



# University Resources Committee

## Proposed 2017-2018 Operating Budget



BROWN

## Letter to President from Provost with Executive Summary

I am pleased to submit the University Resources Committee (URC) report on the FY18 Brown University Operating Budget, which was endorsed unanimously by that body on December 5, 2016. I am again grateful to all the participants and stakeholders in this year's process – URC members, deans, vice presidents, directors, and staff – who worked tirelessly to ensure we had an effective and successful budget process. I would also like to highlight our efforts on a number of important fronts.

As you know, the annual budget process is the primary mechanism through which organizations ensure that finite financial resources are aligned and optimized in support of their highest strategic priorities. This year's process was informed by an important strategic decision: to reduce the FY18 endowment payout, an impact of roughly \$14.8M on the University's consolidated operating budget. Given that we are projecting FY17 to be roughly break-even, we began the FY18 process with at least a \$14.8 million deficit making the process of alignment and optimization especially challenging this year.

We invested considerable time providing the committee with a clear picture of the strategic and budgetary context within which their deliberations would occur. As in prior years, we devoted a number of sessions to educating the committee about the Building on Distinction Strategic plan, the importance and financial implications of facilities renewal, the impact of debt on the operating budget now and in the future, and other key drivers of financial performance over time. This year, we also discussed the endowment, the importance of the endowment to our long-range goals, and the primacy of the need to preserve and enhance its value, as well as the impact of the payout itself. The URC's budgetary recommendations were fully informed by these key contextual considerations.

While we are proposing a budget reflecting a consolidated operating deficit, the prudent actions of the committee have placed the University on the best possible footing for eliminating the deficit altogether going forward. The URC successfully balanced the deficit reduction imperative with the need for continued investment in Academic Excellence, Community and Inclusion, and Financial Sustainability. As a result, the FY18 budget proposal has the following key attributes (described in more detail throughout the report):

**Academic Excellence:** The URC is proposing a significant reallocation of resources to support summer stipends for graduate students in the humanities and social sciences. This will serve both to significantly enhance our competitiveness and to address a longstanding differential relative to the vast majority of graduate students in the STEM disciplines. Importantly, these investments were enabled through a fundamental restructuring of the Graduate School support model that enabled us to fund both the additional summer stipends and the proposed 2.5% increase in a budget-neutral manner. For undergraduates, the proposed budget maintains our strong commitment to need blind admissions and our current policies regarding financial aid.

**Community and Inclusion:** The proposed FY18 budget provides for additional resources in support of a number of key initiatives outlined in the Diversity and Inclusion Action Plan (DIAP). These include incremental recurring support for faculty diversity hiring, support for graduate fellows, postdoctoral fellows, mentoring programs, the Native American and Indigenous Studies Initiative, and enhanced support for A Day on College Hill (ADOCH). These investments reflect our fundamental institutional values and our unwavering commitment to a diverse and inclusive community.

**Financial Sustainability:** The proposed consolidated budget reflects a modest \$4.8 million or (0.4%) consolidated operating deficit with Education and General (E&G) and Public Health projecting operating deficits of \$7.17 million and \$.27 million respectively, offset by a surplus of \$2.64 million in BioMed. The main driver of the deficit is the planned reduction in endowment payout. In addition to the endowment payout reduction, the proposed FY18 budget reflects other ongoing commitments to long-term sustainability by continuing to increase operating budget support (vs. debt) for regular, recurring, and predictable facilities renewal. In addition, the FY18 budget provides debt service funding for approved capital projects totaling 4.1 million, as well as \$3.3 million in base budget reductions that resulted from the detailed budget review process discussions that precedes URC deliberations.

Overall, we are proposing a budget that effectively balances the need to address the deficit with the need for ongoing strategic investment. By achieving this balance, the FY18 budget places us on a trajectory to surmount the remaining deficit in FY19 or shortly thereafter. We will continue to focus on financial sustainability in FY18 and beyond and we are steadfast in our commitment to place the University on solid financial footing over the next decade and beyond.

Again this year, we utilized the internal budget process to bring to the URC a highly prioritized list of proposals. Of the \$27.8 million of new investment requested by deans, directors, and senior leadership, we denied or deferred more than \$11.4 million, pre-approved commitments of \$6.1 million; taking to the URC \$10.4 million in priority proposals, including actual base budget reductions in some areas.

We are very pleased to make progress on our goals for academic excellence, community and inclusion, and financial sustainability but are clear-eyed about the ongoing challenges. Looking ahead to FY19, we must not only close the remaining operating budget deficit but I also expect a need to address a variety of budgetary pressure points including faculty and staff salary pools, the rate of increase in undergraduate financial aid, new debt service, and increasing demand for new faculty hiring. The proposed FY18 budget is a significant step in the right direction but more work and ongoing diligence is required to achieve our long-term financial stability and sustainability objectives.

I would like to again acknowledge and thank all of the members of the URC and the many staff members and institutional leaders whose hard work enabled the committee's important work (please see appendix for listing of URC membership and staffing).

Respectfully submitted,

Richard Locke, Provost  
Brown University

## TABLE OF CONTENTS

<b>CONSOLIDATED OPERATING BUDGET SUMMARY .....</b>	<b>2</b>
<b>E&amp;G AND AUXILIARY OPERATING BUDGETS.....</b>	<b>4</b>
<u><b>Revenue &amp; Transfers</b>.....</u>	<b>5</b>
Undergraduate Enrollment, Tuition and Fees:.....	5
Graduate Tuition and Enrollment:.....	7
Endowment Income:.....	7
Annual Giving:.....	8
School of Professional Studies (SPS):.....	9
Sponsored Research:.....	10
University Support for BioMed and Public Health:.....	11
<u><b>Expenses</b>.....</u>	<b>11</b>
Faculty and Staff Compensation:.....	12
Undergraduate Scholarships:.....	13
Graduate Student Support:.....	14
Academic Support and Diversity and Inclusion:.....	14
Facilities, Debt Service & Renewal:.....	16
Administrative and Support Operations:.....	16
Deficit Reduction:.....	17
<u><b>Summary and Outlook</b>.....</u>	<b>17</b>
<b>DIVISION OF BIOLOGY AND MEDICINE OPERATING BUDGET .....</b>	<b>18</b>
<u><b>BioMed Revenues</b>.....</u>	<b>19</b>
Medical School Tuition and Fees:.....	19
Graduate Tuition and Enrollment:.....	20
Sponsored Research:.....	20
Endowment Income:.....	20
Other Revenues:.....	20
<u><b>BioMed Expenses</b>.....</u>	<b>21</b>
Faculty and Staff Wages:.....	21
Graduate Student Support:.....	21
Facilities and Debt Service:.....	22
Student Aid:.....	22
<u><b>BioMed Summary and Outlook</b>.....</u>	<b>22</b>
<b>SCHOOL OF PUBLIC HEALTH OPERATING BUDGET.....</b>	<b>23</b>
<u><b>SPH Revenues</b>.....</u>	<b>23</b>
Masters Tuition and Fees:.....	24
Sponsored Research:.....	24
Endowment Income:.....	24
University Support:.....	24
<u><b>SPH Expenses</b>.....</u>	<b>25</b>
Faculty and Staff Wages:.....	25
Facilities and Debt Service:.....	25
Student Aid:.....	25
<u><b>SPH Summary and Outlook</b>.....</u>	<b>26</b>
<b>OVERALL CONCLUSION &amp; OUTLOOK .....</b>	<b>27</b>
<b>APPENDIX.....</b>	<b>28</b>

## CONSOLIDATED OPERATING BUDGET SUMMARY

The URC recommends a total consolidated revenue budget for FY18 of \$1.061 billion, up 5.0% from the FY17 budget. The committee endorses an expenditure budget that is 5.4% higher than FY17, resulting in a consolidated operating deficit of \$4.8 million.

**Table 1: Consolidated Operating Budget Summary**

(\$ in millions)	FY17 Budget	FY18 Proposed	\$ Change	% Change
Total Revenue	\$1,011.1	\$1,061.2	\$50.1	5.0%
Total Expense	\$1,011.4	\$1,066.0	\$54.6	5.4%
Net Margin/(Deficit)	(\$0.3)	(\$4.8)	(\$4.5)	1500.0%

The budget encompasses the three principal divisions – Educational and General (E&G), the Division of Biology and Medicine, and the School of Public Health – plus the Auxiliary Operations, which includes dining, housing, health service and the bookstore. The School of Professional Studies and the School of Engineering are sub-units of E&G. The total proposed consolidated operating budget by major unit for FY18 is:

**Table 2: Consolidated Operating Budget by Major Unit**

(\$ in millions)	E&G	Auxiliaries	Biology & Medicine	Public Health	Consolidated Total
FY18 Revenue	\$748.8	\$109.0	\$152.6	\$50.7	\$1,061.2
FY18 Expense	\$756.0	\$109.0	\$150.0	\$51.0	\$1,066.0
Net Margin/(Deficit)	(\$7.2)	\$0.0	\$2.6	(\$0.3)	(\$4.8)

In comparison, the budgeted FY17 consolidated operating deficit is \$300,000, although current projections for FY17 are for the University to end this year at break even.

**Table 3: Operating Budget Margin by Major Unit**

(\$ in millions)	E&G	Auxiliaries	Biology & Medicine	Public Health	Consolidated Budget
FY18 Proposed Margin (Deficit)	(\$7.2)	\$0.0	\$2.6	(\$0.3)	(\$4.8)
FY17 Budgeted Margin/(Deficit)	(\$4.5)	\$0.0	\$4.2	\$0.0	(\$0.3)
Year-over-Year Change	(\$2.7)	\$0.0	(\$1.6)	(\$0.3)	(\$4.5)

The proposed FY18 E&G deficit of \$7.17 million is more than the FY17 budgeted deficit of \$4.5 million. The Division of Biology and Medicine (BioMed) is expecting a positive margin of \$2.6 million versus a budgeted \$4.2 million budgeted surplus in FY17. Auxiliary Operations are expected to operate at break-even as is budgeted in the current year, and the School of Public Health is expecting a deficit of \$269 thousand. Table 4 provides a more detailed breakdown followed by analysis by major operating unit.

