



UNIVERSITY OF CENTRAL FLORIDA

# FCM130: Colors of Money

*Prepared by Financial Affairs & Financials Support Services*

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*Accompanies FCM130: Colors of Money webcourse; educational material for UCF employees on financial, accounting, and budgeting principles*

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02/25/2021 • Training Guide

# Table of Contents

<b>Introduction</b> .....	<b>3</b>
<b>Objectives</b> .....	<b>3</b>
<b>I. State Funding Process for Universities</b> .....	<b>4</b>
A. Primary Oversight .....	4
<i>Board of Governors (BOG)</i> .....	4
<i>UCF Board of Trustees (BOT)</i> .....	5
<i>Key Regulations</i> .....	5
B. Funding Request Process (Annual Legislative Budget Request or LBR) .....	5
<i>BOG Process</i> .....	5
<i>BOG Process Flowchart</i> .....	6
<i>Legislative Process</i> .....	6
<i>LBR Process Flowchart</i> .....	7
<i>LBR Timeline Example</i> .....	8
C. State Allocations .....	8
<i>General Revenue</i> .....	8
<i>Tuition and Fees</i> .....	9
<i>State Allocation Highlights</i> .....	9
<b>II. Development &amp; Oversight of UCF’s Operating Budget</b> .....	<b>11</b>
A. What constitutes, or makes up, the operating budget? .....	11
<i>Operating Budget Example</i> .....	12
<i>E&amp;G Budget</i> .....	12
<i>E&amp;G Historical Summary of Operating Appropriations</i> .....	13
<i>E&amp;G Revenue Sources</i> .....	13
B. What drives the preparation of the operating budget?.....	14
<i>Operating Budget Timeline Example</i> .....	15
C. Budget Oversight by the UCF Board of Trustees.....	15
<b>III. Budget Update - Fiscal 2021</b> .....	<b>17</b>
A. State University System Budget Highlights .....	17
<i>Key Highlights of SUS Budget for Fiscal 2021</i> .....	17
B. CARES Act.....	18
<i>Institutional Portion</i> .....	18
<i>Additional CARES Funding</i> .....	19
C. Other Federal Stimulus Funding.....	19

## **INTRODUCTION**

In “Colors of Money” you will learn how the money or funding used to keep the University of Central Florida running smoothly is obtained, dispersed, and managed. You will also learn about the key regulations and statutes that govern our conduct and guide fiscal operations by telling us what we are allowed and not allowed to do.

Funds for everything from salaries to research, to building construction, to maintenance, to student life is acquired from a variety of sources including the state, student tuition and fees, research funding agencies, sporting events, and other activities.

## **OBJECTIVES**

- Understand the university’s governance structure, including the function and purpose of the Florida Board of Governors (BOG) and UCF's Board of Trustees (BOT).
- Understand and name the sources of state appropriated funding (general revenue, lottery Educational Enhancement Trust Fund, and tuition and fees).
- Learn how and when the universities in the Florida State University System (SUS) can annually request new state funding from the BOG and the legislature (LBR process) and the types of funding categories that are typically allocated (administered funds, performance funding, preeminence funding, etc.).
- Learn about the annual state budget allocation process and timeline and the required Operating Budget.
- Gain knowledge of key financial reports that are required by the BOG and budget items that require BOT approval and or reporting.

# I. STATE FUNDING PROCESS FOR UNIVERSITIES

In this section you will learn about how the state of Florida determines how much funding it will allocate to the University of Central Florida (UCF). The government bodies involved have oversight of the funds, and UCF is responsible for the way they are used. You will learn who these groups are and how they decide what the university receives.

Next, we will cover important points regarding the delegation of authority and the fiscal responsibilities surrounding the expenditure of funds. You will also be provided with details of key statutes and regulations that place limitations on the use of operating funds.



## A. PRIMARY OVERSIGHT

Primary oversight for UCF funding is carried out by two groups: The Board of Governors and the UCF Board of Trustees. Each group must follow regulations mandated by the state of Florida.

### Board of Governors (BOG)

The BOG was established to oversee the operation and management of the Florida public university system's twelve institutions.

1. It is comprised of seventeen members, fourteen of whom are appointed by the Florida governor and confirmed by the Florida Senate for a term of seven years.
2. The remaining members include the chair of the Advisory Council of Faculty Senates, the commissioner of education, and the chair of the Florida Student Association.
3. The BOG is the university's legal owner and final authority responsible for efficient and effective use of resources and personnel; policy decisions; the implementation and maintenance of high-quality education programs; oversight of university performance; financial management and accountability; and reporting and compliance with laws, rules, regulations, and requirements.

