University Budget Committee

Minutes of Monday March 30, 2015

Members in attendance: Rajeev Bansal, Thomas Bontly (chair), Michael Bradford, Angela Brightly, Janine Caira, Phillip Mannheim, James Marsden, Jeanne Martin, Suresh Nair, Katrina Spencer, Daniel Stolzenberg. Guest: Vice President and Chief Financial Officer Scott Jordan.

The meeting came to order at 4pm. After introductions, there followed a wide-ranging discussion of questions bearing on the University budget, including:

- The University's bond rating, which is currently AA-, one notch below the general obligation bond rating for the State. The rating on revenue bonds is affected by our level of reserves, the rating on UConn 2000 bonds is not.
- Reserves. The reserve stays in a separate account we do not touch. The reserves are cash and do not include assets such as buildings, computers, etc.
- State support for the University budget, which is currently about 28%. How does that compare to other states? It varies enormously. In many states, the flagship university has effectively cut a deal: you give us the autonomy to act as if we were a private institution, and we will pay for ourselves. That's not the reality here.
- Indirect cost returns, which can only use them for purposes spelled out in agreements with the funding agencies. To redirect them to other purposes would effectively violate a contract with the federal government.
- Financial exigency. If the University wanted to declare financial exigency, would it have to spend down the reserves first? Not clear. Either way, it would have an impact on bond markets. Some might imagine that it's a magic word that will allow the administration to do things they otherwise couldn't because of our collective bargaining agreements. But in reality, the terms in the contract protect our academic programs. Anyway, no one in administration is talking about financial exigency, especially when revenues are growing. The administration's position is that we can reshape programs as necessary without laying off tenured faculty or declaring exigency.
- The projected deficit for FY 2016. Based on the proposed budget the Governor submitted to the Legislature, the projected deficit is $40 million not including fringe benefits; with fringe, it is $60 million. The projection for FY 16 is based on the need to continue current services, plus a 5% collective bargaining increase. In addition, the NextGen plan has us admitting more students, for which we need to hire additional faculty. In our budget request the University asked the legislature for $10.8 million for raises and $18.8 million for NextGen faculty hiring. Instead, the proposed budget decreases the base by $10 million and cuts NextGen by $10 million. That's about $40 million less than the sum of everything we asked for. State support for fringe benefits is by rule 50% of the appropriation, so add another $20M on top of that and the total projected deficit is $60M.
- Administration strategies to address the deficit. One step is to get $6-8M additional revenue by enrolling more international and out of state students. We have also managed to find savings in new places. For instance, we saved considerable money by combining Facilities Operations for Residential Life and the rest of the University. And elsewhere.
- The Athletics budget. We just agreed to cover the full cost of attendance for student athletes. Division I sports are expensive, and given the conference we are now in, travel is very expensive.

Football and basketball are the expensive ones. If we were to drop two smaller Division I sports, we might save $1M per year. However research and athletics share a dynamic: few schools make money on either one, but if you are going to do them, you have to go all in. There are currently 8 schools that make money on athletics. For instance, Kentucky taxes athletics to support the academic enterprise, not the other way around.

- CBA increases. A few years ago, the unions agreed to forego CBA increases for two years, in exchange for an extension of the contract and raises in the remaining years. Previously, pay raises were funded with an act of the legislature. We don't yet know how they will be handled this year.
- GA negotiations.

It was pointed out by several committee members that it is not in the University's interest for the administration on its own initiative to seek concessions from the unions. If the unions were to agree, it could be taken to show that the State could further reduce funding. Instead, any move to open negotiations has to come from the Governor.

The meeting adjourned at 5:30pm.