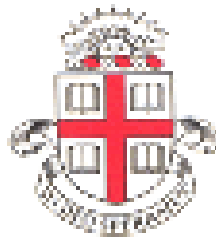


# **Brown University**

## **Report of the University Resources Committee to the President**



**February 2015**

**UNIVERSITY RESOURCES COMMITTEE  
REPORT TO THE PRESIDENT ON THE BUDGET  
FOR FISCAL YEAR 2015-16**

The University Resources Committee (URC), which is chaired by the provost and includes representation from other campus constituencies, is a standing committee of the Faculty. Its primary responsibility is to review budgetary proposals and priorities and to recommend the allocation of University resources for the coming fiscal year.

The committee’s members include seven faculty members (one of whom serves as co-chair), six ex-officio administrators, seven students (four undergraduates, two graduate students, one medical student), and two staff members. Appendix A lists the URC’s full charge and membership for this year. Appendix B provides the schedule of meetings and topics that the committee discussed to develop the recommendations for Fiscal Year 2015-16 (FY16) in this report.

This report begins with a summary of the major revenue and expenditure assumptions and recommendations. That is followed by sections on the financial context, on the recommended consolidated operating budget, and on the detailed recommendations for the University’s major budgetary divisions: the Educational and General (E&G) and Auxiliary Operations budgets; the Division of Biology and Medicine (BioMed), and the School of Public Health (SPH).

**I. Summary of Budget Assumptions and Recommendations**

The University Resources Committee (URC) recommends a consolidated operating budget totaling \$976.4 million, estimated revenues of \$972.0 million (including 1-time revenues and use of restricted balances) and a \$4.4 million consolidated deficit. The E&G deficit will require the use of \$5.4 million of unrestricted central reserves. This is the first year of a multi-year plan to eliminate the University’s modest but challenging deficit.

URC recommends the following operating budget broken down by major budgetary division:

	<b>E&amp;G Budget</b>	<b>Auxiliary Operations</b>	<b>Biology &amp; Medicine</b>	<b>Public Health</b>	<b>Consolidated Budget</b>
<b>Revenue and 1-Time Funds</b>	\$645.9	\$148.0	\$132.0	\$46.1	\$972.0
<b>Expense</b>	651.3	148.0	131.0	46.1	976.4
<b>Net Surplus/(Deficit)</b>	(\$5.4)	\$0.0	\$1.0	\$0.0	(\$4.4)

Key assumptions and recommendations are outlined below.

**Tuition and Fees**

- 4.4% increase in total undergraduate student charges from \$59,428 to \$62,046, made up of the following components:
  - 4.0% increase in tuition from \$46,408 to \$48,272
  - 7.5% increase in the standard room rate from \$7,416 to 7,972

- 3.3% increase in board from \$4,578 to 4,728
- 5.6% increase in health fee from \$712 to \$752
- 3.2% increase in the student activities fee from \$250 to \$258
- no change in the student recreation fee of \$64
- 4.0% increase in the tuition rate for PhD and master's programs (excluding executive master's programs, noted below) from \$46,408 to \$48,272
- 4.0% increase in medical tuition from \$51,360 to \$53,416.
- Executive master's programs in the School of Professional Studies:
  - 3.7% increase for Healthcare Leadership from \$82,000 to \$85,000
  - 24% increase in Business Administration from \$105,000 to \$130,000

### **Net Tuition**

- 1.9% increase in undergraduate enrollment from 6,154 to 6,270
- 8.0% increase in undergraduate financial aid from the originally budgeted \$104.2 million in FY15 to \$112.5 million
- 4.8% increase, or \$8.8 million, in net undergraduate tuition

### **Other Revenue**

- 1.0% increase in total direct sponsored research funding, from \$114.3 million to \$115.4 million, incorporating the following projections:
  - 2.0% growth in E&G from FY15 projections (-1.5% from FY15 budget)
  - 2.3% increase in BioMed
  - 1.0% increase in Public Health
- 1% increase in budgeted indirect cost recovery, from \$39.4 million to \$39.8 million, incorporating the following projections:
  - 2.5% decrease from FY15 budget in E&G
  - 6.0% increase in BioMed
  - 1.0% increase in Public Health
- 5.0% increase in endowment payout, resulting in a spending rate of 5.4% of the 12-quarter market value
- \$30 million of new gifts to endowment raised in FY15 to support current activities in FY16, yielding an additional \$1.5 million
- \$40.6 million of current-use giving for the Brown Annual Fund, Sports Foundation and Financial Aid
- \$6.5 million contribution from the School of Professional Studies to support the University's operating budget, an increase of \$1 million over FY15

### **Major Expenditures**

- 2.75% total salary increase pool for faculty, includes merit pool, promotions, retention and equity
- 2.75% total salary increase pool for staff, includes merit pool, promotions and equity
- 30 basis point increase in fringe benefit rate, from 30.2% to 30.5%
- \$3.6 million for debt service on debt already outstanding
- \$2.2 million increase to the startup budget, following a one-time decrease in FY15

- \$2.0 million in additional funding for PhD students
  - \$1.0 million in additional support for 6<sup>th</sup> and 7<sup>th</sup> year graduate students, including fellowships at Brown's research centers and institutes
  - \$0.5 million to increase nine-month stipends from \$23,000 to \$23,700.
  - \$0.3 million for legacy growth commitments to selected doctoral programs
  - \$0.2 million for additional summer support for students in humanities and social science programs.
- \$1.7 million for expected increases in utility costs
- \$1.4 million for additional fundraising staff and operating expenses related to an expanded Development effort
- \$1.1 million in inflationary cost growth for graduate student health insurance, library materials, software licenses and maintenance contracts, and real estate leases
- \$.8 million for facilities losses not covered by property insurance and \$.2 million for increased costs of property insurance
- \$0.5 million in additional research seed funds to help increase grant awards
- \$0.4 million for the University's effort to combat sexual assault, including funding for a Title IX Program Officer in the Office of Institutional Diversity and additional funding for education, training and counseling
- \$0.3 million to fund staff in Psychological Services added earlier this year

## **II. Financial Context: Operating Deficits and Budget Equilibrium**

From 2009 to 2012, in response to the economic crisis in late 2008 and the Great Recession that followed it, Brown took aggressive action to address a projected deficit of about \$95 million. The University increased revenue by increasing enrollment and reduced costs by restructuring administrative units, scaling back capital projects (reducing the amount of debt service needed in the budget), developing more efficient processes and limiting salary growth. As a result of those actions, the consolidated operating budget was brought back into balance.

For the last three years, however the University has run operating budget deficits. These shortfalls were originally planned to enable Brown to maintain momentum during the presidential transition in FY13, and then to allow us to jump start activities and move ahead in critical arenas in FY14 and FY15 in support of the Building on Distinction strategic plan as the administration simultaneously developed plans to increase revenue and manage expenditures. As the overall economy improved, we expected key economic trends to continue. Specifically, federal funding was expected to remain relatively flat and financial aid expenses were expected to continue growing modestly. In reality, our federal funding dropped significantly more than projected and undergraduate financial aid costs have increased much more rapidly. With those two external drivers as the primary factors, the consolidated operating budget deficit, before use of reserves and restricted fund balances, is expected to approximately \$11 million in the current year and expected to grow to \$12.4 million next year even with the limited incremental funding recommended in this report.

The fact that these operating deficits have been limited to only around 1% of our operating budget is not a source of comfort. Operating budget deficits are covered by using reserves – funds set aside in earlier fiscal years when revenues exceeded expenses. These reserves are limited, however, and the University must bring its operations back into balance in the next two years.

Brown can use some of its restricted balances in the short term to limit the draw on central reserves, but that is a temporary measure, which does not address the underlying issues. URC expects that the University will draw on those restricted funds to the extent possible and that will enable us to reduce the deficits on a short-term basis while more structural adjustments take effect.

