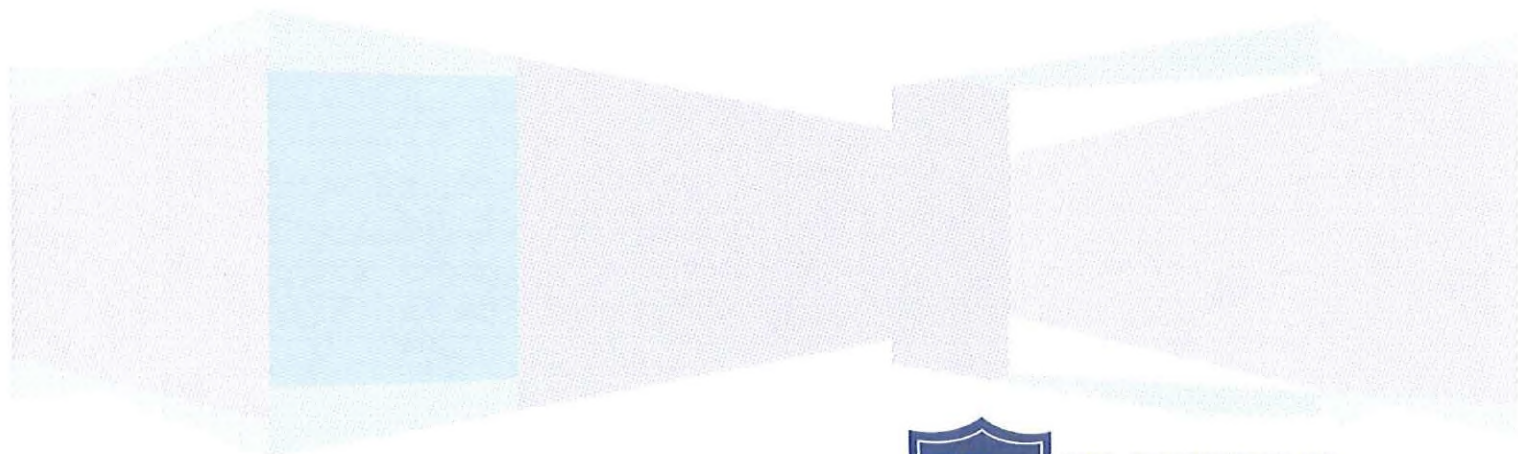


President's Recommended Budget For the Fiscal Year Ending June 30, 2010

Presented to the Finance Committee on May 15, 2009



THE UNIVERSITY OF
TOLEDO
1872



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TOLEDO
1872

MEMO

To: Board of Trustees Finance Committee
The University of Toledo

From: Scott L. Scarborough, Ph.D., CPA *Scott Scarborough*
Sr. Vice President for Finance & Administration

Date: May 8, 2009

Re: President's Recommended Operating Budget – FY 2010

On behalf of Dr. Jacobs, I am pleased to submit the attached President's Recommended Operating Budget – FY 2010 for your consideration.

The recommended budget is based on many assumptions, one of which is the amount of funding the university will receive from the State of Ohio in FY 2010; state funding is still very much an open question as of the date of this memorandum. As you may know, the State of Ohio is now projecting that its current year budget could experience a significant shortfall. Not only is this a problem for the state's current year budget, it also means that next year's state budget is once again a major uncertainty. State legislators are now saying that they will need to "start from scratch and reevaluate everything."

We began working on the FY 2010 operating budget in January. The university's Finance and Strategy Committee, which includes representatives from the Faculty Senate and Student Government, helped write the budget instructions that were delivered to deans and vice presidents in mid-January. In addition, the committee helped to identify cost savings and revenue enhancement ideas. Finally, the committee reviewed the recommended budget and unanimously endorsed both the process and the outcome. Every sector of the university was represented in the budget process, which was highly participatory and transparent.

For the past two weeks, we have been working to communicate the recommended budget outcomes to the university community. Although we have held numerous public meetings and used every available medium to explain both the budget process and outcomes, many in the university community still struggle to understand why this year's budget was so difficult and why it resulted in the layoff of approximately 90 filled positions and the elimination of approximately 200 vacant positions. The short answer to this question is relatively simple: projected increases in budgeted expenses greatly exceeded projected increases in budgeted revenues, so expenses had to be cut to balance the budget.

The longer answer to this question requires one to enumerate the several factors that made the FY 2010 budget very difficult to balance: (1) a state-mandated undergraduate tuition freeze, (2) new collective bargaining agreements that included salary increases, (3) the negative affects of a

national recession on interest rates and students' need for more financial aid, (4) the need to address structural budget deficits, carry-forward spending, and a historically negative academic operating margin, (5) normal inflationary costs such as healthcare benefits, utilities, medical supplies and drug costs, (6) changes in hospital projected volumes and payor mix, and (7) the need to make strategic plan investments that advance the university and give northwest Ohio a chance at economic redevelopment. When one considers all these factors and their collective impact, then one begins to understand why it was so difficult to get the numbers in the budget to balance. The one positive variable in the budget equation was the news coming from Columbus—until recently. Now, state funding is in question once again.

Despite these difficulties and the ongoing uncertainty in Columbus, the recommended FY 2010 budget has some very positive outcomes. First, the university has honored all its collective bargaining agreements even though they were negotiated during far better economic times. Second, there is more need-based financial aid for students who are struggling in this economy. Third, the FY 2010 budget is a solid budget in that it fills many historical holes (i.e., structural budget deficits and unbudgeted carry-forward spending). Fourth, the budget is balanced and cash flow positive—it has a 3% operating margin for the clinical enterprise and a 0% operating margin for the academic enterprise. The 0% operating margin for the academic enterprise is an improvement over this year's budgeted -1.5% operating margin and an improvement over the last year's actual -3.0% operating margin. Fifth, the recommended budget moves \$9.7 million in budgeted expenses from administrative departments to academic departments, which is consistent with our desire to move funds from the back office to the customer interface. Sixth, the recommended budget continues to make strategic plan investments that will advance the university and rejuvenate the region's economy (e.g., investments in the School for Solar and Advanced Renewable Energy and increased graduate student tuition waivers that support research programs).

At the same time, the recommended FY 2010 budget will challenge the university to become more efficient and more productive. Administrative areas will have to function with far less financial resources, and there will be less money for part-time and visiting faculty members. This means that full-time faculty will have to teach more students than they have taught historically. Like other industries and organizations in the world, higher education as an industry and The University of Toledo in particular will have to do more with less and become more productive. Students will also be challenged. Although there is more need-based financial aid included in the recommended budget, there are also program and course fee increases and housing rate increases, which means many students will have to pay/borrow more to finance their education. We know, however, that there is a very positive economic return on a student's investment in higher education.

There is room for improvement in future years' budgets. First, although the FY 2010 recommended budget has a positive operating margin and is cash flow positive, future years' budgets should increase the academic operating margin and the amount of cash that is added to institutional reserves. Second, with the planned issuance of \$51 million of additional bonded indebtedness, the university has planned FY 2010 capital expenditures equal to or greater than the annual depreciation of capital assets. In future years, however, the university should strive to fully fund capital expenditures in an amount equal to depreciation expense without the benefit of bond proceeds. The key to achieving both outcomes is to continue to improve the academic operating margin consistent with the university's five-year financial plan.

In closing, I do want to emphasize the sadness of the university's decision to layoff 90 employees—we pray the very best for each person. Every administrator knows, however, that if he or she fails to make these difficult budgetary decisions, it puts ALL jobs and the institution's long-term wellbeing at risk. Most importantly, in all we do, we try to make decisions and operate in a way that is consistent with the university's values: compassion, professionalism, and respect; discovery, learning, and communication; diversity, integrity, and teamwork; engagement, outreach, and service; excellence, focus, and innovation; and wellness, healing, and safety. We believe the recommended FY 2010 operating budget is consistent with our value system, and that is what really counts.

We look forward to discussing the recommended budget with you on May 15. In the event the State of Ohio passes a budget bill over the next month that is significantly different than what we have currently estimated, then we will come back to you for approval of a budget amendment.

FY2010 Operating Budget
Combined Academic Enterprise and
Medical Center

The University of Toledo - Combined Academic Enterprise and Medical Center / UTMAC
 Budgeted Income Statements
 For the Fiscal Year 2010

Line #		FY 2009 Projected	FY 2010 Budget	Increase/ (Decrease)	% Change
<i>Revenue</i>					
1	Student Tuition and Fees	\$ 234,362,384	\$ 255,782,705	\$ 21,420,321	9.1%
2	Scholarships & Other Student Financial Aid	43,257,565	57,444,506	14,186,941	32.8%
3	Net Tuition & Fees	191,104,819	198,338,199	7,233,380	3.8%
4	State Share of Instruction / Other Appropriations	130,574,066	137,700,458	7,126,392	5.5%
5	Net Patient Revenue	244,424,464	248,815,905	4,391,441	1.8%
6	Gifts, Grants & Contracts	81,928,422	89,142,762	7,214,340	8.8%
7	Sales & Services	71,616,803	80,050,918	8,434,115	11.8%
8	Other Revenue	28,048,536	27,589,445	(459,091)	-1.6%
9	Total Operating Revenue	747,697,110	781,637,687	33,940,577	4.5%
<i>Expenses</i>					
10	Salaries	315,907,699	313,709,290	(2,198,409)	-0.7%
11	Benefits	103,700,826	108,436,125	4,735,299	4.6%
12	Outside Purchased Services	51,952,458	51,762,618	(189,840)	-0.4%
13	Supplies	83,359,660	83,438,467	78,807	0.1%
14	Seminars & Travel	7,285,960	5,372,236	(1,913,724)	-26.3%
15	Information & Communication	14,686,705	12,908,162	(1,778,543)	-12.1%
16	Occupancy	22,253,512	22,017,190	(236,322)	-1.1%
17	Provision for Doubtful Accounts	16,908,000	16,795,924	(112,076)	-0.7%
18	Pooled Designated and Other Funds	6,431,076	23,621,276	17,190,200	267.3%
19	Insurance	1,366,463	1,385,328	18,865	1.4%
20	Reimbursement from Hospital for Central Svcs	0	0	0	
21	Cost of Goods Sold - Auxiliary Services	4,105,000	4,533,117	428,117	10.4%
22	Leases	438,190	441,115	2,925	0.7%
23	Miscellaneous	5,922,458	5,620,649	(301,809)	-5.1%
24	Depreciation	42,624,434	43,498,000	873,566	2.0%
25	Grants & Contracts	73,000,000	80,183,465	7,183,465	9.8%
26	Total Operating Expenses	749,942,441	773,722,962	23,780,521	3.2%
27	Operating Income	(2,245,331)	7,914,725	10,160,056	452.5%
28	Operating Margin	-0.3%	1.0%	1.3%	437.2%
29	Investment Income	(47,804,543)	490,132	48,294,675	101.0%
30	Interest Expense	(15,446,047)	(17,220,542)	(1,774,495)	-11.5%
31	Net Income	\$ (65,495,921)	\$ (8,815,685)	\$ 56,680,236	86.5%

