

## SENATE UNIVERSITY BUDGET COMMITTEE 2017-18

### ANNUAL REPORT TO THE UNIVERSITY SENATE COMMITTEE

#### CHARGE

This committee shall review the planning, negotiation, and allocation of the University operating, capital, and other budgets, the process of making budgetary and financial decisions and the determination of priorities among academic and other programs having financial implications. This committee may recommend any desirable expressions of Senate opinion on these matters. The committee shall include two undergraduate students and one graduate student.

#### COMMITTEE MEMBERS

\*Carol Atkinson-Palombo, Chair, Geography; \*Rajeev Bansal, School of Engineering; \*Steven Batt, University Libraries; \*Nancy Bull, CAHNR; \*Kelly Dennis, School of Fine Arts; \*Joe Loturco, Physiology & Neurobiology; \*Philip Mannheim, Physics; \*Jeffrey McCutcheon, School of Engineering; \*Michael Willenborg, Accounting; Lloyd Blanchard, Interim AVP for Budget and Planning (Ex-Officio Member); Angela Brightly, Waterbury Campus; Eleni Coundouriotis, English; Justin Fang, Graduate Student Senate; James Marsden, School of Business; Corey O'Brien, Student Union; Noah O'Connor, Undergraduate Student Representative; Holly Jeffcoat, University Libraries; Daniel Stolzenberg, School of Education (\*Senate Member 2017/2018 )

#### OVERVIEW OF THE COMMITTEE'S BUSINESS IN 2017-18

*Background:* The academic year began with considerable uncertainty surrounding how the State of Connecticut would deal with its impending budget deficit and the extent to which spending cuts would be passed on to UConn. A Republican-crafted budget, that included deep cuts to higher education, passed on 16<sup>th</sup> September. When Gov. Malloy vetoed this budget shortly after it was passed, a revised budget was passed in October 2017. Although the cuts to higher education were ultimately less severe than initially proposed, they still amounted to approximately \$143 million for FY18 and 19. The SUBC postponed two of its scheduled meetings as a result of this uncertainty. As a result, it had fewer meetings this year than usual (a total of four) beginning 9/18/2017. Appendix A (attached) contains a timeline of events pertaining to the State budget negotiations that are both significant to UConn and provide context for the discussions.

## SUMMARY OF INDIVIDUAL MEETINGS

9/18/2017 Meeting: As in past years, the committee's first meeting was with Budget Director Katrina Spencer. The meeting focused on the budget cuts that had been passed two days earlier, in particular a detailed calculation of how UConn had arrived at the estimate of \$309 million. The extent of the cuts was far greater than had been anticipated, and discussions were ongoing with respect to how those could be met. Given its importance, this topic dominated the meeting. Dr. Radenka Maric, the new VP of Research, and Julie Schwager, AVPR Finance joined in the latter part of the meeting. Most of the conversation was dominated by what was unfolding at the state level.

10/16/2017 and 11/13/2017 Meetings: Postponed until further information was available on the State Budget

12/11/2017: Meeting to discuss presentation by Scott Jordan to Senate on 12/4. The SUBC met to digest the information that had been provided to the Senate as a whole and to plan for the spring semester. The Athletics Budget remained of considerable interest to the SUBC because of the deterioration in the State's finances.

1/22/2018: Meeting with Scott Jordan. The majority of the meeting was spent discussing the overall budget situation as well as the financial cost to the University of the firing of football coach, Bob Diacco. Three specific requests were made to Scott Jordan from the SUBC, by email on 1/28/18: (a) Copy of the formal budget for Athletics ahead of the Director's talk to the Senate on 2/5/2018; (b) How can the SUBC follow up on the issue of actual fringe (rather than blended) rates being used for summer salaries? (Scott had mentioned that HR was in the process of evaluating its categorization of SPAR); (c) How have the various types of faculty (tenured, APIR, adjunct) and their levels changed over the past 10 years or so since the budget cuts began?

Item (a) was provided at a summary scale that lacked detail (Appendix B attached). Items (b) was requested from Lloyd Blanchard; and with respect to item (c), Katrina Spencer explained that this was a more complex issue because of the variety of different groups that are included in that fringe rate (per our discussion). HR is currently in the process of evaluating this category and the initial work is starting, and they expect to have their first draft ready by summer. She suggested that the SUBC invite Chris Delello, AVP HR, to come and discuss this directly and provide more information and next steps in Fall 2018.

