

Faculty Senate Budget Update

April 7, 2021

USF Budget Situations

- Two separate situations are driving the current USF Budget planning
 1. Coronavirus Pandemic Impact.
 2. Impact of “Structural Budget Deficit” that predated the pandemic.

Part 1

Coronavirus Pandemic Impact

Coronavirus Pandemic Impact

Summer 2020

- Florida Legislature passed budget with slight increases for FY20-21, but Governor ordered 6% holdback of state appropriation, i.e., general revenue and lottery trust fund (for USF - \$25.9M)
- USF implemented a 5% E&G budget spending reduction for FY20-21
- Florida BOG required universities to submit 8.5% budget reduction plan for FY21-22 (non-recurring spending cut)
- USF developed a plan for 8.5% recurring budget reduction for FY21-22 (\$37.8M)

Coronavirus Pandemic Impact

Fall 2020

- USF provides more detailed plan for 8.5% recurring budget reductions for FY21-22 (in \$1000's)

Planning Targets	2020-2021
Tampa campus (excl Health) Cost Savings (see details below)	24,849
USF Health - 8.5%	6,894
St. Petersburg campus - 8.5%	3,157
Sarasota-Manatee campus - 8.5%	1,894
Reductions associated with 8.5% State Appropriation Reduction	36,794

Coronavirus Pandemic Impact

Fall 2020

- More detail on plan for 8.5% recurring budget reductions for FY21-22 for USF-Tampa (in \$1000's)

	2020- 2021
Planning Targets By Area:	
Academic Colleges	
<u>Academic Colleges Total:</u>	<u>13,376</u>
Academic Support Units	
<u>Academic Support Units Total:</u>	<u>4,966</u>
University Support Units	
<u>University Support Units Total:</u>	<u>6,507</u>
Other	
Central Funding	
Total Planning Targets	\$24,849

Coronavirus Pandemic Impact

Fall 2020

- Distribution of cuts required for colleges in USF-Tampa Academic Affairs for FY21-22 (in 1000's)

	2020- 2021
Planning Targets By Area:	
Academic Colleges	
Arts & Sciences	5,970
Behavioral & Community Science	951
Business	1,746
Education	2,841
Engineering	976
Honors	125
Marine Science	313
Global Sustainability	168
The Arts	286
Academic Colleges Total:	13,376

Coronavirus Pandemic Impact

Winter 2020

- USF Faculty Senate expressed concerns about the lack of transparency on how the budget cuts targets were determined for the USF Tampa units and the colleges in particular.
- Deans were required to submit detailed plans on December 18 for making these cuts.
- USF Board of Trustees met on January 8, 2021 and voted to approve the plan for the 8.5% recurring budget reduction in anticipation of the Florida Legislature requiring such a cut.

Coronavirus Pandemic Impact

Current

- Current proposals in Florida Government for FY21-22 appropriations to universities vary considerably and are still evolving.
 - Governor proposed small non-recurring cuts (base budget not affected)
 - Florida Senate proposed 4.6% cut
 - Florida House proposed major cuts -- 11% recurring (~\$75M to USF)
- Revenue estimating conference revised estimates up again from December. So the State budget (and the SUS budget situation) for next year will probably improve from how it appears now.
- USF Board of Trustees will review budget proposal for FY21-22 in June and will approve a transition budget with approval of a final budget to occur in August.

Coronavirus Pandemic Impact

Current

- **Additional considerations**
- USF incurred >\$30M in direct costs associated with the pandemic.
- USF received CARES Act funding of about \$34M (1/2 to students)
- USF received CRRSSA funding of over \$40M
- USF will receive a larger amount (\$100M ?) from the Biden relief package.
- State of Florida received \$10B in relief funds

- It is not known exactly what restrictions will be placed on the spending of these funds.
- It is not known how the Florida Legislature will respond to the availability of the relief funds for the universities.

Faculty Senate conclusions regarding Covid Pandemic Impact

- Colleges have already absorbed the 6% holdback (which may or may not remain in place)
- USF has received COVID relief funds that have some constraints but may further mitigate losses.
- Colleges have already started implementing FY21-22 cuts. These have required increased teaching loads and class sizes and reduced research assignments. Temporary faculty and graduate assistant positions have been reduced.
- Given the damage of these cuts, USF Leadership should commit to the principle that cuts in USF's budget for FY21-22 will be no more than whatever cuts are enacted by Florida Legislature for FY21-22.

Part 2

Impact of Structural Budget Deficit

Structural Budget Deficit Impact

Fall 2020

- USF Faculty Senate met with President Currall and Business & Finance representatives on 9/23/2020 and on 10/1/2020.
- In these meetings it was learned that (in addition to the COVID budget issues):
 - USF had \$56.9M in “recurring expenses with no recurring revenues”
 - These were being covered with carryforward (cash) funds. Recent changes in Florida law requires that carryforward only be used for non-recurring expenses.
 - USF BOT indicated that USF budget should be “balanced” by June 2022.
 - Combined with COVID-related cuts, ~\$93M in cuts would have to be made by June 2022.
 - Plans were presented on cuts expected of colleges.

