

**TO:** Board of Trustees

**FROM:** Joseph Trubacz  
Senior Vice President for Finance and Administration

**DATE:** May 21, 2011

**SUBJECT:** FY 2013 Budget

## **I. BACKGROUND INFORMATION**

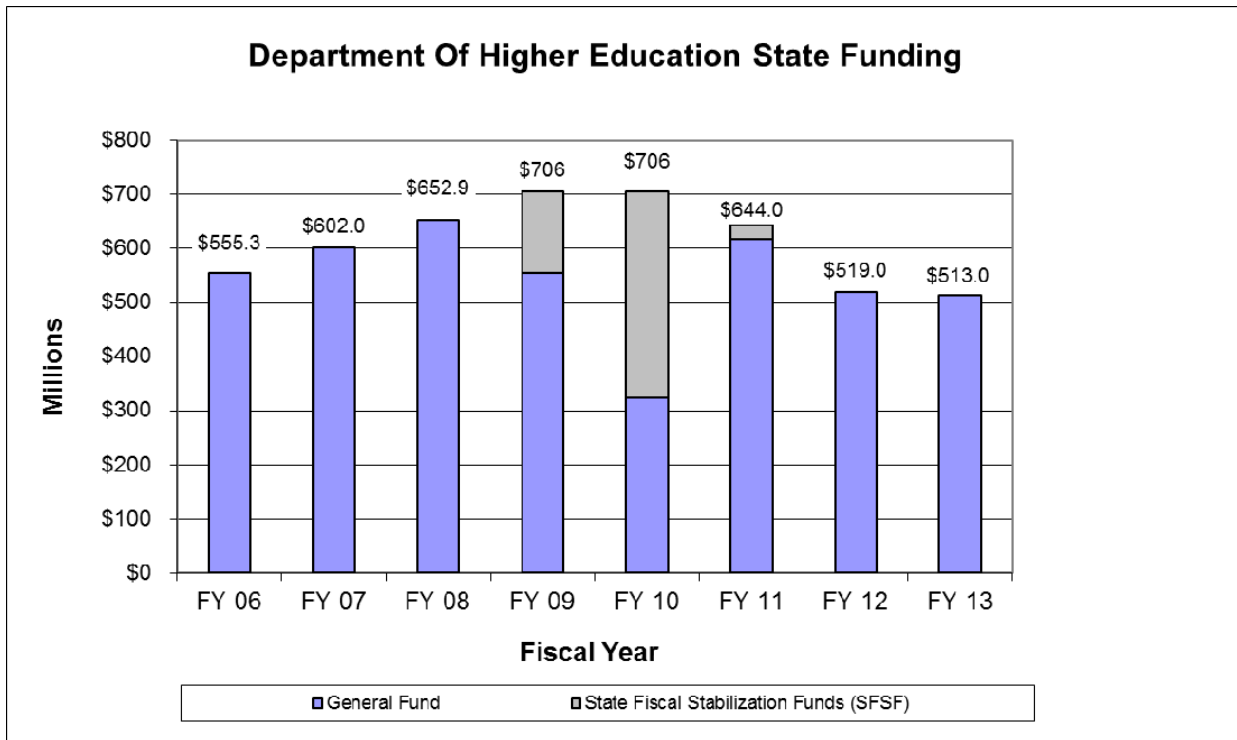
### **Fiscal Year 2013 Operating Budget**

