



2016-2017 Operating Budget

Proposal to the Board of Regents
May 25, 2016

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Executive Summary

The University of Nebraska will be the best place in the nation to be a student.

State-aided Budget Highlights

The 2017 state-aided operating budget is proposed to go up nearly \$31 million, a 3.4% increase over the prior year. As shown in table 1, the majority of the increase, \$16.7 million, comes from the three percent increase in state appropriated tax dollars provided by Governor Ricketts and members of the Nebraska Legislature.

An additional \$6.7 million in revenue will result from the 2.5 percent tuition increase for resident and nonresident students that the Board of Regents approved in June 2015.

Anticipated enrollment growth among nonresident and distance education students, where the university is experiencing especially strong demand, will create additional tuition revenue. Non-resident tuition was up 5.2 percent in FY 2016 and is projected to go up an additional 1.1 percent in FY 2017. Distance education tuition was up 10.5 percent in FY 2016 and is projected to be up another 5.1 percent FY 2017.

One item of concern which requires further analysis is the drop in resident tuition, which declined -2.1 percent in FY 2016 and is projected to be flat in FY 2017.

Table 1: Change in State-aided Funding Sources

Table 2 provides a summary of how the new funds are proposed to be expended in FY 2017. Compensation and core operations are projected to go up by 2.4 percent with an additional 1 percent being invested in strategic priorities.

Like most universities, the University of Nebraska directs most of its state-aided budget toward people, and the majority of the increased costs next year will be for compensation. This includes a 2.5 percent

merit pool and an increase for health insurance. Milliman, an independent actuary that provides premium consultation for our health plan, projects the plan's premiums will need to increase 9.2 percent on January 1, 2017. Six months of those expenses, which equates to a 4.6 percent budget increase, are reflected in the FY 2017 budget.

The proposed budget includes a number of new investments in strategic initiatives intended to advance President Bounds' priorities for the university. These include \$3 million for salary competitiveness, \$2.5 million for Programs of Excellence, and additional funds for need based aid and college access and success initiatives. Additional details on these items can be found later on in this document.

Marginal revenues from enrollment increases and distance education initiatives are returned to the campus, dollar for dollar, to cover marginal costs associated with teaching more students. These revenues also provide opportunity funding that can be invested in campus and/or distance education initiatives.

Table 2: Change in State-aided Expenditures by Major Category

The table content is redacted with horizontal lines. There are two main sections of redaction, each consisting of two lines. The first section has two single horizontal lines. The second section has two double horizontal lines.

Investments in priorities that serve students and the state will require the university to take steps throughout the year to bring expenses in line with funding. \$4.5 million, which represents 0.5 percent of the state-aided budget, will be managed through the year with potential additional revenues after enrollments are known, and/or reducing costs through cutting existing budgets or finding additional operating efficiencies.

Non State-aided Budgets

Non state-aided activity is projected to increase by 1.9% in FY 2017. Modest increases in self-supporting auxiliary entities (2.3 percent) and restricted private contributions (2.8 percent) are expected in FY 2017. The outlook for federal research funding continues to be mixed, with only a 0.4% increase in federal funding projected.

Operating Budget Details

State-Aided Less Revolving Funds

(Operating Budget primarily supported
from State Appropriations & Tuition)

Notes:

(a)

