

Budget Council Minutes
Tuesday, February 22, 2011
3:30 – 5:00 pm

Members: Anne Camper, Sheron McIlhattan, Shelley McKamey, Dan Moshavi, Martha Potvin, Jim Rimpau, Craig Roloff, Doralyn Rossmann, Craig West, Jeanne Wilkinson, Allen Yarnell, Wendy Stock, Dallas Diehl, David Singel

Support: Kathy Attebury, Jim Luebbbers, Heidi Gagnon, Terry Leist, Chris Fastnow

I. Call to Order

Vice President Roloff gave opening remarks to the Budget Council and introduced Dallas Diehl, the new Graduate Student representative. The previous representative, Adel Nehmeh, had a conflict with the schedule and is not able to attend meetings this spring.

II. Approval of Minutes of January 25, 2011

A motion was made to approve the minutes for the January 25, 2011 meeting. This motion passed unanimously.

III. Topics for Discussion:

Accreditation Report

The commendations and recommendations were attached because there are budget implications related to some of them. The report will need to be filed by September 1 and it is expected that MSU will show how progress has been made in those areas. The report will serve as a source of guidance on setting priorities by giving a set of issues to discuss. Our response to recommendations will be prepared over the summer by Academic Affairs. Craig Roloff suggested that it would be logical for Budget Council participation in responding to a request for assistance from the Provost, if needed.

Academic Affairs is responsible for providing year one of the new accreditation structure, which will include implementation of the new core themes and updated vision and mission, and secondly, a report which addresses any concerns identified under the old accreditation system. Budget Council is ready to provide any assistance, at the request of the Provost's Office.

In response to the item on faculty salaries, Martha Potvin felt that the current budget model doesn't adequately support salaries and operations for the academic programs. She suggested that funds may need to be reallocated to address the recommendation related to salaries.

Review of FY11 Budget Macro

The macro shows the original FY11 budget and the revised budget. The key differences between the two (lines 7 and 9), shows the changes in enrollment and revenues. Also, lines 63-71 show the disposition of the additional revenues that were generated by additional enrollment. It was noted that enrollment was significantly higher than expected in almost every university in the system. At the November meeting, the Office of the Commissioner of Higher Education asked us

to identify what these additional funds would be used for. Commitments have been made to the majority of funds (inaugural priorities and budget adjustments for the agencies).

There are 4 Regent approved reserves that funds can be transferred into: the general university reserve, the scholarships reserve, the retirement pay out reserve, and the stipends reserve. Many of these reserves can only be spent on what they were set up for (i.e., stipends for stipends only). When money is set aside for Scholarships, that is the only thing it can be used for. The general university reserve is the only reserve account that can be used for more general expenditures, but only in the event of an unanticipated expense or unanticipated revenue shortfall. Monies deposited in the reserves carry over from year to year.

The Council discussed an earlier issue of the Auxiliaries Funds (\$320,000) that were used for funding the recruiting contract with Royall. Wendy Stock questioned how the decision was made to use other funds (in place of Auxiliaries Funds) and whether this was an item that should have been endorsed by the Budget Council. Craig Roloff reported that the use of other funding sources for this commitment was approved by the President through approval of the board item. Because there were no other funds available at the time of the contract, former President Gamble made the decision to commit Auxiliaries funds for a short time and the commitment ended up in place for quite a few years.

Allen Yarnell reported that the current legislature is questioning reserve balances. This topic was discussed and suggestions that were made included: Should we reconsider putting money in reserves and commit it to existing needs? Are there projects that could benefit from funding right now, thus helping to meet some of our upcoming priorities as identified in the accreditation report? Craig Roloff pointed out that the accreditation priorities are not one-time expenditures and have significant base budget impacts. The University would need to be cautious about committing funds to other projects which might then put us at risk of not having adequate funding to devote to the accreditation priorities.

There is only a short time before the legislature adjourns on April 21 to create and implement a plan for the funds. Wendy Stock proposed using the Governor's budget and the legislative budget to prepare FY12 scenarios which would be somewhere in the middle. It might be necessary to make commitments to cover a shortfall in budgets rather than new budget priorities. This will not be known until after the session adjourns and budgets are finalized.

The question was raised: When does the University build the money into base funding instead of continuing to consider it one-time only funds. Craig Roloff explained that the University would need to decide when it is prudent to do so. Maybe it is done after the legislature adjourns, depending on what the budget allocations are. Martha Potvin suggested that the University consider building the base now and taking cuts later (when necessary) so that it is possible to build programs and avoid deterioration as a Tier 1 research university. Using base funding allows the University to build programs with permanent faculty, instead of hiring adjuncts. It is not easy to build programs with one-time funding. With this scenario, if enrollment decreases, cuts can be made to the base funding of the program.

The key point is that it is not easy to predict whether the current elevated enrollment will continue, thereby indicating a need to increase the base, or if the enrollment is likely to drop. Jim Rimpau pointed out that the University would need to consider our tolerance for risk.

Currently, enrollment numbers for next year look strong, with a large percentage of transfer students. The issue then becomes retention of the current students. If retention also remains high, next year's class could be even larger than the current year. Increased class size leads to questions about how to increase lab and dormitory housing capacity.

Martha Potvin suggested establishing a percentage of the general operating budget that could be used primarily for academic support. If enrollment goes up, the funding support for academics goes up - if enrollment goes down, funding support goes down.

David Singel questioned why the enrollment growth monies aren't distributed in the same splits as general operating budgets are (55% - 45%). The additional funding appears to be often for specialty programs. Anne Camper suggested that MSU prioritize programs so that funding can be dedicated to those that are chronically under-funded, rather than to new programs. The question was raised - How does the University determine a reallocation of funds to the areas that need it the most?

Review of comparator data at program level

Studies show that our institution spends less on instructional expenditures (less per student) than our institutional peers. When looking at instruction budgets, MSU is at 46% of the Land Grant average. While it might appear that our priorities are off, it is possible that our salaries make the instructional expenditures look low in comparison. Dan Moshavi summarized that some percentage of the excess tuition should be considered for reallocation. If this is possible, the question then is what percentage seems reasonable based on projections?

Jim Rimpau has been talking with Myles Watts and Doug Young about giving a presentation on risk threshold. He will send a note to let all Councils know when the presentation is. This presentation could help us to determine how much of the enrollment funds are solvent.

The proposed Governor's budget is being presented with additions of new programs, but in actuality many of these are the continuation of existing commitments. The Governor's budget is the best case scenario, which would represent a 5% cut.

Wendy Stock suggested using resources other than auxiliaries funds to help cover budget shortfalls. Some members shared that their colleagues and members of the public don't believe that these funds are not available for other purposes. Some funds have limitations on what they can be used for. She suggested that we review all funds. Martha Potvin expressed her belief that IDC's likely can't be looked at due to federal regulations regarding research funding.

Shelley McKamey wondered how MSU can educate the Budget Council so that members are able to respond when asked about using other funds for other purposes. Allen Yarnell suggested that we might show where the money is and what it is being used for as a part of educating the Budget Council and others.

Craig Roloff reported that the House is proposing large budget cuts, even though the revenue projections have increased by \$65 M. This has led to suspension of action in the sub-committees.

There is a willingness or desire within the Budget Council to look at the big picture of all of the fund pieces and any legal restrictions on their use at the institution in order to give people information about how the institution budgets work and how allocations happen. Kathy Attebury will work with Laura Humberger to bring this information to the Council at the next meeting.

Next meeting: March 22, 2011