Explanations of Unusual Line Items – Combined

Line

- 1 **Student Tuition & Fees** - This line item is increasing primarily due to projected undergraduate enrollment growth (new and returning students), new upper-division program fees, and increases in graduate tuition rates and various student fees.
- 2 **Scholarships & Other Student Financial Aid** – This line item is increasing primarily due to undergraduate enrollment growth (new and returning students) and increases in need-based financial aid to assist low income students with new upper-division program fees and increases in student housing rates.
- 4 **State Share of Instruction / Other Appropriations** – This line item is increasing due to an increase in the state share of instruction (SSI).
- 5 **Net Patient Revenue** – The increase in this line item is primarily due to a projected 1% increase in inpatient admissions and outpatient visits and a 6% price increase offset by the closing of the UTMC Geriatric Psychiatry Unit during FY 2009.
- 7 **Sales & Services** – This line item includes revenues from auxiliary enterprises such as student housing, parking, athletic ticket sales, etc. The budget for this line item is increasing primarily due to projected increases in cellular phone sales, textbook sales, and food service income.
- 11 **Benefits** – This line item is increasing primarily due to an increase in the budget for graduate student tuition waivers.
- 12 **Outside Purchased Services** – This line item includes contracted services, outside legal fees, banking fees, and physician income guarantees paid by the College of Medicine to UT Physicians (the physician practice plan).
- 18 **Pooled Designated and Other Funds** – This line item includes undistributed pooled budgets for structural budget deficits, carry-forward expenditures, strategic initiatives, and student fees. These funds will be moved to other line items during the fiscal year as the President and the two Provosts determine which colleges will receive these funds. This line item includes funds to create the School for Solar and Advanced Renewable Energy.

- 23 **Miscellaneous** – This line item includes real estate taxes, the amortization of bond issuance costs, UTMAC operating expenses, and the cost of professional liability insurance.
- 29 **Investment Income** – This line item includes a conservative estimate of investment income earned on the university's working capital and non-endowed institutional reserves.
- 30 **Interest Expense** – This line item is increasing primarily due to projected increases in interest rates on the university's variable rate debt and the issuance of new bonded indebtedness.

The University of Toledo - Combined Academic Enterprise and Medical Center / UTMAC
 Projected Cash Flows
 For the Fiscal Year 2010

Line #		FY 2009 <u>Projected</u>	FY 2010 <u>Budget</u>	Increase / <u>(Decrease)</u>	% <u>Change</u>
1	Budgeted Net Income (see previous page)	\$ (65,495,921)	\$ (8,815,685)	\$ 56,680,236	86.5%
2	Add Back Non-Cash Expenses (Depreciation)	42,624,434	43,498,000	873,566	2.0%
3	Principal Payments on Debt	(11,190,047)	(8,238,069)	2,951,978	-26.4%
4	Transfers	0	0	0	0.0%
5	State Capital Appropriations	13,000,000	13,000,000	0	0.0%
6	Capital Expenditures Funded by Operations	(33,500,000)	(35,000,000)	(1,500,000)	4.5%
7	Budgeted Cash Flow (Senate Bill 6 Reserve)	\$ (54,561,534)	\$ 4,444,246	\$ 59,005,780	108.1%

The University of Toledo Combined Academic Enterprise and Medical Center / UTMAC
 Projected Balance Sheets
 Fiscal Year-End 2010

Line #		FY 2009 Projected	FY 2010 Budget	Increase/ (Decrease)	% Change
Assets					
1	Cash and Investments	\$ 126,801,327	\$ 136,385,417	\$ 9,584,090	7.6%
2	Accounts Receivable	98,033,579	91,385,954	(6,647,625)	-6.8%
3	Other Current Assets	14,161,980	15,934,605	1,772,625	12.5%
4	Capital Assets, Net	559,142,605	601,644,605	42,502,000	7.6%
5	Other Assets	79,563,177	79,563,177	-	0.0%
6	Total Assets	\$ 877,702,668	\$ 924,913,758	\$ 47,211,090	5.4%
Liabilities					
7	Current Liabilities	\$ 109,138,784	\$ 109,403,628	\$ 264,844	0.2%
8	Bonds Payable	287,266,236	330,499,300	43,233,064	15.0%
9	Other Long-Term Liabilities	22,631,719	21,020,742	(1,610,977)	-7.1%
10	Total Liabilities	419,036,739	460,923,670	41,886,931	10.0%
11	Net Assets	458,665,929	463,990,088	5,324,159	1.2%
12	Total Liabilities and Net Assets	\$ 877,702,668	\$ 924,913,758	\$ 47,211,090	5.4%

FY2010 Operating Budget
Academic Enterprise

The University of Toledo Academic Enterprise
 Budgeted Income Statements
 For the Fiscal Year 2010

Line #	FY 2009 Projected	FY 2010 Budget	Increase/ (Decrease)	% Change
<i>Revenue</i>				
1	\$ 234,362,384	\$ 255,782,705	\$ 21,420,321	9.1%
2	43,257,565	57,444,506	14,186,941	32.8%
3	191,104,819	198,338,199	7,233,380	3.8%
4	130,574,066	137,700,458	7,126,392	5.5%
5	73,710,925	80,826,748	7,115,823	9.7%
6	8,217,497	8,316,014	98,517	1.2%
7	71,616,803	80,050,918	8,434,115	11.8%
8	12,666,867	12,581,156	(85,711)	-0.7%
9	487,890,977	517,813,493	29,922,516	6.1%
<i>Expenses</i>				
10	217,514,625	215,113,236	(2,401,389)	-1.1%
11	79,721,611	84,255,296	4,533,685	5.7%
12	27,736,921	31,315,012	3,578,091	12.9%
13	17,688,787	16,124,506	(1,564,281)	-8.8%
14	6,592,911	4,711,238	(1,881,673)	-28.5%
15	11,950,130	10,428,750	(1,521,380)	-12.7%
16	22,253,512	22,017,190	(236,322)	-1.1%
17	3,800,000	2,142,610	(1,657,390)	-43.6%
18	6,431,076	23,621,276	17,190,200	267.3%
19	1,366,463	1,385,328	18,865	1.4%
20	(10,381,837)	(9,862,606)	519,231	-5.0%
21	4,105,000	4,533,117	428,117	10.4%
22	438,190	441,115	2,925	0.7%
23	2,785,758	1,403,960	(1,381,798)	-49.6%
24	30,000,000	30,000,000	0	0.0%
25	73,000,000	80,183,465	7,183,465	9.8%
26	495,003,147	517,813,493	22,810,346	4.6%
27	(7,112,170)	0	7,112,170	100.0%
28	-1.5%	0.0%	1.5%	100.0%
29	(27,161,322)	240,000	27,401,322	100.9%
30	(13,700,000)	(14,563,399)	(863,399)	-6.3%
31	\$ (47,973,492)	\$ (14,323,399)	\$ 33,650,093	70.1%

Explanations of Unusual Line Items – Academic Enterprise

Line

- 1 **Student Tuition & Fees** - This line item is increasing primarily due to projected undergraduate enrollment growth (new and returning students), new upper-division program fees, and increases in graduate tuition rates and various student fees.
- 2 **Scholarships & Other Student Financial Aid** – This line item is increasing primarily due to undergraduate enrollment growth (new and returning students) and increases in need-based financial aid to assist low income students with new upper-division program fees and increases in student housing rates.
- 4 **State Share of Instruction / Other Appropriations** – This line item is increasing due to an increase in the state share of instruction (SSI).
- 7 **Sales & Services** – This line item includes revenues from auxiliary enterprises such as student housing, parking, athletic ticket sales, etc. The budget for this line item is increasing primarily due to projected increases in cellular phone sales, textbook sales, and food service income.
- 11 **Benefits** – This line item is increasing primarily due to an increase in the budget for graduate student tuition waivers.
- 12 **Outside Purchased Services** – This line item includes contracted services, outside legal fees, banking fees, and physician income guarantees paid by the College of Medicine to UT Physicians (the physician practice plan). The budget for this line item is increasing primarily due to the recruitment of new College of Medicine faculty.
- 18 **Pooled Designated and Other Funds** – This line item includes undistributed pooled budgets for structural budget deficits, carry-forward expenditures, strategic initiatives, and student fees. These funds will be moved to other line items during the fiscal year as the President and the two Provosts determine which colleges will receive these funds. This line item includes funds to create the School for Solar and Advanced Renewable Energy.
- 20 **Reimbursement from Hospital for Central Services** – This line item is the hospital’s reimbursement for university administrative services supporting hospital operations and its share of facility costs.

