Executive Budget Committee

Minutes of the 17 November, 2011 Meeting

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

Members absent: Elliott, Franklin

Documents distributed: Budget Proposal for Discussion (Draft 11-08-11)

Chair Eric Bosch convened the meeting. The minutes of the 25 October meeting were reviewed and approved.

Budget Proposal Presentation and Discussion

Clif reviewed for the committee the general budget proposal, which he had earlier discussed in brief with the Academic Leadership Council.

One slight shift from earlier discussions was to change from 25 to 33.3% (ca. $1.5 million) the proportion of one-time funds a cost center could utilize to meet its pro rata share of the overall $3.7 million reallocation effort. This approach could be used for up to three years, although cost centers would have to file an approved plan of action with the CFO.

Clif noted that an additional 2% in the raise pool for FY '13 would be important from a morale perspective, and also in terms of attempting to keep salaries competitive. This additional pool would be funded through central reallocations and specific university-wide budget categories. There was some clarification of "university-wide" to indicate functions or services that crossed all areas as opposed to meaning that cuts would come from colleges. For example, something might be cut in an auxiliary service or a certain type of maintenance activity across campus could possibly be scaled back. A major caveat for all actions would be the continuing assumption that the reductions in state appropriations would be at 5%. If more than that, the plan would have to be reconfigured, but if less than 5%, the balance would be returned to cost centers proportionately. Included in the proposal would be an increase of at least $15 per credit hour for per-course faculty compensation, which would equal two percent. Given the size of the current reserve, the proposal also included the utilization of a $1 million decision package.

There was general consensus that the proposal was clear, if optimistic. It was suggested that the caveats be clearly spelled out as well. There was also discussion of the issue of fringe benefits and whether cost centers could retain those when a position was vacant, or if they would revert to a central pool. Previously fringes had been swept up centrally, and a cost center would have to develop funding for the fringe benefits in addition to the salary when seeking a new position. In the future fringes will be retained by the cost center when a position is vacant.

The decision package funding would generally consist of one-time funds, but could lead to ongoing support if the enterprise demonstrated an ability to generate resources such as an increase in enrollment in a targeted area, for example. However, such proposals would require a plan clearly projecting how an initiative would ultimately be sustainable. Another approach would be to utilize decision items as seed money for a start-up after which the cost center would pick up the ongoing costs. After a specified time period of a year or so, those enterprises that exhibited growth might receive continued funding, those that were not successful would not. However, all such initatives would require a specific plan for continuation, and would typically have some emphasis on enhanced enrollment. It was also pointed out that such initiatives, to the extent they influenced enrollment, would have to be totally new and not draw down enrollment in an existing area.

Another question dealt with the degree to which generation of significant grant dollars might also be considered a reasonable criterion for decision package dollars and also possibly serve as an incentive for grant activity. It was noted that consideration of this approach, the volume of which would vary from college to college, would not include internal grants.

Another question for the decision package was whether proposals could focus on funding for marketing. Should marketing efforts be self-funded and/or self-sustaining? Are there currently funds earmarked for marketing? In response, it was noted that past decision packages have been used to enhance marketing, both with positions in recruiting and fund-raising, as well as for some operating monies. Depending on how one defines marketing, the University invests significant amounts of funding on marketing activities, but most of it is incorporated with individual cost center budgets, not funded through central budgets.

Decision package proposals would need to be targeted and success-based, and would proceed up from costs centers to either the Administrative Budget Committee or the Academic Affairs Budget Committee for review and prioritization and then be forwarded to the Executive Budget Committee for further review and prioritization, and subsequently to the President for a final decision.

There was consensus from the committee to move forward with the budget proposal. It will be revised based on the discussions and forwarded to the University in a forthcoming communication. A general target date for decision package proposals would be mid-February. A further draft of the proposal will be circulated to the committee for quick feedback, and a final draft will then be drawn up for campus distribution.

Level of reserves

There was brief discussion of appropriate levels of reserve. Mr. Foucart has consulted with Moody's guidelines and with BKD. Appropriate days of cash on hand appear to range from 90 - 142. It was agreed that a safe level was certainly appropriate, but not an excessive amount. This topic will be among those discussed at the Board of Governors retreat in March. However, it is clear from the general economic outlook and planned future practice that the era of building continuous reserves is over. A reasonable goal would be to keep the reserve stable and to budget realistically.

Next meeting

The next Executive Budget Committee meeting was set for Thursday, 26 January from 3:30 to 4:30 p.m. in CAR 203.