

**BROWN UNIVERSITY**

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

**February 2004**

## **THE COMMITTEE**

Richard Besdine, Interim Dean, Medicine & Biological Sciences  
John Coleman, Professor of Biology  
Kay Dickersin, Professor of Medical Science  
Mary Fennell, Dean of the Faculty  
Gail Goodness, Assistant Controller  
Andrew Horesh, Undergraduate Student  
Elizabeth Huidekoper, Executive Vice President, Finance and Administration  
Terrence Johnson, Graduate Student  
Kyungsik Kang, Professor of Physics  
Laura Lehmann, Undergraduate Student  
Massimo Riva, Professor of Italian Studies  
Daniel Smith, Assistant Professor of Anthropology, (Faculty Vice-Chair)  
Richard Spies, Executive Vice President for Planning, Senior Advisor to the President  
Jingming Xu, Professor of Engineering  
Robert J. Zimmer, Provost, (Chair)

## **MEETING WITH THE COMMITTEE**

Brian Casey, Assistant Provost  
Susan Howitt, Associate Vice President, Budget and Planning  
Donald Stewart, Director of Academic Resources

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# Report of the University Resources Committee to the President

## I. Introduction

The members of the University Resources Committee are very pleased to present to the President the following budgetary and financial recommendations for fiscal year 2005. The members of the committee believe that the recommendations contained in this report will enable the University to sustain the program for academic enrichment, enhance student, faculty and staff support at all levels, and prepare Brown for a comprehensive capital campaign.

Over the last two fiscal years, the University has made a profound investment in its future through the implementation of the initiatives for academic enrichment. We have already begun to see the fruits of that investment. New faculty have come to Brown, new courses and research opportunities have been made available to our students, students who require financial assistance to study at Brown now receive such support at greater levels, and new capital projects have been launched promising better facilities for faculty and students. The investments required by the initiatives are, however, by necessity long-term investments. Brown must therefore, with vigor and focus, continue its commitment to academic enrichment through the next fiscal year and beyond. The recommendations of this report follow from this commitment to Brown's future.

Throughout its deliberations and discussions, the committee recognized that the demands on the University's budget for the next fiscal year will be significant. In addition to the program for academic enrichment, the University is projecting an increase in needed scholarship aid, an increase in benefit costs due to the rise in health care premiums and growing use of the tuition assistance program, new costs for voluntary payments to the City of Providence, and incremental debt service, operations and maintenance costs for new space.

When making its recommendations, the committee sought to balance these demands with the priorities and programs that underlie the University's academic priorities. The committee believes that through a careful allocation of available resources in FY05 and beyond, the following can be achieved:

- Continued Progress in the Initiatives for Academic Enrichment. The committee believes that its recommendations will provide support for the broad initiatives for academic enrichment. Specifically, these recommendations will allow for additional improvement in faculty compensation and continued growth in the size of the faculty.
- Greater Support for Students. The committee's recommendations support the University's need-blind undergraduate admissions process, continuing a significant achievement under the program for academic enrichment, and also provide greater levels of support for graduate students in FY05.

- Increased Research Space. The committee's recommendations support the University's recent investments in new research space, particularly in the life sciences.
- Support for the Campaign. The committee's recommendations also allow for the launch and sustained support of a comprehensive campaign for the University.

In short, the committee believes the recommendations contained in this report will ensure that the University allocates resources in support of its central mission of discovering, advancing and communicating new knowledge in a supportive community of scholars and students.

## **II. Procedures of the Committee**

The University Resources Committee (the "URC" or the "committee") is charged to review, analyze, and offer recommendations to the President on all budgetary plans, proposals and priorities, both current and future, affecting the University. The committee is chaired by the provost, vice-chaired by an elected faculty representative, and composed of six faculty members, five administrators as ex-officio members, four students (two from the College and one each from the Graduate School and the Medical School) and a staff member.

In fulfilling its charge, the committee reviews all major University budgets, including the Education and General budget, the Medical School budget, and the Auxiliaries budget. The University Resources Committee's work was structured into three parts: orientation meetings, presentations from senior officers, and deliberative meetings. The meetings were held in closed session to allow for frank discussions among committee members and the senior officers who came before the committee.

During the orientation meetings, committee members were acquainted with the University's budgeting processes and major factors affecting the University's resources in current and future fiscal years. Following these orientation meetings, senior officers made presentations to the committee regarding important challenges and opportunities facing the University, including information technology, undergraduate and graduate student financial aid, support for faculty research, new academic programs, faculty compensation, student life, public safety, and staff compensation.

Late in the fall, the committee received updated information regarding revenue projections for the fiscal year 2004-05 from Beppie Huidekoper, the executive vice president for finance and administration. The committee was also briefed on the administration's efforts to develop a new financial strategy for Brown that reflects and supports its unique position in higher education. The committee understands that the University's plans to diversify its revenue base and expand its support from endowment, annual fund

raising, and research sponsors. In addition, the University will make more strategic use of debt and its current assets to support academic enrichment.

