FY13 Budget Instructions
Support Units

Items Due Five Working Days Prior to Oversight Meeting:

1. Transfers between units (if applicable)
2. Budget Development Worksheets
3. O&M/State Special Compensation Estimates
4. Budget Impacts and Funding Requests/Significant Financial Concerns (if applicable)
5. Internal Sales Rates (if applicable)

September 16, 2011
(Distributed by University Budget and Finance)
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A. Compact/Budget Development Process for FY13

All units will be asked to submit budget materials (details following in this document) in preparation for the annual oversight meeting, but there will not be a separate requirement to develop and submit a compact document for FY13.

B. Support Units Included in these Instructions

Units receiving these instructions are considered support units for purposes of the budget model. The primary budgets of these units are funded through cost pools within the system that are billed out to the academic units. The central support units are identified below, along with their assigned cost pool for allocation and budget contact for the FY13 budget development process. For reference, a brief description of the methodology used to allocate the respective costs to the academic units is included as an attachment to this document. Please note: some Resource Responsibility Centers (RRCs) contain both support and academic functions. If that is the case, then these instructions apply only to the support function portions (excluded portions are indicated below). In addition, some RRCs are split into more than one cost pool. If that is the case, the budget for FY13 should continue to be developed for the whole RRC – submittals of information should be done for the unit as a whole and not divided in any way to reflect cost pool assignments. Splitting the budget into different cost pools will occur only after the whole budget for the support unit is approved.

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

<table>
<thead>
<tr>
<th>Unit</th>
<th>Budget Officer</th>
<th>Cost Pool Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits (AUDIT)</td>
<td>Robin Dittmann</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Auxiliary Services (Campus Mail Only)</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Board of Regents (RGNTS)</td>
<td>Robin Dittmann</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Budget and Finance (UFIN)-excluding Leases</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Budget and Finance (UFIN) – Leases</td>
<td>Julie Tonneson</td>
<td>Leases</td>
</tr>
<tr>
<td>Capital Planning &amp; Project Mgmt (CPPM)</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Controller (CONTR)-excluding SFR</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Controller (CONTR)-SFR</td>
<td>Julie Tonneson</td>
<td>Research Admin</td>
</tr>
<tr>
<td>Equity &amp; Diversity (EQDIV)</td>
<td>Lincoln Kallsen</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Facilities Management (FM)-excluding:</td>
<td>Julie Tonneson</td>
<td>Facilities O&amp;M</td>
</tr>
<tr>
<td>Utilities &amp; BSAC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities Management (FM)-BSAC</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Facilities Management (FM)-Utilities</td>
<td>Julie Tonneson</td>
<td>Utilities</td>
</tr>
<tr>
<td>General Counsel (OGC)</td>
<td>Robin Dittmann</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Graduate School (GRAD)</td>
<td>Lincoln Kallsen</td>
<td>Student Services</td>
</tr>
<tr>
<td>Human Resources (OHR)</td>
<td>Robin Dittmann</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Office of Information Tech. (OIT)</td>
<td>Carole Fleck</td>
<td>Technology</td>
</tr>
<tr>
<td>Global Programs &amp; Strategy Alliance (GPSTR)</td>
<td>Lincoln Kallsen</td>
<td>Admin Services</td>
</tr>
<tr>
<td>GPSTR Grant Program</td>
<td></td>
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</tr>
<tr>
<td>President’s Office (PRESD)</td>
<td>Robin Dittmann</td>
<td>Admin Services</td>
</tr>
<tr>
<td>Public Safety (PUBSF)</td>
<td>Julie Tonneson</td>
<td>Admin Services</td>
</tr>
</tbody>
</table>
Unit | Budget Officer | Cost Pool Assignment
--- | --- | ---
Sr. VP for Academic Affairs/Provost (AAPRV) Excluding: Inst. on the Environment, Concerts & Lectures, Institute for Advanced Studies, Weisman Art Museum | Robin Dittmann | Admin Services
Sr. VP for Health Sciences (HLSCI) | Julie Tonneson | Admin Services
Hlth Career Center (within HLSCI) | Julie Tonneson | Student Services
AHC Office of Research (within HLSCI) | Julie Tonneson | Research Admin
Classroom Mgmt (within HLSCI) | Julie Tonneson | Classrooms
Technology Support (within HLSCI) | Julie Tonneson | Technology
Sr. VP for System Academic Admin (SAAVP) | Robin Dittmann | Admin Services
Student Affairs* (STDAF) – excluding: Rec. Sports Twin Cities Student Unions Student Legal Services Student Conflict Resolution Boynton Undergraduate Education (UEDUC) – excluding: Academic Counseling & ROTC, Classrooms | Lincoln Kallsen | Student Services
Undergraduate Education (UEDUC)-Classrooms | Lincoln Kallsen | Classrooms
University Debt (UDEBT) | Carole Fleck | Debt Service
University Hlth and Safety (UHLSF) | Julie Tonneson | Research Admin
University Libraries (LIBR) | Robin Dittmann | Libraries
University Relations (UREL) | Lincoln Kallsen | Admin Services
University Services (USERV) | Julie Tonneson | Admin Services
VP for Research (RSRCH) – excluding: Hormel Institute Minnesota Population Center Minnesota Supercomputer Institute University Press | Robin Dittmann | Research Admin

