



## FY2020 Expense Budget Reset FAQs

### Does ISU have a structural budget deficit?

Yes. The fiscal year 2020 budget reflects a \$6.175 million deficit between revenues and expenditures. This information was shared with the State Board of Education, who approved the use of University reserves to cover the deficit. This is part of an intentional near-term strategy to increase student enrollment and retention, thereby increasing University resources, rather than engaging in budget reductions.

### Is there really a structural deficit? In the past we were informed there was a deficit or a need to cut expenditures, yet the institutional cash reserves continued to grow.

In 2018 and 2019, the university spent more than we received. The FY 2020 Budget anticipates expenditures continuing to exceed revenues. Prior to 2018, the university spent less than the revenue collected. In the past, we did not have a comprehensive university budget, which made it difficult to forecast year end results. This led to a pattern of conservative fiscal oversight resulting in an operational focus on limiting or reducing expenditures. This pattern combined with growing international student enrollments, resulted in increasing cash reserves.

### How were the reset budgets calculated?

**Operating budgets** were set based on prior year(s) actual expenditures, with fiscal year 2018 usually serving as a representative year.

Budgets were then adjusted (reduced) for changes in Netcom and facilities chargeback practices:

- IT will no longer be charging academic and service units for phones, ports, and other infrastructure services. The only charges that will continue are for cell phones
- Facilities will no longer be charging academic and service units for labor associated with internal projects and work orders. Materials and outside labor will continue to be charged.

One-time expenditures for fiscal year 2020 were included as separate line items from the base operating budget.

**Salaried personnel budgets** were based upon the fiscal year 2020 position list, to include vacant positions planned to be filled in the current year. Positions that have been historically vacant over many years were not included in the reset, meaning they were not included in the new expenditure budgets.

**Adjunct and irregular salary budgets** were set based on prior year(s) actual expenditures, with fiscal year 2018 usually serving as a representative year.

Reset personnel budgets will be updated as needed to reflect changes in employee compensation (CEC), merit and equity adjustments, new hire placement, and reclassifications.

### **Does the Budget Reset include workforce reductions or other budget cuts?**

No. Reset expense budgets should reflect what units have actually been spending over recent years, and should support current service and activity levels. After the reset, total expenditure budgets equal what was submitted to the State Board of Education in June 2019.

### **Are units responsible for limiting expenditures to reset budgets?**

Yes, the reset expense budgets reflect total expenditure authority for the current fiscal year. Additionally, due to the University's overall budget deficit, budget administrators are asked to be conservative in their expenditures.

### **Will units be able to retain and utilize salary savings in FY2020?**

Because operating budgets were reset and funded, the expectation is that units will not need to repurpose salary savings to support operating needs.

### **How were research grants factored into the reset? These can vary widely from year to year.**

The initial reset established grant revenue and expenditure budgets based upon recent year actuals. As grant awards increase, grant expense budgets will be increased commensurately.

### **How can I tell if I am on track with my budget?**

New tools are available through the Fast Finance reporting system that show current budgets, year to date actuals, and prior year actuals through the same point in time at the college/department and index levels. All budget administrators are responsible for regularly monitoring their budgets and expenditure activities.

### **What if something changes in my unit? Will any adjustments be made?**

Units are expected to manage within their budget authority for the entirety of the fiscal year. For extraordinary unforeseen needs or circumstances, units need to contact Finance and Business Affairs and discuss the possibility of a budget adjustment.

### **What if we planned to use cash reserves this year?**

Approved projects requiring one-time funding, including cash reserves, have been included as a separate line item for fiscal year 2020. If new needs or opportunities arise throughout the year, units may request a budget adjustment.

### **Will the budget reset impact our cash balances and reserves?**

Yes. Since the University will likely spend more money than we will receive in revenue, we expect our cash reserve to decline this year. Consistent with current practices, units will retain their unspent local cash balances and reserves, provided that some may be spent as part of the unit budget. There are no plans to sweep these balances at year end. As we move forward in creating a comprehensive budget process and model, we will be collaboratively developing policies and procedures for local balances and reserves.

### **Does the reset penalize units who have been more frugal with their spending in recent years?**

The methodology assumes that units have been equally judicious in their budget administration, and that prior year spending accurately reflects the needs of colleges and department. In short, we needed to start somewhere, and, assuming positive intent on behalf of all units, we chose to start with that assumption. As part of the reset process, the Budget Office worked with individual units to make needed adjustments based on reorganizations and other changes. This is a starting point in our multi-year efforts, and continued refinements should be expected.

For additional questions please contact Jennifer Steele, AVP for Budget, Planning & Analysis  
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