

# **Humboldt State University**

## **Addendum to the University Budget Policies**

Humboldt State University's new budget policies and its budget process have been crafted with careful thought to creating an environment for a much more open and understandable annual budget process. To that end, the budget policy requires that each major division within the University develop written divisional operating budget policies that complement the University budget policies. These divisional policies will be posted as addenda to the University budget policy.

### **President's Division Divisional Budget Policy Addendum**

#### **Divisional Annual Budget Process**

The President's division has developed a budget process to mirror the University budget process. (Throughout this divisional policy document, the word President is used to describe the President in his role as division leader for his organization.) Initially, the President, as the division leader, will meet with the unit heads of each major unit within the division to review the university mission and the divisional goals for the coming year. Unit heads are then requested to meet with their staff to convey the divisional priorities and gather additional input. Unit heads will meet with employees in their cost center to discuss the divisional goals and provide additional input. Throughout the whole annual budget process, there is communication and dialog back and forth to ultimately identify divisional priorities and funding requests. The President, as the division leader, will prioritize divisional funding requests and present those requests to the University Budget Committee for consideration during the annual budget process. For specific responsibilities of divisional participants, please refer to the "Budget Review Process" document.

#### **Base Budgeted Position Salary and Benefit Funding**

##### ***Annual Salary and Benefit Costs***

The divisional pool will fund the annual salary and benefit costs associated with base budgeted positions. Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit funds are needed from the divisional pool, it is the responsibility of unit head to secure approval for funding from the President, in writing, prior to the implementation of any salary augmentation.

Occasionally, the President may ask a unit head to fund the base salary and benefit augmentation request from their cost center. However, the unit head will be notified in advance of the implementation timeline of their responsibility to self-fund an augmentation.

##### ***Annual Salary and Benefit Savings***

Salary and benefit costs are the largest piece of our annual divisional budget and it is important for the division to carefully manage these funds. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. The division

will capture the position savings to the central divisional pool. The purpose of recapturing the salary and benefit savings is to use this savings to fund the increases in salary and benefit costs as described above in *Annual Salary and Benefit Costs*

### **Current Year Salary And Benefit Funding**

The difference between the funding requirements in a current year vs. the annual base for a position is simply timing. For example, a position hired six months into a year would require the division to provide just half of the annual salary and benefit costs for the current year. Similarly, a position vacated half way through the year, and not refilled in the current year, would accrue half the annual salary and benefit in position savings. The annual base cost of the position remains the full annual cost for salaries and benefits in the following year.

### ***Current Year Salary and Benefit Costs***

The divisional funding pool will cover the current year salary and benefit costs associated with base budgeted positions. Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit costs are needed, it is the responsibility of the unit head to secure appropriate approval for funding from the President, in writing, prior to the implementation of any salary augmentations.

Occasionally, the President may ask a unit head to fund the current year salary and benefit augmentation request from their cost center. However, the unit head will be notified in advance of the implementation timeline of their responsibility to self-fund an augmentation.

### ***Current Year Salary and Benefit Savings***

The President has a responsibility to use funding in the most effective way to reach divisional goals. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. In the current year, the division will recover salary and benefit savings to the central divisional pool. The primary purpose of recapturing the current year salary and benefit savings is to use this savings to fund temporary or part-time replacement faculty, staff, or administrators to backfill duties until permanent replacement can be recruited or to fund one-time salary augmentations, such as rural health care stipends.

A unit head may provide a written request for use of these funds for current year initiatives.

### **Contingency Reserve**

The President must responsibly plan for unforeseen funding initiatives that come up throughout the year despite best planning efforts. It is prudent planning to expect that a division should have a base budgeted contingency reserve of at least \$100,000 as a planning buffer for a margin of uncertainty. This goal must be a high, long-term priority for the division. In the short-term, the pool may largely be created from one-time roll forward funds.

**Unexpended Year End Budget Balances**

The President has a responsibility to manage divisional funds to most effectively and efficiently meet the goals of the division and the institution. Funding for the division is most effectively managed and leveraged when pooled at the divisional level rather than left in small pieces at the cost center level. Therefore, the President will recover unexpended year end balances (roll forward) centrally and will work with unit heads to spend these funds on divisional priorities. Unit heads are encouraged to submit creative proposals for use of these one-time funds to the President.

