FY18 Compact and Budget Planning Guidelines
Academic Units

January 13, 2017

Materials Due: (see sections E and F beginning on page 23)

1. **Compact Information**
2. **Investment Opportunities**
3. **Reallocations**
4. **Scholarship Funds**
5. **Tuition Estimates (& rate entry into the system)**
6. **ICR Estimates**
7. **Collegiate/Campus & Durable Goods Fees (& entry into the system)**
8. **Course, Misc. & Academic Fees (& entry into the system)**
9. **Student Services Fee Waivers**
10. **Transfers Between Units**
11. **Budget Development Worksheet**
12. **O&M/State Special Compensation**
13. **ISO Rates**

<u>Materials Due:</u> one week prior to scheduled budget oversight/compact meeting

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A. Compact/Budget Development Process for FY18

All units are asked to submit responses to compact and budget development questions in preparation for the annual oversight meetings for FY18. There will not be separate compact instructions – the compact questions and the budget instructions are 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 costs represented by support unit budgets

Ag Experiment Station
Athletics
Auxiliary Services
Biological Sciences
Carlson School of Mgmt
Continuing Education
Crookston Campus
Dentistry
Design
Duluth Campus
Education & Human Dev
Food, Ag, & Nat. Resource Sc.
Humphrey School
Law School
Liberal Arts
Medical School
MN Extension
Morris Campus
Nursing
Pharmacy
Public Health
Rochester Campus
Science & Engineering
Veterinary Medicine

AAPRV
- CURA
- Inst for Advanced Study
- Northrop
- Research/Community Engmt
- U Metro Consortium
- Weisman Art Museum

AHCSH
- All Units

GPSTR*
- Interdisc. Ctr Global Change

RSRCH
- Center for Cognitive Sc
- Center for Transp Studies
- Hormel Institute
- Informatics Institute
- Inst. On the Environment
- Law & Values Consortium
- MN Population Center
- MN Supercomputer Inst
- University Press

STDAF
- Boynton
- Rec & Wellness
- TC Student Unions
- Student Legal Services
- Student Conflict Resolution

UEDUC
- Academic Counseling
- Air Force ROTC
- Army ROTC
- Navy ROTC

*Note – the Interdisciplinary Center for Global Change is included here as part of the academic unit budget process. However, their materials were submitted in the fall to accommodate the GPSTR 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.

Budget Contact
Any questions related to the FY18 budget process and these instructions can be directed to Julie Tonneson (6-9278 or tonne001@umn.edu) or Koryn Zewers (6-2361 or zewers@umn.edu).

C. Context of the Biennial Budget Request to the State

As the state's only land grant and research institution, the University of Minnesota has a responsibility to better the lives of Minnesotans through education, research, and public engagement. As one of the state's most important economic and intellectual assets, and one of the nation's top research institutions, the University is a venue of singular impact where human talent, ideas and innovations, and discoveries and services converge to advance Minnesota's economy and quality of life. These imperatives have guided the development of biennial budget request for FY18 and FY19.

Specifically, the University is requesting that the state provide an increase in the University's appropriation for the following FY18-FY19 initiatives, each of which directly supports achievement of University performance measures and Progress Card goals:

- $8.5 million in FY18 and an incremental $5 million in FY19 for a Student Success Initiative to improve retention, graduation rates, access to high-demand STEM fields and admissions pipelines for underrepresented students

- $22.6 million in FY18 and an incremental $23 million in FY19 for core mission support; funding which, in combination with continued reallocation and a modest growth in other revenues, will allow the University to address needs related to competitive compensation for employees, classrooms and equipment, compliance requirements, research and technology infrastructure, and the operation and maintenance of core facilities

- $8.5 million in FY18 and an incremental $15 million in FY19 for the Minnesota Discovery, Research, and InnoVation Economy (MnDRIVE) funding program – proposing four new research initiatives: Improving Cancer Care Statewide, Eliminate Disparities, Clean and Abundant Water, and Big Data to Drive Our Economy

- $1.0 million in FY18 and an incremental $2 million in FY19 for the Natural Resources Research Institute – Applied Research for Economic Development initiative, which will provide competitive financial support for research staff, fund a strategic succession plan, and support applied research activities

In addition, the request includes two items related to past legislative sessions:

- $6 million in FY18 and an additional $2 million in FY19 to restore UCare funding that used to support core clinical training, education and research in the Department of Family Medicine and Community Health and the Mobile Dental Clinic (originally requested in 2016 legislative session)

- $2 million in FY18 and an additional $3 million in FY19 to fund the expanded operations of the new Bell Museum and Planetarium, including K-12 classrooms and gallery space

Approval of the incremental $85.6 million requested for the first four FY18 and FY19 initiatives would result in a 10.1% increase in the University's biennial state appropriation base (FY18 + FY19 over FY17 base carried forward). Approval of the full incremental $98.6 million request would result in a 11.8% increase in the University's biennial state appropriation base.

D. FY18 Budget Parameters – Planning Assumptions:

1. Budget Framework for FY18: The framework for the FY18 annual budget presented below represents the President's current proposal for planning purposes. The final outcome as incorporated into the operating budget recommended to the Board of Regents for approval in June will differ based on final state appropriations, input from the Board of Regents and unit-level decisions made during the remainder of the budget development process. Contingency plans for differing levels of state support are being developed. At this date, the incremental planning figures are as follows (some explanatory information included below the table).

Incremental Resources	
Tuition – Resident Undergraduate (TC)	$6,600,000
Tuition – Nonresident Undergraduate (TC & UMD)	6,400,000
Tuition - Grad/Professional	5,800,000
State Appropriation Request	48,600,000
Planned Reallocation	12,500,000
Other Revenues - TBD	1,000,000
Total	$80,900,000
Incremental Expenditures	
Compensation	$34,500,000
Facility Operations	5,750,000
State Initiative – Student Success	8,500,000
State Initiative – MnDRIVE	8,500,000
State Initiative – NRRI	1,000,000
State Initiatives-UCARE and Bell Museum	8,000,000
Academic Investment-Strategic Plan/System Campus	9,230,000
Mission Support Investment	3,500,000
Technology/Network Infrastructure	1,920,000
Total	$80,900,000

The tuition estimate included in the framework is based on the following assumptions:

- An increase in the resident undergraduate rate on the Twin Cities campus of 2%
- A freeze on the resident undergraduate rates on each of the system campuses
- An increase in the nonresident undergraduate rate on the Twin Cities campus of 10% (per the tuition plan approved as part of the FY17 operating budget, continuing students subject to the nonresident rate will realize an increase of no more than 5.5%)
- An increase in the nonresident undergraduate rate on the UMD campus of 5.5%
- An average increase in the graduate and professional tuition rates of 2%

The reallocation expectation is similar to previous years for administrative reductions (system-wide toward the $90 million goal over six years). Further detail on the methodology and purpose of this is explained in sections E2-E4 below.

The expenditure categories in the framework also match those of previous years, with the addition of the unique initiatives included as part of the biennial budget request to the State of Minnesota. The planned incremental spending of $80.3 million will be implemented across support and academic units, with the final totals adjusted to reflect revisions in estimated resources and estimated costs.

2. Planning for Reallocations: At this point, there is agreement about the need to move forward with a reallocation similar to last fiscal year. This is an all-funds exercise, but for purposes of the framework funds, targets have been calculated for units around a goal of reallocating $12.5 million. This calculation results in an amount approximately equal to.68% of the FY17 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 E-2 below for the reallocation targets by unit and further guidelines on how to approach this reallocation). The final reallocation you are asked to implement for FY18 may not equal the target outlined in section E-2.

3. Salary and Fringe Benefit Assumptions: Information in this document related to compensation matters has been prepared for budget planning 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.

The FY18 budget framework on the previous page includes a general salary increase assumption of 2%. At this point, however, we are still evaluating options for a general salary increase, so we are asking you to develop an estimate of what <u>each</u> 1% increase in salaries will cost you for FY18. Regardless of any changes in salaries, there will be a cost related to the change in projected fringe rates, displayed below. See section F-9 of this document for further details on building this cost estimate, which will represent a general planning parameter to be used at the unit level.

Projected fringe benefit rates for FY18 for use in budget planning are outlined below. These rates are based on the federally required methodology for calculating fringe rates, which must reconcile to the annual audited financial statements for FY16, and have been submitted to the federal government for final approval. These are the rates you should use to calculate the estimated impact on your budget as requested in section F-9 below. Although unlikely, should any changes to these rates be required by the federal government, notice will be sent at a later date. <u>Please note: the FY18 projected fringe rates below should NOT be used for sponsored proposals/budgeting until they have been officially approved by DHHS. Sponsored Projects Administration will send out an announcement once that approval has been received, which should be sometime in the next several months.</u> In almost all categories, the fringe rates for FY18 are higher than those for FY17. This is largely due to the one-time impact of a legal settlement related to benefits costs creating an over-recovery in FY15 and thus "artificially" low fringe rates in FY17. Fringe rates are now moving back to pre-FY17 levels as predicted.

	Actual 2016-17	Projected 2017-18
Academic/Police	31.8%	33.5%
Non-Academic	26.1%	27.2%
Partial Benefits (Trades, Temp Casual, Residents/Fellows	8.1%	7.7%
Student Professional with GA Health	16.9%	15.0%
Student Professional with UPlan Health	20.1%	21.4%
Undergrads/Professionals in Training	0.0%	0.0%

A set of documents outlining the details of implementing the final salary plans for FY18 will be distributed from Human Resources at a later date.

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 (based on Graduate School tuition rates) 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.

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 roughly $8,646/semester benefit (graduate school tuition) will be covered by an hourly charge of $22.17 per hour for 390 hours of work plus a subsidy to the graduate assistant tuition remission pool. Because tuition rates have not yet been approved by the Board of Regents, the rate of $22.17 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 portion of the fringe rate for FY18 is 14.40% 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 classifications 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 $3.51.

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 $22.17 hourly fringe rate on these job classes for summer 2018.

2. In order to avoid unnecessary tuition fringe charges for graduate assistants who don't need to register during the summer, five 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 classifications.

