

**Minutes of the Special Meeting of the
Board of Regents of the University of New Mexico
April 22, 2019
Ballroom C, Student Union Building (SUB), Main Campus**

Members present

Douglas M. Brown, President (telephonically); Kim Sanchez Rael, Vice President; Sandra K. Begay, Secretary Treasurer; Rob Doughty; Melissa Henry; Marron Lee; Robert Schwartz

Administration present

Garnett S. Stokes, President; Paul Roth, EVP and Chancellor for Health Sciences Center; Rich Wood, Interim Provost and EVP for Academic Affairs; Loretta Martinez, Chief Legal Counsel; Ava Lovell, Executive Officer for Finance & Administration, HSC; Patricia Henning for Gabriel Lopez, VP Research; Michael Richards, Vice Chancellor for Clinical Affairs; Francie Cordova, Director of OEO and Interim Chief Compliance Officer; Lawrence Roybal, Interim VP for Equity and Inclusion; Dorothy Anderson, VP HR; Eliseo 'Cheo' Torres, VP Student Affairs; Liz Metzger, University Controller; Eddie Nuñez, Athletics Director; Dana Allen, VP Alumni Relations; Terry Babbitt, President's Chief of Staff

Advisors present

Pamela Pyle, Faculty Senate President; Rob Burford, Staff Council President; Boney Mutabazi, GPSA President; Becka Myers, ASUNM President; Steve Borbas, Retiree Association President

Presenters in attendance

Norma Allen, Director, University Budget Operations; Nicole Dopson, Director, Financial Operations; Vahid Staples, Budget Officer, Main Campus Budget Office

Others in attendance

Members of administration, faculty, staff, students, the media and others.

CALL TO ORDER, CONFIRMATION OF A QUORUM, ADOPTION OF THE AGENDA

Regent Vice President Kimberly Sanchez Rael called the meeting to order at 9:16 AM and confirmed a quorum with six members present in person. Regent President Doug Brown joined the meeting telephonically.

The motion to adopt the agenda passed unanimously (1st Begay; 2nd Henry).

PUBLIC COMMENT

Sharon Argenbright, President for District 1199, National Union of Hospital and Healthcare Workers, commented regarding member concerns. For the past 10 years, the cost of living has risen 19.89%; six out of those 10 years UNM Hospital (UNMH) employees have received no pay raise. Ms. Argenbright said she was not asking the Regents to negotiate with the bargaining units, but she asked the Regents to appropriate enough funds for management to bargain fairly with members, cost of living raises that are long overdue and fund changes to the pay scale based upon a study Mercer is completing.

Rosa Sanchez Puig, has worked 13 years as Housekeeper for UNMH, expressed her appreciation for being a part of the UNM Hospital workforce, but a 2% wage increase that is being proposed does not serve to cover basic necessities for herself or her co-workers, the majority of whom are heads of family. Ms. Sanchez Puig thanked the Regents for their attention and for listening to her and her coworkers' petition.

Benjamin Neft, has worked at UNMH for 2 years and is grateful for the job opportunity and the benefits, but when it comes to the raises, from \$12.35 to \$12.70, they do not keep up with cost of living increases. Wage adjustments of 5-8% would help employees to survive more easily rather than living check to check and would cut down on employee turnover rates.

Raul Corona, a Clinical Engineer at UNMH, commented that when he started as a bio-technician he was given pay according to his years of experience, and since that time he has finished his associates' degree in computer and electronics engineering and gained an additional 12 years of experience, yet has remained at the same pay rate with only small cost of living increases. New technicians coming in with half the years of experience are a

paid a higher wage, because UNMH does not have a step-pay system that acknowledges the years of experience that an employee has. This also contributes to high turnover rates.

COMMENTS FROM REGENTS (no comments)

FISCAL YEAR 2019-2020 UNM CONSOLIDATED BUDGET:

PRESIDENT'S INTRODUCTION AND REMARKS

President Garnett S. Stokes thanked the Regents for holding this special meeting and also thanked the dedicated group of over 20 people on the Budget Leadership Team (BLT) from across the campus who have put long hours into the budget process and added that as budgetary circumstances have changed, they have been responsive to addressing new guidance. In the BLT's initial budget proposal, it made clear its emphasis on fiscal responsibility and restraint and managing the University shortfall driven by lower tuition revenues and the continued impact of years of cuts from the State. Even with these challenges, the President asked the BLT if compensation could be pushed higher for the invaluable faculty and staff who have persevered to continue to make this university successful, while losing ground in earnings value over the years. The BLT had a compelling budget plan that President Stokes agreed upon to present at the April 9 budget summit. Subsequent to President Stokes' decision, Governor Lujan-Grisham finalized her House Bill 2 authorization and made it clear that she too respected the commitment of faculty and staff. President Stokes applauded Governor Lujan-Grisham for focusing on compensation for those at UNM and confirmed there is no question the Governor's and President Stokes' intent are congruent on this issue. More must be done to value and support the people at UNM; however, the challenge remains the State funds less than 50% of the funds toward compensation increases at the levels identified in legislation. President Stokes discussed compensation funding levels that she had previously presented for the HSC and Main Campus and made it clear the numbers do not include the hospital. The cost for a 4% compensation increase was \$29,984,390, and of that, \$9,437,345 was funded by the State. The shortfall that was presented earlier was rounded to \$16.6 million, because nearly \$4 million is the approximate level of funding for those on contracts and grants, so that amount was excluded from the shortfall. The original plan was for units to provide increases of up to 5%, but that was specifically for units that had the funds in their own budgets to cover that; these were narrowly applied allocations and primarily to be applied within the health sciences and the School of Medicine. The amount that was going to be applied by these individual units was \$6.755 million, of which \$5.8 million is in HSC and less than \$1 million on Main Campus. This brings the funding gap to \$9,792,022 to cover a 4% compensation increase. President Stokes discussed her request to the BLT to find new scenarios that would meet the spirit of the Governor's intention but that did not impose an overwhelming burden students to bear the cost of increasing compensation. So the scenario that would be presented includes a 3.1% increase to base tuition, which is very close to the cost increase in higher education for the year. Other research institutions in the State are raising tuition by 6% to fund compensation. President Stokes emphasized her belief the revised budget proposal to be presented is a good alternative driven by the values discussed. President Stokes said there is discussion of a 2%-2% compensation proposal whereby UNM would ask for a supplemental deficiency to reflect the mandate for the 4%, a level of funding that UNM simply cannot afford to provide at the institutional level. President Stokes welcomed dialogue with the Regents on the best path forward for UNM and for its faculty and staff.

FY2020 Budget Leadership Team Budget Recommendations

Provost Rich Wood opened the presentation by providing a summary of the original budget proposal presented at the April 9 meeting and then presented the new proposal which was unanimously endorsed by the BLT. Norma Allen and Nicole Dopson were available to answer questions. For the original budget, source of funds include, state appropriations of \$12.6 million, including the compensation increase; the calculated net tuition decrease of \$13.3 million due to the fall in enrollment last Fall and a cautious projection for this year; revenue transfers for a positive \$3.1 million; a \$3.3 million one-time use of central reserves; and a \$2.7 million reduction in mandatory student fees. For use of funds, the assumptions were, 2% compensation increase for faculty and staff with a \$9 minimum wage increase for students, coming to \$4.9 million; 1.5% decrease in unit allocations, yielding \$3.8 million; and \$2.7 million decrease in mandatory student fee recipients.

Regent Rob Doughty requested discussion on the reduction in state appropriations over the last several years. Provost Wood responded there has been a \$24 million decrease in state funding since 2009, and that is in real

dollars adjusted for inflation. Dr. Wood added that enrollments have fluctuated since that time but are about back to the 2009 levels, and higher education absorbed 44% of the State's cuts as a result of the recession.

Provost Wood addressed the original tuition and fee proposals, including a tuition premium increase of \$10 per credit hour, from \$25 to \$35 per credit hour, for undergraduate upper division courses and graduate courses; a 3.43% increase in mandatory student fees; and a separate IT fee per student, \$110 per year for undergraduates, \$90 for graduate students. Provost Wood also discussed the proposed differential tuition for the College of Arts & Sciences (A&S), \$10 per credit hour for undergraduate students, \$50 for graduate students along with a flat \$100 dissertation fee. The differential tuition goes directly to the college and the use of the extra funds is shown. Two colleges already have this kind of differential, the School of Engineering and the Anderson School of Management. **[ATTACHMENT A]**

Regarding the new budget proposal, Provost Wood opened with explanations on the sources of funding of compensation for both staff and faculty at Main Campus. The numbers are averages. For a staff member's compensation, the State funds on average 26%; tuition funds 29%; contracts & grants fund 9%; and other sources fund 36%. The Instruction and General (I&G) portion is comprised of the first two at 55% total; contracts and grant and other funding are not part of I&G. For average compensation of a faculty member, the State funds 42%, tuition funds at 46%, other sources at 9%, and contracts and grants fund about 3%. For faculty, the first three categories are I&G funding, comprising 97%. Dr. Wood discussed salary ranges for full-time regular staff and faculty. The most populated salary group for staff is the \$40-59K range; the most populated group for faculty is the \$60-79K salary range, \$40-59K at the branches. **[ATTACHMENT B]**

Provost Wood discussed the newly proposed 3% compensation increase and outlined the required funding levels for Main Campus and HSC. **[ATTACHMENT C]**

Provost Wood addressed the prior-year budget cuts, as brought up by Regent Doughty earlier, and said many units had already been cut to the bone, so the BLT did not recommend cuts greater than 1.5% to units as proposed in the original budget recommendation. Any further cuts would put at risk the academic mission of the University. Additionally, reserve balances have been used in prior years to cover shortfalls, and reserve levels are down to the point where next year they will be just above the state requirement. Provost Wood talked about how recurring expenses such as compensation increases can be temporarily covered by one-time funds, for example reserves, but it is the recurring revenues such as state appropriations and tuition that need to be used ultimately to fund recurring expenses.

Regent Sandra Begay asked about UNM's reserve balances and past drawdowns and added it looks like the reserve balance is at the limit the State requires. Norma Allen responded regarding UNM's central reserves, those that are kept as the HED reserves, are estimated to be \$18 million at July 1, and 3% of the budget is the minimum reserve balance, which depending upon the budget will be about \$9.5-10 million. Utilizing the originally proposed \$3.8 million of balanced, that would leave \$4 million of discretionary dollars available.

Regent Doughty clarified with respect to the reductions in state appropriations received since the 2009 funding level of \$194 million in state appropriations, and if one added up the funding gap every year since 2009, the amount of funds UNM did not receive in state appropriations over the past 10 years comes to a total of \$145 million. Regent Doughty emphasized the huge reduction in I&G funding over the years has been the primary driver for budget decisions over the same amount of time, for example, compensation.

