

BROWN UNIVERSITY

**REPORT OF THE
UNIVERSITY RESOURCES COMMITTEE
TO THE PRESIDENT**

May 2003

THE COMMITTEE

Richard Besdine, Interim Dean, Medicine & Biological Sciences
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MEETING WITH THE COMMITTEE

Brian Casey, Assistant Provost
Susan Howitt, Associate Vice President, Budget Office

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I. Introduction

The University Resources Committee (the “Committee” or the “URC”) is pleased to present to you our final recommendations for the 2003-04 budget.

In February 2003, the Committee recommended total Educational and General expenses of \$376.6 million (an increase of \$17.4 million over the FY03 budget). Through its recommendations the Committee believed that the University would be able to continue the academic enrichment initiatives (“AEI”), continue implementing improvements in the student experience, enhance those activities and offices that support the work of faculty, fully implement a need-blind admissions policy in undergraduate admissions, increase support for graduate students to make Brown more competitive with peer institutions, and help provide a safer campus environment in which students, faculty and staff can do their best work.

In order to support the AEI and produce a balanced budget, the Committee also recommended that the University plan for an administrative savings target of \$7.3 million, an increase of \$2.8 million from the original AEI goal of \$4.5 million in FY04. The URC recognized that these savings were essential in order to move forward with academic enrichment and the other priorities outlined in our February report, and the Committee was confident that sufficient administrative savings could be identified. The URC spent this spring working with senior officers to achieve this goal through a combination of savings and increased revenues. This second report includes reductions by administrative areas as well as suggested steps to consider if additional reductions are deemed necessary.

The URC also reviewed a number of one-time budget requests, and this report includes our recommendations on those as well.

The Committee is grateful to the President for the guidance she provided to us and the University community as we worked through this difficult part of the FY04 budget process. The URC was guided in its work by the following principles:

- ◆ The University must invest strategically over the next few years to maintain and enhance our academic excellence. The specific Initiatives for Academic Enrichment are critical to our success.
- ◆ All parts of the University should contribute to its shared future in a manner which is balanced and fair.
- ◆ The University should seek to remain competitive, and if possible enhance its position relative to its peers, in those areas that directly support and enrich the academic enterprise of Brown.
- ◆ The University should avoid, to the extent possible, layoffs. The Committee understood, however, that in some areas managers would be suggesting changes in the way work is accomplished or the elimination of some non-essential services and that these could result in the elimination of some positions. The Committee

strove to create a budget that would make it possible for managers to eliminate positions through attrition or transfer.

II. February 2003 URC Recommendations

In February, this Committee enthusiastically endorsed providing the resources needed – \$8.5 million – in FY04 to fund the Initiatives for Academic Enrichment. The plan specifically called for:

- ◆ \$3.7 million for new faculty positions and start-up support
- ◆ \$1.5 million to enhance faculty compensation
- ◆ \$1 million for academic department support, including support for research
- ◆ \$1.3 million for need-blind undergraduate admission
- ◆ \$1 million for graduate student support.

In addition to these specific allocations for academic enrichment, this Committee recommended other critical investments in public safety, computing, facilities, and student support. Our recommendations for increased expenditures, beyond the \$8.5 million, are summarized below:

Faculty Salaries and Benefits	\$2.4 million
Staff Salaries and Benefits	\$2.7 million including \$700 thousand for TAP
Student Salaries	\$400 thousand
Undergraduate Aid	\$2.2 million (in addition to the \$1.3M above)
Information Technology	\$2.9 million
Facilities	\$2.2 million
Public Safety	\$800 thousand
Graduate Student Support	\$362 thousand

The planning model for the Initiatives for Academic Enrichment called for the University to generate \$2.5 million in savings in FY03, \$4.5 million in FY04, and \$6.5 million in FY05. To generate the first \$2.5 million in savings, the University began recapturing, for the central University budget, both salary and benefits savings from vacant staff positions.

In order to make the commitments outlined in the February Report and achieve a balanced budget, the Committee recommended that the University increase its administrative savings target to \$7.3 million, an increase of \$2.8 million from the AEI goal of \$4.5 million in FY04. Assuming that the University could continue to generate at least \$2.5 million in vacancy savings, this would call for \$4.8 million in general budget reductions.

