

University Budget Advisory Council
October 22, 2020
Summary Minutes
Zoom recording on Canvas

Members present: Maggie Baker, Opinder Bawa, Michael Beseda, Sarah Blackburn, Shannon Burchard, Tyrone Cannon, Jeff Hamrick, Michael Harrington, Monika Hudson, Berkelee Jimenez, Dennis Miller, Brad Morrison, Spencer Rangitsch, Theo Retos, Julia Schulte, Julia Terhaar, KT Waxman, Angie Vuong, Janet Yang, John Zarobell

Members not present: Charlie Cross, Father Paul Fitzgerald, Julie Orio, Gladys Perez, Peter Wilch

Guest: Shirley McGuire, Sr. Vice Provost, Academic Affairs

Recorder: Linda Wong

Call to order: 12:00 pm

Approval of 10/8 Minutes: The minutes from October 8 were not available for review and will be approved at the next UBAC meeting.

Action: Approval of October 8th minutes was continued to November 5th.

Announcements: Hamrick welcomed Rochelle Fernandes, Graduate Student Representative to UBAC. Fernandes is currently in the Clinical Psychology PsyD program.

Hamrick announced that Julia Tehaar has resigned from UBAC. The remaining staff representatives will be asked to put forward a nominee for the staff Tri-Chair position.

It was requested that the tentative date for the Capital Budget workshop be December 17th. Hamrick suggested that the Endowment workshop, postponed from spring be the subject of an interim educational workshop, potentially for November 19th.

Action: By acclamation, accept Tehaar's resignation. Wong-Lee will confirm dates for the Endowment and Capital Budget workshops.

Preliminary Academic Program Prioritization

Hamrick has asked the UBAC to consider program prioritization as part of the upcoming budget process. Vice-Provost Shirley McGuire, chair of the Joint University Curriculum Committee, was asked to present information about university-wide program priorities.

Hamrick reviewed current revenue strategies embedded within the university's budgeting process. At the graduate level, programs complete a budget questionnaire responding to proposed 5-year enrollment targets, curriculum with school patterns, proposed tuition rates, and a schedule of faculty and staff lines. The deans work with CIPE to get to 60/40 split, where 40% of a program's revenue less expenses supports the university's overhead expenses and 60% supports the program's direct expenses.

At the undergrad level, funding for new programs goes directly through Budget Assist. New programs are limited due to a neighborhood-agreed enrollment cap on the numbers of Hilltop campus students. There has not been much success in modifying the numbers of degree programs offered, although three new undergraduate programs in Critical Diversity, Engineering, and Data Science have been added over the years. McGuire indicated the deans, faculty and staff already perform regular academic program reviews for accreditation, assessment, and quality as well as fiscal impact examinations.

McGuire explained that academic prioritization differs from the annual reviews where programs align with strategic priorities. She indicated that the alignment process has resulted in three buckets: (1) programs for additional investment; (2) programs that align with the Jesuit mission; and (3) programs that no longer align with university's mission.

Questions/comments:

1. Hudson asked if the six Budget Assist priorities are the same as those used for academic priorities.

Response: The six strategic priorities created in 2001 were used for academic programs, pulled from the mission statement. Hamrick indicated that the Budget Assist priorities are not the academic priorities.

Cannon added there have been discussions at Provost Council meetings about this and he thought the color-coded charts were part of this conversation. McGuire clarified these were early preliminary versions of what the process could look like.

Zarobell indicated that CAS had discussed this and there were negative concerns about the implications thereof. He noted the under-enrolled course policy allowed CAS to achieve this in a different manner, e.g., masters for International Studies Program is currently redoing their curriculum.

McGuire added that institutions who were successful at academic prioritization understood not all programs can remain and the difficulties associated with that fact.

2. Fernandes asked if university leadership had considered merging with other institutions. She indicated that with remote instruction, such consolidations might be easier to manage.

Response: McGuire indicated sometimes sharing of resources across schools is simpler than an institutional merger. Hamrick pointed out sharing institutional resources sounds easy but is often more complicated due to issues of control, coordination, MOUs, and revenue sharing.

Cannon pointed out university libraries have shared resources for years given the increase in costs. The AJCU institutions implemented a 24-hour reference service across the country and given time changes, students still had access.

3. Retos mentioned that USF used to have a joint degree program with one of the art schools, however, because it was unclear which university was the original source, student records were difficult to trace. The effects of this experiment are still being felt. He also inquired about program/school alignment and how such decisions were made.

