Budget Assumptions
General Fund & Fund IX

Budget Projection Assumptions for FY06 and Beyond
Updated October 31, 2005

<u>Executive Summary</u>

I. REVENUES

A. Total Public Resources
1. Funding for fiscal years FY06 and FY07 was set during the 2005-2007 Biennium. The state funding distribution includes 100% of property tax revenues as a component in the formula; therefore total public resources represents revenue previously reported separately as state resources and property tax resources.
2. Funding for FY07, the second year of the Biennium is set but may vary slightly depending on property tax assessments and policy decisions by the State Board of Education.
3. Total Public Resources for FY08 is projected using a 2% increase over FY07 projected revenues.

B. Tuition
1. Tuition revenues are projected based on (a) enrollment targets set for FY06 and FY07; and (b) enrollment projections developed by Institutional Research, Assessment & Planning for years beyond FY08. Additional enrollment scenarios will be used during the budget development process.
2. Tuition revenue projections are based on total tuition assessed. Tuition waivers and uncollected tuition are reported as expenditures.
3. Tuition revenues include tuition generated by Fund IX instructional units.
4. Projection of FY07 tuition revenue uses rates adjusted for inflation using the Higher Education Price Index (HEPI) for 2005 (per Board Policy D.110).
5. $424,000 is the FY06 budget for differential pricing and this figure is used in the projections. Revenues from differential pricing are increased by the same percentage as tuition increases for FY07 and beyond.
6. For FY07 and beyond, future inflationary adjustments use the average annual percentage increase in the HEPI since FY97

C. Instructional Fees
1. Projections for instructional fees use predicted expenditures based on historical trend analysis.
2. Projections assume that all fees are collected at 100%. Uncollected fees are reported as expenditures.
3. All instructional fees are administratively restricted revenue. That is, fees are tied to specific expenditures.
4. Technology Fee revenue is a restricted revenue in Fund IX.

D. Investment Income
   1. Rates are estimated based on historical returns and current economic indicators. The average amount invested is estimated using historical trends and changes in the Ending Fund Balance. The rate and average investment amount will be adjusted as appropriate during the year according to changing conditions.

E. Sale of Goods and Services, Administrative Recovery, all other sources of revenue:
   1. These revenues are projected based on historical trend analysis within each category.

II. EXPENDITURES

A. Personal Services
   1. Personal Services expenditures for FY07 are based on actual position lists.
   2. Budgeted figures are used for part-time compensation projections in FY06.
   3. Negotiated compensation settlements are used in the projections where applicable. Projection scenarios will vary COLA rates to determine the effects of different possible compensation increases. For years in which an employee group does not have a negotiated compensation agreement, Personal Services projections use "steps" plus estimated COLA increases each year.
   4. OPE rate is recalculated every year using projected actual costs of benefits. Calculated rate for FY06 is 53.8% for full-time and 42% for part-time employees. The calculated rate for FY07 will vary with different scenarios for PERS rates and health insurance increases. Benefit calculations for FY08 and beyond include an estimated annual increase in health premium costs of 10%.

B. Materials & Services
   1. Projections use historical trend analysis to predict M&S expenditures for FY06 and beyond.

C. Capital Outlay
   1. Projections use historical trend analysis as the starting point for projections. Projected expenditures for Capital Outlay are then adjusted for budgeted increases for the general-use Capital Outlay fund.
   2. In FY06, $200,000 recurring was added to Capital Outlay for equipment replacement. For FY07 and FY08 an additional $200,000 recurring each year is added to the projection based on an approved 7-year plan to fully fund general Capital Outlay needs as documented by the Capital Assets Replacement Forecast and department/division unit plans.

D. Contingency
   1. Unappropriated Ending Fund Balance:
      - By Board Policy, the Unappropriated Ending Fund Balance UEFB is set at 3% of budgeted General Fund expenditures.

- According to Local Budget Law, the UEFB budgeted for the current year may not be spent except under extraordinary circumstances and therefore will be part of the total Ending Fund Balance and a resource for the ensuing year (Net Working Capital Unrestricted and part of the Beginning Fund Balance).
- On the projection spreadsheets, the UEFB amount is added back to the projected Ending Fund Balance as "Minimum Fund Balance (not available for appropriation)."

2. Reserves:
   - The Board approved establishment of a Financial Stabilization Reserve of $500,000 in the FY06 budget. This reserve shows as a separate line not available for appropriation.

3. Other Contingency:
   - Expenditures of current year Board and Administrative Contingency are included in trend analysis for Personal Services, Materials & Services and Capital Outlay expenditures.

III. OTHER FINANCING SOURCES

A. Transfers In and Out are projected using historical trend analysis.
   1. $270,000 recurring expense was added for each year from FY06 through FY08 in accordance with an approved plan to phase-in adequate annual allocations for facilities maintenance and improvement.
   2. Intrafund Transfers are projected each year as a result of rebalancing the M&S portion of the Restricted Ending Fund Balance.

IV. BEGINNING/ENDING FUND BALANCES (Net Working Capital)

A. For the purposes of projecting future ending fund balances, it is assumed that restricted resources, including Net Working Capital Restricted, are expended according to historical patterns.
B. Board policies E.020 and E.030 set parameters for the General Fund Ending Fund Balance and require a total unrestricted Ending Fund Balance target of approximately 5% (including the Unappropriated Ending Fund Balance).
C. FY06, FY07 and FY08 show $250,000 each year for maintenance catch-up. $810,000 of catch-up money was budgeted for FY05. These amounts are non-recurring and will be used to fund a backlog of approximately $2 million. Since these are non-recurring expenditures, they are shown as an offset to the ending fund balance. In practice, these funds would be budgeted as a transfer out to Capital Projects Fund IV .
D. Projections for FY07 and FY08 include $250,000 each year to establish a Facilities Capital Reserve Fund. These are shown as an offset to the ending fund balance (see explanation above).