## UCF Board of Trustees (BOT)

Under the Florida Constitution, each state university is locally administered by a board of trustees.

1. A board of trustees is comprised of thirteen members, six of whom are citizens appointed by the Florida governor and five of whom are citizens appointed by the BOG. The appointed members are confirmed by the Florida Senate and serve staggered terms of five years.
2. The remaining members include the chair of the university's Faculty Senate and the president of the university's Student Government Association. These members serve for the duration of the term of their respective elected offices.
3. UCF BOT responsibilities include cost-effective policy decisions; the implementation and maintenance of high-quality education programs; and oversight of university performance, financial management and accountability, personnel, the reporting of information, and compliance with laws, rules, regulations, and requirements.
4. For more information about the UCF BOT, visit [www.bot.ucf.edu](http://www.bot.ucf.edu).

## Key Regulations

1. Pursuant to **Article IX, section 7(c), Florida Constitution**, the Board of Governors shall establish the powers and duties of the Board of Trustees as set forth herein and as may be established in Board of Governors' regulations. This regulation supersedes the delegation of authority to the board of trustees contained in the Board of Governors' Resolution dated January 7, 2003. The intent of this regulation is to delegate powers and duties to the university boards of trustees so that the university boards have all of the powers and duties necessary and appropriate for the direction, operation, management, and accountability of each state university.
2. Each board of trustees shall be responsible for the financial management of its university and shall submit an institutional budget request, including a request for fixed capital outlay, and an operating budget to the Board of Governors for approval in accordance with the guidelines established by the Board of Governors.

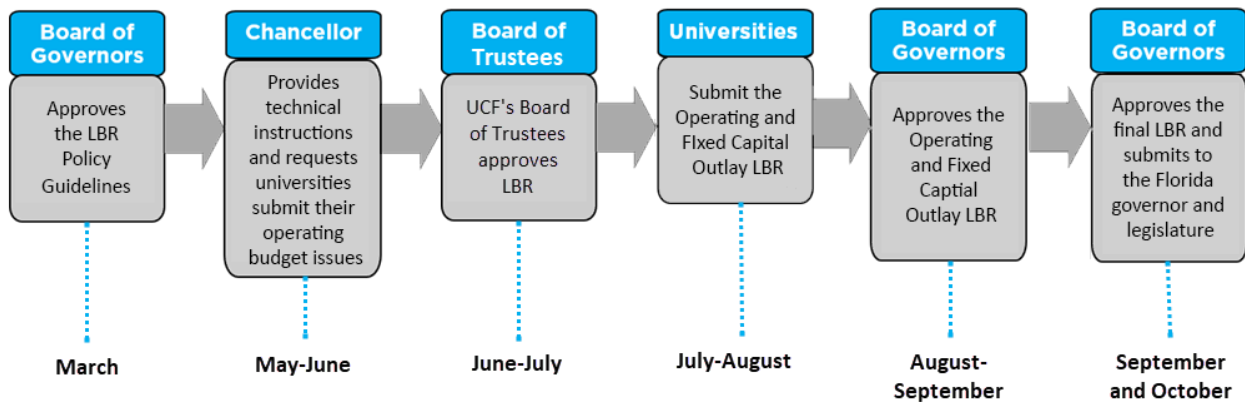
## B. FUNDING REQUEST PROCESS (ANNUAL LEGISLATIVE BUDGET REQUEST OR LBR)

### BOG Process

The plan for the allocation of state funds to state universities begins with an annual request from each university to the BOG. This is called the Legislative Budget Request (LBR). Once approved by the BOG, the LBR is submitted to the state legislature. The process for developing the LBR follows the same steps each year.

1. **The BOG adopts and approves general guidelines for the development of the LBR.** This occurs in March.
2. **The BOG's chancellor provides technical instruction to board staff during April and May and requests universities submit their operating budget issues.** These are due in July-August.
3. **As part of the annual LBR process, universities must also submit a Fixed Capital Outlay budget request.** This is due in July-August. **It includes the following:**
  - Three-year Public Education Capital Outlay (PECO) Project Priority List
  - Capital Improvement Fee (CIF) Project List
  - Required Authorizations for Projects Constructed from Non-state Funds, Bond Issues, and Projects Constructed or Financed by Direct Support Organizations and PECO Remodeling/Renovation/Repair/Maintenance Formula Funds Appropriation Request
  - PECO "Points" List
4. **The BOG's staff evaluates the issues proposed by the universities for consistency with the Board of Governors Strategic Plan goals and objectives, institutional mission and strategic plan, and legislative mandates.** This occurs in August.
5. **The chancellor recommends a system-wide LBR, and the BOG approves it and submits it to the Florida governor and legislature.** This takes place in August-September.