Provost Wood reviewed the revised BLT budget proposal and compared it to the original proposal presented at the April 9 meeting. The new proposal has a base tuition increase of 3.1% to offset the proposed 3% compensation increase. Other changes include, 1) the IT fee for graduate students is now at the level for the undergrads, that being \$110 per year per student, and this is because the graduate students have endorsed this fee, and 2) the use of central reserves has dropped from \$3.8 million to \$3.52 million in an effort to be fiscally conservative. Other aspects of the budget remain the same, including the proposed mandatory student fee increase of 3.43%; the proposed \$10 per credit hour increase for upper division undergraduate courses and graduate courses; the \$110 IT fee for undergraduates; and the differential tuition proposal for the College of Arts & Sciences at the undergraduate (\$10 per credit hour) and graduate level (\$50 per credit hour plus \$100 one-time dissertation fee). Provost Wood discussed a 4% compensation increase scenario, which would warrant

a 5.9% base tuition increase, and two other scenarios that would get to a 4% compensation increase by utilizing the new budget proposal (3% compensation; 3.1% base tuition increase) or similar with only a 2% compensation increase for July 1, and in addition for either scenario, requesting from the State at mid-fiscal year a supplemental appropriation to cover an extra 1% or 2% compensation, depending upon the level of compensation increase at July 1 (ie. the 3% or 2% level). [ATTACHMENT D]

Provost Wood addressed the specific recommendations from the BLT and request to the Board of Regents: 1) authorization for mandatory student fee, tuition premiums, A&S differential tuition, technology fee, and \$9 minimum wage for student employees, as presented; 2) authorization for a 3.1% base tuition increase; 3) approval for 3% across-the-board compensation increase effective July 1 (average increase may rise to 4% with retention and promotion increases), and 4) potential additional 1% across-the-board compensation increase contingent upon approval of a supplemental appropriation request to the State. [ATTACHMENT E]

Regent Sanchez Rael commented with regard to the flow of the meeting, to complete the presentation on Main Campus budget, Regent Sanchez Rael requested to hear from the athletics department on the athletics budget and then wanted to hear comments from Regents on the Main Campus budget proposal before moving on to the HSC budget proposal.

AD Eddie Nunez presented a revised budget proposal to the Regents and referred to material handed out at the meeting. AD Nunez addressed the original budget proposal's projected shortfall of \$1.47 million driven primarily by net a projected revenue shortfall of \$1.13 million, driven primarily by media rights and ticket sales, and increases on the expense side due primarily to proposed tuition, fee, and compensation increases. AD Nunez highlighted the major changes to the budget proposal that will bring the revised budget into balance including, a \$1.2 million waiver for debt service payment in FY20 which will allow the department to reallocate Pit suite revenues to offset the operating budget along with \$280K of additional cost savings due to holding vacant positions open for FY20. AD Nunez added that athletics is still in the RFP process for media rights, and other areas of focus continue to be guarantees, naming rights and fund raising. [ATTACHMENT F]

Regent Doughty requested details regarding the \$1.2 million waiver for the debt service payment. Vahid Staples responded there are several bond issues with variable rate allowing for available funds that can go toward athletics. Regent Doughty asked when these became available. Mr. Staples said the balances have built up over a 3-4 year period.

Regent Rob Schwartz requested clarification and where the \$1.2 million figure came from. Mr. Staples said the bond issues and variable rates that he refers to are not necessarily specific to The Pit project. The \$1.2 million is an amount that has built up over the years, they are funds that were pulled centrally when those were not needed to be paid to the bond holders. Regent Schwartz asked why this was not part of the accounting in years gone by and how the University happens to have all this surplus this year. Mr. Staples confirmed the funds that are not paid for debt service are retained in the overall debt service portfolio. Regent Schwartz added that that would be money that is available to full university for whatever the greatest need is in the University. Mr. Staples agreed that a decision has to be made as to the best use of those funds. Regent Schwartz responded that what is suggested is to decide that the highest and best use of these funds is to subsidize athletics for next year and asked, what if it was decided there was some other use for the \$1.2 million for the University?

Regent Marron Lee asked for clarification on the funds, and if those are reported in the annual categorization of reserves report. Mr. Staples said they were and were classified as discretionary reserves.

Regent Schwartz expressed appreciation for being transparent and added a realistic budget has to be a starting point. There was a \$1.47 million shortfall, and now \$1.2 million appears from university funds. Regent Schwartz asked about alternatives that are being considered for the athletics budget. AD Nunez responded that all of the budget challenges and the discussions over the past couple of years have had a component regarding The Pit debt. The athletics department is cutting in ways that it can and other areas, like media rights, are opportunities that are in process of being finalized. Regent Schwartz said maybe it is premature, but there are other parts of the University including academic units that are cutting to the bone and have gone far beyond what is possible to maintain the programs that they had maintained a decade ago, and it may be that athletics is pushed into that position too.

Regent Doug Brown commented it appears that inadvertently the way the athletic department services The Pit debt, has been over paying over the last several years because there was not an adjustment for the downward trend in interest rates. If athletics did overpay then that would justify the allocation of those funds back toward athletics. Mr. Staples clarified the variable rate bonds he mentioned are not specifically tied to that project; they are overall other bonds.

Regent Doughty agreed it is early and added there needs to be time to get comments from faculty and staff. Regarding media rights, it looks like there is potential to have an increase in funding that could cover the debt service. AD Nunez responded in the affirmative. Regent Doughty asked when the multi-media rights contract will be in place. AD Nunez responded he hoped to have more information at least about the direction of where that was going by the May meeting.

Regent Begay clarified the discussion on the athletics budget is about ongoing costs, but the Pit Debt service is a capital cost paid for by bonds and other capital funds and should be part of an overall discussion about capital and bonds and the whole portfolio of buildings at UNM.

Regent Lee agreed with Regent Begay and added this is a conversation that has been long overdue.

Regent Sanchez Rael thanked President Stokes, the presenters and the rest of the BLT and commended them for their very hard work over the past months and over the weekend. Regent Rael asked to hear Regents' views and called on Regent Brown to comment first.

Regent Brown thanked the BLT also for its hard work, and commented on Regent Doughty very good point about the cumulative deficit over the past 10 years and added if those numbers are adjusted for 20-25% inflation over that whole time, and the reduction in purchasing power even if the amounts were kept the same every year, certainly has aggravated the problems. Regent Brown said he was in favor of limiting tuition to the minimum possible given the enrollment and demographics landscape ahead, so would vote for the option of no tuition increase for lower division undergraduates, moderate premiums on upper division courses, and 4% compensation increase with 2% now and a request for 2% supplemental funding later, plus selective merit increases for promotions at departmental discretion.

Regent Lee said it was her understanding that the statutory language of the budget that was signed into law was, 'they shall give an increase as of July 1', and asked if a legal analysis had been done regarding splitting the compensation increase. Regent Begay asked Regent Brown if the Governor had clarified. Regent Brown responded the impression he had was the Governor would welcome a supplemental request to cover the amount of deficiency, and added the only place to go to cover a 4% compensation increase would be to raise tuition. There is no more room for cuts above the proposed departmental cuts of 1.5%.

President Stokes clarified a request for an additional 2% would still lead to a \$10 million recurring gap in funding in future years.

Regent Schwartz said he appreciated the BLT's great work and the wide range of options it presented. Regent Schwartz spoke about his reluctance to depend upon a supplemental appropriation for the base salary of the University and his concern about providing a lower increase to faculty and staff who are deserving now but have that be based on what the legislature might do in January. It is contingent on what the legislature will do. Regent Schwartz stressed it is important to seek a supplement appropriation and UNM should work on that to address prior years' lost ground in order to bring salaries where they should be if inflation-based increases had been given. Regent Brown added he thought there would be a better chance of getting the supplemental deficiency funding from the State if the board did not vote for a base tuition increase. There was discussion about compensation funding gaps.

Regent Begay clarified any compensation increase over 2% would warrant a tuition increase of some kind. Reserves are depleted and departments cannot be cut more. Regent Begay added the Regents are constitutional officers within the State and each in his her full right to decide tuition and fee increases and how to work with

what the legislature appropriates. Regent Begay talked about the various compensation scenarios and said the 3% increase with the 1% supplemental ask, which is what administration proposes, may be the most plausible.

Regent Lee asked for clarification on what UNM would ask for. UNM is one of over 20 higher education institutions in the State that are grappling with this, and there are other education needs in the State competing for funds. Regent Lee asked, 1) what specifically would UNM ask for when it goes to Santa Fe with the Counsel of University Presidents, and 2) what are the tuition scenarios that will be voted on, and 3) to Regent Brown if he had spoken with the Governor about the 2%-2% compensation scenario. Regent Brown responded he did not know timing for the request but the governor did encourage a supplementary deficiency request, and in his view the 2%-2% or 3%-1% compensation scenarios would be the best alternatives, because the 4% scenario has a 6% tuition increase which is too much.

President Stokes clarified with regard to timing, the process starts in the fall for the current fiscal year, and it would be a request for a supplemental deficiency.

Regent Schwartz commented that he thought everyone valued the Governor's values and interests, and the goal is to figure out how to get there on the resources available. Regent Schwartz stressed approving a plan that will provide adequate raises to faculty and staff and for it to not rely on supplemental funding in the future that would need approval not only from the Governor but the legislature as well. Regent Schwartz also acknowledged the common concern for tuition increases and that any increase should be moderate.

Regent Sanchez Rael said that she agreed with President Stokes and the need to fairly compensate faculty and staff so also to be able to attract world class faculty and staff to UNM. It is important for the long game in building the institution to what it should be and to get there to have the best and brightest faculty and staff. At the same time, enrollment is under incredible pressure, and there is concern about what signal a base tuition increase would send. Regent Sanchez Rael commented the institution would be better served with adoption of the original BLT recommendation with no base tuition increase and a 2% compensation increase. It's important UNM demonstrate its commitment to undergraduates and its affordability, but Regent Sanchez Rael stressed there should continue to be efforts to look for funding opportunities, including requesting funding for a 4% comp increase. There is an opportunity to do the right thing, both in terms of UNM's base tuition and to meet the compensation needs that the President so eloquently laid out. Regent Sanchez Rael said she would entertain a motion in regard to her recommendation for the Main Campus budget.

Regent Brown motioned.

Regent Begay clarified the motion would be to approve the original 2% compensation increase and no increase to base tuition. The next step would be to work on another 2% with the State Legislature, to not budget for that but be hopeful. Regent Sanchez Rael confirmed the clarification and asked for a second.

Regent Doughty commented as a point of order, per the agenda, the Regents needed to hear the HSC budget and also comments from Regent Advisors before voting.

Regent Sanchez Rael accepted and asked Regent Brown if he wanted to withdraw the motion.
Regent Brown agreed and withdrew his motion.

Regent Schwartz said he appreciated the healthy discussion which were primarily focused on the two proposals, the revised budget and the originally proposed one and clarified he supported the revised budget proposal.

Regent Sanchez Rael responded her concern for any base tuition increase given the enrollment challenges and talked about the importance of the messaging to students and her particular focus on prospective students.

Regent Schwartz commented another important message is that UNM values its faculty and staff and added the students have made it clear they would support a 3.1% tuition increase because they recognize that the quality of their education depends upon the quality of the faculty and the staff at the University.

Regent Lee added UNM needs to recruit also out of state students, and a base tuition increase would affect out of state tuition and make the University less attractive to those students too.

FY2020 Health Sciences Center Budget

Chancellor Roth introduced the item and Ava Lovell presented details. The Health Sciences Center (HSC) business model is predominantly driven by the marketplace. The majority of the operating budget is from the clinical activities. Each year, coming forward for budget approvals and compensation increases, staff compensation at the HSC always follows Main Campus staff increases; however, the faculty compensation increases very often are different because of the different revenue streams that impact the HSC. Regarding compensation at the School of Medicine (SOM), tuition funds a much smaller percentage than for faculty on Main Campus; therefore, tuition is a less substantive component, and that is why SOM tuition cuts have been requested over the past few years. The tuition cuts are intended to support the SOM students, to lower their debt which can impact also where they eventually choose to practice medicine. This year, the request is for another 2% reduction in SOM tuition. Similarly, for the College of Pharmacy (COP), it recently had a huge increase in its tuition differential, so students are already at a relatively high tuition for this region, and so the COP will be asking for a zero percent (0%) tuition increase. If the compensation scenario of 3%-1% is adopted, the College of Nursing (CON) and College of Population Health (COPH) would want to follow the recommended base tuition increase of 3.1%. These colleges are not dependent on clinical revenue; most of the operating budget does come from tuition. Dr. Roth clarified that with regard to revenue sources, the HSC is almost a total flip from Main Campus. That is on Main Campus, State appropriations and tuition fund over 80% faculty compensation, and for SOM, 15% comes from state revenue and 76% comes from billing for patient care.

