

Brown University

Report of the University Resources Committee to the President



February 2010

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I. Context and Conclusions

For the past year and a half, it has been clear that the University – along with almost everyone else in the world – faces budgetary and planning challenges the likes of which have not been seen for at least three decades. The meltdown of financial markets in the fall of 2008 and the global recession that followed resulted in the loss of trillions of dollars in world markets. For Brown, the most obvious loss was in the endowment, where the decline in investment values during 2008-09 reduced the overall value of our endowment by \$740 million, roughly one quarter of the almost \$2.8 billion we recorded as the value of the endowment on June 30, 2008. Similar declines in individual net worth for everything from home values to pensions to college savings plans have put pressure on everyone who cares about and invests in Brown, including students and their families as well as alumni and other benefactors. For the University Resources Committee (URC) – and for the University as a whole – this has meant looking at our budget with more focus and discipline than ever before, trying to balance revenues and expenses but, even more important, balancing the need to be a responsible employer and to maintain an appropriate level of support services with the need to focus an even larger portion of our available resources on the University’s most important academic priorities in the Plan for Academic Enrichment.

A year ago the administration projected that the gap between revenues and expenses in the E&G budget as a result of the global recession would reach approximately \$95 million by fiscal year 2014. The expected deficit in the budget for the Division of Biology and Medicine was approximately \$10 million. The size of Brown’s projected gap as a percentage of our overall budget was comparable to the deficits projected by our peers. In developing the current year’s budget (FY10), last year’s URC recommended actions of various kinds that reduced the projected gap by \$35 million for the E&G budget and eliminated most of the gap for the Division. Prominent among those recommendations were a salary freeze for faculty and staff, approximately \$6 million in specific budget reductions in administrative and supporting services, and lower ongoing expenses for facilities maintenance and debt service due to changes in the University’s capital plans. Through similar steps, the Division of Biology and Medicine closed most of its projected shortfall. To address the remaining \$60 million shortfall in the E&G budget, the administration planned to identify \$30 million in additional steps that could be taken for FY11, with the final \$30 million, if necessary, tackled from FY12 to FY14.

Many colleges and universities across the country, including some of our peers, have announced plans for significant across-the-board budget cuts and multi-year salary freezes to balance their budgets, and there is clearly some intuitive appeal in the ‘fairness’ of such a strategy. As we began to develop plans to close Brown’s remaining budget gap, however, the President and Corporation made it clear that the University should, if possible, pursue targeted reductions rather than further salary freezes or across-the-board cuts. We needed to preserve the gains made in recent years in our academic capacity and effectiveness through the Plan for Academic Enrichment and, indeed, were urged to find ways to continue the forward progress of that Plan even while identifying deficit reduction strategies.

Last year, the financial market collapse occurred very quickly, and the FY10 budget was developed in a period of unprecedented uncertainty, with no one knowing the ultimate duration or severity of the market decline. This year, in contrast, we had time to develop more strategic and nuanced approaches to deficit reduction. Despite the obvious challenges, the URC was charged with recommending to the President a balanced budget for FY11. Concurrently, the Organizational Review Committee (ORC), which was formed in the fall of 2008 and expanded last spring, was charged with identifying \$14 million in budget reductions and new revenue by reviewing and redesigning administrative support systems, processes, and organizations. That group worked throughout the fall with twelve teams of staff, faculty, and students and has just recently completed its report and sent its recommendations to the President. For the URC, the importance of the organizational review was that we could expect that process to produce significant savings, close to half of the overall target of \$30 million for FY11. At this point, although the President is still considering whether to accept all of the ORC's recommendations, the URC is confident that, through some combination of the actions recommended by the ORC and some limited operating budget reductions planned by the administration, the \$14 million target can be achieved without harming the University's most important academic priorities.

The members of the URC recognize that nothing about the organizational review process has been easy and that implementation of the ORC recommendations will require a number of sacrifices by many members of the University community. But the efforts of all of the review teams and those who will be responsible for implementing the changes have allowed the URC to recommend a balanced budget for FY11 that not only meets the deficit reduction target but also provides funding for critical investments in several priorities in the Plan for Academic Enrichment. It enables the URC to recommend some improvements in the financial aid programs for undergraduate, graduate and medical students, along with salary increases for both faculty and staff which, while not as large as we would like them to be, should allow us to remain competitive. Finally, we are also able to avoid across-the-board cuts and preserve the best of the student experience, both in the classroom and, we believe, in the overall educational experience. Without the \$14 million in deficit reduction achieved through the ORC process, all of that would have been very much at risk.

Key Findings and Recommendations

The URC's recommendations continue critical investments in the priorities of the Plan for Academic Enrichment, provide modest additional resources for the Graduate School, the College, and the Division of Biology and Medicine, compensation increases for faculty and staff, and address high-priority areas identified in the University's NEASC reaccreditation review. Given the constraints on growth this year, the committee was asked at the outset of its deliberations to focus on the University's highest strategic priorities, and that is what we tried to do.

The URC recommends a balanced FY11 consolidated University budget of \$786.6 million, as well as balanced budgets for each component as summarized below.

\$ in millions	E&G Budget	Biology & Medicine	Auxiliary Operations	Total Operating Budget
Revenue	\$564.8	\$140.3	\$81.5	\$786.6
Expense	564.8	140.3	81.5	\$786.6
Surplus/(deficit)	0.0	0.0	0.0	0.0

The proposed E&G budget of \$564.8 million represents an increase of \$15.3 million, or just 2.8%, over the FY10 E&G expenditure budget. The Division of Biology & Medicine has proposed a balanced FY11 budget as well, planning for \$140.3 million in revenue and expense, an increase of \$12 million, or more than 9%, over the FY10 expense budget. The primary reason for the relatively large increase is that the Division's budget takes into consideration the impact of federal stimulus dollars (ARRA) on sponsored funding, as well as faculty hiring in biology and public health.

The URC recommends that the Auxiliary Operations budget for FY10 be set at \$81.5 million, a 2.5% increase from the current year's budget, and include an expected contribution of \$5.7 million in net income to support the University budget.

The committee recommends that total undergraduate student charges be increased by 4.4% to \$51,296 for 2010-11, and that the University budget for an undergraduate enrollment of 5,895 students (up 2.6% from the number budgeted for FY10 but up less than 1% from the number of students actually enrolled in the 2009-10 academic year). The committee supports this increase in the tuition rate for FY11 in order to meet the need for additional revenue to support academic programs, and to address the fact that net tuition revenue (total tuition revenue minus the amount spent on financial aid) has declined in each of the prior two years. We know that this increase will not be easy for students and their families, but we are confident that the additional funding we have recommended for financial aid will mitigate the impact on those families and students with the greatest needs. The URC also recommends a 5.0% increase in medical school tuition, bringing the total tuition to \$43,064 for the coming academic year. The budget for the Division of Biology and Medicine (BioMed) also includes a significant increase in financial aid to offset somewhat the higher tuition.

The recommended budget assumes that the payout from the existing endowment will decrease by 20% in FY11 and that there will be \$1.9 million in new endowment payout based on a projected \$35 million in new gifts to the endowment this year. Overall the recommended endowment payout would be 4.6% of the 12-quarter average market value as of December 2009 (well within our spending policy range of 4.5% to 5.5% of the 12-quarter average). Endowment income is expected to comprise 16.3% of E&G revenue, a significant decrease from the 20% of revenues provided by endowment in FY09.

Despite a challenging climate for fundraising, the University Advancement Office has set a goal of increasing Brown's FY11 annual giving receipts by 3.3% over its FY10 goal. Annual giving includes funds raised through the Brown Annual Fund, the Brown Sports

Foundation, and unrestricted gifts raised for financial aid. As a result, the recommended budget target is \$41.1 million combined for the three annual giving programs, with \$39.1 million budgeted in E&G and \$2.0 million in Biology and Medicine.

While the committee was mindful throughout its deliberations of the need for extreme prudence in the budget process, the recommendations detailed here target additional resources to advance several key objectives of the Plan for Academic Enrichment. After reviewing more than \$35 million in budget needs, the committee has collectively identified \$26.6 million in specific allocations that it is recommending to the President. In particular, the proposed budget maintains Brown's commitment to need-blind undergraduate admissions and allocates additional resources to undergraduate scholarships in order to meet that commitment. It provides support for more doctoral students with higher stipends, and it includes one-time funding to implement a research assistant (RA) incentive policy for academic departments that is expected to stimulate an increase in the number of graduate student research assistants supported by external grants. The recommendations provide enhanced support for faculty research through new high performance computing capabilities in the Center for Computation and Visualization, additional funds for cost sharing on grants and additional staffing in the Office of Sponsored Projects. New resources are recommended to alleviate inflationary pressures in library and information technology resources, even as the committee endorses the Library's review of serials collections policy. The budget allows for modest improvements in programs supporting students, for example, writing and advising programs in the College, and staffing and program funds for Campus Life. Finally, after a year in which most staff and faculty salaries were frozen, the committee endorses a faculty compensation pool of 4% for merit, promotion, and equity and a staff compensation pool of 3% for merit and equity.

Outlook for the Future

Over the past seven years, Brown has accomplished many of its academic enrichment goals, but Brown must continue to pursue an aggressive and strategic agenda to strengthen its academic programs and sustain and improve its position as an outstanding research university. As a result of the current economic environment the University has modified the pace at which it is making further investments in the Plan for Academic Enrichment, but the PAE continues to provide a blueprint for advancing the University's teaching and research mission. The turmoil in the financial markets and the depth of the recession will continue to have an impact on Brown in a number of ways, from investment performance to fundraising results to financial aid, but the University approaches these challenges from a position of strength and accomplishment. The recent accreditation letter from the New England Association of Schools and Colleges (NEASC) lauded Brown as "one of the premier educational institutions in the United States," and determined that the University "seems well positioned to achieve its ambitious goals for the future."