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

C. Context of the Biennial State Appropriation:

The 2011 Legislative Session ended without a resolution to the state budget and the University’s appropriation for the upcoming biennium was unknown at the time the FY12 budget needed to be approved and loaded into the system. As a result, the Board of Regents reviewed and approved a Provisional Operating budget plan for FY12 and a preliminary framework for the FY13 budget. Subsequently, there was a special session of the Minnesota Legislature, which resulted in an appropriation that was higher than that assumed in the provisional budget for FY12. The following table highlights the relevant appropriation levels for the two years:
Assumed State Appropriations ($70.8M down from FY11)  

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennial</th>
</tr>
</thead>
<tbody>
<tr>
<td>$520.3m</td>
<td>$520.3m</td>
<td>$1,040.6m</td>
<td></td>
</tr>
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</table>

Enacted State Appropriations ($45.8M down from FY11)  

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennial</th>
</tr>
</thead>
<tbody>
<tr>
<td>$545.3m</td>
<td>$545.3m</td>
<td>$1,090.6m</td>
<td></td>
</tr>
</tbody>
</table>

Change  

|             | $ 25.0m | $ 25.0m | $ 50.0m |

In September, the President returned to the Board of Regents with an amendment to the FY12 budget, outlining his recommendations for allocating the additional $25 million of recurring appropriation. That recommendation was approved as follows:

**President’s Recommendations**  
FY12 & FY13 Financial Framework - $ in Millions

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in State Appropriations</td>
<td>$25.00</td>
<td>$25.00</td>
</tr>
<tr>
<td>Less Recurring Allocations/Mitigating FY12 Impacts</td>
<td>$8.15</td>
<td>$8.15</td>
</tr>
<tr>
<td>Less Non-Recurring Allocations FY12</td>
<td>$10.75</td>
<td>$0.00</td>
</tr>
<tr>
<td>Unallocated Balance</td>
<td>$6.10</td>
<td>$16.85</td>
</tr>
</tbody>
</table>

Of the $25 million additional revenue in FY12 –

- $8.15 million is allocated in FY12 to address recurring budget issues
- $10.75 million is allocated in FY12 to nonrecurring investments
- $6.10 million will be carried forward for nonrecurring investment in FY13

On a recurring basis, the $25 million additional revenue will be allocated as follows:

- $8.15 million to address recurring budget issues in FY12
- $8.30 million targeted to recurring tuition relief in FY13
- $8.55 million allocated to recurring strategic investments in FY13

Without further action by the state, this plan leaves $16.85 million of uncommitted recurring and $6.1 million of uncommitted nonrecurring state appropriation available for FY13.