#### **Summary**

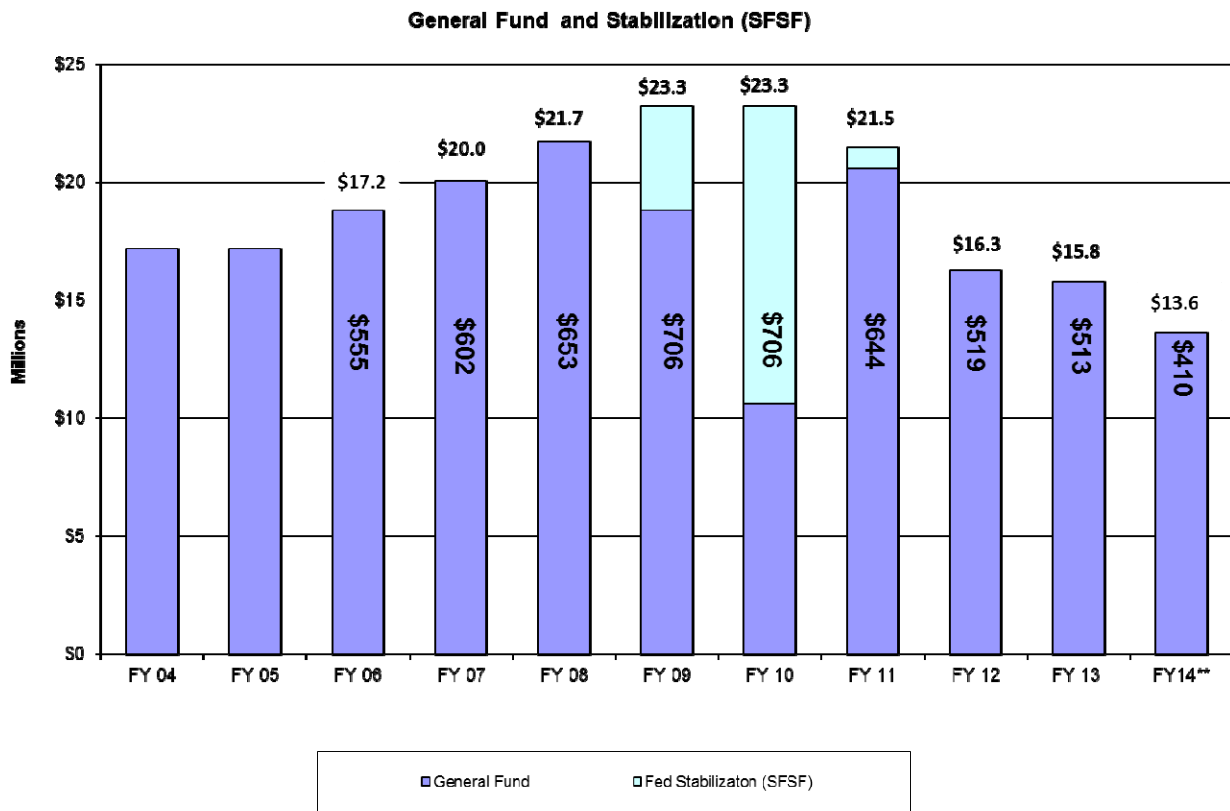
The Fiscal Year 13 budget was developed in alignment with the school's initiatives as well as continuing to address certain core critical needs. In Fiscal Year 12 we made significant strides in our budget to build up our tenure track faculty lines. Investments in certain areas are necessary to continue to move forward on the strategic initiatives and to maintain core operations.

While the revenue forecast for the state is considerably more positive than the past few years, it is likely that we have not seen the last of budget cuts to higher education. As we developed this budget and looked towards our five year financial model, we managed a delicate balance of making strategic and critical investments during a time of an uncertain financial state outlook.

Higher Education's fiscal year 2013 allocation from the state is \$513.0 million; down only 1% from fiscal year 2012. Cuts will be limited to Fee for Service Contracts and the school will continue to receive COF stipend payments will remain at \$62 per credit hours for undergraduate resident students. Below is a chart that depicts the state's level of funding higher education over the past few years:



The Colorado School of Mines' portion of the overall budget has been approximately 3% (\$482,000). Although most of the reduction will be in our Fee for Service contract, a small decrease will apply to COF stipends due to a slight decrease anticipated for resident undergraduate enrollment. For the fiscal year that we are just ending, fiscal year 2012, we are being funded at a level of \$16.3 million. We anticipate Mines' allocation from the state in fiscal year 2013 will be \$15.8 million; a 3% decrease from fiscal year 2012. Because deficits are expected to continue in the state budget over the next few years, we are running financial models that project a 20% decrease each year in fee for service support beyond fiscal year 2013. Below is a chart that shows state (and SFSF) funding for Mines over the past ten years and what we are predicting for FY14:



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## II. Discussion

In FY12, the school began making strides in both strategic and critical investments in the institution after several years of making up for reduced state support. We continue those efforts in FY13, aligning resources with the school’s strategic objectives set forth in the strategic plan as well as investing in areas that are critical to the operations of the institution.

