

FY14 Compact and Budget Planning Guidelines Academic Units

January 18, 2013

**Materials Due: (see sections E, F and G
beginning on page 21**

- 1. Compact Information**
- 2. Investment Opportunities**
- 3. Reallocations**
- 4. Significant Financial Issues**
- 5. ICR Estimates**
- 6. Collegiate/Campus & Durable Goods Fees (& Fee entry into the system)**
- 7. Student Services Fee Waivers**
- 8. Transfers Between Units**
- 9. Budget Development Worksheet**
- 10. O&M/State Special Compensation**
- 11. ISO Rates**

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

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A. Compact/Budget Development Process for FY14

All units will be asked to submit compact and budget materials in preparation for the annual oversight meetings for FY14. There will not be separate compact instructions – the compact questions and the budget instructions have been combined in this document, and units are asked to make just one submission of materials (details following).

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 Provost. 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 the budget model. ***It is, however, the responsibility of the RRC level management to communicate the financial framework context and information to departments and units as appropriate to foster a better understanding of the budget throughout the University.***

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

Unit

Budget Officer for FY14

Ag. Experiment Station	Julie Tonneson
Athletics	Julie Tonneson
Auxiliary Services	Julie Tonneson
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	Robin Dittmann
Humphrey Institute	Robin Dittmann
Science & Engineering	Julie Tonneson
Law School	Robin Dittmann
Medical School	Robin Dittmann
MN Extension	Julie Tonneson
Morris Campus	Carole Fleck
Nursing	Robin Dittmann
Pharmacy	Robin Dittmann

<u>Unit</u>	<u>Budget Officer for FY14</u>
Public Health	Robin Dittmann
Rochester Campus	Carole Fleck
Veterinary Medicine	Robin Dittmann
<u>AAPRV</u>	
Weisman	Robin Dittmann
Concerts & Lectures	Robin Dittmann
CURA	Robin Dittmann
Institute for Advanced Study	Robin Dittmann
Research & Community Engagement	Robin Dittmann
<u>GPSTR</u>	
Interdiscp. Center for Global Change	Lincoln Kallsen
<u>RSRCH</u>	
Center for Cognitive Sciences	Robin Dittmann
Center for Transportation Studies	Robin Dittmann
Hormel Inst.	Robin Dittmann
Institute on the Environment	Robin Dittmann
MN Population Center	Robin Dittmann
MN Supercomputer Institute	Robin Dittmann
University Press	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>	
All Units	Robin Dittmann
<u>UEDUC</u>	
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 submitted last fall.

C. Context of the Biennial Budget Request to the State:

As the state’s only public research university, the University of Minnesota has a unique responsibility to help solve Minnesota’s problems through innovative research and engagement, to deliver an exceptional high-touch and high-tech learning experience, and to provide access to qualified Minnesota students. We also have a responsibility to be accountable stewards of resources and operate as efficiently as possible in all we do. These imperatives guided development of the biennial budget request.

The University’s biennial budget request to the state for FY14 and FY15 leverages faculty, research and disciplinary strength to move the University and the State of Minnesota to the next level in key competitive areas of discovery that are important to Minnesota’s economy and industries; acknowledges

improvements in operational effectiveness and efficiency; and focuses on reducing the cost of higher education to students and families while providing the support students need to achieve greater academic success.

The request is designed to reform how the University and the state partner with one another to:

- 1) deliver on the University’s threefold mission of research and discovery, teaching and learning, and outreach and public service;
- 2) advance initiatives and programs that will leverage the University’s expertise in areas that will benefit the state and its citizens; and
- 3) better support financial access and affordability to post-secondary education for students and families.

Specifically, the University is requesting that the state provide an increase in the University’s appropriation for the following:

- \$14.2 million incremental recurring in each year of the biennium to replace a 3% increase in undergraduate resident tuition (to hold the undergraduate resident rate at current levels for two years); to support the ongoing, core activities of the University.
- the establishment of a new Minnesota Discovery, Research and InnoVation Economy (MN DRIVE) Funding Program that will encompass investments designed to advance the state’s economy, to seize opportunities for fostering economic growth in sectors where there is both state strength and comparative advantage, to improve the health and wellbeing of Minnesota citizens, to discover new knowledge, and to advance the capacity and competitiveness of existing and emerging science and technology industries. For the upcoming biennium, the University is requesting \$18 million as part of this new program to support the following investments:
 - Advancing Industry, Conserving our Environment
 - Supporting Robotics, Sensors and Advanced Manufacturing
 - Securing the Global Food Supply
 - Advancing Discoveries and Treatments for Brain Conditions
- \$11.5 million recurring beginning in FY15 for an “Accountability Fund” to support initiatives in student aid, student support services and research opportunities; and as part of this request, the University is proposing that we will meet three of five specific performance goals.
- \$1.5 million recurring beginning in FY15 for a loan forgiveness program for professional students in health related fields that agree to work in areas of the state where those skills are underrepresented.

D.FY14 Budget Parameters – Planning Assumptions:

1. Budget Framework for FY14: The planning framework for the FY14 annual budget is based on the proposals outlined above as part of the biennial budget request to the state. It incorporates increased appropriations for the specific investments requested, plus the \$14.2 million to take the place of an assumed 3% increase in the resident undergraduate tuition rate. It also includes increased tuition revenue from a planned 3% increase on the rates for graduate, professional and nonresident students (instructions related to tuition estimates will be distributed in Feb.). On the spending side, the planning framework includes a 2.5% increase in salaries (see below), and a modest increase required for costs related to

building operations (debt, utilities etc.). There is also a small pool of funds planned for support unit and academic unit investments outside of those requested from the state.

One key variable impacting the FY14 planning framework, though, is the outlook for FY15. Based on the biennial appropriation assumptions, the tuition assumptions, and the projections for compensation and facility costs in FY15, in that second year of the biennium balancing the budget will require a roughly 2% reallocation on unit O&M, Tuition and State Special budgets (approximately \$28 million). To mitigate that impact in the second year and address his goals for continued administrative efficiencies, the President decided to include a \$14 million reallocation goal for FY14. Planning for this level of reallocation in FY14 will help to reduce the estimated reallocation necessary to balance the budget in FY15, spreading the \$28 million over two years rather than implementing it all in the second year. This “operational excellence” goal of \$28 million over the two years also responds to the state’s budget instructions, which require each agency to describe how they would implement a 5% reduction in state appropriations. \$28 million is 5% of the University’s FY13 base appropriation.

2. Planning for Reallocations: The targeted \$14 million reallocation on all academic and support units is calculated as .8% of the FY13 adjusted O&M/State Specials/Tuition allocation base included in the approved budget (adjusted for the elimination of institutional financial aid programs, utilities, leases, etc.). A portion of this target was implemented in support units during the fall process through productivity improvements or cost reductions, and a portion will be implemented within the academic units (see section F-2 below for further guidelines on how to approach this reallocation).

