

## **Executive Budget Committee**

*Minutes of the 6 October, 2011 Meeting*

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

Chair Eric Bosch convened the meeting. The minutes of the 29 September meeting were reviewed and approved.

**Presentation of Mid-Year Salary Increase Proposal.** The proposal for a mid-year salary increase, previously discussed at the 29 September meeting, was moved to the floor and seconded. It was accompanied by a spreadsheet with five scenarios ranging from 1 – 2% with added variables (2% ATB; 1.0% + \$470; 1% + 500/\$1200 cap; 1.1% + 450/\$1,275 cap; 1.2% + \$400/\$1800 cap).

### **Discussion.**

There was clarification of the second point regarding the effective date of employment (subsequent to the meeting there was a slight technical edit to point 2 provided by Human Resources, which did not change the point substantively, and which would be then included in the communication to the University community). After discussion the ninth point was amended to read “raise will only be on the base pay”. There was also affirmation (point 8), that full time employees who did not work in the summer would be covered in the proposal. It was noted that a percentage above 1% (e.g., the 1.2% option) would send a positive message despite its additional cost.

It was also noted that the percentage increase range for the 1.2% option (1.6/\$100,000; 1.85/\$61,375; 2.0/\$50,000; and 2.53/\$30,000) indicated a concern for the lower end of the salary range.

A question was raised regarding the relative wisdom of announcing the 2% proposal as a one-time option or an approach that would be dependent upon funding for a subsequent fiscal year. This concern was raised because the level of state funding could drop, placing an additional burden on the cost centers for the subsequent maintenance of the increase. President Smart indicated that some central funding might be possible in the near term if warranted and unless state cuts were extraordinarily deep.

Another point of concern was whether or not the issue of the salary increase might become a wedge with projects and efforts of cost centers. Subsequent discussion centered on the possibilities that the cost centers and various committees such as the Personnel Reallocation Task Force, might be in a position to identify processes or activities in which long-standing practices needed to be evaluated and updated.

In response to a question, President Smart indicated that the Board would be generally supportive of a modest initiative such as the one proposed, with the primary concern being the implications of further state reductions.

At the conclusion of the discussion, the Chair called for a vote. The committee unanimously approved the 1.2% + \$400/\$1800 cap option along with the 11 salary increase assumptions as amended. The adopted proposal will be announced to the campus shortly as an initiative that will be submitted to the Board of Governors for the 28 October meeting.

## **Overview and General Discussion of the Long-term Budget Process.**

### **Assumptions.**

Dr. Bosch reviewed for the committee some of the overall budget issues and assumptions, noting that revenue and the subsequent budget were dependent upon dynamics of the state budgeting process which is finalized late in the year, anticipated enrollment changes, possible changes to tuition levels based on changes in the CPI, and decisions regarding the use of University reserves.

One clear assumption will be that, unlike recent years, which saw very conservative budgeting that sometimes resulted in left-over dollars, budgeting will now attempt to anticipate actual costs.

There was brief discussion of assumptions about future state funding, specifically that graduation and retention numbers would play a major role in future levels of state funding, i.e., that new state money would be performance-based versus being driven by the previous formula approach. The assumptions about acquiring a “fair share” that had driven some of MSU’s previous budget efforts is no longer viable.

There was brief discussion of nascent planning by ALC and the deans related to summer session initiatives. It was also noted that such efforts would need to fit closely with the goals of the University and address a larger question of what sort of University do we wish to be. Another question was whether the Academic Affairs Budget Committee should then be the group to examine initiatives from individual areas. A concern was also raised about other initiatives that might be beyond the scope of the Academic Affairs Budget Committee and would essentially be University-wide.

### **Discussion and Suggestions.**

A suggestion was made that in developing budget assumptions, it would be useful to have various campus experts, either groups or individuals, discuss some of the financial issues with the budget committee. For example, Enrollment Management could discuss various expected enrollment scenarios, or others could discuss the effect of issues at the state level.

A suggestion was made that as various data sets are prepared by one group or another, they be forwarded to the committee electronically prior to a given meeting to allow thorough study.

It was also suggested that the committee review best or “outside of the box” practices at places that are doing well with respect to generating income.

It was suggested that the committee review shorter term issues such as summer session and continuing education and subsequently look at other, longer term issues. At the next meeting the Committee will look at developing clear assumptions about future budgets and the budgeting process.

### **Introduction of the Personnel Reallocation Task Force role. (Ken McClure)**

Mr. McClure noted the members of the task force (Bill Cheek, chair; Tabitha Haynes; Lyn McKenzie; Tina McManus; and Steve Thomas), and briefly described some of their anticipated activity. They already have received organizational charts from University units and will begin reviewing staffing trends in the administrative areas as well as administrative staff in the academic areas. They will review staffing levels (excessive, adequate, or inadequate), and look for possible efficiencies through any number of means. They will particularly look at areas where retirement incentives have had a significant effect. It was also pointed out in response to a query that the University is about to announce an initiative to reward specific ideas and suggestions regarding University operations. Note: This has subsequently gone live as the “My Ideas Program.”

### **Next Meeting.**

The next meeting was set for 3:30 – 4:30 p.m., Tuesday, 25 October in CAR 203.