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Finance Committee

Campus Governance

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1-26-2016

### Finance minutes 01/26/2016

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# UMM Finance Committee Minutes

1.26.16

Members Present: Dennis Stewart, Michael Korth, Pieranna Garavaso, Jess Larson, Mary Zosel, LeAnn Dean, Laura Thielke, Mark Logan, Jong-Min Kim

Members Absent: Elsie Wilson, Rachel Brockamp, Kerri Barnstuble, Bryan Herrmann

Guests: Jacquie Johnson, Colleen Miller, Melissa Bert, Melissa Wrobleski -Note Taker

## Agenda:

### 1. Approval of January 19<sup>th</sup>, 2016 minutes:

A correction was made on the date. Committee approved and seconded.

### 2. Budget 17: Colleen Miller & Jacquie Johnson

Colleen continued the budget discussion from the last meeting. She provided the committee members present with three handouts: The FY17 Budget Planning worksheet, Comparison of Tuition and Fee from FY13-FY16, and the Contingency Reserve schedule.

Colleen began discussing the FY17 Budget Planning worksheet and walked the committee through the sheet. She stated the FY17 Target Reallocation for UMM is \$258,000 based on tuition/O&M. The ask for an increase in Merit Aid is (\$375,000); the tuition shortfall projected for FY16 is (\$1,114,276) (which could be seen in more detail on the Tuition and Fee handout); excess merit aid projected for FY16 is \$100,000; the in-lieu of tuition increase for FY17 is \$322,065; the FY17 compensation increase is (\$414,715), which brought the worksheet to a "Total amount needed to 'balance the budget' for FY17" of (\$1,481,926). It was stated then that the \$700,000 previously used to pay off the sequestered deficit could be used to help alleviate some of the needed funds, but we would still need to establish what is causing the structural imbalance each year. This would leave (\$781,926) to address.

Colleen moved on to discussing the Contingency Reserve spreadsheet. She stated that for the past several years, UMM has been using those funds to help balance the budget. The balance in the account as of June 30, 2015 was \$2,724,608 in fund 1000.

Colleen then asked if anyone had questions/concerns:

- Do you have a model that projects tuition numbers since you cannot just multiply enrollment times tuition to get the answer?
  - UMM follows the same way the Twin Cities estimates tuition. Colleen added that the model is not sophisticated and it is harder to project due to factors such as: students taking smaller credit loads, Native American Tuition Waiver, more incoming high school students with a year or two of college credits.
  - Tuition is one piece of the equation, although a large piece. There is a fine line when setting tuition for the budget; you can't set it too high or too low. UMM will have to pay back the tuition shortfall to the tuition clearing account.
  - Jacquie added that the numbers are troubling. Enrollment numbers are hard to project. When budgeting for FY16 we thought we would be okay with a degree-seeking enrollment number of 1,790. But after a shortfall of 50 students in the fall and another loss of

130 in the spring, we have an issue. We need to analyze what's going on, why these students are leaving.

- It was stated that UMM did hit their number of new high school students, but we didn't retain current students as expected. UMM did have more graduates in December this year compared to last year.
- Colleen then added that the tuition model used is based on trends. We need to constantly monitor how the trends are changing.
- A committee member stated they felt that if the prior year was short, we should be adjusting our numbers for better projecting. We should be constantly changing each year. A response what made that UMM needs to set a budget based on trends and projections of what we expect to occur in the next fiscal year. We also need to keep in mind how many students pay full tuition, how many receive the Native American Tuition Waiver, etc. These are all very important variables to keep in mind while budgeting.
- Another statement made in the meeting was that it was unsettling to see FY15 'asks' for merit financial aid are still listed on the budget planning handout.
  - UMM has funded these expenses but has not received approval of funding from the Twin Cities so the plan is to continue asking for the funds each year so that the Twin Cities realizes we still need these funds. Getting the funds would help cover on-going expenses in merit funds.

The conversation then shifted to retention. A committee member stated that they can see the impact of retention between fall and spring even better based on the documents provided in the meeting. It was also stated that maybe since we are having retention issues, maybe we are recruiting students who just want to "try" college out. It was said that faculty see students who are realizing they will not continue at this college or college at all. Jacquie responded by restating what was mentioned earlier in the meeting. We need to keep in mind the following variables when modeling tuition: credit load, Native American Tuition Waivers, students coming in with 1-2 years of college credits and graduating sooner. Colleen said that when modeling, we use averages over 3-5 years. It is hard to project when the variable are changing.

Jacquie listed the things UMM can look at to help provide the funds needed to balance the budget (i.e. the "levers" available to UMM):

1. Implement a differential in our Non-Resident, Non-Reciprocity rate (NRNR)
  - We would grandfather in students from Fall 15 and evaluate waivers to new incoming students.
2. Using the \$700,000 for the budget planning to help balance the budget
3. Something less than the 2.5% salary increase (except collective bargaining units, they are separate)
4. Abandon or defer the 3<sup>rd</sup> year of the \$100,000 in faculty salary increases
5. Make use of the contingency fund
  - As mentioned, this is not a good idea to continue this practice as these are one-time funds. We need to understand the cause(s) of the shortfall, which are recurring.
6. Layoffs/Program reductions
7. Hiring freeze

Jacque asked the committee to please make recommendations for a prioritization or things they feel should be taken off the table and/or suggestions that may work.

- There have been previous layoffs and reorganizations around campus and some departments have been “beefed up,” how have the restructures in different departments saved the University money?
  - Many of the restructures didn’t add positions back; otherwise there have been areas where new positions are covered by grants.
  - It is too early to tell if these changes are working, but it is important to keep this in mind and look at as the years go on.
  
- When it comes to the hiring freeze vs. layoffs, one committee member stated he thought both send messages but he would prefer the hiring freeze over layoffs.
  - Jacque also stated that she doesn’t believe we are in a crisis mode yet and need to go as far as a hiring freeze, though voluntary layoffs will not be an option.
  - A hiring freeze is not strategic.
  
- In referencing the \$700,000, a committee member felt that this year we should use the funds to help with the projected budget shortfall. By doing this, it gives us longer to establish what is causing the continued budget shortfalls, and look for “fixes.”
  
- Another comment made by a committee member was that then it comes to the NRNR, Chinese students may come and only stay for one or two years then leave for a different institution. We may want to think about doing the discount on tuition on the 3<sup>rd</sup> and 4<sup>th</sup> years and not the 1<sup>st</sup> and 2<sup>nd</sup>. This may result in greater retentions with some students.

In wrapping up the meeting, Jacque and Colleen asked the committee for recommendations for following items since the Finance Committee is the governance unit to make recommendations on budget decisions:

1. Enrollment Projection for FY17
  - a. Due by: February 1<sup>st</sup>
2. Recommendations to help balance the budget for FY17
  - a. Due by: February 15<sup>th</sup> or sooner

Meeting adjourned.

Next meeting will be Monday, February 1<sup>st</sup> at 9:00 am in the Moccasin Flower Room.