

FY11 Budget Planning Guidelines Academic Units

January 2010

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

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A. Compact/Budget Development Process for FY11

All units will be asked to submit budget materials (details following in this document), but there will not be a separate requirement to develop and submit a compact document for FY11.

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 Senior Vice Presidents. Each RRC remains the organizational level of the University to be held accountable for the financial management of the units within it, so there is no expectation that a unique knowledge and skill base in financial management be developed in all departments in response to the budget model. It is, however, the responsibility of the RRC level management to communicate the financial framework context and information to departments and units as appropriate to foster a better understanding of the budget throughout the University.

B. Academic Units Included in these Instructions

Units receiving these instructions are considered academic units for purposes of the internal budget model. These are the units that will:

- 1) receive earned revenues directly
- 2) receive as allocations 100% of the state appropriation
- 3) receive charges annually for the costs represented by central support unit budgets

<u>Unit</u>	<u>Budget Officer for FY11</u>
Ag. Experiment Station	Julie Tonneson
Athletics	Brian Swanson
Auxiliary Services	Brian Swanson
Biological Sciences	Julie Tonneson
Continuing Education	Carole Fleck
Crookston Campus	Carole Fleck
Design	Lincoln Kallsen
Duluth Campus	Carole Fleck
Education & Human Dev	Lincoln Kallsen
Liberal Arts	Julie Tonneson
Ag., Food & Environmental Sc.	Lincoln Kallsen
Carlson School of Mgmt	Robin Dittmann
Dentistry	Robin Dittmann
Humphrey Institute	Robin Dittmann
Institute of Technology	Julie Tonneson
Law School	Robin Dittmann
Medical School	Robin Dittmann
MN Extension	Julie Tonneson
Morris Campus	Carole Fleck
Nursing	Robin Dittmann
Pharmacy	Robin Dittmann
Public Health	Robin Dittmann
Rochester Campus	Carole Fleck

<u>Unit</u>	<u>Budget Office Contact for FY10</u>
Veterinary Medicine	Robin Dittmann
<u>SCA</u>	
Weisman	Julie Tonneson
Concerts & Lectures	Julie Tonneson
Institute for Advanced Study	Julie Tonneson
<u>AAPRV</u>	
Inst. on the Environment	Robin Dittmann
<u>SAAAAU</u>	
CURA	Robin Dittmann
Ctr. Transp. Studies	Robin Dittmann
Children, Yth, Families	Robin Dittmann
Ctr. For Global Change	Robin Dittmann
U Metropolitan Consortium	Robin Dittmann
<u>RSRCH</u>	
Hormel Inst.	Robin Dittmann
MN Population Center	Robin Dittmann
MN Supercomputer Institute	Robin Dittmann
University Press	Robin Dittmann
<u>STDAF</u>	
Boynton	Lincoln Kallsen
Rec Sports	Lincoln Kallsen
TC Student Unions	Lincoln Kallsen
Student Legal Serv.	Lincoln Kallsen
Student Conflict Res.	Lincoln Kallsen
<u>AHCSH</u>	
All Units	Robin Dittmann
<u>UEDUC</u>	
Academic Counseling	Lincoln Kallsen
Air Force ROTC	Lincoln Kallsen
Army ROTC	Lincoln Kallsen
Navy ROTC	Lincoln Kallsen

*Note – Student Affairs units are included here as part of the academic unit budget process. However, their materials were submitted in the fall to accommodate the student fee approval process. Final budgets will be approved as part of this process, so they are listed here, but they need not resubmit budget materials submitted last fall.

C. FY11 Budget Parameters – Planning Assumptions

Please note that these instructions are being prepared as planning guidelines so budget development can proceed and result in a final recommended operating budget for delivery to the Board of Regents in May. As the legislature begins to act and additional information becomes available, the planning framework described in these guidelines may need to be modified. However, a clear starting point needs to be established now, rather than waiting until it is too late for thoughtful plans to be developed and discussed.

1. Context of the Biennial State Appropriation/Budget Framework: The table below outlines the outcome of the University of Minnesota’s 2010-2012 biennial budget appropriations. Appropriations from the Health Care Access fund, \$2.2 million per year, and the \$22.2 million annual appropriation to

the Academic Health Center pursuant to Minnesota Statutes, section 297.10 (cigarette tax) have been excluded from the table.

University of Minnesota Biennial Appropriations – 2009 Legislative Session Outcome (\$ in Thousands)			
	FY10	FY11	<u>Biennium</u>
Beginning Base Level Appropriation	\$702.6	\$702.6	\$1,405.2
Actual State Appropriation (session)	<u>\$623.4</u>	<u>\$677.3</u>	<u>\$1,300.7</u>
Change from Base	(\$79.2)	(\$25.3)	(\$104.5)
July 1, 2009 Governor’s Un-Allotment	\$0.0	(\$50.0)	(\$50.0)
Final Change from Base	(\$79.2)	(\$75.3)	(\$154.5)

As indicated above, the University’s biennial base level appropriation was reduced by \$154.5 million or approximately 11%. In addition to the \$79.2 million reduction in the FY10 appropriation, the University’s base of \$702.6 million (the starting point in the table) was \$2.6 million less than the prior year (FY09) due to a previous O&M reduction passed during the 2008 Legislative Session. As such, the total impact of legislative actions on the FY10 O&M appropriation amount to a reduction of \$81.8 million.

The FY11 state appropriation in law, while a decrease of \$75.3 million from the base funding level, actually represents an increase of \$3.9 million compared to the University’s actual appropriation for FY10 (\$627.3 million compared to \$623.4 million). The University is planning, however, for the possibility of a reduction of up to \$36.2 million in the FY11 state appropriation (\$627.3 million down to \$591.1 million) because the most recent state forecast is predicting a \$1.2 billion shortfall for FY2010-11. This plan is based upon an assumption that the state will adhere to the maintenance of effort requirements for education funding attached to the federal American Recovery and Reinvestment Act, and that the state of Minnesota would risk losing the State Fiscal Stabilization Funds from the federal government should it reduce the University’s appropriation below the FY06 funding level of \$591.1 million. The final change in appropriation won’t be known until the end of the legislative session this spring.

Given the scenario of a potential further reduction in the state appropriation, the University’s updated planning framework for FY11 includes components similar to what was implemented for FY10, with a few nuances. Specifically, at this point in the process, the FY11 framework for resources and allocation is as follows:

Resources – Incremental Change from FY10

State Appropriation change	(\$32,300,000)
Tuition Increase (7.5% rate increase)	\$46,900,000
Recurring Internal Reallocation (2.75%)	\$44,400,000
Nonrecurring Reallocation	<u>\$41,000,000</u>
Total	\$100,000,000

Investments/Challenges-Institutional Framework-Incremental Change from FY10

Compensation (2%)	\$31,500,000
Founders Tuition Program	\$2,800,000
Middle Income Scholarships	\$3,900,000
Facility Operations	\$6,300,000
Contractual/Strategic Initiatives-Support Process	\$6,100,000
Contractual/Strategic Initiatives-Academic Process	\$8,400,000
Nonrecurring Obligation (27 pay periods)	<u>\$41,000,000</u>
Total	\$100,000,000
Balance	\$0

Highlights of Revised Budget Framework:

The change in the state appropriation represents the increase enacted by the 2009 legislature, reduced by \$50,000,000 through the Governor’s July un-allotment and further reduced by \$36.2 million per the projected forecast adjustment described above. This final drop in state appropriation (coupled with a \$9.5m increase in the estimated cost of a 2% salary increase) has led to significant changes in the planned budget framework.

First, the assumption on a tuition rate increase remains at 7.5%, resulting in an estimated revenue increase of \$46,900,000. However, earlier this fall, in recognition that it would be beneficial for units to know at the beginning of the planning process that some of the new tuition revenue would remain within their budgets, not to be offset by framework costs, the preliminary plan was that \$6 million, roughly equivalent to a 1% increase in the tuition rate, would be used as a purposeful investment in those units. With the change in projected state appropriations, that plan can no longer be maintained, and the entire revenue increase of \$46.9 million associated with the 7.5% rate increase is being used to address the costs/challenges in the institutional framework identified above. (Tuition revenue changes associated with enrollment growth or rate increases exceeding 7.5% will be available to cover unit needs outside of the framework.)

Similarly, a change in the internal reallocations was necessary. Earlier this fall, the framework included a planned 2% internal reallocation (\$32.5 million) on the adjusted FY10 base. The 2% was split into two pieces: .75% as a unit-level re-prioritization and investment back into the unit, and 1.25% as support for the costs/challenges in the institutional framework. Now, an additional 1.5% reallocation is necessary on top of the earlier planned 1.25% to address the framework costs – that is the .75% originally planned for internal unit reprioritization (which can no longer be used for unit discretion) plus an additional .75%. The total internal reallocation to address the institutional budget framework is now 2.75% on the adjusted FY10 base. The necessary additional 1.5% reallocation addresses 67% of the expected drop in state appropriations.

Use of the \$6 million of tuition revenue increase described above is necessary to address the increase in estimated compensation costs. A reduction in planned investments addresses the remaining 33% of the expected drop in state appropriations. The changes in investments/challenges are as follows:

- Compensation – increased \$9.5 million due to a required increase in the fringe rates for FY11 (driven primarily by a larger than expected under-recovery in FY09)
- Founders/Middle Income – increased \$2.7 million – Founders estimates dropped \$1.2 million, but the decision was made to pay for half of the annual costs of the Middle Income Scholarship

program with O&M beginning in FY11 to help offset the projected large increase in scholarship costs expected for FY12. The earlier plan had the Middle Income Scholarship being covered in total with federal stimulus funds during FY11. This revision moves ½ of the cost to O&M a year earlier than previously planned to help the FY12 budget.