For purposes of budget planning and the responses requested in these instructions, the proportional allocation of the .8% reduction amounts by academic unit is as follows:

Unit	Amount	
Academic Hlth Center Shared	\$332,000	
Agricultural Experiment Station	50,000	
Athletics	58,000	
Auxiliary Services	0	full amt. taken in fall
Biological Sciences	351,000	
Carlson School of Mgmt	601,000	
Continuing Education	168,000	
Dentistry	277,000	
Design	214,000	
Education & Human Dev.	646,000	
Equity & Diversity	14,000	
Food, Ag., Nat. Resource Sciences	659,000	
Global Programs/Strategy Alliance	4,000	
Graduate School-Academic Allocation	5,000	
Humphrey Institute	105,000	
Law School	293,000	
Liberal Arts	1,843,000	
Medical School	1,103,000	
MN Extension	227,000	
Nursing	139,000	
Pharmacy	222,000	
President’s Office	3,000	
Public Health	217,000	
Science and Engineering	1,412,000	

Unit	Amount	
Sr. VP for Acad Aff-Inst. on the Env.	72,000	\$27k taken in fall
Sr. VP Sys Academic Administration	0	full amt. taken in fall
Sr. VP Sys Acad Adm-Academic Units	22,000	
Student Affairs-Academic Units	19,000	
UM Crookston	191,000	
UM Duluth	1,158,000	
UM Morris	291,000	
UM Rochester	110,000	
Undergraduate Ed-Academic Units	26,000	
Veterinary Medicine	307,000	
VP for Research (academic units)	94,000	

3. 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 FY14 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 FY14. 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 FY14 will be disseminated from Human Resources at a later date.

The fringe benefit rates for FY14 are lower than those for FY13 due to an over-recovery in FY12: the rates applied to the FY12 salaries were more than necessary to cover FY12 costs.

Projected 2013-14

Civil Service (and undergraduate students)	36.8%
Academic	33.6%
Graduate Assistant	23.1%

Figure 1
2013-14
Fringe Benefit Rates by Component

2011-12 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	13.28	5.07	--
Group Life & Disability	.53	--	--
Workers Compensation	.18	1.34	--
Unemployment	.22	.88	--
Social Security	5.18	5.86	5.99
Medicare	1.42	1.42	1.62
Tuition	.35	.95	**
Health Insurance	14.25	24.71	18.49
Vacation	.59	1.07	--
	36.00	41.30	26.10
2012-13 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	12.86	5.08	---
Group Life & Disability	.46	---	---
Workers Compensation	.08	1.11	---
Unemployment	.14	.75	---
Social Security	5.08	5.80	5.92
Medicare	1.37	1.41	1.42
Tuition	.29	.87	**
Health Insurance	13.47	23.61	16.76
Vacation	1.15	.97	---
	34.90	39.60	24.10
2013-14 (As Submitted)	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
Retirement	13.20	5.07	---
Group Life & Disability	.42	--	---
Workers Compensation	.11	.87	---
Unemployment	.09	.32	---
Social Security	5.21	5.75	5.98
Medicare	1.42	1.29	1.42
Tuition	.24	.76	**
Health Insurance	12.42	21.79	15.70
Vacation	.49	.95	---
	33.60	36.80	23.10

** 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 “exceptional hourly” 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. Next year’s projected \$7,503.55 semester benefit (graduate school tuition) will be covered by an hourly charge of \$17.32 per hour for 390 hours of work plus a subsidy rendered from an over-recovery in the graduate assistant tuition remission pool in FY2011-12. Because tuition rates have not yet been approved by the Board of Regents, the rate of \$17.32 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 remain Health Partners. The health fringe rate for FY14 will be 15.70% 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 four 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 \$2.75.

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 \$17.32 hourly fringe rate on these job classes for summer 2013.

2. In order to avoid unnecessary tuition fringe charges for graduate assistants who don't need to register during the summer, four job classifications 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 classifications should be retained. Health insurance coverage and fringe charge continue 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 or spring semesters, requires charging a higher hourly fringe rate (\$40.94 for summer 2013) 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. The job classes of Veterinary Resident-Grad Program are clinical residency positions that typically involve 75% time appointments. Therefore, the fringe rate has been set to recover the tuition costs over 682.50 hours of work per semester.
3. 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 (9535), 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, Susan E. Cable-Morrison, Manager, Graduate Assistant Services/Office of Human Resources (624-3393) or cable003@umn.edu.

Figure 2

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

Fiscal Year 2013-14

	Tuition	Health	Social Security Medicare	Total % Fringe
Summer Term Only				
9571 Summer Term TA	\$0.00	15.70%	7.40%	23.10%
9572 Summer Term RA	\$0.00	15.70%	7.40%	23.10%
9573 Summer Term AF	\$0.00	15.70%	7.40%	23.10%
9574 Summer Term TA w/ T. Ben	\$40.94	15.70%	7.40%	23.10%
9575 Summer Session TA w/o T. Ben	\$0.00	15.70%	7.40%	23.10%
Academic Year and Summer Term				
9510 Graduate Assistant Coach	\$17.32	15.70%	7.40%	23.10%
9511 Teaching Assistant (TA)	\$17.32	15.70%	7.40%	23.10%
9515 Graduate Instructor	\$17.32	15.70%	7.40%	23.10%
9517 Ph.D. Cand. Graduate Instructor	\$2.75	15.70%	7.40%	23.10%
9518 Advanced Masters TA	\$2.75	15.70%	7.40%	23.10%
9519 Ph.D. Cand. w/24 thesis cred. TA	\$2.75	15.70%	7.40%	23.10%
9521 Research Assistant (RA)	\$17.32	15.70%	7.40%	23.10%
9526 Graduate Research Project Asst.	\$17.32	15.70%	7.40%	23.10%
9527 Ph.D. Cand. Grad Research Asst.	\$2.75	15.70%	7.40%	23.10%
9528 Advanced Masters RA	\$2.75	15.70%	7.40%	23.10%
9529 Ph.D. Cand. w/24 thesis cred. RA	\$2.75	15.70%	7.40%	23.10%
9531 Administrative Fellow (AF)	\$17.32	15.70%	7.40%	23.10%
9532 Advanced Masters AF	\$2.75	15.70%	7.40%	23.10%
9533 Ph.D. Cand. w/24 thesis cred. AF	\$2.75	15.70%	7.40%	23.10%
9535 Professional Program Asst.	\$0.00	15.70%	7.40%	23.10%
9538 Legal Project Assistant w/T. Ben	\$39.10	0.00%	7.40%	7.40%
9539 Legal Project Asst. w/o T. Ben	\$0.00	0.00%	7.40%	7.40%
9553 Dental Fellow	\$17.32	0.00%	7.40%	7.40%
9554 Med Fellow, Graduate Program	\$8.66	0.00%	7.40%	7.40%
9559 Med Resident, Grad Program	\$8.66	0.00%	7.40%	7.40%
9549 Vet Resident, Grad Program	\$11.54	0.00%	7.40%	7.40%

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 3 credits per term if a graduate student (one credit for Ph.D. candidates working on a dissertation)

Social Security and Medicare components are 5.98% for FICA and 1.42% for Medicare (7.40% total)

4. 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 assessment is charged to individual fund-deptID-programs through the general ledger allocation process. This monthly process applies a set percentage against certain salary expenditures in specific funds. A general ledger journal entry is then posted to the actual general ledger. **Beginning in FY14, the Enterprise System Assessment rate will be increased from 1.25% to 1.75%.** This is necessary to cover the costs of the Enterprise System Upgrade Project over a reasonable timeframe.