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 ($50.60 for summer 2018) 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 1 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 1

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

Fiscal Year 2017-18

		Tuition per hour	Health	FICA & Other Charges*	Total of % Fringe
Summer Term Only					
9571	Summer Term TA	$0.00	14.40%	0.60%	15.00%
9572	Summer Term RA	$0.00	14.40%	0.60%	15.00%
9573	Summer Term AF	$0.00	14.40%	0.60%	15.00%
9574	Summer Session TA w/ T. Ben	$50.60	14.40%	0.60%	15.00%
9575	Summer Session TA w/o T. Ben	$0.00	14.40%	0.60%	15.00%
Academic Year and Summer Term					
9510	Grad Assistant Coach	$22.17	14.40%	0.60%	15.00%
9511	Teaching Assistant (TA)	$22.17	14.40%	0.60%	15.00%
9515	Graduate Instructor	$22.17	14.40%	0.60%	15.00%
9517	Ph.D. Cand. Graduate Instructor	$3.51	14.40%	0.60%	15.00%
9518	Adv. Masters TA	$3.51	14.40%	0.60%	15.00%
9519	Ph.D. Cand. w/24 thesis cred. TA	$3.51	14.40%	0.60%	15.00%
9521	Research Assistant (RA)	$22.17	14.40%	0.60%	15.00%
9526	Graduate Research Project Asst.	$22.17	14.40%	0.60%	15.00%
9527	Ph.D. Cand. Grad Research Proj. Asst.	$3.51	14.40%	0.60%	15.00%
9528	Adv. Masters RA	$3.51	14.40%	0.60%	15.00%
9529	Ph.D. Cand. w24 thesis cred. RA	$3.51	14.40%	0.60%	15.00%
9531	Admin Fellow (AF)	$22.17	14.40%	0.60%	15.00%
9532	Adv. Masters AF	$3.51	14.40%	0.60%	15.00%
9533	Ph.D. Cand. w/24 thesis cred. AF	$3.51	14.40%	0.60%	15.00%
9535	Professional Program Asst.	$0.00	14.40%	0.60%	15.00%
9538	Legal Project Assistant w/T. Ben	$50.06	0.00%	0.00%	0.00%
9539	Legal Project Assistant w/o T. Ben	$0.00	0.00%	0.00%	0.00%
9553	Dental Fellow	$22.17	0.00%	7.70%	7.70%
9554	Med Fellow, Graduate Program	$9.42	0.00%	7.70%	7.70%
9559	Med. Resident, Graduate Program	$9.42	0.00%	7.70%	7.70%
9549	Vet Resident, Graduate Program	$12.56	0.00%	7.70%	7.70%

* This column includes Social Security, Medicare, Unemployment Insurance, Workers Compensation, and an Internal Administration Fee. All job classes, except the Legal Project Assistant classes, contribute 0.6% for the Internal Administration Fee. In addition to the Internal Administration Fee, Dental Fellow, Medical Fellow, Medical Resident, and Veterinary Resident job classes contribute 6.7% to Medicare, 0.1% to Unemployment Insurance, and 0.3% to Workers Compensation for a total of 7.70%.

4. Enterprise 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 collected currently covers the costs of the Enterprise System Upgrade Project over a reasonable timeframe plus additional enterprise systems requirements.

The assessment is charged to individual fund-deptID-programs through the general ledger allocation process. This monthly process charges 1.75% against certain salary expenditures in specific funds. A general ledger journal entry is then posted to the actual general ledger.

The following assumptions should be built into the FY18 budget plans at this time:

- Assessment rate of 1.75% of projected FY18 salaries (can assume no growth over FY17 or to be more conservative a growth rate at the average of the last several years)
- 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:
  State Appropriations and Tuition – fund 1000
  Auxiliaries – funds 1100-1106, 1152, 1153
  Other Unrestricted – funds 1020, 1023, 1024, 1025, 1026
  Private Practice – fund 1030
  Restricted State Specials – funds 1801-1807
- Assessment occurs near the end of an accounting period based on actual salary expenses in that 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 Regular	700222	Salaries – P&A Admin Fed Benefits
700102	Salaries – Faculty Adjunct/Clin	700311	Salaries – Grad Asst/9535
700103	Salaries – Faculty Contract	700321	Salaries – Residents/Fellow
700104	Salaries – Faculty Temp/UMD-NonReg	700401	Salaries – Professional in Training
700105	Salaries – Faculty Visiting	700402	Salaries – Undergraduate Student
700121	Salaries – Faculty Fed Benefits	700501	Salaries – Civil Service
700201	Salaries – Academic Professional	700511	Salaries – AFSCME
700202	Salaries – Academic Administrative	700512	Salaries – Teamsters
700203	Salaries – Police	700521	Salaries – Trades
700211	Salaries – Post Doc	700531	Salaries – Temp/Casual
700221	Salaries – P&A Prof Fed Benefits		

Note: The following salary accounts are NOT included:

- Workstudy: 700351, 700451, 700452, 700551, 700552
- 27th Pay Date Accrual: 700801

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 FY18 sometime 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 FY17. 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 FY18 sometime in the first three months of the fiscal year.

For FY18, each unit should assume a 0.3% increase in the amounts billed for FY17. The FY17 actual/FY18 projected charges are listed below by unit. For support units with some academic functions/units, the full estimate for the RRC is provided below.

RRC	FY17	FY18 Charge	RRC	FY17	FY18 Charge
AES	$47,980	$48,123	DESGN	$66,649	$66,849
AHCSH	210,944	211,577	HHH	32,516	32,613
ATHL	385,827	386,984	LAW	90,597	90,869
AUXSV	987,826	990,790	MED	648,017	649,961
CBS	152,159	152,615	MNEXT	46,055	46,193
CCE	43,526	43,656	NURS	28,404	28,489
CEHD	180,268	180,808	PHARM	69,684	69,893
CFANS	460,769	462,152	PUBHL	85,611	85,868
CLA	425,940	427,218	UMC	190,348	190,919
CSENG	561,698	563,383	UMD	821,352	823,816
CSOM	116,927	117,278	UMM	257,258	258,029
DENT	111,414	111,748	UMR	6,194	6,213
			VETMD	185,821	186,379

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.

Beginning in FY18, Water, Sewer and Stormwater will be charged to each RRC in the same manner as all other utilities. Prior to FY18, these utilities were included in the Facilities cost pool and spread via the cost/asf for that fiscal year. The projections for these costs to each RRC will be added to the budget development worksheet.

If your RRC is not included in the Facilities cost pool, you will continue to be directly billed for all FM services and these additional utilities.

Below is a short summary of these utilities, their cost components, how FM develops and tracks both cost and utilization of these utilities, and a summary of the rates.

1. <u>Rates Allocated based on consumption to all RRCs</u>

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

a. Utility rate
b. Utility consumption

The Steam, Electrical, Gas, Chilled Water, Water, Sewer and Stormwater utility rates are applicable to units on the Twin Cities campus. The newly published rates will be effective on July 1, 2017 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, chilled water, water and sewer are metered for every building on campus on a monthly basis. Stormwater charges are determined based upon the number of impervious square feet that a building’s footprint occupies. 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 FY18 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.

	FY2016-17 Current Rate	FY2017-18 Estimated Rate
Steam – 1,000 lbs of steam (Mlb)	$24.91	$26.73

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 (including the steam components of the new CHP plant), capital and maintenance of the distribution systems, energy conservation projects, and administration.

Electric – Kilowatt Hours (Kwhr)	$.1163	$.1069

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. In FY18, the Combined Heat and Power Plant is expected to be in service and producing electricity. The electric utility rate includes the costs of purchasing and producing electricity, distribution costs, debt service, capital renewal, energy conservation projects and administration.

Gas – Dekatherm (Dkthrm)	$9.84	$9.84

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)	$0.231	$0.218

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.

Water – Hundred Cubic Feet (CCF)	$4.73	$5.43
Sewer – Hundred Cubic Feet (CCF)	$3.84	$4.31
Stormwater – Impervious Square Foot (SF)	$0.0786	$0.0843

The water, sewer and stormwater rates include purchased costs for these utilities. Costs also include maintenance of the water distribution system, stormwater management systems, capital renewal, energy administration and energy conservation.

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

As of FY18, there are no longer any utilities included in the Facilities cost pool. Water, Sewer and Stormwater will be charged directly to each RRC along with the other utilities.

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

7. Tuition Estimates

FY17 Final Tuition Projections

This year's projection model uses actual tuition data from the previous fiscal year (FY16), with adjustments for some units to reflect ongoing tuition trends. In the past, we used a projection model which looked 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 four previous years. In examining the data, we have found that for most units there has been a slow but steady trend of having slightly more of the total tuition revenue concentrated in the fall semester. Despite a relatively small year-to-year change, the overall effect on the tuition model is that there has been modest over-estimation of fiscal year end tuition, usually in the 0.3%-0.5% range. Last year and this year, we hope by concentrating the model only on the most recent past fiscal year and making adjustments where we see ongoing tuition concentration, we can improve the accuracy somewhat given the data trends we are seeing.

The proportion of fall tuition to final tuition in the EFS ledger is identified in the column labeled "factor". For some units the FY17 projections assume that for each campus and college the Fall 2016 revenue will be the same percentage of the FY16 total as in the previous fiscal year. For others, there have been slight adjustments made in these ratios to allow for continuing concentration of fall semester tuition – adjustments that in all cases would make the year-end tuition estimate slightly more conservative. No allowance has been made for significant changes in spring semester enrollment (e.g., larger or smaller than normal transfer admissions). Questions regarding the updated tuition revenue projections for FY17 may be directed to Lincoln Kallsen (kalls001@umn.edu).

