

Brown University

Report of the
University Resources Committee
to the President on the FY2014-15 Budget



January 30, 2014

**UNIVERSITY RESOURCES COMMITTEE
REPORT TO THE PRESIDENT ON THE BUDGET
FOR FISCAL YEAR 2014-15**

I. Introduction

In October 2013, the Corporation approved *Building on Distinction: A New Plan for Brown*, which outlines the University's strategy for at least the next decade. The plan calls for significant investments – some broad-based, others more targeted – in academic initiatives and the campus infrastructure to support them. It also makes clear that achieving these goals will require a sustainable financial model in which investments must be accompanied by new resources, reallocation of existing resources, and redoubled efforts to control cost growth.

At the same time that the Brown community has been engaged in formulating our ambitions for the decade ahead, pressures on the University's budget have continued to increase. Although budgetary constraints have been significant in recent years, the University Resources Committee (URC) worked under even greater stringency to frame its recommendations for the 2014-15 fiscal year (FY15). Ongoing challenges are being compounded by new ones that have emerged in several areas:

- In 2013, the resources of federal research agencies were significantly disrupted by “sequestration,” or across-the-board cuts in appropriations, followed by the October government shutdown. Although Congress' recent two-year budget agreement for federal fiscal years 2014 and 2015 will avoid the immediate prospect of a new round of sequestration, any near-term increases in federal spending for research and campus-based aid programs will ultimately be minimal and still remain below pre-sequestration funding levels.
- In the current year, the cost of undergraduate financial aid significantly exceeded the amount that had been budgeted. This was the result of an increase in the number of higher-need students among this year's matriculants, little growth in parental contributions overall, and additional juniors and seniors on financial aid. We expect that these factors will continue to have an impact on financial aid for the next several years.
- To complete high priority capital projects that have not yet been supported by gifts, including dormitory renovations and the transformation of Hunter Labs into the Building for Environmental Research and Teaching, Brown needed to issue more long-term debt than originally planned. Although we were able to take advantage of historically low interest rates on the debt, the debt service still constitutes a significant additional burden on the operating budget.

As described in detail in this report, contending with the impact of these and other financial pressures combined with the need to stabilize our balance of revenue and expenditures and position the University for new growth under the plan has made URC's effort to frame responsible budget recommendations for FY15 all the more difficult – and all the more important.

This report begins with a summary of URC’s major recommendations, followed by sections providing more detailed accounts of the revenue estimates and expenditure proposals for the Educational and General (E&G) budget and Auxiliary Operations, the Division of Biology and Medicine (BioMed), and the School of Public Health.

II. Recommendations: Summary and Context

For FY15, URC recommends a total consolidated revenue budget for the University of \$937.7 million, and a total expenditure budget of \$941.5 million, resulting in the planned use of \$3.8 million in reserves to support operations. As shown on Table 1, total revenue is estimated to increase by 3.3% over the FY14 budget, and expenditures are budgeted to increase by 3.2%. This rate of projected expenditure growth is consistent with the overall trend of relatively modest increases in recent years.

Table 1: Brown University FY15 Consolidated Operating Budget
(\$ in millions)

| | FY14 Budget | % Change | FY15 Proposed |
|--|--------------------|-----------------|----------------------|
| Consolidated Revenue | \$908.1 | 3.3% | \$937.7 |
| Consolidated Expense | 912.4 | 3.2% | 941.5 |
| Operating Results/Use of Reserves | (\$4.4) | | (\$3.8) |

The consolidated budget includes four separate components: E&G, Auxiliary Operations, BioMed, and Public Health. As shown in Table 2, the proposed E&G budget would include \$621.4 million of revenue and the use of \$3.9 million of reserves to support \$625.3 million of expenses. URC recommends an Auxiliary Operations budget of \$143.8 million, which includes an expected contribution of \$7.5 million to support academic priorities in the E&G budget. The proposed BioMed budget would include \$125.0 million of revenue to support \$124.9 million of expenses, resulting in a small budgeted surplus. Public Health’s budget proposal includes \$47.4 million of revenue to support an equal amount of expenses.

Table 2: FY15 Proposed Revenues and Expenses
(\$ in millions)

| | E&G Budget | Auxiliary Operations | Biology & Medicine | Public Health | Consolidated Budget |
|--------------------------|-----------------------|-----------------------------|-------------------------------|----------------------|----------------------------|
| Revenue | \$621.4 | \$143.8 | \$125.0 | \$47.4 | \$937.7 |
| Expense | 625.3 | 143.8 | 124.9 | 47.4 | 941.5 |
| Surplus/(Deficit) | (\$3.9) | \$0.0 | \$0.1 | \$0.0 | (\$3.8) |

URC proposes a 3.8% increase in total undergraduate student charges, which would rise from \$57,232 to \$59,428. Tuition, a component of total charges, would rise by 4.0%, with smaller

percentage increases to the room rate (3.0%), board rate (3.6%), and health fee (3.2%) driven mainly by basic cost inflation in those areas. The recreation and student activities fees would remain unchanged. URC supports the proposal, in keeping with the University's strategic plan, to increase total undergraduate enrollment to approximately 6,100 in FY15. The FY15 budget assumes no change in current undergraduate financial aid policies, and anticipates that the percentage of students receiving aid will remain at 44%. URC recommends an undergraduate financial aid budget of approximately \$104.1 million, 5.5% higher than this year's projected scholarship expenses (and more than 9% higher than the FY14 budget).

Tuition for PhD and master's programs in the Graduate School, BioMed, and Public Health would also rise by 4.0%. The budget also includes a proposed 4.0% increase in Alpert Medical School tuition, from \$49,384 to \$51,360.

Brown's endowment posted strong results for FY13, with a 12.6% return, bringing the endowment's market value to just shy of its \$2.8 billion high point before the market crash of 2008. This robust performance in FY13 enables URC to recommend increasing the payout in FY15 by 4%. If the recommended payout increase is accepted, it would result in an estimated spending rate of 5.40% under the University's endowment spending rule (under which income distributions should amount to between 4.5% to 5.5% of the endowment's market value averaged over the prior twelve quarters), and less than 5% of projected market value at the start of FY15. The increase would yield \$4.4 million in additional resources for E&G, \$576,000 for BioMed, and \$285,000 for Public Health. New gifts to endowment are projected at \$45 million for E&G, yielding a further \$2.25 million in income. BioMed and Public Health project, respectively, \$5.5 million and \$5 million in new gifts to endowment.

For annual fundraising, assumptions include an overall decrease of 2.1% (\$873,000) for the E&G budget, including the Brown Annual Fund, the Brown Sports Foundation, and gifts to financial aid. Restricted spendable gifts to support planned activities are budgeted at \$3.0 million. BioMed projects gifts to the Alpert Medical School annual fund will grow by approximately 10% (\$130,000), while Public Health anticipates modest growth (\$5,000) to its fledgling annual fund.

As a research university, Brown relies upon funding from federal agencies – particularly the National Science Foundation (NSF) and the National Institutes of Health (NIH) – to expand our faculty's ability to contribute to scientific discovery and invention, to train the next generation of scientists, and to help provide the infrastructure for these critical aspects of Brown's academic mission. Last year, Brown experienced a significant drop in the overall volume of research support, some of which can be attributed to timing issues stemming from the sequestration and subsequent government shutdown. This has further challenged Brown's efforts to build up its research, especially in light of the University's ambitious goals to grow Engineering, Public Health, Brain Science, and the biological sciences more broadly.

Indirect cost recovery – funding agencies' payments to the University at a negotiated rate for the infrastructure that supports sponsored research – is an important source of operating revenues.

In response to the worsening federal budget situation, the FY14 budget factored in some reduction in indirect cost recovery. Based on the ongoing uncertainty surrounding the federal research budget and analysis of the grant data currently available, URC has incorporated an assumption that indirect cost recovery will decrease further in FY 15 by 5.6% for E&G (including the share of Public Health indirects that flow to the central University, budgeted at \$6.2 million), and 1.5% for BioMed. Projected grant activity is expected to generate a total of more than \$39 million of indirect cost recovery: \$16.2 million for E&G (down \$960,000 from FY14), \$12.1 million for BioMed (down \$200,000 from FY14), and \$11.1 million for Public Health (down \$700,000 from FY14).

