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Fiscal Year 2010 Proposal Guidelines

I. Introduction

The University of Northern Colorado's recent work to define institutional priorities, build greater flexibility into the budget, and address recruitment and retention more strategically gives us an advantage in the current economic climate. By continuing to invest in our priorities during this time, we can position UNC to make great strides forward as the economy recovers.

Given next year's state funding projections, UNC's best-case scenario is likely one with total FY10 revenue equal to that of FY09. This means we must maximize revenues and manage expenditures in order to continue investing in the things that are most important to us—student recruitment and success, academic quality and image. As President Norton has noted, it is also vitally important that we protect employees. We will focus first on increasing revenues and reducing non-personnel costs before making cost-cutting decisions that affect personnel. We will also look for ways to smooth out the effects of the state funding decrease over time, which includes judicious use of one-time reserves.

Our current assumptions about state funding are based on the Governor's proposals for this fiscal year and next. If the Legislature moves forward with the proposals, UNC would receive a \$2.9 million total reduction in state funding over 2008-09 and

2009-10 combined. In addition, state-funded financial aid for UNC would be reduced by an estimated \$590,000. While these cuts are significant, it is important to remember that state funding represents 25 percent of UNC's total revenue, about \$44 million of our \$177 million operating budget (see <http://www.unco.edu/finadmin/FY10FiscalOutlook.pdf>).

II. Planning Drives Budget

Budget allocation decisions must be made based on institutional goals and priorities and be grounded in data and analysis. UNC's mission, vision and values (<http://www.unco.edu/pres/mission.html>) along with the academic plan (http://www.unco.edu/academicplanning/docs/AP_11-02-07%20Final.pdf) form the foundation of our budget allocation decisions.

Building on the academic plan, we are engaged in developing an **enrollment plan** supported by the work accomplished during the October 2008 enrollment summit. A companion **five-year strategic pricing plan** is also being developed. These plans will not be completed in time to guide FY 2010 budget decisions. We will, however, be able to use the first deliverable of the cost project – Cost Model 1.0 – to inform our decision-making. The ultimate goal of the cost project is to help build a budget framework based on institutional priorities that reflects the actual cost of doing business. This new framework will take an enterprise view, allocating revenues to operations, innovation and capital projects rather than focusing on revenue sources. The first version of the cost model includes information about the cost of our academic programs, which will be refined in future versions. The first draft will be available to the deans the week of February 16th and the report will be finalized by the end of February. You may find the initial cost data useful in making decisions and recommendations about cost savings and reallocation of funds to priority areas.

III. FY10 Revenue Proposal Parameters

We are forecasting flat enrollment for planning purposes. But we also recognize that our pricing decisions have an impact on enrollment so we must be strategic in making those decisions. Pricing strategically means:

- Viewing the separate revenue-generating activities of the university holistically
- Optimizing enrollment and ensuring access
- Maximizing net revenues

It is all about perceived educational value

$$\text{Value} = (\text{Net}) \text{ Cost} + \text{Quality}^1$$

The net cost to students includes the total cost of attendance – including tuition, fees, room, board and other charges – net of scholarships and other financial aid.

Decisions about pricing and financial aid awards are not separate; they are inter-dependent.

The principles we will use in FY10 pricing decisions include:

- a. **Tuition:** General tuition rate increases will be linked to decisions about financial aid increases including scholarships and graduate student assistance. Initial scenarios are being built on a 9% resident undergraduate rate increase with larger increases for non-residents and graduate students.

- b. **Differential Tuition:** We currently charge a differential tuition premium for nursing, business, music and music theatre. In FY09 one-third of this revenue was returned to the programs. Strong consideration will be given to increases in existing differential tuition charges that are based on an evaluation of program cost (Cost Model 1.0), student demand, and competitive pricing. At least one-third of any differential tuition increases will be returned to the program.

Proposals for new differential tuition premiums are encouraged based on the same principles of cost, student demand, and competitive pricing. Implementation of new differential tuition may need to be delayed.

- c. **Academic Fees:** Strong consideration will be given to proposals for course fees based on the cost of consumable supplies or pass-through participation/admission fees. Proposals should be clearly justified by cost data and should anticipate reasonable cost increases over a period of three years. The intent is for these fees to be in whole dollar amounts and remain constant for three years.
 - A **course fee** should be charged for consumables only if they are specific to the course, such as laboratory or art supplies. This fee cannot be charged to cover overhead expenses, such as office supplies, or capital goods such as computers, lab equipment, fax machines, and other business machines or office furniture.
 - A **participation fee** must cover only the cost of an outside vendor's charge to use specialized facilities or the travel cost of field trips.

¹ Maguire and Associates

Consideration will also be given to course-specific fees for repair and replacement of specialized laboratory equipment, program fees and library fees. Given that we anticipate a considerable number of proposals, not every fee can be implemented, and some fees may need to be implemented at a future date. However, you are encouraged to provide as much supporting information as possible. Information about academic program needs will be used for financial planning purposes even if fees are not implemented in FY10.

d. **Room & Board:** Rates will be established based on the following principles:

- 1) To continue to provide excellent facilities, services, and meal plans using differentiated pricing consistent with differences in amenities;
- 2) To offer students a choice in service levels;
- 3) To address increases in food, disposables and paper good costs;
- 4) To remain competitive with regional institutions and similar institutions nationally;
- 5) To cover bond payments (debt service);
- 6) To include consideration of room & board discounting consistent with overall University discounting strategies;

e. **Mandatory Student Fees:** Mandatory student fees total \$36.90 per credit hour (up to 10 credit hours) or \$738.00 per academic year for FY09 and include student activity programs, select student services, student administrative services, bonded facility operations, bonded facility capital, and student bond debt. Consistent with the Institutional Plan for Student Fees, these will increase by CPI which is 2.19% in FY10.

