

UNIVERSITY OF RHODE ISLAND

Recommendations Proposed by SBPC Subcommittee and Approved by President: Model for Budget Reinvestment/Positive Fund Balance, Contingency Fund, and Capital Expenditures

Overall Purposes

- Construct models for budget recovery, reinvestment, and, as necessary, reduction processes
- Address the relationship between funding of capital/asset protection projects and the university general fund budget.

Overriding Challenge: To create a sustainable and equitable reinvestment and contingency fund and capital/asset protection project allocation process that serves the best interests of the institution without compromising other essential institutional functions and activities and already lean existing budgets.

Additional Budget Principles

- Any significant budget reduction should be assigned to Divisions by following a strategy informed by both strategic priority and comparative position based on the IPEDS data and/or other relevant data; thus, eliminating the assignment by division as a starting point. That is, budget reductions should not be across the board and are expected to be applied disproportionately to budget distributions across and within divisions.
- Because financial aid is a discount to tuition revenue, it is to be held harmless in budget reductions according to existing budget principles, the financial aid component of the budget should be separated from analyses related to the total GF budget when addressing budget reduction strategies.

Overview of Budget Model Addressed by Subcommittee:

- Use positive general fund balances for a reinvestment model to fund major strategic initiatives and support a contingency fund. These funds should be used for one-time investments that support transformational goals. They should not be used to simply offset other funds and they are not meant for day-to-day needs. The strategic allocation of fund balance resources should include review of requests in early Fall with final decisions by the President and senior team. The projects approved for funding by the President may then be forwarded to SBPC for their information, review and commentary, which are shared with the President.
- The reinvestment/contingency fund would be used to both make investments in important new initiatives (reinvestment portion) and to meet emergent situations (contingency portion), including budget reductions if necessary. The proportion of reinvestment vs. contingency

would vary from year to year depending on budget situations; this proportion would be determined by senior management and shared with SBPC.

- It is beneficial for all in the university to focus on attaining targeted enrollment and retention goals in order to maximize the available fund balance available for establishment of the reinvestment/contingency account.
- Each fall the extent and amount of the university fund balance from the previous year is confirmed and the President will determine the proportion to be used to create a reinvestment and/or contingency fund for possible allocation.

Process for Allocation of Reinvestment Funds

- Investment funds should be allocated to provide support for **significant new initiatives** (mostly one-time investments) that serve the best interests of the institution; these funds are not meant for routine additions of faculty or staff or day-to-day projects or needs.
- To be eligible for investment funding, proposing units would need to identify the full-cost of the proposed project (i.e. costs in outer years if significantly more than year 1) as well as provide a meaningful cost-share or co-investment for the proposed initiative – the co-investment both contributes financially and, more importantly, ensures true commitment to the initiative. The proposing unit must clearly demonstrate how it will sustain the project in future years. In rare and exceptional circumstances, proposals will be considered for initiatives that are spread over two or three years, but the multi-year investment of these otherwise one-time funds would need a strong strategic justification.

Process for Contingency Fund

- Senior Management to assess at appropriate budget cycle – contingency funds can address both financial shortfalls and retain a small pool for emergent situations.
- Use of contingency funds to meet financial shortfalls would only occur after all efforts were made to absorb cuts that fall within the range of “rounding error.”
- Base budget reductions met using one-time contingency funds will need to be carried forward and either erased by new allocations or distributed to Divisions as base reductions in subsequent years.

Principles for Capital Budget Requests

- Fund major capital and asset protection projects primarily outside of the general fund budget (i.e. GO Bonds, RICAP, Private, other non-general fund sources). If auxiliary and enterprise

funds are to be used to fund major capital projects, a process involving senior management should be established to review the initial request.

- The asset protection (AP) budget within the unrestricted general fund budget (\$700K) should remain in place for minor projects. RICAP AP budget and the unrestricted AP budget should absorb AP project costs in priority areas. Other capital projects may be specifically designated and budgeted by RICAP funds. The total RICAP budget for FY12 is \$12.9M, with \$7M for Asset Protection and \$5.9M for specific projects. To the extent it is possible to reallocate funds not used for specific RICAP projects, that should be considered.
 - RICAP funding and/or state bond funds should continue to be sought for specific major capital projects.
 - Overruns and newly emergent items will either be absorbed through management of these existing funds and/or reprioritization of planned projects as necessary to meet the highest priority needs at a given time.
 - Asset protection spending priorities should be re-evaluated annually with careful consideration of new and emergent priorities
- Major capital projects should include a full cost analysis at the inception, including costs of additional personnel, equipment, and operations (e.g., utilities, maintenance) needed to operate the facilities.
 - These expenses need to be identified and associated with revenue streams to support these components.
 - If a project is approved by the State, but a significant change in funding is recommended, the project should be reviewed again, along with the implications from the change in funding.
- Routine general fund allocations or reallocations should not be a standard mechanism for supporting capital/asset protection projects.
- Reducing and/or committing the overall university general fund operating budget to support capital and asset protection projects or new debt service should be avoided.
- Capital/AP projects can be proposed for either investment funds as part of a significant new initiative that serves the institution or contingency funds for short-term emergent situations. Such proposals may be reviewed by SBPC.
- Capital projects funding requests should be aligned with the university budget request process.

Recommended to President for approval at SBPC 2-21-12 Meeting