

# **BUDGET ASSESSMENT PROJECT**

## **Narrative**

### **Introduction**

Shortly after taking office, President Bense began discussions about a university wide budget review. Over the next few months, the idea was discussed and considered at cabinet, extended cabinet, deans' council, and faculty senate. In October 2008, in response to growing unease and uncertainty stemming in large part from the State of Florida's budget crisis, President Bense initiated an assessment to take a snapshot in time of our financial condition to address the following issues/questions:

- apprise the President of the financial condition of the institution as part of the presidential transition,
- provide information to address potential misperceptions, confusion, and economic concerns within the campus community,
- provide for a transparent review of the budget cuts taken in FY08 and the overall health of the institution,
- and establish common definitions and understandings related to budget reduction issues.

A project group, consisting of the Division budget officers, compiled the data for that first review and has continued to provide the key reports each year for posting on the President's Budget website.

### **Results and Conclusions**

Through good fiscal management, the University is in sound financial health. All areas outlined in the initial research questions were researched and have been addressed in this report. The significant findings are summarized below.

- Two years of non-recurring Federal stimulus funding ended on 06/30/2011. UWF received \$4,321,645 representing 4.5% of total budget during FY 2010-2011.
- Reductions and Investments (Note: For greater detail, refer to Section 1 on the President's website.)
  - The data collected verifies that the FY2011-2012 State mandated reductions (\$2,120,001) were taken evenly across all divisions, but not necessarily within the divisions.
  - Over 67% of the budget reduction (\$1,424,888) was taken from salaried positions and fringe benefits. Based on common definitions, twelve vacant faculty positions and five vacant staff positions eliminated and 7.68 additional positions were affected or transferred to a different funding source.
  - The President invested institutional growth dollars for FY2011-2012 totaling \$4,081,769. Over 94% (\$3,846,665) was invested in salaries and fringe benefits to fund promotion and tenure obligations, fill 28 faculty positions and add eleven

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additional staff positions. These positions added over 57,000 hours of productivity in direct instruction, 18,700 hours of academic support and 2,000 hours of student support and institutional support.

- Carryforward (Note: For more details about carryforward, please refer to Section 1 on the President’s website):
  - The University of West Florida uses a decentralized approach to the management of carry forward funds. The total carry forward dollars (one-time savings) in all University accounts was \$31,559,028 as of July 1, 2011.
  - All divisions, colleges, units and departments controlled \$20.3 million in carry forward funds (64% of total carryforward).
  - By Division, carryforward balances breakdown as follows: Academic Affairs including colleges, units and departments held carry forward balance as of July 1, 2011 totaling \$10.3 million (20.8% of the FY2012 budget). Carryforward for Administrative Services totaled \$3.6M or 18.8% compared to their FY2012 recurring budget. Advancement had \$913k (52% of the FY2012 budget). Emerald Coast and the Institutes and Centers held \$3.2M (57.8% of the FY2012 budget). The President’s division held \$1.7M (43.6% of the FY2012 recurring budget). Summer had 787k (17.5% of the recurring FY2012 summer budget).
  - This year, the President imposed a thirty percent (30%) holdback of new carryforward funds. The President obligated the entire amount (\$1.1M) of the holdback to fund the initial purchase and implementation of the new Banner Student system. The entire cost of the Banner Student system is projected to be ~\$9M and planned to be funded either from carryforward dollars or through an internal loan from the auxiliaries similar to how the Banner ERP system was funded.
  - No funds were expended during the year from the \$2,049,683 hurricane reserve.
  - Central carryforward accounts included: the strategic reserve carryforward (\$2.4M), President’s Opportunity reserve (\$386k), utilities reserve (\$463k), and the central carryforward (\$4M). Please note that the President has obligated the central reserves to fund the 3-year non-recurring investments discussed in the next bullet.
  - The President invested \$2,303,048 in 3-year non-recurring funds to provide bridge funding for strategic projects and alleviating pressure points. The investments were \$788k (34%) in salary and fringes, \$86.3k in OPS support, and \$1.43M in expenses. Eight staff positions were impacted generating 10,400 hours of student support productivity. Major projects funded included marketing and recruitment initiatives and start-up funding for a SACs accreditation Office of Institutional Effectiveness.
  - All units receiving one-time Strategic Initiative Project funding from the prior year FY2011 also provided feedback and impact reporting in this section. Projects included recruitment strategies in enrollment management, scholarship matching for the Florida’s Great Northwest grant, and strategic marketing. Units

with carry over funding from the FY2010 allocation also reported on the close out of their funding allocations. Please refer to the Strategic Initiatives Project Summary located in Section 1 of the President’s website for further information.

