Final Report from the 2018-2019 Faculty Senate Budget Committee

Committee Members: William Veal (Chair), Julia Eichelberger, Todd McNerney, Scott Harris, Agnes Southgate, Thomas Noland, Tammy Ingram

The 2018-2019 Faculty Senate Budget Committee spent much of its time researching and analyzing the conditions influencing the 15-16 budget, which was positive throughout most of the year but became a deficit in May due to enrollment projections and state mandated costs. The Committee met frequently with the Provost to vote on curricular proposals, to research the ever-shifting fiscal landscape, and to devise reports and recommendations, in fulfillment of its charge as stated in the FAM: “To review College policies relating to long-range financial planning, budget preparation and the allocation of funds within budget categories, and to recommend policy changes” and to “review each annual College budget.” This year-end summary of our activity includes information on the 18-19 budget that was adopted in June, followed by recommendations for future Committees (Appendix A). Individual meeting minutes are archived on the Senate website.

During the fall the Committee met four times and made one report to Faculty Senate. The meetings were mostly updating the members on enrollment numbers and potential budgetary costs and expenses for the year. Information was given to the members of the committee. The committee did discuss and analyze three curricular proposals; Math PhD, Arts Management, and the Electrical and Systems Engineering majors. After discussions with faculty representatives and administration, all programs were passed. As a result of these proposals, curricular proposal modifications were developed for the Provost’s Office to implement for 2019-2020.

In the December Senate report, the Committee made specific suggestions for any curricular or program proposition/proposal to be more detailed on the budget. There should be a column for Year 0, tuition revenue should reflect only tuition and no fees, and expenses would include institutional costs of about 23% (which is a new line item). In addition, there should be a statement about any known attrition and when it might occur, a change in wording on the Senate web page indicating that the Budget Committee can be used as an advisory body for Table F of proposals, and Table F numbers should reflect expenses for the year if possible and not just each semester.

The Budget Committee also researched budget and planning practices at other universities and concluded it was neither unreasonable nor unprecedented for faculty representatives to have a seat at the table—even a non-voting seat—when institutional budgets are being drafted and hard choices are made about what to fund and what to cut. While the Provost was accepting of this practice, the Budget Committee remains a non-influential entity in budget decisions. The Budget Committee Chair or representative can sit in on the Board of Trustees’ budget workshop in May, but not the executive session in which decisions are made. This was an ongoing topic of discussion all year. The Budget Committee will raise the issue again next year when there is a new president, provost, and vice president. An additional, ongoing discussion is the deplorable pay for adjuncts. The committee wants the College to raise the rate for adjuncts to $3,000 a course. The state average is $3,200.

The Budget Committee met four times in the Spring and early Summer and attended several other relevant public meetings. The meetings consisted of discussions about adjunct pay and treatment, Deans’ presentations in May, updates on the enrollment numbers and budget costs, ways to become more active in the budget process, and the 5-10-year enrollments of programs and majors that have been established since 2005. As a result, a spreadsheet was shared with the committee by Todd McNerney. The spreadsheet showed the numbers of student enrolled in each program, major, minor, and certificate
since 2005. The Budget Committee has an on-going task to compare actual numbers of students in each category with the proposed numbers of students proposed with the programs, majors, minors, and certificates. This was done to make each proposal accountable for projected enrollment. This task will continue for the 2019-2020 Budget Committee.

The final report given to the Budget Committee before the end of the spring semester was a summary from the Provost about the current state of the budget at CofC. Here is the summary as of April 15, 2019:

- **State Legislature**
  - 2.7M in new recurring state funds (current base is $27M, 9.8% increase)
  - $7M for Stern Center (5.25M appropriated in prior years)
  - 2% pay raise for those making <100K/yr. and would cost $1.3 M for “state approved lines”
  - $600 bonus for everyone earning <$70K/yr. and would cost $425K
  - Pension and health care increases cost $1.4M
  - Increasing resident/non-resident tuition to the HEPI would generate $5M

- **Enrollment**
  - Up about $100K over enrollment projections
  - Due to mix of in-state and out-of-state

- Expect the full $2M enrollment reserve to remain unspent and roll into the “Carry-forward”

Here is the summary as of May 13, 2019:

- **Enrollment**
  - Fewer students for incoming freshman class.
  - Expect a $2.8 M reduction for FY20 (compared to earlier reductions in 2016, $7M and 2017, $4M due to classes over several years.
  - Mostly due to fewer than predicted in-state students.