The following assumptions should be built into the FY14 budget plans at this time:

- Assessment rate of 1.75% of projected FY14 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 – 1807Note: 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.

5. 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 FY14 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 prior year total current, non-sponsored salaries in fiscal year accounts. 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 FY14 in the first three months of the fiscal year.

For FY14 planning purposes, units should budget a 6% increase over the amounts billed for FY13, most heavily influenced by projected increases in property and general liability insurance costs. The change anticipates pricing changes in the global property insurance marketplace. Please understand this is an estimate and the actual costs may differ slightly. The FY13 actual charge and the projected FY14 estimates are listed below by unit. For RRCs with some academic and some support components, the full estimate for the RRC was provided in the support unit instructions last fall.

	FY13 Actual Charge	FY14 Estimate
Ag. Experiment Station	\$42,668	\$45,228
AHC Shared	172,021	182,342
Athletics	337,560	357,814
Auxiliary Services	751,596	796,692
Biological Sciences	122,961	130,339
Carlson School of Mgmt	103,517	109,728
Continuing Education	38,410	40,715
Crookston	150,364	159,386
Dentistry	94,012	99,653
Design	60,597	64,233
Duluth	736,085	780,250
Education & Human Dev.	164,460	174,328
Food, Ag. & Nat. Res. Sciences	401,614	425,711
Humphrey School	30,110	31,917
Law School	87,693	92,955
Liberal Arts	382,927	405,903
Medical School	542,870	575,442
MN Extension	43,662	46,282
Morris	219,467	232,635
Nursing	20,156	21,365
Pharmacy	58,127	61,615
Public Health	73,607	78,023
Rochester	5,011	5,312
SAAVP-Academic Units	7,282	7,719
Science & Engineering	491,185	520,656
Veterinary Medicine	157,123	166,550

6. 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, gas and chilled water use will continue to 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 utility, water, 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 this additional utility.

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.

1. Rates Allocated based on consumption to all RRCs

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

- a. Utility rate
- b. Utility consumption

The Steam, Electrical, Gas and Chilled Water utility rates are applicable to units on the Twin Cities campus. The newly published rates will be effective on July 1, 2013 and are held stable for the complete fiscal year. The rates include costs to purchase, produce, manage, and deliver the utilities and are 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, gas and chilled water 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 (DeptID 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 FY14 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 Arwen Bloomdahl at extension 5-0725.

	<u>FY2012-13</u> <u>Current Rate</u>	<u>FY2013-14</u> <u>Estimated Rate</u>
Steam – 1,000 lbs of steam (Mlb)	\$21.98	\$21.98

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)	\$.0991	\$.0991
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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 timing of 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, distribution costs, capital renewal, energy conservation projects and administration.

Gas – Dekatherm (Dkthrm)	\$6.11	\$7.92
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Gas costs are allocated based on dekatherms. 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 generally applies to buildings not on the campus steam systems but can also apply to buildings with such gas uses as laboratories or kitchens.

Chilled Water (ton/hour)	\$0.199	\$0.205
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Chilled water costs are allocated based on tons of cooling hours (a metered measure). The chilled water rate includes the electric, steam and water costs used to generate the chilled water. Costs also include maintenance, capital renewal, energy administration and energy conservation. Central air conditioning via Chilled Water is not available in all buildings. Only those RRC’s with space in the buildings that are part of the Chilled Water distribution system will be charged for this Utility.

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

The cost for the remaining utility (water), will be included in the Facilities Management O&M (Operations and Maintenance) cost pool and spread on the cost/asf charge (see Appendix A for a description of the Facilities O&M cost pool) for FY14. If your RRC is not included in the O&M cost pool, you will continue to be directly billed for all FM services and this additional utility.

	<u>FY2012-13</u> <u>Current Rate</u>	<u>FY2013-14</u> <u>Estimated Rate</u>
Water/Sewer – Hundred Cubic Feet (CCF)		
Minneapolis	\$9.25	\$ 8.78
St. Paul	\$4.87	\$ 5.78

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.

Water is billed at the actual municipal rate plus a mark-up to cover University maintenance and capital renewal projects. The monthly per unit rate will fluctuate based on the actual bill from the municipal utility.

Questions regarding utility rates should be directed to Wendy Berkowitz at 624-8886, Shari Zeise at 625-9429, or Arwen Bloomdahl at 625-0725.

7. Tuition Estimates

There are no tuition estimates for **FY14** included with these instructions. Instead, updated estimates for FY13 are detailed in the table below, and preliminary estimates for FY14 will be distributed in February, along with the corresponding instructions related to submitting unit proposed estimates. This portion of the budget instructions is delayed because basing the estimates on more up-to-date information will provide a more accurate estimate for FY14. Please work with the Budget Office if timing doesn't allow complete analysis and submission prior to the scheduled budget oversight/compact meeting. The estimates can be submitted after the scheduled meetings if necessary.

Methodology

The projection model uses actual tuition for FY09 through FY12. The projection model looks at the average proportion of Fall tuition from UM-Reports tuition attribution against the fiscal end total EFS ledger tuition recorded for each college/campus over the last four years. This proportion is identified in column B in the table below, and represents the 4 year average proportion of total tuition revenue generated in the Fall semester, by unit. The FY13 projections assume that for each campus and college the Fall 2012 revenue will be the same percentage of the FY13 total as the average proportion of the past four fiscal years. Questions regarding the updated tuition revenue projections for FY13 may be directed to Lincoln Kallsen (kalls001@umn.edu).

