Strategic Planning and Budget Committee
Tuesday, December 3, 2013, 2:00 to 4:00 p.m.
Administrative Conference Room

Attendees:	Mary Allen, Josh Berlo, Lendley Black, Chuck Bosell, Monica Bruning, Tim Caskey, Linda Deneen, Ben Dufault, Lisa Erwin, Amy Hietapelto, Chris Johnson, Lucinda Johnson, Mary Keenan, Pat Keenan, Paul Kiprof, Jim Klueg, Wendy Larrivy, Morris Levy, Zhuangyi Liu, Dan Martin, Mick McComber, Heather McLean, Jerry Pepper, Dan Pope, Cody Reilly, Kim Riordan, Andrea Schokker, Jen Schultz, Mike Seymour, Mike Sunnafrank
Excused:	John Arthur, Tim Holst, Rebecca Katz-Harwood, Cheryl Tillman
Absent:	Grace Kang
Guest:	Sue Kerry

Chancellor welcomed the committee to the first meeting at 2:01 p.m.

Introductions and Review of the Committee's Charge
An agenda and roster were distributed. After introductions, Chancellor noted that although the committee is quite large, it is important to combine issues of planning and budget to decrease duplication or silos. He hopes to use the committee as an opportunity to bring together issues, concerns and initiatives that impact planning and budget processes and to enhance communication throughout the campus. He would like strong integration and alignment of strategic planning, campus master plan, and strategic enrollment management with budgeting. Another goal is to clarify our budget situation.

Chair Nominations
The chair will work with Chancellor and become a member of the University Coordinating Council. Jennifer Schultz was elected chair and Morris Levy was elected vice chair. Rather than taking time during this meeting, the staggered terms will be determined at a later point.

Review of Strategic Planning Progress
The Strategic Plan was approved in April 2011. It was envisioned as a five-year plan, so next year work should begin for developing the next strategic plan. Chancellor distributed a summary of strategic planning highlights compiled by John Arthur. He is working on a more comprehensive written document describing progress and what is still needed. The first set of strategic planning grants was funded by an initial allocation Chancellor received for the strategic plan, and those funds are mostly exhausted, limiting the likelihood of additional grants. John Arthur is gathering reports from grant recipients, and an update will be provided at the next meeting.

Overview of the Basics of UMD's Budget
Mike Seymour shared a PowerPoint presentation about UMD's budget, which will be added to the governance website (possibly a site specifically for this committee). Providing a simplified understanding of the budget is not an easy task. Higher education has had a fairly solid base, despite state funding cuts, by supplementing with increased tuition, but students and families are weighing that value. Minnesota also has a demographic shift with fewer high school graduates.

State appropriations come into the university system and then come to UMD as one of 52 Resource Responsibility Centers (RRCs). The university uses baseline budgeting, in which units receive the same as the previous year, adjusted for money for new initiatives and across-the-board increases such as salaries. The base is influenced by state allocation, system compact (investments), tuition revenue (enrollment levels), and costs (salaries, fringe, utilities, cost pools, debt service). Today's snow removal, as an example, cost about $45,000 (partially funded by parking fees). It is a zero sum game, so if we get more funding, others get less. Mystery remains about system cost pools. A cost pool (such as IT, HR, legal services, accounting, insurance liability, equity & diversity. etc.) charges each RRC for system-wide services (UMD pays $18 million this year). Does the methodology serve UMD fairly? Sometimes we receive a clear benefit, sometimes not. For a few cost pools UMD pays a slightly lesser portion because we provide those services to our campus. Chancellors are in discussion with the system about adjustments. Each UMTC college is an RRC, as is all of UMD. Given the complexity, it is not clear whether UMD colleges would benefit or be disadvantaged by being a separate RRC. UMD must pay 1/3 the cost of new buildings. Unless we have a donor, a loan is paid as debt service, generally over 20 years. Rates vary but have generally been favorable.

The funding trend from 1998 to 2013 shows a change, resulting in tuition now forming a much greater portion of UMD's operating budget than the state appropriation. A major turning point occurred in 2002-03. Enrollment management has become more important to provide an accurate estimate of what to anticipate. We all have a vested interested in SEM strategies; it is everyone's job to recruit and retain students. The term "O&M" can be used in two ways – referring to the just the state appropriation or referring to the university's Operations and Maintenance budget (both state appropriation and tuition). "State specials" refers to legislative funding specifically for NRRI (green line on chart).

There is no formula in how the system determines RRC funding, resulting in some mystery. All units are expected to contribute to the common good. Since about 2010 the system didn't want to penalize totally for increased tuition to give incentive to grow enrollment. In the past UMD generally projected a low estimate of enrollment, impacting trust in our estimate. UMD grew in size over time without growing the baseline budget. We are dealing with the consequences now after a dip in enrollment. We need to establish a real baseline budget. In response to a question about comparable midwestern universities, Chancellor indicated there are some comparables but we want to focus on student credit hours and cost per student. He noted we must be careful in arguing for a formula. In Georgia, midstream changes in a formula created more of a mess. MnSCU's formula is heavily weighted on enrollment. The University of Minnesota focuses more on relationships and stating the case to bring more funding to UMD.

