

## Utah System of Higher Education

### *2007-08 Operating Budget Implementation Guidelines Summary*

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April 11, 2007

- 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 2008-09.
- **Compensation** funding provided by the state includes a 3.5 percent COLA salary increase, 1.5 percent for discretionary purposes and approximately 9.8 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.
- Any ongoing state funds allocated to the incentive program for the **Engineering Initiative** requires an institutional match.
- The due date for Implementation Reports is **May 19, 2007**.

#### 2007-08 – Implementation Forms

I1 – Average Salary Increases provided to employees by category

I2 – Uses of Second-tier Tuition Increases

I3 – Uses of Institutional Priority Funding (SB 90, SB 70)

I4 – Uses of Partnership Funding (HB 150, HB 185, SB 53)

I5 – Engineering Initiative Funding Increases and Matching Sources

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## *2007-08 Operating Budget Implementation Guidelines*

DRAFT – April 11, 2007

### I. INTRODUCTION

The purpose of this document is to provide direction to institutions on the allocation and expenditure of funding appropriated by the **2007** 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 2007-08 Appropriations Detail Report** previously provided (**the Purple Pages sideways spreadsheet dated March 1**). 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 **2007-08** 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 Purple Pages – 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. Water and sewer rate changes (no additional funding appropriated),
6. Student financial aid base maintenance - **New UCOPE and Ongoing Base Adjustments**
7. Americans with Disability Act accommodations - **Hearing Impaired Student Translators**
8. Utah Engineering and Computer Science Loan Forgiveness Program (no additional funding appropriated).

Institutions should cover mandated cost increases for **2007-08** that were not funded by the **2007** 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 **2007-08** 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 2007 Legislature approved a 3.5 percent increase for COLA salary and salary related benefits for FY 2007-08. The COLA was identified as a Cost of Living Adjustment in SB 228 and the Legislative Fiscal Analyst has provided guidelines regarding that every regular benefits eligible employee be given the COLA. There was an additional 1.5 percent provided for discretionary increases allowing the institutions flexibility to address retention issues, equity issues and merit issues on the respective campuses.

Additionally the Legislature agreed to fund USHE compensation packages using a 75/25 ratio. Seventy-five percent of the compensation in the future will be funded with state dollars, 25 percent will be funded using first-tier tuition.

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 9.8 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 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.

**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 **2007-08**.

### 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 **2007-08**. 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 percent salary COLA increase, **1.5 percent discretionary salary increases, and** 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 an ongoing appropriation of \$3,000,000 and one-time appropriation of \$2,000,000 in FY 2007-08 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 I5.**

*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 20, 2007** is shown in the following table:

USHE Engineering and Computer Science Initiative Funding Distribution		
	2007-08	
	Ongoing	One Time
University of Utah	\$ 1,400,000	\$ 800,000
Utah State University	\$ 1,150,000	\$ 700,000
Weber State University	\$ 70,000	\$ 50,000
Southern Utah University	\$ 135,000	\$ 125,000
Snow College	\$ 45,000	\$ 50,000
Dixie State College	\$ 50,000	\$ 50,000
College of Eastern Utah	\$ 50,000	\$ 50,000
Utah Valley State College	\$ 50,000	\$ 100,000
Salt Lake Community College	\$ 50,000	\$ 75,000
<b>TOTAL</b>	<b>\$ 3,000,000</b>	<b>\$ 2,000,000</b>

XI. NURSING INITIATIVE

The 2007 Legislature appropriated \$500,000 in ongoing 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 2007-08.

XII. Institutional Priorities

The 2007 Legislature appropriated \$15.5 million dollars to support institutional priorities as identified in SB 90 and SB 70 and as approved by the Board of Regents. USHE institutions will be asked to report on how they anticipate spending these funds by expenditure category and 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 2007 Legislature appropriated approximately \$8.6 million dollars in ongoing funds and approximately \$865,400 in one-time funds to support institutional partnerships as identified in HB 150, HB 185 and SB 53. USHE institutions will be asked to report on 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. DUE DATE FOR BUDGET IMPLEMENTATION REPORTS

The completed implementation forms should be submitted to the Office of the Commissioner on or before **May 19, 2007** to prepare the implementation report that will be submitted to the Board of Regents during their June 8, 2007 meeting.