2012-13 Tuition Projection from Fall data (Final - 15th week data)						
		A	B	C = A/B	D	E=C-B
		Fall 2012 Final	Factor	Projected FY13 tuition	FY 13 Budgeted Tuition	Variance
UMC	Crookston Campus	\$ 7,858,333	0.475	\$ 16,535,015	\$ 15,279,637	\$ 1,255,378
UMD	Duluth Campus	\$ 56,844,512	0.494	\$ 115,117,061	\$ 117,487,904	\$ (2,370,843)
UMM	Morris Campus	\$ 8,738,942	0.499	\$ 17,503,647	\$ 17,547,729	\$ (44,082)
UMR	Rochester Campus*	\$ 2,686,008	0.497	\$ 5,405,138	\$ 5,821,466	\$ (416,328)
AHCSH	AHC Shared	\$ 2,415,097	0.424	\$ 5,699,596	\$ 5,748,107	\$ (48,511)
CBS	Biological Sciences	\$ 10,906,779	0.510	\$ 21,365,030	\$ 21,000,000	\$ 365,030
CCE	Continuing Education	\$ 6,180,044	0.421	\$ 14,676,688	\$ 14,826,210	\$ (149,522)
CEHD	Education & Human Development	\$ 28,873,463	0.450	\$ 64,106,541	\$ 61,606,443	\$ 2,500,098
CFANS	Food, Ag & Nat Res Sci.	\$ 13,888,578	0.509	\$ 27,311,844	\$ 24,558,533	\$ 2,753,311
CLA	Liberal Arts	\$ 87,212,566	0.492	\$ 177,260,227	\$ 177,335,379	\$ (75,152)
CSENG	Science and Engineering	\$ 58,226,069	0.505	\$ 115,260,917	\$ 113,828,706	\$ 1,432,211
CSOM	Carlson School of Management	\$ 32,145,044	0.470	\$ 68,460,873	\$ 67,395,742	\$ 1,065,131
DENT	Dentistry	\$ 8,139,742	0.391	\$ 20,828,709	\$ 19,200,000	\$ 1,628,709
DESGN	Design	\$ 9,273,770	0.507	\$ 18,306,641	\$ 17,725,911	\$ 580,730
GPSTR	Global Programs & Strategy All.	\$ 56,071	0.401	\$ 139,890	\$ 136,658	\$ 3,232
GRAD	Graduate School	\$ 268,665	0.638	\$ 420,926	\$ 552,134	\$ (131,208)
HHH	Humphrey School of Public Affairs	\$ 3,774,959	0.485	\$ 7,776,049	\$ 6,659,187	\$ 1,116,862
HLSCI	Health Sciences	\$ 152,457	0.516	\$ 295,459	\$ -	\$ 295,459
LAW	Law School	\$ 15,561,137	0.502	\$ 30,979,533	\$ 31,795,929	\$ (816,396)
MED	Medical School	\$ 16,714,029	0.382	\$ 43,702,445	\$ 43,967,532	\$ (265,087)
NURSG	Nursing	\$ 5,194,065	0.449	\$ 11,579,093	\$ 11,030,955	\$ 548,138
PHARM	Pharmacy	\$ 9,413,672	0.449	\$ 20,975,756	\$ 20,826,266	\$ 149,490
PUBHL	Public Health	\$ 7,847,987	0.436	\$ 17,991,418	\$ 18,701,267	\$ (709,849)
UEDUC	VP Undergraduate Education	\$ 474,630	0.581	\$ 817,552	\$ 872,785	\$ (55,233)
VETMD	Veterinary Medicine	\$ 7,566,730	0.452	\$ 16,755,412	\$ 16,580,000	\$ 175,412
	Multi-institutional	\$ 65,996				
	ALL UNIVERSITY	\$ 400,479,345	0.477	\$ 839,271,462	\$ 830,484,480	\$ 8,786,982

As you anticipate development of the FY14 tuition estimates, please be prepared to explain the variances in the table above. It may be that your analysis leads to a different estimate for the current year, so if that's the case, please explain the difference and rationale for that difference. However, if you agree with the estimate above and the FY13 revenue exceeds what was budgeted and planned for, you should be able to explain how that additional income was used, in part, to generate the increase, or how it is being used in your current year expenditure plans on a recurring or nonrecurring basis. Conversely, if the FY13 revenue estimate is less than what was included in the budget, please be prepared to explain how that difference is being accommodated – through expenditures reductions, other revenue increases or balances to bridge to next year. These explanations will be requested as part of the supplemental instructions related to tuition estimates coming in February.

8. ICR Estimates

A new four-year F&A (facilities and administrative cost) rate agreement was signed on December 8, 2011. These new rates are effective from FY12 through FY15, and will continue to be used after the end of FY15 until a new rate agreement is established.

Award Type	Current Rate (use for FY14)	Old Rate
On-Campus Research	52.0	51.0
On-Campus Public Service (a.k.a. Other Sponsored Activities)	33.0	32.0
On-Campus Instruction	50.0	50.0
Hormel Institute	52.5	52.5
Dept. of Defense Contracts	57.0	57.0
Off-Campus Projects	26.0	26.0

For FY14, as in FY13, 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 the FY14 budget development process, each unit that generates ICR revenue is asked to submit an estimate of how much ICR they expect to generate in FY13 (the current year) and also in FY14. Attachment 1 provides an updated estimate of FY13 ICR revenue and a preliminary estimate of total ICR revenue for FY14 developed by the Budget Office. Column g contains an updated estimate of total annual ICR revenue for the current fiscal year, FY13. This updated estimate was developed using actual ICR revenue generated over the first six months of FY13. Column j, FY14 Estimated Total Revenue, is the result of multiplying the updated FY13 estimate in column g by 1.0, indicating a 0% inflation factor for FY14 over the updated estimate for FY13 ICR revenue. According to a presentation made to the Board of Regents by Vice President Tim Mulcahy, awards received in FY12 decreased by about 2.5% over awards received in FY11. While there is no way to know for sure what spending patterns will be on projects, to be conservative, the Budget Office estimates are assuming that if overall sponsored award dollars have decreased, future ICR recovery would also decrease at a similar rate on a lagging basis. Colleges that expect increased ICR revenue due to the higher rate which went into place in FY13 should increase the estimate as deemed appropriate.

As always, the amounts on Attachment 1 represent a starting point in estimating FY14 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 the budget submittal, please complete Figure 3 entitled *FY14 ICR Revenue Estimate - Response* to submit estimates for FY13 (updated estimate) and FY14 (budget) ICR revenue.

If you have any questions regarding these instructions or calculating the ICR revenue estimate for FY13 or FY14, please call Robin Dittmann at (612) 626-9277.

Figure 3
ICR Revenue Estimate - Response

Please use this page to verify or propose a change to the preliminary ICR revenue estimates for FY13 (updated estimate) and FY14 (budget) as shown in Attachment 1. Note: estimated ICR revenue should represent 100% of the amount generated.

Important! We are asking you to submit two estimates: (1) an updated estimate of how much ICR revenue you believe you will generate in the current year (FY13) plus (2) an estimate of ICR revenue for next year (FY14).

Resource Responsibility Center:

1. Updated estimate for current year, FY2012-13 ICR Revenue:

2. Proposed budget estimate for FY2013-14:

If you agree with the proposed estimate for FY14 ICR revenue as presented in Attachment 1, please verify by recording the estimated amount of total ICR revenue.

2013-14 estimated total ICR:

If you do not agree with the proposed estimate for FY14 ICR revenue as presented in Attachment 1, please record a new unit estimate for total ICR revenue.

2013-14 estimated total ICR:

9. Cost Pool Allocations

Decisions to date made on the support unit budget items have increased the overall cost pool allocations, and thus the total charges, for FY14. 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 FY12 and FY13 and what they will be for FY14. Additionally, the spreadsheets used to calculate the cost allocations and the related summary of charges by college, along with the detailed FY14 line-item increases added to each cost pool, will be discussed at the Framework Overview meetings in January and 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.