The following key assumptions are currently being considered as part of the overall FY13 budget framework:

- The $6.1 million state appropriation carried forward from FY12 will be invested in one-time initiatives that will lead to increased efficiencies.
- The uncommitted available recurring state appropriation is $16.85 million.
- Tuition will be increased 3.5% for MN undergraduate students, down from the original plan of a 5% increase. (This reduction in the proposed increase will spend the roughly $8.3 million of the $25 million mentioned above for tuition relief in FY13.)
- Tuition will be increased 4% for graduate/professional students – subject to market considerations, down from the original plan of a 5% increase.
- There will be a 2.5% salary increase for all employee groups.
• Just over $5 million will be necessary to cover anticipated cost increases for student aid and facilities.
• There will be three investment pools totaling approximately $25 million: one for nonacademic and contractual needs; one for academic unit investments, and a third for strategic investments.
• There will not be a required reallocation plan for support or academic units.
• If it appears that there may be a reduction in our existing state appropriation for FY13, each of the preceding assumptions will be reviewed and potentially modified.

The remainder of these instructions is based on these planning assumptions for the FY13 budget framework.

D. FY13 Budget Parameters – Planning Assumptions

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

Consistent with plans outlined for the FY13 budget framework, a general 2.5% salary increase, along with the associated fringe rates outlined below, should be assumed in developing overall cost estimates for compensation in FY13. 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 FY13 will be disseminated from Human Resources at a later date.

Projected fringe benefit rates for FY13 for use in budget planning are outlined below. Due to the federally required methodology for calculating fringe rates, which must reconcile to the annual audited financial statement, these rates will be updated between now and the end of October and could change. Proceed with the rates as indicated below unless further communication is sent, but please understand that you may be asked to use updated fringe rates at some point while preparing your budget materials. Wherever you happen to be in the process, we will work with you to incorporate the changes. Any revisions to the rates will be communicated as soon as possible.

Projected 2012-13

Civil Service (and undergraduate students) 39.6%
Academic 34.9%
Graduate Assistant 24.1%

2. Enterprise System Assessment: The Enterprise Assessment is a systematic method of assessing units a fee to pay for the development, implementation, maintenance and replacement of institutional business systems. The Enterprise Assessment will continue until the EFS project deficit is cleared. We do not anticipate funding any new additional projects using this assessment. Current projections expect the assessment to continue through FY17.

The assessment is charged to individual fund-deptID-programs through the general ledger allocation process. This monthly process applies a set percentage, currently 1.25%, against certain salary expenditures in specific funds. A general ledger journal entry is then posted to the actual general ledger.
The following assumptions should be built into the FY13 budget plans at this time:

- Assessment rate of 1.25% of projected FY13 salaries
- Expected assessment should be budgeted in account code 820200 – Enterprise Assessment-Final Budget Only. (Actual charges will hit account code 820201).
- Assessment is on actual salary expenditures in the following funds, with a few individual chart string exceptions:
  - State Appropriation, Tuition, U Fee – fund 1000
  - Auxiliaries – funds 1100 - 1106
  - Other Unrestricted – funds 1020, 1023, 1024, 1025, 1026
  - Private Practice – fund 1030
  - Restricted State Specials – funds 1801 – 1807
  - Note: salaries charged to federal stimulus funds 1613 and 1614 are not assessed
- Assessment occurs near the end of an accounting period based on actual salary expenses in that period. 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/Professional Student – Tuit Ben
- 700302 – Salaries – Graduate/Professional Student – No Tuit Ben
- 700401 – Salaries – Undergrad Academic
- 700402 – Salaries – Undergrad Non-Academic
- 700501 – Salaries – Civil Service
- 700502 – Salaries – AFSCME
- 700503 – Salaries – Teamster/Law Enforcement
- 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.

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

The Office of Risk Management charges RRCs for University property and liability insurance premiums based on each RRC’s share of total University space. The premium expenditure should be budgeted by each RRC as account code 720313. The Office of Risk Management will initiate a journal entry to complete the transaction for FY13 some time in the first three months of the fiscal year.