Ava Lovell addressed the details of the HSC budget proposal. The bottom line for the whole HSC Academic Enterprise for FY20 is a positive net margin of \$1.335 million. This is the same as that which was proposed in the original budget proposal. The School of Medicine budget is built with a 3% across the board faculty compensation increase (plus equity and market adjustments for those below 25th percentile) and staff compensation increase of 2%, along with the 2% tuition decrease. For College of Nursing, the budget has no tuition increase and 2% compensation increase. If compensation were to go above 2%, the CON would go with the same tuition increase as Main Campus. For College of Pharmacy, they have included 2% comp increase for both faculty and staff, including market adjustment compensation. The negative net margin will be covered with balances for one-time funding. The COP can go to a 3% or 4% comp increase and absorb that into its budget without a tuition increase, primarily due to the differential tuition already in place. The College of Population Health is only about 3 years old, and is still completely dependent on the undergraduate tuition. There is no differential at this point. For Research and General Administration, any changes to the original 2% compensation increase will be absorbed. [ATTACHMENT G]

Ms. Lovell discussed the total funds that would be needed to take the HSC staff, non-SOM faculty and SOM Faculty all to 3% comp increase, plus merit, etc. including fringe would be a bottom line increase of \$10.78 million. Ms. Lovell also outlined for each academic unit, the respective revenue generated from 3.1% tuition increase versus expenses for 3% compensation increases. [ATTACHMENT H]

Regent Sanchez Rael asked if the Regents had any questions.

Student Regent Melissa Henry inquired regarding the public comment on the UNM Hospital compensation. Ms. Lovell responded the numbers presented so far were for the academic units only, and she would address the hospitals and Medical Group next.

The FY20 financial assumptions for UNM Hospitals, including the Cancer Center, includes \$14 million for compensation and benefits. There are negotiations with a bargaining unit. Additionally, there are budgeted revenue cycle improvements of \$22 million as well as volume improvements for \$13 million, offset by projected Medicaid reimbursement decreases of \$16 million. Ms. Lovell also discussed the financial assumptions for Sandoval Regional Medical Center and the UNM Medical Group. [ATTACHMENT I] Altogether, the UNM Health System is projecting a positive bottom line of \$8.73 million net margin, to which UNM Hospitals contributes \$4.4 million; UNM Medical Group, a positive \$4.3 million; and SRMC at

about breakeven with \$28K. [ATTACHMENT J] The Medical Group's net margin driven largely by the joint venture Rehab Center with Lovelace Hospital.

Chancellor Roth responded to the question about UNM Hospital compensation. Active negotiations are currently ongoing with the union. Details cannot be given, but there are two specific areas of negotiations, general comp increases and also targeted increases for those furthest away from the market average.

Advisors' Comments on the Budget Proposal

Boney Mutabazi, GPSA President, acknowledged the difficult decision before the Regents and commended them on the final decision they will make. Having served on the BLT, he understands the difficult process to come to the scenarios to be recommended. As a student, it is difficult to accept tuition increases, but there are budget challenges and student and the faculty and staff are supposed to live in a symbiotic relationship. Mr. Mutabazi asked the Regents when making their decision to think of the students who get handed their bill every semester. In his experience, even when fees went up, services would be dropped. Mr. Mutabazi asked for transparency on the bills students receive so they will know how their fees are invested. Mr. Mutabazi reminded the Regents the student trust them to invest the funds appropriately.

Becka Myers, ASUNM President, said it was her last meeting before the Regents and she wanted to give her student's perspective on the budget proposal. The recommendations before the Regents were not easy to vote on in the BLT, and most assume students will vote against a tuition increase. Raising tuition is never popular, but the increases proposed were methodically planned to aid the academic mission of the University. There was reluctance to support the revised proposal but it guarantees a 3% compensation increase and complies with the request to aid the academic mission. Ms. Myers talked about the 4% compensation increase and proposed 2%-2%, asking for 2% later did not sit well, because there was a chance the funding of that would fall on the backs of the students. Ms. Myers asked the Regents to not kick the can further down the road, but any increases beyond those proposed would hurt students. Ms. Myers talked about the student organizations and feedback she received. Students are not in favor of any option to increase more than what the BLT has recommended and ASUNM reluctantly supports the 3% tuition increase. Ms. Myers added that students are more amenable to increases when they know exactly where their money is going.

Regent Doughty asked about the student feedback Ms. Myers received on the tuition proposals. Ms. Myers responded she had received most of the student input before the original budget proposal. With regard to the revised proposal, the 3.1% tuition increase (3% comp) was supported by her team as the best, where the 4% compensation increase was too much for students to have to support. There was discussion about the 2%-2% comp proposal, and Ms. Myers clarified said she did not feel comfortable supporting that.

Regent Sanchez Rael reiterated her concern for declining enrollment and the students who were not yet at UNM and asked Ms. Myers if the students had data or anecdotal sense on the major causes for the enrollment declines. Ms. Myers responded the Lottery scholarship affects every New Mexican student and the drop in its funding was the primary reason. This year it funded 80% of tuition, but that was from a one-time appropriation. Regent Sanchez Rael asked about the 2 budget proposals and if the original one with no base tuition increase would be more favorable to students. Ms. Myers talked about the importance of the compensation increases and not kicking the can and that there seemed to be no better alternative than the 3% comp and 3% tuition increases - it was a no-win for the students. There was discussion about the 2%-2% compensation scenario being contingent on supplemental funding and Ms. Myers reiterated she did not support that.

Regent Begay asked for clarification on 'supplemental funding from the State' and not from the students. Regent Brown responded UNM is simply underfunded for the mandate. UNM's response can be that it will comply, but it has funding now for a 2% comp increase. Regent Brown clarified the other 2% would be made entirely contingent on supplemental appropriation from the State and would not happen if the State did not fund it.

Pamela Pyle, Faculty Senate President, commented the faculty appreciate the Governor's perspective and awareness that the faculty and staff in higher education have been underfunded and there has not been a substantial increase in years that would be commensurate with cost of living increases, let alone to inch nearer to peers. It is clear the President and Provost share this point of view. The question is how to do this responsibly. The BLT felt that the 4% scenario would require additional support from the State or it would fall entirely on

students. As seen from discussions this may change the way we prioritize funds and project university values. Ms. Pyle shared her concerns for asking for monies later and described it as a spurious proposition. Salaries require consistent recurring dollars, not speculative funds. Ms. Pyle spoke in support for the BLT's revised proposal recommendation.

Rob Burford, Staff Council President, said staff support the 3.1% tuition increase and the 3% compensation increase and encouraged work with the State in support of the State fully funding compensation increases. Mr. Burford spoke of the importance of recurring dollars versus one-time funds, reserve balances.

Steve Borbas, President, Retiree Association, said the retirees are concerned about the ERB and engage in continuous discussion in Santa Fe regarding that. With regard to the budget, Dr. Borbas said the association recommended utilizing the 2%-2% compensation scenario as a platform for more powerful and logical discussions in Santa Fe.

Regent Sanchez Rael asked Regent Brown for comments. Regent Brown said he made his comments and the decision was a difficult one. President Stokes asked Regent Brown with regard to the 2%-2% compensation scenario, if the second 2% at mid-year would be retroactive to July 1, 2019. Regent Brown responded that might be requested in the supplemental funding, but it was likely there would be more receptivity to funding going forward from beginning of the year.

Approval: Board of Regents Vote on Budget Proposal

Regent Sanchez Rael asked if there was any objection to voting on the Main Campus budget and the HSC budget separately. There were no objections from other members.

Regent Begay asked to hear Regent Lee's comments. Regent Lee said she understood the students were in support of the original proposal, but it looked like discussions were moving toward a tuition increase, which was concerning for future New Mexicans and out of state students. Regent Begay asked Ms. Myers to clarify what the students supported. Ms. Myers confirmed she supported the 3.1% tuition increase for the 3% compensation increase. Student Regent Melissa Henry confirmed that was what she was hearing the most, the BLT voted on the 3.1% tuition increase and that the students back that.

Regent Sanchez Rael stated again that she felt strongly there should not be a base tuition increase and added that would remain her position. Regent Sanchez Rael called for a motion from the Regents on a proposal.

Regent Brown motioned to accept the original BLT budget proposal with the 2% compensation increase, with the additional 2% compensation contingent upon the funds from the State in the supplemental appropriation request. Regent Begay seconded.

Provost Wood clarified the IT fee proposal for graduate students and HSC increased by \$20 from the original budget proposal to the second BLT proposal, and he asked the Regents to include that in their consideration.

Regent Brown agreed to amend his motion to include the IT fees that are proposed in the revised BLT proposal. Regent Begay agreed to second.

Regent Schwartz said he would vote against the motion and then he would move to adopt revised BLT proposal which would involve the 3.1% increase. Regent Schwartz explained his reasons for supporting the revised BLT proposal, the first being UNM's desperate need for a reasonable faculty and staff salary increase. Even 3% seems absolutely minimal. Regent Schwartz talked about the importance of making a clear statement to faculty and staff that they are recognized for what they contribute to the University, not only by the Regents, but they are recognized also by students and others in the community. Regent Schwartz continued the necessary comp increase would require additional resources, and the 3.1% tuition increase, when NMSU is raising its tuition by twice that and UNM is still not the most expensive university in the State, is a modest increase that is utterly necessary this year. Hopefully tuition increases can be eliminated in the future. Regent Schwartz stated he was impressed about everyone working together toward the solution and impressed that the students recognize the importance of value rather than cost. Regent Schwartz emphasized the need to figure out how to create the

university education that has the most value for students and not the one that is the cheapest which would not only affect current students but future students. Regent Schwartz also argued the BLT process should be respected. It's a classic, academic, deliberative process with members who come together from various backgrounds, with interest and with knowledge to exchange ideas and come up with a proposal, and unless it proposal is clearly wrong, it should be accepted. Regent Schwartz said it was important to show some deference to the university process in constructing the budget. He also said it is vital to not take action that is contingent on the legislature, because we do not know what is going to happen. And finally in addition to everything, Regents should commit to being serious about seeking a supplemental appropriation, not to make the basic minimal package, but hopefully to find a lot more. The small increase in the tuition will not hurt the efforts for a supplemental funding, it may actually help because it sends a message of what students value. In any case, the supplemental funding cannot be counted on. Regent Schwartz urged commitment to faculty and staff now to maintain the quality that UNM has by voting against the motion on the table and supporting the revised BLT proposal.

Regent Lee echoed Regent Schwartz' concerns and thoughts.

Regent Henry also echoed Regent Schwartz' words.

Regent Doughty said he would take a middle ground as he does not like raising tuition, but recommended a 3% compensation increase and the utilization of balances (reserves) to cover that.

The motion to accept the original BLT budget proposal with the 2% compensation increase, with the additional 2% compensation contingent upon the funds from the State in the supplemental appropriation request, with the IT fees recommended on the revised BLT proposal, failed by a vote of 3-4-0; Regents Sanchez Rael, Begay and Brown voted for; Regents Doughty, Lee, Henry and Schwartz voted against (1st Brown; 2nd Begay).

Regent Schwartz moved adoption of the most recent BLT proposal. Regent Henry seconded. There was discussion.

