

Senate Items of Interest

Searches

Both the provost (<http://louisville.edu/provost/faculty-personnel/searches/evpup>) and A&S Dean (<https://louisville.edu/provost/faculty-personnel/searches/a-s-dean-search/dean-candidate-finalists>) searches have completed on campus visits.

Search for General Counsel is ongoing. The executive committee has met/or will meet with each candidate.

Retirement benefits. The budget Planning and Monitoring Committee will make recommendations early next year.

University Wide Committees

Executive Space Planning and Steering Committee

- Discussed updating/revising space policy and generating a process map
- Policy will be broken out into three groups (research/teaching/administrative)
- HSC has routine space audits, plan for space audits for Belknap in 2021

Budget Model Workgroup

- Started tackling a list of discussion points for the next budget
- Discussed how budget adjustments (upside and downside) will be made

Budget Planning and Monitoring Committee (BPMC)

- Reviewed budget with Dan Durbin (see attached)
- State replacing some unrestricted funds with restricted funds (CARES act). Will need more documentation from units regarding CARES act spending
- Spring enrollment figures are down, higher number of withdraws this semester

COSFL (Coalition of Senate and Faculty Leadership for Higher Education)

- Met with Dr. Aaron Thompson, President of CPE
- Discussed the role of CPE and the Gray and Associates Institute Evaluations

Pivot to Fall/Spring Coordinating (PTF/S) Committee

- Met weekly – COVID-19, Flu vaccination, student performance, Respondus, spring semester (start and break), Commencement ceremonies were common/dominant topics.
- COVID-19 testing week before and first week of classes
- Proposed to have more periodic testing during the semester
- Planning for the arrival of a potential COVID-19 vaccine

Student Wellbeing Committee is back up and running

- Three subcommittees (Wellbeing and resilience, faculty roles and suicide prevention) gave overviews of final reports.
- Report from the counseling center was presented
- Provost requested each subcommittee to come up with a priority one or two action items (keeping in mind limited budgets).

Shared Governance

- Need to continue advocating for a faculty voice prior to administrative decisions
- Need to continue advocating for clear and timely messaging to faculty
- Need to make senate input to administrative decisions more widely known to faculty
- What are the potential avenues by which senators can convey information to units?
- How do faculty bring issues to their unit representatives?

On the horizon

- Have a good and restful holiday break!

The background of the slide features a photograph of the 'The Thinker' statue by Auguste Rodin, located on the University of Louisville campus. The statue is a dark, muscular figure in a contemplative pose, resting its chin on its hand. It is set against a backdrop of lush green trees. A red banner is overlaid on the left side of the image, containing the University of Louisville logo. A dark grey banner is overlaid on the right side, containing the title of the committee. A white banner is overlaid at the bottom right, containing the date. A white plaque is visible at the bottom left, with text that is partially cut off.

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Budget Planning and Monitoring Committee

THE THINKER
BY AUGUSTE RODIN
A GIFT TO THE PEOPLE
OF LOUISVILLE BY THE

November 16, 2020

Today's Agenda

- **Update on FY 2021**

- University Status
- Our High Risk Areas:
 - State funding (incl CARES Act)
 - Enrollment
- National and regional status
- Gain share
- Budget model

- **Review of FY 2021 Balancing Strategies**

- Discussion of contingency and savings targets
- Discussion of levers to release/hold and next steps