- 23 **Miscellaneous** – This line item includes real estate taxes and the amortization of bond issuance costs.
- 29 **Investment Income** – This line item includes a conservative estimate of investment income earned on the university’s working capital and non-endowed institutional reserves. The budget for this line item is decreasing primarily due to revised estimates of investment earnings in light of changes in the financial markets.
- 30 **Interest Expense** – This line item is increasing primarily due to projected increases in interest rates on the university’s variable rate debt and the issuance of new bonded indebtedness.

The University of Toledo Academic Enterprise
 Projected Cash Flows
 For the Fiscal Year 2010

Line #		FY 2009 <u>Projected</u>	FY 2010 <u>Budget</u>	Increase / <u>(Decrease)</u>	% <u>Change</u>
1	Budgeted Net Income (see previous page)	\$ (47,973,492)	\$ (14,323,399)	\$33,650,093	70.1%
2	Add Back Non-Cash Expenses (Depreciation)	30,000,000	30,000,000	0	0.0%
3	Principal Payments on Debt	(10,000,000)	(7,000,000)	3,000,000	-30.0%
4	Transfer from Hospital	10,277,199	9,964,650	(312,549)	-3.0%
5	State Capital Appropriations	13,000,000	13,000,000	0	0.0%
6	Capital Expenditures Funded by Operations	<u>(21,500,000)</u>	<u>(28,000,000)</u>	<u>(6,500,000)</u>	<u>30.2%</u>
7	Budgeted Cash Flow (Senate Bill 6 Reserve)	<u>(\$26,196,293)</u>	<u>\$3,641,251</u>	<u>\$29,837,544</u>	<u>113.9%</u>

The University of Toledo Academic Enterprise
 Projected Balance Sheets
 Fiscal Year-End 2009

Line #	FY 2009 Projected	FY 2010 Budget	Increase/ (Decrease)	% Change
Assets				
1	\$ 78,329,792	\$ 85,971,043	\$ 7,641,251	9.8%
2	50,000,000	45,000,000	(5,000,000)	-10.0%
3	4,000,000	5,000,000	1,000,000	25.0%
4	485,000,000	520,000,000	35,000,000	7.2%
5	60,000,000	60,000,000	-	0.0%
6	\$ 677,329,792	\$ 715,971,043	\$ 38,641,251	5.7%
Liabilities				
7	\$ 90,000,000	\$ 90,000,000	\$ -	0.0%
8	248,000,000	278,000,000	30,000,000	12.1%
9	10,000,000	10,000,000	-	0.0%
10	348,000,000	378,000,000	30,000,000	8.6%
11	329,329,792	337,971,043	8,641,251	2.6%
12	\$ 677,329,792	\$ 715,971,043	\$ 38,641,251	5.7%

FY2010 Operating Budget
Medical Center

The University of Toledo Medical Center / UTMAC
Budgeted Income Statements
For the Fiscal Year 2010

Line #		FY 2009 Projected	FY 2010 Budget	Increase/ (Decrease)	% Change
Revenue					
1	Acute Care Inpatient Revenue	\$ 435,650,616	\$ 460,776,979	\$ 25,126,363	5.8%
2	Rehabilitation Care Inpatient Revenue	15,474,319	16,366,808	892,489	5.8%
3	Psychiatric Inpatient Revenue	2,953,807	3,124,169	170,362	5.8%
4	Geriatric Psychiatry Inpatient Revenue	1,591,720	-	(1,591,720)	-100.0%
5	Total Inpatient Revenue	455,670,462	480,267,956	24,597,494	5.4%
6	Outpatient Revenue	205,520,769	223,370,033	17,849,264	8.7%
7	Emergency Outpatient Revenue	28,688,612	29,027,704	339,092	1.2%
8	Total Outpatient Revenue	234,209,381	252,397,737	18,188,356	7.8%
9	Total Patient Revenue	689,879,843	732,665,693	42,785,850	6.2%
10	Contractuals	441,457,831	474,196,474	32,738,643	7.4%
11	Charity Care	13,798,000	14,653,314	855,314	6.2%
12	CMS Upper Payment Limit	(1,436,700)	-	1,436,700	-100.0%
13	Ohio Hospital Care Assurance Program (HCAP)	(4,500,000)	(5,000,000)	(500,000)	11.1%
14	Cost Report Settlements	(3,863,752)	-	3,863,752	-100.0%
15	Total Deductions	445,455,379	483,849,788	38,394,409	8.6%
16	Net Patient Revenue	244,424,464	248,815,905	4,391,441	1.8%
17	Other Operating Revenue	15,381,669	15,008,289	(373,380)	-2.4%
18	Total Operating Revenue	259,806,133	263,824,194	4,018,061	1.5%
Expenses					
19	Salaries	98,393,074	98,596,054	202,980	0.2%
20	Benefits	23,979,215	24,180,829	201,614	0.8%
21	Supplies	65,670,873	67,313,961	1,643,088	2.5%
22	Travel & Entertainment	693,049	660,998	(32,051)	-4.6%
23	Information & Communication	2,736,575	2,479,412	(257,163)	-9.4%
24	Outside Purchased Services	24,215,537	20,447,606	(3,767,931)	-15.6%
25	Services Rendered by University / Overhead	10,381,837	9,862,606	(519,231)	-5.0%
26	Provision for Doubtful Accounts	13,108,000	14,653,314	1,545,314	11.8%
27	Other Operating Expenses	3,136,700	4,216,689	1,079,989	34.4%
28	Depreciation	12,624,434	13,498,000	873,566	6.9%
29	Total Operating Expenses	254,939,294	255,909,469	970,175	0.4%
30	Operating Income	4,866,839	7,914,725	3,047,886	62.6%
31	Operating Margin	1.9%	3.0%	1.1%	60.1%
32	Investment Income	(7,331,073)	250,132	7,581,205	103.4%
33	Unrealized Gains/(Losses) on Investments	(13,312,148)	-	13,312,148	100.0%
34	Interest Expense	(1,746,047)	(2,657,143)	(911,096)	-52.2%
35	Net Income	(\$17,522,429)	\$5,507,714	\$23,030,143	131.4%

Explanations of Unusual Line Items – Medical Center

Line

- 1-5 **Total Inpatient Revenue** – The increase in these line items is primarily due to a projected 1% increase in inpatient admissions and a 6% price increase offset by the closing of the UTMC Geriatric Psychiatry Unit during FY 2009.
- 4 **Geriatric Psychiatry Inpatient Revenue** – UTMC closed its Geriatric Psychiatry Unit during FY 2009.
- 6-8 **Total Outpatient Revenue** – The increase in these line items is primarily due to a projected 1% increase in outpatient clinic and emergency room visits and a 6% price increase.
- 10 **Contractuals** – This line item is the amount by which gross patient billings are adjusted per contracts with third-party payers. The budget for this line item is increasing as percentage of Total Patient Revenue from 64% in FY 2009 to 65% in FY 2010.
- 11 **Charity Care** – This line item removes the billings for treating charity care patients (under 150% of the federal poverty line). The budget for this line is expected to be 2% of Total Patient Revenue in FY 2010.
- 12 **CMS Upper Payment Limit** – This line item captures state funds received from the Centers for Medicare & Medicaid Services for public and psychiatric hospitals. These amounts are not budgeted due to the uncertainty of whether such amounts, if any, will be collected.
- 13 **Ohio Hospital Care Assurance Program (HCAP)** – HCAP provides partial reimbursement to hospitals for charity care provided to low-income individuals. HCAP is available to Ohio residents who do not receive Medicaid and whose individual or family income is at or below 100% of the federal poverty line.
- 14 **Cost Report Settlements** – This line item is final settlement of prior period Medicare and Medicaid billings based on reviews of the hospital's annual cost reports. These amounts are not budgeted due to the uncertainty of when such amounts, if any, will be collected.
- 17 **Other Operating Revenue** – This line item includes billings for services such as outside laboratory, outpatient pharmacy, and anesthesia physician services and UTMAC premiums.

- 19-20 **Salaries & Benefits** – This line item is budgeted at a 0% increase for FY 2010.
- 21 **Supplies** – The medical supplies portion of this budget is projected to increase 3% in FY 2010.
- 23 **Information & Communication** – This line item includes all telecommunications, photocopying, and advertising expenses.
- 24 **Outside Purchased Services** – This line item includes outside agency nursing, physician income guarantees, and collection fees. The decrease in this budget is primarily due to a reduction in the planned use of outside agency nursing and the in-sourcing of microbiology laboratory specimens.
- 25 **Services Rendered by University / Overhead** – This line item is the hospital’s reimbursement for university administrative services supporting hospital operations and other overhead allocations.
- 26 **Provision for Doubtful Accounts** – This line item accounts for uncollectible patient accounts receivables (i.e., bad debt expense). The FY 2010 budget for bad debt expense is 2% of Total Patient Revenue (5.9% of Net Patient Revenue).
- 27 **Other Operating Expenses** – This line item includes UTMAC expenses and the cost of professional liability insurance.
- 32 **Investment Income** – This line item includes a conservative estimate of investment income earned on the university’s working capital and non-endowed institutional reserves. The projected increase in investment income is primarily due to losses on Medical Center equity securities in FY 2009.
- 34 **Interest Expense** – The increase in this line item is due to increases in interest rates on existing variable rate bonds and the issuance of new bonded indebtedness in FY 2010.

