

Utah
System of
Higher
Education

FY 2009

Utah System of Higher Education

2008-09 Operating Budget Implementation Guidelines Summary

April 1, 2008

- Funding provided for **mandated costs (O&M and Utilities)** must be used for such purposes. Future requests for unfunded mandates costs will be determined as part of the operating budget request process for **2009-10**.
- **Compensation** funding provided by the state includes a **2 percent COLA** salary increase, **1 percent** for discretionary purposes and approximately **9.9 percent** increase for health benefits.
- **ATE** Maintenance of Effort targets will be established after consulting with institutional budget officers.
- **First-tier tuition** revenue should be used to (1) provide the required support for state-funded salary and benefits increases, and (2) address other institutional needs.
- Institutions should document the use of **second-tier tuition** increases.
- The due date for Implementation Reports is **May 16, 2008**.

2008-09 – Implementation Forms

11 – Average Salary Increases provided to employees by category

12 – Uses of Second-tier Tuition Increases

13 – Report and Update on Uses of 2008 and 2009 Institutional Priority Funding

14 – Report and Update on Uses of 2008 and 2009 Partnership Funding

15 – Report on Uses of 2009 Health Professions Initiative Funding

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DRAFT – April 1, 2008

I. INTRODUCTION

The purpose of this document is to provide direction to institutions on the allocation and expenditure of funding appropriated by the **2008** Legislature. Direction is also provided on how to report the use of appropriated funds for accountability purposes. Categories of new funding not specifically addressed in this document, and not restricted by legislative intent, line items, or statute are to be administered to meet each institution's assigned mission. Specific dollar amounts for each category mentioned here can be obtained from **the 2008-09 Appropriations Detail Report** previously provided (**the Gray sideways spreadsheet dated March 2008**). All forms referenced to document budget implementation will be distributed separately to institutional budget officers.

II. PROVISIONS FOR MANDATED COSTS AND STUDENT FINANCIAL AID

All new appropriations earmarked for mandated cost increases must be used for the specific purposes appropriated. For purposes of these guidelines as well as the **2008-09** appropriated operating budgets, standard mandated costs include the following categories:

1. **Costs for operation and maintenance of facilities;**
 - a. **O&M for state funded buildings has been built into the ongoing base budget of USHE institutions, however, a prorated one-time budget cut for buildings that do not operate for a full fiscal year have been built into the budget based on the date DFCM indicates the building will be operational.**
2. **Utility Rate Increases;**
3. **Risk insurance, property liability, and state fleet services internal service fund cost increases, (Please note that there were various changes in premiums for these services this year and these are reflected in the Gray Sheets – some institutions had rate increases, while others had decreases. Also, please note the dedicated credit component related to funding these increases/decreases.)**
4. **New Century Scholarships, (new Ongoing and one-time funds were provided this year)**
5. **Student financial aid base maintenance - New UCOPE and Ongoing Base Adjustments**

Institutions should cover mandated cost increases for **2008-09** that were not funded by the **2008** Legislature, on a one-time basis (at minimum) from available institutional funding. Future requests for mandated cost increases will be determined as part of the ongoing budget request process.

As plans to cover **2008-09** mandated cost increases are made, institutions should be mindful of the following items:

- The Legislative understanding which prohibits the reallocation of operation and maintenance funding for any other purpose.
- State budgetary procedures prohibit transfers of appropriated funds between line items.

III. COMPENSATION INCREASE ADMINISTRATION

The **2008** Legislature approved a **2** percent increase for COLA salary and salary related benefits for **FY 2008-09**. The COLA was identified as a Cost of Living Adjustment in **HB 4** and the Legislative Fiscal Analyst has provided guidelines regarding that every regular benefits eligible employee be given the COLA. There was an additional **1** percent provided for discretionary increases allowing the institutions flexibility to address retention issues, equity issues and merit issues on the respective campuses.

Institutions may be flexible in implementing the unallocated first-tier tuition funds (if any) for compensation increases within the established HR policies for each institution under the guidelines established by the State Board of Regents.

In addition to funding for salaries, the Legislature also provide appropriations to cover an approximate increase of **9.9** percent for health insurance, a 0 percent for dental insurance, and 0 percent increase for the Utah State Retirement program.

Because USHE compensation administration plans vary in technical detail, it is important to maintain flexibility for each institution in implementing the funds appropriated for compensation increases. The following broad guidelines are to be applied by all institutions:

1. When determining salary increases, institutions should be cognizant of Legislative intent which states that state employees should receive a **2** percent cost-of-living allowance.
2. Appropriate provisions are to be made for compensation adjustments for all categories of salaried employees and in the budgets for wage payroll employees, including teaching assistants.
3. **If an institution does not need all 9.9 percent of the health increase adjustment, the Legislative Fiscal Analyst has agreed to let institutions use the funds to augment salary and/or salary related benefits increases. Conversely, if the 9.9 percent does not cover the institutions health insurance rate increases, institutions will need to use institutional funds to cover the difference.**

USHE institutions will be asked to report the average salary increases received by employee category on the I1 Form.