The URC began and ended its work on the FY11 budget by reviewing Brown's multiyear financial forecasts, which project expenditures and revenues for the next five years. After achieving the \$30 million towards deficit reduction in FY11, the E&G expenditure

budget is projected to grow by 4.6% a year through FY15. With net revenue (after financial aid expenses) expected to grow at 2.8%, the resulting deficit would quickly reemerge and, if we do nothing to prevent it, that deficit would reach more than \$22 million by FY15. With that in mind, the focus for FY11 through FY14 must be on finding means of increasing revenues while restraining the growth of expenditures.

This spring, following the establishment of the FY11 budget by the Corporation at its February meeting, the URC will work with the administration to begin planning for fiscal year 2012 and beyond.

II. Economic and Competitive Environment

As was the case last year, the URC had to consider the major challenges facing Brown – the continued instability of the global economy, ongoing concerns about the accessibility and affordability of American higher education, and uncertainty about the depth and duration of the recession – and within the current economic and competitive environment how to preserve the essential qualities of Brown’s education experience and to sustain the momentum of the Plan for Academic Enrichment.

While the national economy and financial markets began over the summer and fall to show signs of improvement, considerable near-term risk and uncertainty remain. Although endowment performance was better in the latter half of 2009 than our plans of a year ago had anticipated, many economists remain concerned about the possibility of a “double dip” recession, and unemployment rates remain stubbornly high. Given the volatility of the stock market and housing prices, our financial aid projections must continue to anticipate adverse effects of the economy on our students and their families.

The impact of this economic upheaval and uncertainty continues to reverberate across higher education in the U.S. For FY09, the average annual return of the fifty largest higher education endowments was -20.4%. Although the exact mix of revenue sources varies among our peers, all private research universities rely on the same primary sources of revenue: tuition, endowment, fundraising, and sponsored research. Our peer institutions are all trying to cope with the impact of significantly lower endowment market values, fundraising during a very deep recession, and greater need for student financial aid. Last year, many private colleges and universities announced staff reductions, hiring and salary freezes for both faculty and staff, and operating budget cuts. This fall, our peers continued to adjust their operating budgets, reassess their capital plans, and explore ways of reorganizing their operations to reduce expenses and increase revenue. Even with the significant pressures on their finances, however, the vast majority of our peer institutions have maintained their commitment to undergraduate financial aid, even those that had implemented more generous aid policies in the year or two before the recession. Our primary competitors also remain committed to advancing their stature and effectiveness by investing in faculty, academic programs and facilities, and Brown must continue to compete with those institutions for faculty and students.

Anticipating the difficult circumstances in which the URC would shape its recommendations for FY11, Provost David Kertzer and Executive Vice President Elizabeth Huidekoper shared with senior officers before the start of the academic year the likely effect of external economic circumstances on the University budget. They also amended the process by which individual units presented their priorities to the committee in order to focus the committee's time and attention on the most pressing and strategic needs of the University. Senior officers responded to this guidance by limiting their funding requests to key PAE priorities and to investments targeted to address issues raised by the NEASC review team. The committee was briefed at several key points on the parallel work of the Organizational Review Committee and the twelve teams working under its auspices. The committee was also told of the work being done to review basic business processes and procedures in an effort to streamline those processes, avoid unnecessary duplication and inefficiency, and identify potential savings in operating budgets.

The impact of the economic and competitive landscape is apparent in the committee's recommendations: a substantial decrease in the payout from the endowment, modest growth in tuition and fees, more funding for financial aid packages, a slower pace for investments in Academic Enrichment in areas such as faculty expansion, flat operating budgets in most units, and extensive budget reductions and reallocations.

III. Procedures of the Committee

The University Resources Committee's role is to review and analyze Brown's finances and to make recommendations to the President on all budgetary plans, proposals and priorities, both current and future. The URC brings together faculty, students, staff, and senior administrators with a range of academic and institutional perspectives. The committee is chaired by the Provost and is composed of six elected faculty members, five administrators serving as ex-officio members, five students (two each from the College and the Graduate School, and one from the Medical School), and two staff members. (Appendix A contains the full membership list.)

In fulfilling its charge, the URC evaluates requests and weighs 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 Auxiliary Operations budget. The committee also reviews the University's capital plans and capital budget, with a particular emphasis on their operating budget implications.

The committee structures its work in several parts: background and orientation meetings, a series of presentations from selected senior officers on plans and priorities, and deliberative meetings to develop budget recommendations. All committee meetings were held in closed session to allow for frank discussion among URC members and the senior officers who came before the committee. In addition, the committee held two open forums where faculty, students and staff were invited and encouraged to share their perspectives on budget priorities. Appendix B lists the complete URC meeting schedule.

During the orientation meetings, committee members were briefed on the University's budget process and overall financial condition, especially the factors that have the most significant impact on the University's financial situation (both now and in the future), the progress Brown has made toward its academic enrichment priorities, and the recommendations of the NEASC review team. The committee also reviewed the University's multi-year financial projections.

Given the economic climate, this year the URC focused its attention during its meetings with senior officers on a number of key issues and concerns:

- the pressures on undergraduate financial aid expenditures and tuition revenue
- the resources necessary to enhance the excellence and competitiveness of doctoral programs
- priorities and plans of the Division of Biology and Medicine
- opportunities and strategies to expand the University's sponsored research funding base
- compensation for faculty and staff
- the impact of capital projects, management of debt, and fundraising on the operating budget
- inflationary pressures in the library, information technology and other areas identified as priorities by the NEASC review team.

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

The URC recommends that the University budget \$564.8 million in E&G revenues in FY11, an increase of 2.8% over the \$549.5-million FY10 budget. In addition, it is expected that the auxiliary operations will generate \$81.5 million in total revenues.

Tuition and Fees

In preparing its recommendations for tuition and fee increases for FY11, the committee carefully weighed continued public perceptions regarding the affordability of college, and also the difficulties faced by current and prospective Brown families in paying the cost of a private university education. This is especially challenging for Brown, which is more dependent on tuition revenue than most of the leading research universities with which we compete for students. To provide a firm base of support for the University's finances, one of the financial goals of the Plan for Academic Enrichment is to diversify Brown's sources of revenue. Over the past few years, the University has made progress: tuition and fees contribute about 52% of the revenue in the FY10 budget, down from about 58% seven years ago. Last year, the University increased total student charges (tuition, fees, room and board) by 2.9%, the lowest increase in about forty years and among the lowest in our peer group, in an effort to minimize additional financial pressures on families at a time of great economic uncertainty. This year, the committee remained fully cognizant of these pressures, but also recognized the vital role that tuition revenue plays in supporting

the University's most basic teaching and research activities, from faculty salaries to library collections to undergraduate research projects.

Brown's total tuition and fees are toward the lower end of our Ivy League peers, with Columbia, Cornell, Penn and Dartmouth above us and Harvard, Yale, and Princeton below. For FY10, increases in total charges by our Ivy peers ranged from Princeton's 2.9% increase (the same percentage increase as Brown), to 4.8% at Dartmouth. Among a larger cohort of sixty private institutions, Brown's total charges rank forty-fifth highest, and year-over-year increases among those institutions ranged from 2.8% to 5.7%.

The committee carefully deliberated the merits of both smaller and larger tuition and fee increases. In the end, members of the committee felt that generating additional tuition revenue was essential to sustaining the quality of the student experience at Brown, and appropriate in light of the competitive landscape and the significant investment the University is making not only in improving the quality of academic programs, but also in facilities such as the Robert Campus Center and the aquatics and fitness center. The URC recommends, therefore, an increase in total student charges of 4.4%, bringing tuition, room, board, and fees to \$51,296 for 2010-11. Although we do not know what our peers are planning for next year, we believe that the increase we are recommending will keep our total costs in line with peer universities. The individual components would increase as shown:

Proposed Undergraduate Tuition and Fees

	FY10	% Change	FY11	\$ Change
Tuition	\$38,048	4.9%	\$39,928	\$1,880
Room	\$6,360	2.5%	\$6,522	\$162
Board (20 Meals)	\$3,920	2.5%	\$4,018	\$98
Health Services Fee	\$630	3.2%	\$650	\$20
Student Activities Fee	\$170	4.7%	\$178	\$8
Total	\$49,128	4.4%	\$51,296	\$2,168

The URC is endorsing the Undergraduate Council of Students (UCS) request for a 4.7% increase (\$8) in the undergraduate student activities fee, which follows on this year's increase of 3.7%. The student activities fee generates about \$970,000 annually for the UCS to allocate to more than 200 student organizations. Since the student activities fee is a part of the total student charges, the URC reviewed this request as part of its discussion of the overall level of fees.

The committee recommends a \$10 increase in parking rates: from \$510 to \$520 (a 2% increase) for the employee rate and from \$720 to \$730 (a 1.4% increase) for the student overnight rate. With these increases, our parking rates will remain below the fees charged in Providence or by most of our peers. The University's parking revenue support the University's vital transportation network, including more than 75 parking lots, shuttle services around College Hill and to downtown and the Jewelry District, disability

transportation services, and the RIPTA Upass program, which encourages the use of public transportation by providing free bus service throughout Rhode Island for all Brown students, faculty and staff.

Enrollment

The committee recommends an enrollment budget target of 5895 undergraduate students in 2010-2011, an increase of 150 over the current budgeted enrollment but only fifty more than actual enrollment this year. This increase will be accomplished by holding the size of the entering first-year class constant at 1485 and increasing the number of transfer students admitted to 120 for the fall and 50 for the spring. The Dean of the College, the Vice President for Campus Life, the Dean of Admissions, and the Director of Financial Aid all expressed confidence that this increase can be absorbed without diminishing the quality of the students we admit or the student experience at Brown.

