



University
of Houston
Clear Lake

AGENDA

Planning & Budgeting Committee

March 7, 2019 – Bayou Bldg. 1228
11:00 – 12:30

PBC Vice-Chair – Mark Denney

PBC Chair – Dr. Tim Michael

Time	<u>Action Item</u>	Presenter
5 min.	Approval of February 7, 2019 Minutes	Dr. Michael
	<u>Information/Discussion Items</u>	
10 min.	Budget Process Update	Deja Sero
10 min.	Legislative Update	Deja Sero



Members In Attendance

Steven Berberich, Pat Cuchens, Mark Denney, Michelle Giles, Nick Kelling, Tim Michael, Darius Randle, Deja Sero, Gene Shan, Leigh Ann Shelfer, Mark Shermis, Laura Wilder, Paul Withey, Chloris Yue

Members Absent

Sarah Costello, Daniel Maxwell

Alternates Present

Cindy Cook, Kathryn Matthew

Guests

Ashton Hibbetts, Lisa Gossett, Pat Phillips

Approval of Minutes

The Chair asked if there were any changes or corrections to the January 10, 2019 minutes. With no changes or corrections noted, a motion was made and seconded to accept the minutes as presented. (*Minutes approved*)

Information/Discussion Items

➤ Why 3% (see pages 4-15)

VP Mark Denney reviewed the 3% presentation with the committee. He said that the next budget cycle is the third of three years of projected budget reductions (7.27 first year, 6% last year and 3% this year). He said that enrollment is higher than what we had budgeted for this year and there is reason to believe it will be up next year, especially in undergrad. He said this presentation would give some background and context as to why we are still doing the 3% reduction. This is not the entire budget for the university or education in general. It is state support and statutory and designated tuition, which is where the reductions were targeted. There were no reductions in designated differential tuition and state support (fund 1) or designated operations (fund2). He said in FY17/FY18 we had a \$7 million dollar structural deficit in our budget and in FY18/FY19 we still have a \$5.9 million structural deficit.

Dean Shermis said in the College of Education their focus is on faculty and hiring and replacing the people that they absolutely need. They are working with advancement rather than asking the university for funding for their budget initiatives. He believes that if you need the money then ask for as much as you need. If you do not need the money then let the units decide how they want to spend it, rather than centralizing that process. VP Denney said the challenge with that is that the resources across the university do not line up with our most emerging needs. If we are able to get some type of RCM model and acknowledge that we are going to give individual managers that autonomy and guide that autonomy through those metrics he would be in agreement. However, we do not currently have any of those things in place. VP Denney said across the institutions

perspective we have some significant challenges that are in key places where they do not have the ability to solve them organically within their own structure. Therefore, we either do not solve them or try to find new money. The problem is having new money be a sustainable source for an ongoing commitment that you have made. Dr. Berberich said we have seen growth and this is why we want to be strategic. To maintain that growth and to see that continuation of those new students. If we do not do the smart growth analogy and make the necessary investments, it will go away.

Dr. Kelling asked for clarification regarding who will be the final reviewer once these initiatives are put together. He said some of the initiatives that were integrated during the budget crisis were based on student success or expanding student capacity. VP Denney said on the academic side it will start with the deans. The assumption is that they are getting data and information and talking with their department chairs. In Administration and Finance, it starts with the department heads. The expectation is that it will then come to each of the vice presidents where the provost will rank along with his deans. VP Denney said the initiatives will be ranked by (A) we must do, (B) we should do and (C) we would like to do if there was money. The initiatives within the A and B group will be ranked 1, 2, or 3 for priority. We are going to see how far through the A group we can actually fund. He expects that on the academic side, there will be a lot of filling of faculty positions and in Administration and Finance; he has concerns with facilities ability to maintain our facilities with their current manpower and budget.

Ms. Pat Cuchens asked if there would be initiatives for raises. VP Denney said that there will be initiatives for that, but he is still working on exactly what those will be. They will have some benchmark data to know what the target is and where we currently are. He will put forward two or three initiatives so that if we cannot afford to do all of it, we can do something that will get us closer.