The budget includes **current unrestricted** (education and general operation and auxiliaries), funds that are **designated** for particular purposes (faculty start up and indirect cost recoveries), **restricted** funds (research and CSM Foundation funds) and the School’s **endowment** funds. The budget adjustments for each fund are summarized below and the detail may be seen in Attachment 1.

**Proposed Fiscal Year 2013 Budget  
Summary**

	<b>Current Unrestricted Fund</b>	<b>Designated Fund</b>	<b>Restricted Fund</b>	<b>Endowment and Loan Funds</b>
<b>Fiscal Year 2012 Base Budget:</b>	<b>\$ 2,600,000</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Revenue Increases (Decrease):</b>				
<b>Tuition Revenue (Rate inc 8% Res; 5% NR) and Fees</b>	<b>10,390,000</b>	<b>640,000</b>		
Continuing Education	500,000			
State Funding	(480,000)			
Indirect Cost Recoveries for Research	600,000			
Housing Revenue	1,440,000			
Research			2,700,000	
Other Revenue	(300,000)	(60,000)		660,000
<b>Projected Revenue Increase</b>	<b>\$12,150,000</b>	<b>\$580,000</b>	<b>\$2,700,000</b>	<b>\$660,000</b>
<b>Expense Increases:</b>				
New Academic Faculty (11 TTT; 3 mid-year hires)	1,130,000			
Deans for Colleges (3)	870,000			
New Classified and Non-Academic Staff	1,000,000	39,000		
Labor Increases - Fringe Benefit Increase/ Annualization/Merit Pool/PERA 2.5% increase	4,750,000			
New Buildings Operating and Labor	460,000	60,000		
Resident Financial Aid and Graduate Support – SB003	1,030,000			
Non Resident Undergraduate Financial Aid	1,520,000			
Non Resident Graduate Support	180,000			
Other Operating and Miscellaneous	1,100,000	30,000	(80,000)	(140,000)
Research Expense			2,600,000	
Capital Renewal and Replacement Reserve	1,500,000			
Operating Reserve	1,000,000			
<b>Total FY 2013 Budget Requests</b>	<b>\$14,540,000</b>	<b>\$130,000</b>	<b>\$2,520,000</b>	<b>(\$140,000)</b>
<b>Net Activity FY2013</b>	<b>\$210,000</b>	<b>\$450,000</b>	<b>(\$180,000)</b>	<b>\$800,000</b>

### *Current Unrestricted Funds*

After the budget adjustments summarized above, the current unrestricted budget reflects total revenue at \$149.58 million and expenses at \$149.37 million resulting in net revenue after expenses of **\$0.21 million**.

### Revenue

Current unrestricted revenues are expected to increase by \$12.15 million in fiscal year 2013. The assumptions behind the budget development follow:

- Tuition increases of 8% for resident students and 5% for non-resident students. Assumes an incoming class of freshman and transfers of 950 students. Although overall undergraduate enrollment remains relatively flat, the mix of students is changing with a *decrease* in undergraduate resident students of 1.68% and an *increase* in non-resident students of 9.04%. It also assumes a slight growth in graduate students; 38 new students or a 3% increase.
- Fees are expected to increase by \$717,000 primarily due to the increase in the Recreation Center fee of \$55.50 per semester, resulting in revenue of \$571,000. Most other mandatory fees are increasing by CPI (3.8%) with additional revenues at \$146,000
- Continuing Education is expected to grow by \$0.50 million to \$3 million.
- State Funding cut of \$.48 million or 3% reduction from the prior year.
- Indirect cost recoveries are expected to grow 6% or \$0.60 million due to expected increases in Research spending and an increase in the overhead rate.
- Auxiliary Revenue is expected to increase by \$1.44 million. The increases are primarily due to the following:
  - Increase in rates of ranging from 7% for traditional residence halls and 14% increases in Weaver Towers (approximately \$1 million)
  - Bringing Weaver Towers back on line at 100% - \$400,000
- Other revenue is expected to decrease \$0.30 million due to the discontinuance of the Graduation Fees.

### Expenses

*Current Unrestricted Funds (See Appendix A for detail)*

Net increase to the expense budget of \$14.54 million includes institute wide increases, increases for new buildings and departmental requests.

