

HUMBOLDT STATE UNIVERSITY

University Resources & Planning Committee

Date: November 30, 2018
TO: President Rossbacher, Humboldt State University
FROM: University Resources & Planning Committee (URPC)
RE: University Operating Fund Roll Forward Guidelines

As requested in your [Charge to the 2018-19 University Resources and Planning Committee](#), attached are University Operating Fund Roll Forward Guidelines for your consideration. Once approved, please forward the guidelines to Amber Blakeslee in the University Budget Office for implementation.

University Operating Fund Roll Forward Budget Guidelines

Overview

To further build out the University's strategic budgeting framework, as outlined in the [Strategic Budgeting Overview](#) document developed in Spring 2016, the University Operating Fund Roll Forward Budget Guidelines define the allocation of unspent budget balances ("roll forward") in the University's Operating Fund at the end of each fiscal year. Roll forward budgets reflect one-time budget allocations that annually augment the University's ongoing base budget and are used for a variety of purposes such as reallocations to restricted activities, one-time strategic investments, and one-time additions to reserves (Operating, Capital, or Maintenance Reserves). Strategically leveraging roll forward budgets minimizes the need for the University to utilize unbudgeted reserves, as outlined in the [University Operating Fund Reserve Policy](#).

Definitions

Division: An organizational unit comprised of various Major Budget Units (MBUs). The University has six divisions: President, Academic Affairs, Administrative Affairs, Student Affairs, University Advancement, and University Wide. For the purpose of this guideline, the divisions will be grouped into two categories: Divisions (all divisions excluding University Wide) and the University Wide Division.

Major Budget Unit (MBU): A reporting mechanism that signifies a major unit, such as a college, within a divisional structure and includes one or more departments. It allows for tracking and reporting at a more summarized level than the department level. (e.g. Facilities Management, College of Professional Studies, Information Technology Services)

Department: Represents a meaningful activity or function within the campus organizational structures. Identifies the "Who": Who is being charged or responsible for the transaction? (ie. Biology, Learning Center, Registrar's Office). Departments roll up to Major Budget Units (MBUs), which roll up to Divisions.

Divisions

Roll forward budgets within the divisions are established based on the following:

Restricted

Restricted roll forward balances represent unspent budget balances that are legally or in some way formally restricted for a specific purpose (e.g. financial aid, MSF Fees, Chancellor's Office programs).

- **RESTRICTED PROGRAMS AND PROJECTS:** Unspent budget balances in restricted programs and projects will be automatically reallocated back to the department in which the balance resides. Note: All balances will roll, inclusive of any salary and benefit savings.

Unrestricted

Unrestricted roll forward balances represent discretionary unspent budget balances that will be reallocated as follows:

- **SALARIES:** All salary budget balances will be swept centrally, excluding balances in restricted programs and projects. During the year, salary savings may be utilized on an exception basis with written approval from the divisional Vice President.
- **BENEFITS:** All benefits budget balances will be swept centrally, excluding balances in restricted programs and projects. Divisions do not retain control of benefit savings and are not allowed to utilize benefits savings for alternate purposes.

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- OPERATING EXPENSES (OE) (NON-PERSONNEL): After covering any shortfalls in department salaries and benefits budgets (with an exception for benefit shortfalls due to dependent and/or plan changes), remaining OE budget balances will be returned via roll forward as follows:
 - Department: 40%
 - Major Budget Unit (MBU): 40%
 - University Strategic Initiatives Pool: 20%
- ADDRESSING CURRENT YEAR BUDGET SHORTFALLS: If a department's OE budget ends the year overspent (in deficit), the entire negative balance will roll forward within the department.

In the event that sufficient base budget is not available to adequately support the University's funding needs, an additional portion of the department/MBU's roll forward may be swept centrally to support the annual budget. If such occurs, the President will submit this decision in writing to the University Resources & Planning Committee.