VI. APPLIED TECHNOLOGY EDUCATION

Board Policy R428 "Support and Monitoring of Applied Technology Education" was adopted in part to insure that appropriations designated for Vocational Education are used for that purpose. ATE maintenance of effort targets, used to measure support for vocational programs, will be calculated and reviewed with institutional budget officers before being established for **2008-09**.

VII. INSTITUTIONAL REALLOCATIONS

Board policy encourages continuing institutional efforts to achieve productivity savings, and the reallocation of institutional funds to cover unfunded standard mandated costs.

VIII. FIRST-TIER TUITION

Consistent with the limitations provided in legislative intent language, the Board of Regents established a **3.5 percent** first-tier tuition increase for **2008-09**. No additional revenue from this increase is to be set aside for need-based student financial aid. However, institutions should continue to use the amounts set aside from first-tier tuition increases in 2002-03 and 2003-04 for need-based financial aid.

Portions of the revenue from the **3.5 percent** first-tier increase were used to finance the institutions' required portion of the ongoing **2 percent** salary COLA increase, **1 percent** discretionary salary increases, and **9.9 percent** health insurance rate increases. Remaining unallocated first-tier tuition revenue may be used by institutions to address unmet compensation needs, budgetary needs related to budget reallocations, unfunded standard mandated costs, and unfunded enrollment growth.

IX. SECOND-TIER TUITION

In order to provide appropriate accountability to the Board of Regents, Legislature, and USHE students regarding the use of second-tier tuition revenues, institutions should use **Form I-2** to document the use of these funds for student-related purposes, including instruction, student services, and academic support.

X. ENGINEERING INITIATIVE

The Legislature appropriated a one-time appropriation of \$250,000 in FY 2008-09 for the Engineering Initiative created in SB 61 (2001). The allocation of these funds is dependent upon a recommendation by the Technology Initiative Advisory Board and final determination by the Board of Regents.

The Technology Initiative Advisory Board recommended distribution may be presented to the Regents at the **April 18, 2008** meeting.

USHE Engineering and Computer Science Initiative Funding Distribution		
	2008-09	
	Ongoing	One Time
University of Utah		
Utah State University		
Weber State University		
Southern Utah University		
Snow College		
Dixie State College		
College of Eastern Utah		
Utah Valley State College		
Salt Lake Community College		
TOTAL		

XI. Healthcare Professions Initiative

The 2008 Legislature appropriated \$900,000 in ongoing funds to two of the USHE institutions to support the healthcare professions initiative. USHE institutions will be asked to report on how they anticipate spending 2008-09 funds by expenditure category. Institutions will be asked to report the number of new employee FTE's they anticipate hiring to support this new initiatives. The institutions will be asked to report this information on the I5 form.

XII. Institutional Priorities

The 2008 Legislature appropriated \$3 million dollars to support institutional priorities as identified in SB 103, HB2 and HB3 in addition to the \$15.5 million appropriated in 2007. USHE institutions will be asked to report on how they anticipate spending 2008-09 funds and provide a progress report on 2007-08 funds by expenditure category. Institutions will be asked to report the number of new employee FTE's they anticipate hiring to support these new initiatives. The institutions will be asked to report this information on the I3 form.

XIII. Institutional Partnerships

The 2008 Legislature appropriated \$500,000 in ongoing funds to support Dixie State College address critical personnel needs related to a possible partnership with the University of Utah. These funds are in addition to the \$8.6 million that the 2007 Legislature appropriated in HB 150, HB 185 and SB 53. USHE institutions will be asked to continue reporting how they anticipate spending these funds by expenditure category and will be asked to report the number of new employee FTEs they anticipate hiring to support these new partnerships as well as the number of new student FTEs they anticipate being able to serve as a result of the new partnerships. The institutions will be asked to report this information on the I4 form.

XIV. Non-Lapsing Balance Report

Annually USHE institutions will need to review non-lapsing balances for each of the institutions respective line items. It has been recommended that institutions maintain a working capital account comprised of non-lapsing balances that typically ranges from 5 to 7 percent. There may be extenuating circumstances that may require an institution to carry a balance in excess of this range. Institutions should be prepared to provide a report to the Board of Regents, Legislative Fiscal Analyst, Higher Education Appropriation Subcommittee and the Executive Appropriation Committee annually on the use of non-lapsing balances if balances are outside of the guideline range. The Board of Regents encourages institutions to use prudent fiscal judgment when authorizing the use of non-lapsing balances.

XV. DUE DATE FOR BUDGET IMPLEMENTATION REPORTS

The completed implementation forms should be submitted to the Office of the Commissioner on or before May 16, 2008 to prepare the implementation report that will be submitted to the Board of Regents during their July 10-11, 2008 meeting.