FY 2008 Operating Budget

Overview

The School’s Campus Budget Committee and Executive Committee have reviewed a broad spectrum of requests for new and continued spending items for FY 2008 and presented the respective recommendations to the President. After the President’s consideration of the Committees’ recommendations, a final budget proposal is presented for Board approval. Highlights of the FY 2008 budget include:

- Elimination of spending from the School’s Petroleum Institute reserve;
- Full funding of mandated increases for classified staff salaries, faculty and staff benefits, and institutional financial aid requirements;
- Proposed increases for faculty salary increases in line with classified salary increases; and
- Inclusion of approximately $2 million of the School’s highest priority spending requests, including new faculty, adjunct faculty, teaching assistants, and targeted new campus support positions.

Several items were not included due to limited resources available. Most notable, no spending against prior year budget balances has been included in the budget. A discussion of this issue is included below.

Budget Process Changes

The process for setting the FY 2008 budget differed from prior years in several ways, including:

- Prioritized budget requests from each department or administrative unit using a standardized format which included all revenue sources and all expenditure requests.

- Campus Budget Committee hearings by the Vice President of Finance and Administration, Vice President of Student Life, and the Executive Vice President for Academic Affairs, including the Vice President of Research and Technology Transfer.

- Concurrent budget recommendations to the President by the Campus Budget Committee and the Executive Committee.

Budget Format Changes

The All Funds Budget format adopted for FY 2008 has been modified as the administration has gained familiarity with the mechanics of the All Funds approach. As adopted, the All Funds Budget format included Current Unrestricted Funds (General Funds and Auxiliaries), Current Restricted Funds (Sponsored Research, Foundation, and Other Restricted), and Endowment Funds. In working with the new format throughout the year, it became apparent that a new category of Current Unrestricted Funds was needed to monitor campus activity. This new category, called “Designated Funds”, is used to track specific activity that has a multi-year span. Some examples of Designated Funds include faculty start-up commitments, indirect cost returned to research centers and revolving project funds like the Technology Fee account that commit funding on a continuous basis.
When the Board approved spending of $1.8 million against prior year balances in October 2006, because most of the funds represented faculty start up and indirect cost returned to centers, the spending authority was placed in Designated Funds. Transitioning all of the activity from the old funds to the new funds has proven difficult, both functionally and administratively. As a result, the true spending patterns associated with the prior year balances have only recently been clarified. At this point, only a portion of the spending authority approved in October has been utilized. For this reason and others, requests for further spending against prior year balances is expected to be authorized on a case by case basis in FY 2008.

**FY 2008 Overview**

The FY 2008 budget represents a year of transition in three important ways; 1) the School will not rely on Petroleum Institute (PI) funds to close the resource gap, 2) departments will need to coordinate spending of prior year balances at the institutional level, and 3) the School will look at sources and uses across fund types. An overview of specific fund sources follows.

**State Support**
State support will increase by $1.5 million in FY 2007-08. The legislature appropriated an additional $1.2 million in Fee for Service support and an additional $0.3 million for College Opportunity Fund stipends. Each COF-eligible credit hour will be credited at $89 – up from $86 in FY 2006-07.

**Tuition Revenue**
The Budget includes a per-credit-hour rate increase of 3.5%, with an adjustment of resident undergraduate full-time status from 13 to 14 credit hours and retaining the tuition surcharge that was implemented in FY2007. Nonresident undergraduate tuition is proposed to increase by 7.0%. Graduate tuition rates for full-time students are set to match the full-time undergraduate rates. Using current enrollment projections, the proposed rates would result in $5.2 million of additional tuition revenue. The proposed rates are shown in the attached table.

**Other Sources**
Other sources of increased revenue include indirect cost recoveries ($375,000), increased interest earnings ($40,000), and increased revenue from student fees. Fee revenue increases are the result of enrollment and rate increases, most significantly from the increased recreation center, the new capital fee and the new optional parking permit. A complete listing of fees is shown in the attached “Fees and Other Charges” document.

**Petroleum Institute Reserve**
For FY 2007-08, the Board has directed the School to develop a budget without the use of reserve funds from the Petroleum Institute. This will mean replacing $1.2 million of current spending with other revenue sources.