**Table 4: FY18 Consolidated Operating Budget**

(\$ in 000s)	FY17	FY18 Proposed				Consolidated Budget	\$ Change	% Change
	Consolidated Budget	Education & General	Auxiliary Operations	Division of Biology & Medicine	School of Public Health			
<b>Undergraduate Tuition</b>	\$323,192	\$343,328				\$343,328	\$20,136	6.2%
<b>Graduate Tuition</b>								
PhD Tuition	75,713	63,814		15,252		79,066	3,353	4.4%
Masters Tuition	23,350	19,306			6,264	25,570	2,220	9.5%
Medical Tuition	29,288			31,910		31,910	2,622	9.0%
Professional Studies	35,944	37,975				37,975	2,031	5.7%
<b>Other Tuition &amp; Fees</b>	38,414	17,142	21,133	1,240		39,515	1,101	2.9%
<b>Endowment Income</b>	155,375	123,456		16,053	1,014	140,523	(14,852)	-9.6%
<b>Sponsored Activities</b>	121,176	69,588		38,400	31,620	139,608	18,432	15.2%
<b>Indirect Cost Recovery</b>	41,276	26,031		15,000	5,132	46,163	4,887	11.8%
<b>Annual Giving</b>	41,085	41,350		1,950	135	43,435	2,350	5.7%
<b>Auxiliary &amp; Miscellaneous Revenue</b>	126,295	26,368	87,839	17,975	1,660	133,842	7,547	6.0%
<b>University Support for BioMed &amp; PH</b>								
Undergraduate Instruction	-	(13,235)		9,510	3,725	-	-	
Faculty Startup, Initiatives, Faculty	-	(2,892)		2,892	280	280	280	
Transitional Support	-	(3,426)		2,500	926	-	-	
<b>Total Revenue</b>	<b>\$1,011,108</b>	<b>\$748,805</b>	<b>\$108,971</b>	<b>\$152,682</b>	<b>\$50,757</b>	<b>\$1,061,215</b>	<b>\$50,107</b>	<b>5.0%</b>
<b>Faculty Compensation</b>	138,633	115,785		21,283	5,206	142,274	3,641	2.6%
<b>Graduate Student Support</b>	104,541	95,212		12,727		107,939	3,398	3.3%
<b>Other Academic Support</b>	166,769	126,191		39,769	8,339	174,299	7,530	4.5%
<b>Student Aid</b>	131,506	122,087		10,006	1,566	133,659	2,153	1.6%
<b>Student Services</b>	79,604	19,047	56,270	7,091		82,408	2,804	3.5%
<b>Athletics</b>	17,712	17,712				17,712	-	0.0%
<b>General Admin &amp; Institutional</b>	50,800	37,686	19,904			57,590	6,790	13.4%
<b>Development and Alumni Relations</b>	31,290	31,635				31,635	345	1.1%
<b>Computing</b>	33,584	33,584				33,584	-	0.0%
<b>Facilities, Debt Service &amp; Renewal</b>	135,793	87,448	32,797	20,765	4,295	145,305	9,512	7.0%
<b>Sponsored Research</b>	121,176	69,588		38,400	31,620	139,608	18,432	15.2%
<b>Total Expenses</b>	<b>\$1,011,408</b>	<b>\$755,975</b>	<b>\$108,971</b>	<b>\$150,041</b>	<b>\$51,026</b>	<b>\$1,066,013</b>	<b>\$54,605</b>	<b>5.4%</b>
<b>Net</b>	<b>(\$300)</b>	<b>(\$7,170)</b>	<b>\$0</b>	<b>\$2,641</b>	<b>(\$269)</b>	<b>(\$4,797)</b>	<b>(\$4,497)</b>	

## E&G AND AUXILIARY OPERATING BUDGETS

The URC recommends a FY18 E&G operating budget with total revenues of \$749 million, \$34.3 million (4.8 %) higher than FY17, and expenses of \$756 million, an increase of 36.9 million (5.1%) over the FY17 budget. The FY18 E&G budget includes a total Auxiliary Operations budget of \$109 million.

**Table 5: Proposed E&G Operating Budget**

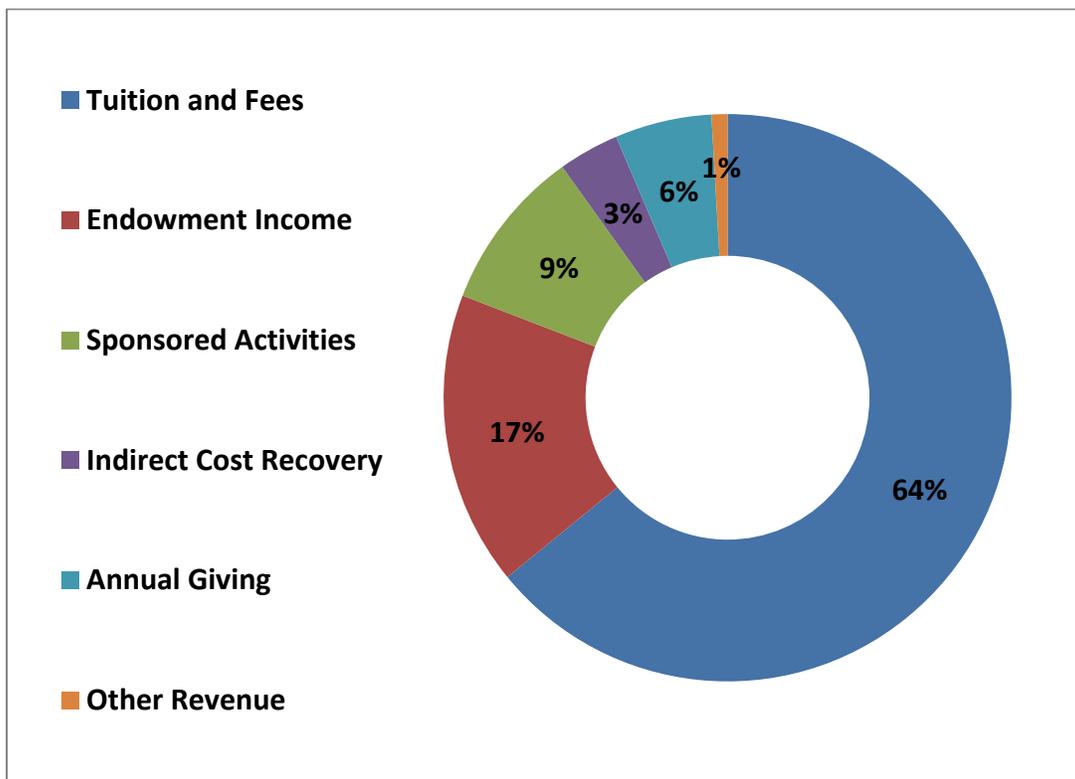
(\$ in 000s)	FY17 Budget	FY18 Proposed	\$ Change	% Change
<b>Undergraduate Tuition</b>	\$323,192	\$343,328	\$ 20,527	6.8%
<b>Graduate Tuition</b>				
<b>PhD Tuition</b>	61,988	63,814	1,826	2.9%
<b>Masters Tuition</b>	17,611	19,306	1,695	9.6%
<b>Professional Studies</b>	35,944	37,975	2,031	5.7%
<b>Other Tuition &amp; Fees</b>	16,236	17,142	906	5.6%
<b>Endowment Income</b>	136,217	123,456	(12,761)	-9.4%
<b>Sponsored Activities</b>	55,692	69,588	13,896	25.0%
<b>Indirect Cost Recovery</b>	22,456	26,031	3,575	15.9%
<b>Annual Giving</b>	39,170	41,350	2,180	5.6%
<b>Auxiliary &amp; Miscellaneous Revenue</b>	25,261	26,368	1,107	4.4%
<b>University Support for BioMed &amp; PH:</b>				
<b>Undergrad Instruction</b>	(12,880)	(13,235)	(355)	2.8%
<b>Faculty Startup, Initiatives, Faculty</b>	(2,917)	(2,892)	25	-0.9%
<b>Transitional Support</b>	(3,426)	(3,426)	-	0.0%
<b>Total E&amp;G Revenue</b>	<b>\$ 714,544</b>	<b>\$748,805</b>	<b>\$34,261</b>	<b>4.8%</b>
<b>Faculty Compensation</b>	112,385	114,785	2,400	2.1%
<b>Graduate Student Support</b>	90,935	95,212	4,277	4.7%
<b>Academic Support</b>	127,463	127,191	(272)	-0.2%
<b>Student Aid</b>	120,500	122,087	1,587	1.3%
<b>Student Services</b>	18,319	19,047	728	4.0%
<b>Athletics</b>	17,712	17,712	0	0.0%
<b>General Admin &amp; General Institutional</b>	31,516	37,686	6,170	19.6%
<b>Development, Alumni &amp; External Affairs</b>	31,290	31,635	345	1.1%
<b>Computing</b>	33,584	33,584	0	0.0%
<b>Facilities, Debt Service &amp; Renewal</b>	79,647	87,448	7,801	9.8%
<b>Sponsored Research</b>	55,692	69,588	13,896	25.0%
<b>Total E&amp;G Expenses</b>	<b>719,044</b>	<b>755,975</b>	<b>36,931</b>	<b>5.1%</b>
<b>Net</b>	<b>(\$4,500)</b>	<b>(\$7,170)</b>	<b>(\$2,670)</b>	

## Revenue & Transfers

Tuition income accounts for more than 64% of E&G revenue. Of this amount, undergraduate tuition at \$343 million is the largest single component, representing 71% of that total. Over the next five to ten years, as the University expands on-campus master's programs and develops new executive programs through the School of Professional Studies, Brown plans to reduce its dependence on undergraduate tuition.

Following tuition, endowment income and revenue from sponsored activities, including indirect cost recovery, are the largest sources of support for the E&G budget.