### **Consolidated Operating Budget Deficits**

(\$ in millions)	FY13 Actual	FY14 Actual	FY15 Projection	FY16 Budget
<b>Deficit</b>	(5.5)	(8.8)	(11.1)	(12.4)
<b>Temporary Adjustments:</b>				
<b>1-time gifts, balances etc.</b>			4.4	8.0
<b>Adjusted Deficit</b>	(5.5)	(8.8)	(6.7)	(4.4)

For FY15 through FY17, the Corporation has authorized a special distribution of no more than \$10 million from working capital that the University invests with the endowment. These funds have appreciated in value and Brown has the opportunity to use that appreciation to support the budget temporarily. It is expected that approximately \$3 million will be used in FY15, \$4.5 million in FY16 and \$1.5 million in FY17. In addition, the administration plans to make greater use of a variety of restricted reserves and accumulated fund balances to help meet a range of academic program needs, and the President will also use some of her discretionary gifts to support budgeted activities that are consistent with the goals of the strategic plan. Without these actions, the University’s FY16 deficit would be approximately \$13.4 million (\$12.4 million in E&G offset by an anticipated surplus of \$1.0 million in BioMed, as described below). The use of these one-time adjustments will provide temporary relief to the budget, reducing the draw on central reserves to an estimated \$4.4 million in FY16.

To eliminate the deficit, Brown must identify real and permanent changes to the expense base and new revenues to eliminate the structural deficit. The FY16 budget initiates a renewed effort to bring the budget back into a sustainable alignment. Over the long term, the key to real budgetary equilibrium will be to enhance research revenue, increase tuition revenue through new education offerings, maintain and expand philanthropic support, and control expenditure growth. The president and provost have appointed a Deficit Reduction Working Group to draw on the strengths and creativity of the campus community and craft a range of approaches to reduce costs and diversify revenue streams. This group has been charged with identifying opportunities for both savings and revenue enhancements, with a goal of recommending ways to reduce the deficit by \$7 million over the next few years. Several members of the URC are

serving on the Working Group, which will deliver its recommendations later this Spring. URC expects to incorporate the expected savings into its budget recommendations over the next several years.

URC endorses the development of plans to balance the budget over the next three fiscal years. The recommendations in this report were developed explicitly within a multi-year planning framework. The proposed FY16 budget includes recommendations to increase net tuition income (from undergraduate, pre-college, and masters’ programs) and to invest in key areas, such as fund raising staff and research proposal development, to spur revenue enhancement over the longer term. On the expense side, URC’s recommendations are limited to honoring existing commitments, funding most inflationary costs, providing modest salary increase pools, and increasing support for PhD students.

### III. Consolidated Operating Budget

URC recommends a total consolidated University budget for FY16 projecting \$972 million in revenue against expenditures totaling \$975.6 million, resulting in the need to draw down \$4.4 million in central reserves to support operations. As shown on Table 1, total revenue, including one-time sources is estimated to increase by 5.1% over the FY15 budget, and expenditures are budgeted to increase by 4.8%.

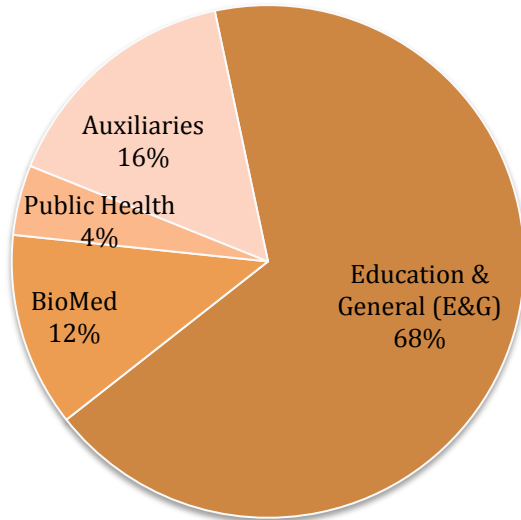
**Table 1: Brown University FY16 Consolidated Operating Budget**

	<b>FY15 Budget</b>	<b>% Change</b>	<b>FY16 Proposed</b>
<b>Consolidated Revenue</b>	\$925.1	5.1%	\$972.0
<b>Consolidated Expense</b>	931.7	4.8%	976.4
<b>Net Deficit</b>	(\$6.6)		(\$4.4)

Brown University’s budget is organized into four major divisions: “Educational and General” (E&G), encompassing most of Brown’s academic and administrative activity; the Division of Biology and Medicine (BioMed), combining the basic biological sciences departments and the Warren Alpert Medical School; the School of Public Health (SPH); and Auxiliary Operations.

As shown in Figure 1 E&G accounts for 68% of Brown’s budget and encompasses the College; the Graduate School; the School of Engineering; academic departments and centers that might typically be referred to as “Arts and Sciences”; the University Library; student services; central University infrastructure and administration. Self-supporting Auxiliary Operations (16%) include Residential Life, Dining Services, Health Services, the School of Professional Studies (SPS), and the bookstore. These auxiliaries are closely tied to E&G budget planning, and several of these operations, most notably SPS, generate resources that help support the E&G operating budget. BioMed (12%) and SPH (4%) are largely self-contained in budgetary terms, although as discussed below resources do flow from E&G to both these units, in particular to provide resources for their roles in educating undergraduates.

**Figure 1  
Consolidated Operating Budget**



As shown in Table 2, the proposed E&G budget would include \$645.9 million of revenue and the net use of \$5.4 million of unrestricted, central reserves to support \$651.3 million of expenses. URC recommends an Auxiliary Operations budget of \$148.0 million, which includes an expected contribution of more than \$7.5 million to support academic priorities in the E&G budget. The proposed BioMed budget would include \$132.0 million of revenue to support \$131.0 million of expenses. SPH's budget proposal includes \$46.1 million of revenue to support an equal amount of expenses.

**Table 2: FY16 Proposed Revenue and Expenses by Major Budgetary Division**

	<b>E&amp;G Budget</b>	<b>Auxiliary Operations</b>	<b>Biology &amp; Medicine</b>	<b>Public Health</b>	<b>Consolidated Budget</b>
<b>Revenue &amp; 1-Time Funds</b>	\$645.9	\$148.0	\$132.0	\$46.1	\$972.0
<b>Expense</b>	651.3	148.0	131.0	46.1	976.4
<b>Net Surplus/(Deficit)</b>	(\$5.4)	\$0.0	\$1.0	\$0.0	(\$4.4)

#### **IV. E&G and Auxiliary Budgets**

Due to its largely University-wide and centralizing character, E&G is the main focus of URC's deliberations. As shown in Table 3, URC recommends that the University budget incorporate a projected \$637.9 million in E&G revenues for FY16, an increase of \$25.9 million (4.2%) over the FY15 budget. In addition, the E&G budget will rely on \$8 million of one-time funds for total

revenue of 645.9 million. It is expected that Auxiliary Operations revenues will total \$148.0 million.

**Table 3: E&G Revenue**

<i>(\$ in 000s)</i>	<b>FY15 Budget</b>	<b>FY16 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Undergraduate Tuition</b>	285,613	302,666	17,053	6.0%
<b>Graduate Tuition</b>				
<b>PhD Tuition</b>	56,082	59,905	3,823	6.8%
<b>Masters Tuition</b>	15,904	16,538	634	4.0%
<b>Other Tuition &amp; Fees</b>	14,854	15,412	558	3.8%
<b>Miscellaneous Revenue</b>	18,310	18,676	366	2.0%
<b>Sponsored Activities</b>	55,293	54,600	(693)	-1.3%
<b>Indirect Cost Recovery</b>	22,373	22,031	(342)	-1.5%
<b>Annual Giving</b>	37,889	38,830	941	2.5%
<b>Restricted Gifts in Support of Priorities</b>	5,508	2,508	(3,000)	-54.5%
<b>Endowment Income</b>	117,899	125,294	7,395	6.3%
<b>University Support for:</b>				
<b>Undergraduate Instruction</b>	(11,528)	(12,081)	(553)	4.8%
<b>Faculty Startup</b>	(872)	(1,219)	(347)	39.8%
<b>Strategic Initiatives</b>	(1,485)	(1,467)	18	-1.2%
<b>PAE Faculty</b>	(289)	(290)	(1)	0.3%
<b>Transitional Support</b>	(3,582)	(3,514)	68	-1.9%
<b>Total Net Revenue</b>	<b>611,969</b>	<b>637,889</b>	<b>25,920</b>	<b>4.2%</b>
<b>One-Time Revenue and Resources</b>		8,000	8,000	
<b>Total Expected Revenue</b>	<b>611,969</b>	<b>645,889</b>	<b>33,920</b>	<b>5.5%</b>

## **Major Revenue Assumptions**

### **A. Tuition, Fees, and Enrollment**

Tuition is Brown's largest source of income. Together with required fees, it comprises slightly less than half of the University's gross revenues. Of this amount, undergraduate tuition is the largest single component, although tuition from master's programs offers possibilities for significant growth.

