Board of Regents Work Session

September 2016

September 8, 2016

1:15 - 2:45 p.m.

West Committee Room, McNamara Alumni Center
1. FY 2018 Budget Assumptions

Docket Item Summary - Page 3

Presentation - Page 5
AGENDA ITEM: FY 2018 Budget Assumptions

☐ Review  ☐ Review + Action  ☐ Action  X Discussion

☐ This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Michael Volna, Interim Vice President & CFO
Julie Tonneson, Associate Vice President for Budget and Finance

PURPOSE & KEY POINTS

The purpose of this work session is to engage in a policy discussion regarding the preliminary budget planning assumptions for the fiscal year beginning July 1, 2017. The discussion will include:

- An overview of the annual budget development process.
- Development of the annual budget framework.
- Resource components of the budget framework, including a preview of the biennial budget requests for FY 2018 and FY 2019.
- Framework costs and investments.
- Budget priorities for FY 2018.

Key questions related to the development of preliminary budget planning assumptions for the fiscal year beginning July 1, 2017 include:

- What is the proposed biennial request to the state for appropriations in FY 2018 and FY 2019?
- What is an appropriate level of investment in the strategic plan?
- Are there areas of the budget and operations in which a modest investment could make the University a leader among its peers?
- What should the resident tuition rate plan be for undergraduates, graduates and professional students?
  - What should the nonresident/non-reciprocity (NRNR) tuition rate plan be?
  - Should there be planned changes in enrollment?
- Should there be changes to the institutional financial aid plan?
- Should the University continue with administrative costs reductions?
- What is the strategy for competitive compensation for faculty and staff?
- What is the strategy for ensuring that facilities meet the institution’s business needs and are competitive for students and faculty? Should the additional investment in R&R continue?
Development of the preliminary budget assumptions for FY 2018 plays an important role in planning for the President's recommended annual operating budget. The framework provides parameters for unit-level budget development activities that occur during the current fiscal year. These parameters inform academic and support unit compact and budget meetings that take place in the fall, prior to the start of the new fiscal year.

BACKGROUND INFORMATION

The President’s recommended annual operating budget is brought to the Board for review and approval each year in late spring or early summer, depending on the adjournment date of the Minnesota Legislature. It is anticipated that the President will provide recommendations on the FY 2018 annual operating budget for review in early June 2017 and approval in late June 2017.
FY2018 Budget Assumptions

Board of Regents Work Session
September 8, 2016
Agenda

- Questions: budget priorities for FY2018
- Preview of 2018-19 biennial budget request
- Overview of annual budget development process
- Defining annual budget framework
- Outline of framework resources
- Outline of framework costs & investments
What Are The Budget Priorities For FY2018?

- What is the proposed biennial request to the state for FY18 and FY19?
- What is the appropriate level of planned investment in the strategic plan?
- Are there areas of the budget in which a modest investment could make the University a leader among its peers?
- What should the resident and NRNR tuition rate plans be and should there be any changes in planned enrollment?
- Should we stay the course on administrative cost reductions: year 5 of 6?
- What is the strategy for competitive compensation?
- What is the strategy for ensuring our facilities meet our business needs and are competitive for students and faculty? Should repair and replacement (R&R) investments continue?
- Other?
Budget Development Components

- Long Term Financial Planning – All Funds
- President’s Annual Operating Budget
- Annual Budget Framework
- Biennial Budget Request
Timeline – Bienniaal Budget Request

Timeline:
- **Budget Instructions**
  - Received – Internal Planning Process Begins
- Biennial Budget Proposal Drafted for **Board Review**
- BB Proposal for **Board Approval** & Submitted to The State
- **Governor’s Higher Ed Recommendations**
- **Legislative Session** & Testimony
- **Appropriation** Finalized FY18-FY19
- Into **Annual Budget** to The Board

Dates:
- July 2016
- September
- October
- December
- January
- May
- June 2017
A. Investing in Student Success

Advancing on Performance Measures & Score Card - $8.5m (FY18) + $5m (FY19)