Dr. Withey was concerned that there may be needs on the college side that you will never see and that do not go forward. VP Denney said they are working on some across the board metrics that will make those areas stand out in our data, so even if no one brings it up, the data will tell them we have a problem that needs to be address. He said that one thing they are changing this year is that revenue will be allocated based on where it is being earned. This does not mean that at the end of the year you can keep these funds. Those funds will be pulled back and then allocated. VP Denney said that we are using Hyperion to do our budgeting and it extracts all of the data each night from PeopleSoft. UH currently uses this system, and has created dashboards both financially and for student success. We are going to use that and we will have to look at those metrics and dashboards that UH created and see if we have to modify them.

➤ Strategic Hire Update (see page 16))

VP Denney reviewed the February Strategic Hiring update with the committee. He said that he is asking Human Resources to create a standard template for any re-class position. He wants to have some standardization across the university. VP Denney said that the committee does not currently have any meetings scheduled as they are reworking their process to ensure they have more consistency and better standardization.

➤ Budget Process Update

Ms. Deja Sero introduced Ms. Ashton Hibbets as the new Sr. Budget Analyst in the Planning and Budget Office. Ms. Hibbets joined UHCL on March 1, 2019. Ms. Sero said the initiative plans for the units and colleges are due to the division vice presidents tomorrow and they will have the remainder of March to prioritize the list for their division. The first week of March, each division head will hold a meeting within their division and present their initiatives. She said they will then meet with Dr. Blake

and combine everything into one initiative list for the university. Sometime in mid-April there will be a university wide initiative presentation. Ms. Sero said that Hyperion has been loaded into the Planning and Budget office and they have been doing manual adjustments.

➤ Legislative Update

Ms. Sero said the House Appropriations Committee for Higher Education adopted an increase to the General Academics Institutions Formula (GAIF). We were at \$55.82 and they adopted \$56.79. The senate has not yet adopted anything, but they are leaning towards putting in a formula for the distance education, which will reduce our Education and General (E & G) space support. They do not believe we need those dollars to support that space in the university, because these are distance education students. Ms. Sero said when she has had a chance to analyze the data and their formula for calculating this; she will share it with the committee. The house wants to increase it, but has no adjustment for distance education. She said that currently we are compensated \$5.38 per square foot that we use for E & G space. VP Denney said they put this forward this year in their budget proposal without any consultation with higher education. They consulted with the coordinating board, but to what extent we do not know. Ms. Sero said that the House Appropriations adopted the new formula rate into all of their formulas for dollars. There are two spreadsheets, one is with distance education formula and the other one is based off the House Appropriations new formula rate. One formula model shows a 3% increase to our State Appropriations, which equates to \$1.8 million and the other shows a \$2.4% increase, which equates to around \$1.4 million. She said to remember this is the Legislative Budget Board (LBB) and they are working for both the house and the senate. This is an exercise for them and does not hold any substantial meaning. Ms. Sero said the last biennium the senate wiped out all of our non-formula items, and the house wanted to cut it by 8% to 10% and we ended up with a 34% cut. Ms. Sero said in both of these they have built in a \$500 per non-at risk graduate and \$1000 per at risk graduate. She said that an "at risk graduate" is someone that SAT or ACT score was below the national average, who received a Pell grant, received a Pell grant or did not receive a Pell grant but was eligible based on their Expected Family Contribution (EFC). Ms. Sero said that with the introduction of graduation bonuses from the 65/30 plan they have eliminated the small institution supplement for all of the colleges. For us that was about \$400,000 for the biennium. She said this discussion does not include anything on our non-formula items. The senate is doing a 10% reduction to our Downward Expansion. They see this as a formula generating non-formula item. The is not cutting any of our non-formula items and both sides included Hold Harmless dollars that will be wrapped up in our operations formula. She said that she should have an update in the next couple of weeks from both side.

Next Meeting

The next meeting is scheduled for Thursday, April 4, 2019 at 11:00 a.m. (B1228).

Why 3%

In light of experienced enrollment growth in FY19 and further projected enrollment growth in FY20, why continue with the 3% budget reduction as established in FY17 Planning?

