Summary

The School’s Campus Budget Committee and Executive Committee have reviewed revenue and expenditure requests for FY 2009 and presented their respective recommendations to the President. After consideration of the Committees’ recommendations, the President’s budget is presented for Board approval. Some key items of the FY 2009 budget proposal include:

- $7.7 million in revenue growth from tuition ($6.2M) and state support ($1.5M);
- $3.3 million for increases to salaries and benefits for current faculty and staff;
- $1.8 million for new faculty and also annualization of positions authorized during FY08;
- $1.3 million for new faculty development (start-up); and
- $1.0 million for student support – both undergraduate and graduate.

The items noted, along with other nondiscretionary increases, left only a small amount of new revenue available for departmental requests. This agenda item assumes a specified revenue target, but the requests have been prioritized to allow for various revenue contingencies.

FY 2009 Overview

The FY 2009 All Funds Budget reflects significant growth in revenues, and equally significant growth in spending directives. Below is an overview of revenue and expenditure changes by category.

<table>
<thead>
<tr>
<th>FY09 REVENUE</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>$6,257,000</td>
</tr>
<tr>
<td>State Support</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Indirect Cost Recoveries</td>
<td>$306,000</td>
</tr>
<tr>
<td>Auxiliary Increases</td>
<td>$864,500</td>
</tr>
<tr>
<td>Investment Income</td>
<td>($125,000)</td>
</tr>
<tr>
<td>TOTAL NEW REVENUE</td>
<td>$8,802,500</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FY09 EXPENSES</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Mandated Increases</td>
<td>$2,675,000</td>
</tr>
<tr>
<td>FY09 Commitments</td>
<td>$3,022,500</td>
</tr>
<tr>
<td>Policy Directives</td>
<td>$2,550,000</td>
</tr>
<tr>
<td>Auxiliary Increases</td>
<td>$860,000</td>
</tr>
<tr>
<td>FY08 One Time Adjustments</td>
<td>($1,575,000)</td>
</tr>
<tr>
<td>FY09 New Requests</td>
<td>$1,290,000</td>
</tr>
<tr>
<td>TOTAL NEW EXPENSES</td>
<td>$8,802,500</td>
</tr>
</tbody>
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Current Unrestricted Revenue

Tuition Revenue

The largest source of new revenue is tuition. Legislated tuition increases coupled with strong nonresident and graduate enrollment growth will provide the majority of funds needed to balance the FY09 budget. It is worth noting that FY09 will be the final year of the resident
undergraduate tuition restructure. This initiative was launched in FY05 to better align tuition with the cost of undergraduate education. Since that time, the School’s financial position has stabilized through:

1) Elimination of reserve spending from the Petroleum Institute;
2) Reduction of the deficit in the school’s General Fund; and
3) Balancing the current year budget through control of spending prior-year balances.

**State Support**
State support will increase by $1.5 million in FY09. The legislature appropriated an additional $1.3 million in Fee for Service support and an additional $0.2 million for College Opportunity Fund stipends. Stipends under the COF program will increase from $89 to $92 per credit hour in FY09.

**Other Sources**
Other sources of increased revenue include indirect cost recoveries ($300,000), but an anticipated decrease in interest earnings ($-125,000). Interest earned on treasury held balances are expected to earn a lower yield in FY09 due to the drop in short-term interest rates.

**Auxiliary Operations**
Income from Auxiliary operations is expected to increase by $865,000 as a result of inflationary increases in fees and charges for student services, housing, and meal plans. Housing rates are proposed to increase by 3%, while meal plans are proposed to increase by 5%.

**Current Unrestricted Expenses**

**Mandated Increases**
Mandated expenditures include salary increase for classified employees ($725,000), fringe benefit increases for all employees ($750,000), debt service ($368,000), increased utility costs ($330,000), and statutory increases to undergraduate financial aid ($257,000). Other mandated increases include software licensing agreements, state charges for the financial audit, Risk Management, and work performed by the Attorney General’s Office ($290,000).

State classified employees’ salaries and benefits are mandated by the legislature through the State Department of Personnel. For FY 2009, the average salary increase will be 3.28%, with an additional 1% for classified employees performing at their job level. Exceptional employees will receive a one-time bonus of 2%. Fringe benefit rates are increasing due to increases in the School’s contribution to employees’ Health, Life and Dental costs, along with the fourth of eight scheduled increases in the PERA contribution for all employees. For FY 2009, rates submitted to the Federal Office of Naval Research are increasing from 27.0% to 28.1% for faculty and from 20.4% to 23.1% for classified staff.

