FY14 Compact/Budget Instructions
Support Units

Items Due Five Working Days Prior to Oversight Meeting:

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- Budget Development Worksheets
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September 17, 2012

(Distributed by University Budget and Finance)

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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 meeting for FY14. There will not be separate compact instructions – the compact questions have been incorporated into the traditional budget instructions and units are asked to make just one submission of materials (details following in this document).

B. Support Units Included in these Instructions

Units receiving these instructions are considered support units for purposes of the budget model. The primary budgets of these units are funded through cost pools within the system that are billed out to the academic units. The central support units are identified below, along with their assigned cost pool for allocation and budget contact for the FY14 budget development process. For reference, a brief description of the methodology used to allocate the respective costs to the academic units is included as an attachment to this document. Please note: some Resource Responsibility Centers (RRCs) contain both support and academic functions. If that is the case, then these instructions apply only to the support function portions (excluded portions are indicated below). In addition, some RRCs are split into more than one cost pool. If that is the case, the budget for FY14 should continue to be developed for the whole RRC – submittals of information should be done for the unit as a whole and not divided in any way to reflect cost pool assignments. Splitting the budget into different cost pools will occur only after the whole budget for the support unit is approved.

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

Unit	**Budget Officer**	**Cost Pool Assignment**
Audits (AUDIT)	Robin Dittmann	Support Services
Auxiliary Services (Campus Mail Only)	Julie Tonneson	Support Services
Board of Regents (RGNTS)	Robin Dittmann	Support Services
Budget and Finance (UFIN)-excluding Leases	Julie Tonneson	Support Services
Budget and Finance (UFIN) – Leases	Julie Tonneson	Leases
Capital Planning & Project Mgmt (CPPM)	Julie Tonneson	Support Services
Controller (CONTR)-excluding SFR	Julie Tonneson	Support Services
Controller (CONTR)-SFR	Julie Tonneson	Research Admin
Equity & Diversity (EQDIV)	Lincoln Kallsen	Support Services
Facilities Management (FM)-excluding: Utilities & BSAC	Julie Tonneson	Facilities O&M
Facilities Management (FM)-BSAC	Julie Tonneson	Support Services
Facilities Management (FM)-Utilities	Julie Tonneson	Utilities
General Counsel (OGC)	Robin Dittmann	Support Services
Graduate School (GRAD)	Lincoln Kallsen	Student Services
Human Resources (OHR)	Robin Dittmann	Support Services
Office of Information Tech. (OIT)	Carole Fleck	Technology
Global Programs & Strategy Alliance (GPSTR)	Lincoln Kallsen	Admin Services
GPSTR Grant Program	Lincoln Kallsen	Research Admin
President's Office (PRESD)	Robin Dittmann	Support Services
Public Safety (PUBSF)	Julie Tonneson	Support Services
Sr. VP for Academic Affairs/Provost (AAPRV) Excluding: Inst. on the Environment, Concerts & Lectures, Institute for Advanced Studies, Weisman Art Museum	Robin Dittmann	Support Services

Unit	**Budget Officer**	**Cost Pool Assignment**
Sr. VP for Health Sciences (HLSCI)	Julie Tonneson	Support Services
Hlth Career Center (within HLSCI)	Julie Tonneson	Student Services
AHC Office of Research (within HLSCI)	Julie Tonneson	Research Admin
Classroom Mgmt (within HLSCI)	Julie Tonneson	Classrooms
Technology Support (within HLSCI)	Julie Tonneson	Technology
Sr. VP for System Academic Admin (SAAVP)	Robin Dittmann	Support Services
Student Affairs* (STDAF) – excluding:	Lincoln Kallsen	Student Services
Rec. Sports		
Twin Cities Student Unions		
Student Legal Services		
Student Conflict Resolution		
Boynton		
Undergraduate Education (UEDUC) – excluding: Academic Counseling & ROTC, Classrooms	Lincoln Kallsen	Student Services
Undergraduate Education (UEDUC)-Classrooms	Lincoln Kallsen	Classrooms
University Debt (UDEBT)	Carole Fleck	Debt Service
University Hlth and Safety (UHLSF)	Julie Tonneson	Research Admin
University Libraries (LIBR)	Robin Dittmann	Libraries
University Relations (UREL)	Lincoln Kallsen	Support Services
University Services (USERV)	Julie Tonneson	Support Services
VP for Research (RSRCH) – excluding:	Robin Dittmann	Research Admin
Hormel Institute		
Minnesota Population Center		
Minnesota Supercomputer Institute		
Center for Cognitive Sciences		
University Press		