Why did we initially do the 3%

- Projected Structural Budget Deficit

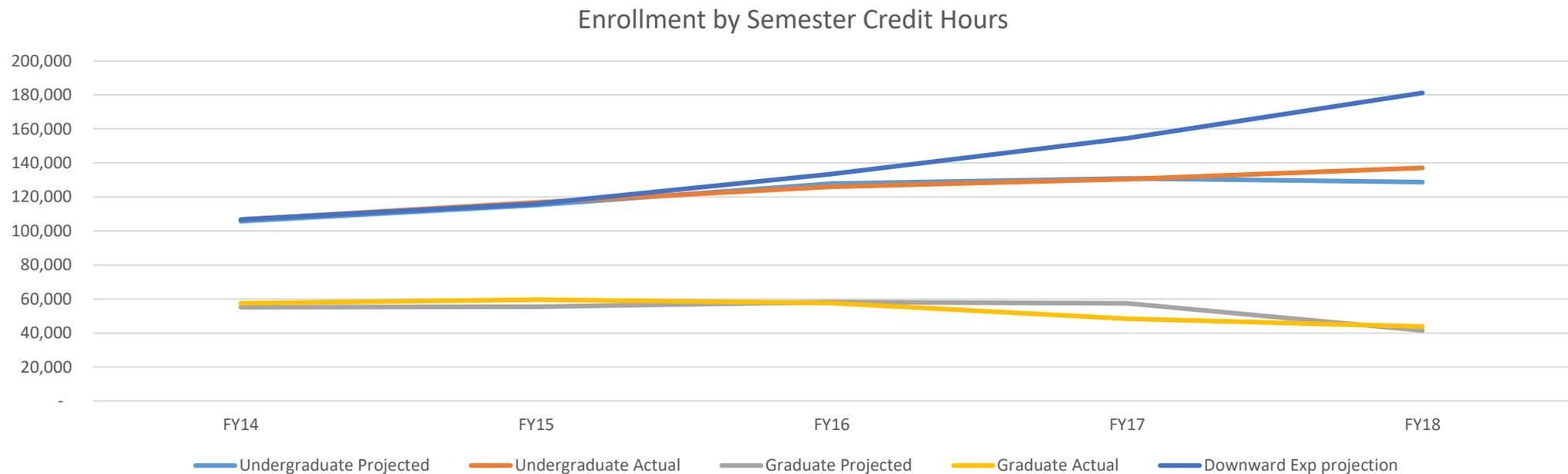
State Support and Statutory/Designated Tuition Revenue and Expenditure Structural Deficit			
	FY 2017-18	FY 2018-19	FY 2019-20
Revenue	72,443,841	72,318,591	74,434,597
Expenditures	79,571,296	78,229,596	76,564,189
Net of Operations	(7,127,455)	(5,911,005)	(2,129,592)

Note: the above budget figures are AFTER the reduction targets for each year were implemented.

- FY 2019-20 is the final step in a 3 year process to address the deficit

Resulting from:

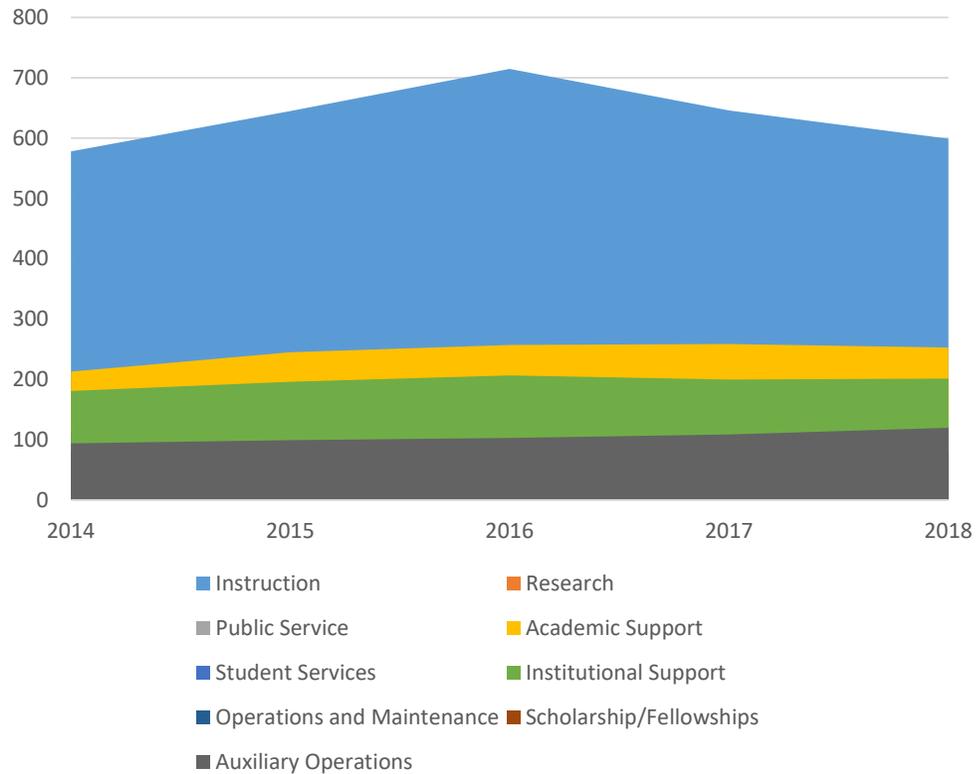
- Enrollment projection:
 - # 1 Slower Undergrad growth than originally anticipated
 - # 2 Shift in enrollment mix – Possibly greater impact on revenue than anticipated
 - # 3 Unanticipated drop in FY 2016-17 in Graduate Enrollment



