The following narrative describes the 2006-07 general fund budget in detail. Revenues and Expenditures are based upon prevailing assumptions as of June 29, 2006. Key items driving the FY 2006-07 general fund budget include:

- A significant increase in state support, primarily through the Fee-For Service contract with the State;
- Reduced reliance on reserves from the Petroleum Institute;
- Targeted expenditure increases to key areas of instruction and support, as well as restoration of several administrative cuts made during the past four years of budget constraints.

### Revenues

Budgeted revenues are expected to increase by $5.3 million over FY 2005-06. The revenue growth is primarily due to increased tuition revenue and increased state support. The increase in these revenue sources will be offset by the projected reduction of Petroleum Institute funds used to support the budget.

- **State support ($1.6 million).** State support has increased for the first time in five years. Increased funding was provided through higher COF stipends, additional Fee-For-Service support, and partial funding for enrollment growth between 2001 and 2005.
- **Tuition revenue ($3.1 million).** Tuition revenue will increase with approved increases to the per-credit-hour rate and the third year implementation of the structural change for resident undergraduates. Tuition rates are currently under review by CCHE. Enrollment is projected to stabilize after several years of growth (the increase in appropriated tuition revenue is $3.1 million based on legislative enrollment projections).
- **Other income ($0.6 million).** Other income will be mostly flat as it is tied closely to student enrollment, indirect cost recoveries, and interest earnings. Other income categories are not appropriated by the legislature.

<table>
<thead>
<tr>
<th></th>
<th>Approved FY 2005-06</th>
<th>Revised FY 2005-06</th>
<th>Proposed FY 2006-07</th>
<th>FY06 Original to FY07 Proposal</th>
<th>% Increase</th>
<th>FY06 Revised to FY07 Proposal</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Support</td>
<td>$17,187,980</td>
<td>$18,608,720</td>
<td>$20,228,262</td>
<td>$3,040,282</td>
<td>17.7%</td>
<td>$1,619,542</td>
<td>8.7%</td>
</tr>
<tr>
<td>Total Tuition</td>
<td>$36,375,149</td>
<td>$37,636,848</td>
<td>$40,759,486</td>
<td>$4,384,337</td>
<td>12.1%</td>
<td>$3,122,638</td>
<td>8.3%</td>
</tr>
<tr>
<td>Other Income</td>
<td>$6,808,500</td>
<td>$6,808,500</td>
<td>$7,429,963</td>
<td>$621,463</td>
<td>9.1%</td>
<td>$621,463</td>
<td>9.1%</td>
</tr>
<tr>
<td>Petroleum Institute Funds</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$1,222,310</td>
<td>($1,777,690)</td>
<td>-59.3%</td>
<td>($1,777,690)</td>
<td>-59.3%</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$63,371,629</td>
<td>$66,054,068</td>
<td>$69,640,020</td>
<td>$6,268,391</td>
<td>9.9%</td>
<td>$3,585,953</td>
<td>5.4%</td>
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</tbody>
</table>
State Support

The 2006 General Assembly provided significant increases to higher education in FY 2005-06 and FY 2006-07 as a result of the passage of Referendum C. The increased support came in three forms: 1) Higher Colorado Opportunity Fund stipends, which increased from $80 per-credit-hour to $86 per-credit-hour; 2) Fee-For-Service contracts which were increased to cover the state’s estimate of mandated cost increases; and 3) partial funding of enrollment increases that occurred from FY 2002 to FY 2005.

The Colorado School of Mines benefited from these increases as shown in the table above. A portion of our state support is dependent on enrollment increases that were projected by legislative staff. Our decision to limit the size of the freshmen class may result in the inability to capture the full amount of COF stipends appropriated. The General Assembly provided a mechanism for relief of such a shortfall by passing HB06-1399, which allows governing boards to move a portion of their COF appropriation to Fee-For-Service in the event that enrollment does not meet legislative projections.

In addition to COF stipends and Fee-For-Service appropriations, the legislature appropriates tuition spending authority. This appropriation is based on legislative enrollment projections and tuition rate guidance provided through Long Bill footnote #43. Because the state’s enrollment projections exceed our enrollment projections, the Long Bill appropriation of $40,759,486 will accommodate the tuition increases approved by the Board in April and June of 2006.

