

Executive Budget Committee

Minutes of the 2 May, 2012 Meeting

Members attending: Baker, Bennett, Bosch, Cline, Einhellig, Elliott, Foucart, Franklin, Frizell, Gallaway, Gouzie, Hough, Kincaid, Matthews, McClure, Olsen, Oxendine, Parker, Smart, Turk, Wallentine

Chair Eric Bosch convened the meeting.

Review of Budget Developments, February to date

President Smart and Steve Foucart reviewed budget developments since the February meeting. The state higher education budget reduction scenarios have moved from ca. 12% in January to approximately 7.8% in late winter, and now it is possible that it will be lower when the Governor takes final action on the budget. The Missouri House and Senate have passed a flat budget for higher education, and there is a possibility that the Governor's subsequent actions will reduce the current 7.8%. There may be a modest holdback, but it is possible that the reductions would end up in the four to five percent range. The Governor will have 45 days following the end of the session to make a final decision.

Review of Local Budget Scenarios and General Recommendations

Clif then presented a general scenario for the committee to consider if the reductions were less than previously estimated. The previous assumptions, based on the 7.8% reduction, in round numbers were:

Obligations

7.78% reduction	\$ 6,000,000
Mid-year pay increase, Promotion & tenure obligations, Fringe costs	3,700,000
Other costs	<u>2,550,000</u>
Total	\$ 12,250,000

Added Revenue/Reductions

Tuition & Fees (Including the COBA contribution @80%)	\$5,200,000
Cost Center Reductions	3,200,000
Presidential Enhancement Fund	2,350,000

Transfers from Auxiliaries	1,100,000
Miscellaneous (incl. West Plains)	<u>400,000</u>
Total	\$12,250,000

Possible scenarios for reductions in cuts

- ca. \$2-3 million Return ca. \$1 million to sources that were going to contribute to reduction offsets, such as the President’s fund, the COBA tuition contribution (initial year 80-20 split), etc.

- ca. \$4 million Address the issue noted above, plus leave any additional savings alone until the fall to determine what budget issues have evolved in the interim, how much tuition revenue is generated, etc. If the situation warrants, subsequently develop initiative proposals with emphasis on those that possibly could generate additional dollars.

- ca. \$6 million Address the issues noted above and also entertain another mid-year salary increase.

Discussion

There was some discussion of the types of initiatives that might be possible in the short term if the reductions were significantly less than originally anticipated. In addition, planning for longer term initiatives to utilize ongoing funds would be needed.

There was significant discussion of the degree to which replenishing one-time sources for addressing the shortfall was a priority compared to the impact an additional modest salary increase might have. One observation was the dilemma of a modest salary increase vs. staffing priorities that might manifest themselves in lost positions, increased class size, etc. It was recommended that if the reduction is less than expected, the first \$1million be applied to replacement of one-time funds applied to the FY ’13 budget.

Another point of discussion were the unknowns in health care costs. The University’s health care plan is currently out for scheduled bid. The year to date has seen a significant increase in health care obligations after a year in which health care expense were relatively modest. The consensus was that the spikes were random and that over a longer period would tend to not have a significant damaging effect on University resources.

After further discussion, the general consensus was to assume for now a budget based on the 7.8% reductions planned for in February, and wait until fall to see if there are any FY '13 holdbacks, to gauge the effect of enrollment on revenues, and to assess any other factors that might affect the discretionary use of resources freed up by a reduction in the cuts. Based on these factors, further recommendations could be made as warranted.

Committee Membership Rotation and Future Meetings.

There was brief discussion of committee continuity, especially at the faculty level. Some faculty have been appointed to the Executive Budget Committee to fill specific appointment tracks; others have been elected via their respective college committees. The consensus on succession was to hold over membership at least through the early autumn, given the uncertainty of the size of the reductions and given the knowledge base previously developed by current committee members. If turnover were deemed appropriate, it might better come in the fall after initial deliberations occur in response to the current fiscal uncertainties.

Next meeting. The Executive Budget Committee will next meet at the end of September or the beginning of October.