The University of Toledo Medical Center / UTMAC
Projected Cash Flows
For the Fiscal Year 2010

Line #		FY 2009 <u>Projected</u>	FY 2010 <u>Budget</u>	Increase/ <u>(Decrease)</u>	% <u>Change</u>
1	Budgeted Net Income (see previous page)	(\$17,522,429)	\$5,507,714	\$23,030,143	131.4%
2	Add Back Non-Cash Expenses (Depreciation)	12,624,434	13,498,000	873,566	6.9%
3	Principal Payments on Debt	(1,190,047)	(1,238,069)	(48,022)	4.0%
4	Transfer to College of Medicine	(10,277,199)	(9,964,650)	312,549	-3.0%
5	Capital Expenditures Funded by Operations	(12,000,000)	(7,000,000)	5,000,000	-41.7%
6	Projected Cash Flow (Senate Bill 6 Reserve)	<u>(\$28,365,241)</u>	<u>\$802,995</u>	<u>\$29,168,236</u>	<u>102.8%</u>

The University of Toledo Medical Center / UTMAC
 Projected Balance Sheets
 Fiscal Year-End 2010

Line #		FY 2009 <u>Projected</u>	FY 2010 <u>Budget</u>	Increase/ <u>(Decrease)</u>	% <u>Change</u>
	Assets				
1	Cash and Investments	\$ 48,471,535	\$ 50,414,374	\$ 1,942,839	4.0%
2	Accounts Receivable, Net	48,033,579	46,385,954	(1,647,625)	-3.4%
3	Other Current Assets	10,161,980	10,934,605	772,625	7.6%
4	Capital Assets, Net	74,142,605	81,644,605	7,502,000	10.1%
5	Other Assets	19,563,177	19,563,177	-	0.0%
6	Total Assets	<u>\$ 200,372,876</u>	<u>\$ 208,942,715</u>	<u>\$ 8,569,839</u>	<u>4.3%</u>
	Liabilities				
7	Current Liabilities	\$ 19,138,784	\$ 19,403,628	\$ 264,844	1.4%
8	Bonds Payable	39,266,236	52,499,300	13,233,064	33.7%
9	Other Long-Term Liabilities	12,631,719	11,020,742	(1,610,977)	-12.8%
10	Total Liabilities	<u>71,036,739</u>	<u>82,923,670</u>	<u>11,886,931</u>	<u>16.7%</u>
11	Net Assets	129,336,137	126,019,045	(3,317,092)	-2.6%
12	Total Liabilities and Net Assets	<u>\$ 200,372,876</u>	<u>\$ 208,942,715</u>	<u>\$ 8,569,839</u>	<u>4.3%</u>

FY2010 Operating Budget
Listing of Key Budget Assumptions

Listing of Key Budget Assumptions

Enrollments, Patient Volumes, and Tuition/Fee Increases:

- 200 New Undergraduate Students
- Flat Graduate Enrollments
- See Proposed 2009-10 Tuition & General Fees
 - No increase in undergraduate tuition or general fee.
 - Market rates for graduate and professional programs.
 - New upper division program fees in engineering, nursing, business, and respiratory therapy.
 - Adjustments to other fees to cover increases in related program costs.
- Patient Revenue Price Increase: 6%
- Increase in Admissions: 1%
- Charity Care: 2% of Total Patient Revenue
- Earnings on Long-Term Investments: 0%

Salaries and Benefits:

- \$6 million Increase in Salaries and Benefits for AAUP and Non-Union Faculty
- 3% for Employees Making Less Than \$40,000
- No Increase in Hospital Salaries
- No Increase in Administrative Salaries

Other Expenses:

- Medical Supplies: 3%
- Pharmacy: 6%
- Medical Center Bad Debt: 2% of Total Patient Revenue

FY 2010 Tuition Rates, Fees, and
Student Housing Rates



2009-10 Approved Tuition & Fees
All fees per semester unless otherwise noted

Undergraduate							
	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Full-time (12-16 credit hours)	\$ 3,407.76	\$ 555.60	\$ 3,963.36	\$ 3,407.76	\$ 555.60	\$ 3,963.36	0.00%
Per credit hour	\$ 283.98	\$ 46.30	\$ 330.28	\$ 283.98	\$ 46.30	\$ 330.28	0.00%
Per credit hour ≥ 17	\$ 270.98	\$ -	\$ 270.98	\$ 270.98	\$ -	\$ 270.98	0.00%

Out-of-State							
Full-time (12-16 credit hours)	\$ 7,813.56	\$ 555.60	\$ 8,369.16	\$ 7,813.56	\$ 555.60	\$ 8,369.16	0.00%
Per credit hour	\$ 651.13	\$ 46.30	\$ 697.43	\$ 651.13	\$ 46.30	\$ 697.43	0.00%
Per credit hour ≥ 17	\$ 638.13	\$ -	\$ 638.13	\$ 638.13	\$ -	\$ 638.13	0.00%

Graduate							
	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Fall & Spring Full-time (12-15 credit hours)	\$ 5,208.00	\$ 555.60	\$ 5,763.60	\$ 5,520.00	\$ 555.60	\$ 6,075.60	5.41%
Per credit hour ≥ 16	\$ 434.00	\$ -	\$ 434.00	\$ 460.00	\$ -	\$ 460.00	5.99%
Summer Full-time (9-11 credit hours)	\$ 3,906.00	\$ 250.02	\$ 4,156.02	\$ 4,140.00	\$ 250.02	\$ 4,390.02	5.63%
Per credit hour ≥ 12	\$ 434.00	\$ -	\$ 434.00	\$ 460.00	\$ -	\$ 460.00	5.99%

Out-of-State							
Fall & Spring Full-time (12-15 credit hours)	\$ 9,876.00	\$ 555.60	\$ 10,431.60	\$ 10,464.00	\$ 555.60	\$ 11,019.60	5.64%
Per credit hour ≥ 16	\$ 823.00	\$ -	\$ 823.00	\$ 872.00	\$ -	\$ 872.00	5.95%
Summer Full-time (9-11 credit hours)	\$ 7,407.00	\$ 250.02	\$ 7,657.02	\$ 7,848.00	\$ 250.02	\$ 8,098.02	5.76%
Per credit hour ≥ 12	\$ 823.00	\$ -	\$ 823.00	\$ 872.00	\$ -	\$ 872.00	5.95%

Fall & Spring General Fee per credit hour ≤ 12 \$ 46.30
Summer General Fee per credit hour ≤ 9 \$ 27.78

Law							
	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Full-time (12-16 credit hours)	\$ 7,608.00	\$ 555.60	\$ 8,163.60	\$ 8,136.00	\$ 555.60	\$ 8,691.60	6.47%
Per credit hour ≥ 16	\$ 634.00		\$ 634.00	\$ 678.00		\$ 678.00	6.94%

Out-of-State							
Full-time (12-16 credit hours)	\$ 13,092.00	\$ 555.60	\$ 13,647.60	\$ 14,004.00	\$ 555.60	\$ 14,559.60	6.68%
Per credit hour ≥ 16	\$ 1,091.00		\$ 1,091.00	\$ 1,167.00		\$ 1,167.00	6.97%

First Enrolled Fall 2008 or after

In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	Total % Increase
Full-time (12-16 credit hours)	\$ 8,220.00	\$ 555.60	\$ 8,775.60	\$ 8,796.00	\$ 555.60	\$ 9,351.60	6.56%
Per credit hour ≥ 16	\$ 685.00		\$ 685.00	\$ 733.00		\$ 733.00	7.01%

Out-of-State							
Full-time (12-16 credit hours)	\$ 13,092.00	\$ 555.60	\$ 13,647.60	\$ 14,004.00	\$ 555.60	\$ 14,559.60	6.68%
Per credit hour ≥ 16	\$ 1,091.00		\$ 1,091.00	\$ 1,167.00		\$ 1,167.00	6.97%

Fall & Spring General Fee per credit hour ≤ 12 \$ 46.30
Summer General Fee per credit hour ≤ 12 \$ 27.78

MBA							
	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Full-time (12 credit hours)	\$ 5,700.00	\$ 555.60	\$ 6,255.60	\$ 6,048.00	\$ 555.60	\$ 6,603.60	5.56%
Per credit hour	\$ 475.00	\$ 46.30	\$ 521.30	\$ 504.00	\$ 46.30	\$ 550.30	5.56%
For each credit over 12	\$ 122.00		\$ 122.00	\$ 130.00		\$ 130.00	6.56%

Out-of-State							
Full-time (12 credit hours)	\$ 10,368.00	\$ 555.60	\$ 10,923.60	\$ 10,992.00	\$ 555.60	\$ 11,547.60	5.71%
Per credit hour	\$ 864.00	\$ 46.30	\$ 910.30	\$ 916.00	\$ 46.30	\$ 962.30	5.71%
For each credit over 12	\$ 231.00		\$ 231.00	\$ 245.00		\$ 245.00	6.06%

Fall & Spring General Fee per credit hour ≤ 12 \$ 46.30
Summer General Fee per credit hour ≤ 12 \$ 27.78

India MBA

	2008-09			2009-10			Total % Increase
Fee	Tuition and Fees	Total	Tuition and Fees	Total			
India MBA Program Fee	\$ 6,050.00	\$ 6,050.00	\$ 6,050.00	\$ 6,050.00	\$ 6,050.00		0%
<i>Program fee – not per semester</i>							

Executive MBA

	2008-09			2009-10			Total % Increase
Fee	Tuition and Fees	Total	Tuition and Fees	Total			
EMBA Program Fee	\$ 39,990.00	\$ 39,990.00	\$ 41,000	\$ 41,000.00	\$ 41,000.00		2.53%
<i>Program fee – not per semester</i>							

M.D. Program

	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Fall & Spring (min 15 credit hours)	\$ 12,036.00	\$ 695.00	\$ 12,731.00	\$ 12,673.00	\$ 695.00	\$ 13,368.00	5.00%
Summer (min 9 credit hours)	\$ 8,056.00	\$ 430.00	\$ 8,486.00	\$ 8,480.00	\$ 430.00	\$ 8,910.00	5.00%
Out-of-State							
Fall & Spring (min 15 credit hours)	\$ 25,754.00	\$ 695.00	\$ 26,449.00	\$ 27,076.00	\$ 695.00	\$ 27,771.00	5.00%
Summer (min 9 credit hours)	\$ 17,196.00	\$ 430.00	\$ 17,626.00	\$ 18,077.00	\$ 430.00	\$ 18,507.00	5.00%
Fall & Spring General Fee per credit hour ≤ 15		\$ 46.33					
Summer General Fee per credit hour ≤ 9		\$ 46.33					

