

Brown University

Report of the University Resources Committee to the President



February 2007

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I. Executive Summary

Guided principally by the precepts of the Plan for Academic Enrichment, the University Resources Committee developed its FY08 budget recommendations by meeting with senior officers, holding open forums for community members, and reviewing the University's overall financial condition. In addition, with the encouragement of the Corporation, the administration has begun to develop plans for Brown that add significantly to the Plan for Academic Enrichment. Although this planning work continues, several priorities have already emerged: international initiatives, facilities, the strategic growth of the campus, and Biology and Medicine. As a result the URC also includes in its recommendations some opportunities and needs not originally in the Plan.

Key Findings and Recommendations

The URC recommends a consolidated operating budget for FY08 of \$704.8 million, a 6.3% increase from the current operating budget, divided as follows:

	E&G Budget	Biology & Medicine	Auxiliary Operations	Total Operating Budget
Revenue	501.0	118.6	76.0	695.6
Expenses	508.8	120.0	76.0	704.8
Use of Reserves	(7.8)	(1.5)	-	(9.3)

The proposed operating budget includes incremental expenditures for many of the core needs identified in the Plan for Academic Enrichment and for several emerging areas of focus. It provides limited funding, however, for incremental expenditures in FY08 beyond those needs.

The committee recommends a 5% increase in the undergraduate, graduate, and medical tuition rates and a 5.0% overall increase in total undergraduate student charges, bringing the total to \$45,948.

Annual fund raising for the Brown Annual Fund, the Brown University Sports Foundation and undergraduate financial aid is projected to total \$38 million (\$36.1 million for the E&G budget and \$1.8 million for Biology & Medicine), an increase of approximately 3% from projected FY07 fundraising totals.

The proposed budget incorporates a 10% increase on the payout from current endowment and assumes that \$50 million in new endowment will be raised in cash during this fiscal year, providing additional endowment income in FY08. The endowment draw is expected to be 5.39% of the 12-quarter average market value and 4.2% of the current market value projected at the start of the fiscal year.

The FY08 proposed budget is consistent with the University's multi-year financial framework, making use of \$7.8 million in balances to support the Education and General (E&G) budget and \$1.5 million of balances in the Division of Biology and Medicine.

The proposed budget provides additional resources to continue to address Brown's goal of faculty excellence in teaching and research. The budget includes \$3.5 million for an increase in the size of the faculty, with twenty to twenty-five net new faculty expected next year. It also includes resources to improve faculty salaries.

The FY08 budget supports the goals of enhancing undergraduate education and excellence in graduate education. It includes additional resources for undergraduate scholarships and begins a planned expansion in our support for international students. It provides funds to stabilize the University's support for its graduate programs, including a modest increase in graduate student stipend levels, expands Brown's outreach to prospective students, and makes possible improvements in Public Safety, campus life and athletics.

Finally, the proposed budget will also enable improvements in Brown's facilities, infrastructure and administrative support. It provides for upgrades to academic and student-life space, it enables the University to acquire seven properties and additional parking in the Jewelry District, it offers targeted support for the library to be more responsive to the needs of Brown faculty and students, it expands the use of technology in both academic and administrative areas, and it provides resources to attract and retain the staff who support the work of Brown faculty and students.

Outlook for the Future

In the first few years of academic enrichment, Brown has accomplished many of its short-term goals, but there is still much more that Brown should do and will want to do to turn the ambitious Plan for Academic Enrichment into reality. The funding for these investments is expected to come primarily from new endowment and annual funds raised through the comprehensive campaign and increased endowment payout made possible by the strong performance of the University's investments. This plan also depends on our ability to achieve more than \$5 million in budget reallocations and revenue increases over the next 4 years, including \$2.35 million in FY08. These recommended actions were developed by the URC with senior officers last spring. Certain capital projects will depend on fundraising results and the timing of the cash flows. Given the limits set by the Brown Corporation on the use of balances, concerns about the pace of increases in tuition and fees, and the level of federal research funding available, there will likely be constraints on the growth in other revenue and resources.

Using its FY08 recommendations as a starting point, the URC extrapolated current revenue and expenditure trends forward and added key elements from the Plan to make a preliminary assessment of the challenges and constraints likely to be seen in FY09 and beyond. Although much planning remains to be done, it is clear that the University's aspirations will continue to require the investment of reserves and balances for the next five to seven years.

II. Introduction and Background

The members of the University Resources Committee (the “URC” or the “committee”) are pleased to present the following budgetary and financial recommendations for FY08. As in recent years, the committee’s focus remains on investing as aggressively as possible in the areas of strategic focus identified in the Plan for Academic Enrichment. These include enhancing undergraduate education, supporting excellence in graduate education, promoting faculty excellence in teaching and research, achieving leadership in biology and medicine, promoting diversity, and enhancing the quality of facilities, infrastructure, and administrative support. In developing its recommendations, the committee strove to balance its desire to invest in these priorities with respect for resource constraints and awareness of its responsibility to sustain the ongoing programs of the University.

The Plan for Academic Enrichment, announced in 2002 and fully adopted in 2004, establishes Brown’s priorities and direction for the next two decades. Since its inception, the University has made impressive progress toward its most critical goals. The total number of faculty has increased by nearly 85. Faculty salaries have improved relative to our peers, particularly at the full professor and assistant professor ranks. New multi-disciplinary initiatives and affiliations have enhanced the Brown experience. New and renovated facilities have expanded Brown’s research capacity and provided vastly improved classrooms, labs, offices, and social spaces. New buildings have been acquired to allow for expansion beyond College Hill. The University has invested in its fund-raising capacity, enhanced public safety, increased administrative and financial support for research and technology transfer, expanded its computer network capacity, and added to its library collections.

Brown is also providing significantly more financial support to more students, and is recruiting and enrolling more of the best prospective undergraduate, graduate and medical students. The transition to need-blind admissions was completed with the matriculation this fall of the fourth need-blind class, a development made possible by a significant investment in undergraduate financial aid. Graduate student stipends have increased significantly as well, rising from \$12,800 in FY02 to a proposed \$18,500 in FY08. The University is now offering 60 new freshman seminars, more courses overall, and more opportunities for undergraduates to engage in research. The University has invested in student space, opening the Friedman Study Center in the Sciences Library, updating a number of dormitories and providing new furniture in dorms and lounges. Other student life initiatives have included creating more flexible meal plans with expanded food offerings, opening two new satellite fitness centers, improving the intramural athletic fields, adding a number of 24-hour study spaces and an artificial turf field, and expanding wireless Internet access, particularly in student spaces.

The University has also remained committed to maintaining its distinction as a stable and desirable place to work and to providing staff with competitive total compensation – salaries and benefits. In recognition of the staff’s continuing contributions to the quality of the academic programs and student experience, the University has enriched the Tuition

Aid Program for staff, provided performance-based bonuses, revamped the reward and recognition programs, and provided a winter break for all employees.

In FY04, the Corporation approved a financial strategy that would enable Brown to make both immediate investments in the highest priorities of the Plan for Academic Enrichment and to continue those investments in the future. Initial investments would be supported by the use of reserves, and the University would embark on a significant fundraising campaign to provide permanent funding for the academic enrichment initiatives. Each year that financial strategy would be reviewed and adjusted based on the latest information about the external economy, projected revenue growth, expenditure pressures, and unanticipated events.

In October 2005, the University kicked off “Boldly Brown,” its \$1.4 billion Campaign for Academic Enrichment. As of December 2006, the University had received \$821 million in gifts and pledges in support of campaign objectives. The cash from the campaign, however, will flow to the University over the next seven to ten years. In recognition of this, the administration has estimated the timing of the cash flows it expects from the campaign, using cautious estimates. Meanwhile, the sharply higher utility costs which emerged last year have continued to tax the budget, as have other factors, including escalating costs for new construction and building maintenance. As a result, although the Boldly Brown fundraising campaign is successfully underway, resource limitations remain.

In October 2006, the Corporation announced plans to enhance Brown’s role in international higher education. The first steps of the plan call for Brown to increase the financial aid resources available to students from outside the United States and to hire a senior administrator to develop internationally competitive programs of research and instruction.

In order to continue to invest in the critical areas of the Plan for Academic Enrichment and the emerging needs of the internationalization initiatives and campus facilities, the URC is recommending, therefore, that the University limit incremental expenditures in FY08 other than those that are directly related to the requirements of the Plan.

Given these priorities and constraints, committee members believe that the recommendations which follow will enable Brown to sustain its momentum, to invest in and strengthen critical components of academic enrichment, and to position Brown for the future.

