FY22 Budget/Compact Instructions
Support Units

**Items Due Five Working Days Prior to Oversight Meeting:**

Compact Materials (page 10)

Budget Planning (page 11):
- Significant Financial Concerns
- Reallocations for FY22 – O&M and Other Nonsponsored Funds
- Reallocations Implemented FY21

Detailed Budget Materials (page 14)
- Transfers between units (if applicable)
- Budget Development Worksheets
- O&M/State Special Compensation Estimates

September 11, 2020
(Distributed by University Budget Office)
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Compact/Budget Development Process for FY22</td>
<td>3</td>
</tr>
<tr>
<td>B. Support Units Included in these Instructions</td>
<td>3</td>
</tr>
<tr>
<td>C. Context of the Biennial Budget Request to the State</td>
<td>5</td>
</tr>
<tr>
<td>D. FY22 Budget Parameters – Planning Assumptions</td>
<td>5</td>
</tr>
<tr>
<td>1. Budget Framework for FY22</td>
<td>5</td>
</tr>
<tr>
<td>2. Planning for Reallocations</td>
<td>5</td>
</tr>
<tr>
<td>3. Salary and Fringe Benefit Assumptions</td>
<td>7</td>
</tr>
<tr>
<td>4. Enterprise Assessment</td>
<td>8</td>
</tr>
<tr>
<td>5. Property &amp; Liability and Non-Profit Organization Liability Insurance</td>
<td>9</td>
</tr>
<tr>
<td>E. Submissions – Compact Materials</td>
<td>10</td>
</tr>
<tr>
<td>F. Submissions – Budget Planning</td>
<td>11</td>
</tr>
<tr>
<td>1. Significant Financial Concerns</td>
<td>11</td>
</tr>
<tr>
<td>2. O&amp;M Reallocations for FY22</td>
<td>11</td>
</tr>
<tr>
<td>3. Reallocations in Other Nonsponsored Funds for FY22</td>
<td>13</td>
</tr>
<tr>
<td>4. Reallocations Implemented FY21</td>
<td>13</td>
</tr>
<tr>
<td>G. Submissions – Detailed Budget Materials</td>
<td>14</td>
</tr>
<tr>
<td>1. Permanent Transfer of Allocation Between Units</td>
<td>14</td>
</tr>
<tr>
<td>2. Budget Development Worksheets</td>
<td>14</td>
</tr>
<tr>
<td>3. O&amp;M/State Special Compensation</td>
<td>17</td>
</tr>
<tr>
<td>4. ISOs – University Budget Office Review</td>
<td>17</td>
</tr>
<tr>
<td>H. Process</td>
<td>18</td>
</tr>
<tr>
<td>1. Meetings and Due Dates</td>
<td>18</td>
</tr>
<tr>
<td>2. TC Deans Participation</td>
<td>18</td>
</tr>
<tr>
<td>3. Budget Recommendations and Cost Allocations</td>
<td>18</td>
</tr>
<tr>
<td>4. Balancing the Overall University Budget</td>
<td>19</td>
</tr>
<tr>
<td>Attachment – Cost Pool Descriptions</td>
<td>20</td>
</tr>
</tbody>
</table>
A. Compact/Budget Development Process for FY22

All units will be asked to submit compact and budget materials as detailed in these instructions. The compact portion of the submission is outlined in section E, and the budget materials are outlined in sections F and G.

B. Support Units Included in these Instructions

Units receiving these instructions are considered support units for purposes of the budget model. The primary budgets of these units are funded through cost pools that are billed out to the academic units. The central support units are identified below, along with their assigned cost pool for allocation during the FY22 budget development process. For reference, a brief description of the methodology used to allocate the respective costs to the academic units is included as an attachment to this document. Please note: some Resource Responsibility Centers (RRCs) contain both support and academic activities. If that is the case, then these instructions apply only to the support portions (excluded portions are indicated below). In addition, some RRCs are split into more than one cost pool. If that is the case, submittals of information should be done for the RRC as a whole and not divided in any way to reflect cost pool assignments. Splitting the budget into different cost pools will occur only after the whole budget for the support unit is approved.

