



Board of Governors for Higher Education
Department of Higher Education
State of Connecticut

FINANCE

Guidelines and Instructions For Higher Education Preparation of FY 2003-05 Biennial Operating Budget Request

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Commissioner of Higher Education

TO: Chief Executive Officers
Chief Fiscal Officers

FROM: Valerie F. Lewis, Commissioner

DATE: June 26, 2002

SUBJECT: FY 2003-05 Operating Budget Request Guidelines and
Instructions

It is my pleasure to provide you with the Guidelines and Instructions for Preparation of the FY 2003-05 Biennial Operating Budget Request. This document contains specific instructions and budget worksheets for use in the development of your FY 2003-05 biennial budget request. In order to set forth our best presentation during complex economic times, I ask you to pay particular attention to a clear narrative statement of the objectives of your submission.

If you have any questions regarding the budget request process or the instructions contained herein, please call Nancy Brady at 860-947-1850.

VFL:nlb

cc: Operating Budget Officers
Office of Policy and Management
Office of Fiscal Affairs

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Attachment

Attachment A - Board of Governors' Tuition Policy

Budget Process Calendar

Following is the tentative schedule of the Department of Higher Education (DHE) and the Board of Governors (BGHE) by developing our consolidated FY 2003-05 biennial operating budget request. Notification for specific times and dates will come separately. If you anticipate a problem with this schedule, please inform your DHE analyst as soon as possible.

August 28, 2002	Complete budget submission due to DHE.
September 1, 2002	OPM submission due.
September 18, 2002	Summary of requested budgets distributed to the Finance and Administration Committee and other BGHE members.
October 16, 2002	Finance and Administration Committee conducts hearings with the constituent units.
November 20, 2002	Commissioner's recommendations presented to the BGHE. BGHE makes final recommendations on FY 2003-05 Operating Budget Request for Higher Education.

General Information

Budget Priorities

The Governor has not identified specific budget priorities at this time, but it is unlikely, given the state's revenue slump, that he will be advocating major new spending. The Board of Governors is reviewing its action agenda and current funding issues, and will finalize its budget priorities as part of its overall recommendations on the systemwide higher education budget later this fall. In the interim, the following should be viewed as our major areas of concern:

- **Sustain State's Commitment to Higher Education**
 - Adequate state appropriations to ensure preservation of direct instructional and educational services to growing numbers of students
- **Student Financial Aid**
 - Full funding of Capitol Scholarship, CAPCS and CICGS programs
- **Digital Library**
 - Permanent funding stream for Digital Library
- **Facilities Preservation and Operation**
 - Adequate funding to ensure maintenance and preservation of new and newly renovated facilities and operation of same
 - Continued funding of Asset Protection Program to include all our public higher education facilities
- **Accountability**
 - Enhance and streamline annual reporting of performance measures and progress against improvement

Formula Calculations

Formulae will be calculated for instruction and physical plant this year. Library formula calculations have been excluded from the process pending a reassessment of the formula. Instruction and physical plant worksheets have been provided for each institution and branch campus. Since full funding of the instruction formula was achieved in the 1999-2001 biennium, and the recent building boom has raised concerns about the adequacy of ongoing maintenance funds, DHE will continue to pursue these calculations. Minor changes have been made to instruction formula worksheets to allow time for the course file data to be updated through 2001. Physical plant worksheets have been completely overhauled to reflect more recent cost and age components. Any questions on formula-related worksheets and calculations should be directed to Nancy Brady.

Development of Current Services Budgets

FY 2003-04 and FY 2004-05 current services budgets should be developed using OPM inflation parameters and appropriate personal services adjustments. You will note that for the second biennium we have added a request for an additional year of actual data. Since the process is not designed for the reporting of actual expenditures in the mid-biennial year, we are requesting the actual FY 2001 data be supplied with the FY 2003-05 budget. An estimate of eligible endowment gifts for the State Higher Education Matching Grant should be included within the current services request, but under separate cover.

Development of Above Current Services Requests

We do not yet know if the Governor will be accepting requests for funding beyond the current services level. Assuming a conservative approach to the current economy and the known limits to spending, it is unlikely. However, the Board of Governors will be reviewing and making recommendations on all requests presented so that a full, consolidated budget request can be presented to the Governor and the General Assembly as provided under C.G.S. 10a-6 and 10a-8.