- **Preliminary FY 2022 Budget Timeline & Items**

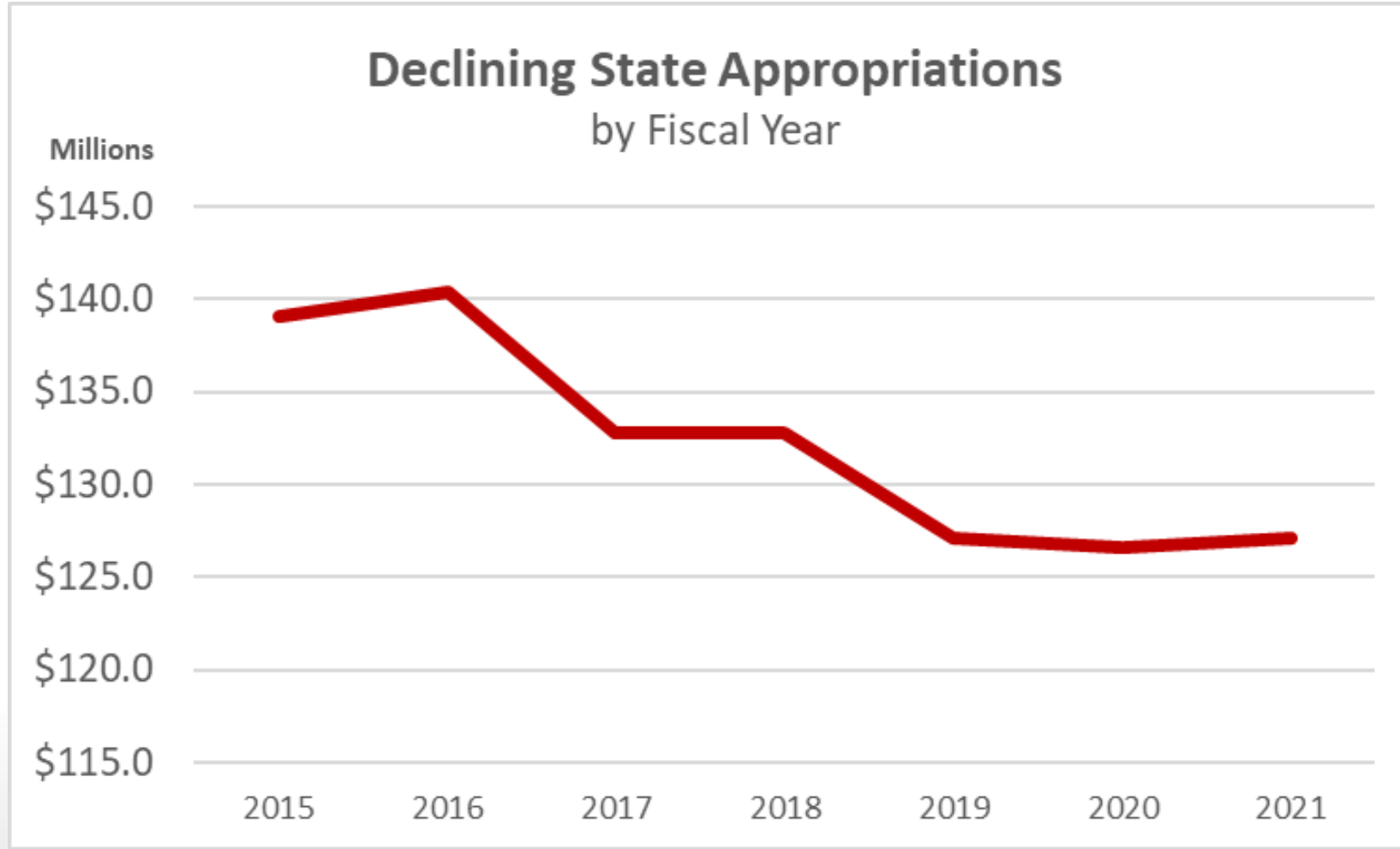
FY 2021 University Status Through 9/30/20

- **Most activity through 9/30 was in line with budget:**
 - *Enrollment & tuition revenues slightly ahead of budget*
 - *Prior year (FY20) state reduction rescinded*
 - *FY 21 State reduction may not happen*
 - *Expenses mainly in line with budget*
 - *Cash position stable*
- **Future Challenges:**
 - *Possible state reduction of \$10 mill for FY21 (conflicting information)*
 - *Spring enrollment pressures*
 - *Athletics and other self-supportive units under pressure*
 - *COVID-19 duration and severity*
- **Active engagement with Deans, VPs, and constant monitoring**

High Risk Area #1: State Appropriations

Update on FY 2021: State Appropriations

8.6% Decrease in State Appropriations to UofL



FY 2021 Outlook Unexpectedly Improved...but Still Unsettled

- **State Budget Director call to plan for 8% budget cut just a month ago**
- **Governor announces plans for no cut last week**
- **State fiscal picture improving**
 - State Budget Director [presentation](#) to legislature on 11/10
 - CARES Act dollars appear to be driving the situation
 - What about the future (FY22) ?
- **Revenue forecasting group (CFG) to meet in December**
 - Provides official revenue estimates for FY 2022 budget planning
 - State budget based on CFG estimates by statute (KRS 48.115)
 - Legislature passed one-year budget in spring; FY 2022 budget needed