Support Unit Designations and cost pool assignment:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Cost Pool Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Health Sciences (AHSCI) (Vice Provost &amp; Pre-Hlth Student Resources only)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Assoc. VP Finance (AVPFN)-excluding SFR</td>
<td>Support Services</td>
</tr>
<tr>
<td>Assoc. VP Finance (AVPFN)-SFR</td>
<td>Research Support</td>
</tr>
<tr>
<td>Audits (AUDIT)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Auxiliary Services (Campus Mail/UMarket Only)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Board of Regents (RGNTS)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Capital Project Mgmt (CPPM)</td>
<td>NA</td>
</tr>
<tr>
<td>Equity &amp; Diversity (EQDIV)-excluding DOVE</td>
<td>Support Services</td>
</tr>
<tr>
<td>Equity &amp; Diversity (EQDIV)-DOVE</td>
<td>Student Services</td>
</tr>
<tr>
<td>Facilities Management (FM)-excluding: Utilities and Warehouses</td>
<td>Facilities O&amp;M</td>
</tr>
<tr>
<td>Facilities Management (FM)-Utilities/Warehouses</td>
<td>Utilities/Warehouses Direct</td>
</tr>
<tr>
<td>General Counsel (OGC)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Graduate School (GRAD)-excluding aid</td>
<td>Support Services</td>
</tr>
<tr>
<td>Graduate School Aid</td>
<td>Student Services</td>
</tr>
<tr>
<td>Human Resources (OHR)</td>
<td>Support Services</td>
</tr>
<tr>
<td>Office of Information Tech. (OIT)</td>
<td>Technology</td>
</tr>
<tr>
<td>Global Programs &amp; Strategy Alliance (GPSTR)-</td>
<td>Support Services</td>
</tr>
</tbody>
</table>
Excluding Interdisc. Ctr for Global Change; Grant Prog.

Global Programs & Strategy Alliance-Grant Program Research Support
Planning/Space/Real Estate (PSR)-excluding leases Support Services
Planning/Space/Real Estate (PSR) – Leases Leases Direct
President’s Office (PRESD) Support Services
Public Safety (PUBSF) Support Services
Sr. VP Academic Affairs/Provost (AAPRV) Support Services
  Excluding: Northrop, Institute for
  Advanced Studies, Weisman Art Museum, CURA,
Sr. VP Finance & Operations (SVPFO) Support Services
Student Affairs* (STDAF) – excluding: Student Services
  Recreation & Wellness
  Twin Cities Student Unions
  Student Legal Services
  Student Conflict Resolution
  Boynton Health Services
  Aurora Center
Undergraduate Education (UEDUC) – excluding: Student Services
  Academic Counseling & ROTC,
  Undergraduate Education-Classrooms Classrooms
University Debt (UDEBT) Debt Service
University Hlth and Safety (UHLSF) Research Support
University Libraries (LIBR) Libraries
University Relations (UREL) Support Services
University Services VP (USERV) Support Services
VP for Clinical Affairs (HLSCI) excluding: Support Services
  AHC Office of Research (within HLSCI) Research Support
VP for Research (RSRCH) – excluding: Research Support
  Hormel Institute, Law & Values Consortium,
  Institute on the Environment, Informatics Inst.,
  Minnesota Population Center, Genomics Ctr.,
  Minnesota Supercomputer Institute, Ctr. For
  Infectious Disease Rsrch & Policy, Post-Harvest Food
  Protection, Influenza Research, Center for
  Transportation Studies, University Press

* Note: Student Affairs units excluded in the list above are technically part of the academic unit budget process in the winter/spring. However, to accommodate the student fee approval process, budget discussions for these units will take place in the fall along with the rest of Student Affairs. ICGC within GPSTR will also be discussed this fall. Final budgets for these excluded units will not be approved until the winter/spring process.
Budget Contact – RRC Chief Financial Managers and Contacts (and anyone with budget related questions) should feel free to contact the staff person associated with the particular issue in question if known. In addition, regardless of the question or issue, anyone can contact Julie Tonneson (612-626-9278 or tonne001@umn.edu), or Lawrence Parson (612-626-2361 or parso378@umn.edu) in the Budget Office to either answer the question or direct it to the appropriate contact.

C. Context of the Biennial Budget Request to the State

As the biennial budget request to the state is proposed to the Board of Regents for review (September 10 meeting) it contains one item: “Accelerate Success” – core mission support and an emphasis on advancing a component within the systemwide strategic plan that is key to the state. The total request is for an incremental $15.5 million in the first year of the biennium and an additional $15.5 million in the second year of the biennium. In “biennial math” the total is $46.5 million (year one times two – because it is funded twice within the biennium – plus the year two increment). This amount represents a 3.5% increase in the University’s general fund two-year (biennial) appropriation base of $1.3 billion.

The proposal seeks state funding to help maintain the quality of the University. It will contribute to holding down tuition increases and supporting student services; it will aid the University in carrying out its core missions; and it will allow for a focus on advancing the three goals of the strategic plan’s MIntersections Commitment: Next Generation Health, A Fully Sustainable Future, and Natural Resources and Agro-Food Systems. All three of these initiatives are fundamental to the mission of the University and in turn, contribute to the success of the State of Minnesota. Should we be successful in our request, specific allocation of dollars across the institution will be implemented consistent with the strategic plan and system-wide strategic priorities and determined through the internal annual budget development process as directed by the President and approved by the Board of Regents.

D. FY22 Budget Parameters – Planning Assumptions

1. **Budget Framework for FY22:** The full planning framework for the FY22 annual budget is still in development. Finance & Operations Committee meetings of the Board of Regents are again focusing on elements contained in the overall framework, so final decisions will be made as those discussions continue through the fall and winter. In addition, as explained in the reallocation section of these instructions on page 11, different state support scenarios will be modeled throughout the fall and early part of the legislative process, which in turn will result in different framework options for developing the FY22 budget. In the meantime, assumptions to use for the resource and cost variables necessary to move forward with the support unit budget process are outlined below.

