Executive Budget Committee

Minutes of the 22 March, 2016 Meeting

Members attending: Baker, Bennett, Biermaeir, Bowles, Canales, Cline, DeBoef, Dockery, Einhellig, Fairbairn, Foster, Foucart, Greene, Matthews, Morris, Nelson, Parker, Self, Siscoe, Smart

Chair Janice Greene convened the meeting.

Article on Athletic Expenditures. President Smart reviewed the clarification in the 22 March edition of *Clif's Notes*, regarding the article in the Sunday, 20 March issue of the *Springfield News Leader* about athletic expenditures at MSU. As President Smart had explained earlier in the *Notes*, and to the newspaper, the reported increases in athletic expenditures were the result of new reporting requirements of the NCAA Financial Reporting Requirements & Minimum Agreed Upon Procedures. Previously many institutions, including many of those in the Missouri Valley Conference, reported only costs related to the operation of athletics. The new procedures require the reporting of expenses related to facilities as well as certain expenditures that are folded into a centralized University budget. The net result was an increase of $9 million in athletic expenditures reported to the NCAA in 2015 compared to the prior year. Smart emphasized that the size of the increase resulted from the additional items reported, not in actual increased expenditures. In addition, he emphasized the transparency with which the University has dealt with all expenditures, including athletics.

Outlook for State Appropriations. President Smart then reviewed progress to date for that part of the state appropriations process pertaining to higher education. The Missouri House has completed its initial work. The higher education appropriation from that body would reduce the increase for MSU from the original 6% proposed by the Governor to 2% which would then be placed in reserve to be released late in the fiscal year. Two positive items were the inclusion of $2 million for a mechanical engineering program in the cooperative engineering program, and the placement of funding for the Occupational Therapy program into the base budget. The appropriation process now moves to the Senate, where a recommended increase could possibly be from about 2% or higher. Reconciliation between the houses would then be necessary to finalize the appropriation.

Overall Budget Development. President Smart and Mr. Foucart then outlined sources of revenue for the Springfield campus operating fund, assuming no more than a 2% reserved increase in appropriations from the state.

<u>Revenue Changes</u>		
Fee resolution tuition growth, net	753,434	($1/hr. in-state UG; 1.4% increase out-of-state, and all Graduate)
FY '16 enrollment growth, net	2,372,762	

State appropr. increase (potential 2%, reserved)	0
Increased student orientation revenue	30, 128
Total Net Revenue Changes	$3,156,324

Budget Development. President Smart and Mr. Foucart then presented two draft budget options (below) noting major components and differences. The first would generate an across-the-board compensation increase of .7%; the second an increase of 1%. The first would contain an additional staff pool of $200,000 which cost center heads would be responsible for distributing. The 1% scenario would not include the $200,000 additional staff pool. Priority increases and new expenses are the same in each scenario with the exception that amount going toward the President's enhancement fund would be less in the 1% scenario. Priority and new investments would include a few additional faculty lines to address enrollment growth, investment in the University's commitment to diversity, and an upgrade to the University's Web search engine.

	0% Appropriation Pay Raise 0.70%	**0% Appropriation Pay Raise 1.00%**
Compensation Increases		
Pay raise operating fund with fringe	942,539	1,319,279
Staff pool	200,000	0
GA Wage Increase	24,500	35,000
Faculty promotions with fringe	275,000	275,000
Full professor program with fringe (10)	67,300	67,300
	$1,509,339	$1,696,579
Priority Increases		
New faculty positions	300,000	300,000
Staff positions for compliance and support	189,113	189,113
Diversity Investment	60,000	30,000
	$549,113	$519,113
New Expenses		
Increased Utilities	414,130	414,130
Chilled Water Loop System	100,758	100,758
ERP budget contract increase	75,945	75,945
Learning Management System (University Wide)	51,000	0
Web search engine	16,000	16,000
Increased rental cost	47,276	47,276

Police contract increase	16,279	16,279
Bad debt expense	37,500	37,500
Additional student orientation costs	30,128	30,128
President's enhancement	8,856	2,616
	$797,872	$740,362
Strategic Initiatives	$300,000	$200,000
Total expense changes	**$3,156,324**	**$3,156,324**
New non-recurring item Glenstone rental	$468,318	$468,318

Additional issues with potential budgetary effect. President Smart then presented four issues that could possibly have an effect on the University's budget as the new fiscal year moves forward.

1. Based on SB 509 (2014), beginning 1 January, 2017, if the amount of net general revenue collected by the state in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the prior three fiscal years by at least $150 million, the top rate of the state income tax (currently 6%) will reduce by .1% each year down to a floor of 5.5% as the top rate. Depending upon the course of the economy and revenues, this could eventually affect the amount of appropriations. Currently, about 72% of the state's revenue comes from the state income tax.
2. Proposed revisions to the Fair Labor Standards Act moving the salary exemption ceiling for overtime compensation from $23,660 to $50,440 could also greatly affect both the amount of compensation and the structure of the labor force at MSU. If the proposed revisions are passed they will be implemented fairly quickly.
3. An increase in the University's contribution to MOSERS is anticipated next year.
4. For the past two and a half years the University has not increased its contributions to the health care fund, but it may be necessary to do so soon, consider a pass-on to University employees, or a combination of both.

   President Smart subsequently suggested to the committee that if the 2% in state appropriations were realized after the Senate considers the state budget, and final legislative and gubernatorial decisions, it might be best to set aside any newly realized appropriation funds for the time being, given the four issues noted above. Subsequent discussion indicated that was the consensus of the committee.

Budget Scenario Discussions. The bulk of the discussion of the two scenarios focused on the merits of the staff pool – particularly the concept of acknowledging a need for additional considered compensation efforts versus the negligible direct compensatory effect such a small amount would have when spread across the University. The general consensus was that University employees, as a whole, would probably be more favorable toward a 1% than a .7% increase with some possibility of an additional amount based on merit. In addition, it was noted that the 1% scenario would do more to address the salary-CPI challenge. While subsequent discussion indicated significant sentiment toward the idea of an addition staff pool, the consensus was that the 1% scenario would provide the greatest overall benefit to University personnel.

Future Meetings. Based on the conclusions of committee, no further meetings for spring semester are planned at this time unless a significant change occurs in the current appropriations process between now and the end of May.