- Graduation Success
- Growth in STEM
- Enhance Equity

B. MnDRIVE

Strategic Investments – $8.5m (FY18) + $15m (FY19)

- Improve Cancer Care Statewide
- Eliminate Disparities
- Clean & Abundant Water
- Big Data to Drive Our Economy

C. Core Mission Support

Academic & Operational Excellence
1.75%/year - $22.6m (FY18) + $23m (FY19)

[calculated on FY17 state appropriation & resident tuition base]
## Biennial Budget Request – General Fund

**FY2018 - 2019**

### Incremental over prior year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Success</td>
<td>$8.5</td>
<td>$5.0</td>
</tr>
<tr>
<td>MnDRIVE</td>
<td>$8.5</td>
<td>$15.0</td>
</tr>
<tr>
<td>Core Mission</td>
<td>$22.6</td>
<td>$23.0</td>
</tr>
<tr>
<td>Health Training Restoration</td>
<td>$6.0</td>
<td>$2.0</td>
</tr>
<tr>
<td>Bell Museum Operations</td>
<td>$2.0</td>
<td>$3.0</td>
</tr>
<tr>
<td><strong>Total University Request</strong></td>
<td><strong>$47.6</strong></td>
<td><strong>$48.0</strong></td>
</tr>
</tbody>
</table>

### Change to current base – biennial math

<table>
<thead>
<tr>
<th></th>
<th>Biennial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Base</td>
<td>$1,252.6</td>
</tr>
<tr>
<td>Three New 2018-19 Initiatives</td>
<td>$122.2</td>
</tr>
<tr>
<td><strong>Subtotal Appropriation with New Initiatives</strong></td>
<td><strong>$1,374.8</strong></td>
</tr>
<tr>
<td>% change from base</td>
<td>9.8%</td>
</tr>
<tr>
<td>Three New 2018-19 Initiatives + Health Training &amp; Bell Museum</td>
<td>$143.2</td>
</tr>
<tr>
<td><strong>Total Appropriation Requested with Health Training and Bell Museum</strong></td>
<td><strong>$1,395.8</strong></td>
</tr>
<tr>
<td>% change from base</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

*(dollars in millions)*
History of Requests and Final Appropriations

% Change in Biennial Base

In the 8 biennia with a base increase, on average, we have received 69% of the amount requested (ranging from 42.6% this biennium to 87.8% in 2006-2007) and the average enacted increase over those 8 biennia has been 9.8%. 
Budget Development Components

- Long Term Financial Planning – All Funds
- Annual Budget Framework
- Biennial Budget Request
- President’s Annual Operating Budget
Timeline – Annual Budget Components Before the Board

Long Range
Financial Planning Update – FY17 as Base
FY18 Budget Framework Assumptions

Long Range
Financial Planning Update – for Biennial Request

Biennial Performance Goals Report – to “release” FY17 full appropriation

FY18 Budget Framework Update

President’s FY18 Recommended Operating Budget for Review

President’s FY18 Recommended Operating Budget for Approval

June 2016
September
October
December
March
Early June
Late June 2017
University of Minnesota Non-sponsored Revenue Sources
All Funds FY17: $3.2 Billion

- **Fed. Appropriations** ($17.7m)
- **Tuition** ($879.3m)
- **State Support** ($650.9m)
- **ICR** ($133.8m)
- **Internal Sales** ($224.1m)
- **Gift & Endowment** ($240.2m)
- **Sales, Fees, & Misc.** ($336.4m)
- **Grants, Contracts, Misc.** ($349.6m)
- **Auxiliary Enterprises** ($349.8m)

Primary Focus Framework Revenues

- **$1,530.2M**
- **48%**
### University of Minnesota Annual % Change in Revenues and Expenditures

**All Funds – Including Sponsored Grants**

<table>
<thead>
<tr>
<th></th>
<th>Actual FY15</th>
<th>Estimated FY16</th>
<th>Approved Budget FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change in Revenues</td>
<td>2.4%</td>
<td>0.4%</td>
<td>0.9%</td>
</tr>
<tr>
<td>% Change in Expenditures</td>
<td>1.1%</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
Budget Development Process
Defining the **Budget Framework**
& Balancing the Budget

