Voting Council Members:
- Ron Kantowski, Chair
- Lou Ann Copeland
- Keegan Drake
- Victor DeBrunner
- Ben Keppel
- Glen Krutz
- Zach Osko
- Cindy Rogers
- Craig St. John
- Ginger Wetz

Ex-officio Members & Others Attending:
- Linda Anderson
- Nick Hathaway
- Mark Jones
- Nancy Mergler

The FY04 Budget Council meetings were held 8/27/03, 9/17/03, 10/15/03, 11/19/03, 12/17/03, 1/21/04, 2/18/04, and 4/21/04. Our March meeting was canceled due to a conflict with an OU Board of Regents meeting. With the exception of August, all meetings were held the third Wednesday of the month at 3:30pm in the Provost’s Conference Room EH103.

The following presentations were made to the Council, details of which can be found in the attached minutes.

9/17/03 - Provost Mergler reported on the budget making process.
10/15/03 - Julius Hilburn of Human Resources reported on Health Choice and possible changes.
11/19/03 - Provost Mergler brought us up to date on tuition and fees.
12/17/03 - Ron Burton & Ron Winkler reported on the OU Foundation’s programs & finances.
1/21/04 - Dennis Aebersold & Chris Kuwitzky reported on IT’s finances & activities.
4/21/04 - Cheryl Jorgenson from the Provost’s office reported on faculty salaries.

Because State revenues have significantly increased this year, a positive outlook for an increase in OU’s E&G budget has existed throughout the University, including the Budget Council. This is in contrast to the decreases of the last two years with the associated real reductions and a more negative outlook. Unfortunately increased State Revenues aren’t translating proportionally into operating budgets for higher education. To provide the long overdue salary program, OU is having to increase tuition and fees. The fraction of the operating budget covered by State Higher Education funds continues to fall. It is now down to 22%. It is apparent that the State cannot continue mandating worthwhile programs such as OLAP without either providing sufficient funds or destroying Oklahoma’s universities and colleges. The evolution in the source funding from State to tuition is also causing an evolution in the University’s delivery system.

We are now developing more self-supporting courses, employing renewable-term faculty, and are being encouraged by the State Regents to offer more web based courses.

As partial fulfillment of its charge to recommend to and advise the President and other appropriate administrators on matters concerning fiscal policies and resources, the Council transmitted two memos to President Boren regarding salary programs. The memo of 10/21/03 related to input he requested from faculty on the use of one-time State Regents funds. We suggested using the funds to start a permanent salary program in January 2004. Our memo of 3/2/04 recommended putting as much new monies as
possible into a salary program for FY05. The administration is now implementing a salary program and we await its final details. Both memos are attached below.

The Council elected Glen Krutz as its chair for FY05. Additional information about the Council including FY05 membership can be found at http://www.nhn.ou.edu/~ski/BC/.

Attachments: Minutes from 8 monthly meetings and 2 memos to President Boren.
Minutes of the Budget Council meeting of 8/27/03

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrunner
- Ben Keppel
- Glen Krutz
- Cindy Rogers
- Craig St. John
- Ginger Wetz

Council Members Absent:
- Lou Ann Copeland

Ex-officio Members & Others Present:
- Linda Anderson
- Mark Jones
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35 pm. The Chair distributed copies of the agenda for the meeting, the current Budget Council (BC) membership, and the Budget Council’s Charge and Purpose. The Chair advised the Council that these documents have been posted at http://www.nhn.ou.edu/~ski/BC/ (henceforth called the “BC web site”) along with other Budget Council information. Nancy Mergler suggested that Robert Kelly in the Provost’s Office could be consulted on matters of web pages. All council members introduced themselves, and the Council thanked Victor DeBrunner for his service as Chair last year during a difficult shrinking budget period. The Council was silent when the chair asked for a volunteer to keep minutes. The Chair then read parts of the Council’s Charge and Purpose:

The Budget Council (Norman) is charged to recommend to and advise the President and other appropriate administrators on matters concerning fiscal policies and resources of the University. ...

The Budget Council has immediate responsibility for advising the President of all fiscal matters associated with those programs in the Provost’s area. The Council is also to advise on functions associated with Vice Presidents other than the Provost which affect the academic program. ...

In carrying out these responsibilities, the Council shall:
1. Formulate statements of general fiscal policy and help establish long-range objectives for the University.
2. Develop budget priorities early in the planning stage for the following year’s budget.
3. Recommend to and advise the President on the distribution of all University funds at the Vice Presidential level as well as the distributions within the Provost areas. The Council may elect to examine appropriations or expenditures within a college. Necessarily, the Council must be provided direct and immediate access to the budgets of all deans, directors, vice presidents, and the Provost.
4. ...

Victor DeBrunner (FY03 Chair) reviewed the activities of the council in 2002-03 and the generally bleak budget environment. He went over some of last years Budget Council activities, recommendations, etc. The full report, including FY03 minutes, can be found at the BC web site. Victor stated that last year’s cuts weren’t immediately felt but are now affecting faculty and staff; this was our 2nd year without raises. He reflected that we met with various members of the Administration and Faculty throughout the year, including President Boren in mid May. Our first communication with the President was through a memo in November in which we warned of low morale and faculty/staff concerns with rising health care costs. Victor asked if last year’s cuts were permanent. Linda Anderson said they were.
Linda Anderson went over the final FY03 numbers in a broad way, focusing on what was cut and when. She stated there was a reallocation from individual academic departments of 4.0% in FY03; 2% on July 1 and 2% in October, which was utilized to help offset the budget cuts levied by the state. In the second round of cuts, Housing and Physical Plant were spared. The total budget reduction for FY03 issued from Higher Education to the Norman Campus totaled $9.1M, a 7.2% reduction. Reallocation percentages for FY02 were 3.5% for non-academic units and 1.8% for the academic departments.

Linda Anderson then distributed a two-page summary of the current status of changes in the FY04 budget (relative to the FY03 budget). This document is available at the BC web site. Cuts in State appropriations totaled 10.26% ($12,902,404) annualized for this year. Additional costs increases, including $6,145,627 for fixed cost increases, amounted to $11,790,846. The OU Foundation contributed an additional $740,000 for President Boren to use in FY04 but the downturn in the stock market reduced revenues by $770,000. Fortunately, tuition increases produced $14,630,817 additional revenues and other revenues sources, including fee increases, netted enough to produce a slight surplus ($1,097,396) for FY04. President Boren hopes to hold this surplus in reserve for possible mid year cuts or for a salary program next fiscal year. Linda also reported that July 03 General Revenue Fund collections (State income) increased significantly over July 02 ($54.8 million or 18.7%) and were $9.1 million or 7.7% above the estimated income. Details can be found at http://www.osf.state.ok.us. Approximately $8.7M of one-time FY03 year-end revenues are expected to be redistributed to Higher Ed. President Boren has stressed to the Chancellor how tight things are on campus, especially given climbing enrollments, and therefore the money should go to the campuses. OU could realize about $1 million based on standard ratios. Provost Mergler indicated that discussions are still going on about the issue. The Chancellor's Office is expected to utilize some of the one-time funds to replenish those earmarked programs that sustained substantial cuts between FY03 and FY04, with the remainder being distributed to the institutions.

Ginger Wetz asked about matches for endowed chairs. Nancy Mergler remarked that the OU Foundation has 20 endowed chairs in the pipeline for State matching funds ($45M). President Boren is attempting to access the interest on these unmatched funds for use in FY04 and FY05. She also noted that the predicted 15% increase in healthcare costs expected this coming January 1, doesn't seem to be materializing. The figure is more likely to be in the 7-9% range (~$1.9M). Craig St. John asked if the money could be used for one-time bonuses?

Provost Mergler then remarked that there were only 30 new faculty replacements hired last year compared to 80-90 in previous years.

The Chair asked Provost Mergler if, for the next meeting, she would give the Council an overview of the budgeting process starting at the planning stage and going through the (possible) mandated cuts phase. She agreed. Linda Anderson agreed to bring the Needs Budget, the first version of the University's FY05 budget, to our next meeting if it was ready for the State Regents. However, she doubted that it would be ready by then. The chair then asked the council members to be thinking of budgeting priorities for discussion at the next meeting. What do we, as representatives of the Faculty and Staff, recommend to President Boren as spending priorities when increased revenues occur, and where do we recommend cuts be made when and if those are mandated by declining State revenues? The chair reminded the Council that our guidance for 2002-2003 was "competitive salary and associated fringe benefits remain the top priority".

