

FY23 Budget: Process Updates

Last Updated 3/8/22

Budget Approach for FY23:

- Admin & Finance has formulated a revenue projection for FY23. The projection is based on the following assumptions:
 - Tuition: 2% UGRD increase
 - Mandatory Fees: 2% increase for both UGRD and GRAD
 - Enrollment: 6% reduction in UGRD; flat for GRAD
 - Dining: 6% rate increase on meal plans; 10% increase on satellites; 3% volume increase
 - Housing: 3% average rate increase; 10% volume increase
- The revenue projection is reduced by USM budgetary obligations and a contingency allotment as well as items that are agreed upon by the Executive Staff to be considered as “above the line” adjustments (ex: funding for strategic plan initiatives). These discussions are ongoing at this time.
- The remaining projected revenue dollars represent the total allowable control budget for the institution.
- Each division will be given a target budget dollar allotment based on the FY23 projected revenue and the FY20 pre-COVID spending percentages.
- The divisional VP/Provost has autonomy to determine the budget process for the division.
- The **total** of the departmental budgets within each division cannot exceed the target dollar allotment for the division.
- The Budget Office will provide whatever support (e.g., reporting, planning, etc.) divisions, schools, units or departments need as they build their FY23 budgets.

Operational Highlights:

- The FY23 budget templates will be open on Tuesday, March 8th and reflect FY22 spending through February (Period 8). We will be re-loading actual expenses at the end of March and April to enable you to monitor how actual expenses are trending while building the FY23 budget. We will also update the FY22 budget figures at the end of March and April to reflect any budget adjustments that happen in those months.
- Divisions will have until May 27th to submit fully approved budgets to the Budget Office. You should anticipate having an earlier internal divisional deadline that will be set by your VP/Provost. Departments will work through their divisional VP/Provost when formulating the FY23 budget. The division will be responsible for ensuring the total of all departmental budgets do not exceed the target budget allotment provided for FY23.
- There is an account code for Professional Development Travel: 040405. The intent of this account is to provide a place to budget for faculty professional development (target amount is \$1,000 per full-time faculty member). Actual expenses related to professional development should still be expensed using the appropriate account code(s) for travel and conference fees.
- The budget templates have been loaded with anticipated FY23 telephone expense for each department based on the FY22 third quarter billing. If you anticipate having less or more telephone lines in FY23, you will need to update the budgeted dollar amount in account code 030200. Telephone lines are \$16.82/line per month.
- Updated rates for O2 contracts (adjunct/overloads) are provided within the budget template on the O2 worksheet. The minimum rates include both the 1/1/22 1% COLA and the anticipated 7/1/22 3% COLA.
- Minimum wage is increasing from \$12.50 to \$13.25 on 1/1/23.

- The Budget Office can assist with providing anticipated salary information for CII/FTNTT employees if it is needed for the 02 worksheet. Please contact us rather than HR if you need this information.
- You will not budget for employee/dependent tuition waivers, contractual health cost (for 02 employees) or leave payouts at the department level. There will be a budget pool established at the division level for these types of expenses. As the expenses are charged to departments, budget dollars will be transferred from the division level to the department to cover the expenses.
- You will still budget for tuition waivers related to GAs. GA tuition rates are provided within the budget template on the 02 worksheet.
- Departments are able to manage the 01 budget, using anticipated salary salvage for alternate budget needs. Please keep in mind, 01 salary salvage should only be used to cover expenses that are one-year obligations.

Budget Template Updates:

- The account codes for tuition waivers, leave payouts and workers comp will be grayed out on the “Obj 01 Exp View” tab. Tuition waivers and leave payouts will be budgeted at the division level, not at the department level. Workers’ comp expenses are already known for FY23 and have been populated by the Budget Office in the appropriate departments.
- The 02-worksheet functionality no longer allows you to budget for contractual employee health cost. We will be budgeting contractual health cost at the division level (similar to what we are doing for tuition waivers and leave payouts). We will transfer budget dollars to the departments that incur contractual health expense in FY23.
- Currently, employees who are in a budget entry role cannot view the salary and benefit detail for PIN employees, only the names. If there is a need for a budget entry person to have additional access to PIN detail it will need to be reviewed on a case-by-case basis.
- The Budget Office has the ability to lock/unlock groups of budgets (by AVP/Dean/VP level). If you need a group of budgets unlocked at some point during the process, please contact our office. This should save time in opening access to budgets that have been previously locked.

