# Executive Budget Committee

*Minutes of the 9 February, 2017 Meeting*

**Members attending**: Baker, Bennett, Canales, Cline (Peters), Coffman, Crafts, DeBoef, Del Vecchio, Dockery, Einhellig, Foster, Foucart, Gebken, Greene, Holmer, Matthews, Mitchell, Morris, Siscoe, Smart, Swearingen, Wilson

Chair Janice Greene convened the meeting.

President Smart and Steve Foucart outlined two major budget issues facing the Committee and the University community – the FY 2017 spending restrictions and the early indications for the FY 2018 state appropriations.

## FY 2017 Spending Restrictions

President Smart reviewed the basic components of the recent $146 million FY 2017 state holdback, a significant part of which was applied to higher education. MSU's share of this holdback is $6.3 million, a 7.1% reduction. This withhold will be addressed through University reserves in a way that follows a basic principle of protecting the academic purposes and efforts of the University. For example, the reduction to Academic Affairs will be only $1.7 million instead of $2.6 million had it been applied evenly across all cost centers. Other cost centers such as Financial Services will contribute more than their mathematical share to make this possible. A few cost centers such as Marketing & Communications, Diversity & Inclusion, and Advancement hold sufficiently small reserve funds that they will not share in the 2017 holdback. The Provost's Office will provide 75% of Academic Affair's contribution to the 2017 holdback.

In addition, a mid-year adjustment of $1 per credit hour per semester and an increase of student fees of $8 per semester was proposed to the Board of Governors at the 3 February meeting, that for the typical student load would generate $46/year and $600,000 in revenue overall. The new tuition and fee structure, which matches the tuition increase cap based on the previous year's cost of living index (.7%), would not be applied during spring or summer 2017, but could be applied in the 2017-2018 school year in addition to any additional tuition and fee increases.

## Outlook for FY 2018 State Appropriations

President Smart then reviewed major factors affecting the FY 2018 appropriations. First, MSU met all five of its performance measure goals in 2016 as did the West Plains campus, but these will not come into play for FY 2018 because of the recommended reduction in state funding for the coming fiscal year. Second, the CPI for 2016 was 2.1%, so the University could increase tuition up to 2.8% (2.1 + plus the .7% enacted in spring 2017). It could also seek a waiver from the state Coordinating Board for Higher Education to establish an even higher increase. Third, the Governor's budget message included a recommendation of a decrease of approximately 9% for public university appropriations for FY 2018. For MSU this would amount to a $7.5 million reduction for the Springfield campus.

**Revenue Update.**

President Smart and Mr. Foucart noted that there would be increased costs to certain ongoing University expenses. This includes a $2.5 million increase to MOSERS (Missouri State Employee Retirement System), whose contribution rate has moved from 16.7% to 19.45% after several years at the prior rate. In addition, there will be increases in such ongoing obligations as leases, utilities, and ERP (enterprise resource planning) to name a few. Mr. Foucart and President Smart have estimated that the funds realized by unbudgeted enrollment growth from this past year @ $3.5 million would cover the aforementioned costs increases. The President also noted that the University administration continues to discuss the FY 2018 budget with various leaders in the legislature.

**Overall Budget Development**

Each cost center will develop a plan for cutting up to 5% for FY 2018. In doing so, President Smart reviewed for the Committee the set of guiding principles to be employed in developing the FY 2018 budget, which was discussed with the Board of Governors at its 3 February meeting. Key among them are protecting the core mission of the University (academic achievement, scholarship, and student success); all will share in the reductions, but reductions will not be equal in all areas of the university; continue to invest in programs, facilities, and technology that will grow enrollment and increase revenue; maintain affordability and access; and follow a transparent process. The President also pointed out more specifically that no one-time savings should be used to cover on-going cuts without Presidential approval and that strategic as opposed to across the board cuts should be employed.

President Smart and Mr. Foucart then presented two scenarios to the Committee with respect to tuition increases for FY 2018 to be applied beginning with Fall semester. The first would follow an approach the University has typically applied in tuition and fee increases, i.e. applying a smaller rate of increase to resident undergraduate students (1.94%) than that for non-resident undergraduates as well as resident and non-resident graduate students (roughly 4%). This approach would raise approximately $3.5 million. A second approach would be to raise tuition and fees on all students by approximately 2.1% (there would be some small difference among the categories). This approach would raise approximately $2.9 million. President Smart also pointed out that in addition to one of these options, the University could also seek a waiver and pursue a tuition rate above the CPI cap.

**Discussion**.

There was significant sentiment that the reductions minimally affect the students financially. There was also discussion of the Legislature perception of any University action, particularly if a significantly large fee waiver was sought.

Concern was expressed that care be taken in setting tuition rates that might jeopardize the competiveness of the University might lose vis a vis the community colleges.

There was some discussion of the possibility that the premium received by instructors of online courses from the course fees might instead, or in part, contribute to the budget gap. After further discussion, President Smart indicated that this was not his idea and was not something he was interested in mandating centrally at an administrative level. He instead suggested that college committees discuss this as a possibility as opposed to being considered initially at the Executive Budget Committee level.

A suggestion was made to possibly develop incentives for more efficient distribution of classes across the school day, i.e., to incentivize more enrollment in early morning and late afternoon classes.

As a point of information, it was noted that MSU is roughly in the lower middle range in cost among the 13 public universities in the state, and significantly less expensive than the major public university competitors in the surrounding states.

**Next steps and future meetings**.

Committee members were asked to take the two proposed tuition models to the college committees and other cost center committees for additional discussion. The cost center committees will also begin their work on immediately identifying reductions for a potential 5% cut.

The Committee will next meet in March shortly before the Board of Governors' meeting on 23 March.