

University Budget Advisory Council
Action Minutes
April 11, 2023

Members present: Shannon Burchard, Sarah Blackburn, Jonathan Cromwell, Otgo Erhemjamts, Michael Goldman, Laura Hanneman, Michael Harrington, Ethan Lee-Bellows, Jeff Lefkoff, Lindsey McClenahan, Elizabeth Merkel, Spencer Rangitsch, Julia Schulte, John Zarobell

Members absent and excused: Opinder Bawa, Julie Orio, Thao Khuong

Announcements

- One more UBAC meeting in May
- Lefkoff is departing USF in mid-June, management of operating budget to be relocated to B&F, planning transition in progress. Plan to keep current budget office within Academic Affairs.
- Lefkoff is making a presentation to ASUSF on 4/12. Zarobell will also join with other administrators.

Approval of Action Minutes: March 23, 2023

Motion/2nd: Blackburn/Merkel **Vote:** 13 **Abstain:** 1

Summary of Finance Presentation

Lefkoff reviewed the timeline for FY24, response to budget gap Phase 1 and continuing to revise Phase 2 gap, \$13M. Hopeful to cut the \$13M gap by two-thirds. The final gap will be allocated to the units and an updated budget will go to the Board for review and approval.

\$39M gap consists of increased operating increases associated with inflation and contracts including compensation increases, debt service for Masonic Building, student bad debt, operating reserves 2%, and FY23 \$13.1M placeholder and net revenue decrease.

Finance Committee interested in multi-year strategies and longer-term solutions to stabilize operating budget: enrollments, Financial Aid and discount rate and expenses continue to increase. Stabilizing the discount rate has to be thoughtful to maintain enrollments and USF's mission. How much do we cut on base budgets?

- Enrollments: every 100 undergraduate students represents approximately \$2.8M in net revenue and every 100 graduate students ranges between \$2.3-\$3.4M based on tuition.
- Retention: every 1% for the first year generates an increase of about a half million in year one and by Year four, it is \$2.4M.
- Discount rate: every 1% change is \$6.4M institutional wide. This would require a multi-year process. Since 2019, institutional discount rate has gone up 4.6% or \$30M.
- Expenses: We have developed a university that is built to support 11,000 students pre-covid and now at 9700 students last fall. The 1300 delta in students translates to about \$36M.

Don't see how any one of these levers alone can balance the budget. Will need to be a combination. Don't see enrollment growing to 11,000 in the next 3-5 years. We should not rely on this growth.

Are there any enrollment updates? The Enrollment Dashboard is in transition and recently working with consultants HRCR on a new model. Most change is at the graduate programs, establishment of two master programs in Oakland, closure of Holy Names University and Nursing students in the Kaiser partnership, 22 new students. Rolling out the Double Dons program by offering discounts for alumni seeking graduate degrees.

Is Leadership looking to mandate a certain level of base level cut vs carrying this gap? This is a discussion at Cabinet. McClenahan shared some retirement positions will not be filled.

UBAC has in past years requested savings narratives and will soon be shared in Canvas. The narrative template asked for a little more background and information. It has been useful in the past in fulfilling transparency and for the community to see where the cuts and impacts are. It's always nice to hear from Cabinet representative perspectives. What is the timing of Phase 2?. Decisions will be made by President and his Cabinet. Process will look very similar to Phase 1.

The revenue at risk, \$2.4M, is this an additional scholarship that is unbudgeted? Is the additional headcount balance out the total of additional scholarship of new dons and existing Dons so it does not have an effect on the \$2.4M? The contribution to net revenue of the program is net.

If we don't hit the increased headcount from Double Dons, will that net increase be a loss? If we get zero additional students, it will be a net cost with additional scholarships.

Otgo shared the deans were informed not to worry about one-time or base cuts, therefore Phase 1 exercise, we did not indicate which was one-time or base cut. Deans may still update their savings plan.

