



**TO:** Board of Trustees

**FROM:** Kirsten M. Volpi  
Executive Vice President and Chief Operating Officer

**DATE:** May 23, 2016

**SUBJECT:** FY 2017 Budget

**Background:**

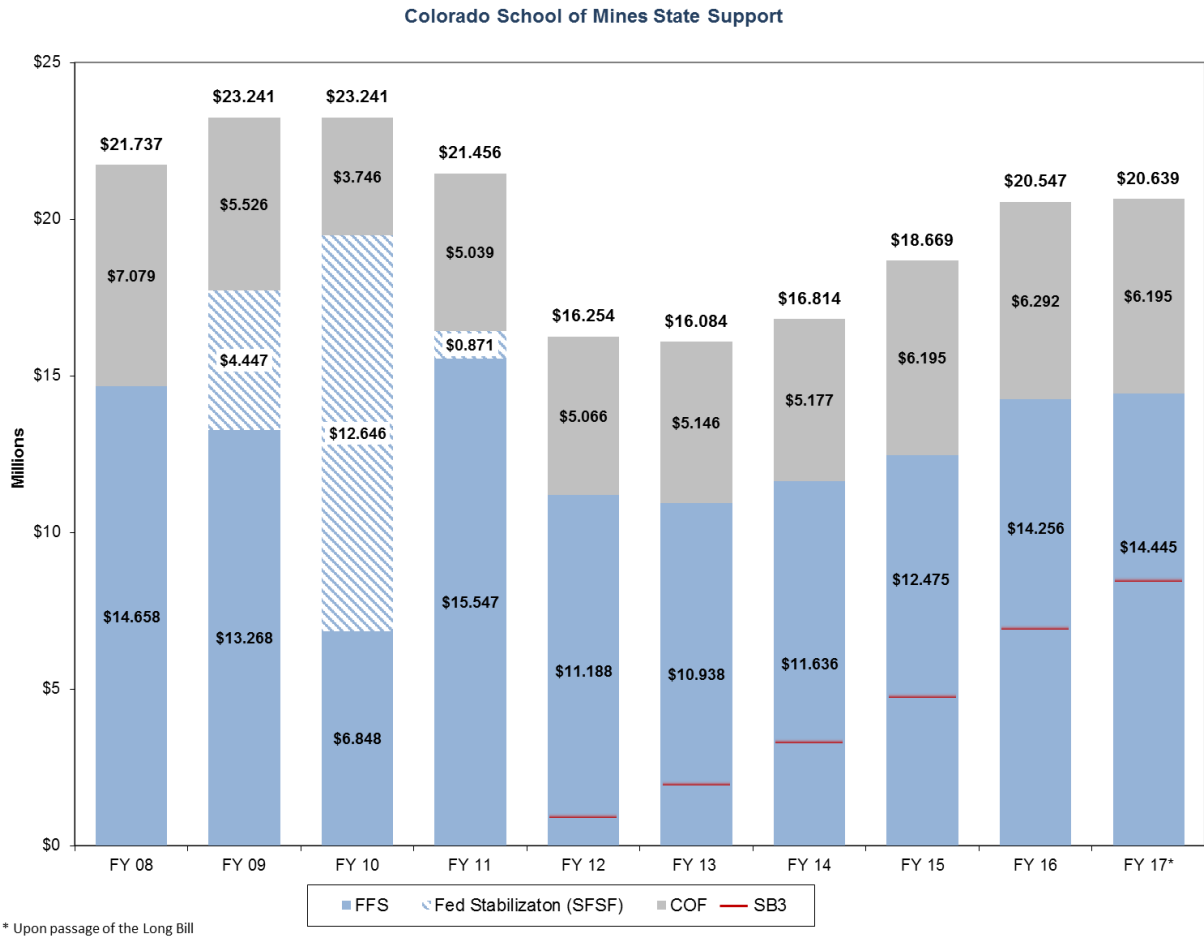
As we approach fiscal year 2017 and the development of the budget, there are key strategic factors as well as operational needs that translate to our financial position, both short and long term. Fiscal year 2017 brings a moderating of our revenue sources. We will see a slight increase in financial support from the state, and are experiencing a softening of our revenue base primarily due to our moderating of tuition rate increases along with the leveling off of undergraduate enrollment. We are also experiencing a drop in gift revenues which is a reflection of what is occurring in the energy and commodities industry. These pressures have made it more difficult to manage the delicate balance of making strategic and critical investments while minimizing the impact on students and tuition. This budget was developed by prioritizing our resource needs in relation to our revenue position and the impacts not only to the upcoming year, but future years.

