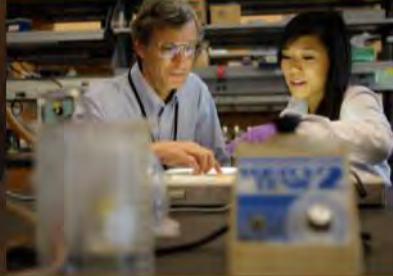




BROWN

University Resources Committee

Proposed 2018-2019 Operating Budget



Letter to President from Provost

I am pleased to submit the University Resources Committee (URC) report on the FY19 Brown University Operating Budget, which was endorsed unanimously by that body on December 11, 2017.

The annual budget process is the primary mechanism through which Brown ensures that resources are aligned with the University's highest strategic priorities. We invested considerable time providing the committee with a clear picture of the strategic and budgetary context within which their deliberations would occur. We devoted a number of sessions to educating the committee about key drivers of financial performance over time. The URC's budgetary recommendations were fully informed by these key contextual considerations. The budget process also includes plans to find further efficiencies and base budget savings. Budget reviews and analysis will be conducted on a year-round basis to gain a deeper understanding of key budget units and identify opportunities to take advantage of our strategic sourcing capabilities.

The process of alignment and optimization continues to be challenging this year. Two key strategic decisions affected overall revenue. The first was the planned reduction of the endowment payout rate to 4.90% of the endowment's average market value over 12 prior quarters (down from a spending rate of 5.07% in FY18). Our goal is to reduce the endowment payout rate to 4.5% over the next few years. Reducing the endowment payout seeks to preserve and enhance the value of the endowment over the long term, and over time lower payout rates will be offset by faster endowment growth. The second decision that impacts revenue was our commitment to keep first-year class enrollments flat to ensure that we can continue to deliver the highest quality experience for our students.

This year saw the launch of *The Brown Promise*, the initiative to remove Brown loans for middle income families. As you know, we were successful in meeting the \$30 million initial fundraising target, allowing us to implement the plan this fall. Total fundraising to support the plan will be \$120 million. Accordingly, the proposed FY19 budget shows increased financial aid costs offset by increased annual giving.

The Division of Advancement also figured prominently in the URC discussions. The division requested increases in staffing to better support our fundraising goals. Since we are in the middle of the highly successful \$3 billion *BrownTogether* campaign, during this current fiscal year the University has allocated almost \$3 million in additional support to the division. We will continue to work with our colleagues in Advancement to provide them with the support they need throughout the campaign.

One issue that overshadowed this year's discussions was the specter of new tax legislation that will have significant consequences for higher education. While some of the most onerous provisions were not included in the final legislation, the excise tax on endowment earnings will immediately affect many of our peers and may one day apply to Brown's endowment. Other reforms may affect charitable giving and the amount of unrelated business income that Brown must declare.

While we are proposing a budget reflecting a relatively small consolidated operating deficit, the URC successfully balanced the need for continued investment in the *Building on Distinction* strategic plan with our goals of developing a nearly balanced budget. These investments reflect our fundamental institutional values and our unwavering commitment to academic excellence, a diverse and inclusive community, and a financially sustainable operating model. The FY19 budget proposal continues to focus on the following strategic initiatives:

Academic Excellence and Community and Inclusion:

- *The Brown Promise*, replacing Brown loans with scholarship grants, will allow Brown to continue to attract the very best and brightest students from around the world
- Salary merit pools of 3.0% – slightly higher than those of recent years – will help attract, reward and retain the most talented faculty and staff
- A 2.5% increase to graduate stipends keeps Brown highly competitive with peers so that we can attract the strongest graduate students and support them appropriately
- Additional resources support new staff positions that will provide needed services for undergraduate and graduate students
- The Presidential Postdoctoral Fellowship program, which has contributed to University goals to diversify the faculty, will be funded on a sustainable basis
- Additional funding will provide support for the University's core research infrastructure, including research support positions to support the growth of Brown's sponsored research activity
- Funding from the Office of the Provost to the University Library will support collections, additional staffing and upgrades to Rockefeller Library
- Additional funding will support programs that strengthen the diversity of our student body, such as A Day on College Hill (ADOCH) and QuestBridge, a partner program which connects under-served youth with Brown
- Additional funding will be provided to recruit and support graduate students of color

Financial Sustainability:

- The proposed consolidated budget reflects a modest \$5.4 million consolidated operating deficit
- The largest driver of the deficit is the planned reduction in endowment payout which is intended to preserve the future purchasing power of the endowment. We are confident that we can eliminate this small projected deficit through further cost-savings measures.
- The operating costs associated with new buildings that came online in FY18 also added to our budgetary needs
- The budget proposal includes increased funding to support regular and recurring facilities renewal projects and additional support to maintain core research facilities

Overall, we are proposing a budget that effectively balances budget discipline with the need for ongoing strategic investment. We will continue to focus on financial sustainability in FY19 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 thoroughly vetted and prioritized list of proposals for strategic investments. Deans, directors and senior leaders requested \$42.9 million of new investment. The vast majority of these requests sought to address significant needs or provide important enhancements in keeping with the University's strategic goals. Of the total, \$10.7 million of requests were denied or deferred, \$9.1 million were funded from other sources, and \$3.5 million were contractually committed. The remaining \$19.6 million in prioritized proposals were presented to the URC. Of that amount, the URC approved \$14.7 million in additional spending, including some offsetting base budget reductions in certain 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 FY20, we must continue 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 demand for new faculty hiring to support the goals of *Building on Distinction*. The proposed FY19 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,

A handwritten signature in blue ink, appearing to read "R. Locke".

Richard Locke, Provost
Brown University

TABLE OF CONTENTS

CONSOLIDATED OPERATING BUDGET SUMMARY	6
E&G AND AUXILIARY OPERATING BUDGETS	8
Revenue and Transfers	9
Undergraduate Enrollment, Tuition and Fees	9
Graduate Tuition and Enrollment	11
Endowment Payout	12
Annual Giving	13
School of Professional Studies (SPS)	13
Sponsored Research	14
University Support for BioMed and Public Health	15
Expenses	15
Faculty and Staff Compensation	16
Undergraduate Scholarships	17
Student Wages	18
Graduate Student Support	18
Academic Support and Diversity and Inclusion	18
Facilities and Renewal	19
Administrative and Support Operations	20
E&G Summary and Outlook	20
DIVISION OF BIOLOGY AND MEDICINE OPERATING BUDGET	21
BioMed Revenues	21
Medical School Tuition and Fees	22
Graduate Tuition and Enrollment	23
Sponsored Research	23
Endowment Payout	23
Other Revenues	23
BioMed Expenses	24
Faculty and Staff Wages	24
Graduate Student Support	25
Facilities and Debt Service	25
Student Aid	25
BioMed Summary and Outlook	25
SCHOOL OF PUBLIC HEALTH OPERATING BUDGET	26
SPH Revenues	26
Master's Tuition and Fees	27
Sponsored Research	27
Endowment Payout	27
University Support	28
SPH Expenses	28
Faculty and Staff Wages	28
Facilities and Debt Service	28
Student Aid	28
SPH Summary and Outlook	28
OVERALL CONCLUSION AND OUTLOOK	29
APPENDIX	30

CONSOLIDATED OPERATING BUDGET SUMMARY

The URC recommends a total consolidated revenue budget for FY19 of \$1.1 billion, an increase of 3.8% from the FY18 budget. The committee endorses an expenditure budget that is 3.8% higher than FY18, resulting in a consolidated operating deficit of \$5.4 million.

Table 1: Consolidated Operating Budget Summary

(\$ in millions)	FY19			
	FY18 Budget	Proposed	\$ Change	% Change
Total Revenue	\$ 1,061.20	\$ 1,101.37	\$ 40.17	3.79%
Total Expense	\$ 1,066.00	\$ 1,106.74	\$ 40.74	3.82%
Net Margin/(Deficit)	\$ (4.80)	\$ (5.37)	\$ (0.57)	-11.88%

The budget encompasses the four operating units – Educational and General (E&G), the Division of Biology and Medicine, the School of Public Health and Auxiliary Operations, which includes dining services, residential life, health services and the bookstore. The School of Professional Studies (SPS) is embedded in the E&G budget. A separate discussion of SPS appears later in this report.

Table 2: Consolidated Operating Budget by Major Unit

(\$ in millions)	E&G	Bio-Med	Public Health	Auxiliaries	Total
FY19 Revenue	\$ 775.01	\$ 161.24	\$ 51.60	\$ 113.53	\$ 1,101.37
FY19 Expense	\$ 779.41	\$ 161.24	\$ 52.31	\$ 113.79	\$ 1,106.75
Net Margin/(Deficit)	\$ (4.41)	\$ -	\$ (0.71)	\$ (0.26)	\$ (5.37)

The projected consolidated budget deficit of \$5.4 million is slightly larger than the budgeted deficit of \$4.8 million for FY18. However, current projections for FY18 are for the University to end this year at a **positive margin**. The Division of Biology and Medicine (BioMed), which projected a \$2.6 million surplus in FY18, is expecting to break even in FY19. Auxiliary Operations expect a slight deficit. Table 3 provides a more detailed breakdown.

