

Budget Advisory Committee
January 25, 2017 @ 1:15 p.m.
President's Conference Room

Present:

Bobby Adams
Kevin Braswell
Marc Burnett
Jack Butler
Alice Camuti
Evelyn Chambers
Leslie Crickenberger
Corinne Darvennes
Bahman Ghorashi
Robert Hodum
Glenn James
Christy Killman
David Larimore
Karen Lykins
Tammie McMillan for Mark Wilson
Deanna Metts
Brian O'Connor
Philip Oldham
Joseph Rencis
Jeffrey Roberts
Lisa Russell
Paul Semmes
Diane Smith
John Smith
Mark Stephens
Claire Stinson
Angie Vick for Terry Saltsman
Elizabeth Webb for Alex Martin
Catherine Wallace
Emily Wheeler
Dewayne Wright
Jeff Young

Absent:

Alex Martin
Thomas Payne
Terry Saltsman
Mark Wilson

Dr. Claire Stinson thanked everyone for their attendance. The agenda and handouts were distributed. The minutes of April 19, 2016 and September 16, 2016 were distributed previously via email.

Dr. Stinson asked for a motion for the approval of the agenda. Corinne Darvennes moved to approve the agenda, Christy Killman seconded, there was no discussion and the agenda was approved unanimously.

The minutes from the April 19, 2016 meeting had been distributed previously and Dr. Stinson asked for a motion to approve. Corinne Darvennes moved to approve the minutes and David Larimore seconded. Dr. Stinson asked for discussion. There was no discussion and the minutes were approved unanimously.

The September 16, 2016 meeting minutes had been distributed previously and Dr. Stinson asked for a motion to approve. Corinne Darvennes moved to approve the minutes and David Larimore seconded. Dr. Stinson asked for discussion. There was no discussion and the minutes were approved unanimously.

The next agenda item, Comments from President Oldham, was skipped until the President was in attendance.

Discussion of Overall Budget Picture – Current Year: Dr. Stinson noted that there had been issues with our Scholarship area in the current fiscal year creating a deficit of \$1.9 million. Dr. Stinson asked the committee for ideas that could deal with this one-time issue in the current year. Before discussion of this item, Dr. Stinson suggested the committee review the FY2017-18 budget.

Proposed Budget Fiscal Year 2017-18: Handout A: FY2017-18 Proposed Budget Revenue & Expense Estimates Workbook was distributed. Dr. Stinson discussed the handout reminding the group that due to the FOCUS Act, THEC has set a range for tuition increases based on the budget submitted to the governor so it's possibly subject to some modifications depending on what happens in the State budget process. The budget will be discussed by the governor on January 30, 2016. The handout includes several revenue options depending on the different tuition percentage increases, adjustments due to TNeCampus revenue decrease, impact of anticipated enrollment fluctuation, state appropriations and possible Carnegie adjustment. If we receive the 4% tuition increase and the other areas do not fluctuate, revenue will be approximately \$2.6 million.

The handout also includes budget expense items for consideration, including: a \$3.4 million scholarship over award; anticipated salary increase of 1%; new academic program expenditures; re-investment of Carnegie adjustment funding to Graduate Programs; expenses related to eCampus Reduced Teaching and other expense commitments such as the reserve contingency increase for a total of about \$5.1 million in expenses.

Comments from President Oldham: Dr. Oldham thanked everyone for their attendance and indicated that obviously this was a very important issue because we are discussing the resources we have to do our jobs. Dr. Oldham wished the news was better; the situation is driven by enrollment issues and the decline of the last couple of years. He added that the early indicators are that we are moving toward an enrollment growth model adding that enrollment standards have changed substantially in the state. Dr. Oldham indicated that roughly 70% of the University's budget is driven by enrollment. He also stated that the University would aggressively be looking at opportunities to mitigate these numbers and our priority going forward would to be to mitigate the academic side

of the house so there is no negative impact. Dr. Oldham pointed out that what Dr. Stinson is sharing today are our best estimates at this point in time. There are a lot of unknowns between now and July. We are trying to be as responsible and conservative as possible. Dr. Oldham stated that to use this group effectively, input from this Committee is needed by looking at the real data as it is known today. Again, this is subject to change. Dr. Oldham asked Dr. Stinson to share the scope of the issues and some options for consideration as of this point in time.