2016-17 Tuition Projection from Fall data (Fall 2016 FINAL)						
		FALL FINAL	Factor	Projected	Budgeted	Variance
UMC	Crookston Campus	$ 7,640,355	47.84%	$ 15,970,008	$ 16,637,620	($667,612)
UMD	Duluth Campus	$ 55,567,313	50.25%	$ 110,588,898	$ 110,131,191	$457,707
UMM	Morris Campus	$ 8,001,241	51.23%	$ 15,619,732	$ 16,259,500	($639,768)
UMR	Rochester Campus	$ 2,724,451	49.49%	$ 5,505,578	$ 5,024,200	$481,378
AHCSH	AHC Shared	$ 3,054,406	44.55%	$ 6,856,893	$ 6,388,822	$468,071
CBS	Biological Sciences	$ 12,426,174	48.13%	$ 25,819,223	$ 24,227,072	$1,592,151
CCE	Continuing Education	$ 6,092,862	42.49%	$ 14,340,902	$ 13,645,453	$695,449
CEHD	Education & Human Development	$ 29,474,503	46.58%	$ 63,281,293	$ 62,540,151	$741,142
CFANS	Food, Ag & Nat Res Sci.	$ 15,202,635	51.20%	$ 29,689,923	$ 30,087,262	($397,339)
CLA	Liberal Arts	$ 91,857,318	50.10%	$ 183,361,050	$ 181,762,513	$1,598,537
CSENG	Science and Engineering	$ 68,091,057	52.09%	$ 130,730,156	$ 128,842,064	$1,888,092
CSOM	Carlson School of Management	$ 39,097,271	48.18%	$ 81,148,200	$ 76,572,094	$4,576,106
DENT	Dentistry	$ 10,433,668	39.36%	$ 26,506,300	$ 26,167,000	$339,300
DESGN	Design	$ 9,620,198	51.28%	$ 18,760,017	$ 18,199,197	$560,820
GPSTR	Global Studies	$ 79,104	49.58%	$ 159,539	$ 188,474	($28,935)
GRAD	Graduate School	$ 218,545	55.00%	$ 397,354	$ 386,442	$10,912
HHH	Humphrey School of Public Affairs	$ 4,179,581	51.15%	$ 8,171,398	$ 7,589,581	$581,817
LAW	Law School	$ 14,885,298	50.52%	$ 29,464,503	$ 31,037,484	($1,572,981)
MED	Medical School	$ 18,065,866	39.38%	$ 45,879,641	$ 46,162,362	($282,721)
NURSG	Nursing	$ 5,917,351	45.49%	$ 13,009,061	$ 12,978,136	$30,925
PHARM	Pharmacy	$ 10,806,127	44.89%	$ 24,069,997	$ 24,060,471	$9,526
PUBHL	Public Health	$ 9,739,896	43.89%	$ 22,192,617	$ 20,881,538	$1,311,079
UEDUC	VP Undergraduate Education	$ 964,949	56.39%	$ 1,711,107	$ 1,497,779	$213,328
VETMD	Veterinary Medicine	$ 8,374,209	46.48%	$ 18,015,890	$ 18,008,000	$7,890
	Multi-institutional	$ 39,498	48.20%	$ 81,946	$ -	$81,946
	ALL UNIVERSITY	$ 432,553,872		$ 891,331,227	$ 879,274,406	$12,056,821

As you anticipate development of the FY17 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 FY17 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 FY17 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.

The Budget Office will run projections again with the addition of spring tuition data, and will contact you if we find results that would significantly alter the projections above.

FY18 Tuition Projections

The attribution of tuition revenue will remain the same as previous years with 75% of the revenue delivered to the unit that teaches the course and 25% of the revenue delivered to the unit where the student taking the course is enrolled. Resource Responsibility Centers (RRCs) are asked to review the centrally developed tuition revenue estimates and then either accept or revise them based on their own intersession/summer session, and regular session tuition revenue estimates for FY18 using the following information.

	Professional			GRAD			UGRD				Grand Total
	Resident	Reciprocity	Non-Resident	Resident	Reciprocity	Non-Resident	Resident	Reciprocity	Non-Resident	CSOM Surcharge	
AHCSH	$ 26,591	$ 4,253	$ 30,063	$ 3,228,775	$ 551,627	$ 945,908	$ 1,732,907	$ 172,871	$ 312,056	$ -	$7,005,051
CBSXX	$ 158,755	$ 6,311	$ 146,796	$ 1,019,248	$ 71,996	$ 1,741,052	$ 14,722,494	$ 2,921,032	$ 5,716,083	$ -	$26,503,769
CCEXX	$ 2,661	$ -	$ 21,739	$ 2,289,723	$ 27,941	$ 626,108	$ 8,739,584	$ 748,312	$ 2,261,693	$ -	$14,717,762
CEHDX	$ 3,113	$ -	$ 11,880	$ 18,347,423	$ 1,951,246	$ 8,559,546	$ 23,095,027	$ 4,517,399	$ 8,376,304	$ -	$64,861,939
CFANS	$ -	$ -	$ -	$ 2,789,206	$ 170,506	$ 4,422,099	$ 14,406,983	$ 2,950,006	$ 5,746,437	$ -	$30,485,237
CLAXX	$ 28,297	$ 3,390	$ 20,250	$ 5,810,340	$ 756,364	$ 14,194,302	$ 97,355,378	$ 19,606,453	$ 51,165,993	$ -	$188,940,768
CSENG	$ -	$ -	$ -	$ 8,841,048	$ 388,324	$ 26,118,041	$ 56,918,861	$ 9,638,912	$ 32,469,565	$ -	$134,374,751
CSOMX	$ 53,535	$ 875	$ 45,894	$ 32,040,831	$ 591,086	$ 12,051,310	$ 19,373,260	$ 4,501,286	$ 9,643,272	$ 4,701,713	$83,003,061
DENTX	$ 11,489,640	$ 1,634,270	$ 11,317,436	$ 742,349	$ 51,837	$ 862,236	$ 689,542	$ 120,933	$ 133,690	$ -	$27,041,934
DESGN	$ -	$ -	$ -	$ 2,146,350	$ 327,834	$ 2,568,204	$ 8,070,317	$ 2,525,746	$ 3,630,579	$ -	$19,269,030
GPSTR	$ -	$ -	$ -	$ 28,080	$ 4,371	$ 127,886	$ 404	$ 1,989	$ -	$ -	$162,730
GRADX	$ -	$ -	$ -	$ 69,704	$ 1,375	$ 322,271	$ 9,382	$ -	$ 2,686	$ -	$405,418
HHHXX	$ 8,143	$ 3,630	$ 13,964	$ 4,116,149	$ 338,499	$ 2,675,575	$ 715,724	$ 170,676	$ 303,480	$ -	$8,345,840
LAWXX	$ 8,521,812	$ 2,062,194	$ 19,219,211	$ 160,202	$ 12,604	$ 74,894	$ 2,875	$ -	$ -	$ -	$30,053,793
MEDXX	$ 27,932,566	$ 58,166	$ 5,570,352	$ 3,743,104	$ 825,035	$ 2,425,192	$ 4,139,306	$ 899,514	$ 1,243,244	$ -	$46,836,481
NURSG	$ 16,012	$ 1,942	$ 6,280	$ 7,037,544	$ 196,299	$ 1,603,005	$ 3,267,981	$ 599,289	$ 556,519	$ -	$13,284,872
PHARM	$ 13,307,970	$ 2,105,789	$ 5,387,944	$ 561,750	$ 46,426	$ 745,668	$ 1,750,692	$ 258,866	$ 399,105	$ -	$24,564,210
PUBHL	$ 29,496	$ 1,021	$ 19,607	$ 8,975,244	$ 1,121,624	$ 9,686,061	$ 1,825,603	$ 330,959	$ 671,430	$ -	$22,661,045
UEDUC	$ 2,960	$ -	$ 8,725	$ 39,240	$ 4,343	$ 37,780	$ 974,121	$ 259,288	$ 429,963	$ -	$1,756,420
UMCXX	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,502,330	$ 1,404,943	$ 4,062,735	$ -	$15,970,008
UMDXX	$ 2,815	$ -	$ -	$ 3,991,434	$ 676,740	$ 2,328,955	$ 87,767,033	$ 8,821,577	$ 7,429,062	$ -	$111,017,617
UMMXX	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,103,503	$ 90,651	$ 3,425,578	$ -	$15,619,732
UMRXX	$ -	$ -	$ 3,129	$ 434,386	$ 77,480	$ 324,026	$ 3,753,292	$ 215,489	$ 714,227	$ -	$5,522,029
VETMD	$ 8,563,992	$ 355,326	$ 7,779,894	$ 232,838	$ 10,406	$ 599,077	$ 562,369	$ 130,153	$ 146,524	$ -	$18,380,578
Grand Tot	**$ 70,148,359**	**$ 6,237,167**	**$ 49,603,165**	**$ 106,644,967**	**$ 8,203,966**	**$ 93,039,198**	**$ 372,478,970**	**$ 60,886,345**	**$ 138,840,227**	**$ 4,701,713**	**$910,784,077**

The projection for FY18 included in these instructions is based on several rate assumptions. The most prominent variables in the FY18 tuition revenue modeling include:

- Undergraduate rates for in-state and reciprocity students on the Twin Cities campus will increase 2.0%
- Undergraduate rates for in-state and reciprocity students on the system campuses will remain the same as FY17 (0% increase) in recognition of market pressures.
- Undergraduate non-resident/non-reciprocity (NRNR) students on the Twin Cities campus will increase by 10.0% on the Twin Cities campus, and by 5.5% on the Duluth campus. There is currently no assumption of an increase in NRNR rates at Crookston, Morris, or Rochester.
- Graduate and professional rates for resident and non-resident students will increase 2.0% on all applicable campuses

Currently enrolled NRNR students have been promised an effective tuition rate increase of no more than 5.5%. Therefore, the proposed 10.0% tuition increase for NRNR students will only apply to incoming freshmen in the fall of 2017. There is no promise of future tuition increase mitigation to the incoming fall 2017 class.

For tuition modeling purposes, we have not gone to the detail of trying to track and estimate every NRNR student's enrollment and course taking pattern. Rather, we have applied some high level estimates of the percentage of students qualifying at each level of discount to arrive at a blended NRNR increase rate. It is likely that colleges enrolling and instructing a greater percentage of freshmen will see slightly more revenue than modeled, while colleges enrolling and instructing a greater percentage of upper-division students will see slightly less revenue. If your college attempts to do additional modeling in this area and arrives at significantly different results, we would be happy to discuss those with you during the budget process.

The model also assumes there will be no change from FY17 in head count enrollment or average student credit loads. Questions on these projections can be addressed to Lincoln Kallsen (612-626-9518, kalls001@umn.edu)

Analyzing and Modifying the Tuition Estimates for FY 18

There are two main areas of analysis that must be considered when determining the FY18 revenue estimate:

- Rate changes from FY17 to FY18, and
- Enrollment changes from FY17 to FY18

A) Rate changes from FY17 to FY18

For Twin Cities undergraduate programs, there is no collegiate discretion in setting the tuition rate. Current Board of Regents tuition policy has each campus at a single undergraduate rate, allowing for Board approved collegiate tuition surcharges. As in the past, the Crookston, Duluth, Morris, and Rochester campuses and graduate and professional programs may propose tuition plans for consideration that deviate from the proposed increases detailed above for programmatic reasons (e.g., market factors). Such proposals will be reviewed on an individual basis.

