

Minutes - Senate Budget Policies Committee
Friday, September 11 2020
2:00-4:00 pm via Zoom meeting

Members in attendance: Tyler Bickford (Chair), Panos Chrysanthis, Yolanda Covington-Ward, Mackey Friedman, Immaculada Hernandez, John Mendeloff, Juan Taboas, Ben King (SGB), Adriana Maguiña-Ugarte (SC), Brian Smith (McGowan), Jennifer Lee (Secretary), Emily Murphy, Melanie Scott, Frank Wilson, Amanda Brodish, Richard Henderson, Thurman Wingrove, Stephen Wisniewski, Chris Bonneau, Donovan Harrell (University Times)

Absent: Gary Hollibaugh Jr., Wesley Rohrer, Yashar Aucie (GPSG), Jennifer Elizabeth Jones (UPPDA), John Baker, Beverly Gaddy, Phil Wion, Dave DeJong, Deborah Todd (University Communications), John Moss (Pitt News)

Call to Order at: 2p.m.

Tyler Bickford: An updated calendar will be out to the committee soon. A priority: race and racial equity, and in particular data transparency; we'll take this up at the October meeting. A note: Bob Goga from Institutional Research has retired.

1. Approve June minutes: Approved

2. Matters Arising: None

3. Budget Primer Presented by Thurman Wingrove

**What follows are remarks and questions supplemental to Budget Primer slides (available on BOX).

Thurman Wingrove:

Slide: "Budget Formulation Timeline: A misconception that Budget planning happens in spring. It's already started now, in fall, for 2022.

- September: Commonwealth Appropriations Request (CAR) is prepared; in 2021 a 5.5% increase in appropriation was requested. What to ask for in 2022 (in consultation w/senior administration) hasn't yet been decided yet. This goes out in October
- October – December: Responsibility Centers Resource Proposals are developed (this is new); we ask responsibility centers "what they need to reach their strategic goals."
- January: Enrollment projections are provided by schools to develop tuition budget.
- February: Hearings with Senate and House Appropriations Committees to answer questions.
- March-April: Enrollment numbers, appropriations, tuition, strategic initiatives, now used to make budget
- May: Budget Recommendations to Chancellor

Tyler Bickford: Why are Budget Year and Fiscal Year not synchronous?

Thurman Wingrove (From a follow-up email): We begin the process of requesting our Commonwealth Appropriation in September. . . We need to begin the process almost a year in advance in order to have it approved in time. For example, we are now placing our request for our FY 2022 appropriation, even though FY 2022 doesn't start until July 1, 2021.

Slide: Revenue Sources:

- Educational and General (E&G): Restricted: donor determines how and where funds are used; Other (i.e., student health fees): money designated for particular purposes; Research: money given with expected outcome.
- Auxiliary (“Tub on its own bottom.”) Revenue cycled to keep programs working; i.e., room and board, parking, bookstore.
- School of Medicine (“Tub on its own bottom.”) Tuition includes tuition from Nursing, School of Dentistry; Indirects: used to support research overhead
- Plant Funds: brick and mortar projects.

Tyler Bickford: Does School of Medicine get part of overall appropriations?

Thurman Wingrove: No, just the part designated by state.

Tyler Bickford: Where is clinical revenue?

Juan Taboas: Asks about UPMC money given to Senior Vice Chancellor to support Health Sciences.

Rich Henderson: UPMC does not support other Health Science programs—unless they are part of interdisciplinary programs that serve the School of Medicine.

Tyler Bickford: Research needs to be supported by tuition.

Mackey Friedman: We're talking in the abstract, without seeing the numbers. Is that really the case?

Tyler Bickford: Will follow up with Thurman Wingrove to get the numbers.

Thurman Wingrove:

Slide: Total University: These are 2019 Numbers.

Slide: Unrestricted E&G:

- Sales and Services—this is primarily athletics.
- Appropriation is 16% of E&G; 7% of Total Budget (You'll often hear this latter number.)

Slide: Research: Majority of this is federal, and most of that NIH.

Melanie Scott: Who decides the Indirects (Overhead) Rate?

Thurman Wingrove: We negotiate this every four years: Currently the rate is 56.5%.

Melanie Scott: Why doesn't the rate cover costs?

Thurman Wingrove: We try by proposing much higher rate than we actually get, but the Feds put a cap on the recovery of research costs.

Mackey Friedman: How are those real costs determined?

Thurman Wingrove: Support, facilities, utilities, depreciation on facilities and equipment; Some expenses the Feds won't pay at all, for example sub-contracting reimbursement on indirect costs is limited.

Slide: Auxiliaries: Regionals here refers to auxiliary funds at the regional campuses.

Slide: Endowments:

- Permanent Endowments: i.e., interest on principal is what's spent, according to donor's wishes.
- Quasi Endowments: Principle can be, but is rarely, accessed.

Tyler Bickford: \$400 million designated for retiree health benefits? And a portion for financial aid?

Thurman Wingrove: Post-retirement Quasi Endowment distribution is rolled back into the principal every year; currently we have 70-80% of the necessary money to pay this. Eventually, we will have enough money to pay for all of those benefits. This depends on interest rates.

Melanie Scott: Asks about investment strategies

Thurman Wingrove: Greg Schuler is better equipped to describe.