### BOG Process Flowchart

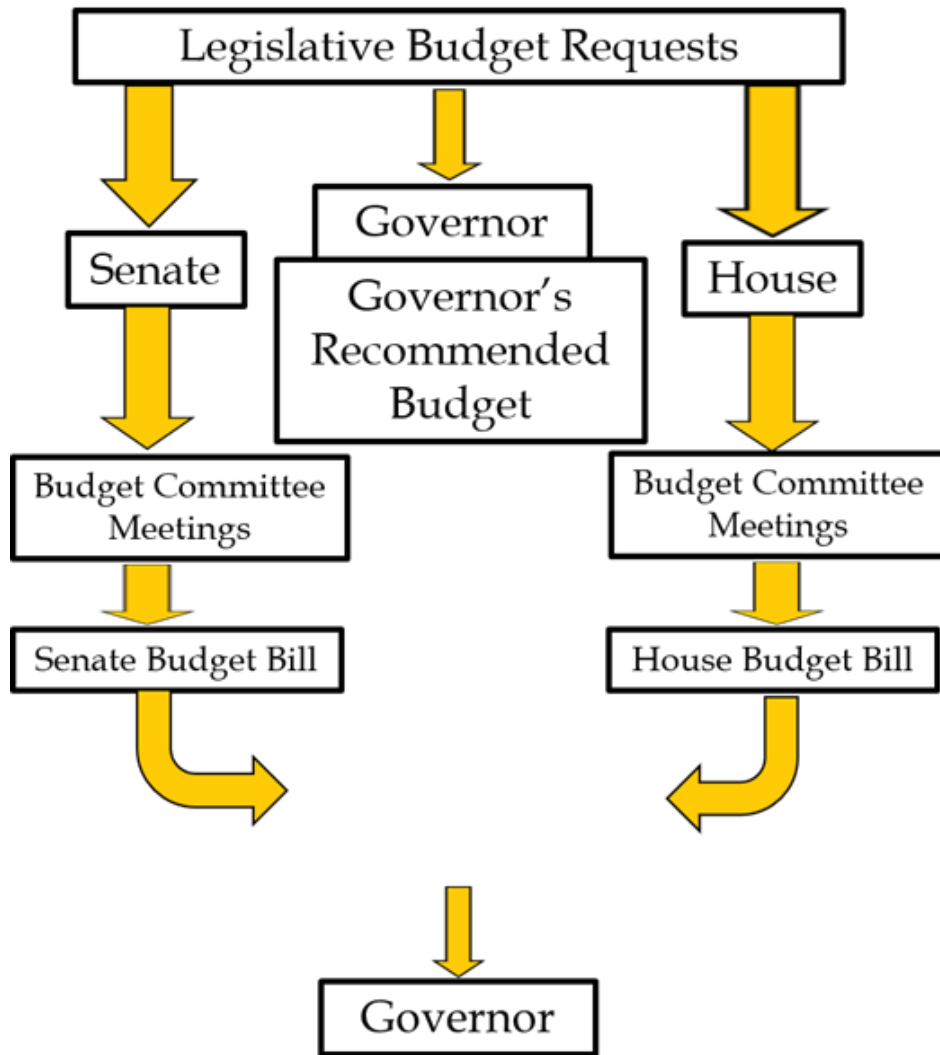


### Legislative Process

- The Florida Legislature meets every year for 60 consecutive days.
- The legislative regular session convenes on the first Tuesday after the first Monday in March of each odd-numbered year and the second Tuesday after the first Monday in January of each even-numbered year.
- LBRs are submitted to the Florida governor, Senate, and House of Representatives.

- The governor submits budget recommendations to the Senate and House of Representatives.
- The Senate and House budget committees hold public meetings to workshop budget issues.
- The Senate and House each pass their own budget bills.
- House and Senate members hold public meetings to work out the differences between the budgets (conference).
- A final budget bill called the General Appropriations Act is passed by the Senate and House.
- The final budget is sent to the Florida governor who has line-item veto power.