Any expansion requests for either year of the biennium should be submitted with your request. This includes strategic initiatives, new facilities support, waiver reimbursement and any new funding options. No specific form has been provided to allow for the inclusion of documentation developed for presentation to your own boards. However, the information supplied should be sufficiently detailed to enable the Department to fully understand the need and how funds will be used.

Cost Per Student Analysis

Following the DHE forms in this package are data sheets for the cost per student analysis for the University of Connecticut, Connecticut State University and the Community-Technical College system. These sheets include the information currently available from FY 1993 forward. Please update FY 2001 through FY 2003 and include them in your budget submission. A completed analysis will be returned to you.

Tuition Set-Aside

As part of the development of an unmet need figure for the higher education system and in order to assess the amount and sources of student financial aid, DHE has been requesting updated tuition set-aside information on a regular basis. An update request has been incorporated into the operating budget process as DHE-10C and the form contains all your previously submitted information.

Cost of Attendance (NEW)

This new exhibit is simply a request for detailed documentation of your planned tuition and fees.

Roster (NEW)

Usually rosters are requested under separate cover. In order to reduce the number of requests and responses, please e-mail your most recent complete roster, in Excel format, along with your operating budget submission.

Technical Instructions

All forms are preformatted in Excel and will be e-mailed along with these instructions to your Budget Officers. Please return your submission by e-mail to nbrady@ctdhe.org along with a copy of your submission to OPM.

OVERVIEW NARRATIVE (DHE-1)

A critical component of any budget request is an overview narrative, which succinctly describes the major intentions and strategies upon which the budget request is based. The overview narrative directs attention to the significant FY 2003-05 budgetary goals of the constituent unit as developed by each unit's board of trustees. All submissions must include a DHE-1.

In preparing your narrative statements, it is important to clearly identify the key objectives established by your trustee board for the period covered by the budget request and how these objectives effect progress toward the goals established in your long-term strategy. Additionally, a summary of progress on your long-term strategy should be provided. The overview narrative thus serves as an opportunity to describe, in quantitative and qualitative terms, significant trends, program accomplishments and outcomes, and other achievements, which can provide strong support for maintaining or improving program funding levels, and which demonstrate achievement of strategic and performance goals.

INSTRUCTION FORMULA - (DHE-2A, DHE-2B and DHE-2C)

A. DHE-2A - Faculty Formula

The DHE-2A formula worksheet has not been included in the guidelines at this time. Course File submissions will be run and reviewed by DHE over the summer and the completed faculty instructional formula worksheet will be sent to you for your review in late summer or early fall. Please make sure that your Course File data has been updated through fall 2001 by July 31st.

B. DHE-2B – Instruction Formula Positions

DHE-2B has been recast to include faculty numbers previously requested in DHE-2A and DHE-9A. The worksheet now requests five years of data on instructional faculty and support positions. These will be compared with formula generated allowances when completed. This worksheet addresses each constituent unit covered by the formula. The estimated or budgeted number of positions should include all full-time and FTE part-time faculty, technical and administrative support positions funded from instructional costs and budgeted to Educational and General expenditures, exclusive of the auxiliary services account. The instructional faculty summary should include only faculty funded in instruction and departmental research. Include all full-time positions as authorized by your board of trustees and other equated positions. Positions funded from other sources should not be included unless they (1) have been funded from another source on a temporary basis because of funding constraints, (2) have been

inappropriately budgeted to other funds in the past for any reason, or (3) represent long-term grant or other funding (i.e. endowments) for this kind of direct instructional support.

C. DHE-2C – Instruction Formula Salary Summary

The DHE-2C is a summary of the instruction formula related salary costs by institution or regional campus. This form is critical to assess current instructional formula resources against those generated by the formula. Please provide actual FY 2001 and FY 2002 expenditures, estimated FY 2003 expenditures and FY 2004/05 current services expenditures for salaries for faculty, technical support and administrative support personnel. Information should include all instructional faculty salary costs including full-time, part-time and temporary labor.

LIBRARY FORMULA (DHE-3)

This worksheet will not be required.