Net Tuition

Net undergraduate tuition (total undergraduate tuition revenue less financial aid expenses) is a more accurate measurement of how much tuition revenue the University actually receives. For FY09, Brown changed its financial aid policies to remain more competitive with peer institutions. Those changes alone, which eliminated loans for many students and sharply reduced parental contributions for many families, added \$7 million to the financial aid budget. For FY10, Brown, again, increased its aid budget significantly to meet the needs of families affected by the recession. As a result, from FY08 to FY10, net tuition decreased by about \$3 million.

For FY11, with the additional transfer students, the URC projects that net tuition revenue will increase by \$11.3 million. As shown in the table below, over the last three years, with a 3.9% average annual increase in tuition and a 13% annual increase in financial aid, the University's net tuition has grown by just 1.9% per year on average.

	FY08	FY09	FY10 Budget	FY11 Estimate	Avg. Annual Increase
Tuition Rate	\$35,584	\$36,928	\$38,048	\$39,928	3.9%
# of FTE Undergraduates	5,647	5,782	5,743	5,895	1.4%
(\$ in thousands)					
Total UG Tuition Revenue	\$201,998	\$214,250	\$219,271	\$235,373	5.2%
Undergraduate Financial Aid	56,302	69,489	76,491	81,288	13.0%
Net Tuition Revenue	\$145,696	\$144,761	\$142,780	\$154,085	1.9%

Endowment Draw

Nowhere has the turbulence of the financial markets had a greater impact on institutional finances than on university endowments. Although recent months have seen a number of positive developments in the national economy, the Brown Corporation has advised that the University should assume that the recovery will be slow and take the necessary steps now to achieve a sustainable level of endowment payout.

Brown's endowment spending policy is designed to dampen the effect of market swings on the University budget. It assumes that markets will go up and down, and its goal is to provide a stable and steadily increasing income stream for the budget. Specifically, it stipulates that, ordinarily, 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. By allowing the spending rate to vary while also averaging the value of the endowment over an extended period of time, the policy enables the University to smooth out the effect of drops or surges in the financial markets. In addition to the parameters specified in Brown's endowment spending policy, the University also tracks its endowment payout as a percentage of the current market value.

For FY10, the endowment draw was set at 5.5% of the 12-quarter average, resulting in a one percent decrease in endowment payout compared to the FY09 payout. Although the payout for the current year is within the allowable policy range, the payout is 6.4% of current market value, a level that is unsustainable for Brown's long-term fiscal health.

Given that the endowment market value decreased by \$740 million during FY09, the Corporation has advised that the endowment payout needs to drop well within the spending policy range and should be closer to 5% of the current market value. Furthermore, taking one large reduction in the coming fiscal year rather than smaller reductions over a number of years would position the University for growth as the endowment market value rebounds. For FY11, the URC has assumed that the endowment payout will decrease by 20% compared to the payout in FY10. This reduction will bring the payout in line with the reduced size of the endowment corpus and would be 4.6% of the 12-quarter average market value. Assuming growth of 5% in the endowment market value through June 30, 2010, the FY11 payout would be 5.1% of the market value at the start of the upcoming fiscal year. Although the current planning assumption is that the payout would remain flat (a 0% increase) from FY12-FY14, there is a possibility of modest increases if the University is able to generate average annual returns on the order of 6% to 8% or more.

Endowment income for FY11 will decline by about \$20 million, offset slightly by \$1.9 million income on \$35 million in new gifts. In total the URC projects that \$91.9 million in E&G endowment income will be available to support the University budget next year.

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 vital source of financial support for the research enterprise at Brown.

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 committee looked at each of these factors in considering projections for indirect cost recovery in FY11 with particular attention to anticipated new grants flowing through the American Recovery and Reinvestment Act (ARRA), often referred to as federal stimulus funds.

After a decade of nearly 9% average annual growth in research funding at Brown, the University's rate of growth in research funding fell off significantly from FY07 to FY09. This flattening resulted from slower growth in federal funding, from a switch in grant making practice that has led agencies to make a greater number of smaller grants, and from a tendency by some agencies to target offers of support to well-established investigators. Since February 2009, however, Brown researchers have been awarded more than \$32 million in stimulus funds, most of it from the National Institutes for Health (NIH) and the National Science Foundation (NSF). The Vice President for Research projects that Brown will receive more than \$6 million in additional indirect cost recovery over the next two to three years as a direct result of the ARRA funding.

The University's indirect cost rate was 60% for FY09 and 61.5% for FY10. The Department of Health and Human Services has approved a rate of 62 % for FY11.

Taking all of these factors into consideration, the committee recommends a 5.8% increase in the target (\$17 million) for indirect costs in the E&G budget, and a target of \$19.8 million for the Division of Biology and Medicine, an increase of 15.8%. The \$36.8 million in total budgeted indirect costs for FY11 represents a 10.8% increase over the FY10 budget.

Indirect Cost Recovery (\$ in millions)

	FY10 Budget	FY11 Plan	% Increase
E&G	\$16.1	\$17.0	5.8%
Biology and Medicine	17.1	19.8	15.8%
Total	\$33.2	\$36.8	10.8%

Annual Giving and New Gifts to Endowment

Annual giving is a key component of the *Boldly Brown* campaign, and the Brown Annual Fund – the University’s primary vehicle for annual giving – is a major source of unrestricted operating revenue for the University. With the generous support of Brown alumni, parents, and friends, annual giving has more than doubled since 2001 when President Simmons arrived on campus.

Despite the economic turmoil of the past eighteen months, alumni, parents, and friends have continued to support Brown generously. In both FY08 and FY09, Brown raised \$35 million in the Brown Annual Fund. In FY09, the University also raised \$3.5 million in annual funds for athletics and more than \$2 million for undergraduate financial aid. Anticipating the impact of the recession on philanthropy, for FY10 the University budgeted a total of \$37.9 million for the three annual giving programs (\$32.8 million for the annual fund, \$3.1 million for athletics and \$2 million for financial aid), a decrease of 6% from the FY09 results. With five more months to go in the current fiscal year, the University’s fundraising leadership is hopeful that Brown will raise closer to \$39.5 million during FY10.

For FY11, the recommended budget includes a total annual giving target of \$41.1 million, an increase of 8.3% from the FY10 budget goals or less than 4% higher than the amount Brown hopes to raise this year. The \$41.1 million goal would be allocated as \$39.1 million in the E&G budget and \$2 million allocated in BioMed. Income from new gifts to endowment is expected to add approximately \$2 million to E&G revenues. With the current state of the economy, however, it will be important for the administration to monitor fundraising progress and pledge payments closely in the coming months.

Annual Giving (\$ in millions)

	FY10 Budget	FY10 Projected	FY11 Proposed	% Increase from FY10 Budget	% Increase from FY10 Projected
Brown Annual	\$32.8	\$34.4	\$35.9	9.4%	4.4%
Sports Foundation	3.1	3.1	3.1	3.3%	3.3%
Financial Aid	2.0	2.0	2.1	5.0%	5.0%
Total	\$37.9	\$39.5	\$41.1	8.3%	3.9%

Deficit Reduction

The committee’s recommendations assume that the University will achieve \$14 million in operating budget savings and new revenue through a combination of proposals recommended by the Organization Review Committee (ORC) and mandated operating budget cuts.

The twelve separate organizational review teams have recommended realignment of a variety of administrative functions for more effectiveness and efficiency, streamlined business processes, and service reductions in selected areas that will allow the University to reduce staffing levels. The staff reductions will largely be accomplished through the voluntary retirement incentive program and the vacancy review process. To the maximum extent possible, departments and divisions will eliminate already vacant positions or positions where the incumbent has chosen to retire by June 2010. Some staff layoffs, however, are also likely to occur to meet the deficit reduction targets. Several teams, particularly those examining the auxiliary operations (dining, housing, etc.) and continuing education programs, recommended options for increasing revenue.

Concurrent with the organizational review, a committee led by the University's Controller reviewed Brown's departmental operating expenses and its procurement policies and procedures. Based on the recommended changes in policies and procedures, the administration will seek to reduce operating expenses across the University. The URC recommends asking all senior officers to develop plans for their units to reduce their operating budgets (excluding critical programmatic funds such as library acquisitions, faculty start up, insurance programs, computing hardware and software contracts, athletics team travel, and facility contract services.) The committee recognizes that it may be necessary to use some contingency funds to meet the total savings target because some organizational review teams included operating budget reductions in their recommendations.

It is not within its purview for the URC to review the individual recommendations regarding organization review, but based on the summary information provided to the committee by the administration, the URC is confident that Brown can achieve the \$14 million of savings and new revenue that the committee has assumed in its FY11 budget recommendations.

Use of Reserves

In FY04, the Corporation approved a plan for financing the Plan for Academic Enrichment premised in part on the prudent use of reserves. From FY04 through FY08, the University's use of balances and reserves totaled about \$15 million, a slower pace than originally anticipated. In FY09, although projected to make use of another \$3 million dollars in reserves, the E&G budget ended with a \$2.4 million surplus.

Given the uncertainty confronting the University's financial capacity over the next several years, the URC recommends a fiscal year 2011 budget that is balanced, with no use of reserves. The Division of Biology and Medicine has also proposed a balanced budget for the coming year.

V. Expenditure Recommendations for the E&G Budget

Since the formulation and implementation of the Plan for Academic Enrichment, the University has made ongoing efforts to direct most new discretionary resources in support of the Plan. Such discipline has been vital given the scale of the investments

involved. More than \$200 million has been added to the University's E&G operating budget since FY03, with the most substantial increments going toward key plan objectives: increasing the size of the faculty and improving the competitiveness of salaries for continuing faculty; improving the University's undergraduate financial aid program, notably by introducing need-blind admissions and reducing family contributions and loan levels; strengthening the Brown Graduate School by attracting better students and providing them with aid packages comparable to those at institutions with which we compete; and expanding and renewing University facilities and infrastructure.