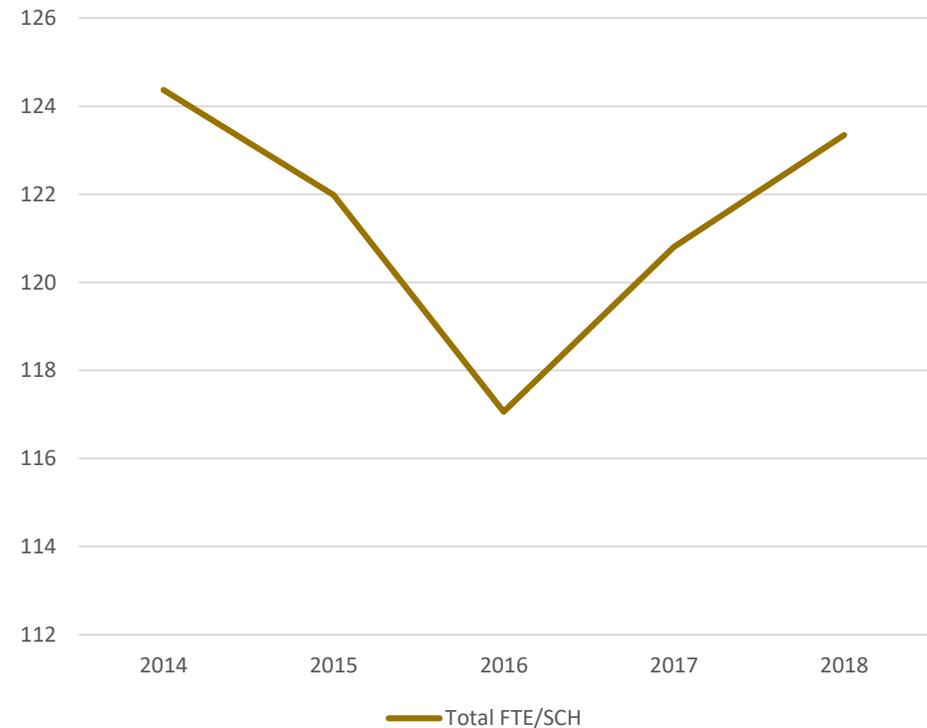
Due to our enrollment projections.....

- Our structure outpaced enrollment

Employee FTE by Functional Area



Total FTE/SCH



How have things turned out

- Enrollment – too early to demonstrate trend, and therefore recovery, but there has been relief
- State Support – still hasn't restored Formula, but hold harmless on non-formula has helped
- Success of managing expenditures – though maybe not as strategic as was necessary

State Support and Statutory/Designated Tuition Revenue and Expenditure Actual Results				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Revenue	78,674,908	74,243,217	75,872,195*	????
Expenditures	79,571,771	76,435,705	75,901,551*	????
Net of Operations	(896,863)	(2,192,488)	(29,386)	????