#### **Undergraduate Student Charges, Enrollment, and Net Tuition**

Undergraduate students provide the largest share of Brown's income, and therefore, virtually every aspect of University life depends on undergraduate tuition and fees. The annual increase in total student charges is the most significant source of incremental revenue available to Brown



for supporting its faculty, its educational facilities, and its student services. Brown’s tuition and fees are comparable to many of its academic peers, but in the aggregate, our total student charge is toward the low end of our peer group. As part of this year’s deliberations, URC also considered Brown’s relative position for not just total charges, but also each component individually. Tuition tends to be toward the high end of the peer group, but several individual fees are toward the low end.

As one measure to help move toward budget equilibrium, the general consensus of the committee is that Brown should raise total student charges at a somewhat higher rate than the average annual increase of the last decade. URC, therefore, recommends increasing total FY16 student charges by 4.4%, from the current \$59,428 to \$62,046, incorporating growth of \$4.0% in tuition from \$46,408 to \$48,272. This increase will bring welcome incremental revenue into our budget, but it is unlikely to cause a significant change to the relative position of our pricing among peer institutions.

**TABLE 4: Tuition & Fees**

	FY15		FY16	
	Charges	% Increase	Proposed	\$ Change
<b>Tuition</b>	\$46,408	4.0%	\$48,272	\$1,864
<b>Room</b>	7,416	7.5%	7,972	556
<b>Board</b>	4,578	3.3%	4,728	150
<b>Health Fee</b>	712	5.6%	752	40
<b>Recreation Fee</b>	64	0.0%	64	-
<b>Student Activities Fee</b>	250	3.2%	258	8
<b>Total</b>	<b>\$59,428</b>	<b>4.4%</b>	<b>\$62,046</b>	<b>\$2,618</b>

With respect to mandatory fees, URC proposes a 7.5% increase to the standard room rate, from \$7,416 to \$7,972. Over the last several years, the University has renovated major housing facilities and will continue to do so. As a result, the committee felt it was appropriate to recommend a higher-than-normal increase in housing fees to help cover the debt service incurred by the University for these housing improvements. URC also recommends holding flat the higher “suite” room rate at \$8,784 (which applies to less than 20% of University housing). For years, students have asked for the elimination of the two-tiered room rate system to allow students to choose rooms based on the facilities and locations that best meet their interests without the extra cost being a factor in the decision. For FY16, the difference between the standard room rate and the suite rate will be \$812 (down from \$1,368 in FY15). If financial circumstances allow, the committee expects to recommend that the suite rate be held flat in future years as well, until the two-tiered system can be eliminated.

The committee also recommends a higher-than-normal increase in the health fee of 5.6%, from \$712 to \$752. This total increase of \$40 will allow Health Services to support permanently the additional staff in psychological counseling hired this year in response to rising student demand for these services.

The Undergraduate Council of Students requested an increase of 8.4% in the student activities fee. The committee recommends an increase of 3.2% (\$8), which is still close to two percentage points higher than inflation.

The current year budget is based on an expected enrollment of 6,100 on-campus undergraduates and 54 undergraduates enrolled in the Brown-RISD dual degree program or other special programs. The committee endorses a proposed increase in undergraduate enrollment to 6,270 (including Brown-RISD and other special program students). Because the last several incoming classes have been slightly larger than in prior years, undergraduate enrollment was expected to increase to 6,210 with no change in the number of first-year students or new transfer students. As a result, Brown can plan for enrollment of 6,270 students by enrolling 15 additional transfer students and adding 45 students to the incoming first-year class. The Dean of the College and the Vice President for Campus Life and Student Services also endorse this recommendation and have noted that this increase could be accommodated without affecting existing levels of services to students.

Like our peers, Brown has a need-blind admission policy for domestic students -- we admit the freshman class without consideration of need and we offer generous financial support so that all admitted students who choose to attend can do so. While we are not need-blind for international students, we also budget generous financial support for this group. Based on our enrollment goals and on projections from the Financial Aid Office, the URC proposed FY16 budget includes a financial aid budget of \$112.5 million, 7.1% higher than FY15 projected expenses (and 8% higher than the FY15 budget). This reflects an increase in the total aid budget of \$6.6 million for continuing students and an additional \$1.7 million to increase the aid budget due to the larger student body.

The combined effect of the tuition rate and enrollment increases is projected to yield approximately \$17.1 million in additional gross revenue, or total growth of 6.0%. At the same time, financial aid costs are expected to grow by 8.0% from the FY15 budget. As a result, *net* tuition is expected to increase by 4.8%, generating more than \$8.8 million of incremental revenue in FY16.

**TABLE 5: Net Tuition**

	<b>FY15 Budget</b>	<b>FY16 Estimate</b>	<b>% Increase</b>	<b>Change</b>
Tuition Rate	\$46,408	\$48,272	4.0%	\$1,864
# of FTE Undergraduates	6,154	6,270	1.9%	116
(\$ in millions)				
Total Undergraduate Tuition Revenue	\$285.6	\$302.7	6.0%	\$17.1
Undergraduate Financial Aid	(104.2)	(112.5)	8.0%	(8.3)
<b>Net UG Tuition Revenue</b>	<b>\$181.4</b>	<b>\$190.2</b>	<b>4.8%</b>	<b>\$8.8</b>

## Graduate Tuition and Enrollment

For PhD and on-campus master's programs the proposed tuition is the same as that for undergraduates: \$48,272, a 4.0% increase from FY15.

All PhD students are guaranteed five years of support, funded either through University resources or faculty grants. In the humanities and social sciences, it is typical for PhD students to be funded by the University for all five years. In the sciences, the normative pattern is for students to be funded by University funds at the very outset of their programs, after which they are incorporated into the labs of their faculty supervisors and supported through sponsored research awards. The anticipated number of doctoral students in FY16 is around 1,370 (excluding PhD students in BioMed and proposed growth described below), of which 789 will be supported by University funds and the remainder on grants. While the University underwrites the tuition of most PhD students, in some cases tuition can be charged to grants. For FY16, projected net PhD tuition income is \$4.3 million, a slight increase from the FY15 budget.

Master's programs at Brown have grown apace in recent years, particularly in association with enlarging the School of Engineering. For FY16, the Graduate School projects master's enrollment at 343 full-time equivalent students. There is significant capacity for further growth in this robust educational market, representing one of the few opportunities available for the University to broaden its revenue base. Master's programs are also a significant opportunity for the sponsoring departments, which retain a significant share of tuition revenues that they can use for a variety of academic purposes such as funding for additional PhD students, financial aid for master's students, and additional non-permanent faculty.

Based on current enrollment projections, the E&G budget anticipates only a modest increase in master's revenue (net of the share that goes to departments and financial support for the students) from \$6.4 million in FY15 to \$6.5 million in FY16. There is no single cause for this slow growth projection; rather, it is the aggregation of decisions and estimates across two dozen programs. Retrenchment in some programs offsets anticipated growth in others. As described below, enhanced efforts are underway to build up master's programs as part of the University's deficit reduction strategy.

### **B. Endowment and Fundraising**

Brown's endowment is considerably smaller than those of peer institutions with which we compete for faculty and students. We look somewhat better when comparing endowment per student, which is comparable to several better-endowed institutions with much larger student bodies. In FY14, the endowment earned a robust return of 16.1% and its market value at the end of the fiscal year topped \$3 billion, surpassing for the first time the all-time high of \$2.8 billion posted on the eve of the financial crisis in 2008. Our ten-year average annual return is 8.3%.

The proposed budget includes \$125.3 million of endowment payout, \$7.4 million higher than FY15. The recommended 5% increase in the payout will provide \$5.9 million, and the proposal also includes \$1.5 million of payout on \$30 million of new endowment expected to be received by June 30, 2015. Measured in terms of our endowment spending rule, the payout is expected to equal 5.4% of the twelve-quarter average market value as of December 31, 2014, which falls within the policy’s range of 4.5% to 5.5%. Spending as a percent of current market value (projected market value as of the start of FY16) is likely to be just 5%.