III. Procedures of the Committee

The University Resources Committee reviews and analyzes Brown’s finances and makes recommendations to the President on all budgetary plans, proposals and priorities, both current and future, affecting the University. The URC brings together faculty, students, staff and senior administrators with a range of academic and administrative perspectives. The committee is chaired by the Provost and is composed of six faculty members, five

administrators serving as ex-officio members, four students (two from the College and one each from the Graduate School and the Medical School), and two staff members. (Appendix A contains the membership list.)

In fulfilling its charge, the URC evaluates requests, weighing competing needs and available resources. The committee reviews all the major components of the consolidated operating budget, including the Education and General Budget, the Division of Biology and Medicine Budget, and the Auxiliaries Budget. The committee also reviews the University's capital plans and capital budget, with a particular emphasis on the operating budget implications – both short-term and long-term – of current and proposed capital projects.

The University Resources Committee's work this year was divided into three parts: orientation meetings, presentations from senior officers, and deliberative meetings. All committee meetings were held in closed session to allow for frank discussions among committee members and the senior officers who came before the URC. In addition, the committee held two open meetings with the University community at which Brown faculty, students, and staff were encouraged to share their perspectives on budget priorities.

During the orientation meetings, committee members were briefed on the University's overall financial condition, the factors that have the most significant impact on the University's finances (both in the present and in the future), and the budgeting processes. The committee reviewed the multi-year financial strategy supporting the Plan for Academic Enrichment and also considered the impact of tuition increases and financial aid policies on students and families.

Beginning in early October and continuing through the fall semester, senior officers made presentations to the URC outlining their programmatic priorities for the next one to three years and how these plans fit into the Plan for Academic Enrichment. Appendix B lists all the presenting officers and the topics covered. Then, late in the fall, the committee received updated information regarding revenue projections for FY08 from the Executive Vice President for Finance and Administration.

During the fall term, the URC held two public sessions (during the day and evening hours) to which it invited all members of the University community. At these sessions, members of the community shared their thoughts about the University's priorities and financial plans. Community members raised a number of issues, including the competitiveness of staff salaries, the lack of a large recital hall on campus, the services provided by Facilities Management and Computing and Information Services, and the availability of appropriate audio-visual equipment and services in Brown classrooms.

The committee considered the input it received at its meetings with senior officers and at the public forums as it 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.

III. Revenue Recommendations for the E&G and Auxiliary Budgets

If the recommendations below are accepted, the University will budget \$501 million in E&G revenues in FY08, an overall increase of 6.7%, and will authorize the use of \$7.8 million in balances to support an E&G operating budget of \$508.8 million. In addition, it is expected that the auxiliary operations will generate \$76.0 million in total revenues.

Tuition and Fees. In preparing to recommend tuition and fee increases for FY08, the committee reviewed Brown's current charges compared to tuition and fees at peer institutions and examined recent trends in percentage increases for both tuition and total student charges. For FY07, Columbia has the highest student charges in the Ivy League (\$44,814) with Penn second and Cornell third just a few dollars behind Penn. Brown was fourth, with a total student charge of \$43,754. The spread between the highest and lowest charges (Columbia to Princeton) is \$2,614. Increases in total charges from FY06 to FY07 ranged from 4.7% (Brown) to 5.3% within the Ivy League, and the median increase at peer institutions (the members of COFHE, the Consortium on Financing Higher Education) was 5.4%.

To support the Plan for Academic Enrichment and the investments the University is making to enhance the undergraduate experience, the URC recommends an increase in total student charges of 5%, bringing tuition, room, board and fees to \$45,948 for 2007-2008. The individual components would increase as shown below:

Proposed Undergraduate Tuition and Fees

	<u>FY07</u>	<u>% Increase</u>	<u>FY08 Proposed</u>	<u>\$ Change</u>
Tuition	\$33,888	5.0%	\$35,584	1,696
Room	\$5,690	4.7%	\$5,958	268
Board (20 meals)	\$3,444	5.9%	\$3,648	204
Health Services Fee	\$586	4.4%	\$612	26
Student Activities Fee	\$146	0%	\$146	0
Total	\$43,754	5.0%	\$45,948	2,194

The proposed increases for room, board, and health services reflect the anticipated costs increases in these areas for staffing, facilities, and programmatic support. In particular, the board rate includes funds to maintain the expanded dining options and menu choices, given the increasing cost of food and supplies, and the cost for staffing the University's five dining facilities. These costs reflect our values and ideals as a community and as an employer, and were advocated for strongly by students, to provide full-time work and benefits to most of the staff who work for Brown Dining Services.

The URC is recommending no increase in the undergraduate student activities fee. The Undergraduate Council of Students (UCS) did not submit a request for a fee increase. It is the URC's understanding that the UCS defeated a resolution, after several meetings and debates on the topic, regarding a potential increase to the fee. The fee was raised a year ago by 7.4% to its current level of \$146.

The committee also recommends that graduate tuition increase by 5% to \$35,584. The graduate student council also made no request to increase the student activity fee, which is currently \$40.

The URC expects the recommended tuition and fee increases will generate \$12 million in incremental revenue.

The committee recommends that parking fees be increased by 5% and that tuition for Summer Programs and the study abroad fee increase by the same rate as term-time tuition.

Endowment Draw. Brown's endowment spending policy specifies that the draw (the amount paid out from the endowment to support current operations) should range from 4.5% to 5.5% of a rolling twelve-quarter average of the endowment's market value.

As part of its multi-year financial forecasts, the University has been projecting the endowment draw available using three assumptions. First, the total return on the endowment would average 7.5% annually. Second, the endowment payout would be set to generate a 6.25% increase in the payout to existing shares in the endowment. Third, the University would have significant cash flow of new gifts to the endowment during the Campaign for Academic Enrichment, including raising \$50 million in cash in FY07 and more than \$400 million by the end of FY10.

Based on the endowment's recent very-strong investment performance and the current cash flow estimates for the campaign, the URC recommends adjusting the endowment draw projections. The committee recommends that the University increase its endowment payout on existing endowments by 10% in FY08. The University's investment results have exceeded the 7.5% total return assumption, returning more than 14% in FY06, 13% in FY05, and 16% in FY04. (Since FY02, when new gifts are also included, the endowment has increased by \$800 million, from \$1.4 billion to \$2.3 billion.) These returns provide the University with some flexibility on how fast to increase the payout. The URC projects that \$85.4 million of endowment payout will be available in the E&G budget in FY08, an increase of \$9.8 million. The administration estimates that Brown's FY08 endowment draw will be about 5.39% of the 12-quarter average market value of the endowment. As a percent of the current market value at the start of FY08, the payout is projected to be about 4.2%.

Indirect Cost Recovery. Indirect cost recovery, also called recovery of facilities and administrative costs, represents funds received from research sponsors to reimburse the University for overhead costs related to hosting sponsored research.

Indirect cost recovery is a function of several factors: our faculty’s success in attracting sponsored research grants; the funding available from research sponsors, particularly the Federal government; and the University’s overhead rate, which is negotiated with the Department of Health and Human Services.

The University’s current federal overhead rate is 57.5%. With the opening of the Laboratories for Molecular Medicine in the Jewelry District and the occupancy of the Sidney E. Frank Hall for Life Sciences in late 2006, Brown has seen a 70% increase in its bio-medical research space. This increase in research space was a major factor in the negotiated agreement for an increase in the rate to 59% for FY08.

From 2001 to 2006, the University experienced average annual growth of almost 6.7% in research activity. Because of changes in our reimbursement rate combined with the increased volume of research, the University saw a 10% average annual increase in indirect cost revenue. In planning for the current year, the University anticipated 6% growth in both biomedical and non-biomedical research activity. Changes at the federal level regarding research support, particularly the slowdown in the budget at the National Institutes for Health, have had an impact on Brown. In the current year, the Division of Biology and Medicine will fall short of its indirect cost recovery target. As a result, the URC recommends setting the indirect cost recovery target for the E&G budget at \$15.3 million for next year and at \$15.7 million for the Division of Biology and Medicine. These budget estimates are probably conservative because award commitments for this year are up by about 8% relative to last year.