### Salaries and Benefits

Note that for the fourth year in a row, the Governor has mandated a salary freeze for classified staff. The school matched that salary freeze across the board in fiscal year 2010 but for 2011 and 2012, the school utilized an equity, promotion, and merit pool for academic and administrative faculty (2% and 3% respectively). The fiscal year 2013 budget proposes the use of another equity, promotion, and merit pool for academic and administrative faculty.

This year includes a significant increase in faculty lines. We propose to hire 11 net new faculty (after we anticipate filling faculty positions from vacancies). All are anticipated to be tenure or tenure track faculty. We know of two faculty moving to transitional appointments and we also expect to convert adjunct budget to 4 teaching faculty with no budget impact. With these hires, our total budgeted faculty numbers compared to FY07 will be:

	<b>FY07 Actual</b>	<b>FY12 Budgeted</b>	<b>FY12 Actual</b>	<b>FY13 Proposed</b>	<b>FY14 Planned</b>
Tenure/Tenure Track	171	202	181	211	220
Teaching Faculty	39	69	58	73	73

Expense details may be reviewed in Appendix A and assumptions to note include:

- Benefit increases – Classified 5.4%; Exempt 1.5%.
- PERA –Discontinuance of 2.5% employee additional contribution (\$1.37 million).
- Equity and retention pool for faculty and exempt staff – 3% (excluding the fringe benefits calculation).

### Financial Aid

The budget includes the school's commitment under SB10-003 to convert all state funds received pursuant to fee for service to financial aid and graduate support within the next ten years. FY13 will be the second year of the commitment with a total budget over \$2.15 (20% of our fee for service contract) of additional institutional financial aid and graduate support dedicated to resident students. To meet this target, the proposed budget request includes an increase of \$0.78 million undergraduate resident financial aid and \$0.19 million for graduate resident support. In addition, the proposal includes requests for non-resident students with an additional \$1.58 million allocated to undergraduate financial aid and \$.18 million for graduate support.

### Other Operating

Included in other operating expenses are nondiscretionary increases for utilities, debt, hardware/software, payments to state agencies, RTD match for circulator and operations for new buildings.

### *Designated Funds*

Designated activity includes revenues derived for a specific purpose and cannot typically be used to fund general operations. Examples include the Academic Facility Fee designated for debt services payments, student activity fees used for student organizations, lab fees, and funds set aside for faculty research and professional development.

Designated Revenue is expected to increase a total of \$580,000 mostly due to an increase in fees based on inflation (3.8%) and an increase to the Health Services Fee (41.68%) voted and approved by the students for operational and debt increases for the new building. This revenue is offset by \$60,000 contract revenue not expected to be recurring in the next fiscal year. See Appendix A for expense detail and increases in FTE.

### *Restricted Funds*

Restricted Funds are restricted from outside entities and include the CSM Foundation, and federal, state and private grants. Funds received from the CSM Foundation are typically restricted pursuant to the instruction of the donor. Federal, state and private funds are generally used to carry out the research mission of the institution, but also include state and federal financial aid.

Sponsored research revenue and expense is expected to increase by 5%. It is anticipated that support from the CSM Foundation and State Financial Aid will remain flat.

### *Endowment Funds*

Endowment Funds are resources invested in perpetuity and represent those endowment funds that are owned by the School (as opposed to the CSM Foundation) and include both restricted and unrestricted sources. The income in this section includes investment earnings or new gifts and expenses represent spending from the School's endowment and the foundation fee for administering school endowments. We are projecting investment earnings to be 5.3% of investments based on the 10 year average experienced by the CSM Foundation.

### CSM Foundation Budget

CSM receives annual funding for specific administrative operating activities outlined below. This funding is expected to remain flat for fiscal year 2013 and those base amounts are indicated below:

**CSM Support:**

**Legislative Relations**

Federal Legislative Services	\$144,000
Colorado Legislative Services	\$108,929
Travel - CSM Representatives	\$6,000
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	<b>\$258,929</b>

**CSM Alumni Association**

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**\$180,000**

**General CSM Support**

Institutional Support	\$398,500
Marketing	\$100,000
Provost	\$100,000
S.V.P. Finance and Administration	\$10,000
V.P. Student Life	\$10,000
V.P. Research and Tech Transfer	\$10,000
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	<b>\$628,500</b>

**CSM Services**

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**\$10,000**

**Total CSM Support**

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**\$1,077,429**

For informational purposes, the Colorado School of Mines Foundation Budget in its entirety is attached in Attachment 2.