In its effort to raise new funds, Brown benefits from a high level of support from alumni, parents, and friends of the University. Much of the money that has been raised in the past several years supports new initiatives that are not included in the operating budget. Based on projections from University Advancement, URC’s budget proposal includes a total of \$40.6 million in current use gifts for the Brown Annual Fund, the Brown University Sports Foundation, and financial aid. This represents a 2.5% increase over projected results for FY15. It also projects \$2.9 million in restricted current use gifts that can be used to support expenditures in the operating budget

**Table 6: E&G Annual Fundraising**

	<b>FY15 Budget</b>	<b>FY16 Proposed</b>	<b>% Change</b>
<b>Brown Annual Fund</b>	\$35.00	\$35.88	2.5%
<b>BAF BioMed Share</b>	(\$1.75)	(\$1.79)	2.5%
<b>Sports Foundation</b>	\$3.64	\$3.75	3.0%
<b>Financial Aid</b>	\$1.00	\$1.00	0.0%
<b>Total</b>	\$37.89	\$38.83	2.5%

### **C. Sponsored Research**

Research funding, primarily that awarded by federal agencies, has been an area of significant challenge for Brown in recent years. Constrained appropriations to the federal agencies that support research (along with funding disruptions caused by sequestration and the 2013 government shutdown) have produced a more competitive environment for grant-seeking across the board. Brown fared worse than some other research universities, experiencing not only several years of declining awards but also loss of “market share” in federal research dollars.

Between FY10 and FY13, total awards received by Brown faculty dropped by 49% from \$106.7 million to \$53.7 million. Because awards are spent over multiple years, the budgetary impact of this sharp decline did not begin to be felt until a few years later. Total direct sponsored research expenditures (the amount of awarded grant funds used in a given year) fell from a high of \$135.9 million in FY12 to \$111.8 million in FY14, a 14% decline.

While faculty in the physical, computational, and biomedical sciences, and those in public health, depend upon grants to support their scholarly contributions, graduate students, and in cases a portion of their salaries, the recovery of indirect costs (which accompany direct awards

based on a university-wide negotiated rate, currently \$0.625 per dollar of applicable direct grant spending) is critical to Brown’s ability to support the facilities, staffing, and services that are necessary for research to be carried out. Many of the costs for supporting research are essentially fixed (e.g., those relating to facilities), so a decline in indirect cost recovery accompanying with a drop in direct grant activity has serious implications for the University budget. Between FY12 and FY14, indirect cost recovery dropped by 9% from \$43.0 million to \$36.9 million.

There is some evidence that we may have begun to reverse the downward trend in research. The total amount of new grant proposals rose significantly in FY14, yielding an increase in dollars awarded from \$53.7 million in FY13 to \$60.9 million in FY14. As of December 31, 2014, awards were up by almost 29% over the previous year. The FY16 budget incorporates an overall growth assumption of 1% for both direct and indirect. Nevertheless, even if we are now heading in the right direction, there is a great deal of lost ground to recover. In competing for awards in an era of constrained federal funding, our researchers in many fields face significant challenges from Brown’s scale as it affects the breadth of potential faculty collaborators, and from both the quantity and quality of research infrastructure that the University can provide.

**Table 7: Indirect Cost Recovery**

	<b>FY15 Budget</b>	<b>FY16 Proposed</b>	<b>% Change</b>
<b>E&amp;G Grants</b>	\$16.2	\$15.8	-2.5%
<b>Transfer from Public Health</b>	\$6.2	\$6.3	1.0%
<b>Total E&amp;G Budget</b>	\$22.4	\$22.0	-1.5%
<b>Total BioMed Budget</b>	\$12.1	\$12.28	5.6%
<b>Public Health Grants</b>	\$11.1	\$11.2	1.0%
<b>Transfer to E&amp;G</b>	(\$6.2)	(\$6.3)	1.0%
<b>Total Public Health Budget</b>	\$4.88	\$4.93	1.0%
<b>Total University Budget</b>	\$39.4	\$39.8	1.0%

**D. Other Income: School of Professional Studies**

The success of Brown’s summer programs for pre-college students has generated important resources for the University’s budget for some time. Brown still leads in this market, but more peer institutions have begun to launch their own pre-college programs. Over the last few years, the recently redesignated School of Professional Studies (SPS) has begun offering executive master’s degrees for accomplished mid-career professionals delivered in a “blended” format combining online instruction with intensive residential components. The first two of these programs, an Executive MBA (delivered in partnership with the IE Business School in Madrid

and offered as a fully joint degree with Brown starting in FY16) and an Executive Master of Healthcare Leadership, have both enjoyed early success and several other programs are under development.

URC supports SPS's FY16 tuition rate proposals for the two executive master's programs now running: \$130,000 for the Executive Master of Business Administration (15-month program), and \$85,000 for the Executive Master of Healthcare Leadership (16-month program). These rates are based on market research on the competitiveness of our programs and pricing of similar high-quality programs elsewhere.

There is a strong case for extending Brown's educational distinctiveness to the needs of an important and growing population of learners. From a strictly budgetary perspective, however, executive and professional programs offer a rare new source for tuition revenue for the University at the same time that the blended format minimizes the demands on Brown's physical assets. SPS functions as a self-contained budgetary unit that funds its own operations and invests in developing new programs, but its income flows to the campus in many forms including paying for campus services (residential, dining, facilities), instruction (including Brown faculty and graduate students), and revenue sharing with departmental sponsors of executive master's programs. In addition, SPS provides resources for the general University budget. In FY15, this amount was budgeted at \$5.5 million. URC recommends increasing this amount to \$6.5 million in FY16, and increasing the University's share further in future years in keeping with revenue growth from executive master's programs.

## **Major Expense Drivers**

As described above, URC recommends pushing harder on the revenue side where possible (e.g., tuition, endowment, SPS contribution) while looking ahead to improvements in other areas over the next few years in other areas (e.g., growth in master's income, fundraising, and research). With respect to University-wide expense parameters, URC worked hard to be stringent with respect to cost categories over which it has some discretion, primarily compensation. Other recommended cost increases are inflation-driven or were essentially pre-committed. After compensation, inflationary, and committed costs, requests for additional funding amounted to \$14.3 million, of which URC proposes funding \$6.1 million as described below. Some of these figures reflect additional suggestions from the President, which URC agreed to incorporate into its final recommendations in light of improved projections in a few revenue and expense categories.

### **A. Compensation**

Almost half (47%) of the University's budget is spent on salaries and benefits. This means that the rate by which salary pools for faculty and staff increase is by far URC's biggest budgetary lever for controlling overall expenditure growth. The effect of these decisions is magnified by the fact that we fund our benefits offerings through a rate charged on every dollar of salary and wages paid. The market for hiring faculty and senior administrators is generally national and international in scope, whereas the market for hiring staff is largely local and regional. Our

ability to offer competitive faculty salaries is reasonably good, though we are at some risk of losing more ground to peers.

The main challenges for faculty recruiting tend to focus on how well Brown can support their scholarly interests in terms of colleagues, facilities, start-up funding, and graduate students. The picture is rather different for staff. In many job categories our pay does not compare well -- demonstrated by the fact that when we lose high performing staff (in many cases because they are seeking better compensation), we typically have to pay rather more for an equally capable replacement.

In the effort to control costs without significantly affecting the overall quality of Brown's faculty and staff, URC recommends total salary increase pools of 2.75% for both faculty and staff. These recommendations are a departure from the pattern of recent years in which staff pools were consistently lower than those for faculty, reflecting the view that Brown has done a better job of catching up with peers on faculty salaries but our staff salaries in many areas continue to lag the market by a significant amount. URC believes that the higher levels of investment that were requested for faculty and staff would be well justified in terms of both recognition and market competitiveness, but they are not supportable under present financial circumstances. Even salary increase pools limited to 2.75% will place a heavy burden on the budget, adding \$6.8 million to the E&G budget alone. BioMed and Public Health have also included 2.75% salary increase pools in their budget proposals.

It is important to bear in mind that the faculty and staff salary increase pools are intended to cover more than merit increases. Average raises will be significantly less than 2.75% although in most cases at or above the increase in consumer price inflation. For faculty, the relevant deans will determine how much of the pool to allocate to departments for merit increases, and how much must be set aside for promotions, retention, and equity. Similarly, University Human Resources will retain a portion of the staff pool for funding equity and promotion adjustments and make the remainder available for merit increases.

Contractual obligations under our collective bargaining agreements for unionized staff in Dining Services, Facilities Management, the Department of Public Safety, and the University Library will generate an additional cost of \$770,000. In addition, URC recommends a 2% increase to student wages, which will add \$66,000 to the FY16 budget.

Brown offers a generous package of benefits to its employees, and has done well with managing escalating costs. In FY16 the administration projects that the fringe benefit rate will need to increase to 30.5%, mostly due to the increased cost of health and dental insurance in conformity with the Affordable Care Act and also of sabbatical expenses (a lagged effect of enhancements to the sabbatical policy phased in over the past few years). This is anticipated to result in additional expense of \$638,000 on the current salary base (additional benefits costs associated with the salary pools is included in the figures noted above).