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

C. Context of the Biennial 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.

- $1.5million 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 $14.2m 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. 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 (including tuition) and State Special budgets (approximately $28 million). To mitigate that impact in the second year and address his goals for continued and ongoing administrative efficiencies, the President has decided to include a $14 million reallocation goal for FY14. Planning for this level of reallocation in FY14 will 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:** As just mentioned, the planning framework for FY14 includes a targeted $14m reallocation on all academic and support units. This 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 will be implemented within support units through planned productivity improvements or cost reductions (see section Z 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 support unit is as follows:

Unit	**Amount**	
Audits	$17,000	
Auxiliary Services*	9,000	(7,000)
Board of Regents	7,000	
Capital Planning & Project Mgmt	11,000	
Controller	90,000	
Equity & Diversity*	92,000	(78,000)
Facilities Management	597,000	
General Counsel	43,000	
Global Programs/Strategy Alliance*	43,000	(39,000)
Graduate School*	41,000	(36,000)
Human Resources	69,000	
Information Technology	521,000	
Libraries	308,000	
President's Office*	52,000	(49,000)
Public Safety	81,000	
Research VP*	226,000	(132,000)
Scholarly & Cultural Affairs	4,000	
Sr. VP Academic Affairs/Provost*	135,000	(36,000)
Sr. VP Health Sciences	89,000	
Sr. VP System Academic Admin.*	62,000	(60,000)
Student Affairs*	51,000	(32,000)
Undergraduate Education*	287,000	(261,000)

Unit	**Amount**
University Finance VP	24,000
University Hlth & Safety	42,000
University Relations	54,000
University Services VP	49,000

*** Denotes reduction calculated for the RRC's "academic" activities/funds and "support" activities/funds combined. The amount following in parentheses represents the proportional reduction for the RRC's "support" activities/funds only – the portion of the budget being discussed this fall. The additional information is provided because, as in the past, these units may plan for the allocation of the reduction between the two segments that best meets their needs.**

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.

Projected fringe benefit rates for FY14 for use in budget planning are outlined below. Due to the federally required methodology for calculating fringe rates, which must reconcile to the annual audited financial statement, these rates will be updated between now and the end of October and could change. Proceed with the rates as indicated below unless further communication is sent, but please understand that you may be asked to use updated fringe rates at some point while preparing your budget materials. Wherever you happen to be in the process, we will work with you to incorporate the changes. Any revisions to the rates will be communicated as soon as possible. The FY14 rates 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	36.8%
Academic	33.6%
Graduate Assistant	23.1%

4. Enterprise System Assessment: The Enterprise Assessment, first established in FY98, has been a systematic method of assessing units a fee to pay for the development, implementation, maintenance and replacement of institutional business systems. Spending occurred in a central account on these large system projects, and this assessment has served to cover those expenditures over time. The assessment began as a charge of .7% of salary expenditures (some funds excluded), but has remained stable at 1.25% of salaries from FY01 through FY13. If there were no new expenditures added for business systems and the rate continued at 1.25%, it is estimated that the current accumulated deficit of $35.2 million would be paid off in FY17.

With the approval by the Board of Regents to move forward on the Enterprise System Upgrade project, however, those earlier planning assumptions are no longer valid. Over the next several years, new expenditures in excess of $80 million will be added to the existing deficit of $35.2 million. In addition, the University needs to plan future funding around a longer-term strategy for enterprise system requirements. The current enterprise assessment level will not support the Upgrade project on a reasonable timeline, and it will not support the long-range needs of the enterprise systems.

Therefore, to eliminate the outstanding deficit of $35.2 million; to fund the additional expenditures of the Upgrade Project; and to generate a positive revenue flow for future investments in this area, the current enterprise assessment will be modified as follows:

- The current enterprise tax will be eliminated beginning in FY14.
- The O&M allocation for each support unit for FY14 will be reduced by an amount equivalent to their estimated FY13 actual enterprise assessment. This will result in a point-in-time "budget neutral" transition from current methodology to new methodology for the support units as the allocation will be reduced by the same amount that recurring expenditures will be reduced with elimination of the tax.
- A new cost pool, charged to academic units, will be created specifically for the enterprise systems.

Therefore, for FY14 planning purposes, support units should plan for a $0 cost for the enterprise tax/systems, but should also assume their O&M allocation will be reduced to offset that savings. When the analysis on the new cost pool is complete, the Budget Office will send out information on how it will work, along with the planned reductions in O&M.

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 some time in the first three months of the fiscal year.

Non-Profit Organization Liability (NPOL): The University purchases Non-Profit Liability Insurance centrally for all its employees, officials and authorized volunteers. Non-profit liability insurance has primarily focused on the cost of employment disputes, including claims of sexual harassment, unlawful discrimination and various constitutional violations. Employment related litigation has increased over the years, as has the volatility of damage awards.