**Part 1: Available Resources**
- State Appropriation
- Internal Reallocation
- Tuition
- Other Resources

**Part 2: Costs & Investments**
- Compensation
- Strategic Choices
- Facilities & Capital Expenses
- Operations

**Part 3: Balancing the Budget**
Resource Drivers

- Framework Resources
  - State Appropriations
  - Reallocation
  - Tuition
  - Other Misc. Resources
University of Minnesota
FY1997 – FY2017
Trends in State Funding

FY17 Annual State Support Remains Below Pre Great Recession Peak in FY08
- Unadjusted for inflation: $58M below
- Adjusted for inflation: $141M below
Planned Reallocations Over Time

Framework: Reallocations Included in President’s Recommended Operating Budget ($ in million)

<table>
<thead>
<tr>
<th>% of Approved Budget</th>
<th>3.1%</th>
<th>0.3%</th>
<th>1.1%</th>
<th>1.2%</th>
<th>2.1%</th>
<th>1.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State O&amp;M + Tuition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Note – excludes reallocations required in other “non-framework” funds.
1. FY14 Implemented - *(Final list compiled & communicated during 2015 session)*
2. FY15 Implemented - *(Final list compiled and communicated to the Board of Regents)*
3. FY16 In process - Approved budget included unit level reallocations to support the costs and investments in the O&M/Tuition/State Specials portion of the budget and cost increases in other nonsponsored funds *(Final results to be compiled & communicated during 2017 session)*
4. The FY17 proposed budget includes unit level reallocations to support the costs and investments in the O&M/Tuition/State Specials portion of the budget and a portion of the $22.8m on previous slide
5. The FY17 proposed budget also includes unit level reallocations in the other non-sponsored funds to reduce administrative costs – pay for cost increases and reduce the pressure on increased revenues in those funds (sales, fees, etc.)

**President’s Goal – $90m Reduction in Admin Costs Over 6 Years FY14 - FY17 and “balance”**

Total to Date: $72.5m

Approximately $17.5m to implement in final two years
Trend in Total Tuition Revenue 2001 to 2017
(growth generated by changes in enrollment & rates)

FY01-FY11 - Average annual growth = $50m

FY12-FY17 - Average annual growth = $19m

Generated from resident and nonresident rates and enrollment at all levels – undergraduate, graduate and professional
Budgeted FY 17 Tuition Revenue - $879.3M

- Twin Cities UG Res/Reciprocity: $301.6 M (34%)
- Twin Cities UG Graduate: $190.2 M (21.5%)
- Twin Cities UG NRNR: $114.6 M (13%)
- Professional: $124.9 M (14%)
- Duluth: $110.1 M (13%)
- Crookston: $16.6 M (2%)
- Morris: $16.3 M (2%)
- Rochester: $5.0 M (0.5%)
# Resident undergraduate tuition

**2016-17 Big 10 Tuition & Fees and Cost of Attendance (Resident)**

<table>
<thead>
<tr>
<th>Institution</th>
<th>% Tuition Increase Over Prior Year</th>
<th>Tuition &amp; Fees</th>
<th>Total COA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern University</td>
<td>2.8%</td>
<td>$50,424</td>
<td>$70,496</td>
</tr>
<tr>
<td>Pennsylvania State University</td>
<td>2.3%</td>
<td>$17,639</td>
<td>$35,430</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>0%</td>
<td>$15,698</td>
<td>$30,706</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>3.9%</td>
<td>$15,310</td>
<td>$29,684</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>3.8%</td>
<td>$14,932</td>
<td>$28,160</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>1.7%</td>
<td>$14,372</td>
<td>$26,632</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>2.5%</td>
<td>$14,224</td>
<td>$26,482</td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>0%</td>
<td>$10,488</td>
<td>$25,294</td>
</tr>
<tr>
<td>Indiana University</td>
<td>0%</td>
<td>$10,388</td>
<td>$24,808</td>
</tr>
<tr>
<td>University of Maryland</td>
<td>2.0%</td>
<td>$10,180</td>
<td>$25,742</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>0%</td>
<td>$10,010</td>
<td>$25,820</td>
</tr>
<tr>
<td>Purdue University</td>
<td>0%</td>
<td>$10,002</td>
<td>$23,032</td>
</tr>
<tr>
<td>University of Nebraska</td>
<td>2.5%</td>
<td>$8,628</td>
<td>$24,434</td>
</tr>
<tr>
<td>University of Iowa</td>
<td>3.6%</td>
<td>$8,575</td>
<td>$21,874</td>
</tr>
</tbody>
</table>
### Non-resident undergraduate tuition

