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Finance Committee

Campus Governance

4-16-2020

Finance minutes 04/16/2020

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UMM FINANCE COMMITTEE MINUTES

4-16-20 (By Zoom)

Members Present: Brad Deane, Roger Rose, Jon Anderson, Mary Elizabeth Bezanson, Michael Korth, Angela Anderson, Marie Hagen, Naomi Skulan, Arne Kildegaard, Angela Hume, Bryan Herrmann

Members Absent: Juan Vasquez Garcia, Maddie Happ

Others Present: Michelle Behr, Jessica Broekemeier, Melissa Wroblewski

Agenda:

I. Welcome

Brad thanked Chancellor Behr for taking the time to join the Finance Committee and asked to get an update with how things are looking from the Chancellor's perspective.

II. Chancellor Behr discussion on The CARES Act

Chancellor Behr noted that this situation is continually changing and what she says now may be different tomorrow. The state of the financial health of the University of Minnesota is strong, and she isn't hearing anything that leads her to believe otherwise. There are challenges but she's confident that we will continue to be successful. The University of Minnesota is acting as a system during Covid-19.

Chancellor Behr stated that the Congress passed the CARES act which allocates some funds to higher education. Allocations to each institution were done based on FTE. At minimum, half of this must go directly to emergency financial aid grants for students. The Act specifies that the University is to provide emergency financial aid grants to students for disruption of campus operations due to COVID-19. This includes food, housing, course materials, technology, health care, and child care. The other half is for institutional expenses or lost revenue. The statutory language is "to defray expenses including lost revenue, reimbursement for expenses already incurred, technology expenses, faculty/staff training and payroll incurred by institutions in higher education". As a system, the University of Minnesota is working with Office of General Counsel to see what this will allow us to do and understand what implications in disbursing money to students may have in terms of their

financial aid packages. Chancellor Behr said that there is a current general plan for distribution. This has not been communicated with students yet because the distribution of these funds still needs to be confirmed, reviewed, and verified.

Roger asked if we have a sense of how many pell-eligible students Morris currently has. Chancellor Behr said that there are many students. The guidance from the Secretary of Education is that the amount we give to each student should be less than the Pell Grant. Brad asked if these conversations are on a system level. Chancellor Behr said that the strategy for distribution is being discussed at a system level, but each of the campuses are given their own allocations based on their student body makeup. Arne asked if this money will be used for this semester or the next semester. Chancellor Behr said that we expect to receive the money soon, but it is still in question if this is for the students in spring semester only or if some will be for the summer sessions as well. These are things that haven't been determined yet and the University of Minnesota is seeking clarity that will come from the Department of Education. She said that University of Minnesota cares a lot about doing the right thing.

III. Chancellor Behr discussion on Student Credits from Spring semester

Chancellor Behr noted that instead of calling money reimbursed to students "refunds", it should be thought of as "student credits". This is because it goes on the student's account and first pays off any money that is still owed to the University. Then, any additional money will be refunded to the student. President Gabel put forward a proposal that would refund 100% of housing, dining, and parking and 50% of student service fees as of March 28 (the date the Governor stay at home order went into effect). This was passed by the Regents on April 3. There was some additional information that came forward afterwards that led Regents to reconsider the "as of" date. The "as of" date is now the first date after spring break that students would have been back on campus. This date for Morris is March 23. That money being credited back to the students is roughly \$1.4 million. There are numerous implications with losing this revenue. A lot of the money from ORL and Dining is used to fund repairs and maintenance of the residence halls. Some student service money is used to pay salaries. Currently, the Finance Office is working on figuring how much students will receive as dining plans and housing varies with each

student. Some students are still on campus and won't receive credits for ORL and dining. This is a complicated system in determining what each student will get, and Chancellor Behr noted that we hope to have all of this in students' accounts by the beginning of May.

Chancellor Behr noted that course fees and collegiate fees that students paid for spring semester are also being reviewed. This will vary course by course and are being reviewed with Division Chairs to figure out what each case looks like. There is no final amount yet but that will be another source of revenue that will be returned to students.