- Facility Operations – decreased \$6.5 million from earlier estimates
- Contractual/Strategic Initiatives – decreased \$11.9 million to address appropriation drop and cost increases
- 27th Pay Period – represents the current estimate of the O&M/State Special cost of paying that extra pay period to all affected employees – excludes student workers and employees on less than 12 month appointments.

2. Federal Stimulus Funding: As a result of the enactment of the American Recovery and Reinvestment Act (ARRA) and the availability for State Fiscal Stabilization Funds, the University of Minnesota was appropriated \$89,323,000 by the 2009 Minnesota Legislature. These funds have been allocated consistent with the requirements and guidelines of the ARRA and the specific requirements enacted by the 2009 Minnesota Legislature. Each University unit receiving funding from this mechanism for FY10 has been notified.

The ARRA appropriations will be placed into newly created federal funds within the University in order to specifically track and report on their use. The University is required to submit requests for reimbursement of expenditures to the State of Minnesota who then transfers the federal funds to the University. The funds must be expended by September 30, 2011. The budget plan includes the expenditure of more than half of the federal stimulus funds for mitigation of tuition. The remainder will be used on a one-time basis as a target pool of funds to: retain jobs of talented faculty and staff, reduce operating costs/enhance revenues, obtain long term productivity gains, and reshape and strengthen the University’s long term financial future through investments with a high rate of return. At this point, \$73.8 million of the \$89.3m has been allocated, with the remaining \$15.5 million available for allocation to nonrecurring items in FY11. These funds are not reflected in the budget framework displayed above.

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

Consistent with plans outlined for the updated 2010-2011 budget framework, a general 2% salary increase, along with the associated fringe increases outlined below, should be assumed in developing overall cost estimates for compensation in FY11. This estimate represents a general planning parameter to be used at the unit level. A set of documents outlining the details of implementing the final salary plans for FY11 will be disseminated from Human Resources at a later date.

Projected fringe benefit rates for FY11 for use in budget planning are outlined below.

	<u>2010-11</u>
Civil Service (and undergraduate students)	40.1%
Academic	33.3%
Graduate Assistant	24.2%

Figure 1
2010-11
Fringe Benefit Rates by Component

2008-09 Actual (as revised 3/08)	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	13.26	4.25	--
Retirement			
Group Life & Disability	.38	--	--
Workers Compensation	.08	.77	--
Unemployment	.01	.01	--
Social Security	4.65	6.06	6.03
Medicare	1.43	1.37	1.41
Tuition	.42	1.66	**
Health Insurance	9.69	17.77	14.46
Vacation	.48	.81	--
	30.40	32.70	21.90

2009-10 Actual	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	13.30	4.97	
Retirement			
Group Life & Disability	.47	---	---
Workers Compensation	.10	.96	---
Unemployment	.07	.39	---
Social Security	5.31	6.07	---
Medicare	1.53	1.63	6.46
Tuition	.50	1.51	1.70
Health Insurance	10.62	20.61	**
Vacation	.40	.86	16.84
	32.30	37.00	25.00

2010-11 (As Submitted)	ACADEMIC	CIVIL SERVICE	GRADUATE ASSISTANT
	13.31	5.07	---
Retirement			
Group Life & Disability	.50	---	---
Workers Compensation	.10	1.01	---
Unemployment	.10	.85	---
Social Security	5.19	5.95	5.92
Medicare	1.42	1.42	1.42
Tuition	.45	1.94	**
Health Insurance	11.88	22.98	16.86
Vacation	.35	.88	---
	33.30	40.10	24.20

** Graduate Student tuition remission is a flat charge per hour that a student works.

Budgeting for Graduate Student Remission Charges:

Graduate assistants qualify for tuition benefits according to the number of hours worked per semester, with 100% tuition benefits earned for 390 hours (20 hours per week for 19.5 weeks, which is a 50% appointment.) Students appointed between 97.5 and 390 hours per semester will receive prorated tuition benefits; for example a 12.5% appointment (97.5 hours) would receive one quarter of the tuition amount and a 25% appointment (195 hours) would receive half tuition. As in the past, students appointed below the 12.5% level will not receive tuition benefits. Those students appointed between 12.5% and 25% only get the hourly benefit toward resident tuition. A student must have a 25% appointment (195 hours) in order to qualify for the waiver of non-resident tuition. All graduate assistants will be required to be on biweekly payroll. It is possible to move individuals currently at the University to “positive pay” to avoid requiring them to begin keeping a timecard.

Graduate assistants will be required to register for at least 6 credits (except for those in the special advanced Ph.D. categories described below.) Students (such as masters students who have completed their coursework and thesis credits and part-time students) may petition to the Graduate School to register for fewer credits.

Charges to Employers

1. The fringe benefit charge for tuition is a flat hourly rate that is set to recover the tuition benefit which the graduate assistant earns. To recover next year’s projected \$6,671 semester benefit (graduate school tuition plus the University fee) for 390 hours of work requires a tuition fringe rate of \$15.40 per hour. Because tuition rates have not yet been approved by the Board of Regents, the rate of \$15.40 is preliminary and reflects our best estimate at the time these instructions were written. This hourly rate will be charged to employers for every hour of work, even if the student works less than 12.5% or more than 50% time. Anticipated charges for graduate student tuition remission should be budgeted in account code 710300.

2. The graduate assistant health insurance benefits program will continue with similar benefits for graduate assistants and their enrolled dependents; the student will again pay 5% of the plan premium. The plan administrator will remain Health Partners. The health fringe rate for FY10 will be 16.86% 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 three job classes at a significantly lower tuition fringe cost. The student would receive the value of one credit of tuition. This benefit would be prorated for those appointed less than 50% time, as noted above. The employer would pay a corresponding hourly fringe rate estimated at \$2.47.

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 \$15.40 hourly fringe rate on these job classes for summer 2010.

2. In order to avoid unnecessary tuition fringe charges for graduate assistants who don't need to register during the summer, four job classes 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 classes should be retained. Health insurance coverage and fringe charge continue on both sets of job classes.

3. Summer session teaching assistants pose a unique problem because their entire salary (as with summer session faculty) is paid (at a higher hourly rate) in the 200 hours of a five-week term. To provide the same tuition benefit that a comparable graduate assistant would earn for teaching a course during fall, winter or spring quarters, requires charging a higher hourly fringe rate (\$36.39 for summer 2011) 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. 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, is for such students in those professional degree programs who are employed within their college of registration. These positions will carry no tuition benefit or fringe charge, but will be included in the graduate assistant health benefit program for students whose appointments are 25% time or greater.

The above information is summarized in table format in Figure 2 of these instructions. For questions about this policy, please contact George Green, Associate Dean in the Graduate School (625-7368 or green007@umn.edu.)

Figure 2

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

Fiscal Year 2010-11

	Tuition	Health	Social Security Medicare	Total % Fringe
<i>Summer Only</i>				
9571 Summer Quarter TA	\$0.00	16.86%	7.34%	24.20%
9572 Summer Quarter RA	\$0.00	16.86%	7.34%	24.20%
9573 Summer Quarter AF	\$0.00	16.86%	7.34%	24.20%
9574 Summer Quarter TA w/ T. Ben	\$36.39	16.86%	7.34%	24.20%
9575 Summer Session TA w/o T. Ben	\$0.00	16.86%	7.34%	24.20%
<i>Academic Year and Summer Quarter</i>				
9511 Teaching Assistant (TA)	\$15.40	16.86%	7.34%	24.20%
9515 Graduate Instructor	\$15.40	16.86%	7.34%	24.20%
9517 Ph.D. Cand. Graduate Instructor	\$2.47	16.86%	7.34%	24.20%
9518 Advanced Masters TA	\$2.47	16.86%	7.34%	24.20%
9519 Ph.D. Cand. w/24 thesis cred. TA	\$2.47	16.86%	7.34%	24.20%
9521 Research Assistant (RA)	\$15.40	16.86%	7.34%	24.20%
9526 Graduate Research Project Asst.	\$15.40	16.86%	7.34%	24.20%
9527 Ph.D. Cand. Grad Research Asst.	\$2.47	16.86%	7.34%	24.20%
9528 Advanced Masters RA	\$2.47	16.86%	7.34%	24.20%
9529 Ph.D. Cand. w/24 thesis cred. RA	\$2.47	16.86%	7.34%	24.20%
9531 Administrative Fellow (AF)	\$15.40	16.86%	7.34%	24.20%
9532 Advanced Masters AF	\$2.47	16.86%	7.34%	24.20%
9533 Ph.D. Cand. w/24 thesis cred. AF	\$2.47	16.86%	7.34%	24.20%
9535 Professional Program Asst.	\$0.00	16.86%	7.34%	24.20%
9538 Legal Project Assistant w/T. Ben	\$32.90	0.00%	7.34%	7.34%
9539 Legal Project Assistant w/o T. Ben	\$0.00	0.00%	7.34%	7.34%
9553 Dental Fellow	\$15.40	0.00%	7.34%	7.34%
9554 Med Fellow, Graduate Program	\$7.70	0.00%	7.34%	7.34%
9559 Med Resident, Graduate Program	\$7.70	0.00%	7.34%	7.34%

FICA assessed only if student fails test for exclusion. Graduate students employed at the University will be exempt from FICA withholding on their University wages, and therefore, their salaries will not be assessed for the employer's share of FICA, if they meet the following test:

- Enrolled for at least 6 credits per term if an undergraduate student; or
- Enrolled for at least 3 credits per term if a graduate student (one credit for Ph.D. candidates working on a dissertation)

Social Security and Medicare components are 5.92% for FICA and 1.42% for Medicare (7.34% total)

4. Enterprise System Assessment - The Enterprise Assessment was established as a systematic method of assessing units a fee to pay for the development, implementation, maintenance and replacement of institutional business systems. The Enterprise Assessment will continue until the EFS project deficit is cleared. We do not anticipate funding any new additional projects using this assessment. Current projections expect the assessment to continue through FY16.