The “Switcheroo”

- **State budget office plans to swap share of higher ed state appropriations with federal CARES dollars**
 - Would replace unrestricted with restricted dollars (like a grant)
 - Total system wide swap = \$20 million
 - UofL portion = \$2.9 million
 - Additional \$20 million allocation (no swap) also to be made
 - Level of documentation is unclear at this point
- **Next Steps**
 - State Budget Office to finalize procedures, but not clear when
 - Under CARES, reimbursement only for March-December 2020 activity
 - CARES dollars are very restrictive

Update on FY 2021: CARES

Current CARES Funding to UofL

- **Higher Education Emergency Relief Fund (HEERF) Student: \$6.2M**
 - Fully distributed
- **Higher Education Emergency Relief Fund (HEERF) Institutional: \$6.2M**
 - One round of reimbursements distributed to units
- **Governor's Emergency Education Relief (GEER): \$1.6M**
- **FEMA...pending (pays only 75%)**
- **Welcomed, but not enough to cover full costs and revenue losses**

University of Louisville

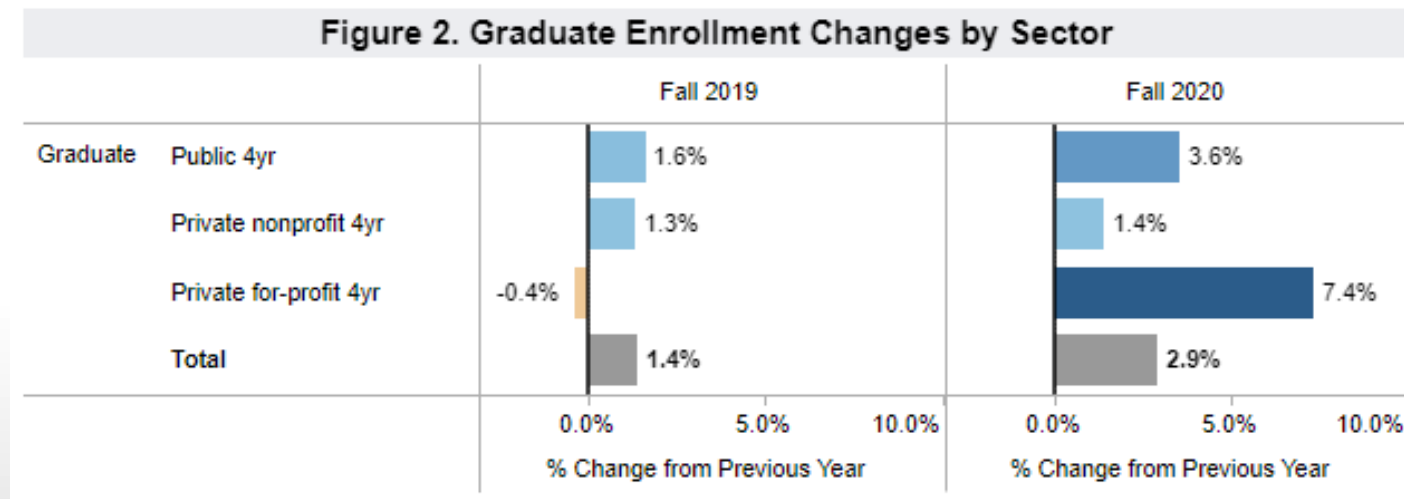
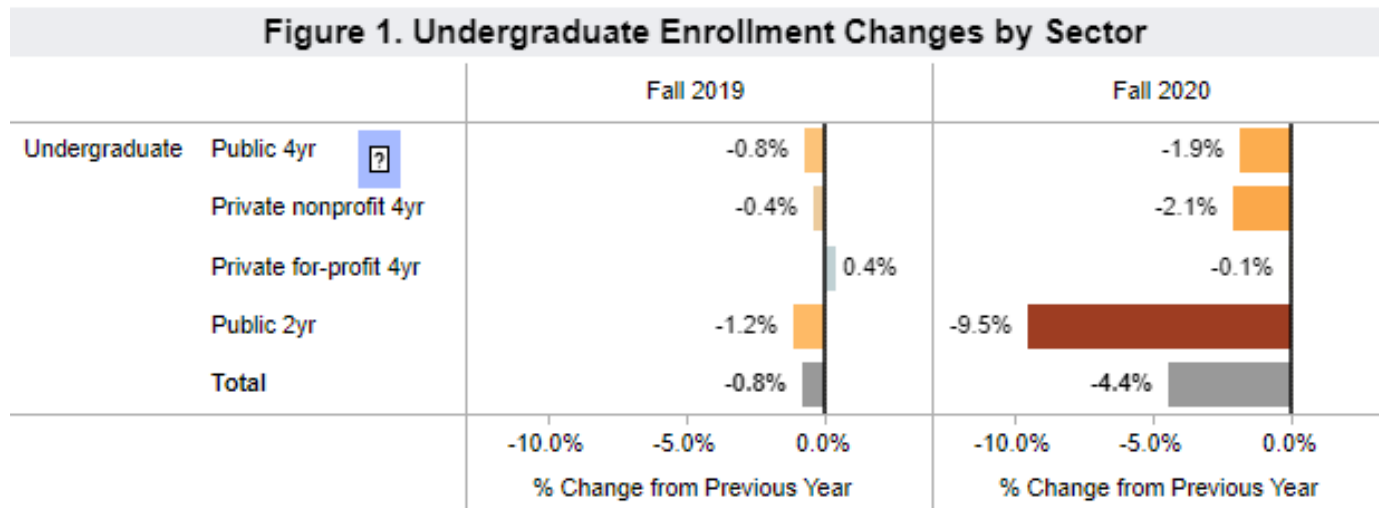
Status of Covid-19 Related Assistance

