

FY21 Budget Savings Targets

As a follow up to the Provost's April 3, 2020 email regarding the impacts to the University's financial situation as a result of COVID-19, we are providing more detailed guidance on the implementation of FY21 budget savings targets.

To be clear, units are expected to meet their FY21 budget targets while covering incremental costs and lost revenues as a result of COVID-19. A table summarizing FY21 budget actions has been placed in your shared drive.

For FY21, the University is initiating a new budget allocation and two new mechanisms to assist in managing compensation costs. The previously communicated ITS allocation and 1% Target Adjustments are noted on the table for reference. We know this will be difficult for units to meet; however, we are in unprecedented times and require this type of action.

The Unit Cost Avoidance section in the table is our best estimate of the costs that will be avoided by not providing merit increases or making additional staff hires. A unit's pre-COVID-19 staffing plans will impact the actual magnitude of those impacts. To provide clarity, we are including all assumptions and methodology on how these numbers were calculated.

Example Unit Schedule (see unit specific document in shared drive):

FY21 Actions:		
		\$ in thousands
Unit Budget Adjustments		
ITS allocation at 1.5% and 1% Target Adjustment		500
10% non-research SSO allocation		250
		\$ 750
Unit Cost Avoidance		
Suspension of Merit Increases at 2.5%		550
Staff Hiring Freeze		300
		\$ 850

Assumptions and Methodology:

Unit Budget Adjustments:

ITS allocation and 1% Target Adjustment were communicated via the Spring Budget meeting packets and included in unit FY21 waterfalls.

10% Supplies, Services, and Other (SSO) allocation: This will be a newly implemented allocation in the form of a transfer from units to the Center to recoup revenue losses and SSO savings as a result of COVID-19 operational impacts. This allocation will be similar to the ITS allocation and space cost allocation. This allocation will be booked quarterly, 25% of the annual SSO allocation total will be booked at the end of each quarter. We are working to set up a new allocation subaccount for this purpose which will be communicated when finalized. The allocation was calculated as follows:

Using the FY20 Budget in Delphi as of March 31, 2020.

	FY20 Budget	NOTES
M45 - Total Unrestricted Operating Expense	27,000,000	
M95 - Total Restricted Operating Expense	35,000,000	
Operating Expense Subtotal	62,000,000	A This does not include U99 - Depreciation or T99 - Transfers
M38 - Unrestricted Alterations-Repairs	10,000	
M88 - Restricted Alterations-Repairs	-	
M39 - Unrestricted Utilities	500,000	
M89 - Restricted Utilities	-	
M35 - Unrestricted External Interest Expense	-	
M37 - Unrestricted Internal Interest Expense	800,000	
M42 - Space Charges	600,000	
Operating Expense - Exclusions, Subtotal	1,910,000	B Exclude A&R, Utilities, Interest, and Space Charges from the base.
Total Base - Restricted and Unrestricted	60,090,000	A-B Revised Expense Base
B12 - Federal Other Expense Support	(19,000,000)	
C12 - Private Grants & Contracts Other Expense Support	(3,000,000)	
Grant Funded Operating Expense, Subtotal	(22,000,000)	C Remove Expenses that are Funded from Grant Support (appear as revenue lines, signs are flipped)
Allocation %	10%	
FY21 SSO Allocation related to COVID-19 impacts at 10%		
	3,809,000	



Unit Cost Avoidance:

There are two mechanisms to achieve these compensation savings, suspension of merit increases for all personnel and a hiring freeze on all staff except grant funded and contractually obligated personnel. These are neither target adjustments nor new cost allocations. These are cost avoidance measures that will help units meet or exceed target for FY21. Given the significant uncertainty regarding campus operations, we are looking to units to achieve savings wherever possible and not reallocate these savings to other non-essential expenditures.

Assumptions and Methodology:

These calculations will provide units with guidance on what they should expect to save relative to pre-COVID-19 budget assumptions.

Merit Increase Savings Projection and incentive compensation in FY21 for all personnel except contractually obligated staff and faculty. Excluded from this action are faculty commitments explicitly listed in employment agreements or resulting from promotions to Associate Professor or to Professor. Historical merit increases for the overall University have averaged 2.5% to 3%. Based on this, a 2.5% savings was calculated based on each unit's FY20 Q2 Forecast for Total Compensation. The unit projections provided include faculty, other academic appointees, and staff combined.

The **Hiring Freeze Savings Projection** considers only unrestricted staff compensation using the FY20 Q2 Forecast as the base. Savings on the Hiring Freeze will be achieved as a result of two actions: 1) maintaining staff vacancies, and 2) not adding new FTE counts in FY21. The impact of the hiring freeze was calculated by taking the University's 3-year average hiring activity (4% growth) which includes increases in FTE counts and expected vacancy and applying that assumed savings to the Q2 forecast for unrestricted staff compensation.

Merit Increase Savings Projection:

FY20 Q2 Projection: Total Academic and Staff Salary	\$5,000,000	
Assumed merit increase rate (2.5%)	\$125,000	(a)
FY21 Benefits Rate (24.1%)	\$30,125	(b)
Total Savings Projection (a + b)	\$155,125	(1)

Hiring Freeze Savings Projection:

FY20 Q2 Projection: Unrestricted Staff Salary	\$2,000,000	
Assumed vacancy rate (4.0%)	\$80,000	(c)
FY21 Benefits Rate (24.1%)	\$19,280	(d)
Total Savings Projection (c + d)	\$99,280	(2)

Total Compensation Savings Projection (1+2) **\$254,405**

We will be providing a set of FAQs on the implementation of the staff hiring freeze and merit increase suspension. We expect this to be early next week and you will be notified when that document has been distributed.

We will be setting up several informational Zoom meetings to provide a forum for Q&A on these issues. Meeting notices will be distributed when those are scheduled.

Thank you for your efforts.