Continuation Budget Expectations

Labor (Personal Services)

All benefited positions assigned to your unit with a Budget Profile of REG or TERM are fully budgeted using the following formulaic approach. These positions will have neither larger nor smaller budget than calculated using this method:

For Occupied Positions: Hourly rate of Incumbent * (1 + ATB % Increase) * (2080 hrs * Assignment FTE on 12-mo basis [# months / 12 months]) = Position Budget

Example: 11 month staff position, where employee currently makes 20.04 per hour would calculate as $20.04 * 1.02 * (2080 * (11/12)) = $38,974
Example: 9-month F9 faculty position, where employee currently makes 45.00 per hour would calculate as $45.00 * 1.02 * (2080 * (9/12)) = $71,604

For Vacant Positions: Hourly rate of Position Grade’s Step 1 * (1 + ATB % Increase) * (2080 hrs * Position FTE on 12-mo basis [# months / 12 months]) = Position Budget

Example: 12-month staff position, grade 80, would calculate as $26.33 * 1.02 * 2080 = $55,862
Example: F9, 9-month faculty Position, Assistant Professor, would calculate as 51,600 * 1.02 = 52,632 (see pay range for faculty or other union positions in appropriate CBA or on the Outline of Union Contract Changes – in this example, $51,600 works out to $33.08 hourly over nine months [1560 hours])

Staff Benefits are calculated as Position Total * ECLS Benefit Rate (FY15 Preliminary) = Position Benefits.

Leave Benefits are not calculated as part of the budget; recovery of these costs are expected as part of the leave process. In other words, a 12-month position budgeted for 2080 hours assumes the employee works every day of every week of the year. However, a plausible example is that, in reality, the employee takes 96 hours off for holidays, a two-week vacation, and uses a combined total of 80 hours of sick leave during that 12-month period, for a total of 1824 hours worked (the equivalent of 10.5 months). Every hour the employee works costs more than each budgeted hour, but that excess cost is then made up during each hour of leave the employee claims (which costs the department nothing).

The amount of budget placed within the PCN and in Staff Benefits is not discretionary. Positions must be budgeted as indicated above. If the financial manager feels it is prudent to set additional funds aside for one or more positions, budget those funds in the 1001 account code within the appropriate fund and org. Such discretionary funds include overtime, low expected leave usage, bonuses, exceptional placement reserves for vacant positions, or other anticipated cost pools. Contractual obligations that require a modified calculation from that indicated above are NOT discretionary; please include these costs as part of the salary calculation. Examples include police and firefighter salaries.

All benefited positions assigned to your unit with a Budget Profile of RSRVD (Reserved) must be reviewed for one of three possible actions:

1. Keep this position reserved within the unit: Budget $100 on the PCN.
2. Return this position to Office of Finance & Accounting: Do not budget the PCN.
3. Set this position to vacant in preparation for an upcoming recruitment: Fully budget the PCN, and inform OFA of your intent by way of the “Notes” section of the upload file.

Prior to budgeting Vacant benefited positions assigned to your unit (with a Budget Profile of REG or TERM), these must be reviewed for one of three possible actions:

1. Keep the position vacant within the unit: Full budget the PCN.
2. Reserve the position and keep it within the unit: Budget $100 on the PCN (OFA will automatically set the position’s Budget Profile to “RSRVD” as part of Continuation processing).
3. Reserve the position and return it to OFA: Do not budget the PCN.

Note: Recruitment of all positions Vacant at Continuation time must be started no later than six months after the date the position was vacated or September 15th of the current year, whichever is longer, or the department risks the position being set to Reserved status and pulled central for management purposes.
**Direct Expenditures**

All direct expenditure categories, including Travel, Contractual Services, Supplies, Equipment, Financial Aid, and Miscellaneous, should be budgeted, as a total within the unit, as accurately as possible based on past trends and future estimates. Please be prepared to justify any variations from past trends that are more than five percent (5%). UAF will establish and monitor travel cap targets for FY16 similar to the caps created in FY15; the exact targets are unknown at this time, but OFA will share the detailed list at the time units receive initial continuation sheets. FY16 travel budgets at each unit cannot exceed this target, nor may FY16 year-end expenditures.

**Revenue Projections**

The continuation budget process is the time for you to tell OFA how much revenue authority you need based on what you expect to generate during the fiscal year. OFA does not direct the amount of revenue authority a unit receives; OFA distributes general fund (9210/9222) dollars only (or GF equivalent, if a swap is in place). Required revenue projections include Student Tuition and Fees, Indirect Cost Recovery, UA Receipts, Intra-Agency Transfers, and any other miscellaneous revenue sources.