**2016-17** Big 10 Tuition & Fees and International Surcharge

<table>
<thead>
<tr>
<th>University</th>
<th>Tuition &amp; Fees</th>
<th>International Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern University</td>
<td>$50,424</td>
<td></td>
</tr>
<tr>
<td>University of Michigan</td>
<td>$47,004</td>
<td></td>
</tr>
<tr>
<td>Michigan State University</td>
<td>$38,538</td>
<td>+$1,500</td>
</tr>
<tr>
<td>Indiana University</td>
<td>$34,246</td>
<td>+$184</td>
</tr>
<tr>
<td>Pennsylvania State University</td>
<td>$33,239</td>
<td></td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>$32,738</td>
<td>+$1,000</td>
</tr>
<tr>
<td>University of Maryland</td>
<td>$32,044</td>
<td></td>
</tr>
<tr>
<td>University of Illinois</td>
<td>$31,320</td>
<td>+$844</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>$29,702</td>
<td></td>
</tr>
<tr>
<td>University of Iowa</td>
<td>$28,813</td>
<td>+$1,300</td>
</tr>
<tr>
<td>Purdue University</td>
<td>$28,804</td>
<td>+$2,160</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>$28,202</td>
<td>+$1,940</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>$23,888</td>
<td>+$500</td>
</tr>
<tr>
<td>University of Nebraska</td>
<td>$23,148</td>
<td></td>
</tr>
</tbody>
</table>
# Twin Cities Undergraduate Non-Resident Tuition Rate History

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Cities</td>
<td>$17,310</td>
<td>$18,310</td>
<td>$19,310</td>
<td>$20,660</td>
<td>$22,210</td>
</tr>
<tr>
<td>Dollar change</td>
<td>+$1,000</td>
<td>+$1,000</td>
<td>+$1,350</td>
<td>+$1,550</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>+5.8%</td>
<td>+5.5%</td>
<td>+7.0%</td>
<td>+7.5%*</td>
<td></td>
</tr>
</tbody>
</table>

*The 2016-17 approved plan includes a provision for currently enrolled students paying the non-resident rate (enrolled in 2015-16) plus the fall 2016 cohort, whereby they will see no more than a 5.5% rate increase through 2019-20. The actual tuition increase for 2016-17 for those enrolled in 2015-16 is then $1,130.*
NRNR freshman enrollment (domestic) expected to be down from 2015, thus additional recruitment efforts were implemented

Domestic freshmen - 10.1% increase in applications
10.0% increase in admission offers
2.7% estimated decline in NRNR enrollments
(from fall 2015 high of 826 to 804)

International freshman - 11.2% increase in applications
18.5% increase in admissions offers
6.5% estimated increase in enrollments
(from fall 2015 of 322 to 343)

Yield rates decreased for NRNR and international freshmen (down 1% for Illinois, down 1.8% for other states, and down 2.2% for international)

Overall number enrolled looks to be stable at this point
Depending on the specific recruitment effort, resource allocations were increased anywhere from 5% - 50% to achieve similar results to fall 2015. Additional recruitment efforts including:

- **Staffing for outreach and campus visits** necessary to support recruitment increased by approximately 7%. A higher percent increase than this was spent on NRNR student recruitment **communications**

- **Out-of-state recruitment events** increased by 50%; Admissions hosted over thirty events across the country to support fall 2016 recruitment efforts. Also increased the number of high school visits and college fairs attended by the Office of Admissions

- **Total incremental costs** during the last year for NRNR recruitment: $270,000 ($100,000 in staff salary and $170,000 in recruitment activity)
Expense and Investment Drivers

Framework Costs

Compensation
- Competitive Salaries
- Fringe Benefit Costs

Facilities & Capital Expenses
- Utilities
- New Building Operations
- Repair and Maintenance
- Debt service

Operations
- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

Strategic Choices
- New Academic Initiatives
- Investment in Mission Support
- Institutional Financial Aid
SECTION III. GUIDING PRINCIPLES (Abridged)

(a) The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive...