Taken together, URC's revenue assumptions and recommendations are projected to produce \$9.9 million in net incremental resources for the E&G budget. URC heard requests from academic and administrative units for budget increases amounting to \$24.1 million. Of those, requests totaling \$8.9 million were for expenditure growth that is essentially non-discretionary by virtue of cost inflation, contractual obligation, or prior commitment. Major inflation-driven categories include software licenses and maintenance contracts, library subscriptions and materials, health insurance for graduate students, leased space, and insurance. The compensation budget must include contractual increases for unionized staff. Significant pre-existing and new spending commitments include increased operations and maintenance costs associated with new and renovated space, new business systems, targeted growth in selected PhD programs, and child care subsidies for graduate students. As already noted, increased debt service associated with new borrowing is a major additional operating commitment.

After addressing committed and inflationary costs, the resources available for discretionary – albeit important – requests were virtually non-existent. To ease somewhat these very tight constraints and help Brown meet critical compensation goals, program objectives, and service needs, the budget recommendations include a net \$3.8 million draw on the University's reserves (funds set aside in prior years when actual revenues exceeded expenses). The use of reserves affects only the E&G budget, as BioMed projects a small surplus and Public Health's budget is balanced. Brown has run small deficits on this order for the past two years. URC supports the intention of the administration to identify savings and revenue opportunities over the next several years to eliminate this structural imbalance going forward.

Faculty salaries have improved significantly over the last decade and, overall, Brown faculty are compensated at a level commensurate with that of peer institutions. As we seek to renew and further strengthen the faculty, however, we need to ensure that we are in a strong competitive position to attract and to retain the highest-performing scholars, including the excellent younger faculty who have advanced through our now more rigorous tenure processes. The quality of the faculty is the core of Brown's present success and vital to realizing its ambitions for the future. URC recommends a total of nearly \$4.7 million for faculty salary increase pools (\$3.5 million for E&G; \$938,000 for BioMed; and \$238,000 for Public Health, excluding salaries charged to grants). While this is not the full increase that had been requested for faculty salaries, URC did not think a major slowdown was in the University's longer-term interests. URC is, however, concerned that the distribution of increases be weighted to encourage and incentivize our most

outstanding faculty. Accordingly, it is expected that the proposed 3.5% increase will allow for a departmental increase pool of 2.25% to be distributed based on merit, with 1.25% held by the relevant deans for promotions, retention cases and competitiveness.

With respect to staff salaries, compensation levels in many areas are consistent with the overall market. In some job categories, however, we are falling short. The recommendation for a 3% staff salary increase pool – approximately \$4 million – would allow for performance-based raises of between 2.5% and 2.75% for the University's 2,400 non-unionized staff, with the remainder available to address internal and external salary pressures particularly in targeted job categories. URC further recommends a staff bonus pool equivalent to 0.25% of salaries to recognize exceptional effort and accomplishments. Contractual increases for Brown's nearly 600 unionized staff in Facilities Management, Auxiliary Services, and the University Library will total nearly \$1.1 million. In addition, URC's proposals include a 2.7% increase to undergraduate student wages, which would add \$88,000 to the budget. The University also pays stipends to its PhD students for five years while they work toward their degrees. The proposed increase of \$800 would raise doctoral stipends to \$23,000 in FY15, an additional expense of \$656,000.

URC commends the University's efforts to contain the cost of benefits, particularly those associated with health care, while maintaining a highly competitive package for faculty and staff. The proposed benefits budget anticipates increased costs in health insurance associated with the Affordable Care Act as well as inflationary or demand-driven growth in other areas. Some savings will be achieved by the conclusion of the special faculty retirement incentive, and other adjustments that do not affect the suite of benefits Brown makes available. Taking all changes into account, the fringe benefit rate is projected to remain at 30.5% of salary expenditures.

The requests for additional resources brought forward to URC by the University's senior academic and administrative leaders were all meritorious and also relatively modest. Yet after addressing inflation, meeting commitments and contractual obligations, providing reasonable salary increase pools for faculty and staff, and allowing some growth in graduate stipends and undergraduate wages, the budget was already in deficit even after factoring in some one-time savings. As described in more detail below, the proposed budget includes funding for a very small number of requests that URC viewed as either of vital importance or strategic in nature, as well as a limited set of other worthy requests where the impact promises to be far greater than the comparatively small amounts involved. The total of requests not funded amounts to roughly \$9 million.

III. Revenue Projections for E&G and Auxiliary Budgets

As shown in Table 3, URC recommends that the University budget incorporate a projected \$621.4 million in E&G revenues for FY15, an increase of \$21 million (3.5%) over the FY 14 budget. In addition, it is expected that Auxiliary Operations revenues will total \$143.8 million.

Table 3: Summary of E&G Revenue
(\$ in millions)

| | FY14 Budget | FY15 Proposed | \$ Change | % Change |
|---|----------------|------------------|---------------|-------------|
| Total Tuition and Fees | \$352.9 | \$373.8 | \$20.9 | 5.9% |
| Endowment Income | 111.1 | 117.8 | 6.7 | 6.0% |
| Annual Giving | 40.9 | 40.0 | (0.9) | -2.1% |
| Sponsored Activities | 58.8 | 55.3 | (3.5) | -6.0% |
| Indirect Cost Recovery | 23.8 | 22.4 | (1.4) | -5.8% |
| Other Revenue | 30.3 | 29.7 | (0.5) | -1.7% |
| Support for BioMed and Public Health | (17.4) | (17.7) | (0.3) | 1.6% |
| Total Revenue | \$600.3 | \$621.4 | \$21.0 | 3.5% |

1. Undergraduate Student Charges and Financial Aid

Formulating a recommendation for increases in undergraduate student charges is arguably the most difficult part of URC’s work. Student charges are the single most significant source of income for the University and thus constitute the budget’s major revenue variable. Virtually every aspect of the budget, from giving raises to faculty and staff, to providing and maintaining educational facilities, to sustaining robust advising and other services, depends in some way on undergraduate tuition and fees. At the same time, the high nominal cost of a college education is having greater effects on the affordability of higher education and gaining ever more attention in political discourse and the media.

The most important concerns relating to the current model (for which there is as yet no credible alternative that preserves quality and mission) are twofold. First, high “sticker prices” can deter students from disadvantaged backgrounds from seeking education worthy of their talents because the nature and availability of financial aid is not well understood. The second serious concern is the affordability for families whose earnings are at a level that disqualifies them for significant financial aid at most schools but at the same time are not sufficient to bear the full cost of college with ease. Schools like Brown have made significant headway with the first issue through various means of outreach and recruiting by admission specialists. The second issue is far more difficult to address because of the scale of resources that are required under the current model to ease the cost of education for an even broader range of students.

Each year, then, URC must wrestle with the balance between significant institutional needs and the myriad questions surrounding price sensitivity. Table 4 shows the components of the proposed 3.8% increase in undergraduate student charges, which would rise from \$57,232 to \$59,428. Within this increase, tuition would rise by 4.0% from \$44,608 to \$46,408. Room and board rates for undergraduates would increase by 3.0% and 3.6%, respectively, and the health fee would rise by 3.2%. No increase is proposed for the recreation fee or for the activities fee, which was raised significantly in both FY13 and FY14.

Table 4: Proposed Tuition and Fees

| | FY14 Charges | % Increase | FY15 | |
|-------------------------------|-----------------|-------------|-----------------|----------------|
| | | | Proposed | \$ Change |
| Tuition | \$44,608 | 4.0% | \$46,408 | \$1,800 |
| Room | 7,200 | 3.0% | 7,416 | 216 |
| Board | 4,420 | 3.6% | 4,578 | 158 |
| Health Fee | 690 | 3.2% | 712 | 22 |
| Recreation Fee | 64 | 0.0% | 64 | - |
| Student Activities Fee | 250 | 0.0% | 250 | - |
| Total | \$57,232 | 3.8% | \$59,428 | \$2,196 |

Among the group of private colleges and universities with which we compete for students, Brown's undergraduate charges have been at the lower end for a number of years – notably alongside peer institutions with vastly greater resources. The recommendation for a 3.8% increase is somewhat more moderate than that approved for FY14 and falls somewhere in the middle of the range of increases at peer institutions over the last several years. The relative position of Brown's undergraduate charges compared to our peers is unlikely to change as a result.

The actual cost of educating a Brown student greatly exceeds the official price of tuition and fees, and our need-blind admission policy ensures that many undergraduates pay significantly less than that. As described in previous URC reports, significantly increasing financial aid to ensure greater access to a Brown education was one of the University's major commitments – and successes – over the last decade, during which the average scholarship award rose at a significantly faster rate than the growth in student charges. In recent years, undergraduate financial aid has become nearly the largest single expenditure category in the E&G budget, surpassed only slightly by faculty compensation. URC is encouraged that further increasing resources for financial aid is a central goal of the new strategic plan, though recognizes that achieving this objective will take time.