When reviewing changes in the cost pools, it is important to remember what items are included within the pools. Targeted unit reductions, facility cost changes and some transfers of line items out of the pools to academic units, combined with compensation increases, student aid and targeted investments that flow through the pools, results in **the net overall increase of \$11.3 million** identified below - \$7.7 million in charges to academic units and \$3.6 million in “Off-the-Top” allocations related to facility costs. In aggregate, the changes in cost pool totals from FY13 are as follows (prior to the double-step-down redistribution):

<u>Cost Pool</u>	<u>FY13 Total*</u>	<u>FY14 Total</u>	<u>\$ Change</u>	<u>% Change</u>
Support Service Units Systemwide	\$91,814,468	\$90,683,903	(\$1,130,565)	-1.2%
Technology Systemwide	32,884,163	33,472,149	587,986	1.8%
Facilities O&M	78,600,767	79,470,483	869,716	1.1%
Support Service Units Twin Cities	11,775,795	11,973,159	197,364	1.7%
Technology Twin Cities	32,271,996	32,819,619	547,623	1.7%
Student Services (All) Systemwide	13,226,602	12,824,470	(402,132)	-3.0%
Student Services (All) Twin Cities	1,846,773	1,797,675	(49,098)	-2.7%
Research Support Services	26,401,204	28,701,262	2,300,058	8.7%
Library	41,706,303	42,597,456	891,153	2.1%
Student Serv. Undergrad	17,666,460	18,649,413	982,953	5.6%
Student Serv. Undergrad Aid	36,859,782	37,049,262	189,480	0.5%
Student Serv. Grad	14,456,863	15,182,084	725,221	5.0%
General Purpose Classrooms	<u>8,319,477</u>	<u>9,772,328</u>	<u>1,452,851</u>	17.5%
Subtotal (non-consumption pools)	\$407,830,653	\$414,335,636	\$6,504,983	1.6%
Utilities (direct to academic units and “off the top”)	53,342,023	58,153,764	4,811,741	9.0%
Debt (direct to academic units)	33,454,264	33,084,903	(369,361)	-1.1%
Leases (direct to academic units)	4,027,105	3,642,949	(384,156)	-9.5%
Warehouses (direct to academic units)	<u>319,927</u>	<u>404,672</u>	<u>84,745</u>	26.5%
Total-Changes in Pool Charges	\$498,973,972	\$510,279,551	\$11,305,579	2.3%

*The FY13 totals have been adjusted to reflect a “rebasings” of certain support unit allocations between pools – for units that have base operations funded from different cost pools (Undergraduate Education, Sr. VP Health Sciences, University Relations, etc.). The FY13 cost pools were set with an estimated distribution of these split allocations between the different pools, but now that the actual distributions are known, the pools are “rebased” to correctly reflect the final allocations for each unit

by pool. The total of \$498,973,972 did not change for this adjustment – only some of the amounts by pool within that total changed slightly.

In addition to looking at the change by pool, it is also helpful to understand the increase for FY14 by looking at the various decision categories that resulted in the increase. There are six categories of spending that increased the pools, and as the table below shows, the three largest contributors to the increase for FY14 are utility costs on the Twin Cities campus, investments in academic programming in the support units, and student aid:

		Responsible for X% of the \$11.3m Increase
New Building Operations/Utilities (TC)	\$4,609,313	40.8%
Strategic Academic Investments	3,958,070	35.0%
Student Aid	2,912,000	25.8%
Compensation Cost Increase	2,274,782	20.1%
Strategic Support Investments	2,027,671	17.9%
Contractual/Safety/Structural Issues	227,000	2.0%

In addition, there are three categories of decisions that decreased the pools:

Unit Base Budget Reductions	(3,527,616)	-31.2%
Debt Service & Leases	(681,517)	-6.1%
Transfers between Academic & Cost Pool Units	(494,125)	-4.3%

Total Net Change in Pool Charges	\$11,305,578	100.0%
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The complete list of funded items by cost pool will be posted to the Budget Office web site, but examples of the investments include: merit-based student aid, Library collections, revenue replacement for the Office of Technology Commercialization, classroom Life-cycle funding, the E-Procurement project, expanded national recruitment, and so forth.

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.

E. Submissions – Compact Information

Please submit a brief, ***no more than 5 page, response (in total)*** to the following questions. The first two relate to the priorities and plans for your unit, while the rest are more specific to a number of University-wide priorities and goals. Feel free to combine your answers to multiple questions where you feel there is significant overlap in your response, but indicate where that occurs with a simple “see #x” under the question you are not addressing separately.

- 1) What are your top priorities for next year and what are your most significant challenges or concerns in addressing those priorities?
- 2) In what ways can University leadership better support your goals? Are there specific areas of guidance or direction related to programming or operations that would help in your planning to achieve your goals? Please do not suggest a specific funding level commitment from central administration in your response. While predictable funding would be helpful for everyone, given the numerous external variables that impact the budget, commitments of this nature are not practical.

- 3) What are your unit’s plans related to e-learning and online education? A description of your current involvement in this area would be beneficial, along with any plans to increase or decrease your activities in the near future.
- 4) What are your unit’s plans related to international programs? A description of your current involvement in this area would be beneficial, along with any plans to increase or decrease your activities in the near future.
- 5) What are your unit’s plans for graduate and undergraduate assessment and program review?
- 6) ONLY IF APPLICABLE – What specific steps has your unit taken to improve undergraduate retention and graduation rates? What specific steps has your unit taken to improve time-to-degree completion rates for your graduate programs? What are your future plans in these areas?
- 7) ONLY IF APPLICABLE – If you received an incremental recurring or nonrecurring compact allocation in the current year (FY13), please report on the status of that investment: how the funds have been used and any reportable outcomes or results that you can share.

In addition to the above, the Provost’s Office may contact you with a unit-specific question to address during the oversight meeting. If applicable, these questions will be sent to you three weeks prior to your oversight meeting.

F. Submissions – Budget Planning

1) Investment Opportunities (*no more than 2 pages total*):

As mentioned previously, the budget framework for FY14 includes the potential for a small amount of funding available for investment in academic unit proposals. Therefore, it is optional for you to submit a request for funding of your highest priority initiatives. If you choose to submit, please request funding for your highest priority items in direct support of the activities/programs described in your compact submission. These should be items representing absolutely **critical needs or unique opportunities**. Your submission should identify the items **in priority order** and should include 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.

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 or the increase in cost pool charges described above. Those general parameters are funded within the overall budget framework over and above any amounts identified for potential investment.

2) Reallocations:

Each RRC receiving these instructions should develop and submit a proposal to address budget adjustments in the amounts identified above in section D-2. The proposal should briefly outline actions to be taken to reduce your recurring budget and the projected impact on unit activities and service levels.

In support of the President’s Operational Excellence initiative, the reallocations for FY14 should be focused as much as possible on reductions to administrative operations and costs. You recently received a separate communication detailing the “cost definition and benchmarking” exercise, which included a breakdown of your FY12 expenditures into the categories of Direct Mission Delivery,

Mission Support & Facilities, and Administrative Oversight. Please consider this information as simply another tool in understanding your operations. The expectation for your reallocation plans is that you will implement reductions, to the extent possible, that would result in a decrease in the spending categories considered Mission Support & Facilities and Administrative Oversight. You should look first to those areas of spending when considering what to propose for reallocation. **For most units there is a mix of expenditures within all three categories, so if your reallocation proposals impact the Direct Mission Delivery portion of the budget, you should provide rationale for this decision and indicate why the decision was made to move beyond Mission Support & Facilities or Administrative Oversight. There are many units where it will be impractical to fully avoid reductions in the Mission Delivery category, or for which a broader strategic reallocation plan would include reallocations in all three cost categories.** Providing the rationales or broader reallocation plan in your response will be critical in understanding your proposal. Please note – maintaining the University’s commitment to student financial aid remains a top priority. *Therefore, all types of financial aid for students (scholarships, fellowships, block grants) whether for undergraduate, graduate or professional students, must remain protected. For the cost definitions and benchmarking exercise, student aid expenditures were set aside and not included in any of the three spending categories. They are not in the reallocation base, not in the spending categories, and should not be cut.*

Proposals will be reviewed during the budget oversight meetings. Not all proposals will be accepted and implemented. Instead, the responses will provide a menu of actions to discuss during the compact/budget meetings and in the weeks following. Ultimately, any reductions recommended to the President will be strategic and differential – not straight across-the-board.