## **Academic Affairs Division Divisional Budget Policy Addendum**

### *Historical Funding Perspective*

From approximately December of 1974 until the Fall of 1993 the CSU received funding based on a set of need-based formulae, known as the Orange Book. These formulae were primarily tied to enrollment size and C-classification and to building utilization and square footage. Since 1993/94 the CSU has received funding in a lump sum based on a percentage increase/decrease of the prior year's funding and a marginal cost formula for enrollment growth. The CSU, in turn, funds each of its campuses through lump-sum allocations for general operations.

After the demise of the Orange Book in 1993, the University Budget Office at Humboldt State University continued to fund salary dollars to the major administrative units on campus each year based on positions in a June 30 snapshot, primarily to be able to forecast benefit costs. However, Academic Affairs made a conscious decision to follow the lead of the State and CSU and diverge from the formula-driven methodology, decentralizing funding and giving lump-sum allocations for salaries and operating expense to each of the major units within Academic Affairs. This allowed unit leaders to decide for themselves how best to utilize their resources, but it also created a disconnect from the University budget process that has only recently been corrected. These issues are now being addressed in our newly developed budget policies and processes.

### **Overview**

The purpose of this budget policy is to describe how the base budget block allocation from the University is deployed by the Academic Affairs Division to the major units within its organization through its annual budget process.

The budget plan must ensure that adequate funding is provided for salary and benefit commitments and other contractually mandated expenditures. The budget plan must also ensure that adequate funds are provided for necessary operating expenses. The budget plan displays the allocation of the original base budget for planned expenditures in the categories of salaries, benefits and operating expense at the cost center/department level.

The base budget is reestablished in the University financial system each year with a July 1<sup>st</sup> effective date.

Other funding is available for current year expenditure including lottery trust funds, other trust funds, and funds "rolled forward" from the previous year. Throughout the year, the budget is revised to reflect changes, such as leaves of absence, salary changes, and allocation of special commitments. The revised budget and planned expenditures must always remain in balance.

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### Academic Affairs Division Divisional Budget Policy Addendum

#### Divisional Annual Budget Process

The annual budget process is an ongoing, continuous cycle as described in the budget process timeline. It is tied to the State of California budget process as well as to the individual programs of the University. The budget process considers each member of the organization as a stakeholder in the outcome and strives to be open, fair and mindful of the values of the University, the faculty, staff, students and management.

At the beginning of each Fall semester the President and the executive leadership will begin the budget process by reviewing the HSU mission and setting priorities for the following year<sup>1</sup>. The Provost then consults with the Provost's Council and the Council of Deans to establish divisional goals for the year. In the second week of October, the Provost issues a budget call letter, based on the current fiscal situation and the priorities of the University and the Division, to the divisional Deans and Directors.

Deans and Directors then consult with their faculty and staff to discuss the budget year's goals, opportunities and challenges. (Deans and Directors are expected to publish their own budget policies and budget process schedules.) Budget planning documents are prepared by the Deans and Directors for submission to the Provost on the last Friday of Fall semester. Requests for augmentations are included in the budget planning documents.

Deans and Directors will make budget presentations to the Provost's Council on the Tuesday and Wednesday of the week prior to the start of Spring semester upon agreement of the faculty serving on the Provost's Council. The Provost's Council will make recommendations to the Provost on the prioritization of budget requests by the end of January.

During the first two weeks of February the Office of Budget & Institutional Data for Academic Affairs will compile a prioritized divisional request to be submitted by the Provost, via the President, to the University Budget Committee for consideration in the annual budget process.

#### Base Budgeted Position Salary and Benefit Funding

#### Base Budget Salary and Benefit Costs

Salary and benefit costs will be established at the college/major unit level and posted to the University financial system at the cost center level.

Salary expenditures make up the largest portion of the annual budget and represent long-term commitments, and therefore must be carefully monitored. The University Budget Office maintains a database called the Position Inventory. Colleges and major units will work with the Director of Budget & Institutional Data for Academic Affairs to update the Position Inventory annually. Salary and benefits budgets associated with probationary, tenured and FERP faculty, permanent staff and management positions are established by the position, cost

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<sup>1</sup>Year will include the summer term.

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center, and July 1st salary level in the Position Inventory. Salary and benefits budgets associated with temporary faculty, incremental department chair salaries, and temporary staff are established in salary pools at the major unit level.

