Budget Council Meeting Notes
January 18, 2011

Members in attendance: John Bland, Charles Bodkin, Susan Brooks, Kathy Buckingham, Ramah Carle, Chris Ervin, Frank Fleming, Alan Freitag, Elizabeth Hardin, Trey O'Quinn, Carrie Smith, Ken Smith, Gary Stinnett, Charisse Turner, and Cleo Widmaier

FY12 Budget Planning

- Beth Hardin began the meeting by announcing the Chancellor’s Cabinet discussed allocation of the additional 5% in FY2012 budget reductions (bringing us to a total reduction of 15%) in its meeting today. All models discussed by the Cabinet assumed the following:
  1. Building reserves will not be funded for FY 2012
  2. Tuition increases will be limited to 6.5%
  3. Enrollment growth will not be funded

Together, these assumptions provide a “worst-case” scenario for FY2012 budget planning.

- By comparison, both building reserves and enrollment growth were funded in FY11, and we were allowed to increase tuition by 16.7% to fund our FY11 budget shortage.

- We were funded for building reserves in 2011, but not in 2010; and, we assume there will be no building-reserve funding for 2012.

- Copies of a model for the 15% cut were distributed, and a copy is attached to these notes for reference. The Budget Office developed the model using a previously developed 10% model and adding calculations for the additional 5% cut.

- Beth discussed the following areas on the 15% reduction model:
  - At the bottom of the last column on the right are the additional amounts each division must cut to achieve the full 15% cut.
  - The third column from the left gives each division’s percentage of the cut if it were allocated evenly across the board. Using that method, Academic Affairs, which is allocated the largest percentage of funds, would bear the brunt of the cut with an 80.74% share, Business Affairs’ share would be 14.73%, with the other divisions’ shares at 1.51% or less. An across-the-board allocation of cuts is not feasible due to its negative impact on Academic Affairs’ operations. Cuts were reallocated, resulting in the divisions with lower percentages of funds experiencing higher-percentage cuts.
  - The University’s total cut is $31 million, almost half of which has been bought down using a range of different funds, including central funds held by the Chancellor.
• Budget cuts for Academic Affairs have been covered to 10% because funds were held back. We are now asking for an additional 5% cut.

Furlough
• The furlough plan is still in development. Optional furlough might not apply to employees paid from sources other than general funds (for instance, those paid by auxiliaries), although the Staff Council has a different opinion. We could create a morale problem if furlough does not apply to everyone.
• Faculty members on the Budget Council asked if the University could look at exempting positions paid with grant funds from the furlough, since any salary money saved must be returned to the grant provider and would not benefit general funds. Gary Stinnett stated we have the flexibility to do that, as grant funding and auxiliary funding are not the same thing. Beth answered that the Chancellor’s decision on this issue must and will be based on what is best for the University.

Layoffs and Reductions in Force (RIF’s)
• With respect to RIF’s, Beth suggested that everyone read PIM19 to refresh their knowledge of the process. PIM19 will be posted on the VCBA Web site, and members of the Budget Council will be provided the link to the document.
• A bottom-line assumption this time is that the State will not pick up severance costs as they did for the previous RIF.

Early Retirement
• Since last week’s Budget Council meeting, Beth has heard news that some type of retirement incentive will be offered, although it will not be a full buyout.
• We will share more information on this issue.

What Happens at this Point?
• Next Monday, budget managers will receive the template from the budget shop. The template will go to the Cabinet Wednesday morning to be discussed on Thursday.
• The Chancellor’s Cabinet will come back together January 27, 2011, and talk through the approach each division is taking to make the additional cuts. They will then send out a template for everyone’s use. To avoid confusion, it will be preferable to use the same template as last time.
• John Bland plans to schedule a budget convocation by the end of January.