AY 2009-10 BUDGET ADVISORY COMMITTEE (BAC)  
Minutes from the April 15, 2009 meeting

ATTENDEES
Dr. Alvin Thornton – Chair  Mr. Thomas Lawson  
Mr. Sidney Evans – CFO  Dr. Ivor Livingston  
Dr. Donald Bell  Ms. Roberta McLeod-Reeves  
Dr. Charles Betsey  Dr. George Middendorf  
Dr. Rufus Blackwell  Dr. Robin Newton  
Ms. Carole Borggren  Dr. Joseph Reidy  
Dr. Philip Fanara  Dr. Rosetta Ross  
Dr. Andre Farquharson  Dr. Davis Schwartzman  
Ms. JoAnn Fax  Mr. Bryan Smart  
Ms. Renee Grant  Dr. Dawn Williams  
Dr. Barbara Hines

Committee Staff: Mr. Cecil Trotman, Mr. Terrell Allen and Mr. Eugene Cooper from the Office of Financial Analysis and Budget.

2:11p.m.
Dr. Thornton called the meeting to order. The minutes from the April 8 BAC meeting were approved.

Dr. Thornton then asked that all data requests from the BAC be sent to via email to him as Chair. Mr. Evans then requested that context accompany data requests (i.e. how the request pertains to the budget process and why the request is important).

Dr. Bell noted he is working with the Provost to update Howard’s website with BAC information, which will therefore by available to the public. Dr. Middendorf asked whether information that BAC reviewed will be on the website. Dr. Bell confirmed that transparency is a BAC mandate under its charter.

Dr. Thornton then yielded the floor to Mr. Evans for a discussion of the Future Perfect Planning Model. Mr. Evans noted that the previous financial system, FRS, was developed in the 1970’s, and was antiquated for 21st century needs. PeopleSoft was adopted as a financial tool in 2004, but is not designed for strategic planning.

Howard University needed to perform rigorous, data-based analysis of the long and short term financial impact of strategic choices made. This led to the development and adoption of the Howard University Strategic Planning, Integrated, Real-Time and Innovative Tool (HU SPIRIT), the Future Perfect model.

HU SPIRIT was personalized for Howard, based on a model originally developed by Public Financial Management (PFM), a leading national financial advisor to governments
Ms. Borggren then began a walk-through of the HU SPIRIT model. She emphasized the model’s ability to:

- support institutional planning, incorporating both the University and Hospital
- factor in multiple variables
- incorporate multiple assumptions
- perform real-time planning

Dr. Bell noted that faced with more budget requests than available money, HU SPIRIT helps develop multiple scenarios with different spending alternatives.

A summary was distributed of the report and recommendation from the University-Wide Self-Study Report, conducted in preparation for the decennial reaffirmation of accreditation by the Middle States Commission on Higher Education. This was the document discussed at the Town Hall meeting the previous day (April 14). While still a draft, it is important that the BAC be kept informed on the recommendations that are emerging from the Self-Study.

Mr. Evans then began the budget presentation. He reprised some of the information on the FY2009 University budget from the prior meeting. The BAC was reminded that the initial FY2009 budget was balanced, consistent with the requirements of the Board of Trustees. A forecast prepared in November of 2008 showed a $15 million deficit, based on current trends. The President and the Board agreed that action must be taken to reduce this deficit. An updated forecast based on data through eight months of the fiscal year (through February) indicates that the projected deficit is down to $6.4 million.

This improvement was driven by expense savings of $16.4 million, primarily $14 million in operating expenditures, and an estimated $1.7 million of savings from the furlough. These savings were offset by revenue shortfalls, primarily in tuition, and in the planned sale of surplus real estate. Mr. Evans noted that this still a forecast, and we must continue our efforts through the remaining months of the fiscal year to keep the deficit as small as possible. He also noted that Howard’s financial situation has deteriorated in recent years.

Mr. Evans continued by saying that the first draft of the FY2010 budget shows a $54 million budget deficit. He walked through the preliminary revenue assumptions for enrollment (a 1.7% increase), tuition rate increases (7.5% for undergraduate programs, 10% for graduate programs, 5-8% for professional programs), housing and food service increases (7%), federal grants (continued progress in capturing appropriate cost recovery), and the federal appropriation (no increase).

Mr. Lawson asked about the opportunity to obtain federal economic stimulus money to help offset the budget shortfall. Dr. Thornton answered that there is a coordinated plan to develop a proposal for stimulus funds headed by Dr. Bonner. Dr. Bell noted that stimulus
money is available to universities mainly in the form of capital funds, not operating. The opportunities are likely to be in funding to build/refurbish dormitories, laboratories and other university structures.

Dr. Ross noted that there seemed to be no projected FY10 budget for “Equipment & Library Materials”. Mr. Evans and Ms. Borggren noted that these funds were included in the revised Capital Plan, and would be discussed later in the presentation.

