



**East Tennessee State University
Strategic Budget Workgroup Report
University Council
July 13, 2020**



Workgroup Charge

- In response to Governor Lee's charge to reduce the state portion of the ETSU budget by 12%, coupled with projected revenue loss from enrollment and other factors as a result of the COVID-19 outbreak, a shared governance workgroup was created to provide budget options for ETSU. The charge to this committee was as follows:
 - *“The workgroup will provide to the president projected budget scenarios for the 2020-21 fiscal year and make actionable recommendations and options in response to each identified scenario to ensure budget and strategic plan alignment. Additionally, this group will be responsible for identifying long term strategies that may be considered for implementation into future university operations.”*



Workgroup Timeline

Date	Topic	Date	Topic
5/20/2020	Committee charged, budget targets established	6/24/2020	Discuss Implementation Impact
5/27/2020	Review potential tactics and national strategies to reduce expenditures	6/29/2020	Discuss THEC budget update and revised 2020-21 state budget
6/3/2020	Request to budget units for reduction plans	7/1/2020	Set new target with Dr. Noland
6/10/2020	Discuss Voluntary Retirement Incentive Program	7/7/2020	Prioritize budget strategies and tactics
6/18/2020	Review unit level worksheets	7/10/2020	Final Report



Workgroup Assumptions

- As a commitment to protect the academic core of the university, reduction targets would be 1% higher for all administrative units.
- TAF funding should not be included from the reduction scenarios for TAF funds are restricted in nature and committed to purposes that do not allow them to be reduced beyond any corresponding enrollment impacts.
- No recommendations or actions should be taken that increase student costs for the 2020-21 academic year. Given the Board of Trustees' charge to hold costs constant, budget losses will not be offset by student fees or ancillary cost increases.
- The workgroup was charged with providing detailed information for multiple budget scenarios in 2020-21 and aligning tactics in an attempt to balance expenditures and revenues.
 - Those scenarios are contained in Appendix I and Appendix II.
 - The tactics are contained in Appendix III.
- The Colleges of Medicine and Pharmacy, each with independent budgets, will implement their own reduction strategies to meet the demands of their unique instructional and clinical budgets.



Factors Impacting the 2020-21 Budget

The university is expected to have a revenue shortfall from enrollment and has fixed costs that must be addressed immediately. The total impact of the following items is \$8,294,676:

- Enrollment is projected to be down 500 FTE in fall 2020 and the annualized financial impact to ETSU will be \$4,229,000
- ETSU is responsible for Other Post-Employment Benefits (OPEB) contributions in the amount of \$512,000.
- The centralized cost of Tenure and Promotion adjustments for the 2020-21 year is \$325,380.
- College of Arts and Sciences base budget has an estimated \$1,525,356 structural budget deficit that must be addressed to prevent harmful impacts to general education core and overall college instruction for the upcoming academic year.
- The removal of the salary enhancement pool approved by the Board of Trustees for 2020-21 results in a \$1,202,940 reduction to base budget.
- Implementation of the phased approach to reopening as outlined by the Future Operations Workgroup report is currently unfunded. The workgroup feels strongly there needs to be a fund of \$500,000 established to support those plans.
- CARES Act funding was used to cover some expenses from last year and support students but is not anticipated to cover these expenses for 2020-21 (Appendix V).



ETSU Enrollment Projected – Fall 2020

Enrollment Projections Fall 2020 as of 7/10/2020 Day-to-Day			
Date	Fall 2020	Fall 2019	Delta
4/10/2020 vs 4/12/2019	3,962	6,239	(2,277)
4/17/2020 vs 4/19/2019	5,888	6,736	(848)
4/24/2020 vs 4/26/2019	6,668	7,125	(457)
5/1/2020 vs 5/3/2019	7,209	7,788	(579)
5/8/2020 vs 5/10/2019	7,635	8,082	(447)
5/15/2020 vs 5/17/2019	8,114	8,283	(169)
5/22/2020 vs 5/24/2019	8,487	8,437	50
5/29/2020 vs 5/31/2019	8,785	8,582	203
6/5/2020 vs 6/7/2019	9,151	9,256	(105)
6/12/2020 vs 6/14/2019	9,529	9,400	129
6/19/2020 vs 6/21/2019	9,951	10,086	(135)
6/26/2020 vs 6/28/2019	10,279	10,298	(19)
7/3/2020 vs 7/5/2019	10,648	10,493	155
7/10/2020 vs 7/12/2019	11,026	11,374	(348)
Projected/Actual	13,173	13,589	(416)

Fall 2019 Projected/Actual represents the actual non-audit enrollment.

Fall 2020 Projected/Actual represents the projected non-audit enrollment base on a comparison to 2019 where on 7/12/2019 ETSU had enrolled 83.7% of students for fall 2019. Using the same ratio of enrollment captured as of 7/10/2020 this would yield a final undergraduate and graduate enrollment of down 416 students. These ratios exclude medicine and pharmacy.