Indirect Cost Recovery
(in millions)

	FY07 Budget	FY08 plan	% Change
E&G	\$14.6	15.3	5.0%
Biology & Medicine	\$16.6	15.7	(6.0)%
Total	\$31.2	31.0	(0.8)%

Annual Giving. Annual giving is a key component of the Campaign for Academic Enrichment. During FY06, the University raised a record-setting \$30.7 million in the Brown Annual Fund, its highest total ever and a 22% increase from the prior year. For the current year, although the budget for the BAF is set at \$29.7 million, the University expects to reach its campaign goal of \$31.5 million. For the Brown Sports Foundation and undergraduate financial aid annual programs, Advancement expects only modest increases. Total receipts for FY07 for all three annual giving programs are expected to reach \$37 million (with a portion of the Brown Annual Fund allocated to the Division of Biology and Medicine). For FY08, the Advancement Office expects somewhat slower

growth in Brown's annual giving programs, both in dollars raised and in number of donors. The recommended budget, therefore, includes a total annual giving target of \$38 million, an increase of 3% over the projected FY07 results. The E&G budget would see a total of \$36.1 million of those funds with the balance allocated to the Division of Biology and Medicine.

Other Revenue Sources. The URC projects modest increases in other sources of revenue of approximately 4.7% on average.

The URC also reviewed current revenue and expenditure projections from the auxiliaries and continuing education programs. Because of their continued strong performance, these operations are providing \$2.73 million of support in the current year for the Plan for Academic Enrichment. Based on revenue estimates from Graphics Services and Summer and Continuing Studies, the committee recommends that the auxiliary operations provide \$3.1 million of support in FY08, an increase of 15%. As noted earlier, assuming the proposed fee increases are accepted, the auxiliary enterprises should generate \$76 million, which should be sufficient to meet all of their program expenses and sustain a larger contribution to the Plan for Academic Enrichment.

Use of Balances and Reserves. The Plan for Academic Enrichment calls for the University to invest a portion of its balances and reserves in its academic priorities as it concurrently undertakes a comprehensive fund-raising campaign. The FY08 budget proposed by the URC makes use of \$7.8 million in E&G balances and reserves. Assuming the E&G budget ends the current year on target, the URC projects that the University will have used approximately \$25 million of reserves by the end of FY08.

IV. Expenditure Recommendations for the E&G Budget

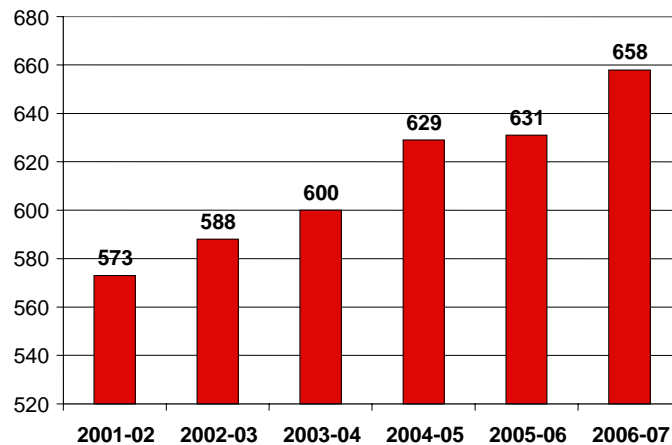
The senior officers presented thoughtful and well reasoned requests for resources. The URC had to make difficult choices among the competing resource requests in order to focus on the priorities established by the Plan for Academic Enrichment and the strategic investments needed to enhance Brown's role in international higher education. It should also be noted that the senior officers understood the resource constraints, and where possible, they identified resources within their operations that were available to help the University fund its highest priorities.

The committee is recommending an overall increase in the E&G expense budget of 7% to \$508.8 million.

Faculty Excellence in Teaching and Research

Attracting and retaining excellent teacher-scholars is a key component of the Plan for Academic Enrichment. The University has accelerated the pace of faculty hiring and has been successful in recruiting leading scholars from across the academic disciplines. At the start of the current year, Brown had 658 regular faculty, an all-time high. This figure includes 85 new positions created since 2002.

Count of Regular Faculty



In addition to expanding the size of the faculty, through the academic enrichment initiatives, the University has raised faculty salaries considerably; improved start-up packages for new and replacement faculty; built more and better research space and enhanced other research infrastructure; and developed new multi-disciplinary initiatives.

The URC's recommended budget for FY08 focuses heavily on support for new faculty, faculty compensation, and strategic investments in academic programs.

New Faculty and Faculty Start Up. Consistent with the Plan for Academic Enrichment's call for an increase of 100 in the size of the Brown faculty, the University is conducting nearly 75 faculty searches (for both new positions and replacement hires) in FY07 for faculty slated to start in FY08. This includes 16 searches in the Division of Biology and Medicine. These searches aim to bring the best scholars and teachers to Brown to provide our students important new educational opportunities and to enhance diversity in the faculty ranks. Given Brown's historic rates of success in faculty searches, more than 50 of these searches may result in appointments in FY08. The net increase in the number of faculty on campus will also depend on how many faculty leave Brown. Based on the number of searches underway and on likely departures, the University can expect an increase of 15 to 25 in the size of the regular faculty in FY08, with the total increasing to about 680.

Many of these new hires will be replacements for faculty who have left or for positions that were authorized in prior years but not yet filled. The funding for many, but not all, of those positions is already in the University's operating budget. Due to the rapid increase in the size of the faculty, approximately five positions have been funded through one-time savings available in the Dean of the Faculty's budget. Those savings will no longer be available in FY08. As a result, those positions need to be funded in the FY08 budget. In addition, approximately 20 of the expected new hires will be for new positions not yet in the budget. The salary and fringe benefit expense associated with 25 incremental positions is projected to be \$3.5 million. The URC recommends that this amount be added to the base budget in FY08.

The University currently has a start-up budget of \$8.2 million for new and replacement faculty hires. Typically, new faculty members receive a start-up package that can be spent over five years. The Provost requested an increase to the start-up budget for FY08. Based on current spending patterns, however, it is not clear that an increase is necessary at this time. The URC recommends, therefore, no increase to the start-up budget with the expectation that the Provost may need to supplement start-up spending from his resources.

Faculty Compensation. The 2005-06 median salary for full professors at Brown compared more favorably with that of our peers than at any other time in the last nine years. On average, salaries at Brown have risen more rapidly than those at peer institutions. To assure continued progress toward a principal goal of the Plan for Academic Enrichment (making our faculty salaries competitive with those of our peers), the committee recommends that the University allocate funding of \$4.1 million to increase faculty salaries by 5% in FY08. This figure includes a 3.5% pool for merit salary increases and a pool of 1.5% for competitiveness and promotions.

Strategic Support for Academic Programs and Initiatives. The Provost and other senior officers requested more than \$2.5 million in incremental funding related to academic programs and initiatives. It is critical that the Provost and deans have a source of funds to provide strategic support for the highest-priority academic programs and initiatives. In recent years, the University has launched and supported a series of ongoing multidisciplinary initiatives, including the Humanities Center; the Environmental Change Initiative; the Spatial Structures in the Social Sciences initiative; the initiative in Computational Molecular Biology; the Brain Science Program; the program in Commerce, Organizations and Entrepreneurship; and the affiliation with the Marine Biological Laboratory in Woods Hole, Massachusetts. While many of these initiatives are now a part of the base budget, some of them continue to require investments from the Provost's initiative budget. This fall, the University also announced a new international initiative designed to strengthen the University's linkages to the nations and cultures of the world. Over time, Brown hopes to attract support from new donors who have a strong interest in expanding Brown's international programs and outreach. In FY08, the University's plans to hire a new vice president to lead this initiative and offer new international fellowships in the humanities. The Provost also expects to devote resources to reviews of the undergraduate advising programs and the curriculum, two new nano-

science initiatives, a vision center, and a Center for Environmental Health and Technology.

For FY08, the URC recommends that an additional \$1.3 million in base budget funds be allocated to the Provost to meet these pressing academic needs. The committee also recommends that the budget include \$100,000 of incremental funding for the Dean of the Faculty to address operational budget issues in the academic departments and that the Dean of the Faculty should work with academic departments to use \$200,000 of endowment balances in highly restricted funds.

Enhancing Undergraduate Education

The character of Brown University has long been tied to the centrality of its undergraduate educational program in the life of the University. Among the goals of the academic enrichment program is to enhance Brown's strengths in undergraduate education and to improve in areas where a lack of resources has held the University back in the past. Our objectives include not only matriculating a qualified and diverse student body, regardless of their financial circumstances, but also expanding opportunities for students to interact with faculty, enriching Brown's course offerings, and improving the quality of undergraduate students' residential and extracurricular experiences.

The investments in faculty recommended for next year will contribute to advancing these goals by helping the University to attract and retain an excellent faculty, and thus to develop new curricular areas and expand the research program. Likewise, investments in the physical plant and general University infrastructure underpin the quality of the educational effort. In addition, the committee is recommending specific investments in undergraduate student support and campus life to enhance the academic and intellectual environment in which Brown students live and learn.

