Budget Council Minutes
Tuesday, May 24, 2011
3:30 – 5:00 pm
President's Conference Room, 10 Montana Hall

Terry Leist	Anne Camper	Blake Bjornson
Sue Leigland	Sheron McIlhattan	Shelley McKamey
Dan Moshavi	Dallas Diehl	Doralyn Rossmann
Wendy Stock	Don Mathre	Jeanne Wilkinson
Allen Yarnell	Chris Fastnow	David Singel
Kathy Attebury	Jim Luebbers	Heidi Gagnon

#

I. Call to Order

The meeting was called to order by Chair Terry Leist and introductions were made.

II. Approval of Minutes of April 26, 2011

The minutes were amended and approved. A motion was made and seconded to approve the minutes as amended.

III. University Wide Information/Announcements

Terry Leist gave a Board of Regents update, however there has been no action taken yet on budgets. Until then, we don't have final numbers and aren't able to proceed with our annual budgeting process yet. One of the issues that will be discussed and addressed by the Board of Regents is the rebasing of general fund allocations to the campuses. It is possible that MSU will be faced with a reduction of $9 million over the next three years if the proposed allocations are approved. Potential human resource investments (negotiations) are still being discussed.

IV. Topics for Discussion:

- FY12 Budgets

When exploring options for potential reductions, the retirement reserve was identified as a possibility. It is anticipated, however, that the institution could see an increased number of retirements in the near future. The pending TRS Option 1 payouts (for over 100 individuals) are causing an escalation in the liability from retirements. David Singel expressed concern that some departments may have more disposable funding to put away for these commitments than others. Terry Leist speculates that there may be a bubble of retirements that will hit in the next five years. The retirement reserve, in addition to the base funds that we budget each year, can be used if retirements exceed our budget any given year.

Dan Moshavi cautioned the committee about taking considerable amounts from reserve accounts. These reserve accounts are typically used when departments have available funds at year end (vacancy savings) and allows them to reserve money for upcoming commitments. Once you start sweeping money from departments, there is no incentive to save. When we are looking for places to make cuts, it is easier to consider using institutional reserves than individual departments. David Singel suggested that the University consider sweeping vacancy savings into a central pool, rather than letting individual departments retain them for their departmental use.

Explanations were given on the differences between "overhead charges" and "administrative fees". Overhead charges are charges applied to operations in Research, Auxiliaries, MAES and Extension

Service to cover their administrative costs which are performed by the University, such as paying employees. The administrative fee (4%) is assessed only on actual expenditures made with designated funds to cover the cost of processing those purchases.

Terry Leist reported that at a recent Rocky Mountain Business Officers meeting some of the other attendees were reporting 7-12% tuition increases for the next few years. He felt that we are still pretty competitive with our tuition rates, even with a potential increase. Blake Bjornson was worried that if we push the limit of nonresident tuition too high that we will start to lose the nonresident students.

Sue Leigland wondered about the additional travel costs that our nonresident students have to bear. At what point, does the total cost discourage them from coming to MSU? Kathy Attebury reported that more nonresident students seem to be waiting until the last orientation sessions so that they don’t have to pay for travel costs twice.

Allen Yarnell reported that the first two sessions of Orientation are already full and the others session registrations seem to be up. Enrollment data indicates that our numbers should be up again next year.

Originally the Budget Council was asked to prepare scenarios for 5 and 10% budget cuts. Terry felt that with a tuition increase, we likely would only need to come up with a 5% scenario. Discussion followed on items that the Council would propose to President Cruzado if cuts are determined to be necessary. It was suggested that we provide ranges for possible cuts to give the President flexibility.

Wendy Stock expressed concern about how we make suggestions for cuts without knowing how our departments are funded in relation to their peers. There was consensus from the Council that a program review should be conducted before specific department cuts could be proposed. Because 85-90% of our funds are committed to personnel services (based on historical budgets), there are limited places to make significant reductions without looking more closely at all programs.

The Council wants to make sure that we are proceeding in a manner that the President is comfortable with. Terry Leist shared that President Cruzado is happy to come back to visit with the Council again. Wendy Stock suggested that we have her come back at some point to talk to us. We don’t want to have a “band-aid” approach and she believed our charge is to move forward with a more proactive approach.

The committee was comfortable using the preliminary working list of proposed reductions that were distributed for this meeting. Providing a maximum % reduction, in addition to the dollar amount, would help to give the President additional flexibility when considering our proposal.

The following recommendations are intended to provide direction to the President if a budget shortfall occurs.

- Reduce Settlements Budget by 50% (One Time) ($100,000)
- Reduce Contingency Budget for Utilities by 43.5% (One Time) ($100,000)
- Reduce Library Acquisitions Inflationary from 9% to 7% (Base) ($100,000)
  - based on actual negotiated rates for FY12
- Reduce General Fund Retirement budget by 50% (One Time) ($377,500)
  - backfill by using 25.5% of the Retirement Reserve
- Reduce University Revolving Reserve by 33% (One Time) ($1,800,000)

Grand total (~5% of state budget allocation) ($2,477,500)

We should plan to meet in June and schedule July, if necessary. The Council members were agreeable to meet on this schedule, if need be. Items to work include:

- Identify strategic areas of possible disinvestments or cuts
- Identify institutional priorities

#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
#
Next Meeting: July 26 or August 23, 2011 (to be determined by Budget Council)