**State Funding**

Despite market conditions impacting the energy industry, the economic outlook for Colorado remains relatively stable and growth is expected to continue through 2017 (although at a slower rate than prior year). Much of the revenue growth is expected to be used for required reserves, TABOR refunds, and transfers to transportation and capital construction resulting in a flat appropriation for higher education of \$672 million (excluding financial aid) for 2017.

Fiscal year 2017 is the second year for allocating funds under HB14-1319, which provided new parameters for higher education funding, superseding the pay for services model in prior years, and moved us to a pay for “performance” model. Although overall state funding for higher education remained flat, Mine’s allocation increased slightly by \$91,722 (0.45%) due to our enrollment and performance metrics over the last year.

The chart below reflects state funding for Mines since fiscal year 2008 along with our financial aid commitment pursuant to SB10-003:



In the March 2016 State revenue forecast, the Governor’s budget office noted that continued economic growth in Colorado is likely to lead to TABOR refunds next fiscal year. Once the Referendum C limit was met (2015), the state is required to distribute the excess (refund) to Colorado tax payers. The source to fund the refunds is any discretionary budget within the state’s general fund. As higher education is one of a few discretionary line items within the state budget, it is affected by the TABOR refunds. Despite state revenue growth, the higher education budget remains flat in fiscal year 2017 as the additional funds will be partially used for TABOR refunds.

**Discussion:**

The university continues to make strides in funding strategic and critical investments. The proposed budget reflects investing in areas that are critical to the operations of the university as well as efforts to align resources with strategic initiatives.

This budget represents all funds received and used by the university and is categorized as **current unrestricted** funds (“operating”), funds that are **designated** for particular purposes (faculty start up and indirect cost recoveries), **restricted** funds (research and gifts) and the university’s **endowment** funds. The changes for each fund are summarized below and detailed in Attachment 1.

	<b>Current Unrestricted Operating Fund</b>	<b>Designated Fund</b>	<b>Current Restricted Fund</b>	<b>Endowment and Loan Fund</b>	<b>Total</b>
<b>Revenue</b>	\$ 188,835,152	\$ 26,222,294	\$ 79,100,000	\$ 205,000	\$294,362,446
<b>Expense</b>	\$ 188,477,128	\$ 22,714,644	\$ 77,411,115	\$ 153,501	\$288,756,388
<b>Net Activity</b>	<b>\$ 358,024</b>	<b>\$ 3,507,650</b>	<b>\$ 1,688,885</b>	<b>\$ 51,499</b>	<b>\$ 5,606,058</b>

