



January 10, 2019 – Bayou Bldg. 1302

PBC Vice-Chair – Mark Denney

PBC Chair – Dr. Tim Michael

Time	<u>Action Item</u>	Presenter
5 min.	Approval of December 6, 2018 Minutes	Dr. Michael
	<u>Information/Discussion Items</u>	
15 min.	FY20 Budget Preparation	Deja Sero
30 min.	FY18 Budget Scenario Discussion	Mark Denney
15 min.	Legislative Session	Mark Denney
15 min.	December Strategic Hiring Committee Update	Mark Denney



Members In Attendance

Steven Berberich, Sarah Costello, Patricia Cuchens, Mark Denney, Michelle Giles, Nick Kelling, Daniel Maxwell, Tim Michael, Carol Pruitt, Darius Randle, Deja Sero, Leigh Ann Shelfer, Mark Shermis, Laura Wilder, Paul Withey

Members Absent

Gene Shan

Alternates Present

Karen Fiscus, Ju Kim, Kathryn Matthew

Guests

Lauren Meyers, Lisa Gossett

Approval of Minutes

The Chair asked if there were any changes or corrections to the December 6, 2018 minutes. There were two grammatical changes for page 3. With no further changes or corrections noted, a motion was made and seconded to accept the minutes as presented. (*Minutes approved*)

Information/Discussion Items

➤ **FY20 Budget Preparation (see page 5)**

Ms. Deja Sero gave a quick update on the FY20 budget and she noted that the Budget Office is now called “Planning and Budget Office” (effective January 1, 2019). She said they will be doing testing in Hyperion this month and will do a full load on February 1, 2019. She said there are a lot of manual entries that will have to be made in order to move the old budget to the new system. UH will help with this and user training will begin in February. Ms. Sero said that in December the unit managers received an email regarding our initiative process and the need to submit funding requests. The email created a February 15, 2019 deadline to submit the strategic plan initiatives to your unit leaders. The unit leaders have until March to consolidate those plans before it goes to the component heads. VP Denney said, regardless if we have funds the initiative process would be in the budget each year. This forces people to think and plan more if they had additional dollars and what would that benefit be. VP Denney said the university is implementing the 3% reduction for the FY20 budget. The budget office is asking budget managers to submit initiatives that will show what they would add back into the budget if they only took at 1% or 2% reduction. Budget managers have been asked to give as much detail and be as transparent as possible without overwhelming everyone. The Planning and Budget

Office will then have to summarize these in some type of format where they can look at multiple submissions, how many dollars it will cost, what will return be and how does that return align with the strategic plan and the mission of the university. Dean Shermis said he would like to see the university cut what is needed to balance the budget and let the units have whatever money is left. VP Denney said that could be what happens, however it will not be his decision. This would be a decision made by senior leadership, with recommendations as to what we do with the funds. As we start to implement the budget and do our revenue projections we may recognize that we do not have to do the full 3% reduction. However, as of today he does not have revenue projections that tell him we do not need the 3% reduction. Dr. Michael said his understanding is that all of the unfilled lines within the colleges have been swept, and that this policy had been implemented for FY2017 across the university. In the past, there has been a differential, some colleges lost lines on a regular basis and some did not. Ms. Sero said that her office had swept lines, but none of them were faculty. [The minutes of the March 2017 PBC meeting confirm that the expectation was that ALL open faculty lines would be held centrally, and that to get those lines back each college would have to go through the priority process for each position again. This was discussed and confirmed by both Interim VP Jean Carr and Provost Glen Houston. Faculty members also discussed this at length in faculty senate and college meetings at the time, noting that all of the lost positions had already been through the budget priorities process whereas existing cuts had not been subject to a priorities process.]