2. **Planning for Reallocations:** Under any scenario currently contemplated, it will be necessary to move forward with a reallocation or budget reduction for FY22. Current models for state funding contemplate scenarios ranging from our requested increase to different levels of appropriation
reductions. As a result, it will serve the budget development process best to have a menu of options associated with different reallocation levels for each unit. Earlier this summer, each unit submitted proposed options for implementing reduction/reallocation targets of 3% and 6% in the state appropriation and tuition funds this year – should that be necessary due to the impact of COVID-19. Those amounts are identified below in columns A and B. How much of the 3% and 6% targets must be implemented this year, and the breakdown of that between nonrecurring and recurring actions, is unknown at this time.

Therefore, in response to these instructions for FY22, please do the following:

- reassess your original 3% and 6% submissions and indicate which RECURRING components you would maintain as options for implementation in FY22 should we determine they need not be implemented in FY21 (we are not looking for nonrecurring solutions for the FY22 budget at this time);
- submit additional RECURRING actions to bring the total of the last bullet and this bullet to the sum of columns A and B below; to get back to a full list of options equaling the 3% and 6% targets – all recurring; and
- submit a third set of options totaling the target identified in column C below. The sum of columns A, B and C would total a 5%-6% reduction to the state and tuition funds combined, or would offset a roughly 13% reduction to the University’s general fund appropriation base for the biennium (a $90 million reduction in each of the next two fiscal years), or a 20% reduction in “biennial math”.

The final reallocation you will be asked to implement for FY22 may not equal any of the exact target amounts below. For purposes of budget planning and the responses requested in these instructions, the proportional allocation of the reduction amounts by support unit is as follows (see section F-2 below for further guidelines on how to approach this reallocation):
*For those units with a target in both the support and academic columns, the amount in the “Support” column represents the proportional reallocation for the RRC’s “support” activities only – the portion of the budget being discussed this fall. The additional figure in the “Academic” column (associated with the portion of the unit discussed in the winter/spring part of the process) is information provided so these units may plan for the allocation of the reduction between the two segments that best meets their needs. They could choose to implement the total of both columns in the support portion of their budget or vice versa.*

### 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.

At this point, we are planning for a general salary pool increase in the range of 0% to 1.5% for FY22, based on different modeling assumptions for tuition rate and state appropriation changes. Because we will need to evaluate different options as we move through the process, we are asking you to develop and report an estimate of what each 1% increase in salaries will cost you.
for FY22. Regardless of any changes in salaries, current estimates indicate there will be a slight cost related to the change in projected fringe rates, displayed below. See section G-3 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.

The projected fringe benefit rates are estimates based on initial analysis of FY20 actual costs and salary bases and the recoveries/payments into the pool during FY19 and FY20. The actual fringe rates used for FY22 may differ from what is indicated below because the federally required methodology for calculating fringe rates, which must reconcile to the annual audited financial statement, may necessitate the modification of these rates between now and the end of October. Please understand that you may be asked to use updated fringe rates at some point while preparing your budget materials. Wherever you happen to be in the process, we will work with you to incorporate the changes. Any revisions to the rates will be communicated as soon as possible. In all but one of the categories, the fringe rates for FY22 are equal to those for FY21. Lower expenditures for health care in the last quarter of FY20 will hold down the rates, and the final calculations may even pull the rates down below those for FY21. If this were to happen, the rate increases for FY23 will be significant as costs rebound back to pre-pandemic growth levels and rates will be applied to a constrained or reduced salary base. Therefore, for right now, flat rates is a reasonable budget planning assumption as the calculations are prepared for DHHS review.

<table>
<thead>
<tr>
<th></th>
<th>Actual 2020-21</th>
<th>Projected 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic/Police</td>
<td>36.5%</td>
<td>36.5%</td>
</tr>
<tr>
<td>Non-Academic</td>
<td>31.8%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Partial Benefits (Trades, Temp Casual, Residents/Fellows)</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Student Professional with GA Health</td>
<td>20.0%</td>
<td>23.6%</td>
</tr>
<tr>
<td>Student Professional with UPlan Health</td>
<td>25.4%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Undergrads/Professionals in Training</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

A set of documents outlining the details of implementing the final salary plans for FY22 will be distributed from Human Resources at a later date.

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

The monthly assessment charges 1.75% against certain salary expenditures in specific funds via a general ledger journal entry posted to individual fund-deptID-programs in the actual general ledger.

