

BUDGET PLANNING COUNCIL
November 14, 2008

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

Absent: Dennis Irwin, Kent Smith

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

Guests: Steve Flaherty

REGULAR AGENDA:

- I. FY 2010 Budget Planning
 - a. Discussion of Assumptions – looking to land on 3 sets of assumptions for budget planning purposes
 - b. Determination of Scenarios to Use for Budget Development – start with the 3 scenarios from last meeting
 - i. Changes from last meeting to model resulted in approximately \$1.6 million negative change
 - ii. Need to get some planning targets out there for planning units to work against
 - iii. Scenarios
 1. Revenue variables stay constant except for state subsidy
 - a. 6% tuition increase with dollars over 3.6% going to need based aid, except no increase in flat subsidy scenario
 - b. FY10 State subsidy is changed on each of the 3 pages – 0%, -5%, -10% - each of those percents are compounded on top of an assumed 5% reduction for FY09
 - i. State revenues for October down \$96 million with no indication that there will be recovery – 6% less than the downward revised estimate
 - ii. Medicaid expenditures expected to increase
 - iii. There could be other state options besides budget cuts to deal with problems – tax increases – at what point might state consider tax increases as a solution?
 - iv. In a recession, Medicaid, which accounts for half of the state budget, has been held harmless – that essentially ‘doubles’ the % cut to other agencies
 - v. In past recessions higher education instituted double-digit tuition increases – not an option anymore due to tuition caps and affordability issues
 2. Expenditure scenarios for each ‘revenue page’ show most cost in scenario 1 with less expense in scenario 2 and even less in scenario 3

3. Scenario to Use:
 - a. BPC agreed that flat state funding scenario is probably too optimistic so we will not consider the '0% state support' page at all
 - b. Major expenditure budget lever - how to handle compensation increases – in -5% scenario the range of 0% -> 3% salary increases accounts for \$6.8M.
 - i. Higher Ed in the news indicates that many are facing an economic environment where salary increases will be minimal
 1. Harvard announced cuts – 30% of it's budget comes from endowment earnings
 2. UT laying off 3800 positions
 3. Ashland laying off non-faculty and some faculty are taking early retirement
 4. Clemson imposing mandatory leave without pay – received notice of a \$25 million state budget cut
 - ii. Suggestion made that publicly BPC looking at a range of salary considerations and also considering a delayed increase
 - iii. Could also consider layering raises so those at the low end of the earning spectrum receive a higher percentage of increase – is there a method we can employ that combines a humanistic approach with one that addresses strategic salary issues
 - c. Health Insurance and Utilities – still bringing precision to those projections
 - i. How should we address savings in other compensation areas - health benefits, tuition benefits
4. May need to reduce VO investments and determine how to strategically reduce and strategically save money
 - a. VO priorities, in light of such significant budget reductions, need to be delayed
 - b. should consider continuing the revenue enhancement strategies such as Nursing program
 - c. if we are losing enrollments in certain disciplines must consider moving faculty resources to where enrollments are increasing – we need to proactively deal with these issues head-on
 - d. international retention is at risk due to the global recession and the value of the dollar – must pay close attention to winter and spring retention
5. ERIP discussions – at the magnitude of these numbers we will be way over the threshold for offering an ERIP – questions include when to offer, what to offer, and how to cover cost

- a. Frees up base positions and provides some flexibility in how to deal with position eliminations - will not result in immediate savings
- 6. Other areas of concern – involving policy and procedure changes and the way units operate and behave:
 - a. ICA – can't go out with 0% salary increases and \$1.7 million budget increase to reduce deficit to ICA – campus morale and lightening rod issue
 - b. Motor fleet – should we run our own
 - c. Print shop – should we run our own
 - d. Allowances – cell phones, cars
 - e. Travel & Entertainment at \$2.7 million per budget scenario sheets
 - f. Employee fee waivers – limits on this benefit need to be considered

II. Next Steps

- a. Suggestion made to use modeling as a guide for setting dollar targets ONLY at this point and not individual expenditure category rates of increase
 - i. Unit reduction targets at \$20M, \$30M, and \$40M will be communicated next week
 - ii. communicating real numbers of this magnitude, and not just percentages, can help with campus understanding
- b. Upon the distribution of reduction targets, simultaneous planning will be occurring among planning units, deans / VPs, BPC and recommendations will be shared on the handling of specific, discretionary expenditure categories
- c. Looking at policy changes against the budget might not properly reflect the way spending occurs since 3-9 budgets have not been rebased
 - i. BPA to bring actual expenditure patterns to BPC
 - ii. Centrally budgeted expenditures such as health benefits, fee waivers will be discussed by BPC first followed by general fund budget categories
- d. Establish groundrules / values for effective budget management
 - i. Budget units need to live within their budget means
 - ii. Centrality to mission is vital as reductions and elimination of services are considered

III. Communicating with the Campus Community

- a. Presentations to Classified & Administrative Senates
 - i. Discussion occurred at Faculty senate this Monday and Classified and Administrative senates will occur on 11/20
- b. Future Planned Communications
 - i. Planning units will get reduction targets next week and there needs to be a carefully crafted message that salary increases and other individual expenditure recommendations have not been made yet
 - 1. carry forward guidance will go out also with recommendation to consider holding for the anticipated FY09 one time cuts
 - ii. Budget 101 materials being put together to help with education regarding budget building variables and processes

- iii. The idea of ‘shared sacrifice’ at all levels needs to be communicated across campus
 - 1. Academic units will be asked what support unit services are valued and which are not
 - 2. The topic of ‘service level’ expectations was brought up in regards to ICA and their ability to compete at Division 1 / MAC level - the fact that ICA is going through their support unit review right now will not necessarily deal with the current situation
 - c. Use of web-site
 - i. A web-site is being developed to house links to important budget information such as BPC site
 - ii. BPC members – best way to contact them is email address
- IV. Supplemental Fee Committees
 - a. Fee Review & Approval Matrix
 - i. BPA has developed a matrix of what body has been traditionally involved with specific fee approvals
 - ii. there needs to be general guidance that it is not appropriate to assess or raise fees to users to simply offset budget cuts
 - b. Student Fee Committee
 - i. General guidance/parameters for fee requests
 - 1. Bursar’s office prefers not to set up fees that are less than \$10 – their cost to establish a fee is ~\$30 and there is on-going maintenance for those fees also
 - a. Need more metrics – how many fees are below \$10
 - i. Bursar should make a well thought out recommendation that BPC can act on
 - b. Could we consider multi-year fees
 - ii. Will add a graduate student to the committee
 - iii. Process timeline calls for a recommendation to BPC by late March
 - c. General Fee Committee
 - i. Awaiting 3 additional student members
 - ii. General Fee units will be developing their packets to deal with cuts – reality of timing is an issue
 - iii. Process timeline calls for feedback to BPC by late March
 - d. Internal Fee Committee
 - i. Need members for group – Chuck McWeeny and Dawn Weiser are currently being tapped; users of services need to be represented on the committee
 - ii. Develop process for development and review of fee requests, develop inventory
- V. **NEXT MEETING: November 14, 2008, 10-NOON, Baker Center 235**