The assessment is charged to individual fund-deptID-programs through the general ledger allocation process. This monthly process applies a set percentage, currently 1.25%, against certain salary expenditures in specific funds. A general ledger journal entry is then posted to the actual general ledger.

The following assumptions should be built into the FY11 budget plans at this time:

- Estimated assessment cost of 1.25% of projected FY11 salaries
- Account code used for budgeting the expected assessment is 820200 – Enterprise Assessment-Final Budget Only. (Actual charges will hit account code 820201).
- Assessment is on actual salary expenditures in the following funds, with a few individual chart string exceptions:
 - State Appropriation, Tuition, U Fee – fund 1000
 - Auxiliaries – fund 1100 - 1106
 - Other Unrestricted – funds 1020, 1023, 1025, 1026
 - Private Practice – fund 1030
 - Restricted State Specials – funds 1801 – 1807 (note this does not include LCCMR fund 1800)
- Assessment occurs near the end of an accounting period based on actual salary expenses in that period. Both debits and credits to salaries are included in the assessment calculation.

Salary expense used in the calculation will include the following account codes:

- 700101 – Salaries – Faculty
- 700201 - Salaries – Professional & Administrative
- 700301 - Salaries – Graduate Student
- 700302 – Salaries – Professional Student
- 700401 – Salaries – Undergrad Academic
- 700402 – Salaries – Undergrad Non-Academic
- 700501 – Salaries – Civil Service
- 700502 – Salaries – AFSCME
- 700503 – Salaries – Teamster/Law Enforce
- 700504 – Salaries - Trades

Questions regarding the Enterprise Assessment allocation process can be directed to the University Financial Helpline at (612) 624-1617 or finsys@umn.edu.

5. Property & Liability and Non-Profit Organization Liability Insurance

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

The Office of Risk Management charges RRCs for University property and liability insurance premiums based on each RRC’s share of total University space. The Office of Risk Management will initiate a journal entry to complete the relevant transaction for FY11 some time in the first three months of the fiscal year.

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

As done previously, the Office of Risk Management will continue to charge 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 FY10. The Office of Risk Management will initiate a journal entry to complete the transaction for FY11 some time in the first three months of the fiscal year.

FY11 Partial Premium “Holiday”: For FY11, the University will provide a one-time waiver or “holiday” of those premiums associated with general liability and NPOL insurance. The premiums for these policies will be paid for with excess insurance reserves. Departments will be charged only for property insurance premiums and other non-RUMINCO premiums as in prior years. This should result in an expected savings to all RRCs (support and academic) of just over \$850,000 compared to FY10 charges for these two categories of insurance. Because the budget instructions are being prepared early in the year, the cost estimate for property insurance is based on the best information available today. For FY11 planning purposes, each unit should assume a 6% increase over the property insurance billed for FY10 adjusted for the holiday. The FY10 charge (with and without the RUMINCO premiums) and projected FY11 estimates (assuming no RUMINCO premiums) are listed below by unit. Please note that for those RRCs with academic units, as well as support units, the entire charge is listed here, rather than splitting the estimate between the support and academic portions.

	FY10 Charge	FY10 Charge w/o RUMINCO	6% Increase for FY11	FY11
Crookston	\$114,268	\$97,367	\$5,842	\$103,209
Duluth	595,221	492,167	29,530	521,697
Morris	184,519	157,062	9,424	166,486
Rochester	1,173	0	0	0
Ag. Experiment Station	37,757	32,474	1,948	34,423
AHC Shared	120,984	94,322	5,659	99,981
Athletics	303,118	264,943	15,897	280,839
Auxiliary Services	666,825	593,217	35,593	628,810
Biological Sciences	99,974	79,840	4,790	84,630
Continuing Education	32,998	23,059	1,384	24,442
Design	48,426	37,475	2,249	39,724
Ed. & Human Dev.	146,803	108,591	6,515	115,107
Liberal Arts	307,496	222,060	13,324	235,383
Food, Ag., Nat. Resource Sc.	339,907	280,517	16,831	297,348
Carlson School	75,713	46,117	2,767	48,884
Dentistry	74,667	53,517	3,211	56,728
Extension	27,008	7,599	456	8,055
Humphrey Institute	23,908	17,534	1,052	18,586

	FY10 Charge	FY10 Charge w/o RUMINCO	6% Increase for FY11	FY11
Inst. of Technology	404,980	319,924	19,195	339,120
Law School	69,461	53,665	3,220	56,885
Medical School	442,418	310,773	18,646	329,420
Nursing	15,527	9,641	578	10,220
Pharmacy	43,160	30,702	1,842	32,544
Public Health	61,087	45,131	2,708	47,839
System Academic Admin	6,440	4,465	268	4,733
Veterinary Medicine	128,929	99,403	5,964	105,368

Note: Additional one-time savings will result from a FY11 premium holiday related to the professional liability and automotive liability insurance currently charged to a few units as follows:

AUXSV	\$175,862
DENT	\$7,495
MED	\$1,028,072
STDAF	\$25,750
VETMD	\$22,777

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, and gas use will be allocated to each RRC based on the actual consumption of these utilities by the buildings in which the RRC has programs in operation. The cost for the remaining utilities (water and chilled water – more commonly called central air conditioning), will be included in the Facilities Management O&M (Operations and Maintenance) cost pool based on proportionate share of ASF. If your RRC is not included in the O&M cost pool, you will continue to be directly billed for all FM services and 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 themselves.

1. Rates Allocated based on consumption to all RRCs

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

- a. Utility rate
- b. Utility consumption

The Steam, Electrical and Gas utility rates are applicable to units on the Twin Cities campus. The newly published rates will be effective on July 1, 2010 and are held stable for the complete fiscal year. The rates include costs to purchase, produce, manage, and deliver the utilities and will be 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, and gas are metered for every building on campus on a monthly basis. This information is then used to allocate cost for the month based on the ASF (assignable square feet) of

each program within each building (DeptID level information from the space database ‘snapshot’ taken in the fall). The space information used for this allocation is updated annually in the fall (see Space Information section in Appendix B for more on this process).

To assist in budgeting for these utility costs, the projection of costs for FY11 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 Wendy Berkowitz at extension 4-8886.

	<u>FY2009-10</u> <u>Current Rate</u>	<u>FY2010-11</u> <u>Estimated Rate</u>
Steam – 1,000 lbs of steam (Mlb)	\$22.50	\$22.32

Steam costs are allocated based on Mlb (M-pound, or 1,000 pounds of steam). The steam rate includes the costs of fuel, operations of the boilers and plant, capital and maintenance of the distribution systems, energy conservation projects, and administration.

Electric – Kilowatt Hours (Kwhr)	\$.0817	\$.0976
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Electric costs are allocated based on Kilowatt Hours (Kwhr). The electric rate charged to the U by Xcel is a complicated set of formulas based on timing of peak use, fuel cost pass-through, etc. The above University rate is set for the fiscal year and is a budgeted average cost. The electric utility rate includes the purchased costs of electricity, distribution costs, capital renewal, energy conservation projects and administration.

Gas – Dekatherm (Dkthrm)	\$11.66	\$ 9.33
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Gas costs are allocated based on dekatherms. The University rate is set for the year and is budgeted based upon average cost. It includes the costs of purchased gas, administration, and energy conservation. The purchased gas is a commercial/industrial firm gas provided by CenterPoint Energy or Xcel. This gas charge generally applies to buildings not on the campus steam systems but can also apply to buildings with such gas uses as laboratories or kitchens.

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

The cost for the remaining utilities (water and chilled water/central air conditioning), will be included in the Facilities Management O&M (Operations and Maintenance) cost pool and spread on the cost/af charge (see Appendix A for a description of the Facilities O&M cost pool) for FY11. If your RRC is not included in the O&M cost pool, you will continue to be directly billed for all FM services and these additional utilities.

	<u>FY2009-10</u> <u>Current Rate</u>	<u>FY2010-11</u> <u>Estimated Rate</u>
Chilled Water (ton/hour)	\$0.211	\$0.161

Chilled water, used for cooling the buildings, includes electric, steam and water costs used to generate the chilled water. Costs also include maintenance, capital renewal, energy administration and energy

conservation. The cost is measured in tons of cooling hours. This is a metered measure. The former cost was based on an allocation of estimated chilled water costs to gross square feet of space.

Energy Management has completed the installation of meters to measure the inputs and outputs for chilled water. Originally, we planned to directly bill FY10 chilled water costs based upon metering consumption and to pull chilled water out of the Facilities O&M cost pool. However, due to complications in completing the meter installations and set up we were not able to obtain enough data to begin direct billing based on consumption. During FY10, Energy Management continues to install, test and evaluate the meters and cost allocation procedures, but will keep chilled water costs in the Facilities O&M pool. In addition, we learned that our usage estimates for chilled water inputs were too high and needed additional analysis. This is reflected in the reduced estimated cost per ton/hour in FY11. Direct billing of these charges has been delayed to FY12 to ensure we have accurate information to provide for budgeting at this time.

	<u>FY2009-10</u> <u>Current Rate</u>	<u>FY2010-11</u> <u>Estimated Rate</u>
Water/Sewer – Hundred Cubic Feet (CCF)		
Minneapolis	\$7.89	\$ 7.60
St. Paul	\$4.17	\$ 3.55

The Minneapolis water and sewer rate includes purchased costs for water, sewer and storm water. The St. Paul rate includes water and sewer. Also included in the Minneapolis and St. Paul rates are costs for maintaining the water distribution system and capital renewal projects.