Doctor of Nursing Practice (DNP)

	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Fall & Spring Full-time (12-15 credit hours)	\$ 6,615.00	\$ 555.60	\$ 7,170.60	\$ 7,008.00	\$ 555.60	\$ 7,563.60	5.48%
Per credit hour ≥ 16	\$ 551.00		\$ 551.00	\$ 584.00		\$ 584.00	5.99%
Summer Full-time (9-11 credit hours)	\$ 4,959.00	\$ 416.70	\$ 5,375.70	\$ 5,256.00	\$ 416.70	\$ 5,672.70	5.52%
Per credit hour ≥ 12	\$ 434.00	\$ -	\$ 434.00	\$ 460.00	\$ -	\$ 460.00	5.99%
Out-of-State							
Full-time (12-15 credit hours)	\$ 9,876.00	\$ 555.60	\$ 10,431.60	\$ 10,464.00	\$ 555.60	\$ 11,019.60	5.64%
Per credit hour ≥ 16	\$ 823.00		\$ 823.00	\$ 872.00		\$ 872.00	5.95%
Summer Full-time (9-11 credit hours)	\$ 7,407.00	\$ 416.70	\$ 7,823.70	\$ 7,848.00	\$ 416.70	\$ 8,264.70	5.64%
Per credit hour ≥ 12	\$ 823.00	\$ -	\$ 823.00	\$ 872.00	\$ -	\$ 872.00	5.95%
Fall, Spring, & Summer General Fee per credit hour		\$ 46.30					

Medical Sciences*

	2008-09			2009-10			Total % Increase
	Tuition	Fees	Total	Tuition	Fees	Total	
In-State	\$ 18,647.00	\$ 1,246.00	\$ 19,893.00	\$ 19,766.00	\$ 1,246.00	\$ 21,012.00	5.63%
Out-of-State	\$ 41,810.00	\$ 1,246.00	\$ 43,056.00	\$ 44,319.00	\$ 1,246.00	\$ 45,565.00	5.83%
*Full-time tuition & fees for one-year program (40 credit hours)							

Pharm D

	2008-09			2009-10			Total % Increase
In-State	Tuition	General Fee	Total	Tuition	General Fee	Total	
Full-time	\$ 5,100.00	\$ 555.60	\$ 5,655.60	\$ 5,412.00	\$ 555.60	\$ 5,967.60	5.52%
Per credit hour	\$ 425.00	\$ 46.30	\$ 471.30	\$ 451.00	\$ 46.30	\$ 497.30	5.52%
For each credit over 12	\$ 116.00		\$ 116.00	\$ 123.00		\$ 123.00	6.03%
Out-of-State							
Full-time	\$ 9,768.00	\$ 555.60	\$ 10,323.60	\$ 10,356.00	\$ 555.60	\$ 10,911.60	5.70%
Per credit hour	\$ 814.00	\$ 46.30	\$ 860.30	\$ 863.00	\$ 46.30	\$ 909.30	5.70%
For each credit over 12	\$ 225.00		\$ 225.00	\$ 239.00		\$ 239.00	6.22%

Upper Division Fee - New

	2008-09		2009-10	
Upper Division Fee			per Credit Hour	
HSHS - Respiratory Therapy	\$ -		\$	50.00
College of Business	\$ -		\$	15.00
College of Nursing	\$ -		\$	50.00

Infrastructure Fee - New

	2008-09		2009-10	
Infrastructure Fee			per Credit Hour	
College of Engineering	\$ -		\$	15.00

* levied to sophomore through senior undergraduates for up to 12 credit hours in any semester

Pharmacy

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Professional Division PharmD Application Fee	\$ -	\$ 75.00	225	\$ 16,875.00	\$ 16,875.00	100%
Professional Division BSPS Application Fee	\$ -	\$ 35.00	30	\$ 1,050.00	\$ 1,050.00	100%
Practicum Fee	\$ 533.02	\$ 616.00	180	\$ 110,880.00	\$ 14,936.40	16%

Orientation - Rocket Launch

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Orientation Fee	\$ 110.00	\$ 130.00	4,400	\$ 572,000.00	\$ 88,000.00	18%

Parking Fees

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Student Parking	\$ 95	\$ 100	17,400	\$ 1,740,000	\$ 87,000	5%

Parking Services moved to a single rate parking permit for all students in FY09; no longer a distinction between full and part-time.

ID Fees

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
ID Fee	\$ 10	\$ 20	8,100	\$ 162,000	\$ 81,000	100%
ID Replacement Fee	\$ 10	\$ 25	3,000	\$ 75,000	\$ 45,000	150%

Dean of Students

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Conduct Violation Administrative Fee	\$ -	\$ 25	1,000	\$ 25,000	\$ 25,000	100%
Alcohol and Drug Violation Fee	\$ 50	\$ 100	240	\$ 24,000	\$ 12,000	100%

Health Professions Living Learning Community Fee

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Student Participation Fee	\$ -	\$ 100	250	\$ 25,000	\$ 25,000	100%

Residence Life Fee

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Residential Technology/Communication Fee	\$ -	\$ 80	4,000	\$ 320,000	\$ 320,000	100%

Residence Halls

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Academic House	\$ 2,885	\$ 3,174	363	\$ 1,152,162	\$ 104,907	10%
Academic House (Single)	\$ 3,285	\$ 3,614	8	\$ 28,912	\$ 2,632	10%
Carter Hall (Std)	\$ 2,885	\$ 2,885	95	\$ 274,075	\$ -	0%
Carter Hall (Trpl)	\$ -	\$ 2,597	581	\$ 1,508,857	\$ 1,508,857	100%
Dowd/Nash/White	\$ 2,688	\$ 2,688	320	\$ 860,160	\$ -	0%
MacKinnon (Single)	\$ 2,767	\$ 3,099	3	\$ 9,297	\$ 996	12%
MacKinnon	\$ 2,767	\$ 3,099	121	\$ 374,979	\$ 40,172	12%
International House (Single)	\$ 3,285	\$ 3,614	53	\$ 191,542	\$ 17,437	10%
International House	\$ 2,986	\$ 3,285	323	\$ 1,061,055	\$ 96,577	10%
Parks Tower (Single)	\$ 3,174	\$ 3,492	27	\$ 94,284	\$ 8,586	10%
Parks Tower	\$ 2,885	\$ 3,174	607	\$ 1,926,618	\$ 175,423	10%
McComas Village	\$ 2,830	\$ 2,490	303	\$ 754,470	\$ (103,020)	-12%
The Crossings (Single)	\$ 3,521	\$ 3,944	2	\$ 7,888	\$ 846	12%
The Crossings	\$ 3,201	\$ 3,585	574	\$ 2,057,790	\$ 220,416	12%
Ottawa House (Single)	\$ 3,521	\$ 3,944	8	\$ 31,552	\$ 3,384	12%
Ottawa House	\$ 3,201	\$ 3,585	586	\$ 2,100,810.00	\$ 225,024.00	12%

Meal Plan Fees

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	Explanation
Any 10	\$ -	\$ 1,370.00	500	Increased dining dollars for residents using more retail (offered to DNW and MacKinnon freshmen & upperclass only)
Flex 10	\$ 1,170.00	\$ 1,170.00	300	10 all-you-care-to-eat meals/week; available to upperclass students & those in the Quad
Premier 19 Meals	\$ 1,565.00	\$ 1,565.00	3,150	19 all-you-care-to-eat meals/week
Rocket 15 Meals	\$ 1,430.00	\$ 1,430.00	3,100	15 all-you-care-to-eat meals/week
Block 125	\$ 870.00	\$ 875.00	810	125 all-you-care-to-eat meals/semester
Block 80	\$ 520.00	\$ 565.00	410	80 all-you-care-to-eat meals/semester
Block 30	\$ 275.00	\$ 290.00	480	30 all-you-care-to-eat meals/semester
Block 10	\$ 105.00	\$ 105.00	75	10 all-you-care-to-eat meals/semester

Lab Fees - Adjusted

Subject	Current Fee	New Fee	FY10 Projected Volume (students)	FY10 Projected Revenue at Approved Fee	Explanation
College of Pharmacy					
Medicinal & Biological Chem Lab	\$ 112.48	\$ 125.00	6	\$ 750.00	Cover increased material costs
Biomedical Chem Lab	\$ 112.48	\$ 125.00	7	\$ 875.00	Cover increased material costs
Microbiology & Immunology Lab	\$ 112.48	\$ 125.00	108	\$ 13,500.00	Cover increased material costs
Medicinal Biotechnology Lab	\$ 112.48	\$ 125.00	5	\$ 625.00	Cover increased material costs
Pharmacology & Toxicology Lab	\$ 112.48	\$ 125.00	18	\$ 2,250.00	Cover increased material costs
Pharmaceutical Tech I	\$ 58.40	\$ 65.00	20	\$ 1,300.00	Cover increased material costs
Pharmaceutical Tech II	\$ 58.40	\$ 65.00	20	\$ 1,300.00	Cover increased material costs
Sterile Product Tech	\$ 29.87	\$ 29.87	30	\$ 896.10	Cover increased material costs
Prof Practice Develop I	\$ 58.40	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Prof Practice Develop II	\$ 58.40	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Parenteral Manufacturing	\$ 116.39	\$ 165.00	30	\$ 4,950.00	Cover increased material costs
Dosage Form Design	\$ 58.71	\$ 65.00	30	\$ 1,950.00	Cover increased material costs
Parenteral Manufacturing	\$ 116.39	\$ 165.00	5	\$ 825.00	Cover increased material costs
Dosage Form Design	\$ 58.71	\$ 65.00	5	\$ 325.00	Cover increased material costs
Patient Care Rounds I	\$ 58.71	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Patient Care Rounds II	\$ 58.71	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Seminar III	\$ 40.00	\$ 45.00	114	\$ 5,130.00	Cover increased material costs
PPT: Capstone	\$ 58.71	\$ 65.00	114	\$ 7,410.00	Cover increased material costs
Product Development	\$ 56.23	\$ 150.00	5	\$ 750.00	Cover increased material costs
Clinical Clerkship	\$ 48.41	\$ 55.00	114	\$ 6,270.00	Cover increased material costs