Non-Profit Organization Liability (NPOL): 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.

The Office of Risk Management charges 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 FY11. The premium expenditure should be budgeted by each RRC as account code 720313. The Office of Risk Management will initiate a journal entry to complete the transaction for FY13 some time in the first three months of the fiscal year.

Because the budget instructions are being prepared early in the year, the estimates of cost for these insurance items are based on the best information available today. For FY13 planning purposes, each unit should assume a 12% increase in the amounts billed for FY12; an increased anticipated primarily due to the impact of natural disasters on the property insurance. The FY12 actual charge and the projected FY13 estimates are listed below by unit.

<table>
<thead>
<tr>
<th>RRC</th>
<th>FY12 Charge</th>
<th>FY13 Estimate</th>
<th>RRC</th>
<th>FY12 Charge</th>
<th>FY13 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPRV</td>
<td>$12,661</td>
<td>$14,180</td>
<td>PRESD</td>
<td>$9,953</td>
<td>$11,147</td>
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<td>AUDIT</td>
<td>1,907</td>
<td>2,136</td>
<td>PUBSF</td>
<td>15,402</td>
<td>17,250</td>
</tr>
<tr>
<td>CONTR</td>
<td>14,809</td>
<td>16,586</td>
<td>RGNTS</td>
<td>443</td>
<td>496</td>
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<tr>
<td>CPPM</td>
<td>7,140</td>
<td>7,997</td>
<td>RSRCH</td>
<td>49,835</td>
<td>55,815</td>
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<tr>
<td>EQDIV</td>
<td>10,713</td>
<td>11,999</td>
<td>SAAVP</td>
<td>15,791</td>
<td>17,686</td>
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<tr>
<td>FM</td>
<td>128,191</td>
<td>143,574</td>
<td>SCA</td>
<td>12,192</td>
<td>13,655</td>
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<tr>
<td>GPSTR</td>
<td>9,795</td>
<td>10,970</td>
<td>STDVF</td>
<td>173,512</td>
<td>194,333</td>
</tr>
<tr>
<td>GRAD</td>
<td>7,859</td>
<td>8,802</td>
<td>UEDUC</td>
<td>72,609</td>
<td>81,322</td>
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<td>HLSCI</td>
<td>62,725</td>
<td>70,252</td>
<td>UFIN</td>
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<td>LIBR</td>
<td>211,012</td>
<td>236,333</td>
<td>UHLSF</td>
<td>20,118</td>
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<td>OGC</td>
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<td>OHR</td>
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<td>USERV</td>
<td>8,350</td>
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<tr>
<td>OIT</td>
<td>83,249</td>
<td>93,239</td>
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<td></td>
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</tr>
</tbody>
</table>

**E. Submissions – Budget Information**

1. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY13, please submit that information to your budget officer as soon as it is available. Do not wait for the final due date listed below in Section F. Please include the dollar amount to be transferred and the reason for the transfer. It would be most helpful if both RRCs involved in the transfer send in the same information as part of their individual budget submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

2. Budget Development Worksheets

Budget development worksheets are available in PeopleSoft (PS) for entry of financial information. The budget review process will include an analysis of each unit’s overall financial structure and health, and these worksheets are one tool used in that analysis. RRC managers have 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 two places: on the RRC Status and Approval tab of the Budget Development
Worksheet in PS (at the RRC level) or in PS on the Budget Tree. Follow this path in the Reporting Instance (not production) to find the relevant breakdown by RRC on the Budget Tree:

Tree Manager > Tree View > choose tree UM_DEPTID_BUDGET effective dated 7/1/2010.

It is easiest to view this tree in the “Print Format” Option.

Only one worksheet per RRC will be accepted by the Budget Office, so this optional functionality to enter at the lower level 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 unless it is necessary for more in-depth analysis.

