A. Issue of alignment of 'recurring expenses' with 'recurring revenues ' (problem of paying for recurring expenses with non-recurring revenues)

1. What is the amount of reduction in recurring expenses that is needed to bring the recurring expenses and recurring revenues into alignment assuming no new or increased expenses other than those required to maintain current operations and programs? I.e., are all the currently proposed cuts in the next 2 years (~$37M and ~$56M) specifically required to address this particular problem? If not, specifically how is the amount of savings over and above that required to address this specific problem to be allocated?

   Answer: The amount of recurring expenses requiring recurring revenue sources is $56.9 million, which is the total 2022 planning target. Details about those expenses can be found here: https://www.usf.edu/president/documents/strategic-realignment/planning-targets-and-costs.pdf. Additionally, the $36.7 planning target for 2021 is designed to meet the 8.5% mark set by the Board of Governors. Accordingly, the sum of those two factors are required to meet the total of the strategic realignment.

2. What are our sources of recurring revenues? Are these limited to E & G, lottery, and tuition funds? If there are other sources, what are they? What has been the amount of recurring revenues for each of the past 5 years?

   Answer: The sources of recurring revenues for the Educational and General (E&G) budget are general revenue funds (both performance-based funding and preeminence), lottery funds, and tuition. Over the last five years, revenues with amounts in millions are as follows (note the general revenue and lottery are subject to the 8.5% reduction and that 6% of the total [i.e., 70% of the 8.5%] of general revenue and lottery funds are already being withheld by the state):

Fiscal Year Ending June	General Revenue	Lottery	Tuition	Total E&G Budget
2021	$364	$71	$266*	$701
2020	364	63	266	694
2019	374	50	269	693
2018	378	43	270	691
2017	334	50	263	647

* 2021 is an estimate. Tuition represented as tuition collections.

Multiplying $434 million (general revenue plus lottery revenue [$363 + $71]) times 8.5% yields the first-year planning target of approximately $37 million.

3. What are our sources of non-recurring revenues as it pertains to this issue? Is that limited to E & G Carryforward? If there are other sources, what are they? What has been the amount of the non-recurring revenues for each of the past 5 years?

   Answer: There are virtually no non-recurring revenues in the E&G budget. E&G carryforward funds, representing in essence "budget savings" accumulated over the years, can be used to meet one-time needs. In 2017-2018, USF received $10 million in one-time cash.

4. If state law already requires that E & G Carryforward be used only to pay for non-recurring expenses, how are we able to comply with that law this year if we are paying for recurring expenses with non-recurring (E&G Carryforward) revenue?

   Answer: The legislative bill mandating E&G for non-recurring expenses passed in the last Legislative session, and the statute is effective for fiscal year 2020-2021. We believe that in performing this rebalancing, USF will be in compliance with the new law and best positioned to pursue our institutional aspirations.

5. What specifically are the 'recurring expenses' that are being paid for with 'non-recurring revenues'? For this (and similar questions), we need to know what the funds are paying for and where in the university they are being spent (as opposed to budgetary/accounting categories such as appear in the Carryforward Spending Plan). For example, we would want to see something like "salaries in Academic Advising" or "Software license fees in IT" as opposed to terms like "Operating Commitments" or "Fixed Capital Outlay". What have these amounts been for each of the past 5 years? Are these specific recurring expenses going to be cut? If so, by how much?

   Answer: An overview of the recurring expenses targeted for realignment can be found on the strategic realignment website: https://www.usf.edu/president/documents/strategic-realignment/planning-targets-and-costs.pdf

   These investments of cash were made over a period of years. We do not have historical data for these recurring expenses. Reductions in these expenses may or may not be cut, depending on how they fare when examined in light of the realignment process.

6. Do we have non-recurring expenses that are currently paid for from recurring revenue sources? If so, what are those expenses and how much have they been for each of the past 5 years?

   Answer: Yes, the university does pay for some non-recurring expenses with recurring revenue. To address the question, a broad answer is required. Any expenditure that is not tied to salaries or dictated by a contract is non-recurring. Even the salary definition needs modifying, as adjuncts, instructors, student workers and others are not considered to incur recurring expenses. In addition, some contracts can be cancelled with appropriate notice.