The chair asked the council to suggest names/topics for presentations at future meetings. Nick Kelly of the Benefits Council was mentioned as was Julius Hilburn from Human Resources. The chair asked about attending the Deans Council again this year. Provost Mergler said she would keep us advised of meeting agenda items of interest to the Budget Council.

The next meeting of the Budget Council is scheduled for Wednesday, September 17, 2003 at 3:30pm in the Provost's Conference Room EH103. The meeting adjourned at approximately 4:50pm.
Council Members Present:
- Ron Kantowski, Chair
- Lou Ann Copeland
- Victor DeBrunner
- Ben Keppel
- Glen Krutz
- Cindy Rogers
- Craig St. John
- Ginger Wetz

Ex-officio Members & Others Present:
- Linda Anderson
- Linda Berardo
- Mark Jones
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting, the current Budget Council (BC) membership information about the BC web site at http://www.nhn.ou.edu/~ski/BC/, a draft of the minutes of the 8/27/03 BC meeting, information about the August collections for General Revenue Fund from the Office of Oklahoma State Finance’s web site at http://www.usf.state.ok.us, and excerpts from the BC’s FY03 recommendations to President Boren. The Minutes were corrected and approved. In our discussions about the 8/27/03 minutes Provost Mergler reported that, at their last meeting, the State Board of Regents had matched some monies for Endowed Chairs throughout the State. The new matches reduce OU’s unmatched monies to ~$40M. In addition she reported that the State Board of Regents would give to the institutions the 5% interest earned in FY03 (to be utilized in FY04) on the new matching monies, and would give an equivalent of 5% interest (to be utilized in FY04) on unmatched monies for which the Foundation had fully funded and currently filled Endowed Chairs.

The main agenda item was a presentation by Provost Mergler on the never-ending budgeting process for the Norman campus. The following are remarks taken from her presentation.

The budgeting process starts in late spring as a planning exercise with colleges and academic units. She asks for five year summary data relating to key national indexes of productivity including things like the number and quality of majors, the number of graduate students, the number of degrees granted, grants and contracts received, research expenditures, credit hours taught, faculty profiles, how many hired, how many leaving, etc. The deans also present 5-yr summaries of departmental growth and/or decay and go through a goal setting exercise. This process is also gone through with areas like the bursar, admissions, financial aid, and academic records. She also works with Jim Papas in his nontraditional area to obtain related information.

The next step for the provost is to make use of her strategic planning data to prepare the University’s academic plan for the State Regents for Higher Ed. This year, under Chancellor Paul G. Risser, the format was significantly changed. The Regents wanted a ten-page plan containing explicit details for 1) technology initiatives and 2) goals for academic efficiencies.


Another use of the planning data usually occurs in July at a summer retreat with the OU Board of Regents.
at which the President gives a presentation on goals for the academic year. However, this year the Regents decided to skip the retreat and scheduled the presentation for its September meeting. In a well illustrated presentation President Boren summarized all positive aspects of the University such as enrollment, the growth of the endowment, the number of endowed chairs, etc.

During summer months a lot of work is done by Linda Anderson checking to make sure that we have received all the money the State Regents said we were going to get, and making sure everyone at OU is aware of exactly what money is available in onetime funds and what is available in recurring funds. Background work for allocating SRI funds, administered by Lee Williams’ office, and TIP funds, administered by the Provost’s Office, is also started in the summer.

Typically in August the State Regents ask for a “Needs” budget. This is a recurring cost budget containing estimates for things like utilities, insurance, and new facilities as well as information on academic priorities and related costs such as salary programs, additional faculty lines, library, etc. These numbers are continually updated by Administrative Affairs throughout the year.
This year the Board asked for details on what areas would be impacted given a 5% and a 10% cut in our budget and what would be the impact on teaching.

The Provost remarked that she meets regularly with the other VP’s to see what budget issues and concerns they have. Two strategies were initiated about 18 months ago:

1) **Enrollment pressure, particularly at the undergraduate level.** The strategy here is to identify areas that are grossly under-funded with respect to number of faculty for their credit hour production, number of majors, and number of degrees granted. As a consequence of this strategy President Boren has given the OK for six new entry-level positions in Arts & Sciences, one for Journalism, and one for Business. The College of Business is now instituting an enrollment management plan and several professional colleges already have such plans.

Victor DeBrunner asked Provost Mergler how she addressed the morale issue of hiring new faculty at higher wages than many current faculty. She responded by saying that Arts & Sciences would require 250 new faculty to bring it up to the staffing level of Engineering. The need was so great that she had to act. The funding of these positions may have to be through reallocation. Craig St. John asked about the possible size of a salary program being contemplated now. After a pause she offered a guess of at least 4%. Linda Anderson then remarked that it takes $1.4M to raise faculty, staff, and graduate assistant salaries 1%. Craig St. John (Chair of Sociology) said his department is receiving one of the new positions and he is worried about the effects of hiring a new person at a salary higher than half his faculty. Craig later remarked that a 4% wouldn’t raise salaries enough to help with his compression/inversion problems. He then asked if we could get copies of the national salary figures. She responded by saying only averages were available at this time. Ben Keppel asked if OU had changed its relative ranking this past year. The Provost said that we stayed about the same.

2) **Strategic research initiatives.** An example is the phased array radar in Meteorology. Some new lines will be created and the program should create revenue.

The Provost went on with the budget development scenario. She said that in October the OU Regents review request for new fees. She then went on to describe the EDGE program of Chancellor Risser and Governor Henry. EDGE stands for Economic Development Generating Excellence. Through EDGE the Chancellor is hoping to speak with one voice for higher education throughout the State. This program is described at http://news.mywebpal.com/index.cfm?ppid=968

Phase 1 of EDGE was to identify influential State leaders willing to serve on a steering committee. For phase 2, twenty-four committees on various higher ed topics are currently meeting. Phase 3 is scheduled to start November 4th (just before the Legislature begins) and is to be a series of summit meetings held throughout the State. We are hosting one on the OU campus with key spokesperson Kelvin Droegemeier. Recommendations of the committees will be shared and widely publicized. Some tension seems to be developing between the OU Regents, the OSU Regents, and the State Regents as to who will have the
larger voice for higher education.

The higher education budget is usually held up in the Legislature until late May for political reasons. By this time we are into spring planning for next year's budget and the process starts over again for the next year. Linda Anderson remarked that only once in recent history was a special session required to finish the budget. The Office of State Finance (OSF) issues monthly reports on actual revenues and how they differ from the estimates on which expenditures were based. If revenues are below estimates the State Board of Higher Education will officially notify us of what cuts we have to make. Because the OSF data is publicly available President Boren and other presidents have time to suggest where the Board can best make the cuts. However, if there are excess revenues Higher Ed cannot be assured of getting extra funds.

The Chair asked the council to suggest names/topics for presentations at future meetings. Linda Anderson said the Needs budget for FY05 will be ready for the October 15th meeting and she will be glad to discuss it. The Chair has scheduled Julius Hillman from Human Resources to bring us up to date on Health Choices and possible future changes in our health insurance carrier. For future meetings Nancy Mergler suggested David Maloney or someone from University Development for details on endowments. Ron Burton or Ron Winkler from the OU Foundation could give a summary of interest earnings spent annually on everything from the endowed faculty program to student scholarships. Lou Ann Copeland was interested in this topic. For a review of FY03 research expenditures, she suggested Lee Williams from Research Administration. She also asked about the Council's interest in an update on tuition and fee structures. Ben Kemple and others voiced an interest in this topic and wanted to know where we were relative to other schools. Nancy Mergler said she would be willing to speak on that topic at our November meeting. Cindy Rogers asked if we could hear about the related topic of enrollment management. Provost Mergler responded affirmatively and said that information is available at the web site http://www.ou.edu/ADMREC/undergrad.htm. She went on to say that in the future Wait Listing will likely be used to manage enrollment rather than raising ACT scores. For this semester about 500 students were wait listed but only ~230 were admitted. She went on to say that high school graduation is expected to be level for the next 5 years in most states including Oklahoma, whereas Texas is expecting a large increase in the number of graduates. The discussion continued on the topic of limiting enrollment and maintaining a quality institution.