The following assumptions should be built into the FY22 budget plans at this time:
- Assessment rate of 1.75% of projected FY22 salaries
• Expected assessment should be budgeted in account code 820200 – Enterprise Assessment-
  Final Budget Only. (Actual charges will hit account code 820201)
• Assessment is on actual salary expenditures in the following funds:
  State Appropriations and Tuition – fund 1000
  Auxiliaries – funds 1100-1106, 1152, 1153
  Other Unrestricted – funds 1020, 1023, 1024, 1025, 1026, 1028
  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:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>700101</td>
<td>Salaries – Faculty Regular</td>
<td>700222</td>
<td>Salaries – P&amp;A Admin Fed Benefits</td>
</tr>
<tr>
<td>700102</td>
<td>Salaries – Faculty Adjunct/Clin</td>
<td>700311</td>
<td>Salaries – Grad Asst/9535</td>
</tr>
<tr>
<td>700103</td>
<td>Salaries – Faculty Contract</td>
<td>700321</td>
<td>Salaries – Residents/Fellows</td>
</tr>
<tr>
<td>700104</td>
<td>Salaries – Faculty Temp/UMD-NonReg</td>
<td>700401</td>
<td>Salaries – Professional in Training</td>
</tr>
<tr>
<td>700105</td>
<td>Salaries – Faculty Visiting</td>
<td>700402</td>
<td>Salaries – Undergraduate Student</td>
</tr>
<tr>
<td>700121</td>
<td>Salaries – Faculty Fed Benefits</td>
<td>700501</td>
<td>Salaries – Civil Service</td>
</tr>
<tr>
<td>700201</td>
<td>Salaries – Academic Professional</td>
<td>700511</td>
<td>Salaries – AFSCME</td>
</tr>
<tr>
<td>700202</td>
<td>Salaries – Academic Administrative</td>
<td>700512</td>
<td>Salaries – Teamsters</td>
</tr>
<tr>
<td>700203</td>
<td>Salaries – Police</td>
<td>700521</td>
<td>Salaries – Trades</td>
</tr>
<tr>
<td>700211</td>
<td>Salaries – Post Doc</td>
<td>700531</td>
<td>Salaries – Temp/Casual</td>
</tr>
<tr>
<td>700221</td>
<td>Salaries – P&amp;A Prof Fed Benefits</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 FY22 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 statutory 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 based on the FY21 DeptID assignment by RRC. 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 FY22 sometime in the first three months of the fiscal year.

For FY22, each unit should assume a 6.71% increase in the amounts billed for FY21. The FY21 actual/FY22 projected charges are listed below by unit. For support units with some academic functions/units, the full estimate for the RRC is provided below.

<table>
<thead>
<tr>
<th>RRC</th>
<th>FY21</th>
<th>FY22 Charge</th>
<th>RRC</th>
<th>FY21</th>
<th>FY22 Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPRV</td>
<td>$91,064</td>
<td>$97,175</td>
<td>OIT</td>
<td>$152,997</td>
<td>$163,263</td>
</tr>
<tr>
<td>AHSCI</td>
<td>20,291</td>
<td>21,653</td>
<td>PRESD</td>
<td>16,896</td>
<td>18,030</td>
</tr>
<tr>
<td>AUDIT</td>
<td>3,901</td>
<td>4,163</td>
<td>PSRE</td>
<td>51,899</td>
<td>55,381</td>
</tr>
<tr>
<td>AVPFN</td>
<td>34,812</td>
<td>37,148</td>
<td>PUBSF</td>
<td>25,601</td>
<td>27,319</td>
</tr>
<tr>
<td>CPPM</td>
<td>6,495</td>
<td>6,930</td>
<td>RGNTS</td>
<td>1,149</td>
<td>1,227</td>
</tr>
<tr>
<td>EQDIV</td>
<td>21,534</td>
<td>22,978</td>
<td>RSRCH</td>
<td>189,313</td>
<td>202,016</td>
</tr>
<tr>
<td>FM</td>
<td>247,154</td>
<td>263,738</td>
<td>STDAB</td>
<td>338,727</td>
<td>361,456</td>
</tr>
<tr>
<td>GPSTR</td>
<td>26,577</td>
<td>28,360</td>
<td>SVPFO</td>
<td>8,754</td>
<td>9,341</td>
</tr>
<tr>
<td>GRAD</td>
<td>10,321</td>
<td>11,014</td>
<td>UEDUC</td>
<td>150,919</td>
<td>161,046</td>
</tr>
<tr>
<td>HLSCI</td>
<td>66,069</td>
<td>70,502</td>
<td>UHLSF</td>
<td>30,916</td>
<td>32,991</td>
</tr>
<tr>
<td>LIBR</td>
<td>312,492</td>
<td>333,461</td>
<td>UREL</td>
<td>49,773</td>
<td>53,113</td>
</tr>
<tr>
<td>OGC</td>
<td>8,731</td>
<td>9,317</td>
<td>USRV</td>
<td>18,267</td>
<td>19,493</td>
</tr>
<tr>
<td>OHR</td>
<td>28,778</td>
<td>30,709</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**E. Submissions – Compact Materials**

For review at the annual oversight meetings, all support units are asked to submit a brief and concise narrative summary of the following:
1) A description of your unit’s top three priorities for the next 1-3 years, and explain how these link with the approved system-wide strategic plan.