In this initial assumption set, we have not modeled an increase in non-resident, non-reciprocity tuition rates on the Crookston, Morris, and Rochester campuses, but those campuses are free to propose a change for consideration.

Additionally, there will be the continuation of a $250 per semester/$500 per year surcharge fee for undergraduate international students on the Duluth, Morris and Twin Cities campuses and $125 per semester/$250 per year surcharge fee at UMC. This surcharge is a separate fee to support enhanced academic support programming for international students. It is not a fee to cover the costs of processing international students' applications or required documents, and it should not be included in tuition forecasts for FY18. There may be additional discussion regarding undergraduate international student tuition rates, which would be communicated separately if there are material changes in this area.

B) Enrollment Changes from FY17 to FY18

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

Budget Response

For this budget submittal, complete Figure 2 to indicate your estimated tuition revenue for FY18. (Intersession/summer session and regular sessions). The response should be prepared to indicate whether or not you agree with the estimates that appear on the FY17 and FY18 tables above, and if not, present alternative estimates and include all relevant assumptions and rationale.

It is very important to clearly identify the variables that contribute to the estimated change in tuition revenue. (See Figure 2 below for details on the type of specific issues and questions that need to be addressed in the response.) Tuition revenue increases for FY18 in the table above have been factored in to the overall budget balancing framework for FY18 at this point, so if the estimates are lowered from what appears in the FY18 table, that may create an additional budget challenge for the unit and the institution which will need to be discussed.

As these estimates are analyzed, you will be contacted for any necessary clarifications.

Tuition Waivers

Based on information submitted during the FY17 budget development process and follow up conversations since that time, a summary of all tuition waivers has been prepared for review and approval by senior leadership. Any further questions regarding waiver practices will be discussed during the upcoming FY18 compact/budget meetings. As student recruitment for the 2017-18 year is well under way, no changes will be made for next academic year. However, all waiver programs for FY18 will be officially re-approved and commented on in the FY18 allocation letters this summer.

Figure 2
FY18 Tuition Revenue Estimate – Response
Please use the following format to submit a tuition revenue estimate for FY17 & FY18.

	FY17 Tuition	FY18 Tuition
Budget Office Estimates: Enter the amounts from FY17 and FY18 tables above	$	$
Unit Estimates: Either equal to Budget Office or Revised	$__________	$__________
Budget Office Over/(Under) Unit Estimates:	$	$

If your unit agrees with the Budget Office estimates, it will be understood that you are anticipating no change in enrollment, and all increased revenues are due to the rate increases detailed in the instructions.

If you revise the Budget Office estimates for either year, please include all assumptions incorporated into the revised estimate, with the dollar value attached to each separate assumption. Include any supporting schedules necessary to explain the change in estimates.

- Using the estimate in the FY17 table as a base, identify any incremental changes from that base - Itemize the variables involved in changing the estimate for FY17 – ($x due to anticipated larger drop off in spring, $x due to anticipated increase in summer session etc. – whatever those variables might be for your unit)

- Itemize the incremental changes in your estimates of revenue from FY17 to FY18
  - $x due to revised FY17 base revenue estimate
  - $x due to rate increases detailed in the instructions on stable/current enrollments and credit hours
  - $x due to an additional x% rate increase on stable/current enrollments and credit hours
  - $x due to increase or decrease in enrollment of X, etc.

- The Budget Office needs to fully understand the change in the tuition estimate in order to treat it as intended in the overall University budget framework, so explain the change in revenue as explicitly as possible

<u>FY17 Estimates:</u> If the FY17 estimated revenue exceeds what was budgeted and planned for, please 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 FY17 revenue estimate is less than what was included in the budget, explain how that difference is being accommodated – through expenditures reductions, other revenue increases or balances to bridge to next year.

8. ICR Estimates

A four-year F&A (facilities and administrative cost) rate agreement was signed on September 28, 2015, which is used to assist with projecting indirect cost recovery revenue. The F&A rates are effective from FY16 through FY19, and the rates vary by year (depicted in the table below).

Award Type	Previous	FY 2016	FY 2017	FY 2018	FY 2019
On-Campus Research	52%	52%	52%	53%	54%
On-Campus Public Service (a.k.a. Other Sponsored Activities)	33%	33%	33%	33%	33%
On-Campus Instruction	50%	50%	50%	50%	50%
Hormel Institute	52.5%	52.5%	55%	55%	55%
Dept. of Defense Contracts	57%	57%	57%	57%	57%
Off-Campus Projects	26%	26%	26%	26%	26%

A Twin Cities college, system campus, or support 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 ICR chartstring.

As part of the FY18 budget development process, each unit that generates ICR revenue is asked to submit an estimate of how much ICR they expect to generate in FY17 (the current year) and also in FY18. Attachment 1 provides an updated estimate of FY17 ICR revenue and a preliminary estimate of total ICR revenue for FY18 developed by the Budget Office. Column g contains an updated estimate of total annual ICR revenue for the current fiscal year, FY17. This updated estimate was developed using actual ICR revenue generated over the first six months of FY17. Column j, FY18 Estimated Total Revenue, is the result of multiplying the updated FY17 estimate in column g by 1.00, indicating a 0% inflation factor for FY18 over the updated estimate for FY17 ICR revenue.

Overall awards for the University were up by approximately 4.5% in FY16, with most of this growth coming from awards from business, industry, and other private sponsors as well state and local sponsors. Federal awards were up 0.6%. Since federal awards provide most of the ICR revenue, a 0% inflation factor was assumed for FY18. If activity in your unit suggests there will be less research spending and associated ICR revenue in FY18, feel free to decrease the estimate as deemed appropriate. Units that expect greater than a 0% increase in ICR revenue should increase the estimate accordingly.

As always, the amounts on Attachment 1 represent a starting point in estimating FY18 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 *ICR Revenue Estimate - Response* with estimates for FY17 (updated estimate) and FY18 (budget) ICR revenue.

If you have any questions regarding these instructions or calculating the ICR revenue estimate for FY17 or FY18, please call Koryn Zewers at (612) 626-2361.

Figure 3
ICR Revenue Estimate - Response

Please use this page to verify or propose a change to the preliminary ICR revenue estimates for FY17 (updated estimate) and FY18 (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 (FY17) plus (2) an estimate of ICR revenue for next year (FY18).

Resource Responsibility Center:

1a. Approved Budget for current year – FY17: ______________________________

1b. Updated estimate for current year - FY17: ___________________________

Explanation of Variance (if any):

2. Proposed budget estimate for FY18: ______________________________

If you agree with the proposed estimate for FY18 ICR revenue as presented in Attachment 1, please verify by recording the estimated amount of total ICR revenue.

If you do not agree with the proposed estimate for FY18 ICR revenue as presented in Attachment 1, please record a new unit estimate for total ICR revenue and provide a brief explanation for any variance.

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 FY18. The impact 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 FY16 and FY17 and what they will be for FY18 without further adjustments. Additionally, the spreadsheets used to calculate the cost allocations and the related summary of charges by college/campus, along with the detailed FY18 line-item increases added to each cost pool, will be discussed at the Framework Overview meetings in January and February 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 reductions to support unit budgets, facility cost changes and some transfers of line items between the pools and academic units, combined with compensation increases and targeted investments that flow through the pools, results in **a net overall increase of $14.8 million** (2.8%) identified below. In aggregate, the changes in cost pool totals from FY17 are as follows (prior to the double-step-down redistribution):

Cost Pool	FY17 Total*	FY18 Total	$ Change	% Change
Support Service Units Systemwide	$88,381,403	$91,704,402	$3,322,999	3.8%
Technology Systemwide	34,594,491	35,580,999	986,508	2.9%
Facilities O&M	84,139,738	82,767,502	(1,372,236)	-1.6%
Support Service Units Twin Cities	19,651,158	20,263,423	612,265	3.1%
Technology Twin Cities	34,111,356	35,003,996	892,640	2.6%
Student Services (All) Systemwide	12,693,843	14,065,867	1,372,024	10.8%
Student Services (All) Twin Cities	1,771,023	1,940,406	169,383	9.6%
Research Support Services	37,015,808	37,564,235	548,427	1.5%
Library	43,475,670	45,140,921	1,665,251	3.8%
Student Serv. Undergrad	20,403,278	21,016,730	613,452	3.0%
Student Serv. Undergrad Aid	39,287,562	39,287,562	0	0.0%
Student Serv. Grad Aid	10,500,000	10,500,000	0	0.0%
General Purpose Classrooms	10,154,088	10,264,476	110,388	1.1%
Utilities (direct-not in above pools)	57,023,794	60,344,828	3,321,034	5.8%
Debt (direct-not in above pools)	36,723,414	39,506,843	2,783,429	7.6%
Leases (direct-not in above pools)	3,923,414	3,707,244	(215,819)	-5.5%
Warehouses (direct-not in above pools)	395,885	390,524	(5,361)	-1.4%
Totals	$534,245,574	$549,049,958	$14,804,384	2.8%

*The FY17 totals have been adjusted to reflect a "rebasing" 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 FY17 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 $53,245,574 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 helpful to understand the increase for FY18 by looking at the various decision categories that resulted in the increase. There are seven categories of spending that increased the pools, and as the table below shows, the three largest contributors to the increase for FY18 are compensation increases in support units, strategic support investments and debt service:

		Responsible for X% of the $14.8m Increase
Compensation Cost Increase	$8,116,700	54.8%
Strategic Support Investments	2,749,655	18.6%
Debt Service & Leases	2,594,692	17.5%
Contractual/Tech Infrastructure	955,000	6.4%
Strategic Academic Initiatives	885,000	6.0%
Utilities	852,548	5.8%
R&R – Twin Cities Campus	836,000	5.6%
Student Aid	336,400	2.3%
Net Transfers-Academic Units to Cost Pool Units	138,389	1.0%

In addition, there is one category of decisions that decreased the pools:

Unit Base Budget Reductions	(2,660,000)	-18.0%
Total Net Change in Pool Charges	$14,804,384	100.0%

The complete list of funded items by cost pool will be posted to the Budget Office web site, but examples of the investments include: Enterprise software licenses/maintenance and the network upgrade financing plan, Library collections, new positions for Admissions, phase one of financing the new non-credit registration system, two grant administrators in Sponsored Projects Administration and so forth. At this point, given the budget framework we are using for planning, the compensation cost increase for support units is based on a general increase in salaries of 2%.