**Glossary of Terms (Appendix A):** Because the College budget is not approved until June, the Committee’s work extends past the end of Spring semester. The final minutes and report of the Budget Committee are completed in late June. Most of what the committee does during the year is discuss budgetary items. It is paramount that the committee members understand the budget process and terms used. Incoming committee members request that we compile as much information as possible to help them learn how to be effective committee members and advocates for the faculty. One suggestion was to develop a glossary of budget terminology. Appendix A, followed by Appendix B, an overview of the timeline for developing an annual budget were recreated from the 2015-16 Budget Committee. A recommendation for the 2019-2020 Budget Committee will be to learn the budget process and terms early so that members can visit department meetings across campus to update faculty members. This will generate more and better questions for the Provost and President about budgetary items.
Appendix A

Glossary of Terms Related to Budget Process at the College of Charleston
(Written by Dr. Julia Eichelberger. This is a reprint from the 2015-16 committee with updates made by Dr. William Veal for the 2018-2019 budget year.)

Annual Budget: This document is an overview and plan for all spending at the College for the upcoming fiscal year. This plan gets voted on by the Board of Trustees (BOT), usually at the June meeting, and it’s made available later in the summer. An annual budget includes a “Fee Schedule” listing tuition and other universal fees, summaries of the College’s “Sources and Uses” (revenue and expenses), and accounts of any increases or decreases to last year’s budget. C of C’s Annual Budget does not contain a breakdown of all spending, or even a figure for each division’s budget. Expenditures that do not increase or decrease are not reported here; this practice is known as “historic budgeting” rather than the alternative practice, “zero-based budgeting,” in which every item in a division’s budget must be justified in each new budget year. For an institution of our size, zero-based budgeting would require a tremendous amount of time as well as paper. The College’s budget is separated into “Education & General” or “E & G” and “Auxiliary” budgets, explained below. The Budget Committee now keeps copies of all annual budgets; our archive goes back to 2011.

E & G: The College’s “Education & General” account is the source of almost all salaries, benefits, and regular operating costs. Tuition and fees and some other forms of income, including funding from the State, fund this account. Within the “E & G” universe are the budgets for Schools, Libraries, Admissions, the Provost’s Office, the President’s office, Student Affairs, Physical Plant, IT, Institutional Advancement [E & G funds salaries & operating costs for the C of C Foundation, but the funds donated to the C of C foundation live in a separate budget]. The E & G account is distinct from Auxiliary Services.

Auxiliary Services: The items within Auxiliary Services are funded differently than E & G items. By state law, these services must be “self-funding” rather than supported by money from the state or E & G. Funds cannot be transferred in either direction between auxiliary services and E & G. Most auxiliary services are wholly funded by their users—those who use College parking, residence halls, food services, and the bookstore.

The exception is Athletics, which receives funds from a combination of sources: donations, revenue (ticket sales, concessions, summer camps, etc.), and student fees. All students are required to pay an Athletics fee which partially funds the College’s NCAA teams. This fee does not fund students’ own recreational services; these are supported by a separate Student Activities fee.

Capital improvement fee The College takes out bonds to finance capital improvement. These bonds are paid off over time, either by people using that particular service (e.g., debt service for residence hall construction & upkeep for food service facilities is factored into the price of rent or meal plans) or by the general student population which pays an annual capital improvement fee. The general principle behind the capital improvement fee is that students should not pay for buildings they cannot use: we don’t take money from students to save up for a future building, only to pay for buildings these students are currently using. (This principle applies to the student body as a whole, however. Not all students make equal use of the facilities that all are paying for, since some Schools have had more purpose-built construction and renovation than others.) Decisions about what to build and renovate are reportedly made in accordance with a campus master plan.