	Student Specific	Institutional Specific
CARES/HEERF Act	6,239,395	6,239,395
GEERs (State)		1,577,300
Total Received	6,239,395	7,816,695
Costs:		
Student Aid/ Assistance	6,239,395	
Student housing refunds (spring)		1,366,849
Student meal plan refunds (spring)		1,343,731
Parking refunds		5,876
Classroom/faculty/staff technology		262,048
Student technology		405,220
Campus safety and operations		722,359
Total Costs Reimbursed through 9/30	6,239,395	4,106,083
Estimated Pending Costs		
Cleaning & disinfecting		1,400,000
Additional departmental cost		813,000
FMLA costs		1,300,000
Classroom technology upgrade		555,000
Contractual obligations (dining & other)		tbd
Student teaching support (partial)		400,000
Quarantined student costs		112,227
Additional Testing & tracing		1,250,000
Total Costs Identified & Projected	6,239,395	9,936,310
Remaining (pushed to FEMA application)	-	(2,119,615)

High Risk Area #2: Enrollment

Update on FY 2021: Enrollment

National Clearinghouse Enrollment Update (November 12, 2020)



UL Specific Update for Winter and Spring

- **Jim Begany Report**

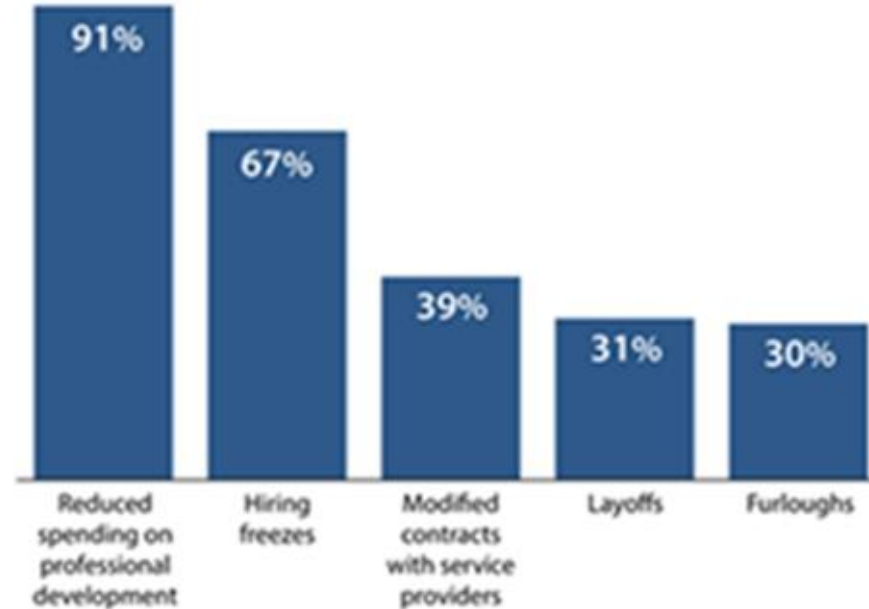
How is COVID-19 Impacting Other Colleges & Universities ?