After these presentations, the URC asked senior administrative officers to submit specific budget requests guided by parameters related to the University's highest priorities. The committee reviewed and considered specific budget requests related to faculty competitiveness, recruitment of new faculty, undergraduate student support, graduate student support, housing and dining improvements, public safety enhancements, library acquisitions, information technology, support for new research space, and the costs of the planned comprehensive fundraising campaign. Reflecting the University's commitment to the program for academic enrichment, the budget requests were assessed in light of how they might contribute to the academic enterprise of the University and the quality of the student experience.

The URC then held a series of deliberative meetings to discuss the University's fiscal context, its major budgets, and the comparative merits of the requests from the senior officers. From these deliberations came the recommendations outlined below.

### **III. Expenditure Recommendations**

The URC is recommending total Educational and General expenses of \$414.3 million (an increase of \$29.6 million over the FY04 budget).

#### Faculty Compensation, New Faculty and Faculty Start Up

The Initiatives for Academic Enrichment called for an increase in the size of the faculty, more competitive salaries for Brown faculty, and greater support for faculty through start-up and research and teaching support. Significant allocations in support of these goals were made in FY03 and FY04. These allocations allowed the University to make considerable improvements in the competitiveness of Brown faculty salaries, to hire additional faculty, and to provide greater start-up support for new faculty. With respect to new faculty hires, Dean of the Faculty Mary Fennell reported to the URC that the \$5.4 million allocated to date is sufficient to meet the projected costs of faculty hires in FY05. She expects that 36 to 38 new faculty hired as part of the Initiatives for Academic Enrichment will be on board next year.

Although progress has been made, the University has not reached its goal of having Brown faculty salaries fully match those offered at leading peer institutions in all divisions and at all levels. Further, the University must continue to augment resources available for start-up. Therefore, for FY05, the committee recommends that the University allocate an incremental \$6.7 million in support of faculty salaries (\$4 million), start-up (\$2.4 million) and other academic needs (\$0.3 million). The faculty salary funding would allow for a 3 percent merit pool and an additional 3 percent for equity and promotional increases.

## Support for New Academic Initiatives and Academic Departments

With the addition of new faculty to the University, Brown has launched a series of new multidisciplinary initiatives, including a new Humanities Research Center, an Environmental Change Initiative, an initiative in Spatial Structures in the Social Sciences, an initiative in Computational Molecular Biology, and a new affiliation with the Marine Biological Laboratory in Woods Hole, Massachusetts. Each of these initiatives requires seed funds to allow for the new programs to develop. The University will also likely launch a limited number of new initiatives in FY05 that will also require support.

Not all new academic programming at Brown will, however, occur directly in connection with the new multidisciplinary initiatives. As part of the plans for academic enrichment, the University recognized that its academic departments also needed greater resources. The Provost's Office is currently undertaking a comprehensive review of the operating budgets of the University's academic units and centers both to identify ways to better oversee such funds and to allow department heads greater discretion over the use of departmental funds.

The URC recommends that \$750,000 be allocated to support new academic initiatives and to help strengthen the operating budgets of the University's academic units.

## Undergraduate Financial Aid

The undergraduate students entering Brown in the fall of 2004 will be the second class admitted under the University's need-blind admissions policy. The University remains committed to meeting the full needs of students admitted into the first-year class. In addition the University must allocate sufficient resources to meet the needs of continuing students. To meet this commitment the URC recommends an increase in the undergraduate financial aid budget of 8 percent (\$2.45 million) from the projected FY04 undergraduate financial aid expenses. This recommendation will mean that self-help levels will rise modestly, about 2.7 percent on average.

## Graduate Student Support

The Initiatives for Academic Enrichment have as a central aim the improvement of the University's graduate programs. In FY03, the University provided fully subsidized health care coverage for all graduate students who are supported with University funds and increased graduate student stipends to make them more competitive with those offered by peer institutions. In addition, the University provided more summer support for graduate students in the humanities and the social sciences. In FY04, additional funds were allocated in connection with increased graduate student support.

The committee recommends that the University provide for a \$1 million increase in graduate student support in FY05 as part of the initiatives for academic enrichment.

Dean of the Graduate School Karen Newman indicated that such funds will allow for an increase in student stipend levels, an increase in the number of first-year fellowships, summer support for more students, additional dissertation fellowships and teaching assistantships, and improved travel and student recruitment programs.

The dean also noted that expected increases in health care costs threatened the gains made in graduate student support in the last year. She therefore requested additional funds (beyond the \$1 million for academic enrichment) to meet these increased costs. The committee recommends that up to an additional \$500,000 be allocated to the Graduate School for student health insurance.