Regent Lee clarified she did not believe on putting the compensation increase on the backs of the students when UNM has reserves, and she asked President Stokes to comment. President Stokes responded the pressures on UNM's reserves have been discussed; UNM has been digging into those reserves over and over again, and those are one-time funds, once spent they are gone. There are two places for recurring funds, funding from the State and funding from tuition. The proposal from the BLT balances getting to the 4% using both sources. Reserves is another form of kicking the can down the road. Given the challenges across higher education, this proposal was a good compromise. The University cannot continue to fail to pay its faculty and staff. Even after the decision today, there is still tremendous work to be done because compensation for faculty and staff needs to be raised every year.

Regent Brown added the University needs a budget to be passed and stated his preference of the 2%-2% scenario but confirmed he would support the 3%-1% compensation scenario and with the small tuition increase.

Regent Begay commented that just because she voted on one proposal does not mean she cannot also vote on another proposal. Regent Begay clarified there is a use of reserves in the revised BLT proposal. Provost Wood confirmed the original BLT budget proposal recommended \$3.8 million use of reserves, the revised proposal reduced that to \$3.52 million. Regent Doughty asked President Stokes if she was in agreement that it was not feasible to utilize a higher level of reserves. President Stokes concurred. Regent Doughty responded he understood the situation with reserves and trusted administration's guidance.

Regent Sanchez Rael said she agreed with Regent Brown's vision and intention and added everyone wants to do the right thing for the University and to get to the same place, it's how to get there where the differences lay. Regarding the tactics, Regent Sanchez Rael clarified she believed the only way to reset the fiscal health of the University is to grow itself out of this, not to cut itself out of this, and that's going to require turning around the enrollment situation. The wrong thing to do is to have a base tuition increase; the revised proposal is the wrong thing for the long-term prosperity of the University. Regent Sanchez Rael said she understood the comments about supporting faculty and staff, but the long-term tactics to achieve

that are better served by not having a base tuition increase. Regent Sanchez Rael spoke about increasing revenues in other ways, particularly fixing the enrollment situation. Regent Sanchez Rael also affirmed the BLT process adding that is why she supported the original BLT proposal.

The motion to adopt the most recent BLT proposal passed with a vote of 6-1-0; Regents Schwartz, Henry, Lee, Doughty, Begay and Brown voted for; Regent Sanchez Rael voted against (1st Schwartz; 2nd Henry).

The motion to adopt the FY2020 HSC budget proposal passed with a unanimous vote in favor (1st Doughty; 2nd Lee). There was clarified the tuition increase for CON and COPH would be 3.1%; no tuition increase for COP; and there would be a 2% tuition decrease for the SOM.

OTHER BUSINESS:

Approval of the Contract for UNM FY19 Annual Financial Statements Audit

Regent Brown introduced the item. The Audit Committee unanimously affirmed the third year of the three-year contract with Moss Adams/KPMG, they jointly cooperate on the audit. After this next year, the contract will come up for rebidding.

The motion to approve the third year renewal of the three-year contract passed with a unanimous vote in favor (1st Brown; 2nd Begay).

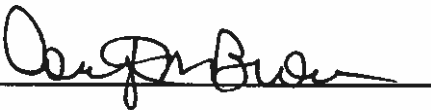
Public Comment (no comments)

ADJOURN

There being no further business, Regent Sanchez Rael asked for a motion to adjourn; Regent Lee motioned; Regent Doughty seconded; motion passed unanimously; the meeting adjourned at 12:06 PM.

Approved:

Attest:



Douglas M. Brown, President



Sandra K. Begay, Secretary/Treasurer

Financial Assumptions

Sources of Funds

- State Appropriations-\$12.6M Increase Formula Funding and Compensation
- Net Tuition- \$13.3M Decrease
 - (\$7.7M) current year tuition shortfall
 - (\$5M) 4% revenue enrollment fluctuation
 - \$2.5M Undergraduate and Graduate Tuition Premium Increase
 - No Base Tuition Increase
 - (\$3M) decrease-direct PharmD tuition to HSC
- Net Miscellaneous Revenues and Transfers and HSC Transfer-\$3.1M Increase
 - Primarily Land, Permanent Fund and Interest Income Increase
- One-Time Use of Central Reserves-\$3.3M Increase
- Mandatory Student Fees-\$2.7M Decrease
 - (\$2.1M) current year shortfall,
 - (\$1.4M) 4% revenue enrollment fluctuation
 - \$724K 3.43% rate increase

Financial Assumptions **ATTACHMENT A**

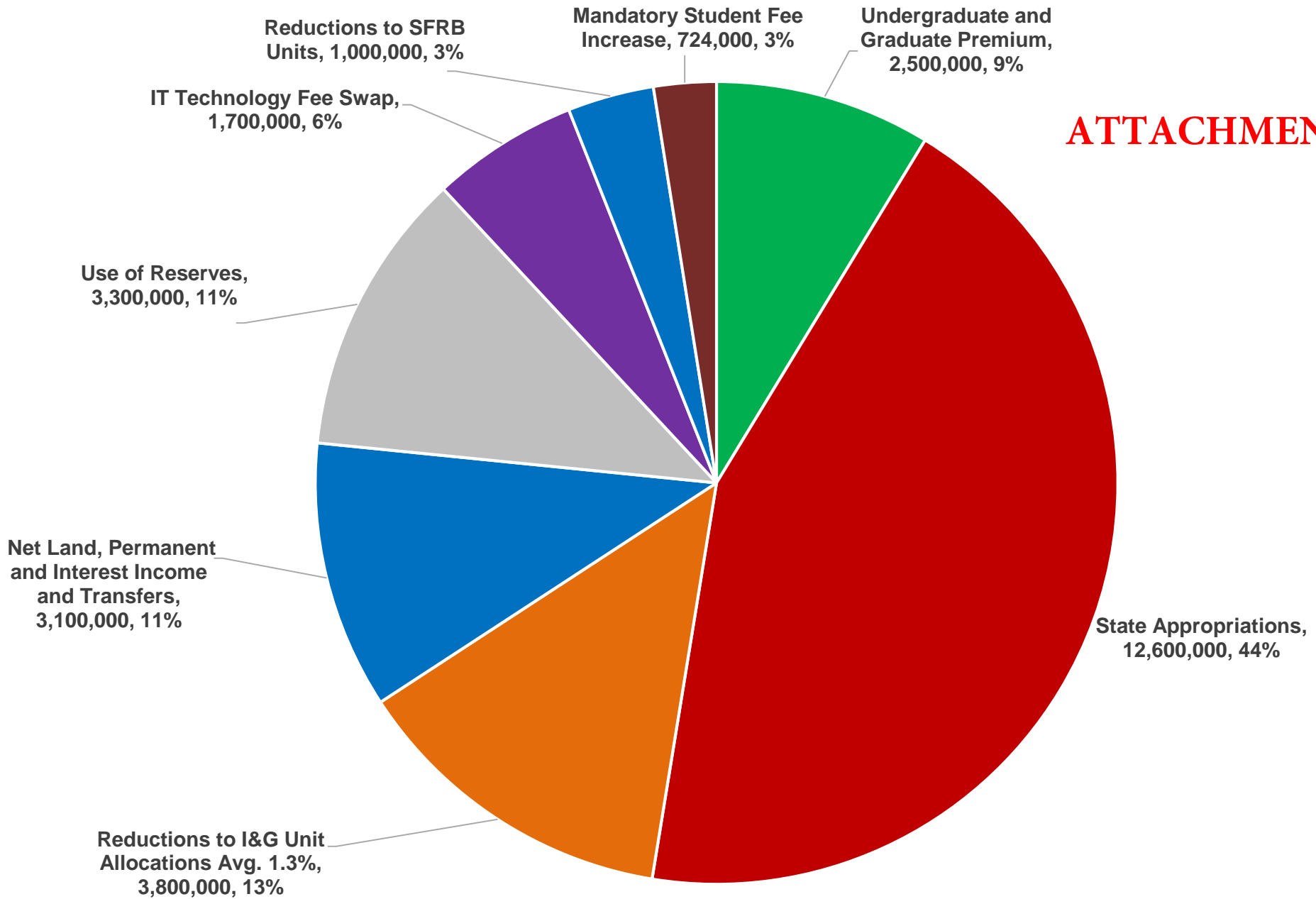
Use of Funds

- Funding Priorities-\$9.9M Increase
 - 2% Faculty and Staff and \$9 Min. Wage Increase for Students
 - Compliance, Safety, IT Infrastructure and Advising Initiatives
 - Inflationary Increases for Group Health 5% and ERB .25%
 - Faculty Promotions and Faculty Lines
 - Student Aid and GA/TA Waivers
- Decrease in Unit Allocations-\$3.8M--Average 1.3% decrease
 - Administration-1.5% decrease
 - Academic Affairs Base-Net decrease 1.2% (1.5% decrease to units and an offsetting increase to base for Extended University)
 - SVP Base-1.5% decrease
 - Must Funds Base-1.5% decrease fringe benefits recurring savings
 - Utilities Base-1.1% decrease
- Mandatory Student Fee Recipients-\$2.7M decrease. It includes the \$1.7M IT swap to a technology fee.

Note: \$9.5M additional funding on schedule is \$9.9M Less Transfer to Student Aid \$400K

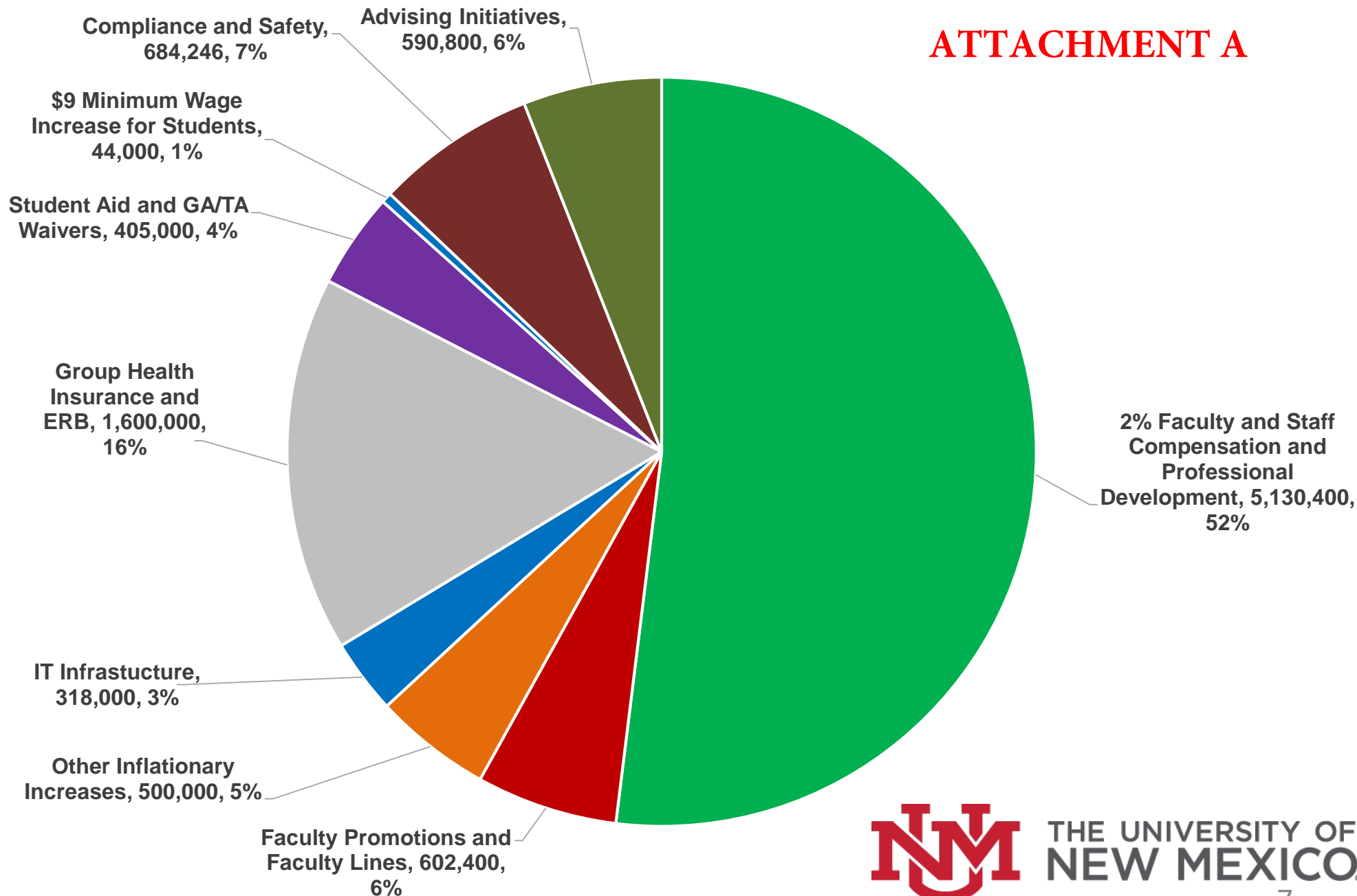
FY 20 Budget Strategy to Fund \$28.7M Gap