Uses of funds include nondiscretionary increases from state and federal mandates, FY 2008 expenditures committed in FY 2007, School policy directives, and new spending requests. An overview of the primary fund uses follows.

**State and Federal Mandates**
State classified employees’ salaries and benefits are mandated by the legislature and the State Department of Personnel. For FY 2008, the average salary increase will be 3.7%. Additionally, classified employees performing at their job level will receive a performance pay increase of 1%, and certain exceptional employees will receive a one-time bonus of 2%. From these increases, employees must pay an increased portion of their salary to PERA. Beginning in FY 2008, all state employees will pay an additional 0.5% employee contribution each year over the next six years. This proposed budget includes the net salary increase of 4.4% plus .64% for exceptional performers.

Fringe benefit rates are submitted to the Federal Office of Naval Research for approval and are charged uniformly for all School faculty and staff. For FY 2008, submitted rates are increasing from 25.4% to 27.0% for faculty, while classified staff rates are decreasing from 21.7% to 20.4%.

Other state mandates include costs of performing the state financial audit, indirect costs assessed to fund the Colorado Commission on Higher Education, state Risk Management charges, and charges for work performed by the Attorney General’s Office.

**FY 2008 Commitments**
Commitments from FY 2007 include the annualization of positions approved in the FY 2007 budget and hired in the middle of the year, and the January 2007 approval of the Graduate Assistant Fellowship program.

**Policy Directives**
School policy directs a portion of undergraduate tuition increases to be allocated to institutional financial aid. While this policy is a School directive, state statute also requires a portion of resident undergraduate tuition increases be directed to resident undergraduate aid. The primary policy decision that will impact the FY2008 budget is the increase to faculty salaries. The proposed budget includes an increase equivalent to the classified increase, which is calculated at 4.4%. In addition, a portion of the funding for new requests is set aside for targeted salary increases to specific faculty members.

**New Faculty Hires**
New faculty searches are nearly completed, with contracted additions to date that include:
- Two Distinguished Chaired Professors (Herman F. Coors Chair in the Metallurgical and Materials Engineering and the Baker-Hughes Chair in Geophysics);
- A Professor of Metallurgical and Materials Engineering to lead our electron microscopy unit;
- Eight tenure-track / tenured Assistant/Associate Professors in Economics and Business, Engineering, Geophysics, Geology and Geological Engineering, Mathematical and Computer Sciences, and Physics; and
- Five non tenured Instructor / Lecturer / Senior Lecturer positions in Chemistry, Economics and Business, Liberal Arts and International Studies, and Physics.

In addition to the above hires, several other faculty searches and appointment negotiations are continuing, including a third distinguished chair (Boettcher Chair in Geology.) An update will be available for the Board at the June meeting.
At this point in the summer, and with respect to faculty turnover in the past year, we have recorded one faculty retirement to a transitional appointment, six transitional retirees who have completed their transitional terms or will complete them in December 2007, and eight faculty members who have resigned to take positions elsewhere. Some further turnover is possible before the start of the fall semester.

**New Requests**
Requests for new budget items in FY 2008 have been reviewed and prioritized by each Vice President. Some new requests are nondiscretionary, such as positions currently on staff but not funded in FY 2008, and certain student life expenses committed through contracts or student government action. Beyond these items, each area has requests for new spending.

Currently, there are approximately $1.1 million of funds available for new discretionary requests. The requests based on need, however, are significantly higher than the funds available. Based on a review of prioritized needs, the available funds are proposed to support:

- funding related to academic faculty positions already on campus or commitments to deliver our programs.
- an increase for adjunct faculty to replace retiring academic faculty
- increases to the number of teaching assistants needed in academic departments
- increases to move positions from a funding source that expires, such as Banner, to the General fund, or to properly budget for positions that are currently unbudgeted
- 6.75 new FTE are requested for specific needs in research, the Controller’s Office, information services, and public safety and
- increases to operating budgets, evenly split between properly budgeting current activities and increases for new spending in areas such as Human Resources, Admissions, and Public Affairs.

While these requests represent the School’s highest priorities, there are significant expenditure items that are not yet final. These items include faculty searches still underway, institutional requirements related to state financial aid, and certain state mandated costs. When the status of these expenditure items is final, the President will review the available funds and prioritize all the requests ensuring a balanced budget without the use of Petroleum Institute funds.