MEMORANDUM

To: Vice Presidents, Deans, and Fiscal Officers

From: University Budget Team

CC: President Wiewel, Faculty Senate Budget Committee

RE: Guidelines for FY 2013-14 Budget Development

The purpose of this memo is to provide guidance for preparation of the 2013-14 budgets/staffing expenditure plans, course fees and fines revenues, and differential tuition requests. By separate email, each school/college/unit will receive two pre-loaded budget templates; one for development of spending plans, and one for projection of fees, fines, and related revenues. This separate email will also include specific instructions on how to complete each template. We ask that you return to the University Budget Office the differential tuition requests and course fees and fines revenue projections by February 26, 2013, and the budget/staffing plans by April 19, 2013. Prior to the submission deadlines, the University Budget Office will host a meeting with Fiscal Officers to further discuss instructions for completing the templates and to answer questions.

Changes to the Process
As has been discussed previously, planning for the fiscal year 2013-14 fiscal year budget process started earlier this year, as compared to past years, in order to give all those involved more time to think, plan, and discuss the development of a comprehensive University-wide budget that balances available resources with priorities. Attached for your reference is the most recent version of the planning cycle document previously distributed and posted on the University Budget Office website.

In thinking about how to fill out the above-referenced templates, remember that the 2013-14 process continues the move started in 2012-13 to one E&G budget number by having all of the revenue for credit activity (“in-load” and “self-support”) directly in the general fund. There will not be separate revenue funds (other E&G) for “self-support” activities. However, the current flexibility and fee structure will remain for these programs. The intent is not to discourage the entrepreneurial spirit associated with these programs, but, rather, to ensure we are budgeting consistently and across all activities that may occur in a given fiscal year.

Accordingly, all for credit activity (“in-load” and “self-support”) expenditures will be budgeted in the general fund. As a consequence, there will no longer be overhead charged on “self-support” activities that previously were recorded in revenue funds. The activities funded with those overheads still need to be provided (at some level) and will be evaluated and budgeted as part of the overall University budget plan development. In short, the University will no longer charge self-support overhead, so units will no longer “receive budget” to pay that overhead. Many units with activities outside of E&G pay overhead assessments on those expenditures. These rates are currently under review and a final answer may not be available in time for completion of budgets. For planning purposes, these rates will not increase for next fiscal year and if there is a decrease, that will be communicated once a final decision has been made.

Course fees and fines will continue to operate in separate revenue funds as with 2012-13, and should be budgeted as part of this process. Because of growing cash balances in course fees and fines accounts,
with rare exceptions, the University (via University Financial Services) will not approve increases to fees and fines for fiscal year 2014.

**Background**

Budget plans should be developed based upon what each school/college/unit knows about their enrollment plans (i.e. what each revenue generator understands to be their capacity for generating revenue in fiscal year 2014), along with what we understand to be the overall University economic reality. As we progress through this iterative process, expenditure budgets may need to be adjusted to match enrollment plans. Consideration should also be given to those things we do not yet know. Whether a revenue generator or revenue supporter, all units should keep in mind the following preliminary list of “knowns” and unknowns” at this stage of the budget process.

**What We Know**

- A shortfall of approximately $10 million, due to missing current year enrollment estimates needs to be closed
- Additional rollup costs from current mid-year increases of $4 million
- Estimated additional benefit cost inflation (includes PEBB/PERS) of about $10 million
- Incremental debt service, leases, O&M related inflation of about $6 million
- Combined estimated deficit going into 2013-14 of $30 million
- Current value of vacancies = approximately $5 million (E&G funds)
- Current salaries budgeted on E&G paid from grants = in process
- Unexpended fund balance = at 12/31/12 $33 million at academic units and $19 million at non-academic
- A recent price elasticity study that suggests our students are becoming more sensitive to price (especially non-resident)
- The status of searches for current vacancies (should be known by each school/college/unit)

**What We Don’t Know**

- The level of state appropriation (our best guess is we won’t take a reduction)
- Actual level of enrollment for 2013-2014
- Impact of collective bargaining
- What additional investments will be desired
- The effect of an increasingly competitive marketplace
- Federal Changes (financial aid, regulations that might cost additional dollars)
- Changes in our curriculum that could lead to cost efficiencies
- Capacity (but perhaps we should)

All combined it appears that we have about a $30 million deficit to close as we start to build the 2013-14 budget. So, as each of you develops your budget you need to consider the three levers that we have to deal with this deficit: enrollment (SCH) growth, tuition rate increase, and expenditure adjustment. It is unlikely we will be able to solve this issue solely with one lever and we will need some combination to balance the University budget. Each of these levers has an associated rule of thumb for the university:

- Each 1% increase in enrollment (SCH) generates about $2 million
- Each 1% of tuition rate increase generates about $2 million
- Each 1% of expenditure adjustment generates $2.5 million of savings

Also, if you are a revenue generating unit, make sure you consider that the Revenue & Cost Attribution Tool (RCAT) allows you to get a good picture of indicates about your units’ cost to revenue ratio; even though it is still being further developed at the school/college level, we can use what it tells us to help understand the financial impact of growing, or not, certain programs.
Most revenue supporters have limited or no ability to increase revenue (and/or SCH), so much of the budget planning process for them is about being as efficient as possible while still delivering important support services. In developing budgets, revenue supporters should attempt to identify how to deliver the strategically important services as efficiently as possible, especially considering the deficit going into the 2013-14 fiscal year.

Indirect Cost Recoveries (IDC) are an important part of the University’s activity and before building them into budgets the process for budgeting them needs further refinement and appropriate discussions with the Office of Research and Sponsored Programs. Further details will be forthcoming on this.

Remember that this is an iterative process; accordingly the next step will be individual meetings with each school/college to discuss their specific enrollment plans. The University will then develop an overall revenue projection, which will be shared with all of you when completed. In the intervening months until budget plans are due, tuition rates will be developed, we should start to have a better idea on state appropriations, and strategies and priorities should be further developed. Thus, this communication is simply the first regarding budget guidance; there will be more to come.

**Differential Tuition**

Part of the resource planning for the institution is the level of tuition charged. A recent study conducted by Noel-Levitz indicates that there is sensitivity in some areas to the current level of tuition. The standard rates for resident and non-resident undergraduate and graduate are currently being discussed both internally and with the Student Budget Advisory Committee. These base tuition rates will be established in March. Units should evaluate the impacts of costs of their programs and make a determination if the current level of existing tuition differential is sufficient, or if a new differential is warranted. Any requests for differential rates should include the population and number of students impacted, existing and proposed rates, any specific planned investments for these funds, and a justification.

A meeting with the fiscal officers is scheduled for February 6th to review the detail templates and address any immediate questions or concern. The University Budget Team (UBT), and the University Budget Office are available at any time to provide any assistance and guidance you may need.

Thank you for your attention, hard work, and patience as we further develop a more comprehensive, transparent, effective, and efficient budget process.

**Materials to be Delivered Under Separate Cover**

- Budget/staffing expenditure template and instructions
- Course and related fee revenue template and instructions

**Deliverables and Timeline**

- Completed course and related revenues projection By February 26
- Requests for differential tuition By February 26
- Completed staffing and budget templates By April 19