### ***Benefits Management***

Benefits will be managed at the Division (Provost) level by the Director of Budget & Institutional Data for Academic Affairs in consultation with the colleges and major units. Benefits will be budgeted at the beginning of each fiscal year by position. This funding will be distributed to the cost center/department level in accounts designated for benefits expenditures. During the course of the fiscal year, funds will not be moved out of benefits accounts for other expenditures categories, but will be retained for benefits expenditures. At the end of the fiscal year, any net savings in benefits accounts will be pooled at the Division (Provost) level to be used to cover any shortfalls in the Division. Roll-forward benefits funds can be used for other expenditures as approved in the divisional budget process. Base savings in benefits will be used to provide benefits funding across the Division.

### ***Vacant Positions***

Salary and benefits budgets associated with approved positions that are unfilled as of July 1 will be funded at vacant rate (see below) with an average benefits amount. It is expected that the only vacant positions in the Position Inventory will be either (1) temporarily vacant positions that are expected to be filled (2) positions that are being retained for a permanent employee who is temporarily on another assignment or whose beginning employment date is after July 1, such as newly hired faculty whose appointments begin September 1. Benefits will be budgeted at an average rate for vacant positions.

It is expected that adjustments will be made to many of these position amounts during the course of the fiscal year, as salary increases are implemented, as salary savings are realized, and as positions are vacated and refilled.

It is expected that salary increases will occur. Some increases are funded from the CSU system and augmentations will be provided. Others are expected to be funded from money made available when separations occur. This requires funding pools to be established at the Provost's level.

Each time a staff or management position is vacated because of retirement or other separation, the Division will reexamine its priorities before refilling the position. Therefore, refilling a position will require approval of the Dean/Director and approval of the Provost. Base budget for salaries and benefits must be identified. Positions that are unfilled on July 1 will be budgeted at vacant rate (see below).

Faculty position recruitments are authorized by the Provost through an established process which includes identification of budget for salaries and benefits. Faculty recruitments can be funded through turnover funds from retirements and other separations, or from money available at the Provost's level from increased enrollment or other budget augmentations, or from augmentations made in the annual budget process.

***Vacant Rate***

Salary budget levels for unfilled and provisional (pool funded) positions are as follows:

- Probationary/Tenure Track Faculty = Assistant Professor, Step 3 (\$45,696)
- Lecturers = Lecturer A9/B1 of the Lecturer scale (\$43,632)
- Faculty positions are funded as academic year positions or 10/12; Librarians are funded as 12 month positions
- Administrators = midpoint of salary scale, range A
- Support Staff = 25<sup>th</sup> percentile, midway between beginning and midpoint of salary scale
- Technical Staff = midpoint of salary scale
- These rates will be effective with the July 1, 2005, Position Inventory

**Base Budget Salary and Benefit Savings**

Changes in the position-level funding that occur because of promotion, salary increases, and separations must be funded at the July 1<sup>st</sup> reestablishment of the original base budget. In order to ensure that a sufficient pool exists to fund these salary changes, all base budget salary and benefit savings will be captured at the Provost's level when the Position Inventory is updated each year.

When a faculty member retires to FERP status, the position budget will be reduced to .50 FTE, salary and benefits. The remaining .50 FTE will be funded at the faculty vacant rate and will remain in the College or Library

**Current Year Salary and Benefit Funding/Savings**

Current year salary and benefit funding is the responsibility of the college or major unit. It is expected that salaries will be monitored throughout the year.

Changes in salary expenditures which occur after July 1 produce one-time salary savings, such as a leave without pay or time base reduction, or temporary vacancy. These savings are held at the college/major unit level and are redistributed according to college/major unit budget policies.

Changes in salary expenditures which occur after July 1 also produce shortfalls in the salary or benefits budget, such as a promotion, reclassification, temporary reassignment, or time base increase. These shortfalls will be funded according to the college or major unit policy.

**New Faculty Recruitment Authorizations**

Permanent base funding must be identified before going forward with any probationary or tenure-track faculty recruitments. This funding may be available because of faculty retirements/separations, or because of budget augmentation.

Funding augmentations that come to the campus for any future enrollment increases will be based on the Marginal Cost Formula developed by the CSU. Academic Affairs recommends

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that a similar formula be developed by the campus to aid in the distribution of these funds to campus units, thereby ensuring that the necessary funding will be available for faculty salaries and benefits so that enrollment targets can be met.