PHYSICAL PLANT OPERATION AND MAINTENANCE FORMULA - (DHE-4)

A separate formula worksheet has been provided for each institution/regional campus in your unit. It contains the formula variables (i.e., actual square footage of building space, actual acreage), supply cost ratios, and average wage rates needed to calculate the formula. Those variables requiring updating have been revised, such as the change to a thirty-seven and a half hour workweek, average wage rates, replacement cost per square foot and the building age factors. It should be noted that your previous worksheets were the primary resource for square footage data and equipment replacement. Please make appropriate revisions to square footage, acreage and equipment replacement data based on your expected FY 2004 facilities inventory and non-formula components. Fields that should be reviewed and changed are highlighted on you worksheets.

Please note that the Physical Plant Formula covers only custodial services, grounds maintenance, building maintenance (current year and deferred), and equipment. The remaining non-formula areas are categorized and included on the worksheets as follows: administration and general support, energy, lease costs, and special costs. These formula and non-formula categories include education and general facilities or costs, only. Excel worksheets have been provided which will do the calculations automatically. If you are interested in a set of specific instructions for the components, please contact DHE.

FORMULA COMPONENTS

Custodial Services

For each type of space, the actual square footage is multiplied by the corresponding weight factor to derive the adjusted square footage for each room type. The total adjusted square footage of facilities for the institution/regional campus is provided on line 1, Column (c) and is used to determine the number of custodial maintainer positions.

Grounds Maintenance

For this portion of the physical plant formula, the “person hours per acre” weight factors differ for institutions with less than 50 acres, 50 to 149 acres, and 150 acres or more. The worksheets reflect these differences.

The actual number of acres for each grounds type is multiplied by the corresponding weight factor to derive the number of maintainer person hours required for each grounds type.

Building Maintenance

Current Year Maintenance: The actual gross square footage of building space for each institution/regional campus has been provided in Column (a). The replacement cost per square foot is provided in Column (b). The current year maintenance factor is provided in Column (c). These are multiplied to determine the current year building maintenance budget. Enter the actual number of FTE positions in Column (d) and personal services costs in Column (e).

Deferred Maintenance: Total gross square footage and cost per square foot are provided in Columns (a) and (b) as above. The deferred maintenance factor is provided in Column (c). The building age factor is provided in Column (d). These determine the deferred maintenance.

Equipment

Equipment Replacement: Enter the institution/regional campus’ physical plant equipment inventory replacement value in Column (a). The allowance for equipment replacement is calculated by multiplying this inventory replacement value by the equipment replacement factor in Column (b).

Equipment Maintenance: Enter the institution/regional campus’ physical plant equipment inventory replacement value in Column (a) as above. The allowance for equipment maintenance is calculated by multiplying this inventory replacement value by the equipment maintenance factor in Column (b).

NON-FORMULA COMPONENTS

Administration and General Support

Report the estimated FY 2004 number of administration and general support FTE positions and personal services costs on line 27. Report FY 2004 administration and general support other expenses on line 28.

Energy

Enter estimated FY 2004 physical plant program fuel costs based on Office of Policy and Management inflation factors on line 30. Enter physical plant program utilities costs based on OPM inflation factors on line 31.

Lease Costs

Enter estimated FY 2004 lease costs for facilities on line 33. Please attach a statement identifying the facilities and associated lease costs.

Special Costs

Enter the number of estimated FY 2004 physical plant FTE positions, personal services costs, and total costs not included in any of the above formula and non-formula components on line 34. Attach a statement identifying and summarizing these costs.

Total Physical Plant Budget

This figure is calculated on line 35. Please enter the actual physical plant current services budget on line 36 and the worksheet will calculate your percent of full funding.

OPERATING BUDGET SUMMARY (DHE-5A)

A DHE-5A should be completed for each institution, regional campus and central office for the operating, research and clinical budgets. A worksheet has been specifically designed for the UConn Health Center programs. In addition, a consolidated DHE-5A is required at the constituent unit level.

For the University of Connecticut, revenue information is required at the constituent unit level only. For the Connecticut State University and the Community-Technical Colleges revenue information by institution is required for FY 2001 and FY 2002 only (two years of actual data), unless it can be provided easily. Please note that at the constituent unit level, total Educational and General tuition and fee revenue must comply with the Board of Governors' tuition and fee policy contained in Attachment A.