ATTACHMENT A



FY 20 Funding Priorities \$9.9M

ATTACHMENT A



Main Campus Undergraduate Tuition and Fee Proposal

| | |
|---|--|
| Base Tuition Increase | \$0 |
| Lower Division Tuition Increase | \$0 |
| Upper Division Premium Increase per Credit Hour | \$25 to \$35 |
| Mandatory Student Fee Increase | 3.43% |
| IT Technology Fee per Headcount | \$50 Fall, \$50 Spring and \$10 Summer |

- Lower Division **Tuition and Fees** Full Time 15 Hour block:
 - \$82.66 Increase per semester, \$165.32 annually, 2.26%
- Upper Division **Tuition and Fees** Full-Time 15 Hour block:
 - \$232.66 Increase per semester, \$465.32 annually, 5.76%

Main Campus Graduate Tuition and Fee Proposal

ATTACHMENT A

| | |
|---|--|
| Base Tuition Increase | \$0 |
| Graduate Premium Increase per Credit Hour | \$25 to \$35 |
| Mandatory Student Fee Increase | 3.43% |
| IT Technology Fee per Headcount | \$40 Fall, \$40 Spring and \$10 Summer |

- Apply Graduate Premiums to all Graduate Programs. Impacts 2,045 Students, 39%
- Graduate **Tuition and Fees** Full-Time 12 Hours:
 - \$188.74 Increase per semester, \$377.48 annually, 4.22%

A&S Undergraduate Tuition Differential

ATTACHMENT A

Proposed Annual Revenue

| | |
|---|--------------------|
| Differential Tuition (per SCH) | \$10 |
| Projected # of SCH (all student SCH taken by student majors in the program) | 173,317 |
| Total Revenue | \$1,733,170 |

Proposed Annual Expenditures

| | |
|---------------------------------|--------------------|
| Financial Aid Set Aside (20.4%) | \$353,170 |
| Faculty Retention and Hiring | \$1,000,000 |
| Instructional Support Personnel | \$230,000 |
| Advising Personnel | \$150,000 |
| Operating Expenses | 0 |
| Administration Expenses | 0 |
| | |
| Total Revenue | \$1,733,170 |

A&S Graduate Tuition Differential

ATTACHMENT A

Proposed Annual Revenue

| | |
|--|------------------|
| Differential Tuition (per SCH) | \$50 |
| Flat fee for Dissertation hours | \$100 |
| Projected # of SCH – Coursework (\$50) | 14,183 |
| Students taking Dissertation hours (\$100) | 525 |
| Total Revenue | \$714,400 |

Proposed Annual Expenditures (\$)

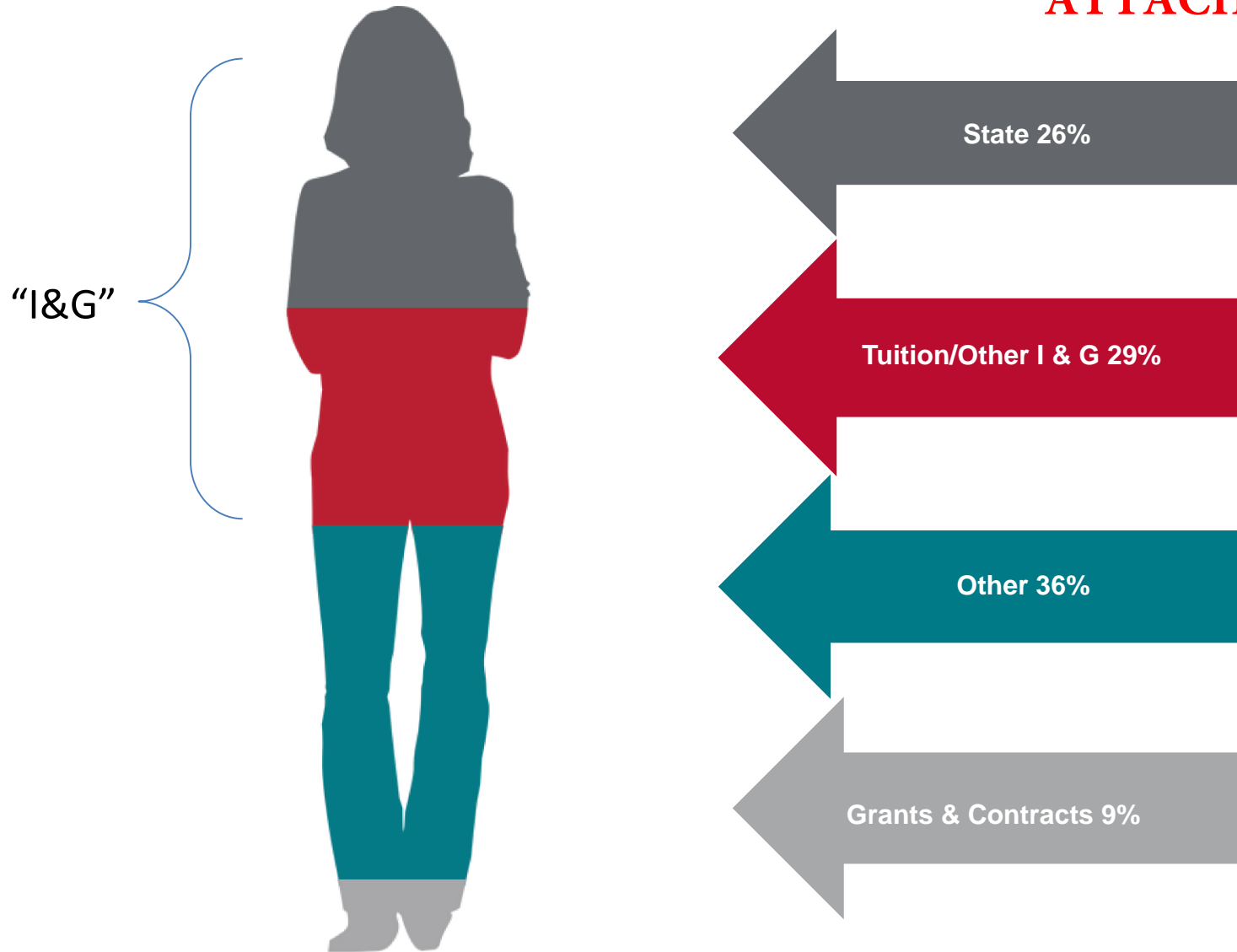
| | |
|---|------------------|
| Tuition Waivers for GA, TA | \$313,390 |
| Increased support for graduate students | \$401,010 |
| Administrative and Operating Expenses | 0 |
| Total Revenue | \$714,400 |

| Main Campus Budget Leadership Team (BLT) Budget Recommendation FY 20 Budget (In Thousands) | | | | |
|--|---------------------------------|---------------------------------|------------------|-------------|
| | Fiscal Year 2019 Original | Fiscal Year 2020 Original | Change Amount | % Change |
| Revenues | | | | |
| State Appropriations | 181,793 | 194,396 | 12,603 | 6.9% |
| Projected Tuition Revenue | 133,900 | 120,573 | -13,327 | -10.0% |
| Health Sciences Center Transfer | -17,955 | -17,218 | 737 | -4.1% |
| Miscellaneous Revenues and Transfers | -10,073 | -7,675 | 2,398 | -23.8% |
| One-Time Use of Central Reserve | 500 | 3,805 | 3,305 | 661.0% |
| Subtotal I&G Revenues | 288,166 | 293,882 | 5,715 | 2.0% |
| Mandatory Student Fees | 36,256 | 33,519 | -2,737 | -7.5% |
| Total Sources of Funds | 324,422 | 327,401 | 2,979 | 0.9% |
| Expenses | | | | |
| Base-President/Administration | 8,264 | 8,140 | -124 | -1.5% |
| Base-Academic Affairs | 166,745 | 164,698 | -2,047 | -1.2% |
| Base-SVP for Administration | 41,840 | 41,212 | -628 | -1.5% |
| Base-Must Funds (Fringes, Insurance, etc.) | 54,132 | 53,322 | -810 | -1.5% |
| Utilities | 17,185 | 16,990 | -195 | -1.1% |
| Compensation Increase - 2% Faculty and Staff and \$9 Min. Wage Increase for Students | | 4,939 | 4,939 | |
| Swap from I&G to Capital Outlay Campus Security Cameras/Lighting | | -150 | -150 | |
| New Initiatives and Inflationary Increases | | 4,681 | 4,681 | |
| GA/TA Tuition Waivers - Tuition Increase | | 49 | 49 | |
| Subtotal I&G Allocations | 288,166 | 293,881 | 5,715 | 2.0% |
| Mandatory Student Fees | 36,256 | 33,519 | -2,737 | -7.5% |
| Total Use of Funds | 324,422 | 327,401 | 2,978 | 0.9% |
| Balance | | 0 | 0 | |

Understanding the Challenge:

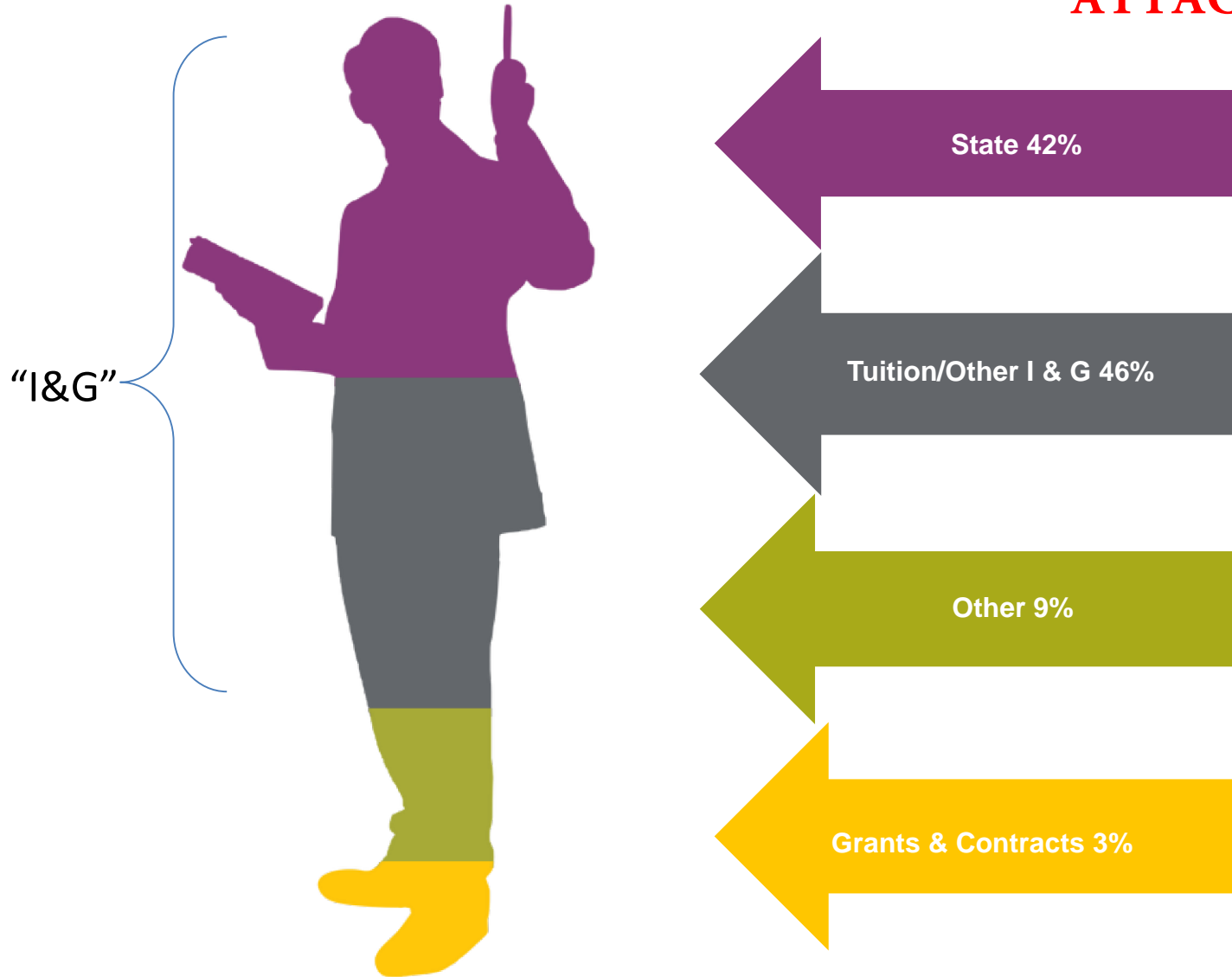
Sources of Main Campus Staff Compensation

ATTACHMENT B



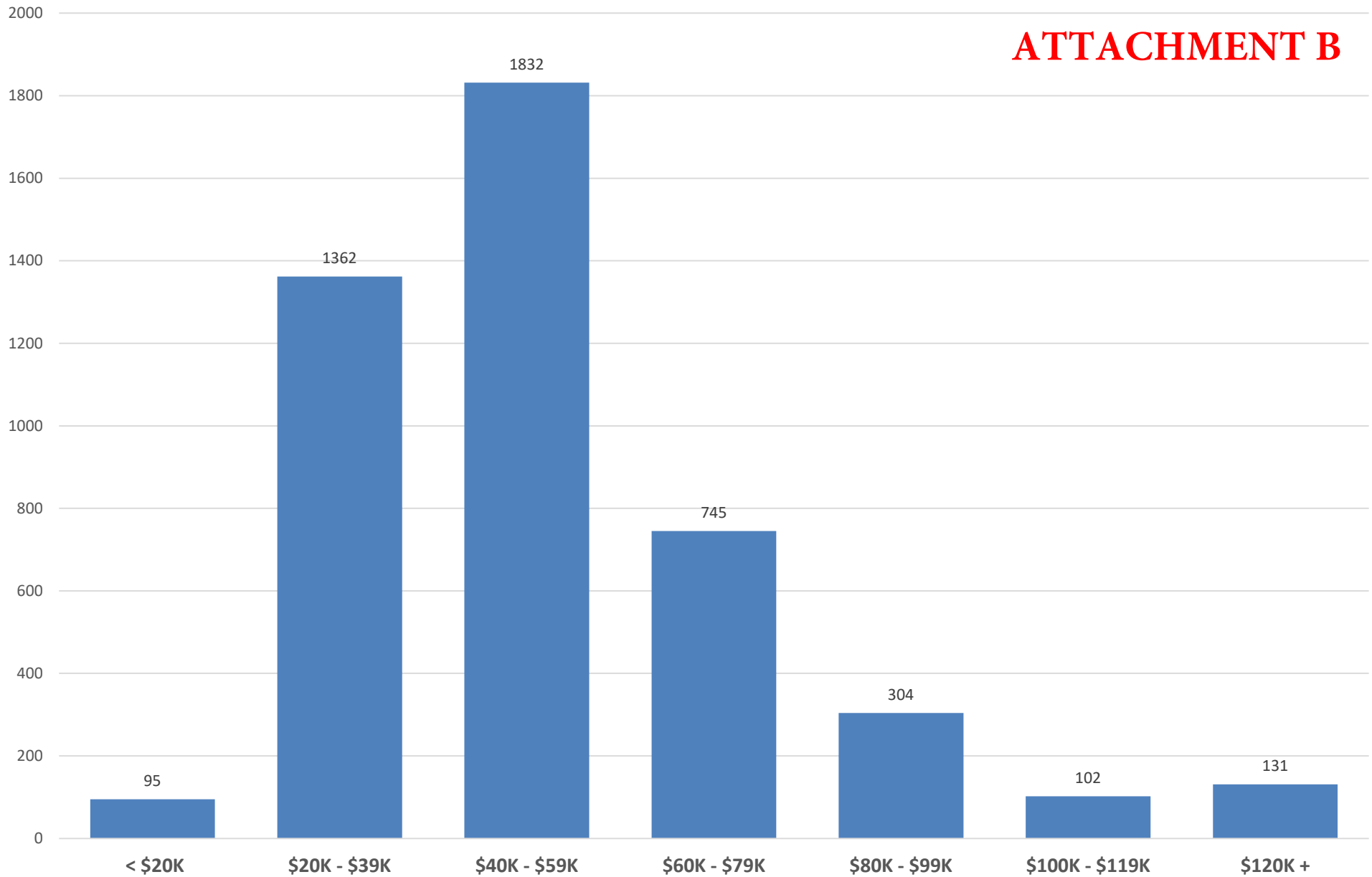
Sources of Main Campus Faculty Compensation

ATTACHMENT B



Full-Time Regular Staff Counts by Salary Range - All UNM

ATTACHMENT B



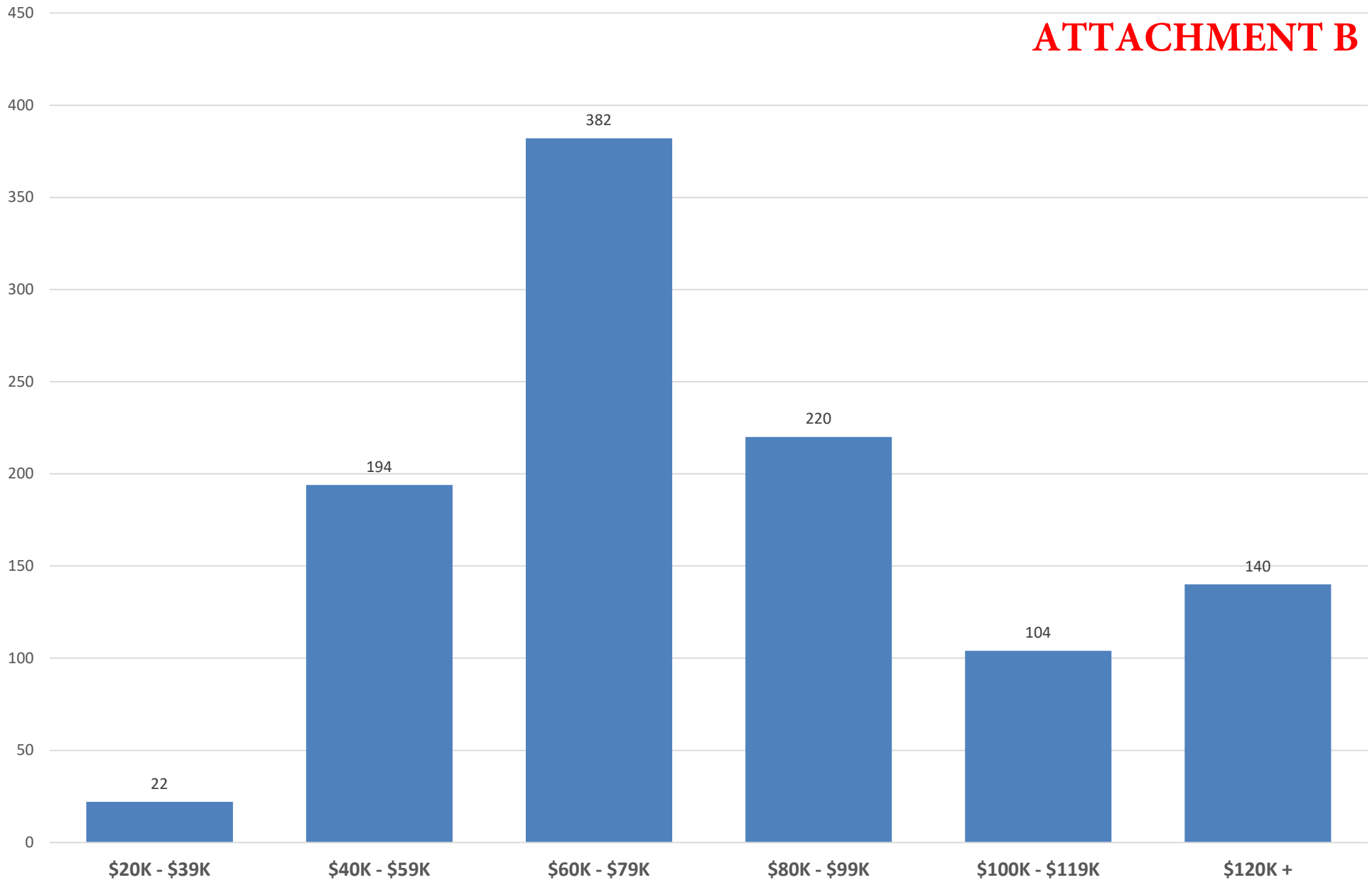
Annual salary amounts as of 4/20/19

Regular, full-time employees only, excludes part-time, temps, on-call, etc.