III. Review of Budgetary Units

This spring, the Committee undertook a careful and deliberative process to review all major operating budgets, in collaboration with senior officers, to review the possible means through which the University could identify \$4.8 million in savings or increased revenues beyond the \$2.5 million expected from vacancy savings while continuing to support the University's highest priorities.

Each senior administrative officer met with the Committee and presented proposals on how they would implement budget reductions of 3, 5 and 10 percent in their units and the impact (low, medium or high) of the proposed reductions on the University community and the University's central academic mission. It was the committee's intention not to engage in detailed discussions about the specific steps each senior officer would take to meet specified savings goals in their units, but rather to understand the impact of various percentage level cuts on the operation of each unit. As the Committee engaged in this process, it was the members' hope that senior officers would not simply recommend budget cuts, but that they would work with their staffs to consider how to make Brown's administrative operations and services more efficient and cost effective. The Committee felt that through their discussions with the senior officers, the members of the committee were able to make candid assessments and fair judgments about the impact of proposed budget reductions and the possibilities for increased efficiencies. After all units offered such presentations, the Committee met to consider all these proposals as a whole and to formulate recommendations.

IV. Specific Recommendations

Budget reductions are often difficult, and the Committee struggled with how best to minimize the impact of budget reductions, especially in key areas and to be balanced and fair when recommending a final allocation of the reductions.

The Committee began its deliberations with a review of all the programmatic reductions that were proposed under each unit's 3 percent budget reduction scenario and all other reductions that were thought by the presenting officer to have a low impact on the University community. The Committee also considered the impact the proposed reductions would have on staff positions and student jobs.

Through this process, the Committee identified some functions, services, and departments critical to the success of the academic enrichment initiatives that it believes should be protected, to the extent possible, from budget reductions. The Committee recommended that both the Dean of the Faculty's budget and the Library budget be protected from significant budget cuts. Both of these budgets support activities directly targeted for enhancement under the AEI. During their presentations to the committee, both the Dean of the Faculty and the University Librarian identified cuts in their operating budgets that would have small impacts on the provision of core services in these areas. The Committee, responding directly to these presentations, therefore recommends that that no more than \$80,000 (or about 0.1 percent of the budget) be cut from the Dean of the Faculty's budget and that \$56,000 be cut from the library (or less

than 0.01 percent of the budget.) For the remaining units of the University, the URC then considered several average reduction levels between 3 percent and 4 percent. The Committee discussed the pros and cons of each of these scenarios. Clearly, the impact on the academic enterprise, the student experience and campus services would be the smallest with an average reduction of 3 percent. Further, an average 3 percent reduction would generate enough savings to allow the University to meet the \$4.8 million target.

The Committee recommends therefore that, at a minimum, the University should implement a budget reduction averaging approximately three percent. Their recommended cuts for each unit at this level would total:

Advancement	\$462,000
Campus Life	1,022,000
CIS	573,000
Dean of the College	303,000
Dean of the Faculty	80,000
Dean of the Graduate School	44,000
Finance and Administration	1,841,000
Library	56,000
Provost's Office	126,000
President's Office	228,000
Public Affairs	125,500

Under this scenario, senior officers identified approximately 28 currently vacant positions that would be eliminated. The senior officers also indicated that another 10 positions might be eliminated as they implemented this level of reduction. The Executive Vice President for Finance and Administration has indicated that all senior officers will be encouraged to work closely with the Department of Human Resources on all position eliminations to mitigate any effects on current staff. Brown's employment process will provide special consideration to anyone affected by a position elimination. The Executive Vice President has also indicated that Human Resources, to the extent possible, will seek to place employees affected by reductions into currently vacant and continuing positions.

The Committee believes that its budget recommendations will create a situation in which each senior officer will be able to apply the recommended budgetary reductions in their areas in ways that minimize the impact on the academic enterprise of the University and the quality of the student experience both in and outside the classroom.

The Committee also was informed of plans by the deans of the College and Campus Life to implement stricter enforcement of the University's current tuition reimbursement policies, under which students who leave the University mid-semester are entitled to a partial or full reimbursement of tuition paid. By adhering to a stricter application of these policies, it is projected that the University will receive \$425,000 in additional revenue in FY04.

Taken together, these actions– the proposed reductions and the enforcement of the University’s tuition reimbursement policies – are anticipated to produce eventual savings and revenue increases of almost \$5.3 million. Given that some of these reductions will take time to implement, the Committee expects that during FY04 the University will realize \$4.8 million to \$5.0 million from these changes. The recommended budget reductions are outlined in **Appendix A**.