Response: McGuire indicated the work is handled at the dean and faculty level and then comes to the provost and the council of deans, with noted exceptions including provost or president initiatives, market research, external reviewers or experts in the field.

Action: By acclamation, accept the information provided; use the six WASC approved program priorities as budget drivers.

Revenue/Expense Scenarios

Hamrick indicated he and Harrington's team are working on a AY22 budget calculator, to be completed by week-end. Hamrick reminded UBAC about the difference between the annual base budget and this year's one-time COVID placeholder budget. \$8.9 million of savings were applied in April 2020 in order to balance what would have been the regular AY21 base budget. Once COVID19 hit, various one-time budget revenue and expenditure changes were made and incorporated into what is now being called the AY21 "placeholder" budget.

In anticipation of developing the AY22 budget, graduate enrollment target proposals are still being collected. The adjustment to net tuition budgets is going to need to be around \$24.5 million, assuming residential hall revenues will be back to their normal AY22 levels with double occupancy. If resident halls must remain at single occupancy, another \$11 million in reduced housing revenues can be expected. Tuition declines or lower enrollment targets may become permanent base adjustments. Granting AY21 employee pay increases does not increase the revenue/expenditure gap because they were already factored into the budget, although granting AY22 pay adjustment will increase the revenue/expenditure gap. A tuition increase could help reduce the anticipated \$24 million gap but there are challenges associated with that strategy.

Hamrick provided several budget scenarios including tuition freezes, employee salary restoration to May 2020 levels, grant AY21 pay increases but cancelling AY22 pay increases, etc.

Conversations with the school deans indicates there are not operational reductions that can be made sufficient to cover a \$24 million gap.

Questions/comments

1. Yang and Rangitsch asked about smaller budget levers?

Response: Hamrick indicated gifts and grants would only provide small offsets. He offered that larger levers, such as lower discounting and higher headcount might be unrealistic in the current COVID environment. Beseda added that the targets for first year domestic students is 1,200, which is 200 more than enrolled in 2020

2. Fernandes asked about data related to the size of the anticipated AY22 budget gap.

Response: Hamrick indicated that his example was designed to illustrate the magnitude of the problem the university may face for AY22. He noted that the structural budget problem results from increases in discounting, moderate to flat headcount, and salary increases. Supporting revenue year-over-year has not kept up with supporting expenses. Hamrick added that Fitzgerald is open to a variety of possibilities concerning tuition increases, understanding that USF faces big budget deficits and, while tuition increases are a way to close the gap, students and families are facing financial challenges.

3. Morrison asked if there have been discussions with USF's labor unions about a gradual return of salaries in a structured way recognizing there is currently a big deficit and exploring a process that is equitable, even if it takes a period of 3-4 years. He noted that tuition increases don't seem to make a lot of sense in this environment and can be demoralizing to students receiving online education.

Response: Hamrick noted negotiations happen on a case-by-case basis with the bargaining units. He stated non-represented staff at higher levels had larger salary reductions, that USF vice president salaries at market rate tend to be in the 50th percentile whereas some faculty groups are being paid at the 90th percentile. The USF board of trustees' compensation group will be examining this issue.

Hudson indicated UBAC members were not ready to make a decision about budget priorities without the budget calculator. She suggested adding a November 5th meeting and asked for assistance in putting scenarios together in advance for review.

Action: Motion: add special UBAC meeting November 5th. Vote: Approved by acclamation.

General Questions and Answers

1. Yang and Rangitsch asked for clarification about the difference between surplus and reserves.

Response: Hamrick indicated these are related but distinct concepts. He noted that operating forecasts contained assumed reserves. After reserves are inserted into the budget, an operating surplus or deficit is left. As an example, he indicated that if the AY21 operating forecast contained \$5.2 million in reserves and we needed to apply \$3.2 million of that toward any spring 2021 enrollment shortfalls, the difference (\$2 million) would be classified as surplus for AY21.

Hamrick discussed how faculty and staff lines are handled as part of calculating surplus in line with common university practice.

Good of the Order and next steps:

- Hudson encouraged everyone to submit their budget questions and will send Hamrick a running roster of questions for the November 5th meeting.
- Hamrick will send out a budget calculator on October 23rd.

Meeting adjourned: 1:39 pm