The Office of Risk Management charges RRCs for a portion of the University Non-Profit Organization Liability insurance premiums based on each RRC's share of the total current, non-sponsored salaries in fiscal year accounts during FY13. 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 some time in the first three months of the fiscal year.

Because the budget instructions are being prepared early in the year, the estimates of cost for these insurance items are based on the best information available today. For FY14 planning purposes, each unit should assume a 6% increase in the amounts billed for FY13, most heavily influenced b 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.

RRC	FY13 Charge	FY14 Estimate
AAPRV	$14,398	$15,262
AUDIT	2,263	2,399
CONTR	17,203	18,235
CPPM	4,358	4,619
EQDIV	12,809	13,578
FM	146,343	155,124
GPSTR	11,332	12,011
GRAD	5,499	5,829
HLSCI	69,340	73,500
LIBR	235,476	249,604
OGC	5,265	5,581
OHR	25,689	27,230
OIT	91,557	97,050
PRESD	$11,522	$12,214
PUBSF	15,540	16,472
RGNTS	563	597
RSRCH	39,495	41,864
SAAVP	18,102	19,189
SCA	17,038	18,060
STDAF	194,526	206,197
UEDUC	95,072	100,776
UFIN	7,648	8,107
UHLSF	21,585	22,880
UREL	8,767	9,293
USERV	9,512	10,082

E. Submissions – Compact Information

Please submit a ***no more than 3 page response (in total)*** to the following questions:

1) What is the Unit's Strategic Agenda for the next 3-5 years? – describe the top 3 core activities/programs/ideas that will be focused on or pursued
2) If any of the 3 (in #1 above) are continuing from the past, identify the status of each in its timeline toward completion or success
3) If not included in number 1 above, identify specific strategies you will pursue to advance the diversity of your employee population and incorporate diversity as a core value within your unit

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 support 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 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 the actions to be taken to reduce your recurring budget and the projected impact on the 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. In the near future, you will be receiving a separate communication outlining the definition of "Administrative Costs" and the application of that definition to your unit's budget. You will see a breakdown of your FY12 expenditures, identifying the personnel and non-personnel costs that are not considered administrative and those that are (based on job codes and a methodology of categorizing account/function code combinations). The expectation is that the reallocation plans you submit will implement reductions in the administrative category. For some support units, 100% of the expenditures will be categorized as administrative, so by default, the corresponding reallocation plans will comply with the expectation to reduce administrative costs. **For other units, where there is a mix of administrative and non-administrative expenditures, if the reallocation proposals impact the "non-administrative" portion of the budget, you should indicate why the decision was made to move beyond administrative reductions.**

Please keep in mind that the reductions will contribute to balancing the overall institutional budget framework, and therefore will support the costs in the framework related to compensation increases, student aid, utilities, new building operations, debt service, leases, investment pool etc., whether they are within your unit or in another unit. These cost increases that are within your unit, therefore, will not have to be covered over and above the reduction amounts identified above and addressed in your proposed strategy.

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 months following. Ultimately, any unit reductions recommended to the President will be strategic and differential – not across-the-board. In addition, keep in mind that any decisions made at the conclusion of the fall process are preliminary in nature and may be modified later in the spring as more information is available related to academic unit budget needs, state appropriations, tuition revenue possibilities and so forth.

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

1. Permanent Transfer of Allocation 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 listed below in

Section H. Please include the dollar amount to be transferred and the reason for the transfer. It would be most helpful if both RRCs involved in the transfer send in the same information as part of their individual budget submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

2. Budget Development Worksheets

Budget development worksheets are available in PeopleSoft (PS) for entry of financial information. The budget review process will include an analysis of each unit's overall financial structure and health, and these worksheets are one tool used in that analysis. RRC managers have the option of completing the worksheet just at the RRC level, or asking their budget departments to complete the worksheet at the lower structural level, which then rolls up to the RRC level. The budget departments for worksheet purposes can be located in two places: on the RRC Status and Approval tab of the Budget Development Worksheet in PS (at the RRC level) or in PS on the Budget Tree. Follow this path in the Reporting Instance (not production) to find the relevant breakdown by RRC on the Budget Tree:

> Tree Manager > Tree View > choose tree UM_DEPTID_BUDGET effective dated 7/1/2012.
>
> 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 1 above, the budget development worksheet should be completed assuming the transfer of activity is incorporated. In other words, if the allocation and corresponding expenditures associated with some activity is being transferred between RRCs for 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 have been added into the worksheet at the bottom reflecting balance sheet transactions. For entry purposes, however, you are not asked to budget for or forecast those balance sheet transactions. You can complete the Forecast 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 two exceptions – it can be adjusted for planned permanent transfers between units (see section 1 above) and it can be reduced for an amount estimated to be the FY13 enterprise tax.**

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

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

"What is your calculated **increased** cost for salary and fringe for FY14 in O&M and State Special funds only?"