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 – Please note – for all TC units, the responses to section E will be posted on the TC Deans' portal to allow for information sharing across units. See section G-1 on page 39 for further information on submitting your information. For all units, embedded within the compact and budget submission instructions that follow, there are two potential "types" of investment requests and one "type" of reallocation planning to respond to:

Investment Request Opportunities

- For your strategic priorities or critical operating needs
- For initiatives that align with the Twin Cities Campus Strategic Plan

Reallocation Responses

- In response to the compact instructions – what you will do to redirect your current resources to better align with your own strategic goals (internal to your unit) and to respond to the campus strategic plan (responses may overlap with one or more of the next three types)
- Your portion of the administrative reallocation targets in the O&M/St. Special Funds and the other nonsponsored funds

Sections 1 and 2 below provide further details on these pieces.

1) Submission - Compact Information

For discussion at the compact/budget oversight meetings, each unit should respond to the following:

a) Identify the top three to six strategic priorities for your unit. This should be a brief (about one page) discussion of goals, not the budgetary elements or requests that might support them.

b) Budgeting in alignment with strategic planning is expected at the central, the campus, and at unit levels, so please indicate how you propose to direct or redirect some portion of your current resources to implement your strategic priorities. Be as specific as possible in describing how you will restructure current activities in order to free up resources for higher priority goals and estimate as closely as you can both the budgetary and the academic implications of your proposal.

c) For the Twin Cities campus: Please indicate how you propose to direct or redirect some portion of your current resources, or create and/or leverage new resources, to implement the four main goals of the campus strategic plan: leveraging our breadth and depth to take on society's grand challenges – through research and creative activity and through teaching; fostering reciprocal engagement with our specific location and through our global reach; attracting and retaining field-shaping researchers and teachers; building a campus culture of intense ambition; rejecting complacency.

2) Submission – Budget Planning

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

As mentioned previously, the initial budget framework includes the potential for funding some modest academic unit proposals. Therefore, it is optional for you to submit a request for funding of your highest priority initiatives. These initiatives should fit within two categories:

1. items that clearly address your strategic priorities – on the Twin Cities campus these may not directly coincide with the campus strategic plan, but they should be complementary
2. items that address an absolutely critical operating need

If you choose to submit, please request funding for only your highest priority items and note the following:

- 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 and how it aligns with your strategic plan.
- A strong preference will be given to initiatives that involve partnerships between colleges and/or campuses. Any such initiative must be submitted by all units involved to be considered, and the initiative description in each submission must include consistent assumptions *(i.e. make sure it is coordinated up front)*.
- For units that manage large centers and are submitting a request for funding involving those centers, please describe how the initiative strategically and/or financially supports the work of the faculty and the colleges involved.

Only the highest priority and most compelling proposals will be considered. Please note, requests should not be related to any estimated general salary increase 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 academic investment.

Technology Related Requests:
Any requests for information technology investments should align with the University's continued commitment to Operational Excellence and the reduction of administrative costs. Units are strongly encouraged to leverage shared-or commodity-services, rather than duplicate them. Academic units' technology activities should be focused on unique, differential IT services and on transitioning commodity/enterprise/central services. Units should also be actively working to ensure compliance with the security standards supporting the University's Information Security Risk Management policy.

Information Technology (IT) purchases that exceed $500,000 (in purchase, implementation, and other costs committed on behalf of the institution) needs sign-off by the Vice President for Information Technology and Chief Information Officer's Office (email: vpcio-admin@umn.edu). It is best to engage this office early in the development/determination of the potential solution to ensure that alignment, interoperability, and integration with existing University systems and technologies is considered – and for guidance/assistance in the competitive purchasing process.

b) Reallocations for FY18:

Part A:
As mentioned in section D-2 above, for FY18, reallocation targets have been calculated for the O&M/State Specials fund groups as part of balancing the budget and meeting the President's goal of reducing "administrative" expenses by $15 million each year (FY14 – FY19). To balance the O&M/State Special funds budget, the total reallocation target across all support and academic units is now $12.5 million (there will be an additional amount toward the annual $15 million goal from other non-sponsored funds – see below – but also because we have exceeded the $15 million goal each year thus far, the final two years can be slightly less to still achieve the $90 million total). For purposes of budget planning and the responses requested in these instructions, the proportional allocation of the .68% reduction amounts in the O&M and State Special funds by academic unit is as follows:

Unit	O&M/SS Reallocation Target	
Academic Hlth Center Shared	$282,000	
Agricultural Experiment Station	37,000	
Athletics	48,000	
Auxiliary Services	1,000	
Biological Sciences	329,000	
Carlson School of Mgmt	578,000	
Continuing Education	135,000	
Dentistry	273,000	
Design	177,000	
Education & Human Dev.	582,000	
Equity & Diversity	[8,000]	already responded in fall
Food, Ag., Nat. Resource Sciences	583,000	
Global Programs/Strategy Alliance	0	$4,000 taken in fall pools
Graduate School-Academic Allocation	3,000	
Humphrey Institute	92,000	
Law School	274,000	
Liberal Arts	1,580,000	
Medical School	1,028,000	

Unit	O&M/SS Reallocation Target	
MN Extension	185,000	
Nursing	128,000	
Pharmacy	198,000	
President's Office	0	$3,000 taken in fall pools
Public Health	200,000	
Science and Engineering	1,284,000	
Sr. VP for Acad Affairs/Provost	20,000	addt'l $69,000 already responded in fall
Student Affairs-Academic Units	41,000	$25k higher than target-from fall support
UM Crookston	183,000	
UM Duluth	998,000	
UM Morris	243,000	
UM Rochester	91,000	
Undergraduate Ed-Academic Units	5,000	$26,000 taken in fall pools
Veterinary Medicine	261,000	
VP for Research (academic units)	162,000	$22k higher than target-from fall support

Each RRC receiving these instructions should develop and submit proposals to address budget adjustments in the amounts identified above. The proposals 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, and in accordance with his commitment to find $15 million in administrative cost savings each year for six years, the reallocations for FY18 should be focused as much as possible on reductions to administrative operations and costs. The Cost Definition and Benchmarking analysis for FY16 can be used to help inform your reallocation plans as a tool in helping to understand the expenditures that are categorized as "administrative". In a separate communication, you will receive two documents with Cost Benchmarking information. The first is an Excel workbook specific to your RRC that includes a one page summary of your FY16 expenditures divided into each of the three categories included in the analysis. This summary includes personnel expenses on the top and non-personnel expenses on the bottom. The workbook also includes the same information for FY15, year to year comparisons, FY16 analysis for O&M and State Special funds only, and FY16 analysis for nonsponsored funds excluding O&MN and State Specials. The second document contains information on the definitions and calculations used to arrive at the final results to help you better understand the data. Two additional documents are available up request: an FY16 summary by DeptID for all funds (including sponsored), O&M/State Special funds only, and nonsponsored funds excluding O&M/State Special, or a complete list of your FY16 personnel expenditures by job code and category. Contact Emily Larson, (e-lars@umn.edu) to request the additional documents or with questions on Cost Benchmarking.

As a reminder, the categories of expenditure in the analysis are as follows:

- Direct Mission Delivery – the expenses of the **'doers'** of the mission
- Mission Support & Facilities – the expenses to **'support'** the delivery of mission activities
- Leadership & Oversight – the expenses for the '**leadership, direction, control and management'** of the mission

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 Leadership & Oversight. 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.*

You should look first to those two areas of spending when considering what to propose for reallocation. **For most academic 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 Leadership & 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 rationale or broader reallocation plan in your response will be critical in understanding your proposal. *Student aid is not in the reallocation base, not in the spending categories, and should not be cut.*

Please keep in mind that the O&M/State Special reductions will contribute to balancing the overall institutional budget framework, and therefore will support the costs in the framework related to compensation increases, facilities and investments, 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 oversight meetings and in the weeks following. Ultimately, any reductions recommended to the President will be strategic and differential – not straight across-the-board.

To summarize, there are three goals for reallocation within the budget:
1) to help balance the budget and cover cost increases in the budget framework for FY18 (in O&M) – Part A
2) to help balance the budget and cover cost increases in activities funded by other non-sponsored funds – Part B below.
3) to reduce administrative costs $90 million over six years

Some of the actions taken in implementing #1 and #2 above will fulfill #3 as well. The goal remaining as part of the President's "$90 million" promise, is to achieve at least $21.5 million of <u>administrative</u> reallocation over the next two years between actions taken in items #1 and #2 above – in the framework funds (O&M/Tuition) plus actions taken in the other non-sponsored funds groups (defined as all current funds, EXCLUDING O&M, State Specials, ISO and Sponsored). If more administrative reductions are planned for the other non-sponsored funds (in implementing #2), that could ultimately reduce the amount of administrative reallocation required in the framework funds (in implementing #1 above).