Update on FY 2021: National and Regional Higher Ed Status

Troubling Impacts Across Higher Ed

Hiring Freezes and Reduced Spending on Professional Development Are Among the Top 5 Staff Changes Schools Made Due to COVID-19

Share of responding institutions that reported making changes to administrative or other staff due to the COVID-19 pandemic



Note: Multiple answers allowed; 207 respondents; Only top 5 staff changes are displayed.
Source: Poll of NACUBO member institutions, conducted August 10-19, 2020.

Examples of Actions Taken to Ensure Financial Stability

- **University of Kentucky**
 - 1,700 employees placed on administrative no-pay status, including healthcare employees.
- **Western Kentucky University**
 - Administrator, faculty and staff salary reductions up to 10%.
- **Eastern Kentucky University**
 - Furloughed some employees from May 1 – Aug 1.

Examples of Actions Taken to Ensure Financial Stability

- **Clemson University**
 - Mandatory furloughs from Sept 1- Dec 31 for all position types
 - Pay reductions for some employees
- **Stanford University**
 - Permanently laid off 208 workers and furloughed 30 more.
 - Pay cuts from 5 to 20%
- **Winthrop University (South Carolina)**
 - Between Sept. 1 and June 30 of next year, more than 700 Winthrop employees will be required to take between two and 20 furlough days, depending on their position.

Examples of Actions Taken to Ensure Financial Stability

- **Marquette University**

- Just announced plans to layoff between 225 and 300-plus faculty and staff "in the short term."

- **Pennsylvania State System**

- More than 100 tenured and tenure-track faculty positions may be cut at the end of the 2020–21 academic year.

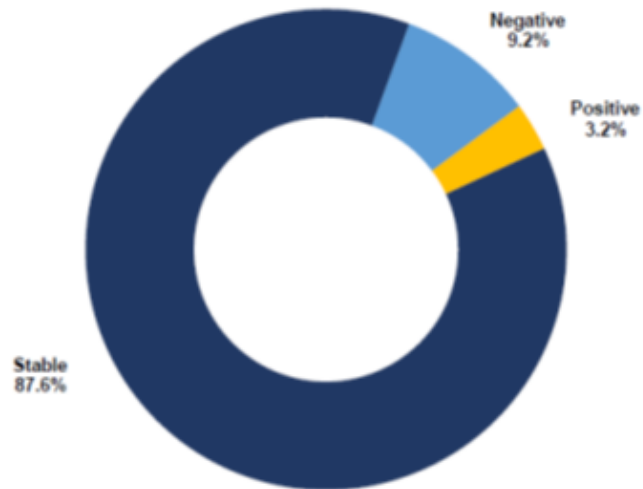
Entered into Financial Exigency

- **Central Washington University**
- **Missouri Western State University**
- **Lincoln University (Missouri)**
- **Cornish College of Arts in Seattle**

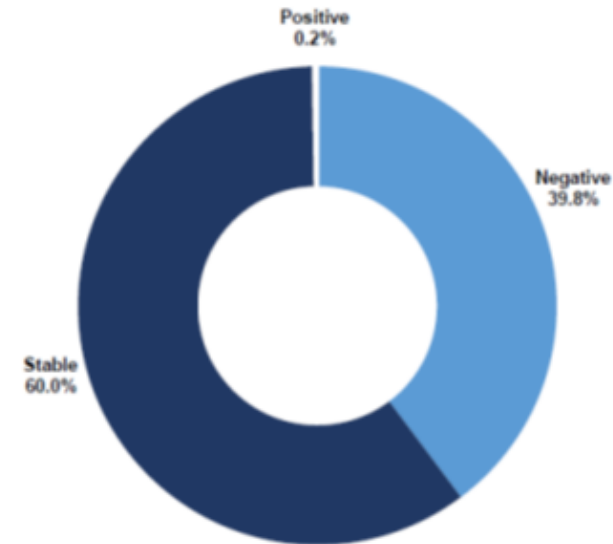
Standard & Poor's...Negative Outlook for Higher Ed Sector

U.S. Higher Education Outlook Distributions

As of December 31, 2019



As of November 10, 2020



Source: S&P Global Ratings. Data as of November 10, 2020.