Structural Budget Deficit Impact

Fall 2020

	2020- 2021	2021- 2022	2 Year Total
Planning Targets By Area:			
Academic Colleges			
Arts & Sciences	5,970	4,970	10,940
Behavioral & Community Science	951	1,301	2,252
Business	1,746	1,302	3,048
Education	2,841	4,000	6,841
Engineering	976	976	1,951
Honors	125	125	251
Marine Science	313	313	625
Global Sustainability	168	368	535
The Arts	286	807	1,094
Academic Colleges Total:	<u>13,376</u>	<u>14,162</u>	<u>27,538</u>

Structural Budget Deficit Impact

Fall 2020

- USF Faculty Senate contacted President Currall expressing concerns that -
 - The “recurring expenses with no recurring revenues” were not adequately described
 - The proposed cuts would almost certainly require terminations of programs and layoffs of faculty (possibly including tenured faculty).
 - The urgency for requiring that the USF budget be “balanced” by June 2022 was not clear.
- President Currall invited the Faculty Senate to submit written questions to the administration (submitted on 10/26/2020). Written responses were received on 11/10/2020.

Structural Budget Deficit Impact

Fall 2020

- The responses to the questions from the USF Faculty Senate generated additional concerns:
 - The nature of the “recurring expenses not covered by recurring revenues” was not well explained. (However, \$23M in recurring revenues were “found” so the problem was reduced to \$30.8M).
 - The need to make the cuts by June 30, 2022 was not explained.
 - The rationale for the specific cuts required of each college was not explained.
 - Decisions about differential cuts to colleges were being required prior to developing a new strategic plan. These cuts should be informed by new strategic plan.
- As a result, the FSEC requested the FS President to draft a letter to the Board of Trustees expressing our concerns.

Structural Budget Deficit Impact

December-January 2020-21

- The FSEC met with the BOT on December 8 and the BOT Chair arranged a budget workshop on December 11 to review the circumstances.
- Outcome:
 - Administration agreed to postpone requirement for submission of detailed plans for Year 2 cuts until May (at which time state budget would be clearer and strategic renewal plan would be drafted).
 - Administration agreed that cut targets for the colleges would be considered “tentative”.
 - Administration agreed to weekly meetings with representatives from Faculty Senate to continue working through budget planning issues.
 - Deans were required to work with faculty to develop detailed plans for Year 1 cuts (COVID-related). These were required to be submitted by December 18.

Structural Budget Deficit Impact

Spring 2021

- An ad hoc committee from Faculty Senate met weekly with administration (President, Provost, and Bus & Fin Leaders).
- Results:
 - The group worked with CAS Dean to develop plan to mitigate loss of tuition revenue resulting from Year 1 cuts.
 - The group arrived at agreement to revisit summer funding model to provide more revenue to colleges. (A pilot program was worked out separately and is in place for this summer).
 - More significant detail was learned about the budget situation.

Surplus/(Deficit) by Fiscal Year and USF Budget Entity (Actual recurring E&G revenues minus all actual E&G expenditures)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
USF Tampa (exc-Health)	(35,523,747)	16,323,920	35,417,383	18,973,006	21,463,116	20,711,999	(5,309,421)	1,987,503
USF St. Petersburg	760,380	4,445,190	581,793	230,995	(2,981,953)	(4,244,908)	(5,131,018)	(1,919,268)
USF Sarasota-Manatee	(468,611)	1,142,292	23,237	854,255	253,401	(1,194,936)	(1,990,489)	2,902,161
USF Health	3,050,401	8,284,220	(13,388,303)	(3,488,052)	542,155	(18,241,839)	(26,232,960)	(10,542,804)
USF System Totals	(32,181,577)	30,195,622	22,644,110	16,570,204	19,276,719	(2,969,684)	(38,663,888)	(7,572,408)
Beginning Carryforward balance	157,786,003	129,311,310	167,214,476	185,386,131	204,249,306	219,791,847	180,836,551	216,840,877

Structural Budget Deficit Impact

Spring 2021

- Conclusions from table
 - Last year there was a \$7.5M deficit for OneUSF
 - Most of the deficits in recent years have come from USF Health (associated with large increases in carryforward spending).
 - All PBF funding comes to USF Tampa. Administration has indicated that ~\$6.4M/year should go to USF Health and some amount should go to USFSP and USFSM.
 - This changes the deficit picture for USF Tampa but does not change the bottom line for the University as a whole.
- Caveats on table
 - Administration has indicated they are encumbering ~\$15M/year for “contractual commitments to faculty” in the Preeminence and World Class Scholars programs.
 - We have a lot to learn about this new development. E.g., how does this impact the overall deficit picture

Faculty Senate conclusions regarding Structural Deficit Impact

- The true magnitude of the 'structural deficit' remains unclear. Even if the 'encumbered commitments add directly to the deficit, the total deficit for OneUSF last year was <\$20M.
- Necessity of making large cuts by June 2022 to correct 'structural deficit' has not been demonstrated. The balance in USF's carryforward balance reported in December 2020 BOT Budget Workshop was \$257M.
- USF Leadership should commit to Year 1 cuts that are no more than that enacted by Florida Legislature for FY21-22. Year 2 plan should be carefully reconsidered as we learn more about the state budget.
- Faculty Senate should consider establishing a Budget Council.

The Administration's Take

In FY15-16

- USF had an E & G Budget **surplus of \$16.6M**
- USF had an end of year **carryforward balance of +\$204.2M**

Over the next 5 years

- USF's E & G state appropriation increased by \$66.7M
 - \$19.8M for Preeminence
 - \$13.5M for World Class Scholars
 - \$7.9M for PGDEP
 - \$11.5M additional state investment in PBF
- USF's annual tuition collections increased \$13.5M
- \$113M in interest was deposited to carryforward balance

Then, in FY21-22

- USF will have an E & G Budget **deficit of -\$46.6M**
- USF will have an end of year **carryforward balance of -\$2M**