



UCF Board of Trustees

September 27, 2024

Agenda Item

BUDC-2: 2024-2025 Carryforward Spending Plan

Proposed Action

The Board of Trustees is asked to approve, on its non-consent agenda, the 2024-2025 Carryforward Spending Plan.

Authority for Board of Trustees Action

Florida Statutes s. 1011.45

Board of Governors Regulation 9.007, State University System Operating Budgets and Requests

Supporting Documentation Included

Attachment A: Board of Governors (BOG) Submission Requirements Memo

Attachment B: Carryforward Roll Forward Presentation

Attachment C: UCF Education and General (E&G) Carryforward Spending Plan Summary

Attachment D: Certification of Operating Budget, E&G Carryforward Spending Plan, and Fixed Capital Outlay Budget

Facilitators/Presenters

Gerald Hector, Senior Vice President for Administration and Finance

Jacquelyn Daigneault, Interim Senior Director, Budget Planning and Analysis

Summary of Key Observations/Recommendations

The Budget and Finance Committee is being asked to review and recommend approval of the proposed 2024-2025 Carryforward Spending Plan. This presentation is to highlight for the Board of Trustees the beginning modified cash balance and how those funds are earmarked for FY 2024-2025 expenditures. It highlights all the statutorily mandated categories of spending plans, as well as how the remaining balance will be distributed throughout the university. It also shows how the funds are allocated among the various major programmatic initiatives at the university.

Additional Background

The Carryforward Spending Plan for FY2024-2025 saw an increase over the prior year by approximately \$51.3 million, or 25.8%. Since FY2020-2021, our mantra has been to "spend E&G first." While that is still our mantra and position, this year's increase in the total is driven by three factors:

1. The timing of when construction projects and faculty start up programs are spent. For construction projects, the timing of hiring of contractors and lead times on equipment are still a challenge. Faculty startups are driven by when faculty utilize those funds. Equipment lead times play a small role here as well.
2. Faculty hiring follows a timing cycle each year, and this is juxtaposed against when funding is known and approved.
3. An excellent year in investment income earnings allocated to Educational and General (E&G) accounts. In FY2023-2024, we achieved about \$17 million. This improvement has a direct correlation with the change in cash management strategies adopted two years ago.

The FY2024-2025 roll forward schedule has been a staple in the board materials for the past three years. As the schedule shows, all carryforward balances beyond the BOG-mandated seven percent reserve are allocated to university priority projects.

With the passage of Senate Bill 7026 a year ago, we now have the flexibility to utilize these funds in a more fungible manner, with the necessity to produce annual spending plans to be tracked and reported to the Board of Governors. The flexibility is also augmented by changes in regulations that allow for a look at deferred maintenance projects in a more holistic manner. We will continue to look at an asset and liability matching protocol for cash flow management purposes.

For FY2024-2025 carryforward spending, there are new regulations surrounding deferred maintenance requirements. Going forward, any new building constructed must annually budget 2% of the value and keep those funds in a designated reserve. The same is true for renovated buildings at 1% of the value. For FY2024-2025, we do not have those requirements as the UCF College of Nursing building will be completed in the next budget year, and the renovations to Biology and Chemistry will also be completed in that same cycle. We are currently assessing the impacts to our annual operating budget and managing the resulting cash as a part of future carryforward analyses.

Implementation Plan

Several of these projects will occur in FY2024-2025; however, facility and faculty start-up related items will span multiple years. Supply chain issues will continue to hamper execution in some instances for construction projects. We will continue to actively manage those projects to completion.

Resource Considerations

The carryforward plan is funded by excess Education and General (E&G) funds from previous fiscal years. The total resources available for allocation in the plan for FY2024-2025 is \$191.5 million. All programs that receive allocations in this fiscal year will be funded until projects are completed.