

BUDGET PLANNING COUNCIL
October 31, 2008

In Attendance: David Thomas, Jeff Fulk, Peter Wickman, Brenda Noftz, Joe McLaughlin, Ann Tickamy, Hugh Sherman, Michael Adeyanju, Chuck McWeeney, Kathy Krendl, Kent Smith, Bill Decatur, Sergio Lopez

Absent: Dennis Irwin, Betty Sindelar

Staff: Rebecca Vazquez-Skillings, Katie Quaranta, John Day, Dawn Weiser, Elizabeth Warren, John Demmler, Marjorie Mora

Guests: NONE

The Provost started off asking for feedback on how to effectively communicate scenarios for one time budget reductions for FY09 - how should BPC share potential budget reduction targets with constituent groups?

- share with planning unit heads first, then publicize – Deans have seen the targets
 - o Deans are suggesting we bring some urgency to the discussion and plan for the contingency of FY10 and 11 base reductions now
- How will BPC members share planning information with their constituent groups?
 - o Some discussion occurred after last week’s BPC meeting with constituent groups
 - o Suggest a cover letter putting range of potential targets in context - relate the “certain problems” of current state cuts and investment income shortfall as well as the “uncertain problems” and contingency planning for some or all of those
 - o Communication to go to university staff and faculty; BPC members will get some budget 101 materials from Rebecca as an educational piece to help with answering questions and understanding the interactions of various budget components
 - o Discussion occurred on how specific we should be in communication of an anticipated state funding cut since nothing specific is known yet – attach a specific \$ amount or consider the communication as a heads up?
 - Rebecca and John will work with UCM to draft a communication

REGULAR AGENDA:

- I. Guidance to Supplemental Fee Committees
 - a. BPA will prepare draft guidance and distribute to BPC members via e-mail for comment next week
 - i. Working on the matrix of fees that was discussed at last meeting and will share with BPC upon completion
 - ii. Will attempt to schedule initial meetings of these groups prior to break
- II. FY 2010 Budget Planning
 - a. Discussion of Assumptions (Revenue and Expenditures)
 - i. Model has been enhanced to show impact of assumption changes on planning unit reduction targets

- ii. Discussed the potential concept of effective average tuition increase (if any should occur) being kept at HEPI index – 3.6%. This would mean that the net increase in combined tuition and subsidy revenues would be limited to \$8.6M for Athens; anything above that would flow to need-based aid; caps typically haven't applied to graduate tuition, non-resident surcharge or room and board rates
- iii. Current model assumes flat enrollments at the actual Fall 2008 levels
 - 1. global recession could impact international enrollments
 - 2. decline in number of high school students would reduce enrollment if we just maintain our current percentage share of those students
 - 3. the level of quality standards that we have explicitly set for enrollment management will have an effect on enrollment
- iv. Assumed no investment income in all models
- v. Scholarship increases are projected to follow tuition increase %s
- vi. Scenarios:
 - 1. Other Items for Consideration include the base impact of an anticipated FY09 state reduction, funding for a SIS/OIT debt issue (50% being offset by a student fee and 50% from reallocation in some scenarios)
 - 2. Scenario 3 is showing a probable (possibly even 'optimistic' given current state environment) case on revenue and desired case on expenditure side resulting in \$28.5M budget gap
 - 3. Added a category for 'Other Issues' due to emerging issues with graduate programs related to RDP and it's impact on Athens campus graduate enrollments/revenues and over-expenditure of graduate fee waivers
 - 4. Will be analyzing the actual graduate enrollment trends – RDP was not intended to have an adverse impact on the Athens campus graduate enrollments will consider providing the entire grad fee waiver budget to colleges rather than holding some central – colleges are in a better position to use fee waivers strategically
 - 5. ICA deficit projection is increasing and identified as an Other Item for Consideration; the university must close the deficit for ICA and it is proposed that BPC make a recommendation
 - a. The cumulative deficit as of June 30, 2008 was ~\$4.7 million. Deficits of \$1.8 million and \$2.3 million are projected for FY09 and FY10, respectively. The University will need to identify and finalize resolution of these deficits as part of the FY 2010 budget development process.
- b. Determination of Scenarios to Use for Budget Development
 - i. Finalize Reduction Scenarios (Estimated Expenditures minus Estimated Revenues)
 - 1. What are the strategic expenditures that we must fund to recruit and retain students?
 - a. Salary increases and strategic investments represent \$10M in scenario 3
 - i. Board of trustees will probably not be supportive of foregoing salary increases as was the case last year