**FY 2009 Commitments**
Commitments from FY08 include the annualization of positions hired between July 2007 and June 2008, as well as promotions and transfers for existing employees ($675,000). FY09 commitments include all faculty searches in which a contract has been offered. Most of these contracts have been signed and returned, while some will be finalized during the final weeks of the fiscal year. In total, these represent salary and benefit commitments of $1.1 million and first-year startup commitments of $1.3 million. In addition, the new Provost position is included as a commitment for FY09, with an estimated starting date of January 1, 2009.
New faculty positions include 20 tenure-track positions (2 Professor, 17 Assistant Professor, and 1 Lecturer), 1 non tenure-track position, and 1 research faculty position. These positions are offered in the following areas:

- Petroleum Engineering – 1 Professor; 2 Assistant Professors
- Math and Computer Science – 4 Assistant Professors
- Chemical Engineering – 2 Assistant Professors and 1 Lecturer
- Chemistry - 1 Assistant Professor and 1 Lecturer
- Environmental Science and Engineering - 2 Assistant Professors
- Metallurgy and Materials Engineering – 1 Assistant Professor and 1 Research Professor
- Geology – 2 Assistant Professors
- Economics and Business, Engineering, Geophysics, Liberal Arts - 1 Assistant Professor in each department

**Policy Directives**

In recent years, the Board has aligned increases in faculty salaries with classified staff increases. For FY09, this represents average faculty salary increases of 4.28% ($1.4 million) plus a 2% pool for equity adjustments and/or recognition of exceptional performance. School policy also directs a portion of the increase in undergraduate tuition revenue to financial aid. This policy results in financial aid in excess of the statutory requirement ($351,000). Finally, by policy, a portion of the indirect costs recovered for sponsored research are returned to research centers or departments that housed the research ($77,000).

**New Requests**

Requests for new budget items in FY09 have been reviewed and prioritized by each Vice President. The Campus Budget Committee has reviewed the list and provided input to the President for his consideration. Based on current revenue estimates, and taking all mandated, committed, and policy expenditures into account, it is believed that approximately $1,290,000 will be available for new priorities as follows.

- New Positions – 2 new classified positions in Academic Computing & Networking ($76,000)
- Current Positions – Increases to Teaching Assistants, Adjunct Professors, Summer Instruction ($430,000), increase the school funded portion of Collaboratory and NMR lab coordinators ($70,000), and upgrades to two support positions ($14,000)
- Operating Increases – Increases to operating for Instruction ($140,000), Research ($305,000 – including $260,000 for spending against prior balances), Academic Support ($57,000), Institutional Support ($13,000), and Plant ($184,000)

Additional new positions and operating increases have been prioritized contingent upon fall revenues exceeding the current estimate. These items will be discussed in the Board’s first quarter forecast update next fall.

Expense increases for the auxiliary functions include general increases to operations and maintaining the facilities along with the following new positions:

- 2 new general laborer positions and
- 2 new grounds positions.
Current Restricted Funds

Growth in Current Restricted funds is a sign of progress in the areas of sponsored research and foundation support. All activity in these funds is dedicated to a specific purpose according to the source of funds.

Sponsored Research
Sponsored research activity is projected to increase in FY09 as a result of significantly higher award activity during FY08. Award volume has been increasing throughout the year, and is projected to approach $40 million by the end of the fiscal year. This will translate into greater research expenses in FY09 as awards are implemented. With increased sponsored research, it is estimated that indirect cost recoveries to the School’s general fund will increase proportionally.

Foundation Spending
Foundation spending is estimated to increase by approximately 4% in FY09. Foundation spending limits are increasing by $431,000 campus-wide, with most of the increases held in donor restricted endowments. Spending limits increases are concentrated in the areas of scholarships and academic endowed chairs.

Campus Budget Committee Discussion
The Campus Budget Committee recommended to the President to approve prioritized new spending up to the amount of available revenues. Further, the Committee wished to recognize the scope of FY09 spending requests evaluated – in excess of $11 million for new spending and nearly $1 million for spending against prior year balances. The FY09 proposed budget includes only $1.2 million of new spending initiatives, and minimal spending against prior year balances.