly unlikely that any new initiative funding will be appropriated to the University. The University is committed to continuing to make the case for increased state investment in the University. However, all indications are that the global economic crisis will continue to have a very negative impact on state revenues and it is likely that the next state revenue forecast to be released in early March will show state revenues dropping even further, which could lead to further spending reductions at the state level and thus further appropriation cuts. The federal stimulus package currently being debated may offer some relief for the next biennium for the state budget, but that may only serve to stave off further cuts rather than supplement the Governor’s recommendation. Given these financial circumstances, the University has revised the budget planning framework from that assumed in the biennial budget proposal described above to one that anticipates a reduction in our state appropriation.

It is important to bear in mind that the financial framework outlined below is only one of several options under consideration. Adjustments to this framework are possible depending upon what assumptions are used regarding state appropriations, new investments, compensation and tuition. The framework outlined below has been developed within the context of the Governor’s recommended appropriation reduction for FY10 and represents a beginning point for financial planning by the University and its academic and support units. We will work together to refine this framework as we endeavor to achieve aspirations outlined in the University’s Strategic Plan and budget principles.

	<u>FY10</u>	<u>FY11</u>
Resources		
FY09 Uncommitted (R) Appropriation	\$3,200,000	\$0
State Appropriation Change	(78,050,000)	0
Tuition and University Fee*	44,500,000	40,200,000
Reallocation*	<u>86,200,000</u>	<u>19,900,000</u>
Total Resources	\$55,850,000	\$60,100,000
Investments		
Compensation (FY10 fringe only)*	\$20,800,000	\$22,000,000
Mid Income Scholarship	8,000,000	0
Facility Operations	13,600,000	12,900,000
Founders	4,400,000	4,000,000
Strategic Initiatives	6,400,000	15,000,000
Contractual/Safety/Other	<u>2,650,000</u>	<u>6,200,000</u>
Total Investments	\$55,850,000	\$60,100,000

*Assumptions explained in next section.

4. Highlights of Revised Financial Framework:

Resource and investment assumptions have been modified from the original biennial request in significant ways. As noted above, state appropriations are now assumed to be reduced by \$78 million in FY10. The state appropriation reduction has prompted changes to our biennial budget planning framework in three major areas: the tuition assumption, the reallocation parameters and the investment plans. **The combined impact of the appropriation reduction (\$78 million) and the required investments (\$55.9 million) leads to a budget challenge of \$133,900,000 in FY10. In the revised framework, 67% of that**

challenge is addressed through University reallocations and resources, and 33% is addressed through increased tuition costs to students.

Investment plans have been scaled back to meet anticipated resources. **The financial plan now envisions a major change in compensation including an assumption of no salary increases in FY10 and a modest 2.0% salary increase for FY11 (subject to collective bargaining).** The compensation cost increase displayed for FY10 in the framework above represents the increased cost of fringe benefits alone. The middle income scholarship program outlined in our biennial budget request has been retained in the revised framework as well as our commitment to the Founders scholarship program for low income students. The cost of facility operations including projected debt, leases and new building operations have been re-estimated. The framework includes only minimal financial requirements for legal and contractual obligations and a very modest level of new compact investment.

Resource assumptions have also been modified. The tuition framework has been modified from a planned growth of 4.5% in each of the next two years; increasing by an additional 3% in FY10 and an additional 1.5% in FY11 in response to the Governor's recommended appropriation reduction. The resulting tuition increases reflected in the framework above are then 7.5% for FY10 and 6.0% for FY11. As noted above, the inclusion of the middle income scholarship program and the continuation of our commitment to Pell-eligible students through the Founders Program, despite deep reductions in state appropriations, will serve to reduce the overall tuition rate increase for a significant number of undergraduate students. The increased cost of these programs in FY10 is \$12.4 million, which equates to an increase in tuition of approximately 2%.

The most significant change in the financial framework relates to the level of internal reallocation necessary to balance investments with anticipated resources. The original biennial budget framework envisioned a back to back 1.0% internal reallocation. Due to the significant reduction in state appropriations for FY10, the level of reallocation necessary to balance the preliminary financial framework is now targeted to be approximately 5% or \$86.2 million in FY10. The FY11 reallocation remains at approximately 1%. Obviously, additional modifications to FY10 and FY11 may be necessary as events at the State Capital unfold.

In light of the dramatic global economic crisis coupled with significant uncertainty with respect to state appropriations and the potential for constraints on tuition income, the revised financial planning framework is asking all academic and support units to prepare budget plans for FY10 assuming a 5% and a 8.0% reduction on the FY09 allocation base.

Please read the sections below related to tuition, salary increases and the reallocation for more detailed information and implementation requirements.

5. 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 the preliminary framework for the 2010-2011 biennium described above, plans should include no general salary increase for FY10. There is a change in the fringe benefit rates applied to salary expense in FY10, however, and those new rates, 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.

Projected fringe benefit rates for FY10 for use in budget planning are outlined below. See Figure 1 on page 9 for a listing of the rates by component.

	<u>Projected 2009-10</u>
Civil Service (and undergraduate students)	37.0%
Academic	32.3%
Graduate Assistant	25.0%

Figure 1
2009-10
Fringe Benefit Rates by Component

2007-08 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	13.6	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
	<hr/>		
2008-09 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	13.26	4.25	--
Group Life & Disability	.38	--	--
Workers Compensation	.08	.77	--
Unemployment	.01	.01	--
Social Security	4.65	6.06	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	32.70	21.90
	<hr/>		
2009-10 (As Approved)	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	13.30	4.97	--
Group Life & Disability	.47	--	--
Workers Compensation	.10	.96	--
Unemployment	.07	.39	--
Social Security	5.31	6.07	6.46
Medicare	1.53	1.63	1.70
Tuition	.50	1.51	**
Health Insurance	10.62	20.61	16.84
Vacation	.40	.86	--
	32.30	37.00	25.00

** 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 \$6,206 semester benefit (graduate school tuition plus the University fee) for 390 hours of work requires a tuition fringe rate of \$14.32 per hour. Because tuition rates have not yet been approved by the Board of Regents, the rate of \$14.32 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 account code 710300.