**Operating Revenue** is expected to increase by \$8.32 million as outlined below:

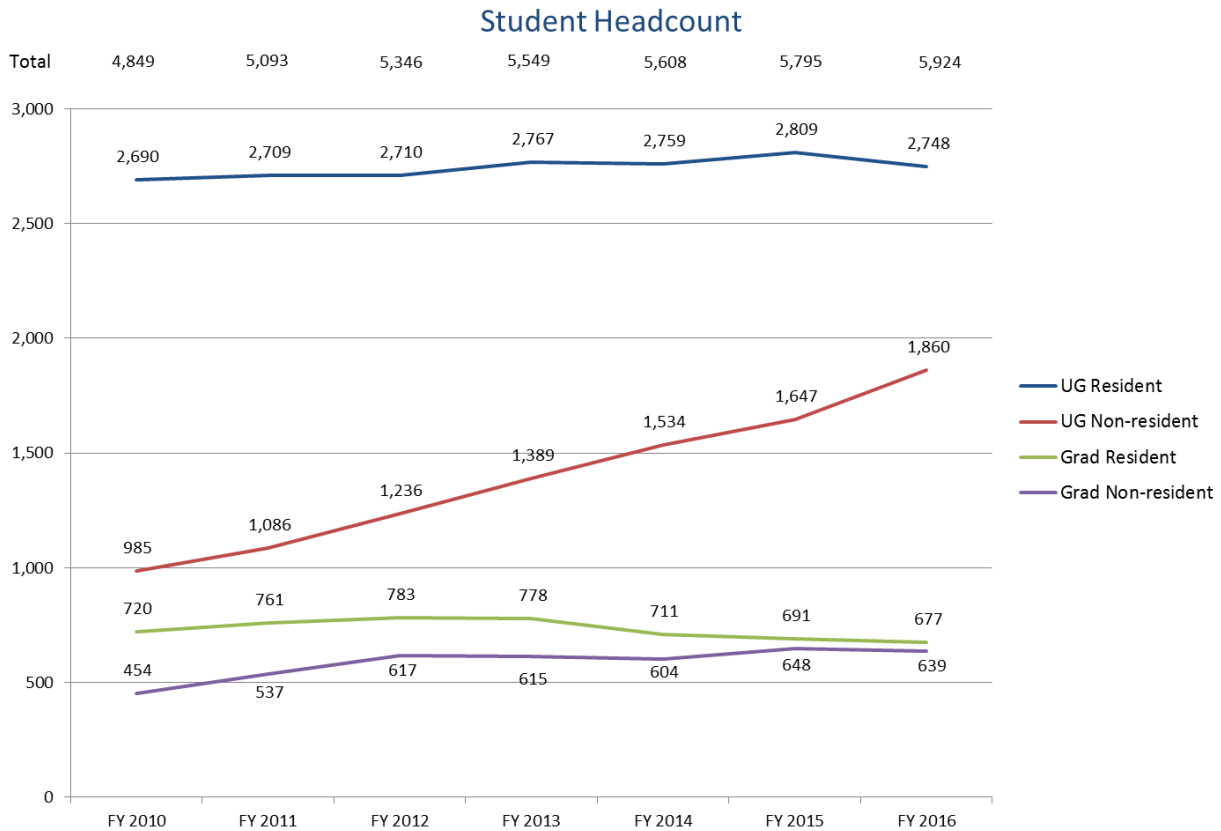
	<b>FY 2016 Base</b>	<b>FY 2017 Adjustments</b>	<b>FY 2017 Budget</b>
Tuition	123,595,673	6,424,178	130,019,851
State Funding	20,547,328	91,722	20,639,050
Housing and Dining Revenue	17,704,595	741,504	18,446,099
Indirect Cost Return from Research Activity	11,979,866	119,829	12,099,695
Continuing Education	2,177,139		2,177,139
Other Revenue	3,106,167		3,106,167
Gift Revenue from the Mines Fund	1,400,000		1,400,000
Rollforward to FY17 One-time		947,150	947,150
<b>Total</b>	<b>180,510,768</b>	<b>8,324,383</b>	<b>188,835,151</b>

The increases are based on the following assumptions:

- Tuition increases of 3.0% for resident students and 4.0% for non-resident students;
- Housing room rates to increase by 6.00% and meal plans to increase by 2.20%;
- Slight increase in Indirect Cost Recoveries due to an increase in the indirect cost rate on new research awards; and
- Of the FY16 net positive variance, \$0.95 million will be used to fund 2017 one-time budget requests.

## Enrollment

Over the past ten years, both undergraduate and graduate enrollment has grown; largely due to the market interest in our focus areas of earth, energy, and the environment, but also due to our continued improvement in retention rates. Below represents enrollment of the past seven years:



In spring of fiscal year 2016, we began to see a softening in our nonresident enrollment much of which occurred in our energy and Mining programs. This is not inconsistent with what the economy is experiencing in the energy and commodities industry, this softening appears to be continuing through our new student enrollment for fall 2016. Mid-way through the enrollment cycle for new freshman, we were seeing fewer non-resident students commit to Mines, however due to steps taken to attract new nonresident freshman, our fall numbers for non-resident students are stronger. The steps we took in the spring to build the fall 2016 class included the “Discover Mines” and “Making the Connection” programs. The wait list was opened six weeks earlier than prior years and additional financial aid packages were provided to nonresident students interested in low enrollment programs. Of the students that attended the additional Discover Mines program, 43% committed with a large percentage of those non-resident.