Table 3: FY19 Consolidated Operating Budget

(\$ in 000s)	FY18 Budget Total	FY19 Proposed					\$ Change % Change	
		E&G	Bio-Med	Public Health	Auxiliaries	Total		
Undergraduate Tuition	\$ 343,328	\$ 357,480				\$ 357,480	\$ 14,152	4.1%
Graduate Tuition								
PhD Tuition	\$ 63,814	\$ 64,440				\$ 64,440	\$ 626	1.0%
Masters Tuition	\$ 25,570	\$ 22,295		\$ 6,624		\$ 28,919	\$ 3,349	13.1%
Medical Tuition	\$ 47,162	\$ -	\$ 52,546			\$ 52,546	\$ 5,384	11.4%
Professional Studies	\$ 37,975	\$ 39,551				\$ 39,551	\$ 1,576	4.2%
Other Tuition & Fees	\$ 39,515	\$ 17,860			\$ 22,020	\$ 39,880	\$ 365	0.9%
Endowment Payout	\$ 140,523	\$ 124,433	\$ 16,902	\$ 1,092		\$ 142,427	\$ 1,904	1.4%
Sponsored Activities	\$ 139,608	\$ 64,432	\$ 42,400	\$ 32,252		\$ 139,084	\$ (524)	-0.4%
Indirect Cost Recovery	\$ 46,163	\$ 25,927	\$ 15,900	\$ 5,235		\$ 47,062	\$ 899	1.9%
Annual Giving	\$ 43,435	\$ 47,784		\$ 140		\$ 47,924	\$ 4,489	10.3%
Spendable Gifts	\$ -	\$ -		\$ 1,497		\$ 1,497	\$ 1,497	100.0%
Auxiliary & Miscellaneous Revenue	\$ 133,842	\$ 29,585	\$ 21,970		\$ 91,510	\$ 143,065	\$ 9,223	6.9%
University Support for BioMed & PH								
Undergraduate Instruction	\$ -	\$ (13,632)	\$ 8,927	\$ 3,537		\$ (1,168)	\$ (1,168)	0.0%
Faculty Start-up, Initiatives, Faculty	\$ 280	\$ (1,724)	\$ 2,592	\$ 300		\$ 1,168	\$ 888	317.1%
Transitional Support	\$ -	\$ (926)	\$ -	\$ 926		\$ -	\$ -	100.0%
BPI	\$ -	\$ (2,500)	\$ -	\$ -		\$ (2,500)	\$ (2,500)	100.0%
Total Revenue	\$ 1,061,215	\$ 775,005	\$ 161,237	\$ 51,603	\$ 113,530	\$ 1,101,375	\$ 40,160	3.8%
Faculty Compensation	\$ 142,283	\$ 118,175	\$ 24,436	\$ 7,569	\$ 9	\$ 150,190	\$ 7,907	5.6%
Staff Compensation	\$ 180,694	\$ 133,935	\$ 24,347	\$ 4,005	\$ 27,187	\$ 189,474	\$ 8,780	4.9%
Student Aid	\$ 133,659	\$ 135,442	\$ 10,389	\$ 2,188	\$ -	\$ 148,019	\$ 14,360	10.7%
Graduate Student Support & Other								
Student Compensation	\$ 131,545	\$ 118,551	\$ 14,070	\$ 622	\$ 2,464	\$ 135,708	\$ 4,163	3.2%
Facilities & Debt Service	\$ 145,305	\$ 90,369	\$ 19,944	\$ 3,834	\$ 34,247	\$ 148,394	\$ 3,089	2.1%
Operating Expenses	\$ 192,919	\$ 118,506	\$ 25,651	\$ 1,835	\$ 49,880	\$ 195,873	\$ 2,954	1.5%
Sponsored Research	\$ 139,608	\$ 64,432	\$ 42,400	\$ 32,252		\$ 139,084	\$ (524)	-0.4%
Total Expenses	\$ 1,066,013	\$ 779,411	\$ 161,237	\$ 52,305	\$ 113,788	\$ 1,106,741	\$ 40,728	3.8%
Net	\$ (4,798)	\$ (4,406)	\$ -	\$ (702)	\$ (258)	\$ (5,366)	\$ (568)	-11.8%

E&G AND AUXILIARY OPERATING BUDGETS

The URC recommends a FY19 E&G operating budget with total revenues of \$775 million, \$26 million (3.5%) higher than FY18, and expenses of \$779 million, an increase of \$23 million (3.1%) over the FY18 budget.

Table 4: Proposed E&G Operating Budget

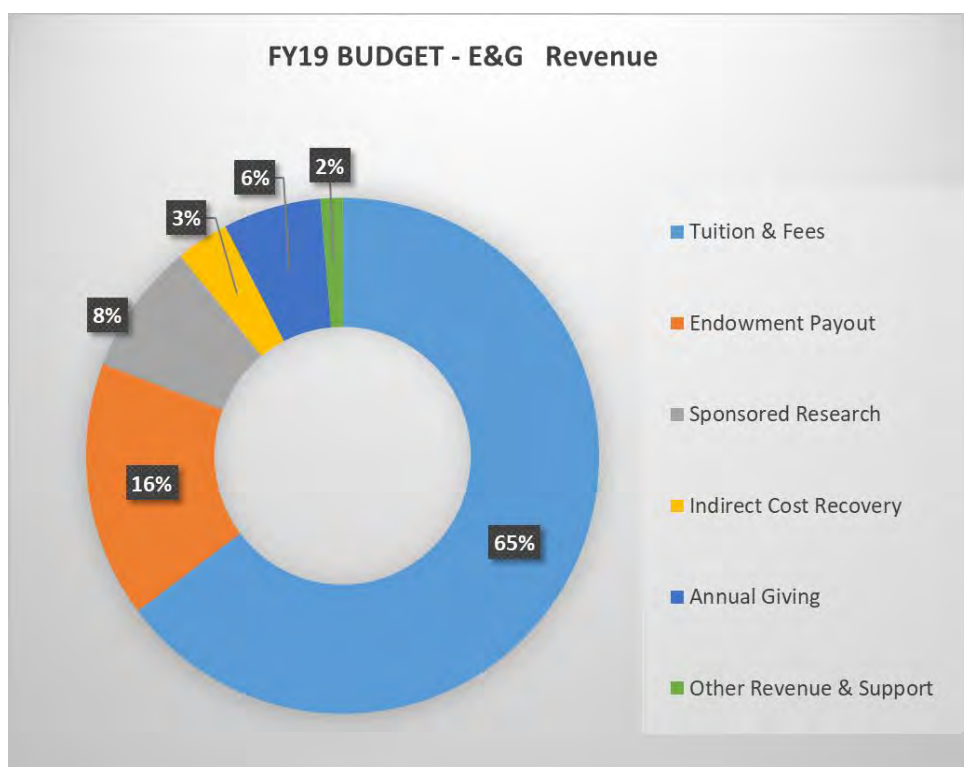
(\$ in 000s)	FY18	FY19 Proposed	\$ Change	% Change
Undergraduate Tuition	\$ 343,328	\$ 357,480	\$ 14,152	4.1%
Graduate Tuition				
PhD Tuition	\$ 63,814	\$ 64,440	\$ 626	1.0%
Masters Tuition	\$ 19,306	\$ 22,295	\$ 2,989	15.5%
Professional Studies	\$ 37,975	\$ 39,551	\$ 1,576	4.2%
Other Tuition & Fees	\$ 17,142	\$ 17,860	\$ 718	4.2%
Endowment Payout	\$ 123,456	\$ 124,433	\$ 977	0.8%
Sponsored Research	\$ 69,588	\$ 64,432	\$ (5,156)	-7.4%
Indirect Cost Recovery	\$ 26,031	\$ 25,927	\$ (104)	-0.4%
Annual Giving	\$ 41,350	\$ 47,784	\$ 6,434	15.6%
Auxiliary & Miscellaneous Revenue	\$ 26,368	\$ 29,585	\$ 3,217	12.2%
University Support & Contributions				
Undergraduate Instruction	\$ (13,235)	\$ (13,632)	\$ (397)	3.0%
Faculty Start-up, Initiatives, Faculty	\$ (2,892)	\$ (1,724)	\$ 1,168	-40.4%
Transitional Support	\$ (3,426)	\$ (926)	\$ 2,500	-73.0%
BPI	\$ -	\$ (2,500)	\$ (2,500)	100.0%
Total Revenue	\$ 748,805	\$ 775,005	\$ 26,200	3.5%
Faculty Compensation	\$ 114,785	\$ 118,175	\$ 3,390	3.0%
Staff Compensation	\$ 127,191	\$ 133,935	\$ 6,744	5.3%
Student Aid	\$ 122,087	\$ 135,442	\$ 13,355	10.9%
Graduate Student Support & Other Student Compensation	\$ 115,116	\$ 118,551	\$ 3,435	3.0%
Facilities & Debt Service	\$ 87,448	\$ 90,369	\$ 2,921	3.3%
Operating Expenses	\$ 119,760	\$ 118,506	\$ (1,254)	-1.0%
Sponsored Research	\$ 69,588	\$ 64,432	\$ (5,156)	-7.4%
Total Expenses	\$ 755,975	\$ 779,411	\$ 23,436	3.1%
Net	\$ (7,170)	\$ (4,406)	\$ 2,764	38.5%

Revenue and Transfers

Tuition income accounts for 65% of E&G revenue. Of this amount, undergraduate tuition at \$357 million is the largest single component, representing 71% of that total. Over the next five to 10 years, as the University expands on-campus master's programs and increases enrollments in executive programs through the School of Professional Studies, dependence on undergraduate tuition will decrease.

Following tuition, endowment income and funds from sponsored activities, including indirect cost recovery, are the largest sources of support for the E&G budget, representing 16% and 8% of total revenue, respectively.

Chart 1: E&G Revenue



Undergraduate Enrollment, Tuition and Fees:

The committee's budget recommendation is based on an expected on-campus enrollment of 6,581 undergraduate FTEs in FY19. While there is no change to the 1,665 target enrollment for the incoming class, overall FTEs are estimated to be slightly higher (by eight FTEs) than FY18 because of higher yield on admissions in prior years.

The annual increase in tuition revenue is typically the most significant source of incremental revenue to support the faculty, facilities and student services and is therefore a critical recommendation. The URC reviewed Brown's fees 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 FY18 total charges of \$67,439 rank 14th out of a group of 20 peers, ranging from a high of \$70,826 at Columbia to a low of \$62,822 at Princeton. (Please see the appendix for current year peer data for tuition and mandatory fees, room, board and total student charges.) For FY18, increases ranged from 2.92% to 4.45%, with an average of 3.63%. 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 by approximately 4% and still maintain our relative pricing position among our peer group. The URC recommends tuition, fee, room and board increases as follows:

Table 5: Proposed Tuition and Fees

	FY18 Budget	FY19 Proposed	\$ Change	% Change
Tuition	\$ 52,231	\$ 54,320	\$ 2,089	4.00%
Room Rate	\$ 8,784	\$ 9,120	\$ 336	3.83%
Board Rate	\$ 5,236	\$ 5,550	\$ 314	6.00%
Health Fee	\$ 850	\$ 886	\$ 36	4.24%
Student Activities Fee	\$ 274	\$ 286	\$ 12	4.38%
Student Recreation Fee	\$ 64	\$ 64	\$ -	0.00%
Total	\$ 67,439	\$ 70,226	\$ 2,787	4.13%
Academic Records Fee for New Students		\$ 100	\$ 100	

The recommended room rate of \$9,120, an increase of 3.8%, will allow current services to continue and fund residential furniture replacement on a regular and planned cycle.