2) A description of potential future investments associated with #1 and directly linked to the system-wide strategic plan. This could be viewed as development of an early list for potential university investments – in FY23 and beyond, or as early as FY22 if the financial circumstances rebound faster than anticipated.

3) An explanation of issues or problems, if any, in moving forward with your plans under #1.

F. Submissions – Budget Planning

1) Significant Financial Concerns:

The budget framework for FY22 will have little to no funding available for unit investments, so requests will be considered on an exception basis only. Requests, even those related to issues of health and safety, must make a very compelling case.

Please summarize any issues and requested funding in a short paragraph. Clearly indicate in the request if all or a portion of the funding would be required nonrecurring vs. recurring. If you submit requests for more than one item, please clearly indicate the priority order of your requests. Only the highest priority and most compelling proposals across all units will be considered for funding increases. Please note, requests should not be related to a general salary increase or fringe benefit cost changes.

Items related to information technology (IT) purchases that exceed $500,000 (in purchase, implementation, and other costs committed on behalf of the institution) need sign-off by the Vice President for Information Technology (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.

2) O&M Reallocations for FY22:

Each RRC receiving these instructions should develop and submit a proposal to address budget reductions in the amounts identified above in section D-2. It will be necessary to plan for the elimination of existing lower-priority costs and activities due to the current environment that includes the following concerns:

- potential of a reduction in state support,
- continuing concern for the financial burden that tuition places on students and families,
- potential loss of other earned revenues due to the pandemic’s impact on regular activities,
- COVID-19 related cost increases,
- inflation on basic operating costs, and
- the need to maintain excellence across the institution in an environment of flat or decreasing revenues.
As mentioned above, the target amounts listed for your unit are the result of a proportional calculation to achieve a total reallocation across the University at three different levels: 3%, 6% and 9% of your O&M allocation, adjusted in some cases to remove student aid, leases, utilities etc. While assigning targets in an across-the-board manner does not account for differences in units’ ability to absorb cuts, it does give managers the authority to determine appropriate actions and the flexibility to propose and implement reductions where they will do the least damage with the most strategic results. Leadership will rely on those determinations, and will review the resulting options and ultimately decide the final level of reduction for each unit. Final decisions will not be across-the-board.

It is no longer required that all proposals be focused on reducing administrative costs. Because most support units are either entirely or mostly administrative as defined by the Cost Definition and Benchmarking analysis (all or most costs falling into the categories of Mission Support & Facilities and Leadership & Oversight), the majority of your proposed reductions will naturally impact administration. However, if you have direct mission activities and feel that is the most appropriate place to make a reduction, it is acceptable to include that in your proposal. Please note – maintaining the University’s commitment to student financial aid remains a top priority. Therefore, all types of financial aid for students (scholarships, fellowships, block grants) whether for undergraduate, graduate or professional students, must remain protected.

The proposal should briefly outline actions to reduce your recurring O&M budget and the projected impact on unit activities and service levels. It is perfectly acceptable to submit one list of prioritized options that would be additive across the targets/columns. In addition, however, you may find that at some point moving along that list, you would choose to replace the collection of many actions, with one large action that would, on its own, meet the target in full, or a large part of it. If that is the case, submit both optional paths. Please structure your response in a way that highlights strategies to maintain quality services in the highest priority areas and increase efficiencies going forward, while clearly describing projected outcomes related to services that would be eliminated or reduced. Tell a story with your response so that leadership can understand the thought and analysis that went into the options as well as the potential outcomes and changes that would result with implementation of those options. Your proposals will be held confidential to the leadership team and the discussions on the budget.

Please keep in mind that the reductions will contribute to balancing the overall institutional budget framework, and therefore in the end will support costs in the final framework related to salary and fringe increases, technology maintenance, and facilities, whether these costs are within your unit or in another unit. Cost increases within your unit for those specific framework costs, therefore, will not have to be covered over and above the reduction amounts identified above and addressed in your proposed strategy.

Reallocation proposals will be reviewed during the compact/budget meetings. Not all proposals will be accepted and implemented. Instead, the responses will provide a menu of actions to discuss during the budget meetings and in the weeks following. Keep in mind that any decisions made at
the conclusion of the fall process are preliminary in nature and may be modified later in the spring as more information is available related to academic unit budget needs, changes in the state appropriation, tuition estimates and so forth.