The results of these actions have been positive and the decreases have been materially mitigated. Overall we received over 12,000 total freshmen applications, and we are targeting a fall 2016 incoming class of 1,000 freshmen and 150 transfer students from area community colleges. From this class, we expect 51.7% to be Colorado residents and 48.3% to be non-residents shown in the following table:

Freshmen and Transfer Enrollment									
Academic Year 2014-2016									
	Applications Received			Committed - May			Fall Enrollment		
	Resident	Nonresident	Total	Resident	Nonresident	Total	Resident	Nonresident	Total
2016	3,547	9,194	12,741	621	580	1,201	595*	555*	1150*
2015	3,498	8,852	12,350	620	619	1,239	599	533	1,132
2014	3,808	9,322	13,130	717	539	1,256	688	471	1,159
*Target									

Graduate “intends to enroll” statistics are also strengthening and are trending higher than prior year at this same time. However, we remain cautious as graduate enrollment is volatile and it is too early to determine the behavior of the students currently enrolled. We are projecting a total decrease of 1.0% for all graduate enrollment primarily due to the decrease we experienced this spring and will update the revenue projections after fall census.

**Operating Expenses** are expected to increase by \$7.31 million. The increases in expenses are for strategic initiatives and operational needs as follows:

	FY 2016 Base	FY 2017 Adjustments	FY 2017 Budget
Labor - Salaries and Benefits	\$95,287,940	\$2,883,185	\$98,171,125
Labor - Graduate Support	10,693,773	384,378	11,078,151
Labor - Adjunct	1,593,056	246,000	1,839,056
Undergraduate Financial Aid	19,176,856	297,687	19,474,543
Other Operating	8,312,053	1,478,082	9,790,135
Debt	9,454,289	164,688	9,618,977
Operations and Maintenance	7,303,794	174,271	7,478,065
Housing and Dining Operating	6,048,074	90,131	6,138,205
New Faculty Start Up	5,119,768	780,232	5,900,000
Reserves	4,858,863	40,548	4,899,411
Information Technology Operating	2,701,653	1,756,130	4,457,783
To be funded with Innovation & Technology Reserves		(1,113,411)	(1,113,411)
Capital Renovation and Controlled Maintenance	3,244,070		3,244,070
Indirect Cost Return Distribution	2,861,527		2,861,527
CSMF Development Fee	1,900,000		1,900,000
Library	1,739,962	133,000	1,872,962
Continuing Education	866,532		866,532
<b>Total</b>	<b>\$181,162,210</b>	<b>\$7,314,921</b>	<b>\$188,477,131</b>

**Strategic Initiatives \$0.96 million (5.35 FTE)**

This budget proposal includes new funds for creating distinctive programs, improving the students' first year experience, improving our marketing and communications, and developing an employee reward and recognition program. These initiatives are outlined below:

- Creating Distinctive Programs (3.75 FTE) – increasing investments for the learning experience, specifically by increasing funding for:
  - Innovative teaching and learning by enhancing pedagogy and classroom learning. To support this focus an Instructional designer and administrative support will be hired.
  - an Innovation director to develop and improve learning outside of the traditional classroom. The request also includes both capital and operating funding for online development.
  - The creation of an Engineering and Society Program to connect innovation and design in engineering and applied science to societal needs. This includes one new FTE at no additional cost due to realigning existing funds.
  
- First Year Experience (1.60 FTE) – includes continued investments in the Center for Academic Services and Advising with the hiring of a new Associate Director. We are also providing 0.6 FTE for the first year honors program as well as creating a themed learning community in Residence Life.
  
- Marketing and Communication – in fiscal year 2016, the Board approved funding for the Director of Marketing to establish a marketing and communication strategy for Mines. The new director is joining Mines on June 1, 2016; this request is to fund the operations of the new program.
  