Recurring vs. non-recurring revenue and costs
Recurring revenues are those we normally expect in future budgets, such as tuition revenue and state appropriations. Tuition revenue typically rises slightly each year, since we increase it slightly and keep the same number of students. This revenue drops if we have fewer students, especially fewer students paying out-of-state or non-resident (NR) tuition. Recurring state appropriations also could go down if the legislature saw fit to reduce them or experienced a shortfall. Recurring costs include expenses like salaries, fringe benefits, utilities and other operating costs.

Non-recurring revenue is funding that the College doesn’t count on from year to year. This could be a special appropriation, unspent money from other accounts, or income of a limited duration (e.g. rental income for a College property, fees paid by a film crew, etc.). Nonrecurring expenses may include such things as equipment, software, fees for a visiting speaker, startup costs that a division will eventually absorb within its own budget, maintenance of a particular campus building. Rents we pay for sites that are considered temporary (e.g., Harbor Walk) are also sometimes budgeted as non-recurring.

Some items that aren’t budgeted as recurring costs are de facto recurring and, over a period of many years, get paid for out of non-recurring funds—either non-recurring revenue or unspent funds (lapsed salaries, for example). This approach can work well for a long time, but there is a risk of being unable to fund something in a lean year when the institution’s unspent funds are scarce or need to be spent elsewhere. Funding is less likely to be cut if it is built into a budget as a recurring expense. When a new recurring expense is added to the College budget, it creates an increase in the total budget, unless another recurring expense is cut to offset it.

State Funding: Each year the SC Legislature sets its funding levels for each state university. Between 1990 and 2012, state funding levels went from 20M to 18M, and from 41% of our revenue in 1990 to 8% in 2012, following a national trend.

In good budget years, the Legislature can also approve special appropriations for particular needs, like the renovation of a particular building or the funding of a particular position. Funds for renovation would be non-recurring special appropriations, which are more common, but the legislature can also choose to make some special appropriations recurring, as they did when funding positions in computer science and supply chain management. The 2016 legislature took the unusual and welcome step in a recurring special appropriation increasing our across-the-board funding by 2M. The President and the legislative team successfully made the argument that the College is now serving a larger number of in-state students and needs additional funding to do so. Each year the College’s legislative team works with senior leadership to devise a wish-list of special appropriations that particular legislators might be willing to advocate for. They ask for things they have some hope of getting because the requests will appeal to particular legislators. Once the President finalizes the list, funding requests are submitted (these are filed as “H-150” forms) The Budget Committee has not yet been involved in any discussions of which items were on the original wish list and which ones were ultimately requested. Future committees might at least ask to receive summaries of items being considered and some notification of when these lists are going to be finalized.

The College receives an indirect benefit from a state-run program, the lottery, which provides scholarship money for SC residents.

The College also receives an important form of state support whenever the Legislature approves (guarantees) bonds that enable the College to borrow money to make capital improvements. (Students then pay a capital improvement fee to support the cost of building & maintaining our facilities.)

Lapsed salaries: These are salaries for positions that are currently vacant. If a position is in the budget already, or if it is added to the budget at the beginning of a new fiscal year, money is allocated for the salary/fringe benefits. If the position is vacant because the employee leaves or has not yet been hired, the money is not spent. Normally, lapsed salaries are swept back into the E & G budget, along with other money that is unspent by the end of the fiscal year. These funds are used to fund non-recurring costs.
The Budget committee has not determined when, and by whose authority, these funds typically get moved around. Presumably if a position is vacant, there’s no need to wait until the end of the fiscal year to access the lapsed salary. We do know that Schools do not control lapsed salaries for their own positions, and we assume this is true for other units within E & G. The current Provost has stated that it is his decision in discussion with various Deans.