The worksheets operate the same way they have in the past, but for RRC managers new to the process, there is an on-line course available for Budget Development Worksheets at the training website: (http://www1.umn.edu/ohr/training/index.html ). You will find the course and links to enrollment under Financial Management Training, in the connections on the left side of the page.

The correct path to access the worksheets within PeopleSoft is: UM Budgeting > UM Budget Development Worksheet > UM RRC Manager OR UM Department Users > UM Budget Dev Worksheet.

The worksheets hold the following information for FY10 Actuals, FY11 Actuals, the FY12 Approved Budget and FY12 Year to Date Actuals (the format of the worksheets is the same for all units):

- Actual revenues and expenditures by summary categories – all non-sponsored funds (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 7/1/2010. Use the “Print Format” 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 (Prior Year Carryforward) and net assets at the end of the year (Ending Balance) – all non-sponsored funds combined – and that figure represented as a percent of total expenditures
- Total sponsored expenditures

As in past years, there is also a column for projections through the end of FY12 (“Forecast”) to arrive at an updated estimate of carryforward into FY13 if that is warranted.

The final column (Budget 2013) is for projecting FY13 activity. The budget submittal should focus on completing the Forecast 2012 column and then completing the Budget 2013 column based on the planning parameters described in this document. For both columns, please fill in each row using the best information available at this time. FY13 projections should only focus on current operations and plans carried forward and should not reflect new initiatives – 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 2013 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 operations. Decisions made on whether that level of activity is appropriate or desired will be made through the budget development process.
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 corresponding expenditures associated with some activity is being transferred between RRCs for FY13, then the expense projections in the Budget 2013 column of the budget development worksheet should also reflect that transfer.

Please note To ensure that the ending balance and the carryforward information at the bottom of each “actuals” column reconciles correctly to the balances in PeopleSoft and on UM Reports, a number of rows have been added into the worksheet at the bottom reflecting balance sheet transactions. For entry purposes, however, you are not asked to budget for or forecast those balance sheet transactions. You can complete the Forecast 2012 and Budget 2013 columns for all the other rows, and the sheet will work as it is intended to work. Since you do not plan for the activity in the added rows, the ending balance will calculate correctly in the Forecast 2012 and Budget 2013 columns without entering in those rows.

If there is information missing in these instructions necessary to complete the Budget 2013 column, please contact your budget officer for assistance. Please note – the central allocation line for FY13 should contain the exact same amount as appears in the Budget 2012 column. There should be no assumptions made about change in that value at this point in the process.

The completed Budget Development Worksheet does not have to be sent in with the rest of the budget materials. When it is submitted in the system, it will be considered complete. The Budget Office will review, download and format these sheets for distribution to the oversight meeting participants.

3. O&M/State Special Compensation – As part of the University’s overall budget development framework, comparing available resources with projected cost increases, an annual calculation of the projected increase in compensation costs is included for the O&M and State Special fund groups. That calculation is done centrally and provides useful information in trying to estimate the cost of compensation for each unit. To verify that the central methodology yields reliable results, please provide an answer to the following question:

“What is your calculated increased cost for salary and fringe for FY13 in O&M and State Special funds only?”

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

4. Budget Impacts and Significant Financial Concerns – Discussion of each unit’s financial position and goals for FY13 will focus on two areas:

   - Implementation of the FY12 Budget
   - Funding Requests/Significant Financial Concerns

At this time, the budget framework requires no general reallocation, so there is no need to submit plans for a targeted reduction for FY13. This is predicated on the assumption that there will be no further reduction in our FY13 state appropriation. This does not mean that no reallocations will be implemented: it means that units do not have to plan for a widespread budget reduction at this time. Targeted reallocations may result as part of the annual review of budgets and priorities. In addition, if it becomes apparent that a reduction to the state appropriation may be implemented, the planning assumptions and our overall budget framework for FY13 may be modified. The need for wide-spread reallocations will be
re-evaluated in early December based on the outcome of the state revenue forecast and its potential implications for our FY13 appropriation.