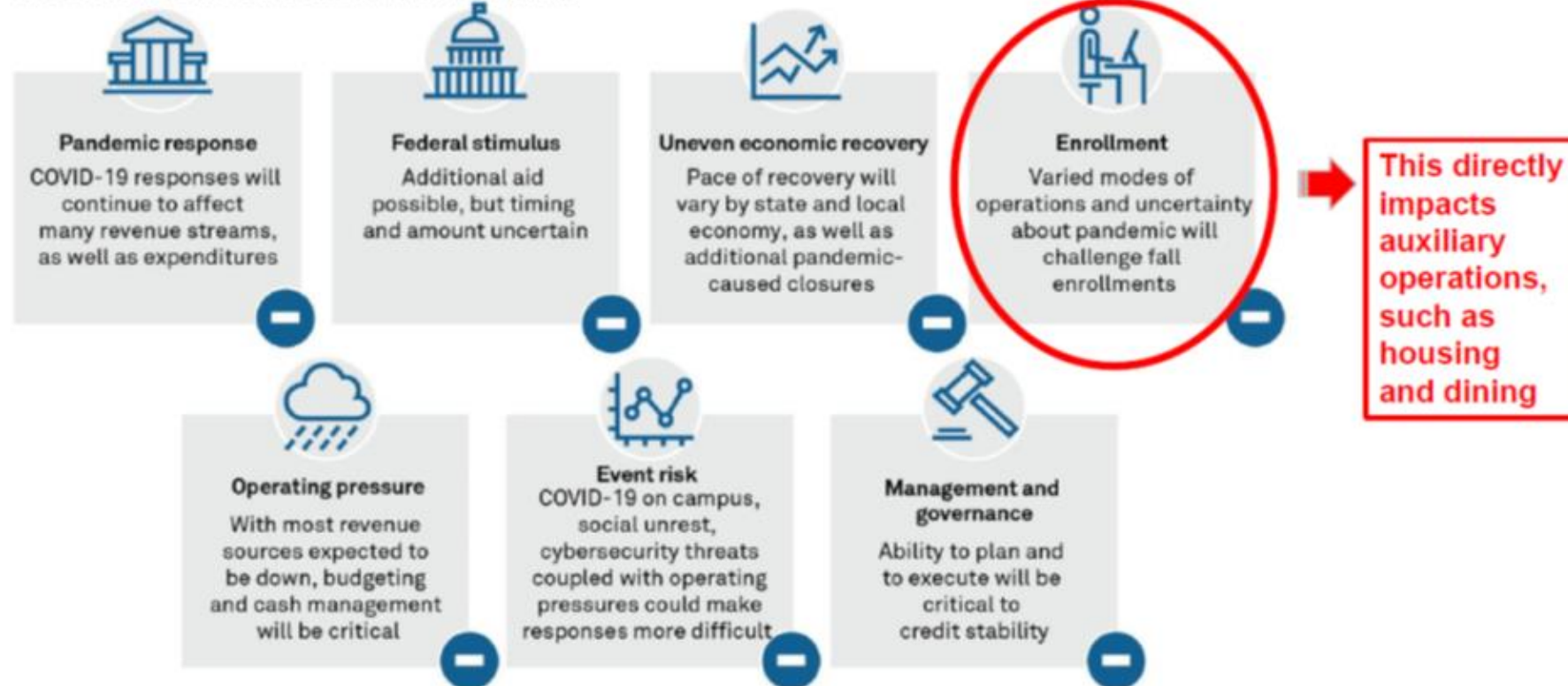
S&P Global
Ratings

Annual Higher Education Credit Forum
2020 & Beyond: Navigating Troubled Waters

Enrollment is key metric for S&P

What We're Watching: Negative Outlook for Third Consecutive Year

Credit Drivers For Second Half Of 2020



S&P Global
Ratings

Annual Higher Education Credit Forum
2020 & Beyond: Navigating Troubled Waters

Financial outlook is unsteady

S&P Economic Outlook: Still Sailing in Stormy Seas Pandemic Fallout – Not Over Yet