University Wide Division

Roll forward budgets within the University Wide division are established based on the following:

Restricted/Dedicated

Restricted/dedicated University Wide roll forward balances within centrally managed University Wide departments exist for two main purposes:

- As a budgeted one-time operating buffer for the University Wide departments in which they reside to ensure sufficient budget is available to cover potential one-time costs that may occur
- To reallocate unspent budget balances for dedicated purposes, such as Financial Aid

Compensation Pool

The Compensation Pool department is a central holding place for the University's anticipated compensation and benefit cost increases. Once compensation and benefit increases have been finalized, budget is transferred to Departments to cover the cost increases. One-time funding may be needed to bridge compensation or benefit increases that occur during the year. Roll forward will be evaluated annually against anticipated increases to determine the appropriate level to roll forward, if necessary.

Risk Pool

The base Risk Pool budget covers the annual costs of campus insurance coverage. In addition to the annual contract amounts, HSU is subject to pay out additional expenses if there are claims and settlements that must be paid. Annually, the University receives a Risk Pool dividend, which will be used to build the Roll Forward budget allocation until the target level is reached, or to the maximum level if deemed necessary. The reserved funds can be used to pay a deductible, legal fees, or settlement costs. Roll forward budget targets shall be reviewed every three years in connection with the University setting the claim deductible level for the following three-year period. Roll Forward balances shall be established and maintained based on the following:

- MINIMUM: \$300,000 - A minimum roll forward budget of \$300,00 shall be set aside annually based on the need to have funding available to cover one full deductible (\$250,000), plus \$50,000 for additional costs related to smaller claims or settlements that may occur.
- TARGET: \$600,000 – It is fiscally prudent to have funding available to cover two full deductibles, plus additional smaller claims, to mitigate the University's financial risk in this area.

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- **MAXIMUM:** \$900,000 – In order to ensure the balance does not grow beyond the level needed to cover costs, the roll forward budget maximum is \$900,000. The roll forward budget set aside may need to grow to \$900,000 based on the level of claim activity in progress.
- Roll forward will be evaluated annually against outstanding claims and potential settlements to determine the appropriate level to roll forward.

Financial Aid

The University Wide financial aid department reflects Operating Fund grants to students, including the State University Grant (SUG), MBA SUG, Early Opportunity Program (EOP) Grant, and the Graduate Fellowship Grant. All budget balances in the University Wide financial aid department are restricted and roll forward for allocation to students in the subsequent year.

Other

On a one-off basis, other balances that are not explicitly identified above may need to roll forward in any given year, such as centrally held GI 2025 funding pending distribution or an anticipated shortfall in the Utilities budget. Any “Other” roll forward activity will be determined by Cabinet and itemized in the annual roll forward report.

Unrestricted

Any remaining University Wide budget balances available after the outlined restricted/dedicated distributions have occurred will be combined with centrally swept salary and benefit savings, first covering any one-time allocations reflected in the approved budget and/or replenishing any prior use of reserves, then utilized as follows:

- 20% given back to the Divisions (proportional distribution based on divisional base budget)
- 10% to the University Strategic Initiatives Pool
- 20% for deferred maintenance projects
- 50% retained to grow the University Operating, Maintenance, and Capital reserves as outlined in the University Operating Fund Reserve Policy

Note: If the year-end unrestricted Roll Forward balance is less than \$1 million, the first \$500,000 will be distributed to Reserves until the University Operating Fund Reserve Policy targets are achieved, with the remaining balance distributed proportionally to the other categories outlined above.

Review and Reporting

Unspent University Operating Fund budget balances shall be reviewed annually during the roll forward budget review process following the fiscal year-end close each July and the University Budget Office will distribute roll forward budgets based on the process and targets outlined in this guideline. Annually, a roll forward report will be provided to Cabinet and the University Resources & Planning Committee.

In addition, this guideline shall be reviewed every three years to ensure Roll Forward budget guidelines and targets are in alignment with campus priorities and needs.

References

[University Operating Fund Reserve Policy](#)

Budget Oversight Policy

[Roll Forward Distribution Framework Examples](#)