When reporting expenditures, program definitions should follow those contained in the NACUBO Financial Accounting and Reporting Manual for Higher Education to the greatest extent possible. (This does not apply to the University of Connecticut Health Center which should use program classifications as defined in the Governor's budget.) Please indicate on a separate sheet subprogram areas which deviate from those definitions and on which campus.

SUPPORTING REVENUE SCHEDULE (DHE-5B)

The DHE-5B is intended to obtain more detailed information on all revenue categories reported on the DHE-5A. The total in DHE-5B should equal total revenue reported on the DHE-5A. For the most part, categories are self-explanatory. Feel free to add or change lines to include all revenue breakdowns that are meaningful. Please note that General Fees are to include only those fees or portions of fees which support the Educational and General budget activities as defined in Appendix A.

MAJOR OBJECT SUMMARY (DHE-6)

This form is not required if the same expenditure information by major object can be obtained from other submitted sources. Please feel free to modify categories under fixed charges to include all expenditures.

STATEMENT OF CHANGES IN FUND BALANCES (DHE-7)

The DHE-7 is designed to obtain information on fund balances and reserves at the constituent level for all funds. Information should be presented on an accrual basis. You may substitute a statement, which distinguishes between current funds, plant funds, loan funds, etc., otherwise this form should reflect total resources.

EXPANSION REQUESTS (DHE-8)

The DHE-8 has been eliminated in favor of your own formatting for above current services requests.

INSTITUTIONAL POSITION SUMMARY (DHE-9B)

The DHE-9B Institutional Position Summary should contain all funded positions currently authorized by your respective boards of trustees. Part-time positions must be equated to full-time. Consolidation to constituent unit level is required. For this biennium, DHE-9B has been adjusted to include a faculty/non-faculty count for each program. The faculty numbers should balance with those in DHE-2B. Each new position requested in either FY 2004 or FY 2005 should be accounted for on a DHE-8 (expansion request). The FY 2003-2005 requested funding levels should include funding for the additional positions shown here in the appropriate requested columns.

EDUCATIONAL AND GENERAL TUITION REVENUE SUMMARY (DHE-10A)

A suggested summary form for Educational and General Tuition revenue has been provided, but is not required. A substitute format may be submitted, especially an exhibit that details the development of tuition rates, if it contains all information requested on DHE-10A.

Tuition and fee increases are of major concern in this biennium due to a growing history of appropriation reductions and the uncertainty around economic improvement. Although the Board of Governors continues to endorse an inflation-only approach to tuition increases, it realizes the strain on the cost of education caused by repeated appropriation reductions and recognizes that higher than usual tuition increases may be necessary. At the same time, the Board maintains that tuition is not intended to be a replacement for any shortfall in the appropriation portion of education costs. Therefore, the Board requests that any recommended tuition levels outside the bounds of inflation include cost-containment strategies to ensure the lowest possible increase. In any event, please elaborate on the assumptions you used in deriving the tuition and fee rates for FY 2004 and FY 2005.

TUITION WAIVER SUMMARY (DHE-10B)

The DHE-10B summarizes information on the number and cost of statutorily required tuition waivers. FY 2003-05 estimated costs should be based on your anticipated tuition rates for those years. A substitute format may be provided if it contains the same information requested here. You may request an appropriation for reimbursement of costs which exceed 5 percent of tuition revenue. Please use a DHE-8 request for such an appropriation.

TUITION SET-ASIDE (DHE-10C)

The tuition set-aside worksheet contains the information you have supplied. An update of FY 2002 and estimates for FY 2003-05 are requested. The worksheet contains data from 1998 in hidden columns.

COST PER STUDENT (DHE-10D)

Please update FY 2001, 2002 and 2003 data as presented in data sheets for the University of Connecticut, Connecticut State University and the Community-Technical College system. Data is included from 1989 in hidden columns.

COST OF ATTENDANCE (DHE-10E)

Please update the Cost of Attendance Exhibit to display planned tuition and fees.

ROSTERS

Please forward an Excel copy of your most recent FY 2003 roster.