The progress made to date in achieving the goals set forth by the PAE has depended a great deal on the ability of the URC and University leadership to make disciplined spending decisions. That is especially true this year given the severe limitations on incremental income and the need to identify an additional \$30 million in savings. In the course of the URC deliberations this fall, it was definitely not business as usual. Instead of requests for additional expenditures from each academic and administrative unit, the focus was on reallocating available savings from the organizational review and finding sources of revenue increases.

For FY11, senior officers originally identified more than \$35 million of incremental budgetary needs. Given the stresses on the University's near-term finances, the URC had to make difficult choices among the competing resource requests. The committee's final recommendation includes funding for \$26.6 million of the highest priority needs. Of that number, about \$14.6 million is recommended for essential or critical investments in faculty, staff, students and PAE priorities, and the remaining \$12 million is a result of non-discretionary obligations and inflationary increases.

The committee is recommending an E&G expense budget of \$564.8 million, an increase of 2.8% over FY10.

Competitive Compensation

Compensation for faculty and staff accounts for roughly 50% of the expenses in the E&G budget. The objectives of the PAE include improving the competitiveness of faculty salaries and ensuring that staff compensation is at levels comparable to local and national markets. From 2003 to 2009, Brown allocated substantial resources to increase faculty and staff salaries. The University also enhanced a broad array of fringe benefits, including the tuition aid program for faculty and staff children, dental insurance coverage, reward and recognition programs, and a winter break for all employees. For the current year, however, due to the daunting economic situation and with the knowledge that many peer institutions were taking similar steps, the University froze salaries for most faculty and staff. The University did, however, modify its health insurance program to lower the cost of two-person and family coverage for all employees in the middle and upper salary ranges.

Faculty Compensation and Support. Maintaining faculty salaries at a level sufficient to attract and retain outstanding faculty is a major PAE goal, but data reviewed

by the committee show that progress made in the early years of the Plan has been eroded somewhat over the past few years by aggressive salary increases at many peer universities. In light of this erosion, the freeze on faculty salary increases that was in effect this year, and an expected resurgence in competitive pressures for faculty, the committee determined that it was imperative to increase faculty salaries next year. The committee, therefore, recommends a 4% pool for faculty salary increases in FY11 to include merit, equity, and retention and promotion. The cost associated with this recommendation is \$3.1 million.

Staff Compensation. Brown is committed to maintaining and enhancing its position as an outstanding employer and has made new investments in staff salary and benefit programs in recent years. In addition, the University offered performance-based bonuses as often as resources allowed. The University also increased staff participation in institutional governance and developed training programs to build the leadership, financial, and technical skills of administrative employees.

Notwithstanding the array of positive actions Brown has taken over the past eight years, the deficit reduction strategies undertaken by the University have had a significant impact on staff. The freeze on most staff salaries in FY10 (the second consecutive year for the most highly compensated staff) and the absence of university-wide bonuses in FY09 and FY10 have made our salaries less competitive. The decrease in job growth opportunity, operating budget reductions that have decreased opportunities for professional development, and the workforce reductions that have resulted from the vacancy review process and position eliminations last year have heightened staff anxieties.

In her presentation to the URC on staff compensation, the Vice President for Human Resources emphasized the importance of offering performance-based raises to recognize staff at all levels of the University, many of whom have contributed in extraordinary ways to both the success of the PAE and to Brown's response to the economic crisis. The URC agrees that salary increases are essential to retain top staff, to bolster staff morale and motivation during a prolonged period of contraction and reorganization, and to ensure that Brown can continue to attract talented staff. The URC is recommending a 3% salary pool for performance-based raises and to address issues of internal or external salary equity. In addition, the proposed budget includes funding for increases included in Brown's collective bargaining agreements, which are of a comparable size. In total, the recommended FY11 budget includes \$4.9 million for increases in staff salaries.

Faculty and Staff Benefits. Brown spends more than \$80 million a year on faculty and staff benefits. The University provides a comprehensive benefit package that includes health and dental insurance, retirement savings, life insurance, faculty sabbaticals, faculty and staff assistance program, back-up care assistance, and educational benefits for employees and their children.

Health insurance is our most expensive benefit and the costs, for both Brown and employees, have grown significantly in the last decade. The University's objective is

to provide excellent and competitive health insurance coverage and to share the costs equitably with employees. Brown offers two comprehensive health plans (and one catastrophic coverage plan) that offer employees excellent coverage. Compared to our higher education peers, the employee cost of health insurance is very competitive at lower salary levels, but not competitive at the mid and higher salary levels. To address this issue, the University revised its health insurance contributions as of January 2009. Under the new contribution schedule, the employee's share of two-person or family level coverage for health insurance has been reduced for faculty and staff in the middle and upper salary ranges.

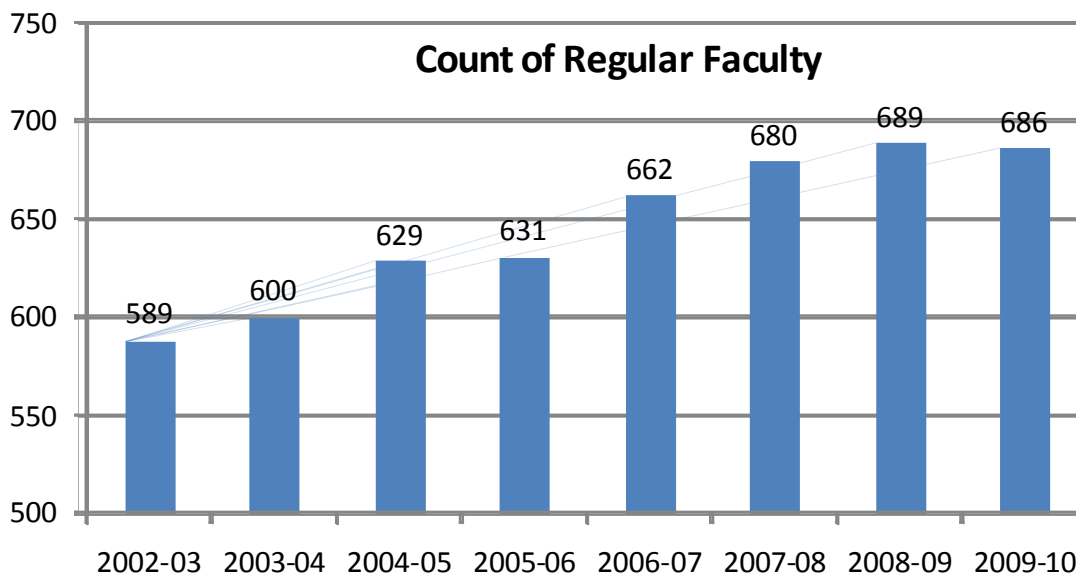
The University has successfully pursued a variety of strategies to rein in benefit costs, particularly for health care. In 2008, Brown moved to a self-funded health insurance model at a savings of about \$3.5 million per year. In 2010, prescription coverage has been carved out of health insurance to achieve \$1.4 million in savings over several years with no change in service or coverage. Additionally for 2010, health insurance premiums increased by less than 1%; dental insurance premiums remained unchanged; and the University negotiated lower group life insurance premiums for employees who buy voluntary coverage.

For FY11, Brown is combining its faculty and staff fringe benefit rates into one blended rate of 30.5% for full-time employees (an increase of two percentage points to the current faculty rate and a decrease of one percentage point on the current staff rate). To accommodate the blending of the rates and increases in fringe benefits related to faculty and staff salary increases (retirement and other benefits are a percentage of salary), the URC is recommending an additional \$50,000 in benefits expenses in next year's budget.

Faculty Excellence in Teaching and Research

Attracting and retaining outstanding faculty is a key component of the PAE , and the linchpin of the university's standing as a major research university. For several years, the University accelerated the pace of faculty hiring and worked aggressively—and with considerable success—to recruit leading scholars across the academic disciplines. In 2008-09, Brown had 689 regular faculty, an all-time high.

At the start of the current academic year, Brown had 686 regular faculty, a slight reduction due in part to a decision to moderate the pace of faculty hiring in light of budget constraints and uncertainties. The total includes 82 new faculty positions created by the Plan for Academic Enrichment.



In addition to expanding the size of the faculty, 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.

New Faculty and Faculty Start Up. The Plan for Academic Enrichment calls for an increase of 100 in the size of the Brown faculty, an objective that has not yet been fully accomplished. In FY10, the University is conducting 45 faculty searches for positions funded through the E&G budget with the faculty members hired into these positions expected to start work at Brown in September 2010. This total includes three searches in Biology and Medicine, a figure that is only a subset of the total number of searches being conducted by the Division. Under a long-standing arrangement, the E&G budget covers the start-up costs associated with all biology faculty hires, new and replacement, as well as the salaries of the new biology positions allocated under the PAE, while the Division is financially responsible for salary and start up associated with faculty appointed in the Brown Medical School and the Program in Public Health.

Based on estimates from the Dean of Faculty and Dean of Biology and Medicine the URC recommends budgeting for 689 faculty positions in FY11. The size of faculty will, of course, depend on how many faculty leave Brown through resignations or retirement as well as the number of successful searches.

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, but it is difficult to determine precisely the rate at which faculty members will draw on their start-up funds. In recent years, the start-up budget was not fully spent, and the University set aside the unused funds as a reserve to cover future costs. However, in FY09, \$8.1 million was expended. After review of the current start-up obligations in combination with historical rates of expenditure by year/faculty type

and newly awarded start-up packages, the Dean of the Faculty requested a \$1 million increase to the start-up budget for FY11. The URC recommends an increase of \$500,000 for start-up with the understanding that pressures on the start-up budget will have to be carefully monitored in the future, particularly when the pace of faculty hiring increases.