College of Arts and Sciences

Art

Special Topics in Printmaking - Art 1990	\$ 44.59	\$ 59.59	5	\$ 297.95	Topics courses in Drawing concentration.
Aspect of Printmaking - ART 2230	\$ 53.05	\$ 68.05	10	\$ 680.50	Topics courses in Printmaking concentration.
Special Topics in Printmaking - ART 2990	\$ 44.59	\$ 59.59	20	\$ 1,191.80	Increased shipping and material costs.
Etching - ART 3260	\$ 53.05	\$ 68.05	5	\$ 340.25	Increased shipping and material costs.
Lithography - ART 3270	\$ 53.05	\$ 68.05	5	\$ 340.25	Increased shipping and material costs.
Special Topics in Printmaking - ART 3990	\$ 44.59	\$ 59.59	10	\$ 595.90	Increased shipping and material costs.
Screenprinting - ART 4240	\$ 53.05	\$ 68.05	5	\$ 340.25	Increased shipping and material costs.
Ind. Study Printmaking - ART 4910	\$ 44.59	\$ 59.59	5	\$ 297.95	Increased shipping and material costs.
Ind. Study Printmaking - ART 4920	\$ 44.59	\$ 59.59	5	\$ 297.95	Increased shipping and material costs.
Ind. Study Printmaking - ART 4930	\$ 44.59	\$ 59.59	5	\$ 297.95	Increased shipping and material costs.
Ind. Study Printmaking - ART 4990	\$ 44.59	\$ 59.59	5	\$ 297.95	Increased shipping and material costs.

Chemistry

Concepts in Chemistry Lab	\$ 87.34	\$ 113.63	68	\$ 7,726.84	Increased Operational Costs
General Chemistr Lab 1	\$ 87.34	\$ 113.63	1,110	\$ 126,129.30	Increased Operational Costs
General Chemistr Lab 2	\$ 87.34	\$ 113.63	791	\$ 89,881.33	Increased Operational Costs
Organic Chemistry Lab 1	\$ 129.68	\$ 168.72	472	\$ 79,635.84	Increased Operational Costs
Organic Chemistry Lab 2	\$ 129.68	\$ 168.72	388	\$ 65,463.36	Increased Operational Costs
Organic Chemistry Lab 1	\$ 129.68	\$ 168.72	13	\$ 2,193.36	Increased Operational Costs
Organic Chemistry Lab 2	\$ 129.68	\$ 168.72	11	\$ 1,855.92	Increased Operational Costs
Analytical Chemistry Lab - WAC	\$ 129.68	\$ 168.72	39	\$ 6,580.08	Increased Operational Costs
Advanced Lab I - WAC	\$ 129.68	\$ 168.72	8	\$ 1,349.76	Increased Operational Costs
Advanced Lab II	\$ 129.68	\$ 168.72	3	\$ 506.16	Increased Operational Costs
Advanced Lab III	\$ 129.68	\$ 168.72	4	\$ 674.88	Increased Operational Costs
Biochem Lab	\$ 129.68	\$ 168.72	6	\$ 1,012.32	Increased Operational Costs

Music

Symphonic Band	\$ 29.46	\$ 40.00	120	\$ 4,800.00	New music, instrument replacement, repairs and overhaul
Wind Ensemble	\$ 29.46	\$ 40.00	90	\$ 3,600.00	New music, instrument replacement, repairs and overhaul
Jazz Ensemble	\$ 29.46	\$ 40.00	70	\$ 2,800.00	New music and instruments
Orchestra	\$ 29.46	\$ 40.00	75	\$ 3,000.00	New music and instruments
Wind Ensemble	\$ 29.46	\$ 40.00	2	\$ 80.00	Course list associated with class
Jazz Ensemble	\$ 29.46	\$ 40.00	7	\$ 280.00	Course list associated with class
Orchestra	\$ 29.46	\$ 40.00	1	\$ 40.00	Course list associated with class
Symphonic Band	\$ 29.46	\$ 40.00	1	\$ 40.00	Course list associated with class
All other music fees 5% ATB				\$ -	Increased Operational Costs

Physics

Survey of Astronomy	\$ 10.61	\$ 13.00	1,400	\$ 18,200.00	Increased Operational Costs
Elem Astronomy Lab	\$ 43.47	\$ 45.00	182	\$ 8,190.00	Increased Operational Costs
Intermediate, Advanced, Grad Labs (all)	\$ 59.33	\$ 65.00	4	\$ 260.00	Increased Operational Costs
Intermediate, Advanced, Grad Labs (all)	\$ 59.33	\$ 65.00	20	\$ 1,300.00	Increased Operational Costs
Intro level labs (all)	\$ 48.82	\$ 51.00	1,600	\$ 81,600.00	Increased Operational Costs

Psychology

Statistics	\$ 5.36	\$ 5.50	100	\$ 550.00	Increased Operational Costs
Research in clinical psych	\$ 5.36	\$ 5.50	25	\$ 137.50	Increased Operational Costs
Research in social psych	\$ 5.36	\$ 5.50	25	\$ 137.50	Increased Operational Costs
Quantitative Methods - Psy I	\$ 5.36	\$ 6.00	10	\$ 60.00	Increased Operational Costs
Quantitative Methods - Psy II	\$ 5.36	\$ 6.00	10	\$ 60.00	Increased Operational Costs

Communication

Editing and Graphics	\$ 11.33	\$ 33.00	24	\$ 792.00	Increased cost of technology
Radio Production and Programming	\$ 11.33	\$ 33.00	24	\$ 792.00	Increased cost of technology
Basic TV Studio Operation	\$ 10.60	\$ 33.00	24	\$ 792.00	Increased cost of technology
Visual Communication	\$ 10.60	\$ 33.00	24	\$ 792.00	Increased cost of technology
ADV TV Production	\$ 11.33	\$ 33.00	24	\$ 792.00	Increased cost of technology

Geography					
5% ATB increase for all labs				5%	Increased Operational Costs
Biology					
Fund of Life Science Lab I	\$ 44.60	\$ 65.75	1,324	\$ 87,053.00	Increased cost to transport preserved live specimens and salary costs (portion now comes from lab fees)
Fund of Life Science Lab I	\$ 44.60	\$ 65.75	822	\$ 54,046.50	Increased cost of consumables - plastics, chemicals and salary
Molecular Genetics Lab	\$ 65.82	\$ 92.50	60	\$ 5,550.00	Increased cost of consumables - plastics, chemicals and salary
Cell Biology Lab	\$ 66.70	\$ 93.50	93	\$ 8,695.50	increased cost to transport cell cultures & buy biological reagents and salary
Developmental Biology Lab	\$ 55.21	\$ 79.00	27	\$ 2,133.00	increased cost to transport live specimens for use in labs and salary
Comparative Anatomy Lab	\$ 61.80	\$ 87.50	20	\$ 1,750.00	increased cost to transport preserved specimens, buy specialty slides, & salary
Microbiology Lab	\$ 53.60	\$ 77.00	39	\$ 3,003.00	increased cost to transport stock cultures & consumables and salary
Immunology Lab	\$ 82.71	\$ 113.50	15	\$ 1,702.50	increased cost for biological consumables and salary
College of HSHS					
First Aid	\$ 30.08	\$ 32.50	480	\$ 15,600.00	Increase in supplies and certifications
Beginning Clinic Practicum	\$ 10.60	\$ 11.66	65	\$ 757.90	Increase in supplies, equip & assessment tools
Advanced Clinic Practicum	\$ 10.30	\$ 11.33	65	\$ 736.45	Increase in supplies, equip & assessment tools
Advanced Practicum	\$ 31.82	\$ 35.12	75	\$ 2,634.00	Increase in supplies, equip & assessment tools
Diag Practicum	\$ 15.45	\$ 17.00	30	\$ 510.00	Increase in supplies, equip & assessment tools
Audio Practicum	\$ 15.45	\$ 17.00	30	\$ 510.00	Increase in supplies, equip & assessment tools
Internship in SLP	\$ 25.75	\$ 28.33	30	\$ 849.90	Increase in supplies, equip & assessment tools
Clinical Skills I	\$ 26.59	\$ 60.00	20	\$ 1,200.00	To offset the decr in funding rec'd from Athletics to purchase apparel for the student trainers
Clinical Skills III	\$ 31.83	\$ 60.00	20	\$ 1,200.00	To offset the decr in funding rec'd from Athletics to purchase apparel for the student trainers
Clinical Skills V	\$ 31.83	\$ 60.00	20	\$ 1,200.00	To offset the decr in funding rec'd from Athletics to purchase apparel for the student trainers
Social Work Field Experience II	\$ 18.00	\$ 20.00	52	\$ 1,040.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Social Work Field Experience III	\$ 18.00	\$ 20.00	52	\$ 1,040.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Foundation Field (SOCW 5900)	\$ 28.00	\$ 31.00	18	\$ 558.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Foundation Field (SOCW 5910)	\$ 28.00	\$ 31.00	18	\$ 558.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Advanced Standing Field	\$ 28.00	\$ 31.00	40	\$ 1,240.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Advanced Standing Field II	\$ 28.00	\$ 31.00	40	\$ 1,240.00	Increase in travel, equip., supplies, licensure, student orientation costs, etc.
Occupational Therapy Models of Prac V	\$ 50.00	\$ -	0	\$ -	This course should no longer be charged a lab fee.
Occupational Therapy Models of Prac VII	\$ 50.00	\$ -	0	\$ -	This course should no longer be charged a lab fee.

