Date: August 5, 2015

Summary – Impact of AB489 – COLA 1% in FY16 and 2% in FY17 being appropriated to the State Board of Examiners vs UNLV

Executive Summary:

Late in the 2015 Legislative session, AB 489 was passed authorizing a cost of living increase in FY16 and FY17. The funds were appropriated to the State Board of Examiners and we will need to follow similar processes as we have in the past to draw funds from the BOE as, without this, we will lose $1.95M in state funding in FY16 and $5.9M in state funding in FY17. The state budgets for all programs are already set assuming 100% draw of these funds so, if the funds are not drawn from the state, we will have to reduce the University state budgets. In order to draw the full amount from the BOE, suitable self-supporting salaries will need to be reassigned to state appropriated accounts.

Introduction:

Late in the 2015 Legislative session, AB 489 was passed authorizing a cost of living increase (COLA) of 1% in FY16 and 2% in FY17 for state employees. Due to the timing, the funds were appropriated to Nevada's State Board of Examiners instead of to each state appropriated budget – similar to how the 1.35% of salary restoration was handled in the 2013 legislative session. Note: the 2013 legislative session started out with the Governor recommending retaining the 2.5% salary reduction but funding ½ of the unpaid furlough. The ½ of furlough represented 1.15% of salary. Late in the 2013 legislative session the legislature decided to retain the furloughs in place, but fully restore the 2.5% salary reduction – so they needed 1.35% of salary to add to the 1.15% of salary from the Governor's recommendation to reach the 2.5% figure.

In order to draw the full amount of general fund revenue that is budgeted to UNLV, we will need to follow the same plan as we did for the 2013 salary restoration. UNLV was able to fully draw the $2.5M (1.35% of salary allocated to the Board of Examiners) for FY14. For FY15 the state took the entire central 1.35% salary restoration pool to use towards an overall state budget shortfall; as a result, there was no justification process for FY15 and the campuses drew nothing in FY15 – so UNLV had to reduce its state budget by $2.5M (which was covered by the student fee revenue over budget).

The FY16 and FY17 COLA justification plan requires us to maximize all appropriate salary reassignments to state funds, and have this completed no later than the end of October 2015 in order to draw all of the state general fund revenue included in our budgets.

Background information:

After several years of state budget reductions during the recession, the 2015 Legislature eliminated the 6 days per year of unpaid leave for state employees effective July 1, 2015. At the end of the 2015 Nevada Legislative session, AB489 was passed which authorized a cost of living increase (COLA) of 1% in FY16 and 2% in FY17. <u>**The Legislature did not allocate the COLA of 1% in FY16 and 2% in FY17 to NSHE and state agencies, but put it in a central pot for draw based upon need justification.**</u>

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We have been through the justification and draw process in previous cycles, originally for COLA draws and, in FY14, for the AB511 salary restoration funds.

Specific instructions have not been issued by NSHE, however, we expect the justification process to be similar to what has been done in the past. One negative note, however, is that the Chancellor's Office has raised the issue of the pay date shift, which is unique to NSHE and does not apply to other state agencies. This may result in the campus being able to draw COLA funding for only 11 months out of 12 in FY16. That aside, we are making plans to fully commit UNLV's state salary and benefit allocations in order to justify the full amount of COLA budgeted.

AB489 Section 7.1. appropriated COLA funding for NSHE's classified staff and AB489 Section 7.2. appropriated COLA funding for NSHE's faculty and professional staff. Although it is not detailed within AB489, the Chancellor's Office distributed a breakdown of COLA allocations for each campus state appropriation based upon Legislative Counsel Bureau calculations. The figures are noted below, along with the NSHE totals to put UNLV's figures into context.

AB489 - BOE Allocations	**FY16**	**FY17**
UNLV	1,698,679	5,148,441
Intercollegiate Athletics	12,340	37,265
Statewide Programs	9,486	28,713
Business Center South	13,183	40,320
Law School	92,021	278,754
Dental School	128,346	391,161
UNLVSOM	-	-
Total UNLV appropriations	**1,954,055**	**5,924,654**
NSHE Total	4,761,688	14,423,128
UNLV as % NSHE	41.04%	41.08%

The fact that the funds have been appropriated to the State Board of Examiners will require institutions to justify actual need in order to draw the funds; the figures noted are the maximum amounts that can be drawn. The previous allocations of COLA to the Board of Examiners came with a requirement that any/all salary savings at the unit level are first netted against any draw of central funds. For example, if you could draw $2M but had $1M of salary savings, you could only justify getting $1M from the BOE. The net effect is that the salary savings benefit is to the State / Board of Examiners and NOT to the institution.