3) **Significant Financial Issues:**

Sometimes units face financial issues that may not require additional funding from outside of the unit, but represent a challenge or policy question in working to solve them. If there is some issue in this category that you wish to bring to the attention of the Budget Office or academic leadership (something you’re currently facing or anticipating within the next year or so), please describe it in a short paragraph. It may be discussed during the budget oversight meeting or it may result in a more targeted conversation at a later date.

G. Submissions – Detailed Budget Materials

Items 1 – 8 in this section should be submitted to the relevant Budget Officer 5 working days prior to the scheduled compact/budget meeting.

1. Revenue Estimates – ICR

Submit Figure 3 on page 19 with any relevant supporting documentation.

2. Collegiate/Campus and Durable Goods Fees

A. Collegiate/Campus and Durable Goods Fees Definition: The collegiate/campus and durable goods fee definitions were updated and approved by the Board of Regents in 2011 to be as follows:

Subd. 3. Academic Fees.

(a) **Campus/Collegiate Fees.** Campus/collegiate fees are campus- and college wide fees that may be assessed to all students enrolled on a campus or in a college for

goods and services that directly benefit students but that are not part of actual classroom instruction. Allowable goods and services include advising, career services, computer labs, special equipment, orientation activities, and other goods or activities intended to enhance the student experience outside of actual classroom instruction. Each campus shall assess no more than one campus-wide fee and each college shall assess no more than one college-wide fee.

(b) **Durable Goods Fees.** Durable goods fees may be charged by a campus or a college to their enrolled students (or any cohort or subset of their enrolled students) for educational materials and equipment that will be owned by, potentially owned by, or assigned to a specific student for their use during the entire term. Durable goods fees may not be charged for services, or for use of any equipment owned and retained by the University, with the exception of computer or other specialized equipment assigned for a full term to a specific student.

B. Collegiate/Campus Fees Structure: In order to rationalize the set of collegiate/campus fees charged to students throughout the University and ensure appropriate application of the above definitions, the following standards are recommended for implementation. Limited exceptions to these standards may be approved with a compelling justification (e.g. capital enhancement fee and TCF Stadium fee on the Twin Cities campus):

1. As mentioned above, each campus may assess only one campus-wide fee and each college (for the Twin Cities and Duluth) may assess only one college-wide fee.
2. Campuses and colleges may charge these fees only to their own students – defined by unit of enrollment. Colleges may not charge a collegiate fee to students enrolled in other colleges.
3. Collegiate/Campus fee rates will be the same for each student within a college or campus, regardless of student level or program of enrollment. So, for example, the fee rate may not differ for undergraduate vs. graduate students or for students enrolled in one program within a college vs. another program.
4. Collegiate/Campus fees may vary by credit load. Colleges and campuses may choose to apply the same rate to all students regardless of credit load. However, if they choose to differentiate, the standard fee structure will be a flat rate with a single threshold of six credits: one flat rate applied to students registered for 6 or more credits and half that rate charged for students registered for less than 6 credits. This single credit threshold applies to undergraduate, graduate and professional level students.
5. Collegiate Campus fees may vary by term. Colleges and campuses may choose to apply the same rate to all students regardless of term. However, if they choose to differentiate, the standard fee structure will be a flat rate for summer term vs. fall and spring terms: one flat rate applied to students registered for fall and spring terms (with potential credit variations as mentioned in “4”) and half that rate charged for students registered for summer term. If this structure is implemented along with the variation in credit loads as mentioned in “4”, then the credit threshold for summer would be 3 credits, rather than 6.
6. Separate seating fees and orientation fees at the college or campus level should be eliminated. Costs related to these items may be justifiably included in the collegiate fees.

C. Durable Goods Fees Definition and Structure: It is recognized that there are situations in which charging all students for a particular item required for enrollment is beneficial to the student in that it can be purchased at a lower bulk rate than the student would pay on their own. Therefore, a term fee, separate from the collegiate/campus fee, may be charged by the college or campus to their enrolled students (or any cohort or subset of their enrolled students) for educational materials that will be owned, or potentially

owned in the future, by the student (e.g. laptop computers, scientific instruments, reference materials, etc.). Durable goods fees may be structured to change by program and academic year, depending on the relevant group of students and the corresponding “goods”. Durable goods fees may NOT be charged for usage of equipment owned and retained by the University or for services.

D. Approval Process – Collegiate/Campus and Durable Goods Fees: These fees must be entered into the newly updated Fee Request and Approval System (see next section below). In addition, each RRC proposing to either continue or change an existing fee in this category or to create a new fee in this category must submit the following information along with their other budget materials (provide separate sets of information for a collegiate/campus fee and a durable goods fee).

- The proposed fee rate and set up structure for FY14
- A detailed and specific explanation of what services or activities the fee will support (see definition)
- An estimate of the revenue that will be generated from the fee in FY14
- An allocation of that estimated revenue across the itemized list of services or activities supported through the fee
- A description of the internal fee process within the college or campus, indicating who was involved in setting the proposed fee level and determining the different uses for the fee

These fee proposals will be discussed as part of the compact/budget oversight meetings. **Please note – as the University has proposed to hold undergraduate resident tuition at current levels for the next two years and is trying to limit additional financial burden on students, any proposal to increase these fees will receive significant scrutiny and will be approved only in exceptional cases.**

3. Course and Collegiate Fee Entry and Approval

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 new fees, and submit them for approval on an annual basis. Beginning with budget preparation for FY14, the tool for submission will be the new Tuition and Fee Management System (TFMS) which will go live for FY14 budget prep. The information submitted will be incorporated into the overall tuition and fee plan presented to the Board of Regents along with the budget in June.

TFMS will be available for entry of FY14 fee information by March 1, 2013, and all fee entry should be completed by roughly April 19, 2013 for initial Budget Office review. The system captures student fee information for review and analysis, helps ensure that units receive the fee revenues approved in the annual budget process, and feeds information to PeopleSoft to ensure accurate and efficient student account billings. Fees for FY13 that are currently in the old Fee Request and Approval system are being converted to the new system for review and update by the unit that owns them. Information on training for using TFMS will be available in the next few weeks, along with detailed instructions for fee entry. Note that with this transition year it will be necessary to carefully review the fees that have been converted from the old system to ensure that they appear as expected and that all fees for FY13 were picked up in the conversion. Please be sure to schedule training for those in your units who will need to use the system as soon as possible and make note of the extra effort required to learn the new system and provide careful review.

The information required to create or update a fee request in the TFMS is similar to past years and will include:

- The EFS chart string where the fee revenue is to be recorded
- The amount of the fee
- The amount of expected revenue
- 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) and the component to attach the fee to must be identified, and if fees must be broken down to a section level, the section numbers are necessary
- The method of assessment: 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
- An appropriate justification
- A brief, but informative, public fee description

Additional information and instructions, including guidelines for appropriate fee justification and rate development, will be discussed in the TFMS training classes and materials. All fees charged by academic units, and all fees charged based on student registration must be submitted for approval (exception: some fees charged through the Learning Abroad Center and billed through the Education Abroad Module). Changes and updated to fee requests for Spring 2013 and Summer 2013 should continue to be entered in the old Fee Request and Approval system. All fee requests for Fall 2013 and beyond must be entered in the new TFMS.