**Chart 1: E&G Revenue**



### **Undergraduate Enrollment, Tuition and Fees:**

The committee's budget recommendation is based on an expected on-campus enrollment of 6,573 undergraduate FTEs in FY18, an increase of 1.5%, or 100 higher over the current year. The enrollment projections assume no increase in the size of the entering class (1,665).

The annual increase in tuition revenue is typically the most significant source of incremental revenue to support the faculty, facilities, and student services, it is therefore a critical recommendation. The URC reviewed Brown's charges compared to peers as well as the range of increases among our peer group over the last several years. In the aggregate Brown's total student charges (tuition plus room, board and mandatory fees) are toward the low end of our peer group. Brown's FY17 total charges of \$64,566 rank 15<sup>th</sup> out of a group of 20 peers, ranging from a high of \$68,330 at Columbia to a low of \$60,162 at

Princeton. (Please see the appendix for current year peer data for tuition and mandatory fees, room, board, and total student charges.)

For FY17, increases ranged from 3.35% to 4.3% with an average of 4%, and Brown’s average annual increase in total student charges has been 4% for the last 10 years.

The consensus of this year’s URC is that Brown could raise total student charges on par with the average increase of last year. This increase is unlikely to change Brown’s relative pricing position among our peer group. The URC recommends tuition, fee, room and board increases as follows:

**Table 6: Proposed Tuition and Fees**

	FY18			
	FY17	Proposed	\$ Change	% Change
Tuition	\$50,224	\$52,231	\$2,007	4.0%
Room Rate	8,284	8,784	500	6.0%
Board Rate	4,916	5,236	320	6.5%
Health Fee	804	850	46	5.7%
Student Recreation fee	274	274	0	0.0%
Student Activities Fee	64	64	0	0.0%
<b>Total Undergraduate Student Charges</b>	<b>\$64,566</b>	<b>\$67,439</b>	<b>\$2,873</b>	<b>4.4%</b>

The committee proposes a 6% increase in the standard room rate and no change in the higher “suite” rate of \$8,784. This action addresses student concerns that some must choose rooms based on cost rather than on the facilities and housing options that best meet their interests. This completes a URC initiative over the last three years that has eliminated the differential between the two rates from \$1,368 in FY15 to \$0 in FY18.

The URC is recommending a 6.5% increase in the board rate. This increase will enable the University to fund important dining facilities renewal maintenance and equipment replacement. The proposed increase also places us on more equal footing with meal plan pricing compared to our Ivy League peers.

The URC recommends a 5.7% increase in the student health fee. The increase of \$46 will allow the University to meet the increasing needs of students by providing funding to support an additional registered nurse and another psychotherapist for University Health Services and for Counseling and Psychological Services.

The Undergraduate Council of Students did not request an increase in the student activities fee. These funds are allocated by the Undergraduate Finance Board to support student groups.

The combined effect of the tuition rate and enrollment increases is a FY17 budget to proposed FY18 budget increase of \$20 million or 6.2%. At the same time financial aid costs are expected to grow by 1.3% (see page 13). As a result, budgeted net tuition is expected to increase by 9.2% or \$18.5 million.

**Table 7: Net Undergraduate Tuition Revenue**

	FY17 Budget	FY18 Projected	Change	% Change
Total on-campus FTEs	6,473	6,573	100	1.54%
Tuition Rate	\$50,224	\$52,233	\$2,009	4.00%
<b>(\$ in 000s)</b>				
Total Undergraduate Tuition Revenue	\$323,192	\$343,328	\$20,136	6.23%
Undergraduate Aid	120,500	122,087	\$1,587	1.32%
<b>Net Tuition Revenue</b>	<b>\$202,692</b>	<b>\$221,241</b>	<b>\$18,549</b>	<b>9.15%</b>

**Graduate Tuition and Enrollment:**

The proposed tuition rate for doctoral and on-campus master’s programs is the same as undergraduate tuition: \$52,233, a 4% increase over FY17.

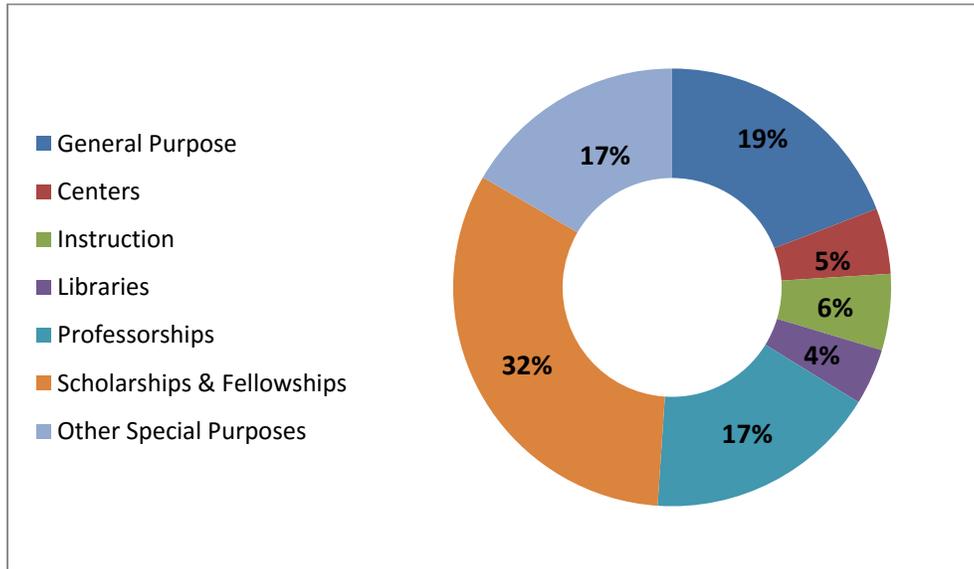
Next year, the University expects to have about 1,390 Ph.D. students, excluding those in Biology departments (included in BioMed budget). The University underwrites the majority of tuition for Ph.D. students, this is particularly true in the humanities and social sciences. In STEM fields however, the University generally underwrites only the first three semesters with remaining tuition for advanced graduate students provided through grants, contracts, and external fellowships. For FY18, net Ph.D. tuition revenue captured from these sources is projected to increase by approximately \$162,000 over FY17.

Based on departmental enrollment projections, in FY18, the University is expected to have approximately 370 Master’s students, excluding Biology and Public Health students. Net master’s revenue (after financial aid and revenue sharing with academic departments) is expected to increase by \$272,000, or 3.6%, to \$7.9 million in FY18.

**Endowment Income:**

With a market value of more than \$3.1 billion, the Brown endowment and other managed funds support more than 16% of the E&G budget (and smaller percentages of the BioMed and Public Health budgets). In FY16, the endowment and other managed funds earned a return of -1.1%, and over the last ten years the average annual return has been 6%. Endowment income helps finance vital activities, including undergraduate scholarships, professorships, graduate student fellowships, library acquisitions, more than 70 academic programs, and every varsity sport.

**Chart 2: Endowment by Purpose**



Brown’s endowment spending is governed by a disciplined policy that balances the need for current income with the equally important goal of preserving the endowment’s value to provide funding for future generations at Brown. The FY17 payout placed Brown over the high end of the policy range. As a result, the Brown Corporation recommended a decrease in endowment payout. Accordingly, the proposed FY18 budget for E&G includes \$123.5 million of endowment payout, a \$12.8 million or 9.4% reduction from FY17. The impact of the recommended decrease in the payout per share is offset by an expected \$2.2 million payout on an estimated \$92 million of new gifts to endowment expected by June 30, 2017. In terms of Brown’s endowment spending policy, the proposed payout will decrease from 5.65% to 5.07% of the twelve-quarter average market value as of December 31, 2016, near the mid-point of the policy’s 4.5%-to-5.5% range.

**Table 8: Endowment Payout**

(\$ in 000s)	FY17	FY18 Proposed
Endowment Payout as % of 12-Quarter Average	5.65%	5.07%
Change in Endowment Payout as Percent of 12-Quarter Average		-10.3%
Estimated Endowment Payout – E&G	\$136,217	\$123,456

**Annual Giving:**

Annual giving from alumni, parents and friends is an important component of the **BrownTogether** campaign. The University’s target is to raise \$41 million for the FY18 budget from the Brown Annual Fund, Sports Foundation and annual support of financial aid.

**Table 9: Annual Giving**

(\$ in 000s)	FY17	FY18	\$ Change	% Change
	Budget	Proposed		
Brown Annual Fund	\$36,100	\$39,000	\$2,900	8.03%
Share to BioMed	(\$1,805)	(\$1,950)	(\$145)	8.03%
BAF to E&G	\$34,295	\$37,050	\$2,755	8.03%
Brown Sports Foundation	\$3,875	\$3,900	\$25	0.65%
Financial Aid	\$1,000	\$400	(\$600)	-60.00%
Total-BAF, BUSF, Fin Aid	\$39,170	\$41,350	\$2,180	5.57%

**School of Professional Studies (SPS):**

Brown's School of Professional Studies includes pre-college programs, summer courses for undergraduate students, and executive degree and certificate programs. Although pre-college programs generate the largest share of its revenue, SPS total revenue is expected to increase by more than 16% in FY18 due to the launch of new executive education programs in Cybersecurity and Science and Technology Leadership as well as a proposed 4% increase in Undergraduate Summer tuition.

The SPS will incur significant start-up expenses for the new executive master's programs and also for the planned space re-location and expansion. The URC recommended budget for FY18 also includes a substantial increase in support from the SPS: a 25%, or \$2 million, increase from \$8 million in FY17 to \$10 million in FY18. As a result, we anticipate that the SPS may have a modest draw on their reserves in FY18.