## **B. Commitments**

The proposed E&G budget takes account of a total of \$5.6 million in expense growth relating to necessary campus infrastructure improvements. Additional debt service associated with the financing of construction and renovations projects completed over the last several years (including renovations to Metcalf, the transformation of Hunter Lab to the Building for Environmental Research and Teaching, dormitory renovations, and information technology infrastructure upgrades) will add \$3.6 million to the budget, and the increased cost of utilities and maintenance of new and renovated space around campus will amount to \$520,000. Several major IT projects are nearing completion, including expanded wireless, a new identity management system, and a new system to support Advancement operations. In FY16, these projects are expected to generate increased carrying costs totaling \$489,000. We must also add \$1 million to the budget for property damage and insurance, resulting from a combination of increased premiums and the need to cover the cost of property damages below our deductible (paid in recent years from a now depleted insurance reserve).

A commitment of a different kind reflects the University's determination to further strengthen its policies and ability to respond effectively to sexual misconduct, sexual assault, and related categories of prohibited behavior. Although the Task Force on Sexual Assault has not yet concluded its work and brought forward its final recommendations, based on its near-term recommendations released in December 2014 and input from the President, URC proposes \$400,000 for a newly created Title IX Program Officer position, an additional counselor for students who have experienced sexual assault, fees for external investigators who prepare cases, and funding for education and training on sexual assault.

## **C. Inflation**

URC's budget recommendations for FY16 include a total of \$2.8 million in estimated for cost inflation across several broad categories that in many cases grow by rates well above general inflation. After several years in which Brown has succeeded in holding down utilities costs, projections for utility rates call for significant increases in the coming years. For FY16, utilities costs are estimated to grow by 8% or \$1.7 million. The price of digital and print materials acquired by the University Library by subscription or purchase also increases steadily, and URC recommends allocating \$492,000 for this purpose. Similarly, the cost of software licenses and maintenance contracts overseen by Computing and Information Services is expected to grow by \$273,000.

Our commitment to supporting PhD students includes providing health insurance and, since they are not University employees these steadily increasing costs must be funded outside of the benefits pool. For FY16, the additional expense is projected at \$268,000. Finally, the cost of properties leased by the University is slated to increase by \$93,000. URC commends the efforts of administrators responsible for these areas over the last several years to manage expenditure growth while maintaining service levels in the face of cost increases over which they have little control.



## **D. Revenue Investments**

Beyond compensation and costs that are either essentially obligatory or inflationary, URC recommends a limited number of targeted investments aimed at enhancing revenue across the University. Currently, there are more potential donors than can be covered by the existing number of fundraising officers in University Advancement. As Brown seeks to close its budget gap and prepare for the launch of a new capital campaign, URC recommends an additional \$1.4 million to extend the Advancement staff's capacity to work directly with alumni and friends who want to find the best ways to support Brown. URC increased its final recommendation in this area in response to the President's suggestion.

Increasing sponsored project funding is also critical for strengthening Brown's financial base. As already noted, faculty proposals are up, but trends in federal appropriations to research agencies have made obtaining grants an even more competitive process than in the past. Proposals are best positioned for success if faculty have had the opportunity to gather robust preliminary data and test hypotheses. Accordingly, URC recommends increasing the pool of seed funds awarded annually by the Vice President for Research from \$400,000 to \$900,000. This recommended growth also reflects the President's suggestion that URC add to its initial proposal. URC is encouraged by the fact that, on average, every dollar spent in seed funding over the last several years has returned \$10 in direct costs and recovered \$4 of indirect costs.

A third area of revenue investment is facilitating the growth of master's programs, either through enlarging or reformulating existing programs, or by creating new ones. Beyond the work of developing a program's academic proposition and curriculum, many departments (or cross-departmental groups) could benefit from assistance with other dimensions of building successful and self-sustaining master's programs such as market research, financial modeling, and promotion. To this end, the University plans to experiment with organizing a team of experts from the Graduate School and SPS to provide support and encouragement for efforts across campus to develop master's programs. In FY16, the added cost of this effort will be absorbed by existing budgets, but it should be noted alongside the other investments in revenue-generation described above because, if successful, additional resources may be required in the future.

## **E. E&G Academic Program Support**

In contrast to the wide array of additional allocations to E&G academic programs approved by URC in previous budgets, the FY16 budget includes only two sets of recommendations for budget increases. Most of these increases are obligatory or inflationary in character.

1. *Faculty Startup*: The budget for faculty startup overseen by the Dean of the Faculty provides funds for newly recruited faculty members to establish their research programs at Brown. Startup needs vary widely depending upon each faculty hire's field, with the highest costs being for scientists who require significant space renovations and, in cases, specialized equipment to carry out their particular type of research. Last year, when there were few searches in startup-intensive fields, the Dean of the Faculty volunteered a one-time reduction of

\$2.2 million to the startup budget to provide short-term deficit relief in FY15. This year, however, many searches with high anticipated startup needs are underway. These searches were authorized based on departments' needs to fill vacancies and the assumption that the startup budget would be restored to its former level. URC supports this restoration because it honors search commitments made to departments and will also enlarge the number of research active faculty who can help with building our sponsored funding base.

2. *PhD Programs*: The second set of recommendations for academic program support in E&G focus on PhD students (excluding those who are supported through BioMed, but including the initial 18 months of SPH doctoral students). As the next generation of scholars and scientists, PhD students are essential for fulfilling Brown's mission as a research university to create as well as to convey knowledge. At the same time, doctoral programs are expensive. Each graduate student is guaranteed an academic year stipend and tuition remission for five years, the equivalent of four months of summer support over the same period, and health insurance. Many departments improve upon this base guarantee from their own resources in the form of enhanced stipends and additional summer funding, and the University has made a significant effort in recent years to support graduate students whose dissertation work requires a sixth year to complete.

Yet we lag behind our peers in many dimensions of graduate support and, even in a bad budget year, URC thinks we need to do what we can to ensure that Brown is keeping up with PhD students' most critical needs. In total, URC's recommendations propose investing an additional \$2.0 million in support of doctoral students. If the inflationary increase in health insurance discussed above is added, the total rises to \$2.3 million.

URC proposes increasing base academic year stipends by 3.0% from \$23,000 to \$23,700, the total cost of which will be \$552,000. It is hoped that this increase will be sufficient to maintain the relative position of Brown's base stipends at around the peer median. Brown does lag significantly behind its peers in its support for PhD students during the summer. This particularly affects doctoral candidates in the humanities and social sciences, since graduate students in the sciences are typically supported through the summers on faculty grants. Continued support through the summer is important for scholarly development and timely degree completion. Accordingly, URC recommends increasing the funds available for summer support by \$157,000, which should be sufficient to add one month of summer support after the fifth year for students in the humanities and social sciences. After this, as resources permit, future plans call for ramping up summer support from one to three months.

URC also recommends funding to strengthen support to doctoral students beyond their five-year guarantee who are making good progress: \$500,000 to help establish a set of fellowships at Brown's research centers and institutes for advanced PhD students in the humanities and social sciences (incorporating a Presidential suggestion); \$340,000 to enlarge the pool of merit-based teaching assistantships for post-fifth year students that would be awarded by the Graduate School in partnership with the students' departments; and \$118,000 to make sure that doctoral students finishing in their seventh year will continue to be covered by health insurance.

Finally, URC's recommendations include funding for legacy commitments made a number of years ago to establish or grow doctoral programs in the departments of Africana Studies, Egyptology and Assyriology, and German Studies, as well as the more recent launch of the PhD program in Behavioral and Social Health Sciences in the School of Public Health. The total required to bring these programs to steady-state is \$281,000; FY16 would be the last year in which additional funds would be needed for this purpose.

## **F. University Support for BioMed and SPH**

As described further in sections V and VI, below, E&G budget commitments include a total of \$18.2 million University support for BioMed and SPH, including \$12.1 million to support the popular undergraduate course offerings and concentrations in biology and public health, and \$3.5 million in transitional support following the Public Health program's separation from BioMed in order to become a school. Transition support for BioMed is scheduled to end in FY18, and that for SPH is steadily diminishing as the school grows its revenue base. Other planned E&G transfers to BioMed total \$2.6 million for contributions toward faculty startup costs and other academic initiatives.