After fees are submitted, the relevant budget officer in the Office of Budget and Finance will review them. The RRC manager will be able to go online and see the status of a fee at any time. 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 implemented in PeopleSoft for FY14.

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 TFMS and approved by the Regents may not be implemented until the next budget year.

4. Student Services Fee Waivers

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 FY14. 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 currently receiving program waivers that do not have to reapply this year 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

Science & Engineering

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

5. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY14, 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.

6. Budget Development Worksheet

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 7/1/2012.
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>). Continue to Financial Management Training, which is listed in the connections at the left of the page, and proceed to course registration under the link to Enroll in Courses. Additional resources include two job aids available under Review Course Materials: Budget Development Worksheet – Dept. User Job Aid, and Budget Development Worksheet – RRC Manager Job Aid.

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 FY11 Actuals, FY12 Actuals, the FY13 Approved Budget and FY13 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 7/1/2012. 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 FY13 (“Forecast”) to arrive at an updated estimate of carryforward into FY14 if that is warranted.

The final column (Budget 2014) is for projecting FY14 activity. The budget submittal should focus on completing the Forecast 2013 column and then completing the Budget 2014 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. **FY14 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 2014 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 5 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 FY14, then the expense projections in the Budget 2014 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 are included at the bottom of the worksheet 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 2013 and Budget 2014 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 2013 and Budget 2014 columns without entering in those rows.

If there is information missing in these instructions necessary to complete the Budget 2014 column, please contact your budget officer for assistance. **Please note – the central allocation line for FY14 should contain the exact same amount as appears in the Budget 2013 column with one exception – it can be adjusted for planned permanent transfers between units (see # 5 above).**

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.

7. 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 FY14 in O&M and State Special funds only (remembering that fringe rates are actually going down for FY14)?”

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.

8. 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:

A) Internal Sales Office – All units conducting Internal Sales in FY14 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 FY14 budget development, units conducting internal sales at this level should submit a summary of their major rates for FY12, FY13 and proposed for FY14, 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 FY14 budget development, units conducting internal sales at this level should submit rate information only for rates which are new for FY14 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY13
- Proposed rate for FY14
- 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 FY14 and growth over FY13 if applicable

H. Process

1. Meetings and Due Dates

The compact/budget meetings are being scheduled throughout February and March. 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.

Submittal Due Date – 5 working days prior to the scheduled meeting, please send all required materials in Sections E, F and G to Jessie Strader in the Budget Office (jstrader@umn.edu) and to the relevant budget officer listed in Section B.

2. Budget Recommendations

At the conclusion of the meetings, Sr. Vice President for Academic Affairs and Provost Karen Hanson, Vice President Aaron Friedman, Vice President Brian Herman, Vice President Richard Pfitzenreuter and Budget Director Julie Tonneson 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 early May to meet presentation deadlines for the June Board of Regents meetings.

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

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 FY14 have been recommended to the President and he has given approval to proceed based on those recommendations;
- Cost allocations have been calculated for FY14 based on the approval of support unit budgets

The remaining components of budget development for FY14 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 in April or early May;
- 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 FY14 to the Board of Regents for review and approval in June.

APPENDIX A
Cost Pool Descriptions

There are nine primary cost pools in the budget model. A brief description of each cost pool and the basis for allocating the corresponding costs is described below. In addition, the detailed FY14 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. Support Service Units

This cost pool includes the budgets for those units with general support 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
Global Programs & Strategy Alliance
Human Resources
President’s Office
Public Safety (excluding Police)
Sr. VP – Academic Affairs & Provost (excluding academic areas)
Sr. VP – Health Sciences (excluding academic areas)
University Relations
VP for University Services

Twin Cities Only

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 FY14 approved budgets for the units listed above will be allocated based on the academic units’ proportionate share of FY12 total expenditures (all funds). 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 are not operated as an Internal Sales Organization (ISO) 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 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, File Storage, PeopleSoft, E-Research, Helpdesk, Digital Media Center, Security and so forth.

As with the Support 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 FY14, 51% of OIT’s approved O&M budget has been allocated on a system-wide basis and the remaining 49% has been allocated only to the Twin Cities campus. A small portion of the Sr. VP for Health Sciences budget related to technology is included in the TC tier of this pool. 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 FY14 approved centrally allocated budget for these technology functions is spread based on the academic units’ proportionate share of total headcount from the fall of 2012. 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 or student 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. Beginning with FY12, the student headcount has been adjusted so that part time students are weighted at .5.

3) Facilities Operations & Maintenance

This cost pool includes services within Facilities Management (FM) on the Twin Cities campus only. Facility operations 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, extraordinary maintenance and replacement of building components like roofs, windows, elevators, etc.)
- Water, Sewer and Storm-water utility costs
- Facilities Management administration

Beginning in FY12, this pool was adjusted to remove the costs of chilled water. It is now possible to reliably measure actual consumption of the chilled water utility by building, so that utility has been added to the direct charged “utilities” cost pool and removed from this pool.

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 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 FY14 approved budget for these activities within Facilities Management will be allocated based on the academic units' proportionate share of ASF from November 2012. 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

Beginning in FY13, this cost pool is divided into four categories (previously it was three), 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 85-90% of the budgets for these two units (excluding classroom activities) is distributed system-wide, and the remaining 10-15% 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 FY14 approved budgets for these two units is allocated based on the academic units' proportionate share of the total student headcount from the fall of 2012. 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. Beginning in FY12, the student headcount has been adjusted to weight part-time students at .5.

- b. Category 2 – Services to Twin Cities Undergraduate Students.* This category includes the budgets for:

Admissions Office and Scholarships
Orientation & First Year Programs
Health Career Center
Student Affairs (excluding activities funded through student fees)
Office of the Vice Provost for Undergraduate Education
(Undergraduate Financial Aid has been moved to a new Category 3 – below)

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 FY14 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 2012. 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. Beginning in FY12, the student headcount has been adjusted to weight part-time students at .5.

- c. **Category 3 – Undergraduate Financial Aid.** This category was new beginning FY12. It contains the undergraduate financial aid programs managed by the Vice Provost for Undergraduate Education: The Promise for Tomorrow Scholarship Program, the Presidential Scholarship Match Program and the Admissions Scholarships.

The combined budgets for these programs are distributed only to students enrolled in units on the Twin Cities campus. The basis for distribution of this cost pool is total full-time undergraduate student headcount from a point in time during fall semester of the previous year. The FY14 approved budget for these activities is allocated based on the academic units' proportionate share of total full-time undergraduate student headcount from the fall of 2012. Part-time students are not eligible for the aid programs included in this cost pool. 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.

- d. **Category 4 – Services to Students Enrolled in the Graduate School.** This category includes the budget for the Graduate School and a graduate student funding pool within the budget of the Vice President for Research.

