



## **BOARD OF REGENTS DISCUSSION ITEM**

**December 17, 2009**

### **Open Session**

#### **Recommended Process for Balancing Operating Budgets For FY11 and FY12**

##### **Background**

In FY10, Governor Nixon proposed a flat budget for higher education, with the understanding that institutions would not increase their incidental or general fees. Missouri House Bill 3, as approved for FY10, funded higher education at the same level as FY09. However, general revenue and lottery proceeds were at the FY06 funding level and the remainder of each institution's appropriation was funded from federal stabilization dollars. For Southeast, the amount funded from stabilization dollars is \$5,360,791. (see Attachment 1).

While state funding remained level for FY10, the University had to identify base funding for continuing costs of operations in the amount of \$1,145,717. Open forums were held with faculty, staff and students at the beginning of the Spring 2009 semester to obtain ideas for increasing revenues and reducing expenditures. In addition to implementing some of these ideas to balance the FY10 budget, divisions were assessed a 2% budget reduction on instructional budgets and 3% reduction on non-instructional budgets. This produced base dollars to address the FY10 cost-to-continue and set aside additional dollars to help address the FY11 cost-to-continue, in anticipation of future budget shortfalls. A total of \$833,996 was identified through the FY10 planning process for the FY11 budget.

On November 17, 2009 Governor Nixon announced a similar plan with higher education institutions for the FY11 budget. Under the proposed agreement, institutions would not impose a tuition increase on in-state, undergraduate students for the 2010-2011 academic year. Institutions would be able to approve a tuition increase for FY11 in accordance with SB389, but would not charge in-state undergraduate students for that increase. State higher education appropriations for FY11 would be at approximately 95% of the current fiscal year's appropriations, which is a 5.2% reduction or \$42 million. For Southeast the FY11 base reduction would be approximately \$2.53 million. The tuition freeze would be in effect as long as the final passed appropriation is not less than the Governor's recommended budget.

The Budget Review Committee (BRC) met on December 2, 2009 and considered the University's potential budget shortfall over the next two fiscal years, which is estimated to be \$7.76 million (see Attachment 1). While the Governor's proposed reduction in appropriations for FY11 from federal stabilization funds is only 47% of the total stabilization funds Southeast is receiving, it is anticipated the remainder will be eliminated in the FY12 budget. In addition, the University will have continuing costs of operations each year, such as retirement contribution increases, insurance premium increases, etc. It was the consensus of BRC to address the potential shortfall for the next two fiscal years during this budget review cycle and the following process was recommended.

### **Process**

1. Divisions will identify a plan for an additional 5% budget reduction, which generates \$3,950,010 in base dollars (see Attachments 1 & 2). Provost and Vice Presidents must have plans completed by the start of the Spring 2010 semester. While the reductions may be implemented over the next two years (e.g. known retirement in the future that will not be filled) it will allow for faculty and staff to be made aware of future reductions.
2. Large institutional expenses and potential revenue enhancements outside of incidental fees will be identified for review and a goal of \$2 million base dollars will be generated from these categories. Attachment 3 identifies the category, examples of areas to be reviewed with in that category, and the responsible group or individuals assigned to analyze those ideas. Groups assigned to each category will make recommendations to BRC by February 1, 2010.
3. BRC will hold campus wide open forums in February 2010 based on recommendations from the previous open forums, proposed division cuts (#1 above) and institutional recommendations (#2 above).
4. BRC will consider feedback from the campus wide open forums and make recommendations to balance the FY11 and FY12 budget shortfall by March 2010.
5. Recommendations will be presented to the Board of Regents at a board meeting anticipated in late March 2010.

**Potential Budget Shortfall  
FY11 and FY12**

<b>State Appropriations</b>		
	<b>FY10</b>	
General Revenue	\$ 39,225,325	80.63%
Lottery Proceeds	4,059,895	8.35%
Federal stabilization funds	5,360,791	11.02%
<b>Total general operating appropriations</b>	<b>\$ 48,646,011</b>	<b>100.00%</b>

<b>Potential Budget Shortfall</b>		
	<b>FY11</b>	<b>FY12</b>
Cost to Continue	\$ 1,200,000	\$ 1,200,000
State budget reduction - stabilization funds	2,529,593	2,831,198
	<b>\$ 3,729,593</b>	<b>\$ 4,031,198</b>
<b>Total potential shortfall</b>		<b>\$ 7,760,791</b>

<b>Goals identified thru Budget Review Process</b>	
	<b>FY10 - FY12</b>
1) Addt. dollars identified in FY10 budget review process	\$ 833,996
2) 5% division budget reduction	3,950,010
3) Institutional revenue enhancements and expense reductions	2,000,000
4) Incidental fee increase FY12 (based on 3% increase in CPI)	976,785
<b>Total</b>	<b>\$ 7,760,791</b>

## NOTES:

1. Cost to continue is an estimate based on recent years.
2. Potential need estimates do not include requests that may considered from divisions and employee groups.
3. State budget reductions assume the state will not reduce higher education funding more than the amount currently funded by federal stabilization funds.
4. Assumes ability to maintain stable enrollments and current levels of tuition revenue.
5. A 1% division budget reduction equals \$790,002.

