BACKGROUND
Historically, the inflationary increases in plant, operation, and maintenance (POM) costs were funded from the state share of instruction (SSI) prior to distributing those revenues to the colleges. This method of funding marginal increases in POM contributed significantly to the decline in the subsidy effective rates applied to credit hours of instruction.

During the FY07 budget process, the POM costs were estimated to increase by 17%. Because the increase was significantly greater than in previous years, the impact to the subsidy effective rates would also be significant if the existing methodology of funding POM from state share of instruction was continued. As a result, Bill Shkurti asked the Central Distributions Subcommittee to consider alternatives for funding the inflationary POM charges.

Due to concern regarding the declining effective subsidy rates, the Central Distribution Subcommittee concluded that the recommendation should be different depending on the subsidy base, which was unknown at the time of the deliberations. The recommendation from the committee stated that 50% of the inflationary POM should be funded from the SSI if the subsidy base did not include $6M in additional funding that might be coming from the state, and 75% of the inflationary POM should be funded from the SSI if the subsidy base did include the $6M in additional state funding. The University received the additional $6M and 75% of the inflationary POM charges were funded from the FY07 SSI.

PROJECTIONS FOR FY08
The SFC-CDS reviewed and supports the FY08 POM proposed rates as submitted by Resource Planning. (see attached for a detailed explanation and supporting data) The FY08 POM rates will be increasing by 9.7% at the aggregate. Utility rates will be increasing by 10.4%, maintenance by 7.6%, custodial by 8.2%, and renewal will be increasing from 19 cents to 25 cents for a 31.6% increase.

RECOMMENDATION
Consistent with the philosophy used to support the recommendations made for the FY07 POM funding, the subcommittee is again recommending funding levels that are dependent upon the state share of instruction that will be provided by the state. The recommendation is as follows:

- 50% of the inflationary POM charges should be funded from SSI if the funding from the state is flat or declining.
- 75% of the inflationary POM charges should be funded from SSI if the funding from the state is increasing. Increasing is defined as any increase at 1% or greater.