Although specific instructions have not been issued for the FY16 and FY17 COLA justifications, we assume that the same process as used previously will be in place for FY16. This procedure will compare FY16 Board of Regents approved salary and benefits budgets to the sum of the actual commitments through April plus a payroll projection for the balance of the fiscal year.

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The State's usual procedure required payroll commitments to be reduced for certain payroll expense categories (ad hoc salary increases, classified overtime, retirement payouts, and terminal leave, as well as any/all salary savings), so the campus will need to fully commit the salary and benefit budgets within our state appropriations with payroll expenses in order to draw the maximum amounts possible.

For the most recent justification for AB511 salary restoration in FY14, campuses were asked to update their figures and submit a final justification request in June 2014 that was reviewed by the State Board of Examiners at their July 8, 2014 meeting.

UNLV received all of the ~$2.52M general fund revenue included in the FY14 budget for AB 511 by following a plan to fully commit state salary allocation.

Why this is important to each Cabinet area:

VP's had the ability to use salary savings from their respective divisions as they wished for the few years leading up to FY14; because there was no COLA allocated and no justification required, VP area budget managers were allowed to transfer salary savings directly to operating lines. For UNLV's main campus appropriation, this transfer from salary and benefits to other operating totaled approximately $9.8M in FY13, mostly within the Provost's accounts. FY13 is noted here because it was the most recent, given that procedures were different in FY14 and FY15 in order to justify drawing salary funds from BOE. **<u>If allocations are transferred from salary and benefits to operating in FY16, UNLV would be unable to justify drawing funds from the Board of Examiners and the budgets would need to be reduced by almost $1.7M for UNLV's main campus appropriation.</u>**

To justify the maximum BOE draw for FY16, salary reassignments from the GIF funded Advising account, the UNLV Foundation, and others will need to be processed (as they were in FY14 and FY15, although the funds were unavailable to draw in FY15). The majority of the state salary savings occur within accounts reporting to the Provost, since that is where most of the budget resides.

For UNLV to be able to draw the full amount of BOE funding available, there will need to be agreement at the Cabinet level to reassign appropriate self-supporting salaries to fully commit the state salary and fringe benefit allocations. Self-supporting salary reassignments would need to be processed according to UNLV's internal policy which does not allow the released self-supporting funds to be transferred to other accounts or units for other initiatives; the funds must stay with the self-supporting account from which the salaries were reassigned.

Non Formula Appropriations – Professional Schools:

The Law School and the School of Dental Medicine each have their own appropriations with specific amounts for the 1% COLA in FY16 and the 2% COLA in FY17 that must be justified by actual payroll commitment in order to draw the funds from the State Board of Examiners. For

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FY16, the amount is $92,021 for Law and $128,346 for the School of Dental Medicine. The 2015 Legislature did not approve any COLA for FY16 or FY17 for the new UNLV Medical School, however, UNLVSOM employees are eligible to receive COLA, the same as other UNLV employees regardless of funding source. The difference for UNLVSOM is that the FY16 and FY17 COLA will need to be carved out of their existing funding; this is an additional expense that was not part of the original UNLVSOM budget, however, no justification process will be needed for FY16 or FY17.

The business managers for the professional schools will be responsible for identifying appropriate self-supporting salaries that can be reassigned to state funds in order to justify the maximum amounts for their respective draws from the State Board of Examiners.

Conclusion:

To avoid a budget reduction in FY14, the Provost provided state allocation to other Cabinet areas (primarily VP Student Affairs and VP Advancement) to allow UNLV to draw the full amount of salary restoration funding. This was accomplished by reassigning self-supporting salaries and benefits (only for positions that are doing state work) to state appropriated accounts. This action overdrafted the divisional salary allocations which were subsequently covered by the Provost's Office with academic affairs budget at FY14 year end. The Provost did not have to do this, as he could have had Student Affairs and possibly others use their self-supporting funds to cover this deficit, but he chose to cover it for them.

The same process will need to be followed in FY16 to allow UNLV to draw the full amount of COLA funding from the State Board of Examiners and to avoid a $1.95M defacto budget reduction in FY16.

If there are questions about the Board of Examiners process or salary reassignment procedures, please contact the UNLV Budget Office, Kathy Adams at x54185.