Undergraduate Financial Aid. The Plan for Academic Enrichment calls for Brown to continue to align its financial aid policies with its educational mission and to attract and support the most highly qualified and diverse group of undergraduate students without regard to their financial circumstances. To this end, Brown implemented a full need-blind admission policy for first-year U.S. students beginning with the Class of 2007 (admitted during the 2002-2003 academic year). The University simultaneously eliminated the term-time work expectation for all first-year financial aid students, allowing them to focus their energies during their transition to Brown on their academic and extracurricular experiences. These changes constituted significant improvements in undergraduate financial aid at Brown and have received unprecedented support from the Brown community.

In FY07, the fourth class of students admitted under the need-blind policy entered Brown, and the full budgetary impact of the commitment to need-blind financial aid began to be felt. The URC's budget recommendation continues to support Brown's need-blind admissions policies and its commitment to improve the financial support for transfer students and participants in the resumed undergraduate education program.

In his presentation to the committee, Jim Miller, Dean of Admissions, noted that Brown's goals include enrolling a higher percentage of the strongest academic students and increasing diversity, especially within the international population. He noted that competition for the best undergraduate students continues to intensify, and many of Brown's peers have enhanced their financial aid packages. Several schools, notably Harvard and Princeton, have also eliminated their early admissions programs. Over the next several years, Brown will have to monitor closely what impact these changes will have on Brown's ability to recruit and matriculate the best undergraduates.

A key component of the new internationalization initiative is increasing undergraduate financial aid for international students. This initiative will allow Brown to attract a more economically and regionally diverse international population. The University currently spends about \$3.1 million per year on scholarships for international students, but this is not nearly enough to support the pool of talented students. As an initial step, the University anticipates spending about \$1.3 million more on financial aid for international students over the next four years, close to a 40% increase over current spending levels.

The University also continues to review its current policies regarding financial aid packages. Like its peer institutions, Brown requires that all students have health insurance. Most students are covered on a family health insurance policy. A significant number, however, do not have family coverage and must buy insurance from the University's authorized vendor. For some students this cost of attending Brown can be prohibitive. The committee recommends that an additional \$200,000 be allocated to provide health insurance to students from low-income families that do not already have insurance coverage.

To fund the ongoing needs of Brown's current aid programs, extend aid to more international students and provide coverage for health insurance fees, the URC recommends increasing the financial aid budget by \$4.2 million, or 8%, to \$56.9 million for FY08. The committee also recommends that self-help levels and student wage rates increase by 3%, roughly in line with general inflationary increases in prices and wages.

Brown's goals to recruit the top academic students and increase diversity necessitate additional marketing, outreach and travel by the Admissions staff. The URC recommends that \$50,000 be added to the College Admission base budget to fund international travel and improve outreach efforts.

Campus Life and the Student Experience. In recent years, the Office of Campus Life, with the support of other University offices and generous donors, has made targeted, high-impact investments to improve student-life facilities and programs. This aggressive program has installed new furniture in the residence halls and student lounges; created 24-hour study spaces and satellite fitness centers; improved the accessibility of the Sharpe Refectory; renovated the locker rooms at the Smith Swim Center; and provided new programs such music downloading and Internet TV to enhance the residential experience.

Significant improvements in student-focused facilities are in various stages of planning and construction. The Friedman Study Center at the Sciences Library just opened. The design of the Jonathan Nelson Fitness Center is well underway, with construction slated to begin in the spring of 2008. The University has also begun intensive planning efforts for new residence halls, the renovation of Faunce House to enhance student-activity space, and the creation of a student services office cluster in J. Walter Wilson Hall.

For FY08, Vice President Carey asked the URC to consider enhancing support for the residential experience, Athletics and Health Services. He noted that during the prior year, two committees – the Ad Hoc Committee on Social Events and the Subcommittee on Alcohol and other Drugs – identified needs and made recommendations to ensure that Brown’s residential environment is safe and healthy for student learning, work, and social activities. Vice President Carey’s request focused on support for safe social events, improved staffing and programming in the residence halls, and resources to maintain the attractiveness and cleanliness of the residences. He also noted that it was a high priority to address compensation issues in Athletics and Health Services, to cover the inflationary costs of athletic team travel, and to maintain and replace the University’s investment in fitness equipment. To support these requests, Vice President Carey identified some modest opportunities to increase revenue from physical education classes and athletic fundraising.

For FY08, the committee recommends that the Campus Life budget be increased by \$475,000, allowing the Vice President to provide additional support for Athletics team travel and fitness equipment (\$200,000) and to improve further the residential experience (\$275,000).

Dean of the College Katherine Bergeron, in collaboration with Dean of the Faculty Rajiv Vohra and Dean of Medicine and Biological Sciences Eli Adashi, is responsible for the undergraduate curriculum, academic advising, and academic support programs. Dean Bergeron outlined for the committee her plans as the new dean to review the organizational structure of the office and to further improve its ability to fulfill the two main missions of the College, the curriculum and advising. She also noted that she expected to undertake a number of pilot projects in the coming year related to the review of the curriculum, advising, science education, international initiatives, and first-year orientation. On behalf of the Dean of the College, the Library, and the Registrar’s Office, University Librarian Harriette Hemmasi requested funds to continue with the planned improvement in classroom technology.

The committee recommends that the Dean of the College be allocated \$200,000 for pilot programs related to the curriculum, science education, orientation, and advising and that \$100,000 be made available to the University Librarian to upgrade Brown’s classroom technology.

Excellence in Graduate Education

Enhancing Brown's graduate programs is a critically important goal of the Plan for Academic Enrichment. Specifically, the plan seeks to provide support for graduate students that is competitive with our peers, add innovative and distinctive new graduate programs, and improve the quality of graduate students' residential and extracurricular experience.

Since FY03, the University has been working to become more competitive with peer institutions in the recruitment of top-flight graduate students. Brown shifted to a five-year guarantee of support for incoming doctoral students with the 2006 admission season. This move was an integral step in the Plan for Academic Enrichment, as it improves the prominence and competitiveness of Brown's Graduate School. Other related steps included a substantial increase in the base stipend (from \$12,300 in 2000-01 to \$18,000 this current year, a dramatic 46% increase), significantly expanded health insurance coverage (a cost that has risen more than 250% in the past 5 years), new family-friendly benefits, and increased summer support for students in the social sciences and humanities (the sciences already offering such support). Together these actions reflect a strong commitment to strengthening the Graduate School and have allowed Brown to compete successfully with its top-ranked peers, many of which have made similar commitments. The results of this rapid increase in the quality of the Graduate School are clear in the dramatic increase in student selectivity: rising from the acceptance of 27% of all doctoral applicants in 01-02 (the year before the Plan) to 17% in 2006 (extending the same number of offers with 40% more applicants).

In FY06, as the University advanced its plans to strengthen its graduate programs, it experienced a significant financial consequence. In the past, some graduate programs to maintain a critical size admitted students without providing any financial assistance to those students. With the guarantee of support for five years, those programs were able to attract stronger graduate students and meet their target enrollments without reliance on any "self-supported" doctoral students. As a result, Brown's graduate programs have improved, but the University lost the revenue from this substantial number of "self-supported" students. The Graduate School has also made a number of changes in programs, policies, and student support that have created some financial uncertainty. The Graduate School has examined these factors and has taken steps to focus its resources on maintaining the quality of graduate research, teaching, and training.

The Provost and Dean of the Graduate School Sheila Bonde stressed the University's commitment to a first-rate and flourishing graduate program. They expect the University to proceed in several ways. First, the Graduate School will take a number of aggressive steps to enforce current policies and focus its financial resources on doctoral programs and long-standing commitments to terminal master's programs. In the short term, this will also include a small reduction, of perhaps a dozen, in the number of incoming doctoral students. Second, the Provost's Office, with support from the Graduate School, will conduct a comprehensive review of policies, practices, and operations that have an impact on the budget of the graduate program. Finally, as the University undertakes its

planning and resource allocations processes for FY09, it will need to consider the impact of the expansion of the faculty on the size and cost of Brown's graduate programs. Plans must be developed for the controlled expansion of the doctoral programs reflecting the increase in faculty size and the strengthening of individual departmental graduate programs.