Dr. Stinson referred the committee back to the bottom of Handout A where the reduction is posted based on the Budget Model splits. The total projected reduction is -\$2,603,763 with a 50.47% reduction to Instructional areas totaling -\$1,314,119 and Non-Instructional cuts totaling -\$1,289,644.

Dr. Stinson asked that Handout B be distributed which provides options for budget splits. Dr. Stinson again stressed that these options are by no means what has to occur. After we review this handout, Dr. Stinson asked that most of the time with the committee be spent on discussing how to address the \$2.6 deficit.

Dr. Stinson referred the group back to the \$1.9 million current year deficit asking if we needed to freeze hiring for this year. If we do, the freeze cannot be across the board because there are some positions that we absolutely need to hire; adding that at this time we don't know how much can be saved from this method. If we look at all unfilled positions at this time, it is approximately \$2 million but all positions cannot be frozen. Dr. Stinson also indicated she needed to make everyone aware that whatever fell out at the end of the year, there will be no carryforwards. This assumes that areas will continue their spending pattern that they have now and not go ahead and spend because they cannot carryforward; pointing out that there is a risk involved with this option. But this is really the only option that we have at this point of the year. The above options are one-time reductions.

Dr. Stinson pointed out that the \$2.6 million deficit for next year is reoccurring; this is something that goes forward, this does involve permanent budget cuts and reductions.

The group discussed several items including, but not limited to: how the scholarship over award occurred; if there were preventative processes in place with scholarship awarding; salary increases; outsourcing; that the large deficit would most likely impact positions; the ripple through impact of enrollment declines; that the upturn in enrollment would also take time to make a positive impact; the new paradigm encouraging community college attendance and the impact of transfer students; the fact that the scholarship awards are "real" money; that the scholarships awarded are for a four-year award or as long as the scholarship requirements are met, therefore, the reason for the reoccurring budget reductions; a hiring freeze and the projected savings realizing obligations to some positions; and, whether there was flexibility with spending the Carnegie money.

Dr. Stinson referred again to Handout B and the non-instructional area reductions which allocates a 2.59% cut, noting that the splits exclude budgets based on student fees, utilities, auxiliaries, central accounts (banking, audit, etc.). The areas should look at activities that can be restructured, reduced, or other possibilities. Dr. Stinson asked if there were other activities that should be added to the exclusions because it impacts enrollment.

Dr. Stinson asked if there were additional ideas and thoughts from the committee.

Dr. Oldham shared with the group a statement that was prepared to keep the campus informed without causing any undue alarm and asked for feedback. A few suggestions were offered and everyone agreed that it would be good to make available an accurate statement on the budget. The President indicated that the statement would be in his blog and would be made available that afternoon to faculty, staff and students. Dr. Oldham stressed that the budget is a moving target for a while but he wanted to make everyone aware of where we currently are.

Dr. Stinson indicated that she knew it was a lot of information to absorb suddenly and knows that many may have ideas but might not feel comfortable expressing now. Dr. Stinson asked that a website be set up so that this committee can make suggestions anonymously on items to be considered. Dr. Stinson added that the submissions didn't have to be well thought out plans but if there were areas or ideas that needed to be explored, she would like for them to be able to express their thoughts.

Dr. Stinson indicated that the next committee meeting date would be on March 30th but noted that there may be a need to meet sooner or that smaller groups may be pulled together to explore ideas. By March 30th, we should have the governor's address, information from THEC, and our Board will have met for the first time.