The budget recommendations assume that current undergraduate financial aid policies will be maintained in FY15, and the percentage of students receiving University aid will remain at 44% – the level of the past several years. These assumptions result in estimated financial aid expenditures of \$104.1 million. This amount is 5.5% higher than projected scholarship expenses in FY14 and more than 9% higher than the current year's budget. In FY15, the average scholarship is projected to increase by around 5% compared to the 3.8% rise in student charges. In addition, URC recommends an increase of \$97,000 (8%) in the amount allocated to provide health insurance to high-need undergraduates who do not have coverage through their family. Ultimately, our need-blind admission policy means that the aid budget cannot be fixed in the same way as other expenditure categories, nor can we anticipate with any precision how returning students' need will be affected by changes in their families' financial circumstances.

The high commitment to financial aid and need-blind admission means that increases in net undergraduate tuition revenues are less than the growth in student charges would, on the surface, suggest. Additional enrollment is one means of increasing net tuition income. Consistent with the moderate growth projected in the strategic plan, URC’s assumptions include increasing total undergraduate enrollment to approximately 6,100 in FY15. This would be an increase of 60 students (1%) over the actual enrollment of around 6,040 in FY14. Table 5 shows the proposed growth in tuition revenue netted against estimated financial aid costs, including the effect of the proposed enrollment increase.

Table 5: Net Tuition Revenue

| | FY14 Budget | FY15 Estimate | % Increase | \$ Change |
|-------------------------------------|------------------------|--------------------------|-------------------|------------------|
| Tuition Rate | \$44,608 | \$46,408 | 4.0% | \$1,800 |
| # of FTE Undergraduates | 6,000 | 6,100 | 1.7% | |
| (\$ in millions) | | | | |
| Total Undergraduate Tuition Revenue | 269.0 | 285.6 | 6.2% | \$17 |
| Undergraduate Financial Aid | (95.2) | (104.1) | 9.3% | (9) |
| Net UG Tuition Revenue | 173.8 | 181.5 | 4.4% | \$8 |

2. Graduate Tuition and Enrollment

As with undergraduate tuition, URC recommends a 4.0% increase in tuition for PhD and master’s programs from \$44,608 in FY14 to \$46,408 in FY15. All Brown PhD students receive a guarantee of financial support for five years that covers tuition, a stipend, summer funding, and health insurance. Tuition is underwritten either by the University or by research grants for students in fields that receive significant external funding for research and training. Total PhD student enrollment in the Graduate School is expected to be around 1,171 in FY15, of which 789 would be supported by University funds and the remainder on grants. These totals include eight new PhD enrollment “slots” recommended by URC and described in more detail below.

Revenue from master’s programs is projected to increase by \$1.1 million, with much of the increase stemming from the growth plan for the School of Engineering. Of this total, half (\$570,000) is returned to the sponsoring departments so that they can use these revenues to address priority academic needs like hiring more instructors or providing additional support to PhD students.

3. Endowment and Fundraising

URC’s proposed budget for E&G includes \$117.8 million of endowment payout, 6% higher than in the FY14 budget. The recommended 4% payout increase would supply nearly \$115.6 million to the E&G budget in FY15 from current endowments, more than \$4.4 million greater than the amount available in FY14. E&G’s proposed budget also incorporates an assumption of \$45

million in new gifts to endowment supporting existing or already planned activities, yielding additional income of around \$2.25 million. While URC expects that endowment will also be raised to support new initiatives called for under the strategic plan, this is not factored into the budget recommendations.

Total annual giving for the E&G budget is projected to decrease by around 2% (\$876,000) from the FY14 budget to \$40 million. As shown in Table 6, annual giving consists of the Brown Annual Fund (BAF), the Brown Sports Foundation, and gifts for financial aid. The reduction reflects University Advancement’s view of what would constitute a realistic target for this category of fundraising.

Table 6: Brown Annual Fundraising
(\$ in millions)

| | FY14 Budget | FY15 Proposed | % Change |
|--------------------------|--------------------|----------------------|-----------------|
| Brown Annual Fund | \$37.2 | \$36.4 | -2.2% |
| BAF BioMed Share | (\$1.9) | (\$1.8) | -2.2% |
| Sports Foundation | \$3.5 | \$3.6 | 3.0% |
| Financial Aid | \$2.0 | \$1.8 | -10.0% |
| Total | \$40.9 | \$40.0 | -2.1% |

In addition to the gifts we receive annually for general purposes, athletics, and financial aid, the University also receives restricted gifts that help offset planned budgetary commitments. The budget proposal assumes that \$3 million of such gifts will be received in FY15.

4. Sponsored Research

As already discussed, there is ongoing cause for concern about both direct and indirect research funding. Accordingly, the projections for these categories incorporated into the proposed budget have been made with caution. FY14 was the first year of a new set of financial arrangements between E&G, BioMed, and Public Health occasioned by the latter’s establishment as a separate school within the University. Following these changes, BioMed retains all of the indirect costs generated by grant activity within the Division. In the case of Public Health, the School retains the amount of its indirects that cover the cost of its administrative services and facilities, and the remainder flows to the E&G budget in part to assist with transitional costs associated with elevating Public Health from a program within BioMed to a separate school.

Based on a careful analysis of current grants and proposal activity, and applying a prudently conservative approach in the face of federal budget uncertainties, the proposed FY15 budget for E&G assumes indirect cost recovery will decline by a total of \$1.4 million from the FY14 budget (which represented a significant decrease from FY13). As shown in Table 7, this decrease consists of a 5.6% (\$960,000) drop in indirects generated by the departments overseen by the Dean of the Faculty and a 6.3% (\$417,000) drop in E&G’s share of Public Health indirects.

Table 7: Indirect Cost Recovery
(\$ in millions)

| | FY14 Budget | FY15 Proposed | % Change |
|------------------------------------|--------------------|----------------------|-----------------|
| E&G Grants | \$17.1 | \$16.2 | -5.6% |
| Transfer from Public Health | \$6.6 | \$6.2 | -6.3% |
| Total E&G Budget | \$23.8 | \$22.4 | -5.8% |
| Total BioMed Budget | \$12.3 | \$12.1 | -1.5% |
| Public Health Grants | \$11.8 | \$11.1 | -6.3% |
| Transfer to E&G | (\$6.6) | (\$6.2) | -6.3% |
| Total Public Health Budget | \$5.2 | \$4.9 | -6.3% |
| Total University Budget | \$41.3 | \$39.4 | -4.6% |

5. Other Revenues

Each year, a share of the income generated by the Office of Continuing Education is transferred to the E&G budget to support academic initiatives. The continued popularity of Brown’s pre-college offerings (both on-campus and online) as well as the very encouraging start we have made with executive master’s programs will permit the E&G to increase its share of these revenues in FY15 by \$1.3 million to a total of \$5.5 million. This is based in part on a recommended increase in the tuition rate for the Executive Master of Health Care Leadership program from \$75,400 to \$82,000, bringing these charges into closer alignment with the market for similar offerings.

IV. Expenditure Recommendations for the E&G Budget

URC recommends an expenditure budget for E&G of \$625.3 million in FY15, an increase of 3.2% or \$22.1 million over the FY14 budget. The following sections provide details on the major categories of expense.

1. Compensation (Salaries and Benefits)

a) Faculty. The recommended 3.5% pool for faculty salary increases would be applied across the University, including BioMed and Public Health. The increase would add nearly \$3.5 million to the E&G budget for the faculty in units under the auspices of the Dean of the Faculty. Of the total pool, it is expected that 2.25% would be distributed for merit increases, weighted so that higher performing faculty receive raises greater than the overall average. The Dean of the Faculty would distribute the remaining 1.25% for promotions, retention cases, and competitiveness adjustments.

b) Staff. URC recommends providing a staff salary increase pool of 3%, or nearly \$4 million. This would allow for a performance-based pool of between 2.5% and 2.75%, with the remainder available for addressing internal and external salary pressures in targeted job categories. URC further recommends a staff bonus pool equivalent to 0.25% of salaries to recognize exceptional effort and accomplishments. The staff salary and bonus pool recommendations would also apply to BioMed and Public Health. Offsetting the proposed salary pool increase, URC's recommendations incorporate \$500,000 of savings that the administration has committed to finding through the elimination of staff positions that become vacant during FY15. The proposed budget also includes \$1,067,000 in contractual increases in compensation for unionized staff.

c) Benefits. As noted above, the fringe benefits rate is projected to remain at 30.5%.

d) Student Wages. URC recommends increasing the budget for student wages by 2.7%, or \$88,000. For a student working 10 hours a week (the expectation in undergraduate financial aid packages), this increase would result in an additional \$50 in earnings over the course of an academic year.