In addition the Student Representative Council (SRC) is moving forward with a **Campus Rejuvenation Act** to increase student fees which will go to the student body for a vote in April. A draft of this fee proposal is as follows:

“In order to better meet the needs of students by providing quality and diverse programs, the Student Representative Council proposes a \$3.27 per credit hour increase in student fees for the 2009-2010 academic year. This increase will be used to offset the rise in inflation and loss of revenue due to a decrease in enrollment. Passage of this increase in fees will allow the UNC student body to continue to enjoy affordable intramural sports, state of the art gymnasium, homecoming, live concerts (i.e. Flobots), conference grants, club funding, cultural centers and university activities. Students will benefit from continued excellence in programming and services in the following area: CRC/Intramural Sports,

Student Health Center, Counseling Center, Student Media Corp., College Athletics, University Center, A/PASS, Club Sports, GLBTA, GSA, IFS, CIE, MGCC, NASS, SA, SRC, UPC, UNC Radio, and WRC.”

- f. **Other Charges:** Students are charged for other services incidental to instructional activities, for example: application fees, fines, orientation fees and parking fees. These fees should be established to cover the cost of the services. It may not be feasible to address these in FY10.

IV. FY10 Cost Saving Proposal Parameters

Since it is highly unlikely that we will be able to address all FY10 needs solely through increased revenues, we must also identify strategies to reduce, avoid and defer expenditures. Identifying a range of cost-saving strategies will allow us to continue investing in our highest priorities, such as student recruitment and support, institutional image, and the competitive salaries that help maintain academic quality. For example, every 1 percent increase to salaries for faculty, exempt staff and classified staff for FY10, will require that we identify \$785,000 in new revenue or savings.

Again, institutional priorities will be the guide for making these decisions. The goal is to find cost-saving measures that will not have a negative effect on activities central to our core mission and priorities. While our past work to reduce costs and operate efficiently makes it more difficult to identify this kind of cost-savings, creativity is encouraged. Additionally, identifying expenditures that may be deferred until FY11 or FY12 will help provide flexibility to make FY10 investments without permanently reducing a unit’s funding.

V. FY10 Strategic Investment Proposal Parameters

In order to fulfill our mission, we must continue to attract, recruit and retain students, and continue to deliver our academic offerings at the highest level. Revenue generation and cost-saving measures will allow us to continue investing in these key areas.

Our strategic investments in recruitment and student success, which supported better-than-expected enrollment and retention levels in FY09, are helping offset the impact of FY09 state funding cuts. Additional improvement in FY10 will further mitigate the effect of declining funding. Similarly, marketing activities that raise the university’s profile will help build enrollment.

We have also learned from past experience that reducing personnel or freezing salaries has a particularly corrosive effect that can require years of recovery. This means we will make every effort to protect UNC's investment in employees.

Proposed strategies for investment should be true to UNC's mission, build on the work outlined in the academic plan and support our efforts to generate revenue.

VI. Proposal Format

To collect information in a uniform format, OBIA has created the FY10 Budget Strategy Recommendation Form and instructions, which are available on the OBIA website for downloading, (<http://www.unco.edu/obia/forms.html>)

The form can be used to propose:

- Revenue enhancements New means of generating revenue that does not require additional university expenditure
- Cost savings Ideas for eliminating, reducing or deferring costs
- Strategic investments Opportunities to invest in mission-driven activities that generate revenue or create savings
- Funding of external mandates Unavoidable costs imposed on the university, with emphasis on cost increases that can be predicted for FY10 (e.g., cost increases associated with contractual agreements)

In keeping with UNC's focus on long-range planning, the form requests information about the proposal's financial impact over three years and its approximate financial impact on other areas of the university. The form also requests a narrative assessing the qualitative and quantitative aspects of the proposal, which should explain approximated figures or additional information that is needed. Guidelines on points to be addressed in the narrative are included in the instructions to the form. The instructions also provide guidelines for employee benefits and inflation rates to assist in preparing a three-year financial projection for the proposal.

All proposals are due in electronic format from the Deans, Directors, Associate Vice Presidents and Assistant Vice Presidents to their respective Vice Presidents by **9 a.m. March 9, 2009**.

VII. Role of Recommendations in the Budget Process

Input from budget leaders at all levels is important to establishing priorities for the FY10 budget. Budget leaders should consult with others in their areas about proposals that come forward and recommend priorities. A list of priorities will be helpful as proposals are considered in total.

VIII. Key Dates

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| March 9 | Proposals submitted to vice presidents |
| March 20 | State releases revenue forecast |
| March 23 | Introduction of Long Bill |
| May 8 | Board of Trustees reviews preliminary budget proposal |
| June 12 | Board of Trustees approves budget |