### Faculty Startup and Other One-Time Funding

One-time funds are needed to conduct searches and to provide modest startup packages for new faculty. Once a reserve is established, this funding may be requested from the Provost's reserve as part of the annual budget process.

Other one-time needs, such as search costs for MPP and staff positions, may be requested through the annual budget process.

### **Instructional Faculty Budget**

The faculty budget is very complicated and is not just a matter of identifying an annual salary line for each position. Actual faculty salary requirements vary from year to year and semester to semester, depending on faculty leaves (sabbatical, dip, research) and the temporary faculty requirements needed to teach the courses being offered.

The Academic Affairs Budget Committee is developing an Instructional Faculty Budget Methodology which will establish FTES and SFR targets for each college. These targets will be based on historical outcomes as well as enrollment demand, and will be updated on an annual basis. Advice and input will be solicited, and the methodology will be instituted as soon as practical.

### **Operating Expense Funding**

Units and programs need to be budgeted with adequate funding for an operating expense budget. Money must be set aside in the budget to provide course materials, office supplies, appropriate technology, travel funding, and library materials. The operating expense budget has eroded severely because of recent cumulative budget reductions. Attention must be paid to restoring and maintaining operating expense lines in the base budget.

### **Instructional Equipment and Classroom Upgrades**

Funding for instructional equipment and classroom upgrades is essential to any university and must be considered as part of the budget process.

### **Contingency Reserve**

The Provost must responsibly plan for unforeseen funding requirements and initiatives. The current contingency is \$150,000 and is budgeted at the Provost's level in the Centrally Managed Commitments (CMC). The Provost has a goal of building a reserve of \$500,000 (1%) as a planning buffer for unforeseen costs, and to be used as one-time and seed funding in areas of opportunity.



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Any new base budget funds coming to Academic Affairs through increases in enrollment funding or other augmentations should reside with the Provost for the first year, and may be allocated on a permanent basis through the annual budget process in the second or subsequent years as areas of greatest need are identified by the divisional budget process.

### ***Unexpended Year-End Budget Balances (Roll Forward)***

In any given year unexpected cost savings will occur. The policy for use of these funds should encourage careful planning and discourage unnecessary spending. Therefore units can expect to roll forward their unexpended balances into the next fiscal year provided that they submit for the Provost's approval a description of the source of funds and a plan for their use.

Unidentified and/or unencumbered year-end balances will be pooled at the divisional level for reallocation by the Provost for the highest priority needs in the Division.

If a unit over-expends its current year budget, the deficit must be covered from divisional funds at fiscal close, but the unit's budget will be reduced by that amount in the next fiscal year.

### **Lottery Funds**

Lottery revenue is distributed by the CSU system to HSU annually. Lottery funds are budgeted in trust accounts for expenditure on instructionally-related items. Lottery funds have traditionally been budgeted to the Provost for redistribution to the campus. The amount is subject to change, depending on actual revenues from the State Lottery. See [http://www.calstate.edu/budget/1998\\_99BudIndex/98\\_99\\_LottInfo/9899LottBud/GenGuide.shtml](http://www.calstate.edu/budget/1998_99BudIndex/98_99_LottInfo/9899LottBud/GenGuide.shtml) for further clarification of lottery expenditure guidelines.

Lottery funds will be allocated on an annual basis as part of the Academic Affairs budget process, contingent on the recommendation of the Provost's Council and the approval of the Provost.

- The Library has in the past traded part of its general fund allocation for lottery funds and this allocation must be honored/considered in future allocation schemes.
- The Student Affairs Division receives a portion of the lottery allocation that represents approximately 7.53% of the total allocation. This portion should be preserved and should be included in the annual allocation process. In 2004/05 the lottery allocation to the campus is the same amount (\$56,730) as in 2003/04, and the amount allocated to Student Affairs will also remain unchanged in 2004/05.
- The Office of Enrollment Management (OEM) has received a Lottery allocation for a number of years, ranging from \$25,000 to \$30,000. In 2003/04 OEM received an allocation of \$28,270. This allocation will be reexamined to determine if OEM can fulfill the expenditure guidelines referenced above.

