

MINUTES  
UNIVERSITY ADVISORY COUNCIL ON  
STRATEGIC BUDGETING AND PLANNING

February 25, 2010

PRESENT: Martin Daniel, Gilles Divoux, Kyrille Goldbeck, Muhammad Hajj, Will Eyestone (for Bill Huckle), Hugh Latimer (for Scott Hurst), Ben Johnson, Lonnie Johnson, Patricia Lavender, Gary Long, Mark McNamee, Don Rimstidt, Dwight Shelton, Ken Smith, Linda Tegarden, Tom Tucker

ABSENT: Erik Ervin, Steve McMullin, Joey Zakutney

GUEST: Tim Hodge

1. CALL TO ORDER

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE FEBRUARY 4, 2010 MINUTES

Mr. Shelton announced that the minutes of the February 4, 2010 meeting have been approved and sent to University Council for posting on the web.

3. UPDATE ON THE STATE BUDGET – MONEY COMMITTEES REPORTS

Mr. Shelton provided an overview of the actions taken by the General Assembly money committees. The Senate Finance and House Appropriations Committees met on February 21 to announce their budget amendments for the fiscal year ending June 2010 and for the 2010-12 biennium; a handout was provided at the meeting, and is attached, which summarizes the proposed appropriations from the Executive Budget and each house of the General Assembly. The houses will adopt their respective amendments on February 25. As is customary, each house will then reject the amendments of the opposite chamber and send them into a conference committee for development of a conference report. The conference committee is scheduled to complete its work by Tuesday, March 9. Until then, the university will be focusing its efforts on urging with the conferees and their staffs to restore the cuts to cooperative extension, maintain no further reductions to higher education, continue to fully support state employee retirement contributions, the 3 percent employee bonus, and the cash match program, and eliminate all furlough days. The legislative session is scheduled to adjourn on March 13. Mr. Shelton will provide the Council with a report on the final General Assembly budget actions at the next meeting.

4. IMPACT OF STATE BUDGET DEVELOPMENTS ON THE UNIVERSITY BUDGET

To address budget reductions in the current fiscal year, academic departments are absorbing a 1 percent reversion and administrative departments a 2 percent reversion of funds. University departments are being apprised that a reduction to base budget will be required in the upcoming 2010-12 biennium to address reductions. Also, tuition will need to increase in order to help offset reductions. Once the General Assembly finalizes the budget, the university will be better able to finalize internal budget decisions to address reductions. Mr. Shelton will provide a report at the next meeting of the Council.

There being no further business, the meeting adjourned at 4:00 p.m.