3) Reallocations in Other Nonsponsored Funds for FY22:

There will not be reallocation targets to respond to for the other non-sponsored funds in FY22. It is important to understand the budget management expectation for these funds, however, which is that revenues must grow to cover the associated cost increases, or actions need to be taken to reduce costs to a level equal to or less than the available resources. Therefore, as you plan for new COVID-19 related expenses, salary and general inflation increases and/or revenue losses in FY22 in the other non-sponsored funds, please summarize in a narrative response how you plan to address the situation for each major fund group, through:

- Estimated revenue growth (explain what is generating the growth)
- Planned reallocations (explain what actions will be taken to reduce costs)
- Use of balances (explain why that is a responsible action; how long balances can cover cost growth)

4) Reallocations Implemented FY21:

Based on the initial responses received from each support unit on plans to implement the FY21 reallocations (the O&M target and the other nonsponsored funds target) we created a preliminary list of reductions. In addition, there may be additional actions that will become necessary as the year progresses. Now we need your help in two ways:

a) Please provide a description of what you have actually implemented to date in the way of recurring cost reductions for FY21 related to the O&M/State Special budget. We need to make sure the list you submitted as part of the budget development process is accurate and that you actually did what you said you would do. Please provide the following details for each recurring reallocation implemented in FY21:
   - Detailed description of what was implemented
   - Amount of reallocation
   - Funding source (O&M/State Specials or other nonsponsored funds)
   - Expenditure category (Direct Mission, Mission Support & Facilities and/or Leadership & Oversight)
   - Categorization of the reduction as personnel or non-personnel expenses
   - Detailed information on any position eliminations, including the number of positions eliminated by job code and position title.

b) Please provide a list of cost reduction actions you are implementing in FY21 in addition to what was required as part of your reallocation target discussed during budget development (in addition to (a) above). This may not be the final for the fiscal year, but respond with what has actually been done to date. Regardless of funding source, if you have implemented
additional cost reductions in FY21, we would like that full list and description of actions so we can collectively take credit for all the difficult decisions and strategic choices made to allow the continuation or enhancement of current services. Again, be as specific as possible so we are able to align actions to specific categories of spending.

**G. Submissions – Detailed Budget Materials**

1. Permanent Transfer of Allocation Between Units

If there should be a permanent transfer of base allocation between RRCs for FY22, please submit that information to Julie Tonneson and Lawrence Parson as soon as it is available. Do not wait for the final due date listed below in Section H-1. Please include the dollar amount to be transferred and the reason for the transfer. It would be most helpful if both RRCs involved in the transfer send in the same information as part of their individual budget submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

2. Budget Development Worksheets

Entry of financial information in budget development worksheets in PeopleSoft (PS) is required as part of the budget review process. Although only one of multiple tools used for analysis, the worksheets are an essential element of the review of each unit’s overall financial structure and health.

The system allows worksheets to be completed at the RRC level only (UM Budget Dev Worksheet – RRC, required) or budget departments can complete the worksheet at the lower ZDeptID structural level (UM Budget Dev Worksheet, optional), which then rolls up to the RRC level. All units must submit the worksheets at the RRC level, but for RRCs with both fall and spring units, the ZDeptID level worksheets must be completed as well because the Budget Office will summarize the fall ZDeptID entries for the fall meetings and the spring ZDeptID entries for the spring meetings. For all other units, the functionality to enter at the lower ZDeptID level is available for those RRCs that would like their budgeting departments to submit a more specific level of financial planning information to them. In those cases, the Budget Office will not review the worksheets from that lower structural level unless it is necessary for more in-depth analysis.

The best way to review your DeptID-ZDeptID-RRC heirarchy is to view the DeptID tree in PS. Follow this path in the Reporting Instance to find the relevant breakdown by RRC on the Budget Tree:

    Tree Manager > Tree View > tree: UM_DEPTID_BUDGET, effective dated 7/1/2020.

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

Units may begin entering in the Budget Development Worksheets at any time. The worksheets operate the same way they did when planning for FY21. The path to access the worksheets within
PeopleSoft is UM Budgeting > UM Budget Dev Worksheet > UM Budget Dev Worksheet – RRC or UM Budget Dev Worksheet.

The worksheets are populated with FY19 Actuals, FY20 Actuals, the FY21 Approved Budget and FY21 Year to Date Actuals for all current nonsponsored funds. Each column includes the following information:

- Net assets at the beginning of the year (Prior Year Carryforward)
- Actual revenues (including O&M allocation) and expenditures by summary categories, with a separate section for cost allocation charges (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 7/1/2020. Use the “Print Format” option to view all.)
- Net transfers in/out from other units
- (Decrease)/Increase in net assets overall (Annual Operating Balance) – defined as Revenues less Expenditures less Cost Allocation Charges plus Net Transfers
- Net assets at the end of the year (Ending Balance) and that figure represented as a percent of total expenditures
- Total sponsored expenditures

Completion of the final two columns of the worksheet is required. The Forecast 2021 column should contain projections through the end of FY21 to arrive at an updated estimate of carryforward into FY22. The final column (Budget 2022) is for projecting FY22 activity. For both columns, please fill in each row using the best information available at this time and the planning parameters described in this document. **FY22 projections should focus on current operations and plans carried forward and should not reflect new initiatives – this should reflect the ongoing costs of current operations only.** Note that projected increases entered in the Budget 2022 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 on whether that level of activity is appropriate or desired will be made through the budget development process.