## **Administrative Affairs Division Divisional Budget Policy Addendum**

### **Divisional Annual Budget Process**

The Administrative Affairs division has developed a budget process to mirror the University budget process. Initially, the Vice President will meet with the department heads of each major unit within the division to develop annual divisional goals based on the university mission and the President's priorities. The Directors are then requested to meet with their staff to convey the divisional priorities and gather additional input. This communication process ultimately defines divisional goals and priorities. The Vice President will finalize divisional funding requests and present those requests to the University Budget Committee for consideration during the annual budget process. For specific responsibilities of divisional participants, please refer to the "Budget Review Process" document.

### **Base Budgeted Position Salary and Benefit Funding**

#### ***Annual Salary and Benefit Costs***

The divisional budget pool will fund the annual salary and benefit costs associated with approved base budgeted positions. Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit funds are needed from the divisional budget pool, it is the responsibility of the department Director to secure approval and funding from the Vice President, in writing, prior to the implementation of any salary augmentation or new positions.

The Director may be directed to self-fund all or a part of the augmentation or new position.

#### ***Annual Salary and Benefit Savings***

Any and all non-restricted General Fund salary and benefit savings within the division will return to the divisional pool, held centrally in the Vice President of Administrative Affairs office. Directors may request access to these funds to achieve approved goals or for unforeseen needs. Final approval rests with the Vice President of Administrative Affairs.

The purpose of recapturing the salary and benefit savings is to create a contingency to address increases in salary and benefit costs, budget reductions, and new initiatives. Approved changes to personnel and budgeted position salary/benefit funding caused by employee turnover or the need for a temporary or modified position may be funded from these savings.

### **Current Year Salary And Benefit Funding**

The difference between the funding requirements in a current year vs. the annual base for a position is simply timing. For example, a position hired six months into a year would require a department to provide just half of the annual salary and benefit costs for the current year. Similarly, a position vacated half way through the year, and not refilled in the current year, would accrue half the annual salary and benefit in position savings.

***Current Year Salary and Benefit Costs***

The divisional funding pool will cover the annual salary and benefit costs associated with base budgeted positions. *In order for the divisional funding pool to cover state-wide negotiated salary and benefit cost increases, and/or CSU mandated personnel benefits cost increases, the base general fund allocation to the division must be increased accordingly by the University.*

Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit costs are needed, it is the responsibility of the department to secure appropriate approval in writing, from the Vice President of Administrative Affairs prior to the hiring process.

The Vice President may ask the department to self-fund all or part of the salary and benefit costs associated with their augmentation request.

***Current Year Salary and Benefit Savings***

The departments will return annual salary and benefit savings associated with base budgeted positions to the divisional level. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. The primary purpose of recapturing the current year salary and benefit savings is to use this savings to fund temporary or part-time replacement positions to backfill duties until a permanent replacement can be recruited or to fund other mandated programs or divisional priorities.

A Director may provide a written request to the Vice President of Administrative Affairs use of these funds for one-time initiatives.

**Contingency Reserve**

The division must responsibly plan for unforeseen funding initiatives that come up throughout the year despite best planning efforts. It is prudent planning to expect that a division should have a base budgeted contingency reserve of approximately three (3%) percent as a planning buffer for a margin of uncertainty. This goal is a priority for the division and will be funded from one-time roll forward funds and other general funds allocated to the division at the beginning of the fiscal year.

**Unexpended Year End Budget Balances**

Each department Director will provide a projection of carry-forward funds along with plans for use of the funds to the Vice President of Administrative Affairs by June 1<sup>st</sup> each year. A reasonable carry-forward amount should not exceed 2% of the department's overall budget (salaries, benefits, and O.E. funds). All funds exceeding this percentage along with all other unexpended funds will return to the divisional budget.

Reallocation of all carry-forward and unexpended funds will be through the approval of the Vice President of Administrative Affairs based on written requests from the departments due no later than July 1<sup>st</sup> each year.

## **STUDENT AFFAIRS**

### **Divisional Budget Policy Addendum**

#### **Divisional Annual Budget Process**

The Student Affairs division has developed a budget process mirroring the University budget process regarding State General Funds.

The Vice President meets regularly with the Student Affairs Directors, forming a team that develops divisional mission, values and annual goals. The Directors will consult with the staff and departments requesting input and feedback to the drafted divisional goals and objectives. With the feedback from the staff and departments, the goals will be modified and finalized by the team of Directors and VPSA. Divisional budgetary priorities will be established in support of the annual divisional goals and departmental objectives. The Student Affairs division will make public a listing of annual goals and objectives, including any requests or modifications for funding.