Primary appointments only, excludes secondary and overload assignments

Full-Time Regular Faculty Counts by Salary Range - Main Campus

ATTACHMENT B



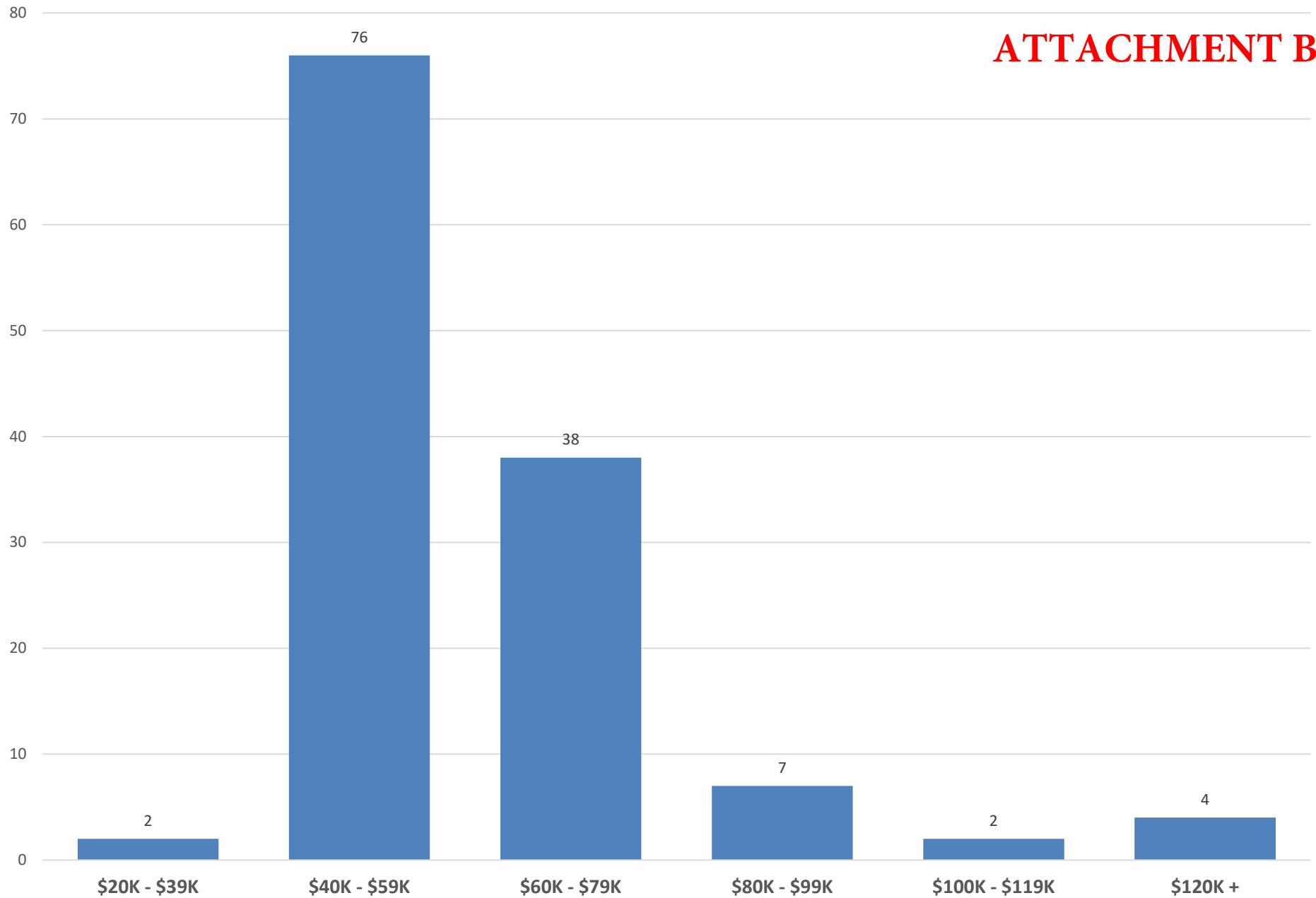
Annual salary amounts as of 4/20/19

Regular, full-time employees only, excludes part-time, temps, on-call, etc.

Primary appointments only, excludes secondary and overload assignments

Full-Time Regular Faculty Counts by Salary Range - Branch Campuses

ATTACHMENT B



Annual salary amounts as of 4/20/19

Regular, full-time employees only, excludes part-time, temps, on-call, etc.

Primary appointments only, excludes secondary and overload assignments

ATTACHMENT C

3% Compensation Increase Summary (Unrestricted Funds Only)

| | MC I&G | MC Other Unrestricted | HSC | Total |
|--|---------------|-----------------------|---------------|---------------|
| Initial Budget Summit Recommendation | \$4,895,141 | \$1,328,717 | \$7,803,897 | \$14,027,755 |
| 3% Across the Board | \$7,342,712 | \$1,993,075 | \$8,857,385 | \$18,193,172 |
| Shortfall Above Budget Summit Recommendation | (\$2,447,571) | (\$664,358) | (\$1,053,488) | (\$4,165,417) |

| FY 20 Budget Summit & BoR Special Meeting Recommendations | | |
|--|--|--|
| | Original BLT Proposal 4/9/19 | Revised BLT Proposal 4/22/19 |
| Compensation Faculty and Staff | 2% July 1 | 3% July 1 |
| Minimum Wage Increase | \$9 July 1 | \$9 July 1 |
| Base Tuition Increase (5) | 0% | 3.1% |
| Upper and Grad Premium (1) | \$25 to \$35 | \$25 to \$35 |
| Mandatory Student Fees | 3.43% | 3.43% |
| Undergraduate Tech Fee | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Graduate Tech Fee | \$40 Grad Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Lower Division Tuition and Fees Increase (4) | \$165 annually, 2.26% | \$333 annually, 4.55% |
| Upper Division Tuition and Fees Increase (4) | \$465 annually, 5.76% | \$633 annually, 7.84% |
| Graduate Tuition and Fees Increase (4) | \$378 annually, 4.22% | \$604 annually, 6.76% |
| Arts and Sciences Differential Request | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 |
| FY20 Recurring 1.5% Cut to Units July 1 | \$3.8M | \$3.8M |
| FY 20 One-Time Use of Central Reserves (3) | \$3.8M | \$3.52M |
| FY 21 Total Recurring Shortfall | \$3.8M | \$3.52M |

(1) Graduate Premiums will apply to all Graduate Programs. Impacts approximately 2,045 or 39% of all Graduate students who are currently not being charged graduate premiums

(2) Graduate Tech Fee increased to \$50 Fall/Spring

(3) Use of reserves-if recurring revenues are not identified then permanent cuts to FY21 will be required

(4) Does not include A&S differential \$10 per credit hour Undergraduate and \$50 per credit hour Graduate

ATTACHMENT D

Note: 1% I&G Compensation Increase Faculty and Staff \$2,447,000. 1% Tuition Increase Generates \$770K.

| FY 20 Budget Summit & BoR Special Meeting Recommendations | | | |
|--|--|--|--|
| | Original BLT Proposal 4/9/19 | Revised BLT Proposal 4/22/19 | To get to 4% compensation increase immediately |
| Compensation Faculty and Staff | 2% July 1 | 3% July 1 | 4% July 1 |
| Minimum Wage Increase | \$9 July 1 | \$9 July 1 | \$9 |
| Base Tuition Increase (5) | 0% | 3.1% | 5.9% |
| Upper and Grad Premium (1) | \$25 to \$35 | \$25 to \$35 | \$25 to \$35 |
| Mandatory Student Fees | 3.43% | 3.43% | 3.43% |
| Undergraduate Tech Fee | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Graduate Tech Fee | \$40 Grad Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Lower Division Tuition and Fees Increase (4) | \$165 annually, 2.26% | \$333 annually, 4.55% | \$485 annually, 6.62% |
| Upper Division Tuition and Fees Increase (4) | \$465 annually, 5.76% | \$633 annually, 7.84% | \$785 annually, 9.72% |
| Graduate Tuition and Fees Increase (4) | \$378 annually, 4.22% | \$604 annually, 6.76% | \$791 annually, 8.84% |
| Arts and Sciences Differential Request | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 |
| FY20 Recurring 1.5% Cut to Units July 1 | \$3.8M | \$3.8M | \$3.8M |
| FY 20 One-Time Use of Central Reserves (3) | \$3.8M | \$3.52M | \$3.52M |
| FY 21 Total Recurring Shortfall | \$3.8M | \$3.52M | \$3.52M |

FY 20 Budget Summit & BoR Special Meeting Recommendations

| | Original BLT Proposal 4/9/19 | Revised BLT Proposal 4/22/19 | To get to 4% compensation increase immediately | To get to 4% compensation increase with State support |
|---|--|--|--|--|
| Compensation Faculty and Staff | 2% July 1 | 3% July 1 | 4% July 1 | 3% July 1 with a potential 1% Supplemental appropriation ask from the State \$2,447,000 |
| Minimum Wage Increase | \$9 July 1 | \$9 July 1 | \$9 | \$9 July 1 |
| Base Tuition Increase (5) | 0% | 3.1% | 5.9% | 3.1% |
| Upper and Grad Premium (1) | \$25 to \$35 | \$25 to \$35 | \$25 to \$35 | \$25 to \$35 |
| Mandatory Student Fees | 3.43% | 3.43% | 3.43% | 3.43% |
| Undergraduate Tech Fee | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Graduate Tech Fee | \$40 Grad Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Lower Division Tuition and Fees Increase (4) | \$165 annually, 2.26% | \$333 annually, 4.55% | \$485 annually, 6.62% | \$317 annually, 4.33% |
| Upper Division Tuition and Fees Increase (4) | \$465 annually, 5.76% | \$633 annually, 7.84% | \$785 annually, 9.72% | \$617 annually, 7.64% |
| Graduate Tuition and Fees Increase (4) | \$378 annually, 4.22% | \$604 annually, 6.76% | \$791 annually, 8.84% | \$564 annually, 6.31% |
| Arts and Sciences Differential Request | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 |
| FY20 Recurring 1.5% Cut to Units July 1 | \$3.8M | \$3.8M | \$3.8M | \$3.8M |
| FY 20 One-Time Use of Central Reserves (3) | \$3.8M | \$3.52M | \$3.52M | \$3.52M |
| FY 21 Total Recurring Shortfall | \$3.8M | \$3.52M | \$3.52M | \$3.52M |

(1) Graduate Premiums will apply to all Graduate Programs. Impacts approximately 2,045 or 39% of all Graduate students who are currently not being charged graduate premiums

(2) Graduate Tech Fee increased to \$50 Fall/Spring

(3) Use of reserves-if recurring revenues are not identified then permanent cuts to FY21 will be required

(4) Does not include A&S differential \$10 per credit hour Undergraduate and \$50 per credit hour Graduate

(5) 2.8% base tuition increase request exactly matches the Higher Education Price Index (HEPI) for 2018; reduction from 3.1% to 2.8% covered via reduced "enrollment hedge"

Note: 1% I&G Compensation Increase Faculty and Staff \$2,447,000. 1% Tuition Increase Generates \$770K.

ATTACHMENT D

Additional Scenarios

ATTACHMENT D

| FY 20 Budget Summit & BoR Special Meeting Recommendations | | | | |
|---|--|--|--|--|
| | Original BLT Proposal 4/9/19 | Revised BLT Proposal 4/22/19 | To get to 4% compensation increase immediately | Split 4%: 2% July 2019 + 2% January 2020 |
| Compensation Faculty and Staff | 2% July 1 | 3% July 1 | 4% July 1 | 2% July 1 and 2% Jan 1 |
| Minimum Wage Increase | \$9 July 1 | \$9 July 1 | \$9 | \$9 |
| Base Tuition Increase (5) | 0% | 3.1% | 5.9% | 3.1% |
| Upper and Grad Premium (1) | \$25 to \$35 | \$25 to \$35 | \$25 to \$35 | \$25 to \$35 |
| Mandatory Student Fees | 3.43% | 3.43% | 3.43% | 3.43% |
| Undergraduate Tech Fee | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Graduate Tech Fee | \$40 Grad Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount | \$50 Fall and Spring \$10 Summer by Headcount |
| Lower Division Tuition and Fees Increase (4) | \$165 annually, 2.26% | \$333 annually, 4.55% | \$485 annually, 6.62% | \$333 annually, 4.55% |
| Upper Division Tuition and Fees Increase (4) | \$465 annually, 5.76% | \$633 annually, 7.84% | \$785 annually, 9.72% | \$633 annually, 7.84% |
| Graduate Tuition and Fees Increase (4) | \$378 annually, 4.22% | \$604 annually, 6.76% | \$791 annually, 8.84% | \$604 annually, 6.76% |
| Arts and Sciences Differential Request | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 | \$10 Undergraduate and \$50 Graduate per SCH and Flat Fee Dissertation \$100 |
| FY20 Recurring 1.5% Cut to Units July 1 | \$3.8M | \$3.8M | \$3.8M | \$3.8M |
| FY 20 One-Time Use of Central Reserves (3) | \$3.8M | \$3.52M | \$3.52M | \$3.52M |
| FY 21 Total Recurring Shortfall | \$3.8M | \$3.52M | \$3.52M | \$3.52M |

Request to the Board of Regents:

- **Authorization for mandatory student fee, tuition premiums, A&S differential, technology fee, and \$9 minimum wage, all as detailed above under BLT proposal**
- **Authorization for 3.1% base tuition rise**
- **Approval for 3% across-the-board compensation increase effective July 1 (*average* increase may rise to 4% with retention & promotion increases)**
- **Potential additional 1% across-the-board increase contingent upon approval of Supplemental Appropriation request to the State: \$4,684,000**

Thank you for considering!