- Massive adverse shock: sudden, sharp drop of activity and employment
- Unprecedented policy response – both fiscal and monetary
 - Fed's alphabet soup of facilities, new strategy allowing a temporary inflation "overshoot" meaningful
 - Will fiscal stimulus be extended?
 - What about the trade dispute with China?
- Economic outlook dependent on path of virus: interaction between mobility, restrictions, speed of reopening, and speed of vaccine.
- Longer the duration of virus the worse the outcome
 - Policy fatigue sets in, scarring sets in, which eats into longer-run growth equilibrium.
 - Temporary job loss turns into permanent the longer this persists
 - And with it, widening income inequality.
- Recession risk 25% to 30%

The harsh reality is that President-elect Biden has his work cut out for him

S&P Global
Ratings

Annual Higher Education Credit Forum
2020 & Beyond: Navigating Troubled Waters

Cash is King

Liquidity Remains Critical for Higher Education

What are Schools doing about it?

- Forward refunding, taxable refunding
- Lines of credit
- Stronger credits taking advantage of favorable interest rates
- Scoop and toss
- Extraordinary endowment draws
- Borrowing from endowment
- Liquidating assets

S&P Global
Ratings

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2020 & Beyond: Navigating Troubled Waters

Update on FY 2021:
Gain-Share and Savings Targets

FY 2020 Gain-share

- **Second year in place**
- **Rewards prudent financial management; ends “Hoovering”**
- **Returns 75% of general fund balances to the Dean/VP**
 - Auxiliaries and service centers retain 100% of revenues less expenses
- **Gain share dollars to be deposited into unit’s Savings Program**
- **Academic Unit total gain-share = \$7.7 million**
- **Most Administrative Unit gain-share situated with President/Provost/CFO**
- **Timing of allocations: this week**
- **These are one-time and VALUABLE dollars- BE CAREFUL because its only here once**

Future Decision-points: Accessing Gain-Share...Setting Savings Targets...

- Liquidity important in “good” times; extremely important in “bad” times – let’s not repeat the past
- Need to balance savings goals with strategic opportunities to improve university
- Savings philosophy represents a new mind-set- pushes responsibility to units
- Savings Matrix—see next slide
- Input/Decision Point #1: What should the savings goal be for UofL?
- Input/Decision Point #2: What factors should determine release of gain-share? Cash deficits?

Savings Matrix

	Contingency Program (080xx)	Savings Program (Z80xx)
Purpose	To function as an unrestricted reserve of a Unit's annual expense budget for unexpected and recurring revenue losses or expense increases due to factors outside an individual unit's or the university's control (e.g., state appropriation decrease; health insurance cost increase; interruptions in business volumes); secondary purpose is to protect the university's overall cash position to insure its ability to operate and remain accredited.	To establish a pool of unrestricted funds within each unit that allows for unit-driven long-term resource planning as well as the ability to fund extraordinary and strategic one-time unit expenses during the year (e.g., dean recruitment costs; faculty start-up packages; new academic program start-up expenses; accreditation reviews; strategic plan components, renovation or building expansion; etc.).
Floor / Ceiling	Currently 5%% of unit's general annual fund expense budget* / Future amounts TBD	<p><u>Academic units:</u> TBD percentage of unit's general fund expense budget*</p> <p><u>Support units:</u></p> <ul style="list-style-type: none"> - Central cash reserve target of TBD percentage of pooled from budget reserve programs and admin unit savings programs. - Auxiliaries target: TBD% <p>Net of any cash deficits</p>

Another Future Decision Point

Review of FY 2021 Balancing Strategy

FY 2021 University-level Budget Drivers and Assumptions

- **Revenues**

- Decrease in gross tuition and fee revenues (projected enrollment decrease; on-line tuition rate repricing)
- Decrease in investment income (due to markets and lower short-term interest rates)
- Enrollment decrease
- Slight increase in state appropriations due to performance funding: +\$423k
- Decrease in clinical due to Pediatrics transfer to Norton's (expense decreased, too)
- Decrease in Athletics' and other self supportive activities due to COVID-19 impacts

- **Expenses**

- Annualized cost of January 1, 2020 salary increase: +\$2.6 million
- University-funded health insurance cost: +\$2.5 million
- Enterprise Resource Planning system (1/2 year): +\$2.5 million
- Utility expenses: +\$2.0 million
- Institutional financial aid: +\$1.8 million
- Various college/department allocations: +\$5.7 million
- COVID related (cleaning, PPE)