(b) The University seeks to reward meritorious performance...

(c) ...the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.

(d) The University adheres to compensation and recognition practices that are fair and equitable in design, application, and delivery.
Salary & Benefit Expenses – 2017 Annual Merit Increase Percentage

The annual merit increase percentage must be competitive with local general industry and education industry – information collected last spring:

<table>
<thead>
<tr>
<th>Survey Name</th>
<th>Local</th>
<th>National</th>
<th>Higher Ed National</th>
<th>Public Sector National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aon Hewitt</td>
<td>N/A</td>
<td>3.10</td>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td>Altura</td>
<td>3.05</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culpepper</td>
<td>2.99</td>
<td>3.05</td>
<td>2.54</td>
<td>2.50</td>
</tr>
<tr>
<td>Denarius</td>
<td>2.74</td>
<td>2.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBM</td>
<td>3.15</td>
<td>3.00</td>
<td>2.75</td>
<td>2.75</td>
</tr>
<tr>
<td>Mercer</td>
<td>2.90</td>
<td>2.90</td>
<td>2.50</td>
<td></td>
</tr>
<tr>
<td>Sibson</td>
<td>N/A</td>
<td>3.00</td>
<td>2.65</td>
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<tr>
<td>TCCN</td>
<td>2.90</td>
<td>N/A</td>
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<td></td>
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<tr>
<td>Towers Watson</td>
<td>N/A</td>
<td>3.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>All Industries</strong></td>
<td><strong>2.96</strong></td>
<td><strong>2.98</strong></td>
<td><strong>2.61</strong></td>
<td><strong>2.63</strong></td>
</tr>
</tbody>
</table>
Salary & Benefit Expenses – FY18 Issues

• Fringe pool cost will bounce back after FY17 held “down” due to legal settlement in FY15 – framework funds increase for fringe alone (no salary increase) estimated at $16m
• Each 1% increase in salary (and incremental fringe after bullet above) in framework funds will cost an estimated $11.5m
• Change in MSRS – state may require employer contribution to increase from 5.5% to 7% to reflect longer life expectancy – all funds increase in cost estimated to be $6.2m+ - MSRS bringing this issue before the legislature during the 2017 session


• New Dept. of Labor regulations will be implemented 12/1/16 requiring employees to be paid $913/week ($47,476 annually) in order to be exempt (salaried). Today the requirement is approximately $24k annually.
• Current cost estimate = ~$5m (analysis on options and cost estimates at unit level and by fund source is ongoing)
Expense and Investment Drivers

Framework Costs

Operations
Technology Licensing
Library Inflation/Licensing
Infrastructure

Facilities & Capital Expenses
Utilities
New Building Operations
Repair and Maintenance
Debt service

Fluctuate relatively little from year to year as a total – generally in the $2-$7m range – with the need for different components shifting over time.
## Debt Impact: FY18 Budget Framework