The URC is recommending a 6.0% increase in the board rate. This increase will enable the University to continue funding important dining facilities improvements and equipment replacement. With the proposed increase, Brown's meal plan pricing will still be significantly below the cost of our Ivy League peers and below the cost of similar regional meal plans.

The URC recommends a 4.2% increase in the student health fee. The increase of \$36 per student will allow the University to continue to meet the needs of students with existing services and staffing levels.

The Undergraduate Council of Students requested a 7.7% increase for the student activities fee after requesting no increase last year. The URC reduced the increase to 4.4% to smooth

out the increase level with the expectation that a similar increase would be added in the following year. These funds are allocated by the Undergraduate Finance Board to support student groups.

The Registrar has proposed creating a new one-time academic records fee of \$100 for incoming students to replace the current practice of charging students and graduates for each individual transcript requested. This would bring Brown in line with most of our peer institutions. The fee will also be factored into scholarship aid, thereby removing financial barriers for low-income students requesting registrar documents.

The effect of the tuition rate and projected enrollment on the proposed FY19 budget is an increase of \$14 million, or 4%. However, financial aid costs are expected to grow by 11% due in large part to the elimination of loans in aid packages under *The Brown Promise*. As a result, budgeted net tuition is expected to increase by only \$811,000, about .4%.

Table 6: Net Undergraduate Tuition Revenue

	FY18 Budget	FY19 Proposed	\$ Change	% Change
Total on-campus FTEs	6,573	6,581	8	0.12%
Tuition Rate	\$ 52,231	\$ 54,320	\$ 2,089	4.00%
\$ in 000s				
Total Undergraduate Tuition Revenue	\$ 343,314	\$ 357,480	\$ 14,166	4.13%
Undergraduate Aid	\$ 122,087	\$ 135,442	\$ 13,355	10.94%
Net Tuition	\$ 221,227	\$ 222,038	\$ 811	0.37%

Graduate Tuition and Enrollment:

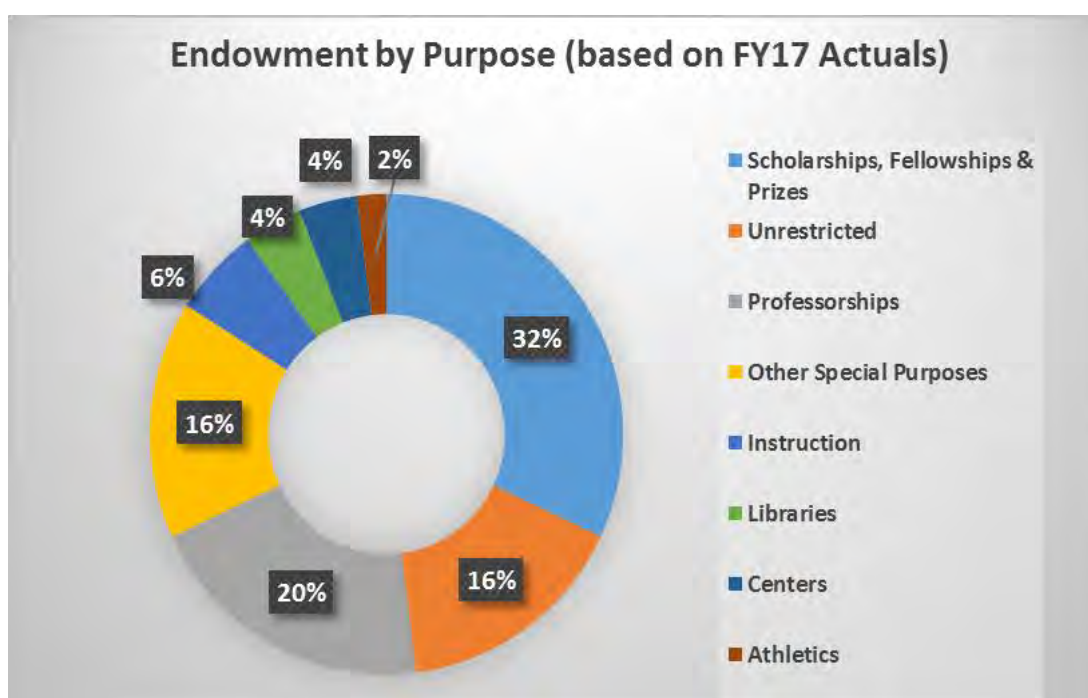
The proposed tuition rate for doctoral and on-campus master's programs is the same as undergraduate tuition: \$54,320, a 4% increase over FY18.

E&G expects to have about 1,400 Ph.D. students. Brown underwrites the cost of tuition for Ph.D. students in the humanities and social sciences. In STEM fields, the University generally underwrites only the first three semesters, with remaining tuition for advanced graduate students provided through grants, contracts and external fellowships. For FY19, net Ph.D. tuition revenue captured from these sources is projected to increase by approximately \$626,000 over FY18. Based on departmental enrollment projections for FY19, E&G is expected to have approximately 400 master's students.

Endowment Payout:

With a market value of more than \$3.5 billion (as of November 30, 2017), the endowment and other managed funds support approximately 16% of the E&G budget (and smaller percentages of the BioMed and Public Health budgets). In FY17, the endowment and other managed funds earned a return of 13.4%, and over the last 10 years the average annual return has been 5.1%. Payout from the endowment 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 policy allows for a payout range of 4.5% to 5.5%. The rate selected must balance the need for current income with the equally important goal of preserving the endowment's purchasing power for future generations at Brown. The FY18 payout of 5.07% was a significant reduction from the prior year and the first step in a multi-year plan to reach the low end of the policy range. Reducing the payout rate in this fashion acknowledges the widespread expectation that future investment returns will not be as high as historical averages and increases the probability that the real value of the endowment will grow over time. The proposed FY19 budget recommends a continued reduction in the rate to 4.9%, which is expected to produce an endowment payout to the E&G budget of \$124 million.

Table 7: Endowment Payout

(\$ in 000s)								
Endowment 12 Quarter Average			Payout Percent	Total Payout	E&G	BioMed		PH
FY18	At 12/31/16	\$ 2,977,161	5.07%	\$ 150,942	\$ 133,875	\$ 16,053	\$ 1,014	
FY19	At 12/31/17 (est.)	\$ 3,075,842	4.90%	\$ 150,716	\$ 132,722	\$ 16,902	\$ 1,092	
FY18 Endowment Payout					\$ 123,456			
FY19 Endowment Payout					\$ 124,433			
The endowment payout amount is discounted from the gross payout amount because of expected unspent funds								

Annual Giving:

Annual giving from alumni, parents and friends is an important component of the *BrownTogether* campaign. The University's target is to raise almost \$48 million in FY19 for the Brown Annual Fund, Sports Foundation and annual support of financial aid. The Brown Annual Fund includes an additional \$4.6 million to be raised for *The Brown Promise*.

Table 8: Annual Giving

(\$ in 000s)	FY18 Budget	FY19 Proposed	\$ Change	% Change
Brown Annual Fund	\$ 39,000	\$ 40,833	\$ 1,833	5%
Share to BioMed	\$ (1,950)	\$ (2,042)	\$ (92)	5%
Brown Promise	\$ 0	\$ 4,570	\$ 4,570	
NET BAF to E&G	\$ 37,050	\$ 43,361	\$ 6,311	17%
Sports Foundation	\$ 3,900	\$ 4,023	\$ 123	3%
Financial Aid	\$ 400	\$ 400	\$ -	0%
Total BAF, BUSF, Fin Aid	\$ 41,350	\$ 47,784	\$ 6,434	16%

School of Professional Studies (SPS):

Brown's School of Professional Studies includes pre-college programs, undergraduate summer courses and executive degree programs. Currently, pre-college programs generate the largest share of revenue. Revenue from executive programs is expected to grow by 17% in FY19 due to four executive master's programs (two were launched in FY17). Revenue from executive programs now makes up 29% of overall SPS revenue, up from 25% in FY18 and 19% in FY17. Overall revenue is projected to be slightly higher in FY19 due to anticipated increases in summer and executive program enrollments.

The URC recommended budget for FY19 includes a \$10 million contribution from SPS to the central University, unchanged from FY18. In the last quarter of FY19, SPS will move to a new location in the Innovation Center being developed by Wexford Technologies.

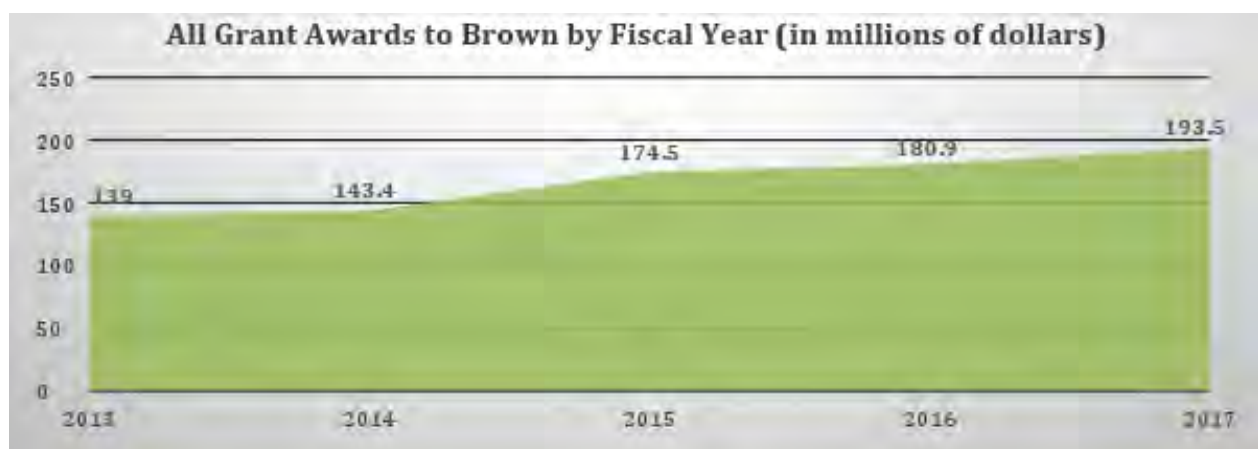
Table 9: School of Professional Studies Proposed Budget Summary

(\$ in 000s)	FY18 Budget	FY19 Proposed	\$ Change	% Change
Summer-Undergraduate Tuition	\$ 3,242	\$ 3,479	\$ 237	7.3%
Pre-College Tuition	\$ 26,699	\$ 26,508	\$ (191)	-0.7%
Executive Tuition	\$ 10,183	\$ 11,950	\$ 1,767	17.4%
Total SPS Tuition	\$ 40,124	\$ 41,937	\$ 1,813	4.5%
Contribution to the University	\$ (10,000)	\$ (10,000)	\$ -	0.0%
SPS Revenue Net of Contribution	\$ 30,124	\$ 31,937	\$ 1,813	6.0%
Projected Expenses	\$ 30,124	\$ 31,937	\$ 1,813	6.0%
Net	\$ -	\$ -	\$ -	\$ -

Sponsored Research:

FY19 projected income from sponsored activities across the University is similar to the prior year, although we continue to see encouraging growth in new research awards after a decline in the wake of sequestration and the government shutdown between 2012 and 2014. BioMed and Public Health are both projecting growth while E&G is expecting a one-year decline.