Reminder: Overview of FY 2021 Budget

	General Funds	UL Research Foundation	Athletics	Foundation	Other Dept. Funds	All Funds
Revenues						
Tuition and Fees	325,927,672					325,927,672
State Funds	127,056,800					127,056,800
Transfers to General Fund	23,967,589					23,967,589
Auxiliaries	13,132,518					13,132,518
Clinical (including Hospital)	9,308,327	322,856,844				332,165,171
Sponsored Agreements		131,250,000				131,250,000
Pass Through Financial Aid		44,000,000				44,000,000
Other Revenue	14,206,997	3,000,000	107,377,000	56,383,000	40,914,903	221,881,900
Total Fiscal Year Revenues	513,599,903	501,106,844	107,377,000	56,383,000	40,914,903	1,219,381,650
Funds Received in Prior Periods	3,000,000	0	0	0	2,538,547	5,538,547
Total Funding Available	516,599,903	501,106,844	107,377,000	56,383,000	43,453,450	1,224,920,197
Expenditures						
Salary	256,583,186	231,568,972	35,653,723	18,534,184	13,374,262	555,714,327
Fringe Benefits	75,708,778	54,121,860	6,825,525	5,224,865	3,734,417	145,615,445
Operating	88,933,726	154,821,844	36,747,031	24,531,672	25,732,971	330,767,244
Scholarships	65,771,365	45,425,605	15,070,302	8,092,279	611,800	134,971,351
Capital Asset plus Debt Service	26,700,413	15,168,563	12,230,419	0	0	54,099,395
Utilities	23,164,110	0	850,000	0	0	24,014,110
Total Expenditures	536,861,578	501,106,844	107,377,000	56,383,000	43,453,450	1,245,181,872
Budget Surplus/(Deficit)	(20,261,675)	0	0	0	0	(20,261,675)

The FY 2021 General Fund Balancing Strategy

- **Anticipated Shortfall: \$20.3 mill**
- **Actions to Balance Budget:**
 - Reduce Employer Retirement Contribution: \$7.2 mill**
(2.5% base + 2.5% optional)
 - Use of Unit Contingency: \$13.1 mill**
- **Review status in January to determine future measures (good and bad)**

FY 21 Budget Progression

- **The good:**

- Enrollment ahead of budget in Fall = approx. \$1.4 mill more tuition
- State “returned” the FY 20 reduction: \$1.2 mill
- Expenses mainly in line with estimates/budget

- **The not so good:**

- Pressures on Spring enrollment
- Housing, Dining & Athletics
- Covid-19 duration and severity
- Changing state economy in FY22

Discussion: Continuing, Revising, Releasing Balancing Strategies

	<u>Amount</u>
Retirement per 1% (est.)	\$ 350,000 (monthly)
Contingency per 1%	\$ 3,500,000

Discussion Items:

- Which lever(s), if any, and in what combination should we change if things improve?
- Are there other things we should/could do?

FY 2022 Budget Planning

Key BPMC Upcoming Recommendation Points

Budget Decision / Input Points

- **Set budget priorities: January**
- **FY 2022 budget kickoff: late January/early February**
- **Legislature enacts FY 2022 state appropriations: March**
- **CPE sets undergraduate tuition rate ceilings: early April**
- **UofL recommended tuition rates: early April**
- **Final university revenue projections: mid-April**
- **New funding recommendations: mid-April**
- **Final Unit Subsidy amounts: April**
- **FY 2022 draft budget presented to Finance Committee: May**
- **FY 2022 final budget presented to Board of Trustees: June**

FY 2022 Budget Priorities

- **Discussion**
 - Initial thoughts?
 - **Submit recommendations to Shelley Thompson by 11/30/20**
(michellelee.thompson@louisville.edu)
- **Discuss and finalize at next meeting**
- **Budget goal: structurally balanced operating budget that supports mission of the university and links to the strategic plan**

Next Steps

Next Steps and Action Items for Future Meetings

- **Staff BPMC subcommittees:**
 - New Funding and Administrative Activity
- **Finalize savings matrix recommendations**
- **Finalize recommendation on continuing, revising, or releasing FY 2021 budget balancing strategies assuming finances allow**
- **Finalize recommendations on budget priorities**
- **Operational funding recommendations:**
 - Libraries; Delphi Center; Early Learning Campus; planetarium; employee health insurance; institutional financial aid; ERP system; deferred maintenance; salary equity; tuition remission; others
- **Next meeting: December 14th at 1pm**

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