For the initial FY14 calculations, the basis for distribution of this cost pool is total headcount of students with the academic career of "graduate" but excluding those within that career with the academic program of xxDMS (departmental masters) – again from a point in time during fall semester of the previous year. Graduate School Faculty headcount was eliminated beginning FY12. The FY14 approved budgets for the Graduate School and the graduate student funding pool within RSRCH are allocated based on the academic units' proportionate share of the total headcount from the fall of 2012. 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. Also beginning in FY12, the student headcount has been adjusted to weight part-time students at .5. Further analysis is being done related to the restructuring of the Graduate School and further changes in the statistics for this pool may be implemented for FY14. If that occurs, the adjustments will be implemented budget neutral.

5) Research Support Services

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, the MN Population Center, the Super Computer Institute and the University Press), 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 FY14 approved budgets for the units identified above will be allocated based on the academic units’ proportionate share of the average of FY10, FY11 and FY12 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

The FY14 approved budget for the University Libraries is allocated to the academic units based on the weighted headcount from the fall of 2012. 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. Beginning in FY12, the student headcount will be adjusted to weight part-time students at .5.

7) Utilities

This cost pool represents the actual costs for the following utilities: steam, electricity, gas, and chilled water. A more complete description of this cost pool is included within the instructions, Section D-6 on page 14. 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 FY14 is allocated based on total course registrations from the fall of 2012. 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 12) 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

Attachment 1

Indirect Cost Recovery
Unit estimates for FY14

	a	B	c	d	e	f	g	h	i	j		
	FY13	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY13	FY14		
	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/d)	a*2	Estimate	Revenue	to Budget	g * 1.02		
<u>Coordinate Campuses</u>												
1	Crookston	70,358	50,835	109,999	46.21%	152,244	140,716	140,716	103,703	37,013	140,716	1
2	Duluth	1,451,257	1,636,231	2,934,583	55.76%	2,602,832	2,902,514	2,602,832	3,102,817	(499,985)	2,602,832	2
3	Morris	87,807	138,087	218,025	63.34%	138,638	175,614	138,638	180,000	(41,362)	138,638	3
4	Rochester	17,497	20,719	29,393	70.49%	24,822	34,994	24,822	36,651	(11,829)	24,822	4
<u>Academic Health Center</u>												
5	Academic Health Center-Shared	7,011,267	6,972,642	14,699,847	47.43%	14,781,277	14,022,534	14,022,534	13,919,676	102,858	14,022,534	5
6	School of Dentistry	876,561	1,072,187	2,115,056	50.69%	1,729,153	1,753,122	1,729,153	1,900,000	(170,847)	1,729,153	6
7	Medical School	23,604,900	23,870,502	47,803,949	49.93%	47,272,045	47,209,800	47,209,800	43,163,343	4,046,457	47,209,800	7
8	School of Nursing	409,738	462,279	899,885	51.37%	797,607	819,476	797,607	901,537	(103,930)	797,607	8
9	College of Pharmacy	1,666,316	1,652,923	3,334,848	49.57%	3,361,869	3,332,632	3,332,632	3,371,963	(39,331)	3,332,632	9
10	School of Public Health	7,216,936	8,426,956	16,252,591	51.85%	13,918,894	14,433,872	13,918,894	13,558,163	360,731	13,918,894	10
11	College of Veterinary Medicine	1,630,909	1,619,524	3,414,621	47.43%	3,438,625	3,261,818	3,2361,818	3,317,000	(55,182)	3,261,818	11
12	Total Academic Health Center	42,416,627	44,077,013	88,520,797		85,299,470	84,833,254	84,272,438	80,131,682	4,140,7564	84,272,438	12
<u>Executive VP and Provost</u>												
13	Executive VP and Provost	38,407	37,146	80,312	46.25%	83,038	76,814	76,814	182,307	(105,493)	76,814	13
14	College of Biological Sciences	2,926,789	3,315,151	6,213,667	53.35%	5,485,751	5,853,578	5,485,751	6,000,000	(514,249)	5,485,751	14
15	College of Liberal Arts	1,693,241	2,048,020	3,728,878	54.92%	3,082,924	3,386,482	3,082,924	3,981,638	(898,714)	3,082,924	15
16	Science & Engineering	15,963,884	15,229,070	27,751,225	54.88%	29,090,242	31,927,768	29,090,242	27,637,950	1,452,292)	29,090,242	16
17	Agricultural Experiment Stations	0	22,739	31,483	72.23%	0	0	0	0	0	0	17
18	Design, College of Education and Human	49,068	82,475	179,794	45.87%	106,967	98,136	98,136	125,000	(26,864)	98,136	18
19	Development Agriculture, Food and Environ.	2,786,544	2,734,766	5,259,670	52.00%	5,359,253	5,573,088	5,359,253	5,422,420	(63,167)	5,359,253	19
20	Sciences	3,993,634	4,105,887	8,083,136	50.80%	7,862,147	7,987,268	7,862,147	7,453,416	408,731	7,862,147	20
21	Carlson School of Management Humphrey School of Public	87,859	96,002	162,262	59.16%	148,499	175,718	148,499	164,541	(16,042)	148,499	21
22	Affairs	271,263	304,529	576,254	52.85%	513,305	542,526	513,305	300,000	213,305	513,305	22
23	Law School	35,476	72,558	346,450	54.28%	65,358	70,952	65,358	82,160	(16,802)	65,358	23

Attachment 1 - continued

	A	B	C	D	E	F	G	H	I	J		
	FY13	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY13	FY14		
	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 * 1.02		
24	Minnesota Extension Service	1,151,956	1,081,092	2,259,944	47.84%	2,408,080	2,303,912	2,303,912	2,203,051	100,861	2,303,912	24
25	College of Continuing Education Global Programs/Strategy	261	1,818	3,171	57.33%	0	522	0	0	0	0	25
26	Alliance	51,721	38,576	86,245	44.73%	115,633	103,442	103,442	36,841	66,601	103,442	26
27	Equity & Diversity	132,161	216	464	46.55%	283,901	264,322	264,322	0	264,322	264,322	27
28	Total Executive VP & Provost	29,182,264	29,170,045	54,550,180		54,605,099	58,364,528	54,454,1057	53,589,324	864,781	54,454,105	28
29	Human Resources, Off of	2,725	5,864	12,130	48.34%	5,637	5,450	5,4503	11,896	(6,446)	5,450	29
30	VP for Research SAAAU System Acad Admin	2,686,114	1,903,578	3,903,977	48.76%	5,508,851	5,372,228	5,372,2281	4,650,000	722,228	5,372,228	30
31	Academic VP for System Academic	183,667	258,766	359,332	72.01%	255,047	367,334	255,0472	158,000	97,047	255,047	31
32	Administration	10,705	99,819	224,267	44.51%	24,051	21,410	21,4103	141,807	(120,397)	21,410	32
33	University Libraries	13,641	4,398	15,443	28.48%	47,899	27,282	27,2825	12,000	15,282)	27,282	33
34	Student Affairs	20,433	25,227	44,423	56.79%	35,981	40,866	35,9814	22,553	13,428	35,981	34
35	Auxiliary Services	(1,470)	1,470	1,470	100.00%	0	(2,940)	0	0	0	0	35
36	University Health & Safety	0	38	768	4.95%	0	0	0	0	0	0	36
37	Grand Total	76,141,625	77,392,090	150,924,787		148,700,571	152,283,250	147,350,949	142,140,433	5,210,516	147,350,949	37