Leave Savings. In FY10, the number of unpaid faculty leaves is much lower than expected (37 actual vs. 65 projected based on recent experience) which increased E&G expenses for faculty salaries and reduced leave savings in the Dean of Faculty's budget. It is expected that the FY10 pattern (caused, we believe, by contractions in opportunities for leaves funded by foundations or visiting positions at other universities) will continue. To mitigate this deficit, URC recommends adding \$644,000 to the budget.

Support for Research. Strong support for research will enable Brown to continue to attract and retain the most sought-after faculty. The Vice President for Research, the Dean of Medicine and Biological Sciences and others have been pursuing a number of initiatives to improve the University's effectiveness in attracting sponsored funding and to enhance the support we provide to faculty researchers. In November, Brown, in collaboration with IBM, became the home of a new multi-million dollar supercomputer, the most powerful computational system in Rhode Island. The supercomputer, which is part of the University's Center for Computing and Visualization, will be used by researchers in many disciplines, at Brown and statewide, whose projects involve intricate, very large data sets.

As Brown's research activities have grown (totaling nearly \$140 million in FY09), so have the requirements for federal reporting and compliance. The University's Office of Sponsored Projects performs many of the required administrative tasks related to sponsored funding. The level of staffing support, however, has not increased to keep up with the volume of research proposals, awards, and expenditures.

For FY11, the committee recommends incremental funding of \$866,000 for the Vice President for Research to support the University's research infrastructure and to meet increased compliance requirements. The URC expects that the funding will enable several positions to be added in the Center for Computing and Visualization to support high-performance computing, additional staffing in research administration, and more cost sharing on grants.

Strategic Support for Academic Programs and Initiatives. In recent years, the University has launched and supported a series of multidisciplinary initiatives designed to enrich the educational and research programs of the University. Among these initiatives are the Internationalization initiative; the Brown-Trinity Consortium, the Institute for Molecular and Nanoscale Innovation; the Cogut Humanities Center; the Environmental Change Initiative; Spatial Structures in the Social Sciences (S4); the Center for Computational Molecular Biology; the Institute for Brain Science and the associated Vision Center; the Program in Commerce, Organizations and Entrepreneurship; and Brown's joint doctoral program with the Marine Biological Laboratory in Woods Hole, Massachusetts. These initiatives have resulted in the recruitment of outstanding faculty

and graduate students, path-breaking research across many disciplines, new undergraduate learning and research opportunities, and increased external support to the University.

Maintaining the excellence of current programs and ensuring that the University has the capacity to seed new initiatives is a high priority for Brown. The Committee recommends that \$770,000 be made available to the provost in FY11 to support continuing and new academic initiatives, including the Brown-Trinity Consortium, an expanded partnership with the Marine Biological Labs in Woods Hole, and start-up for an anticipated Center for the Study of Slavery and Justice. In addition, the committee recommends \$80,000 for incremental programmatic expenses for the Creative Arts Center, scheduled to open in December 2010. It is anticipated that the CAC Advisory Board will continue to fund the balance of operating costs for the Center through FY13.

Enhancing Undergraduate Education

Brown is justifiably proud of the quality of its undergraduate educational program, which has been a major focus of investments through the PAE. As noted in the report of the NEASC accreditation team, “the PAE has had a substantive impact on the academic program at Brown.” The University continues to pursue a number of key priorities enhancing undergraduate education include matriculating a qualified and diverse student body, regardless of their financial circumstances; expanding opportunities for students to interact with faculty; enriching Brown’s course offerings; and improving the quality of undergraduate students’ residential and extracurricular experiences.

A larger faculty has led to reduced class sizes and more classes with twenty or fewer students, and to enhanced opportunities to join with faculty and graduate students in research and multidisciplinary study. Meanwhile, investments in facilities and infrastructure--the recently completed renovation of J. Walter Wilson Hall into a student services center; the new Perry and Marty Granoff Creative Arts Center now under construction; the planned fitness/aquatics center; the renovation of Faunce House into the Stephen Robert Campus Center that is underway; and the soon-to-be-completed Science Center—are enhancing the student experience by providing better instructional, study, and recreational spaces, and better access to support services.

Continued progress requires continued investments in facilities and programs that directly enhance the academic and extracurricular lives of undergraduates. The committee recommends that \$5.2 million be allocated to undergraduate financial aid, the Dean of the College and the departments in Campus Life.

Financial Aid and Undergraduate Admissions. Brown's financial aid program is a key element in assuring that the University can attract and be accessible to outstanding students from diverse socio-economic backgrounds. Improving this program – by introducing need-blind admissions for domestic students beginning with the Class of 2007; by enhancing the financial aid available to international, transfer and resumed undergraduate education (RUE) students; and by making other competitive changes – has been among the most important priorities of the Plan for Academic Enrichment.

Many of the nation's highly selective colleges and universities have increased their support for financial aid in recent years. In late 2007 and early 2008, Harvard, Yale, Penn, Stanford, MIT, Columbia, Dartmouth, and other leading institutions with which Brown competes for students, announced major changes in their financial aid policies. The new policies significantly increased scholarships, decreasing the costs for students and their families and lessening student reliance on loans to finance their undergraduate educations.

In order to remain competitive, Brown announced a new set of financial aid policies, eliminating parental contributions for families with annual incomes less than \$60,000 and assets less than \$100,000; eliminating loans for most students with family incomes less than \$100,000; reducing our expected student indebtedness for all other students; and allowing students who bring outside scholarships to Brown to use them to replace contributions from loans, work and summer savings rather than reducing the amount of University scholarship. The budgetary impact of all these changes has been substantial. From FY03 to FY10, the University increased its scholarship budget from \$39.8 million to \$76.5 million, an overall increase of 92%, or 9.7% per year on average.

The committee believes that sustaining the university's commitment to financial aid in these difficult times is essential to Brown's mission and to the quality of the students we matriculate. In spite of the enhancements described above, Brown experienced a decline in yield in FY10 for students admitted with financial aid, reflecting the highly competitive nature of the undergraduate aid and admissions landscape. If Brown wishes to avoid undesirable changes to the composition of the entering class, it is deemed essential to sustain our current policies and provide the financial aid office with resources that enable it to respond flexibly to family circumstances and competitive pressures. The committee recommends an increase in the financial aid budget for FY11 in order to adjust aid expenditures to the recommended increase in tuition, to increase the budget for transfer students (given the planned increase in the number to be admitted), and to expand the financial aid office's competitive award review process. These recommendations will result in an undergraduate financial aid budget of \$81.3 million, an increase of 5.9%, or \$4.8 million, for FY11.

Dean of the College. In response to the success of two existing advising programs launched by the College, Excellence at Brown and Team Enhanced Advising and Mentoring, Dean Bergeron sought funding to expand these programs. An additional request of \$50,000 was made for funding which will be required as a cost share for a program coordinator if Brown is awarded a grant from the Howard Hughes Medical

Institute (HHMI) as well as \$15,000 to put in place adequate academic advising for students in the Brown-RISD dual degree program. The URC recommended a total of \$65,000 to support these program requests.

Campus Life. In recent years, Campus life has pursued a targeted series of investments designed to address the greatest student life needs in the most cost-effective fashion possible. Campus Life has installed some new furniture in the residence halls and student lounges; developed 24-hour study spaces and satellite fitness centers; created new student study space (the Friedman Study Center); improved the accessibility of the Sharpe Refectory; and provided new programs such as Zip Cars, music downloading and Internet TV to enhance the residential experience.

For FY11, the URC recommends that an additional \$345,000 be provided to Campus Life to cover increased food costs in Dining Services (\$260,000), student activities funding (\$45,000) which assumes the proposed \$8 increase in student activities fees is approved, and programming and replacement funds for the Robert Campus Center (\$40,000.)

Excellence in Graduate Education

The NEASC visiting team report noted that “Graduate education is an integral part of the PAE; as it must be if Brown is to realize its aspirations.” The PAE has reflected a strong institutional commitment to growing the Brown Graduate School both in size and in quality, with provision of more generous graduate student support packages a major component of this effort. From 2003 to 2009, the University increased per capita student support dramatically, raising the base stipend from \$12,300 to \$19,000 and significantly expanding health insurance coverage even as costs rose from \$670 to \$2,512 per year per student. Starting with the 2006 admission season, Brown moved to guarantee five years of full support to entering Ph.D. candidates and expanded the number of graduate students receiving full tuition scholarships. In FY10, the net investment in graduate education at Brown is projected to be nearly \$11.6 million, up from \$6.3 million just five years ago.

These investments have improved greatly the competitive position of the Graduate School. Since 2005, applications to the Graduate School have grown by 41%, from 5592 in 2004-05 to more than 7,800 in the current application season. The quality of applications has also improved significantly, with selectivity improving 25% over the same time period. However, increases in graduate student support have slowed in the past two years as the University’s resources came under increasing pressure. While the University has formally endorsed the need to expand the size of the Graduate School, that expansion has been limited to a few targeted areas where new doctoral programs have been created or where external support for fellowships has been secured.

For FY11, the recommended E&G budget provides resources to maintain an entering cohort of 220 doctoral students and to support 713 Ph.D students with full stipendiary support (compared to 703 supported in the current year). Furthermore the URC recommends a \$500 increase to the base stipend for doctoral students, and the committee endorses Dean Bonde’s proposal to include four full summers of support for students

admitted for 2010-11. This will enable the University to make 12-month stipend offers of \$22,000 (including the \$500 increase noted above). Following last year's freeze in the graduate student stipend, an increase in stipend is needed if Brown is to remain competitive with its peers in attracting the best students.