- Employee Rewards and Recognition – we will be developing a program to focus on acknowledging strong performance of our employees with the intent to drive engagement and high performance.

**Operational needs \$6.34 million (12.5FTE)**

Operational budget increases are provided to address investments in general operations and critical needs within the departments that, without support, could impact operations.

**Salaries and Benefits** – The legislature sets the salary and benefit increases for classified staff. For fiscal year 2017, they did not approve a salary increase for classified staff, but have funded the increase for health benefits. For the academic and administrative faculty, we propose to provide a 2.0% merit pool which is slightly higher than CPI of 1.18% in the Denver/Boulder area.

Benefit increases not only include health care, but also the statutory increase for the state retirement plan (PERA) of 0.90%.

**Financial Aid** – The budget includes our commitment under SB10-003 to convert all state funds received pursuant to fee for service to financial aid and graduate support within ten years. Fiscal year 2017 will be the sixth year of the commitment with a total budget of \$8.47 million in additional institutional financial aid and graduate support dedicated to resident students.

**Faculty Start-Up** – Currently we have 21 active searches for new faculty positions and an additional 12 searches for upcoming retirees. This budget request is to fund start up packages for research for those new faculty, as well as increased commitments for new faculty hired in the current year.

**Business Processes** (1FTE) – as a continuation from prior year, we will assess/redesign processes and invest in technology where appropriate to employ best practices, improve administrative infrastructure and streamline processes. This request is for the procurement of a document retention and workflow system. It also includes a new position for a functional project manager to assist with implementation of streamlined business process systems.

**Technology** (1.5 FTE) – we continue to expand and improve our information technology infrastructure and this request includes funds for the implementation of a new Customer Relationship Management program, a new Business Intelligence position and increases for various system upgrades and maintenance fees.

**Other Operating Investments and Critical Needs** \$1.67 million (10.0 FTE):

<i>Expense:</i>	Increase	FTE
Faculty and Staff Development	117,500	
Utilities and Facilities Support	215,271	
Student Support	10,000	
Research Support	421,980	1
Title IX	19,000	
General, Debt and Other	1,591,740	9
Salary Savings	(700,000)	
<b>Total</b>	<b>1,675,491</b>	

The expenses above reflect the hiring request of four administrative assistants and a client relations coordinator for the academic departments funded with existing salary savings and with no budget impact. Other position requests are for various functions throughout the institution and include an attorney, a budget/enrollment data analyst, research support and a strength and conditioning coach.

In the third quarter of 2016, the Mines Magazine staff that were employed by the CSM Alumni Association (CSMAA) were transitioned to become Mines employees and several CSMAA positions were transitioned to the CSM Foundation. In order to strategize alumni programming and initiatives broadly, this budget request includes a new position for the Executive Director for CSMAA.

**Designated and Restricted Activities** are expected to decrease by \$5.26 million and expenses are expected to decrease by \$3.24 million as detailed below:

	FY 2016 Base	FY 2017 Adjustments	FY 2017 Budget
<i>Revenue:</i>			
Sponsored Research Grants/Contracts	\$57,773,691	(\$1,573,691)	\$56,200,000
Gifts	21,256,629	(2,686,629)	18,570,000
Fees	17,835,903	(\$983,774)	16,852,129
Auxiliary	5,664,756	(1,064,756)	4,600,000
Financial Aid	5,361,304	\$38,696	5,400,000
CO Geological Survey - State Support	1,753,734	0	1,753,737
Other	1,146,366	\$1,005,062	2,151,428
<b>Total Revenue</b>	<b>\$110,792,383</b>	<b>(\$5,265,092)</b>	<b>\$105,527,294</b>
<i>Expense:</i>			
Sponsored Research - salaries, benefits & operating	\$56,449,946	(\$1,132,562)	\$55,317,384
Other Labor – salaries and benefits	16,349,265	3,117,462	19,466,727
Designated Auxiliary Operating	10,643,641	(\$680,714)	9,962,927
Undergraduate Financial Aid	9,701,736	498,264	10,200,000
Debt	4,134,073	(\$85,172)	4,048,901
Other Operating	3,780,021	(3,021,701)	758,320
Capital Renovation/Controlled Maint.	2,457,034	(\$1,932,034)	525,000
<b>Total</b>	<b>\$103,515,716</b>	<b>(\$3,236,457)</b>	<b>\$100,279,259</b>
<b>Net Activity</b>	<b>\$7,276,667</b>		<b>\$5,248,035</b>