Dr. Stinson asked if there were other items to discuss. Dr. Larimore stated that historically, when enrollments have been down, the economy has been up and vice versa; all institutions face this. Historically, potential students go to work but this also means that state revenues are up and the state should be able to provide more funding. He suggested that we take this into consideration with our planning. Dr. Larimore also stated that he suspects that our strict enrollment standards might have contributed to the downturn in enrollment. He has analyzed what he thinks our enrollment standards are and it does have an impact. Dr. Larimore suggested that we should look at removing our standards and only ask for test scores and high school grade point averages without specific requirements as some other institutions do.

Dr. Stinson asked for other ideas. Dr. Stinson also shared that she had received a suggestion that we look at the 100 employees who have enough service time to retire and it would be a significant amount of money. She added that the University could not target the employees. She's hesitant to suggest this because you often lose the people

who are needed and hard to replace. Dr. Stinson suggested that everyone look at their areas with restructuring in mind and address whether the position is needed.

Dr. Stinson thanked everyone and indicated that a link with the Budget Submission form will be emailed to everyone soon.

The meeting adjourned at 2:40 p.m.

Handouts provided:

Handout A: FY2017-18 Proposed Budget Revenue & Expense Estimates
Workbook

Handout B: Reduction Split Options based on Budget Model was distributed.

A

FY2017-18 Proposed Budget Revenue & Expense Estimates Workbook

FY2017-18 Proposed Budget Revenue Items for Consideration:

Estimated Maintenance & Out-of-State Tuition % Increase for FY2017-18

	0% / 0%	1% / 1%	2% / 2%	3% / 3%	4% / 4%	4% / 0%
Impact of Increase for FY2017-18	-	864,065	1,728,130	2,592,195	3,456,260	2,972,980
Budgeted Revenue Adjustments for remainder of FY2016-17 (TNeCampus Rev. Dec.)	(686,000)	(686,000)	(686,000)	(686,000)	(686,000)	(686,000)
Impact of Anticipated Enrollment Fluctuation (200 FTE UG In-State & 42 FTE UG OST Decline)	(2,370,744)	(2,370,744)	(2,370,744)	(2,370,744)	(2,370,744)	(2,370,744)
Anticipated State Appropriations Increase for FY2017-18	1,975,000	1,975,000	1,975,000	1,975,000	1,975,000	1,975,000
Anticipated Carnegie Adjustment Funding for FY2017-18 (outside formula & temporary)	700,000	700,000	700,000	700,000	700,000	700,000
Total Revenue Items	(381,744)	482,321	1,346,386	2,210,451	3,074,516	2,591,236

FY2017-18 Proposed Budget Expense Items for Consideration:

University E&G Scholarship Increases (already awarded for FY2017-18 per Bobby)	(3,408,000)	(3,408,000)	(3,408,000)	(3,408,000)	(3,408,000)	(3,408,000)
Faculty & Staff Salary & Benefit Increases (1% combined COLA/Merit/etc. & 10% Bene.)	(720,997)	(720,997)	(720,997)	(720,997)	(720,997)	(720,997)
New Academic Program Expenditures & Start-Up Costs	(285,900)	(285,900)	(285,900)	(285,900)	(285,900)	(285,900)
Re-investment of Carnegie Adjustment Funding to Graduate Programs	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Expenses Related to eCampus Reduced Teaching (available for re-investment)	200,000	200,000	200,000	200,000	200,000	200,000
Other Expense Commitments	(228,277)	(228,277)	(228,277)	(228,277)	(228,277)	(228,277)
Reserve Contingency Increase (must be 2-5% of revenues)	7,635	(9,646)	(26,928)	(44,209)	(61,490)	(51,825)
Total Expense Items	(5,135,539)	(5,152,821)	(5,170,102)	(5,187,383)	(5,204,665)	(5,194,999)

Total Available for Distribution to Academic & Admin/Support Units:

	(5,517,283)	(4,670,500)	(3,823,716)	(2,976,932)	(2,130,149)	(2,603,763)
--	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Reduction split based on Budget Model

Instructional	50.47%	\$	(1,314,119)
Non-Instructional	49.53%	\$	(1,289,644)
		\$	<u>(2,603,763)</u>

(B)