The next meeting of the Budget Council is scheduled for Wednesday, October 15, 2003 at 3:30pm in the Provost's Conference Room EH103. The meeting adjourned at approximately 5:00pm.
Minutes of the Budget Council meeting of 10/15/03

Council Members Present:
- Ron Kantowski, Chair
- Victor DePrunner
- Ben Keppel
- Glen Krutz
- Craig St. John

Council Members Present:
- Lou Ann Copeland
- Keegan Drake
- Zach Osko
- Cindy Rogers
- Ginger Wetz

Ex-officio Members & Others Present:
- Linda Anderson
- Julius Hilburn
- Mark Jones
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership; a draft of the minutes of the 9/17/03 BC meeting; information about the first quarter collections for the General Revenue Fund from the Office of Oklahoma State Finance’s website at http://www.ofsf.state.ok.us; three press releases pertaining to the 1st quarter collections; information from OSU about their salary issues; the Budget Council Chair’s e-mail correspondence with the Faculty Senate Chair and the Chair of the University Employment Benefits Committee about use of one-time FY04 monies; and the latest on inflation (CPI-U index) from the Bureau of Labor Statistics. The Minutes were corrected and approved.

The next agenda item was a presentation by Julius Hilburn, Director of Human Resources, on Health Choice and future changes in our health insurance. The following are remarks taken from his presentation.

Last spring we made the switch from being self insured over to the State’s plan, Health Choice, because the rate of increase of the cost was too great for the University to sustain. The decision was made quickly in the face of continuing State revenue reductions. At the time we were incurring a deficit of about $500K/month. The State plan offered a cost that could be budgeted and planned for. There were numerous complaints about the suddenness of the change. At that time Human Resources made the decision to reconsider options for 2005, including the possibility of having a private insurer. This time Human Resources is taking time to bring the community along, making sure that employees are aware of what options are being considered. Last year at this time Human Resources was thinking that it was going to overshoot its $39M budget by $3M-$6M; the actual number turned out to be close to $9M over budget (just for health care). The Director said there are around 9000 active and retired employees covered and to set a rate to cover expenses we would have had to have an increase of 21% over what was budgeted for. Blue Cross was 16% over and Schaller Anderson was 23%. Some 80% of the employees were in the Schaller Anderson plan. On the national scene the increase was more like 12%-15%. In January Health Choice contributions will increase by 9% (the University will continue to pay this) and dependant rates will go up
12%. Higher Ed, Common Ed, and the Governor contributed ~$10M to subsidize the program to keep the costs from going up more. However, starting in January there is a co-pay increase from $20 to $25, a lifetime maximum of $2M on pharmacy benefits but no lifetime maximum on medical. The out of pocket maximum on pharmacy was increased by about $500. Health Choice introduced a new Basic plan that might be called a catastrophic plan. Director Hilburn made the remark that 20% of the persons covered are responsible for 80% of the expenses. Even though the 20% are not the exact same people every year, there are some medical conditions whose treatment is recurring. He went on to say that there are only a few insurance companies that can provide coverage for us in 2005. They have to have good financial stability to keep our rates steady and also have a broad network of providers.

University demographics make OU employees frequent users of health care and thus increase costs. Additionally, persons at medical institutions make frequent use of medical care and drive up the costs. When asked about insurance costs by the Chair he said for-profit companies have to make 14%-15% above cost where as the State plan (Health Choice) is in the 7% range. When asked about OU’s lack of support for dependent premiums he responded that historically OU (also OSU) has covered employees 100% and left the dependents unsubsidized. The University community repeatedly says that it doesn’t want to switch to a different strategy if the shift is cost neutral. The effect is that OU provides as little as 30% of the total health care costs for an employee with a family (near the lower end of the spectrum) where as others schools cover up to 60-70%. The increased cost of the State plan seems to have caused about 500 employees to obtain insurance elsewhere for their dependents. Of those, about 100 dropped spouses the rest dropped children or family coverage.

The major complaint about Health Choice comes from retired faculty living out of State and from active faculty that travel frequently, and is that the plan lacks out of State in-network coverage. For out-of-network coverage Health Choice pays 75% of “usual and customary” fees as opposed to 80% for in-network. However, in-network providers have agreed to wave charges above what Health Choice establishes as “usual and customary”, whereas out-of-network providers charge as much as they wish and the patient is stuck with the difference. There is no reason to think Health Choice is likely to add the desired coverage even though they have agreed to look at the possibility. They claim the cost is prohibitive. Craig St. John asked about possible changes that would allow more of the University’s contribution to our benefits to be taken as current salary. Julie responded that related efforts were being thought about.

Linda Anderson then distributed the FY05 Needs budget. It was sent to the State Regents around October 1. A copy can be found on the BC web site. She stated that this was the first year that library periodicals and subscriptions were included. The chair asked if, and Linda confirmed that, this document is saying the University needs $5.8M (by including $0.4M increases in deferred contributions and retiree health/dental plus $2M for additional class sections the figure is actually $8.2M) to keep our salaries the same as in FY04. Victor BeBrunner complained about the needs budget not containing inflation cost for salaries whereas it does for everything else. Provost Mergler said the document is designed by the State Regents and not by OU and that we have no choice but to fill it out. Linda reminded us that the Needs budget is simply used by the Regents to influence the Legislature to give us needed funds. Victor then pointed out that the only thing the University possesses of any value is its employees. “If we were gone these buildings wouldn’t mean anything”. Linda said that another cost that we are not allowed to include is the cost of operating new buildings coming on line during the year. She went on to say that there are several such buildings for FY05. Linda said that a 1% increase in our budget corresponds to ~$1.1M. Victor continued with the point that it casts us in the worst light imaginable to have the buildings and utilities listed as needed components of the University but not the people. Glen Knutz then asked if raises could come from tuition increases if the Higher Ed Regents didn’t ask for them.

Linda then pointed to the second document she distributed. The first page is the overall budget broken down by several different categories. The next 3 pages is a revenue summary relating to the budget. The State appropriation for FY04 is $112.8M, which is a $12.9M reduction from FY03. We have a $3.3M dollar E&G reserve. Nancy Mergler pointed out that the State regents want us to hold 5% in reserve. The chair asked about the ~$1M causes that existed because the tuition and fee increases were more than the
10.26% State reductions. Linda responded that there wasn’t a line item for that in this document but that there was an account in the budget book for it.

The discussion then turned to the onetime money (~$1M) from the State Regents that is available for OU to spend at this time. Boren has requested suggestions on how to use the money. Craig St. John pointed out that OSU employees were getting a onetime $500 payment in time for Thanksgiving and Victor pointed out that the Council had actually made such a recommendation in the event excesses became available. The President had been considering keeping the money for a salary program starting in July 2004. The Chair then suggested that we might consider recommending that the money be used to start a 2% salary program in January 2004. The amount of onetime money available is about what would be need for the remaining one-half year. It would have to be annualized to continue it into FY05. The Chair pointed out that annualizing the 2% and adding another 4% in July would almost make up for the ~6% inflation that will have taken place by FY05 since our last raise. A 6% salary increase would take a 6x $1.4M = $8.4M increase in revenues. Provost Mergler then said we will be limited to a 7.9% tuition/yr increase for the next several years. She said we will get the first hint of how much resistance to tuition & fee increases exists when the OU Regents meet. The Chair asked if each 1% of tuition raised $700K. The Provost responded that the net was somewhat less because of tuition waivers etc. Craig pointed out that raising tuition to obtain a salary increase represents a shift in thinking; salary increases are usually given when all other increases are covered. A long discussion ensued about what to recommend to Boren. Attempting to use the excess Higher Ed funds to offset health cost was discussed and rejected. Even though it might be desirable, it is not possible to get the onetime money in pre-tax dollars. The Council then agreed to prepare a memo to the President conveying the opinion that permanent increases in salaries are highly desirable and that bonuses are certainly needed.

The Provost then mentioned that the President was considering how salary increases at promotion might be increased. Now the increases are $2000 and $4000 respectively for associate and full. Victor felt that the many younger faculty are paid more than senior faculty and that an increase in these amounts would exacerbate the problem. Craig felt it could help with low salaries if done properly. Provost Mergler said the norm for our region is more like $4000 and $6000.

The next meeting of the Budget Council is scheduled for Wednesday, November 10, 2003 at 3:30pm in the Provost’s Conference Room EH103. The meeting adjourned at approximately 5:20pm.
Minutes of the Budget Council meeting of 11/19/03

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrunner
- Ben Keppel
- Glen Krutz
- Craig St. John
- Ginger Wetz

Council Members Absent:
- Lou Ann Copeland
- Keegan Drake
- Zach Osko
- Cindy Rogers

Ex-officio Members & Others Present:
- Linda Anderson
- Greg Heiser
- Mark Jones
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership; a draft of the minutes of the 10/15/03 BC meeting; a copy of the memo from the Council to President Boren recommending an early 2% salary program; information about October’s General Revenue Fund collections from the Office of Oklahoma State Finance’s web site at http://www.osf.state.ok.us; and copies of the FY05 Needs budget along with the FY04 E&G Budget summary. The Minutes were corrected and approved.