If the RRC chooses to budget at the ZDeptID level, a rollup of ZDeptID entries will display on the RRC version of the worksheet in the Rollup Forecast 2021 and Rollup Budget 2022 columns of the UM Budget Dev Worksheet – RRC. However, that information does not automatically populate the RRC Forecast 2021 and RRC Budget 2022 columns. These columns must be completed independently. Amounts entered here may differ from the rollup amounts at the discretion of the Chief Financial Manager.

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 FY22, then the expense projections in the Budget 2022 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 FY22: revenues and expenditures for DeptIDs that are being reassigned should be included in the RRC to which they will be assigned in FY22.

**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 2021 and Budget 2022 columns for all 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 2021 and Budget 2022 columns without entering in those rows.

**Salaries** — Because we are still evaluating options on budgeting for salary increases in FY22, salary estimates in the Budget 2022 column should reflect current year salary levels *without* the furloughs and pay reductions in place for FY21. For hourly employees, the FY22 salary budget should return to the standard 26 pay periods, with the 27th pay date accrual calculated at 1/10th of one pay period (one day of pay). Later in the process, we will then be able to factor in the impact of different salary increases.

**Fringe** — At this point, the fringe benefit expense in the Budget 2022 column should reflect the estimated fringe cost with the updated rates (as detailed on page 7) applied to the salaries as you have estimated them for FY22. 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 and any changes to the proposed fringe rates.

If there is information missing in these instructions necessary to complete the Budget 2022 column, please contact Julie Tenneson or Lawrence Parson. **Please note** – the central allocation line for FY22 should contain the exact same amount as appears in the Budget 2021 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.

Job Aids are available to assist those new to the process with navigating the Budget Development Worksheets in EFS. Access the Job Aids in the Budget Entry/Budget Journals section of the Controller’s Office Training website ([http://controller.umn.edu/training/index.html](http://controller.umn.edu/training/index.html)): Budget Development Worksheet – Departments Job Aid, and Budget Development Worksheet – RRC Managers Job Aid. For questions about EFS functionality, contact EFS Customer Support at 612-624-1617 or controller@umn.edu.
3. O&M/State Special Compensation – The University’s overall budget framework, comparing available resources with projected cost increases, includes an annual projection of the increase in compensation costs 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. For FY22 we have again 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 FY21 salaries and FY21 fringe (separately) – excluding the impact of the furlough and temporary pay reduction program – so your recurring salary base
B. Apply the updated fringe rates for FY22 to your current estimate of FY21 salaries to get an estimated FY22 fringe expense
C. Compare the FY22 estimated fringe cost from (B) to your estimated fringe cost for FY21 – keep note of that change
D. Apply a 1% increase in salaries to your current estimate of FY21 salaries
E. Apply the updated fringe rates for FY22 to the salaries that have been inflated by 1% (result of step D)
F. Compare the sum of (D) + (E) to (B) and 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:

<table>
<thead>
<tr>
<th>Step</th>
<th>FY21 Academic</th>
<th>Salary</th>
<th>Fringe</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step A</td>
<td>FY21 Academic</td>
<td>$100,000</td>
<td>$36,000</td>
<td>$136,000</td>
</tr>
<tr>
<td>Step B</td>
<td>FY22 Academic</td>
<td>$100,000</td>
<td>$36,500</td>
<td>$136,500</td>
</tr>
<tr>
<td>Step C</td>
<td>Difference to A</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Steps D and E</td>
<td>FY22 Academic with 1%</td>
<td>$101,000</td>
<td>$36,865</td>
<td>$137,865</td>
</tr>
<tr>
<td>Step F</td>
<td>Difference to B</td>
<td>$1,000</td>
<td>$365</td>
<td>$1,365</td>
</tr>
</tbody>
</table>

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.

4. ISOs - University Budget Office Review – As part of the budget and compact process, the University Budget Office 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. In partnership with the Internal
Sales Office within the Controller’s Organization, the University Budget Office reviewed FY20 recharge center subsidies, deficits, and balances in the Plant Fund to establish a list of support unit recharge centers having that greater level of risk. The Internal Sales Office was consulted to determine whether or not additional information and discussions should occur. Based on this analysis, additional information is not required from any support unit at this time.

H. Process

1. Meetings and Due Dates

Budget oversight meetings will occur with each unit between October 16 and November 13. The timeline has been set so as to meet deadlines necessary for completing the fall process prior to the end of the calendar year.

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

Submittal Due Date – Five working days prior to the scheduled meeting, please send all required materials in Sections E, F and G IN PDF FORMAT to Jessica LeBlanc (jleblanc@umn.edu). Any time prior to that, submit your Budget Development Worksheet in EFS. In addition, please submit responses to Sections E and F1 only to provost@umn.edu for posting to the TC Deans’ portal (see #2 below). If additional 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 the Provost’s for posting.