Dr. Schwartzman asked about the impact of enrollment on tuition projections. Mr. Evans described the numerous price elasticity studies performed on enrollment, and stated that they indicated that enrollment levels were inelastic in relation to tuition increases; higher tuition doesn’t necessarily lead to low enrollment. Other intangibles affect enrollment along with tuition.

Mr. Evans also added in the present economy we do expect that our students will need more aid, and the preliminary FY2010 budget reflects that. Dr. Bell added that the Tuition and Rate Advisory Committee (TRAC) studied this issue closely and recommended increased need-based financial aid, along with merit-based aid.

Mr. Evans then walked through the components of FY2010 projected expenditures. Mr. Lawson asked where the PeopleSoft cost savings were realized. Mr. Evans replied that in fact we need to add funds to the FY2010 budget, to hire a technical team to sustain the system. The implementation had been largely done by external consultants, with special skills in that area; those implementation costs had been budgeted as one-time capital costs, and funded from the budget for University-sponsored capital projects. However, now that we’ve implemented the system we need to create a permanent department to sustain it. Mr. Evans stated that he would work with Dr. Minor to be sure that efficiencies were realized from working with PeopleSoft. Mr. Evans also noted that the University’s needs for IT investment and support are extensive. $32 million has been spent in the last two years for the network backbone to support PeopleSoft and our other technologies.

Dr. McLeod-Reeves asked why consultants and not employees were used in the PeopleSoft implementation process. Mr. Evans stated that major system implementations require specialized expertise in implementation and in the software. Going forward, HU employees will sustain and enhance the system.

Dr. Livingston asked whether the ISAS support staff needs to be enhanced or increased. Mr. Lawson noted that an ISAS task force had identified a need for increased technology support several years ago. It was noted that additional funding for IT operating support has been included in the FY2010 budget, in addition to the PS support team.

Dr. Ross asked if the impact of the “early out” packages was incorporated in the FY2010 projection. Mr. Evans replied that this projection was based on the University’s current.
level of operations, plus some additional funding for strategic initiatives. The VSIRP would be part of addressing the budget deficit and making the strategic initiatives possible.

Dr. Middendorf asked why nanotechnology initiatives were designated as mandatory in the FY2010 budget. Dr. Bell noted that this item is part of a long-term commitment, and that one of the goals of moving to a longer planning horizon is to enable Howard to make multi-year commitments to priority projects. Mr. Evans noted that this item was committed to in FY2009, but delayed as we reduced expenditures. Dr. Thornton stated that this is a Board of Trustees priority, but also that nothing is “off the table” for discussion.

Dr. McLeod-Reeves asked why there were no funds allocated in the FY2010 budget for improvements to the Blackburn Center. Mr. Evans and Dr. Thornton both suggested that she communicate her needs to the Provost. However, the University is only going to be able to address a very limited number of its capital needs next year.

Mr. Smart asked whether Founders Library was included in the Library Revitalization plans. Ms. Borggren clarified that this item was to address operating needs at the libraries, including Founders. Dr. Thornton noted that this request had been brought forward based on a strategic plan for the University libraries, which can be found on the HU website.

Dr. Bell noted that this first look at the FY2010 budget was more high-level. Next week’s BAC meeting will include more budget detail. Dr. Thornton noted that developing a budget using multiple inputs is a dynamic process.

Dr. Middendorf noted that an AAUP report shows Howard to be in the bottom quartile as regards faculty salaries. American, Catholic, George Washington and Georgetown Universities all pay faculty (and staff) at higher levels than Howard. Mr. Evans noted that these other schools have higher tuition rates and a larger endowment. Dr. Thornton noted that the budget process and models will allow the BAC to analyze different scenarios, including what the impact of increased faculty salaries would be on Howard’s financial position.

Dr. Blackwell asked whether ISAS had preventive maintenance contracts on the “smart” classrooms. Mr. Lawson stated that the ongoing feasibility of “smart” classrooms was being discussed.

Dr. McLeod-Reeves asked if Howard had considered working through HUD section 232 for dormitory renovations. Mr. Evans said that the Finance department would investigate this possibility.

Dr. Schwartzman noted that the presentation handouts were printed on one-sided pages. He recommended that two-sided reports would reduce paper usage and save money.
Dr. Fax asked when a “pay-for-print” service would be implemented. She stated that this service would help generate revenue, and the Law School has been ready to implement for some time, but was told by administration to wait for a university-wide roll-out. Mr. Evans said that this sounded promising, and Finance would investigate.

Dr. Thornton thanked all attendees, and adjourned the meeting at 3:36pm.

The next BAC meeting will be held on Wednesday, April 22, at 2 pm. The location is TBD.