

Letter of Memorandum

TO: The Board of Trustees and Budget & Finance Committee

FROM: Office of the Chief Financial Officer *Donald L. Rebeckford*

DATE: May 30, 2014

SUBJECT: Fiscal Impact Statement - \$4.3M (Detail Explanation)

The recent reprogram by the Office of the Chief Financial Officer to reflect the \$4.3M reduction in estimated tuition revenue was achieved using a four-step process. Overall, the objective was to reprogram the entire \$4.3M from the tuition fund to reflect the reduction. However, in order to achieve this objective, sufficient budget needed to be swapped from other funds to cover the estimated revenue shortfall in the tuition fund.

Step 1

Originally, budgeted dollars were reprogrammed from five funds namely, local, post-secondary, tuition, spendable endowment and indirect cost recovery, to comprise the \$4.3M. This was done to quickly grab dollars before they were spent by programs. A breakdown of the initial allocation is outlined below. It should be noted that approval from the Board of Trustees was required and granted to move funds from local, post-secondary, spendable endowment, indirect cost recovery, and tuition funds under the budget category of subsidies & transfers -Account Code 72500.

<u>FUND NAME</u>	<u>REPROGRAM TOTAL</u>
Local	\$2,242,366.92
Post Secondary	\$ 791,244.00
Spendable Endowment	\$ 37,500.00
Indirect Cost Recovery	\$ 94,640.00
<i>Subtotal</i>	<i>\$3,165,750.92</i>
Tuition	<u>\$1,134,249.08</u>
Total	<u>\$4,300,000.00</u>

Step 2

The second step in the process was to reprogram **\$3,165,751** in local, post-secondary, spendable endowment, and indirect cost recovery dollars from subsidies & transfers (Account Code 72500) to salaries (Account Code 60300, 60500, & 60700). This allowed us to effectuate the reclassification of salary expenditures from tuition to non-tuition, as outlined in step 3 below.

Step 3

Since the aforementioned \$4,300,000 reduction amounts consisted of \$1,134,249 in tuition funds and \$3,165,751 in **non-tuition** funds, the third step in the process was to free up tuition funds by reclassifying expenditures via journal entries. In other words, tuition expenditures totaling **\$3,165,751** were moved to local, post-secondary, spendable endowment, & indirect cost recovery.

Step 4

The forth step in the process was to reprogram tuition salary budgets totaling **\$3,165,751** (Account Code 60300, 60500, & 60700) to subsidies & transfers (Account Code 72500). In addition to the \$1,134,249 which was already housed in the tuition fund/subsidies & transfers and was approved in the initial reprogram approved by the BOT on March 28th. This was necessary since OBP required the entire \$4.3M budget modification/reduction to be executed within the tuition fund under subsidies & transfers.

Summary

The documentation presented to the Board in the Fiscal Impact Statement dated May 7, 2014, shows only the reprogramming of funds from local (\$2,242,367) and post-secondary (\$791,244). These two reprogramming requests of \$3,033,610 comprised of re-class expenditures to free-up budget authority. The third reprogramming request for \$3,165,750 represented the shifting of tuition funds from salaries to subsidies & transfers in which \$1,134,249 was previously approved by the BOT. Lastly, there were two subsequent reprogramming requests (Spendable Endowment: \$37,500 & Indirect Cost Recovery: \$94,640 that fell under the \$250k threshold required for BOT approval and was therefore intentionally omitted from the package.

A breakdown of the reprogramming is shown below.

Local Reprogramming/Expenditure Reclass	\$2,242,367
Post-Secondary//Expenditure Reclass	\$ 791,244
Spendable Endowment (Did not require BOT approval)	\$ 37,500
Indirect Cost Recovery (Did not require BOT approval)	\$ 94,640
Total	\$3,165,751
Tuition Reprogramming	\$3,165,751
Tuition Reprogramming (Approved by BOT - 3/27/14)	\$1,134,249
Total Tuition Reprogramming	\$4,300,000