Lab Fees - New

Subject	New Fee	FY10 Projected Volume (students)	FY10 Projected Revenue at Approved Fee	FY10 Projected Revenue at Approved Fee	Explanation
College of Pharmacy					
Professional Practice Development I	\$ -	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Professional Practice Development II	\$ -	\$ 65.00	108	\$ 7,020.00	Cover increased material costs
Professional Practice Development III	\$ -	\$ 65.00	0	\$ -	Cover increased material costs
Professional Practice Development IV	\$ -	\$ 65.00	0	\$ -	Cover increased material costs
Professional Practice Development V	\$ -	\$ 65.00	0	\$ -	Cover increased material costs
Professional Practice Development VI	\$ -	\$ 65.00	0	\$ -	Cover increased material costs
Self Care	\$ -	\$ 65.00	0	\$ -	Cover increased material costs

College of HSHS

International Field Trip	\$ -	\$ 450.00			
Fieldwork & Prof. Devel. Seminar III	\$ -	\$ 50.00			To correct course with lab fee.
Occupational Therapy Models Prac VIII	\$ -	\$ 50.00			To correct course with lab fee.
Physical Agent Modalities & Other	\$ -	\$ 50.00			To correct course with lab fee.
Practicum in Comm Health	\$ -	\$ 25.75	20	\$ 515.00	Cover increase in operational costs.
Senior Field Experience	\$ -	\$ 25.75	20	\$ 515.00	Cover increase in operational costs.
Internship in Health Management	\$ -	\$ 25.75	20	\$ 515.00	Cover increase in operational costs.
Group Fitness Certification	\$ -	\$ 19.00	20	\$ 380.00	Cover increase in operational costs.
Personal Training Certification	\$ -	\$ 19.00	20	\$ 380.00	Cover increase in operational costs.
Mat Pilates	\$ -	\$ 15.00	20	\$ 300.00	Cover increase in operational costs.
Camping & Outdoor Rec	\$ -	\$ 70.00	20	\$ 1,400.00	Cover increase in operational costs.
Recreation Internship	\$ -	\$ 25.75	20	\$ 515.00	Cover increase in operational costs.
Analyzing Lab	\$ -	\$ 15.00	20	\$ 300.00	Cover increase in operational costs.
Clinical Audiology	\$ -	\$ 15.00	20	\$ 300.00	Cover increase in operational costs.
Anat & Phys of Speech	\$ -	\$ 15.00	20	\$ 300.00	Cover increase in operational costs.
Speech Science	\$ -	\$ 15.00	20	\$ 300.00	Cover increase in operational costs.

College of Arts & Science

Honors Meeting	\$ -	\$ 5.50	15	\$ 82.50	Cover increase in operational costs.
Design and Eval-Psych Resrch	\$ -	\$ 6.00	10	\$ 60.00	Cover increase in operational costs.
Design and Eval-Psych Resrch	\$ -	\$ 6.00	10	\$ 60.00	Cover increase in operational costs.
Survey of Biology Lab	\$ -	\$ 35.00	30	\$ 1,050.00	New course not previously taught.

Technology Fees

Subject	New Fee	FY10 Projected Volume (students)	FY10 Projected Revenue at Approved Fee	FY10 Projected Revenue at Approved Fee	Explanation
College of Education					
Technology Fee	\$ 6.70	\$ 7.00	2,238	\$ 15,666	Cover increased costs

Library Fees

Subject	New Fee	FY10 Projected Volume (students)	FY10 Projected Revenue at Approved Fee	FY10 Projected Revenue at Approved Fee	Explanation
Library Information Resource Fee - Ugrad*	\$ 3.00	166,320	\$ 498,960	\$ 498,960	Support electronic library resources
Library Information Resource Fee - Grad	\$ 5.00	8,355	\$ 41,775	\$ 41,775	Support electronic library resources

NOTE: These are per credit hour fees

* This fee will apply to students with over 32 credit hours (Sophomore status).

eLearning and Academic Support

Fee Name	Current Fee	New or Adjusted Fee	FY10 Projected Volume at Approved Rate	FY10 Projected Revenue	Dollar Change	Total % change
Distance Learning Course Fee (per course)	\$ 22.50	\$ 25.00	21,500	\$ 537,500	\$ 53,750	10%

eLearning is increasing their course fee to support distance learning technology including Blackboard Learning System CE 4.0 and 6.0; Respondus License; Kryterion pilot-cameras; and Echo 360 servers to keep the University's distance learning program state of the art and student centered.

FY 2010 Budget Development Guidelines



THE UNIVERSITY OF
TOLEDO
1872

MEMO

To: Full Senior Leadership Team and Deans
From: Scott L. Scarborough, Ph.D., CPA
Sr. Vice President for Finance & Administration
Date: January 9, 2009
Re: Budget Development Guidelines – FY 2009-10

The purpose of this memorandum is to explain the process that will be used to develop the FY 2009-10 operating budget.

Positive Outlook / Current Economic Challenge

The outlook for the University of Toledo is extremely positive. Enrollment is up. Patient volumes are up. Fundraising is up. Funded research is up. Facilities are greatly improved. New labor union contracts have been signed and salaries and wages are increasing. The university's reputation as an innovative leader is widespread. Regional and state leaders are looking to UT to help lead the revitalization of the regional and state economies. Our reputation as a leader in solar energy is well known. And on and on...

There is no better way to secure the future of the university and the future of existing full-time jobs at the university than to continue to be innovative leaders when times demand it. Now again is such a time. The likelihood of significant reductions to state funding in 2009-10 is high. That's the bad news. The good news is that we have an experienced and able team of administrators, faculty leaders, staff leaders, student leaders, and trustees to lead us through this most recent economic challenge. For those universities who make good decisions and respond adequately and strategically to economic challenges, they emerge from difficult times stronger and better positioned to meet the educational needs of a changing society. For those universities who refuse to change and avoid the tough conversations and decisions, they grow weaker and jeopardize the jobs of everyone at the university. With your help, we will make the right decisions for the university, emerge stronger, and continue to move the University of Toledo along its strategic path.

Last Year's Budget Process

Last year, the university altered its budget development process in three significant ways:

1. To advance the implementation of the university's strategic plan, each budgetary unit or division/college was asked to prepare a budget scenario that:

- a. Reallocated 5% of its prior year budget internally to pay for strategic plan initiatives.
 - b. Reallocated 5% of its prior year budget to a central pool from which all budgetary units/divisions requested funds for strategic plan initiatives.
2. To facilitate strategic decision-making, formal budget hearings were instituted to give Vice Presidents and Deans an opportunity to explain their budget scenarios and needs directly to the President and his senior staff. In addition, budget pre-hearings were formalized to give Vice Presidents and Deans the opportunity to explain their budget scenarios and needs to their respective Provost or the Senior Vice President for Finance and Administration.
3. To facilitate better university-wide financial planning and management, budgetary units were required to budget all university funds (including carry-forward balances) prior to spending or committing university funds. This new “prime directive” became effective July 1, 2008; it prohibits university funds from being spent or committed unless they are budgeted via the annual budget process or a mid-year (i.e., any time during the year) budget amendment. Prior to July 1, 2008, a discussion paper was widely circulated among the university’s full senior leadership team that explained this important change and the reasons for it. A newly proposed budget amendment policy has been circulated for comment and is in the final stages of approval.

The above changes were moderately successful in that \$10.5 million was reallocated to fund 2008-09 strategic plan initiatives, and Vice Presidents and Deans were given the opportunity to explain their budget scenarios and needs to the President and his senior staff. The impact of last year’s budget process was limited, however, by information and communication deficiencies and the extent to which Vice Presidents and Deans meaningfully participated in the budget scenario exercise.

This Year’s Budget Process

This year, as we begin the process to develop the 2009-10 operating budget, we face national, state, and regional economic challenges with which everyone is now very familiar. Again, the likelihood of a significant decrease in state funding in 2009-10 is high. The state already cut our funding by \$4 million in 2008; that number is likely to be much greater in 2009-10. To deal with this reality, the university has already taken the following initial steps to amend the current year budget:

- The university has implemented stricter position management control.
- The university has eliminated all vacant positions with certain exceptions approved by the President and Provosts or the position management control committee.
- The Medical Center has eliminated positions.
- The university (non-hospital) has eliminated temporary positions.
- The university has reduced discretionary budgets (travel, dues, non-library subscriptions, consulting, etc.) by 25%.

Current year budget adjustments associated with the above initial steps have been made, and they will roll forward as adjustments to preliminary 2009-10 budgets. In other words, budgetary units will get credit for these current year adjustments as part of their next year budget scenarios described below.

The university will use the same budget development process as last year (i.e., budget scenarios, budgeting all funds including carry-forward balances, budget hearings and pre-hearings) with the following exceptions:

- Last year, the process was designed to reallocate funds to advance the implementation of the university’s strategic plan. This year, the process is designed to enhance revenues, increase productivity, and reduce costs while continuing to advance the university’s strategic plan. It should be emphasized that the university will continue to advance the implementation of its strategic plan in 2009-10; budget reallocations to advance the strategic plan are expected even within a decreased funding scenario. The university will need to become narrow and deeper to continue to fund our core work and advance the implementation of the strategic plan.
- **This year, each budgetary unit or division will be required to develop two budget scenarios: a 7% reduction in budgeted expenditures and a 15% reduction in budgeted expenditures. The Budget Office will provide you to the tools (including financial targets) next week to develop and present your budget scenarios. All VPs and Deans will be expected to participate fully in the development and discussions of these budget scenarios. These scenarios are designed to stimulate creative thinking that challenges historical assumptions and models that state government may no longer be able to afford. These scenarios are also designed to stimulate conversations about what is most important to our work as a university—our mission, core values, core programs, and strategic priorities. These scenarios do not imply that the university is considering an across-the-board reduction of all operating budgets by 7% or 15%.**
- The agenda and supporting materials for budget pre-hearings and hearings will be more prescribed as described below.