2. Academic and Program Support

Within E&G, academic and related units submitted requests for incremental allocations totaling \$5.1 million. URC's recommendations would fund nearly \$3.6 million of these requests, most of which reflect prior commitments from the University, inflation, urgent needs, and small investments that are expected to have significant impact

a) Academic Departments and Programs. In the past, the Dean of Faculty has requested incremental resources to help meet some of the most pressing needs in the 70 academic departments, centers, institutes, and programs he oversees. While such needs have hardly abated, the Dean has requested no new funding for FY15. Instead, he proposes to address high priority program requests through savings that will result from a return to the customary level of faculty vacancies following last year's extraordinary success in hiring. This is made possible in part by a larger than usual number of senior faculty taking advantage of the final year of the special retirement incentive. URC is grateful to the Dean for offering an approach to supporting important academic program needs without increasing the overall budget.

The final size of the faculty for FY15 will not be known with precision at the time the budget is approved. URC supports the Dean's proposal to reserve as much as \$1.5 million in budget savings for program requests. These funds would be directed toward meeting a range of needs, including strengthening foreign language teaching and learning through re-establishing the Language Resource Center, and equipment upgrades and other forms of support for instruction in STEM fields. If the savings turn out to be less than \$1.5 million, the amount available to the Dean would be reduced accordingly; if the savings are greater, the difference would provide relief to the overall E&G budget.

In addition, the University will be able to reduce the budget for faculty startup expenditures by \$2.2 million in FY15 based on the nature of planned new hires and historical trends in spending against these commitments. Further analysis will need to be done as part of FY16 planning to determine how much, if any, of this savings can be permanent.

b) The Graduate School. Strengthening graduate education at Brown is a high priority, but it requires significant resources. In many ways, doctoral programs define what it is to be a research university. At the same time that graduate students are being trained to be the next generation of scientists and scholars, in many fields they also play a vital role in producing new research in conjunction with faculty. Competition among top universities for recruiting the most promising PhD students is intense. At the same time, in the present era of multi-year guaranteed funding packages that include tuition, annual living stipends, summer support, and health insurance, the financial commitment universities make to each student is very high.

Brown, like all excellent research universities, recognizes the need to support doctoral students at a level that sustains them through the rigors of their training. From a budgetary perspective, however, funding for doctoral students can seem like an arms race with ever escalating costs to keep up with the generosity that a very small number of institutions can afford to extend to their students. As in so many other respects, Brown must make up in quality and distinctiveness for what it lacks in scale and resources. Ultimately, the most important thing is not to equal or surpass what our wealthiest peers can offer to doctoral students, but rather to provide a level of support that is adequate to ensure that the students our programs want to attract are making their decisions based on intellectual rather than financial criteria.

Within the tightly constrained circumstances of the budget, URC's proposals continue the University's strong commitment of recent years to sustaining robust graduate programs. The recommendations include an \$800 increase in PhD base stipends from \$22,200 to \$23,000, the additional cost of which would amount to \$656,000. Among peer institutions, Brown's stipends are at the low end. This recommendation is unlikely to improve Brown's relative position, but it is hoped that it will prevent us from losing ground.

Beyond the challenge of supporting graduate students, Brown also needs to consider the scale of PhD programs especially in fields where graduate students contribute significantly to the University's research enterprise. URC strongly supports the goals of the strategic plan to make further investments in graduate education. While this budget could not address the question of scale in a major way, the recommendations include allocating \$253,000 to add eight University-supported doctoral student "slots" as part of commitments to grow in Engineering and to the new graduate programs in Africana Studies and Behavioral and Social Health Sciences. To help with enhancing the distinctive appeal of doctoral education at Brown, URC also supports allocating some of these doctoral slots to the recently launched "Open Graduate Education" program (highlighted in the strategic plan) under which selected students obtain a master's degree in a secondary field related to their overall research interests.

In addition to increasing stipend levels and the number of slots, the proposed budget includes other commitments to supporting graduate students. The University covers health insurance for PhD students and it is estimated that an additional \$276,000 (an 8% increase) will be required to keep pace with rising costs. Last year, in response to the report of the Advisory Committee on Child Care, the President and Provost used \$100,000 of discretionary funds to pilot child-care subsidies for graduate students. URC recommends continuing these subsidies, which have provided welcome relief to students grappling with the pressures of young families as they seek to complete their PhDs. (As with health coverage for graduate students, the child-care subsidies cannot be included in the University's benefits pool for faculty and staff and thus separate allocations are required.) URC also recommends adding \$50,000 to the Graduate School's pool of funds to assist students with travel costs to present their work at conferences or engage in other significant academic activities. These opportunities have a demonstrated impact on students' intellectual and professional development that URC thought justified this relatively modest commitment.

Graduate education is, of course, not limited to PhD programs. The impact of master's programs at Brown has increased dramatically in recent years. The number of new master's students admitted to Brown now exceeds the number of new PhD students. And while master's programs meet important educational needs and interests, in budgetary terms, as noted above, they can also be a source of income for their sponsoring departments and the University as a whole. The strategic plan calls for more focus on master's education. Committees that have recently investigated the situation of master's programs at Brown have pointed to the need for more oversight and attention than the Graduate School has been able to provide. Accordingly, URC supports the request for \$65,000 to establish an Associate Dean for Master's Programs at the Graduate School.

c) The College. The strategic plan also calls for investments in educational innovation, including the exploration of how new technologies can augment the undergraduate curriculum. In keeping with the goal of establishing a Laboratory for Educational Innovation within the Sheridan Center for Teaching and Learning, URC recommends a total of \$250,000 to take the next steps. This amount would mainly underwrite the addition of an Assistant Director for Digital Pedagogies who would oversee the new Laboratory for Educational Innovation, as well as a second position that would direct assessment activities for which the Center is increasingly relied upon in connection with grants involving an educational component.

With respect to more modest, but nevertheless important investments, URC recognizes that the significant improvements in the College during the tenure of the recently departed Dean Bergeron were accomplished with comparatively few additional resources. In the meantime, both the number of students and the cost of activities have grown, and the strains are becoming visible. In response, URC recommends adding \$70,000 to help enhance Orientation and CareerLAB programming.

d) Campus Life and Student Services. URC recommends increasing the budget of Campus Life and Student Services by \$149,000 to support two new positions addressing critical areas of

need. The first position, a new Men's Health Coordinator, would address problem behaviors among male students, including sexual violence, substance abuse, and hazing. These behaviors have become matters of greater concern and visibility within higher education and establishing such a position would help bring Brown more into line with efforts at peer institutions, with strengthened federal guidelines for prevention and management of sexual assault, and with best practices for reducing high-risk behaviors.

The second new position would be an additional Coordinator in Student and Employee Accessibility Services (SEAS). Demand for the services SEAS provides to students, faculty, and staff have risen significantly over the last five years without any corresponding increase in staffing. In a hard budget year, URC was generally reluctant to support new position requests, but Campus Life and Student Services had experienced significant reductions during the 2009-10 Organizational Review process and the reducing existing services in other areas of student need seemed counterproductive.

Aside from these new positions, Campus Life and Student Services also requested a budget for furniture replacement at the Stephen Robert Campus Center, which has now been open for four years, and at other spaces it supports, such as the newly renovated Andrews Commons. As intended, these spaces are heavily used, but the wear and tear on furniture is considerable and the maintenance budget does not include replacement costs. Maintaining the overall attractiveness and functionality of these facilities is important for their success. Recognizing that it will not cover the full need, URC recommends \$25,000 to help with the most urgent furniture replacement requirements.

e) University Library. To fulfill its research and educational mission, Brown depends upon the print and electronic resources that the University Library provides for faculty and students. The Library must balance ongoing support for existing academic programs with the needs of new and emerging areas of scholarship on campus. Further, the means of acquiring, sustaining, and giving access to these resources are changing constantly with developments in the business of publishing and technological advances. The cost of materials, especially subscriptions to print and online journals and electronic databases, tend to increase at a greater rate than general inflation and requires the Library to rigorously evaluate whether and how materials are being used. Based on careful analysis, the Library estimates that the cost of maintaining its materials budget at the current level will rise by 5.1% or \$537,000.