Questions regarding utility rates should be directed to Wendy Berkowitz at 624-8886, Shari Zeise at 625-9429, Arwen Bloomdahl at 625-0725 or Facilities Management at 625-9514.

7. Tuition and University Fee Estimates

There are no tuition and university fee estimates for FY11 included with these instructions. Instead, updated estimates for FY10 are detailed in the table below, and preliminary estimates for FY11 will be distributed in Feb., along with the corresponding instructions related to submitting unit proposed estimates. This portion of the budget instructions is delayed because basing the estimates on more up-to-date information will provide a more accurate estimate for FY11. Work with the Budget Office if timing doesn't allow complete analysis and submission prior to the scheduled budget oversight/compact meeting. The estimates can be submitted after the scheduled meetings if necessary.

Methodology

The projection model uses actual tuition and University fee amounts for FY09, fall 2008, and fall 2009. The FY10 projections assume that for each campus and college the fall 2009 revenue will be the same percentage of the FY10 total as fall 2008 revenue was for the FY09 total.

Questions regarding the updated tuition revenue and University fee projections for FY10 may be directed to Peter Zetterberg (j-zett@umn.edu).

Budget Planning Guidelines for FY11 – Academic Units

	Approved Budget	Updated Estimate		Approved Budget	Updated Estimate	
Campus/College	FY10 tuition	FY10 Tuition	Variance	FY10 U Fee	FY10 U Fee	Variance
UM Crookston	8,612,291	9,240,163	627,872	1,375,576	1,551,656	176,080
UM Duluth	84,257,021	87,535,407	3,278,386	11,595,073	12,029,402	434,329
UM Morris	11,322,922	12,276,033	953,111	1,748,416	1,913,142	164,726
UM Rochester	1,324,848	1,437,811	112,963	156,683	164,054	7,371
AHC Shared Units	3,277,332	3,286,558	9,226	265,025	294,173	29,148
Biological Sciences,	14,739,031	15,924,617	1,185,586	1,797,867	1,990,517	192,650
Continuing Education,	15,256,652	14,042,258	-1,214,394	1,502,788	1,692,170	189,382
Campus/College	Approved Budget	Updated Estimate		Approved Budget	Updated Estimate	
Campus/College	FY10 tuition	FY10 Tuition	Variance	FY10 U Fee	FY10 U Fee	Variance
Education/Human Dev,	45,805,453	50,151,683	4,346,230	4,993,553	5,613,168	619,615
Food, Ag & Nat Res Sci,	16,505,227	18,006,759	1,501,532	1,979,487	2,141,365	161,878
Liberal Arts, College of	140,424,273	144,306,872	3,882,599	17,452,796	17,912,600	459,804
Carlson School of Mgmt	60,892,669	61,608,293	715,624	4,518,737	4,527,605	8,868
Dentistry, School of	13,476,000	14,884,073	1,408,073	682,625	826,722	144,097
Design, College of	12,011,849	13,649,477	1,637,628	1,341,176	1,497,764	156,588
Graduate School	480,000	419,395	-60,605	37,000	34,629	-2,371
Public Affairs, HHH Inst of	5,200,048	6,550,477	1,350,429	412,859	507,773	94,914
Health Sciences Adm	0	148,878	148,878	0	19,312	19,312
Institute of Technology	74,139,937	79,838,378	5,698,441	8,392,810	9,078,230	685,420
Law School	22,904,314	22,499,147	-405,167	994,540	986,869	-7,671
Medical School	34,775,000	36,255,775	1,480,775	2,180,000	2,516,370	336,370
Nursing, School of	7,210,709	7,823,611	612,902	792,999	793,891	892
Pharmacy, College of	16,000,469	16,142,497	142,028	1,078,069	1,086,678	8,609
Public Health, School of	12,250,000	12,256,898	6,898	966,016	979,258	13,242
Sys Acad Adm Acad Units	36,485	48,504	12,019	3,593	4,284	691
Ugrad Ed, V Prov & Dean	625,162	718,538	93,376	86,989	100,052	13,063
Veterinary Medicine	12,216,000	12,758,624	542,624	575,500	613,449	37,949
University Total	613,743,692	641,810,726	28,067,034	64,930,177	68,875,133	3,944,956

As you anticipate development of the FY11 tuition and University fee 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 FY10 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 FY10 revenue estimate is less than what was included in the budget, please be prepared to explain how that difference is being accommodated – through expenditures reductions, other revenue increases or balances to bridge to next year. These explanations will be requested as part of the supplemental instructions related to tuition estimates coming in February.

8. ICR Estimates

The current four-year F&A (facilities and administrative cost) rate agreement went into effect October 30, 2007. These rates are effective from FY08 through FY11, and will continue to be used after the end of FY11 until a new rate agreement is established.

Award Type	Current Rate (Use for FY11)
On-Campus Research	51.0
On-Campus Public Service (a.k.a. Other Sponsored Activities)	32.0
On-Campus Instruction	50.0
Hormel Institute	52.5
Department of Defense Contracts	57.0
Off-Campus Projects	26.0

Budgeting for ICR Revenue

For FY11, as in FY10, a college or other unit where research is conducted will receive 100% of the indirect cost revenue associated with that research. This revenue will be posted automatically by the PeopleSoft financial system into a designated RRC-level F&A chartstring.

As part of FY11 budget development, each unit that generates ICR revenue is asked to submit an estimate of how much ICR they expect to generate in FY10 (the current year) and FY11. Attachment 1 provides an updated estimate of FY10 ICR revenue and a preliminary estimate of total ICR revenue for FY11 developed by the Budget Office. Column g contains an updated estimate of total annual ICR revenue for the current fiscal year, FY10. This updated estimate was developed using actual ICR revenue generated over the first six months of FY10. Column j, FY11 Estimated Total Revenue, is the result of multiplying the updated FY10 estimate in column g by 1.02, indicating a 2% inflation factor for FY11 over the updated estimate for FY10 ICR revenue.

The amounts on Attachment 1 represent a starting point in estimating FY11 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 budget submittal, please complete Figure 5 entitled *FY11 ICR Revenue Estimate - Response* to submit estimates for FY10 (updated) and FY11 ICR revenue.

If you have any questions regarding these instructions or calculating the ICR revenue estimate for FY10 or FY11, please call Robin Dittmann at (612) 626-9277.

Figure 3
FY11 ICR Revenue Estimate - Response

Please use this page to verify or propose a change to the preliminary ICR revenue estimates for FY10 (updated) and FY11 as shown in Attachment 1. Note, given the budget model, estimated ICR revenue should represent 100% of the amount generated.

Resource Responsibility Center:

1. Updated estimate for current year, FY2009-10 ICR Revenue:

2. Estimate for FY2010-11:

If you agree with the proposed estimate for FY11 ICR revenue as presented in Attachment 1, please verify by recording the estimated amount of total ICR revenue.

2010-11 estimated total ICR:

If you do not agree with the proposed estimate for FY11 ICR revenue as presented in Attachment 1, please record a new unit estimate for total ICR revenue.

2010-11 estimated total ICR:

9. Cost Pool Allocations

Decisions made on the support unit budget items net of reallocations have increased cost pool allocations for FY11. The specific impacts on each academic unit will be entered into the budget development worksheets, so units can see the difference in what each of the costs were for FY09 and FY10 and what they will be for FY11. Additionally, the spreadsheets used to calculate the cost allocations and the related summary of charges by college, along with the detailed FY11 line-item increases added to each cost pool, 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. Support unit operating budgets are included in the pools, and each support unit was asked to prepare for and explain what actions they would take to implement a 2% internal reallocation. Responses to that inquiry were used to determine the first round of planned reallocations. Subsequent to that process, it was determined that reallocations needed to total 2.75%, so a second round of decisions were made to implement targeted reductions in support units. The pool changes indicated below include unit reallocations totaling \$7.6 million, and an additional \$1 million of reallocation has been identified to come from “off-the-top academic” allocations of state appropriation made to support units.

The decrease in support unit operations is combined with some targeted investments that flow through the pools as well, which results in the increases indentified below. Facility related cost increases for utilities, debt service, and leases are in the pools. Scholarship increases for matching private gifts, for Founders and for the Middle Income Scholarship are in the pool. The compensation cost increase for support unit personnel is also in the pools. In aggregate, at this point in the process the changes in cost pool totals over FY10 are as follows:

<u>Cost Pool</u>	<u>FY10 Total</u>	<u>FY11 Total</u>	<u>\$ Change</u>	<u>% Change</u>
Support Service Units Systemwide	\$87,153,451	\$89,861,925	\$2,708,474	3.1%
Technology Systemwide	32,433,850	32,177,889	(255,961)	-0.8%
Facilities O&M	86,311,171	85,101,083	(1,210,088)	-1.4%
Support Service Units Twin Cities	12,926,454	13,176,770	250,316	1.9%
Technology Twin Cities	32,554,304	32,395,660	(158,644)	-0.5%
Student Services (All) Systemwide	11,187,062	11,661,182	474,120	4.2%
Student Services (All) Twin Cities	2,374,798	2,432,381	57,583	2.4%
Research Support Services	24,740,214	25,437,517	697,303	2.8%
Library	40,600,104	41,184,798	584,694	1.4%
Student Serv. Undergrad (includes financial aid)	43,377,521	50,492,988	7,115,467	16.4%
Student Serv. Grad (includes financial aid)	20,511,597	20,810,601	299,004	1.5%
General Purpose Classrooms	<u>6,563,124</u>	<u>6,891,911</u>	<u>328,787</u>	5.0%
Subtotal (non-consumption pools)	\$400,733,650	\$411,624,705	\$10,891,055	2.7%
Utilities (direct to academic units)	48,804,943	51,967,001	3,162,058	6.5%
Debt (direct to academic units)	27,137,671	30,124,994	2,987,323	11.0%
Leases (direct to academic units)	3,728,706	3,630,687	(98,019)	-2.6%
Warehouses (direct to academic units)	<u>285,415</u>	<u>270,242</u>	<u>(15,173)</u>	<u>-5.3%</u>
Subtotal-Changes in Pool Charges	\$480,690,385	\$497,617,629	\$16,927,244	3.5%
Transfers/Off-the-Top to Offset Increase	<u>(1,131,000)</u>	<u>(1,865,121)</u>	<u>(734,121)</u>	<u>-0.1%</u>
Net Changes in Pools	\$479,559,385	\$495,752,508	\$16,193,123	3.4%

The budget increases approved through the support unit budget process can be described in various categories. The specific items funded and added to each cost pool will be included in the materials to be posted to the Budget Office web site (along with the specific calculations of each cost pool by unit).