Questions?

FY20 Financial Assumptions

Revenues- (\$1.13M) net decrease

- Decrease in Mandatory Student Fees (\$110K)
- Media Rights contract (pending RFP) anticipated decrease (\$1.6M) from original FY20 projection
- Projected decrease in ticket sales (\$476K)
- Decrease in commissions (\$120K)
- Projected decrease in concessions, parking, merchandise, etc. sales (driven by ticket sales) (\$20K)
- Increase in State Appropriation \$1.2M

Expenses- \$348K net increase

- Salary increases for staff – 2% in preliminary budget \$150K
- Increase in Grant-in-Aid expense due to pending tuition and fees increase \$123K
- Increase in travel and other student related expenses \$75K

| | FY20 Adopted Budget* | FY20 Proposed Budget | FY20 Proposed Budget (revised) | Comments |
|--------------------------------|----------------------|----------------------|--------------------------------|---|
| Pooled Revenues | \$24,435,208 | \$25,295,855 | \$26,488,855 | <ol style="list-style-type: none"> Accounting for Special Event revenue correctly, increase \$1.5M Projected decrease in Media Rights contract (\$1.6M) Decrease in MSF (\$110K) Decrease in commissions (\$120K) Decrease in other revenues (\$20K) Increase in State Appropriations \$1.2M Increase in revenues from Pit suite sales transferred in to offset operating budget, includes decrease in transfers out to contribute to debt service payment on the Pit \$1.2M (FY20 debt service payment waiver) |
| Directed Revenues | \$6,554,296 | \$6,078,300 | \$6,078,300 | <ol style="list-style-type: none"> Decrease in ticket sales revenues (\$476K) |
| Total Revenues | \$30,989,504 | \$31,374,155 | \$32,567,155 | |
| Expenses | \$30,502,176 | \$32,360,022 | \$32,079,827 | <ol style="list-style-type: none"> Accounting for Special Event revenue correctly, increase \$1.5M Increase in Grant-in-aid \$123K (pending tuition and fee increase) Increase in Salaries and Benefits \$150K for 2% compensation increase Travel and other expenses increase \$75K Decrease in Salaries and Benefits due to holding vacant positions open for FY20 and additional cost reductions \$(280K) |
| Net Margin | \$487,328 | \$(985,867) | \$487,328 | |
| Deficit Reduction Payment | \$(487,328) | \$(487,328) | \$(487,328) | <ol style="list-style-type: none"> Revised plan keeps department on deficit reduction payment schedule for FY20 |
| Net Margin with Payment | \$0 | \$(1,473,195) | \$0 | ATTACHMENT F |

FY20 Budget Summarized

- FY20 net shortfall of -4.56% (\$1.47M including payment plan) driven by:
 - Net revenue shortfalls of (\$1.13M) primarily driven by Media Rights and Ticket Sales
 - Unfunded increased expenses \$348K driven by estimated tuition and fee increases, 2% compensation increases, and increased costs associated with ensuring compliance for travel and other student costs
- **FY20 revised budget net margin \$0**
 - **Includes \$1.2M waiver for debt service payment in FY20, which will allow department to reallocate Pit suite revenues to offset the operating budget**
 - **\$280K of additional cost savings due to holding vacant positions open for FY20**
 - **Keeps department on track with mandated deficit reduction repayment plan**

Balancing FY20 Budget Forward

- Work with the institution to evaluate ways to balance the recurring budget, including:
 - Addressing gaps in student fees and institutional support compared to conference peers
 - Reevaluating debt service payments on a recurring basis
 - Possibilities to reassess the deficit reduction plan with HED
- Continue to seek additional revenue opportunities through:
 - Naming rights
 - Guarantee games
 - Fundraising
 - Apparel agreements
 - Team store
 - Special events
- Continue to monitor and control expenses

UNM HSC Academic Enterprise

FY 2020 Budget
(in thousands)

| | School of Medicine | College of Nursing | College of Pharmacy | College of Population Health | Research & General Admin. | HSC Academic Enterprise FY20 Total |
|-------------------|-----------------------|-----------------------|------------------------|------------------------------------|---------------------------------|---|
| Revenues | 430,473 | 14,277 | 12,201 | 1,943 | 89,665 | 548,559 |
| Expenses | 428,894 | 14,123 | 12,355 | 1,957 | 89,895 | 547,224 |
| Net Margin | \$1,579 | \$154 | (\$154) | (\$14) | (\$230) | \$1,335 |

UNM HSC Academic Enterprise

FY 2020 Staff & Faculty Salary Increase including Fringe

| | Compensation Increases |
|---|---------------------------|
| HSC Staff 3% plus Merit | \$2,945,859 |
| HSC Non-SOM Faculty 3% plus Merit /Equity | 591,196 |
| HSC SOM Faculty 3% plus Merit /Market adjustments | 7,243,367 |
| Total HSC Increase | \$10,780,421 |

Average HSC Compensation Increases
as Percent of Contract Salary

4%

UNM HSC Academic Enterprise

Comp. Increase Cost and Tuition Increase by College

| | Increase in Cost for 3% Comp. | 3.1% Base Tuition Increase |
|------------------------------|----------------------------------|-------------------------------|
| School of Medicine | (\$592,504) | \$143,700 |
| College of Nursing | (\$77,700) | \$112,000 |
| College of Pharmacy | (\$70,736) | \$92,000 |
| College of Population Health | (\$18,293) | \$23,000 |

Note: Excluding RPSPs

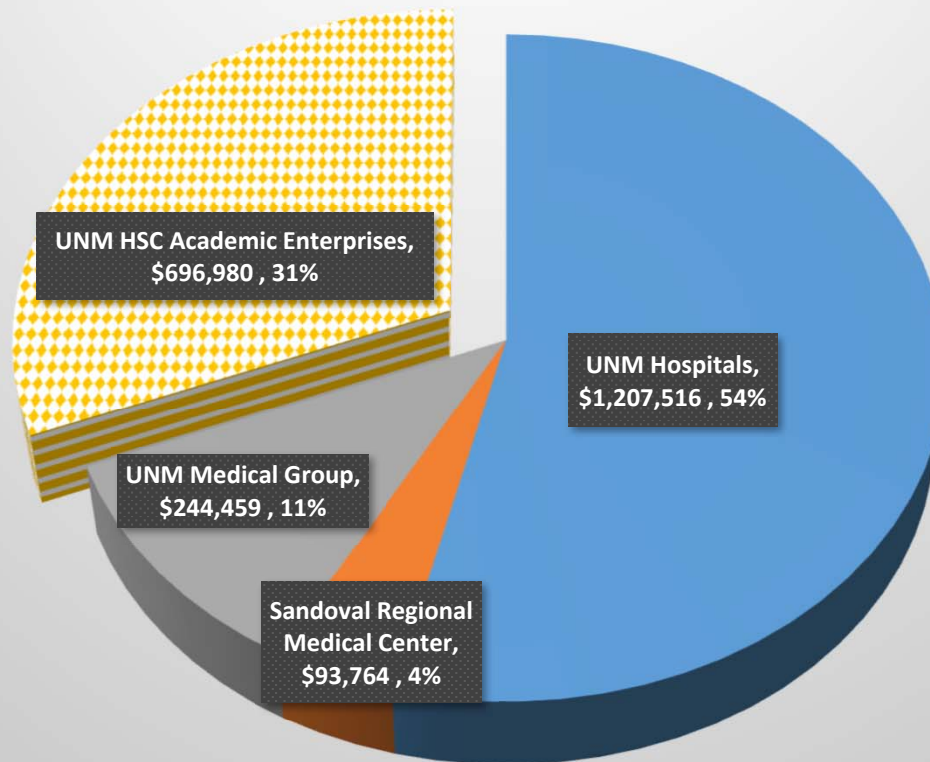
UNM HSC Academic Enterprise

FY 2020 Staff & Faculty Salary Increase including Fringe

| | Compensation Increases |
|--|---------------------------|
| HSC Staff 1% - January 1, 2020 | \$434,957 |
| HSC Non-SOM Faculty 1% - January 1, 2020 | 183,574 |
| HSC SOM Faculty 1% - January 1, 2020 | 949,487 |
| Total HSC Cost | \$1,568,018 |

UNM Health Sciences Center

UNM HEALTH SCIENCES CENTER
FY 2020 Expense Budget
(in thousands)



Total Budget: \$2,242,719
9.9% increase from 2019 Original

UNM Hospitals (Incl. Cancer Center)

FY 2020 – Financial Assumptions

- Revenue Cycle Operational Improvement Initiatives - \$22 million
- UNMH volume Increase - \$13 million
- Medicaid reimbursement decreases – (\$16 million)
- Medicare DSH decreases – (\$2.5 million)
- Compensation and Benefits - \$14 million
- Housestaff - \$1.7 million
 - Adding additional Residents
- UCP and Other Medical Services – 2% increase \$2.4 million
- Inflation – 2% on medical supplies; 4% pharmaceuticals
- Gross Receipts tax effective 7/1/2019 - \$21.5 million

Sandoval Regional Medical Center

FY 2020 – Financial Assumptions

Revenues

- Improve Inpatient access and throughput 2%
- Increase Ambulatory access and throughput 7%
- Increase surgical volumes 5%
- Mill Levy Revenue for new and expanded OP BH and Trauma Level III (annual \$6.7 million)

Expenses

- Compensation increase preliminary projection 2%
- Medical Supplies inflation 3% and Pharmaceuticals inflation 4%
- Trauma and BH costs - \$6.7 million
- Operational Improvement - Huron

UNM Medical Group

FY 2020 – Financial Assumptions

- Revenue driven by 3.7% overall increase in wRVUs
- Changes to clinics managed by UNMMG:
 - Spine clinic moved into Lovelace UNM Rehabilitation Hospital
 - Addition of UNM Lobo Athletics Clinic
 - Addition of UNM Rio Rancho Behavioral Health (partially funded by new Sandoval County mill levy funds)
- Recurring revenue increase from Operational Improvement initiatives: \$2.4 million
- Every 1% in compensation increase = \$276,000. Preliminary 2% compensation increase.

UNM Health System

FY 2020 Budget

(in thousands)

| | UNM Hospitals | UNM Medical Group | UNM Sandoval Regional Medical Center | UNM Health System FY20 Total |
|-------------------|----------------|-------------------|--------------------------------------|------------------------------|
| Revenues | 1,211,905 | 248,778 | 93,792 | 1,554,475 |
| Expenses | 1,207,516 | 244,459 | 93,764 | 1,545,739 |
| Net Margin | \$4,389 | \$4,319 | \$28 | \$8,736 |