**LBR Process Flowchart**



## LBR Timeline Example

Date	Activity
March 28	Florida Board of Governors (BOG) approves Legislative Budget Request (LBR) guidelines
June 19	Board of Trustees approves LBR
July 29	University submits LBR to BOG
August 28	BOG adopts LBR
September 15	LBR is submitted to the Florida governor and legislature
October 2-3	BOG workshop on LBR components
October 30	BOG amends LBR (PECO, performance funding, etc.)
January 14	Florida legislative session begins

## C. STATE ALLOCATIONS

### General Revenue

- Allocations of general revenue come primarily from Florida’s sales tax and education enhancement trust funds such as lottery ticket sales. The legislature bases its budget estimates primarily on information provided by the Office of Economic and Demographic Research acquired through General Revenue Conferences and Lottery Estimating Conferences held throughout the year.
- If general revenue and lottery estimates are low, fund shifts between the two revenue sources may occur.
- General revenue cash distributions start in July; lottery cash distributions typically start in the third quarter, but this varies.
- University allocations support Performance, Preeminence, Administered Funds (monies to support increases in cost of health, retirement, risk management, etc.) and Special University-Unique Initiatives, which **in the past, came from state allocations based on enrollment growth.**



## Tuition and Fees

- In addition to state allocations of general revenue, all students pay tuition and associated fees, unless waived pursuant to Regulation 7.008, as authorized by the BOG or its designee.
- Tuition is the basic fee assessed to students for enrollment in credit courses at any of the state universities.
- Undergraduate tuition per credit hour is established pursuant to law. Tuition for existing or new graduate and professional programs, or out-of-state fees, may be established by the BOG pursuant to law.
- Associated fees shall include the following fees:
  - (a) Student Financial Aid Fee
  - (b) Capital Improvement Fee
  - (c) Health Fee
  - (d) Athletic Fee
  - (e) Activity and Service Fee
  - (f) Non-Resident Student Financial Aid Fee, if applicable
  - (g) Technology Fee
  - (h) Other Fees Approved by the BOG pursuant to Regulation 7.003(24)
  - (i) Tuition Differential
- In accordance with section 1009.24(16), Florida Statutes, universities are authorized to charge a tuition differential supplemental fee. This started in 2009 with five universities, and the remaining six were authorized in 2010. The purpose of the tuition differential fee is to improve the quality of undergraduate education (70%) and provide need-based financial aid (30%).
- Regulatory references for all tuition and fees assessments can be found at the following:
  - [Title XLVIII, Chapter 1009](#), Florida's Statutes
  - [BOG Regulation 7.001, 7.002, and 7.003](#), State University System of Florida Board of Governors
  - [UCF Chapter 9: Tuition and Fees](#), UCF Regulations

## State Allocation Highlights

- Universities have not received additional plant operations and maintenance (PO&M) funding for new facilities since fiscal 2016.
- No undergraduate tuition increase has occurred since fiscal 2014. It is currently established at \$105.07 per student credit hour.
- In fiscal 2009, the UCF tuition differential was \$2.32 per student credit hour; it has been set at \$44.20 per student credit hour since 2014.

- Tuition differential fees collected since 2009 are contributing a total of \$41.5M to improve the quality of undergraduate education, and \$17.8M for need-based student financial aid.

*The state of Florida provides funding to state universities and ensures that oversight for that funding is carried out at multiple levels. Universities make their needs known through the LBR process. The board of trustees of each university, the Board of Governors, and both houses of the state legislature play a role in working out allocations. The governor has the option to overrule items in the legislature's approved budget before giving final approval.*

## II. DEVELOPMENT & OVERSIGHT OF UCF'S OPERATING BUDGET



### A. WHAT CONSTITUTES, OR MAKES UP, THE OPERATING BUDGET?

Once allocations of state money are approved by the Florida legislature and governor, the university's operating budget can be developed. Money in the UCF operating budget comes from various sources that are grouped into four categories. These are called budget entities:

#### 1. Education & General (E&G)

E&G funds come from the three sources described earlier in the course:

1. State allocations/appropriations from general revenue (primarily Florida's sales tax)
2. State allocations/appropriations from the Educational Enhancement Trust Fund (lottery sales)
3. Student tuition and fees, net of waivers

E&G includes carryforward, which is the prior year E&G unspent balance.

