

Roll Forward Guidelines

Planning Considerations and Options

URPC Discussion

November 12, 2021

Previous Roll Forward Guidelines

- Restricted and Earmarked activity goes directly back to area
- Salary and Benefit savings from all divisions + revenue above budget + unallocated University Wide division unspent budget = university unallocated
 - 20% to Divisions
 - 10% Strategic Initiatives
 - 20% Deferred Maintenance Projects
 - 50% Reserves
- Unspent OE Budget
 - 40% Department
 - 40% MBU
 - 20% Strategic Initiatives

Previous Roll Forward Guidelines Priorities

- Transparency
 - Provide clarity to campus regarding how unspent budget is used
- Strategic/Innovation
 - Prioritize funding off the top for strategic initiatives funding pool to support innovation and pilot projects
- Sustainability/Fiscal Stability
 - Prioritize funding for deferred maintenance
 - Prioritize funding to grow reserves (aligned with Reserve Policy targets)
- Flexibility
 - Provide each level (Division, MBU, Department) with some roll forward to provide flexibility to address unplanned needs that may arise
- Stewardship/Incentivize Saving
 - Incentivize departments to stop “spend it or lose it” mentality via allowing them to retain a portion of unspent OE budget

President's Charge Priorities

- Allocations back to the division level
- Maximize allocations to divisions and preserve the investment into institutional priorities
- Flexibility on how divisions allocate back to MBU's to support strategic priorities

Additional Budget Office Recommendation per Feedback

- Simplify the guidelines!

Roll Forward Considerations

- University initiatives vs Division funded initiatives
 - Sweeping \$ central creates capacity to support University initiatives (ex – capital campaign)
 - Conversely, results in less divisional funding flexibility
- Budgeting practices and roll forward expectations
 - During budget cuts, campus took a slightly more risky approach to reduce ongoing budget, which relies on sweeping one-time savings to support
 - January 1 benefit rate increases are covered via swept benefit savings in initial year, then incorporated into base budget the following year - \$200k-\$300k
 - Risk Pool deductible increased to \$250k (saves \$ on annual rates, at risk for higher deductible payments when claims happen); set aside one-time annually based on potential claims in process - \$300k-\$500K
 - Pension loan repayment (3-4 more years of payments, planned coverage from benefit savings) - \$423,500
- Larger base budgeted Contingency (currently \$800k) would alleviate reliance on roll forward and create funding stream to support deferred maintenance, reserves, etc.
 - It would also provide a buffer to alleviate future reduction challenges that may arise

Roll Forward Considerations

- Prior to Roll Forward Guidelines, it was challenging to prioritize funding for deferred maintenance and reserves
- Earmarks off the top demonstrate intentional prioritized planning that is clear and transparent to the campus – helps tell the story
- Reserve levels well below Reserve Policy targets
 - # of Days Supported by Operating Fund Reserves
 - HSU: 19 days (\$6.3 million)
 - System Average: 27 days
 - CSU/HSU Policy minimum target: 90 days (25% of budget)
- Deferred Maintenance – Over \$200M deferred maintenance backlog, growing by \$6.4M per year
- Higher Reserves can alleviate reductions in the short term, allowing time to bridge solutions

Initial Options for Consideration

Option 1: % of Total Savings to Divisions

Divisions keep % of all* unrestricted divisional roll forward

- Example:
 - 70% back to divisions
 - 30% to University to support institutional initiatives and reserves

*All = salary, benefits, and operating expenses savings

Option 2:
% of Salaries
and OE
Savings to
Divisions

Divisions keep % of salaries and operating expenses savings; benefits savings swept central

- Example:
 - 80% of salaries and operating expenses savings back to divisions
 - 20% to University to support institutional initiatives and reserves
 - Benefit savings swept central to support University commitments and initiatives

Option 3:
100% of OE
Savings to
Divisions

**Divisions keep operating expenses savings;
salaries and benefits savings swept central**

- Example:
 - 100% of operating expenses savings back to divisions
 - Salary and benefit savings to University to support institutional initiatives and reserves

Option 4:
Increase
Contingency;
100% of all
savings back to
divisions

Divisions keep 100% of all unrestricted roll forward

- Base Budget Contingency (currently \$800k) increased to ~\$2M
 - Creates ongoing budget buffer for unforeseen costs / future uncertainty and creates University wide funding stream for institutional initiatives and reserves annually (if unspent)