Ms. Sero reviewed with the committee the UHCL Budget Reduction Plan handout. She said this is to aid in planning and funding initiatives and this document will be updated as we get more enrollment projections. VP Denney said that the university had submitted the FY20 tuition increase and all of our fees in the last legislative session and to the Board of Regents (BOR) and there would not be any changes. Going forward he will begin having conversations across campus, primarily with students, about modifying some fees for FY21. One new fee that he is considering is to substitute the current parking fee for an access fee that would be charged to all students. It would be slightly less than what some students now pay for parking and for students that do not pay parking it would be a significant increase. He said this would give us additional dollars for a shuttle service on campus and in the local area including the Pearland Campus.

➤ **FY18 Budget Scenario Discussion (see pages 6 & 7)**

VP Denney said at the last meeting we discussed different budget models and he said he would have an example for our January meeting. He distributed the example to the committee and said this is a combination of all of our fund types (state and designated). It excludes all auxiliary operations. It is broken out into divisions and he has University Advancement broken out separate for clarity. He said there are challenges in doing this for FY18 (1) we started with a budget that had a significant deficit (2) this structure and how it is presented is how we ended the year, and not how we did the budget development. Therefore, a lot a budgets were in different places at the start of the year than where they were when we ended the year. He said one thing to consider is that what the RCM model will look like is going to be dependent on what are all of the decision we are going to make and how do you allocate indirect cost. His said this example was prepared in the simplest way. For Academic Affairs he took all of the non-college, and then he took everyone else and added up the net of their operations. Then he charged the colleges that amount based on their enrollment. In a more

sophisticated way, we would most likely figure the overhead based on how many students are we supporting, how many square feet, lab space, lecture space etc. That would then put the focus on the non-academic college units. This example shows that Administration and Finance beat their budget by \$1.6 million, but this model favors the non-academic units because we budget all positions at 1.0 for the year and we do not build in a vacancy factor. On the academic side when you have people leave you, have to replace them.

VP Denney said this page breaks out Academic Affairs in more detail. If you look at Academic Affairs, they were projected to lose \$6.2 million. They had \$75 million in revenue, \$40 million in expenses and \$41 million in overhead. They actually beat their budget by \$4 million and the university as a total beat the budget by \$7 million. More than half of the improved operations was in our four colleges, which make up the bulk of our operations. Assuming the RCM model is adopted, we will have to decide how we are going to do the overhead. VP Denney said that we will have to spend a lot of time looking at what is appropriate and the biggest thing to consider is what is going to incentivize people to make the right operational decisions. He said page one is the format by which he will start presenting and doing updates to the university community. He encouraged the committee to review this format to make sure it is easy to understand. We have to raise the bar on how people understand the university's financial operations.

➤ **Legislative Session**

VP Denney said the priority of the legislative session is public education reform and higher salary for teachers. He said there are two funding streams for public education (1) property tax and (2) state make up for the balance (from reserves). The governor, lieutenant governor and the speaker all want to do something about tax reform. If you are going to increase funding for higher education and want to reduce property taxes, you have to increase what the state makes up. It will be difficult for higher education to get momentum for increasing funding for higher education. He said the priorities of the university that they have put forward are restoration of non-formula funding (we took about a 30% cut), Tuition Revenue Bond and Hazelwood Act.

➤ **December Strategic Hiring Committee Update**

VP Denney said he would give an update for December and January at our February meeting.

With no further business to discuss, this meeting was adjourned.

Next Meeting

The next meeting is scheduled for Thursday, February 7, 2019 from 11:00 to 12:30. Location is to be determined.

University of Houston-Clear Lake
Budget Reduction Plan - FY18 thru FY20 After Department Reorganizations
 Calculated on Base Budget as of September 30, 2016

(includes Provost reorg 2/2017)

(includes Pres/UA reorg 2/2018, 9/2018)

(includes Emer Mgt/EHS reorg 2/2018)

(includes Student Serv. Reorg 9/2018)