#### 2. Auxiliary

#### 3. Contracts and Grants (C&G)

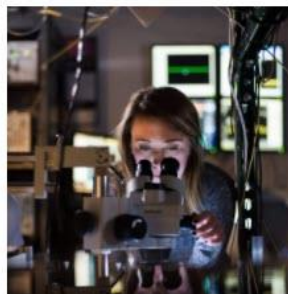
#### 4. Local Fees



E&G



Auxiliary

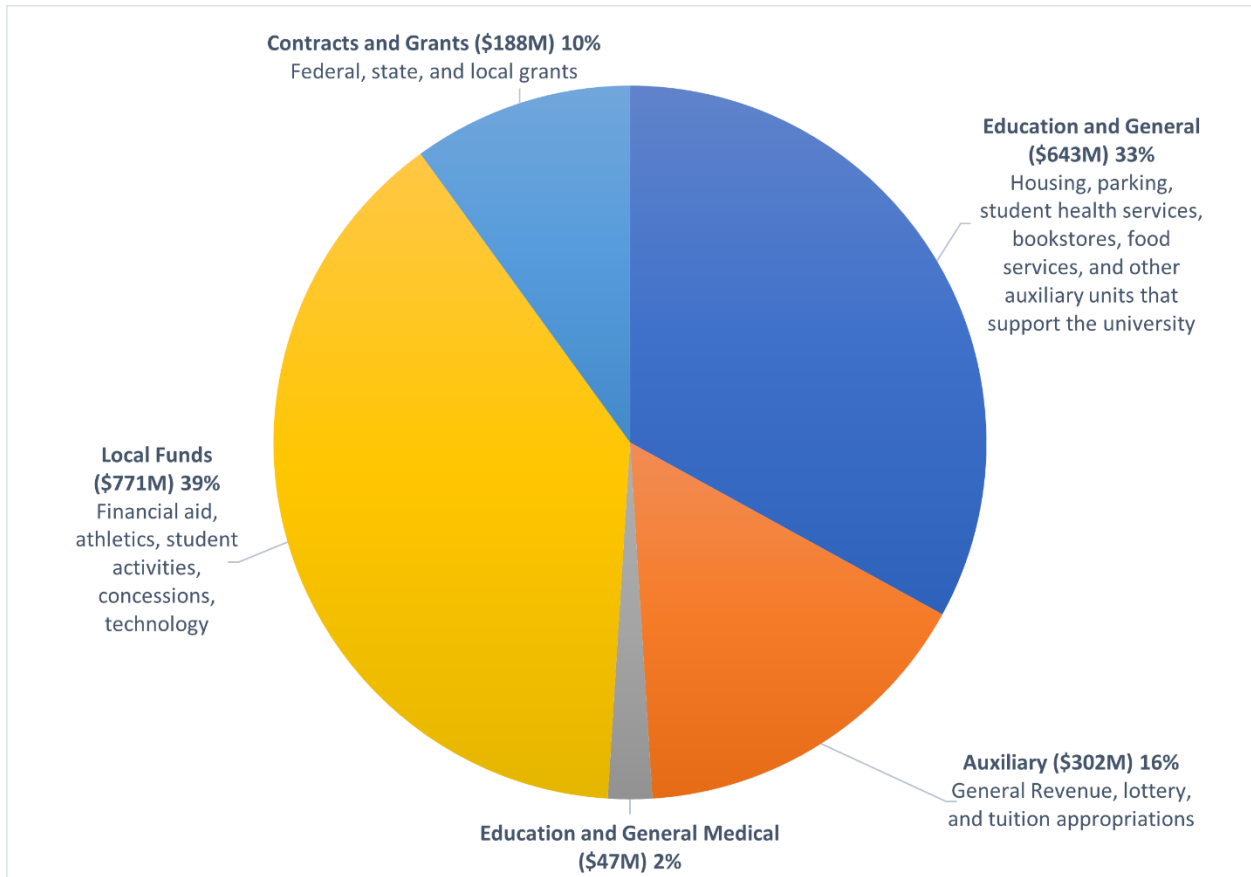


C&G



Local Fees

## Operating Budget Example



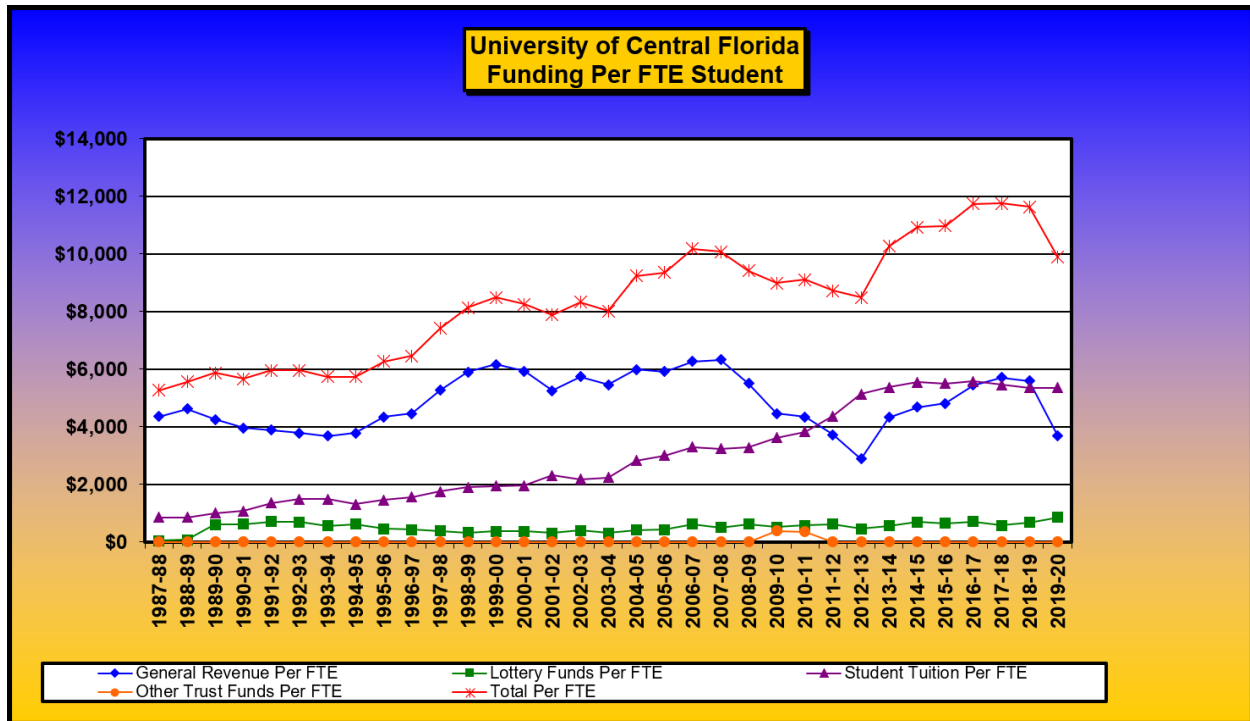
## E&G Budget

The fiscal 2021 E&G budget totaled \$643 million.



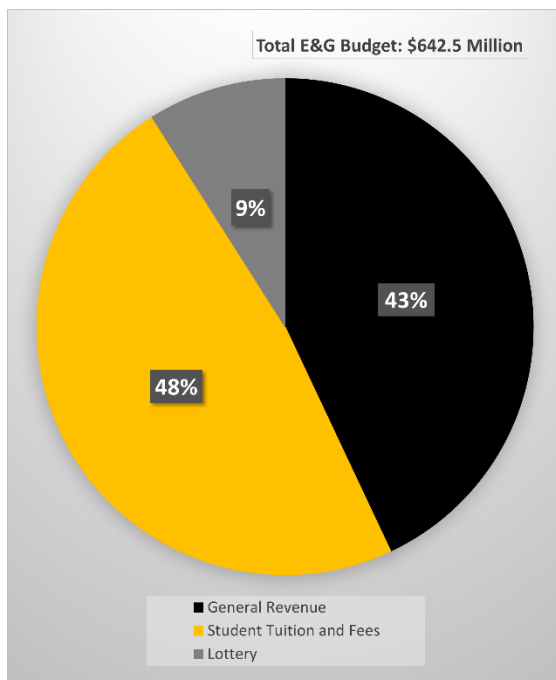
This included student tuition and fees along with state appropriations from general revenue and lottery sales.

## E&G Historical Summary of Operating Appropriations



The chart provides a summary of operating appropriations per actual full-time equivalent (FTE) student at UCF between 1987 and 2020.

## E&G Revenue Sources



General Revenue declined by 7% from prior year primarily associated with the following: \$7.2M non-recurring carryforward reduction, \$5M BRIDG veto, \$6.4M fund shift from general revenue to lottery, and \$1.6M performance funding reduction.