IV. Chancellor Behr discussion on Salaries

Chancellor Behr said that President Gabel announced no merit increases for the next year. There will be money for faculty who are promoted but that is the extent of those increases. Permission will also be needed from both central HR and the Provost or President in order to have exceptions to the hiring freeze. Each position we want to hire will go through a vetting process. Chancellor Behr noted that she feels this is especially hard on small campuses like Morris where there is very little (if any) redundancy. Chancellor Behr said she submitted requests for several positions (including a faculty position and for the Director of Admissions) that she believes are crucial. She says she hasn't heard anything yet, and has no sense on how many will be approved or not approved. She mentioned she only sent forward things that she felt couldn't be managed in any other way.

V. Chancellor Behr discussion on fall semester

Chancellor Behr said the University of Minnesota is looking at the fall semester and thinking about financial implications in 3 tiers. Those reflect the budget modeling that Regents were given at the April 7th meeting that talked about different situations: "best case", "moderate case", or "severe case". Possible situations include remote instruction, closed in the fall, or a hybrid model that classes couldn't start face-to-face in the fall (or maybe could but need to maintain social distancing) and how that would be managed. Chancellor Behr noted that this is where the Finance Committee could be helpful in setting the tone for these possibilities and what parameters to

operate within, how to manage things, or innovative possibilities to navigate more efficiently. She said that we don't know what we will do yet but will hopefully be making decisions in June on what to do in the fall. She mentioned that this is complicated to make decisions because we still don't know how widespread everything is and will be yet. President Gabel announced that she will ask the Regents to hold tuition flat. Morris' budget model included a 1.5% tuition increase that was part of solving our budget issues. Chancellor Behr said there should be no request on student fee increases. A few days ago, it was also announced that there won't be any on-campus events through June. She said these are all sources of revenue that we will no longer have.

Mary Elizabeth said that she heard MSUM is cancelling 10 programs and they are \$6 million in debt. She noted that Morris is in debt, and now the University of Minnesota is now in debt \$312 million. She asked if we are going to ask for a certain amount of influx to help us in the coming year. Chancellor Behr responded that the University of Minnesota is not in debt and has reserves that are managed very conservatively. She said there is no question that the University of Minnesota will navigate their way through this. She noted that it is uncertain how much support Morris will receive, but said she doesn't believe the University of Minnesota is interested in letting any of the campuses fail. There will be difficult situations in the coming year and hard choices will need to be made, but it is hard to have these conversations until we know how much in deficit Morris will be. Bryan also stated that the \$312 million that was discussed by the Regents was based on modeling of the worst case scenario.

Roger mentioned that there is no model planning for a normal semester, and if the best case scenario is the hybrid model. Chancellor Behr said that she doesn't believe we need an additional financial deficit model for a normal year, and that these are models that have cases that we are not able to return normally. Roger said that even if we do return normally, we should expect a pretty significant melt of students and may not meet our already modest admissions goals. He asked if we have a sense on what that piece looks like. Chancellor Behr said it is hard to say what fall numbers will look like. She said that the decision date has been moved from May 1 to June 1, but added that historically Memorial Day has been a better indicator for where our student

enrollment will be in the fall. Admissions is working hard to try to engage students virtually, and that there is a big event on April 30th that they are asking people to participate in. She said that some of our fate is in the Twin Cities hands as they are our biggest competitor. They are about 10-12% down from where they want to be, and them accepting more students on the wait list that would otherwise come to Morris is also a scenario. If the Twin Cities keeps to a May 1 decision date and release a bunch of names, Morris could capture those students.

VI. Chancellor Behr discussion on President Gabel's committees

Chancellor Behr said at this point, the President has convened an Emergency Management Policy Committee. This committee was meeting every morning, but now is only meeting two times a week which shows that the pressure is off a little. This committee has been a group that has been dealing with the emergency(s) of the day. The President is now convening two workgroups. One is concerned with "curating the mission" to see how the University of Minnesota will navigate its way through whatever comes next and connects to central elements of the mission (teaching and research).

The other group is a finance and operations group that is led by Ken Horstman and Brian Burnett. This group will develop preliminary recommendations to the President by June 1. There are four questions that they are being asked:

1. In light of the University's desire to retain its workforce, how do we leverage existing and new tools and policies as the Covid-19 pandemic evolves over time?
2. As a system, how do we leverage or renegotiate economies of scale without additional obligations to identify and capture savings?
3. What are new ideas for cost savings measures across the institution?
4. Where might the University consider outsourcing or insourcing to achieve greater revenue or institutional savings?