Chart 3: Consolidated Grant Awards



For FY19, revenue supporting the direct cost of research is expected to decrease by 7.4% to \$64,432. Indirect cost recovery, which includes a 56% share of Public Health indirect costs, is also expected to decline by .4%, or \$104,000. For E&G, we expect sustained growth in income from sponsored activities beginning in FY20 as the Engineering Research Center is fully operational.

Table 10: E&G Sponsored Research

(\$ in 000s)	FY18 Budget	FY19 Proposed	\$ Change	% Change
Direct Sponsored Activities	\$ 69,588	\$ 64,432	\$ (5,156)	-7.4%
Indirect Cost Recovery	\$ 19,499	\$ 19,330	\$ (169)	-0.9%
Indirect Cost from Public Health	\$ 6,532	\$ 6,597	\$ 65	1.0%
Total IDC	\$ 26,031	\$ 25,927	\$ (104)	-0.4%

University Support for BioMed and Public Health:

The E&G budget provides support to cover the costs of undergraduate instruction provided by SPH and BioMed. \$13.6 million is planned in FY19. The University also expects to fund \$1.7 million in specific initiatives and faculty start-up costs and approximately \$2.5 million for Brown Physicians, Inc., a collaborative clinical faculty practice organization established last year by Brown University and several specialty group practices, or “foundations,” as they are known in Rhode Island. Funding of \$926,000 to Public Health is for transitional support that was committed during the separation of Public Health and BioMed. The University’s agreement with SPH calls for this support to diminish as the school succeeds in raising new revenues from tuition and fundraising.

Table 11: University Support for Biomed and Public Health

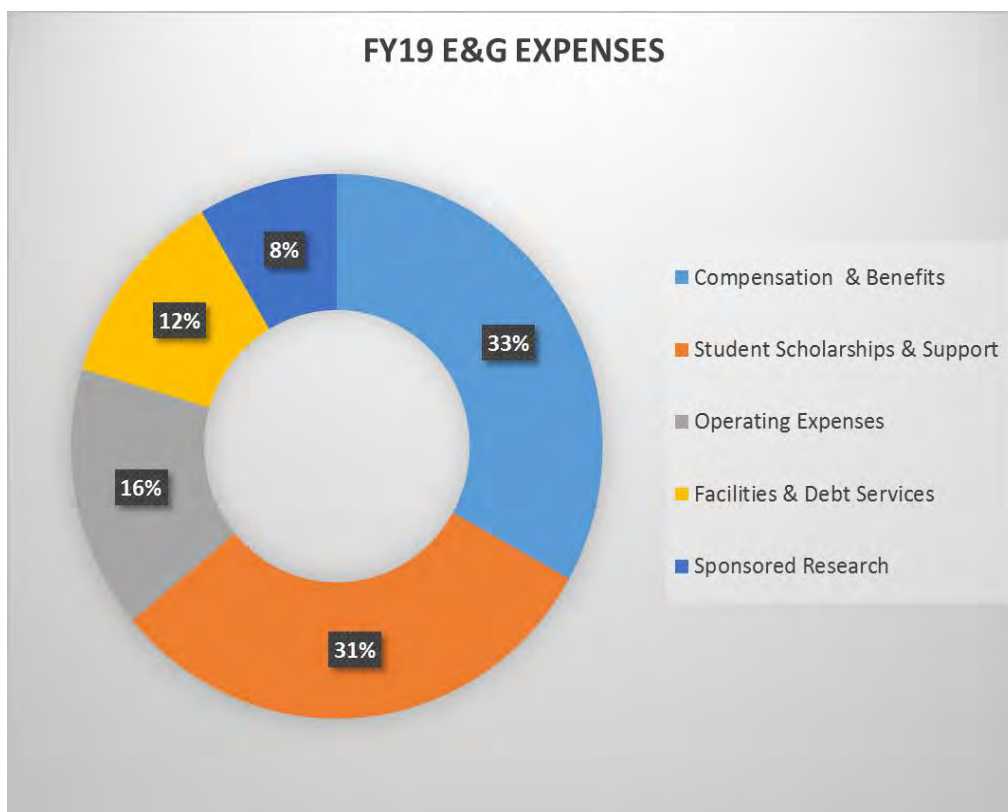
(\$ in millions)	FY18	FY19 Proposed	\$ Change	% Change
University Support for BioMed & PH:				
Undergraduate Instruction	\$ 13,235	\$ 13,632	\$ 397	3.0%
Faculty Startup & Initiatives	\$ 2,892	\$ 1,724	\$ (1,168)	-40.4%
Transitional Support	\$ 3,426	\$ 926	\$ (2,500)	-73.0%
Brown Physicians, Inc.	\$ -	\$ 2,500	\$ 2,500	100.0%
Total	\$ 19,553	\$ 18,782	\$ (771)	-3.9%

Expenses

For FY19, the URC recommends an E&G expense budget of \$779 million, an increase of \$23 million, or 3.1%, from FY18. Compensation for faculty and staff and student financial

support are the two largest components of expense in the E&G budget, accounting for 64% 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 make up about 33% of the E&G budget. The pre-URC 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 assessment of faculty salaries at Brown relative to appropriate market-based benchmarks from our academic peers.

The group considered additional indices of market competitiveness such as recent data on Brown’s success in 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 outstanding faculty include start-up funding packages, teaching and research facilities, quantity and quality of graduate students and spousal hiring considerations.

For staff, Human Resources and the Executive Vice President for Finance and Administration performed a similar review of detailed market data, turnover statistics and recruitment activity. In contrast to the findings on faculty salaries, the staff analysis indicated that Brown pays below market in a number of critical job families, that some of our best-performing staff leave Brown for higher-paying jobs elsewhere and that the total cost to fill vacancies often significantly exceeds the departed incumbent's compensation.

In developing FY19 recommendations, the URC reviewed the information from the deans and Human Resources, analyzed the size of salary merit pools for faculty and staff over the last 10 years and measured the impact of salary merit pools on the overall FY19 budget and the deficit.

Based on these deliberations the URC recommends total salary merit pools of 3.0% for both faculty and staff. This is slightly higher than the prior year's increase of 2.75%. Although the committee's recommendation for FY19 should enable us to maintain our market competitiveness for faculty, more of the merit pool for staff will be needed to address critical equity issues, which will decrease the amount that is available for general increases. As a result, the Provost will supplement the merit pool with additional funding from his office to support equity adjustments and bonuses for high performing staff. While the URC favors 3.0% compensation pools for both faculty and staff, the committee recognizes that the allocation of those funds among merit, promotion and equity increases will ultimately be decided by the EVP of Finance and Administration and the Provost.

Undergraduate Scholarships:

Over the last eight years, the undergraduate financial aid budget has increased from \$76.5 million to \$122 million in FY18, a 7.2% average annual increase. The percent of students on aid over this same time frame has increased from 41% to 43%, and we have reduced the family contribution. As noted earlier in this report, the year was marked by a major announcement to implement *The Brown Promise*, which eliminates loans from all University scholarship aid packages.

For FY19, the proposed budget is \$135.4 million for undergraduate financial aid, a \$13.3 million, or 11%, increase over FY18. This includes \$4.5 million to fund *The Brown Promise* initiative. The cost for *The Brown Promise* is offset by additional fundraising included in annual giving.

Table 12: Undergraduate Scholarship Budget

	\$ in 000s	
FY18 Scholarship Budget	\$	122,087
Base Increase for FY19	\$	13,355
FY19 Proposed Scholarship Budget	\$	135,442
% Increase in Undergrad Financial Aid Budget		10.94%

Student Wages:

The URC proposes a 3.9% increase in student wage rates for FY19. This increase will ensure that Brown student wages stay slightly ahead of the minimum wage requirements for the State of Rhode Island.

Graduate Student Support:

The proposed FY19 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, increased summer support for Ph.D. students in the humanities and social sciences and introduced new Presidential Fellowships with additional support to attract the best graduate students. The proposed FY19 budget increases graduate student support by \$3.2 million over FY18 with a 2.5% increase in graduate student stipends, plus additional funds for health and dental benefits.

Academic Support and Diversity and Inclusion:

The URC recommends funding for a variety of initiatives, activities and resources that support academic excellence. These include additional investment of \$250,000 in the University's core research facilities to sustain and enhance these essential resources and \$170,000 for additional staff to support increased research efforts. Funding of \$103,000 is recommended to support an English Learning Language (ELL) Specialist and academic tutoring in the Sheridan Center in response to demand for these important services. The URC also recommends \$600,000 in additional funding to help attract and retain outstanding faculty and \$225,000 to fund three fellows in the Presidential Postdoctoral Fellows Program, which has made important contributions to diversifying our faculty.