The URC's recommendations for FY08 seek to stabilize the Graduate School's budget and to raise the base stipend level. Based on the projected enrollments in doctoral and master's programs, the committee recommends that the total graduate student support budget increase by \$3.2 million, from \$36.7 million in FY07 to \$39.9 million in FY08, including fund to increase the base stipend from \$18,000 to \$18,500.

Enhancing the Quality of Facilities, Infrastructure, and Administrative Support

A key component of the Plan for Academic Enrichment is to enhance the quality of Brown's facilities, infrastructure, and administrative support. Without investment in these areas, it will not be possible to achieve Brown's educational and research goals. These investments include upgrades to the physical infrastructure of the campus – its buildings, utility systems, technology infrastructure, parking, and transportation services. They also encompass providing appropriate library resources in all fields of study, making the libraries more accessible and more responsive to the needs of Brown students and faculty, and expanding support for the use of technology in both academic and administrative areas. Furthermore, as Brown increases the size of the faculty and undertakes new academic initiatives, the University will need to attract and retain the best possible staff as well as provide adequate staffing and other resources to support current programs and new initiatives.

Support for New and Renovated Facilities and Infrastructure. In recent years, the University has made major investments in bio-medical research space (the Laboratories for Molecular Medicine and the Sidney E. Frank Hall for Life Sciences), academic space (such as Menco Hall), libraries (the opening of the Park Lane Annex), student study and social spaces (including satellite fitness centers, and the new Friedman Study Center), administrative offices (renovating Horace Mann as the new home for the Graduate School and the Offices of the Vice President for Research), and fire-safety and utility infrastructure upgrades.

The proposed two-year capital budget for FY08 and FY09 will enable the University to continue to make improvements to our academic and research space, to student spaces, and to the campus infrastructure. During the two years, Brown expects to spend close to \$190 million on new construction, building renovations, and infrastructure upgrades. Specific projects include:

- Renovating Pembroke Hall (to provide a home for the Pembroke Center and the Cogut Humanities Center)

- Renovating J. Walter Wilson Hall as a student services center
- Renovating Rhode Island Hall (for the Joukowsky Institute for Archeology and the Ancient World)
- Moving Peter Green House and starting the Walk
- Continue planning for a new academic building on the Walk to house offices and labs for Cognitive and Linguistic Sciences, classrooms, and a recital hall
- Rehabilitating the interior of Faunce House
- Beginning work on a creative arts building
- Beginning work on the Jonathan Nelson Fitness Center
- Upgrading the campus utility infrastructure
- Preliminary work on new undergraduate housing and renovations to existing residential housing
- Planning for a new medical education building
- Renewing a host of laboratories and faculty offices
- Upgrading athletic fields and facilities
- Renovating the bookstore

During this period, the University will also need to invest in its technology infrastructure. It is likely that Brown will need a new data center to safeguard the University's critical administrative and academic data. The University's payroll/personnel system will also need to be replaced in the near future.

The capital costs of these projects will be funded with debt, gifts, and departmental reserves. When the University takes on additional debt or opens new buildings, it also incurs new annual expenses for interest expense and the operating cost of the space. In addition, the University must set aside sufficient funding to amortize the principal on any new debt and to plan for future renewal of the space. The URC's recommended E&G operating budget for FY08 includes incremental funding of \$3.5 million to fund the additional interest expense, renewal reserves, and the operating and maintenance costs for capital projects underway and nearing completion.

For several years, Brown has been working to secure options for campus expansion beyond College Hill. In 2004, the University purchased the building at 70 Ship Street, which was retrofitted to create the Laboratories for Molecular Medicine. Last year, Brown purchased 121 South Main Street to house the Program in Public Health.

During the current fiscal year, the University took advantage of another opportunity to make a strategic real estate acquisition in the Jewelry District. Brown purchased seven buildings, comprising 232,000 of rentable square feet, and related parking areas. In the short term, most of these properties will be rented to commercial tenants. One of the properties will likely house a number of administrative operations. The lease agreements will cover a substantial portion of the cost of acquisition and the ongoing maintenance of the properties. Given Brown's use of some of the space to support its academic mission, however, the University needs to absorb into its operating budget \$1.7 million of annual costs for these specific properties and an additional \$250,000 annually to support further planning for strategic growth. The URC's recommended expenditure budget includes these expenses.

Library. University Librarian Harriette Hemmasi has made improving the quality of student study spaces in the Rockefeller Library and elsewhere one of her top priorities. Working with the Provost and through the generosity of several donors, the University has opened the Friedman Study Center; installed new furniture and lighting; made structural improvements, including a new roof for the Rockefeller Library; and begun renovations of the computer cluster and Level A in the Rockefeller Library to make them more pleasant places to read, study and perform research.

In addition to investments in public library spaces, the University Librarian continues to seek ways to bolster support for both traditional library collections and the ongoing transition of the library toward greater reliance on digital media.

For FY08, the committee recommends that \$391,000 be provided to offset inflationary pressures in the acquisitions budget. It further recommends that \$60,000 be added to the library budget to fund fully the operations of the Friedman Study Center.

Computing. By the end of calendar 2007, the Computing and Information Services (CIS) unit at Brown, working with administrative operations across campus, will have completed a major software implementation project to replace the existing student information system with a new software suite provided by SCT Banner. This project, which has occupied much of its staffing resources for the past few years, will improve the student services and operations in registration, admissions, financial aid, student billing and elsewhere. In her presentation to the URC, acting Vice President Terri-Lynn Thayer noted that, in addition to this major undertaking, CIS continues to perform its regular duties – developing and maintaining administrative and academic computer applications, maintaining the University computer network, administering the telecommunications system, and supporting faculty, students, and staff using different hardware and a vast array of software.

For FY08, the URC recommends that \$835,000 be allocated for CIS to cover the extraordinary inflationary increases on hardware and software contracts (\$196,000), to meet the reporting/data collection needs across campus related to Banner (\$577,000), and to fund a new staff position to provide desk-top computer support to academic units not now enjoying such coverage (\$62,000).

Administrative Support. The committee heard from several senior officers about needs in the administrative units, including public safety, support for the University's web site, human resources, research administration, fundraising, alumni outreach, and transportation services. The requests from these senior officers totaled more than \$3.5 million. Given the constraints on FY08 budget, the committee members focused on the requests that would reduce the University's risk profile, improve the safety and security of the campus, and bolster support for the Campaign for Academic Enrichment.

The committee recommends the following allocations for improved administrative support:

- \$313,000 for public safety offset by a similar amount of savings from reduced Providence Police detail support
- \$150,000 for staffing in the Office of the Vice President for Research to support compliance, communications, finance, etc.
- \$140,000 for staffing and related costs in Advancement to identify donors and raise funds for the new international initiatives
- \$200,000 for a bonus retention program in Advancement and
- \$359,000 for Facilities Management for the costs of insurance, code compliance and supplies.

Staff Compensation. The University is committed to maintaining and enhancing its position as an outstanding employer that is able to attract and retain a highly qualified and productive workforce. This commitment includes offering competitive salaries and comprehensive and affordable benefits, treating its employees fairly and equitably, and maintaining a positive working environment.

Since the academic enrichment initiatives were begun in 2003, Brown has made significant investments in staff salary and benefit programs, including significantly enriching the Tuition Aid Program, which now provides up to \$10,000 per year per child toward tuition at a higher education institution; offering performance-based bonuses when resources allowed; expanding its employee reward and recognition programs; and providing a winter break for all employees. The University has also increased staff participation in institutional governance and developed training programs to build the financial and technical skills of administrative employees.

In recent years, Brown's annual staff salary increase pools have kept pace with the salary pools reported by employers at the local and national level. Brown's turnover rate has been consistently below the national average with many staff working at Brown for their entire careers. Additionally, the applicant pool for job openings at Brown is very strong:

there are more than 30 applications, on average, for each vacancy, and hiring departments report that they are able to hire their “first choice” applicant more often.

Notwithstanding these positive indicators, the University faces challenges in recruiting and retaining staff. A tightening labor market is beginning to push salaries up at faster rates. The affordability of health insurance, particularly for mid-level employees, continues to be an issue. And in many departments, the volume and complexity of the staff work at Brown is increasing as the faculty, programs, and facilities expand, but staffing levels remain stable.

In light of these pressures, the Vice President for Administration and the Human Resources staff recommended that the University establish a staff salary increase pool for FY08 that would be sufficient to reward performance and to address compensation inequities internal and external to Brown.