## Cost of 5% Division Budget Reduction

	<u>Institutional Commitment</u>	<u>Percentage of Total Budget</u>	<u>1% Withholding from all</u>	<u>5% Withholding from Instruction</u>	<u>5% Withholding from Non-Instruction</u>
Institutional Services	\$ 1,354,503	1.7%	\$ 13,545		\$ 67,725
University Advancement	1,849,803	2.3%	18,498		92,490
Finance & Administration	12,388,108	15.7%	123,881		619,405
Major Renovations	449,928	0.6%	4,499		22,496
Athletics	3,688,247	4.7%	36,882		184,412
Enrollment Mgmt & Student Success	7,088,212	9.0%	70,882		354,410
Academic Affairs:					
Provost	3,174,487	4.0%	31,745	158,724	
Graduate Studies & Research	2,135,883	2.7%	21,359	106,794	
University Studies	1,153,396	1.5%	11,534	57,670	
Kent Library	3,921,600	5.0%	39,216	-	196,080
Harrison College of Business	5,999,331	7.6%	59,993	299,967	
College of Education	3,285,630	4.2%	32,856	164,282	
College of Health & Human Srv	7,193,040	9.1%	71,930	359,652	
College of Liberal Arts	8,139,029	10.3%	81,390	406,951	
School of Visual & Performing	3,936,868	5.0%	39,369	196,843	
College of Science & Mathematic	6,656,056	8.4%	66,561	332,803	
School of Polytechnic Studies	2,930,369	3.7%	29,304	146,518	
Extended Learning	1,873,855	2.4%	18,739	93,693	
South Campuses	<u>1,781,884</u>	<u>2.3%</u>	<u>17,819</u>	<u>89,094</u>	
Total Academic Affairs	<u>52,181,428</u>	<u>66.1%</u>	<u>521,814</u>	<u>2,412,991</u>	<u>196,080</u>
Total Operating Budget	<u>\$ 79,000,229</u>	<u>100.0%</u>	<u>\$ 790,002</u>	<u>\$ 2,412,991</u>	<u>\$ 1,537,019</u>
Total 5% Division Budget Reduction					<u><u>\$ 3,950,010</u></u>

### Institutional Categories for Revenue Enhancements and Expense Reductions

CATEGORY	EXAMPLES OF AREAS TO BE REVIEWED	RESPONSIBLE GROUP
Institutional Merit and International Student Scholarships	<ul style="list-style-type: none"> <li>- Review value of out-of-state scholarships</li> <li>- Review criteria for certain merit scholarships to make more competitive</li> <li>- Standardize international scholarships</li> </ul>	Scholarship Review Committee Debbie Below, Assistant VP for Enrollment Management & Director of Admissions, Chair
Employee Benefits	<ul style="list-style-type: none"> <li>-Review structure of employee health insurance</li> <li>-Comprehensive review of benefit cost by category</li> </ul>	Budget Review - Benefits Subcommittee Jim Cook, Director Human Resources, Chair
Utilities	<ul style="list-style-type: none"> <li>- Adjust summer and winter setpoints for utilities</li> <li>- Evaluate building scheduling to conserve energy</li> </ul>	Campus Sustainability Committee Chris McGowan, Dean Science & Mathematics, Co-Chair Angela Meyer, Interim Director Facilities Management, Co-Chair
Student Services	<ul style="list-style-type: none"> <li>- Minimize paper correspondence/publications</li> <li>- Evaluate student leadership programs</li> <li>-Review utilization of Writing Center &amp; Learning Enrichment Center</li> </ul>	Enrollment Development Team Debbie Below, Assistant VP for Enrollment Management & Director of Admissions, Chair
Intercollegiate Athletics	<ul style="list-style-type: none"> <li>- Review team scheduling for travel savings</li> <li>- Review recruitment plans for travel and scholarship savings</li> </ul>	Strategic Planning – Intercollegiate Athletics Subcommittee Al Spradling, Regent, Co-Chair Jim Limbaugh, Regent, Co-Chair
Academic Activities	<ul style="list-style-type: none"> <li>- Review viability of programs (graduate and undergraduate) from trimming to eliminating</li> <li>- Review department &amp; individual faculty student credit hour generation</li> <li>- Evaluate summer school</li> </ul>	Academic Program Review Committee Mike Parker, Social Work, Chair
Special course fees	<ul style="list-style-type: none"> <li>- Consider per credit hour course fee on high cost programs</li> <li>- Consider per credit hour course fee by college/department</li> </ul>	Deans Council Randy Shaw, Dean’s representative to BRC
Other Common Fees	<ul style="list-style-type: none"> <li>- Restructure late fees for inactive students</li> <li>- Review fees related to adding/dropping courses</li> <li>- Review penalty fees</li> </ul>	Kathy Mangels, VP Finance & Administration Mona Hughey, Budget Director Verona Lambert, Director Student Accounts