The URC is recommending an additional \$60,000 to expand Brown's participation in the QuestBridge program and \$50,000 to expand reach of A Day on College Hill (ADOCH). QuestBridge is an organization that assists the Office of Admission with identifying high-achieving high school students from low-income backgrounds. ADOCH helps to bring admitted students from historically underrepresented groups to campus and has proved to play an important role in their decision to attend Brown. We are also recommending two new positions in the Title IX Office, which will support our commitment to community standards that prioritize respect, equity and safety. In total, and in summary, the FY19 proposed budget requests increased investments in academic excellence and diversity and inclusion as follows:

Table 13: Investments in Academic Excellence and Diversity and Inclusion

FY19 Proposed (\$ in 000s)	
ELL Specialist Position, Writing Center	\$ 76
Academic Tutoring Program, Sheridan	\$ 28
Faculty Increases/Retention	\$ 600
Presidential Post Doc Program	\$ 225
Core Research Infrastructure	\$ 250
Research Integrity Coordinator Position	\$ 170
QuestBridge Match	\$ 60
ADOCH	\$ 50
Two New Positions in Title IX Office	\$ 183
Total	\$ 1,642

Facilities and Renewal:

A significant portion of Brown's budget is dedicated to operating and maintaining 240 buildings, with approximately 6.9 million gross square feet. Major infrastructure, envelope and building mechanical systems should be updated or replaced every 25 to 50 years to prevent failures. A number of Brown's existing building systems are beyond their useful life. Failure to renovate or replace critical building systems results in both significantly higher operating expenses (due to inefficiency of aged systems) and replacement costs, which can be as much as two to three times greater if replacement occurs after failure.

From a financial sustainability perspective, an important priority is to fund an increasing percentage of our facilities-renewal needs from the operating budget and reduce our reliance on external debt for this purpose. The URC therefore proposes to add an incremental \$2.6 million for FY19, including full-year funding for the lease at South Street Landing and operating costs related to new campus construction, which includes the new Engineering Research Center and the expansion of the Watson Institute for International and Public Affairs. In total, the URC recommends the following additions for facilities and renewal:

Table 14: Investments in Facilities

FY19 Proposed (\$ in 000s)	
South Street Landing Lease Costs	\$ 400
Operations and Maintenance for new Buildings	\$ 1,597
Facilities Renewal	\$ 250
Custodial Support (additional hires)	\$ 200
Waste Hauling Price Increase	\$ 174
Total	\$ 2,621

Administrative and Support Operations:

The URC recommends \$121,000 to provide partial support for a new Chief Risk Officer and partial funding for an upgraded position in Treasury.

Table 15: Investments in Support Operations

FY19 Proposed (\$ in 000s)	
Chief Risk Officer	\$ 69
Treasury	\$ 52
Total	\$ 121

E&G Summary and Outlook

In summary, the URC proposes an overall FY19 E&G budget that reflects a deficit of \$4.4 million driven in large measure by the planned reduction in endowment payout. The proposed budget enhances the University's strong commitment to undergraduate financial aid, makes critical investments in graduate and undergraduate education, strengthens academic excellence and increases investments in facilities renewal and core research facilities.

We expect next year's URC to continue to balance an emphasis on financial sustainability with the need to spend and invest for the priorities in both the *Building on Distinction* and Diversity and Inclusion plans. We do, however, anticipate ongoing budgetary pressure as outlined in the Provost's letter.

DIVISION OF BIOLOGY AND MEDICINE OPERATING BUDGET

The Division of Biology and Medicine proposes, and the URC endorses, a FY19 operating budget with total revenues of \$161.2 million versus expenditures of \$161.2 million. The net margin of \$0 compares to a projected margin of \$2.8 million in FY18. The fundamental metrics embedded within the division's FY19 budget remain strong. Top-line revenue growth continues to be fueled by enrollment increases and growth in research awards. The shift of the University's transition support of \$2.5 million from the division to Brown Physicians, Inc. (BPI), coupled with growing financial aid costs and a lower endowment payout, leaves the division at break-even.

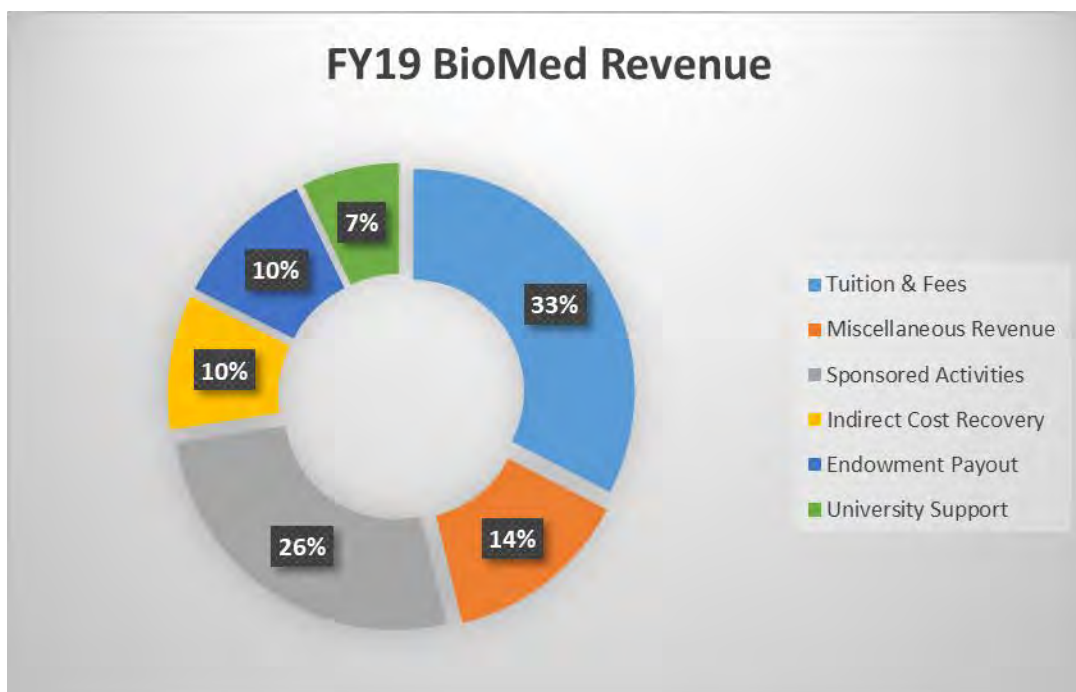
Table 16: Proposed BioMed Operating Budget

(\$ in millions)	FY18 Projection	FY19 Budget	\$ Change	% Change
Tuition & Fees	\$ 48,387	\$ 52,546	\$ 4,159	8.6%
Miscellaneous Revenue	\$ 21,555	\$ 21,970	\$ 415	1.9%
Sponsored Activities	\$ 40,534	\$ 42,400	\$ 1,866	4.6%
Indirect Cost Recovery	\$ 15,200	\$ 15,900	\$ 700	4.6%
Endowment Payout	\$ 16,698	\$ 16,902	\$ 204	1.2%
University Support	\$ 13,913	\$ 11,519	\$ (2,394)	-17.2%
Total Revenue	\$ 156,287	\$ 161,237	\$ 4,950	3.2%
Faculty Compensation	\$ 23,341	\$ 24,436	\$ 1,095	4.7%
Staff Compensation	\$ 21,019	\$ 24,347	\$ 3,328	15.8%
Medical Financial Aid	\$ 9,916	\$ 10,389	\$ 473	4.8%
Graduate Student Support & Other				
Student Compensation	\$ 14,253	\$ 14,070	\$ (183)	-1.3%
Facilities & Debt Service	\$ 19,758	\$ 19,944	\$ 186	0.9%
Operating Expenses	\$ 24,666	\$ 25,651	\$ 985	4.0%
Sponsored Activates	\$ 40,534	\$ 42,400	\$ 1,866	4.6%
Total Expenses	\$ 153,487	\$ 161,237	\$ 7,750	5.0%
Net	\$ 2,800	\$ -	\$ (2,800)	-100.0%

BioMed Revenues

BioMed is planning on a 3.2% increase in revenue for FY19, with the largest increases in tuition revenue. University support to BioMed is reduced, however; that support is being redirected to BPI.

Chart 5: Bio-Med 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 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 FY19, the AMS proposed tuition rate of \$61,244 is slightly above the mid-point projected for its peer group, which ranges from amounts of \$67,347 at the University of Washington to \$49,800 at Penn State. AMS's proposed tuition is the third lowest in the Ivy League after Penn and Weill Cornell.

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 AMS is exceptionally competitive, with an acceptance rate of 3.6% and a yield rate of 47%. AMS application volume continues to be strong with almost 10,000 applications for the current student class. Next year, AMS expects to have total student enrollments of 563 FTEs.

BioMed recommends, and the URC endorses, a 5% increase in medical tuition of \$2,916, from \$58,328 to \$61,244.

Table 17: Proposed Medical Tuition Rate

	FY18	FY19 Proposed	\$ Change	% Change
Medical Tuition Rate	\$58,328	\$61,244	\$2,916	5.0%

Graduate Tuition and Enrollment:

Because of its access to NIH funding, BioMed is able to support most of its graduate students from external sources rather than University funds. For FY19, BioMed is projecting to enroll 48 new first-year Ph.D. students.

The division has experienced substantial growth in its master's programs. In FY18 the division launched a new master's program, Gateways to Medicine, with 21 students. Overall, the division anticipates growth in its master's tuition revenue by \$1 million in FY19, primarily due to an anticipated increase in enrollment in the second year of the Gateways to Medicine program.

The tuition rate for BioMed Ph.D. and master's students will be the same as the E&G undergraduate and graduate tuition rate: \$54,320 for FY19, a 4% increase.

Sponsored Research:

Sponsored research costs (direct and indirect) are BioMed's single largest source of support, now more than \$58 million, representing a 55% cumulative increase over the past four years. Based on the projected award numbers, the proposed FY19 direct sponsored revenue for BioMed includes \$42.4 million in direct sponsored revenue (and related expense), an increase of 4.6%, or \$1.9 million, and indirect cost return of \$15.9 million, an increase of 4.6%, or \$700,000 over FY18 projected levels.

Endowment Payout:

BioMed is expecting \$16.9 million in income from the payout of the endowment in FY19, slightly higher than FY18 levels of \$16.7 million. The decrease in the payout rate is offset by new gifts and a higher market value of the endowment.

Other Revenues:

The division is planning for increased use of its Warren Alpert Foundation Gift Funds in FY19. The funds from this new gift will support the Brown Institute for Translational Science and the M.D./Ph.D. and Advanced Training Program. In addition, the monies will be used to help defray some of the scholarship costs for our students and allow for increased

investment in our faculty through endowed professorships and start-up and retention packages.