As the table indicates, overall, the net increase in cost pools is \$16.9 million from FY10 to FY11, which represents a 3.4% increase. In most years, there are transfers of funding from “Off-the-Top” allocations into the cost pools to better align funding for support units. For FY11, \$1,865,121 is being transferred into the pools, but the funding to support that increased pool cost is available – to be moved from an off-the-top allocation into the academic units allocations as the cost pools are impacted by that transfer. Each academic unit will see that transfer added to their allocation to offset that portion of the cost pool increase. The break down of the increase by spending category is as follows:

<u>Allocation Changes Built Into the FY11 Cost Pools</u>	<u>Detail of % Change in Total Pools From FY10</u>	
Budget Framework Cost Increases:		
General Compensation	\$9,175,458	1.9%
Unit Reallocations	(7,635,416)	-1.6%
Founders/Middle Income Scholarships (TC)	4,320,000	.9%
New Building Operations/Utilities (TC)	2,104,550	.4%
Debt Service	985,972	.2%
Leases	88,183	0.0%
Investment Decisions:		
Contractual/Safety/Structural Issues	\$315,000	.1%
Strategic Academic Investments	3,873,620	.8%
Strategic Support Investments	1,834,756	.4%
Transfers from Off-the-Top into Pools	<u>\$1,865,121</u>	.4%
Subtotal – Changes in Pool Charges	\$16,927,244	3.5%
Change in Transfers (Off-the-Top to Offset Increases)	<u>(734,121)</u>	
Net Change in Pools	\$16,193,123	3.4%

Investments in the academic priorities of the institution are implemented through the support unit budget development process. The complete list of funded items by cost pool will be posted to the Budget Office web site, but examples of the major investments included in this category are: matching funds for the 21st Century Scholarship program and the President’s Scholarship program, the Regents Professors program, the Writing Enriched Curriculum program, and student recruitment. Under the budget model, these types of University priorities will continue to be funded through the cost pool methodology.

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.

D. Submissions – Budget Information

Items 1 – 9 in this section should be submitted to the relevant Budget Officer 5 working days prior to the scheduled compact/budget meeting.

1. Revenue Estimates – ICR

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

2. Transfers Between Units

If there should be a permanent transfer of base allocation between RRCs for FY11, please submit that information to your budget officer as soon as it is available. Do not wait for the final due date mentioned above. Please include the dollar amount to be transferred and the reason for the transfer. It would be most helpful if both RRCs involved in the transfer send in the same information as part of their individual submissions. If this coordination is not done in advance, subsequent contacts will be made to ensure agreement on the adjustments.

3. Budget Development Worksheet

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

Tree Manager > Tree View > choose tree UM_DEPTID_BUDGET effective dated 7/1/09.

It is easiest to view this tree in the Tree Print 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 did last year (with a few minor improvements), but for RRC managers new to the process, there is an on-line course available for Budget Development Worksheets at the training website: (www.umn.edu/ohr/est). You will find the course and links to enrollment under Financial System Courses.

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

The worksheets hold the following information for FY08 Actuals, FY09 Actuals and the FY10 Approved Budget (the format of the worksheets is the same for all units):

- Actual revenues and expenditures by summary categories – all non-sponsored funds (information on the specific account codes under each category can be found in the *reporting instance* > Tree Manager > Tree View. Choose the tree UM_ACCOUNT_REPTG and pick the effective date 7/1/09. Use the “tree print 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 (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 FY10 (“Forecast”) to arrive at an updated estimate of carryforward into FY11 if that is warranted.

The final column (Budget 2011) is for projecting FY11 activity. The budget submittal should focus on completing the Forecast 2010 column and then completing the Budget 2011 column based on the planning parameters described earlier in this document. For both columns, please fill in each row using the best information available at this time. FY11 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, incorporating planned cost reductions related to implementing the FY10 budget reallocations where applicable.* Also, please note that projected increases entered in the various expenditure categories of the Budget 2011 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 D-2 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 FY11, then the expense projections in the Budget 2011 column of the budget development worksheet should also reflect that transfer.

Please note: To ensure that the ending balance and the carryforward information at the bottom of each “actuals” column reconciles correctly to the balances in PeopleSoft and on UM Reports, a number of rows have been added into the worksheet at the bottom reflecting balance sheet transactions. For entry purposes, however, you are not asked to budget for or forecast those balance sheet transactions. You can complete the Forecast 2010 and Budget 2011 columns for all the other rows, and the sheet will work as it is intended to work. Since you do not plan for the activity in the added rows, the ending balance will calculate correctly in the Forecast 2010 and Budget 2011 columns without entering in those rows.

The “Prior Year Carryforward” in the Actuals 2008 column is \$0 because the ending balance of FY07 is not stored in PeopleSoft. The FY08 Ending Balance does not impact the FY09 data – the “Prior Year Carryforward” in the Actuals 2009 column is accurate.

If there is information missing in these instructions necessary to complete the Budget 2011 column, please contact your budget officer for assistance. **Please note – the central allocation line for FY11 should contain the exact same amount as appears in the Budget 2010 column. There should be no assumptions made about change in that value at this point in the process. Do not leave it blank – enter the FY10 allocation amount.**

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

4. O&M/State Special Compensation

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

“What is your calculated **increased** cost for salary and fringe for FY11 in O&M and State Special funds only – without factoring in the 27th pay period impact for employees?”

“What is your calculated cost for salary and fringe for FY11 for all funds combined and separately, only in O&M and State Special funds, due to the 27th pay period for employees?” For planning purposes, assume the 27th pay period will be paid to all employee groups, but not to students or employees with less than a 12 month appointment.

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

5. Academic Planning

In November of 2009, a memo was sent to most academic units highlighting key topics that should be addressed in this year’s compact/budget oversight process. Instead of a separate compact document, the process for FY11 will focus on a discussion of the five issue areas identified below, as well as specific plans for reallocation (see section 6). In a concise format, please address the following five items:

- A. A summary of actions taken to address your unit’s strengths and challenges identified in last year’s process.
- B. A list of high priority activities in which there should be additional investment as a means of promoting the University’s overall strategic goals.
- C. A list of low priority activities eliminated or scaled-back, cost saving initiatives completed, and productivity gains accomplished that were identified in last year’s process, including dollar estimates.
- D. A brief description of the consultation process used to provide recommendations for decision making, whether by the establishment of a Blue Ribbon Committee or other mechanism, and a list of major stakeholder groups consulted.
- E. An overview of your plans to:
 - Expand the sources and amount of revenue produced, including growing tuition revenue if applicable and leveraging resources from central administration, alumni, donors, foundations, other philanthropic contributors, or other sources
 - Increase administrative and academic effectiveness, reduce costs and boost efficiency
 - Sharpen unit mission to advance a distinctive constellation of excellent programs, research and scholarship and public engagement
 - Develop and execute multi-year financial plans, along with budget and planning processes that advance the vision and discipline the setting of unit priorities

6. Reallocations

As indicated earlier in these instructions, the current financial plan for FY11 includes a total University internal reallocation of \$44,400,000. This equates to approximately 2.75% of the FY10 adjusted O&M/State Specials/Tuition allocation base (adjusted for the elimination of institutional financial aid programs, utilities, leases, etc.). A portion of this reallocation will be implemented within academic units through planned productivity improvements or cost reductions.

As described earlier, the plan includes the originally communicated reallocation of 1.25%, plus an additional 1.5% to address 67% of the potential \$36.2 million reduction in the state appropriation. The proportional allocation of the two amounts by unit is as follows:

Unit	1.25% Amount	1.50% Amount	Total
Academic Hlth Center Shared	\$591,000	\$710,000	\$1,301,000
Agricultural Experiment Station	97,000	117,000	214,000
Athletics	100,000	121,000	221,000
Auxiliary Services	3,000	4,000	7,000
Biological Sciences	497,000	597,000	1,094,000
Carlson School of Mgmt	913,000	1,096,000	2,009,000
Continuing Education	367,000	441,000	808,000
Dentistry	341,000	409,000	750,000
Design	276,000	332,000	608,000
Education & Human Dev.	958,000	1,149,000	2,107,000
Food, Ag., Nat. Resource Sciences	967,000	1,161,000	2,128,000
Graduate School-Academic Allocation	28,000	34,000	62,000
Humphrey Institute	135,000	162,000	297,000
Institute of Technology	1,886,000	2,263,000	4,149,000
Law School	378,000	453,000	831,000
Liberal Arts	2,673,000	3,208,000	5,881,000
Medical School	1,517,000	1,820,000	3,337,000
MN Extension	339,000	407,000	746,000
Nursing	188,000	226,000	414,000
Pharmacy	316,000	380,000	696,000
Public Health	318,000	382,000	700,000
Scholarly & Cultural Affairs	52,000	63,000	115,000
Sr. VP for Acad Aff-Inst. on the Env.	57,000	79,000	136,000
Sr. VP Sys Acad Adm-Academic Units	47,000	57,000	104,000
Student Affairs-Academic Units	56,000	66,000	122,000
UM Crookston	256,000	307,000	563,000
UM Duluth	1,654,000	1,984,000	3,638,000
UM Morris	405,000	486,000	891,000
UM Rochester	118,000	142,000	260,000
Undergraduate Ed-Academic Units	20,000	32,000	52,000
Veterinary Medicine	425,000	511,000	936,000
VP for Research (academic units)	112,000	134,000	246,000
Totals	\$16,090,000	\$19,339,000	\$35,429,000

Each RRC receiving these instructions should develop and submit a proposal for implementing the reallocation total assigned above. The proposal should briefly outline the actions to be taken to reduce your recurring budget and the projected impact on the unit activities and service levels, identifying, where applicable, the connection to FY10 plans and to the responses to the academic planning issues in section 5 above. Please keep in mind that the entire amount identified in the above table will contribute to balancing the overall institutional budget framework, and therefore will support the costs in the framework related to the compensation increase, Founders, facility costs, investment pool etc., whether they are within your unit or in another unit. The framework costs that are within your unit, therefore, will not have to be covered over and above the reallocation amount identified above.

