



UNIVERSITY OF MARYLAND
SCHOOL OF PHARMACY

Finance and Administration
20 N. Pine Street
Baltimore, MD 21201

School of Pharmacy
Two-Year Spending Plan Process
FY2009 and FY2010

Two-Year Spending Plan Process

Per School policy, each year each department must prepare and submit a spending plan to the Dean's office. This year we are asking each department to prepare spending plans for two years, FY2009 and FY2010. Instructions, timeline and related materials can be found in this document.

Timeline:

- November 2007
Distribution of two-year planning materials and instructions to department chairs and department administrators for review and modification.
- February 4, 2008
Departments return balanced two-year spending plans to Bill Cooper and Nancy Bowers
- February 4, 2008
Departmental requests (including justification) for additional funding should be submitted to the Dean with a copy to Bill Cooper and Nancy Bowers. We do not anticipate any new funding beyond the growth initiative which is being handled separately. There is a potential for cuts to our base budget.
- April 1, 2008 - May 2008
Budgetary Review Group will meet to discuss requests for additional funding or ways to cope with any cuts or unfunded mandates passed down to the School; Will make recommendations to the Dean.
- May 2007-June 2007
Working budget released to the schools and departments. Fiscal Year Working Budget must be balanced and submitted by June 1, 2008.

Overview for Two-Year Spending Plan Process and Assumptions:

1. ***Growth Initiative*** related expenses: Include expenses associated with the School's current ***Growth Initiative (GI)***.
2. Include all expenses your department is obligated or committed to guarantee financial support for the next two years. For example: faculty and staff salaries, administrative supplements, new faculty hires, bridge support for a post doc, guaranteed advance on faculty incentive salary, new computer equipment, travel expenses to a special conference, etc... Do not include research activities supported by contracts and grants.
3. Report all expenses in constant dollars. Do not increase for merit, COLA, or inflation.
4. No new state resources will be available aside from the Growth Initiative.
5. State Base Budget appropriations are expected to be flat or decline in FY09 due to the uncertain state budget situation and the self-funded campus mandates.
6. Endowment Spendable Income is projected to remain level-funded.
7. Departments must fund all new initiatives. Requests for funding for new initiatives above and beyond the current budget must be addressed separately with the Dean. Requests must include an explanation and justification for the expense, anticipated total cost, and funding sources.
8. Departments must show how they will balance their budget, ensuring they have adequate and appropriate revenues to cover all expenses. All budgets must be balanced, across and down all sheets. Expenses must not exceed revenue; otherwise the budget is not balanced.
9. Budget deficits must be clearly shown. Highlight and quantify the real needs before you proceed to #10 below.
10. Unbalanced budgets (deficits) and must be discussed with the Director for Finance and Administration (Nancy Bowers), the Associate Dean for Finance and Administration (William Cooper), and the Dean, *PRIOR* to the submission of your spending plan in February.

Instructions to Departments

Getting Started:

Using your department's final FY2008-2009 Two-Year spending plan (Excel format) as a template, copy it to a new file and rename it "***FY2009-FY2010 Spending Plan***". Use this copy as the starting point for the FY09-FY10 plan. Update all expenses and revenue sources per the instructions below:

Special note about *Growth Initiative(GI)* expenses and revenue:

Please incorporate GI expenses and revenue into the FY09-FY10 spending plans as follows:

- Expenses: Should be included with the Base Budget expenses in the column entitled: "Total Recurring Costs".
- GI funding: Create a new Funding Source column and label it "GI Funds"

1. Update all Departmental Expenses

A. Recurrent Departmental Expenses are all salary and operational expenses the department is obligated and committed to fund, regardless of the funding source, for a minimum of a few years.

- Step 1: Review all **Recurrent Expenses** salary and operational expenses in the Recurrent Expenses section of the worksheet.
- Step 2: Revise as needed. Be sure to include new expenses associated with the **Growth Initiative**.
- Step 3: Indicate how all expenses will be funded by placing the expense in the appropriate "Fund Source" column. Place **Growth Initiative** expenses in the **Growth Initiative** fund source column.

B. Non-Recurrent Departmental Expenses are all salary and operational expenses the department is obligated and committed to fund as a one-time expense or for a short period of time, usually one to two years.

- Step 1: Complete the **One-Time Expenses (Non-recurrent)** section of the spreadsheet. Include all non-recurrent, one-time or short-term expenses. Examples could include: replacement equipment, salary bridge support, leave payouts, faculty start up funds, contract teaching expenses, etc.
- Step 2: Indicate amount and funding source.

3. Update all Departmental Revenue Sources

Departments use a variety of **Recurrent** and **Non-Recurrent** revenue and funding sources to cover their expenses. "**Recurrent Revenue**" is defined as revenue or funding that will be replenished and available for use each year. They are not year-end balances brought forward from the previous fiscal year. "**Non-Recurrent Revenue**" is defined as revenue or funding sources that have limited or short-term availability.