   Due to the broad nature of the question, we do not have historical information of the amount of non-recurring expenses.

7. Is the deadline of June 30, 2022 for bringing recurring expenses and recurring revenues into alignment an externally imposed deadline, or a self-imposed deadline?

   a. If it is externally imposed, who/what is imposing it?

      Answer: The deadline is not externally imposed.

   b. If it is internally imposed, what is the rationale for this specific deadline.

      Answer: The deadline is internally imposed by USF Board of Trustees because the Trustees hold the administration accountable for fiscal stewardship and taking actions to maintain USF's strong financial foundation. The Board has decided that the university must urgently take action to address current budgetary circumstances. The deadline is also best described as externally "informed." As pointed out in question 4 above, the regulations recently changed, dictating that recurring expenses are to be covered by recurring revenues. Also, the deadline was set with the goal of allowing flexibility to utilize any new state funds that may materialize after the pandemic for strategic reinvestments versus fixing budget imbalances.

   c. Can this deadline be extended into the future?

      Answer: Because it is internally imposed, the answer is yes. But, with the new regulations, it is very difficult to do so. Additionally, USF leadership has deemed it most advantageous to our strategic priorities to expedite our financial realignment. Delaying realignment only creates additional challenges.

   d. Has an analysis been done to determine the risk of extending the deadline?

      Answer: No, for the reason in the preceding answer.

   e. The 'Definition of Non-Recurring Expense Items' document from the BOG website indicates "Non-recurring expenditures have distinct elements: … May address financial challenges resulting from external factors (examples could include … drop in state revenue resulting in a mid-year reduction)". It seems this provision would allow us to use non-recurring revenues to avoid or delay making some budget cuts, including program and/or salary cuts, in the immediate and short terms. Is this possibility being considered?

      Answer: As the President has stated, no options are "off the table." We chose not to consider the state 8.5% reduction to be a one-time event because of several factors: 1) the request by the BOG to submit a plan for an 8.5% cut, 2) quickly followed by a state mid-year 6% holdback of previously appropriated funds, 3) the general state of the Florida economy and the unpredictable timing of a return to "normal," and 4) a strong desire to deal with the budget alignment in a single action versus a continuing series of budget rebalancing. Another factor catalyzing our action was an estimated $31 million of COVID-related expenses to be incurred by December 31, 2020 and a CARES act allocation of $17 million with which to cover those costs.

B. Issue of proposed budget cut targets for the colleges

1. What specifically was the method for determining the budget cut targets for the various areas across the university (e.g., athletics, physical plant, administration, colleges, USF Health, branch campuses, etc.) that resulted in a targeted cut of $13.4M for the colleges in year 1 and then another, larger cut in year 2?

   Answer: The total of the first-year planning targets was meant to match the 8.5% reduction target proposed by the Board of Governors. The second year accounted for the balance of the $93 million planning target.

   The cuts for the colleges were purposely designed to be less than the cuts for the academic and business support units on a percentage basis

   The cuts for health, and the branch campuses were designed to be proportional, but give credence to the new appropriations and / or specific cuts they received. In addition, health and to a certain extent the Sarasota campus had done rebalancing in prior years. Auxiliaries, such as housing, parking, and athletics, must by regulation balance their own budgets as E&G funds are not allowed to be transferred to those entities.

2. Once the proposed cut for the colleges was established, what specifically was the method for determining the budget cut targets for the individual colleges?

   a. What were the specific factors/metrics that were utilized?

      i. Tuition revenue generation?
      ii. Research expenditure generation?
      iii. Graduation rates?
      iv. Enrollment trends?
      v. Impact on diversity and inclusion?
      vi. Content area (e.g., STEM, non-STEM, etc)?
      vii. Others?

   Answer: Aspirations were a primary guide in decision-making: national excellence, research, scholarly and creative productivity, continued top performance in the state of Florida's Performance Based Funding model and sustained Preeminence, pursuit of Top 25 ranking within *U.S. News and World Report's* Top Universities, eligibility for membership in the Association of American Universities (AAU), and continued ability to meet student needs, both in terms of access and student success.