Attachment

**PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY**  
as of February 21, 2010 (Crossover)

|   | Executive Budget |                |                 | House           |                |                      | Senate          |                |                 |
|---|------------------|----------------|-----------------|-----------------|----------------|----------------------|-----------------|----------------|-----------------|
|   | 2009-10          | 2010-11        | 2011-12         | 2009-10         | 2010-11        | 2011-12              | 2009-10         | 2010-11        | 2011-12         |
| <b>Operating Budget</b>                               |                  |                |                 |                 |                |                      |                 |                |                 |
| <b>General Fund</b>                                   |                  |                |                 |                 |                |                      |                 |                |                 |
| <b>University Division</b>                            |                  |                |                 |                 |                |                      |                 |                |                 |
| E&G Budget Reduction                                  | \$ (5,185,234)   | \$ (5,185,234) | \$ (21,846,706) | \$ (5,185,234)  | \$ (5,185,234) | \$ (26,376,504) (a)  | \$ (5,185,234)  | \$ (5,185,234) | \$ (21,846,706) |
| Eminent Scholar Reduction                             |                  | (57,778)       | (57,778)        | -               | (385,187)      | (385,187) (b)        | -               | (57,778)       | (57,778)        |
| Distribute Central Adjustment                         |                  | (2,527,972)    | (2,527,972)     | -               | (2,527,972)    | (2,527,972)          | -               | (2,527,972)    | (2,527,972)     |
| Revise Student Financial Aid Methodology              |                  |                |                 |                 |                | To Be Determined (c) |                 |                |                 |
| Equipment Trust Fund (\$8,824,269 in FY10)            |                  | (1,314,120)    | (1,314,120)     | -               | (496,192)      | (496,192) (d)        | -               | (1,314,120)    | (1,314,120)     |
| Equipment Trust Fund - Research Allocation            |                  | -              | -               |                 | 2,295,000      | 2,295,000 (d)        |                 | -              | -               |
| Subtotal University Division                          | (5,185,234)      | (9,085,104)    | (25,746,576)    | (5,185,234)     | (6,299,585)    | (27,490,855)         | (5,185,234)     | (9,085,104)    | (25,746,576)    |
| <b>Cooperative Extension/AES Division (CE/AES)</b>    |                  |                |                 |                 |                |                      |                 |                |                 |
| E&G Budget Reduction                                  | (1,074,931)      | (1,074,931)    | (4,528,956)     | (1,074,931)     | (1,074,931)    | (3,303,366) (a)      | (1,074,931)     | (1,074,931)    | (4,528,956)     |
| Eliminate and Consolidate Extension Offices           |                  |                |                 | -               | -              | (2,512,595)          | -               | -              | -               |
| Distribute Central Adjustments                        |                  | (1,050,016)    | (1,050,016)     | -               | (1,050,016)    | (1,050,016)          | -               | (1,050,016)    | (1,050,016)     |
| Subtotal CE/AES                                       | (1,074,931)      | (2,124,947)    | (5,578,972)     | (1,074,931)     | (2,124,947)    | (6,865,977)          | (1,074,931)     | (2,124,947)    | (5,578,972)     |
| <b>Total General Fund</b>                             | (6,260,165)      | (11,210,051)   | (31,325,548)    | (6,260,165)     | (8,424,532)    | (34,356,832)         | (6,260,165)     | (11,210,051)   | (31,325,548)    |
| <b>Federal Stimulus</b>                               |                  |                |                 |                 |                |                      |                 |                |                 |
| University Division ARRA Funding                      | (5,842,638)      | 20,892,536     | -               | (5,842,638)     | 27,748,514     | - (a)                | (5,842,638)     | 20,892,536     | -               |
| Cooperative Extension/AES Division ARRA Funding       |                  | 4,756,374      | -               | -               | 1,149,409      | - (a)                | -               | 4,756,374      | -               |
| <b>Total Stimulus</b>                                 | (5,842,638)      | 25,648,910     | -               | (5,842,638)     | 28,897,923     | -                    | (5,842,638)     | 25,648,910     | -               |
| <b>Nongeneral Fund</b>                                |                  |                |                 |                 |                |                      |                 |                |                 |
| E&G Interest Earnings not continued in FY12           |                  |                | (767,792)       | -               | -              | (767,792)            | -               | -              | (767,792)       |
| E&G Credit Card Rebate not continued in FY12          |                  |                | (92,326)        | -               | -              | (92,326)             | -               | -              | (92,326)        |
| Out-of-State Student Capital Fee Technical Adjustment |                  |                |                 |                 |                |                      | (122,830)       |                | (122,830)       |
| New InState student Capital Fee                       |                  |                |                 |                 |                |                      |                 |                | (1,551,888)     |
| Transfer of 5% of Auxiliary Reserves                  |                  | (593,524)      |                 | -               | -              | - (e)                | -               | -              | -               |
| <b>Total Nongeneral</b>                               | -                | (593,524)      | (860,118)       | -               | -              | (860,118)            | -               | (122,830)      | (2,534,836)     |
| <b>Net Impact of All Changes to Operating Budget</b>  | \$ (12,102,803)  | \$ 13,845,335  | \$ (32,185,666) | \$ (12,102,803) | \$ 20,473,391  | \$ (35,216,950)      | \$ (12,102,803) | \$ 14,316,029  | \$ (33,860,384) |

NOTE: For ongoing base budget items, the funding displayed in each year is incremental to the original appropriation in 2009-10.

a) The House version reallocates GF and Federal Stimulus funding in a manner that insures every institution receives ARRA funding in FY 2011 equal to the cumulative GF cut. Language maximizes institutional flexibility on carry forward of unspent funds from FY 2011 into FY 2012 to manage the funding situation. The Senate version recommends no additional GF reductions.

b) The House version completely eliminates remaining funding for the Eminent Scholars Program.

c) The House recommends revising the current Student Financial Aid methodology to save \$20 million in the second year. The House calls for SCHEV to determine results of this change by September 1, 2010.

d) The House version changes the allocation of ETF funding to correspond with recommendations made by SCHEV. In addition, a separate allocation is recommended based on research needs at doctoral institutions.

e) The House and Senate versions eliminate transfer of auxiliary cash balances proposed in the Executive Budget.

**PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY**  
as of February 23, 2010 (Crossover)

|  | Executive Budget      |                      | House Budget          |                      | Senate Budget         |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|  | State                 | NGF                  | State                 | NGF                  | State                 | NGF                  |
| <b>Capital Budget</b>                                |                       |                      |                       |                      |                       |                      |
| <b>General Fund</b>                                  |                       |                      |                       |                      |                       |                      |
| <b>2011 Bond Program (a)</b>                         |                       |                      |                       |                      |                       |                      |
| Renovate Davidson Hall, Phase I                      | \$ 29,894,000         |                      | \$ 29,894,000         | \$ -                 | \$ 29,894,000         | \$ -                 |
| Construct Engineering Signature Building             | 48,607,000            |                      | 48,607,000            | -                    | 48,607,000            | -                    |
| Construct Chiller Plant, Phase I                     | 11,580,000            |                      | 11,580,000            | -                    | 11,580,000            | -                    |
| Agency 229: Construct HABBI Building                 | 52,235,000            |                      | 52,235,000            | -                    | 52,235,000            | -                    |
| <b>Total General Fund</b>                            | 142,316,000           | -                    | 142,316,000           | -                    | 142,316,000           | -                    |
| <b>Funding Changes</b>                               |                       |                      |                       |                      |                       |                      |
| Sciences Research Lab I (b)                          |                       |                      | (28,758,000)          | -                    | (28,758,000)          | -                    |
| Center for Creative Technologies Lab (b)             |                       |                      | 28,758,000            | -                    | 28,758,000            | -                    |
| <b>Federal Stimulus Supplant (c)</b>                 |                       |                      |                       |                      |                       |                      |
| Agency 229: HABBI Building                           | 1,000,000             | (1,000,000)          | 1,000,000             | (1,000,000)          | 1,000,000             | (1,000,000)          |
| Engineering Signature Building                       | 1,100,230             | (1,100,230)          | 1,100,230             | (1,100,230)          | 1,100,230             | (1,100,230)          |
| <b>Total Federal</b>                                 | 2,100,230             | (2,100,230)          | 2,100,230             | (2,100,230)          | 2,100,230             | (2,100,230)          |
| <b>Maintenance Reserve</b>                           |                       |                      |                       |                      |                       |                      |
| Maintenance Reserve (\$8,679,000 in FY10)            | 6,387,148             | 6,387,148            | 5,630,449             | 5,630,449            | 6,387,148             | 6,387,148            |
| <b>Nongeneral Fund</b>                               |                       |                      |                       |                      |                       |                      |
| Agency 229: Improve Kentland Facilities, Phase I (d) |                       | 5,000,000            | -                     | 5,000,000            | -                     | 5,000,000            |
| Academic and Student Programs Building               |                       | 45,153,000           | -                     | 45,153,000           | -                     | 45,153,000           |
| <b>Total Nongeneral</b>                              | -                     | 50,153,000           | -                     | 50,153,000           | -                     | 50,153,000           |
| <b>Total</b>   | <b>\$ 150,803,378</b> | <b>\$ 54,439,918</b> | <b>\$ 150,046,679</b> | <b>\$ 53,683,219</b> | <b>\$ 150,803,378</b> | <b>\$ 54,439,918</b> |

(a) The program is limited to projects with previously authorized planning funds from Chapter 1 (2008). Projects will be phased-in over time depending on state debt capacity. The amounts do not include planning funds previously authorized or nongeneral fund components.

(b) This transfers existing state support for the Sciences Research Laboratory I to the Center for Creative Technologies Laboratory.

(c) The Executive Budget provides General Fund revenue to replace Federal Stimulus funds. The House makes no change to this swap. The Senate proposes to use state Treasury Loans instead of General Fund.

(d) The source of revenue is proceeds from the anticipated future acquisition of property by the FAA for the runway extension project. This authorization and funding are envisioned to support the relocation of components of the Dairy Science program.