<u>Part B:</u>
To address #2 and #3 just above in the previous section, and consistent with the total targeted reductions for other non-sponsored funds the last two years (roughly $6 million annually), each unit is being given a target for FY18 to reduce costs in the other-non-sponsored funds as well. The savings targets in this category have been calculated using a subset of information from the Cost Definition and Benchmarking analysis. For each unit, University Budget and Finance calculated the average expenditures (in the other

non-sponsored funds) in the categories of Mission Support & Facilities and Leadership and Oversight for the last three years for which the analysis was completed at the time of the support unit budget instructions in September (FY13 – FY15). The target for FY18 is then calculated as each unit's proportionate share of a $6 million goal, based on their proportionate share of the total average spending from that time frame:

Unit	A Average Expenditures in Mission Support & Facilities and Leadership & Oversight FY13 – FY15	B Reallocation Target for FY18 (A/$540m * $6m)
Agricultural Experiment Station	$526,539	$6,000
Academic Health Center Shared	10,739,140	119,000
Athletics	78,690,419	874,000
Auxiliary Services	77,599,189	862,000
Biological Sciences	2,262,556	25,000
Continuing Education	3,043,644	34,000
Education & Human Development	7,370,739	82,000
Food, Ag., & Natural Resource Sciences	19,348,626	215,000
Liberal Arts	8,851,489	98,000
Science & Engineering	20,807,658	231,000
Carlson School of Mgmt	9,690,883	108,000
Dentistry	9,525,464	106,000
Design	1,966,667	22,000
Humphrey School of Public Affairs	1,608,352	18,000
Law School	3,263,380	36,000
Medical School	58,383,290	648,000
MN Extension	4,547,035	51,000
Nursing	1,952,627	22,000
Pharmacy	4,425,678	49,000
Public Health	5,922,953	66,000
Student Affairs*	47,007,981	522,000
University of MN Crookston	5,062,553	56,000
University of MN Duluth	36,641,969	407,000
University of MN Morris	9,614,602	107,000
University of MN Rochester	2,656,071	29,000
Veterinary Medicine	7,685,646	85,000

(*Special note for Student Affairs – the target is calculated on all the other nonsponsored funds, including the use of Student Services fee revenue. As in past years, reallocation guidelines planned for the fee committee should be discussed with the Budget Office.)

Each RRC receiving these instructions should develop and submit proposals to address budget adjustments in the amounts identified above (column B). The proposals should briefly outline the actions to be taken to reduce your recurring expenditures and the projected impact on unit activities and service levels. In the past, this process raised some issues around which expenditures should legitimately be factored in to the calculation of targets, particularly related to expenditures that are simply pass-through and do not represent managed activity that can be reduced. Undoubtedly this is the case for FY18 as well but units should still respond to the full target above, including any special circumstances in the response that relate to those unique circumstances. A decision will be made to adjust the targets where appropriate after the responses are received.

Because the targets above were developed using expenditures in only the Mission Support & Facilities and Leadership & Oversight categories, the associated reallocation plans should be focused solely on activities in these categories (no mission or student aid related expenditures should be impacted). **When you propose an expenditure reduction to address this target, the funds freed up from that action will remain in your unit**, but then can be applied to known cost increases, such as those for compensation or inflation, or new investment. It is understood that "new" spending may continue to be in the defined categories of Mission Support & Facilities or Leadership & Oversight, but it is hoped that this exercise will result in a reprioritization of functions, moving investment from low priority to higher priority or new activities, and that in some cases it will reduce the need for increased revenues to pay for cost increases. Reallocation will keep pressure off the need to increase fees on students in areas where such fees are the source for operating revenues, or it will help offset declines or sluggish increases in resources such as ICR or endowment earnings. If the other non-sponsored revenues are growing and therefore no reallocation is necessary to balance that particular budget, it still may be beneficial or strategic to re-prioritize activities and reallocate for programmatic reasons. If this is the case, those decisions to reduce some costs to fund others can still be reported as in response to these targets.

c) Reallocations Implemented FY17:

Based on the initial responses received from each academic unit on plans to implement the FY17 reallocations (the O&M target and the other nonsponsored funds target) we created a preliminary list of administrative reductions that totaled $12.3 million. Now we need your help in two ways:

1. Please provide a description of what you actually implemented in the way of recurring cost reductions for FY17 as part of the reallocation exercise related to the FY17 O&M/State Special budget and as part of the reallocation exercise related to the other nonsponsored funds. We need to make sure the list we have been working with is accurate or if your original plans and the actual implementation differ. Please provide the following details for each recurring reallocation implemented in FY17:
   - Detailed description of what was implemented
   - Amount of reallocation
   - Expenditure category (Mission, Mission Support & Facilities and/or Leadership & Oversight)
   - Categorization of the reduction as personnel or non-personnel expenses
   - The number of positions and position titles related to any position eliminations.

2. Please provide a list of cost reduction actions you are implementing in FY17 in addition to what was required as part of your reallocation target discussed during budget development (in addition to (1) above). As mentioned, we identified $12.3 million in administrative cuts from your original responses, but between academic and support units, we need to record everything that was implemented toward the $90 million goal. Therefore, **regardless of funding source**, if you have to this point implemented additional cost reductions in FY17, we would like that full list and description of actions so we can take credit for all the difficult decisions and strategic choices made to continue or enhance current levels of service. Again, be as specific as possible so we are able to determine what actions were reductions to those two administrative categories of spending.

d) Scholarship Funds:

In the next week, each unit that awards scholarships to students will receive a letter from the Provost, along with a unit-specific report, regarding the status of spending plans as reflected in the Scholarship Tracking and Reporting (STAR) System. As outlined in that letter, the expectation is that each year all units will have spending plans for incoming freshman undergraduate scholarships entered into STAR by the second week in February, and entered for all other scholarships by the first week of June, even if the plan is to spend nothing in the upcoming year. Plan entry into STAR is an indication that the balances/available funds are being reviewed and there is a definite strategy for appropriate and timely use of those funds.

As part of the budget process, the status of spending plans in STAR will be reviewed, so each (relevant) unit should submit a brief summary of those plans. If your current STAR report indicates that 100% of the funds have been "planned," then it is acceptable to simply indicate that in your response. If fewer than 100% of the funds have been "planned," then provide a brief explanation for the funds that do not have a spending plan.

Over the next several months there will be an effort in coordination with UMF to add meaningful dollar amounts to these reports to help you better manage our scholarships.

F. Submissions – Detailed Budget Materials

1. Tuition – Revenue Estimates

Submit Figure 2 on page 19 with any relevant supporting documentation.

2. Revenue Estimates – ICR

Submit Figure 3 on page 21 with any relevant supporting documentation.

3. 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 (note – UMD is the only RRC with both the campus designation and individual colleges, and therefore may have both a campus-wide fee and individual collegiate fees).
> (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/campus 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 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 FY18
- 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 FY18

- 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 is trying to limit additional financial burden on students, any proposal to increase these fees will receive significant scrutiny. In addition, proposals to increase existing or add categories of course and miscellaneous fees will receive the same scrutiny.**

4. Course, Miscellaneous and Academic 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 using the Tuition and Fee Management System (TFMS). 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 FY18 fee information on February 2, 2017. Fee entry should be completed by RRCs by April 21, 2017. 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 that have been entered in TFMS previously will be rolled over as FY18 fee requests for update by the unit that owns them. RRC contacts or financial managers who do not have access to TFMS should contact Emily Larson (e-lars@umn.edu) to be oriented to the system. Training and resources for using the system are accessed through links after signing into TFMS. Additional information on fee entry will be provided in the beginning of February with TFMS opens for FY18 fee development.

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

- The amount of the fee
- The number of students who will be charged 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 **(this is required)**
- A brief, but informative, public fee description
- The EFS chart string where the fee revenue is to be recorded

Additional information and instructions, including guidelines for appropriate fee justification and rate development, are discussed in the TFMS 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). A word of caution: changes to FY17 fees entered after the FY17 fees are rolled over to FY18 in TFMS on February 2 will not affect the FY18 version of the fee request.

After fees are submitted, they will be reviewed by University Budget and Finance. Fee system users can go online and see the status of a fee at any time. A report listing the fees approved by Budget Office will be generated for review by the Board of Regents. It is this final list of fees that will be implemented in PeopleSoft for FY18.

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.

<u>5. Tuition Rate Verification – Submission in TFMS</u>

TFMS will once again be used for submission and verification of tuition rates for FY18 for all academic programs following the pattern implemented for FY17. For tuition rates, TFMS is the mechanism used to communicate and verify details of rates agreed upon during college or campus budget planning discussions. Tuition rates in TFMS are the rates that will be submitted to the Board of Regents for approval and implemented for FY18. The rates will be loaded directly into PeopleSoft from TFMS.

Access to the Tuition fee type in TFMS is restricted to Chief Financial Managers (CFMs) and RRC contacts. Tuition rates for FY17 will be rolled over as rates “in development” for FY18 in the same way that fees are. Undergraduate and graduate school rates will be entered centrally. CFMs/RRC contacts enter only those rates specific to their college or campus.

CFMs/RRC contacts will:

1. Update the *college/campus-specific* tuition fee types with requested rates for FY18
2. Create new fees or dimensions with the tuition fee type to reflect tuition rates for new or changing programs
3. Submit the rates to the University Budget & Finance (status: Ready for OBF) by April 14, 2017

University Budget and Finance will:

1. Review tuition fee information to ensure submissions for FY18 match with expectations from budget discussions; contact CFMs/RRC contacts with any questions
2. Use the data extracted from TFMS to create the tuition rate submission for the Board of Regents
3. Route the tuition rate submission for the Board of Regents to CFMs/RRCs for a final verification prior to the docket deadline
4. Submit final rates to Student Finance for implementation *AFTER* tuition rates for FY18 are approved by the Regents.

Student Finance will:

1. Provide early feedback on technical feasibility of rates submitted in TFMS.
2. Load FY18 tuition rates into PeopleSoft from TFMS.

Additional information and tips on Tuition entry will be provided in the beginning of February when TFMS opens for FY18 rate development.

<u>6. Student Services Fee Waivers</u>

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 FY18. 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.

Note: if the program is delivered off-campus, no waiver request is necessary. Off-campus classes are not included in the credit count. Correct class set-up is required, however, to ensure this is handled appropriately.

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

Educational Policy/Admin Ed D
Leadership in Education M Ed

Carlson School of Management
  Business Taxation MBT
  Evening MBA
  Executive MBA
  China Executive MBA

Continuing Education
  Masters of Biological Sciences
  Masters of Liberal Studies
  Masters of Professional Studies in Addictions Counseling
  Masters of Professional Studies in Arts and Cultural Leadership
  Masters of Professional Studies in Horticulture
  Masters of Professional Studies in Integrated Behavioral Health

Medical School
  Rural Physician Associate Program

Public Health
  Evening MHA (Health Care Administration)

Science & Engineering
  MS Management of Technology
  MS Software Engineering
  MS Infrastructure Systems Engineering

7. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY18, please submit that information to Julie Tonneson as soon as it is available. 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.

8. 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 (ZDeptID), 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 7/1/2016.