#### **Base Budgeted Position Salary and Benefit Funding**

##### ***Annual Salary and Benefit Costs***

Assuming that the University appropriately and sufficiently transfers personnel expenses and benefit funds, the Student Affairs division will then manage the annual salary and benefit costs associated with base budgeted positions. *In order for the divisional funding pool to cover state-wide negotiated salary and benefit cost increases, and/or CSU mandated personnel benefit cost increases, the base general fund allocation to the division must be increased accordingly by the University.*

Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit costs are needed, it is the responsibility of the Director through the Vice President to secure appropriate approval for funding prior to the hiring process.

A cost center may be asked by the Director and/or Vice President to self-fund all or part of the salary and benefit costs associated with their augmentation request.

##### ***Annual Salary and Benefit Savings***

Any and all non-restricted General Fund salary and benefit savings within the division will return to the divisional pool, held centrally in the VPSA office. A Director through the goal setting and prioritization process can request access to salary and benefit savings for goal achievement, the good of the program, new initiative or extra-ordinary need. The request will be reviewed by the team of Directors, with final approval resting with the VPSA.

The purpose of recapturing the salary and benefit savings is to create a contingency addressing increase in salary and benefit costs, budget reductions, new hires and new initiatives. Approved changes to personnel and budgeted position salary/ benefit funding caused by employee turnover or the need for a new or modified position shall be funded from the divisional funding pool.

### **Current Year Salary and Benefit Funding**

The difference between the funding requirements in a current year vs. the annual base for a position is simply timing. For example, a position hired six months into a year would require the divisional; major budget unit within a division; cost center to provide just half of the annual salary and benefit costs for the current year. Similarly, a position vacated half way through the year, and not refilled in the current year, would accrue half the annual salary and benefit in position savings.

### ***Current Year Salary and Benefit Costs***

The divisional funding pool will cover the annual salary and benefit costs associated with base budgeted positions. *In order for the divisional funding pool to cover state-wide negotiated salary and benefit cost increases, and/or CSU mandated personnel benefits cost increases, the base general fund allocation to the division must be increased accordingly by the University.*

Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit costs are needed, it is the responsibility of the department/ cost center to secure appropriate approval for funding prior to the hiring process.

The Vice President may ask the department/cost center to self-fund all or part of the salary and benefit costs associated with their augmentation request. However, the department/cost center will be notified in advance of the implementation timeline of their responsibility to self-fund an augmentation.

### ***Current Year Salary and Benefit Savings***

The departments/cost centers will return annual salary and benefit savings associated with base budgeted positions to the SA Divisional funding pool. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. The primary purpose of recapturing the current year salary and benefit savings is to use this savings to fund temporary or part-time replacement faculty, staff, or administrators to backfill duties until permanent replacement can be recruited or to fund one-time salary augmentations.

A Director may provide a written request use of these funds for one-time initiatives.

### **Contingency Reserve**

The division must responsibly plan for unforeseen funding initiatives that come up throughout the year despite best planning efforts. It is prudent planning to expect that a division should have a base budgeted contingency reserve of approximately two (2%) percent as a planning buffer for a margin of uncertainty. This goal must be a high, long-term priority for the division. In the short-term, the pool may largely be created from one-time roll forward funds.

### **Unexpended Year End Budget Balances**

The division will create a contingency reserve by collecting non-restricted unallocated funds, fund balances, salary savings, and a percent of roll forward balances. The dollar and percent amounts will be discussed with the Directors who will advise and recommend to the VPSA.

## **University Advancement Division Divisional Budget Policy Addendum**

### **Divisional Annual Budget Process**

The University Advancement division has developed a budget process to mirror the University budget process. Initially, the Vice President will meet with the unit heads of each major unit within the division to review the university mission and the divisional goals for the coming year. Unit heads are then requested to meet with their staff to convey the divisional priorities and gather additional input. Unit heads will meet with employees in their cost center to discuss the divisional goals and provide additional input. Throughout the whole annual budget process, there is communication and dialog back and forth to ultimately identify divisional priorities and funding requests. The Vice President will prioritize divisional funding requests and present those requests to the University Budget Committee for consideration during the annual budget process. For specific responsibilities of divisional participants, please refer to the “Budget Review Process” document.