The Chair made an observation relating to the Minutes and Julius Hilburn’s presentation on possible health insurance changes for January 2005. The often cited problem with Health Choice’s lack of out-of-state in-network coverage is less of a problem for over 65 employees and retirees because Medicare not Health Choice is the primary insurer. Medicare limits fees charged by doctors, hospitals etc. everywhere in the US.

The next agenda item was a presentation by Provost Mergler on Norman campus tuition. The following are remarks taken from her presentation. She had recently attended a legislatively hearing held by the House General Allocations Committee on the impact of last years budget cut on State campuses. In spite of legislators’ fear of tuition increases for FY05 President Boren allowed that there is a need for an increase in OU’s budget to meet fixed cost and provide a salary program. Such costs, across all campuses, would be about $100M for higher Ed, and that amount of money isn’t likely to be available for allocation from the State. He also provided charts to show that OU’s and OSU’s tuition and fees were still at the bottom of the Big 12. The Committee was interested in many other things including the number/amount of non-resident tuition waivers made and whether we were adequately taking advantage of on-line courses as a source of income.

To implement Tuition waivers for FY05 required decisions to be made beginning back in March of 2003 (see Tuition Waivers, Timetable on the BC website). In recruitment literature you must put in print information about future waivers for scholarships, some of which last as long as 4-years. By late September/early November of 2003 offers were beginning to be made for FY05. By January/February 2004...
the peak receipt for both admissions and scholarships will occur. The first accurate data on dollars waived won’t be available until mid-October 2004 after graduate student enrollment is completed. The final accounting will come in July 2005 after the fiscal year FY’05 is completed. In fall 2005 a final report on tuition received and tuition waived is sent to the State Regents (see Tuition Waivers, Summaries on the password protected BC web page for FY02 final and FY03 preliminary reports). In spring of 2006 the State Regents will summarize the data in what they call the Annual Financial Aid Report (see http://www.ohsu.edu/ohsudoc/reports/fin-aid-report/) OU uses this summary document to find out what OSU is doing by subtracting what we know about our budget from the total for the two comprehensive institutions.

The Provost emphasized the conflict of high schools/students/parents etc. wanting specific dollar numbers early in the recruiting process versus the University wanting to keep the numbers flexible until the budget is well established. Victor asked about the volatility of various programs and she responded with three charts showing that waivers have not grown as fast as tuition in the past couple years (see Tuition Waivers, Charts on the BC web site).

She remarked that it is tempting to think you can eliminate waivers and increase revenues by ~25%; however, cutting back on waivers cuts back on recruitment and reduces enrollment. It is a balancing act to keep net income up. An important point to notice is that mandatory fees are not subject to waivers, although income from them is directed to specific use.

The Provost gave a 2-page 3-year summary of Norman Campus Tuition Waivers broken out by undergrad versus graduate and resident versus non-resident showing that the percentage of tuition waived is going down (see Tuition Waivers, Norman 3yr on the password protected BC web page). She said we are now beginning to do a more fine-grained analysis on pricing. We don’t want to offer Texas residents larger percentage waivers than we offer our own students. Neither do we want them to be able to come here and get a cheaper education than they can in their home state. However, we should be close on the latter to be able to recruit their better students.

She also included a page from the budget book where the tuition waivers are budgeted. She made the point again that lowering the $18M price tag for waivers results in lowering enrollment and hence tuition revenue.

Craig asked how many students actually receive waivers of some type. From the dollar charts the number is roughly one in five (some receive more than one waiver so the number is slightly less, perhaps 15% Victor remarked).

A question about the National Merit waivers came up. There are two listings, one for resident and one for non-resident (see Tuition Waivers, Budget Book on the password protected BC web page). The Provost remarked that they receive a cash award from the State Regents and then receive a mandatory waiver of essentially all tuition. In-State tuition is completely covered by the waiver. A couple of years ago when the number of out of State awardees was declining the amount of the waivers was increased but not to 100%. They essentially have enough left over from their cash award (after room and board etc.) to cover the extra tuition. Residents actually have some cash left over. There are five kinds of Oklahoma scholar-waivers based on ACT type exam scores, grades, and ranking at graduation. Currently there is an effort to limit waivers as much as possible. The GPA’s are watched to make sure the waivers are supporting worthy students. As an example the OU Generations waiver was completely eliminated for Fall 2004 because of performance.

It was pointed out that OSU waives slightly more than we waive.

At this time of the year the only annual budget balancing that can be done is to look at the budgeted amount and the amount paid out in waivers for Fall then double the latter.

There are several mandated categories of waivers such as for National Guard and military personnel. If all
were classified as in-State waivers, the $18M figure would be reduced somewhat.

Craig asked if there has been any effort to revamp the waiver categories. She replied that a total start from zero has not been undertaken but categories are constantly being watched and some have been eliminated.

The Provost remarked that in the future, due to political pressures, the National trend will be to reduce merit waivers and to increase need-based waivers. Linda asked about need-based waivers. The Provost pointed to the large dollar account #s 143-7043 on page 8 of the tuition Waiver Report (see Tuition Waivers, Report on the password protected BC web page).

The Provost remarked that Linda and Mark are currently attempting to get data on Big-12 tuition waivers and when available she will bring it to the Council. Our current sense is that Oklahoma has been charging less and waiving more than the surrounding states. Texas is our biggest competitor, and they are attempting to raise tuition January 1 and again in the fall. However, they are getting complaints from their legislature.

The FY03 Oklahoma Higher Learning Access Program (OHLAP) report was distributed and predicted increases in cost for the future is frightening (see Annual Reports at http://www.okhighered.org/ohlap/). The cost for FY04 is projected to be $10.6M and increase to $43.5 for FY08.

The Chair asked if a salary program in the neighborhood of 4% is still being contemplated for in the Fall. The response from the Provost was that the President was still hoping for such a program. The Chair asked about a 7-9% tuition increases necessary to reach such a figure and the Provost responded that we are not allowed to increase tuition and fees above the average of the Big 12 (we are currently right at the bottom, even after the increases of last year). However, politically, double-digit increases are probably out. The proposed January and Fall increases for Texas would increase their tuition and fees by 29%. She went on to remark that the very most in new monies that Higher Ed can hope to get from the State is $10M (~1/10 of what is needed) which would translate to ~$1.5M for OU. Linda remarked that we need $17M in new monies needed to cover fixed cost increases plus a 4% salary increase. Linda then remarked that in recent years there has been a significant decrease in the State’s share of OU’s operating budget.

Craig asked about the excess funds generated via tuition by departments like his, especially the self-supporting courses part of his budget. The Provost remarked that for departments in Arts & Sciences, 70% (effective this Spring) goes back to the Dean. That represents a 5% decrease (75% is now being returned) necessary to offset the cost of waivers. She remarked that the general education budget has been significantly increased for Spring. This will help departments with temporary instructional faculty expenses. The summer budget has also been increased to help with regular teaching salaries.

The next meeting of the Budget Council is scheduled for Wednesday, December 17, 2003 at 3:30 pm in the Provost’s Conference Room EH103. Ron Burton from the OU Foundation has been invited to report on OU Foundation finances and activities. The meeting adjourned at approximately 4:50 pm.
Minutes of the Budget Council meeting of 12/17/03

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrunner
- Keegan Drake
- Glen Krutz
- Craig St. John
- Ginger Wetz

Council Members Absent:
- Lou Ann Copeland
- Ben Keppel
- Zach Osso
- Cindy Rogers

Ex-officio Members & Others Present:
- Linda Anderson
- Ron Burton
- Mark Jones
- Nancy Mergler
- Ron Winkler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership; a draft of the minutes of the 11/19/03 BC meeting; a list of Officers & Staff of the OU Foundation; 2 pages on average Faculty salaries; information about November's General Revenue Fund collections from the Office of Oklahoma State Finance's web site at http://www.osf.state.ok.us; a letter from the A&S Executive Committee to President Boren about raises; and a State Regents survey on compensation actions for FY04. The Minutes were corrected and approved.

A presentation by Ron Burton (President and CEO) and Ron Winkler (Vice President and Treasurer) of the OU Foundation was the main agenda item of the meeting. The following remarks were taken from their presentation. Ron Burton started with some history.

