Executive Budget Committee

Minutes of the 25 October, 2011 Meeting

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

Members absent: Elliott

Documents distributed:

a. Three-Year Current & Retrospective Enrollment Data by college and sub-category
b. State Appropriation Assumptions, FY'13
c. MSU: Springfield Campus Operating Budget Assumptions, FY '13 (as of 10-19-11)

Chair Eric Bosch convened the meeting. The minutes of the 6 October meeting were reviewed and approved.

Presentation of Enrollment Assumptions for FY '13 – Don Simpson.

Enrollment for FY '12 was down slightly, and for planning purposes the assumption is made that the enrollment would be essentially flat, possibly with small gains. President Smart noted that the Enrollment Management Committee is working toward a goal of continued modest growth over time. The general assumption for enrollment is based on the previous year's numbers (2010-11), and subsequently would involve gaining back a loss of approximately 225 students for 2011-12. Very modest growth is expected during a time when the number of high school graduates is expected to decrease by approximately 4.2%.

Mr. Simpson has distributed to deans a spreadsheet with current and prior two years of enrollment data for each college, with each college further subdivided by specific types of students. From the three-year trend, Deans will be in a position to plan enrollment management within their colleges. The additional breakdown will allow for the development of specialized recruitment plans for specific student types and purposes.

There was discussion of the impact of transfers. Mr. Simpson noted that domestic transfers were up and non-domestic down. About 40% of degree seeking undergraduate students are transfers as are about 50% of new students overall. President Smart also noted that January enrollment, spring transfers, and spring graduate enrollment may all have a significant impact.

There was discussion of the differences between enrollment and credit hours in terms of budget projection calculations. In answer to a question, Mr. Simpson noted that the University has done quite well in competing for two-year transfers, while freshman enrollment has gone down by a rate equal to that of the drop in the current high school graduation population. Mr. Simpson also noted that effective enrollment management would include:

a. Continuation of the perception of quality programs at MSU
b. Continued development of alternative pathways for programs such as evening classes and online courses, to compete with similar programs at other institutions.
c. Continuing to maintain a high transfer rate from students in A+ programs.

It was pointed out that unique programs are a boon to MSU's competiveness, especially the strong showing in enrollment and credit hour production by graduate programs.

Other initiatives include plans for targeted recruiting in Brazil, Chile, Iraq, and Vietnam. Mr. Simpson concluded that "enrollment is everyone's job."

State Appropriations Outlook, FY '13. Ken McClure & Paul Kincaid

Mr. McClure summarized recent state support for higher education and its subsequent effect on MSU, noting that over the past three years MSU's state appropriation has decreased by about 12%, or $10 million. It is estimated that revenue for FY 2012 will be up 4%. The estimates will be reviewed again by the state in December

Another major factor in the State budget for the upcoming fiscal year will be the replacement of $400-500 hundred million in expiring federal stimulus funds. Both Mr. McClure and President Smart indicated that, from the discussions they have had with state officials, it is reasonable to assume that appropriations for higher education could be reduced by as much as 5%. This would equal roughly $3.5 million for the Springfield campus. They also reminded committee members of the state's intent to utilize a performance funding model in the future.

Additional Assumptions

Projected figures for MOSERS and CURP have been set, and the medical insurance estimates are based on a 5.9% increase in claims so far this year over last year. Utilities and building rental increase are yet to be determined. Mr. McClure pointed out that the University has applied a number of energy efficiency measures, but that as increased spaces such as the University Recreation Center come online, there will be additional costs.

Tuition Outlook, FY '13. Steve Foucart

Mr. Foucart noted that an increase in tuition, limited by state law to the CPI, would be 3.6%. Assuming a generally flat enrollment, the increase would generate about $3.35 million. The rate would apply to resident undergraduates, who by far comprise the largest segment of the student population. These figures could be altered some by the effect of differential fees in some areas and by internet course premiums.

General Discussion

The potential effect of current assumptions (with appropriation reductions of 5% almost balanced by a tuition increase of 3.6%, assuming flat enrollment) is that the ongoing effect of the mid-year raise, coupled with MOSERS, CURP, medical and those yet to be determined costs (utilities, rent), could be about $4 million.

A major question raised was whether the University could meet that shortfall and still fund an ongoing 2% raise pool through reallocation. Another major question involves what level of reserves is appropriate and how should current reserves be used.

One observation made was that there is a perception among some of the University community that in the past, budgeting has been done very conservatively, and when subsequent savings are realized, the reserve grows yet salaries remain flat. It was noted that to some extent reserves will always have some dollars added based on amount spent vs. budgeted, but that at the same time reserves could be strategically used to fund specific initiatives. One of the questions subsequently raised was the degree and manner in which reserves should be used to address possible salary increases, particularly the use of one-time funds to buy time until general conditions improve. Further discussion centered on the way in which cost centers would absorb any reductions – would they be across-the board or strategically and/or differentially applied; and at what administrative/committee level would those decisions be determined ? It was also pointed out that there may be significant disparities in available reserves in various cost centers and some flexibility was therefore prudent.

Other observations centered on non-salary issues and the concept of allowing colleges to make strategic investments, or to also have incentives coming from one-time funding. There was some discussion over the reallocation amounts to be sent to cost centers with the possibility that this would not necessarily be uniform across all areas.

There was general consensus on the assumptions as presented, and that the assumptions to date should be passed along to college budget committees for information and discussion as soon as possible, in part, for the Executive Budget Committee to gain broader feedback. Eric and Cliff will put together a communication for the campus community, the major committees, and cost center committees, to be released in about a week.

Next meeting

The next Executive Budget Committee meeting was set for Thursday, 17 November from 3:30 to 5 p.m. in CAR 203.