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Finance minutes 02/22/2012

Finance Committee

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UMM Finance Committee Minutes-2/22/12

Members Present: Roland Guyotte, Sara Haugen, Laura Thielke, Timna Wyckoff, Mary Zosel, Pieranna Garavaso, Michael Korth, Reed Olmscheid, Andrew Sharpe, Lowell Rasmussen

Members Absent: Gwen Rudney, Manjari Govada,

Guests: Bryan Herrmann, Bart Finzel, Colleen Miller, Amanda Krosch, Sheila Windingstad, Note taker

Roland asked Michael Korth to read his proposed revisions of the Meeting Minutes for 2/15/22 that Michael had submitted for the Committee to review and vote on. Michael was not prepared to do that at this time so the action was tabled.

Roland asked Bryan Herrmann to start because Bryan had another meeting he was to attend that was taking place at the same time as the Finance Committee's meeting. Bryan presented an Excel file with an excerpt from the FY2012 Scholarship Expenditures Model. The excerpt was intended to demonstrate two things: 1) the increase in amounts of UMM merit scholarship programs since the 2006 strategic decision by UMM to invest in high ability students, along with the total growth in expenditures each year to get to FY2012 where each of the merit programs is "fully stacked" for expenditures; and 2) the difference between projected and actual number of students accepting UMM merit scholarships. One of the components of the model, the Morris Scholars Stipend, is really a 'wild card' and difficult to predict from year-to-year because the money may be used at any time by the student between their sophomore and senior years.

Timna asked, when Bryan was done, whether the numbers he presented represented a "hole" or not? Colleen replied that this is part of the "hole." This is the difference between actual number of students electing the scholarship and the number projected to accept offers from UMM. Another piece of the "hole" is the difference between how much we budgeted for scholarship expense in any given year and how much we actually spent.

For example, in FY2012 we have a budget for scholarship/financial aid programs of \$9.3 million and the projected spending is \$10.8 million. This will generate a hole, or deficit, of approximately \$1.5 million. One of the items included in this hole is the variance in merit scholarship programs created by the difference between the number of students accepting UMM scholarships and what was planned to be accepted (which is what Bryan was demonstrating). Another factor is decisions that were made after the budget was submitted for FY2012. One of these decisions was to include the U Fee into tuition. This caused the amount that was awarded for full scholarships to increase by the amount previously identified as U Fee. Another variance is due to raising the amount awarded for Promise scholarships. Of the \$1.5 million variance, the all-University Promise scholarship charged to UMM's budget makes up \$930,123 of the variance. The remainder, or \$559,071, is due to UMM programs. UMM has other scholarship programs (i.e., International, Minority Mentorship, Matching, etc.); however, they are not of the same dollar magnitude as either the merit or Promise programs. Roland asked whether the \$930K is Central's figure or Colleen's. Colleen responded that it was calculated by her, but it is what has been spent at this point versus what was budgeted.

(Note: Throughout the remainder of these minutes, please refer to Colleen Miller's handout for 2/22/12, attached.)

Timna asked about Question #5. How do we get to use \$136,716 on a recurring basis if we're just filling the hole? Response: The assumption is that you will continue to add to tuition dollars (which is where the \$695K is included) and that you will continue to spend scholarship dollars at the same or greater level as you did in prior years, thereby the excess would be recurring.

In item #7, note that the planned RIO Savings were used to help absorb last year's budget cuts so they are not available a second time to reduce any deficit in this year's budget. Roland wanted to clarify that the difference between RIO and Voluntary Layoff is we don't pay for the health care associated with Layoff.

Sara stated that reference is made to 19 people taking the RIO, but others say there really weren't that many because it included some voluntary layoffs, etc. Mary said the number of 19 is not an accurate number to use for the RIO's. As far as she knows, 13 are actually RIO's.