## **Use of Reserves and Deficit Reduction**

The recommended E&G revenues and expenses result in a projected operating deficit of \$13.4 million. As noted earlier, through the use of one-time measures, including discretionary gifts and the special distribution from working capital, the E&G adjusted deficit for FY16 is expected to be \$5.4 million. These temporary actions provide short-term relief, providing the Deficit Reduction Working Group and the administration time to develop and implement plans for operating budget reductions and revenue enhancements. To the extent that these recommendations are approved, they are likely to take full effect over two or three years. While some actions could be taken in time to help FY16 operating results, URC has not factored any such assumptions into its budget recommendation.

## **V. Division of Biology and Medicine**

BioMed continues to work toward its goal of being a financially self-sustaining unit where revenues are sufficient to cover both operating and capital needs while also providing a sufficient margin for renewal and reinvestment. Over the past year, the Division has engaged in a robust set of cost-containment actions and worked to develop new and enhanced revenue streams. While BioMed's operating performance has improved, it must still draw on its reserves to fund capital needs. Fully incorporating capital needs is a major objective for the BioMed budget over the next few years.

## A. Major Revenue Sources

For FY16, URC recommends a BioMed budget with total revenues of \$132 million, an increase of 3.7% or \$4.7 million over the FY15 budget. This is based on the following assumptions and recommendations:

1. *Tuition and Enrollment:* BioMed plans to increase tuition at the Alpert Medical School by 4% from \$51,360 to \$53,416. Medical student enrollment is projected at 538 students in FY16 which, when combined with the tuition rate increase, is expected to yield \$27.2 million in gross medical tuition income, a growth of \$2.5 million or 10% over the FY15 budget. Plans also call for additional growth in medical school enrollment through FY19, accounted for in large measure by the introduction of the new MD/ScM program in Primary Care and Population Medicine.

In keeping with the University-wide rate, tuition charges for PhD and master's students would rise by 4% to \$48,272. BioMed expects total FY16 PhD enrollment to be 210.

Tuition income from BioMed master's programs is expected to rise by \$276,000 in FY16. Between FY12 and FY14, master's revenues increased by nearly a factor of three. Much of this growth was accounted for by increased enrollment in the Biomedical Engineering and Biotechnology programs. BioMed projects enrollment of 74 master's students in FY16. Like the University generally, BioMed is also identifying opportunities for expanding existing master's programs and developing new ones.

2. *Sponsored Research:* Based on strong growth in grant proposals submitted by its faculty, an upward trend in awards, and the research profiles of recently recruited faculty, BioMed projects 2.4% growth in direct sponsored project funding, which would rise to \$32.5 million in FY16. Recent proposal activity is also the basis for a projected 5.6% increase in indirect cost recovery to \$12.8 million.

3. *Endowment and Gifts:* Endowment payout will grow by 5.0% per University-wide recommendation. BioMed has budgeted total spending from its endowments at \$16.4 million, roughly \$630,000 greater than in FY15. Per historic agreement, BioMed receives 5% of the general University annual fund, and \$1.8 million from this source is incorporated into the BioMed budget.

4. *Hospital Support:* BioMed receives contributions of \$5.5 million annually from its affiliated hospital systems, Lifespan and Care New England. Compared to the normative model of academic medical centers, however, this flow of clinical revenue to support research is de minimus. Further, BioMed receives no support from physician practice plans, which is a major revenue source for other academic medical centers. BioMed's unusual revenue model remains a major challenge, and URC strongly supports the Division's efforts to increase hospital and practice plan support for academics and research.

5. *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), which will amount to \$8.7 million in FY16 in addition to the allocation of 5% of the University's Annual Fund receipts, described above. The University will also provide a total of \$2.7 million for specific initiatives, faculty start up costs, and other new faculty support within BioMed. Further, the University will furnish \$2.5 million for the third year of a five-year commitment to transitional support following the separation of Public Health.

## **B. Expenses**

URC recommends a BioMed expense budget of \$131 million, an increase of \$3.9 million or 3% from FY15. This recommendation incorporates the following major parameters and assumptions:

1. *Compensation:* The Division establishes faculty and staff salary increase pools at the same level as the rest of the University. The recommended pools for faculty and staff salary increases, plus the increase in the benefits rate, will add a total of \$1.0 million to BioMed's budget. With the expected addition of three net new faculty positions, compensation for faculty will increase by 6.7% to \$21.2 million. New policies require faculty to offset a baseline portion of their academic year salary on their grants before summary salary support is approved. This will begin to provide some relief to the Division's operating budget.

Overall, staff salaries will decrease by 3% to \$16.7 million, due primarily to the consolidation of BioMed's fundraising staff into University Advancement. BioMed will now instead pay a fee to the University for fundraising services.

2. *Student Support:* BioMed proposes to commit \$8.1 million in financial aid for medical students. This would maintain the "discount rate" at 31%, although the financial commitment amounts to a 15.1% increase from FY15 due to projected tuition and enrollment increases. Compared to peer institutions, Brown's discount rate falls in the middle of the pack, but well below that of most other Ivy League medical schools. While raising the discount rate on medical tuition remains an important longer-term goal, resource constraints make any significant additional investment unlikely in the short term. As a percentage of its total revenue, BioMed's spending on medical scholarship aid is at the top of the range and more than double the average of peer institutions, largely on account of the comparatively small amount of support BioMed receives from its affiliated hospitals.

As part of its budgetary autonomy, BioMed is responsible for funding increases in the support packages for its PhD students. The Division proposes to raise its 12-month stipends by 5.5% from \$27,500 to \$29,000, adding an additional \$262,000 to the budget when projected PhD enrollment is factored in. Brown's stipends in the biological sciences have been at the low end of comparable peer programs. Even with this significant proposed increase, it is likely that future increases may need to be considered to maintain our competitiveness with our peers.

3. *Student Services and Academic Support (including Academic Administration)*: BioMed's student services are expected to increase by 7.7% in FY16 in keeping with enrollment growth. The increase in academic support expenditures reflects the anticipated increase in research spending funded largely by annual endowment payouts, offset by a small decrease in academic administration due to a number of cost-containment actions.

4. *Facilities Costs and Debt Service*: Total operations and maintenance costs for the Medical Education Building and other BioMed facilities, as well as debt service for BioMed capital projects, is anticipated to rise by less than 1% to \$19.3 million.

## **VI. School of Public Health**

SPH's proposed budget for FY16 represents its third full year of operation as a separate school at Brown. The accreditation process is underway and is expected to conclude in June 2016. The school projects balancing revenues and expenditures, but there is budgetary pressure from several directions. More than 70% of SPH's budget comes from sponsored research in the form of direct expenses and indirect cost recovery, and faculty are expected to fund a significant portion of their salaries on grants. Accordingly, the federal funding climate is an ongoing concern. The growing popularity of public health generally is reflected in rising undergraduate enrollment and creates opportunities for enlarging existing master's programs or creating new ones. But faculty effort to meet the needs of the school's education programs will need to be reconciled with imperatives for research activity. In addition, since the school is new, it will take time to build up current-use giving and raise endowments that will afford greater flexibility in overall resource allocation.

### **A. Revenues**

URC recommends a Public Health budget with total revenues of \$46.1 million, including the following key elements:

1. *Tuition and Enrollment*: SPH retains all the tuition from the MPH program and the four other master's degree programs offered through the school. Total master's enrollment is projected to increase from 140 students in FY15 to 156 in FY16 which, combined with the recommended 4% increase in tuition, is projected to generate \$831,000 in additional income before financial aid (see below for net tuition income).

2. *Sponsored Research and Indirect Cost Recovery*: SPH's budget proposal assumes 1.0% growth from FY15 projected results (a decrease of 5.7% from the FY15 budget, which assumed a higher increase this year than will be realized) in sponsored funding to \$28.3 million. SPH retains 44% of indirect cost recovery on its grants, estimated at \$4.9 million in FY16, which is the level required to support a portion of the school's administrative and space costs. The remaining 56%, estimated at \$6.3 million in FY16, flows to the central University and is used to help fund the transitional commitments to both SPH and BioMed.

3. *Endowment and Fundraising*: The 5% payout increase for endowments will produce an additional \$49,000 for SPH in FY16. Although new endowment funds are being raised for the school, SPH does not expect to benefit from the additional income until FY17. The school's annual fund income is growing, but still small.