BASE Funds

President

	FY18 State & 2064 Total Budget	FY18 Actual Plan <i>Total Shortfall</i> \$ (12,845,510)		FY19 Actual Plan		FY20 Plan		*Options listed are for strategic planning only. Use in Funding Request submissions							
		FY18 State & 2064 Total Budget	FY18 BASE Department Total Reduction	FY19 BASE State & 2064 After FY18 Base Reductions	FY19 BASE State & Des Tuit-2064 Department Reductions	FY20 BASE State & 2064 After FY19 Base Reductions	FY20 BASE State & Des Tuit-2064 Department Reductions	FY20 2% Option FY20 BASE State & 2064 After FY19 Base Reductions	FY20 2% Option FY20 BASE State & Des Tuit-2064 Department Reductions	FY20 1% Option FY20 BASE State & 2064 After FY19 Base Reductions	FY20 1% Option FY20 BASE State & Des Tuit-2064 Department Reductions				
President's Office	876,405	7.27%	63,715	2,127,980	4.67%	99,300	575,462	3.00%	17,264	575,462	2.00%	11,509	575,462	1.00%	5,755
Marketing & Communications							1,380,822	3.00%	41,425	1,380,822	2.00%	27,616	1,380,822	1.00%	13,808
Strategic Partnerships							134,000	3.00%	4,020	134,000	2.00%	2,680	134,000	1.00%	1,340
Title IX/Equity & Diversity							93,532	3.00%	2,806	93,532	2.00%	1,871	93,532	1.00%	935
University Advancement	1,690,045	7.27%	122,866	1,044,473	5.11%	53,418	835,919	3.00%	25,078	835,919	2.00%	16,718	835,919	1.00%	8,359
Total President	\$ 2,566,450	7.27%	\$ 186,581	\$ 3,172,453	4.81%	\$ 152,718	\$ 3,019,735	3.00%	\$ 90,593	\$ 3,019,735	2.00%	\$ 60,394	\$ 3,019,735	1.00%	\$ 30,197

Academic Affairs

Information Resources	435,131	10.00%	43,513	391,618	6.00%	23,497	368,121	3.00%	11,044	368,121	2.00%	7,362	368,121	1.00%	3,681
University Computing	2,411,235	10.00%	241,124	2,170,112	6.00%	130,207	2,039,905	3.00%	61,197	2,039,905	2.00%	40,798	2,039,905	1.00%	20,399
Library	1,346,574	10.00%	134,657	1,211,917	6.00%	72,715	1,139,202	3.00%	34,176	1,139,202	2.00%	22,784	1,139,202	1.00%	11,392
Sr. VP and Provost	1,503,717	21.01%	315,931	1,187,786	6.00%	71,267	1,116,519	3.00%	33,496	1,116,519	2.00%	22,330	1,116,519	1.00%	11,165
Student Services	1,739,424	9.00%	156,548	1,582,876	6.00%	94,973	-	-	-	-	2.00%	-	-	1.00%	-
Student Success Initiative (new)							1,072,535	3.00%	32,176	1,072,535	2.00%	21,451	1,072,535	1.00%	10,725
Enrollment Management	5,183,138	9.00%	466,482	4,089,496	6.00%	245,370	3,844,126	3.00%	115,324	3,844,126	2.00%	76,883	3,844,126	1.00%	38,441
Academic Affairs	1,629,379	9.62%	156,714	1,472,665	6.00%	88,360	1,384,305	3.00%	41,529	1,384,305	2.00%	27,686	1,384,305	1.00%	13,843
Business	9,510,651	6.00%	570,639	8,940,012	6.00%	536,401	8,403,611	3.00%	252,108	8,403,611	2.00%	168,072	8,403,611	1.00%	84,036
Education	6,833,929	6.00%	410,036	6,423,893	6.00%	385,434	6,038,459	3.00%	181,154	6,038,459	2.00%	120,769	6,038,459	1.00%	60,385
Human Sciences and Humanities	10,673,338	6.00%	640,400	9,928,514	6.00%	595,711	9,332,803	3.00%	279,984	9,332,803	2.00%	186,656	9,332,803	1.00%	93,328
Science and Engineering	10,706,255	6.00%	642,375	10,063,880	6.00%	603,833	9,460,047	3.00%	283,801	9,460,047	2.00%	189,201	9,460,047	1.00%	94,600
Total Academic Affairs	\$ 51,972,771	7.27%	\$ 3,778,420	\$ 47,462,767	6.00%	\$ 2,847,768	\$ 44,199,631	3.00%	\$ 1,325,989	\$ 44,199,631	2.00%	\$ 883,992	\$ 44,199,631	1.00%	\$ 441,995