State line: A line is a position (potential or actual) as a state employee. An institution needs a line in order to employ a person in a full-time position that receives state insurance and retirement benefits. A state line does not have to be attached to a particular position, pay grade, or division/school/department. When one of our lines becomes vacant or when the legislature approves a new state line, it’s usually the College that chooses where to deploy it.

Most of C of C’s permanent faculty and staff positions are state lines, but most of our lines are not state-funded, which means that C of C must pay for the salary and fringe benefits for these positions (about 80% of the total) out of its existing budget. One ongoing issue are state mandates for raises for faculty. The SC Legislature has mandated a pay raise for all state employees, but the College of Charleston must pay for the 80% who are not considered a state line. Much of the budget deficits in the past 5 years have originated with un-funded state mandates that result in the CofC to raise tuition to pay for salaries of the other 80%. C of C currently has a few more lines than it is using, partly because we’ve had to cut recurring costs over the past couple of years. When we eliminate a position, we still get to keep the line to use later if we can come up with funding for it. If a high-paying position is terminated, this could potentially free up funds to pay for multiple positions at lower salaries, if we have unused lines available.

Temporary employees: These employees do not receive retirement benefits (but if they work more than 30 hours per week, they are eligible for health benefits). They are not eligible for mandatory state-employee raises or bonuses, and they do not have job security. Salaries for temporary employees sometimes come from non-recurring funds. This category of employee includes adjunct faculty as well as temporary staff employees. A temporary position can be converted to permanent if the conversion is deemed advisable, if there is a line available, and if recurring funds to cover the salary on a permanent basis can be added to the budget or reallocated.

Faculty ranks include permanent positions (senior instructor, tenured and tenure-track) as well as visiting positions that usually last one year or more. (At C of C, all these faculty are in a group called “roster faculty.”) Any faculty position may be reassigned or taken offline after a faculty member retires, moves, or (if a visiting faculty) finishes a contract. Adjunct faculty normally are employed only a semester at a time and paid according to the number of hours they teach; they are not counted among our roster faculty. Graduate students who have earned at least 18 graduate hours are eligible to teach at C of C, although only a small number of them do, which partly explains our levels of adjunct reliance compared with R-1 universities where graduate students teach far more of the courses.

Fringe benefits: Health insurance, retirement, life insurance, and other items for which the College pays a portion of the costs. Typically, the College expects to pay about 40% of a salary (in addition to the salary itself) for each full-time employee’s fringe benefits. Part-time faculty and staff and full-time temporary staff do not automatically receive benefits, although they’re eligible to contribute to a retirement plan.

In compliance with the Affordable Care Act, all employees working 30 hours a week or more are eligible for health insurance. For adjunct faculty, teaching 10 hours or more meets the threshold of eligibility. Eligible part-time employees who enroll in a health plan have their premiums deducted from their pay, just as full-time employees do. Human Resources has a system for deductions that
accommodates adjuncts’ pay schedules, since these are different from the pay schedules of full-time faculty.

For all the state lines that are not state-funded (circa 80%), the College must pay the fringe benefits as well as the salary out of its own budget. Whenever the cost of state benefits increases, the College bears an increased cost for the benefits associated with all its non-state-funded lines.

**Reserve fund:** The institutional reserve fund and the enrollment reserve funds are recurring items in the budget that may be used to offset dips in tuition revenue or other shortfalls. If we spend the money from this fund, we have to replenish it the following year.

**Tuition and fees [universal fees]:** Fees paid by all students at the College. There are two undergraduate tuition rates, for SC residents (R) and for nonresidents (NR). Tuition goes into the E & G fund. All students must also pay other fees: athletics, library, security, capital improvement, student activities, health services, labs, and School-based. Any fees that are charged to every student are known as **universal fees**. The legislature typically has discouraged SC institutions from raising their universal fees beyond a certain percentage each year (usually, the rate of inflation). In 2016 the state omitted any discussion of limits to tuition and fees, but in 2019 the state mandated that there would be no raise in tuition above 1% for in-state students. This proclamation forces the College to find revenue in other places. The College of Charleston is dependent on its E & G budget with tuition money. If there is a shortfall, a tuition increase is the best method to raise capital.