The URC’s recommendations include \$5.6 million for staff compensation increases in FY08. This recommendation includes a 3.5% performance-based increase pool for non-union staff. In addition, it includes funding equivalent to a 1% pool for equity to be targeted to address critical compensation issues in some departments, in some specific job groups and to provide some funds for senior officers to address other market/equity issues. The committee’s recommendation also includes funding for the collective bargaining agreements negotiated this year with Facilities Management and Dining Services workers. This includes commitments to increase significantly the hours worked by assistant food service workers (upgrading them to food service workers) and the hiring of additional custodial staff to service the dining halls. These costs contributed significantly to the proposed rate increase (5.9%) in the cost of a student meal contract. The committee also recommends that the Tuition Assistance Plan budget be increased by \$100,000 to reflect increased utilization.

The committee defers to the judgment of the Executive Vice President for Finance and Administration, working in conjunction with other senior staff and the Human Resources Advisory Board, to determine the specific allocation of the staff compensation increase pools to ensure that the University maintains its competitive position with respect to staff compensation and rewards our best and most productive workers.

Inflationary Pressures: Utilities and Operating Budgets. The Executive Vice President for Finance and Administration, the Dean of the Faculty, and other senior officers identified a number of inflationary pressures facing administrative and academic departments. For the last several years, increases in non-staff operating budgets have been very limited as resources have been directed in support of the priorities in the Plan for Academic Enrichment and a number of units reported strains in their overall operating budgets as they stretch to accommodate the growing demands for services.

In some areas, like facilities, the inflationary pressures are so large and affect such a large percentage of the budget that the URC typically recommends a specific allocation for

these areas. For many other operations, a small general pool to be directed by the senior officer is sufficient.

The current operating budget anticipated that utility costs would increase by 12%, although there was some concern that further costs increases might be seen during the year, particularly for the cost of heating oil. Vice President for Facilities Steve Maiorisi reported that for FY07 the utility costs appear to be on target, but he indicated the University should plan on additional increases in utility costs in subsequent years.

Based on his recommendation, this year's URC recommendation calls for a further \$1.7 million increase in utility budgets. This figure, which is based on an average 7% increase in utility rates, also incorporates the costs associated with increased air cooling requirements in bio-medical lab space.

As noted earlier in this report, in a number of areas where there are extraordinary inflationary pressures – the Library, Computing and Information Services, Athletics, and the academic departments – the URC has recommended specific allocations in FY08. To meet the needs in other areas of the University, the URC recommends continuing with the recent approach to provide a limited amount of operating budget support to senior officers for them to target their most pressing needs. The committee suggests that \$500,000, equivalent to approximately a 0.5% increase in the base operating budgets, be distributed to senior officers for them to allocate strategically.

Reallocations. The URC spent last spring evaluating the University's capacity to make budget reallocations over the next three to five years to further Brown's progress on the priorities in the Plan for Academic Enrichment. Working with the senior officers, the committee identified opportunities across the University. Based on that work, the University has planned on \$5.1 million in savings and new revenues that will become available over the next five years. Of that total, \$2.35 million is built into the URC's recommended budget framework for FY08, approximately \$2 million in reallocations and \$0.35 million in new revenue. As part of their presentations this fall, each senior officer summarized the steps they were planning to achieve the necessary savings. In order to reach the \$5.1 million total, the URC will plan on reallocations of \$1 million in FY09, and the balance in FY10 and FY11.

V. Division of Biology and Medicine

Brown is committed to achieving recognition as a national leader in medical education and research, public health, and the biological sciences. The Division of Biology and Medicine is responsible for the University's programs of life science research and instruction, including course offerings, academic programs, and research opportunities for undergraduate, graduate, and medical students. A hallmark of the Division is its seamless educational continuum in the life sciences, characterized by undergraduate, graduate, and medical students taught by the same faculty.

The Plan for Academic Enrichment and strategic planning efforts within the Division outline the University's commitment to strengthening the Division. Goals include strengthening the reputation and visibility of the Division, expanding educational programs and revising the curriculum, enhancing clinical education and research, building on the strength of Brown's programs in public health, and enhancing the University's capabilities in the basic biological sciences.

In his presentation to the committee, Eli Adashi, Dean of Medicine and Biological Sciences, detailed the progress toward these goals.

- In collaboration with its teaching hospital partners, the Division is currently exploring strategic initiatives to both expand and enhance the medical school and its scientific research enterprise. These initiatives include the construction of a new medical education building that will replace the current fragmented and aging facilities with a new, strategically located "home" for the medical school, and provide the infrastructure for significant class-size expansion.
- The size of the faculty in the biological sciences and public health will continue to increase. Of the approximately 40 new positions planned in the biological sciences and public health, the Division has successfully filled 17 of them. New faculty have been hired in the Center for Genomics and Proteomics (CGP), the Brain Sciences Program (BSP), the Program in Public Health, the Environmental Change Initiative, and the basic science departments. Six additional recruitments are planned for FY08 in these areas.
- The University has made essential investments in laboratory and other space to support the work of the Division. In 2006, the Division moved faculty and research staff into Sidney E. Frank Hall for Life Sciences, a new, 169,000-square-foot, state-of-the-art research facility. Additionally, in 2006 the Division began the phased relocation of the public health program to the newly acquired building at 121 South Main Street. In 2004, Brown opened the Laboratories for Molecular Medicine in Providence's Jewelry District, providing more than 100,000 square feet of new biology labs.
- The Brown Medical School continues its initiative to increase the number of students matriculating via the "standard" route of admission (and the related growth in class size), thus broadening the pool of motivated, high-achieving students who enroll. The Medical School received more than 2,300 applications from qualified graduates of colleges and universities for these slots during last year's admissions cycle. The successful implementation of this project affirms the school's ability to attract the most talented applicants from across the country, and it raises the national visibility of the Brown Medical School.
- In FY05 and FY06, the Division undertook a major external review of its undergraduate biological sciences programs, which was helpful in determining strengths and making concrete recommendations for improvements. The Division

is now moving to implement changes, and the programs continue garnering very high enrollments in courses and concentration programs. New basic science faculty are participating as full partners in the teaching, advising, and research-mentoring process, and the curriculum is thriving with numerous new additions to the course constellation.

The FY08 budget proposed by the Division of Biology and Medicine continues to make strides toward the goals laid out in the Plan for Academic Enrichment. Numerous searches for new faculty positions and replacement hires continue. Enrollment expansion in the medical school and the Master of Public Health (MPH) program continues with entering class sizes of 96 and 65 students, respectively, planned for FY08. Current expansion initiatives for the Medical School have the class size potentially reaching 128 students by FY14. MPH enrollment is on track to reach 110 students by FY11. In the current year, the Division successfully implemented a new policy for funding doctoral students that has promoted program growth by pegging graduate student admissions directly to the growth in sponsored training and research funds.

For FY08, the Division of Biology and Medicine proposes a revenue budget of \$118.6 million, a 4.7% increase over the FY07 budget. It also proposes an expense budget of \$120.0 million, a 4.4% increase over the FY07 budget, thus necessitating the use of \$1.5 million of reserve balances to support the planned investments in Brown's biomedical faculty, academic programs, and facilities. As with the E&G budget, the Division is undertaking some significant investments in academic initiatives through the use of funds set aside in prior fiscal years while raising funds through the comprehensive campaign to sustain and enhance these investments in the future. Assuming the Division ends FY07 on budget, current projections show that the Division will have used \$6.4 million of reserves – of the planned \$9 to \$10 million total investment – by the end of FY08.

The proposed revenue budget includes \$2.4 million of incremental revenue from medical and graduate tuition. The proposed medical student tuition rate is \$38,000, a 5% increase from the FY07 rate, and is likely to be comparable to the tuition increases of its peer group.

In the current year, the Division expects to fall short of its budget targets for both sponsored funding (the support of direct research expenditures) and indirect cost recovery. As a result, in FY08, the Division anticipates a decrease of approximately \$2.5 million, or 4.6%, to \$50.8 million in sponsored funding, compared to the FY07 budget. The budget for indirect cost recovery is also projected to decrease by about \$1 million, or 6%, to \$15.7 million. These budget decreases for FY08 are based on a review of existing grants and their expected spending in FY08, expected new faculty recruitments and their research funding to be transferred Brown, and new awards expected for FY08 based on the volume of proposals in process coupled with an assessment of the current federal funding research environment (primarily with the National Institutes of Health).