2/26/18: Meeting with David Benedict, Athletics Director; Scott Jordan, Chief Executive Vice President for Administration and Chief Financial Officer; Beth Goetz, Chief Operating Officer for Athletics; Lloyd Blanchard, Interim Associate Vice President for Budget and Planning, Associate Vice President of Institutional Research; Kelly Wihbey, Director of Operating Budget and Planning. The purpose of this meeting was to clarify the extent of budget information

compiled by the Athletics Department, to better understanding the financial planning process undertaken by the Athletics Department, and to agree what information would help the SUBC to meet its charge of understanding the impact to the UConn budget of various decisions made by the Athletics Department. The meeting was constructive, and the resulted in a better understanding by the SUBC of the fluidity facing the Athletics Department in terms of its costs and revenues. The SUBC appreciated the efforts being made by the Athletics Department to more clearly communicate about its initiatives to reduce spending and increase revenues.

Along those lines, the SUBC has requested detailed information about the impact on UConn's budget of the recent firing of the Men's Basketball Coach, Kevin Ollie. As of today's date, UConn's financial liability surrounding this event is to be determined. However, the SUBC was furnished with a copy of Kevin Ollie's contract as well as a Final Memorandum of Understanding pertaining to Coach Hurley's employment. David Benedict explained that an additional factor still being worked out is the cost of replacing Ollie's coaching team with people affiliated with the incoming coach. On 4/9, David Benedict notified the SUBC that he would provide the information on this and other important matters affecting the Athletics Budget (such as ticket pricing) once it was available. The SUBC plans to follow up on this in Fall 2018, and looks forward to developing an even closer working relationship with the Athletics Department and the Administration in the upcoming year.

Respectfully submitted, Carol Atkinson-Palombo, 2017-18 Chair, on behalf of the Senate University Budget Committee

22<sup>nd</sup> April 2018

Table 1. Timeline of Connecticut State Budget Negotiations

6/7	Gov. Malloy and the members of the Connecticut General Assembly (CGA) failed to reach a budget agreement by the end of the legislative session.
6/30	Gov. Malloy signed Executive Order (EO) authorizing spending cuts in the absence of a budget for FY2018.
7/31	Labor concessions agreement signed with state employee unions reducing the budget deficit from \$5.1 billion to \$3.5 billion. Key cost savings included multi-year pay freezes for UConn employees and reductions in benefits.
9/16	The CGA approved a budget plan drawn up by Republican legislators that included severe cuts to higher education. President Herbst estimated that the cuts would amount to \$309 million over the next two years—\$185 million to UConn and \$124 million for UConn Health.
9/26	Governor Malloy vetoed the budget passed on 9/16.
10/13	Standard & Poor's notified Connecticut that it was changing its outlook for the state's general obligation bonds from stable to negative.
10/16	Moody's Investor Service announced that it was considering credit downgrades for 26 Connecticut municipalities and three regional school districts, all of which saw funding reductions as a result of the budget stalemate. Twenty-five other municipalities and three other regional school districts were assigned negative outlooks.
10/23	Republican and Democratic leaders announced that they had agreed to the specifics of a budget deal that included priorities of the Republican Party such as a cap on spending and borrowing and the establishment of an independent panel to recommend changes to the state's pension program. The deal also increased the taxes on cigarettes and decreased taxes for Social Security and pension recipients.
10/26	Budget passed in the Connecticut State Senate and House.
10/31	Governor Malloy signed the budget passed on 10/26 with some amendments to correct for oversights in the language.

<b>University of Connecticut</b>				
<b>Division of Athletics</b>				
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	
<b>Revenue</b>	<b>Actual</b>	<b>Actual</b>	<b>Budgeted</b>	
Gate Receipts	9,881,042	9,367,390	9,543,597	
Athletic Revenue	27,659,100	26,112,639	25,692,728	
GUF/Title IX/Academics	13,701,914	13,810,527	14,296,446	
Foundation Support	6,224,740	5,666,522	6,350,000	
University Scholarship Support	16,079,017	16,406,406	17,111,600	
University Operations Support	5,463,249	7,680,782	8,291,782	
Head Coach Severance		4,329,897		
<b>Total Revenue</b>	<b>79,009,062</b>	<b>83,374,163</b>	<b>81,286,153</b>	
<b>Expenditures</b>				
Scholarships	16,079,017	16,406,406	17,111,600	
Payroll	33,048,469	36,998,325	34,557,887	
Operating	29,872,284	28,977,033	29,616,667	
<b>Total Expenditures</b>	<b>78,999,770</b>	<b>82,381,764</b>	<b>81,286,154</b>	
<b>SAOF Restricted Balance</b>				
<b>Excess of Rev. Over Exp.</b>	9,292	992,399	(0)	