   Other areas for consideration were:

   National Excellence

   - National rankings, in terms of contribution to institutional rankings and college/program rankings
   - Student-to-faculty ratios

- Faculty quality, including faculty awards, National Academy members and number of highly cited scholars
- Library and student/faculty support services

Research, Scholarly and Creative Productivity
- Citations, juried exhibits, and other scholarly production
- Research proposals, awards and expenditures (direct, indirect), which may help offset E&G funding initiatives with F&A
- Postdocs

Student Access & Success:
- Enrollment patterns (headcount and FTE trends by level)
- Class size trends
- Net tuition revenue to budget ratio, giving careful consideration of net-revenue producing programs and philanthropically supported programs.
- Student retention and graduation rates
- Degree productivity trends and market needs
- Incoming student profiles, particularly for graduate programs
- Student post-graduation placements
- Areas of Strategic Emphasis (as defined by the Florida Legislature and Board of Governors)

Lastly impacts on health, safety, and compliance received special consideration:

University police	Federal and state law
Emergency management	Financial aid
Student health services	DIEO and Title IX
Counseling center	SACSOC accreditation

b. How were those specific factors/metrics weighted in coming up with a specific figure?

   Answer: The factors were not specifically weighted.

c. Will these same metrics and weights be used to determine budget priorities moving forward (after these cuts have been enacted)?

   Answer: While we will always continue to be guided by our aspirations and student and faculty success, priorities will evolve, and we need to be flexible in our considerations.

d. Why do some colleges have larger budget cut targets in year 1 and other colleges have larger budget cut targets in year 2?

   Answer: The targets and differing amounts are the result of the timing of options offered by the deans, evaluation of those offerings in light of the consideration points, and application of judgment by USF leadership.

C. Faculty Involvement/Shared Governance

1. Decisions as to the distribution of cuts noted in question B.1. and decisions as to the distribution of cuts for the individual colleges as noted in B.2. were made with essentially no faculty involvement. Yet these decisions impact the academic programs and curricula of USF as a whole. How can faculty participate in shared governance for such decisions that are made before or outside of the colleges?

   Answer: Beginning in August of 2019, all deans, vice presidents, and regional chancellors were involved in budget meetings that brought greater transparency to the budgeting process compared to previous years. During the spring of this year, each dean and regional chancellors was instructed to consult with their faculty in formulating the preliminary planning target figures. Also, the planning targets discussed with the faculty senate were preliminary. There will be ongoing consultation with the faculty as the decisions move forward to adoption and implementation. We seek to improve the consultation process to reflect the needed consultation. In fact, we have memorialized the process at the website: https://www.usf.edu/president/documents/strategic-realignment/planning-targets-and-costs.pdf

2. The Provost sent a strongly worded e-mail to Deans insisting that they involve their faculty in the process at the college level. How will this be enforced? Will there be any accountability for this?

   Answer: The nature of the Provost's response was meant to help foster the participation of faculty that is asked for in Question C1. The deans are a very important link in communication with faculty. First, they are the primary means of disseminating information to the faculty. Second, they are pivotal in providing feedback to senior leadership on issues impacting student and faculty success.

   Obtaining input of faculty and others is very important. In fact, deans and vice presidents will be required to certify to USF senior leadership that consultation has occurred with departmental and unit leaders.

3. A considerable amount of performance data was shared with the college deans. Will these data be made available to faculty for review?

   Answer: The performance data and other considerations are available at https://www.usf.edu/president/strategic-realignment/strategy-considerations.aspx.

4. Will faculty be able to review college budgets?

   Answer: We will look to college deans to share budgets with their faculty.

5. One of the main foci for the stated goals of strategic realignment is to attain eligibility for AAU membership. What is a realistic time frame for the university to achieve this goal?

   Answer: AAU membership eligibility is an aspirational goal. We believe a five to ten-year horizon is reasonable for eligibility, based on our analysis of other AAU institutions. Much of this is contingent on winning additional resources to invest in the academic enterprise.