  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. To access the training, navigate to ULearn (http://humanresources.umn.edu/working-u/ulearn) and sign in. Use the search feature in the upper right-hand corner to search for "Budget Development Worksheet." (Contact OHR.umn.edu if you run into any problems accessing the course.) Additional resources include two job aids available in the Budget Entry/Budget Journals section of the Controller's Office Training website (http://finsys.umn.edu/training/index.html): 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 <u>OR</u> UM Department Users > UM Budget Dev Worksheet.**

The worksheets are populated with FY15 Actuals, FY16 Actuals, the FY17 Approved Budget and FY17 Year to Date Actuals. Each column includes the following information:

- 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 Viewer. Choose the tree UM_ACCOUNT_REPTG and pick the effective date 7/1/2016. 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 FY17 ("Forecast") to arrive at an updated estimate of carryforward into FY18 if that is warranted.

The final column (Budget 2018) is for projecting FY18 activity. The budget submittal should focus on completing the Forecast 2017 column and then completing the Budget 2018 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. <u>**FY18 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.***</u> Also, please note that projected increases entered in the various expenditure categories of the Budget 2018 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 G-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

FY18, then the expense projections in the Budget 2018 column of the budget development worksheet should also reflect that transfer. In addition, planned reorganizations that result in DeptIDs moving from one RRC to another, or from one budget department to another should be reflected in the planning for FY18: revenues and expenditures for DeptIDs that are being reassigned should be included in the RRC to which they will be assigned in FY18.

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 at the bottom of the worksheet reflect 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 2017 and Budget 2018 columns for all the other rows, and the sheet will work as intended. Since you do not plan for the activity in the added rows, the ending balance will calculate correctly in the Forecast 2017 and Budget 2018 columns without entering in those rows.

<u>Salaries</u> – Because we are still evaluating options on budgeting for salary increases in FY18, at this point carry your estimate of the current year salaries (FY17) into the Budget 2018 column with no changes. Later in the process we will then be able to factor in the impact of different salary increases.

<u>Fringe</u> – At this point, the fringe benefit expense in the Budget 2018 column should reflect the estimated fringe cost with the updated rates (as detailed on page 6) applied to the salaries as you've estimated them for FY17. The increase will then represent the costs we know will happen regardless of what salary changes are implemented. Later in the process, when we factor in the impact of different salary increases, we can also adjust for the associated fringe expense.

If there is information missing in these instructions necessary to complete the Budget 2018 column, please contact Julie Tonneson for assistance. **Please note – the central allocation line for FY18 should contain the exact same amount as appears in the Budget 2017 column with one exception – it can be adjusted for planned permanent transfers between units (see section G-1 above).**

The completed Budget Development Worksheet does not have to be sent in with the rest of the budget materials, although the due date remains the same. 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.

<u>9. O&M/State Special Compensation</u>

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. This year, we have calculated what the fringe cost will increase with no change in salaries, and then an estimate of the additional cost for each 1% increase in salaries. To verify that the central methodology yields reliable results, please calculate your estimate as follows (for O&M and State Special funds combined and then for all other non-sponsored funds):

A. Settle on your current estimates for FY17 salaries and FY17 fringe (separately)
B. Apply the updated fringe rates for FY18 to your current estimate of FY17 salaries to get an estimated FY18 fringe expense (Note – this is what should go in the budget development worksheet Budget 2018 column)
C. Compare the FY18 estimated fringe cost from (B) to your estimated fringe cost for FY17 – keep note of that change

D. Apply a 1% increase in salaries to your current estimate of FY17 salaries
E. Apply the updated fringe rates for FY18 to the salaries that have been inflated by 1% (result of step D)
F. Compare the sum of (D) + (E) to (B) – keep note of the change

What you calculated in step (C) above is the answer to "what does the fringe rate increase cost with no change in salaries".
What you calculated in step (F) above is the answer to "what is the additional cost for each 1% increase in salaries".
Example:

		Salary	Fringe	Sum
Step A	FY17 Academic	$100,000	$31,800	
Step B	FY18 Academic	$100,000	$33,800	$133,800
Step C	Difference to A	$0	$2,000	$2,000
Steps D and E	FY18 Academic with 1%	$101,000	$34,138	$135,138
Step F	Difference to B	$1,000	$338	$1,338

Then, as part of your budget submission, please provide in total – not by employee group **-** the results of steps A through F above for the **O&M/State Special funds only** so we can verify the reliability of our centrally calculated estimates.

10. Internal Sales Rate Setting

A. **University Budget & Finance Review** – Prior to the FY17 budget cycle, units submitted information on internal sales/recharge center rate changes as part of their budget materials. University Budget and Finance changed its review process with the FY17 cycle. Its review currently focuses on recharge centers receiving subsidies, those with deficits exceeding $150,000 and variances greater than 15 percent, and those with balances in the Plant Fund exceeding $100,000. Recharge centers meeting these criteria have a higher likelihood of having a material, negative impact on their larger RRC's budget.

University Budget and Finance reviewed FY16 recharge center subsidies, deficits, and balances in the Plant Fund to establish a list of recharge centers that have a greater risk of having a negative impact on their larger RRC budgets. As a follow up to this analysis, the Internal Sales Office within the Controller's Organization was consulted to determine whether or not additional information and discussions should occur. Based on this analysis, the following information is being requested from specific units:

Subsidies for Recharge Centers
Units directly subsidize their recharge centers through Account 600308 as well as indirectly by paying cost pool charges or for equipment. The following units provided direct subsidies greater than $100,000 to their recharge centers in FY16 and should respond to questions in this section:

- Academic Health Center-Shared (DeptIDs 11333,11342, 11344, 11347, 11354, 12086);
- College of Biological Sciences (DeptID 10865);
- College of Science and Engineering (DeptIDs 11069, 11072, 11130, 11914, 12155);
- Medical School (DeptIDs 11707, 11764, 11877, 11879, 11921);
- Office of the Vice President for Research (DeptID 10713); and
- College of Veterinary Medicine (DeptID 11653).

RRCs providing indirect subsidies should also respond.

Subsidies are provided to the recharge centers from the RRCs for various reasons. Recharge centers may utilize subsidies when they are in the start-up phase, allow for expanded use of specialized equipment, lower rates for specific services, or in other circumstances. Subsidies may also be required to cover cost pool charges associated with recharge centers, specifically when a recharge center has not been designated as a Specialized Service Center. At the same time, long-term subsidization of the recharge centers has an impact on the RRCs' broader budgets. To gain a common understanding of why specific recharge centers required subsidies in FY16, the units noted above should respond to the following:

- For each recharge center that was subsidized in FY16, describe why a subsidy was needed and if subsidies are built into the recharge center's rates.
- Discuss whether or not rates could be increased to decrease or eliminate the subsidy. In addition, please comment on the consequences of increasing rates.

<u>Recharge Centers with Deficits Exceeding $150,000 and Variances Greater Than 15 Percent</u>
The following units had recharge centers with deficits exceeding $150,000 coupled with variances greater than 15 percent at FY16 close and should respond to questions in this section:

- Academic Health Center-Shared (DeptID 11333);
- College of Pharmacy (Dept ID 11407);
- Medical School (Dept ID 11896); and
- College of Science and Engineering (DeptID 11098).

Based on natural variances in recharge center budgets, deficits are inevitable. However, a high deficit can lead to the need for a subsidy of a material amount by the larger RRC, specifically if the variance exceeds 15 percent; these recharge centers are more likely to have a negative impact on the larger RRC's budget. Please respond to the following questions for any recharge center with a deficit exceeding $150,000 coupled with a variance greater than 15 percent:

- Describe the cause of the deficit and how the recharge center is mitigating the underlying issue.
- Discuss whether or not the recharge center has used subsidies to reduce a deficit in the past, and if so, the fiscal year and amount of the subsidy.

<u>Plant Fund Balance with Deficit Greater Than $100,000</u>
The Plant Fund is a useful tool for capital purchases and paying the cost of capital purchases over time. The Budget Office reviewed recharge centers' Plant Fund balances with the Internal Sales Office. The following units should comment on Plant Fund balances, the associated net book value(NBV) of those assets, and how the ISO will manage any operating fund impacts once corresponding entries are made:

- College of Science and Engineering (DeptID 11098); and
- Medical School (DeptID 11879).

G. Process

1. Meetings and Due Dates

The compact/budget meetings are scheduled from late February through early April. The meetings will focus on reviewing any significant issues surfacing from the materials submitted in response to these instructions (budget and compact where applicable). No supplemental presentation materials are necessary.

Submittal Due Date – one week prior to the scheduled meeting, please send all required materials in Sections E and F to Jessie Strader in the Budget Office (jstrader@umn.edu).
In addition, for all TC units, please submit responses to Section E only to Jessica Stuart (jastuart@umn.edu) for posting to the TC Deans' portal. As information included in responses to this section may involve sensitive proposals, please be respectful of the information and do not distribute it within your unit. If portions of your unit's response have not been widely shared within your unit and it could be detrimental to do so, that information could be removed prior to sending to Jessica for posting.

2. Budget Recommendations

At the conclusion of the meetings, Sr. Vice President Brian Burnett, Executive Vice President for Academic Affairs and Provost Karen Hanson, Vice President Brooks Jackson, Interim Vice President Al Levine, 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 late May to meet presentation deadlines for the June Board of Regents meeting.

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 FY18 have been recommended to the President and he has given approval to proceed based on those recommendations;
- Cost allocations have been calculated for FY18 based on the approval of support unit budgets.

The remaining components of budget development for FY18 will include:

- Budget/compact meetings with each of the academic units February through April;
- 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;
- 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 FY18 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 FY18 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
Executive VP – Academic Affairs & Provost
(excluding academic areas)
Board of Regents
Budget and Finance
Capital Planning & Project Mgmt.
Equity and Diversity
General Counsel
Global Programs & Strategy Alliance
Human Resources
President's Office
Public Safety (excluding Police)
Sr. VP – Health Sciences (excluding academic areas)
University Relations
VP for University Services (20%)

Twin Cities Only

Campus Mail/UMarket/Logistics
Graduate School
University of MN Police
VP for University Services (80%)

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 FY18 approved budgets for the units listed above will be allocated based on the academic units' proportionate share of FY16 total expenditures (all funds), with subcontracts included at 50%. 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 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 FY18, 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 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 FY18 approved centrally allocated budget for these technology functions is spread based on the academic units' proportionate share of total headcount from the fall of 2016. 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. The student headcount has been adjusted so that part time students are weighted at .5.