Student Affairs (new 9/2018)

VP Student Affairs							142,640	3.00%	4,279	142,640	2.00%	2,853	142,640	1.00%	1,426
Campus Community							105,347	3.00%	3,160	105,347	2.00%	2,107	105,347	1.00%	1,053
Health & Wellness							140,592	3.00%	4,218	140,592	2.00%	2,812	140,592	1.00%	1,406
Student Engagement							26,789	3.00%	804	26,789	2.00%	536	26,789	1.00%	268
Total Student Affairs							\$ 415,368	3.00%	\$ 12,461	\$ 415,368	2.00%	\$ 8,308	\$ 415,368	1.00%	\$ 4,153

Administration and Finance

VPAF	300,224	1.67%	5,019	295,205	12.75%	37,630	257,575	3.00%	7,727	257,575	2.00%	5,152	257,575	1.00%	2,576
PASA	1,666	7.26%	121	1,545	6.00%	93	1,452	3.00%	44	1,452	2.00%	29	1,452	1.00%	15
SSA	3,625	7.28%	264	3,361	6.00%	202	3,159	3.00%	95	3,159	2.00%	63	3,159	1.00%	32
EHS (to Police 2/18)	489,385	7.27%	35,578	-	6.00%	-	-	3.00%	-	-	2.00%	-	-	1.00%	-
Budget Office	374,768	11.27%	42,245	332,523	11.94%	39,705	292,818	3.00%	8,785	292,818	2.00%	5,856	292,818	1.00%	2,928
Finance	1,788,954	7.37%	131,864	1,657,090	4.42%	73,165	1,583,925	3.00%	47,518	1,583,925	2.00%	31,679	1,583,925	1.00%	15,839
Human Resources	773,074	7.27%	56,203	655,871	5.83%	38,249	617,622	3.00%	18,529	617,622	2.00%	12,352	617,622	1.00%	6,176
Police	1,580,975	7.27%	114,937	2,060,506	7.23%	148,951	1,911,555	3.00%	57,347	1,911,555	2.00%	38,231	1,911,555	1.00%	19,116
Facilities Mgmt & Construction	3,835,078	7.27%	278,810	3,415,607	6.00%	204,936	3,210,671	3.00%	96,320	3,210,671	2.00%	64,213	3,210,671	1.00%	32,107
Total Admin & Finance	\$ 9,147,749	7.27%	\$ 665,041	\$ 8,421,708	6.45%	\$ 542,931	\$ 7,878,777	3.00%	\$ 236,365	\$ 7,878,777	2.00%	\$ 157,575	\$ 7,878,777	1.00%	\$ 78,789

Total Department Reduction

Total Department Reduction	\$ 63,686,970	7.27%	\$ 4,630,041	\$ 59,056,929	6.00%	\$ 3,543,417	\$ 55,513,512	3.00%	\$ 1,665,408	\$ 55,513,512	2.00%	\$ 1,110,269	\$ 55,513,512	1.00%	\$ 555,134
Other BASE															
University Reallocations (From Reduction Calc wksht)			1,088,013			889,564									
State Appropriation Reduction						(122,764)									
Base Commitments						(2,445,904)			(414,000)			(414,000)			(414,000)
Net Tuition Change						(647,862)			2,116,006			2,116,006			2,116,006
Total Other			\$ 1,088,013			\$ (2,326,966)			\$ 1,702,006			\$ 1,702,006			\$ 1,702,006
Total BASE Commitment to Cover Shortfall			\$ 5,718,054			\$ 1,216,451			\$ 3,367,414			\$ 2,812,275			\$ 2,257,140