Fees that are mandatory, but that vary depending on the student’s year (freshmen vs seniors, for example, or fees charged only for a particular course or program) are not counted as part of these universal fees. Most SC institutions charge significantly higher fees for various programs and courses than C of C has done. Because the cost of living is generally lower in other SC institutions, these students’ total cost may not be higher than the cost of attending C of C.

**School-based fees:** Fees for coursework taken in a particular School. Many SC institutions have school-based fees. Some charge the same fee to all students majoring in a particular school, and others charge by the credit hour. There is often a cap on the total amount a student must pay in a semester or in a college career. Lower-division coursework is sometimes excluded from the school-based fee. The rationale for school-based fees being considered at C of C is that some schools have higher instructional costs. A portion of the fees collected will go to the schools, with some restrictions attached, and a portion goes back to E & G. It could in theory go to assist other schools with lower instructional costs, since the students in these schools are, in effect, subsidizing the higher costs of other schools. 40% of the 2017-18 school-based fees for SSM and SOBE upper-level courses will go to E & G.

**Program and course fees:** These are fees charged for a program (the MBA program, the REACH program, a study abroad program) or a specific course (lab fees, horseback riding fees, etc.) These fees must be approved by the BOT and listed publicly. Our understanding is that some fees go back into E & G and some go immediately into the budget of the program or, in the case of science lab fees, the School. [This could be a topic for a future Budget Committee to research.]

Appendix C

**Timeline and Steps for C of C’s Budget Development**

**Summer:** The President’s Executive Team (including Vice President for Business Affairs and other administrators) collects ideas for possible items that might receive special funding, discusses them with the President’s Legislative team, and decides on a wish-list of special appropriations. If approved, such items will receive separate funding by the legislature, outside of the regular state support we receive.
**Fall:** In normal budget cycles, during the fall semester, the Provost gives schools permission to begin searches for the following academic year, especially if these are searches for lines that are going to become vacant due to retirement. Current budget is adjusted due to enrollment numbers.

**Spring:** Division heads develop a list of any new budget requests they hope to make in the next fiscal year. Within Academic Affairs, these new requests may be discussed in public hearings hosted by the Faculty Senate Budget Committee. The President’s Executive Team uses divisions’ requests to create a draft budget for the upcoming year. Current budget is adjusted due to enrollment numbers.

**Mid-May:** The Board of Trustees Budget & Finance Subcommittee holds a “Budget Workshop” in mid-May to present a draft of the proposed upcoming annual budget. Trustees who attend this meeting may ask questions, request more information, and voice their opinion on specific components of the draft budget. Budget Committee members may attend but cannot make suggestions. It is informational only.

**Late May:** The BOT Budget & Finance Subcommittee meets to vote on the draft budget. The draft budget may be adjusted according to the amount of funding the state allocates, the amount of new expenses the College faces (sometimes in the form of unfunded increases in salary or benefits), and any limits from the state or the Board regarding how much universal fees will be allowed to increase.

**June:** The full Board meets to vote on the annual budget for the upcoming fiscal year. This budget includes any special appropriations that have been approved by the legislature.

**Each Fall and Spring semester,** the budget for the current year is adjusted to reflect any difference between the actual revenues we receive and the amount we’d planned on receiving in the annual budget. There is a reserve fund in place to cushion against dips in tuition revenue.

**Faculty Participation in the Budget Process:** Representatives from the Faculty Senate Budget Committee are invited to attend public meetings of the BOT Budget & Finance Sub委员会, including the May Budget Workshop, and the June BOT meeting. The Budget Committees for the last 5 years have met regularly with the Provost to receive updates on the College budget and to provide input for the Provost’s decisions. The Budget Committee and other faculty representatives have not been present for any meetings of the Executive Team, although the 15-16 committee made this request to the President.