4. *University Support*: Undergraduate enrollment in public health courses, and the number of public health concentrators continues to increase. SPH will receive \$3.4 million from the University for undergraduate instruction in FY16, a growth of 4.8% over FY15. The University's agreement with SPH calls for central transitional support to diminish as the school succeeds in raising new revenues from tuition and fundraising. In FY16, transitional support will amount to slightly greater than \$1 million, a decrease of \$68,000 from FY15.

## **B. Expenses**

1. *Faculty and Academic Programs*: At SPH, similar to other public health schools but different from the rest of Brown, most tenured and tenure-track faculty are guaranteed only 60% of their academic year salary after they are established here. The remainder must come from research funding. Accordingly, SPH has been able to increase the size of its faculty while also bringing more direct and indirect grant revenue to the University. In fact, the salary costs that are offset by grants and contracts are greater than the requisite 40%. In addition to the tenure-line appointments, there are a significant number of SPH faculty on term and research appointments who are supported wholly (or nearly so) by external funds. With the projected growth in master's students, additional faculty will be needed for teaching and advising.

SPH's total faculty salary pool will increase by the 2.75% University-wide rate, and the benefits rate will also rise to 30.5%. Although the regular faculty count will remain level in FY16, new hires into lines that became vacant help generate a 7.2% or \$307,000 rise in total faculty compensation to \$4.6 million.

SPH expects to have 64 PhD students enrolled in its four doctoral programs. These students are funded through the Graduate School for their first three semesters and one summer. Thereafter, it is expected that grant funds within Public Health, affiliated hospitals, or community agencies will provide support.

Other academic support costs, including the Dean's office, are expected to grow by 4.3% to \$2.1 million, due in large measure to additional operating expenses associated with growth in master's programs and one-time expenses associated with the accreditation effort.

2. *Research Centers*: Alongside its four departments, SPH encompasses 11 research centers and institutes, three of which are based at affiliated hospitals. In FY16, center operating budgets will be based on 30.5% of the indirect costs generated by external funding in the previous year, or approximately \$3.4 million. Center budget surpluses contribute to reserves that are used to provide faculty with bridge funding between grants, and for other academic needs like equipment, startup funds, research faculty salaries, and pilot projects. Centers also rely on these reserves to cover any deficits they may experience in a given year.

3. *Student Support*: Financial aid for SPH master's students amounts to approximately 25% of gross tuition revenue. With growth planned in the number of master's students, SPH's FY16 budget incorporates a corresponding increase of around \$200,000 in financial aid costs to a total of \$1.4 million. Yet, even with this increase, SPH anticipates net tuition revenue to increase by \$558,000 million to \$4.2 million.

4. *Facilities*: SPH is responsible for facilities costs and debt service for its space at 121 South Main Street, as well as some lab spaces on Ship Street. In FY16, SPH anticipates that its facilities costs will increase by approximately \$284,000 since they will be occupying additional space to accommodate their growing student body.

## **VII. Conclusion**

It is unfortunate, and difficult, to have to grapple with even a modest deficit at a time of great forward thinking and optimism for the University. Not allowing short-term fiscal stringency to dampen the lively spirit of ambition and creativity around what Brown can achieve in the years to come requires all members of the Brown community to be resolute in two directions: shoring up the base while building for the future. To this end, it would be useful for the URC to examine the committed and inflationary cost categories in greater depth than the process allowed this year. With financial aid contributing so significantly to the growth of our cost base, the committee also suggests careful study of how the rate of increase could be moderated without compromising our need-blind policy. Finally, the committee looks forward to seeing the Deficit Reduction Working Group's proposals, and incorporating them into future budget recommendations. URC sincerely hopes that the FY16 budget will indeed be the turning point in placing Brown's finances on the soundest possible basis as we begin to move forward with implementing the strategic goals outlined in *Building on Distinction: A New Plan for Brown* and raise the new funds that are required to realize our ambitions.

Respectfully submitted on behalf of the committee,

Vicki L. Colvin  
Provost



## **Appendix A: URC Charge and Membership**

URC is a standing committee of the Faculty that includes representation from other University constituencies and operates under the following charge:

- The Committee shall serve to review, to analyze, and to offer recommendations to the President on all budgetary plans, proposals, and priorities, both current and future, affecting the University.
- The Committee shall be responsible for maintaining a level of awareness of budgetary matters throughout the University that will encourage the development of informed opinions and the articulation and discussion of issues.
- The Committee shall review, analyze and make recommendations regarding the allocation of University resources for the coming fiscal year and for long-range plans developed by the administration or by other duly constituted committees.
- The committee will conduct its business in closed session. The committee will, however, host University-wide forums as necessary and appropriate to allow the committee to hear the concerns and priorities of the University community.
- The Committee shall, at appropriate points during the preparation of the University budget, report in written form to the President its analysis and its policy recommendations concerning the allocation of resources within the University.

### **Committee Members for the 2014-15 Academic Year**

#### **Administrators:**

Russell Carey, Executive Vice President for Planning and Policy

Vicki Colvin, Provost, *Chair*

Lindsay Graham, Executive Dean for Administration, Division of Biology and Medicine

Elizabeth Huidekoper, Executive Vice President for Finance and Administration

Linda Laliberte-Cote, Assoc. Dean for Administration and Finance, School of Public Health

Kevin McLaughlin, Dean of the Faculty

Terrie Wetle, Dean, School of Public Health

#### **Faculty:**

Pedro Dal Bo, Associate Professor of Economics, *Vice Chair*

Johanna Hanink, Assistant Professor of Classics

Yongsong Huang, Associate Professor of Earth, Environmental, and Planetary Sciences

Rebecca Page, Associate Professor of Biology

Jay Tang, Associate Professor of Physics

Nina Tannenwald, Senior Lecturer, Department of Political Science

Eli Upfal, Professor of Computer Science

**Students:**

Gregory Chatzinoff, '15

Justice Gaines, '16

Elise Rivas, '16

Stanley Stewart, '16

Samuel Franklin, PhD Student, Department of American Studies

Marc Mayes, PhD Student, Department of Earth, Environmental, and Planetary Sciences

Geoffrey McCrossan, Medical Student

**Staff Representatives:**

Amy Carroll, Director of Government Relations, Office of 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

<b>Date</b>	<b>Topic</b>
September 22	Overview of Brown's Budget
September 29	Deficits: Recent Trends in Brown's Operating Budget
October 6	Understanding Brown's Current and Future Revenue
October 15	Major Expense Drivers
October 20	Budget Modeling
October 27	Administration, Services, and Auxiliaries University Advancement
November 3	Campus Life and Student Services University Library Computing and Information Services
November 6	PUBLIC FORUM
November 10	The College Provost and Other Academic Units
November 17	Dean of the Faculty Vice President for Research
November 24	The Graduate School Division of Biology and Medicine School of Public Health
December 1	School of Professional Studies Initial Review of Budget Requests
December 8	Call-Backs and Review of Budget Requests
December 15	Deliberations
January 26 (2015)	Discussion of Final Report