These recommendations plus continued support to the Brown-Trinity MFA program would add \$1.2 million to the budget of the Graduate School, and the tuition support budget should increase in line with increased tuition rates, adding an additional \$4.6 million to the base budget. [The additional expense of a guaranteed fourth summer of support would not affect the University's budget until FY15.] It is expected that this level of support will provide for 459 teaching assistants and teaching fellows, approximately 40 more than in the FY10 budget. In addition, the URC recommends \$250,000 in one-time funding to support a new RA incentive policy that could help support larger graduate student cohorts in departments with external grants. Under such a policy, departments and graduate programs would be able to admit one additional University-supported graduate student for every three additional students funded by external grants. Finally, the committee supports \$43,000 in incremental costs associated with moving the part-time assistant dean position in the Graduate School to full-time; the Provost funded this expense in FY10. After accounting for the increased revenue from higher tuition levels, the committee projects that the net investment in graduate student support in FY11 will be \$12.3 million, an increase of \$700,000 from the FY10 budget.

Enhancing Brown's Facilities, Infrastructure and Administrative Support

Brown's success as an academic institution depends on timely and appropriate investment in facilities and other support. In recent years, the University has upgraded its utility infrastructure, renovated major campus buildings, and built new facilities to meet academic and student life needs. At the same time, Brown has worked to assure that appropriate library and IT resources are available to scholars in all fields of study.

Support for New and Renovated Facilities. Brown is in the midst of a major program of capital investment to renovate key facilities, renew aging systems, and build new buildings required to support the developing academic program. Since 2004, the University has completed approximately \$500 million of such projects. Completed projects include several major investments in life science research facilities, notably the construction of the Sidney E. Frank Hall for Life Science, the renovation of the Laboratories for Molecular Medicine, and the purchase of 121 South Main Street as a home for the Program in Public Health. Academic department space has been upgraded by renovations to several buildings, including Mencoff Hall, Pembroke Hall, Lyman Hall, and Peter Green House. Student support and study space has been improved by projects such as the creation of the Friedman Study Center, the renovation of public spaces in the Rockefeller Library and the John Hay Library, and the Science Resource Center. This fall renovations to Rhode Island Hall were completed and it became the home for the Artemis A.W. and Martha Sharp Joukowsky Institute for Archaeology and the Ancient World. Brown also has invested \$70 million in our basic utilities infrastructure: upgrading, replacing, and expanding heating, cooling, and electrical

systems that support most of the 6.5 million square feet of buildings that make up the Brown campus.

Given the economic environment, the capital plan was revised over the past year. The projects to be completed during FY11 include:

- the renovation of the Robert Campus Center,
- the Granoff Creative Arts Center, and
- the Data/Business Continuity/Communications Center.

Other capital projects in the design or initial phases in FY11 include:

- renovation of the Metcalf complex to serve as home for Mind Brain Behavior,
- renovation of 222 Richmond St. to become the Medical Education Building, and
- construction of a new fitness center attached to a new aquatics center.

Given the current economy, especially its potential impact on fundraising, the URC understands that the timing, scope, and criticality of some other planned projects may need to be reconsidered.

The capital costs of these projects are being funded through gifts and some additional debt. 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 FY11 includes incremental funding of \$3.6 million to fund fully the additional interest expense, renewal reserves, operating and maintenance costs, and programming costs for projects underway or to be undertaken within the next 12 months.

Library. Brown has invested more than \$16 million to upgrade library facilities in recent years as major improvements in the Rockefeller, John Hay and Sciences libraries have been completed. As a result, students have better spaces in which to study and conduct research. In addition to renovating library public spaces, the University continues to invest in the ongoing transition of the library toward greater reliance on digital resources and services while maintaining and growing traditional library collections.

In considering the needs of the University Library the committee was mindful of concerns expressed by the NEASC visiting team about the pressures faced by the Library from the expansion of faculty and graduate students into new fields, and other factors that challenge all academic research libraries. The team warned that “expanding access to information resources to support new research ambitions will be a challenge for Brown and its Library. The cost of scientific materials is notoriously high; inflation is relentless; and the human and technical infrastructure needed to support them is non-trivial.” For FY11, the committee therefore recommends that \$240,000 be provided to partially offset inflationary pressures in the library acquisitions budget. The URC also recommends that a careful review of journal subscriptions be undertaken by the Library to prune less critical serials and maintain access to more heavily used scholarly resources.

Computing. Like the Library, computing and information services are critical to the work of 21st century scholars and students, providing them with emerging tools and technologies, sustaining new means of communication, and providing the critical backbone for the University's business functions and academic operations.

For FY11, the URC recommends that \$242,000 be allocated for CIS to cover the high rates of inflation on hardware and software contracts. In addition, the committee is in favor of additional funding for software licenses (\$73,000) for Banner Phase II, the Office of General Counsel, and the Office of Continuing Education.

Inflationary Pressures. In recent 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. In their presentations to the committee, 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. In some areas, such as utilities, the pressures are so significant and affect such a large percentage of the budget that the URC typically recommends a specific allocation for them. For many other operations, a small general pool to be directed by the senior officer has been the norm.

Utility costs have been a major challenge for the University's expense budget in recent years. Sudden spikes in the cost of electricity, oil and natural gas have compelled the Vice President for Facilities Management and his staff to develop new ways of acquiring and conserving energy. Although the University has succeeded in locking in a low rate for its energy supplies for FY10 and beyond, the forecast for FY11 is for a 4.8% increase in overall utility costs. Therefore, the URC is recommending a \$692,000 increase to cover utilities inflation.

As noted earlier in this report, in a number of areas where there are inflationary pressures – the Library, Computing and Information Services, and Dining Services – the URC has recommended specific allocations for FY11. For all other units, the URC recommends no general inflationary increase.

VI. Division of Biology & 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. While the Division's goal is excellence in all of its programs, this year's budget is constructed to respond to the current economic downturn.

When adopted in February 2004, the Plan for Academic Enrichment called for a high standard of leadership for Brown's programs in the life and health sciences. Over the past

several years, the Division of Biology and Medicine has made significant progress toward meeting this standard. The Medical School's reputation has continued to improve to the point where it now ranks among the top medical schools. Additionally, the Program in Biology has been strengthened with numerous new incremental faculty joining the Division's biology departments. Furthermore, the Program in Public Health has continued to recruit many new incremental faculty, building its capabilities in teaching and research while expanding the enrollment in its masters programs. Underpinning all of this growth is continuing efforts to deepen Brown's relationships with its hospital partners to create an integrated academic medical center for Rhode Island.

Overall, within this framework the Division must balance the need to meet its long-term goals and programmatic objectives, including searches for new faculty positions under the Plan for Academic Enrichment and enhanced financial aid, with the need to be fiscally responsible given the current economic environment.

In FY10, as a result of careful planning and tight spending controls, the Division expects to finish the year with a surplus. Specific factors responsible for this surplus include the successes experienced in receiving federal funding under the American Recovery and Reinvestment Act (ARRA), a salary freeze for faculty and staff, a reduction in facilities costs due to paying off an internal loan related to the renovations of space for Public Health, planned delays in filling vacant positions, and a 5% across the board cut in non-salary, non-fixed operating costs.

Additionally, the Division continues to review its administrative structure with an eye toward further streamlining operations. In some cases, this has or will result in absolute reduction in cost while in other cases, funding lines will be re-purposed to better support the strategic and academic interests of the Division. For instance, a research operations and core facility director position was created that is expected to enhance the Division's ability to obtain large multidisciplinary grants, compete effectively for infrastructure grants, and manage and assess the viability and efficiency of core research facilities. Funding for this position came in part from restructuring savings where the Division eliminated inefficient processes and initiatives that were not adding value.

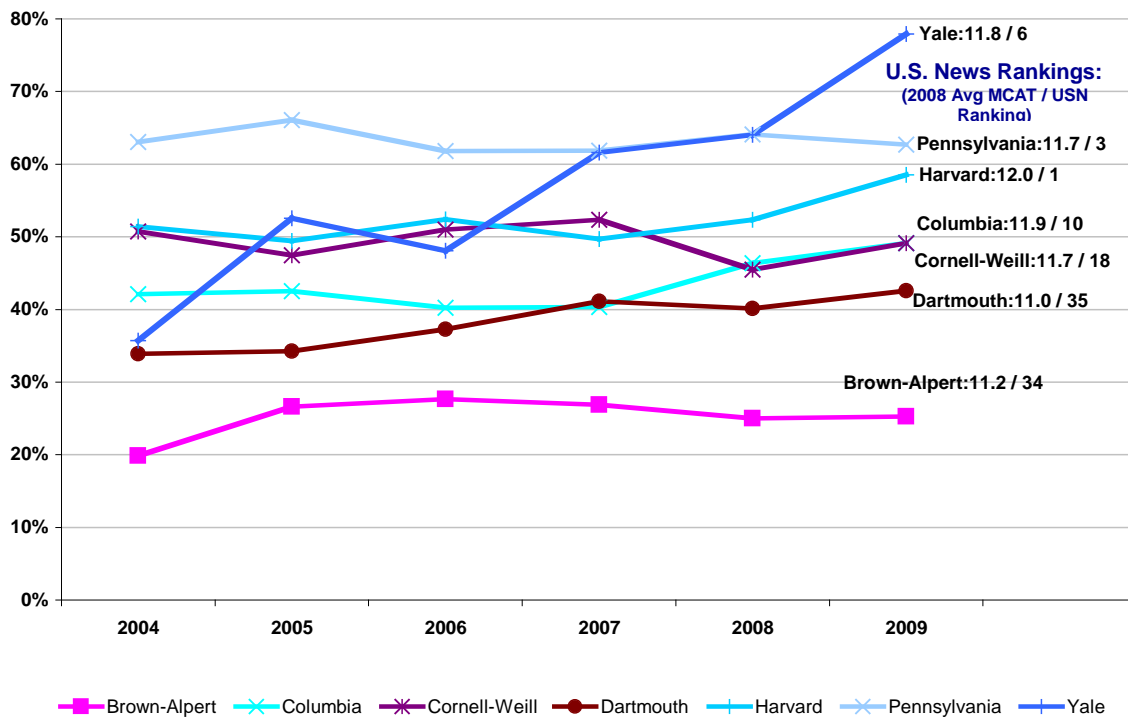
For FY11 the Division, building upon the efficiencies created in FY10, expects to continue to meet its overall objectives while achieving new operational savings. Accordingly, the URC recommends a break-even budget for the Division in FY11.