### Staff Compensation

Brown University is committed to maintaining a highly qualified and diverse workforce. While Brown continues to enjoy a reputation as a stable and desirable place to work, it must always remain cognizant of its market competitiveness (in terms of the total compensation - salaries and benefits – it offers.) Direct payment of salary is only one part of an employee's compensation at Brown. Brown invests significant resources to provide generous benefits for its employees as well.

The committee recommends an allocation of \$5.1 million for total compensation increases in FY05 to support staff salary increase pools and the increased cost for staff benefits. This will result in a 3 percent staff salary pool, which will include an allocation for merit, equity and scale increases. The University anticipates that fringe benefit costs for staff will increase by 9 percent in FY05.

### Campus Life

Interim Dean for Campus Life and Student Services David Greene requested additional funds to improve undergraduate dining services (both in terms of the quality of food made available and the hours of operation of the dining facilities on campus) and to upgrade residence hall furniture, especially in student lounges. The committee agreed that these were important improvements in the quality of the student experience at Brown and recommends that \$350,000 be allocated in support of these student life enhancements.

### The University Library

Merrily Taylor, Joukowsky Family University Librarian, reported to the committee that library acquisitions are subject to extraordinary inflationary pressures, including currency fluctuations, the cost of new formats for information retrieval, and material costs that exceed the consumer price index. She requested a minimum of a 5.9 percent increase on the acquisitions budget to maintain purchasing power at current levels. In addition, the librarian sought funding to expand the University's acquisitions, particularly

for new electronic journals and new electronic resources, to address gaps in the monograph collections and backfiles of serials.

The librarian has also requested funds to support the new library annex at 10 Park Lane in Providence. This facility is expected to become operational in 2005 and will eventually house 1.5 to 2 million volumes, providing much needed space in the campus-based facilities. The Library plans to move materials currently stored at the Harvard Depository to the annex as soon as the facility becomes operational and then begin the multi-year project of moving materials from the Rockefeller and Science Libraries.

The committee recommends that the Library receive an additional \$350,000 of base budget support to stabilize the acquisitions budget and \$550,000 of one-time support for new acquisitions and to support the annex.

### Research Support

In FY03 and FY04, the University committed significant resources to the support of faculty research, creating the Office of the Vice President for Research, expanding the staffing and support for research administration, and refocusing the University's technology licensing efforts. Vice President Van Dam requested that the University continue to enhance its support for research by providing additional funds for the promotion and development of faculty-based research, expanding the staffing of Brown Technology Partnerships, and supporting the Center for Advanced Scientific Computing and Visualization (TCASCV).

The URC recommends that the University allocate \$150,000 to Brown Technology Partners to hire an additional staff person to handle the current and anticipated technology transfer load and \$100,000 to the Vice President for Research to provide discretionary resources to academic departments that generate externally sponsored research support.

The University established TCASCV, an innovative research center serving a number of faculty across the University, in 1996, and since that time has provided modest base budget support and significant one-time funds to meet operating and equipment needs. The URC understands that there is an opportunity for the center to become a core research computing facility. The committee, therefore, recommends that \$350,000 in one-time funds be allocated to the provost to support and develop a new financial and operational model for TCASCV that will lead it to become self-supporting.

### Office of Admissions

Michael Goldberger, director of college admission, proposed modest enhancements to the University's recruitment and matriculation efforts aimed at strengthening Brown's applicant pool and augmenting the University's ability to matriculate the best students. New funding would be used to increase the number of publications, to travel to

more cities and high schools, and to enhance events for admitted students, particularly “A Day on College Hill.” The committee recommends that \$200,000 be allocated to support the vitally important task of recruiting, selecting and matriculating the next generation of Brown students.

### Information Technology

Ellen Waite-Franzen, vice president for computing, reported to the committee that computer software and equipment, and its associated maintenance, represent the most volatile aspect of the Computing and Information Services budget. Improvements to campus services require regular expenditures for hardware and software, and once installed, they must be maintained. Vice President Waite-Franzen noted the cost of this maintenance typically increases by five to ten percent per year. Vice President Waite-Franzen also requested funding for the maintenance contracts related to the software and hardware purchases needed for the new student information system project. These new costs will start during fiscal year 2005. In connection with these improvements and their necessary maintenance, the committee recommends that Computing and Information Service’s budget be increased by \$500,000 in FY05.

### Advancement

Senior Vice President Ronald Vanden Dorpel submitted a budget request for substantial additions to the Advancement budget in connection with the execution of a comprehensive campaign for Brown University. Most of the new funding would support additional staff directly responsible for fundraising. He also outlined how one-time funds might be allocated in FY05 for campaign events and publications.