**Table 10: School of Professional Studies Proposed Budget Summary**

(\$ in 000s)	FY17	FY18	\$ Change	% Change
	Budget	Proposed		
Summer-Undergrad Tuition	\$3,201	\$3,242	\$41	1.29%
Pre-College Tuition	24,260	24,950	690	2.84%
Executive Tuition	4,881	9,783	4,902	100.43%
<b>Total SPS Tuition</b>	32,342	37,975	5,633	17.42%
Other Income	2,373	2,570	197	8.30%
<b>Total Revenue</b>	\$34,715	\$40,545	\$5,830	16.79%
Projected Expenses	26,715	30,998	4,283	16.03%
Planned Use of Reserves	0	(453)	(453)	
<b>Contribution to University</b>	\$8,000	\$10,000	\$2,000	25.00%

For FY18 the SPS proposes the following tuition rates:

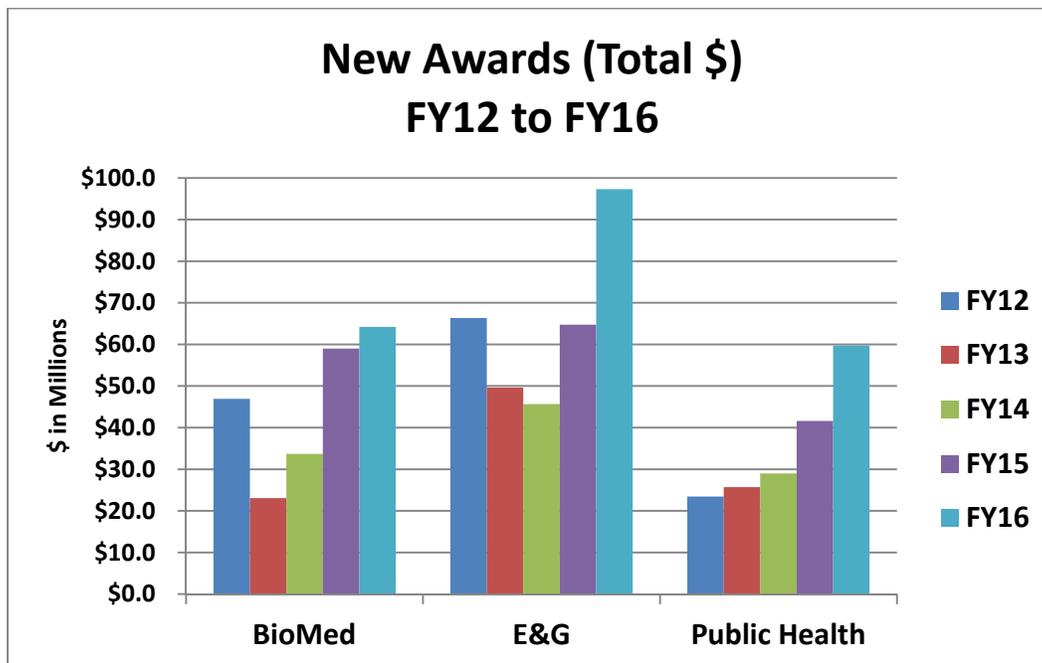
**Table 11: School of Professional Studies Proposed Tuition Rates**

	2017 Cohort	2018 Cohort	\$ Change	% Change
SPS Cybersecurity	\$97,500	\$97,500	\$0	0.0%
SPS Science and Technology Leadership	\$78,500	\$78,500	\$0	0.0%
SPS Executive MBA	\$130,000	\$130,000	\$0	0.0%
SPS Health Care Leadership	\$86,400	\$86,400	\$0	0.0%
SPS Undergraduate Summer (1 course)	\$4,052	\$4,214	\$162	4.0%
SPS Undergraduate Summer (2 courses)	\$7,846	\$8,160	\$314	4.0%

**Sponsored Research:**

FY18 projected income from sponsored activities is expected to improve over the previous year as we continue to see encouraging growth in new research awards after a lengthy decline in the wake of sequestration and the government shutdown between 2012 and 2014.

**Chart 3: Sponsored Funding New Awards**



We expect growth in income from sponsored activities, with revenue supporting the direct cost of research increasing from approximately \$55.7 million in FY17 to \$69.6 million FY18, a 25% increase and correspondingly we are projecting indirect cost recovery to grow by 21.5%, or \$3.4 million. In addition, by agreement E&G also receives 56% of Public Health indirect costs, projected to be \$6.5 million in FY18 bringing the total E&G increase to \$3.6 million or 15.9%.

**Table 12: E&G Indirect Cost Recovery**

(\$ in 000s)	FY18			
	FY17 Budget	Proposed	\$ Change	% Change
Direct Sponsored Activities	\$55,692	\$69,588	\$13,896	24.95%
Indirect Cost Recovery	\$16,052	\$19,499	\$3,447	21.47%
Indirect Cost from Public Health	\$6,404	\$6,532	\$128	2.00%
Total IDC	\$22,456	\$26,031	\$3,575	15.92%

**University Support for BioMed and Public Health:**

The E&G budget provides support for undergraduate instruction provided by the School of Public Health and the Division of Biology and Medicine. The University also funds some specific initiatives and faculty start-up costs. In FY18, the University will furnish approximately \$3.4 million combined to BioMed and Public Health as the fifth-year of the transition period to establish the School of Public Health.

**Table 13: University Support for Biomed and Public Health**

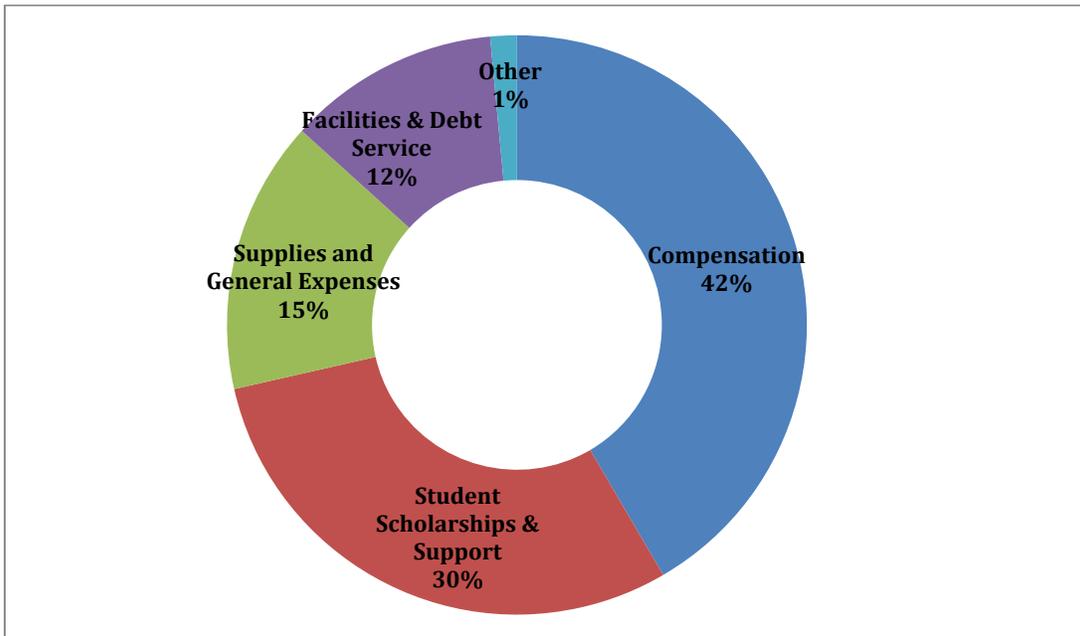
(\$ in 000s)	FY18			
	FY17	Proposed	\$ Change	% Change
<b>University Support for BioMed &amp; PH:</b>				
Undergraduate Instruction	(\$12,880)	(\$13,235)	(\$355)	2.76%
Faculty Startup, Initiatives, Faculty	(2,917)	(2,892)	\$25	-0.86%
Transitional Support	(3,426)	(3,426)	\$0	0.00%
Total	(\$19,223)	(\$19,553)	(\$330)	1.72%

**Expenses**

For FY18, the URC recommends an E&G expense budget of \$756.0 million, an increase of \$36.9 million, or 5.1%, from FY17.

Faculty and staff compensation and student scholarships and support are the two largest components of expense in the E&G budget, accounting for 72% of the budget. The cost of facilities, including debt service, accounts for another 12% of the total.

**Chart 4: E&G Expenses**



**Faculty and Staff Compensation:**

Salaries and benefits for faculty and staff comprise about 42% of the E&G budget. The internal budget review process included a comprehensive, market-based analysis of faculty compensation. This discussion - including the Provost and the Deans of the Faculty, Public Health, and the Division of Biology and Medicine - entailed a detailed data-driven review of Brown faculty salaries relative to appropriate market-based benchmarks from our academic peers.

The group considered additional factors such as recent data on Brown’s success recruiting and retaining faculty. The deans concluded that Brown’s faculty compensation was, in most respects and in the vast majority of disciplines, within the “market” and that salary was not a significant factor in recent recruitment and retention cases. The primary challenges for recruiting and retaining the best faculty include support for start-up, teaching and research facilities, graduate students, and scholarly interests and colleagues.

Similarly, for staff, Human Resources and the Executive Vice President for Finance and Administration reviewed detailed market data, turnover statistics, and recruitment activity. Unlike faculty, the staff analysis indicates that Brown pays below market in a number of critical job families, that staff do leave Brown for higher paying jobs elsewhere, and that the cost to fill vacancies often significantly exceeds the departed incumbent’s compensation.

In developing FY18 recommendations, the URC reviewed the information from the deans and Human Resources, weighed in with their own experiences, and reviewed the size of salary increase pools for faculty and staff over the last ten years. The URC measured the impact of salary increase pools on the overall FY18 budget and the deficit and considered the relative merit of arguments made for and against differential pools for faculty and staff.

Based on these deliberations the URC recommends total salary increase pools of 2.75% for both faculty and staff, the same size pools as for the current year. This will be the second straight year for a 2.75% merit pool recommendation. It is important to note the concern expressed by a plurality of committee members regarding the longer-term impact of these “modest” pools on competitiveness, recruitment, and retention. Although these pools may not be as high as some would like, the committee’s recommendation for FY18 should enable us to maintain our market competitiveness for faculty and to continue to address critical equity issues for staff while remaining sensitive to our overall budgetary constraints.

To help address the staff retention issue the URC is recommending an additional \$375,000 to fund a pool for staff equity and bonuses.