Please include in your response a prioritization of the actions you propose to address the reallocation (what you would implement first to what you would implement last). This is necessary for two reasons. First, the University does not have a final appropriation for FY11 and when that is known, the total reallocation amounts may have to be altered. Second, the President does not intend to implement the reductions across the board and will be making strategic choices on the final levels.

At the conclusion of the academic compact/budget oversight cycle, the Senior Vice Presidents will make a recommendation to the President on the investments and reallocations assigned to each unit. Every unit will participate in the reallocation by setting priorities and reducing and/or eliminating costs and programs, but the final level of participation and the allocation of investment dollars, will be based on the unique circumstances of each unit and University priorities. If the support unit reallocations are ultimately greater than what has been built into the pools at this point, the cost pool charges to academic units will be less than what are included with these instructions.

7. Internal Sales Rate Setting

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

University policy ensures that goods and services sold to other University departments are being sold at rates that comply with Federal A-21 regulations and federal Cost Accounting Standards (CAS); and that they are sold at rates that fully cover, but do not exceed costs. If goods and services sold to other University departments do not fully cover costs, all subsidies must be documented in the rate development. The intent of the policy is to accumulate all allowable and allocable costs within an identified, segregated set of accounts; to recognize subsidies of the operation, to provide a feasible means of operating a business within federal guidelines, and to establish rates based on total costs.

Submittal of Internal Sales Information – Two Separate Procedures:

1) Internal Sales Office – Rate development information for the forthcoming year and annual management reviews of internal sales activity for the prior fiscal year must be submitted to the Internal Sales Office. Information submitted is used to review internal sales rates for compliance with federal accounting standards. The Controller’s Organization has grouped units conducting internal sales based on various “risk factors”. Each of these groups undergo various levels of review to ensure compliance with set policies. Rate information for the forthcoming fiscal year must be submitted to the Internal Sales Office regardless of expected annual revenue amounts. Refer to procedure “Reviewing Internal Sales Activity Annually” in the “Selling Goods and Services to University Departments” policy for the documentation due to the Internal Sales Office by September 30 of each year.

2) **Budget Office** - Rate information for the forthcoming fiscal year must be submitted to the Budget Office according to the instructions below. Submittal of rate information through the budget process does not eliminate the need for units to work with the Internal Sales Office in reviewing internal sales rates for compliance with federal accounting standards. The submittal of information to the Budget Office is intended to arrive at a decision on the appropriate level of individual rates, incorporating the correct planning parameters, and does not involve reviewing the rates relative to federal accounting standards.

Instructions for units conducting internal sales that meet or exceed \$300,000 in annual revenues: All rates for internal sales activity in this category should be developed using the procedures defined in University of Minnesota financial policy 3.2.1, Selling Goods & Services to University Departments. For FY11 budget development, units conducting internal sales at this level should submit a summary of their major rates for FY09, FY10 and proposed for FY11, including a comparison of the rates, and the percentage increases or decreases each year. “Major rates” are those associated with the product lines that generate the majority (75-80%) of annual internal sales revenues. If the data does not provide for accurate or meaningful comparisons between the years, then include only the years for which the data are comparable.

Instructions for units with less than \$300,000 in annual internal sales revenues: All rates for internal sales activity in this category should be developed using the procedures defined in University of Minnesota financial policy 3.2.1, Selling Goods & Services to University Departments. For purposes of FY11 budget development, units conducting internal sales at this level should submit rate information only for rates which are new for FY11 or for anticipated increases in a current rate that exceeds a 3% inflationary rate. In the submission, include:

- Rate for FY10
- Proposed rate for FY11
- Product line involved
- Description of any new product line or businesses involved
- Process for setting the rate
- Cost components included in the rate
- Review and approval process for the rate
- Total annual revenue projected for FY11 and growth over FY10 if applicable

8. Course and College Fees

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 submit this information using the web site fee request system found at <https://intranet.asr.umn.edu/osf/fee/>. The information submitted will be incorporated into the overall tuition and fee plan presented to the Board of Regents along with the budget in May.

The Fee Request and Approval system will be available for entry of FY10 fee information beginning January 25, 2010. All fee entry should be completed by April 9. This system will be used to capture all student fee information and will help ensure that units receive the fee revenues approved in the annual budget process. The fees owned by each college and approved for FY10 have been rolled over in the system to FY11 as pending fees. They are ready to be approved as is, or they can be edited. If a fee will not be used in the next academic year it should be deleted.

The following data is necessary for fee setup:

- The PeopleSoft chart string where the fee revenue is to be recorded.
- The amount of the fee.
- The amount of expected revenue for term fees (fees not associated with a particular course or class). Expected revenue is not required for course and class fees.
- 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). If there are multiple components, the component to attach the fee to must be identified. If fees must be broken down to a section level, the section numbers are necessary.
- The method of assessment, that is, 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?

Additional information and instructions, including procedures designed to minimize data entry, can be found on the website referenced above. As a reminder, this site should also be used throughout the year to request any late changes or to make clarifications to previously approved fees. Adding changes in the system allows all users to access a complete, up-to-date source of student fee information. It also allows late changes to be included in the rollover process to provide users with more accurate, comprehensive future year fee data to review in the next cycle.

After fees are submitted, the relevant budget officer in the Office of Budget and Finance will receive an e-mail message indicating that a proposal is awaiting action. After approval is given, the RRC manager will be able to go online and see the results. A report listing the final fee approvals will be generated for review by the Board of Regents. It is this final list of fees that will be entered into PeopleSoft for FY11 implementation.

Please keep in mind, proposals for new course fees must meet the parameters established in Regents Policy – course fees must be designed to recover specific costs. They can be assessed for the purposes of paying for transportation related expenses associated with field trips, paying for expendable materials utilized in instruction, or addressing cost demand for services such as music lessons or access to very specialized equipment. The appropriate rationale for a proposed new fee will need to be entered into the web request system in order for your request to be considered.

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 the fee request system and approved by the Regents may not be implemented until the next budget year.

Also of note this year, the Budget Office is conducting a review of all student related fees. Should that review lead to policy changes that would impact the fee request process, additional instructions will be distributed.

9. Student Services Fee Waivers

In 2001, the Office of Student Affairs assembled a work group to examine the wide variety of student service fee waivers currently employed at the University. One clear result was that the process for obtaining waivers for students in a particular academic program was unclear, inconsistently applied, and in many cases unknown to the academic programs.

As a result, 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 2010-11. 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 on the list below were reviewed last year, and therefore do not have to reapply this year. Programs currently receiving program waivers are listed at the end of this section. Please contact Jill Merriam at 625-2515 or jmerriam@umn.edu with any questions you may have.

Criteria for granting student service fee waivers to programs:

The program must be designed specifically for full-time working professionals AND one of the following must also be true:

- The program is designed and delivered as a weekend-only and/or evening-only program;
- The program is delivered in its entirety via distance education; or
- The program is delivered in its entirety at an off-campus location.

Each college that has a program or programs that wish to apply for a program waiver should provide the following information as part of this budget submission:

- College
- Name of program
- Degree(s) offered
- Approximate number of students per term
- Approximate number of percentage of students taking six or more credits per term
- Brief description of program and rationale for program waiver

Programs currently approved for fee waivers

Education and Human Development

Office of Professional Development and Outreach

Educational Admin Ed.D cohorts

Leadership Academy

Carlson School of Management

Evening MBA
Evening Masters of Arts in Human Resources and Industrial Relations
Evening MHA
Executive MBA

Continuing Education - Masters of Liberal Studies

Institute of Technology

MS Management of Technology
MS Manufacturing Systems Engineering
MS Software Engineering
MS Infrastructure Systems Engineering
UNITE

Human Ecology - Masters of Social Work – Rochester and Moorhead programs

COAFES - Cooperative program with SWSU

Medical School - Rural Physicians Associates Program

E. Process

1. Meetings and Due Dates

The compact/budget meetings have been scheduled from February 2 to March 16. The meetings will focus on the budget submissions and the academic plans. The meetings will include representation from the respective unit, the relevant Senior Vice President's Office, and the Budget Office. The agenda for each of these meetings will be to walk through the items submitted under Section D above. No other formal presentation materials are necessary.

Submittal Due Date – 5 days prior to the scheduled meeting, please send all required materials in Section D to the relevant budget officer listed in Section B.

2. Budget Recommendations

At the conclusion of the meetings, the Senior Vice Presidents 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 the end of April to meet presentation deadlines for the May Board of Regents meeting.