In his presentation to the URC, Dean Wing emphasized the primary initiatives in progress toward advancing the Division's goals, which are summarized below.

Enhancing Financial Aid. Recognizing the need to remain competitive with our peer medical schools for the top medical school candidates, the Division has made a concerted effort to increase the levels of financial aid offered. Historically, the Division capped its financial aid commitment to earnings from financial aid endowments and financial aid specific gifts. As a result, Brown lags its peers in the overall amount of aid offered, and the Medical School has been losing admitted students to peers because they offer better

aid packages. For FY11 the Division has, for the first time, committed unrestricted institutional funds of approximately \$1.2 million (20% increase overall) towards financial aid. As a result, the Division will effectively be returning approximately 34% of overall tuition charged in the form of financial aid (i.e. discount rate). The ultimate goal in the next few years is to reach a discount rate of 40%, which should make Brown very competitive with peer institutions (see chart).

Tuition Discount for Ivy League Medical Schools



Stimulus Research Funding Growth. ARRA stimulus funding has had a positive impact on the Division over the past year, with a significant increase in both proposal submissions and, more importantly, award dollars. From April to December 2009, the Division submitted 134 ARRA proposals totaling \$89 million, from which Brown has garnered 57 awards totaling \$14.9 million. Consequently, the Division will see increases in both its direct sponsored research expenses and its indirect cost recovery in FY10, FY11, and well into FY12.

New Medical Education Facility. In collaboration with its teaching hospital partners, the Division continues to explore strategic initiatives to build and enhance the reputation and academic excellence of the Warren Alpert Medical School of Brown University and its scientific research enterprise. First and foremost is the construction of a new medical education facility that will replace the current fragmented and aging facilities. The Corporation approved the schematic design for the building last October, and at their February meeting, they are expected to authorize construction to begin on the

\$45-million project. This new, strategically located “home” for the medical school in Providence’s Jewelry District will provide the infrastructure for significant class-size expansion as well as bringing Brown medical students closer to our major affiliated teaching hospitals. The \$100-million Warren Alpert Foundation gift and a soon to be launched fundraising effort will be the primary sources of funds to support the medical education facility and other strategic initiatives.

Enhanced Hospital Partnerships. The Division continues to enhance the academic excellence and reputation of the Division and its hospital partners through strategic joint investments and improved integration and alignment of interests.

Commitment to Research. The Division is building on the reputation and academic excellence of the Program in Biology with continuing targeted recruitments of new faculty and enhanced support for graduate studies. Efforts continue to upgrade research space and develop innovative approaches to funding significant research equipment purchases. The University already has made essential investments in laboratory and other space to support the work of the Division. Significant renovations to research space in the Biomed Center have taken place recently and more is planned in the near future. In the last few years the Division moved faculty, students and research staff into Sidney E. Frank Hall for Life Sciences, a 169,000-square-foot, state-of-the-art research facility and, in 2004, opened the Laboratories for Molecular Medicine in the Jewelry District, providing more than 100,000 square feet of biology lab space.

For FY11 the Division of Biology and Medicine proposes a balanced budget with revenues and expenses equaling \$140.3 million. As compared to FY10, revenues and expenses have increased significantly by \$12 million; an improvement of 9.3%. The Division believes it will attain this break-even budget without sacrificing its support for the planned investments in Brown's biomedical faculty, academic programs, and facilities.

The proposed revenue budget includes approximately \$1.9 million of incremental revenue from medical and graduate tuition. For FY11 the proposed medical student tuition rate is \$43,064, a 5% increase from the FY10 rate, and is likely to be comparable to the tuition increases of its peer medical schools.

As noted earlier, the Division’s will benefit greatly from the influx of ARRA funds in FY11. Accordingly, the Division projects both sponsored funding (the support of direct research expenditures) and indirect cost recoveries to be significantly higher than FY10 levels (which were significantly higher than FY09 levels for the same reasons). Specifically, FY11 sponsored funding and indirect cost recoveries are projected to increase by \$6.1 million (11.2%) and \$2.7 million (15.8%) respectively. In addition to the impact of ARRA related activity, these projections are also based on a review of expected new faculty recruitments, new awards for existing faculty and the volume of proposals in process.

The Division’s budget for endowment revenue is projected to be \$11.4 million for FY11, a decrease of 18.9% over FY10 levels. This is due to the drastic reduction in the payout

on the endowment as a result of the significant losses in its market value suffered in the last year.

The proposed FY11 budget also includes a reduction in current-use revenue from fundraising efforts. It is projected to drop to \$600,000, a 25% decrease. This drop is attributed mainly to the fact that efforts will be concentrated on raising funds for the new medical education building. A modest increase of 4.5%, to \$870,000, is projected for the Alpert Medical School Annual Fund, and the Division's share of the Brown Annual Fund is projected to be \$2.1. Additionally, the Division's budget includes \$400,000 in program support payments in FY11 from certain affiliated hospitals.

The proposed expense budget increase for FY11 of \$12 million is primarily due to increased sponsored research spending of \$6.1 million; increased levels of restricted gift spending of \$1.9 million; an increase in the level of financial aid provided of \$1.2 million; faculty (4%) and staff (3%) salary increases (in line with University E&G percentage increase levels) estimated at \$1.1 million; and a decrease of approximately \$880,000 in debt service payments due to the retirement of certain internal debt with the University. Total graduate student support, which includes tuition scholarships and student stipends, is planned to increase by \$440,000 from FY10 levels with a significant portion of this cost offset by increased tuition revenue.

The Committee believes that the FY11 budget proposed by the Division of Biology and Medicine allows the Division to meet its commitments for FY11, 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 FY11 and beyond. The URC recommends that the FY11 operating budget and the medical student tuition rate proposed by the Division of Biology and Medicine be accepted.

VII. Outlook for the Future

Brown has made remarkable progress over the past seven years in advancing its academic goals and priorities of the Plan for Academic Enrichment. Through the efforts of faculty and staff, and buoyed by the success of the Boldly Brown Campaign, the University today is far better able to support academic programs for its students and provide an expanded faculty with the resources needed to carry out their research and teaching at the highest levels. That said, Brown has not been immune to the global recession, and because of resource constraints, the University has modified the pace at which it is making further investments in the Plan for Academic Enrichment.

The PAE continues, however, to provide a blueprint for advancing the University's teaching and research mission. The turmoil in the financial markets and the depth of the recession will continue to have an impact on Brown in a number of ways, from investment performance to fundraising results to financial aid, but the University approaches these challenges from a position of strength and accomplishment, guided by the Plan for Academic Enrichment. The recent accreditation letter from the New England

Association of Schools and Colleges (NEASC) lauded Brown as “one of the premier educational institutions in the United States,” and determined that the University “seems well positioned to achieve its ambitious goals for the future.”

The next several years are likely to demand similar discipline and focus. Even if this year’s extraordinary effort through the Organizational Review Committee yields the savings required by our budget recommendation, the University will still have to confront continuing challenges in FY12 and beyond.

The URC began and ended its work on the FY11 budget by reviewing Brown’s multi-year financial forecasts, which project expenditures and revenues for the next five years. After achieving the \$30 million towards deficit reduction and a balanced budget in FY11, the E&G expenditure budget is projected to grow by 4.6% a year through FY15. With net revenue (after financial aid expenses) expected to grow at 2.8%, the deficit we have worked hard to eliminate would quickly reemerge and, if we do nothing to prevent it, that deficit would reach more than \$22 million by FY15. With that in mind, the focus for FY11 through FY15 must be on generating additional revenues while restraining the growth of expenditures.

It is possible that the endowment growth experienced in calendar 2009 will continue, allowing support from endowment to grow in FY12 and after. But it will still take some years for the endowment payout to return to FY09 levels. Given our undergraduate financial aid policies, it seems unlikely that net tuition revenue could alone meet the University’s growing resource needs. While the faculty’s successful pursuit of ARRA funding has provided a welcome boost to the University’s external research support, the climate for federal funding remains uncertain beyond next year.

It is therefore likely that the University will need actively to consider ways of increasing revenue in support of its academic programs. Fundraising must continue unabated. Its continued success is crucial to Brown’s future. A permanent expansion in the size of the undergraduate population (and attendant investments in dormitories and other infrastructure needed to serve a larger student population) might be considered. The University should support and undertake aggressive efforts to pursue additional research funding. Innovative activities in Continuing Education and other auxiliaries should be encouraged given their contribution to University revenues. The Graduate School should carefully consider some expansion of successful masters programs. Without these and other measures, it will become increasingly difficult for the University to sustain and expand the gains of the past decade.

This spring, following the establishment of the FY11 budget by the Corporation at its February meeting, the URC will work with the administration to begin planning for fiscal year 2012 and beyond.

The FY11 budget process has required difficult choices and careful stewardship of resources. The budget proposed here will leave many administrative and academic units with less than they had requested, but with as much as the University can afford at this juncture. Our faculty and administrators have proven themselves to be capable and adept managers in lean times, and that experience will be called upon next year and in the years to come. Brown's pursuit of excellence in teaching and research should be relentless, and the University community must summon all of its ingenuity and creativity to that task.