These pools and the associated cost of fringe benefits will add \$8.3 million to the E&G budget and will be used to fund merit, retention, promotion and equity increases. Average merit increases will be significantly lower than 2.75%, although it should be noted that consumer price inflation is currently very low. The Provost and the Executive Vice President for Finance and Administration will determine the specific breakdown of the increase pools. The URC strongly advocates that the portion of the pools specifically used for merit increases for faculty and staff be comparable, but understands that the final allocations will be made by administration.

**Undergraduate Scholarships:**

Over the last eight years, the undergraduate financial aid budget has increased from \$76.5 million to \$120.5 million in FY17, a 7.3% average annual increase. The percent of students on aid over this same timeframe has increased from 41% to 43%. Brown offers no-loan financial aid packages to families with incomes below \$100,000, which accounts for about 64% of our students receiving scholarships. Beginning in FY16 the University enhanced its financial aid packages for students from the “middle income” band to make our packages more competitive with our peers.

For FY18, the proposed budget includes \$122.1 million for undergraduate financial aid, an increase of 1.32%, or \$1.6 million, over FY17 budget. We are projecting actual FY17 financial aid expenditures to be lower than the FY17 budget by approximately \$3.0 million; therefore, the actual rate of undergraduate financial aid growth from FY17 projected actuals to the FY18 Budget amount is expected to be approximately 3.9%.

In summary, the URC proposes the following investments in undergraduate aid in FY18:

**Table 14: Undergraduate Scholarship Budget**

	\$ in 000s
<b>FY17 Scholarship Budget</b>	<b>\$120,500</b>
Base Increase for FY18	<b>1,587</b>
<b>FY18 Proposed Scholarship Budget</b>	<b>\$122,087</b>
<b>% Increase in Undergrad Financial Aid Budget</b>	<b>1.32%</b>

**Table 14.1: Undergraduate Scholarship Actual**

	\$ in 000s
<b>FY17 Scholarship Actual</b>	<b>\$117,500</b>
Base Increase to FY18 Budget	<b>4,587</b>
<b>FY18 Proposed Scholarship Budget</b>	<b>\$122,087</b>
<b>% Increase in Anticipated Financial Aid</b>	<b>3.9%</b>

**Student Wages:**

The URC is proposing for FY18 a 2% increase in student rates. This increase will ensure that Brown student wages stay slightly ahead of the minimum wage requirements in the State of Rhode Island.

**Graduate Student Support:**

The proposed FY18 budget continues Brown’s ongoing commitment to excellence and competitiveness in graduate education. In recent years Brown has increased the number of graduate student slots in strategic priority areas, raised stipends to more competitive levels, added dental insurance, added child care subsidy, and introduced new Presidential fellowships with additional support to attract the best graduate students.

For FY18, to keep Brown competitive with peer institutions, the URC recommends a 2.5%, or \$610, increase to bring the 9-month academic year stipend to \$25,010. In addition the URC proposed budget provides new funding for summer support for graduate students in the humanities and social sciences, addressing a lingering disparity versus peers in STEM fields. Overall, the proposed FY18 budget increases graduate student support by \$2.2 million over FY17, all of which is funded in a non-incremental manner by way of a fundamental restructuring of the Graduate School funds flow and support model and a corresponding redistribution of funds.

In summary, the URC proposes the following FY18 incremental investments in graduate student support:

**Table 15: Graduate Student Support Increases**

(\$ in thousands)	FY18 Proposed
9-month stipend increase & full summer stipends for students in Humanities & Social Sciences	\$2,163
Graduate Student Support	\$2,163

**Academic Support and Diversity and Inclusion:**

In keeping with the three priorities established for the Committee, the URC is recommending additional investments in academic excellence and diversity and inclusion.

The proposed budget provides for significant funding for the Pathways to Diversity and Inclusion Action Plan. The committee endorsed approximately \$1.5 million in incremental support for the plan including important investments in the Native American and

Indigenous Studies Initiative, faculty diversity hiring, additional staffing in the identity centers, and diversity-related training and support for faculty, staff, and students. A complete inventory of new investments is included in Table 16 below.

The URC recommends incremental financial support for a variety of initiatives, activities, and resources that support academic excellence totaling \$1.2 million. These include an important new initial investment in support of the University’s research core-facilities. While we plan to grow this fund over time, the proposed \$500 thousand initial investment is a strong signal and it creates an important ongoing stream of funding to sustain and enhance these vitally important resources for our research community.

In addition, the URC is recommending support for a Director of the Science Center, additional support for the Office of International Programs (offset by increased tuition), and funding to normalize support of two important academic analytical tools, Academic Analytics and Academic Insights that provide us with valuable comparative data on other institutions.

In total and in summary, the FY18 proposed budget requests increased investments in Academic Excellence and Diversity and Inclusion as follows:

**Table 16: Investments in Academic Excellence and Diversity and Inclusion**

(\$ in thousands)	FY18 Proposed
<b>DIAP</b>	
ADOCH event and travel grant expenses	\$110
FLI Center Program Director & LGBTQ Program Coordinator	146
DIAP Training - Human Resources	32
Director of Diversity and Inclusion	143
Other DIAP: Grad Fellow, Post Doc, Summer Seminar, Admin Fellows, Young Scholars, Seed, Workshops, etc.	419
Expand Mentoring Programs	120
BioMed Diversity Hires	300
Native American and Indigenous Studies Initiative	250
Diversity-Related Training for Public Safety	9
<b>Sub-total</b>	<b>\$1,529</b>
<b>Academic Excellence</b>	
Director of Science Center	115
Office of International Programs expenses	300
Family Weekend & Senior Week expenses	110
Academic Analytics and Insights	170
Core research	500
<b>Sub-total</b>	<b>\$1,195</b>
<b>Total</b>	<b>\$2,724</b>

### Facilities, Debt Service & Renewal:

A significant portion of Brown's budget is dedicated to operating and maintaining 240 buildings, with about 6.8 million gross square feet. Major infrastructure, envelope, and building mechanical systems should be updated or replaced every 25 to 50 years to prevent failures. It typically costs two to three times more to replace a system after it has failed than if the system had been replaced before the end of its useful life. Since 2008, Brown has spent over \$700 million on facilities and infrastructure renewal and will need to continue to spend similar amounts in the future. An important priority is to generate an increasing percentage of our facilities renewal needs from the operating budget, reducing our reliance on external debt. The URC therefore proposes to add an incremental \$800,000 for FY18 and hopes that over the next decade Brown will be able to increase significantly the budget allocation for facility renewal.

The University has entered into a long-term lease at South Street Landing that will become the home of 13 administrative units in summer/fall of 2017. The proposed FY18 budget includes funding for the full annual cost of the lease; for FY18 \$3.3 million.

The proposed FY18 budget includes a reduction of \$425,000 resulting from Utilities savings.

For FY18, the URC proposes adding \$4.1 million to provide for debt service on \$72 million of capital projects approved by the Corporation last spring.

In total, the URC recommends the following additions for facilities, renewal, and debt service:

**Table 17: Investments in Facility Renewal and Debt Service**

(\$ in thousands)	FY18 Proposed
Facilities Renewal	\$800
South Street Landing Lease	3,300
Debt Service	4,126
Utilities savings	(425)
Facilities and Debt Service	\$7,801

### Administrative and Support Operations:

The URC recommends approximately \$613 thousand in incremental funding for high priority needs in Advancement, as well as the Office of the General Counsel, and the Office of the Executive Vice President for Policy and Planning.

In October, Brown publicly launched its \$3-billion **BrownTogether** comprehensive fundraising campaign. The University Advancement Office requested and the URC endorses an additional \$345 thousand to support campaign events and recruitment assistance. The URC also recommends an increase of \$173 thousand in funding for the

Office of Policy and Planning for commencement expenses and \$91 thousand to the Office of the General Counsel to fund a paralegal.

In summary, the proposed FY17 budget includes incremental funding as follows:

**Table 18: Investments in Administrative and Support Operations**

(\$ in 000s)	FY18 Proposed
Advancement	\$345
General Counsel	91
VP Policy and Planning	177
Total	\$613

**Deficit Reduction:**

The proposed FY18 budget also includes important base budget reductions totaling \$3.3 million. These reductions were targeted in three specific areas: the Library collections budget, the Dean of the Faculty budget, and a reduction in payments to the City of Providence as called for in our agreements with the city.

The Library reduction targets overall budget savings in collections budget specifically related to journal subscriptions. In collaboration with Library leadership, we plan to undertake a detailed study of our current inventory, contractual relationships, and potential overlap of journal topics in order to identify the optimal manner in which to effectuate these savings.

Reduction in the Dean of the Faculty budget relates to a planned deferral of certain faculty searches in light of the endowment payout reduction. It is anticipated that funding for faculty searches will need to be partially or fully restored in coming years.

**Summary and Outlook**

In summary, the URC proposes an overall FY18 E&G budget that reflects a deficit of \$7.17 million driven in large measure by the planned reduction in endowment payout. At the same time, the proposed budget maintains and enhances the University’s strong commitment to undergraduate financial aid, makes critical investments in graduate and undergraduate education, funds key goals in the Diversity and Inclusion Plan, builds on investments in facilities renewal, initiates new funding for research core facilities and fully restores funding to meet the University’s debt obligations.

We expect next year’s URC to continue this emphasis on both financial sustainability and the priorities in both Building on Distinction and the Diversity and Inclusion Plan. We do however anticipate ongoing budgetary pressure as outlined in the Letter from Provost to President with Executive Summary.

## DIVISION OF BIOLOGY AND MEDICINE OPERATING BUDGET

The Division of Biology and Medicine proposes, and the URC endorses, an FY18 operating budget with total revenues of \$152.7 million versus expenditures of \$150 million for an anticipated positive margin of \$2.6 million versus a \$ 4.2 million operating margin in the FY17 budget. The fundamental metrics embedded within the Division’s FY18 budget remain strong with student enrollments and research awards continuing to increase. These improvements when offset by a 9% decrease in the University’s endowment payout rate are expected to generate an operating margin increase of \$1.6 million as compared to FY17. Notably, this represents four consecutive years of positive operating performance by BioMed. Continued positive financial performance is essential for the Division to achieve the goals of its strategic plan.

