

Planning and Budgeting Committee (PBC)

October, 20 2016

Minutes

PBC Members Present

Steve Boardman, Sandra Browning, Jean Carr, Patricia Cuchens, Michelle Dotter, Karen LaRey, Tim Michael, Michelle Peters, Rick Short, Cengiz Sisman, Rhonda Thompson, Karen Wielhorski, Paul Withey, Katherine Zellner

Alternates Present

Linda Bullock, Jamie Hester, Leroy Robinson

PBC Members Absent

Darlene Biggers, Glen Houston, Jeff Whitworth

Action Items

The chair asked if there were any changes or corrections to the September 8, 2016 minutes. With no changes or corrections noted, a motion was made and seconded to accept the minutes as presented.

Information/Discussion Items

Revised FY17 Budget

VP Dotter and Ms. Jean Carr reviewed a handout with the committee. VP Dotter said student enrollment is down from last fall (especially foreign graduate). They are referring to this as a shortfall in revenue. She said when you have a shortfall in revenue you can (1) reduce expenses (2) defer expenses/move to another source or (3) generate more revenue from other sources. VP Dotter said all of the assumptions they made are based on fall actual enrollment. These numbers will continue to shift and there may be another adjustment when we get spring enrollment.

Page 1 – Semester Credit Hour Comparisons

VP Dotter said under the total column on the first page you will see the FY16 actuals of 183,252 SCH. The budget we built for this year is based on generating 188,380 SCH hours. Based on assumptions we think our revised budget should be 180,698 SCH.

There is a shortfall in graduate international of 7,352 SCH which is a 23.74% reduction. This is where the financial issue impacts us the most. She said when you look at all the semester credit hour production comparing the FY17 Budget to a Revised Budget, we are only down 4%. She said that to calculate the overall shortfall, they took the shortfall for the fall semester comparing fall 2015 to fall 2016 (FY16 to FY17) and applied the same percent for spring and summer.

Page 2 – Tuition and Major Fee Comparisons

VP Dotter said under the change column on page two you will see the shortfall of 7,683 SCH. This converts to a dollar amount shortfall in statutory tuition of \$2,416,466 and designated tuition of \$2,569,466. Our total shortfall adding these two together is about \$5 million in tuition.

Page 3 – Reduction Calculation

VP Dotter said they summarized the statutory tuition projected shortfall (\$2,416,466) and the designated tuition projected shortfall (\$2,569,566) and this came to \$4,985,932. She said when they saw we were starting to have shortfalls in tuition, they started looking at other possible sources. VP Dotter reminded the group that we did not get as much money as we requested for the STEM Building or the Pearland Building. VP Dotter said they made the decision to increase the size of the STEM Building and issued bonds against designated tuition. They received approval from the treasurer's office to move the debt payment for the STEM Building (\$702,136) to HEAF funds. This shift immediately reduced the \$5 million shortfall to \$4,283,796. VP Dotter said she met with the president and provost and they approved the use of university reserves to cover 40% (\$1,736,317) of the shortfall and the remaining 60% (\$2,547,479) will be covered by university departments. This will be a 4% reduction for departments and needs to be completed by December.

Page 4 – FY2017 Budget Reduction

Ms. Jean Carr said this chart takes the budget and breaks it into all of the areas by organization. She said the problem lies with statutory and designated tuition. Ms. Carr said for purposes of the budget reduction they are only looking at state 1051, 1052 and designated 2064 funds. They took the total base budget and calculated what 4% would be. She said at the end of each fiscal year they allow departments to keep 25% of what their total expenditures were for 2064 funds. The rest is swept into a university pool for other allocations or future use. Departments are allowed to request these funds back if they have something important they were trying to do. She said for this purpose they are taking what was swept from the 2064 funds and applying it to the department's part of the reduction. Ms. Carr said the "reduction amount" column on page four will reflect the credit for the funds that were swept.

Page 5 – Guidelines for FY2017 Budget Reductions

Ms. Carr said this is a short narrative explaining that we have a \$5 million shortfall estimate at this time that can change at any given point depending on the next two semesters. Because tuition is the problem they are asking departments to first return

1051, 1052 and 2064 funds. She said departments that have another source of revenue can shift existing items over to a different source to free up funds.

VP Dotter said early next week Dr. Staples will send a narrative summary of the first three pages to all university employees. Dr. Tim Michael asked for clarification regarding the use of the HEAF funds. VP Dotter said HEAF is our capital expenditure fund. About two thirds of the Recreation Wellness Center is funded from a fee that is charged to the students for the recreation area. The plan was to also issue bonds against the HEAF money to pay off that debt. Those bonds are not going to be issued until February 2017 so we will use some of these funds to pay for the STEM Building, FY17 Debt Payment and the Capitalized Interest for Recreation and Wellness Center.

VP Dotter said one of the key elements that occurred with our international student enrollment was restrictions placed on the issuance of their visas. They are now trying to recruit domestic graduate students and doing research and hiring an outside consultant to determine what programs people are looking for. She said the spring semester is the last semester of our base year. It is the base year for funding FY18 and FY19. What we are doing now impacts us through August of FY18. Ms. Carr said when the legislature comes up FY18 and FY19 funding, it compares summer 2016, fall 2016 and spring 2017 to summer 2014, fall 2014 and spring 2015.

Dr. Michael asked how our current shortfall affects the Legislative Appropriations Request (LAR). Ms. Carr said they do two submissions for the LAR (August & October). The main focus on the LAR is what we fund as a university in statutory tuition. This is taken into account when formula funding is calculated, in addition to Base Year SCH. Because of the drastic change in our enrollment numbers they talked to the Legislative Budget Board (LBB) and the LBB recommended us to change FY17, FY18 and FY19 to reflect the enrollment changes. She said we are possibly looking at some base reductions in FY18.

Ms. Carr said when they prepared the LAR they were asked to show a 4% state reduction. The 4% reduction was only calculated on special items and we showed our cut to be taken from Institutional Enhancement, if the cut occurs.

New Business – Police Building

Dr. Tim Michael asked for clarification regarding the increase of funds for the police building and is it related to HEAF. VP Dotter said over a year ago we had an item on the Board of Regents (BOR) agenda for a police facility (\$1.4 million). She said what went to the BOR at that point in time was the purchase of the modular building and not the total project. What is reflected now is the cost for the total project and a large part of this cost is for the site work. This is a permanent modular building but is constructed off site and brought in pieces and put together on the pad. She said HEAF funds were used for the purchase of the modular building and unexpended utility funds for the rest of the building.

With no further business to discuss, this meeting was adjourned.