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 be determined in an RFP process this spring. The health fringe rate for FY10 will be 16.84% 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 \$2.29.

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 \$14.32 hourly fringe rate on these job classes for summer 2010.

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 (\$33.85 for summer 2010) 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 2009-10

	Tuition	Health	Social Security Medicare	Total % Fringe
<i>Summer Only</i>				
9571 Summer Quarter TA	\$0.00	16.84%	8.16%	25.00%
9572 Summer Quarter RA	\$0.00	16.84%	8.16%	25.00%
9573 Summer Quarter AF	\$0.00	16.84%	8.16%	25.00%
9574 Summer Quarter TA w/ T. Ben	\$33.85	16.84%	8.16%	25.00%
9575 Summer Session TA w/o T. Ben	\$0.00	16.84%	8.16%	25.00%
<i>Academic Year and Summer Quarter</i>				
9511 Teaching Assistant (TA)	\$14.32	16.84%	8.16%	25.00%
9515 Graduate Instructor	\$14.32	16.84%	8.16%	25.00%
9517 Ph.D. Cand. Graduate Instructor	\$2.29	16.84%	8.16%	25.00%
9518 Advanced Masters TA	\$2.29	16.84%	8.16%	25.00%
9519 Ph.D. Cand. w/24 thesis cred. TA	\$2.29	16.84%	8.16%	25.00%
9521 Research Assistant (RA)	\$14.32	16.84%	8.16%	25.00%
9526 Graduate Research Project Asst.	\$14.32	16.84%	8.16%	25.00%
9527 Ph.D. Cand. Grad Research Asst.	\$2.29	16.84%	8.16%	25.00%
9528 Advanced Masters RA	\$2.29	16.84%	8.16%	25.00%
9529 Ph.D. Cand. w/24 thesis cred. RA	\$2.29	16.84%	8.16%	25.00%
9531 Administrative Fellow (AF)	\$14.32	16.84%	8.16%	25.00%
9532 Advanced Masters AF	\$2.29	16.84%	8.16%	25.00%
9533 Ph.D. Cand. w/24 thesis cred. AF	\$2.29	16.84%	8.16%	25.00%
9535 Professional Program Asst.	\$0.00	16.84%	8.16%	25.00%
9538 Legal Project Assistant w/T. Ben	\$28.51	0.00%	8.16%	8.16%
9539 Legal Project Assistant w/o T. Ben	\$0.00	0.00%	8.16%	8.16%
9553 Dental Fellow	\$14.32	0.00%	8.16%	8.16%
9554 Med Fellow, Graduate Program	\$7.16	0.00%	8.16%	8.16%
9559 Med Resident, Graduate Program	\$7.16	0.00%	8.16%	8.16%

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 6.46% for FICA and 1.7% for Medicare (8.16% total)

6. 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.

7. 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 720300. The Office of Risk Management will then initiate a journal entry to complete the transaction using account code 720313 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 720300. The Office of Risk Management will then initiate a journal entry to complete the transaction using account code 720313 in July 2009.

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 7% 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 support and academic units, the entire charge for the RRC was listed in the support unit instructions.

	Property/Liability		Non-Profit Org Liability	
	FY09 Charge	FY10	FY09 Charge	FY10
Crookston	\$107,070	\$114,565	\$6,975	\$7,463
Duluth	520,189	556,602	52,673	56,360
Morris	167,652	179,388	12,062	12,906
Rochester	0	0	889	951
Ag. Experiment Station	44,079	47,165	1,203	1,287
AHC Shared	101,666	108,783	15,109	16,167
Athletics	210,876	225,637	13,557	14,506
Auxiliary Services	633,439	677,780	15,447	16,528
Biological Sciences	85,706	91,705	12,391	13,258
Continuing Education	25,211	26,976	7,685	8,223
Design	40,613	43,456	7,153	7,654
Ed. & Human Dev.	120,616	129,059	28,493	30,488
Liberal Arts	231,293	247,484	63,564	68,013
Food, Ag., Nat. Resource Sc.	292,364	312,829	32,596	34,878
Carlson School	41,917	44,851	24,031	25,713
Dentistry	57,099	61,096	15,637	16,732
Extension	8,153	8,724	19,686	21,064
Humphrey Institute	15,828	16,936	4,442	4,753
Inst. of Technology	341,976	365,914	53,623	57,377
Law School	57,608	61,641	10,369	11,095
Medical School	302,263	323,421	102,179	109,332
Nursing	10,325	11,048	4,768	5,102
Pharmacy	32,945	35,251	8,716	9,326
Public Health	52,743	56,435	11,111	11,889
System Academic Admin	4,791	5,126	1,439	1,540
Veterinary Medicine	106,581	114,042	19,851	21,241

8. 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, 2009 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 is 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 FY10 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 DeptID 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 customers outside the cost pool such as academic enterprises, independent organizations, and institutional supported departments upon request. Requests can be made to Wendy Berkowitz at extension 48886.

	<u>FY2008-09</u> <u>Current Rate</u>	<u>FY2009-10</u> <u>Estimated Rate</u>
Steam – 1,000 lbs of steam (Mlb)	\$20.20	\$22.50

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)	\$.0767	\$.0817
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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	\$11.17 Dkthrm	\$11.66 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 & billed based on consumption for units outside the cost pool

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/ass charge (see Appendix z for a description of the Facilities O&M cost pool) for FY10. 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>FY2008-09</u> <u>Current Rate</u>	<u>FY2009-10</u> <u>Estimated Rate</u>
Chilled Water	\$0.24 ton/hour	\$0.25 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 the installation of meters to measure the inputs and outputs for chilled water. Originally, we planned to directly bill FY10 chilled water costs based upon metering consumption and to pull chilled water out of the Facilities O&M cost pool. However, due to complications in completing the meter installations and set up we were not able to obtain enough data to begin direct billing based on consumption. During FY09, 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 FY11 to ensure we have accurate estimates to provide information for budgeting at this time.