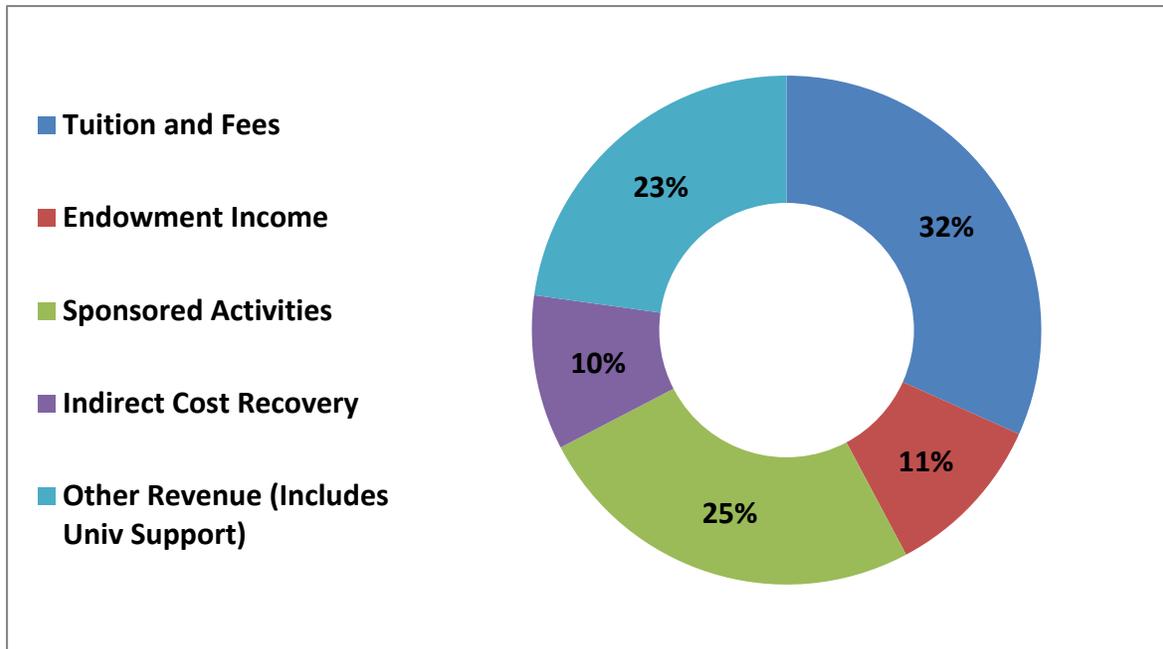
**Table 19: Proposed BioMed Operating Budget**

(\$ in 000s)	FY17 Budget	FY18 Proposed	\$ Change	% Change
<b>Graduate Tuition</b>				
PhD Tuition	\$13,724	\$15,252	\$1,528	11.1%
Medical Tuition	29,138	31,910	2,772	9.5%
Other Tuition & Fees	977	1,240	263	26.9%
Endowment Income	18,288	16,053	(2,235)	-12.2%
Sponsored Activities	36,100	38,400	2,300	6.4%
Indirect Cost Recovery	14,000	15,000	1,000	7.1%
Annual Giving	1,805	1,950	145	8.0%
Auxiliary & Miscellaneous Revenue	15,833	17,975	2,142	13.5%
<b>University Support for:</b>				
Undergraduate Instruction	9,255	9,510	255	2.8%
Faculty Startup, Initiatives, Faculty Transitional Support	2,532	2,892	360	14.2%
	2,500	2,500	0	0.0%
<b>Total Revenue</b>	<b>\$144,152</b>	<b>\$152,682</b>	<b>\$8,530</b>	<b>5.9%</b>
Faculty Compensation	21,083	21,283	200	0.9%
Graduate Student Support	11,307	12,727	1,420	12.6%
Academic Support	35,818	39,769	3,951	11.0%
Student Aid	8,788	10,006	1,218	13.9%
Student Services	6,798	7,091	293	4.3%
Facilities, Debt Service & Renewal	20,057	20,765	708	3.5%
Sponsored Research	36,100	38,400	2,300	6.4%
<b>TOTAL EXPENSES</b>	<b>139,952</b>	<b>150,041</b>	<b>10,089</b>	<b>7.2%</b>
<b>Net</b>	<b>\$4,200</b>	<b>\$2,641</b>	<b>(\$1,559)</b>	

## BioMed Revenues

BioMed is planning on a 5.9% increase in revenue for FY18, with the largest increases in sponsored activities and tuition revenue. Although sponsored funding is the largest funding stream to the Division, only the indirect cost return component of sponsored funding can be used to support general expenses in the division. Medical student tuition revenue provides the greatest overall flexibility to the Division followed by endowment income.

**Chart 5: BioMed Revenue**



### **Medical School Tuition and Fees:**

The Alpert Medical School (AMS) expects to enroll a first year class of 144 students next fall. These students will pursue medical training along one of two tracks, the traditional track program or the new primary care and population medicine (PCPM) track.

Each year, BioMed benchmarks AMS tuition and fees against peer medical schools to assess its relative market position (see the appendix for tuition and fees at peer schools). For FY17, the AMS tuition rate of \$55,552 is approximately at the mid-point of its peer group, which ranges from \$63,954 at the University of Washington to \$48,209 at Yeshiva Einstein. Brown AMS tuition is the third lowest in the Ivy League with Penn and Weill Cornell having lower rates.

In addition to the tuition comparison, AMS looks to other key metrics to assess its market position such as applications, yield, win/loss ratios, and student indebtedness. For example, admission to Brown AMS is exceptionally competitive with an acceptance rate of 2.8% and a yield rate of 53%. Medical School applications continue strong with 10,672 applications for the current student class. Next year, the AMS expects to have total student enrollments of 547 FTEs.

BioMed recommends, and the URC endorses, a 5% increase in medical tuition of \$2,776, from \$55,552 to \$58,328.

**Table 20: Proposed Medical Tuition Rate**

	FY18		\$ Change	% Change
	FY17	Proposed		
<b>Medical Tuition Rate</b>	\$55,552	\$58,328	\$2,776	5.0%

**Graduate Tuition and Enrollment:**

Because of its access to NIH funding, BioMed is able to support most of its graduate students from externally funded sources rather than University funds.

For FY18, BioMed is projecting to enroll 46 new first-year Ph.D. students.

The Division has experienced substantial growth in its Masters programs particularly in Biomedical Engineering and Biotechnology. In FY17 the Division launched a new track within the Biotechnology program and anticipates continued growth. Also in FY18, the Division expects to launch a new Masters program, Gateways to Medicine. Overall, the Division anticipates to grow its Masters tuition revenue by \$800,000 in FY18.

The 4% tuition rate for BioMed Ph.D. and masters students will be the same as the E&G undergraduate and graduate tuition rate: \$52,232 for FY18, a 4% increase.

**Sponsored Research:**

Sponsored research is the single largest source of support if both direct and indirect costs are considered. BioMed has experienced a four-year sustained increase in new awards, now approximating \$55 million per year. Over this period of time the Division experienced a 50% cumulative four-year increase over FY13.

Based on the projected award numbers, the proposed FY18 direct sponsored revenue for BioMed includes \$38.4 million in direct sponsored revenue (and related expense), an increase of 6.4%, or \$2.3 million, and indirect cost return of \$15 million, an increase of 7.1% or \$1 million over FY17 budgeted levels.

**Endowment Income:**

Using the proposed 9% decrease in endowment payout, BioMed is expecting to be able to utilize \$16.1 million in endowment income in FY18.

**Other Revenues:**

The Division is planning for increased use of its Warren Alpert Foundation Gift Funds in FY18. Notably, this fall, the Foundation made an additional \$27 million gift to the Warren Alpert Medical School in support of the Brown Institute for Translational Science. The gift also established the endowed Warren Alpert Physician-Scientist MD/PhD and Advanced Training Program, offering more students the opportunity to pursue a joint MD/PhD.

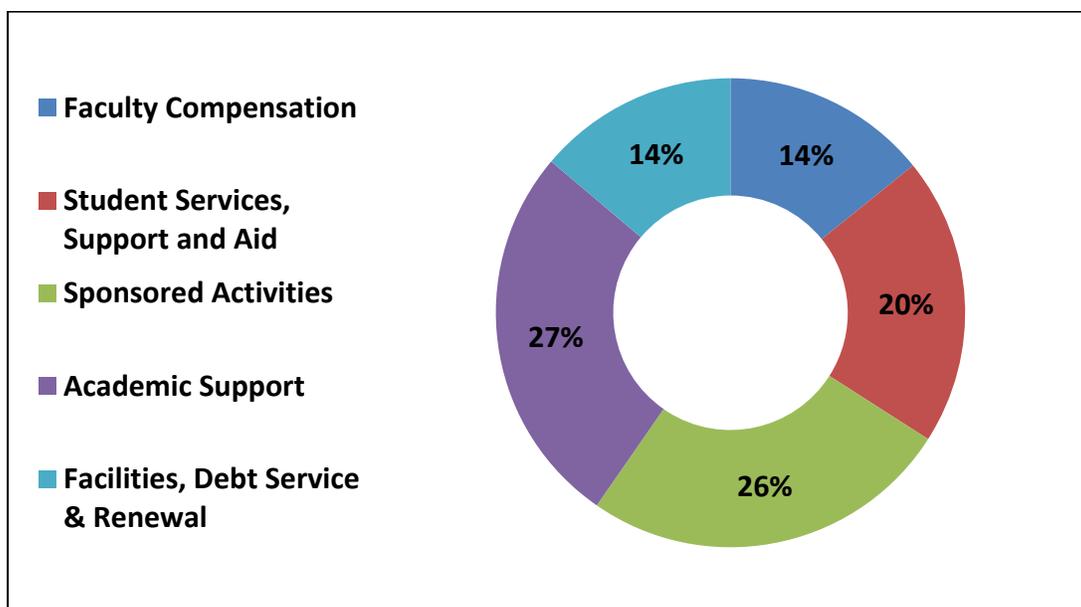
The Division does not expect any significant increases in hospital support to impact its FY18 operating cash flows beyond the contractually required inflationary increases. The Division does expect an increase in University support for undergraduate instruction and for specific initiatives, including faculty start-up funds.