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>FY17*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Combined Heat &amp; Power Plant (CHP – 2(^{nd}) half)</strong> ** (tax-exempt CP – 0.50%)</td>
<td>$50.0M</td>
</tr>
<tr>
<td><strong>Land Purchases</strong></td>
<td></td>
</tr>
<tr>
<td>- Steel Elevators ($2.5M)</td>
<td></td>
</tr>
<tr>
<td>- Kurth Elevators ($3.4M)</td>
<td></td>
</tr>
<tr>
<td>- Railroad Property &amp; South Fulton – tentative – ($13.1M)</td>
<td></td>
</tr>
<tr>
<td>taxable CP – 0.65%</td>
<td>$19.0M</td>
</tr>
<tr>
<td><strong>Vet Isolation Lab (2015 Bonding Bill)</strong></td>
<td>fixed rate; 25 yrs – 4.2%</td>
</tr>
<tr>
<td><strong>Rarebooks Discovery Center and Wilson Library Renovation (2017 Annual Capital Budget)</strong></td>
<td>fixed rate; 25 yrs – 4.2%</td>
</tr>
<tr>
<td><strong>UMD High Voltage Feeder Replacement (2017 Annual Capital Budget)</strong></td>
<td>fixed rate; 25 yrs – 4.2%</td>
</tr>
<tr>
<td><strong>Estimated Costs of Issuance</strong></td>
<td>estimate 1%</td>
</tr>
</tbody>
</table>

**Total Debt Issuances**

$90.0M

*Planned Issuance Winter 2016-17 (includes $400k related to issuance prior to FY17)

**FY2018 Framework Impact = $2.6M for 25 years**
Strategic Choices

• Campus & Collegiate Academic Support*
• Academic Initiatives in Addition to Biennial Request*
• Mission Support Services
• Institutional Financial Aid

* FY17 allocations/commitments in support of the Twin Cities strategic plan and recruitment and retention needs on the System Campuses – from funds set aside in the FY16 budget – totaled roughly $9m recurring and $12m nonrecurring
Institutional Financial Aid

• Undergraduate need based awards – Promise Scholarship ($30M annually)
  – Provides automatic aid to low and middle income Minnesota resident students. Available on all campuses.
  – 2016-17 awards from $306 - $4,134 annually, scaled to family income.
  – Provides awards for families up to $120,000 in family income.
  – Guaranteed for 8 semesters for incoming freshmen, 4 semesters for transfer students. Must maintain satisfactory academic progress.

• Undergraduate merit & recruitment awards ($17M annually)
  – Important for recruitment flexibility
  – Supplemented with gifts and endowments
  – Collegiate and department foundation funds often used for juniors and seniors

• Graduate student gift aid
  – $10M in the Graduate School
  – Variety of distributed sources throughout graduate and professional schools
  – Primary method of aid for graduate students is through assistantships, not gift aid
Budget Levers

Revenues

- **State Appropriation**
  - 1% on GF base ~ $6.3M
- **Tuition rate increases** (stable enrollment)
  - 1% overall ~ $8.7 million
  - 1% resident undergraduate ~ $4.5 million
  - 1% NRNR undergraduate ~ $1 million
  - 1% grad and professional ~ $3.2 million
- **Enrollment increases**
  - 1% undergraduate = 434 students ~ $5.5M
  - 1% graduate/prof = 175 students ~ $3.2M
- **Reallocation**
  - 1% on Framework base ~ $18.0 million

Expenditures *(some more “fixed” than others)*

- **Salaries**
  - 1% general salary increase ~ $16.6M all-funds
  - Faculty salaries make up 30% of salary base
  - Fringe with no salary increase ~ $28M all-funds
  - 1% salary increase & fringe ~ $49.5M all-funds
- **Strategic Choices: $10M-$20M**
- **Institutional financial aid**
  - Approximately $60M annually in “discretionary” financial aid (Promise, Admissions, Graduate)
- **Facilities & Capital Expenses: $2.5-$3M**
- **Operations: $1M - $2M**
- **Debt: $2.6M**
What Are The Budget Priorities For FY2018?

- What is the proposed biennial request to the state for FY18 and FY19?
- What is the appropriate level of planned investment in the strategic plan over and above the items contained in the biennial request?
- Are there areas of the budget in which a modest investment could make the University a leader among its peers?
- What should the resident and NRNR tuition rate plans be and should any enrollment changes be factored in?
- Should we stay the course on administrative cost reductions: year 5 of 6?
- What is the strategy for competitive compensation?
- What is the strategy for ensuring our facilities meet our business needs and are competitive for students and faculty? Should repair and replacement (R&R) investments continue?
- Other?