Reduction split based on Budget Model

Instructional	50.47%	\$ (1,314,119)
Non-Instructional	49.53%	\$ (1,289,644)
		<u>\$ (2,603,763)</u>

Instructional Allocation Based on Expected Unit Contribution Margin Percentages (Method 1)			
<u>Reductions by College:</u>			
Contribution Margin Percentage by College for Year 2:	Budget CM as %	Scaled to 100%	Calculated Reduction
Ag and HEC	20.77%	9.47%	\$ (124,415)
Arts and Sciences	49.14%	22.40%	\$ (294,356)
Business	49.75%	22.68%	\$ (298,010)
Education	36.52%	16.65%	\$ (218,760)
Engineering	20.25%	9.23%	\$ (121,301)
Interdisciplinary Studies	6.63%	3.02%	\$ (39,715)
Nursing	36.32%	16.56%	\$ (217,562)
	<u>219.38%</u>	<u>100.00%</u>	<u>\$ (1,314,119)</u>

Instructional Allocation Based on Percentage of Allocated Scholarship Amounts in the Budget Model (Method 2)			
<u>Reductions by College:</u>			
Allocated Scholarships Amount by College for Proposed FY2017-18:	Alloc. Scholar.	Scaled to 100%	Calculated Reduction
Ag and HEC	\$ 643,339	4.75%	\$ (62,440)
Arts and Sciences	\$ 5,557,497	41.05%	\$ (539,391)
Business	\$ 1,694,076	12.51%	\$ (164,421)
Education	\$ 2,422,361	17.89%	\$ (235,106)
Engineering	\$ 2,540,986	18.77%	\$ (246,619)
Interdisciplinary Studies	\$ 208,115	1.54%	\$ (20,199)
Nursing	\$ 473,360	3.50%	\$ (45,943)
	<u>\$ 13,539,734</u>	<u>100.00%</u>	<u>\$ (1,314,119)</u>

Instructional Average Reduction by College Using Both Methods			
<u>Reductions by College:</u>			
	Method 1	Method 2	AVG Reduction
Ag and HEC	\$ (124,415)	\$ (62,440)	\$ (93,428)
Arts and Sciences	\$ (294,356)	\$ (539,391)	\$ (416,874)
Business	\$ (298,010)	\$ (164,421)	\$ (231,216)
Education	\$ (218,760)	\$ (235,106)	\$ (226,933)
Engineering	\$ (121,301)	\$ (246,619)	\$ (183,960)
Interdisciplinary Studies	\$ (39,715)	\$ (20,199)	\$ (29,957)
Nursing	\$ (217,562)	\$ (45,943)	\$ (131,752)
	<u>\$ (1,314,119)</u>	<u>\$ (1,314,119)</u>	<u>\$ (1,314,119)</u>

Non-Instructional Allocation Based on Proposed Budget FY2017-18 Net Unit Margin				
<u>Reductions by Non-Instructional Area:</u>				
	Net Unit Margin Total *	Scaled to 100%	Calculated Reduction	% Area Budget Reduction
President's Office	\$ 2,198,953	4.41%	\$ (56,916)	2.59%
Exec VP Acad Affairs & Provost	\$ 13,612,888	27.32%	\$ (352,345)	2.59%
Facilities	\$ 6,908,395	13.87%	\$ (178,811)	2.59%
Information Technology Services	\$ 6,967,603	13.98%	\$ (180,344)	2.59%
Planning and Finance	\$ 4,047,823	8.12%	\$ (104,771)	2.59%
Research & Economic Development	\$ 2,650,063	5.32%	\$ (68,592)	2.59%
Student Affairs	\$ 3,701,287	7.43%	\$ (95,801)	2.59%
University Advancement	\$ 3,858,075	7.74%	\$ (99,859)	2.59%
Athletics	\$ 5,880,452	11.80%	\$ (152,205)	2.59%
	<u>\$ 49,825,539</u>	<u>100.00%</u>	<u>\$ (1,289,644)</u>	

*excludes budgets based on student fees, utilities, auxiliaries, central accounts (banking, audit, etc.)