As mentioned previously in these instructions, communication on reallocation and 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 FY11 have been recommended to the President and he has given approval to proceed based on those recommendations;
- Cost allocations have been calculated for FY11 based on the approval of support unit budgets

The remaining components of budget development for FY11 will include:

- Budget/compact meetings with each of the academic units in February and March;
- Development of academic budget recommendations to the President based on the available information regarding resources, all-funds analyses and investment plans of each unit – to be completed by late April or May;
- Adjustment of support unit budgets for final reallocations after consultation with units and state action on appropriations;
- 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 FY11 to the Board of Regents for review in May and approval in June.

APPENDIX A
Cost Pool Descriptions

There are nine primary cost pools in the new budget model. A brief description of each cost pool and the basis for allocating the corresponding costs is described below. In addition, the detailed FY11 model that calculates the distribution of costs for each pool (the “double step-down” model) contains the specific unit-level statistics on which each cost pool is allocated and will soon be posted to the Budget Office web site for reference.

1. Support Service Units

This cost pool includes the budgets for those units with general support responsibilities. Most of them have institution-wide oversight, policy or programmatic responsibilities, but several areas clearly provide services only to the Twin Cities campus, so this cost pool incorporates a two-tiered methodology – spreading the “systemwide” budgets across all campuses and the “twin cities” budgets only to units on the Twin Cities campus. On the “double step-down” model, the statistics and cost allocations for this pool are split into two separate columns – one for System-wide and one for Twin Cities only. The units included within this pool are:

System-wide

Audits
Bldg Systems Automation Ctr
Board of Regents
Budget and Finance
Capital Planning & Project Mgmt.
Controller
Equity and Diversity
General Counsel
Human Resources
Office of International Programs
President’s Office
Public Safety (excluding Police)
Sr. VP – Academic Affairs & Provost (excluding academic areas)
Sr. VP – Health Sciences (excluding academic areas)
Sr. VP – System Academic Administration (excluding academic areas)
University Relations
VP for University Services

Twin Cities Only

Bursar’s Office
Campus Mail
University of MN Alumni Assoc.
University of MN Police
University Services (Finance, HR, IT)

This cost pool is allocated to the academic units based on their proportionate share of total expenditures (all funds) of the most recently closed fiscal year. The combined total of the FY11 approved budgets for the units listed above will be allocated based on the academic units’ proportionate share of FY09 total expenditures. 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 previously was funded through central allocation and a small portion of the technology functions of the

Office of the Senior Vice President for Health Sciences. The portions of OIT's budget that have been managed as an Internal Service Organization (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, UMCAL, 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 FY11, approximately 51% of OIT's approved budget has been allocated on a system-wide basis and the remaining 49% has been allocated only to the Twin Cities campus. 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 FY11 approved centrally allocated budget for these technology functions is spread based on the academic units' proportionate share of total headcount from the fall of 2009. 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 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.

3) Facilities Operations & Maintenance

This cost pool includes services within Facilities Management (FM) on the Twin Cities campus only. Facility operational and maintenance costs will continue to be managed outside of this cost allocation pool by each campus (or research and outreach station).

Services provided within the FM O&M cost pool include:

- Custodial Services
- Maintenance (preventive and repair maintenance to facilities and major equipment)
- Landcare
- Waste management
- R&R (Repair and Replacement, ex. extraordinary maintenance and replacement of building components like roofs, windows, elevators, etc.)
- Water, Sewer and Storm-water utility costs
- 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 new 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 FY11 approved budget for these activities within Facilities Management will be allocated based on the academic units' proportionate share of ASF from November 2009. Each unit was given an opportunity to review the space data assigned to it and make necessary changes prior to "locking" the data base for use in the budget model. That same process will take place each year. A more complete explanation of the rules used in the assignment of space is included in these instructions as Appendix B.

This pool excludes buildings operated to support auxiliary functions that are required to pay their actual costs, such as athletic venues, residential life student housing, parking ramps, student unions and Boynton. In addition, O&M costs (and the associated ASF) for "warehouse" type space is assigned costs from a separate direct consumption-based cost pool (since these facilities are much cheaper to operate and receive a lower level of services, ex. no custodial services). Warehouse space includes facilities such as gyms, field houses, and barns.

Lastly, the space (and costs) leased to non-university tenants are excluded as well. Non-university tenant space is funded through lease revenue which off-sets these costs.

The space statistics for each academic unit are included on the "double step-down model" that will be available for reference on the Budget Office web site.

4) Student Services

This cost pool is divided into three categories, containing the budgets of various central administrative units dealing with student services.

- a. **Category 1 – Services to All Students (regardless of type or level).** This category includes the budgets for Student Finance Administration (primarily Peoplesoft system administration) and the Registrar. Due to the nature of some of these activities, this cost pool also incorporates a two-tiered methodology – spreading some of the budgets across all campuses and some only to units on the Twin Cities campus. Approximately 85-90% of the budgets for these two units (excluding classroom activities) is distributed system-wide, and the remaining 10-15% is distributed just to the Twin cities units. On the "double step-down" model, the statistics and cost allocations for this pool are split into two separate columns – one for System-wide and one for Twin Cities only.

The basis for distribution of this cost pool is total student headcount from a point in time during fall semester of the previous year. The FY11 approved budgets for these two units is allocated based on the academic units' proportionate share of the total student headcount from the fall of 2009. 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.

- b. **Category 2 – Services to Twin Cities Undergraduate Students.** This category includes the budgets (previously funded by central allocations) for:
 - Admissions Office and Scholarships
 - Orientation & First Year Programs
 - Health Career Center

Student Affairs (excluding activities funded through student fees)
Student Finance – Financial Aid
Office of the Vice Provost for Undergraduate Education

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 FY11 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 2009. 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.

- c. **Category 3 – Services to Students Enrolled in the Graduate School.** This category includes the budget for the Graduate School.

The basis for distribution of this cost pool is total headcount of students enrolled in the Graduate School and total headcount of Graduate School faculty – again from a point in time during fall semester of the previous year. The FY11 approved budgets for the Graduate School (excluding the University Press) and the graduate student and faculty funding pools recently moved to RSRCH are allocated based on the academic units' proportionate share of the total headcount of students enrolled in the graduate school and total headcount of graduate school faculty from the fall of 2009. 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.

5) Research Support Services

This cost pool includes the budgets for central units that administer, support and monitor sponsored research activity. Structurally, these budgets exist within the office of the Vice President for Research (excluding the Hormel Institute, the MN Population Center, the Super Computer Institute and the University Press), Sponsored Financial Reporting in the Controller's Organization, University Health and Safety, and the AHC Office of Research.

This cost pool is allocated to academic units based on their proportionate share of the average of the last three years of total sponsored expenditures. The three-year rolling average is used in this formula to recognize the relative variability in this revenue source for some units, which will serve to lessen large swings in the costs distributed by unit. The total of the FY11 approved budgets for the units identified above will be allocated based on the academic units' proportionate share of the average of FY07, FY08 and FY09 total sponsored expenditures.

6) Library

This cost pool includes only the approved centrally allocated budget for the University Libraries. Because this budget supports Twin Cities activities almost exclusively, this cost pool is allocated only to units on the Twin Cities campus. The basis for distribution is a weighted faculty and student headcount from the previous fall. The weighting factors are as follows:

Lower division undergraduate students	.5
Upper division undergraduate students	.75
Professional and graduate students	1.0
Faculty (broadly defined)	1.0

This weighting scheme has been used for many years as part of the instructional cost study. There is concern, however, that perhaps the scheme is outdated and doesn't best reflect the usage patterns of today, so this weighting mechanism will be reviewed and potentially revised in the future.

The FY11 approved budget for the University Libraries is allocated to the academic units based on the weighted headcount from the fall of 2009. 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.

7) Utilities

This cost pool represents the actual costs for the following utilities: steam, electricity and gas. A more complete description of this cost pool is included within the instructions, Section C-6 on page 14. Some units will continue to need the utility rates to plan for their budgets, so that information was included in the instructions as planning parameters.

The actual costs will be allocated to the academic units on the Twin Cities campus based on their actual consumption of the utilities involved. The cost is calculated at a building level and then distributed within the building based on each unit's share of total assignable square feet for that building.

8) Debt & Leases

This pool includes the costs of centrally supported debt service and leases on behalf of units on all campuses. Costs are allocated based on the actual occupancy of space for which the University pays debt service or lease costs (again distributed within a shared building based on each unit's share of total assignable square feet for that building).

9) General Purpose Classrooms

This cost pool includes the budgets for central units that support, monitor and manage general purpose classroom space on the Twin Cities campus. The units involved are the Classroom Management Offices within the Sr. Vice President for Academic Affairs & Provost Office and the Sr. Vice President for Health Sciences Office.

This cost pool is allocated to the academic units based on their proportionate share of total course registrations in the fall of the prior year. The approved budget for these activities for FY11 is allocated based on total course registrations from the fall of 2009. The detailed query results that led to the course registration statistics for this pool on the "double step-down" model will be available for reference on the Budget Office web site.

APPENDIX B
Treatment of Space in the Budget Model

Space Information as it relates to Cost Pools:

There are four cost pools in the new budget model which rely upon how much space is assigned to RRCs:

Property & Liability Insurance (not a new cost pool)
Twin Cities Campus Utilities
Twin Cities Campus Facilities O&M costs
Twin Cities Debt allocation

[Note: For coordinate campuses and research/outreach stations, the cost allocation processes for the Twin Cities (utilities, O&M, and debt) will be allocated based on the campus/site and will not utilize individual space allocations within a building.]

Separately in these instructions, (in the Property & Liability and Non-Profit Organization Liability Insurance section on page 12 and Appendix A) the cost allocation for each of these cost pools is described. This section is intended to explain how the baseline space information is generated, managed and will be used to support cost allocation.