In addition to this protection against materials cost inflation, URC also recommends increasing the Library's budget by \$116,000 to support targeted new subscriptions. In FY14, the electronic version of the *New York Times* was made available with temporary funds to all holders of a Brown e-mail address. This has proved to be a very popular and well-used service. In addition, a subscription to the *Clinical Key* database will support the curriculum at the Alpert Medical School with access to more than 500 journals, 1,000 books, and 9,000 medical and procedural videos.

URC also recommends allocating \$100,000 to regularize a position associated with the new

VIVO faculty research database that is being implemented. This position, which has been funded with one-time funds, oversees the intake, analysis, indexing, updating, and dissemination of information about faculty research interests.

f) Other. The proposed budget also includes several small allocations that URC thought highly sensible: \$75,000 for the Institute for Computational and Experimental Research in Mathematics to fund costs that are necessary for the Institute's successful operation but may not be charged to its NSF grant; \$60,000 for an additional Financial Aid Counselor to help manage increased workload; and \$20,000 for technology-related expenses in the Office of Admission, which relies on a much greater number of computers and related devices since switching to a virtually paperless admission process.

3. Campus Infrastructure and Administrative Services

a) Facilities. The proposed budget incorporates \$5.7 million for additional debt service associated with new borrowing to complete several capital projects, including the renovation costs for the Building for Environmental Research and Teaching (formerly Hunter Labs) and dormitories. To help ease the budgetary impact of this new commitment by spreading it over a couple of years, the URC's recommendations also incorporate a temporary suspension of \$3.8 million in annual contributions to capital reserves set aside for future "bullet" repayments required on portions of our debt portfolio. Over the next several years, the University will have to restore the \$3.8 million in annual capital contributions to the operating budget.

Brown has also relied on debt to fund a significant portion of its ongoing facility renewal costs, and this practice is unsustainable. Ideally, meeting the continuous need for routine repairs and upgrades to our physical plant should be funded largely through the operating budget, as is the case at most peer institutions. The annual cost of keeping the condition of Brown's campus at status quo is around \$50 million. We have been making this level of investment in recent years, and when combined with major renovation projects the overall quality of our facilities has improved significantly. Currently, however, the operating budget supports only \$6 million of annual facilities renewal expenditures. While this is a very hard budget year, URC appreciates the importance of continuing to build up the operating resources available for facilities renewal. Accordingly, URC recommends adding \$800,000 to the budget for this purpose, which would bring the annual commitment of operating funds to \$6.8 million.

Other recommendations for facilities are for costs that are either effectively committed or inflation-driven: \$166,000 for incremental operations and maintenance expenditures associated with new and renovated buildings, and \$157,000 for annual increases in real estate leases.

b) Campus Safety. The safety and security of the Brown community is rightly one of the University's highest priorities. Investments in the Department of Public Safety and other units have helped to reduce crime significantly in the campus vicinity. Nevertheless, safety is an ongoing concern and more can be done. In response to a number of area crimes over the summer and early fall, the President convened a special Campus Safety Task Force charged

with assessing current campus safety resources and identifying areas for improvement. The Task Force delivered an interim report in December, in time for its recommendations to be incorporated into URC's proposals.

The Task Force called for continuing the enhanced safety measures that were introduced on a pilot basis earlier this fall. This mainly consists of expanded OnCall shuttle service, which transports individuals with Brown IDs to on-campus and off-campus locations within the OnCall coverage area from 5:00 pm to 3:00 am. The expanded service has been enthusiastically received, and the use of OnCall was up more than 60% over the same time period in 2012. In addition, the Task Force recommended continuing the six additional contract security ("Yellow Jackets") posts that were established on an interim basis in a number of highly visible locations. Finally, the recommendations include improved funding to upgrade and maintain CCTV camera equipment on campus. URC shares the goal of continuing to improve campus safety and the budget recommendations include a total of \$644,000 to this end.

c) Information Technology. New leadership in Computing and Information Systems is in the process of evaluating staffing structure and business practices associated with supporting the campus' technology infrastructure. In the meantime, FY15 budget recommendations in this area are for inflationary or committed costs: \$266,000 for contractual increases for information systems and software licenses, and \$162,000 for the annual costs of new information systems that have been implemented, primarily Workday.

d) Administrative Services. URC also recommends funding to address a number of committed, inflationary, or mandatory administrative costs: \$190,000 for 2.5 new FTEs associated with the implementation of Workday (a business analyst, an update and testing coordinator, and a half-time instructional developer and trainer); \$140,000 to regularize two new positions in the Provost's Service Center that were hired with discretionary funds last year to continue the effort to centralize financial transactions and create new business efficiencies across (currently) 55 academic departments, centers, and administrative offices under the Provost; \$76,000 for cost inflation in the University's insurance coverage; \$50,000 for the costs of maintaining a fundraising office in California; and \$48,000 for annual training and software needs to comply with industry standards for credit-card based business transactions.

V. Recommended Use of Reserves for the E&G Budget

As described in the foregoing, URC based its E&G spending recommendations on a set of revenue assumptions that recognize the tuition-driven nature of Brown's budget, attempt to be realistic about fundraising, and exercise due caution about the environment for external research awards. To help fund important academic and service needs, the committee also reluctantly recommends drawing on reserves for another year.

The projected gap of \$3.9 million in the E&G budget is \$1 million larger than last year. In addition, as this report has noted, the proposed E&G budget takes advantage of some significant, albeit temporary, cost savings projected for FY15 in faculty start-up expenses and debt service payments. URC supports the process initiated by the academic and administrative

leadership to identify areas for spending reduction and opportunities for revenue enhancement to help bring the budget nearer to equilibrium over the coming year. URC also recognizes that deficit operations are not sustainable, and that over the next several years, the University will need to work toward a balanced budget.

VI. Division of Biology and Medicine

The Division of Biology and Medicine currently consists of six campus-based biological science departments and the Warren Alpert Medical School (AMS). The biology departments are engaged in undergraduate, graduate, and medical student teaching, as well as basic laboratory research in a broad array of areas. AMS is comprised of 14 clinical departments with over 600 full-time faculty based at seven affiliated hospitals, and nearly 1,000 clinical teaching faculty in private practice.

As part of Brown's efforts to create the School of Public Health – which involved separating Public Health's instructional, research, and administrative activities from the Division – the financial relationship between BioMed and the University was reformulated and streamlined. The University now provides financial resources to the Division to cover the costs it incurs for undergraduate teaching. Additionally, the Division now pays the full cost (debt service and operations and maintenance) of the infrastructure it occupies. The University has also agreed to provide five years of transitional support to ease the immediate effects of removing Public Health's contribution of income. BioMed's budget continues to be subject to key University-wide parameters discussed above, including endowment payout and salary pools.

The new Dean of Medicine and Biological Sciences, who took up the reins in September, is in the process of reviewing all of the Division's activities and operations. The challenges BioMed faces are significant. Nationally, as already discussed, the research funding environment has been destabilized and has contracted as a result of federal budget politics, and the ways in which healthcare is organized and delivered in the US is being transformed by the Affordable Care Act. Locally, the Division continues to seek improved financial and programmatic alignment with its two major affiliated hospital systems, Lifespan and Care New England, which are also grappling with their own significant challenges.

In FY14, BioMed budgeted a deficit of \$1.5 million (only the second loss in five years) as the Division planned to reorganize under the direction of the new Dean into a more efficient structure. For FY15, the Division is anticipating a net surplus of \$125,000. The budget proposal described below includes a number of measures which are intended to transform the prior year deficit into a surplus in FY15.

1. Revenues

URC recommends a BioMed budget with total revenues of \$125 million, an increase of 4.2% or \$5 million from the FY14 budget. This is based on the following assumptions and recommendations:

a) Tuition and Enrollment. AMS tuition is separate from the rate approved for undergraduate and graduate students. URC supports BioMed's proposed 4% increase in medical student tuition from \$49,384 to \$51,360. It is expected that AMS will enroll 125 new medical students in FY15, for an overall medical student enrollment of 502, an increase of 15% over the number budgeted in FY14. When financial aid (described below) is factored in, the net increase in AMS tuition is anticipated to be \$2.7 million.