To take a positive approach, think of ways to grow top line revenues from enrollments while holding expenses constant. One of the challenges this year is inflation and serious price spikes. The SEP initial effort to think of long-term enrollment planning and revenue stream, but in the course of the academic year, recognizing this is not a viable option. Where does it lead us with long-term budget planning? Does it put us on a path to reconcile our revenue and expenses or do we need more radical work? Otgo shared her approach of looking at things with fresh eyes and a finance lens with a deep dive on data, how much does it cost to run the SOM. USF is set up as an expensive place to run, big part of operating expense is fixed, large tenured faculty, union contract raises, and CBA states department chairs receiving course release. Scope of responsibilities of chairs at USF is lower compared to other business universities. SOM is considering reorganizing its departments.

The chair model is significantly different at USF. At UBAC, we look at university-wide. SOM (academic) is different from a service unit. CAS faculty concerned about losing their departments. Conversations starting to be more about these kinds of issues.

Framing it in an institutional restructuring and usage of fixed costs, e.g., CASA, what should that allocation be and how should we think about these allocations across the university? SOM has not looked at it this year. School level budget look at top line revenue, enrollment tuition, net revenue minus operating expenses. There is no line items for fees to ITS, Marketing, they don't show up as operating expense. We calculate our contribution margin. Think we should look at standardization.

The Provost asked for a small team to look at benchmarking data, what is the optimal enrollment size, budget size? If we look at universities in similar size, then we can say which university tend to have high retention rate, student outcomes, what kind of expense ratio can be justified.

With the change of relocation of the operating budget structurally, will this eliminate the opportunity to have larger discussions among the schools? Don't imagine it will change, everyone is going through this pain. Regardless of where budget management goes, we're all interested in this data and data driven decisions.

How are contribution margins considered in relation to budgets? We have migrated away from relying on contribution margins to evaluate the health of the programs this year. Deans and delegates should set priorities for their school and programs.

Applaud Otgo's innovation. Think we need this flexibility and think we can all benefit from this even if some ideas might break. Will have to be more increasingly in tune to programs that get students jobs. There are ways to identify centers of excellence and creating positive experience for our students. Would love to hear what other schools/college are doing. When people think of innovation, they tend to think of curricular innovation. Innovation is many ways, working with each other, not just new programs.

General Comments/Discussion

UBAC has always been under the Provost, what does the new transition mean for this committee? All of the Tri-chairs will be rolling off next year. How can we better articulate what UBAC recommends? What would UBAC like to see? For example, the upcoming President's May 2nd Townhall. Many feel that UBAC exists to provide support and advice, but not being brought into this Townhall or the conversations informing it. Seems that the future work of the committee is decided by those who aren't here, rather than the committee itself. Would like to reinforce what this committee stands for, UBAC's role, how might UBAC continue to be relevant. Sense that shared governance isn't actually going anywhere. Many see the value of UBAC, but don't know what the support from administration is for this work.

Was the creation of UBAC pushed hard from USFFA? Yes, it is one of the major impetus for generating this committee along with WSCUC, shared governance. We also want to evaluate whether it achieved the goals we thought it would.

Feel it has been useful. Has a broader impact to make decisions, how cuts may impact services, and help to explain things to the rest of the university. It is hard to see how it continues with the restructure.

Is UBAC a model/fulfillment of shared governance? There is a strategic plan working group on Shared Governance. Is this a place to consider UBAC conversation? There are two UBAC representatives on the Working Group. Members have repeatedly mentioned UBAC as a prefigurative shared governance structure on campus. In principle, UBAC has achieved a lot, but it is challenging to encourage people to participate (new elections) when it is unclear what the efficacy of their participation will be.

First step is to start the conversation and continue the conversation. Those on the committee are doing this service because we want to participate in a broader process and benefit the university as a whole. Need to be clearer about what we hope to achieve, especially if UBAC will be existing an altered way going forward. How can we ensure there will be a continued validity and significance in having this group? Perhaps questions? along these lines can be asked in advance for the coming town hall?

Good of the order

Education session for Financial Aid, either in early June or in the Fall.

Adjourned 1:30pm