*To learn more about appropriate usage of funds and spending guidelines by budget entity, we invite you to take the "Colors of Money" companion course, FCM 131: Expenditures 101.*

## **B. WHAT DRIVES THE PREPARATION OF THE OPERATING BUDGET?**

What drives the preparation of the operating budget? State statutes, BOG regulations, and UCF policy guide the development of the UCF operating budget. Some key budget rules follow.

### **End of Year Balance of Funds - Title XLVIII, Chapter 1011.45**

Unexpended amounts in any fund in a university current year operating budget shall be carried forward and included as the balance forward for that fund in the approved operating budget for the following year.

### **State University Funding - Title XLVIII, Chapter 1011.90(4)**

Expenditure analysis, operating budgets, and annual financial statements of each university must be prepared using the standard financial reporting procedures and formats prescribed by the Board of Governors. These formats shall be the same as used for the 2000-01 fiscal year reports.

### **Additional Appropriations - Title XLVIII, Chapter 1011.91(1)**

Except as otherwise provided in the General Appropriations Act, all moneys received by universities, from student fees authorized in s. 1009.24, from federal sources, from private sources, and from vending machine collections (*paraphrase follows*) is discretionary; however, the budget must be approved and these funds may not be expended for construction, except as provided by s. 1013.74.

### **BOG Regulation 9.007**

1. Each university president shall prepare an operating budget for approval by the university board of trustees, in accordance with instructions, guidelines, and standard formats provided by the Board of Governors.
2. The university board of trustees-ratified operating budget is presented to the Board of Governors for approval. Each university president shall implement the operating budget of the university as prescribed by regulations of the Board of Governors, policies of the university board of trustees, provisions of the General Appropriations Act, and data reflected within the SUS Allocation Summary and Workpapers publication.

### **UCF Policy 3-210 University Budget Process**

This policy outlines the university's annual budget process and describes the budget components and other related procedures integral to the process of submitting the operating budget to the BOT.

## Operating Budget Timeline Example

Month	Activity
July-October	Legislative Budget Request process occurs.
December	Governor publishes proposed budget 30 days before legislative session begins. <i>*In even numbered years the legislative session runs January-March. In odd numbered years the legislative session runs March-May.</i>
January-March	Florida legislature develops appropriations bill; governor has 15 days to approve and has line-item veto power
February-May	University develops operating budget [educational and general (E&G) funds, tuition, and non-E&G funds].
June	Preliminary operating budget is approved by university's board of trustees (BOT) and submitted to BOG (no release of state general revenue cash distributions occur July 1 if preliminary budget does not go through the approval process).
June-July	Budget is allocated to divisions/units in financial system.
August	Prior year actuals and current year budget are approved by BOT and reported to the BOG; carryforward spending plan is approved by BOT and submitted to BOG.

## C. BUDGET OVERSIGHT BY THE UCF BOARD OF TRUSTEES

The board of trustees for UCF provides oversight of the university's operating budget. To aid in this oversight, the BOT receives the following key financial reports from the university:

### ***Due in June***

Preliminary Operating Budget

### ***Due in August***

Operating Budget Reports and Supplemental Information, Including Carryforward Report

### ***Due in August***

Legislative Budget Requests and Supplemental Information

### ***Due in September and October***

Draft Financial Statements

### ***Due in October***

Expenditure Analysis

### ***Due in February/March***

Consolidated Financial Statements/Bond Finance

***Due in March***

Auxiliary Bonded Facility Report

***Due in April/May***

Tuition and Fee Report

In addition, the BOT must provide approval for certain items:

- BOT approves establishment or decertification of a Direct Support Organization (DSO) and approves DSO budgets.
- BOT approves annual financial reports and external audits of the university or DSOs, and then BOT discusses significant findings at a public meeting.
- BOT approves expenditure of collegiate license plate funds (currently 70% for scholarships, 30% for academic enhancement).

Spending at UCF is a complex process that begins with the approval of state funding and continues with the development of an operating budget.

Money comes to the university through different sources. Rules linked to those sources guide how funds are spent. To assist university personnel in determining which rules apply, funds are grouped into budget entities. Before spending occurs, it is important to take into account the budget entity the funds belong to.

The UCF Board of Trustees carries out oversight throughout the year based on university reports that demonstrate how funds have been acquired and used.