The Division anticipates enrolling approximately 44 new PhD students in the biology departments, 10 fewer than were budgeted in FY14 (although three greater than actual FY14 enrollment) in keeping with the number that can be supported by current and anticipated grants. Most of the PhD tuition revenue will be offset by internal graduate fellowship support. BioMed also projects \$613,000 in additional revenue from master's program tuition.

b) Endowment Income. The proposed 4% increase to endowment payout combined with payout from new endowments raised for the Division, plus the use of some unspent yield from prior years will provide \$1.3 million of incremental income for BioMed.

c) Sponsored Research and Indirect Cost Recovery. BioMed projects a 5.2% decline in direct sponsored research funding on the heels of a similar reduction in FY14. Grant activity in FY15 is budgeted to generate \$12.1 million in indirect costs for the Division (which now retains all indirect costs on its grants), a drop of approximately \$180,000 from FY14. BioMed's new leadership is actively pursuing new ways to incentivize and support stronger performance on grant submissions and awards.

d) Gifts and Fundraising. Gifts to the AMS annual fund are expected to grow by approximately 10% or \$130,000. BioMed will also receive 5% (projected to be \$1.8 million) of gifts to the Brown Annual Fund to help underwrite the cost of undergraduate teaching done by faculty in the Division (see below).

e) University Support. The E&G budget provides financial support to BioMed to cover the cost of undergraduate instruction in the Division (based mainly on an analysis of faculty effort and allocation of facilities costs). The estimated cost in FY15 is approximately \$10.1 million. The University will meet this financial obligation through a combination of \$8.3 million of direct support plus 5% of Brown Annual fund receipts, which is expected to yield \$1.8 million for the Division. The University will also provide almost \$2.2 million for start up, strategic initiatives, and new faculty support within BioMed, as well as \$2.5 million of transitional support, the second year of a five-year commitment related to the separation of Public Health.

f) Hospital Support. Compared to the arrangements at leading US medical centers, Brown's hospital partners invest relatively little in the University's biomedical research enterprise and other facets of BioMed's academic mission. BioMed expects to expand its affiliation contributions from Care New England in the wake of its recent acquisition of Memorial Hospital of Rhode Island. Overall hospital support is expected to increase from \$2.5 million in FY14 to \$3.1 million in FY15.

2. Expenses

URC recommends a BioMed expense budget of \$124.9 million, an increase of \$3.4 million or 2.8% from FY14. This recommendation incorporates the following major parameters and assumptions:

a) Faculty and Academic Support. BioMed's FY15 budget assumes concluding four faculty searches, one of which will be funded by an endowed professorship. The total projected roster for BioMed tenured and tenure-track faculty in FY15 is 92.

While generally requiring that priority needs in the areas that make up the Division be funded from budget reductions, BioMed's budget allocates \$1.7 million for targeted program investments in both biology and clinical medicine for the cost of new recruits and appropriate seed funds.

b) Student Support. For AMS, financial aid is managed to a "discount rate," which is calculated as total scholarship expenses divided by gross tuition income. As a deficit-closing measure, BioMed proposes to lower its discount rate from 33% in FY14 to 31% in FY15. This will slow to some extent the growth rate in medical student financial aid, which is projected to increase by 8.2% or \$0.5 million. AMS continues to provide competitive financial aid packages in comparison to many of its peers, and enhancing resources for this purpose is a top fundraising priority for the Division.

For PhD students in the biological sciences departments, BioMed provides fellowship support (tuition scholarship, stipend, and fees) for the first 18 months of their program, anticipating that they will be supported by grants thereafter. All PhD students at the University are guaranteed five years of fellowship, regardless of where the funds come from. The size of biology PhD cohorts must therefore be calibrated to the anticipated availability of grant support. The recent downturn in grant funding has required BioMed to devote additional budget resources to graduate support, straining the Division's resources.

c) Facilities. Operations and maintenance costs for the Medical Education Building and other BioMed facilities are anticipated to increase by approximately 5.4%, or \$933,000. A reclassification of revenues and expenses related to debt service on the Medical Education Building makes this increase appear greater than the actual underlying growth in facilities costs, which is \$321,000.

d) Administrative Costs. As part of its efforts to balance its budget, the Division plans to reduce its administrative costs by \$846,000 (9% of the FY14 budget for administrative units). These reductions come on top of other administrative consolidations already undertaken over the last several years as part of the adjustment to the separation of Public Health.

3. Contribution to Reserves

BioMed had initially anticipated a deficit of \$2.7 million in FY15 resulting largely from the potential loss of funding from the affiliated hospitals, and the continuing decline in sponsored funding. However, as budget development proceeded, the hospitals consented to a new affiliation agreement with AMS, and federal funding of the NIH and NSF was restored. Additionally, the Division's management responded with several actions including: spending constraints; consolidating functions and attrition management; and reducing the AMS tuition discount for financial aid. The sum of these developments and the actions taken by the Division helped eliminate the deficit and produce a small projected operating surplus of \$125,000.

VII. School of Public Health

FY15 will be the second full year of operation for the School of Public Health, which consists of four academic departments offering PhD, master's, and undergraduate programs, as well as 11 research centers. The School has a total of 208 faculty, of which currently 36 are tenured or tenure-track; the remainder hold research, clinical, or other kinds of appointments.

Similar to BioMed, Public Health is now a relatively self-contained budgetary unit within the University, though not quite to the same extent. The School retains all tuition from its master's programs, and is responsible for providing financial aid to those students. Public Health also keeps as much of the indirect costs on its faculty's grants as required to cover the school's own space costs and administrative overhead, but the remaining indirects flow to the central University. Funding for the first 18 months of a PhD student's program comes from the Graduate School, but it is expected that grant funds within Public Health, affiliated hospitals, or community agencies will provide support thereafter. Also like BioMed, Public Health receives both ongoing and transitional funding from E&G.

Public Health operates on a different model from the rest of the University in that most tenured and tenure-track faculty are guaranteed only 60% of their academic year salary and are therefore incentivized to obtain research funding that will furnish the remaining 40%. This model, common at other schools of its kind, has enabled Public Health to extend its resources and increase the number of faculty while also bringing more direct and indirect grant revenue to the University. In fact, the amount of salary costs that is offset by grants and contracts is greater than the requisite 40%. In a period of level or shrinking research budgets, however, ensuring that Brown's faculty continue to compete at a sustainable level is becoming more of a challenge.

1. Revenues

URC recommends a Public Health budget with total revenues of \$47.4 million, down 0.5% from the current year. This is primarily the result of a projected decrease in federal funding for research. The Public Health budget includes the following key elements:

a) Tuition and Enrollment. Tuition for Public Health’s master’s and PhD programs will increase along with undergraduate tuition by 4% from \$44,608 to \$46,408. The School projects that enrollment in its five master’s programs will increase by 20 in FY15 to 145. The enrollment increase combined with new tuition rate will generate approximately \$1.4 million in additional tuition revenue. Enrollment in the School’s now four PhD programs is expected to be 48, including the four graduate “slots” for the new program in Behavioral and Social Health Sciences that were discussed above in connection with the Graduate School.

b) Endowment Income and Fundraising. The recommended 4% increase in payout on existing endowment, combined with payout on an estimated \$5 million in new endowment raised, would generate \$268,000 in additional income for Public Health in FY15. Restricted gifts are expected to increase by \$76,000, while the School’s new annual fund is modestly budgeted to grow by \$5,000.

c) Sponsored Research and Indirect Cost Recovery. Nearly 75% of the School’s budget comes from research. Based on forecasted decreases in federal funding for research, Public Health anticipates a 7% reduction in direct grant income compared to the FY14 budgeted level. Of the \$11.1 million in indirect costs projected for Public Health grants, the School would retain \$4.9 million (around 44%) for its administrative and space expenses and the remaining \$6.2 million would flow to E&G.

d) University Support. The E&G budget provides direct support to Public Health to underwrite costs related to undergraduate instruction. The University’s contribution will increase by 4.4% from \$3.1 million to \$3.2 million for FY15. The University is also providing transitional support for the next several years, giving Public Health time to raise new endowment and other funds to become self-supporting. For FY15, the support is expected to be just under \$1.1 million. The University’s underwriting for strategic initiatives at the School is expected to decline by \$40,000 to \$400,000.