To improve transparency, UMD moved toward more strategic fiscal decision making at the unit level than centralized oversight and analysis. Less is held centrally, pushing money as well as responsibility for decisions out to the four units (Chancellor, VCSL, VCFO. EVCAA), with the chancellor and vice chancellors as budget managers. The main problem is lack of a true base. Money is maintained centrally for Campus Reserve, Campus Fringe Pool and Tuition Reserve. We need to collaborate and work more efficiently across units. A financial managers group meets regularly. Good onboarding of new deans and budget officers is important. When will we

know we have a true baseline budget? We are gathering information about expenditures. There are bad practices with course access. The program prioritization process over time will help determine the baseline budget. Part of this committee's opportunity is to help the campus make good decisions going forward. Another opportunity is helping the institution connect the dots; align the priorities of facilities and academics as an example. We might find the right mix of enrollment and then make informed decisions about changes in enrollment.

Mike Seymour distributed the UMD All-Funds Budgeted Revenue Structure – FY14 (created by the system; one slide of the PowerPoint). Sponsored Funds account for $14.3 million and Non-Sponsored Funds account for $239.7 million. Non-Sponsored Funds are divided into the categories of Local Unit Generated Revenues of $88.4 million (such as auxiliary operations, clinical income, tour income, student fees, endowment income, etc.) and Centrally Allocated & Attributed Revenues of $151.3 million (such as state O&M, state specials, tuition, ICR, central reserves). Another handout provides definitions of fund categories. There is a challenge in keeping terms straight. For example, the tuition percentage changes depending on whether it is in relation to All Funds or O&M Fund 1000 (tuition is 77% of O&M budget). In response to a question about UMD's centralized fringe benefit pool, 95% of the budgeted fringe benefits are distributed at the beginning of the year, with the difference settled up at the end of the year. This year's budgeted $114.2 million tuition revenue comes from 11,200+ students (including undergraduates, graduates, high school students; some full-time and some part-time). The exact mix of student types affects the amount of tuition money to UMD.

UMD will receive FY2015 budget instructions in January. We submit the compact materials two weeks before UMD's compact meeting in February or March. Then we wait until about May for the system response, developed by a group of five UMTC officers. UMD has no representation for the ultimate decision. We have more input than in the past, which the chancellors fought for. Chancellor is optimistic that the compact process will continue to improve. The legislature gives appropriations to the University of Minnesota system and to the MnSCU system. The U of M system decides how to allocate to the campuses. Constitutional authority gives the U of M greater autonomy than MnSCU, but the legislature has begun to attach outcome measures to our allocation, which lessen that autonomy. Our Northeastern Minnesota legislative delegation provides strong advocacy for UMD. A committee member asked about opportunities for the faculty and union to advocate to the legislature; he pointed out that UMD prepares more teachers than UMTC. Chancellor noted this committee is an opportunity to better clarify the budget situation to the campus community and to have a clearer message. Mike Seymour indicated that new money came to the university in this past legislative session in the form of holding tuition steady instead of a 3% increase. No new money was added to the base; it traded tuition dollars for state dollars. Some new research dollars came to MnDrive; UMD hopes to receive some of these resources. In response to a question about transparency of the system compact process, Andrea Schokker noted that the end result is transparent on the Regents website; the allocations for all RRCs are on that website. The Office of Budget and Finance fiscal pages are also available online (www.budget.umn.edu/document.htm), but Sue Kerry cautioned that they have a different format than UMD's worksheet. The SP&B committee will be provided a draft of UMD's compact statement in advance if time permits. This year Andrea Schokker added more involvement in the process by asking for a list of requests from each EVCAA unit. UMD is at a disadvantage compared to TC academic units, because our support unit needs (such as police)

must compete with academic needs. We are exploring a mechanism to ask for support needs in an alternative fashion. Last year's budget instructions and compact submittal will be provided to the committee.

Review of UMD's Current Budget Status and Trends over the Past Three Years
The UMD FY14 Budget Development Worksheet was distributed and gives a sense of trends. The former University Fee (developed because of Wisconsin reciprocity) was included with tuition in FY11 and discontinued after that, so FY11 and FY12 tuition are not comparable. There is no central pot for equipment, resources for major accreditation updates, etc., so carryforwards include planned funding for replacement equipment and other items. If the base budget is not sufficient, money is also drawn from carryforwards for current bills. We have purposely spent down carryforwards but tuition reserve is also part of the carryforward. UMD is trying to separate out the true carryforward, the true reserve, and what is planned/designated for future purposes. Minneapolis also has large carryforwards. Even if tuition stays stable, expenses generally increase due to inflation, which creates structural holes. Sometimes we rely on budget assumptions for revenue (such as athletic gate sales), and it is difficult to cut expenses midstream. The projected FY14 deficit is $7-8 million. We will ask the system to help solve part of UMD's budget problem and to bridge funds. In response to a question, Sue Kerry pointed out that non-operating revenue and expense are at the bottom of the worksheet.

The 2011-12 retrenchment was not a completely true retrenchment. Some positions were moved out of the base budget but not actually cut. We are trying to move toward more budget discipline and to put all expenses into buckets. Revenues and expenses fall into categories of recurring (ongoing) and nonrecurring (one time). Once one-time funding, such as carryforward, is spent, it is gone. State appropriations dropped $6 million in FY12. UMD could have weathered that cut better if our enrollment stayed the same or increased. Over the next few years we need to meet an $11.9 million target of cuts, revenue increases and money from the system.

In response to a question about how the prioritization process affects the budget process, Chancellor noted that the vice chancellors meet soon, and he hopes to provide preliminary information to campus before the end of December. Lisa Erwin noted that some opportunities for collaboration and some redundancies were identified among the support service areas.

The committee intends to meet twice in January; a doodle poll will be sent to members. A separate doodle poll will be used for regular spring semester meetings.

The meeting adjourned at 3:55 p.m.
Respectfully submitted,
Betty Greene