

University Planning and Budgeting Committee

Minutes of February 15, 2021 Meeting

The meeting convened at 3:31pm via Zoom

UPBC members present: Tammeka Banks, Tyler Bickford, Kathy Blee, Chris Bonneau, Ronna Colland, Ann Cudd, Dave DeJong, Betsy Farmer, Christine Jackson, Robin Kear, Patricia Kroboth, Eric Macadangang, Patricia McClain, Debbie Miller, Manisha Nigam, Hari Sastry, Jem Spectar, Andy Stephany, John Stoner, Jean Truman, Julie Vandenbossche, Chad Zutter

Also Present: Richard Henderson, Mallory Oslosky, Cyndee Pelt, Lucy Russell, Paul Supowitz, Thurman Wingrove, Steve Wisniewski

UPBC members not present: Jude Hays, Diaz Mabeth, Charles McLaughlin, Anantha Shekhar

Minutes of June 3, 2020 Meeting

There was a motion to approve the minutes of the June 3, 2020 meeting. There was no discussion. The minutes were approved unanimously.

Updates

Provost Ann Cudd updated the committee about the proposed budget ReSTART (Revenue Sharing to Accelerate Responsive Transformation). She said it is a goal of the Chancellor, Hari Sastry and Provost to look carefully at the current budget model. Looking at the landscape of higher education more broadly, many peer institutions have moved to the Responsibility Centered model or generally an incentive-based model. The goal is for the University budget to align with our strategic goals as outlined in the Plan for Pitt. The budget should support efforts to capitalize on our strengths in faculty and highly ranked research and educational programs while broadening the reach and reputation of the University for the benefit of our local and global communities.

Our current incremental budget model and falls short as it is not responsive to changes in enrollment or changes in demand of programs and it is not tied to achieving University strategic goals. This ReSTART will establish an understanding of the current state of the University and develop a draft model to include stakeholders and design a customized model for Pitt to achieve goals. It is an 8-month process that began in December 2020 with a steering committee and focus group with stakeholders. The committee is currently reviewing organizational structure and discussing treatment of revenues. Provost hopes to run this model in fiscal year 2022 parallel to our current model.

Provost Cudd discussed the current RCRP (Responsibility Center Resource Proposal) process. This is the process of having strategic budget meetings with RC heads and deans to understand their needs, planned strategic initiatives and highest priority requests, and then connecting them to the University

Plan for Pitt. This was initiated in FY 2021, but the pandemic put the results on hold for the time being. These meetings with RC heads will continue through March and Senior Officers will make their recommendations to the Chancellor. The Board of Trustees will approve the budget in July.

Lastly, Provost Cudd provided an update on the accreditation process. Middle States Accreditation Commission on Higher Education (MSCHE) is the regional accreditor, and this is critical for our ability to receive federal funding and title four federal financial aid for our students. It is foundational to all the specialty accreditations across the university and takes place every 8-10 years. We were last accredited in 2012. This process started in late 2019 with a steering committee head by Kenyon Bonner and Joseph McCarthy. The self-study draft will be created this academic year, there will be a public comment period over this summer and gather feedback and then submit a draft to early fall. MSCHE is to visit in April 2022 and Provost hopes to be accredited in June 2022.

COVID-19 Impacts

Hari Sastry stated that COVID-19 impacts began in mid-March of 2020 and largely impacted the tail end of FY 2020. Net costs and lost revenue due to COVID-19 were \$50 million in FY 2020. He estimates more than \$115 million in net costs and lost revenue due to COVID-19 for FY 2021, with a significant impact to auxiliaries. Some of the responses to this crisis were implementing a controlled hiring process and providing a voluntary retirement program, which 56 faculty members and 453 staff members took the FRIP & SERP. A strategic pause was placed on several capital projects and purchasing controls and budget cuts were implemented to help anticipate the impact and balance the budget for FY 2021.

The University started FY 2021 with two types of impacts to the E&G budget. One was a \$32 million reduction because of enrollment trends, flat tuition rates, flat salary levels and no increase in the Commonwealth Appropriation. Hari then estimated the COVID impacts would be between \$55-\$94 million. He believes \$44 million will be covered through reduced spending and the remaining to be covered by reserves. From a high-level enrollment perspective, the University saw a 487 drop in FTE, mostly to international students. The FY 2021 revised projections as of February 15 is \$51 million.

On the auxiliary side Hari estimates a \$34 million budget impact, largely due to hotels that were leased to de-densify student housing, implementing a flat room and board rate and reduced demand for retail. What was not anticipated was approximately 1,500 fewer students opting to stay on in-campus housing the fall term, and an additional reduction of approximately 1,100 students at all campuses from Spring compared to the Fall term. The decision to delay the Spring 2021 term move-in, required room and board refunds of approximately \$5.7M for three weeks. This impact is to be covered through reserves and rebuilt over time.

Lastly, Hari presented COVID relief to the University and explained there were two tranches of federal funding. In 2020 the University received \$21 million, and of that 50% went directly to students and the other 50% to help covid deficits. The second tranche was recently received as \$30.6 million, and a portion will go to student relief. The total amount of relief is \$56.1 million and without monies that went to help students, \$30 million was received to help the University directly. Hari is currently applying to FEMA for \$5 million to date.

Commonwealth Relations Update

Paul Supowitz presented to the committee the Governor proposed his Commonwealth budget for FY 2022, that included flat funding for state universities. Last fiscal year we received \$183 Million.

Moving forward there will be a hearing in front of the House Committee on Appropriations on February 24. Pitt Day in Harrisburg will occur virtually on March 23, and a Senate Committee on Appropriations hearing on April 6th.

The meeting adjourned at 4:39pm