VII. Questions for Chancellor Behr

Brad asked if President Gabel will be bringing a revised budget in early May. Chancellor Behr said yes, and that there is a special meeting on Tuesday that will discuss enrollment and other budget related issues. She said she is

anticipating another special meeting in April before the May meeting. In May, the budget proposal will come.

Brad asked if Morris has been asked to remodel our own budget or if this will be done at a system level. Chancellor Behr said Morris hasn't been asked to provide an entirely revised budget yet, but we are looking at it and modeling locally. Bryan said that we've started this process as we know some of the levers discussed such as no tuition increases and no salary increases. He said we are currently editing those because the Regents will likely approve this. We've been doing everything else the same because a budget needs to be loaded in June. There will be decisions that are made after that which will impact the budget. Models will be made but will be different from what is put into the system. Brad asked if Bryan will get a version of what seems likely to share with the Finance Committee. Bryan said he will and the committee can look at it at the next meeting.

Brad mentioned that President Gabel has talked to the Regents on how important it is to have faculty consultation before making any decisions. He asked if our campus has a role in this consultation, and if President Gabel is talking with any Morris Representatives. Chancellor Behr said President Gabel is talking to FCC which Morris has representation in. There will be communication in the next few days from the President and herself asking for some thoughts faculty have as we think about how faculty can contribute to the outcome of what happens. Chancellor Behr mentioned that this is more robust than just consultation and will be asking for ideas as well since the more voices there are at the table, the better solutions can be made. President Gabel is committed to consultation but lately everything has been frantically paced and as things slow down, more consultation can happen. Bryan added that multiple members from Morris have talked about different issues that have arose and that there has been consultation in different areas that are currently happening.

Roger asked if there has been conversation on trying to look at infection rates from Stevens County compared to others when talking about the different models as there are differences across the state with Covid-19. Chancellor Behr said she didn't believe there was discussion on this yet. Roger added that he didn't think it seemed wise as there are differences across the state and

said that as a campus, Morris could start the fall semester later more easily than compared to the Twin Cities campus. He mentioned that other small colleges are thinking about delaying the fall semester, and that Morris is much different than the Twin Cities campus. Chancellor Behr said that things could change in an instant, and that part of the conversation on a hybrid model may include some conversation on models such as this. She added that this could be part of the committee brainstorming and we can take these ideas forward.

Mary Elizabeth asked Chancellor Behr on her thoughts on having a Finance Committee. Chancellor Behr said that she is a big believer in a shared governance but there also needs to be distinction between being a consultative group and being the group that makes the decision. She said that while she and the vice chancellors try to be as transparent as possible, there isn't enough time to get all of the information delivered to the Finance Committee. She added it is very helpful to have voices from the Finance Committee help work through implications when done in collaboration. Mary Elizabeth said that sometimes the Finance Committee gets lost in detail rather than the larger questions at stake on how we make decisions. She added that there are two ways of confusing people: giving them too much information or not giving them enough information. Mary Elizabeth said that sometimes she felt that we receive too much information while wanting to spend more time talking about larger decisions and how to explain the Finance Committee's purpose to colleagues. She noted that she'd like this committee to have a better function for Chancellor Behr. Chancellor Behr agreed, and said that there could be a possible discussion on the charge of the Finance Committee at a later date. She added that there can be thoughtful conversation on how we can think differently and more collaboratively.

Angela Hume asked how students can access the emergency funding for food/healthcare/etc. from the allocation from The CARES Act. Chancellor Behr said that it could change, but she thought it'd be managed through the SAGE grant application. She said that for the student it would be seamless because they won't need to know where the money came from. She said there has been mention of the SAGE grant already and will also reiterated this once it's decided what exactly the money can be used for. Marie added that if there are students having emergencies, they should contact the One Stop. They will be able to provide them the information on applying for a SAGE grant.

Roger asked if we could think about whether the Finance Committee will continue with a functioning role in the summer. He said that so much won't be decided until after the committee is done meeting for the summer, and that maybe we should have a voluntary basis or some sub group meet during the summer. Chancellor Behr said that if we start thinking about alternative models for fall, we can't afford to pay people to do work over the summer. She said they may be asking people to stay engaged even when they normally wouldn't. Brad said that this can be something that is discussed in the next meeting.

Chancellor Behr said that she is hopeful that the strategic investments in enrollment management will also pay off, and said that the work that we are doing will still move forward.

The meeting was adjourned.