a. Implementation of the FY12 Budget – The average reduction/resource adjustment assigned to Twin Cities support units for FY12 was 5% of the adjusted FY11 recurring O&M base. Individually, the unit level reductions for these support units ranged from 2% to 55% (Graduate School non-student aid budget was an outlier due to restructuring). For academic units, the average reduction/resource adjustment was 1.8%, and at the unit level it ranged from 0% to 6% of the FY11 O&M/State Special/Tuition base. In order to better understand the context for your FY13 budget, please submit your final implementation plan regarding the FY12 reallocation. Include an explanation of the actions taken to permanently adjust the expenditure base, the timeline involved and the projected outcomes or impact of your actions.

b. Funding Requests/Significant Financial Concerns – The budget framework for FY13 described earlier in this document includes funds planned for new investment, both nonrecurring investments that will enable future efficiencies in operations, and recurring investments to address required costs and to provide strategic support for critical initiatives. If you choose to submit a proposal under this category, please limit your request to only the highest priority items in the following categories:

   a) Items for which the University has some legal/contractual/compliance/safety obligation – please summarize the issue and required funding level in a short paragraph.

   b) Items representing an absolutely critical need or unique opportunity for program funding – please provide a full description of what the proposed funding will support, including projected outcomes, along with a justification for why it is necessary at this time. Each item description should be no more than one page in length.

Only the highest priority and most compelling proposals will be considered. Please note, requests should not be related to the general salary increase of 2.5% plus fringe benefit costs described above. Those general parameters are funded within the overall budget framework over and above the amounts identified for potential investment.

5. Internal Sales Rate Setting – Units conducting internal sales activity must submit their rate proposals through the budget process. This section is intended to provide instruction for internal sales submittals from the RRCs listed on pages 3 and 4, so any unit without internal sales activity can disregard this section.

University policy 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 – Units conducting internal sales activity must submit their rate proposals through the budget process. This section is intended to provide instruction for internal sales submittals from the RRCs listed on pages 3 and 4, so any unit without internal sales activity can disregard this section.
University policy 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:

A) Internal Sales Office – All units conducting Internal Sales in FY13 must submit rate development information for the forthcoming year and an annual review of internal sales activity for the prior fiscal year to the Internal Sales Office. Information submitted is used to review internal sales rates for compliance with federal accounting standards. Rate information for the forthcoming fiscal year must be submitted to the Internal Sales Office regardless of expected annual revenue amounts. If the department will discontinue the activity, submit the “Certification of Annual Review” stating the terms and conditions of closing out the activity. Refer to procedure “Reviewing Internal Sales Activity Annually” in the “Selling Goods and Services to University Departments” policy for the documentation due to the Internal Sales Office by September 30 of each year.

B) 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 FY13 budget development, units conducting internal sales at this level should submit a summary of their major rates for FY11, FY12 and proposed for FY13, 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 FY13 budget development, units conducting internal sales at this level should submit rate information only for rates which are new for FY13 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY12
- Proposed rate for FY13
- 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 FY13 and growth over FY12 if applicable

F. Process

1. Meetings and Due Dates

Budget oversight meetings will occur with each unit between October 17 and November 17. The timeline has been set so as to meet deadlines necessary for completing the fall process prior to the end of the calendar year.

The meetings will focus on reviewing any significant issues surfacing from the materials submitted in response to these instructions. No supplemental presentation materials are necessary.

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

2. Budget Recommendations and Cost Allocations

During November and early December, the Budget Office will be developing analysis, models, summaries and recommendations related to the budget for each unit involved in this fall’s process. Different scenarios for the FY13 budget will be modeled into the charging mechanism for academic units so the impact of those different scenarios can be understood. Ultimately, meetings will be held with the President and Senior Vice Presidents to review the analyses, summary materials and recommendations for each budget. Budget levels approved at this time by the senior officers will then be communicated to each of the support units and converted into charges for the academic units by late December or very early January.