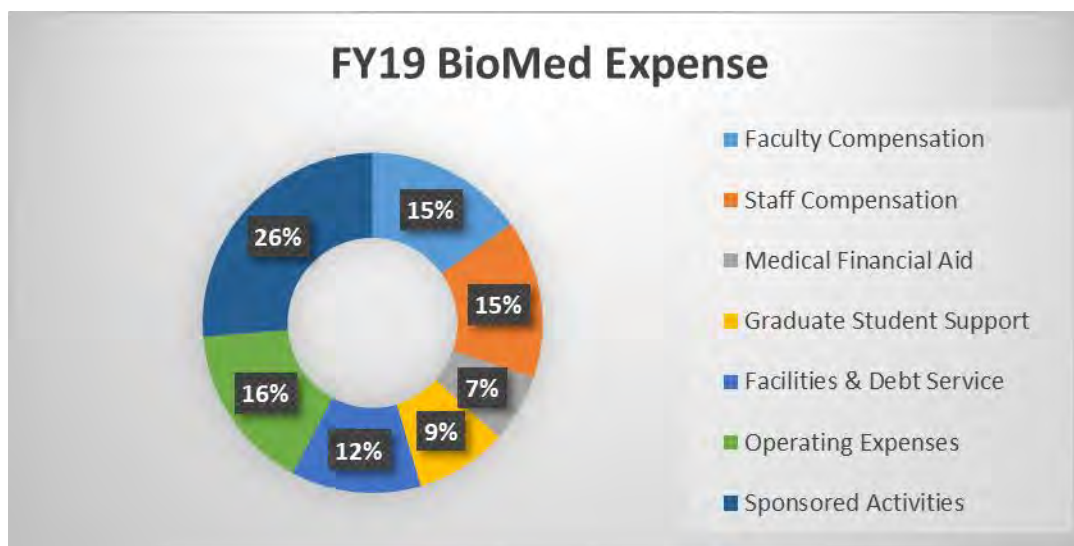
The division's FY19 budget does not reflect any significant changes in hospital support, but University support for undergraduate instruction increases by 3%. University transition support of \$2.5 million per year ends in FY18, as those funds are being redirected to BPI starting in FY19.

BioMed Expenses

Overall, BioMed expects expenses to grow by 5% over the FY18 projection. This increase is driven largely by sponsored research costs, AMS financial aid, staff and faculty merit raises and the addition of staff positions needed to support research growth, BPI and the *BrownTogether* campaign.

The direct cost of sponsored research is the largest component of the BioMed expenses base, followed by faculty and staff compensation, 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 FY19 budget for BioMed incorporates a 3.0% merit pool for FY19.

In addition, the faculty compensation line includes one new and incremental diversity faculty line in FY19. It is anticipated that diversity faculty will, over time, be absorbed into

existing faculty lines as current faculty depart or retire. This anticipated recruitment will also require a start-up package, which is reflected in the proposed FY19 budget.

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. Programs have graduate reserves that can be used to support students in the event of an unexpected lapse in grant funding.

For FY19, BioMed is proposing to increase its 12-month graduate student stipend to \$31,380, an increase of \$762, 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 about \$1,000.

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. In FY19, these operating costs increased \$472,000, or 2.75%, over FY18. This increase was offset by other savings.

Student Aid:

The proposed FY19 budget includes \$10.3 million for student aid, a 4.8% increase from FY18. The vast majority of this aid is for medical students. The sources of support for AMS student aid are endowment and philanthropic foundation income (45%) and operating funds (55%). BioMed's proposed FY19 operating budget reduces the AMS financial aid discount rate to 29%, a 1% reduction from FY18. Although the AMS's financial aid discount rate is toward the bottom of its peer group, admission to the school remains extraordinarily competitive, and demand, as reflected in the volume of secondary applications, continues unabated. AMS student indebtedness is roughly at the median of all medical schools.

BioMed Summary and Outlook

Over the past several years (see the appendix for a BioMed margin trend graph) the key drivers of the division's performance have been student tuition from growth in both AMS and master's student enrollment, sponsored research awards and aggressive cost containment. In the nearer term, as AMS has reached its medical student enrollment capacity, BioMed will look primarily to expansion of its master's programs and sponsored funding success to sustain its financial improvement.

In the longer term, BioMed must continue to diversify and expand its revenue sources and continue to achieve higher levels of research success. Continued investment in physician alignment through key initiatives such as BPI, research consolidation and building strong strategic health system affiliations is an important means to achieving this end.

SCHOOL OF PUBLIC HEALTH OPERATING BUDGET

The School of Public Health (SPH) proposes, and the URC endorses, an operating budget of \$52.305 million for FY19, 2.5% higher than in FY18.

Table 18: Proposed Public Health Budget

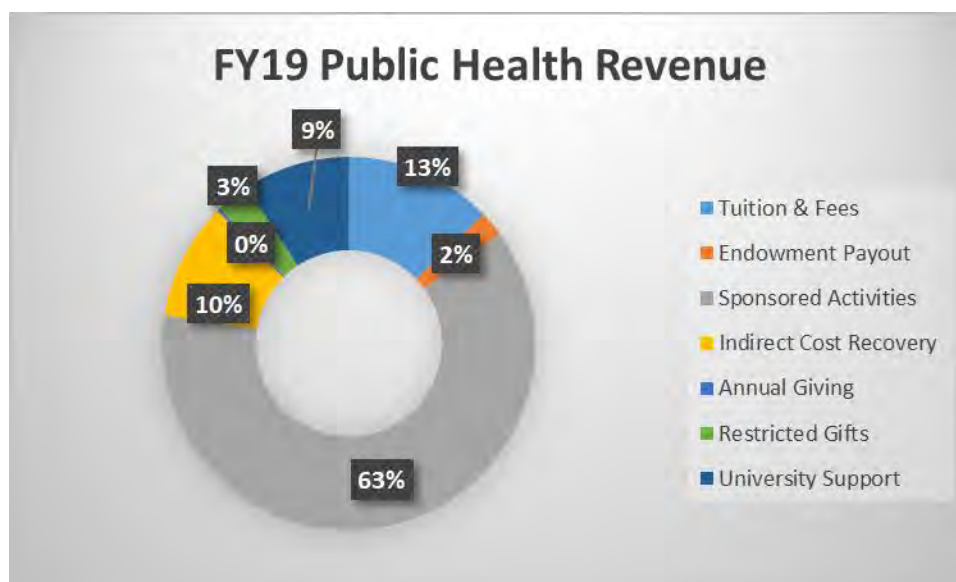
(\$ in millions)	2018 Budget Public Health	2019 Budget Public Health	\$ Change	% Change
Graduate Tuition				
PhD Tuition				
Masters Tuition	\$ 6,264	\$ 6,624	\$ 360	5.7%
Endowment Payout	\$ 1,015	\$ 1,092	\$ 77	7.6%
Sponsored Activities	\$ 31,620	\$ 32,252	\$ 632	2.0%
Indirect Cost Recovery	\$ 5,132	\$ 5,235	\$ 103	2.0%
Annual Giving	\$ 135	\$ 140	\$ 5	3.7%
Restricted Gifts	\$ 1,940	\$ 1,497	\$ (443)	-22.8%
University Support			\$ -	
Undergraduate Instruction	\$ 3,725	\$ 3,837	\$ 112	3.0%
Faculty Start-up & Initiatives	\$ -	\$ -	\$ -	
Transitional Support	\$ 926	\$ 926	\$ -	0.0%
Total Revenue	\$ 50,757	\$ 51,603	\$ 846	1.7%
Faculty Compensation	\$ 6,200	\$ 7,569	\$ 1,369	22.1%
Staff Compensation	\$ 3,900	\$ 4,005	\$ 105	2.7%
Graduate Student Support	\$ 608	\$ 622	\$ 14	2.3%
Graduate Tuition Scholarships	\$ 1,817	\$ 2,188	\$ 371	20.4%
Facilities & Debt Service	\$ 4,294	\$ 3,834	\$ (460)	-10.7%
Operating Expenses	\$ 1,360	\$ 1,522	\$ 162	11.9%
Restricted Gifts	\$ 1,226	\$ 313	\$ (913)	-74.5%
Sponsored Research	\$ 31,621	\$ 32,252	\$ 631	2.0%
Total Expenses	\$ 51,026	\$ 52,305	\$ 1,279	2.5%
Net	\$ (269)	\$ (702)	\$ (433)	161.0%

SPH Revenues

The School of Public Health is heavily dependent on sponsored funding. In total, SPH is expected to generate over \$44 million in sponsored funding (direct and indirect). Public Health retains 44% of its indirect cost recovery for expenses 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 FY19, the SPH budget is expected to support 188 master's students, 76 Ph.D. students and 200 undergraduate students concentrating in public health or statistics. SPH will also support 38 tenured or tenure-track faculty, 26 term and 25 research faculty. SPH has 12 public health centers and institutes and a total staff of 176, 124 of whom are supported with sponsored funding. SPH receives support from the University for the undergraduate teaching by Public Health faculty.

Chart 7: Public Health Revenue



Master's Tuition and Fees:

SPH expects to enroll 188 master's students in FY19. The University's graduate tuition rate will apply, and it is expected, as noted earlier, to increase by 4%. The proposed SPH budget incorporates \$6.6 million from master's tuition, \$360,000, or 6%, higher than FY18.

Sponsored Research:

SPH research funding has rebounded nicely from recent multi-year declines. In fact, Public Health expects sponsored funding in FY18 and FY19 to exceed the recent historical highs of 2011 and 2012. The proposed budget includes \$32.3 million in sponsored research revenue in support of direct costs and \$5.2 million from indirect cost recovery.

Endowment Payout:

FY19 income from the payout of endowment is expected to increase by \$77,000, or 7.6%. While the payout rate has decreased, SPH has received several new endowments and pledge payments have allowed endowment minimums for payout to be achieved.