In a memo sent on October 5, 2006 to RRC managers from the Budget Office and the Office of Space Management, each RRC was asked to verify the CUFS area to which each room on the Twin Cities campus is assigned. This memo summarized how and where the University maintains the allocation of space:

“The SPACE database, which tracks assignment, function and use of every room in every building at the University of Minnesota, is now being used as the basis for determining the quantity of assignable square footage (ASF) assigned to each Area Group (RRC) for calculation of the costs which will be allocated by ASF in the new budget model. Assignment information is normally updated by the Office of Space Management on a one to three year basis for strategic planning purposes, indirect cost recovery, and allocation of insurance and utilities costs.”

With this notice RRCs were given the opportunity to update the information within the SPACE database. Each fall, the Budget Office in collaboration with the Office of Space Management sends a listing of rooms assigned to each RRC by building. RRC Managers should review this information and send back corrections if needed. After the SPACE system is updated, a snap-shot is taken and that information is used to calculate the building cost allocation for the following fiscal year. Changes to space allocation after that point and throughout the fiscal year will not be utilized to change any cost allocation throughout the year, but will be part of calculating the allocation of costs for the next fiscal year.

Any change in the allocation of space needs to be reviewed and approved by the Office of Space Management. Though changes in the assignment of space may be approved or dis-approved for a number of reasons, some general criteria and practices include:

- Space assignments within a DeptID require approval by the Director
- Space assignments within a DeptID require approval by the RRC (Dean/AVP/etc.)
- Space assignments within a VP unit require approval by a VP

- Space changes between units require the approval of both sides of the change or the administrative leader for both of them (ex. a Dean can approve changes between departments) and the Office of Space Management.
- Space may be considered for a ‘return’ to the University as unassigned or changed to inactive (and not charged to an RRC) if:
 - The change helps achieve a strategic goal
 - The space is contiguous, accessible from a public corridor, and of sufficient size to be assigned to another program

All cost will be allocated according to **Assignable Square feet**, defined as:

Assignable square feet (or “ASF”) is the sum of all areas on all floors of a building assigned to, or available for assignment to, an occupant. It is measured and tracked at the room level. Note that it does not include space used for the general operations of the building as described under non-assignable space below.

This means that all the costs relating to non-assigned space is excluded from the cost allocation process and are shared equally by each ASF within a building. **Non-Assignable space** is defined as:

The sum of all areas on all floors of a building not available for assignment to an occupant or for specific use, but necessary for the general operation of a building. This includes areas like public restrooms, corridors, stairwells, elevator lobbies and shafts, custodial closets, loading platforms, and mechanical rooms.

Finally, there is **Unassigned Space**, i.e. space which could be assigned to someone but is not due to it being decommissioned, unfinished, inactive or under renovation. Space that is unassigned is handled based on the following rules.

- Decommissioned or unfinished space is excluded from the total assignable square footage.
- Inactive space is assigned to the Facilities Cost Pool and allocated accordingly.
- Space that is being remodeled is assigned to the future tenant.

Any questions regarding the space data base should be directed to the Office of Space Management at 6-7996.

Office of Space Management
400 Donhowe Building (3121)
319 – 15th Avenue South East
Minneapolis, MN 55455

Attachment 1

Indirect Cost Recovery
Unit estimates for FY11

	a	b	c	d	e	f	g	h	i	j		
	FY10	FY09	FY09	FY09	FY10	FY10	FY10	FY10	FY10	FY11		
	Total ICR	Total ICR	Total ICR	PER 06	Estimated	Estimated	Most	Budget	Projected	Estimated		
	Through	Through	Through	Percent	Total Revenue	Total Revenue	Conservative	ICR	Variance	Total Revenue		
	Period 06	Period 06	Period 12	of Total	a*(1/d)	a*2	Estimate	Revenue	to Budget	g * 1.02		
<u>Coordinate Campuses</u>												
1	Crookston	20,957	11,033	29,682	37.17%	56,380	41,914	41,914	44,311	(2,397)	42,752	1
2	Duluth	1,272,916	1,025,436	2,076,081	49.39%	2,577,125	2,545,832	2,545,832	1,960,304	585,528	2,596,749	2
3	Morris	64,387	56,659	96,657	58.62%	109,841	128,774	109,841	77,836	32,005	112,038	3
<u>Academic Health Center</u>												
4	Sr. VP	0	0	0		0	0	0	0	0	0	4
5	Academic Health Center-Shared	5,170,174	4,350,794	9,345,845	46.55%	11,105,937	10,340,348	10,340,348	9,854,076	486,272	10,547,155	5
6	School of Dentistry	622,796	545,577	1,095,259	49.81%	1,250,278	1,245,592	1,245,592	500,000	745,592	1,270,504	6
7	Medical School	20,493,692	17,989,572	38,939,901	46.20%	44,360,274	40,987,384	40,987,384	39,000,000	1,987,384	41,807,132	7
8	School of Nursing	415,792	299,294	750,910	39.86%	1,043,196	831,584	831,584	653,324	178,260	848,216	8
9	College of Pharmacy	1,512,707	1,156,537	2,680,008	43.15%	3,505,350	3,025,414	3,025,414	2,400,000	625,414	3,085,922	9
10	School of Public Health	6,352,953	6,519,530	13,125,444	49.67%	12,790,083	12,705,906	12,705,906	13,800,000	(1,094,094)	12,960,024	10
11	College of Veterinary Medicine	1,144,470	1,241,540	2,339,364	53.07%	2,156,460	2,288,940	2,156,460	1,850,000	306,460	2,199,589	11
12	Total Academic Health Center	35,712,584	32,102,844	68,276,731		76,211,578	71,425,168	71,292,688	68,057,400	3,235,288	72,718,542	12
<u>Executive VP and Provost</u>												
13	Executive VP and Provost	70,711	15,657	35,047	44.67%	158,281	141,422	141,422	70,000	71,422	144,250	13
14	College of Biological Sciences	2,319,426	2,203,945	4,197,884	52.50%	4,417,842	4,638,852	4,417,842	4,247,681	170,161	4,506,199	14
15	College of Liberal Arts	1,852,189	2,625,505	4,329,264	60.65%	3,054,123	3,704,378	3,054,123	2,917,139	136,984	3,115,205	15
16	Institute of Technology	13,235,937	11,408,989	21,749,135	52.46%	25,231,875	26,471,874	25,231,875	20,500,000	4,731,875	25,736,513	16
17	Agricultural Experiment Stations	0	2,168	1,815	119.45%	0	0	0	0	0	0	17
18	Design, College of Education and Human	51,481	63,641	82,778	76.88%	66,961	102,962	66,961	65,000	1,961	68,300	18
19	Development Agriculture, Food and Environ.	2,427,592	2,017,508	4,134,405	48.80%	4,974,775	4,855,184	4,855,184	4,247,156	608,028	4,952,288	19
20	Sciences	2,536,690	2,083,482	4,191,426	49.71%	5,103,163	5,073,380	5,073,380	3,899,051	1,174,329	5,174,848	20
21	Carlson School of Management Humphrey Institute of Public	152,999	107,109	231,940	46.18%	331,313	305,998	305,998	87,106	218,892	312,118	21
22	Affairs	245,390	314,069	578,683	54.27%	452,140	490,780	452,140	367,105	85,035	461,183	22
23	Law School	88,641	122,537	199,464	61.43%	144,289	177,282	144,289	150,000	(5,711)	147,175	23

**Attachment 1 -
continued**

	A	B	C	D	E	F	G	H	I	J		
	FY10	FY09	FY09	FY09	FY10	FY10	FY10	FY10	FY10	FY11		
	Total ICR	Total ICR	Total ICR	PER 06	Estimated	Estimated	Most	Budget	Projected	Estimated		
	Through	Through	Through	Percent	Total Revenue	Total Revenue	Conservative	ICR	Variance	Total Revenue		
	Period 06	Period 06	Period 12	Of Total	a*(1/b)	a*2	Estimate	Revenue	To Budget	g * 1.02		
24	Minnesota Extension Service	776,157	763,351	1,510,838	50.53%	1,536,184	1,552,314	1,536,184	1,357,457	178,727	1,566,908	24
25	College of Continuing Education	0	3,956	5,998	65.96%	0	0	0	0	0	0	25
26	Office of International Programs	71,423	51,546	54,455	94.66%	75,454	142,846	75,454	40,000	35,454	76,963	26
27	Equity & Diversity	390	490	1,909	25.67%	1,519	780	780	0	780	796	27
28	Total Executive VP & Provost	23,829,026	21,783,953	41,305,041		45,547,919	47,658,052	45,355,632	37,947,695	7,407,937	46,262,745	28
29	Human Resources, Off of	1,799	0	0			3,598	3,598	0	3,598	3,670	29
30	Scholarly & Cultural Affairs	3,847	0	7,863			7,694	7,694	11,832	(4,138)	7,848	30
31	VP for Research SAAAU System Acad Admin	1,965,016	893,147	2,713,762	32.91%	5,970,558	3,930,032	3,930,032	2,966,000	964,032	4,008,633	31
32	Academic VP for System Academic	194,523	250,867	486,995	51.51%	377,617	389,046	377,617	368,780	8,837	385,169	32
33	Administration	27,288	24,712	51,900	47.61%	57,310	54,576	54,576	0	54,576	55,668	33
34	University Libraries	3,936	590	2,062	28.61%	13,756	7,872	7,872	5,000	2,872	8,029	34
35	Student Affairs	6,049	34,889	55,985	62.32%	9,707	12,098	9,707	50,000	(40,293)	9,901	35
36	Grand Total	63,102,328	56,184,130	115,102,759		130,931,791	126,204,656	123,737,003	111,489,158	12,247,845	126,211,745	36