## Appendix C

### FY2016 Consolidated Operating Budget

	FY15		FY16 Proposed			Consolidated Budget	\$ Change FY15 to FY16	% Change FY15 to FY16
	Consolidated Budget	Education & General	Auxiliary Operations	Division of Medicine & Biology	School of Public Health			
<i>(\$ in 000s)</i>								
Undergraduate Tuition	285,613	302,666		-	-	302,666	17,053	6.0%
Graduate Tuition								
PhD Tuition	67,632	59,905		11,757	-	71,662	4,030	6.0%
Masters Tuition	20,782	16,538		-	5,553	22,091	1,309	6.3%
Medical Tuition	24,664	-		27,208	-	27,208	2,544	10.3%
Other Tuition & Fees	40,492	15,412	26,121	1,164	-	42,697	2,205	5.4%
Miscellaneous Revenue	151,129	18,676	121,885	14,477	1,503	156,541	5,412	3.6%
Sponsored Activities	115,044	54,600		32,500	28,280	115,380	336	0.3%
Indirect Cost Recovery	39,377	22,031		12,800	4,933	39,764	387	1.0%
Annual Giving	39,762	38,830		1,793	60	40,683	921	2.3%
Current Restricted Gifts in Support of Priorities	6,194	2,508			305	2,813	(3,381)	-54.6%
Endowment Income	134,429	125,294		16,394	772	142,460	8,031	6.0%
University Support for:	-							
Undergraduate Instruction (net of BAF)	-	(12,082)		8,682	3,400	-	-	
Faculty Startup	-	(1,219)		1,219	-	-	-	
Strategic Initiatives	-	(1,467)		1,187	280	-	-	
PAE Faculty	-	(290)		290	-	-	-	
Transitional Support	-	(3,514)		2,500	1,014	-	-	
<b>Total Revenue</b>	<b>925,118</b>	<b>637,888</b>	<b>148,006</b>	<b>131,971</b>	<b>46,100</b>	<b>963,965</b>	<b>38,847</b>	<b>4.2%</b>
One-Time Revenue and Resources		8,000				8,000	8,000	
<b>Total Expected Revenue</b>	<b>925,118</b>	<b>645,888</b>	<b>148,006</b>	<b>131,971</b>	<b>46,100</b>	<b>971,965</b>	<b>46,847</b>	<b>5.1%</b>
<b>Faculty Compensation</b>	<b>129,028</b>	<b>108,065</b>		<b>21,175</b>	<b>4,577</b>	<b>133,816</b>	<b>4,789</b>	<b>3.7%</b>
Startup	9,103	7,544		3,625	380	11,549	2,446	26.9%
Graduate Student Support	91,657	85,537		11,822	-	97,359	5,702	6.2%
Other Academic Support	143,937	93,033	21,467	26,565	7,908	148,973	5,037	3.5%
Student Aid	112,455	112,500		8,138	1,388	122,026	9,571	8.5%
Student Services and Athletics	107,270	34,055	72,111	6,201	-	112,367	5,097	4.8%
General Admin & General Institutional	54,549	33,585	23,976	-	-	57,560	3,012	5.5%
Development, Alumni & External Affairs	28,540	28,893		1,679	-	30,572	2,032	7.1%
Computing	30,750	31,919		-	-	31,919	1,169	3.8%
Facilities, Debt Service & Renewal	109,362	61,591	30,452	19,266	3,566	114,876	5,514	5.0%
Sponsored Research	115,044	54,600		32,500	28,280	115,380	336	0.3%
<b>TOTAL EXPENSES</b>	<b>931,695</b>	<b>651,320</b>	<b>148,006</b>	<b>130,971</b>	<b>46,100</b>	<b>976,397</b>	<b>44,702</b>	<b>4.8%</b>
<b>Net</b>	<b>(6,576)</b>	<b>(5,432)</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>(4,432)</b>	<b>2,145</b>	

# Appendix C

## FY2016 University E&G Operating Budget

<i>(\$ in 000s)</i>	FY15 Budget	FY16 Proposed	\$ Change	% Change
Undergraduate Tuition	285,613	302,666	17,053	6.0%
Graduate Tuition				
PhD Tuition	56,082	59,905	3,823	6.8%
Masters Tuition	15,904	16,538	634	4.0%
Other Tuition & Fees	14,854	15,412	558	3.8%
Miscellaneous Revenue	18,310	18,676	366	2.0%
Sponsored Activities	55,293	54,600	(693)	-1.3%
Indirect Cost Recovery	22,373	22,031	(342)	-1.5%
Annual Giving	37,889	38,830	941	2.5%
Current Restricted Gifts in Support of Priorities	5,508	2,508	(3,000)	-54.5%
Endowment Income	117,899	125,294	7,395	6.3%
University Support for:				
Undergraduate Instruction	(11,528)	(12,082)	(554)	4.8%
Faculty Startup	(872)	(1,219)	(347)	39.8%
Strategic Initiatives	(1,485)	(1,467)	18	-1.2%
PAE Faculty	(289)	(290)	(1)	0.3%
Transitional Support	(3,582)	(3,514)	68	-1.9%
<b>Total Net Revenue</b>	<b>611,969</b>	<b>637,888</b>	<b>25,919</b>	<b>4.2%</b>
One-Time Revenue and Resources		8,000	8,000	
<b>Total Expected Revenue</b>	<b>611,969</b>	<b>645,888</b>	<b>33,919</b>	<b>5.5%</b>
Faculty Compensation	104,917	108,065	3,148	3.0%
Startup	5,344	7,544	2,200	41.2%
Graduate Student Support	80,097	85,537	5,440	6.8%
Other Academic Support	89,383	93,033	3,650	4.1%
Student Aid	104,200	112,500	8,300	8.0%
Student Services	17,383	18,261	878	5.1%
Athletics	15,371	15,794	423	2.8%
General Admin & General Institutional	31,930	33,585	1,655	5.2%
Development, Alumni & External Affairs	26,692	28,893	2,201	8.2%
Computing	30,750	31,919	1,169	3.8%
Facilities, Debt Service & Renewal	57,311	61,591	4,280	7.5%
Sponsored Research	55,293	54,600	(693)	-1.3%
<b>Total Expenses</b>	<b>618,671</b>	<b>651,320</b>	<b>32,649</b>	<b>5.3%</b>
<b>Net</b>	<b>(6,702)</b>	<b>(5,432)</b>	<b>1,270</b>	

# Appendix C

## FY2016 Division of Medicine and Biological Sciences Operating Budget

<i>(\$ in 000s)</i>	FY15 Budget	FY16 Proposed	\$ Change	% Change
<b>Graduate Tuition</b>				
PhD Tuition	11,550	11,757	207	1.8%
Medical Tuition	24,664	27,208	2,544	10.3%
Other Tuition & Fees	808	1,164	356	44.1%
Miscellaneous Revenue	15,775	14,477	(1,298)	-8.2%
Sponsored Activities	31,751	32,500	749	2.4%
Indirect Cost Recovery	12,120	12,800	680	5.6%
Annual Giving	1,823	1,793	(30)	-1.6%
Endowment Income	15,767	16,394	627	4.0%
<b>University Support for:</b>				
Undergraduate Instruction (net of BAF)	8,285	8,682	397	4.8%
Faculty Startup	872	1,219	347	39.8%
Strategic Initiatives	1,033	1,187	154	14.9%
Other	289	290	1	0.3%
Transitional Support	2,500	2,500	-	0.0%
<b>Total Revenue</b>	<b>127,237</b>	<b>131,971</b>	<b>4,734</b>	<b>3.7%</b>
<b>Faculty Compensation</b>	19,841	21,175	1,334	6.7%
<b>Startup</b>	3,232	3,625	393	12.2%
<b>Graduate Student Support</b>	11,560	11,822	262	2.3%
<b>Other Academic Support</b>	26,898	26,565	(333)	-1.2%
<b>Student Aid</b>	7,070	8,138	1,068	15.1%
<b>Student Services</b>	5,757	6,201	444	7.7%
<b>General Admin &amp; General Institutional</b>			-	
<b>Development, Alumni &amp; External Affairs</b>	1,848	1,679	(169)	-9.1%
<b>Facilities, Debt Service &amp; Renewal</b>	19,155	19,266	111	0.6%
<b>Sponsored Research</b>	31,751	32,500	749	2.4%
<b>TOTAL EXPENSES</b>	<b>127,112</b>	<b>130,971</b>	<b>3,859</b>	<b>3.0%</b>
<b>Net</b>	<b>125</b>	<b>1,000</b>	<b>875</b>	

# Appendix C

## FY2016 School of Public Health Operating Budget

<i>(\$ in 000s)</i>	FY15 Budget	FY16 Proposed	\$ Change	% Change
<b>Graduate Tuition</b>				
Masters Tuition	4,878	5,553	675	13.8%
Miscellaneous Revenue	963	1,503	540	56.1%
Sponsored Activities	28,000	28,280	280	1.0%
Indirect Cost Recovery	4,884	4,933	49	1.0%
Annual Giving	50	60	10	20.0%
Current Restricted Gifts	686	305	(381)	-55.5%
Endowment Income	763	772	9	1.2%
<b>University Support for:</b>				
Undergraduate Instruction	3,243	3,400	157	4.8%
Strategic Initiatives	452	280	(172)	-38.1%
Transitional Support	1,082	1,014	(68)	-6.3%
<b>Total Revenue</b>	<b>45,001</b>	<b>46,100</b>	<b>1,099</b>	<b>2.4%</b>
<b>Faculty Compensation</b>	4,270	4,577	307	7.2%
Startup	527	380	(147)	-27.9%
Other Academic Support	7,404	7,908	504	6.8%
Student Aid	1,185	1,388	203	17.1%
Facilities, Debt Service & Renewal	3,615	3,566	(49)	-1.3%
Sponsored Research	28,000	28,280	280	1.0%
<b>TOTAL EXPENSES</b>	<b>45,001</b>	<b>46,100</b>	<b>1,099</b>	<b>2.4%</b>
<b>Net</b>	-	-	-	