	<u>FY2008-09</u> <u>Current Rate</u>	<u>FY2009-10</u> <u>Estimated Rate</u>
Water/Sewer – Hundred Cubic Feet (CCF)		
Minneapolis	\$7.53	\$7.89
St. Paul	\$3.83	\$4.17

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 Wendy Berkowitz at 624-8886, Shari Zeise at 625-9429 or Facilities Management, at 625-9514.

9. Tuition and University Fee Estimates

The attribution of tuition revenue will remain the same as previous years with 75% of the revenue delivered to the college that teaches the course and 25% of the revenue delivered to the college where the student taking the course is enrolled. Collegiate units are asked to review the centrally developed tuition revenue estimates and then either accept them or revise them based upon their own intersession/summer session, and regular session tuition revenue estimates for FY09 using the following information.

The figure below has preliminary tuition and University fee revenue projections for FY9 and FY10. Note that the increase in tuition and University fee revenue in FY10 is projected to be \$44.5 million under the assumptions detailed below.

Assumptions

- a) The overall FY10 increase in tuition and the University Fee for an individual resident student is 7.5 percent on all campuses and for each student level.
- b) The University Fee is increased from \$55 per credit to \$60 per credit up to a 10-credit maximum of \$600 per term.
- c) The increase for nonresident students is the same dollar amount as the increase for resident students on all campuses and for each student level.
- d) The increase for Wisconsin reciprocity undergraduate students is the same percentage increase as for Minnesota residents. Note that Wisconsin will probably not set its tuition rates until July or August 2010.
- e) The enrollment and registration pattern of students will be exactly the same in FY10 as in FY09 on all campuses and for each student level.

Methodology

The projection model uses actual tuition and University fee amounts for FY08, fall 2007, and fall 2008. The FY09 projections assume that for each campus and college the fall 2008 revenue will be the same percentage of the FY09 total as fall 2007 revenue was for the FY08 total. A projection for fall 2009 is based on the assumptions above as applied to the specific tuition attribution detail for each individual student in fall 2008. The FY10 projections then assume that for each campus and college the fall 2009 revenue will be the same percentage of the FY10 total as fall 2007 revenue was for the FY08 total. The increase is less than 7.5 percent for nearly all units because the increase for nonresident students is the same dollar amount as for resident students and is therefore significantly less than 7.5 percent.

In 2009-10 the University will continue to implement two changes for undergraduate students. First, the second cohort of new Wisconsin reciprocity undergraduate students will be assessed the Minnesota resident tuition rates rather than the lower Wisconsin tuition rates. Second, the second cohort of new nonresident undergraduate students on the Duluth and Twin Cities campus will be assessed a lower tuition rate. The new rate for nonresident undergraduate students on the Duluth campus is the Minnesota resident rate plus \$1,000 per semester. The new rate for nonresident undergraduate students on the Twin Cities campus is the Minnesota resident rate plus \$2,000 per semester.

Prior modeling has shown that these changes will have only a minor impact on tuition and University fee revenue that is positive for most units, with the increased revenue from new Wisconsin undergraduate students more than offsetting the decreased revenue from new nonresident undergraduate students.

Questions regarding the updated tuition revenue and University fee projections for FY09 and FY10 may be directed to Peter Zetterberg (j-zett@umn.edu).

Figure 3: FY09 and FY10 Tuition and University Fee Revenue Projections

Campus/College	FY09 Tuition	FY09 U Fee	FY09 Total	FY10 Tuition	FY10 U Fee	FY10 Total	% Inc
UM Crookston	8,168,325	1,322,492	9,490,818	8,759,922	1,442,707	10,202,629	7.5%
UM Duluth	79,443,171	10,738,906	90,182,076	85,140,021	11,715,073	96,855,094	7.4%
UM Morris	10,647,156	1,604,124	12,251,280	11,420,187	1,749,939	13,170,126	7.5%
UM Rochester	635,628	62,694	698,323	679,588	68,393	747,981	7.1%
Acad Affairs&Prov, Sr VP	16,135	2,294	18,428	17,251	2,502	19,753	7.2%
AHC Shared Units	2,638,180	235,162	2,873,342	2,822,103	256,538	3,078,641	7.1%
Biological Sciences,	15,801,715	1,756,669	17,558,384	16,874,645	1,916,351	18,790,995	7.0%
Continuing Education,	14,277,210	1,377,568	15,654,777	15,256,652	1,502,788	16,759,440	7.1%
Education/Human Dev,	43,738,966	4,763,942	48,502,909	46,684,322	5,196,985	51,881,307	7.0%
Food, Ag & Nat Res Sci,	15,395,652	1,803,369	17,199,021	16,407,418	1,967,296	18,374,713	6.8%
Liberal Arts, College of	132,145,730	15,998,529	148,144,259	141,031,291	17,452,796	158,484,087	7.0%
Carlson School of Mgmt	57,747,342	4,142,210	61,889,552	61,692,669	4,518,737	66,211,406	7.0%
Dentistry, School of	13,100,133	635,387	13,735,521	13,936,718	693,144	14,629,862	6.5%
Design, College of	10,914,111	1,188,171	12,102,282	11,671,849	1,296,176	12,968,024	7.2%
Graduate School	411,507	33,488	444,995	433,204	36,532	469,736	5.6%
Public Affairs, HHH Inst of	4,871,697	378,457	5,250,154	5,200,048	412,859	5,612,907	6.9%
Health Sciences Adm	93,569	12,059	105,628	100,337	13,155	113,492	7.4%
Institute of Technology	69,691,733	7,693,473	77,385,206	74,139,937	8,392,810	82,532,747	6.7%
Law School	21,066,194	911,669	21,977,862	22,388,394	994,540	23,382,934	6.4%
Medical School	32,206,710	2,301,105	34,507,815	34,475,538	2,510,276	36,985,814	7.2%
Nursing, School of	7,173,272	726,922	7,900,194	7,687,031	792,999	8,480,030	7.3%
Pharmacy, College of	15,018,046	988,238	16,006,284	16,000,469	1,078,069	17,078,538	6.7%
Public Health, School of	11,331,399	885,521	12,216,921	12,065,852	966,016	13,031,868	6.7%
Sys Acad Adm Acad Units	34,784	3,294	38,078	36,485	3,593	40,079	5.3%
Ugrad Ed, V Prov & Dean	597,602	81,240	678,841	639,643	88,624	728,267	7.3%
Multi-Institution Regis	65,045	9,409	74,454	69,573	10,264	79,837	7.2%
Veterinary Medicine	11,337,757	527,543	11,865,300	11,988,238	575,496	12,563,734	5.9%
University Total	578,568,768	60,183,934	638,752,702	617,619,385	65,654,657	683,274,042	7.0%