- Cash (Note: For more details about carryforward, please refer to the reports under Section 2 on the President’s website.):
  - All University cash is properly accounted for in Banner, there is no duplicate counting of cash, and no internal control weaknesses over cash have been cited by the State Attorney General’s auditor.
  - Significant cash (\$15M as of June 30, 2011) is held in Auxiliary accounts controlled by various divisions, colleges, units and departments. The largest 38 accounts hold 68% of the auxiliary balances.
  - The Comparative Cash report provides a summary of all cash held by the university in all funds and by restriction.
  - The Central Carryforward Reserve report provides a reconciliation of all central accounts including the transfers out for investment in strategic initiatives discussed in the Carryforward Funds reports found in Section 1 above.
  - The ERP project started in 2004 that was funded via an internal loan from auxiliaries was paid in full by the end of the first quarter in FY2011. The University used interest earnings on the funds held in auxiliary accounts, the pcard rebate, and the administrative overhead fees charged to auxiliary, athletic, and student activity accounts to pay down the internal ERP debt.
  - Only one institution (FAU) in the SUS held a current ratio or quick ratio higher than UWF at the end of FY2011. UWF had the SUS median Tuition contribution ratio and the second to highest defensive interval in the SUS. Refer to the notes in the report for an explanation of each of these ratios.
  - The Functional Expenses Comparative Report is a new report this year. It provides a pie chart presentation of the distribution of funds each year for the past five years by National Association of College and University Business Officers (NACUBO) category. NACUBO categories are the national recognized grouping of expenses by functional category. These categories include instruction, research, public service, academic support, student support, institutional support, operation of plant, scholarships, auxiliaries, depreciation, and loan expenses. Definitions for each of these categories are provided in the appendix to this report. In fiscal year 2011, 33% and 12% of funding went to instruction and academic support, respectively.
- Budget Reconciliation (Note: For more details on the budget reconciliation, please refer to the report under Section 3 on the President’s website.):
  - Every dollar of budget was accounted for in the FY2010-2011 to FY2011-2012 Budget Reconciliation Report and all Board of Governor adjustments and amendments tie exactly to the Board of Governors published FY2011-2012 Allocation Summary and Work papers and all recurring reductions and investments reported in Section 5 of this report are accounted for.

- Student Fee Trust and Summer Funds (Note: For more details on the distribution of summer net margin, please refer to the report under Section 4 on the President's website.):
  - In FY2011, the Student Fee Trust Fund (SFTF) collected \$32,2M.
  - The recurring budget funded by SFTF collections for FY2011 was 33.6% of the university's total Education and General (E&G) budget. The Student Fee Trust Fund is made up primarily of tuition, tuition differential, and interest earned on tuition for the fall, spring, and summer terms.
  - The projected budget for FY2012 includes \$38.5M from SFTF collections and represents 42% of the total E&G budget. Collections are on track to exceed budget.
  - UWF was able to record \$905k in recurring budget in FY11-2012 based on growth (the dollars associated with repeated new enrollment net of all waivers) experienced in FY2010-2011.
  - The Summer Net Margin (SNM) model approved at the May, 2008 Budget Council created a gap in the recurring budget funding. In August of 2011, the Vice Presidents agreed to absorb the recurring funding gap as an on-going cost of the summer model. Summer Net Margin is the remaining base tuition collected from summer enrollments after deducting direct instruction and summer marketing expenses. The Summer Net Margin (SNM) was \$2.1M for summer 2011. Using the 3year SNM average per the SNM agreement, \$1,717,744 was distributed 50% to Academic Affairs, 18% to Administrative Services, 12% to Advancement, and 10% each to Student Affairs and the Presidents Division.