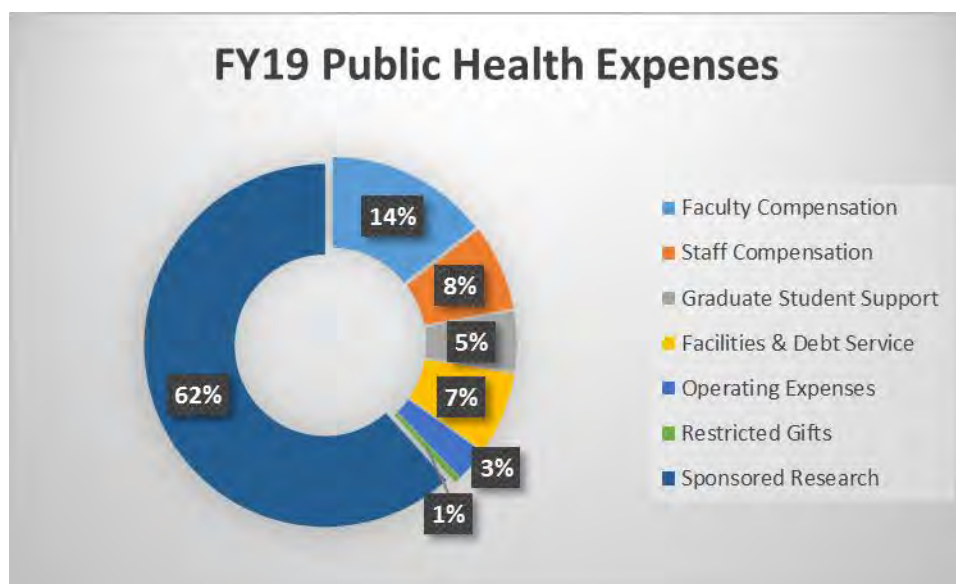
University Support:

Support for undergraduate instruction is expected to increase to \$3.8 million, a 3% increase from FY18. As Public Health increases revenue from tuition, endowment and fundraising, the E&G budget expects to provide less transitional support. The transitional support for FY19 is equal to FY18 and 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 3% salary merit pool for faculty and staff. The FY19 budget includes compensation for one new term faculty search that is in progress.

Facilities and Debt Service:

Public Health's budget includes the cost of its space and debt service for the renovation of that space. For FY19, SPH is budgeting \$3.8 million, a decline of \$460,000 from FY18.

Student Aid:

SPH provides scholarships to master's students at a rate of 29% of tuition income. For FY19, based on its projected enrollments and with modest gifts and endowments for that purpose, student aid is expected to be \$2.1 million, a 20% increase over FY18.

SPH Summary and Outlook

At this time, SPH expects to finish FY19 with a deficit of approximately \$700,000. 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 was anticipated when the school's financial model was developed. The *BrownTogether* campaign includes

fundraising goals to establish a significant endowment for the school. This would provide critical revenue diversification and financial stability for SPH.

OVERALL CONCLUSION AND OUTLOOK

Overall, the URC is pleased to submit a FY19 consolidated budget that continues to support ongoing investments in key initiatives while managing to limit the consolidated budgeted deficit to \$5.4 million. While key strategic decisions to flatten the growth of undergraduate enrollment and eliminate loans from aid packages put pressure on net tuition revenues, the proposed 4% increase in undergraduate and graduate tuition and 5% increase in medical tuition rates provided enough relief to sustain and enhance our support for these student cohorts while maintaining Brown's current position relative to the rates of our peers.

Another strategic decision to continue a phased reduction in the endowment's payout rate put additional short-term pressure on revenue in exchange for longer-term financial sustainability. Preserving the value of the endowment is a critical stewardship responsibility to ensure that future generations of the Brown community benefit equally from endowment income. Despite the impact of this difficult but prudent decision, the URC was still able to allocate funding to the most pressing strategic priorities.

Throughout the budget process, the URC and the University's senior leaders focused the investments in the FY19 budget on three critical priorities: academic excellence, community and inclusion, and financial sustainability.

We anticipate ongoing budgetary pressures over the next two to three years. Faculty and staff salaries, faculty searches, increased debt service, the need for ongoing incremental investments in facilities renewal and core research 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
Jay Calhoun, Chief Financial Officer and Treasurer
Kimberly Galligan, Executive Dean for Finance and Administration, Division of Biology and Medicine
Linda Laliberte-Cote, Associate 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
Laurie Ward, Assistant Vice President, Budget, Planning and Analysis
Wendy McHugh, Senior Director, Finance and Data Initiatives, Division of Biology and Medicine

FACULTY

Lynne deBenedette, Senior Lecturer in Slavic Studies
Lina Fruzzetti, Professor of Anthropology
Jose Itzigsohn, Professor of Sociology
Elena Oancea, Associate Professor of Medical Science
Samuel Perry, Associate Professor of East Asian Studies
David Sobel, Professor of Cognitive, Linguistic and Psychological Sciences
Todd Winkler, Professor of Music

STUDENTS

Jonathan Jaramillo, Undergraduate Student
Akaela Michels-Gualtieri, Undergraduate Student
Minoshka Narayan, Undergraduate Student
Kriyana Reddy, Undergraduate Student
Dennis Hogan, Graduate Student
Tracey Suter, Graduate Student
Shaan Ahmed, Medical Student

STAFF REPRESENTATIVES

Kathleen Morrissey, Director of Treasury Operations
Patricia Putney, Director, Finance and Business Services, Library

COMMITTEE STAFFED BY:

Deborah Moser, Budget Director
Kathy Santos, Executive Assistant
Charlene Sweeney, University Controller
Sara Walsh, Managing Director of Academic Finance and Administration

Total Student Charges for 2017-2018

Institution	FY18 Tuition & Mandatory Fees	Tuition/Fee Rank	FY18 Room & Board	Room & Board Rank	FY18 Total Charges	Total Charge Rank	% Increase FY17 to FY18
Columbia	57,208	1	13,618	20	70,826	1	3.7%
University of Chicago	54,825	2	15,726	5	70,551	2	4.4%
Duke	53,644	4	15,574	7	69,218	3	3.4%
Northwestern	52,678	11	16,047	2	68,725	4	3.6%
University of Pennsylvania	53,534	6	15,096	12	68,630	5	4.0%
Amherst	54,310	3	14,190	17	68,500	6	3.5%
Georgetown	52,300	12	16,036	3	68,336	7	3.4%
Dartmouth	52,950	10	15,159	10	68,109	8	2.9%
Oberlin	53,460	7	14,402	15	67,862	9	3.1%
Williams	53,550	5	14,150	18	67,700	10	3.4%
Johns Hopkins	52,170	13	15,410	9	67,580	11	3.4%
Cornell	53,211	9	14,330	16	67,541	12	4.1%
Washington U in St. Louis	51,533	14	16,006	4	67,539	13	3.3%
Brown	53,419	8	14,020	19	67,439	14	4.4%
Yale	51,400	15	15,500	8	66,900	15	3.5%
Swarthmore	50,822	16	14,952	13	65,774	16	3.5%
Harvard	48,949	19	16,660	1	65,609	17	4.1%
Stanford	49,617	18	15,112	11	64,729	18	3.5%
MIT	49,892	17	14,720	14	64,612	19	3.1%
Princeton	47,212	20	15,610	6	62,822	20	4.4%

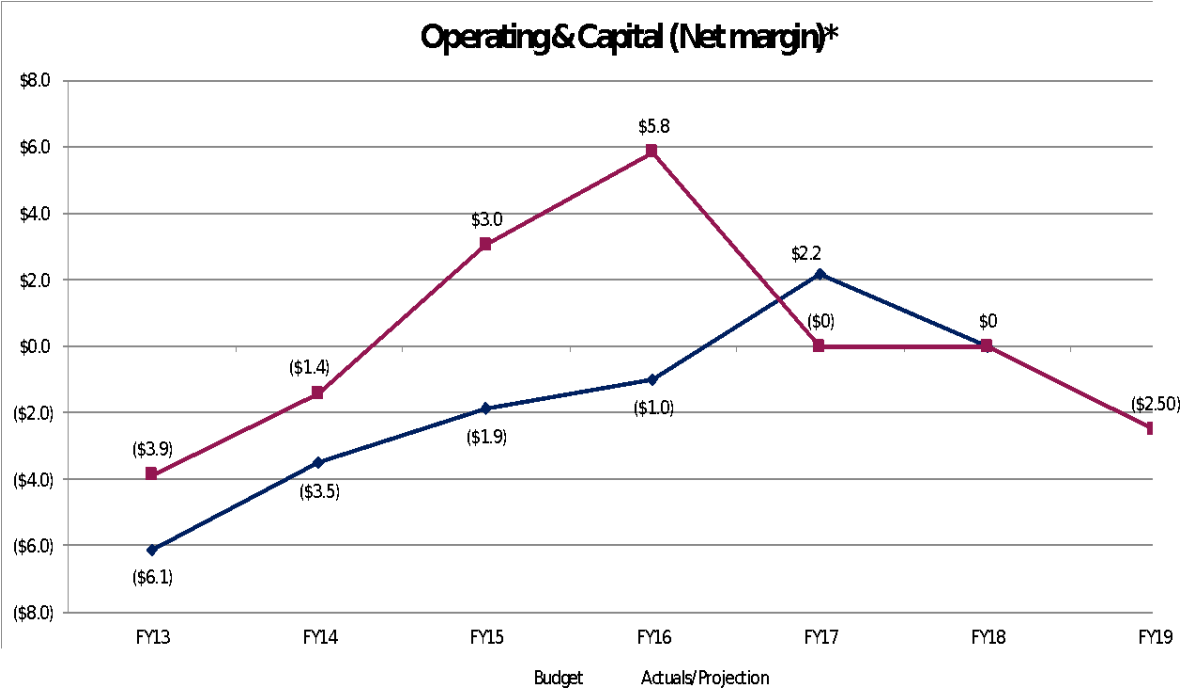
Medical School Tuition at Peer Institutions, FY17-FY19

Medical School	FY17 Tuition	FY18 Tuition	2017-18 % Increase	FY19 Tuition**	2018-19 % Increase**
U of Washington (non-resident)	63,123	65,451	3.69%	67,347	2.90%
Washington U St Louis	61,398	63,230	2.98%	66,888	5.79%
Southern Cal-Keck	59,122	61,428	3.90%	63,865	3.97%
Vermont (non-resident)	59,620	61,260	2.75%	63,099	3.00%
Dartmouth	59,463	61,247	3.00%	63,064	2.97%
Tufts	59,514	60,704	2.00%	61,918	2.00%
Harvard	58,050	59,800	3.01%	61,817	3.37%
Columbia	57,634	59,364	3.00%	61,442	3.50%
Yale	57,629	59,360	3.00%	61,438	3.50%
Brown-Alpert	55,552	58,328	5.00%	61,244	5.00% *
Boston	57,250	58,976	3.01%	60,774	3.05%
Case Western Reserve	59,346	59,346	0.00%	60,742	2.35%
Northwestern-Feinberg	55,889	57,957	3.70%	60,136	3.76%
Massachusetts	59,400	59,400	0.00%	59,400	0.00%
Duke	55,180	57,100	3.48%	58,951	3.24%
Stanford	54,327	56,229	3.50%	58,197	3.50%
Pittsburgh (non-resident)	54,036	55,848	3.35%	57,942	3.75%
Pennsylvania	54,036	55,928	3.50%	57,885	3.50%
Cornell-Weill	52,500	55,125	5.00%	57,141	3.66%
Rochester	52,400	54,600	4.20%	56,838	4.10%
Michigan (non-resident)	51,648	54,258	5.05%	56,468	4.07%
Chicago-Pritzker	51,237	53,286	4.00%	55,300	3.78%
New York University	50,660	52,814	4.25%	54,658	3.49%
Johns Hopkins	50,160	51,900	3.47%	53,550	3.18%
Mount Sinai-Icahn	48,244	50,174	4.00%	52,181	4.00%
Georgetown	49,772	50,892	2.25%	51,952	2.08%
Yeshiva Einstein	48,209	49,897	3.50%	51,477	3.17%
Emory	50,000	50,000	0.00%	50,168	0.34%
Penn State (non-resident)	49,800	49,800	0.00%	49,800	0.00%

*Moved up 3 spots (to 10th from the top) since the prior year.