- b. \$28.5 M shortfall in scenario 3 equates to ~375 FTE when divided by average salary and benefit – anything over 50 displacements requires a buyout
 - i. ERIP program has been researched – 1YR PERS buyout; 414 eligible; \$11.4 cost; STRS buyout projections show nearly same – paybacks usually 1.5-2 years; not strategic move at all but rather a random reshuffling
 - ii. Also researched a 403 type buyout/severance, but what amount is large enough to get folks to consider electing?
- 2. Housing and Dining – each 1% increase generates \$800K – we can raise housing and dining fees and increase indirect to university but there are real negative affordability repercussions to this scenario
- ii. Provide Guidance to Planning Units to build budget scenarios
 - 1. Began engagement with Planning units this week
 - 2. Provide Targets in November
 - 3. Request Scenarios by late January / early February

III. Other

- a. Trustees Resources Committee meeting November 13 –OIT / SIS funding is only agenda item
- b. ICA – what level of intercollegiate athletics best fits OU? Kathy and Bill have addressed with President before, but these budget times make the discussion worthy of revisiting again. If we stay a Division 1 school we are at lowest number of sports – consider different sports? There are operations currently within Athletics that can consolidated into shared services operations – advancement, academic advising, marketing and communications.
 - i. Strong feeling that this needs to be a priority issue for BPC
 - ii. Recommendations made by BPC this year on the athletic programming should be well researched and supported by facts of the impact that sports programs, TV coverage, etc have had on enrollments, etc
- c. These cut levels would be devastating – how to be strategic; what levers exist to deal with the target levels? Are we prepared to deal with difficult subjects?
 - i. What kind of institution do we want to be?
 - 1. Centers of Excellence initiatives are being looked at to enhance those excellent programs but those initiatives aren't necessarily going to cut costs and certainly not in the timeframe to address the targets for FY09 and FY10
 - ii. Numbers of Marketing folks and BUMs across campus discussed – if we change the way we deliver services, can we develop an effective model to deliver service and trim costs
 - iii. What levels of service are desired vs necessary?
 - iv. Employee health care cost is a \$40M budget item

IV. Next Steps

- a. Working group to put together 'straw person' based on landing on planning assumptions

- b. How we do business needs to be on the agenda for the Deans and VPs – numbers we are talking about now make it necessary to put everything on the table
- c. What are current initiatives yielding? Community needs to see the returns from some of the high profile, higher cost initiatives such as Shared Services and Advancement enhancements.
- d. There are issues that arise that still drive negative banter as lightning rod issues
 - i. How can we move past these symbolic decisions and drive a positive conversation
 - 1. make the budget discussion transparent and understandable to discourage falling back on those easy symbolic issues
 - 2. BPC was challenged to look down the road rather than backwards - how to make better decisions for the future while moving past the blips even though those blips did and do have the ability to negatively impact morale
- e. Clarification of current state is that there are no ‘hidden buckets of money’ – institutional and academic reserve funds are exhausted for FY09
- f. Suggestion made that we bring the ‘tables’ together that are involved in direction setting – “Who are we”...so we don’t go separate ways... ‘VO only decided who we wanted to be in the area of investment...VO didn’t deal with where we would divest or quit doing’ – could / should there be a current discussion involving
 - i. Deans and VPs
 - ii. BPC
 - iii. VOSC
- g. Counter discussion had that we know who we are and are moving toward some focus on excellent programs. The only other pure academic consideration would involve issues of faculty workload and adjunct faculty. Other real work involves the support provided within the academic units and the academic support units as a whole:
 - i. What level of facilities care is needed?
 - ii. How to streamline provision of financial services -> strategic procurement and shared services are moving forward and will result in savings / avoidance
 - iii. What student affairs activities are critical to success and what are nice, but too expensive to continue.
 - iv. How are advancement activities moving us forward?

V. NEXT MEETING: November 14, 2008, 10-NOON, Baker Center