Analyzing and Modifying the Tuition and University Fee Estimates for FY10

There are two main areas of analysis that must be considered when determining the college’s FY10 revenue estimate:

- Rate changes from FY09 to FY10, and
- Enrollment changes from FY09 to FY10

1. Rate changes from FY09 to FY10

For planning purposes, the combined tuition and University fee rate increase from FY09 to FY10 is 7.5%.

For undergraduate programs, there is no collegiate discretion in setting the tuition rate. Current Board of Regents tuition policy has each campus at a single undergraduate rate. Professional schools may propose a tuition rate increase of more or less than 7.5% based on market considerations. If proposed rate increases exceed 7.5%, the disposition of additional revenue generated will be based on an all-funds review of the relevant unit's budget and the other tools and strategies being proposed to meet their particular budget challenges. If proposed rates are less than 7.5%, there will not be an automatic "charge" for the difference between revenue generated as proposed and the 7.5% rate. An all-funds review of estimated revenues and cost increases will be done to determine the best way to address the relevant unit's budget challenge.

2. Enrollment Changes from FY09 to FY10

Twenty-five percent of a student's tuition and University fee is attributed to that student's college of enrollment. Therefore, it is important that individuals within a college with responsibility for enrollment management communicate very closely with those individuals within a college with responsibility for estimating tuition revenue. Since colleges often provide instruction for students in other colleges, it is also important to be aware of possible enrollment changes in other colleges that may affect instructional demand and tuition revenue. In developing tuition and University fee revenue projections, stable enrollment has been assumed.

Budget Response

For this budget submittal, complete Figure z to indicate your estimated tuition revenue and University fee revenue for FY10 (Intersession/summer session and regular sessions). The response should be prepared to indicate whether or not the college agrees with the estimates that appears on Figures 3 for FY10, and if not, present alternative estimates and include all relevant assumptions and rationale.

Figure 4

FY10 Tuition and University Fee Revenue Estimate – Response

Please use the following format to submit a tuition revenue estimate for FY10.

Resource Responsibility Center: _____

Budget Office estimate of tuition revenue for FY10 \$
(See column z of Figure z)

Collegiate estimate of tuition revenue FY10 \$

Please include assumptions included in the collegiate estimate. Make clear any proposed rate changes from the assumed average increases included in the tables above. Include any supporting schedules that are necessary to explain the change in estimate.

Budget Office estimate of University Fee for FY10 \$
(See column z of Figure z)

Collegiate estimate of University Fee FY10 \$

Please include assumptions included in the collegiate estimate. Include any supporting schedules that are necessary to explain the change in estimate.

10. ICR Estimates

A new four-year F&A (facilities and administrative cost) rate agreement went into effect October 30, 2007. The changes to the individual rates are shown below. All rates are effective from FY08 through FY11, and will continue to be used after the end of FY11 until a new rate agreement is established.

Award Type	Former Rate	Current Rate (Use for FY10)
On-Campus Research	49.5	51.0
On-Campus Public Service (a.k.a. Other Sponsored Activities)	31.0	32.0
On-Campus Instruction	50.0	50.0
Hormel Institute	51.0	52.5
Department of Defense Contracts	52.0	57.0
Off-Campus Projects	26.0	26.0

Budgeting for ICR Revenue

For FY10, as in FY09, a college or other unit where research is conducted will receive 100% of the indirect cost revenue associated with that research. This revenue will be posted automatically by the PeopleSoft financial system into a designated RRC-level F&A chartstring.

As part of FY10 budget development, each unit that generates ICR revenue must submit an estimate of how much ICR they expect to generate in FY10. Attachment 1 contains estimated total ICR revenue for FY10 developed by the Budget Office. Column g contains an updated estimate of total annual ICR revenue for FY09. This updated estimate was developed using actual ICR revenue generated over the first six months of FY09. Column j, FY10 Estimated Total Revenue, is the same as column h, FY09 Budgeted ICR Revenue. The outlook for new sponsored research funding in FY10 is uncertain at best. While there have been some indications the Obama administration is going to increase federal funds available for research, nothing is certain as these estimates are being developed. In addition, the decline in the stock market is hitting endowments hard and it is quite likely private foundations will be forced to reduce the amounts they award for such things as research in the near future. To be conservative, the estimates for ICR revenue in FY10 have been left at FY09 budget levels.

The amounts on Attachment 1 represent a starting point in estimating FY10 ICR revenue by RRC. It is very important for each unit that generates ICR revenue to evaluate these estimates in light of any circumstances or facts that may be known by the unit but not reflected in the Budget Office estimate. For budget submittal, please complete Figure 5 entitled *FY10 ICR Revenue Estimate - Response* to indicate your estimate for FY10 ICR revenue and associated rationale.

If you have any questions regarding these instructions or calculating the ICR revenue estimate for FY09 or FY10, please call Robin Dittmann at (612) 626-9277.

Figure 5
FY10 ICR Revenue Estimate - Response

Please use this page to verify or propose a change to the preliminary ICR revenue estimates for FY10 as shown in Attachment z. Note, given the budget model, estimated ICR revenue should represent 100% of the amount generated.

Resource Responsibility Center:

1. If you agree with the proposed estimate for FY10 ICR revenue as presented in Attachment z, please verify by recording the estimated amount of total ICR revenue.