2016-17 Tuition Rates

University of Nebraska - Lincoln

Student Category	Per Tuition Unit	2015-16 Rate	2016-17 Rate	Change
Undergraduate				
Resident	Sem. Credit Hr.	\$219.75	\$225.25	\$5.50
Nonresident	Sem. Credit Hr.	\$692.00	\$709.25	\$17.25
Graduate				
Resident	Sem. Credit Hr.	\$290.00	\$297.25	\$7.25
Nonresident	Sem. Credit Hr.	\$829.75	\$850.50	\$20.75
College of Architecture Undergraduate				
Resident	Sem. Credit Hr.	\$297.00	\$304.50	\$7.50
Nonresident	Sem. Credit Hr.	\$884.50	\$906.50	\$22.00
College of Architecture Graduate				
Resident	Sem. Credit Hr.	\$384.25	\$393.75	\$9.50
Nonresident	Sem. Credit Hr.	\$1,055.75	\$1,082.25	\$26.50
College of Business Administration Undergraduate				
Resident	Sem. Credit Hr.	\$272.75	\$279.50	\$6.75
Nonresident	Sem. Credit Hr.	\$856.50	\$878.00	\$21.50
College of Business Administration Graduate				
Resident	Sem. Credit Hr.	\$358.75	\$367.75	\$9.00
Nonresident	Sem. Credit Hr.	\$1,025.75	\$1,051.50	\$25.75
College of Engineering Undergraduate				
Resident	Sem. Credit Hr.	\$315.00	\$322.75	\$7.75
Nonresident	Sem. Credit Hr.	\$901.25	\$923.75	\$22.50
College of Engineering Graduate				
Resident	Sem. Credit Hr.	\$401.00	\$411.00	\$10.00
Nonresident	Sem. Credit Hr.	\$1,070.75	\$1,097.50	\$26.75
Law				
Resident	Sem. Credit Hr.	\$345.00	\$353.75	\$8.75
Nonresident	Sem. Credit Hr.	\$911.50	\$934.25	\$22.75

Rates charged by SCHs rounded to nearest \$.25

University of Nebraska at Omaha

Student Category	Per Tuition Unit	Total 2015-16 Rate	2016-17 Rate	Change
Undergraduate				
Resident	Sem. Credit Hr.	\$200.25	\$205.25	\$5.00
Nonresident	Sem. Credit Hr.	\$626.75	\$642.50	\$15.75
Graduate				
Resident	Sem. Credit Hr.	\$249.50	\$255.75	\$6.25
Nonresident	Sem. Credit Hr.	\$697.00	\$714.50	\$17.50
College of Business Administration Undergraduate				
Resident	Sem. Credit Hr.	\$250.25	\$256.50	\$6.25
Nonresident	Sem. Credit Hr.	\$701.75	\$719.25	\$17.50
College of Business Administration Graduate				
Resident	Sem. Credit Hr.	\$324.50	\$332.50	\$8.00
Nonresident	Sem. Credit Hr.	\$809.50	\$829.75	\$20.25

Rates charged by SCHs rounded to nearest \$.25

University of Nebraska at Kearney

Student Category	Per Tuition Unit	2015-16 Rate	2016-17 Rate	Change
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University of Nebraska Medical Center Tuition Rates

Student Category	Per Tuition Unit	2015-16 Rate	2016-17 Rate	Change
Resident	Sem. Credit Hr.	\$219.75	\$225.25	\$5.50
Nonresident	Sem. Credit Hr.	\$692.00	\$709.25	\$17.25
Resident	Sem. Credit Hr.	\$290.00	\$297.25	\$7.25
Nonresident	Sem. Credit Hr.	\$829.75	\$850.50	\$20.75
Resident	Semester			

Budget Line Item Details and Rationale

Compensation

Salaries, Wages and Benefits

Like most universities, personnel costs are the largest expenditure component of our budget, accounting for over 80% of the expenses in our state-aided budget (supported by state tax dollars and tuition). Thus, compensation strategy is a key priority for the University. In order to recruit and retain talented faculty and staff who are responsible for carrying out the university's missions of teaching, research and service, the University of Nebraska must provide compensation at a level that allows us to be competitive in the global marketplace.

A 2.5 percent salary merit pool is proposed. The UNO and UNK collective bargaining contracts will be funded at their negotiated 3 percent levels. The increase in the salary base is multiplied by a factor of 14.5% to cover the cost of associated fringe benefits (FICA, retirement contributions, etc.).