Tuition Revenue

The FY 2006-07 tuition rates approved by the Board at its June 8, 2006 meeting are responsible for the majority of the School’s additional revenue in FY 2006-07. The Board continued implementation of its five-year plan to align resident undergraduate tuition with the cost of educating an undergraduate student. FY 2006-07 represents the third year of the plan to increase full-time status from 10 credit hours to 15 credit hours. The per-credit-hour rate of $302 was increased 2.5% to $310 for FY 2006-07. The full-time rate at 13 credit hours will be $4,030 per semester. Resident graduate tuition was increased to at least match the undergraduate rate, and will be $448 per-credit-hour, and $4,032 for a full-time graduate student at 9 credit hours.

Enrollment growth is expected to slow considerably as the result of the plan to accept fewer freshmen students for fall 2006 than were accepted for fall 2005. Overall, enrollment for both undergraduate and graduate students is projected to be flat, as shown in the table below.
Expenditures

Expenditure needs are currently estimated to increase by $5.0 million. These are categorized by the nature of the increases as follows:

- **Nondiscretionary Increases ($0.6 million)**. Nondiscretionary increases include state mandated increases to classified staff salaries and benefits, debt payments, and undergraduate financial aid increases.

- **Continuing Personnel Increases ($2.5 million)**. Personnel actions include faculty searches to replace vacancies, budgeted recognition of positions already filled, and administrative and academic faculty salary and benefit increases to match classified staff.

- **High Priority Additional Staff and Operating ($1.4 million)**. Items in this category include key positions and operating associated with workload increases, or new operating environments, such as regulatory, licensing, maintenance, and accreditation. Also included are faculty salary increases 1% above classified staff.

- **Other Needs ($0.5 million)**. This includes primarily items held constant over the past several years as a result of limited resources, such as inflationary increases to operating and travel budgets and positions for enhancing current activities.
The increases proposed for FY 2006-07 are can be broadly aligned with the strategic plan as shown in the table below.

<table>
<thead>
<tr>
<th>FY 2006-07 Proposed Increases</th>
<th>$ Increase</th>
<th>% of New Funds</th>
<th>Average FY05-FY07</th>
<th>Strategic Plan Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$1,503,511</td>
<td>30.2%</td>
<td>31.4%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Research</td>
<td>$306,040</td>
<td>6.2%</td>
<td>11.2%</td>
<td>12.9%</td>
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<tr>
<td>Academic Support</td>
<td>$512,680</td>
<td>10.3%</td>
<td>9.7%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Student Services</td>
<td>$216,930</td>
<td>4.4%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>$1,380,231</td>
<td>27.8%</td>
<td>19.0%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Plant Facilities</td>
<td>$302,024</td>
<td>6.1%</td>
<td>11.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Scholarships &amp; Fellowships</td>
<td>$751,000</td>
<td>15.1%</td>
<td>11.3%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>3.5%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$4,972,416</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Increases in each area along with campuswide compensation increases are discussed below. Many requests for positions and operating items represent restoration of positions and operating lines that were eliminated during the FY 2002-03 budget reductions. The FY 2006-07 represents the first increase in state support since those cuts were made.

**Compensation**

Salary and benefit increases for classified employees are mandated by the state. For FY 2006-07, salaries will increase by a statewide average of 2.5% across all occupational groups. Support for Health, Life, and Dental coverage will increase to cover 75% of insurance costs, resulting in a higher fringe benefit rate in FY 2006-07. The projected impact of these increases is $357,000.

Salary increases for academic and administrative faculty have traditionally been tied to increases mandated for classified employees. The proposal for FY 2006-07 is to increase faculty salaries by 1 percent above classified salary increases to recognize recruitment and retention issues among all faculty members. A salary increase of 3.5% will have a projected impact of $1.2 million (an additional 1 percent represents $300,000).

**Instruction**

As noted above, increases for instruction incorporate instructional positions which replace academic personnel who have left or retired. Highlights include:

- Professors/Assistant Professors. The proposed budget includes positions for a professor in Materials Science, tenure-track assistant professors in Economics and Business, Engineering, Environmental Science, Liberal Arts/International Studies, and Materials Science (2.5 FTE), and a research assistant professor in Geology. In addition, three positions funded through the CSM Foundation, the successfully completed search for the Chesebro Chair in Petroleum Engineering and the ongoing searches to fill the Paden Chair in Engineering and the Baker Hughes Professor in Geophysics.