Slide: Reserves: Much of this is unfilled positions/vacancies.

- Funded Depreciation: funds set aside for capital projects.
- Debt service Reserves: it's not "how much cash you have" so much as "how much cash you have that's free and clear." Some of that money is earmarked to pay back debt.

Panos Chrysanthos: Are Reserves for a single year?

Thurman Wingrove: No, they remain on the books permanently.

Slide: "Functional Expenses"

Tyler Bickford: The word “Instructional” often shows up on year end reports. What is that?

Thurman Wingrove: Category name changes: “Instructional” (as well as “Instructional Support”) is now part of the Academics category.

Frank Wilson: Athletics part of Auxiliary?

Thurman Wingrove: No, it’s part of E&G; Athletics are not self-supporting.

Melanie Scott: Can these slides be in the Box file so committee members can access?

Thurman Wingrove: Yes.

Melanie Scott: Does everyone use the same software to budget? My sense is no.

Thurman Wingrove: University core system is Oracle; there are some schools with other software packages (shadow systems).

Tyler Bickford: Endowment: Quasi puts \$70-80 million into the yearly E&G; Is the endowment rate part of the deliberation with PBC?

Thurman Wingrove: This comes from the trustees.

Chris Bonneau: And is discussed at their budget committee meeting.

Tyler Bickford: Thanks Thurman.

4. Updates on 2020-21 Budget

Steve Wisniewski: Budget cut is smaller than peer institutions—where it’s 10% and accompanied by furloughs/layoffs.

- Permanent Cuts: \$3.7%
- Temporary Cuts (this year only): vary by school and depend on their individual budget; but are allocated evenly across the university to include travel, service agreement, supplies, etc.,
- Savings from Faculty and Staff retirements: Faculty retirement savings are mostly reaped by schools; Staff retirements: 50% held by school and 50% kept centrally by the university.

Adriana Maguiña-Ugarte: Asks a question about how much of the money saved from retirement is used for targeted replacements.

Steve Wisniewski: 50% is available, but they can petition for more.

Tyler Bickford: The total savings from faculty retirements?

Steve Wisniewski: Still working on final tally; 58 people have said yes to retirement; 3 then backed out.

Thurman Wingrove: 409 Staff have taken retirement.

Mackey Friedman: Asks about positions held open for people who are supported by grants but not currently working.

Thurman Wingrove: SERP saved \$40 million total; doesn't have distribution by unit.

Steve Wisniewski: FERP: Schools can opt in or out; Nursing and Medicine both didn't opt in because they worried how it would affect grants; in Dietrich, 21 people took retirement.

Tyler Bickford: Do we know where tuition ended up? How Auxiliaries and Endowment are doing at the moment?

Steve Wisniewski: Enrollment, our rough numbers, indicate that we're over target this year; first year students and undergraduate numbers are good. At the regionals retention is great, though enrollment is down at Johnstown—they took a hit in their graduate programs – likely international students unable to get here.

Thurman Wingrove: Auxiliaries suffered losses because of the April COVID refund; we're projecting a 2021 loss.

Tyler Bickford: Asks about the endowment.

Thurman Wingrove: Says he doesn't have the numbers.

Adriana Maguiña-Ugarte: The payroll tax deferral is coming up; will Pitt take it?

Thurman Wingrove: We are planning to take it.

Adriana Maguiña-Ugarte: Staff are concerned.

Tyler Bickford: Will you pass this onto individual staff/paychecks?

Adriana Maguiña-Ugarte: Will we get more cash in our paychecks?

Thurman Wingrove: No, it helps the university's cash flow but won't impact individual paychecks.

Tyler Bickford: It would not be helpful to pass this onto staff, who would then have to pay it back January--April.

Juan Taboas: Is there any money deans cannot touch when considering permanent cuts?

Steve Wisniewski: Furloughs and layoffs were off the table.

Tyler Bickford: Nobody with a contract was laid off, which is good. Has the workforce shrunk? Any information about part-time faculty not being rehired? What about people employed by subcontractors? Voluntary resignations of people who can't work on campus and for whom there is no remote work?

Steve Wisniewski: Can't answer faculty question until the census at end of month.

Tyler Bickford: Could we get a census update in October?

Steve Wisniewski: Students yes, but not faculty.

Amanda Brodish: Census is end of October.

Melanie Scott: Why are non-exempt staff being paid every two weeks?

Steve Wisniewski & Thurman Wingrove: Don't know – this is something to address with Dave de Jong and HR.

Tyler Bickford: What about funds for COVID related and other expected new costs?

Steve Wisniewski: Office of Admission and Financial Aid has had to completely change the way they recruit; there are added costs here.

Tyler Bickford: How were these new costs calculated?

Thurman Wingrove: Every other week meetings—Provost, School of Medicine, Pitt IT, Auxiliaries, Regionals--to determine these new costs.

Tyler Bickford: All these costs are covered centrally?

Steve Wisniewski: We're trying; using relief funds to help offset these costs.

Thurman Wingrove: We're looking at other sources to cover these costs, FEMA for example.

Tyler Bickford: Was it ever a consideration given to faculty/staff additional work to develop classes, etc.?

Steve Wisniewski: Not discussed at this meeting, though it was discussed at a "higher level."

3:47 p.m. Meeting Adjourned