Colleen mentioned, in reference to item #8, that there are no plans she is aware of to continue the \$50K in furlough savings by the Chancellor/Vice Chancellors. It would be helpful to get recommendations from the RAR (Resource Allocation Review) Committee for costs savings after reviewing programs, but they are not yet in a position to offer recommendations.

Timna confirmed that a lot of time has been spent on scholarships, but in item #3 the reason for the difference of almost \$.5 million is not readily visible. Why is that? Colleen explained that the FY11 budget is not on the current sheet that committee members have in front of them. The budget for FY2011 was set at \$1.9 million and actual came in higher.

Pieranna asked how we come up with the \$685,000 from item #9. Is that what we're (the Finance Committee) taxed with solving? Colleen replied that yes, the Committee's job is to make recommendations on how to balance the budget.

Lowell took a moment to make his recommendation to the Committee. He recommended, similar to last year, that one-time money be used to balance the budget until the RAR Committee has a chance to make some recommendations. He doesn't believe that the Finance Committee should make drastic reductions in the base right now.

Roland clarified for the group, "You (meaning the Chancellor/Lowell) want to hear our recommendation(s) by the end of our meeting next week." Also, he reminded the Committee that we haven't tapped into the \$175,000 from Carryforward yet, right? Colleen reminded the Committee that the \$175K may be needed for FY12, as we are looking at financial results that are only through January at this point.

Pieranna wanted to know how different this is from having a structural deficit. Lowell is optimistic that we can exceed the number of students predicted to take care of some of the deficit. Bart also sees reason for optimism. Lowell said, "We aren't lying awake at night worrying about the \$600,000+/-."

At this point Roland requested that by next week they'd have an up-to-date version of Linc's model to review. Colleen said that one will be provided.

Michael asked why the decrease in tuition and fees when reducing the enrollment by 27 students is \$275,000 (\$10,195 per student) but the increase when enrollment went up by more than 100 students was only \$696,000. Colleen replied that the two are calculated differently.

Lowell suggested that, when given the chance, this committee look at the melt rates used in calculating projections because they contain interesting and worthwhile information.

Please remember that if one-time money is used to help in balancing the FY13 budget, we will have some of the same issues next year again.

Roland asked the Committee if they wanted to spend the remaining time discussing the Faculty Salary report, as he thought that would be a good way to spend the last few minutes. Colleen provided an additional handout that referred to the budget instructions for new funding requests. The funding requests should be treated as a separate item and not included into the submitted budget. The Chancellor would request any new funding requests as a 'stand alone' item. Roland made a note that people involved with the Faculty Salary report (that he has talked to) are stating that we are in a grim state. It is believed that it would make the Chancellor's point stronger if we put up earnest money. This would also have to be a separate item. Timna asked if this just applies to the request for additional Faculty Salary funding or to any additional funding requests. Colleen responded that it applies to any new funding requests. Roland said that if we were to bring forth earnest money, it would have to be contingency funds or something similar. Pieranna wanted to clarify that the additional items are covered after normal budget items. Yes, that is the case.

Lowell said it was helpful to have the questions in writing before the meeting and urged members of the Committee to continue to submit questions before the next scheduled meeting if there are additional questions on which they would like clarification.

Time for next week should be spent-

Reviewing "Linc's model" updated with FY13 numbers to take to the Compact Meeting
Providing any recommendation(s) to the Chancellor regarding balancing the FY13 budget

Meeting Adjourned until Wednesday, 2/29/12- in Welcome Center @ 1:00 p.m.

Addendum to minutes: Excerpt received 2/22/11 from Budget Office as part of the FY13 Final Budget Instructions. *"Generally, budget plans at any level should not include structural imbalances. A structural imbalance occurs when recurring expenditures and transfers-out exceed recurring revenues and transfers-in, thus resulting in a deficit over time. The imbalance must be corrected by either decreasing recurring expenditures or by increasing recurring resources. However, structural imbalances with an approved plan for spending reductions, funding increases, or intentional investment of reserved or carried-forward resources can be budgeted in the EFS."*