In 1938 OU's President Brant approached Frank Phillips of Bartlesville to obtain private funds for the University but was refused because of the stated fear that the State Legislature would simply reduce OU's funding by a corresponding amount. To overcome this fear a corporation called The OU Foundation Inc. was established, however, it lay dormant until December 1944 when President Cross established the OU Foundation as a Trust. The original contributions to the Trust came from three Norman locals and totaled $160. The Foundation remained a Trust until 1955 when its funds were transferred to a re-established corporation, which subsequently evolved into the OU Foundation of today with funds in excess of $600M (see http://www.oufoundation.org/ouf1/csamca.asp). The Foundation funds first reached $1M in 1959, $100M in 1989, and $500M in 1999. Ron Burton came to the Foundation in 1970 when it was housed in Evans Hall. In 1983 the Foundation moved to its current location on Timberdell Road.

The Foundation is a separate organization from the University with its own Board of Trustees and its own auditors. Burton remarked on the completeness of its financial records, stating that the Foundation could reconstruct any of its transaction from 1944 through today.
In 2000 the Foundation’s Board decided to look at its goals etc. and hired a consultant from Washington for advice. The self-examination was stressful but productive. The same consultant will have another look at the Foundation this year. As of June 30, 2003 the Foundation has received $790M as gifts since inception and has provided $586M to the University. As of last year we are 78th in the nation in endowments among all private and public institutions. The Foundation has a relatively small staff (~20 people) handling some ~98% of all gifts to the University. There are thirty members on the Board of Trustees. To maintain our independence a trustee cannot be a state employee, be married to a state employee, or have a close relationship with a State employee.

Ron Winkler stated that the Foundation administers about 4000 separate funds on all three campuses. These accounts are kept on line for inspection by relevant donors and departments. Virtually all funds held by the Foundation are kept in one of two investment pools. For the endowments a balanced fund of 70% equities and 30% fixed income is maintained. A real estate venture has recently been entered into. At the Regents request the Foundation purchased 500 acres on North Dobe from the University for $13.2M. The University is expected to use the money for improvements in the airport and/or for the weather center. The property will be administered through a limited liability corporation called University North Park. After the cost/expense of the property is recovered all profits will go into a permanent endowment fund for the unrestricted benefit of the University.

For the expendable funds the Foundation maintains a money-market fund on which it now pays 2%. The Foundation is operated through an administrative management fee of 1% annually on both pools. Of the 1% only a small portion goes to the operation of the Foundation; the remainder provides a supplement to the University Development operation and to the Presidential Funds and other funds expended through the President’s office on an annual basis.

Ron Winkler went on to say that the Foundation processes about 35,000 checks for departments annually. The Foundation maintains a policy manual (to which they try to adhere) that lays out all the types of expenditures for which they can provide re-inbursement. The manual is continually updated. The spending or distribution policy for the endowment funds is 5% of a 12 quarter moving average of the pool’s market value. The investment committee meets quarterly to review this policy. On the expendable funds the distribution amount is only 2% annually and is used for things like building projects, scholarship funds, Presidential awardees research funds, etc.

Most of the $600M held by the Foundation is directed to specific uses by the donors. Only a small amount is given by donors to departments to use as they see fit. But even for funds that are not severely restricted by donors, the Foundation is restricted in how they are spent by the IRS etc.

When a question was asked about the Endowed Chair funds, Ron Winkler said there is a total of something over $200M with $67M now in the queue waiting to be matched by State funds. OU clearly has a corner on the $77-80M in the queue for all State institutions.

Glen asked if there is a spiked increase in donations to the University when the football team has a successful season. The response was that in their experience they have not seen such an effect. However, they speculated that the $180M campaign related to the athletic program is a much easier undertaking now than it would have been 7 years ago. Ron Burton pointed out that in 1986 we had a downturn in contributions just after the 1985 national championship.

Ginger remarked that she has had some difficulty with Presidential Professors buying things like computers and thinking that they were their own personal property. They don’t seem to understand that once the Professor opts to put some of the award into a tax-free Foundation account (and draw 2% interest on it as well) the money and what is bought with it belongs to the University. Ron Winkler also remarked that he sometimes has difficulty with awardees wanting to pay for their wives’ airline tickets with the money. Some suggestion was made that perhaps the relevant forms should be reworked.

Ron Winkler remarked that details of the areas/amounts to which contributions are made could be found on
the web site for the Foundation: http://www.outfoundation.org. The Provost asked about gifts that come from estates. Ron Burton replied that some people are including OU in their estates now and gave some examples. The two Rons excused themselves before the meeting moved to other topics.

The Chair brought some questions from the Senate Large Executive Committee to the Budget Council.

- Did the State Regents buy computers for OSU?

The Provost responded that she wasn’t aware of such funding and Linda said that there were no earmarked funds for computers for OSU. However, it is possible that OSU received non-earmarked funds that they chose to spend on computers.

- How has IT dealt with its $1M+ cost overruns from last year?

The Provost responded that the University is trying to build a recurring budget that satisfies the University’s need for information technology. There was a rocky transition period with an influx of new personnel into IT that have been adjusting to the system. To learn more details of the budgeting difficulties with IT the Council will invite Dennis Debesold and Chris Kowalski to its January 21st meeting. Victor asked that a budget summary sheet be provided to the council before the meeting.

- How accurate/relevant was the average faculty salary plus benefits figure of $91.7K presented by President Boren to the Faculty Senate at its meeting on October 13th?

The Provost responded that Cheryl Jorgenson in her office could go through that number for us. She also went on to say that the cost of living adjustment is relative to some other institutions and what was being emphasized by the slide was our relative position rather than the actual number. Victor said he would like to see how the $91.7K was arrived at. The Chair included a page from the AAUP web site in the handout stating the National average compensation was only $77.9K and 25% of that number was from benefits. Glen remarked that what is critical in determining what the numbers are for such comparisons is which institution is picked as the base. He went on to say that it was unfortunate to present a $91.7K to the public at a time when we are trying to educate the public on funding needs for OU. Craig said he has been looking at sociology department data and his department doesn’t come out as well as President Boren’s data implies. The Council will likely ask Cheryl Jorgenson to enlighten us on salary comparisons in the near future.

- How can the Art Department get more and better computers?

The Provost responded that unlike Engineering and Architecture, the Fine Arts College hasn’t seen the wisdom of instilling technology fees to solve this problem. No other solution was offered.

The Chair asked about the prospects for budget increases for higher education if State income keeps rising at a rate of 10-12% as it is now. Linda responded that President Boren has said he only expects $10M new dollars for higher Ed next year which translates to $1.5M for OU. She said the State committed $250M of onetime money that needs repaying. The Provost remarked that other initiatives have been created and have to be budgeted for in FY05. She remarked that in January or February the State Equalization Board sets the preliminary figure for what can be allocated next year.

The Chair brought up the letter written by the Arts & Sciences Executive Committee to President Boren which suggested that hiring new faculty without giving significant raises carries the threat of precipitating a crisis in morale. Opinions were clearly divided on the necessity and/or appropriateness of adding new faculty without giving raises as well as whether it must be an either/or situation. The Provost defended the new hires based on the production of tuition and grant dollars. Victor remarked that in Engineering some tenured associate professors make less than new hires with no rank and that he has observed in his own department, the morale issue that the letter is describing. The Provost warned that as the funds begin to return she fears that there will be greater divisions caused by the split opinions on how available funds are spent. As an example she pointed out that she had hoped to increase promotion raises but the Deans insisted that she didn’t until enough merit raise money was available to address issues of compression and inversion. The Chair asked if the $2M item in the Needs Budget, intended to compensate for the growth in enrollment that has taken place since 1999, was a way of getting new hires. The Provost responded that some of the monies will go to increase the Gen Ed budget so she can hire temporary people to open up more sections and grow more revenue. Craig also complained about new hires with high salaries causing decreased morale.
The last item distributed at the meeting came via Ginger and was a survey on compensation actions taken by all State institutions in FY04. The Provost remarked that the Chancellor compiled this information on how all institutions coped with the budget cuts of the last two years.

The next meeting of the Budget Council is scheduled for Wednesday, January 21, 2004 at 3:30pm in the Provost’s Conference Room EH103. The meeting adjourned at approximately 5:00pm.
Minutes of the Budget Council meeting of 1/21/04

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrunner
- Craig St. John
- Cindy Rogers

Council Members Absent:
- Lou Ann Copeland
- Keegan Drake
- Ben Keppel
- Glen Krutz
- Zach Osko
- Ginger Wetz

Ex-officio Members & Others Present:
- Dennis Aebersold
- Linda Anderson
- Mark Jones
- Chris Kuwitzky
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership, a draft of the minutes of the 12/17/03 BC meeting, and information about the first six months General Revenue Fund collections from the Office of Oklahoma State Finance’s web site at http://www.ofsp.state.ok.us. The Minutes were corrected and approved.