### III. BUDGET UPDATE - FISCAL 2021



“In the weeks and months ahead, we will focus on achieving operational excellence — finding ways to become more efficient and effective in our administrative operations — so we can reinvest resources to support our academic mission. (July 2020)”

- UCF President Alexander Cartwright

#### A. STATE UNIVERSITY SYSTEM BUDGET HIGHLIGHTS

Each year funds are allocated to the Florida State University System (SUS) by the Florida state legislature. Funding is provided to each university based on specific criteria relevant to different sources. In this section we will discuss some of the funding highlights for fiscal 2021 (July 2020-June 2021).

##### Key Highlights of SUS Budget for Fiscal 2021

###### **1. Total Budget**

The state of Florida's total budget of \$5.24 billion for state universities includes an increase of \$133 million over the 2020 base budget.

###### **2. Preeminence/National Rankings**

\$30 million has been allocated for Preeminence/National Rankings. Currently, the state has three preeminent research universities: University of Florida, Florida State University, and University of South Florida.

###### **3. Universities of Distinction**

\$15 million allocated for Universities of Distinction was vetoed by the governor.

###### **4. Performance Funding Initiative**

No new funds have been allocated for the Performance Funding Initiative.

###### **5. PECO & CITF Budget**

\$105 million has been allocated for seven Public Education Capital Outlay (PECO) projects and \$48 million for the Capital Improvement Fee Trust Fund (CITF).

###### **6. PECO - UCF**

No new PECO funds have been allocated to UCF.

## 7. Health Insurance - UCF

\$1.1 million was set aside for annualized health insurance increase at UCF.

## 8. Florida Center for Nursing - UCF

\$500,000 was allocated for the Florida Center for Nursing at UCF, but this was vetoed by the governor.

## 9. Carryforward - UCF

The UCF allocation has a \$7.3 million budget reduction based on the fiscal 2020 carryforward balance.

## 10. BOT Approval

The UCF Board of Trustees reviewed and approved UCF's budget in June.

## 11. Final Approval

General Appropriations Act (House Bill 5001) was approved by the governor in June 2020.

## B. CARES ACT

Federal funding has been provided to universities in Florida to help with costs related to the pandemic caused by the new coronavirus. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides money for both student assistance and university support. UCF received more than \$51 million. Half of the money will support grants to students, and half will support institutional costs.

University	Total Allocation	Grants to Students
FAMU	\$13,051,325	\$6,525,663
FAU	22,429,874	11,214,937
FGCU	11,143,620	5,571,810
FIU	38,301,957	19,150,979
FL Poly	1,253,303	626,652
FSU	29,339,828	14,669,914
NCF	837,170	418,585
*UCF	51,071,250	25,535,625
UF	31,046,411	15,523,206
UNF	11,770,196	5,885,098
USF	34,839,748	17,419,874
UWF	6,801,388	3,400,694
<b>Total</b>	<b>\$251,886,070</b>	<b>\$125,943,037</b>

### Institutional Portion

An ad-hoc committee was formed by UCF President Alexander Cartwright to determine the best use of the institutional portion of CARES funds (\$25.5 million). UCF has been working with the U.S. Department of Education and Florida BOG to clarify rules on the use of CARES funds to ensure the money is spent appropriately. As of September 2020, all \$25.5 million was awarded to 24,521 eligible students. As of December 31, 2020, \$25.4 million for institutional support was allocated to departments, of which \$15.5 million has been spent.

## Additional CARES Funding

UCF also received a \$3.8 million CARES allocation as a minority-serving institution. As of December 31, 2020, \$1.7 million had been allocated to departments. Pending initiatives from CARES funding include a sewage surveillance project, Armor up Ambassadors program, outsourcing phone coverage for student support, additional COVID testing for Spring 2021, and mentoring programs and student support.

## C. OTHER FEDERAL STIMULUS FUNDING

Other federal stimulus funding has been allocated to the state of Florida for the Governor's Emergency Relief Fund for K-12 and Higher Education. Enacted on December 27, 2020, the Higher Education Emergency Relief Fund (HEERF) II bill provided \$88.8 million to UCF (\$25.5 million for grants to students + \$63.3 million for institutional support).

This money will support the continuity of education for incoming high school students and will enhance technology for students in a virtual environment.



To learn about appropriate usage of funds, spending guidelines by budget entity, and who to contact for assistance at UCF, we invite you to take the *Colors of Money* companion course, *FCM 131: Expenditures 101*.