2009-10 estimated total ICR:

2. If you do not agree with the proposed estimate for FY10 ICR revenue as presented in Attachment z, please record a new unit estimate for total ICR revenue.

2009-10 estimated total ICR:

11. Cost Pool Allocations

Decisions made on the support unit budget items and reallocations have increased cost pool allocations for FY10. 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 FY08 and FY09 and what they will be for FY10. Additionally, the spreadsheets used to calculate the cost allocations and the related summary of charges by college, along with the detailed FY10 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.

The development of the cost pools is complicated by the need for academic and support units to respond to a potential 5% and 8% reallocation. At this point, for budget planning purposes, it has been determined that the 5% reallocation assumption will be built into the cost pools due to the fact that this is the minimal level of reallocation required in FY10 to balance the budget framework. As such, approximately \$18 million of budget reductions have been incorporated into changes in cost pools for FY10. It is important for academic and support units to understand that the cost pools will likely be modified prior to final budget allocations. The budget situation, while unlikely to necessarily improve, is still a fluid situation due to the global economic crisis.

In aggregate, at this point in the process (assuming the 5% reallocation implemented in the support units) the changes in cost pool totals over FY09 (after the distributional impacts of the double-step-down model) are as follows:

<u>Cost Pool</u>	<u>FY09 Total</u>	<u>FY10 Total</u>	<u>\$ Change</u>	<u>% Change</u>
Admin. Service Units Systemwide	\$90,319,702	\$88,665,443	\$(1,654,259)	-1.8%
Technology Systemwide	32,375,918	32,434,925	59,007	0.2%
Facilities O&M	85,972,545	85,288,866	(683,679)	-0.8%
Admin. Service Units Twin Cities	12,897,249	13,140,286	243,037	1.9%
Technology Twin Cities	32,478,040	32,555,337	77,297	0.2%
Student Services (All) Systemwide	10,418,702	10,639,482	220,780	2.1%
Student Services (All) Twin Cities	2,173,832	2,273,928	100,096	4.6%
Research Administration	24,352,393	24,800,214	447,821	1.8%
Library	41,297,709	40,172,104	(1,125,605)	-2.7%
Student Services Undergraduate	39,407,445	43,913,531	4,506,086	11.4%
Student Services Graduate	20,905,488	20,517,597	(387,891)	-1.9%
General Purpose Classrooms	<u>8,767,908</u>	<u>7,491,831</u>	<u>(1,276,077)</u>	-14.6%
Subtotal (non-consumption pools)	\$401,366,931	\$401,893,544	\$526,613	
Utilities (direct to academic units)	45,725,368	48,804,943	3,079,575	6.7%
Debt (direct to academic units)	24,691,236	30,292,772	5,601,537	22.7%
Leases (direct to academic units)	3,431,162	3,728,706	297,544	8.7%
Warehouses (direct to academic units)	<u>309,851</u>	<u>285,415</u>	<u>(24,436)</u>	-7.9%
Totals	\$475,524,548	\$485,005,380	\$9,480,833	2.0%

The budget increases approved through the support unit budget process can be described in various categories. The specific items funded and added to each cost pool will be included in the materials to be posted to the Budget Office web site (along with the specific calculations of each cost pool by unit).

As the table indicates, overall, the cost pools are increasing \$9,768,833 from FY09 to FY10, which represents a 2% increase. An increase of 4.5% (out of the total net change of 2%) is associated with required expenditures in the overall University budget framework, including fringe increases, the Founders program and facility costs. An increase of 1.2% (out of the total net change of 2%) is associated with investment decisions and transfers from academic units related to support unit budgets. And finally, a reduction of 3.8% (out of the total net change of 2%) is associated with the 5% reallocation targets delivered to support units within the pools. The numbers break down as follows:

Allocation Changes Built Into the FY10 Cost Pools

Budget Framework Required Expenses:		
General Compensation (fringe increase only)	\$6,104,343	
Founders Free Tuition Program (TC)	3,100,000	
New Building Operations/Utilities (TC)	6,706,986	
Debt Service	5,501,096	
Leases	<u>(91,313)</u>	
Subtotal-Required Expenses	\$21,321,112	4.5% increase over FY09
Investment Decisions:		
Contractual/Safety/Structural Issues	\$2,479,621	
Strategic Academic Investments	1,081,400	
Strategic Support Investments	<u>1,395,700</u>	
Subtotal-Investment Decisions	\$4,956,721	1.0% increase over FY09
Reallocations	\$(17,928,000)	-2.7% decrease from FY09
Transfers from Academic Units into Pools	<u>\$1,131,000</u>	0.2% increase from FY09
Total Increase	\$9,480,833	2.0% increase over FY09

Investments in the academic priorities of the institution are implemented through the support unit budget development process. 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 matching funds for the 21st Century Scholarship program and the President’s Scholarship program, the Urban Research & Outreach Center, the summer bridge program, and the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) requirements. 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.

D. Submissions – Budget Information

Items 1 – 9 in this section should be submitted to the relevant Budget Officer 5 working days prior to the scheduled compact/budget meeting.

1. Revenue Estimates – Tuition/University Fee/ICR

Submit Figures 4 and 5 on pages 20 and 22 with any relevant supporting documentation.

2. 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 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, 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. 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 review the worksheets from that lower structural level if they are prepared.

An on-line tutorial has been developed to learn how to enter the information in EFS. The tutorial can be accessed in each individual's "MYU" portal. **If it doesn't appear in the list of available courses at that site**, "enroll" in it by logging onto the training website at <http://www1.umn.edu/ohr/est/schedule/index.html> and clicking on "On-Line Training", then "On-Line Enrollment Forms" and finally "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 users that have completed budget entry training, passed the assessment and completed the ARF form will have access to the worksheets in PeopleSoft.