One-Time Funds

One-Time items (from Reduction Calc Wksht)			7,127,455			\$ 5,911,005									
Total One-Time Commitment to Cover Shortfall			\$ 7,127,455			\$ 5,911,005			\$ -			\$ -			\$ -

Total Base and One-Time Commitment to Cover Shortfall

Total Base and One-Time Commitment to Cover Shortfall			\$ 12,845,509			\$ 7,127,456			\$ 3,367,414			\$ 2,812,275			\$ 2,257,140
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Still Needed to Balance Budget

Still Needed to Balance Budget			\$ (1)			\$ 0			\$ (2,543,590)			\$ (3,098,729)			\$ (3,653,865)
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Other - Excluded from Reductions * \$ 36,236,114
 Total FY17 Base \$ 99,923,084

***Excluded from Budget Reduction Calculation:**

HEAF, Debt Service, Scholarships, Financial Aid Set-Aside, Operating Expenses to include Insurance Premiums, Benefits, Utilities, System Service Charge, Comprehensive Research Fund

UNIVERSITY OF HOUSTON-CLEAR LAKE Education and General Operations

Sources		Division of the President		Division of University Advancement		Division of Academic Affairs		Division of Administration and Finance		Division of Student Affairs		University General		UHCL Education and General	
		Division Total		Division Total		Division Total		Division Total		Division Total		Division Total			
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Tuition	Statutory	-	-	-	-	17,438,805	17,358,218	-	-	-	-	570,000	561,879	18,008,805	17,920,097
	Designated	-	-	-	-	34,213,524	36,093,838	-	-	-	-	-	-	34,213,524	36,093,838
	Differential Desig	-	-	-	-	1,520,248	2,424,201	-	-	-	-	-	-	1,520,248	2,424,201
	Fees	-	-	-	-	8,130,707	8,479,047	434,500	420,715	-	108,708	-	-	8,565,207	9,008,470
	Remissions	-	-	-	-	(3,858,977)	(3,684,161)	-	(25)	-	(3,325)	-	-	(3,858,977)	(3,687,511)
	Total	-	-	-	-	57,444,307	60,671,143	434,500	420,690	-	105,383	570,000	561,879	58,448,807	61,759,095
State Appropriation		-	-	35,941	37,325	25,517,841	25,185,780	268,827	621,210	142,640	142,644	199,992	18,282	26,165,241	26,005,241
HEAF Funding		-	-	-	-	3,488,754	3,776,721	1,688,294	1,775,291	-	-	2,828,068	2,452,892	8,005,116	8,004,904
Staff Benefits Appropriation		-	-	-	-	-	-	-	-	-	-	7,528,449	7,803,555	7,528,449	7,803,555
Other		-	18,646	12,110	22,603	656,145	1,403,654	52,100	89,155	-	48,002	919,238	938,063	1,639,593	2,520,123
Transfers In/(Out)		-	-	75,000	-	-	1,189,520	(1,468,294)	(1,468,294)	-	-	-	(1,189,520)	(1,393,294)	(1,468,294)
Total Sources		-	18,646	123,051	59,928	87,107,047	92,226,818	975,427	1,438,052	-	296,029	12,045,747	10,585,151	100,393,912	104,624,624
Uses															
	By Object Code														
	Labor	1,163,033	1,201,127	898,605	917,335	51,277,900	50,103,465	7,716,342	6,812,662	470,029	467,201	16,451,989	17,111,293	77,977,898	76,613,083
	COG	-	-	-	-	102,000	42,070	387,000	157,526	-	-	-	-	489,000	199,596
	Recovery	-	-	-	(7,515)	(570,000)	(568,983)	(500,225)	(106,348)	-	-	(170,000)	(1,070,225)	(852,846)	(852,846)
	M&O	302,670	825,917	160,892	222,684	15,804,068	14,442,866	4,311,367	3,871,271	190,714	246,863	4,942,108	2,764,933	25,711,819	22,374,534
	Debt Service	-	-	-	-	-	-	-	-	-	-	1,472,826	2,646,385	1,472,826	2,646,385
	Capital	-	-	-	-	2,642,797	2,744,599	40,000	37,035	-	-	516,506	3,199,303	2,781,634	2,781,634
Total Uses		1,465,703	2,027,044	1,059,497	1,132,504	69,256,765	66,764,017	11,954,484	10,772,146	660,743	714,064	23,383,429	22,352,611	107,780,621	103,762,386
	Overhead Support	1,163,033	1,163,033	936,446	936,446	(24,140,515)	(24,140,515)	10,979,057	10,979,057	660,743	660,743	11,337,682	11,337,682	-	-
	Net of Operations: after Overhead /(-)	(302,670)	(845,365)	-	(136,130)	(6,290,233)	1,322,286	-	1,644,963	-	242,708	-	(429,778)	(7,386,709)	862,238