**III. RECOMMENDATION**

The Finance and Audit Committee recommends to the Board of Trustees for approval the Fiscal Year 2013 Operating Budget, including:

- The Colorado School of Mines operating budget;
- The Colorado School of Mines Foundation unrestricted support for the Colorado School of Mines.

**IV. RESOLUTION**

*BE IT RESOLVED that the Board of Trustees of the Colorado School of Mines approves the Fiscal Year 2013 Operating Budget, including:*

- *The Colorado School of Mines operating budget;*
- *The Colorado School of Mines Foundation unrestricted support for the Colorado School of Mines.*



**Detail for incremental budget adjustments****Current Unrestricted Fund Expenses**

Incremental adjustments to the current unrestricted budget are proposed as follows:

Salary and Benefit increases -	\$8.1m
Financial Aid/Graduate Support increases -	\$2.7m
Operating Expense increases -	\$1.3m
Operating and Capital Reserves -	<u>\$2.5m</u>
Total	\$14.6m

See detail below:

Salary and Benefit increases \$8.1 million:**Academic Faculty:**

Tenure/Tenure Track Faculty – 11FTE	1,131,456
<ul style="list-style-type: none"> <li>• Chemical and Biological Engineering – 1 FTE</li> <li>• Civil and Environmental Engineering – 1 FTE</li> <li>• Electrical Engineering &amp; Computer Science – 1 FTE</li> <li>• Mining Engineering – 1 FTE</li> <li>• Applied Mathematics &amp; Statistics – 1 FTE</li> <li>• Petroleum Engineering – 2 FTE</li> <li>• Physics – 1 FTE</li> <li>• Yet to be determined – 3 FTE</li> </ul>	

Assistant Track and Field Coach – 1 FTE	42,848
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**Classified and Non-Academic Staff:**

Academic Affairs Classified Positions – 4 FTE	1,231,880
<ul style="list-style-type: none"> <li>• College Deans – 3FTE</li> <li>• Fiscal Managers at the Colleges – 3FTE</li> <li>• Office of Research Administration Contracts – 1FTE</li> <li>• Office of Graduate Studies – 0.5 FTE</li> </ul>	

Non-Academic positions	724,382
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- Advisory Center – 5 FTE
- Admissions Data Specialist – 1 FTE
- Financial Aid Scholarship Coordinator – 1 FTE
- Research Data Archivist – 0.5 FTE
- Graduate Career Advisor – 1 FTE
- Continuing Education Accounting Tech – 0.5 FTE
- Continuing Education International Program Dir – 1 FTE
- EHS position – 1FTE (\$0 impact)

**Other Labor Increases (Fringe Benefits, Increases, Annualizations):**

Increase due to annualization of positions and fringe benefit increase	\$ 1,648,478
PERA 2.5% discontinuation of employee additional contribution	1,375,659
Promotion, Equity and Merit Pool	1,722,521

**Labor for New Buildings:**

Positions required for the opening of Marquez Hall	
<ul style="list-style-type: none"> <li>• Maintenance – 7.5 FTE</li> </ul>	255,666

Financial Aid and Graduate Support increase of \$2.7 million

Financial Aid for Undergraduate	
Resident - \$781,042	
Non-resident - \$1,576,294	\$2,357,336
Graduate Support	
Resident - \$192,165	
Non-resident - \$176,444	\$368,609

Operating Expense of \$1.3 million

Utilities (including new buildings)	\$198,833
Hardware/Software and Tech Fee Match	\$38,000
Debt Service	\$369,776
Operating for new buildings	\$161,000
Other Operating Increase Net of One-Time expenses to be funded with controlled maintenance funds and vacancy savings: Leadership Development Program (\$135,000); Moving costs for Petroleum Engineering into Marquez (\$50,000); Temp Employee for Capital Development and Planning (\$60,000); Operating for Writing Center (\$3,500); ERC Research Matching (\$29,474) and Library Alliance Digital Repository contract (\$25,000)	\$539,628
Reserves of \$2.5 million	
Capital Renewal and Replacement Reserve	\$1,500,000
Operating Reserve	\$1,000,000