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

There are several special things to note related to the history data appearing on the worksheets:

- 1) In the FY08 column, the Equipment and Other Capital Assets line includes more than just the FY08 activity. It also includes converted activity from prior year purchases of capital assets. Therefore, the expenditure is overstated for just that year. The FY09 budget and actual columns are just pulling the fiscal year activity and therefore should be accurate. No changes need to be made on the sheet relative to this issue. This overstatement of expenditure does have the impact of understating your FY08 ending balance, but that error doesn't carry over in the FY09 columns because the carryforward is restated there accurately.
- 2) In the FY08 column, state special allocations are showing as \$0 on the state special line. Instead, the state special allocations have been included in the Operations & Maintenance allocation line. This is only true for FY08. The FY09 columns accurately display the allocations on the correct lines.
- 3) For units with academic and support functions, the Operations & Maintenance Allocation line includes both the 420200 (academic allocation) and the 440100 (support allocation).
- 4) For this first year of the worksheets in PeopleSoft, the carryforward calculations are not consistent. Specifically, the FY07 ending balance (FY08 prior year carryforward) cannot appear on the page because it is not stored anywhere in PeopleSoft. Therefore, due to the capital asset issue in #1 above and this FY07 data issue, the calculated ending balance in the FY08 actuals column should be disregarded. The FY09 Approved Budget Column is pulling the accurate budgeted carryforward. The Year-To-Date Actuals FY09 column has the correct prior year carryforward.

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.

The cost pool allocation rows will be entered by the Budget Office in the FY09 Forecast and the Budget FY10 columns. Please note that the utility cost allocation in the history columns appears under the Expenditures section rather than the Cost Pool section. This is due to the way those charges are coded in the system. No changes need to be made to that display.

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.

The Budget Development Worksheet does not have to be printed and submitted to the Budget Office with the other budget materials. When the entry is complete in PeopleSoft, the sheet can be “submitted” in the system. The Budget Office will review using PeopleSoft and will send hard copy print-outs of the sheet to attendees of the compact/budget meetings.

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 fringe for FY10 in O&M and State Special funds only, assuming no increase in salary?”

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. Reallocations

Each RRC, academic and support, is being given an FY10 planning target for reallocation. That target is a range:

5-8% of total FY09 O&M and State Special allocation plus the FY09 approved budget tuition and University fee revenue estimates

As indicated in the budget framework on page 7 of these instructions, \$86.2 million of reallocation is necessary, in combination with the other assumptions in the model, to balance the FY10 budget. This equates to approximately an across-the-board 5% reallocation on each unit’s base as defined above. However, there are two risk factors in the framework at this point that require contingency planning for reallocations beyond the 5% level. First, the tuition assumption of 7.5% may not be the final increase approved by the Board of Regents; and second, there could be further appropriation reductions from the state. Therefore, each unit must prepare proposals for addressing a reallocation of up to 8% as defined above. The specific range of reallocation for each unit to respond to is identified in Appendix C.

In preparing your response, please submit a “list” of actionable items with projected cost savings. The “list” can be a combination of three things:

- 1) the programmatic items identified in the compact submittal for elimination or curtailment,

- 2) non-programmatic savings in operations (salary savings, reductions to discretionary costs of travel, food, printing, etc.) and
- 3) proposed revenue increases.

The “list” should be prioritized in order from first choice of action to meet target, to last choice, and should provide the following information and subtotals:

<u>Title of Proposal</u>	<u>Description of Proposal</u>	<u>Projected Savings by Fiscal Year</u>
Item #1	xxx	\$xxx
Item #2	xxx	\$xxx
Item #3	xxx	<u>\$xxx</u>
Subtotal		Equal to 5% Target (column A Appendix C)
Item #4	xxx	\$xxx
Item #5	xxx	<u>\$xxx</u>
Total		Equal to 8% Target (column B Appendix C)

Within the description of the proposal, please indicate any associated potential changes in space needs. It will be helpful for planning purposes to have an early indication of where space reassignments might be possible and beneficial.

As you consider options for this response, please keep in mind that tuition increases at the 7.5% level do remain in the unit, but in the budget framework, the increased costs associated with compensation and cost pool allocations are already funded with that tuition increase. This means that the tuition revenue increase associated with a 7.5% rate increase cannot be attributed to your reallocation. Proposed tuition increases greater than 7.5% will be considered as part of an all-funds analysis and in the context of each unit’s overall budget.

As you consider actions to achieve your reallocations, please understand that the reductions must ultimately be taken in either O&M or State Special funds – no other funds can contribute directly to these reductions. Moving expenses to another fund source can be an acceptable option where appropriate. You have the ability to propose the most appropriate implementation strategy for your unit, with one caveat – all types of financial aid for students (all levels) must remain protected. Once again, no cuts may be taken from any type of financial aid (scholarships, fellowships, block grants), whether for undergraduate, graduate, or professional students.

This is a recurring reduction of significant magnitude. If cost savings resulting from the options you propose are lagged and cannot be recognized in FY10, then please suggest strategies and tools for bridging to those recurring savings. There is no pool of nonrecurring resources available at the University level to provide bridge funds, so suggestions from the unit level will be necessary in those circumstances.

The support units are being asked to do this same exercise at the same level of reallocation. In short, all units are expected to set priorities and engage in targeted reductions. A similar exercise will occur across all University units as part of the overall budget process and may extend over the entire two-year biennial budget period. At this point, a 5% reallocation has preliminarily been factored into each support unit budget included in the cost pools for academic unit planning purposes.

At the conclusion of the academic compact/budget meeting cycle and after the support units have been consulted on their reallocation proposals, the Senior Vice Presidents will make a recommendation to the President on the investments and reallocations assigned to each unit. Every unit will participate in the

reallocation by setting priorities and reducing and/or eliminating costs and programs, but the final level of participation and the allocation of investment dollars, will be based on the unique circumstances of each unit and University priorities. If the support unit reallocations are ultimately greater than 5%, the cost pool charges to academic units will be less than what are included with these instructions.

6. Past Efficiencies

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.