Budget Reduction Scenarios

Date: 7.12.2020

Estimates Only

	Scenario 1 Base	Scenario 2 (500) Student		Scenario 3 (750) Students		Scenario 4 (1000) Students	
	Admin Reduction	Admin Reduction	Academic Reduction	Admin Reduction	Academic Reduction	Admin Reduction	Academic Reduction
	Approved July 20-21 Budget	-5.3%	-4.3%	-7.3%	-6.3%	-9.3%	-8.3%
	Enrollment down 100	Reduction	Budget	Reduction	Budget	Reduction	Budget
Administrative Unit Reduction							
Administration	13,469,230.00	(713,869.19)	12,755,360.81	(983,253.79)	12,485,976.21	(1,252,638.39)	12,216,591.61
Advancement	2,092,350.00	(110,894.55)	1,981,455.45	(152,741.55)	1,939,608.45	(194,588.55)	1,897,761.45
Business & Finance	3,196,270.00	(169,402.31)	3,026,867.69	(233,327.71)	2,962,942.29	(297,253.11)	2,899,016.89
IT	8,376,090.00	(443,932.77)	7,932,157.23	(611,454.57)	7,764,635.43	(778,976.37)	7,597,113.63
TAF	3,798,680.00	0.00	3,798,680.00	0.00	3,798,680.00	0.00	3,798,680.00
President	3,963,850.00	(210,084.05)	3,753,765.95	(289,361.05)	3,674,488.95	(368,638.05)	3,595,211.95
Athletics	16,025,460.00	(849,349.38)	15,176,110.62	(1,169,858.58)	14,855,601.42	(1,490,367.78)	14,535,092.22
Student Life and Enrollment	7,987,060.00	(423,314.18)	7,563,745.82	(583,055.38)	7,404,004.62	(742,796.58)	7,244,263.42
Student Activities	3,082,400.00	(163,367.20)	2,919,032.80	(225,015.20)	2,857,384.80	(286,663.20)	2,795,736.80
Subtotal Administrative Units	61,991,390.00	(3,084,213.63)	58,907,176.37	(4,248,067.83)	57,743,322.17	(5,411,922.03)	56,579,467.97
Academic Unit Reduction							
Provost & Health Affairs	94,334,810.00	(4,056,396.83)	(98,391,206.83)	(5,943,093.03)	88,391,716.97	(7,829,789.23)	86,505,020.77
Subtotal Academic Unit	94,334,810.00	(4,056,396.83)	(98,391,206.83)	(5,943,093.03)	88,391,716.97	(7,829,789.23)	86,505,020.77
Expense and Revenue Offset Due to Salary Freeze for 2020/21 Fiscal Year							
Salary Enhancement Pool*	1,202,940.00	(1,202,940.00)	0.00	(1,202,940.00)	0.00	(1,202,940.00)	0.00
Total Reduction	157,529,140.00	(8,343,550.46)		(11,394,100.86)		(14,444,651.26)	

*The salary enhancement pool was originally approved by the ETSU Board of Trustees on April 1, 2020. The workgroup is recommending no salary enhancements for fiscal year 2020/21 so it is included as a reduction in scenario 2-4.



College Budget Reductions

	Scenario 1 Base	Scenario 2 (500) Students		Scenario 3 (750) Students		Scenario 4 (1,000) Students	
	July 20-21 Budget	4.3%		6.3%		8.3%	
	Enrollment down 100	Reduction	Budget	Reduction	Budget	Reduction	Budget
College							
Academic Affairs	6,788,710.00	(291,914.53)	6,496,795.47	(427,688.73)	6,361,021.27	(563,462.93)	6,225,247.07
Arts & Sciences	25,414,460.00	(1,092,821.78)	24,321,638.22	(1,601,110.98)	23,813,349.02	(2,109,400.18)	23,305,059.82
Business & Technology	14,743,870.00	(633,986.41)	14,109,883.59	(928,863.81)	13,815,006.19	(1,223,741.21)	13,520,128.79
Continuing Studies	2,885,740.00	(124,086.82)	2,761,653.18	(181,801.62)	2,703,938.38	(239,516.42)	2,646,223.58
Education	12,505,180.00	(537,722.74)	11,967,457.26	(787,826.34)	11,717,353.66	(1,037,929.94)	11,467,250.06
Graduate School	1,843,170.00	(79,256.31)	1,763,913.69	(116,119.71)	1,727,050.29	(152,983.11)	1,690,186.89
Honors	967,380.00	(41,597.34)	925,782.66	(60,944.94)	906,435.06	(80,292.54)	887,087.46
CCHRS	8,865,130.00	(381,200.59)	8,483,929.41	(558,503.19)	8,306,626.81	(735,805.79)	8,129,324.21
Heath Affairs	1,326,590.00	(57,043.37)	1,269,546.63	(83,575.17)	1,243,014.83	(110,106.97)	1,216,483.03
Nursing	12,464,030.00	(535,953.29)	11,928,076.71	(785,233.89)	11,678,796.11	(1,034,514.49)	11,429,515.51
Public Health	6,530,550.00	(280,813.65)	6,249,736.35	(411,424.65)	6,119,125.35	(542,035.65)	5,988,514.35
TOTAL	94,334,810.00	(4,056,396.83)	90,278,413.17	(5,943,093.03)	88,391,716.97	(7,829,789.23)	86,505,020.77
variance to base			(4,056,396.83)		(5,943,093.03)		(7,829,789.23)