2. TC Deans Participation

The Twin Cities deans are invited to participate in the fall budget process by attending compact/budget meetings. On a voluntary basis, the deans are asked to sign up to attend specific meetings of their choice: sign-ups are required to help limit the total number of deans at any one meeting to no more than two. Their participation is a valuable way to educate the community on the services of each support unit and the issues you are facing. At their recommendation, and with approval by the Budget 5, the materials you submit for review under sections E and F-1 of these instructions will be posted on the TC Deans portal - a site restricted to the TC Deans and their assistants. The deans have been informed that these materials are confidential, but if you are proposing anything sensitive in your materials that you are uncomfortable sharing with that wider audience, please feel free to remove that specific language and indicate that it will be "walked in" to the meeting - and then just plan to distribute separate “handouts” in to the meeting with that information (shared screen or separate email distribution to attendees just before the meeting).

3. Budget Recommendations and Cost Allocations

During November and early December, the Budget Office will be developing analysis, models, summaries and recommendations related to the budget for each unit involved in this fall’s process.
Different scenarios for the FY22 budget will be modeled into the charging mechanism for academic units so the impact of those different scenarios can be understood. Ultimately, meetings will be held with President Gabel to review the analyses, summary materials and recommendations for each budget. Budget levels approved at this time by the senior officers will then be communicated to each of the support units and converted into charges for the academic units by late December or very early January.

4. Balancing the Overall University Budget

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

- Update forecasting items with current information (salary and fringe estimates, tuition estimates, etc.) as soon as possible.
- Preliminarily approve support unit budgets for FY22 by end of December.
- Calculate FY22 cost allocations for academic units by end of December.
- Approve academic unit budgets by early April based on available resources, all-funds analyses and investment plans.
- Adjust support unit budgets, cost allocations and planned academic unit budgets near the end of the process only when a significant unforeseen impact to the budget occurs – otherwise, hold to approved budgets and cost allocations and deal with moderate to low impact variances through the use of central reserves or through adjustments to budgets and rates the following year.
Attachment – Cost Pool Descriptions

**Cost Pool 1. Support Service Units** - This cost pool is allocated to the academic units based on a proportionate share of total expenditures of the most recently closed fiscal year. The FY22 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of FY20 total expenditures. Subcontract expenditures are weighted at 50%. The cost of budgets for some of the units in this cost pool are allocated to Twin Cities academic units only and not to the system campuses.

**Cost Pool 2. Technology** - This cost pool is allocated to the academic units based on a proportionate share of total employee and student headcount from the fall of the prior year. The FY22 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of headcount from the fall of 2020. The cost of budgets for some of the units in this cost pool are allocated to Twin Cities academic units only and not to the system campuses.

**Cost Pool 3. Facilities Operations & Maintenance** - This cost pool is allocated to the academic units based on a proportionate share of total assignable square feet (ASF) from the fall of the prior year. The FY22 approved budget for this portion of Facilities Management will be allocated based on the academic units’ proportionate share of ASF from fall 2020. This cost pool affects only Twin Cities academic units and not the system campuses.

**Cost Pool 4. Student Services** - This cost pool is allocated to the academic units based on a proportionate share of the headcounts of different categories of students from the fall (or fall and spring in the case of graduate students) of the previous year: either a) all students, all levels (full and part time); b) undergraduate students only (full and part time) for services; c) undergraduate students only (full time only) for student aid, or d) graduate students. Part time students are weighted at 50% in all cases. The FY22 approved budgets for units within this cost pool will be allocated based on the academic units’ share of the relevant headcount from the fall of 2020 (plus spring of 2020 for graduate students). Category (a) and (d) will be allocated to the Twin Cities academic units and the system campuses with the relevant headcounts, although the cost of budgets for some units within this pool are allocated only to Twin Cities academic units; categories (b) and (c) will be allocated to only Twin Cities academic units.

**Cost Pool 5. Research Support** - This cost pool is allocated to academic units based on a proportionate share of the average of the last three years of total sponsored expenditures. The FY22 approved budgets for units within this cost pool will be allocated based on the academic units’ proportionate share of the average of FY18, FY19 and FY20 total sponsored expenditures. Subcontract expenditures are weighted at 50%.

**Cost Pool 6. Library** - This cost pool is allocated to academic units on the Twin Cities and Rochester campuses only based on a proportionate share of a weighted faculty and student headcount from the previous fall. The FY22 approved budget for University Libraries will be allocated to the academic units based on the weighted headcount from the fall of 2020. (Weighting scheme: lower
division student = .5; upper division student = .75; professional student, graduate student and faculty = 1) Part time students are weighted at 50% in all cases.

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

**Cost Pool 8. Debt & Leases** - This cost pool is allocated to the academic units based on the actual occupancy of space for which the University pays debt service or lease costs. The budget for these items for FY22 will be based on known costs for debt service and leased space, and that will be allocated to the appropriate academic units based on assignment in the space data base as of fall 2020 or known occupancy during FY22.

**Cost Pool 9. General Purpose Classrooms** - This cost pool is allocated to the academic units based on a proportionate share of total student registrations. The budget related to classroom management and the estimated actual costs for debt service/leases/utilities related to general purpose classroom space for FY22 will be allocated based on student course registrations from the fall of 2020. This cost pool affects only Twin Cities academic units and not the system campuses.