**Tuition data from school websites where available. Otherwise, projection based on 3-year average increase, except Massachusetts, which is based on 2-year average from FY17 and FY18.

Bio-Med Financial Trajectory





BROWN

Richard M. Locke

Provost

Professor of Political Science and
International and Public Affairs

To: President Christina Paxson

From: Provost Richard Locke *RML*

Re: Proposal to introduce variable tuition for select master's programs

Date: February 5, 2018

Brown University charges a single tuition rate for virtually all of its programs, both undergraduate and graduate. This rate has been set each year in relation to undergraduate tuition at peer institutions. Focusing on undergraduate tuition is important because it remains Brown's major revenue source and the "sticker price" for undergraduate education is closely followed in the media and public discourse. At the same time, however, the University's various graduate programs operate in their own competitive markets and tuition pricing environments. We already recognize this for the Warren Alpert Medical School and the executive master's programs at the School of Professional Studies, and it is common practice at other universities to set tuition rates that are appropriate for each program. Accordingly, I propose that we extend the principle of market-based pricing to five master's programs and regularize the pricing structure of a sixth one.

Based on extensive benchmarking at peer schools (including Carnegie Mellon, Columbia, Cornell, Harvard, MIT, Northwestern, and Stanford), it is clear that Brown's tuition has been significantly below market for the master's programs in Computer Science, Data Science, Engineering, Innovation Management and Entrepreneurship (PRIME), and Physics. The fact that programs in these areas are more costly reflects the employment markets and earning potential for graduates.

Working in consultation with the relevant deans, directors, and department chairs, we have developed what we believe to be a reasonable pricing structure that will produce significant additional revenue with a low probability of disrupting applications or acceptances. We propose the following increases:

Program	Current Tuition	Proposed Tuition*	% Increase	\$ Increase	Target Peer Percentile
Computer Science	\$52,231	\$62,860	20.3%	\$10,629	75 th
Data Science	\$52,231	\$61,000	16.8%	\$8,769	50 th
Engineering	\$52,231	\$60,879	16.6%	\$8,648	60 th
PRIME	\$52,231	\$60,000	14.9%	\$7,769	N/A
Physics	\$52,231	\$57,460	10.0%	\$5,229	60 th

*Proposed tuition before FY19 blanket increase.

The proposed increases are projected to generate a total of approximately \$1.5 million in additional revenue in the first year. Based on the revenue sharing arrangements that are in place for these programs, we expect that around \$834,000 of the total would flow to the central University budget, with the programs receiving around \$620,000 to reinvest in enhancing academic quality.

In keeping with the changes for these five master's programs, I also recommend that we re-categorize as tuition the "Programming Fee" for the reformulated 12-month Master of Public Affairs program. The fee, which is tuition in all but name, is an artifact of the program's effort to price itself for its market within the constraints of Brown's tuition policy. With this change, tuition for the MPA program (before the FY19 increase) would be \$79,053, still below the costs of most two-year MPA programs. Among other things, this more straightforward presentation of program costs will provide greater transparency and program comparability for prospective students.

Although recommendations regarding tuition are normally made as part of the University Resources Committee's report to the President, there are two reasons for presenting these proposed changes in a separate memorandum. First, the pricing analysis and discussions with program leaders were not completed until after the URC report was finalized. The URC has now reviewed and approved this proposal. Second, although differential tuition rates are not unprecedented at Brown, they have been limited to very specific cases. By extending the principle of program-based tuition to our master's offerings, this proposal represents a significant departure from past practice and therefore requires special consideration.

Master's Programs – Variable Tuition

Program	FY19 Proposed Tuition	FY19 Tuition with no change to Proposed Rate	% increase	Estimated Enrollment	*University Revenue with Proposed Tuition Increase	University Revenue with no change to Proposed Tuition
Engineering	\$63,314	\$54,320	17%	33	\$1,297,937	\$1,113,560
Prime	\$62,400	\$54,320	15%	26	\$811,200	\$706,160
Physics	\$59,758	\$54,320	10%	21	\$687,217	\$624,680
Computer Science	\$65,374	\$54,320	20%	54	\$2,124,655	\$1,765,400
Data Science	\$63,440	\$54,320	17%	26	\$856,440	\$733,320
Total					\$5,777,449	\$4,943,120
Additional University Revenue					\$834,329	

* A portion of the revenue goes to the University budget, a portion goes to the academic department.

Master's Program Pricing



BROWN

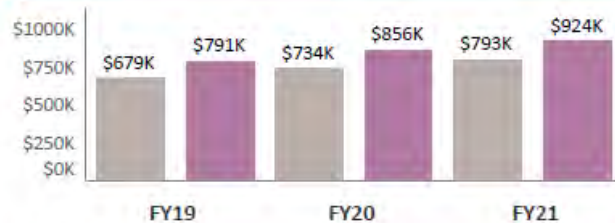
MASTER'S PROGRAM PRICING

Implementing the proposed tuition increases will result in \$1M per year in additional university revenue over the next three fiscal years. The **current** and **proposed** program revenues are shown below. Tuition and enrollments are estimates as of FY19, and a four percent tuition increase is assumed per year. The current estimated Brown tuition for FY19 is \$54,320.

Additional Administrative Revenue			
\$0.83M	\$0.89M	\$0.95M	\$2.68M
FY19	FY20	FY21	Total

ENGINEERING

60th percentile: \$63,314 | Enrollment: 33



Peer Schools -- Current

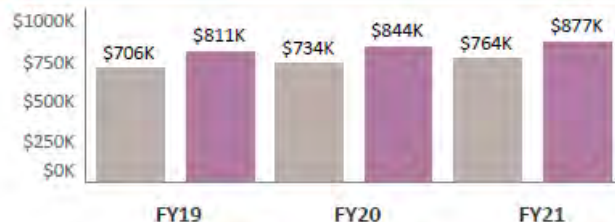
1. Northwestern
2. CMU
3. Boston Univ.
4. UPenn
5. Columbia
6. MIT
7. Cornell
8. **Brown**
9. Dartmouth
10. Princeton
11. Harvard

Peer Schools -- Proposed

1. Northwestern
2. CMU
3. Boston Univ.
4. UPenn
5. **Brown**
6. Columbia
7. MIT
8. Cornell
9. Dartmouth
10. Princeton
11. Harvard

PRIME

\$62,400 | Enrollment: 26



Peer Schools -- Current

1. Harvard
2. Dartmouth
3. MIT
4. Columbia
5. Northwestern
6. **Brown**
7. Notre Dame
8. CMU

Peer Schools -- Proposed

1. Harvard
2. Dartmouth
3. MIT
4. Columbia
5. Northwestern
6. **Brown**
7. Notre Dame
8. CMU



BROWN

Master's Program Pricing

PHYSICS

60th percentile: \$59,758 | Enrollment: 21



Peer Schools -- Current

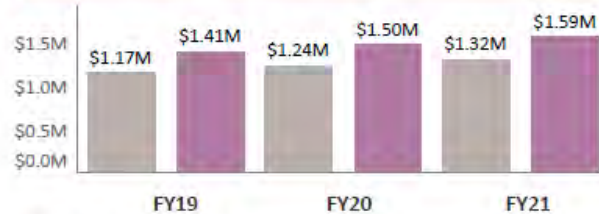
1. CMU
2. Northwestern
3. NYU
4. **Brown**
5. Chicago
6. Vanderbilt

Peer Schools -- Proposed

1. CMU
2. Northwestern
3. **Brown**
4. NYU
5. Chicago
6. Vanderbilt

COMPUTER SCIENCE

75th percentile: \$65,374 | Enrollment: 54



Peer Schools -- Current

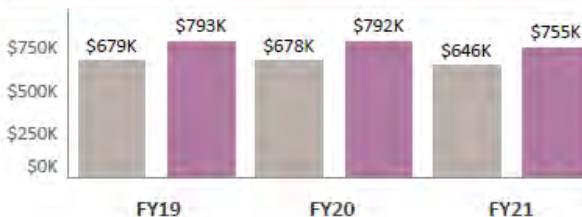
1. CMU
2. Stanford
3. Northwestern
4. Columbia
5. USC
6. Cornell
7. **Brown**

Peer Schools -- Proposed

1. CMU
2. Stanford
3. **Brown**
4. Northwestern
5. Columbia
6. USC
7. Cornell

DATA SCIENCE

50th percentile: \$63,440 | Enrollment: 26



Peer Schools -- Current

1. Harvard
2. CMU
3. Stanford
4. NYU
5. Chicago
6. Columbia
7. Cornell
8. Northwestern
9. **Brown**
10. Johns Hopkins

Peer Schools -- Proposed

1. Harvard
2. CMU
3. Stanford
4. NYU
5. **Brown**
6. Columbia
7. Cornell
8. Northwestern
9. Johns Hopkins
5. Chicago



BROWN