Based on an anticipated growth of 10% in the payout on endowed funds and the additional payout from a \$3 million gift, the Division budget includes \$11.1 million from

endowment, an increase of 11.5% in total. The proposed FY08 budget also includes significant revenue from other fund raising efforts: \$1.8 million as the Division's share of the Brown Annual Fund, \$2.8 million of unrestricted gifts and gifts in support of public health to be raised by the Division, and \$4.5 million in highly restricted gifts. Of note, in FY08, this is the first time the Division has included restricted gifts in its base budget, although it receives such gifts annually. This change has been implemented so that the Division can better represent in its budget the resources and expenses it reasonably expects. (The budgeted expense for other academic support has been increased as well to reflect the use of these gifts.) Additionally, the Division's budget includes \$1.0 million in program support payments in FY08 from its affiliated hospitals.

The proposed expense budget of \$120.0 million represents an increase of \$5.1 million from FY07. In FY08, the costs of the new and replacement faculty plus a faculty salary increase pool of 5.0% (consistent with the expected University-wide pools) will add \$1.5 million to the budget. Space costs are expected to remain constant at FY07 budgeted levels. Total graduate student support, which includes tuition scholarships and student stipends, is planned to increase by \$0.4 million from the FY07 budget with a significant portion of this cost offset by increased tuition revenue. In FY08, the Division plans to direct \$600,000 of affiliated hospital support funds toward a number of the academic enrichment initiatives. The proposed FY08 budget also includes funding for critical senior positions to oversee research and the program in biology, and meets the Division's and the University's commitments for support provided between the two units for bio-medical instruction, faculty hires, and administrative costs. Inflation rates for staff compensation and operating expenses in the Division's proposed budget are consistent with the recommendations for the E&G budget.

Just as the committee was completing its work and finalizing this report, the University and the Warren Alpert Foundation announced a \$100 million gift from the foundation to Brown in support of teaching and research in what will now be known as the Warren Alpert Medical School of Brown University. Obviously this gift was not taken into account when the Division submitted its recommendations for the FY08 budget nor when the committee reviewed those recommendations. Given the time line of the gift, we expect to begin to see its impact on the Division's budget in FY09 and beyond.

The committee believes that the FY08 budget proposed by the Division of Biology and Medicine allows the Division to meet its commitments for FY08, including significant progress toward its academic enrichment goals, and creates a solid basis from which the Division can continue exploring its strategic initiatives for implementation in FY09 and beyond. The URC recommends that the FY08 operating budget and the medical student tuition rate proposed by the Division of Biology and Medicine be accepted.

VI. Outlook for Multi-year Financial Projections

Using its FY08 recommendations as a starting point, the URC extrapolated current revenue and expenditure trends forward and added key elements from the Plan for

Academic Enrichment to make a preliminary assessment of the challenges and constraints likely to be seen in FY09 and beyond.

It is clear from the Plan for Academic Enrichment that there is still much the University hopes to accomplish and critical investments it must make. The funding for these investments is expected to come from a variety of sources, including a significant increase in endowment payout as a result of adding \$500-600 million of new endowment raised through the comprehensive campaign, a greatly increased level of annual fund-raising, and increased payout from the endowment. It is also clear, however, that there will be constraints on the growth in revenue and resources available for the next five to seven years: limits set by the Brown Corporation on the use of balances, concerns about the pace of increases in tuition and fees, the level of federal funding for research, and the timing of the cash flows from the comprehensive campaign.

Much more planning and analysis will be done throughout the University regarding all of the initiatives for academic enrichment, their relative priorities, and how proposed investments would contribute to the larger goal of enriching Brown. The focus will be to work toward developing a multi-year financial plan that not only supports the Plan for Academic Enrichment over the next few years, but also creates a stable financial base to support those initiatives and continued investment over the long term.

Although much planning remains to be done, it is clear that to make the University's aspirations a reality, for the next five to seven years, Brown will need to continue to invest its financial reserves in the Plan for Academic Enrichment.

VII. Conclusion

The members of the University Resources Committee are confident that the recommendations contained in this report advance Brown University towards its goal of fulfilling the Plan for Academic Enrichment. The committee also recognizes that some key University constituencies will be understandably disappointed not to have particular requests approved. After reviewing more than \$42 million in budget requests, the committee came to a collective judgment on how best to allocate the incremental resources available in light of University priorities. We believe our recommendations for FY08 will enrich the University's academic enterprise, provide better support for students at all levels, and enhance our academic, research and student life facilities.

- Faculty Excellence in Teaching and Research: The University will continue to add faculty positions and to fund improvements in Brown faculty salaries as compared to our peers. Academic programs will be enriched by faculty growth, the teaching environment will be enhanced by investments in educational equipment and technology, and academic facilities will be renewed by continued investment in the physical plant.
- Enhancing Undergraduate Education and Excellence in Graduate Education: The proposed budget will sustain our policy of need-blind financial aid while

providing more support for international students. It will fund health insurance for our neediest students and expand Brown's outreach to prospective students. The budget will also stabilize our investment in graduate education and modestly increase stipends.

- Enhancing the Quality of our Facilities, Infrastructure and Administrative Support: The proposed operating and capital budgets detailed here will enable the University to move forward with a number of key projects supporting teaching, research, the arts, and student life. These include renovating Pembroke Hall for the Cogut Center for the Humanities and the Pembroke Center for Teaching and Research on Women; converting J. Walter Wilson into a student services center; continuing the infrastructure improvements that will underpin the major building projects; and continuing planning work on the Nelson Fitness Center, 154 Angell Street, the Creative Arts Building, and other exciting capital projects now on the horizon.

The committee is committed to maintaining forward momentum while staying within the limits the Corporation set on the use of balances. It looks forward to the completion of the highly successful comprehensive fund-raising campaign now underway, which will bring the University's endowment and gift revenue to much higher levels, allowing Brown to realize fully the goals of academic enrichment.

Respectfully submitted on behalf of the committee,

David I. Kertzer
Provost

Appendix A

Members of the University Resources Committee

Beth Bauer, Senior Lecturer, Hispanic Studies
Christina Calvin, Graduate Student
Andrew G. Campbell, Associate Professor, Molecular Microbiology & Immunology
(Vice-Chair)
John Deeley, Executive Dean for Administration, Division of Biology and Medicine
P. Terrence Hopmann, Professor, Political Science
Elizabeth Huidekoper, Executive Vice President for Finance and Administration
David I. Kertzer, Provost (Chair)
Divya Kumaraiah, Undergraduate Student
David Laidlaw, Associate Professor, Computer Science
G. Tayhas Palmore, Associate Professor, Engineering
Jane Sokolosky, Senior Lecturer, German Studies
Richard Spies, Executive Vice President for Planning, Senior Advisor to the President
Timothy Thorp, Computing & Information Services (Staff Representative)
Rajiv Vohra, Dean of the Faculty
Brad Weinberg, Medical Student
Dorinda Williams, Human Research Protections Office (Staff Representative)
Michael D. Williams, Undergraduate Student

Meeting with the Committee

Susan Howitt, Associate Vice President for Budget and Planning
Donald Stewart, Director of Academic Resources

Appendix B

URC Meeting Schedule FY08 Budget Planning

September 18 & 25:	FY07 Projections, FY06 Results, Multi-year plan, Capital Plans	Beppie Huidekoper and Susan Howitt
October 16:	Finance and Administration Computing & Information Services	Beppie Huidekoper Terri-Lynn Thayer
October 18:	PAUR Advancement	Michael Chapman Ronald Vanden Dorpel
October 23:	Campus Life Graduate School	Russell Carey Sheila Bonde
October 30:	Staff Compensation and Benefits Dean of the College	Walter Hunter Katherine Bergeron
October 30:	URC Open Forum	
November 1:	Library Admissions Financial aid	Harriette Hemmasi James Miller Susan Farnum
November 6:	Provost Dean of the Faculty	David Kertzer Rajiv Vohra
November 6:	URC Open Forum	
November 13:	Facilities Management Strategic Growth Capital Plans, Debt service	Stephen Maoirisi Dick Spies Susan Howitt
November 20:	Division of Biology & Medicine Vice President for Research	Eli Adashi and John Deeley Clyde Briant
November 27:	Revenue, Other Updates	Beppie Huidekoper Susan Howitt
December 4 & 11:	Deliberations, Recommendations	
January 24 & 29:	Discussion of Final Recommendations and Report	