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

4. 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

Budget oversight meetings will occur with each unit between October 15 and November 16. The timeline has been set so as to meet deadlines necessary for completing the fall process prior to the end of the calendar year.

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

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

2. Budget Recommendations and Cost Allocations

During November and early December, the Budget Office will be developing analysis, models, summaries and recommendations related to the budget for each unit involved in this fall's process. Different scenarios for the FY14 budget will be modeled into the charging mechanism for academic units so the impact of those different scenarios can be understood. Ultimately, meetings will be held with the President and Senior Vice Presidents to review the analyses, summary materials and recommendations for each budget. Budget levels approved at this time by the senior officers will then be communicated to each of the support units and converted into charges for the academic units by late December or very early January.

3. Balancing the Overall University Budget

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

- ❖ Update forecasting items with current information (salary and fringe estimates, tuition estimates, etc.) as soon as possible to determine estimated available resources
- ❖ Preliminarily approve support unit budgets for FY14 by end of December
- ❖ Calculate FY14 cost allocations for academic units by end of December
- ❖ Approve academic unit budgets by late April or May based on available resources, all-funds analyses and investment plans
- ❖ Adjust support unit budgets, cost allocations and planned academic unit budgets near the end of the process only when a significant unforeseen impact to the budget occurs – otherwise, hold to approved budgets and cost allocations and deal with moderate to low impact variances through the use of central reserves or through adjustments to budgets and rates the following year

❖ Attachment – Cost Pool Descriptions

Cost Pool 1. Support Service Units - This cost pool is allocated to the academic units based on a proportionate share of total expenditures of the most recently closed fiscal year. The FY14 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of FY12 total expenditures. The cost of budgets for some of the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

Cost Pool 2. Technology - This cost pool is allocated to the academic units based on a proportionate share of total employee and student headcount from the fall of the prior year. The FY14 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of headcount from the fall of 2012. The cost of budgets for some of the units in this cost pool are allocated to Twin Cities academic units only and not to the coordinate campuses.

Cost Pool 3. Facilities Operations & Maintenance - This cost pool is allocated to the academic units based on a proportionate share of total assignable square feet (ASF) from the fall of the prior year. The FY14 approved budget for this portion of Facilities Management will be allocated based on the academic units' proportionate share of ASF from fall 2012. This cost pool affects only Twin Cities academic units and not the coordinate campuses.

Cost Pool 4. Student Services - This cost pool is allocated to the academic units based on a proportionate share of the headcounts of different categories of students from the fall of the previous year: either a) all students, all levels; b) undergraduate students only (full and part time); c) undergraduate students only (full time only), or d) graduate students (revised definition being finalized at this time). Part time students are weighted at 50% in all cases. The FY14 approved budgets for units within this cost pool will be allocated based on the academic units' share of the relevant headcount from the fall of 2012. Category (a) will be allocated to the Twin Cities academic units and the coordinate campuses; categories (b) and (c) will be allocated to only Twin Cities academic units; and category (d) will be allocated to only Twin Cities academic units and Duluth.

Cost Pool 5. Research Administration - This cost pool is allocated to academic units based on a proportionate share of the average of the last three years of total sponsored expenditures. The FY14 approved budgets for units within this cost pool will be allocated based on the academic units' proportionate share of the average of FY10, FY11 and FY12 total sponsored expenditures. This cost pool will be allocated to Twin Cities academic units and Duluth.

Cost Pool 6. Library - This cost pool is allocated to academic units on the Twin Cities campus only based on a proportionate share of a weighted faculty and student headcount from the previous fall. The FY14 approved budget for University Libraries will be allocated to the academic units based on the weighted headcount from the fall of 2012. (Weighting scheme: lower division student = .5; upper division student = .75; professional student, graduate student and faculty = 1) Part time students are weighted at 50% in all cases.

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

Cost Pool 8. Debt & Leases - This cost pool is allocated to the academic units based on the actual occupancy of space for which the University pays debt service or lease costs. The budget for these items for FY14 will be based on known costs for debt service and leased space, and that will be allocated to the appropriate academic units based on assignment in the space data base as of fall 2012 or known occupancy during FY14.

Cost Pool 9. General Purpose Classrooms - This cost pool is allocated to the academic units based on a proportionate share of total student registrations. The budget related to classroom management and the estimated actual costs for debt service/leases/utilities related to general purpose classroom space for FY14 will be allocated based on student course registrations from the fall of 2012. This cost pool affects only Twin Cities academic units and not the coordinate campuses.