**Designated Fund**

Expenses in the designated fund are proposed to increase by \$126,616 which is comprised of:

Positions funded with resources designated for specific activities	\$66,004
• Wellness Center Admin Assist – 0.83 FTE	
• Maintenance for new Building – 1 FTE	
Utilities and Operating for new Building	\$32,000
Other Operating and Debt	\$28,612

**COLORADO SCHOOL OF MINES FOUNDATION, INC.****FY'13 UNRESTRICTED REVENUE AND EXPENDITURES OPERATIONAL BUDGET PROPOSAL**

	FY'13	FY'12	Change from prior year	
			Amount	Percent
<b>REVENUE:</b>				
Unrestricted <b>Cash</b> Contributions-Annual Fund	\$2,100,000	\$1,725,000	\$375,000	22%
Unrestricted <b>Cash</b> Contributions-Bequests, trusts, etc	\$350,000	\$350,000	\$0	0%
Unrestricted Investment Income	\$200,000	\$250,000	(\$50,000)	-20%
Endowment Management Fee	\$2,464,946	\$2,287,689	\$177,257	8%
CSM Held Investment Fees-2%	\$275,000	\$280,000	(\$5,000)	-2%
Administration Fee on non-endowed restricted gifts	\$300,000	\$275,000	\$25,000	9%
Interest on loan to CSM for student loans (paid in full FY12)	\$0	\$80,000	(\$80,000)	-100%
Other Sources	\$10,798	\$8,000	\$2,798	35%
Campaign Reserve Endowment	\$0	\$205,743	(\$205,743)	-100%
<b>Total Revenue</b>	<b>\$5,700,744</b>	<b>\$5,461,432</b>	<b>\$239,312</b>	<b>4%</b>
<b>EXPENDITURES:</b>				
<b>Foundation - University Advancement</b>				
Personnel Compensation	\$2,913,963	\$2,692,385	\$221,578	8%
Operations (FY13 includes add'l \$50,000 for MOTM)	\$960,952	\$911,191	\$49,761	5%
	<b>\$3,874,915</b>	<b>\$3,603,576</b>	<b>\$271,339</b>	<b>8%</b>
<b>Foundation - Finance and Administration</b>				
Personnel Compensation	\$569,000	\$552,200	\$16,800	3%
Operations	\$142,700	\$142,700	\$0	0%
	<b>\$711,700</b>	<b>\$694,900</b>	<b>\$16,800</b>	<b>2%</b>
<b>Foundation - Board of Governors</b>				
	<b>\$36,700</b>	<b>\$38,700</b>	<b>(\$2,000)</b>	<b>-5%</b>
<b>CSM Support:</b>				
<b>Legislative Relations</b>				
Federal Legislative Services	\$144,000	\$144,000	\$0	0%
Colorado Legislative Services	\$108,929	\$107,756	\$1,173	1%
Travel - CSM Representatives	\$6,000	\$6,000	\$0	0%
	<b>\$258,929</b>	<b>\$257,756</b>	<b>\$1,173</b>	<b>0%</b>
<b>CSM Alumni Association</b>				
General Support	\$180,000	\$180,000	\$0	0%
Mines on the Move (MOTM moved to UA budget in FY13)	\$0	\$48,000	(\$48,000)	-100%
	<b>\$180,000</b>	<b>\$228,000</b>	<b>(\$48,000)</b>	<b>-21%</b>
<b>General CSM Support</b>				
CSM President's Discretionary	\$398,500	\$398,500	\$0	0%
Marketing	\$100,000	\$100,000	\$0	0%
Provost	\$100,000	\$100,000	\$0	0%
S.V.P. Finance and Operations	\$10,000	\$10,000	\$0	0%
V.P. Student Affairs	\$10,000	\$10,000	\$0	0%
V.P. Research and Tech Transfer	\$10,000	\$10,000	\$0	0%
	<b>\$628,500</b>	<b>\$628,500</b>	<b>\$0</b>	<b>0%</b>
<b>CSM Services</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$0</b>	<b>0%</b>
<b>Total Expenditures</b>	<b>\$5,700,744</b>	<b>\$5,461,432</b>	<b>\$239,312</b>	<b>4%</b>