- Instructors/Lecturers. The proposed budget also includes non-tenure track instructor positions for Chemistry, Economics and Business, EPICS (2 FTE) Liberal Arts &
International Studies, Metallurgy and Materials Engineering (1.5 FTE), Petroleum Engineering, and Physics (2 FTE)

- Other Positions. Other positions proposed include a lab technician (Geophysics), a principal tutor (McBride, .5 FTE), and various responsibility changes for current faculty.

Increases for faculty development funds associated with these positions is estimated to be approximately $750,000.

Research

Research requests include increases for equipment match, faculty development funds, and graduate recruitment. The biggest change is reclassification of the nonresident PhD tuition assistance program. This was categorized as Instruction last year, but is more appropriately categorized as Research.

Academic Support

Two new positions are requested for support in Academic Computing and Networking, and for support of the Associate Vice President for Academic Affairs. Also requested are increases for library materials and increases in licensing and security costs for Academic Computing and Networking.

Student Services

The proposed budget includes a new position in Career Services for a recruiting coordinator, and increases operating support for student recruitment, public safety, athletics, and admissions.

Institutional Support

Institutional support requests include several positions and operating items to support campuswide activities. Positions requested include:
- an attorney, internal auditor, and public affairs specialist in the President’s Office;
- a personal services agreement specialist and benefits specialist in Human Resources;
- a procurement card administrator in Procurement Services;
- a desktop computer support position for Information Services;
- a contract administrator in Research Administration; and
- a sectional support position in Alumni Relations.

Operating increases include one-time expenses for ABET accreditation, one-time adjustments for compensated absences, and restoration of operating budgets for Legal Services and Research Services.

Operation and Maintenance of Plant

Plant positions requested include custodial and trades support for the new CTLM building and a general professional position to administer plant activities such as fleet, utilities, and maintenance projects.
Scholarships and Fellowships

Requested increases in Scholarships and Fellowships include the reclassification of instructional line items for TA/RA support, along with enhancement of funds for graduate student support. For undergraduates, the request includes $60,000 for continuation of the women’s soccer commitment, and $336,000 to comply with Board policy to dedicate 15% of the revenue generated by tuition rate increases to financial aid. For FY 2006-07, a portion of the total aid amount will be covered by an increase in state financial aid, which may not continue beyond FY 2006-07. As in prior years, the administration will request funds to ‘backfill’ any reductions in state aid.

Priorities

The draft budget distributed at the Board’s June meeting shows budgeted revenues exceed requested increases. However, the campus has committed to reducing its use of reserves derived from the Petroleum Institute. This reduces the level of resources available to the School to meet its budget.

The issue facing the School is the level of reserves to be used to support the FY 2006-07 General Fund budget. Prior Board discussions have indicated a targeted use of $1.5 million. The administration and Campus Budget Committee have prioritized expenditure items to be included at that level of funding.

The June 24, 2005 Board minutes reflect the understanding that the multi-year tuition restructuring is in place to wean the School off of the use of the reserve funds, and include the projection by then Vice President Moore that the goal was to not require the use of the Petroleum Institute funds by 2009.

Additionally, February 15, 2006, Board communications to the General Assembly regarding planned tuition increases indicated that moving forward with the structural change will cut the School’s reliance on reserves in half for FY 2006-07 – from $3 million to $1.5 million - and will eliminate it in subsequent years.

The tuition plan, approved by the Board on June 8th, 2006, is under reviewed by Colorado Commission on Higher Education (CCHE). Any changes in revenue that result from CCHE’s review will impact the expenditure levels of the School in FY 2006-07.

A high-level modeling exercise of revenues and expenditures over the next five years indicated that the School will not require reserve funds in FY 2007-08, which would be ahead of schedule, given these general assumptions:

- Implementation of the three final stages of tuition structure changes
- Expenditure growth equal to revenue growth

This may be the case even if the FY 2006-07 budget includes the level of reserve funding indicated in the proposed operating budget.
To the extent that expenditures grow less than revenues, and given planned tightening of fiscal management policies starting in FY 2006-07, the School will position itself to be able to make significant progress toward eliminating accumulated deficits in the General Fund over the five years.

Depending on the level of reserves the Board approves for use in FY 2006-07, the recommended prioritized list of expenditure items can be used to determine which items will be included and excluded from the FY 2006-07 General Fund budget. A portion of the FY 2006-07 requests have been recommended pending clarification of the School’s revenue outlook.