



University Budget Committee Meeting Minutes

Date:	January 29, 2021
Time:	1:45 – 2:45 p.m.
Location:	via Zoom
In attendance:	Michael Johnson, Edwanna Andrews, Theodorea Berry, Sissi Carroll, Steven Collins, Maribeth Ehasz, Deborah German, Cissy Glowth, Joe Harrington, Gerald Hector, Paul Jarley, Mike Kilbride, Elizabeth Klonoff, Fernando Rivera, Misty Shepherd
Not in attendance:	Stephanie Blanco, Reshawna Chapple, Mike Sink
Staff (non-voting members):	Kristie Harris, Rebeca Richards, Kathy Mitchell

----- Agenda Topics -----

1. Approval of the minutes from January 19, 2021 – Michael Johnson

Kathy Mitchell pointed out a scrivener’s error on the minutes. The sentence, “He also inquired as to whether the funds could be used to support athletics.” Appears twice in the fourth paragraph of item number 4. Mitchell said she would delete the second sentence.

The minutes were approved unanimously as revised.

2. Discretionary carryforward in contingency – Michael Johnson, Rebeca Richards

Johnson began by explaining that due to the uncertainty of whether the State’s six percent holdback of appropriated funds would be recurring or non-recurring, leadership was reluctant to spend funds that had been held back centrally, beyond funds that were released for the new ERP system. Subsequently, the Florida Senate president has stated that the state reductions would be recurring.

Additionally, UCF leadership wanted to award one-time \$1,200 salary payments to employees in January 2021 using carryforward funds. Although an issue of this significance would normally be brought to the UBC for discussion and recommendation to the President, this was not done due to:

- a. Timing – This came up just before the December break, between the December 9, 2020, and January 19, 2021, UBC meetings.

- b. Process – We haven't yet determined how UBC may legally address salary issues with committee member(s) in the bargaining units that would benefit from the salary payments.

Johnson committed to encouraging senior leaders to make more timely recommendations to UBC about employees' one-time salary payments and to working with General Counsel's Office to determine how this topic may be discussed within the current structure of the UBC membership.

At a future UBC meeting, the committee will be discussing a policy for carryforward that will also be discussed with the Cabinet and the deans. Following these discussions, the carryforward policy will come back to UBC to make final recommendations to the President.

Johnson noted that based on the decisions of the past, the university has a significant carryforward balance. There are some carryforward funds that have been committed for certain purposes; other funds have been held centrally in case of a non-recurring cut from the state. Meanwhile, some non-recurring universitywide expenses have been identified.

Rebeca Richards shared highlights of the university's carryforward plan for FY21 (see attachment A, *Update on 2021 University Carryforward*), which as of July 1, 2020, included:

\$234,186,011	Main UCF
11,976,491	Medical School
<u>12,575,717</u>	Florida Center for Students with Unique Abilities
\$258,738,219	Total UCF Carryforward for 2020-21

Richards noted that today's discussion would focus on the \$234.2 million Main UCF carryforward, including \$23.9 million for Main UCF that is held in central as contingency.

Between July 1, 2020, and December 31, 2020, UCF Main's carryforward has decreased by 16.6 percent to \$195.3 million. Richards explained that carryforward is broken out into the following categories for Board of Governors' reporting purposes:

Encumbrances – Funds for which a purchase order has been issued (at UCF this also includes Technology Product Center and Pcard Purchases)

Contractual – Funds for which a contract has been executed or a faculty offer letter has been signed, including startup funding

Committed – Funds for which there is a planned use, but not a contractual or encumbered obligation; considered discretionary funding.

7% Statutory Reserve – required by state statute

Richards showed the changes in carryforward category amounts in the first six months of FY21. Committed carryforward has reduced substantially as units finalize spending plans, sign contracts, encumber funds, and pay the related expenditures.

Richards showed the allocation of the carryforward reserve by division, broken out by encumbrances, contractual restrictions (with faculty designated funds shown separately), and committed carryforward. The Division of Administration and Finance looks abnormally large currently due to the funds allocated for the ERP project and deferred maintenance held in that division.

The committee further discussed committed carryforward as being viewed as the units having a plan for these funds. However, the legislature doesn't always believe the university's plans are firm, leaving these funds susceptible to a sweep by the legislature because the university's carryforward balances are not declining fast enough. This could have significant impacts on funding for the ERP project and deferred maintenance planning.

Richards then showed the \$38.5 million in discretionary/committed carryforward that had been returned to each unit. Although fifty percent of the discretionary carryforward has been returned to the units, it largely remains unspent, unencumbered, and not contractually obligated by the units. Therefore, if the remaining fifty percent of committed carryforward was returned to the units, it is unlikely that it would be spent in the current fiscal year.

Several universitywide needs have arisen:

<u>Initiative</u>	<u>Amount</u>
One-time payments to E&G employees (\$1,200)	\$ 6,400,000
Athletics Scholarships	2,300,000
Transfer BRIDG to Skywater Technology	2,500,000
NIST (network expenditures)	1,820,000
State Tax Liability (employees out of state)	<u>112,000</u>
Total	\$13,132,000

Richards showed the projected increase in E&G reserves for FY22:

<u>Source</u>	<u>Amount</u>
2020 Unallocated tuition growth	\$ 5,400,000
Projected excess 2021 tuition collections	19,700,000
Projected new carryforward in the divisions	<u>55,000,000</u>
Total estimated increase in 2022 reserves	\$ 80,000,000

Johnson noted that while units may spend down their carryforward each year, they also generate new carryforward for the following year due to unspent operating funds. Therefore, net carryforward is not decreasing significantly.

Johnson proposed spending the \$13.1 million for the identified universitywide needs from centrally held discretionary reserves and releasing the remaining funds back to the division from which it was taken. This would allow each vice president to reevaluate the division's needs to determine the best use of the funds.

Shepherd noted that all the \$13.1 million proposed to be used for the universitywide needs was originally planned to be used by the units from which the funds were taken, asking which of those plans would now need to be eliminated? Richards responded that the units would need to revise their carryforward plans to reflect their share of the \$13.1 million that would now be used for other purposes.

Harrington stated that the committee was being asked to make decisions to approve the \$13.1 million without knowing what the units would be forced to give up. Johnson responded that this would be a recurring challenge for UBC; it will be impossible to make central decisions where the committee will understand all the choices being made in the units. He emphasized that collectively the university would be refilling its carryforward reserves for FY22 by an estimated \$55 million, an amount that is considerably larger than the \$13.1 million requested today. Further, units have not spent down the carryforward funds that have been released to them so far.

Hector stated that his goal was to identify all sources of funds in the new budget model, with consideration all sources of funds as allocations to units are made. There needs to be a determination of the order in which the funds should be spent, with a focus on spending E&G funds first.

Steve Collins asked whether agreeing to pay \$2.3 million for athletic scholarships for the current fiscal year obligated the university to pay this amount in the future. Maribeth Ehasz said it did not. Collins also inquired as to the percentage of scholarships paid by the university and the percentage paid by Athletics. That information was not readily available.

Fernando Rivera requested that guidance be provided to the units about spending carryforward funds. Johnson agreed and said that developing a carryforward policy would reduce the central micromanagement of carryforward funds that occurs now.

The committee unanimously approved the request to allocate \$13.1 million for the identified universitywide needs.

3. Adjourn

The meeting adjourned at 3:01 p.m.