2. Expenses

URC recommends an expense budget for Public Health of \$47.4 million, which includes the following projections and assumptions:

a) Faculty and Academic Programs. Public Health projects a significant rise in its departmental budgets primarily due several factors that will increase the net cost of faculty compensation. NIH, Public Health’s main granting agency, has introduced a salary cap on its awards which will decrease the School’s salary offset from around 50% to 44%. In addition, there will be fewer faculty on sabbatical and a net addition of one faculty member (bringing the tenured/tenure-track roster to 37) with associated start-up costs. Combined, these factors produce a 22% increase in academic program costs over the FY14 budget.

b) Research Centers. Research activity within the School is organized through 11 research centers, the operating budgets for which are funded from a portion of the indirect cost recovery

on their grants. Reserve accounts for center budget surpluses provide bridge funding between grants, and support other center needs like equipment, startup funds, research faculty salaries, and pilot projects. In FY15, center operating budgets will be based on 30% of indirect costs, or approximately \$3.3 million. In light of the grant funding situation, Public Health has budgeted a doubling (to \$400,000) of center expenditures from reserve accounts.

c) Student Support. Public Health plans to provide scholarships for its master's students amounting to approximately 29% of tuition income, the same rate as in FY14. Because of larger anticipated enrollment, the total FY15 expense is budgeted at nearly \$1.4 million. University support for Public Health PhD students has already been discussed. The cost of PhD students supported on Public Health grants in FY15 is estimated to be \$1.4 million.

d) Facilities. The School is responsible for nearly \$3.6 million in expenditures for its facilities at 121 South Main Street, including debt service for renovations to lab spaces on Ship Street.

e) Administrative Costs. As the new School comes into its own, there is some projected growth in non-personnel operational costs. A portion of this growth is associated with the cost of the lengthy accreditation process by the Council on Education in Public Health which is expected to be completed by the end of the 2015-16 academic year.

VIII. Conclusion

As Brown embarks upon an exciting new phase of growth and development as called for in the strategic plan, creating a stable and sustainable budgetary base on which to build toward these goals must be seen as a critical and urgent priority. Budget deficits have been modest but persistent over the last few years, and URC is concerned that short-term expedients proposed for FY15 – while providing some welcome relief – could contribute to perpetuating the structural imbalance. URC applauds BioMed's vigorous budget balancing exercise and urges that similar efforts in E&G be carried out with equal determination. To achieve a sustainable budget model, Brown must continue to pursue promising opportunities for revenue growth along with careful management of expenditures. In order to fully realize the University's long-term ambitions, over the next few years Brown will need to be especially vigilant in order to ensure that its growth does not outpace our capacity to support our strategic goals.

Respectfully submitted on behalf of the Committee

Mark S. Schlissel
Provost

Appendix A Committee Membership

Faculty

David Christensen, Professor of Philosophy
Pedro Dal Bo, Associate Professor of Economics
Huajian Gao, Professor of Engineering
Olakunle George, Associate Professor of English
Yongsong Huang, Assoc. Professor of Geological Sciences
Nina Tannenwald, Senior Lecturer in Political Science
Eli Upfal, Professor of Computer Science, *Vice Chair*

Alternates: John Logan (Sociology), Gabriel Taubin (Engineering), Pura Nieto Hernandez (Classics).

Administrators

Russell Carey, Executive Vice President for Planning and Policy
Lindsay Graham, Executive Dean for Administration, Division of Biology and Medicine
Elizabeth Huidekoper, Executive Vice President for Finance and Administration
Kevin McLaughlin, Dean of the Faculty
Mark Schlissel, Provost, *Chair*
Terrie Wetle, Dean, School of Public Health

Students

Gregory Chatzinoff, Undergraduate Student
Daniel Pipkin, Undergraduate Student
Abigail Plummer, Undergraduate Student
Stanley Stewart, Undergraduate Student
Samuel Franklin, Graduate Student
Jonah Leshin, Graduate Student
Justin Glavis-Bloom, Medical Student

Staff Representatives

Amy Carroll, Director of Government Relations, Public Affairs and University Relations
Sara Tortora, Department Manager, Department of Physics

Committee Staff

Susan Howitt, Associate Vice President for Budget and Planning
Joseph Meisel, Deputy Provost

Appendix B Schedule of Meetings

| Date | Topic | Presenters/Guests |
|--------------|--|--|
| September 16 | Overview: Academic Priorities & Planning Overview: Budget Performance & Financial Projections | Mark Schlissel Elizabeth Huidekoeper, Susan Howitt |
| September 23 | Deep Dive: Dean of Faculty | Kevin McLaughlin |
| September 30 | Faculty Compensation Staff Compensation & Benefits Facilities & Debt Service | Kevin McLaughlin Karen Davis Stephen Maiorisi |
| October 7 | Administrative Services | Elizabeth Huidekoeper |
| October 15 | Vice President for Research and Centers School of Engineering Continuing Education | David Savitz Lawrence Larson Karen Sibley |
| October 23 | The College Campus Life and Student Services The Graduate School | Katherine Bergeron Margaret Klawunn Peter Weber |
| October 28 | University Library Computing and Information Systems | Harriette Hemmasi Ravi Pendse |
| November 4 | Academic Departments and Centers Central Academic Administration | Kevin McLaughlin Mark Schlissel |
| November 7 | PUBLIC FORUM | |
| November 11 | Division of Biology & Medicine School of Public Health | Jack Elias Terrie Wetle |
| November 18 | Financial Aid Tuition & Other Income | James Tilton Elizabeth Huidekoeper, Susan Howitt |
| November 25 | Call-Backs | |
| December 2 | Deliberations | |
| December 9 | Final Recommendations | |
| January 27 | Discussion of Report | |

Appendix C

FY2015 Consolidated Operating Budget

| | FY14 | | FY15 Proposed | | | Consolidated Budget | \$ Change FY14 to FY15 | % Change FY14 to FY15 |
|---|---------------------|---------------------|----------------------|--------------------------------|-------------------------|---------------------|------------------------|-----------------------|
| | Consolidated Budget | Education & General | Auxiliary Operations | Division of Medicine & Biology | School of Public Health | | | |
| <i>(\$ in 000s)</i> | | | | | | | | |
| Undergraduate Tuition | 269,080 | 285,613 | | - | - | 285,613 | 16,533 | 6.1% |
| Graduate Tuition | | | | | | | | |
| PhD Tuition | 64,519 | 56,094 | | 11,736 | - | 67,830 | 3,311 | 5.1% |
| Masters Tuition | 18,155 | 15,829 | | - | 4,878 | 20,707 | 2,552 | 14.1% |
| Medical Tuition | 21,310 | - | | 24,664 | - | 24,664 | 3,354 | 15.7% |
| Other Tuition & Fees | 40,510 | 16,298 | 24,830 | 808 | - | 41,936 | 1,426 | 3.5% |
| Miscellaneous Revenue | 152,598 | 25,040 | 118,983 | 13,454 | 1,450 | 158,927 | 6,329 | 4.1% |
| Sponsored Activities | 124,504 | 55,293 | | 31,751 | 30,000 | 117,044 | (7,460) | -6.0% |
| Indirect Cost Recovery | 41,262 | 22,373 | | 12,120 | 4,884 | 39,377 | (1,885) | -4.6% |
| Annual Giving | 42,750 | 40,000 | | 1,823 | 20 | 41,843 | (907) | -2.1% |
| Current Restricted Gifts in Support of Priorities | 7,227 | 4,684 | | | 579 | 5,263 | (1,964) | -27.2% |
| Endowment Income | 126,167 | 117,827 | | 15,737 | 901 | 134,465 | 8,298 | 6.6% |
| University Support for: | - | - | | | | - | - | |
| Undergraduate Instruction (net of BAF) | - | (11,528) | | 8,285 | 3,243 | - | - | |
| Faculty Startup | - | (1,112) | | 1,112 | - | - | - | |
| Strategic Initiatives | - | (1,184) | | 784 | 400 | - | - | |
| PAE Faculty | - | (270) | | 270 | - | - | - | |
| Transitional Support | - | (3,582) | | 2,500 | 1,082 | - | - | |
| Total Revenue | 908,080 | 621,375 | 143,813 | 125,043 | 47,436 | 937,668 | 29,588 | 3.3% |
| Faculty Compensation | 121,590 | 103,405 | | 19,507 | 4,102 | 127,014 | 5,425 | 4.5% |
| Startup | 11,093 | 5,344 | | 3,119 | 797 | 9,261 | (1,833) | -16.5% |
| Graduate Student Support | 86,816 | 80,538 | | 11,861 | 150 | 92,549 | 5,733 | 6.6% |
| Other Academic Support | 128,872 | 88,182 | 20,758 | 18,682 | 6,824 | 134,446 | 5,574 | 4.3% |
| Student Aid | 103,532 | 104,125 | | 7,895 | 1,415 | 113,435 | 9,903 | 9.6% |
| Student Services | 86,971 | 14,193 | 69,857 | 5,644 | - | 89,694 | 2,723 | 3.1% |
| Athletics | 14,949 | 15,293 | | - | - | 15,293 | 344 | 2.3% |
| General Admin & General Institutional | 73,608 | 44,730 | 23,184 | 6,401 | 481 | 74,796 | 1,188 | 1.6% |
| Development, Alumni & External Affairs | 28,010 | 26,665 | | 1,814 | - | 28,479 | 469 | 1.7% |
| Computing | 33,245 | 34,371 | | - | - | 34,371 | 1,126 | 3.4% |
| Facilities, Debt Service & Renewal | 99,259 | 53,171 | 30,014 | 18,244 | 3,667 | 105,096 | 5,836 | 5.9% |
| Sponsored Research | 124,504 | 55,293 | | 31,751 | 30,000 | 117,044 | (7,460) | -6.0% |
| TOTAL EXPENSES | 912,448 | 625,310 | 143,813 | 124,918 | 47,436 | 941,477 | 29,029 | 3.2% |
| Net | (4,368) | (3,935) | - | 125 | (0) | (3,810) | 559 | |

