

To: Deans, Chairs and Directors

From: Richard M. Locke, Provost

CC: Russell Carey, Executive Vice President for Planning and Policy
Sarah Latham, Executive Vice President for Finance and Administration
Michael P. White, Vice President for Finance, Chief Financial Officer
Tim Fater, Assistant Vice President for Financial Strategy and Planning
Rob Eaton, Director of Budget, Planning and Analysis
Jayson Kenyon, Director of Financial, Planning and Analysis

Date: January 24, 2022

Re: Fiscal Year 2023 Budget Guidance Regarding Endowment and Gift Utilization

I want to thank you again for your continued support during this difficult period brought on by COVID-19. Our collective mitigation efforts and significant market growth of the endowment and record-breaking fundraising have put us in position to strengthen the University's overall financial position. FY23 endowment payouts are estimated to grow ~22% year-over-year (on average).

As departments develop their FY 2023 budgets, I would like to emphasize the strategy to optimize the use of endowment yields and gift utilization that was initially described in the "Fiscal Year 2023 Budget Guidance" communication sent on December 16, 2021 by the Finance Division. Departments are asked to consider this and maximize the use of restricted sources to fund departmental and academic activities, where appropriate.

Please review all fund balances, along with the estimated FY23 endowment yields, and wherever possible utilize these funds before using and/or requesting University support (FD100 General Operating). This includes considering the use of discretionary funds to offset both compensation and non-compensation costs. We ask that you also review secondary purposes of funds that may be unable to be utilized for the primary purpose. For example, some professorships allow the use of yields in excess of the Chair's compensation, or if the Chair is unfilled, to be used to offset departmental expenses.

A custom report has been distributed to all departments including current gift and endowment balances, FY23 estimated endowment payouts, and abbreviated fund terms to aid in these utilization efforts. Workday reports are also available. Please contact your budget analysts with any questions regarding these reports.

Please note I have asked the Office of Financial Strategy and Planning (OFSP) to review gift utilization upon receipt each budget submission in an effort to ensure we are optimizing the use of gift funds in FY23. Department budget reviews with University leadership in March/April will also include analysis regarding gift and endowment utilization and discretionary costs.

Divisional and departmental budgets are due on Friday, February 25, 2022.

Prioritizing the use of gifts and endowments provide financial flexibility to the University maximizing the scale of our mission and impact and serve an important role in the stewardship of these donations.

OFSP is available to work with you and your financial manager(s) to support the development of your FY23 budget. Please do not hesitate to reach out to your financial analyst or budget liaison if you have any questions or need additional assistance.

As always, we are grateful for your continued partnership and look forward to working with you to develop the FY23 budget.