{Due to the poor quality of the tape recording many remarks made during this meeting were undecipherable}.

A presentation by Dennis Aebersold (VP for Information Technology and Chief Information Officer for OU) with support from Chris Kuwitzky (Assoc VP for Administrative Affairs & Chief Financial Officer) was the main agenda item of the meeting. The following remarks were taken from their presentation. Dennis Aebersold started by distributing an organizational chart. He has a faculty fellow, Bruce Mason, and an Associate VP, Loretta Early, with whom he consults. Henry Neeman is the director of the Oklahoma Super Computer Center for Education and Research (OSCER). OSCAR started two years ago with seed money from CAPS and IT. It gets its money from indirect costs and grants and is expected to become self-sufficient any day now. The OSCAR cluster is the 150th largest supercomputer in the world and involves over 100 faculty members in research. There are actually two machines one is a cluster of machines and the other is an IBM supercomputer. Matt Younkins is Director of Technology and was hired to modernize the network. His duties currently include coordinating efforts at Norman, HSC, and Tulsa to standardize architecture and operations. Becki Trepagnier is Director of IT at HSC. Steve Stafford is the new Director at Tulsa. For Norman, Jerelyn Snow is Director of Operations. She is in charge of day-to-day operations at IT including the network, e-mail, the server farms, the mainframe, etc. Eddie Huesch is Director of Projects and is in charge of all new requests. When a request comes to IT a member of his group goes to and works with the user/department/organization to iron out details of how the project can be put together, approximate costs etc. That request comes back to IT, and if it appears to have merit, it is rated by an
Minutes of the Budget Council meeting of 1/21/04

advisory group; Dennis makes the final decision on implementing the project. Matt Singleton is Director of Services and a new member of IT. He was formerly with Engineering. Two service centers were established this past summer, one in Couch Residence Hall and one in Felgar Hall; and a third will reside in Gould Hall.

Victor asked about how IT’s absorption of the Engineering Computing Center was going. Dennis remarked that officially Engineering signed a partnership with IT just yesterday. It has been a year-long process. Architecture will sign a similar agreement on May 1st. There are still numerous independently run networks throughout the campus. Security is a big motivator for consolidation.

Much of IT’s hardware is on North Campus at Merrick including the mainframe; more would be there if the high-speed data connection was better. Plans call for another fiber line to complete a loop around the entire Norman campus. The other hardware, the server farm, is at EL. In EL there are Microsoft servers on Dell PCs, and Unix servers on PCs and Sun machines in a ratio of 70-30.

The Chair brought up the problem of Unix users not being able to easily read/print/edit Microsoft attachments to e-mails. Researchers that do number crunching often use Unix machines and are forced to have a second computer to deal with Microsoft products. Dennis remarked that Star-Office was a partial solution.

Dennis went on to talk about IT’s budget. His first remark was that they have fortunately not had huge loses this year like last year’s $1M fire. They did have a smaller, $250K loss in May however. To cover such loses a Reserve for Contingency line in the budget exists for FY2005 (see the IT Budget Summary on the BC website).

Victor brought up the rumor that IT had taken over the Engineering Computer Center to gain finances to cover the $2M deficit incurred by IT in 2003. Dennis said the transaction “is very open book and that you can see exactly where the money that came in is being spent; and it is all going back into Engineering.” The acquisition didn’t help a lot with the deficit; the revenue still pays the salaries of employees that work in Engineering. IT did see some savings from consolidation and, looking at the bottom line, Engineering has been able to keep some money that they previously had to spend; so there has been a net benefit to Engineering.

Acbsold went on to say that there are about 145 employees now at IT and before Engineering was included there were about 120. There is a decrease in the Salaries line of the budget from FY2003 to FY2004 - FY2005. In beginning, IT had to hire new personnel for their technical expertise.

Victor asked about the Miscellaneous line in the Budget and neither Dennis nor Chris had details on hand, but said they would forward those. Victor then asked about how equipment costs were projected. Dennis responded that for the last three years IT has been replacing an aging infrastructure. This year phone service was being replaced. Most of the equipment expenditures is for same-type replacement but some is for new-type equipment such as RAID storage and backups. New-type equipment comes through Projects. Victor asked how IT knows it needs, for example, a new server if you never survey anyone. Dennis responded that some are obvious such as replacing the 8-year old mail system with a new pop-mail for the campus. We now have redundancy and backup. In contrast to the past we are now budgeting for a life cycle replacement of equipment.

The Chair asked about the cause of the deficit in the past and Chris responded that there was a 35-6M network upgrade and a supercomputer purchased that IT is still paying off.

Victor asked about making sure software is available for his students and how to get new software as it becomes available. The response was through Matt Singleton. He then asked how IT made projections for this in its budget. Victor remarked that no one has ever asked him about his needs for FY2005. The response was that the major expense for licensing was for the big licenses such as for the main frame
Minutes of the Budget Council meeting of 1/21/04

(-$750,000 of the $1M). A $3,000 request for software like Mat-Lab, is not a large part of the software budget. Victor then asked about the future cost of Blackboard and similar projections. The response was that anything like that was Project related and broken out as hardware/software and people-time related and that gets handled by Eddie Huebsch. The Provost remarked that Dennis has a committee advisory group. Dennis remarked that he is primarily concerned with large license agreements like those with Microsoft. More individualized software like Arc-Cad for Architecture, is paid for by the department that uses it.

Dennis went on to say that about $400K of the equipment and salaries budget is for classrooms of which some $250K is equipment. Victor complained about the not so user-friendliness of some of the equipment layouts. The Provost responded that there is a taskforce working on that type of problem for centrally scheduled rooms. She remarked that a search was underway for a source of funding for a 5-year plan to equip classrooms.

The Chair asked about the line item in the Needs budget for IT. Linda responded that IT’s fixed cost increases were not new to the Needs budget. Chris remarked that a request for a $1.5M increase was put in for this year followed by a $1M increase for 5 years.

The Chair asked about Telecom and Dennis responded that it was part of his operation but was on a separate budget. Currently OU is 2-1/2 cents away from free long distance phone calls. There is a very small revenue margin in land-line telephones, except for handset rentals. He said it would be quite helpful if students came with cell phones rather than having Telecom install phones in their rooms. He went on to say that there is profit to be made in cell phones, just not in home phones. Networks are now capable of handling phone calls these days and Dennis doubts if Telecom will ever have to buy another switch. The Provost remarked that we need to find out exactly how many students come with cell phones before future plans are made.

The Chair asked about secret snooping on the network and Dennis remarked that because law enforcement is required to have a warrant, IT would know about it. When IT itself sees a lot of activity on the net they have a look at the machine(s) involved to see what is going on. He went on to say that the recording and the motion picture industries now have snoops-for-cops and when they find activity that they think suspicious, they notify Dennis and ask him to deal with the situation. IT deals with the situation by shutting off the IP address and reporting to (responsible budget person?) and to Legal Council. He said there are times when he gets as many as 50 reports a day and sometimes as few as 4 a week. Typically it is at the first of the semester when the industry wants to curb this type of activity. He went on to say that it is quite helpful that our network software is designed to curtail students from other states down loading stuff from our network.

When asked about wireless networks the response was that wireless is the way the network is going. Security is a major problem at this time however.

Before the meeting ended the Chair brought up the fact that it is time to start thinking about our budget recommendation for President Bureau. The Faculty Senate President, Mike McInerney, has inquired about communicating with the Faculty Senate’s Compensation Committee on this matter.

We will begin these deliberations at our next meeting, hopefully with input from the Faculty Senate Compensation Committee and an appropriate Staff group.

The next meeting of the Budget Council is scheduled for Wednesday, February 18, 2004 at 3:30pm in the Provost’s Conference Room EH103. The meeting adjourned at approximately 4:55pm.
Minutes of the Budget Council meeting of 2/18/04

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrunner
- Ben Keppel
- Glen Krutz
- Cindy Rogers
- Craig St. John
- Ginger Wetz

Council Members Absent:
- Lou Ann Copeland
- Keegan Drake
- Zach Osko

Ex-officio Members & Others Present:
- Linda Anderson
- Nancy Mergler
- Stacy Swan

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35 pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership; a draft of the minutes of the 1/21/04 BC meeting; e-mails from Mike McInerney (Faculty Senate Chair), Pat Weaver-Myers (Chair of University Committee on Employment Benefits), Fred Stroz (Chair of Senate Committee on Faculty Compensation) and others relevant to the Budget Council’s deliberations on what salary/benefit recommendations to make to President Boren for FY05. The Minutes were approved as corrected.