### **Base Budgeted Position Salary and Benefit Funding**

#### ***Annual Salary and Benefit Costs***

The divisional pool will fund the annual salary and benefit costs associated with base budgeted positions. Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit funds are needed from the divisional pool, it is the responsibility of unit head to secure approval for funding from the vice president, in writing, prior to the implementation of any salary augmentation.

Occasionally, the vice president may ask a unit head to fund the base salary and benefit augmentation request from their cost center. However, the unit head will be notified in advance of the implementation timeline of their responsibility to self-fund an augmentation.

#### ***Annual Salary and Benefit Savings***

Salary and benefit costs are the largest piece of our annual divisional budget and it is important for the division to carefully manage these funds. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. The division will capture the position savings to the central divisional pool. The purpose of recapturing the salary and benefit savings is to use this savings to fund the increases in salary and benefit costs as described above in *Annual Salary and Benefit Costs*

### **Current Year Salary And Benefit Funding**

The difference between the funding requirements in a current year vs. the annual base for a position is simply timing. For example, a position hired six months into a year would require the division to provide just half of the annual salary and benefit costs for the current year. Similarly, a position vacated half way through the year, and not refilled in the current year, would accrue half

the annual salary and benefit in position savings. The annual base cost of the position remains the full annual cost for salaries and benefits in the following year.

***Current Year Salary and Benefit Costs***

The divisional funding pool will cover the current year salary and benefit costs associated with base budgeted positions. Examples of items covered in this category include state authorized salary increases, service salary increases, approved reclassifications, approved in-range-progressions, and approved new positions. In all cases where additional salary and benefit costs are needed, it is the responsibility of the unit head to secure appropriate approval for funding from the vice president, in writing, prior to the implementation of any salary augmentations.

Occasionally, the vice president may ask a unit head to fund the current year salary and benefit augmentation request from their cost center. However, the unit head will be notified in advance of the implementation timeline of their responsibility to self-fund an augmentation.

***Current Year Salary and Benefit Savings***

The vice president has a responsibility to use funding in the most effective way to reach divisional goals. Position savings would typically accrue during employee turnover, retirements, or reduction in term of appointment for the position. In the current year, the division will recover salary and benefit savings to the central divisional pool. The primary purpose of recapturing the current year salary and benefit savings is to use this savings to fund temporary or part-time replacement faculty, staff, or administrators to backfill duties until permanent replacement can be recruited or to fund one-time salary augmentations, such as rural health care stipends.

A unit head may provide a written request for use of these funds for current year initiatives.

**Contingency Reserve**

The vice president must responsibly plan for unforeseen funding initiatives that come up throughout the year despite best planning efforts. It is prudent planning to expect that a division should have a base budgeted contingency reserve of at least \$100,000 as a planning buffer for a margin of uncertainty. This goal must be a high, long-term priority for the division. In the short-term, the pool may largely be created from one-time roll forward funds.

**Unexpended Year End Budget Balances**

The vice president has a responsibility to manage divisional funds to most effectively and efficiently meet the goals of the division and the institution. Funding for the division is most effectively managed and leveraged when pooled at the divisional level rather than left in small pieces at the cost center level. Therefore, the vice president will recover unexpended year end balances (roll forward) centrally and will work with unit heads to spend these funds on divisional priorities. Unit heads are encouraged to submit creative proposals for use of these one-time funds to the vice president.

## **All University Budgets (General University Costs)**

### **All University Annual Budget Process**

The All University budgets will be reviewed by the University Executive Committee to make sure that the funding set aside is the appropriate level for general university costs. This review will be part of the annual budget process.

Further, the one-time initiatives funded through the University Reserve, for the most recently completed year, will be reported to the University Budget Committee annually during the annual budget process.

### **Base Budget Funding**

#### ***Annual Costs***

The All University costs increases will be funded during the annual budget process as mandatory obligations from the general funds available.

#### ***Annual Savings***

Annual savings from budget initiatives with reduced annual costs will become part of the general funds available for distribution in the subsequent year's annual budget process.

### **University Contingency Reserve**

The President and the University Executive Committee will authorize expenditures from the University Reserve. These expenditures will be reported annually to the University Budget Committee.

### **Unexpended Year End Budget Balances**

The unexpended year end budget balances from restricted funds such as State University Grant, mandatory computer paper, and EOP will roll forward to the same account and shall be used for their intended purpose.

Other unexpended year end budget balances from unrestricted accounts in All University will roll to the University Reserve.

July 1, 2004