### **BioMed Expenses**

Overall, BioMed expects expenses to grow by 7.2% over FY17 budget. This increase is driven largely by sponsored research, graduate student support and AMS financial aid.

The direct cost of sponsored research is the largest component of the BioMed expense base followed by faculty compensation, other academic support, facilities, and graduate student support.

**Chart 6: BioMed Expenses**



#### **Faculty and Staff Wages:**

The Division of Biology and Medicine applies the same faculty and staff salary increases as E&G; therefore, the proposed FY18 budget for BioMed incorporates a 2.75% salary increase pool for FY18.

In addition, the faculty compensation line includes 3 new and incremental diversity faculty lines. It is anticipated that these faculty will, over time, be absorbed into existing faculty lines as current faculty depart or retire. These anticipated recruitments will also require start-up packages, which are reflected in the proposed FY18 budget to the extent Division funded.

#### **Graduate Student Support:**

The Division provides stipends and other support from its general funds for the first three semesters plus one summer to its graduate students. After that, BioMed expects graduate student support to be provided from individual principal investigator grants, training

grants, and fellowships. Departments and programs have graduate “banks” or reserves that can be used to support students in the event of an unexpected lapse in grant funding.

For FY18, BioMed is proposing to increase its 12-month graduate student stipend to \$30,618, an increase of \$748, or 2.5%, over this year’s rate. While the Biomed stipend is near the bottom compared with its aspirational peer group, it is important to note that the differential between the Biomed stipend and the mid-point of the peer group is less than \$1,000.

The combined impact of these parameters is a \$1.4 million or 12.6% increase in graduate student support over FY17 budget.

#### **Facilities and Debt Service:**

The Division pays the University for the annual operating and debt service costs associated with the buildings and space it occupies. An increase of \$708,000, or 3.5%, is expected in FY18.

#### **Student Aid:**

The proposed FY18 budget includes \$10 million for student aid, a 13.9% increase from FY17. The vast majority of this aid is for medical students. The sources of support for AMS student aid are endowment and philanthropic foundation income (46%) and operating funds (54%). BioMed’s proposed FY18 operating budget reduces the AMS financial aid discount rate to 30%, a 1% reduction from FY17. Although the AMS’s financial aid discount rate is toward the bottom of its peer group, admissions to the school remain extraordinarily competitive, and demand, as reflected in the volume of secondary applications continues unabated. Because Brown’s budget does not presently benefit from clinical revenue, the AMS expends a higher proportion of its total revenues on financial aid relative to its peers. AMS student indebtedness is roughly at the median of all medical schools.

#### **BioMed Summary and Outlook**

Overall BioMed’s financial turnaround continues as noted by four consecutive years of positive operating performance (appendix for BioMed margin trend graph). The key drivers of this performance have been medical student tuition, growth in both student enrollment and sponsored research awards, and aggressive cost containment. In the nearer term, as the AMS nears its enrollment capacity, BioMed will look primarily to expansion of its masters programs and continued success competing for sponsored funding to sustain its financial improvement.

In the longer term, BioMed must continue its efforts to diversify revenue and solidify critical external relationships to support its ambitious strategic plans. Ongoing efforts toward physician alignment, research consolidation, and building appropriate and durable strategic health system affiliations are an important means to achieving this end.

## SCHOOL OF PUBLIC HEALTH OPERATING BUDGET

The School of Public Health (SPH) proposed, and the URC endorses an operating budget of \$51.025 million for FY18, 8.4% higher than in FY17.

**Table 21: Proposed Public Health Budget**

(\$ in 000s)	FY17 Budget	FY18 Proposed	\$ Change	% Change
Graduate Tuition				
Masters Tuition	\$5,643	\$6,264	\$621	11.0%
Endowment Income	850	1,014	164	19.4%
Sponsored Activities	29,136	31,620	2,484	8.5%
Indirect Cost Recovery	5,032	5,132	100	2.0%
Annual Giving	125	135	10	8.0%
Auxiliary & Miscellaneous Revenue	1,219	1,660	441	36.2%
University Support for:				
Undergraduate Instruction	3,625	3,725	100	2.8%
Faculty Startup, Initiatives, Faculty	280	280	0	
Transitional Support	926	926	0	0.0%
<b>Total Revenue</b>	<b>\$46,836</b>	<b>\$50,757</b>	<b>\$3,921</b>	<b>8.4%</b>
Faculty Compensation	4,837	5,206	369	7.6%
Academic Support	7,299	8,339	1,040	14.2%
Student Aid	1,445	1,566	121	8.4%
Facilities, Debt Service & Renewal	4,119	4,295	176	4.3%
Sponsored Research	29,136	31,620	2,484	8.5%
<b>TOTAL EXPENSES</b>	<b>\$46,836</b>	<b>\$51,025</b>	<b>\$4,189</b>	<b>8.9%</b>
<b>Net</b>	<b>\$0</b>	<b>(\$269)</b>	<b>(\$269)</b>	<b>\$0</b>

### SPH Revenues

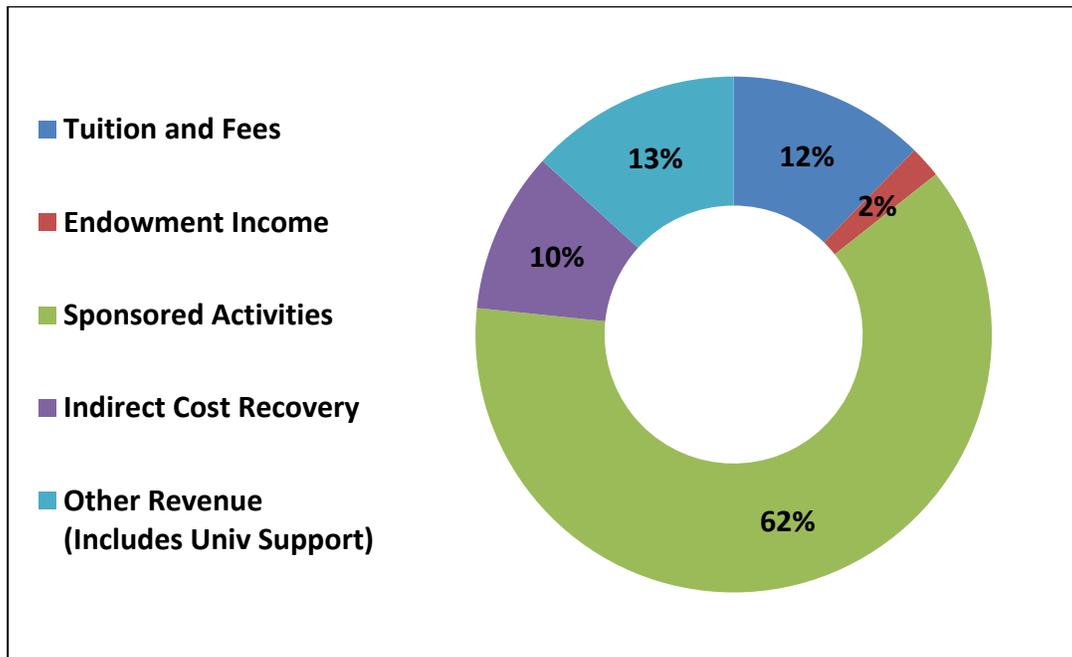
The School of Public Health is heavily dependent on sponsored funding. In total, the SPH is expected to generate over \$43 million in sponsored funding (direct and indirect). Public Health retains 44% of its indirect cost recovery for costs incurred by SPH, the balance of 56% goes to the E&G budget to cover the central costs related to research. Master's tuition represents the second largest source of revenue and is the largest source of unrestricted revenue, providing the greatest flexibility in terms of budgetary support.

In FY18, the SPH budget is expected to support:

- 185 masters students and 74 Ph.D. students
- 180 undergraduate students concentrating in Public Health or statistics
- 4 departments and 9 research centers/institutes
- 37 tenured/tenure-track, 9 term and 49 research faculty
- 150 staff, approximately 100 of whom are supported with sponsored funding

The SPH receives support from the University for the undergraduate teaching by Public Health faculty, and FY18 represents the fifth year of support to help SPS transition to an accredited school of public health.

**Chart 7: Public Health Revenue**



**Masters Tuition and Fees:**

The SPH expects to enroll 185 master’s students in FY18. The University’s graduate tuition rate will apply, and it is expected, as noted earlier, to increase by 4%. The proposed SPH budget incorporates \$6.26 million from master’s tuition, \$621,000, or 11%, higher than FY17.

**Sponsored Research:**

SPH research funding has rebounded nicely from recent multi-year declines. In fact, Public Health expects sponsored funding in FY17 and FY18 to exceed the recent historical highs of 2011 and 2012. The proposed budget includes \$31.620 million in sponsored research revenue in support of direct costs and \$5.132 million from indirect cost recovery.

**Endowment Income:**

FY18 endowment income is expected to increase by 19.4%. SPH has received several new endowments and pledge payments have allowed endowment minimums for payout to be achieved.