Considerations when viewing this "Notional" representation of UHCL operations, recast in an RCM Budget model:

- 1 A lot of budget process adjustments would need to occur if UHCL were to actually migrate to a Responsibility Center Budget Model that have not occurred, so while we can modify the allocation of direct revenue from our current model to this "Notional" RCM model, we have not made any other adjustments, so this view is somewhat artificial and not truly representative of what we would experience.
- 2 Fiscal Year 2018 was a year that saw significant restructuring post budget development. As a result of that, comparison between budget and actual, when viewed through the current organizational structure vs. the structure at budget development results in some inconsistencies and structural imbalances that may appear as misalignment between budget and actual. That is not the case, but would require restructuring that was not done for this "Notional" representation strictly done to present a possible budget model modification.

UNIVERSITY OF HOUSTON-CLEAR LAKE Education and General Operations

Division of Academic Affairs						
Sources	Academic Affairs/Non-College		Colleges		Division Total	
	Total Non-College		Total Colleges			
	Budget	Actual	Budget	Actual	Budget	Actual
Tuition Statutory		-	17,438,805	17,358,218	17,438,805	17,358,218
Designated		-	34,213,524	36,093,838	34,213,524	36,093,838
Differential Desig		-	1,520,248	2,424,201	1,520,248	2,424,201
Fees	6,630,367	7,060,077	1,500,340	1,418,970	8,130,707	8,479,047
Remissions	(187,340)	(267,801)	(3,671,637)	(3,416,360)	(3,858,977)	(3,684,161)
Total	6,443,027	6,792,276	51,001,280	53,878,867	57,444,307	60,671,143
State Appropriation	1,596,017	1,463,227	23,921,824	23,722,553	25,517,841	25,185,780
HEAF Funding	3,488,754	3,591,423	-	185,298	3,488,754	3,776,721
Staff Benefits Appropriation	-	-	-	-	-	-
Other	296,568	463,923	359,577	939,731	656,145	1,403,654
Transfers In/(Out)	-	1,189,520	-	-	-	1,189,520
Total Sources	11,824,366	13,500,369	75,282,681	78,726,449	87,107,047	92,226,818
Uses						-
By Object Code						-
Labor	14,671,319	13,405,770	36,606,581	36,697,695	51,277,900	50,103,465
COG	102,000	42,070	-	-	102,000	42,070
Recovery	(570,000)	(564,998)	-	(3,985)	(570,000)	(568,983)
M&O	12,348,825	11,927,848	3,455,243	2,515,018	15,804,068	14,442,866
Debt Service		-		-		-
Capital	2,642,797	2,723,430		21,169	2,642,797	2,744,599
Total Uses	29,194,941	27,534,120	40,061,824	39,229,897	69,256,765	66,764,017
Overhead Support	17,370,575	17,370,575	(41,511,090)	(41,511,090)	(24,140,515)	(24,140,515)
Net of Operations: after Overhead /(-)	-	3,336,824	(6,290,233)	(2,014,538)	(6,290,233)	1,322,286