

Utah System of Higher Education

2006-07 Operating Budget Implementation Guidelines Summary

April 19, 2006

- 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 2007-08.
- **Compensation** funding provided by the state includes a 3.5 percent COLA salary increase, approximately 6.4 percent increase for health benefits, and approximately 6 percent increase for the employer contribution for state retirement defined benefit plans.
- **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.
- Any ongoing state funds allocated to the incentive program for the **Engineering Initiative** requires an institutional match.
- The due date for Implementation Reports is **June 23, 2006**.

Utah System of Higher Education

2006-07 Operating Budget Implementation Guidelines

DRAFT – April 19, 2006 (New Language in Bold)

I. INTRODUCTION

The purpose of this document is to provide direction to institutions on the allocation and expenditure of funding appropriated by the **2006** 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 2006-07 Appropriations Detail Report** previously provided (**the Yellow Pages sideways spreadsheet dated March 6**). All forms referenced to document budget implementation will be distributed separately to institutional budget officers.

II. PROVISIONS FOR MANDATED COSTS

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 **2006-07** appropriated operating budgets, standard mandated costs include the following categories:

1. Costs for operation and maintenance of facilities ,
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 Yellow 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,
5. Water and sewer rate changes (no additional funding appropriated),
6. Student financial aid base maintenance (no additional funding appropriated),
7. Americans with Disability Act accommodations (no additional funding appropriated),
8. Utah Engineering and Computer Science Loan Forgiveness Program (no additional funding appropriated).

Institutions should cover mandated cost increases for **2006-07** that were not funded by the **2006** 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 **2006-07** 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 2006 Legislature approved a 3.5% increase for COLA salary and salary related benefits for FY 2006-07. There is no specific intent language for higher education related to the increase in the appropriation acts. However, please note that it was the intent that the salary increase be treated as a COLA and the intent is documented in the Legislative Fiscal Analysts Budget Summary report. It reads:

"The Legislature appropriated a 3.5% cost of living allowance for state and higher education employees. Included in this allowance is an adjustment in health insurance benefits equivalent to a 0.5% cost of living allowance."

The Legislature expects that institutions will modify health benefit plans so that a lower overall premium increase (equivalent to 0.5% of a salary increase) will be required. The amount that the institutions "saved" could then be applied to the COLA increase. On average, first-tier tuition funds approximately 1/3rd of the total compensation package.

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 6.4 percent for health insurance, a 0 percent for dental insurance, and approximately 6percent increase for the Utah State Retirement program. Again, first-tier tuition is funding about one-third of these increases.

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 language which states that state employees should receive a 3.5 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.

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 2006-07.

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 4 percent first-tier tuition increase for **2006-07**. 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 4 percent first-tier increase were used to finance tuition's required portion of the ongoing 3.5% salary increase, health insurance, and **state retirement program 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 an ongoing appropriation of \$500,000 and one-time appropriation of \$700,000 in FY 2006-07 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. Statute requires "state institutions of higher education [to] match the appropriation on a one-to-one basis in order to qualify for state monies" (UCA 53B-6-105.9.(3)(a)). Institutions should be prepared to match state funds with institutional funds if money is allocated for this program. **Information regarding the source of engineering funds match should be documented in Form I3.**

Matching funds for the ongoing faculty program should represent additional ongoing resources for the appropriate department and should be used for the same purpose as appropriations for this program in order to meet the goal of the initiative, which is to increase the number of engineering and computer science graduates. Statute specifies that these funds "shall be used to hire, recruit, and retain outstanding faculty in engineering, computer science, and related technology fields" (UCA 53B-6-105.9.(2)).

The Technology Initiative Advisory Board recommended distribution, approved by the Regents at their meeting on **April 21, 2006** is shown in the following table:

USHE Engineering and Computer Science Initiative Funding Distribution

	2006-07 Ongoing	2006-07 One-time
University of Utah	\$250,000	\$350,000
Utah State University	\$185,000	\$150,000
Weber State University	\$ 0	\$ 50,000
Southern Utah University	\$ 50,000	\$ 35,000
Snow College	\$ 15,000	\$ 20,000
College of Eastern Utah	\$ 0	\$ 20,000
Dixie State College	\$ 0	\$ 0
Utah Valley State College	\$ 0	\$ 75,000
Salt Lake Community College	\$ 0	\$ 0
TOTAL	\$500,000	\$700,000

XI. NURSING INITIATIVE

The 2006 Legislature appropriated \$250,000 in ongoing funds and \$500,000 in one-time funds to eight of the USHE institutions to support the statewide nursing initiative. Due to the private enterprise matching donation, institutions will not be required to match the nursing initiative funds for 2006-07.

XII. DUE DATE FOR BUDGET IMPLEMENTATION REPORTS

The completed implementation forms should be submitted to the Office of the Commissioner on or before **June 23, 2006** together with the **2006-07** base operating budget (A-1) schedules.