Budget Development Timeline

The timeline for the development of the 2009-10 operating budget is as follows:

	Date
University issues budget development guidelines.	January 20
CFO & Budget Director host prep/training sessions for VPs, Deans, and business managers.	January 14 - 23
Pre-hearing budget materials due to the Budget Office.	February 16
Budget pre-hearings occur.	February 23 - March 6
Presentation and supporting materials for budget hearings due to the Budget Office	March 6
Budget hearings occur.	March 12 - 27
Budgets inputted by budgetary units into the budget development tool.	April 6
Proposed budget referred to the Finance & Strategy Committee for review and input.	April 10
President recommends operating budget to the Board of Trustees Finance Committee.	April 20
Board of Trustees approves the operating budget.	June 22
Approved budget loaded into the Banner system by the Budget Office / Accounting Office.	June 30

Revenue Enhancements

It is very important to note that while budgetary units are preparing 7% and 15% cost reduction scenarios, the university’s financial staff will be working with various groups (Enrollment Management, the Graduate Office, Vice Presidents and Deans, Finance and Strategy Committee, etc.) to develop various revenue enhancement strategies and proposals. Examples of revenue

enhancement ideas that have been received and are currently being reviewed are summarized below:

- The university will increase undergraduate tuition and the General Fee by the amount allowed by the State of Ohio; the university will use financial aid to maintain access to a university education by low-income students.
- The university will increase graduate tuition to market limits.
- The university will increase room and board rates to market limits; the university will use financial aid to maintain access to university housing by low-income students.
- The university will implement upper division program fees (similar to the Pharmacy Upper Division Program Fee) for undergraduate programs with high cost structures; the university will use financial aid to maintain access to a university education by low-income students.
- The university will look at decreasing graduate assistantship tuition waivers and stipends in professional and graduate programs that are not aligned with strategic priorities.
- The university will look at increasing its recruitment of full-pay international students.
- The university will consider the creation of a new distance learning entity within or outside the university with elements of a for-profit business model. The university will consider partnering with outside educational providers to provide needed expertise, technology, and capital to build, market, and grow quality distance learning offerings and enrollments through the region. UT faculty will continue to be the providers of course offerings.
- The university will look at creating a separate non-profit research institute to perform contracted applied research.
- The university will use newly created college and auxiliary income statements (see draft statements attached) to guide financial planning.

Productivity Improvements and Cost Reductions

Vice Presidents and Deans should be prepared to present FY 2007-08 and FY 2008-09 (to the extent available) data and analysis at budget pre-hearings and hearings as it pertains to answering the following questions:

Questions for Colleges

- To what extent does your college or departments currently enforce a consistent standard for teaching loads, summer teaching assignments, release time for research and academic administration, and sabbaticals and other forms of paid leave?
- To what extent does your college maximize faculty productivity?
 - What cost savings could be generated if your college were to consistently adhere to the following standards:
 - Four courses (or the equivalent) every fall and spring semester for tenured and tenure-track faculty with appropriate release times for faculty advising, productive research, and academic administration/service.
 - Five courses (or the equivalent) every fall and spring semester for full-time non-tenure track faculty.
- To what extent is your college maximizing the use of part-time faculty in lieu of hiring tenured or tenure-track faculty?

- What cost savings could be generated if your college were to tighten curricular offerings by eliminating duplicate and esoteric (“boutique”) courses and strictly enforcing small class minimum enrollments?
- What cost savings could be generated if the classroom assignment process were changed and your college were to eliminate all caps on course enrollments that were less than the assigned classroom capacity?
- What academic or other college-based programs are your biggest money losers (i.e., lowest enrollments and highest cost structures)?
- What academic programs have seen a significant decrease in enrollments over the past three years?
- What academic programs in your college have the largest enrollments? Is there a way to grow the enrollments and reputations of these programs? Do these programs have a positive financial margin?
- What academic programs in your college have capacity and produce positive net revenues? Are there markets of additional students for these programs? What is your college doing to cost-effectively reach these markets?
- What academic programs in your college enjoy the best academic reputation? Why?
- What is the single top strategic priority in your college for 2009-10? Do your budget scenarios reflect financial investment toward the achievement of this strategic priority?

Questions for All Budgetary Units

- Is it possible to eliminate all overtime in your budgetary unit or to require your pre-approval of overtime before it is worked?
- How would you get the core work of your budgetary unit accomplished without adversely affecting university net revenue if you had to reduce the number of your currently filled full-time positions by 10% (assuming no union contract restrictions)? Be prepared to discuss verbally which positions you would eliminate. After the budget hearings, Human Resources should be consulted if it is determined that positions are likely to be eliminated in your budgetary unit.
- What work is currently performed in your budgetary unit that could be performed by a trained and reliable student employee (assuming no union issues)?
- What cost savings could be generated if physical student computer labs were replaced with virtual student computer labs? What alternative use of the space is possible?
- How many middle management positions would you eliminate in your budgetary unit if you enforced a 10:1 supervisor to employee ratio?
- What non-core money-losing programs in your budgetary unit can you eliminate? What cost savings could be generated?

Questions for Specific Budgetary Units

Specific budgetary units should be prepared to discuss potential cost savings associated with closing various satellite campuses and the termination of various external programs. Furthermore, specific budgetary units should be prepared to discuss how technology might be used more extensively to reduce physical space requirements and lower overall operating costs. Finally, specific budgetary units should be prepared to address the cost/benefit of various student services and programs.

The university's budget process is designed in this way to be a bottoms-up, participatory process. It is the responsibility of each Vice President and Dean to identify and include respective stakeholders in a way that informs and enhances decision-making. Each Vice President and Dean should determine how best to include stakeholders in the development of his or her budget scenarios.

Structural Deficits and Carry-forward Balances

Prior to July 1, 2008, when budgetary units were allowed to spend unbudgeted carry-forward balances, some budgetary units had structural deficits in their base operating budgets (general funds). A "structural deficit" is a term used to describe unbudgeted, yet planned operating expenditures from general funds. To cover structural deficits, budgetary units became accustomed to using their unbudgeted carry-forward balances. Effective July 1, 2008, when it became necessary to budget the expenditure of all funds (including carry-forward balances), this new requirement exposed unbudgeted, and now unfunded, structural deficits in base operating budgets (general funds). Budgetary units were advised to resolve their structural deficits during the 2008-09 budgeting process. For those who did not, the budget amendment process is now available to them to resolve current year structural deficits. Going forward, however, budgetary units should resolve their structural deficits during the 2009-10 budgeting process.

Before spending carry-forward balances, you need to request a budget to spend carry-forward funds as part of the annual budget process (or via the budget amendment process for unbudgeted expenditures). For example, if a budgetary unit were to budget lab fees for next year, it would estimate lab fee revenues based on historical revenue collections and known changes in the coming year, request a budget for lab fee expenditures up to the revenue estimate, and request a budget for the expenditure of some or all of its carry-forward balance in the amount needed:

Lab Fee Expenditures – Current Year	\$10,000	
Lab Fee Expenditures – Carry-forward	<u>1,000</u>	
Total Budgeted Expenditures	\$11,000	
Projected Lab Fee Revenues		<u>\$10,000</u>
Total Budgeted Revenues		\$10,000

Once budgeted, a budgetary unit would be allowed to spend up to the available balance in the Lab Fee account (in the example above, \$1,000 of budgeted carry-forward balance plus current year collections of lab fees). If during the year, the budgetary unit desires to spend more than the budgeted amount of the carry-forward balance, then an approved budget amendment would be necessary (see university budget amendment policy). Carry-forward balances that are not budgeted continue to roll forward in a "savings account" for the applicable budgetary unit. Funds may not be spent from the "savings account," however, unless they are budgeted.

What Vice Presidents and Deans Need to Prepare

Prior to budget pre-hearings and hearings, Vice Presidents and Deans need to prepare:

1. 7% and 15% cost reduction scenarios (including current year budget adjustments).
2. Recommendations as they pertain to "Revenue Enhancements" plus recommended increases to existing fees.

3. Answers to the questions listed under “Productivity Improvements and Cost Reductions” with supporting data for the current and 2007-08 fiscal years.
4. Specific information about the correction of structural deficits and unavoidable cost increases.
5. A listing of currently filled positions at current salaries and wages and approved vacant positions at currently budgeted amounts that equals planned budgeted amounts for the various classes of salaries and wages.

Budget Assumptions

Please use the following assumptions for 2009-10 budget planning:

- 33% benefits rate for full-time faculty and staff salaries and wages.
- 33% benefits rate for part-time staff salaries and wages.
- 16% benefits rate for part-time faculty salaries and wages.
- 2% benefits rate for student employees.
- 0% general fund salary increase—these amounts will be budgeted centrally. Designated and auxiliary fund accounts should budget a pool for salary increases equal to 3% of current salaries and wages.
- 11% university tax on designated and auxiliary accounts based on actual FY 2007-08 expenditures.
- Projected actual cost of utilities, depreciation, debt service, approved capital projects, and insurance.
- Projected actual net tuition revenue and fee income, state appropriations, auxiliary revenues, interest income on non-endowed investments, investment earnings equal to the endowment distribution from endowed investments, gift income, and indirect cost recoveries.

Please do not hesitate to contact your respective liaison in the Budget Office if there are questions about this document.

Attachments: Draft College and Auxiliary Income Statements – FY 2007-08
Article: “The Right Way and the Wrong Way to Cut Costs”