To assess salary market fundamentals, the university surveyed Big Ten institutions about their anticipated FY 2017 salary programs. Salaries at Big Ten institutions are projected to increase anywhere from 0 to 5 percent in FY 2017, with a majority of institutions projecting increases in the 2 to 2.5 percent range. A 2.5 percent salary merit pool, as proposed in the FY 2017 budget, should allow the University of Nebraska to keep up with industry market increases, although it will not address the challenges we face to

Milliman has projected a 9.2 percent increase in the plan's employer/employee premiums will be required in calendar year 2017. This increase is dictated on the plan experiencing an extraordinary increase in costs over the past few months. For example:

Membership is up over 3%

Claim expenses are up significantly in 2016; 28% high than the prior year (23% higher on a per member basis)

High cost claims (\$100,000 and above) are up significantly over last year. The plan has had 22 high cost claims thus far in 2016 vs. 9 in 2015, paying out \$3.5 million in high cost claims vs \$1.1million last year.

All service category expenses are up; when we remove high cost claims, claims are still up 13% over last year

Given the 9.2 percent premium increase only impacts the last six months of the 2017 fiscal year, a 4.6 percent increase has been included in the University's budget

While a three month premium holiday was provided to both the employer and employee in fiscal year 2016, this one-time strategy was utilized to bring down the plan's reserve balances to targeted levels. The proposed 2017 premium increases were not influenced by the premium holiday strategy, as premium increases would have been required regardless.

Core Operations

Utilities

The University engaged local energy providers (Lincoln Electrical System, Omaha Public Power

Strategic Investments

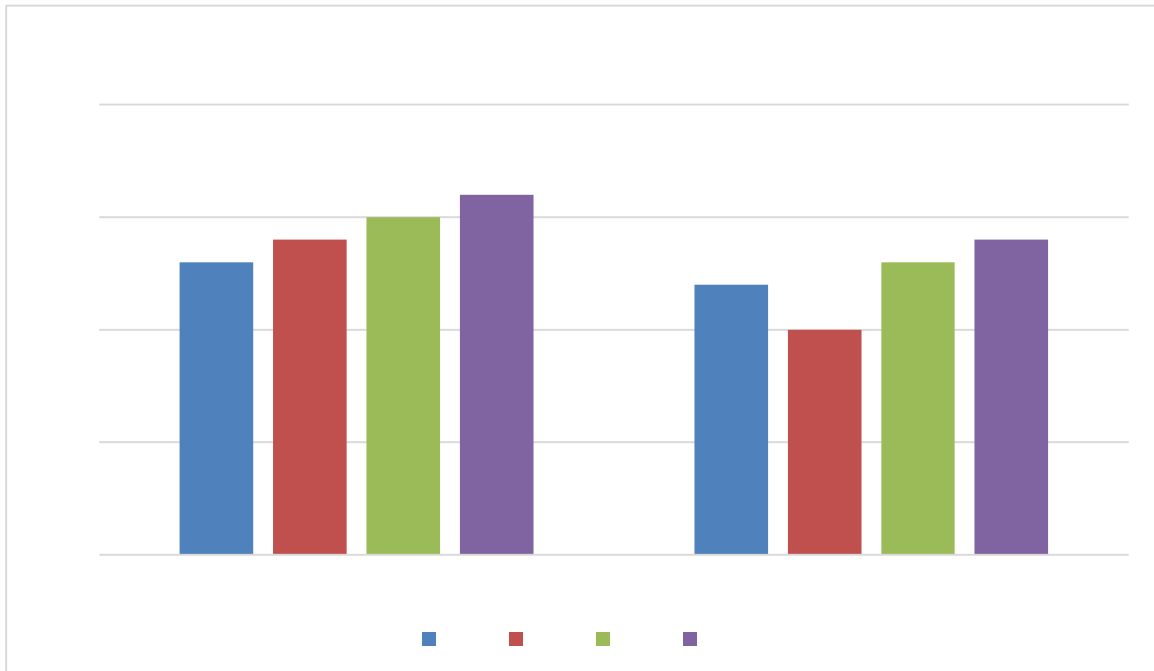
Salary Competitiveness

While the University of Nebraska can be a great place to work by compensating our talented employees competitively, we know there is still work to do here, particularly for our faculty at the UNL and UNMC campuses. The Board of Regents has had a long-standing goal, articulated in the University's strategic framework, that faculty and staff salaries should meet or exceed the midpoint of their peers.



