

Executive Budget Committee
Minutes of the 26 January, 2012 Meeting

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

Chair Eric Bosch convened the meeting.

Review of State Fiscal Situation and Governor’s Budget Recommendation for FY ’13.

President Smart briefly reviewed the current state fiscal situation and the Governor’s FY ’13 budget recommendation, noting that late in 2011 public institutions of higher education were notified that the budget outlook was more serious than previously indicated, due largely to the additional \$200 million state Medicaid obligation and the lapsing of the \$500 million federal stimulus. At that time there was discussion of partially addressing the shortfall through the use of public institution reserve funds which the state would later reimburse. When that possibility was not realized, funding for higher education was reduced by an equivalent amount in the Governor’s budget recommendation. This amounts to approximately a 12.5% reduction.

The President emphasized that because the FY ’13 state budget process is in its early stages, the size of the reduction could eventually be less. Subsequently he recommended that the committee plan for the full 12.5%, and if conditions improved, various reductions could be pulled from the table.

In response to questions it was indicated that the concept of loaning reserves was no longer an option, and that spending for storm remediation in Joplin would not affect the budget.

Discussion of Approaches to the Budget Challenges.

Currently the University is dealing with the following additional costs for FY ’13:

\$ 9,600,000	(reduction if the cut in state appropriations is 12.5%)
3,700,000	(reallocations identified in the autumn, including the ongoing portion of the mid-year 2% pay package)
<u>2,000,000</u>	(utilities; fee waivers; faculty promotions; bad debt)
\$15,300,000	

President Smart and the committee subsequently discussed some of the possibilities with which to address this challenge. A number of combinations could be utilized, and the group was hopeful that over the next few weeks, specific approaches would emerge that could be proposed to the Administration and subsequently to the Board of Governors.

During the course of discussion a number of questions were explored. One dealt with the application of fees that were not directly tied to tuition. Fees that apply across the board to all students are considered to be a part of tuition with respect to calculating the percentage increase in tuition. However, differential fees are not, and there was additional discussion about the advisability of strategically applying targeted, justifiable fees in the future for specific programs, colleges, or for other specific circumstances.

Tuition was another area discussed, although no specific conclusions were made, given the uncertain nature of the final state allocation to MSU. There was, however, significant sentiment that, from a tuition standpoint, education at MSU is a significant value, especially compared to other states, and that there might be room to grow in this area.

In addition, the consensus was that it is too late in the year to consider retirement incentives as one approach to the shortfall.

Other discussion centered on the rate of return on higher education for the state as a whole, and other possible longer-term, state-wide approaches to higher education cost-containment that were

Faculty Senate President Gallaway noted that the Faculty Senate Executive Committee had discussed some possible approaches for reductions that might be of interest to cost centers. FSEC was interested in circulating these strategies so that each cost center budget committee would be aware of, and might be able to take advantage of, a range of ideas that had been discussed, but not necessarily consistently disseminated. After some discussion the committee decided to circulate these internally for comment and feedback.

Next meeting. The Executive Budget Committee will meet again, 3-4 p.m., Friday, 10 February in the Turner Family Conference Room (CAR 203).