As a special component of this exercise, please include a description of the actions taken to implement the FY09 nonrecurring reallocation due to the \$20 million un-allotment, and most importantly, the corresponding impact of such actions. In short, identify what programmatic, staffing, research or other activities have been delayed, canceled, or curtailed because of these cuts. We will do our best to represent the results of state funding reductions based on your responses.

7. Internal Sales Rate Setting

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 y and z. 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 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.

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

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 May or June.

The Fee Request and Approval system is now available for entry of FY10 fee information. All fee entry should be completed by April 6. 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 FY09 have been rolled over in the system to FY10 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 PeopleSoft chart string where the fee revenue is to be recorded.
- 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 FY10 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 colleges on the Twin Cities campus to apply for waiver status for all academic programs that wish to allow such waivers in 2009-10. 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

E. Process

1. Meetings and Due Dates

The compact/budget meetings have been scheduled from February 11 to March 16. The meetings will focus on the budget submissions, in the context of the unit's overall plans and priorities as addressed in the compact. 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 the compact instructions and under Section F above. No other formal presentation materials are necessary.

Submittal Due Date – 5 days prior to the scheduled meeting, please send all required materials in Section D 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/State Special 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 April to meet presentation deadlines for the May Board of Regents meeting. It is highly likely that the state appropriations will not be known until late May, so then the budget must be balanced by the end of May to meet presentation deadlines for the June Board meeting. Decisions will be communicated to units as soon as possible given those calendar uncertainties.

As mentioned previously in these instructions, communication on reallocation and 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.

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 FY10 have been recommended to the President and he has given approval to proceed based on those recommendations;
- Cost allocations have been calculated for FY10 based on the approval of support unit budgets

The remaining components of budget development for FY10 will include:

- Budget/compact meetings with each of the academic units in February and March;
- 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 April or May;
- Adjustment of support unit budgets for final reallocations after consultation with units and state action on appropriations;
- 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 FY10 to the Board of Regents for review in May and approval in June – or review and approval in June.

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 FY10 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 Academic 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 FY10 approved budgets for the units listed above will be allocated based on the academic units’ proportionate share of FY018 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 FY10, 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 FY10 approved centrally allocated budget for these technology functions is spread based on the academic units' proportionate share of total headcount from the fall of 2008. 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 FY10 approved budget for these activities within Facilities Management will be allocated based on the academic units' proportionate share of ASF from November 2008. 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 FY10 approved budgets for these two units is allocated based on the academic units' proportionate share of the total student headcount from the fall of 2008. 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 FY10 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 2008. 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.

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 FY10 approved budgets for the Graduate School (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 2008. 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 FY10 approved budgets for the units identified above will be allocated based on the academic units' proportionate share of the average of FY06, FY07 and FY08 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 FY10 approved budget for the University Libraries is allocated to the academic units based on the weighted headcount from the fall of 2008. 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 z on page z. 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 FY10 is allocated based on total course registrations from the fall of 2008. 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 Facilities 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 z and 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. Each fall, the Budget Office in collaboration with the Office of Space Management sends a listing of rooms assigned to each RRC by building. RRC Managers should review this information and send back corrections if needed. After the SPACE system is updated, a snap-shot is taken and that information is used to calculate the building cost allocation for the following fiscal year. 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 a DeptID require approval by the Director
- Space assignments within a DeptID 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.

Any questions regarding the space data base should be directed to the Office of Space Management at 6-7996.

Office of Space Management
400 Donhowe Building (3121)
319 – 15th Avenue South East
Minneapolis, MN 55455

APPENDIX C
FY10 Target Reallocation Range by Academic RRC

<u>RRC</u>	A 5% Reallocation <u>As Required in Framework</u>	B 8.0% Reallocation
Academic Health Center Shared	\$2,435,000	\$3,781,000
Agricultural Experiment Station	449,000	698,000
Athletics	449,000	697,000
Auxiliary Services (non-cost pool)	10,000	15,000
Biological Sciences	2,122,000	3,295,000
Carlson School of Mgmt	3,652,000	5,671,000
Continuing Education	1,432,000	2,223,000
Crookston Campus	1,054,000	1,636,000
Dentistry	1,448,000	2,249,000
Design	1,169,000	1,816,000
Duluth Campus	6,883,000	10,689,000
Education & Human Development	4,034,000	6,264,000
Equity & Diversity (non-cost pool)	89,000	138,000
Food, Ag. & Nat. Resource Sciences	4,109,000	6,381,000
Graduate School (non-cost pool)	119,000	184,000
Humphrey Inst. of Public Affairs	590,000	916,000
Institute of Technology	7,978,000	12,388,000
Law School	1,566,000	2,432,000
Liberal Arts	11,655,000	18,098,000
Medical School	6,536,000	10,149,000
MN Extension	1,466,000	2,275,000
Morris Campus	1,667,000	2,588,000
Nursing	800,000	1,242,000
Pharmacy	1,281,000	1,989,000
President’s Office (non-cost pool)	36,000	57,000
Public Health	1,307,000	2,030,000
Research (non-cost pool)	454,000	704,000
Rochester Campus	460,000	714,000
Scholarly & Cultural Affairs (non-cost pool)	224,000	347,000
Sr. VP Academic Affairs/Provost (non-cost pool)	304,000	471,000
Sr. VP System Academic Admin (non-cost pool)	12,000	18,000
Sr. VP System Academic Admin Academic Units	203,000	315,000
Student Affairs (non-cost pool)	241,000	374,000
Undergraduate Education (non-cost pool)	223,000	346,000
Veterinary Medicine	1,818,000	2,823,000