**Designated Funds** 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 primarily due to student fee revenue increases. Expense are expected to increase due to salary increases, re-aligning a position to the student center, increases to debt service and an increased spending in faculty start-up accounts.

**Restricted Funds** are restricted from outside entities and include all of our federal, state and private research, activities supported by our donors and the CSM Foundation, as well as federal and state financial aid. We are anticipating research revenues and expenditures (not awards) to remain relatively flat to current year forecast, but lower than originally budgeted.

**Endowment Funds** are resources invested in perpetuity and represent those endowment funds that are owned by the university (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 university's endowment and the foundation fee for administering university endowments. We expect the activity to remain relatively flat to the current year forecast, but lower than originally budgeted due to the decline in investment income and gift revenues.

**CSM Foundation Budget** is included for informational purposes in Attachment 2.



**Recommendation:**

The Finance and Audit Committee reviewed the Fiscal Year 2017 Budget and recommends it to the Board of Trustees for their consideration and approval:

	<b>Current Unrestricted Operating Fund</b>	<b>Designated Fund</b>	<b>Current Restricted Fund</b>	<b>Endowment and Loan Fund</b>	<b>Total</b>
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<b>Net Activity</b>	\$ 358,024	\$ 3,507,650	\$ 1,688,885	\$ 51,499	\$ 5,606,058

**Resolution:**

*BE IT RESOLVED that the Board of Trustees approves the Fiscal Year 2017 Budget:*

	<b>Current Unrestricted Operating Fund</b>	<b>Designated Fund</b>	<b>Current Restricted Fund</b>	<b>Endowment and Loan Fund</b>	<b>Total</b>
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<b>Net Activity</b>	\$ 358,024	\$ 3,507,650	\$ 1,688,885	\$ 51,499	\$ 5,606,058

**Attachment 1**

<i>in millions</i>	FY16 Forecast	FY17 Proposed Budget	Designated & Restricted FY16 Forecast	Designated & Restricted FY17 Proposed Budget	Total FY16 Forecast	Total FY17 Proposed Budget
<b>Revenues</b>						
Tuition and Fees (including Continuing Education)	\$132.19	\$138.39	\$16.33	\$16.85	\$148.51	\$155.24
Research	11.98	12.10	55.00	56.20	66.98	68.30
Auxiliary	17.69	18.45	4.57	4.60	22.26	23.05
Fee for Service/State Support	14.26	14.44	1.75	1.76	16.01	16.21
Gifts	1.80	1.40	18.43	18.57	20.23	19.97
Other	3.88	4.05	8.38	7.55	12.26	11.60
<b>Total Revenues</b>	<b>181.80</b>	<b>188.84</b>	<b>104.46</b>	<b>105.53</b>	<b>286.26</b>	<b>294.37</b>
<b>Expenditures</b>						
Instruction	63.86	69.47	9.08	9.11	72.94	78.57
Research	4.17	4.11	56.49	56.59	60.66	60.70
Public Service	-	-	0.28	0.28	0.28	0.28
Academic Support	19.49	21.22	0.76	0.83	20.25	22.05
Student Services	5.81	6.24	1.98	1.98	7.79	8.22
Institutional Support	18.36	20.80	0.83	0.78	19.19	21.58
Operations and Maintenance of Plant	18.49	19.38	2.07	2.32	20.56	21.71
Scholarships & Fellowships	18.98	19.47	10.16	10.27	29.14	29.75
Auxiliaries	19.57	19.64	17.88	18.27	37.45	37.90
Capital Renovations and Controlled Maint	3.54	3.33	0.53	0.53	4.07	3.86
<b>Total Expenditures</b>	<b>172.27</b>	<b>183.67</b>	<b>100.06</b>	<b>100.95</b>	<b>272.33</b>	<b>284.62</b>
Net Operating Activity Before Reserves	9.52	5.17	4.40	4.58	13.93	9.75
<b>Capital/Reserve Additions</b>	<b>8.71</b>	<b>4.81</b>	<b>0.29</b>	<b>(0.67)</b>	<b>9.00</b>	<b>4.14</b>
<b>Net Operating Activity</b>	<b>\$0.81</b>	<b>\$0.36</b>	<b>\$4.11</b>	<b>\$5.25</b>	<b>\$4.93</b>	<b>\$5.61</b>