**University Support:**

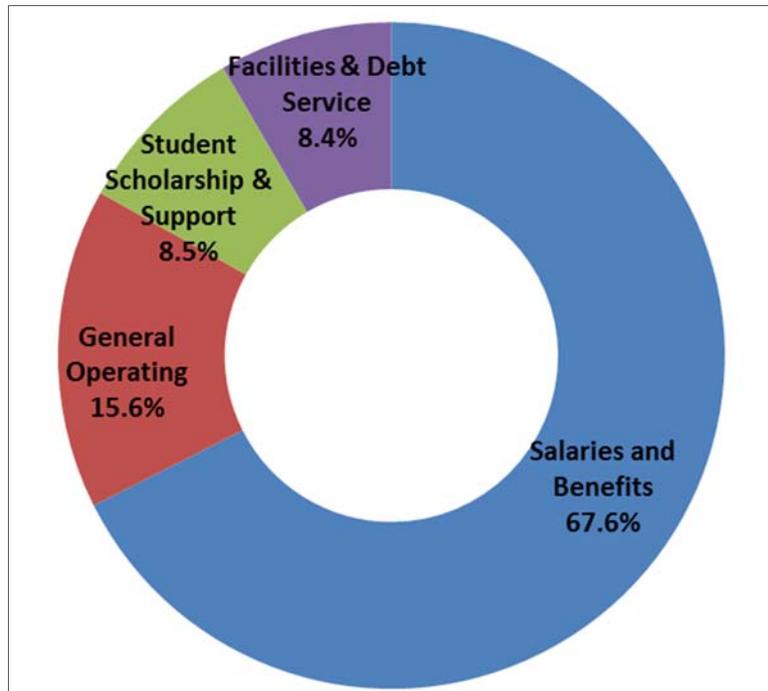
Support for undergraduate instruction is expected to increase to \$3.725 million, a 2.75% increase from FY17. As Public Health increases revenue from tuition, endowment and

fundraising, the E&G budget expects to provide less transitional support. The transitional support for FY18 is equal to FY17 at \$926,000.

### SPH Expenses

The direct cost of sponsored research is the largest component of the SPH expense base followed by faculty and staff compensation, academic support, and facilities.

**Chart 8: Public Health Expenses**



#### **Faculty and Staff Wages:**

SPH has incorporated the proposed 2.75% salary increase pool for faculty and staff. The FY18 budget includes compensation for 3 tenure track searches that are in progress (1 new, 2 replacement) and no new tenure/tenure-track faculty recruitments are anticipated in FY18.

#### **Facilities and Debt Service:**

Public Health's budget includes the cost of its space and debt service for the renovation of that space. For FY18, SPH is budgeting \$4.3 million, an increase of \$176,000 from FY17.

#### **Student Aid:**

The SPH provides 25% tuition scholarships to Masters students. For FY18, based on its projected enrollments, student aid is expected to be \$1.566 million, an 8.4% increase over FY17.

### SPH Summary and Outlook

At this time, the SPH expects to finish FY18 with a deficit of approximately \$269,000. Key drivers have been master's student tuition and growth in sponsored research along with aggressive cost containment. Growth in endowment has been far less than anticipated when the school's financial model was developed. The ***BrownTogether*** campaign includes fundraising goals to establish a significant endowment for the school. From a financial standpoint, this would provide critical revenue diversification and financial stability for the SPH. In addition, increasing foundation and industry sponsored research funding can be important catalyst for diversifying the research portfolio.

## OVERALL CONCLUSION & OUTLOOK

Overall, the URC is pleased to submit an FY18 consolidated budget that continues to support ongoing investments in key initiatives while managing to limit the consolidated budgeted deficit to \$4.8 million or  $\sim(0.4\%)$  in the face of a 10.3% endowment payout reduction. With the proposed 4% increase in undergraduate and graduate tuition, and 5% proposed increase in medical tuition rates, we expect Brown to maintain its current position relative to the rates of our peers, and at the same time, we are sustaining and enhancing our support for these student cohorts.

Preservation of the value of the endowment is of paramount importance for the long-term financial stability of the University. The global financial markets are volatile however and with the endowment draw at the highest end of the authorized range we must adjust our endowment assumptions in the short term.

Through the two-track budgetary process, the URC and the University's senior leaders together again focused the investments in the FY18 budget on three critical priorities: academic excellence, community and inclusion and financial sustainability.

We anticipate ongoing budgetary pressures over the next 2-3 years as described elsewhere in this document. Faculty and staff salaries, faculty searches, increased debt service, the need for ongoing incremental investments in facilities renewal and research core facilities are all areas of increasing need. Coupled with the need to remain competitive in financial aid and graduate student support it is clear that we must maintain a high level of fiscal discipline managing growth and containing costs. In combination with the extraordinary generosity of our alumni, parents, and friends through the **BrownTogether** campaign, Brown will realize the goals of *Building on Distinction* while solidifying and building on its role as a world leader in higher education and research.

## APPENDIX

### URC Members and Staff

#### ADMINISTRATORS

Richard Locke, Provost and Chair  
Russell Carey, Executive Vice President for Planning and Policy  
Barbara Chernow, Executive Vice President, Finance and Administration  
Kimberly Galligan, Executive Dean for Finance and Administration, Division of Biology and Medicine  
Lindsay Graham, Vice President for Finance and Chief Financial Officer  
Linda Laliberte-Cote, Assoc. Dean for Administration and Finance, School of Public Health  
Lawrence Larson, Dean, School of Engineering  
Kevin McLaughlin, Dean of the Faculty  
Joseph Meisel, Deputy Provost

#### FACULTY

Rachel Cassidy, Assistant Professor of Social Sciences  
Lina Fruzzetti, Professor of Anthropology  
Kathleen Hess, Lecturer in Chemistry  
Jose Itzigsohn, Professor of Sociology  
David Sobel, Professor of Cognitive, Linguistic and Psychological Sciences  
Jay Tang, Professor of Physics and Engineering  
Todd Winkler, Professor of Music

#### STUDENTS

Christian Hanson, Undergraduate Student  
Jonathan Jaramillo, Undergraduate Student  
Akaela Michels-Gualtieri, Undergraduate Student  
Minoshka Narayan, Undergraduate Student  
Anne Gray Fischer, Graduate Student  
Tracey Suter, Graduate Student  
Shaan Ahmed, Medical Student

#### STAFF REPRESENTATIVES

Katherine Tameo, Director of Finance and Administration, Campus Life & Student Services  
Patricia Putney, Director of Finance and Business Services, Library

#### COMMITTEE STAFFED BY:

Deborah Moser, interim Budget Director  
Kathy Santos, Executive Assistant  
Donald Schanck, Associate Vice President for Finance  
Charlene Sweeney, University Controller  
Sara Walsh, Managing Director of Academic Finance and Administration

## Total Student Charges for 2016-17

Institution	FY17 Tuition & Mandatory Fees	Tuition Rank	FY17 Room and Board	Room & Board Rank	FY17 Total Student Charges	% Increase FY16 to FY17	Total Rank
Columbia	\$55,086	1	13,244	19	68,330	3.8%	1
University of Chicago	52,491	2	15,093	7	67,584	4.0%	2
Duke	51,265	9	15,656	2	66,921	5.8%	3
Northwestern	50,855	11	15,489	5	66,344	3.7%	4
Amherst	52,476	3	13,710	17	66,186	3.8%	5
Dartmouth	51,438	7	14,736	10	66,174	3.8%	6
Georgetown	50,547	12	15,568	4	66,115	4.1%	7
Univ. of Penn.	51,464	6	14,536	12	66,000	3.9%	8
Oberlin	52,002	4	13,828	16	65,830	2.5%	9
Williams	51,790	5	13,690	18	65,480	3.5%	10
Johns Hopkins	50,410	13	14,976	8	65,386	3.4%	11
Washington U in St. Louis	49,770	14	15,596	3	65,366	3.1%	12
Cornell	50,953	10	13,900	15	64,853	3.3%	13
Yale	49,480	15	15,170	6	64,650	3.9%	14
<b>Brown</b>	<b>51,366</b>	<b>8</b>	<b>13,200</b>	<b>20</b>	<b>64,566</b>	<b>4.1%</b>	<b>15</b>
Swarthmore	49,104	16	14,446	13	63,550	3.5%	16
Harvard	47,074	19	15,951	1	63,025	3.9%	17
MIT	48,452	17	14,210	14	62,662	3.7%	18
Stanford	47,940	18	14,601	11	62,541	3.5%	19
Princeton	45,392	20	14,770	9	60,162	4.3%	20

## Medical School Tuition at Peer Institutions, FY16-FY17

Medical School	FY16 Tuition	FY17 Tuition	2016-17 % Increase
U of Washington (non-resident)	63,123	63,954	1.32%
Washington U St Louis	58,460	60,798	4.00%
Tufts	58,346	59,514	2.00%
<b>Harvard</b>	<b>58,050</b>	<b>58,050</b>	<b>0.00%</b>
Vermont (non-resident)	58,020	59,620	2.76%
<b>Dartmouth</b>	<b>57,731</b>	<b>59,463</b>	<b>3.00%</b>
Case Western Reserve	57,475	59,346	3.26%
Southern Cal-Keck	56,848	59,122	4.00%
<b>Yale</b>	<b>55,680</b>	<b>57,629</b>	<b>3.50%</b>
Boston	55,456	57,250	3.23%
<b>Columbia</b>	<b>55,418</b>	<b>57,634</b>	<b>4.00%</b>
Northwestern-Feinberg	53,947	55,000	1.95%
Duke	53,575	55,180	3.00%
<b>Brown-Alpert</b>	<b>53,416</b>	<b>55,552</b>	<b>4.00%</b>
Stanford	52,491	54,327	3.50%
<b>Pennsylvania</b>	<b>52,210</b>	<b>54,036</b>	<b>3.50%</b>
Pittsburgh (non-resident)	51,464	54,036	5.00%
<b>Cornell-Weill</b>	<b>50,950</b>	<b>52,500</b>	<b>3.04%</b>
Rochester	50,300	52,400	4.17%
Michigan (non-resident)	50,122	52,686	5.12%
Emory	49,800	49,800	0.00%
Chicago-Pritzker	49,581	51,237	3.34%
New York University	49,080	51,060	4.03%
Georgetown	48,796	49,772	2.00%
Johns Hopkins	48,750	50,160	2.89%
Penn State (non-resident)	48,690	49,800	2.28%
Yeshiva Einstein	46,805	48,209	3.00%
Mount Sinai-Icahn	46,388	48,244	4.00%
Massachusetts*	23,648	59,400	151.18%

\*Accepting non-MA residents for the first time in FY17. Tuition is \$59,400 vs. \$33,600 for MA residents.