Appendix C

FY2008 Consolidated Operating Budget

(\$ in thousands)	E&G	Biology and Medicine	Auxiliaries	Total
Revenue				
Tuition and Fees	\$259,636	\$20,395	\$49,576	\$329,607
Endowment Income	85,380	11,074	561	97,015
Brown Annual Fund	29,887	1,840		31,727
Sports Foundation	3,173			3,173
Gifts for Financial Aid	3,000			3,000
Other Fund Raising and Restricted Gifts		7,300		7,300
Total Fund Raising	36,060	9,140		45,200
Indirect Cost Recovery	15,300	15,653		30,953
Sponsored Funding (Direct Costs)	70,010	50,764		120,774
Auxiliary Contribution	3,139	-	(3,139)	-
Bio-Med Contribution for Facilities*	5,900			5,900
Contribution to Bio-Med**	(6,179)	6,598		419
Other Sources of Revenue	31,741	4,935	29,031	65,707
Total Revenue	\$500,987	\$118,559	\$76,029	\$695,575
Expenditures				
Instruction and Academic Support				
Faculty Compensation	\$78,669	\$13,061		\$91,730
Start-Up	8,200	1,200		9,400
Graduate Student Support	39,958	7,571		47,529
Other Academic Support	41,173	18,458		59,631
Summer Studies and OIP	15,170			15,170
Libraries	22,948	612		23,560
Student Support				
Student Aid	56,906	3,990		60,896
Student Services	22,245	3,613	42,572	68,430
Athletics	12,253	-		12,253
Administration				
Gen'l Admin & Institutional Support	47,590	9,678	8,362	65,630
Development, Alumni & External Affairs	25,335	1,433		26,768
Computing	18,807			18,807
Facilities Operation and Maintenance	51,711			51,711
Facility Service Fees	(25,095)		25,095	-
One-Time Expenses	273			273
Vacancy Savings and Reallocations	(6,313)			(6,313)
Debt and Facility Renewal				
	28,924	9,659		38,583
Sub-total Expense	\$438,754	\$69,275	\$76,029	\$584,058
Sponsored Projects Exp. Base	\$70,010	\$50,764		\$120,774
Total Expense	\$508,764	\$120,039	\$76,029	\$704,832
Total Revenue	\$500,987	\$118,559	\$76,029	\$695,575
Total Expenses	\$508,764	\$120,039	\$76,029	\$704,832
Oper. Results/Use of Reserves/Balances	(\$7,777)	(\$1,480)	\$0	(\$9,257)
Cumulative Use of Reserves/Balances	(\$24,855)	(\$6,402)		

* Bio-medical share is included in debt and facility renewal

**Part of contribution is included in E&G faculty compensation and start-up

Appendix C

University E&G Operating Budget

(\$ in thousands)	FY07 Budget	FY08 Proposed	\$ Increase	% Increase
Revenue				
Total Tuition and Fees	\$247,594	\$259,636	\$12,042	4.9%
Endowment Income--Corpus	70,711	77,782	7,071	10.00%
Endowment Income--NewGifts	4,862	7,598	2,736	56.3%
Total Endowment Income	<u>75,573</u>	<u>85,380</u>	9,807	13.0%
Indirect Cost Recovery	14,566	15,300	734	5.0%
Brown Annual Fund Total	29,735	31,727	1,992	6.7%
BAF Med portion	(1,725)	(1,840)	(115)	6.7%
Brown Sports Foundation	2,939	3,173	234	8.0%
Gifts for Undergraduate Financial Aid	3,000	3,000	-	0.0%
Total Annual Fundraising	<u>33,949</u>	<u>36,060</u>	2,111	6.2%
Total Sponsored Funding	65,101	70,010	4,909	7.5%
Auxiliary Contribution	2,730	3,139	409	15.0%
Medical Contribution for New Facilities	5,700	5,900	200	3.5%
Contribution to Bio-Med	(5,941)	(6,179)	(238)	4.0%
Other Sources of Revenue	30,311	31,741	1,430	4.7%
E&G Revenue	<u>\$469,583</u>	<u>\$500,987</u>	<u>\$31,404</u>	6.7%
E&G Expense				
Instruction and Academic Support				
Faculty Compensation	\$72,676	\$78,669	\$5,993	8.2%
Start-Up	8,200	8,200	-	0.0%
Graduate Student Support	36,691	39,958	3,267	8.9%
Other Academic Support	38,343	41,173	2,830	7.4%
Summer Studies and OIP	14,447	15,170	723	5.0%
Libraries	21,886	22,948	1,062	4.9%
Student Support				
Undergraduate Aid	52,685	56,906	4,221	8.0%
Student Services	21,397	22,245	848	4.0%
Athletics	11,736	12,253	517	4.4%
Administration				
Gen'l Admin & Institutional Support	55,313	59,488	4,175	7.5%
Med School Interface Fee	(3,367)	(3,535)	(168)	5.0%
Admin and Security Fees	(7,704)	(8,362)	(658)	8.5%
Development, Alumni & External Affairs	24,365	25,335	970	4.0%
Computing	17,480	18,807	1,327	7.6%
Facilities Operation and Maintenance	49,070	51,711	2,641	5.4%
Facility Service Fees	(24,200)	(25,095)	(895)	3.7%
One-Time Expenses	175	273	98	56.0%
Vacancy Savings and Reallocations	(4,284)	(6,313)	(2,029)	47.4%
Debt and Facility Renewal				
	25,317	28,924	3,607	14.2%
Sub-total Expense	<u>\$410,226</u>	<u>\$438,754</u>	<u>\$28,528</u>	7.0%
Sponsored Projects Exp. Base	<u>\$ 65,101</u>	<u>\$ 70,010</u>	4,909	7.5%
Total E&G Expense	<u>\$475,327</u>	<u>\$508,764</u>	<u>\$33,436</u>	7.0%
E&G Revenue	469,583	500,987	31,404	6.7%
E&G Expenses	<u>475,327</u>	<u>508,764</u>	<u>33,436</u>	7.0%
E&G Oper. Results/Use of Balances	<u>(5,744)</u>	<u>(7,777)</u>	<u>(2,032)</u>	
Cumulative Use of Balances	(17,080)	(24,857)	(7,777)	
External Debt	415,400	466,300	50,900	

Appendix C

Division of Biology and Medicine Operating Budget

(\$ in thousands)	FY07 Budget	FY08 Proposed Budget	\$ Change	% Change
Bio-Med Revenue				
Medical Tuition	\$11,292	\$12,500	\$1,208	10.7%
MPH Tuition	1,195	1,476	281	23.5%
PhD Tuition	4,895	5,500	605	12.4%
Other Tuition & Fees	647	919	272	42.0%
Total Tuition & Fees	<u>18,029</u>	<u>20,395</u>	<u>2,366</u>	<u>13.1%</u>
Endowment Income-Corpus	9,931	10,924	993	10.0%
Endowment Income-New Gifts	-	150	150	
Total Endowment Income	<u>9,931</u>	<u>11,074</u>	<u>1,143</u>	<u>11.5%</u>
Indirect Cost Recovery	16,646	15,653	(993)	(6.0%)
Brown Annual Fund	1,725	1,840	115	6.7%
BioMed Fundraising (Unrestr, Pub Health)	2,945	2,800	(145)	(4.9%)
Restricted Gifts		4,500	4,500	
Sponsored Funding	53,238	50,764	(2,474)	(4.6%)
University Allocation	5,941	6,598	657	11.1%
Other Sources of Revenue	<u>4,763</u>	<u>4,935</u>	<u>172</u>	<u>3.6%</u>
Total Revenue	\$113,218	\$118,559	\$5,341	4.7%
Bio-Med Expense				
Instruction & Academic Support				
Faculty Compensation	\$11,605	\$13,061	\$1,456	12.5%
Startup	1,000	1,200	200	20.0%
Graduate Student Support	7,130	7,571	441	6.2%
Other Academic Support	14,009	19,070	5,061	36.1%
Student Support				
Med Student Financial Aid	3,764	3,990	226	6.0%
Student Services	3,533	3,613	80	2.3%
Administration				
Gen'l Admin & Institutional Support	9,278	9,678	400	4.3%
Development, Alumni, Ext Affairs	1,743	1,433	(310)	(17.8%)
Debt, Lease & Facility Renewal	9,659	9,659	-	0.0%
Subtotal Expense	<u>61,721</u>	<u>69,275</u>	<u>7,554</u>	<u>12.2%</u>
Sponsored Projects Expense Base	<u>53,238</u>	<u>50,764</u>	<u>(2,474)</u>	<u>(4.6%)</u>
Total Expense	\$114,959	\$120,039	\$5,080	4.4%
Bio-Med Revenue	\$113,218	\$118,559	\$5,341	4.7%
Bio-Med Expense	<u>114,959</u>	<u>120,039</u>	<u>5,080</u>	<u>4.4%</u>
Net Operating/Use of Balances	(1,741)	(1,480)	261	
Cumulative Use of Balances	(4,922)	(6,402)		