Appendix C

FY2015 University E&G Operating Budget

| (\$ in 000s) | FY14 Budget | FY15 Proposed | \$ Change | % Change |
|---|----------------|------------------|----------------|-------------|
| Undergraduate Tuition | 269,080 | 285,613 | 16,533 | 6.1% |
| Graduate Tuition | | | | |
| PhD Tuition | 53,402 | 56,094 | 2,692 | 5.0% |
| Masters Tuition | 14,724 | 15,829 | 1,105 | 7.5% |
| Other Tuition & Fees | 15,703 | 16,298 | 595 | 3.8% |
| Miscellaneous Revenue | 23,526 | 25,040 | 1,514 | 6.4% |
| Sponsored Activities | 58,822 | 55,293 | (3,529) | -6.0% |
| Indirect Cost Recovery | 23,750 | 22,373 | (1,377) | -5.8% |
| Annual Giving | 40,873 | 40,000 | (873) | -2.1% |
| Current Restricted Gifts in Support of Priorities | 6,724 | 4,684 | (2,040) | -30.3% |
| Endowment Income | 111,132 | 117,827 | 6,695 | 6.0% |
| University Support for: | | | | |
| Undergraduate Instruction | (11,041) | (11,528) | (487) | 4.4% |
| Faculty Startup | (998) | (1,112) | (114) | 11.4% |
| Strategic Initiatives | (1,454) | (1,184) | 270 | -18.6% |
| PAE Faculty | (270) | (270) | - | |
| Transitional Support | (3,639) | (3,582) | 57 | -1.6% |
| Total Revenue | 600,334 | 621,375 | 21,041 | 3.5% |
| Faculty Compensation | 99,681 | 103,405 | 3,724 | 3.7% |
| Startup | 7,544 | 5,344 | (2,200) | -29.2% |
| Graduate Student Support | 75,997 | 80,538 | 4,541 | 6.0% |
| Other Academic Support | 85,486 | 88,182 | 2,696 | 3.2% |
| Student Aid | 95,222 | 104,125 | 8,903 | 9.3% |
| Student Services | 13,648 | 14,193 | 545 | 4.0% |
| Athletics | 14,949 | 15,293 | 344 | 2.3% |
| General Admin & General Institutional | 43,424 | 44,730 | 1,306 | 3.0% |
| Development, Alumni & External Affairs | 26,068 | 26,665 | 597 | 2.3% |
| Computing | 33,245 | 34,371 | 1,126 | 3.4% |
| Facilities, Debt Service & Renewal | 49,116 | 53,171 | 4,054 | 8.3% |
| Sponsored Research | 58,822 | 55,293 | (3,529) | -6.0% |
| TOTAL EXPENSES | 603,202 | 625,310 | 22,107 | 3.7% |
| Net | (2,868) | (3,935) | (1,067) | |

Appendix C

FY2015 Division of Medicine and Biological Sciences Operating Budget

| <i>(\$ in 000s)</i> | FY14 Budget | FY15 Proposed | \$ Change | % Change |
|---|----------------|------------------|--------------|-------------|
| Graduate Tuition | | | | |
| PhD Tuition | 11,117 | 11,736 | 619 | 5.6% |
| Medical Tuition | 21,310 | 24,664 | 3,354 | 15.7% |
| Other Tuition & Fees | 840 | 808 | (32) | -3.8% |
| Miscellaneous Revenue | 11,961 | 13,454 | 1,493 | 12.5% |
| Sponsored Activities | 33,500 | 31,751 | (1,749) | -5.2% |
| Indirect Cost Recovery | 12,300 | 12,120 | (180) | -1.5% |
| Annual Giving | 1,862 | 1,823 | (39) | -2.1% |
| Endowment Income | 14,402 | 15,737 | 1,335 | 9.3% |
| University Support for: | | | | |
| Undergraduate Instruction (net of BAF) | 7,936 | 8,285 | 349 | 4.4% |
| Faculty Startup | 998 | 1,112 | 114 | 11.4% |
| Strategic Initiatives | 1,014 | 784 | (230) | -22.7% |
| Other | 270 | 270 | (0) | -0.1% |
| Transitional Support | 2,500 | 2,500 | - | 0.0% |
| Total Revenue | 120,010 | 125,043 | 5,033 | 4.2% |
| Faculty Compensation | 18,481 | 19,507 | 1,026 | 5.6% |
| Startup | 2,754 | 3,119 | 365 | 13.3% |
| Graduate Student Support | 10,674 | 11,861 | 1,187 | 11.1% |
| Other Academic Support | 16,987 | 18,682 | 1,695 | 10.0% |
| Student Aid | 7,315 | 7,895 | 580 | 7.9% |
| Student Services | 5,427 | 5,644 | 217 | 4.0% |
| General Admin & General Institutional | 7,119 | 6,401 | (718) | -10.1% |
| Development, Alumni & External Affairs | 1,942 | 1,814 | (128) | -6.6% |
| Facilities, Debt Service & Renewal | 17,311 | 18,244 | 933 | 5.4% |
| Sponsored Research | 33,500 | 31,751 | (1,749) | -5.2% |
| TOTAL EXPENSES | 121,510 | 124,918 | 3,408 | 2.8% |
| Net | (1,500) | 125 | 1,625 | |

Appendix C

FY2015 School of Public Health Operating Budget

| <i>(\$ in 000s)</i> | FY14 Budget | FY15 Proposed | \$ Change | % Change |
|---------------------------------------|----------------|------------------|--------------|--------------|
| Graduate Tuition | | | | |
| Masters Tuition | 3,431 | 4,878 | 1,447 | 42.2% |
| Miscellaneous Revenue | 1,030 | 1,450 | 420 | 40.8% |
| Sponsored Activities | 32,182 | 30,000 | (2,182) | -6.8% |
| Indirect Cost Recovery | 5,212 | 4,884 | (328) | -6.3% |
| Annual Giving | 15 | 20 | 5 | 33.3% |
| Current Restricted Gifts | 503 | 579 | 76 | 15.1% |
| Endowment Income | 633 | 901 | 268 | 42.4% |
| University Support for: | | | | |
| Undergraduate Instruction | 3,105 | 3,243 | 138 | 4.4% |
| Faculty Startup | | | - | |
| Strategic Initiatives | 440 | 400 | (40) | -9.1% |
| Transitional Support | 1,139 | 1,082 | (57) | -5.0% |
| Total Revenue | 47,688 | 47,436 | (252) | -0.5% |
| Faculty Compensation | 3,427 | 4,102 | 675 | 19.7% |
| Startup | 795 | 797 | 2 | 0.3% |
| Graduate Student Support | 145 | 150 | 5 | 3.4% |
| Other Academic Support | 6,147 | 6,824 | 677 | 11.0% |
| Student Aid | 995 | 1,415 | 420 | 42.2% |
| General Admin & General Institutional | 446 | 481 | 35 | 7.7% |
| Facilities, Debt Service & Renewal | 3,551 | 3,667 | 116 | 3.3% |
| Sponsored Research | 32,182 | 30,000 | (2,182) | -6.8% |
| TOTAL EXPENSES | 47,688 | 47,436 | (252) | -0.5% |
| Net | - | - | - | |