The successful execution of a comprehensive campaign with a goal in excess of \$1 billion will provide critical financial support for Brown’s many long-term goals, including further expansion of the faculty and new facilities. The committee believes that the University must make significant investments in Advancement now and recommends that \$3.2 million be added to the Advancement base budget and \$600,000 be allocated for non-recurring expenses.

### Public Safety

Vice President for Administration Walter Hunter reported to the committee that the decision to arm campus police officers would require additional funding for the Department of Public Safety. Members of the department will be required to participate in extensive training, new equipment must be purchased, and the duties of all officers – both police and security – will be reviewed and potentially revised.

The committee recommends that the University increase the Department of Public Safety’s base budget by \$200,000 and allocate \$500,000 of one-time funds.

## Facilities and Infrastructure

During the next year, the University will open several new facilities, including 70 Ship Street, a 105,000-square-foot laboratory building, and the Library Annex with more than 80,000 square feet of new space. The Department of Facilities Management will be responsible for the operation and maintenance of this space. These two facilities will rely on complex environmental controls and will be costly to operate because of the need to maintain appropriate temperatures and air quality. Local utility rates have also been rising significantly; Brown's costs for electricity, sewer and water will have increased by 33 percent between FY02 and FY05. In addition, the University's costs for property and vehicle insurance are also expected to rise dramatically.

The URC recommends that \$3.1 million be allocated in FY05 to the Facilities budget to fund these additional infrastructure costs.

## Operating Budgets

Due to the priorities identified in the Initiatives for Academic Enrichment and those outlined in this report, the URC recommends that, except for the specific allocations recommended in the report, all non-salary operating budgets be held constant through FY05 at FY04 levels.

To maintain the quality and scope of operations under these financial conditions, senior officers will need to review their operations and consider ways to improve their efficiency and effectiveness. The URC is confident, however, that this can be achieved throughout the University and that such a step is a necessary part of the University's commitment to the initiatives and priorities highlighted in this report.

## **IV. Revenue Sources**

The URC recommends that the University plan on a total Educational and General revenue budget of \$414.3 million. Changes to the major revenue line items are detailed below.

### Tuition and Fees

One of the most important recommendations that the URC is responsible for making each year is the level of tuition and other student charges for the coming academic year. In light of the requirements of the Initiatives for Academic Enrichment, the committee is recommending an increase in overall tuition and fees of 4.9% for FY05.

The committee's recommendations provide for a total student charge for undergraduate tuition, room, board and fees of \$39,808: tuition of \$30,672 (an increase of 5%), standard room charges of \$5,302 (an increase of 5.4%), board charges of \$3,172 for a 20-meal plan (an increase of 3.5%), a student health fee of \$526 (an increase of 3.1%), and a

student activities fee of \$136 (no increase from FY04). The committee recommends that graduate tuition also increase by 5%.

### Endowment Draw

The second major revenue parameter that the URC considers is the draw on endowment. Brown's policy is that the draw on endowment should range from 4.5 to 5.5 percent of a rolling twelve quarter average of the endowment value.

The URC recommends that the University adopt an endowment draw that will result in a 4% total increase in endowment income – for the combination of new and continuing endowments. (Using the 12 quarterly market values for calendar years 2001, 2002, and 2003, the URC estimated that would translate to a draw of about 5.3% of the 12-quarter average.) This will provide \$2.4 million of new revenue in FY05. The URC made this recommendation based on current and projected market conditions and the desire to maintain a steady increase in endowment payouts going forward while staying within the spending parameters provided by the Corporation.

### Use of Investment Fund

The goals of the academic enrichment initiatives will require sustained investment for many years to come. The committee endorses the use of \$10 million in accumulated gifts and prior year surpluses to maintain the momentum of academic enrichment. The URC recognizes that similar amounts may be allocated as part of the budget process for the next several fiscal years. As the University reaps the benefits of its major fundraising campaign, these funds will be replaced by enduring support provided by alumni and friends.

### Other Revenue Sources

The URC also reviewed Brown's current and long-term fund raising prospects. The Annual Fund has performed exceptionally well in recent years and the Advancement Office is projecting an increase in all annual fundraising revenue of roughly 11% from the amount projected to be raised in FY04, resulting in incremental revenues of about \$2.9 million.

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

The committee also heard a presentation from the Interim Dean of Medicine and Biological Sciences about the budgets for the Division of Biology and Medicine. While this URC report does not make specific, individual recommendations about the Medical School budget, the URC was fully aware that this budget is guided by URC recommendations. Specifically, the Medical School budget uses the same parameters for endowment

draw, staff and faculty salary pools, and operating expense recommendations, as seen in the E & G budget.

## **VI. Conclusion**

The University Resources Committee's goals this year were to continue investment in academic enrichment, improve the infrastructure supporting the faculty and students and build on Brown's recent, notable achievements. The members of the committee firmly believe that its recommendations achieve these goals.

Respectfully submitted on behalf of the committee,

Robert J. Zimmer, Provost