The Chair reported that Lou Ann Copeland requested a replacement on the BC because of illness and that the Chair would contact the Staff Senate.

The Chair brought up a question from the Faculty Senate President, Mike McInerney, about OU’s possible involvement with carbon budget sharing (greenhouse gases). Mike wanted to know if OU was going to get into the business of selling credits as a way of obtaining additional funds. No one on the Council knew about our involvement but the Provost suggested that someone from Nick Hathaway’s area would be the person to ask. Cindy reported that President Boren is on the new board for the new Chicago Climate Exchange. The other point McInerney made, one that the Council is well aware of, was that the Deans did not go for the Faculty Senate Compensiation Committee’s recommendation that promotion raises be increased. This proposal would probably help alleviate the salary compression and inversion problem in the long run but in the short run it would aggravate the problem. It is a highly divisive proposal. The Provost remarked that we need to put together an ad hoc task force perhaps consisting of the Budget Council, the Deans Council and the appropriate Senate Committee. Victor suggested that the Chair take the task force suggestion to the Senate Executive Committee.

The Chair then brought up the e-mail from Pat Weaver-Myers. The Employment Benefits Committee reports that the Staff is hurting because of increases in the health insurance costs for families in the absence of raises and the Committee would like to address the problem. However, because there seems to be no
relief in sight for dependent coverage, the Committee is willing to sign on to across the board raises. Committee members didn’t go so far as to absolutely oppose merit raises.

The Chair suggested that one way to address the problem of health care costs for lower paid staff would be to give a small across-the-board raise in dollars, in addition to any other raises. Ginger said that having an across-the-board percentage raise with a minimum dollar amount would accomplish the same goal. The opinion was that this type of floor for raises may have happened in the past. Linda Anderson pointed out that the December $500 stipend cost a total of $1.1M or $1.2M and that a 1% raise costs about $1.4M. Victor remarked that any kind of across-the-board would exacerbate the inversion/compression problem. Ben jokingly remarked that if inversion/compression was the only thing addressed, that having been here long enough, he feels inverted and compressed. Ben went on to say that if across-the-board isn’t done, retaining people just hired in a very competitive market becomes a problem. Victor asked what the effective pay decrease actually was, caused by the health insurance increase. Glen remarked that as of January 1 his health and dental for his wife plus three children totals $800/month. Exactly how much the increase was over 2 years ago wasn’t known.

Craig remarked that someone in his department has recently received a job offer from North Texas and to match the take-home pay there would require an $8000 increase in base pay here. Ben asked if a different salary program for staff and faculty could be contemplated. He suggested that having higher percentage raises for staff could address the financial pain being felt by lower paid staff. The Provost pointed out that even though staff salaries are lower than faculty salaries, staff salaries are closer to regional averages than are faculty salaries. Ben said that in his department some staff have really been hurt by the health cost increase. Linda said she would have someone in her office put together the figures for average health cost increases and send them by e-mail.

The Chair guessed that this number is probably less than a 1% and then asked what to do with an additional 3-4% if such is forthcoming. Victor immediately returned to his department’s widespread inversion/compression problems. The Provost differentiated between compression of a discipline (an academic unit relative to peers) and individual compression (among individuals within a given unit). Cindy remarked that some faculty have reported to outside sources to compensate for the lack of raises and that she felt that they would likely continue with these endeavors. Her point was that compression/inversion raises are not always appropriate even when compression/inversion exists. She went on to ask if each department might have some control over how raises were made to address its own individual problems. Craig said that historically the Deans have had some control over raises. They have withheld some funds and required departments to apply for redress of individual cases of compression/inversion. The Provost remarked that everyone wants as much flexibility as possible at their level. Craig went on to say, and the Provost agreed, that a complicated formula for giving raises might be inefficient and could cause even more ill will.

Victor offered the opinion that the Budget Council position should be that the more money that goes into salaries the better. His point was that the salary problem is caused by internal pay raises not keeping up with the market and redistributing raises one way or another isn’t the answer.

Ben brought up his worries about leaving salary increase decisions up to departments. There are divisions between faculty-staff and junior-senior faculty in some departments that would be seriously aggravated by departments dividing up raise monies. Victor remarked that he could only interpret his colleagues’ responses as that they are worried that raises would be used to settle scores or decisions are left up to departments. He repeated his position that the BC should push maximum dollars to raises and let the administration decide how it is divided up. Ginger reminded everyone that 5% to staff and 5% to faculty is a big dollar difference, especially for hourly staff. Ben brought up separate rates for faculty and staff again but the Chair pointed out that faculty-staff differentiation is likely to generate some resentment. Cindy brought up a single percentage with a minimum again and Ginger said she thought that one year we did have a combination of a merit with an across-the-board with a minimum. She was recalling that some of the
minutes went to merit raises but everyone got a certain minimum. Craig recalled one year when salaries above a certain level didn’t participate in the percentage raise.

Craig remarked that as a department chair he would prefer to have a dollar amount across the board taken first and then a significant amount of what’s left dedicated to compression/inversion. He felt he could do more to deal with problems in his department with that type of flexibility. Glen asked Craig about merit and Victor remarked that in some way compression/inversion was merit. Craig responded that if you divide the raises into too many categories you are talking about pennies. Craig said he felt that they felt that there are probably very few in the University who have stuck it out over the past few years that don’t deserve an increase. He went on to say that he felt that compression money would be kept by the deans and the departments would have to ask for it. He repeated that starting with a flat dollar amount across-the-board would probably be good and the Provost asked how much and whether it should be tied to health care costs for families or not. Cindy added that the amount should be as much as possible. The Chair pointed out that everyone would receive the money and be helped, not just to those with families.

Craig then suggested that we could recommend a 2% across the board with a minimum of $1000 and a maximum of $2000 and the rest going for discretionary purposes or compression/inversion. Victor said that in polling his department he found very little support for discretion, and that he interpreted his colleagues reactions as such that they are worried about the raised being used to settle scores. Everyone said across-the-board. Glen pointed out that, over time, across the board by percentage could alleviate compression. There seemed to be agreement on this point. Craig said there are a few cases where inversion has to be addressed and some discretionary funds are truly needed. Craig then asked the Provost if all colleges will be dealt with equally. She responded that in her 10 years as provost the answer has been yes. The deans do vary their distribution of raises among departments. Glen said he is willing to go along with fixing compression/inversion if the BC is willing to push to get the promotion wages up. If we just fix compression/inversion our next generation of junior faculty will be compressed. Victor remarked that the total dollar amount necessary to completely fix compression/inversion is enormous and is not going to be forthcoming.

Cindy pointed out that every department has 1 or 2 serious compression/inversion cases to address separately from the general compression problem.

Linda Anderson then distributed an updated FY05 Planning Budget, Estimated Revenues and Expenses, which included the amount needed to give a 4% across-the-board raise (see the BC web page). Tuition/fees increases were not included but several scenarios were being looked at now. She said they were looking at leveling the lower division and upper division rates, i.e., have one rate for lower division courses and for upper division courses. They are also looking at additional fee revenues. The administration is trying to keep the increase in student costs limited to no more than 10%. The State regents are expected to receive $15M more dollars in FY05 of which $5 M is earmarked leaving OU’s 15% share at $1.5M. The Planning Budget indicates that an additional $11.5M in revenues is needed to cover FY05 estimated commitments.

When asked about OLAP funds being freed up for us to use, the Provost responded that she thought the best we could hope for is to have the new (and large) increases picked up by special legislation rather than being passed on to us.

Craig asked about self-support courses again. He asked if the surplus revenue generated is available to the Provost and she responded that none was. She went on to say that the formula is being changed so that more is available. 65% will be given back to the departments, which is expected to be about the same dollar amount now being returned. This will allow her to recoup the cost of tuition waivers. Until now she said we were losing money centrally because enough money wasn’t being taken off the top to even pay for the waivers. Craig pointed out that running these courses through OCCCIC allows them to take money that would otherwise go to her or to the departments. The provost remarked that because of the growth of self support that practice will change. She went on to say that the figure listed under Gen Ed Support was to provide for
instructors in advance rather than having to generate the funds to cover the costs after it was undertaken. The same is being done to offset the summer budget. This year the figure was $100K and for next it is $200K as seen in the Planning Budget. Linda pointed out that the estimated revenue figure of $3,175K coming from Self Support Revenue is only from Gen Ed courses. The more Self Support courses that can be taught through Gen Ed will be in the future to retain the funds centrally for salary programs.