At UNL, faculty salaries are currently 4 percent behind the peer average and at UNMC they lag the peer average by 6 percent. While the average faculty salary at both UNL and UNMC have yet to achieve the strategic framework goal, each campus has realized steady progress over the past four years as shown in the charts below.

It is our intent to continue this momentum by providing a \$3 million salary competitiveness pool in the FY 2017 budget. These funds, to be allocated above and beyond the 2.5 percent merit pool, will be used to address university-wide salary competitiveness issues, including, but not limited to, market catch-up, talent retention, compression issues, and/or other salary market issues.



Programs of Excellence

The 2017 budget includes a \$2.5 million increase for Programs of Excellence (POE), bringing total funding to this 16 year initiative to \$30 million per year. Through targeted investments in Programs of Excellence, the university has strategically built new or enhanced premier academic programs in areas that are both important to Nebraska and strengths for the university. Programs of Excellence improve the instructional, research and outreach capacities of all NU campuses. Past investments span disciplines that include physics, nanoscience, agricultural life sciences, water, business, engineering, computational sciences, medicine, children/youth, education, student opportunities, and nursing. The most recent investments continue to focus on strengthening Engineering, Information Technology,

Virology

POE investments in the UNL Center for Virology, first made in 2007 and now totaling \$370,000, have been allocated to partially support the research activities of 10 faculty members addressing issues in agriculture and human health. In 2015 alone, faculty associated with the POE received 14 grants totaling \$6.7 million and published 35 journal articles.

Information Technology

Earlier POE investments (FY2001 to FY2012) in the UNO College of Information Sciences and Technology resulted in 8 new faculty lines. These faculty members have participated in \$13.7 million in grants and published over 300 journal articles; undergraduate and graduate instructional capacity has also significantly increased, with these faculty teaching over 30 courses.

Nano Sciences and Technologies

As an early investment area (FY2003), and currently receiving \$828,000, the nano sciences at UNL are now recognized internationally. In the most current reporting year, the POE received a 5-year grant from the National Science Foundation that makes it part of the Nanotechnology Coordinated Infrastructure program representing the Midwest (other Universities with this designation include Cornell, Stanford, U. of Penn., etc.). In 2015 alone, active grants totaled \$22.4 million and faculty associated with the POE published 228 journal publications.

Nursing

POE funding has been used to support additional nursing faculty and graduate students, in order to create additional capacity to admit and train new nurses under UNMC's Accelerated Bachelors of Nursing (aka RN to BSN) program. Eight students per yearly cohort have been added. The POE, established in FY2003, also has leveraged this capacity and successfully

The FY 2017 proposed budget includes a 2.5 percent increase so that our need-based aid budgets can be indexed to the approved 2.5 percent tuition increase. In total, the university will invest over \$11 million from its state-aided budget for need-based financial aid in FY 2017.

Intercampus Development Fund: College Access and Success Initiatives

The FY 2017 budget includes a \$250,000 increase to the University's Intercampus Development Fund budget. Residing in the Central Administration (UNCA) operating budget, the Intercampus Development Fund is funding available to the President to make investments in university wide and/or campus initiatives.

The proposed \$250,000 increase will initially be designated for marketing and college access and success initiatives, including the recently launched Commit to Complete campaign. Commit to Complete provides students with a plan to help them graduate on time so they can minimize their debt loads and enter the workforce sooner. Funding will support the university's efforts to communicate with as many Nebraskans as possible, particularly high school students, about the initiative.

Economic Competitiveness Initiatives | Legislative Designations

A key component of the University's 2015-17 biennial budget request to the Legislature was an economic competitiveness package focused on strategic, multi-campus university initiatives benefiting Nebraskans. The University of Nebraska and the state have a long and successful history of working together to achieve shared goals for education and economic growth in the state and we hope to continue that partnership in the years ahead.

We were pleased Governor Ricketts and members of the Legislatures provided targeted support for several NU economic development and other initiatives, including a new simulated learning center at UNMC, staffing and operations and maintenance a