It should be noted the AS net reduction will be less than what is represented here – their original reduction was \$1.5 million dollars more (total \$2.6 Million) as a result of the carryforward deficit being addressed in this proposal



Budget Tactics – Already Implemented

- Vacant positions and associated salaries have been highly restricted for the 2020-21 fiscal year.
 - This action was initiated in response to the original budget charge from Gov. Lee.
- Purchasing restrictions, travel limitations, operating and utilities maximization, new locally funded renovation and maintenance projects restricted, limitations on central temporary and contract hires, etc.
- Voluntary Retirement Incentive Program presented to both faculty and staff
 - Staff application period has launched and will end on August 14, 2020
 - Current estimates project we will meet the target of 75
 - Faculty application period will begin on August 15, 2020.



Tactics – Proposed for Scenario 2

- Implement reductions of 5.3% from administrative units and 4.3% from academic units for the 2020-21 academic year and establish a central contingency fund.
 - There will be no distribution of new revenues through the budget model unless we achieve enrollment in Fall 2020 greater than that in Fall 2019. Any revenue generated from enrollment above the -500 figure would be placed into a central COVID-19 contingency fund.
 - FY 2020 fallout will be distributed according to the budget model. A recommendation on FY 2021 fall out will be developed in consultation with the colleges.
- Continue the following central cost containment measures:
 - Delay new locally funded capital and deferred maintenance projects
 - Reduce heating, cooling, and airflow in unoccupied buildings
 - Turn off non-emergency lights, equipment, and appliances and close lab hoods in unoccupied buildings
 - Eliminate/minimize the purchase of discretionary goods and services.



Tactics – Proposals for Scenario 2

- At the college level, it is recommended that the following remain highly restrictive, with exceptions being provided at the Dean's discretion except for areas that would traditionally require the approval of the Vice-President or President:

- Hiring for the 2020-21 budget year, except those hires that are necessary for accreditation requirements and/or essential program delivery. There is an expectation that open positions will not be refilled unless there is justification that the functions/tasks of the position cannot be transferred to current full-time employees.
- Carefully manage travel funds, except that which is required by accreditation, tenure activities, or essential program delivery. Any travel expenditures should prioritize tenure-track faculty and research.
- All new stipend requests. Exceptions will require review of justifications and approval from Deans. When at all possible, review all existing stipends to reallocate or eliminate functions and tasks to prevent future stipends.
- Without causing large scale losses of instructional support, where possible, restrict temporary faculty/staff hiring for 2020-21. Exceptions may be granted for accreditation or essential program delivery.



Tactics – Proposed Scenario 3

- Scenario based an enrollment decline of 750 students for the Fall 2020 semester. This scenario holds the state budget at the levels contained within Gov. Lee’s revised budget.
- If the economic reality for ETSU reaches the reductions outlined in Scenario 3, the workgroup recommends the implementation of the overall budget reductions originally identified by college/unit.
- The details of those reductions will be shared with each Vice-President and the President.



Tactics – Proposed Scenario 4

- Scenario based upon an enrollment decline of 1,000 students for Fall 2020.
- If the institution experiences a dramatic loss in revenue at the level identified in Scenario 4, it is recommended that the original reductions identified by colleges and units be implemented and the university execute the furlough plan developed by human resources.
- The draft furlough plan developed by the Division of Human Resources is not complete and should be viewed as an outline. For example, if units are required to cut whole functions as the result of the COVID-19 pandemic, the furlough plan should consider that as a priority rather than an across-the-board furlough that could impact required services.
- In addition to furloughs, senior campus administrators and academic leaders will take additional compensation reductions.



Strategic Action Proposed

- This fall is an opportunity for a strategic planning process that can better align mission, operations, and budget, and must contain an efficiency and productivity review of all units throughout the university. It is clear from this process units are resourcing the mission of the institution very differently and that limited the ability to recommend targeted strategic reductions.
- The expectation is that planning would be consistent with the process the President proposed at the University Council in February 2020 and would be an extension of the work of the Committee for 125.
- This process would frame and articulate a vision for ETSU post COVID-19 that would affirm our teaching, research, and service missions.



Summary

- The amount of reductions and individual unit savings are estimates. It is the expectation of the Workgroup that formal reduction worksheets will be distributed by the Budget Office and contain additional details that may slightly adjust targets for each unit.
- These recommendations should not be viewed as a mandate and do not prevent alternative decision-making from senior leadership to best respond to the environment as it evolves.
- In some areas the Vice-President and/or President may have additional information that requires specific units to meet the reductions in Scenario Three or Four in the near term. This report should not be used to indicate all units are in the same financial situation, rather the workgroup asserts that the institution overall is currently facing Scenario Two.



Questions and Discussion