V. Potential Additional Savings

The Committee remains concerned about an array of economic and political uncertainties that could have a significant impact on the University’s financial health in FY04 and beyond. On the expenditure side, the University may need to absorb much higher electrical and other utility costs and deal with double-digit inflation in health-care costs. On the revenue side, the University may experience slower growth in the always intrinsically uncertain research environment, which could result in smaller increases in indirect cost recovery, and the downturn in the national economy could have a further impact on several revenue sources.

In addition, as we prepare for the FY04 year, the members felt strongly that, as difficult as the cuts might be, it would be better to announce and implement one comprehensive set of budget reductions now rather than underestimating the need for cuts and having to come back for a second round of cuts in the middle of the academic year.

Therefore, while the URC has met the goal of identifying \$4.8 million in savings and increased revenues through its recommended average 3 percent budget reduction scenario detailed above, the Committee is concerned that the University might need to generate additional savings to deal with unexpected expenses or significant deviations from the revenue projections presented in the URC’s February report.

To ensure a balanced FY04 operating budget, the Committee recommends that the staff hiring freeze continue until at least September 30. Based on recent trends in vacancies and with a hiring freeze during the first quarter of next fiscal year, the administration has projected total vacancy savings of \$3 million, \$0.5 million higher than the original plan. By extending the hiring freeze, the URC hopes that the University can avoid more dramatic cutbacks.

Should the President seek to provide additional funds to meet these potentialities, the Committee recommends that the University increase the budget reductions to essentially 4 percent in all units, except the Dean of the Faculty and University Library. Under this scenario, the University would be expected to produce \$6.175 million in savings and increased revenues. These reductions are also outlined in **Appendix A**.

Finally, if an even larger financial cushion is deemed desirable, the Committee would recommend that the President consider a small reduction to the amount allocated in FY04 for faculty salary increases. The URC recognizes, however, that Brown’s faculty compensation lags the compensation at peer institutions and believes that the faculty salary initiative is a critical part of academic enrichment.

VI. One-Time Allocations for FY04

The Committee also considered requests for one-time funds in FY04 to support activities that do not have expected long-term operating budget impacts.

First the URC recommends that the Department of Public Safety receive those funds necessary to provide additional officer training and third-party security details to continue the campus safety improvements recommended under the Bratton Report discussed in the February Report. The total amount of one-time funds needed by the department is not known at this time as the decision about whether to arm Brown University police officers has yet to be made. If the University chooses to arm its police officers, the Department of Public Safety would require \$900,300 in one-time funds for training, staffing and other costs. If the University elects to continue the policy of not arming its officers, the Department would still require an additional \$328,600 in one-time funds to continue improvements to campus safety. The Committee recommends that the appropriate amount of funds be afforded to the department in FY04 under either scenario.

The Advancement Office has identified a number of one-time investments necessary to prepare that office for an impending comprehensive campaign and to increase capacity in the Annual Fund. These steps appeared necessary to the Committee as the AEI and other improvements to the University will require greater external support from the University's supporters. The requested amount, \$1,027,889, would be spent over two years by the Advancement Office. The Committee recommends that such funds be allocated to the Advancement Office over the next two years.

Finally, the Library presented a request for one-time funds to cover the costs of transferring a number of volumes to the new off-site Library Annex. It is not certain at this point the pace in which the University will remove books to the new facility over the next several years. Regardless of this eventual pace, the Library will incur identical, fixed costs in FY04 as it prepares the Annex to receive Library materials. The Committee recommends that sufficient funds necessary to prepare the Annex – identified as \$735,000 – be allocated to the Library's budget.

VII. Conclusion

The members of the University Resources Committee firmly believe that the recommendations contained in this report will enable the University to continue to enrich the academic enterprise of Brown, support students at all levels, and provide essential services that directly support the work of students, faculty and staff. In particular, the Committee expects that the University will make significant progress in two critical areas: faculty staffing and support and need blind admissions. The Committee recognizes that a number of these recommendations call for considerable discipline on the part of the University to ensure that University resources are applied directly in support of the

University's central mission. It remains certain, however, that the University community has such discipline and is committed to the enrichment program.

The Committee looks forward to the important and serious work it faces next fall and welcomes the opportunity to work with the senior officers of the University.