

Budget and Planning Committee, Faculty Senate, 09/28/2020 minutes

In attendance: Ken Baker, Tamah Fridman, Phillip Daves, Michael Gelantalis, Cristina Barroso, Eric Lukosi, David Horton, Lisa Driscoll, Alex Rodregues, Kellie Fecteau

Members not present: Louis Gross

Agenda: Chris Cimino, Vice Chancellor for Finance and Administration, was provided with questions, which he answered in the meeting + his follow up on some questions is also included.

1. The lowest-paid UT employees such as cleaning staff: COVID testing availability; possible hazard pay? Compensation for the health insurance premiums increase?

Chris:

- Covid testing: frontline employees are able to receive free COVID testing using the Everlywell Testing Kits available at the Student Health Center.
- The State did not provide for salary increase so no hazard pay is considered for any staff although they can be moved if they are considered at risk.
- The Health Premiums increase to the employees is 2.8% that amounts to about \$10 a month, and even though the administration is aware that for some employees it is a considerable sum, no compensation is considered this year.

2. What have been the overall budget revisions that have occurred this year - e.g. how has the budget approved by the BOT for UTK changed or is expected to change in a revised budget?

Chris: What changed since the June Board meeting:

- FY started on July 1st, the Board pulled all increases and approved a flat carry-over budget plus a few million non-operational deferred maintenance funds (roofing, etc).
- Strong enrollment, will be making some small adjustments for the enrollment revenue going into the revised budget.
- Need to look at the Covid costs: costs of technology put in the classrooms (laptops, hot spots, etc), facilities preparation, PPE (personal protective equipment), etc.
- Received some Federal money from the Cares Act \$18.3M that we can spend in COVID costs, in two categories: (i) \$9.1M scholarships for students in need

associated with the Spring semester disruptions, half the money, (ii) \$9.2M course preparation for the Fall, can be spent on classroom technology and taking courses online.

- Exact numbers for COVID costs will be known next month, they are in excess of \$50M everything from labor and operating supplies for getting the campus ready, the biggest chunk of that - Spring refunds (housing, dining). No refunds this semester.
 - Expected to receive from the State of Tennessee (from Cares Act that went to the State) in relief fund: over \$1M.
 - Summary: Loss \$50M, can offset \$20M. Cannot use to offset the housing refunds (lost revenue).
3. What actions have been taken that cause this year to be "different" from past years in terms of their impact on campus (including academic) units? There is a hiring freeze and no pay increase, but what other actions have been taken such as withholding F&A returns to units, withholding carry-over of E-account funds (which we were told in the past was generally approved if carry-over was requested), constraining startup packages, etc.

Chris:

- Carry-overs are not stopped, the colleges will be getting them back after the year ends, start-up funds, research incentive funds.
 - hiring freeze is in place but these funds are not captured centrally. Deans still have the ability to come through the provost and ask for an exception if they think they've got a critical hire.
 - Pulled back everything related to construction projects and deferred maintenance except the started construction or donor-related (two building projects).
4. How do the "savings" associated with actions in #3 (e.g. hiring freeze, no pay raise, etc.) compare to the additional costs to the campus of the pandemic response (e.g. campus health safety costs, virus testing, etc.)?

Chris:

- Hiring freeze - building one-time funds for the college to use for unexpected costs
 - Travel cut back savings were captured centrally, some will go back as carry-over, some remain to help with Covid costs
5. Evidently by far the largest financial impact on the UTK budget is in auxiliaries, particularly housing and Athletics. The publicly stated estimate of the budget

shortfall for Athletics is \$40M though there have been estimates as high as \$80M. What if any is the shortfall in other units such as housing, and how are these shortfalls being met this year? What are the longer-term plans to recover funds from auxiliaries being used to cover their shortfalls?

Chris:

- Auxiliary: athletics, housing, dining, parking that have to generate the revenue to pay all of their costs and expenses: refunds, special events, and concerts canceled impacts parking, we are not able to pay debt service on garages and residence halls, athletics cannot pay their operating costs. For up to June 30th year-end, these auxiliaries were able to use their reserves. Not clear what will happen for the current FY. May have to front them some funds out of central reserves. They would have to pay this money back.
 - Athletics is likely to have \$40M loss (if situation changes, maybe up to \$80M). They have planned for cuts, cannot absorb all loss, will rely on mitigation plans through SEC (Southeastern Conference) or us centrally.
 - Housing does not have many reserves, most was for maintenance. The debt was taken on for the last 4-6 buildings. Opened in the Fall at 75-80% occupancy.
 - Parking relies on \$2M from concerts, Elton John performance postponed 2 years, other entertainers postponed 2-3 years, a decline in faculty/staff and student permits
 - Volshop is a \$20 million operation, may take a 10 or 20% hit on revenue
 - Housing and dining revenue down as a shorter semester to Thanksgiving and no Fall break, about 10% lower sticker price and lowered occupancy
6. We were provided a summary last year of how reserves might be tapped to cover for additional costs/reduced revenue due to the pandemic. Which reserves are being used this year to cover costs, and what does this imply regarding restrictions (e.g. is building planning now deferred that had been planned to move forward, initiatives in units such as the Provost Office or Research Office that have been put on hold, etc.)

Chris:

- The state of our central reserves:\$30M rainy day fund, and another \$30M that by T.Heck standards we have to keep in place; some are already dedicated to academic and research enterprise. Athletics will be helped from deferred maintenance or capital construction funds, not academics. Complete reporting of the reserves will be ready by the end of this calendar year, have to be provided to the Trustees in February.

- Rainy day fund is a recent construction put in place a few years ago by Chris, some percentage of the reserve (of an order of 10%) is set aside there.

Discussion The following sentiment is widely shared by faculty: the faculty on 9 mo appointments lost the summer research time that is their research and grants and career investment that is equivalent to taking a salary and career cut, and they do not feel that this COVID burden was equally shared by the administration.

Chris: I will pass it along. We all have been impacted, we try to hold the volunteer spirit. What is the impact of student enrollment funding and tuition, is there financial loss associated with online teaching now taking more time of tenure/tenure track faculty, State economy

Chris: State economy is shaky, taxes are down, we do not know what will happen in the next two years, we can get other state cuts, the enrollment is the lifeline. Budget Allocation Model update put on hold running a parallel year Current: Hybrid between RCM (responsibility center model) and an incremental model (start with what we have and then carryover)

next meeting the primer on the budget, basic structure and terms such as T.Heck, etc.