Notes About the 01 Budget:

- The budget templates have been initially loaded with 100% of the estimated 01 budget dollars based on the full complement of PINs in each department/division, including PINs that are currently vacant.
- The anticipated 7/1/22 3% COLA has been added to all currently filled, eligible PINs **AS AN ESTIMATE** in the budget templates.
- The anticipated 7/1/22 2.5% merit increase has been added to all currently filled, eligible PINs **AS AN ESTIMATE** in the budget templates based on hire date in position. According to preliminary guidance we received, Exempt PINs must have fulfilled a 12-month probationary period while Non-exempt PINs must have fulfilled a 6-month probationary period for the merit increase to have been included.
- Vacant PINs have been loaded using the following assumptions:
 - Salary is based on the incumbent (last person in the position)
 - Health insurance assumed at \$12,000 (average of all filled PINs)
 - Staff vacancies: assumed state retirement plan (78% currently have state plan) and \$18,420 for health + retirees health. ($\$12,000 + (\$12,000 * 53.5\%)$)
 - Faculty vacancies: assumed ORP retirement plan (66% currently have ORP plan) and \$15,210 for health + retirees health. ($\$12,000 + (\$12,000 * 26.75\%)$)

- Please inform the Budget Office if the cost for a vacant PIN should be updated. If you have knowledge of a different salary (ex: new faculty who are not starting until Aug) or would rather a different amount be budgeted for benefits, we can make those updates.
- The department/division has the ability to manage the 01 budget pool (ex: shifting 01 dollars that are not going to be spent to cover other costs in 02 and 03). This will require communication with the Budget Office via comments in the budget template so that everyone is aware of how and why the 01 budget pool in any given department is no longer budgeted at 100% for the year.
- There will need to be significant coordination in the formulation and approval of each departmental budget. The person in the budget entry role will only see the listing of PINs and current names, not the salary associated with the PINs. If there is a need to use PIN salary salvage in another area of the budget, the Budget Office will need to assist with the reduction of the 01 costs in the budget template. It is critical that the comment section of the 01 PIN page be utilized to communicate any known PIN status changes. The budget office will be monitoring the comments that are included on the 01 tabs of the budget template and will make any necessary adjustments to 01 expenses based on those comments.
- Please see below for additional information regarding the calculation of 01 costs.

Calculation of 01 Costs:

- 01 costs change from person to person, not only in terms of salary, but also in terms of benefits. Please see below for a summary of how benefit costs are formulated. We are providing this information as an educational tool; any changes to benefits that need to be adjusted in the budget template will continue to be handled by the budget office:
- **Account code 015100 (Social Security):** 7.65% of salary up to salary = \$147,000. Any salary dollars above \$147,000 are calculated at 1.45%.
- **Account code 015200 (Health Insurance):** based on actual health insurance elections by each employee. The cost is spread out over 24 pays per year.
- **Account code 015400 (Retirees' Health):** This cost is not related to specific people who have retired from a particular department. It actually represents a cost that state agencies must support to fund health insurance costs for all state retirees (similar to paying into social security). The cost incurred for Retirees' Health for an employee is based on two factors: their health insurance cost and the type of retirement plan chosen by the employee. If an employee is in the state retirement program, multiply their Health Insurance costs by 53.5%. If an employee is in the ORP retirement program, multiply their Health Insurance cost by 26.75%. For example: if you have an employee in your department who has annual health insurance cost of \$12,000, and that employee is in the ORP retirement program, the Retirees' Health cost your department is charged for that employee is $\$12,000 \times 26.75\% = \$3,210$. If that same employee was in the state retirement plan instead, the Retirees' Health cost would be $\$12,000 \times 53.5\% = \$6,420$.
- **Account codes 016200 & 016400 (Employee/Teachers' Retirement):** represents the cost for employees who have chosen the state retirement plan. For FY23, this cost is 21.36% of salary with the exception of university police who have a rate of 45.73% of salary.
- **Account code 016830 (TIAA/CREF Retirement):** represents the cost for employees who have chosen the ORP retirement plan. The rate is 7.25% of salary.
- **Account code 017400 (Unemployment):** .28% of salary