Respectfully submitted on behalf of the committee,

David I. Kertzer
Provost

Appendix A

Members of the University Resources Committee

Faculty

Melissa Clark, Associate Professor of Community Health
Jan Hesthaven, Professor of Applied Mathematics
Ross Kraemer, Professor of Religious Studies and Judaic Studies
Robert Self, Associate Professor of History
Christopher Seto, Associate Professor of Chemistry
David Sheinberg, Vice Chair, Associate Professor of Medical Science

Senior Administration

Lindsay Graham, Executive Dean, Division of Medicine and Biological Sciences
(serving on behalf of the Dean of Medicine and Biological Sciences)
Elizabeth Huidekoper, Executive Vice President, Finance and Administration
Richard Spies, Executive Vice President, Planning
Rajiv Vohra, Dean of the Faculty
David Kertzer, Chair and Provost

Students

Chaney Harrison, Undergraduate Student
Arthur Matuszewski, Undergraduate Student
Bethany Ehlmann, Graduate Student
Omar Lansari, Graduate Student
Vivek Buch, Medical Student

Staff Representatives

Anthony DeGregorio, Computing and Information Services
Jill Rossi, Alumni Relations

Staffed by

Susan Howitt, Associate Vice President for Budget and Planning
Vincent Tompkins, Deputy Provost

Appendix B

URC Meeting Schedule FY11 Budget Planning

Oct-5	Financial Overview, Organizational Review Update, University Priorities	Beppie, Huidekoper, David Kertzer, Susan Howitt, Vince Tompkins
Oct-14	Graduate Student Support	Sheila Bonde
Oct-19	Division of Biology and Medicine	Ed Wing, Lindsay Graham
Oct-26	Forum	
Oct-26	Operating Budget Reductions Compensation for Faculty and Staff	Beppie Huidekoper, Don Schanck Karen Davis, Rajiv Vohra
Nov-2	Undergraduate Financial Aid, Net Tuition Options	Jim Tilton, Jim Miller
Nov-4	Administrative Units, Facilities, Capital Plans	Beppie Huidekoper, Steve Maiorisi
Nov-9	Academic Units	David Kertzer, Rajiv Vohra, Vince Tompkins, Katherine Bergeron, Harriette Hemmasi
Nov-16	Academic Units	David Kertzer, Clyde Briant, Rajiv Vohra
Nov-16	Open Forum	
Nov-23	Revenue Update, Organization Review Update	
Nov-30	Deliberations	
Dec-7	Deliberations	
Jan-26	Review of Final Recommendations, Updates, Discussion of Report	
Feb-1	Discussion of Final Report	

Appendix C

FY2011 Consolidated Operating Budget

(\$ in thousands)	E&G	Biology and Medicine	Auxiliaries	Total
Revenue				
Tuition and Fees	\$307,761	\$26,548	\$55,182	\$389,491
Endowment Income	91,877	11,554	551	103,982
Brown Annual Fund	33,794	2,081		35,875
Sports Foundation	3,161			3,161
Gifts for Financial Aid	2,100			2,100
Other Fund Raising		600		600
Total Fund Raising	39,055	2,681		41,736
Indirect Cost Recovery	17,000	19,814		36,814
Sponsored Funding (Direct Costs)	68,875	60,378		129,253
Auxiliary Contribution	5,707		(5,707)	-
Bio-Med Contribution for Facilities*	6,381			6,381
Contribution to Bio-Med**	(7,041)	10,866		3,825
Other Sources of Revenue	35,159	8,500	31,500	75,159
Total Revenue	\$564,774	\$140,341	\$81,526	\$786,641
Expenditures				
Instruction and Academic Support				
Faculty Compensation	\$85,892	\$14,017		\$99,909
Start-Up	8,703	4,233		12,936
Graduate Student Support	45,533	8,105		53,638
Other Academic Support	40,290	19,186		59,476
Summer Studies and OIP	23,263			23,263
Libraries	23,813			23,813
Student Support				
Student Aid	81,288	6,696		87,984
Student Services	21,869	4,551	45,200	71,620
Athletics	11,917			11,917
Administration				
Gen'l Admin & Institutional Support	48,722	11,809	8,000	68,531
Development, Alumni & External Affairs	24,541	1,848		26,389
Computing	22,741			22,741
Facilities Operation and Maintenance	52,745			52,745
Facility Service Fees	(28,326)		28,326	-
Vacancy Savings and Reallocations	(3,800)			(3,800)
Debt and Facility Renewal				
	36,708	9,518		46,226
Sub-total Expense	\$495,899	\$79,963	\$81,526	\$657,388
Sponsored Projects Exp. Base	\$68,875	\$60,378		\$129,253
Total Expense	\$564,774	\$140,341	\$81,526	\$786,641
Total Revenue	\$564,774	\$140,341	\$81,526	\$786,641
Total Expenses	\$564,774	\$140,341	\$81,526	\$786,641
Oper. Results/Use of Reserves/Balances	\$0	\$0	\$0	\$0

* Bio-medical share is included in debt and facility renewal as an expense for the Division

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

Appendix C

FY2011 University E&G Operating Budget

(\$ in thousands)	FY10 Budget	FY11 Proposed	\$ increase	% Increase
Revenue				
Tuition and Fees	\$283,721	\$307,761	\$24,040	8.5%
Endowment Income	110,043	91,877	(18,166)	-16.5%
Brown Annual Fund	32,837	35,875	3,038	9.3%
BAF BioMed Portion	(1,904)	(2,081)	(177)	9.3%
Sports Foundation	3,069	3,161	92	3.0%
Gifts for Financial Aid	2,000	2,100	100	5.0%
Total Annual Fundraising	36,002	39,055	3,053	8.5%
Indirect Cost Recovery	16,065	17,000	935	5.8%
Sponsored Funding (Direct Costs)	66,226	68,875	2,649	4.0%
Auxiliary Contribution	3,052	5,707	2,655	87.0%
Bio-Med Contribution for Facilities	6,136	6,381	245	4.0%
Contribution to Bio-Med	(6,770)	(7,041)	(271)	4.0%
Other Sources of Revenue	35,031	35,159	128	0.4%
E&G Revenue	\$549,506	\$564,774	\$15,268	2.8%
Expenditures				
Instruction and Academic Support				
Faculty Compensation	\$81,126	\$85,892	4,766	5.9%
Start-Up	8,203	8,703	500	6.1%
Graduate Student Support	39,816	45,533	5,717	14.4%
Other Academic Support	42,964	40,290	(2,674)	-6.2%
Summer Studies and OIP	22,168	23,263	1,095	4.9%
Libraries	24,310	23,813	(497)	-2.0%
Student Support				
Student Aid	76,511	81,288	4,777	6.2%
Student Services	22,373	21,869	(504)	-2.3%
Athletics	12,348	11,917	(431)	-3.5%
Administration				
Gen'l Admin & Institutional Support	63,611	62,311	(1,300)	-2.0%
Med School Interface Fee	(3,750)	(3,900)	(150)	4.0%
Admin and Security Fees	(9,366)	(9,689)	(323)	3.4%
Development, Alumni & External Affairs	25,518	24,541	(977)	-3.8%
Computing	21,539	22,741	1,202	5.6%
Facilities Operation and Maintenance	52,543	52,745	202	0.4%
Facility Service Fees	(27,237)	(28,326)	(1,089)	4.0%
Vacancy Savings and Reallocations	(4,800)	(3,800)	1,000	-20.8%
Debt and Facility Renewal				
	35,403	36,708	1,305	3.7%
Sub-total Expense	\$483,280	\$495,899	\$12,619	2.6%
Sponsored Projects Exp. Base	\$66,226	\$68,875	\$2,649	4.0%
Total E&G Expense	\$549,506	\$564,774	\$15,268	2.8%
Total Revenue	\$549,506	\$564,774	\$15,268	2.8%
Total Expenses	\$549,506	\$564,774	\$15,268	2.8%
Oper. Results/Use of Reserves/Balances	\$0	\$0	\$0	

Appendix C

Division of Biology and Medicine

FY2011 Operating Budget

(in \$000's)	FY10 Budget	FY11 Proposed	\$ Change	% Change
BIOMED REVENUE				
Medical Tuition	15,624	16,500	876	5.6%
MPH Tuition	2,000	2,400	400	20.0%
PhD Tuition	5,802	6,218	416	7.2%
Other Tuition & Fees	1,189	1,430	241	20.3%
Total Tuition & Fees	<u>24,615</u>	<u>26,548</u>	1,933	7.9%
Total Endowment Income	14,251	11,554	(2,697)	(18.9%)
Indirect Cost Recovery	17,110	19,814	2,704	15.8%
Brown Annual Fund	1,904	2,081	177	9.3%
New Unrestricted Gifts (Fundraising)	800	600	(200)	(25.0%)
Sponsored Funding	54,293	60,378	6,085	11.2%
University Allocation for Biology	9,449	10,866	1,417	15.0%
Other Sources of Revenue	<u>5,932</u>	<u>8,500</u>	2,568	43.3%
TOTAL REVENUE	128,354	140,341	11,987	9.3%
BIOMED EXPENSE				
Instruction & Academic Support				
Faculty Compensation	12,640	14,017	1,377	10.9%
Startup	3,541	4,233	692	19.5%
Graduate Student Support	7,666	8,105	439	5.7%
Center Support	2,579	2,962	383	14.9%
Clinical Faculty Support	500	500	-	0.0%
Other Academic Support	13,453	15,724	2,271	16.9%
Student Support				
Med Student Financial Aid	5,759	6,696	937	16.3%
Student Services	4,337	4,551	214	4.9%
Administration				
Gen'l Admin & Institutional Support	7,325	7,606	281	3.8%
Development, Alumni, Ext Affairs	1,628	1,848	220	13.5%
Interface Fee	4,041	4,203	162	4.0%
Debt, Lease & Facility Renewal	<u>10,592</u>	<u>9,518</u>	(1,074)	(10.1%)
Subtotal Expense	74,061	79,963	5,902	8.0%
Sponsored Projects Expense Base	<u>54,293</u>	<u>60,378</u>	6,085	11.2%
TOTAL EXPENSE	128,354	140,341	11,987	9.3%
BioMed Revenue	128,354	140,341	11,987	9.3%
BioMed Expense	<u>128,354</u>	<u>140,341</u>	11,987	9.3%
NET OPERATING/USE OF BALANCES	-	-	-	