Attachment 1

Indirect Cost Recovery Unit estimates for FY10 <i>Estimated rebates removed</i>		a	b	c	d	e	f	g	h	i	j	
		FY09	FY08	FY08	FY08	FY09	FY09	FY09	FY09	FY09	FY10	
		Total ICR Through Period 06	Total ICR Through Period 06	Total ICR Through Period 12	PER 06 Percent of Total	Estimated Total Revenue a*(1/b)	Estimated Total Revenue a*2	Most Conservative Estimate	Budget ICR Revenue	Projected Variance to Budget	Estimated Total Revenue g * 1.00	
<u>Coordinate Campuses @ 85.5%</u>											1	
1	Crookston	11,033	10,413	24,056	43.29%	25,488	22,066	22,066	19,311	2,755	19,311	1
2	Duluth	1,040,771	1,146,278	1,958,460	58.53%	1,778,197	2,081,542	1,778,197	1,960,304	(182,107)	1,960,304	2
3	Morris	56,659	38,155	75,706	50.40%	112,421	113,318	112,421	77,836	34,585	77,836	3
<u>Academic Health Center</u>												
4	Sr. VP	0	5,541	12,066		0	0	0	0	0	-	4
5	Academic Health Center-Shared	4,424,294	6,487,322	13,712,063	47.31%	9,351,501	8,848,588	8,848,588	8,928,683	(80,095)	8,928,683	5
6	School of Dentistry	545,834	877,235	1,503,406	58.35%	935,451	1,091,668	935,451	650,000	285,451	650,000	6
7	Medical School	17,977,704	16,346,054	32,946,024	49.61%	36,234,670	35,955,408	35,955,408	39,000,000	(3,044,592)	39,000,000	7
8	School of Nursing	291,840	320,257	689,585	46.44%	628,397	583,680	583,680	653,324	(69,644)	653,324	8
9	College of Pharmacy	1,157,049	1,258,037	2,559,907	49.14%	2,354,412	2,314,098	2,314,098	2,330,000	(15,902)	2,330,000	9
10	School of Public Health	6,508,459	6,966,109	13,595,875	51.24%	12,702,672	13,016,918	12,702,672	14,483,644	(1,780,972)	14,483,644	10
11	College of Veterinary Medicine	1,177,968	787,171	1,862,725	42.26%	2,787,489	2,355,936	2,355,936	1,605,829	750,107	1,605,829	11
12	Total Academic Health Center	32,083,148	33,047,726	66,881,651		64,994,591	64,166,296	63,695,833	67,651,480	(3,955,647)	67,651,480	12
<u>Executive VP and Provost</u>												
13	Executive VP and Provost	9,667	201	8,570	2.35%	412,170	19,334	19,334	70,000	(50,666)	70,000	13
14	College of Biological Sciences	2,170,144	3,288,182	6,478,689	50.75%	4,275,824	4,340,288	4,275,824	4,247,681	28,143	4,247,681	14
15	College of Liberal Arts	1,606,048	1,549,493	2,950,991	52.51%	3,058,699	3,212,096	3,058,699	2,917,139	141,560	2,917,139	15
16	Institute of Technology	11,411,918	11,404,363	20,563,461	55.46%	20,577,084	22,823,836	20,577,084	19,501,012	1,076,072	19,501,012	16
17	Agricultural Experiment Stations	2,188	1,329	2,256	58.91%	3,714	4,376	3,714	1,923	1,791	1,923	17
18	Design, College of Education and Human	63,807	90,004	146,091	61.61%	103,569	127,614	103,569	65,000	38,569	65,000	18
19	Development Agriculture, Food and Environ.	2,060,711	2,313,279	4,398,358	52.59%	3,918,137	4,121,422	3,918,137	4,550,708	(632,571)	4,550,708	19
20	Sciences	2,064,323	1,592,947	3,304,551	48.20%	4,282,415	4,128,646	4,128,646	3,399,051	729,595	3,399,051	20
21	Carlson School of Management Humphrey Institute of Public	107,008	53,247	100,098	53.19%	201,162	214,016	201,162	87,106	114,056	87,106	21
22	Affairs	314,050	222,790	481,562	46.26%	678,821	628,100	628,100	452,994	175,106	452,994	22
23	Law School	122,537	95,585	160,373	59.60%	205,593	245,074	205,593	194,993	10,600	194,993	23

**Attachment 1 -
continued**

	a	b	c	d	e	f	g	h	i	j		
	FY09	FY08	FY08	FY08	FY09	FY09	FY09	FY09	FY09	FY10		
	Total ICR	Total ICR	Total ICR	PER 06	Estimated	Estimated	Most	Budget	Projected	Estimated		
	Through	Through	Through	Percent	Total Revenue	Total Revenue	Conservative	ICR	Variance	Total Revenue		
	Period 06	Period 06	Period 12	Of Total	a*(1/b)	a*2	Estimate	Revenue	To Budget	g * 1.00		
24	Minnesota Extension Service	764,362	665,420	1,367,464	48.66%	1,570,794	1,528,724	1,528,724	1,357,457	171,267	1,357,457	24
25	College of Continuing Education	3,959	0	378	0.00%		7,918	7,918	0	7,918	0	25
26	Office of International Programs	51,546	53,411	71,672	74.52%	69,169	103,092	69,169	40,000	29,169	40,000	26
27	Equity & Diversity	490	0	1,147	0.00%		980	980	0	980	0	27
28	Total Executive VP & Provost	20,752,758	21,330,251	40,035,661		39,357,153	41,505,516	38,726,653	36,885,064	1,841,589	36,885,064	28
29	Scholarly & Cultural Affairs	6,865	2,943	19,939	14.76%	46,511	13,730	13,730	14,291	(561)	14,291	29
30	VP for Research	1,911,811	1,864,301	3,799,600	49.07%	3,896,429	3,823,622	3,823,622	2,406,558	1,417,064	2,406,558	30
31	SAAAU System Acad Admin											
31	Academic	250,867	210,415	491,029	42.85%	585,429	501,734	501,734	386,225	115,509	386,225	31
32	VP for System Academic											
32	Administration	24,712	0	12,946	0.00%		49,424	49,424	0	49,424	0	32
33	University Libraries	590	2,770	20,128	13.76%	4,287	1,180	1,180	5,000	(3,820)	5,000	33
34	Student Affairs	34,889	72,330	102,211	70.77%	49,302	69,778	49,302	132,628	(83,326)	132,628	34
35	Grand Total	56,174,103	57,725,582	113,421,387		110,849,809	112,348,206	108,709,828	109,538,697	(813,959)	109,538,697	35