

**January 11, 2008**

**Hold Harmless Review Status and Next Steps**

One of the major recommendations of the RCM 5 Year review was to develop a process to remove the hold harmless allocation for each unit and reallocate funds in a deliberate and strategic manner for FY2008 and beyond to ensure that our resources are aligned with our mission-related goals.

UNH took the first step to reallocate hold harmless funds in FY08 by reducing hold harmless allocations for each unit by 10%-33% to generate a pool of \$1.2 million. \$1 million was allocated to the academic and research units via the state appropriation RCM formula and \$200k was allocated to the President's strategic investment fund.

Over \$11 million in hold harmless funding remains in RC unit budgets. Each RC unit then submitted a report as of June 30, 2007 that described in detail how they would eliminate the remainder of their hold harmless within a three to five year time period. The reports addressed potential changes in services, pricing, new revenue alternatives, reductions in expenses through economies and efficiencies and use of reserves to accomplish this reduction.

The President's Cabinet charged the VPFA Office with reviewing each report and providing initial recommendations to the Cabinet on next steps. The VPFA Office focused primarily on auxiliary units to determine their ability to absorb a reduction in hold harmless allocations. While much progress was made, it is clear that auxiliaries have a difficult financial challenge in FY09 due to capped fee increases, salary/fringe rate increases, R&R obligations and facilities costs. Based on these factors, the VPFA Office is recommending to the Cabinet and Central Budget Committee that the hold harmless allocations remain at the FY08 levels for each unit in FY09.

To conclude the hold harmless review, the VPFA Office will work on and deliver a set of formal recommendations to the Cabinet by November 30, 2008 and a final plan will be presented to the Central Budget Committee by December 31, 2008 for implementation beginning with the FY10 budget.