3) Facilities Operations & Maintenance

This cost pool is charged only to Twin Cities units as it largely includes services within Facilities Management (FM) on the Twin Cities campus. Facility operations and maintenance costs will continue to be managed outside of this cost allocation pool by each system 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.)
- Facilities Management administration

The costs within this cost pool are based upon an agreed upon set of service levels for the Twin Cities campus. These service levels and the associated costs have been (and will continue to be on an annual basis) reviewed and approved through the budget process. Details of these service levels are available to download from the FM website (http://www.uservices.umn.edu/fm.html). In addition, a 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 FY18 approved budget for these activities within Facilities Management will be allocated based on the academic units' proportionate share of ASF from November 2016. 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 less expensive to operate and receive a lower level of services, for example, no custodial services). Warehouse space includes facilities such as gyms, field houses, and barns.

Finally, 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.

<u>4) Student Services</u>

Beginning in FY13, this cost pool is divided into four categories (previously it was three), containing the budgets of various central support 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 (including 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 FY18 approved budgets for these two units is allocated based on the academic units' proportionate share of the total student headcount from the fall of 2016 (an unduplicated count from spring 2016 and fall 2016 is used for graduate student headcounts). 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. The student headcount has been adjusted to weight part-time students at .5.

b. ***Category 2 – Services to Twin Cities Undergraduate Students.*** This category is charged only to Twin Cities units and 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 FY18 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 2016. 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. 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 and is charged only to units on the Twin Cities campus, even though some of the scholarship funds are distributed system-wide. 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 majority of 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 FY18 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 2016. 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 –Graduate Student Aid***. This category includes only the budget for student aid (fellowship/scholarship pools) managed by the Graduate. It is charged system-wide.

Beginning with the FY16 final cost pool charges, the basis for distribution of this cost pool is total headcount of students with the academic career of "graduate" and the degrees MA, MS, MFA, PhD - an unduplicated count from spring 2016 and fall 2016 is used for graduate student headcounts. The FY18 approved budgets for the fellowship/scholarship programs managed by the Graduate School are allocated based on the academic units' proportionate share of an unduplicated total headcount from the spring and fall of 2016. 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. The student headcount has been adjusted to weight part-time students at .5.

<u>5) Research Support Services</u>

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 academic centers), Sponsored Financial Reporting in the Controller's Organization, University Health and Safety, and the AHC Office of Research. This pool is charged system-wide.

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. Beginning with the FY18 budget, sub-contracts within total expenditures will be weighted at 50%. 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 FY18 approved budgets for the units identified above will be allocated based on the academic units' proportionate share of the average of FY14, FY15 and FY16 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 and Rochester campuses. 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 FY18 approved budget for the University Libraries is allocated to the academic units based on the weighted headcount from the fall of 2016 (an unduplicated count from spring 2016 and fall 2016 is used for graduate student headcounts). 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. The student headcount has been adjusted to weight part-time students at .5.

7) Utilities

This cost pool is for Twin Cities units only and represents the actual costs for the following utilities: steam, electricity, gas, chilled water, water, sewer and storm-water. A more complete description of this cost pool is included within the instructions, Appendix A, beginning on page 41. 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 Executive Vice President for Academic Affairs & Provost Office and the Vice President for Health Sciences Office.

This cost pool is allocated to the academic units only on the Twin Cities campus based on their proportionate share of total course registrations in the fall of the prior year. The approved budget for these activities for FY18 is allocated based on total course registrations from the fall of 2016. 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
Twin Cities Campus Utilities
Twin Cities Campus Facilities O&M costs
Twin Cities Debt allocation

[Note: For system 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 11) 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 an RRC 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 (ICR)

Unit estimates for fiscal year 2016-17

FY 2018 Budget

		a	b	c	d	e	f	g	h	i	j	
		FY17 Total ICR Through Period 06	**FY16 Total ICR Through Period 06**	**FY16 Total ICR Through Period 12**	**FY16 Period 06 Percent of Total**	**FY17 Estimated Total Revenue a*(1/d)**	**FY17 Estimated Total Revenue a*2**	**FY17 Most Conservative Estimate**	**FY17 Budget ICR Revenue**	**FY17 Projected Variance to Budget**	**FY18 Beginning Estimate g * 1.00**	
	System Campuses											
1	Crookston	11,458	11,394	20,195	56.42%	20,309	22,916	20,309	16,460	3,849	20,309	1
2	Duluth	1,080,300	1,296,330	2,291,942	56.56%	1,909,997	2,160,600	1,909,997	2,268,518	(358,521)	1,909,997	2
3	Morris	56,464	61,690	91,649	67.31%	83,884	112,927	83,884	123,383	(39,499)	83,884	3
4	Rochester	3,373	6,886	11,337	60.74%	5,554	6,747	5,554	0	5,554	5,554	4
	Academic Health Center											
5	Academic Health Center-Shared	5,421,226	6,289,489	12,132,986	51.84%	10,458,029	10,842,451	10,458,029	9,900,201	557,828	10,458,029	5
6	School of Dentistry	623,381	597,721	1,132,285	52.79%	1,180,893	1,246,762	1,180,893	1,100,000	80,893	1,180,893	6
7	Medical School	21,868,747	22,929,241	45,613,019	50.27%	43,503,385	43,737,495	43,503,385	40,055,381	3,448,004	43,503,385	7
8	School of Nursing	400,177	394,135	787,264	50.06%	799,331	800,354	799,331	711,396	87,935	799,331	8
9	College of Pharmacy	2,192,973	2,194,694	4,467,405	49.13%	4,463,901	4,385,945	4,385,945	4,315,763	70,182	4,385,945	9
10	School of Public Health	6,645,290	7,093,459	14,117,095	50.25%	13,225,169	13,290,581	13,225,169	13,020,714	204,455	13,225,169	10
11	College of Veterinary Medicine	2,003,632	1,256,589	2,854,122	44.03%	4,550,898	4,007,263	4,007,263	3,165,000	842,263	4,007,263	11
12	Total Academic Health Center	39,155,425	40,755,329	81,104,176	50.25%	78,181,606	78,310,851	77,560,015	72,268,455	5,291,560	77,560,015	12
	Executive VP and Provost											
13	Executive VP and Provost	58,670	20,424	54,337	37.59%	156,086	117,340	156,086	70,050	86,036	156,086	13
14	Agricultural Experiment Stations	0	0	0	0.00%	0	0	0	0	0	0	14
15	College of Biological Sciences	3,043,443	2,909,588	5,618,939	51.78%	5,877,436	6,086,885	5,877,436	5,463,387	414,049	5,877,436	15
16	College of Continuing Education	666	2,407	3,488	69.01%	966	1,333	966	250	716	966	16
17	Education & Human Development	2,885,443	3,038,904	5,693,509	53.37%	5,405,994	5,770,886	5,405,994	5,542,323	(136,329)	5,405,994	17
18	Food, Ag, & Nat. Resource Sci	3,186,913	3,214,856	5,866,383	54.80%	5,815,394	6,373,825	5,815,394	5,000,000	815,394	5,815,394	18
19	College of Liberal Arts	1,594,888	1,511,953	2,768,780	54.61%	2,920,655	3,189,776	2,920,655	2,700,000	220,655	2,920,655	19
20	College of Science & Engineering	17,108,484	16,814,576	30,408,289	55.30%	30,939,806	34,216,967	30,939,806	31,217,221	(277,415)	30,939,806	20
21	Carlson School of Management	51,049	40,349	104,620	38.57%	132,364	102,099	102,099	50,897	51,202	102,099	21

	a	b	c	d	e	f	g	h	i	j		
		FY17 Total ICR Through Period 06	**FY16 Total ICR Through Period 06**	**FY16 Total ICR Through Period 12**	**FY16 Period 06 Percent of Total**	**FY17 Estimated Total Revenue a*(1/d)**	**FY17 Estimated Total Revenue a*2**	**FY17 Most Conservative Estimate**	**FY17 Budget ICR Revenue**	**FY17 Projected Variance to Budget**	**FY18 Beginning Estimate g * 1.00**	
22	College of Design	133,102	69,173	160,321	43.15%	308,488	266,203	266,203	124,740	141,463	266,203	22
23	Global Pgms & Strategy Alliance	37,319	31,896	47,147	67.65%	55,164	74,639	55,164	41,131	14,033	55,164	23
24	Humphrey School of Pub Affairs	522,499	437,966	819,879	53.42%	978,127	1,044,998	978,127	854,878	123,249	978,127	24
25	Law School	24,463	37,916	66,155	57.31%	42,683	48,927	42,683	67,297	(24,614)	42,683	25
26	MN Extension	1,024,482	982,818	2,042,738	48.11%	2,129,336	2,048,965	2,048,965	1,965,635	83,330	2,048,965	26
27	Undergraduate Education	0	252	252	0.00%	0	0	0	0	0	0	27
28	Total Executive VP & Provost	29,671,422	29,113,080	53,654,840	54.26%	54,762,497	59,342,843	54,609,577	53,097,809	1,511,768	54,609,577	28
29	Athletics	772	0	207	0.00%	0	1,545	0	0	0	0	29
30	University Libraries	38,412	11,205	24,054	46.58%	82,461	76,824	82,461	119,000	(36,539)	82,461	30
31	Office of Human Resources	0	1,780	1,780	0.00%	0	0	0		0	0	31
32	Office of Information Technology	755	928	928	0.00%	0	1,510	0		0	0	32
33	Public Safety	1,250	3,750	6,250	60.00%	2,083	2,500	2,083		2,083	2,083	33
34	VP for Research	3,593,608	3,395,765	6,803,926	49.91%	7,200,334	7,187,215	7,187,215	5,822,394	1,364,821	7,187,215	34
35	VP for System Academic Admin	10,758	10,770	31,951	33.71%	31,915	21,515	31,915	12,769	19,146	31,915	35
36	Student Affairs	0	508	26,184	1.94%	0	0	0	40,000	(40,000)	0	36
37	University Budget & Finance	385	0	522.04	0.00%	0	770	0	0	0	0	37
38	**Grand Total**	73,624,382	74,669,412	144,069,940		142,280,640	147,248,764	141,493,010	133,768,788	7,724,222	141,493,010	38