So why persist with the 3%

- Primary: We still have a budgetary structural deficit
 - To improve the deficit, there are two paths:
 - Grow Revenues – Enrollment, State Support, Tuition Rate, other
 - Shrink Expenditures –
 - Across the board: Labor/M&O savings or
 - Targeted: eliminate programs
- Revenue Growth – has not yet demonstrated that it alone has overcome structural deficit

Most important reason:

- To just give back the 3% = Status Quo

“Insanity is continuing the same action but expecting different results”

I have no idea who actually said this often used quote

Funny thing about internet quotes

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Smart Growth

- The concept that you cannot fix structural imbalances overnight without institutional devastation – so, as you grow, grow intelligently, and fix your structure that way.
- First step: You must grow – new enrollment AND student success
- Second step: You must be smart
 - Imposing the 3%, but allowing the return through the initiative process is our path to two very critical things:
 - 1. Addressing the budgetary structural deficit that we have yet to grow out of
 - 2. Being strategic and deliberate in where and how we solve the deficit

Conclusion

- It is a lot of work doing both the 3% cuts and Initiative justification
- It would have been easier if our cuts in the past years, and even our initial growth were more measured, more strategic.....
- But we are where we are
- This is a path to make some fixes, be more strategic as we move forward
- Mark's Rule when you get new \$: Spend a little, Save a little
 - Need to restore Reserves: flexibility for tomorrow's challenges
 - We need to fix our structural deficit
 - We need to invest in order to be successful with our students today

Strategic Hire Position Request Synopsis (2/22/19)

Position	Request to:	Additional Detail	Synopsis	Hiring Manger	Notes	Action
Asst. Professor, MIS	Re-class existing position	Reclass from Visiting Asst. Prof to Asst. Prof	Converting to an Asst. Prof will allow Dr. Sun to generate more credit hours per academic year	Dr. Ed Waller	No additional funds requested	Approved
Asst. Professor, MIS	Vacancy		Replacement of faculty member that is retiring at the end of the spring semester	Dr. Ed Waller	No projected funding increase for new hire	Approved
Asst. Professor, Healthcare Admin.	Vacancy		Replacement of faculty member that is retiring at the end of the spring semester	Dr. Ed Waller	CUPA data review indicates additional funds required above base budget funding to meet market	Approved
Asst. Professor, Management	Vacancy		Replacement of faculty member who passed away Spring 2018. Will relieve teaching overload of existing faculty in Management.	Dr. Ed Waller	CUPA data review indicates additional funds required above base budget funding to meet market	Approved
Asst. Director, SDEI	Vacancy		Filling this position will allow for expansion of programming targeted towards the campus' underrepresented student population	Aliya Beavers	No projected funding increase for new hire	Approved
Coordinator, Community Engagement	Vacancy		Backfilling this position will provide a coordinated initiative between University Advancement and local communities regarding civic engagement by Student Affairs.	Patrick Cardenas		Approved
Coordinator, Residential Life	New Postion		This position is a live-in leadership role in the new resident hall. The position will develop oversee the opertaion, programming and leadership of the resident hall student staff.	Matthew Perry	Will be a resident hall fee based position	Approved
Program Assistant	Vacancy		This position supports all ONSP programming that includes the first-year student orientation experience, SOAR, and Transfer and International campus orientation. The impact to the campus is an immeasurable perception by each new student that contributes to the overall campus culture and sets the stage for future positive academic and student-engagement.	Angie Montelongo	The lack of admin support to these programs has impacted the quality of the oreintation programming and extended student experiences	Not Reviewed by SHC
Asst. Dir. Student Assistance Center	Re-class existing position		The reclass is based on the expansion of duties of the Coordinator position. Expanded duties include operational management, student conflict resolution, techincal training and supporting students at off-site locations	Krisit Randolph	Position is currently filled by incumbent. Budget impact is unknown.	Approved
Lecturer, Computing Sciences	Vacancy		Position will bolster an already depleted faculty in Information Technology.	Dr. Ju Kim		Approved
Office Supervisor	Re-class existing position		Desk audit revealed the skill sets required for the position to be greater than that of Sr. Secretary	Dr. Cythya Campbell-Palmer		Returned to submitter for more information