Typical revenue sources are listed below. Specific instructions for this planning period are included.

- **State Budget:** Fiscal year allocation
 - Use the FY08 working budget as your baseline.
 - Include any permanent Budget Amendments (BAs) that were added to your budget during FY08.
- **State Budget Carry Forward Funds:** Unused state budget from the previous fiscal year.
 - Include a funding source column if your request for carry forward funds has been approved.
- **Revolving Accounts:** Unrestricted revolving funds administered by the department chair.
 - Examples include revenue generated from department assessments on fixed-price agreements, recharge/service centers, other revenue generating activities, etc...

- **Designated Research Initiative Funds (DRIF):** DRIF funds are funds generated from the indirect cost recoveries from contracts and grants which are then returned to the campus and the schools. DRIF allocations are made on a fiscal years basis, two years after the actual expenditures occur. For example, the FY08 DRIF allocation will be based on FY06 expenditures.
 - Since the FY08 SOP departmental DRIF allocations have yet to be made, and we know the allocations will be less than last year, use a conservative estimate in your spending plan. I recommend using your FY07 allocation, less 20%.

- **Faculty Salary Savings generated from contracts and grants:** The Net Faculty Salary Savings is a revenue source departments may use for unbudgeted salaries and operating expenses.
 - The amount of revenue to show in the column entitled: “Salary Savings” should be the Net Faculty Salary Savings which can be determined as follows:
 - Faculty member’s state budgeted salary for the prior fiscal year
 - Less the actual salary expenses charged to the state budget for the prior fiscal year
 - The difference between the two is the gross faculty salary savings to the state budget
 - Less Dean’s assessment.
 - Equals Net faculty salary savings

 - Very Simple Example:

100,000	Base salary hard-lined on state budget
-80,000	Less actual salary expenses
20,000	Equals the gross salary savings
- 4,000	Less Dean’s Assessment at 20%
16,000	<u>Net</u> faculty salary savings to department

 - Since the FY08 savings calculations have yet to be determined, use a conservative estimate in your spending plan. I recommend using your FY06 numbers with modifications to indicate any growth or reductions that may have occurred in FY07.
 - Faculty salary savings are calculated on the prior fiscal year and the associated Dean’s assessment is charged to the next fiscal year.
 - For example, for the FY2007 faculty salary savings calculations, FY07 salaries and salary expenditures will be used. Assessments will be charged to the FY2008 state budget.
 - Background: Per School policy, faculty who are eligible to participate in the SOP Faculty Incentive Plan, or other supplemental pay plans, have the potential to generate faculty salary savings for their department by reducing the amount of their state budgeted salary the department is obligated to guarantee and pay. This reduction is achieved by moving, or liberating, a percentage of faculty effort from the state budget and charging it to another funding source. This pot of liberated funds becomes a revenue source.

- **Contracts and Grants:** Include any extramural funds that will be used to support departmental expenses.
 - For example some base salaries are covered by the Mental Health contracts.
- **UMMS Contract:** Include any funds that will be used to support departmental expenses.
- **Endowment Spendable Income:** The performance of the School's endowments during the previous fiscal year will determine the amount of spendable income available the following fiscal year. Should a spendable income shortfall occur, the departments are expected to provide the additional funds needed to support the salary of the Endowed Chair and other related expenses.
- **Foundation/Gift Revenue:** Include all gift funds that will be used to fund departmental expenses
- **Other revenues:** *Recurrent and Non-Recurrent Revenues* you expect will be available that are not included above.

Step 1: Enter departmental estimates for each *Recurrent and Non-Recurrent Revenue* category.

3. Balance your spreadsheet: Follow these steps to ensure the entire spreadsheet - *Recurring and Non-Recurring* - balances and all expenses are adequately and appropriately funded:

Step 1: Verify that a funding source(s) is provided for all expenses. The **Total Recurring Costs** column on the left should match the **Total Costs** column, to the right. The last "check" column on the right is a double check column. This column will equal zero if the row is in balance. If it does not equal zero the row is out of balance and the amount of variance is indicated. Make the necessary correction to balance the row.

Step 2: Confirm that all expenses are appropriately funded.

Step 3: Confirm that the available funds have not been overspent. At the bottom of the spreadsheet, compare **Total Recurrent Expenses** with **Available Recurrent Funds**. Verify that **Total Recurrent Expenses** matches, or is less than, the **Available Recurrent Funds**. If it does not, the sheet is out of balance and the amount of variance is indicated in the **Balance Recurring** row. Make the necessary correction(s) to balance the sheet.

5. Supplemental Data Sheet: Additional data for FY08 and FY09 is requested. Complete the worksheet entitled “**Supplemental Department Data**”.

6. Need help? If you need assistance, please contact Nancy Bowers or Bill Cooper early in the process so that we have ample time to meet with you and provide assistance.