3. Balancing the Overall University Budget

This support unit portion of the budget development process conducted in the fall is only half of the University’s overall budget picture. As mentioned previously, budgets for these units are being preliminarily approved by the administration before all information related to the University’s overall revenue forecasts and investment plans is final. Tuition levels and expenditure plans cannot be finalized until spring and must then be built into the final budget recommendation presented to the Board of Regents in June. Recognizing “end-of-process” decisions may necessitate changes in the preliminary support unit budgets the overall process is as follows:

- Update forecasting items with current information (salary and fringe estimates, tuition estimates, etc.) as soon as possible to determine estimated available resources
- Preliminarily approve support unit budgets for FY13 by end of December
- Calculate FY13 cost allocations for academic units by end of December
- Approve academic unit budgets by late April based on available resources, all-funds analyses and investment plans
- Adjust support unit budgets, cost allocations and planned academic unit budgets near the end of the process only when a significant unforeseen impact to the budget occurs – otherwise, hold to approved budgets and cost allocations and deal with moderate to low impact variances through the use of central reserves or through adjustments to budgets and rates the following year
Attachment – Cost Pool Descriptions

Cost Pool 1. Administrative Service Units - This cost pool is allocated to the academic units based on a proportionate share of total expenditures of the most recently closed fiscal year. The FY13 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of FY11 total expenditures. Some of the budgets for the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

Cost Pool 2. Technology - This cost pool is allocated to the academic units based on a proportionate share of total employee and student headcount from the fall of the prior year. The FY13 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of headcount from the fall of 2011. Some of the budgets for the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

Cost Pool 3. Facilities Operations & Maintenance - This cost pool is allocated to the academic units based on a proportionate share of total assignable square feet (ASF) from the fall of the prior year. The FY13 approved budget for this portion of Facilities Management will be allocated based on the academic units’ proportionate share of ASF from fall 2011. This cost pool affects only Twin Cities academic units and not the coordinate campuses.

Cost Pool 4. Student Services - This cost pool is allocated to the academic units based on a proportionate share of the different categories of students from the fall of the previous year: either a) all students, all levels; b) undergraduate students only (full and part time); c) undergraduate students only (full time only), or d) graduate students (revised definition being finalized at this time). Part time students are weighted at 50% in all cases. The FY13 approved budgets for units within this cost pool will be allocated based on the academic units’ share of the relevant headcount from the fall of 2011. Category (a) will be allocated to the Twin Cities academic units and the coordinate campuses; categories (b) and (c) will be allocated to only Twin Cities academic units; and category (d) will be allocated to only Twin Cities academic units and Duluth.

Cost Pool 5. Research Administration - This cost pool is allocated to academic units based on a proportionate share of the average of the last three years of total sponsored expenditures. The FY13 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of the average of FY09, FY10 and FY11 total sponsored expenditures. This cost pool will be allocated to Twin Cities academic units and Duluth.

Cost Pool 6. Library - This cost pool is allocated to academic units on the Twin Cities campus only based on a proportionate share of a weighted faculty and student headcount from the previous fall. The FY13 approved budget for University Libraries will be allocated to the academic units based on the weighted headcount from the fall of 2011. (Weighting scheme: lower division student = .5; upper division student = .75; professional student, graduate student and faculty = 1) Part time students are weighted at 50% in all cases.

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

Cost Pool 8. Debt & Leases - This cost pool is allocated to the academic units based on the actual occupancy of space for which the University pays debt service or lease costs. The budget for these items
for FY13 will be based on known costs for debt service and leased space, and that will be allocated to the appropriate academic units based on assignment in the space data base as of fall 2011 or known occupancy during FY13.

**Cost Pool 9. General Purpose Classrooms** - This cost pool is allocated to the academic units based on a proportionate share of total student registrations. The budget related to classroom management and the estimated actual costs for debt service/leases/utilities related to general purpose classroom space for FY13 will be allocated based on student course registrations from the fall of 2011. This cost pool affects only Twin Cities academic units and not the coordinate campuses.