**COLORADO SCHOOL OF MINES FOUNDATION, INC.**  
**FY'17 UNRESTRICTED OPERATIONS BUDGET REQUEST**

	FY'17	FY'16	Change from PY	
			Amount	Percent
<b>REVENUE:</b>				
Endowment Administrative Fee - 1.8% (FY16 was 2%)	\$ 3,196,778	\$ 3,420,000	\$ (223,222)	-7%
CSM Endowment Held - Investment Fees - 1.8%	474,739	505,000	(30,261)	-6%
CSM Advancement Services Fee *	1,625,771	1,626,882	(1,111)	0%
Administration Fee on Non-Endowed Restr Gifts	260,000	260,000	-	0%
Unrestricted Cash Gifts-Bequests, trusts,etc	250,000	150,000	100,000	67%
Unrestricted Investment Income	110,000	210,000	(100,000)	-48%
Other Sources	48,000	68,500	(20,500)	-30%
Reserve Endowment Support	149,733	241,841	(92,108)	-38%
CSMF Reserve Endowment-Welcome Center lease**	199,783	199,600	183	0%
<b>Subtotal Revenue excluding Alumni Relations</b>	<b>\$ 6,314,804</b>	<b>\$ 6,681,823</b>	<b>\$ (367,019)</b>	<b>-5%</b>
CSMF Support - Reserve Fund	175,000	-	175,000	---
CSM Support	110,000	-	110,000	---
CSMAA Board Support	100,000	-	100,000	---
Program Revenue	50,609	-	50,609	---
<b>Subtotal CSMF Alumni Relations Revenue</b>	<b>\$ 435,609</b>	<b>\$ -</b>	<b>\$ 435,609</b>	<b>---</b>
<b>Total CSMF Revenue including Alumni Relations</b>	<b>\$ 6,750,413</b>	<b>\$ 6,681,823</b>	<b>\$ 68,590</b>	<b>1%</b>

**EXPENDITURES:**

**CSM Foundation:**

Personnel Compensation	\$ 4,903,106	\$ 5,080,993	\$ (177,887)	-4%
Operations	1,411,698	1,600,830	(189,132)	-12%
<b>Total</b>	<b>6,314,804</b>	<b>6,681,823</b>	<b>(367,019)</b>	<b>-5%</b>

**CSMF Alumni Relations:**

Personnel Compensation	229,500	-	229,500	---
Operations	206,109	-	206,109	---
<b>Total</b>	<b>\$ 435,609</b>	<b>\$ -</b>	<b>\$ 435,609</b>	<b>---</b>

<b>Total Expenditures</b>	<b>\$ 6,750,413</b>	<b>\$ 6,681,823</b>	<b>\$ 68,590</b>	<b>1%</b>
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*CSM Advancement Services Fee	\$ 1,900,000
Less CSM Support - Legislative Relations (paid by CSMF)	(274,229)
<b>Total Advancement Services Fee for CSMF Operations</b>	<b>\$ 1,625,771</b>

**Summary of Legislative Relations:**

Federal Legislative Services	\$ 162,000	\$ 162,000	\$ -	0%
Colorado Legislative Services	112,229	111,118	1,111	1%
<b>Total</b>	<b>\$ 274,229</b>	<b>\$ 273,118</b>	<b>\$ 1,111</b>	<b>0%</b>

\*\*Payment to CSM is waived for FY15 thru FY18 (4 years)