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Finance Committee

Campus Governance

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1-19-2023

### Finance minutes 01/19/2023

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# UMM Finance Committee

January 19, 2023

Meeting Minutes

Present: David Roberts, Roger Rose, Lucas Granholm, Stephen Gross, Mary Zosel, Matt Senger, Kendra DeRosa, Bryan Herrmann, Marie Hagen

Absent: Bart Finzel, Jennifer Deane

Guests: Melissa Wroblewski, Jessica Dierks

## 1) Approval of Minutes

There was a motion to approve the minutes from November 10, 2022. The motion was seconded and approved unanimously.

## 2) Finance Leadership Presentation

### Document 1 – Sources and Uses – FY24

This document is not yet final. It shows a reduction in compensation, a tuition increase, one-time salary savings, and captures FY23 ending balances for non-recurring sources. The budgeted tuition increase is currently at 1.75%, which is what the system has talked about. The Board of Regents will make the final decision on what the tuition increase will be.

Question: What is the mandatory amount the Budget Office wants us to cut in compensation?

Answer: About \$294,000. This is based on a 1% cut.

Question: How does this compare to a typical year, what is expected to be unspent balances?

Answer: This fluctuates every year. The last few years there wasn't much travel so this is somewhere in the 20-40% range that is left in budgets. There haven't been SE&E budget cuts for a while so it isn't very affected. The challenge with cutting SE&E budgets is that it doesn't leave units with much money to do things and it doesn't make a large amount of savings.

In FY24 there will be a fringe increase (with no salary increases). There are also contractual and promotional increases included. The labor represented agreements have recently been signed with the University and the Finance department is still figuring out what that will cost the University.

When there is a reclassification done, that is the choice of the department. Market refinements are done centrally. For P&A and Faculty there is a proposed 3.75% and .25% increase that would go into a market pool, per the proposed budget instructions.

Question: Of the 3.75% compensation increase, will P&A and Faculty actually receive that amount? Last year the percentage increase wasn't actually received.

Answer: The Budget Office will prepare this and take it to the Board of Regents. The Board of Regents may agree or come back with a different amount. Last year, the compensation increase was set up similarly but it was discussed differently. Every year, the university grants increases based on merit. This year, the .25% for market and equity adjustments is separated from the 3.75% to better view the percent for merit.

Question: What are the consequences with the projected ending balance?

Answer: That is a conversation that will be had with the Budget Office. In the Budget Compact meeting it will be discussed how there is a large salary increase without a large tuition increase making it tough. Morris will have to get system dollars for the large salary increase.

Question: Is the projected reduction because we are expecting fewer students?

Answer: Last year the budget was built on an enrollment of 1206. Next year, we are budgeting less students than was budgeted for Fall 2022.

Questions from Leadership to the Finance Committee:

1. Do we propose to the system a lower salary rate to system for salary/fringe? Each 1% increase is about \$182,000.

Discussion: Inflation is lower but not that low. A smaller increase in salary makes another year where salary increase won't keep up with inflation. While comparing the proposed salary increase to inflation we are looking at a compensation "cut" in these terms. We are already falling more and more behind what other places pay. No matter what is done we have a big imbalance so why should we propose faculty and staff getting paid less. The benefit doesn't even make us close to balancing. It was also noted that for Civil Service employees, not keeping up with unionized employee salary increases is an issue. Civil Service employees are not exempt employees and are hourly employees. Most members of the committee said that we shouldn't propose a cut in compensation increase.

2. The system is currently talking about a 1.75% increase. Should we propose a different rate for our campus? It is carved out in the budget instructions that we can propose a larger increase.

Discussion: Members questioned how responsive our student enrollment is to tuition. A 1.75% increase may not be that large of an increase to upset students. We may see in Higher Education bills an increase in Minnesota state grants. For students who have need, the increase will likely be covered. Another thing that would need to be considered is how

we compare to our top competitors: Twin Cities, Duluth, and private schools. It was also noted that a 1.75% tuition increase is a tuition “cut” in terms of inflation and real dollars.

Discussion: There is a lot of motion on this front nation-wide. Schools are discussing large tuition rate reductions. In order for a school to successfully do this they need to have an understanding and analysis behind it. Concordia/St. Paul did this a while ago and looked at their students and were ultra-price sensitive. Part of the challenge of this is that pricing and value are connected.

Conclusion: The campus will stay the same tuition increase rate that is proposed.

### 3) Finance Update

There is a campus conversation on January 31<sup>st</sup>. Financial leadership will present high level numbers and other things that the committee has seen in the past. The other part of the discussion will be high level information of the Huron report. This includes Huron reviewing student credit hour generation, small majors, and opportunities to combine majors or make pathways more efficient. There’s been a lot of discussion about the need for system marketing and leveraging that there are 5 campuses across the University of Minnesota system. We have worked with Huron about thinking of pathways into the Twin Cities campus, accelerated programs, articulation agreements, and any positions that are open that don’t need to be filled. Huron also worked with the Crookston and Duluth campuses and combined the reports for the President.

Question: Do you think this will result in changes?

Answer: Leadership believes there will be things that will happen. We’ve tried to categorize each thing to what makes sense for our campus. Other things are more complicated because it is harder to attach real dollars to it.

Question: How many students outside of our campus are we getting via online courses?

There have been several students from system campuses that are taking classes at Morris. How do we calculate actual numbers?

Answer: There are guidelines on how students are counted. If a student is considered multi-institutional, the teaching campus receives 75% of tuition and the campus of enrollment gets 25%.

The meeting was adjourned at 12:39pm.