7. Worksheet doesn’t balance? Please contact Nancy Bowers or Bill Cooper early in the process for assistance.

8. Additional information is included on the following pages:

- APPENDIX A: Philosophy of the Two-Year Spending Plan
- APPENDIX B: SOP Annual Financial Planning Process
- APPENDIX C: DRIF Guidelines

9. Email Communication includes the following:

- Instructions for Two-Year Spending Plan Process
- Two-Year Plan from previous period – in this case FY08 and FY09
- Crib notes from fiscal year working budget – FY08
- Supplemental Departmental Data worksheet

APPENDIX A

Philosophy Two-Year Spending Plan

- The Two Year Plan is used on a school wide basis to ensure that the school is on a sound financial basis.
- The Two Year Plan is a tool to help departments manage their funds and identify potential problems by making sure there are recurring revenues to cover recurring expenditures for those expenditures that are supported by the Department.
 - The Director of Finance and the Associate Dean are available to counsel departments on ways to manage their funds and balance their budgets.
 - Each department needs a core mass of resources to carry out its mission. The Two Year Plan identifies when a department lacks core resources.
- The Two Year Plan is also used to identify one time non-recurrent needs and funding sources to support them. Examples of such needs are faculty start up and renovation costs.
- The budget and the resources of the school and its components are open to the leadership (Chairs, A-Deans) of the school, for review.

APPENDIX B

University of Maryland School of Pharmacy Annual Financial Planning Process (7-12-01)

By November 1st of Each Year

- The Chairs and the Dean's Office will be responsible for developing a Two Year Funding Plan. This plan will be due to the Dean on or before November 1st of each year. The plan will be for the following two fiscal years.
- The Two Year Funding Plan will include all recurrent expenditures that are necessary for the normal operation of each department. In the event that there are not enough recurrent revenues to cover all the recurrent expenditures necessary to run the department(s), this should be indicated in the plan. If this situation should occur, please show what steps you have taken to address the situation. Chairs and members of the Dean's Office are strongly encouraged to advise the Dean of this situation prior to submission.
- The Two Year Funding Plan will also include non-recurrent expenditures, such as faculty set up or other one time or short time period expenditures.
- The Two Year Funding Plans will include an attachment that lists external recurrent revenue sources in detail that are supporting recurrent expenditures.
- The Departments are strongly encouraged to work with the Associate Dean for Administration prior to turning in their plans.

By January 30th of Each Year

- The Chairs will be responsible for submitting brief written materials to support and explain their planned use of financial resources.
- The Chairs may submit a list of priorities and initiatives for their department for the upcoming two fiscal years. Generally, these should be funded from within existing resources or have a significant contribution from existing resources. The priorities and initiatives should be ranked in order of importance to the department, include the recurrent and non-recurrent funds needed to support the initiative and include the department and or external contributions to the initiative.
- The Chairs should submit a request for any new financial resources needed to support increased enrollment for the next fiscal year. The request should prioritize the needs of the department.
- The chairs and administrators are strongly encouraged to discuss their plans with the Associate Dean for Administration prior to

submission. The chairs may submit an updated two-year funding plan if changes have occurred since the November 1st submission.

On or about March 1st

- A Financial Planning Group Meeting will take place where the Chairs, Administrators, and Faculty Representatives will discuss:
 - Two Year Funding Plans
 - Priorities and Initiatives (if any)
 - Financial Needs to Support Enrollment Increases (if any)
 - Funding Needed for Strategic Priorities

- A mechanism will be provided to allow the Financial Planning Group to provide feedback and participate in the decision making process.

- The Financial Planning Group will include representatives from the faculty.

Within One Month After the Campus Finalizes the Budget for the Following Fiscal Year

- The Dean will inform each academic department chair of budget decisions made with regard to the following fiscal year.

Hardcopy Scanned to: nbowers/budget planning/financial plan 11-22-02

APPENDIX C

UMB Guideline for the Use of Designated Research Initiative Funds (DRIF)

Highlights and Key Points

Allowed Expenditures

Nonrecurring research enhancements including: seed funding, research supplies, purchase or rental of equipment for new research, travel for research purposes (other than to meetings or symposia), matching funds, special short term renovations, Graduate Research Assistantships

Expenditures not allowed

Continuing commitments to permanent or long term positions and projects, personnel support (except under unusual circumstances), general secretarial support, general telephone services and postage, purchase of laboratory of office furniture, purchase of periodicals and books, dues memberships in scientific societies, supplementation of federal training stipends.

DRIF should only support direct research activities, especially GRA's and inter disciplinary projects.

Each school and unit will be responsible for the preparation of a "camera ready" report that will include: the use of funds, new research dollars generated as a result of the use of DRIF.

My interpretation

- DRIF can be used on a periodic basis for secretarial support used for program proposals (and related costs)
- GRA Support
- Limited Travel (other than meetings or symposia)
- Matching
- Short Term Renovations supporting research
- Meetings and Conferences to stimulate research in new areas
- Seed
- Start Up for Faculty
- Short term subsidy of a core facility undergoing change that supports research
- Scientific equipment that will expand research capabilities