- **Student Tuition & Fees:** Revenue from course enrollments that results in revenue generated within the 91xx block of account codes. Budget targets should be based on past trends and adjusted by planned rate increases and enrollment fluctuations.
- **Indirect Cost Recovery:** Revenue captured in account codes 9810/11 generated from the indirect cost charges associated with restricted fund activity. This revenue can vary widely from year to year even if total restricted fund expenditures do not due to differences in recovery rates and bases from project to project. It is imperative to have a thorough understanding of current and pending projects within the unit’s portfolio when projecting ICR revenue.
- **UA Receipts:** This category includes most account codes in the 94xx, 96xx, and 98xx account code blocks. Generally, any revenue received from a non-university (department) source for a good or service provided by the university is considered a UA Receipt. This includes workshop registrations, sales, user fees, rentals, etc.
- **Intra-Agency Transfers:** Revenue from other university departments, whether the source funding is unrestricted or restricted, is considered an Intra-Agency Transfer. This revenue is called a “Transfer” rather than “Receipt” because it does not increase the net revenue of the university. Rather, it is an internal charge/revenue system that uses funds from one department to pay for costs in another as the result of a good or service provided. Intra-Agency Transfers are recorded in the 99xx block of account codes, and includes internal UA Reimbursable Services Agreements (RSA) and the majority of revenue generated in recharge centers.
- **Auxiliary Receipts:** External revenue generated by business operations whose mission is outside the scope of the core mission of the university, but whose existence facilitates some aspect of the core mission. Examples include university housing, dining, and bookstore operations that facilitate the ability of students to attend classes and succeed at their studies. The 97xx block of account codes encompasses the revenue earned by these business operations.
- **Other Miscellaneous Revenue:** Includes receipts such as Interdepartmental Capital Receipts (CIP) and Mental Health Trust (MHT) and is sparingly used.

As with Direct Expenditure projections, please note the reason for any significant (5% or more) variations in total requested receipt authority within your unit from past years. UAF has a limited amount of total receipt authority for each of these categories, so while OFA wants you to ask for the amount you expect you will need, increasing budget authority in one unit may require a corresponding decrease in another, or the need to ask the State for more budget authority. Therefore, OFA may not grant a receipt authority request if the authority is not available or it is unlikely the unit will realize the net total of revenue requested.
**FY16 Budget Uncertainty**

As of May 1, 2015, the State of Alaska budget is still undecided. The legislature passed a budget on April 27, 2015, but the governor called a special session to receive a fully-funded budget from the legislature and proposed adding some items to the budget that were not in the original budget (passed on 4/27/15). As such, university management cannot fully implement decisions, particularly those affecting employees, by the start of FY16. Therefore, your unit may need budget authority in excess of expected general fund and receipts to fully budget based on known contractual obligations (personnel or otherwise). If so, please manage a centralized (unit) org and place in it negative budget authority within the expenditure categories the unit anticipates generating permanent savings. Be sure to note the purpose of this org on the budget submission with the words, “FY16 PERMANENT BUDGET SAVINGS OFFSET,” in the Notes section.

Financial Services requires your unit to backfill that negative authority with your permanent savings once you realize them throughout the year. Units with negative authority must provide monthly updates to Financial Services, concurrently with the management report, outlining the amount of the negative authority by category and the planned actions that will result in fully realizing the permanent savings in FY16.

Please be fully aware that the university expects its FY17 general fund to receive similar cuts to FY16 if State revenue forecasts hold true.

**Recharge & Auxiliary Budgets**

Budgeting procedures and expectations for recharge (including "enterprise") and auxiliary departments is the same as for other unrestricted funding and restricted budget authority. In addition to the expectations outlined above, recharge budgets should match the recharge proposal submitted to OFA in April of the current year.

OFA expects all recharge centers and auxiliary departments to operate on a break-even basis. Therefore, both fixed costs and rates should be realistic to achieve this goal and *subsidies are not a budgeted portion* of the center.

**The Bottom Line**

A unit’s budget is a tool that guides and informs the unit’s activity in the upcoming fiscal year. It does not confine the activities of the unit, but rather defines the expectations for the unit’s fiscal performance over that period. This expectation is a result of the strategic planning, analysis, and projections performed by unit employees and stakeholders. Budget revisions are the process by which managers realign budgeted activities as they occur. *The more accurate the Continuation budget, the fewer budget revisions are necessary throughout the year!*

So, what is the bottom line for making the preparation of the Continuation budget simple?

1. Begin all budget conversations with the expectation that your unit will operate within its means, even as those means change over time.

2. Plan a budget reserve (this is budget authority that is not committed to a specific activity on an ongoing basis) of approximately 1% (of unrestricted dollars) that is held centrally within the unit and is usable at the discretion of the appropriate dean or director in order to allow responsiveness to threats or opportunities that develop throughout the fiscal year on a one-time basis.

3. Make known as many budget commitments and variables as possible before developing the Continuation budget (e.g., gather as much information as you can).

4. Focus your budgeting time on those items over which you have control. These include whether to budget or reserve your vacant positions, how much revenue to budget in each category, and where (and how much) to budget direct expenditures. Position budgeting should occupy a substantial minority of your overall budgeting time because these amounts are not discretion ary.

The information provided in the Continuation budget is the baseline for all discussions with central management, including the Fall Review meetings held in October of each year. **Be prepared to justify all numbers submitted in the Continuation budget.**