The Chair asked about consequences of passing HB 2226 which would allow OU employees to opt out of OTRS. Linda responded that it would be a savings to the new faculty coming on if they wanted to opt out. The Provost said any continuing employee would have a one-time decision to make about staying in or not and freezing their assets. For new employees it would not be an option. Linda said it would not be a savings for OU because they would still have to continue to pay for each new employee that opted out.

The Chair offered to write and circulate by e-mail a first draft of the BC’s guidance to President Boren on salary matters.

The next meeting of the Budget Council is scheduled for Wednesday, March 24, 2004 at 3:30pm in the Provost’s Conference Room EH103. The meeting adjourned at approximately 5:10pm.
Minutes of the Budget Council meeting of 4/21/04

Council Members Present:
- Ron Kantowski, Chair
- Victor DeBrummer
- Cindy Rogers
- Craig St. John
- Ginger Wetz

Council Members Absent:
- Ben Keppel
- Glen Krutz
- Lou Ann Copeland
- Keegan Drake
- Zach Osko

Ex-officio Members & Others Present:
- Linda Anderson
- Nancy Mergler

Ex-officio Members Absent:
- Nick Hathaway

The meeting started at 3:35pm. The Chair distributed copies of the agenda for the meeting; the current Budget Council (BC) membership; a draft of the minutes of the 2/18/04 BC meeting; the Budget Council’s recommendations to President Boren for FY05; an e-mail from Linda estimating that our $1,000 minimum raise proposal would cost ~$200K; a news release from the State Regents about HB1904 which provides $50M matching funds for the endowed chairs program; revenue figures from the Office of State Finance showing March revenues up 15.9% above the prior year and 11.5% above the estimate; and a news release from the US Department of Labor stating that based on the first 3 months of 2004 the annual inflation rate (CPI-U) is 5.1%. The Minutes were corrected and approved.

A short discussion ensued about raises for FY05. According to the Provost, the President is crediting the Council with recommending a 5% salary program of 3% across the board and a 2% merit. When Craig asked to be reminded of exactly what recommendation our varied deliberations resulted in, the Chair went over parts on memo of February 2nd. The President’s interpretation is completely consistent with our memo and the Chair reported that those percentages were discussed with the President at the Senate Small Executive meeting in February. The Provost remarked that there is much debate about across the board versus merit among various groups; the Deans would like to see a higher proportion go to merit. The Provost remarked that 5% is not going to adequately address all needed salary concerns and that it will take at least 3 yrs to “fill the glass back up”.

Our primary agenda item was a presentation by Cheryl Jorgenson from Institutional Research and Reporting (in the Provost’s office). She reported on comparative faculty salaries by colleges and presented numerous tables and charts comparing OU salaries by rank with Big12/Big10 public universities and research I & II universities. Some public information can be found on the Provost’s web site at http://www.ou.edu/provost/ir/Factbook_2004/, see item 2-84. Cheryl distributed 15 pages of tables and graphs. They can be found on the password protected page of the Budget Council’s web page. This information is distributed to only those institutions that pay for it. Cheryl started with the table, entitled Total Faculty – fall 2003, explaining the various definitions ‘faculty’: full-time versus part-time, instructional versus research, tenure or tenure-track versus renewable-term, etc. As many as 1,197 could be
counted as full-time faculty, and as many as 1,438 counted as both full and part-time. She said that permanent or budgeted faculty include tenure, tenure-track and renewable-term faculty. When faculty salaries are discussed only ranked and budgeted faculty are included, i.e., the small group in the upper left hand corner of the first Table, 550 tenured, 236 tenure-track, and 57 renewable term. This group is commonly used by most institutions for salary comparisons, for sure by the Big12, and most likely by the Big10. Deans, Associate Deans, or other tenured administrative officials, are never included in instructional faculty data. The tiny numbers in the Table represent changes from last year. OU participates in two main salary surveys. We have data for the current year from only one survey. We send our individual faculty salary data to OSU but without names. They do a national study of everyone that participates and they do special studies as requested. We receive special studies of the Big10 & Big12 at the discipline level. The OSU study is the only one that goes down to the discipline level. However, she distributed the results down to the College level only. She pointed out that this year was the first year we could properly include split appointments (because of the new PeopleSoft software). The 2 page Table entitled Comparative Faculty Salary Study by College compared OU to the Big10/Big12 schools and to Research I & II schools by ranks. Research I & Research II are old Carnegie classifications being used by OSU for comparative purposes. As examples, the average salary for OU’s Arts & Sciences assistant professors is 86% of the Big 10/12 average whereas the average for Geosciences assistant professors is 96%. The next Table summarized OU average salaries by College (without regard to rank) as a percentage of the Big10/Big12 averages and the first Chart illustrated the All College data (top). For The Fine Arts average is 97% and Engineering is at 88%. Below, the Arts & Sciences data was broken into a separate chart for Humanities (87%), Social Sciences (83%), Professional Schools (83%), and Natural Sciences (85%). The next page contained three charts making the same comparisons but using average salary data rather than percentages. The next page was a percentage comparison for FY03 and FY04. Fine Arts, Journalism, and Law showed a 1% increase, however, the average over all colleges was a decrease from 92% in FY03 to 88% in FY04. The Provost remarked that the President was not happy with our decline. The next page contained three graphs comparing salaries each year as percentages going back to FY95. Over all OU salaries were now back to where they were in FY06 relative to Big 12/Big 10 peers. Fine Arts was the clear exception with a 9% improvement in its relative standing. This data was given in Table format on the next page. The next two pages list which public schools participate in the OSU study. The Big 10/12 comparison contained 17 schools other than OU. Not all Research I schools are included; those in the East tend not to participate in the survey. Cheryl said she also belongs to another group of universities called the Southern Unversity Group which contains some 31 institutions.

The last 4 pages are salaries reported by AAUP for the Big 12 starting in FY94 and going through FY03. Data for the current year will be available soon and posted on our password protected web page. The upper part of the Table is for average salaries alone and the bottom is salaries plus benefits. The data is averaged over all three ranks. The 5 coedic UT, CU, NU, TAMU, and ISU are clearly at the top of the salary scale whereas the 6 schools KSU, OSU, OU, Tech, MU, and KU are at the bottom. OU’s and OSU’s position relative to the bottom 6 improves when total compensation is included rather than just salary. When a cost-of-living adjustment is made OU and OSU move respectively up to 5th and 6th rankings overall. Cheryl also said some weighting is applied to the data in an attempt to account for the different numbers of faculty in various disciplines. The Provost remarked that a school that has a large proportion of engineers has disproportionately high salaries. To compare apples and oranges some weighting is necessary. The final plot contains a cost-of-living adjustment.

The Provost again remarked that the President was shocked to see that OU had slipped from its ranking in FY03 to its current FY04 ranking. Even though there were no reported raises of any significance, some institutions were able to increase compensation to some of their faculty, significantly enough to affect the averages.

The provost remarked that we were down only about 20 faculty from Fall 02 but we were up in students. She said we should recoup the 20 if we complete our current searches. The Chair asked about new positions coming from the Endowed Chairs program and the Provost remarked that most of those positions are
already filled and are being funded with temporary allocations from the State Regents. However, there are a few that are not currently filled.

The Chair remarked that we should be quite thankful that President Boren pressed our local representatives to fund the Endowed Chairs legislation. The Provost remarked that there was a concerted effort by OSU to derail the bill. She went on to say that the new tax revenues generated from gaming may be allocated to OLAP and there is a possibility an additional tax on cigarettes, designed to reduce smoking, will fund the cancer center as well as fund education programs to stop smoking. This would be a tremendous benefit to OU. She went on to say there is still a chance for a capital expenditures bill this session. The President is preparing a letter to student explaining the necessity of another tuition increase for FY05. At the moment the thinking is that it may be necessary to raise lower-division rates up to upper-division rates and then increase in-state tuition by 6% and out-of-state by 8% as well as increase fees. Given such increases the typical student taking 30hrs would have his/her tuition increased by about $399.

The Chair asked about promotion raises and the Provost responded that everyone seems the willing to accept an increase to $3,000 for associate, $5,000 for full and $7,000 for the Cross, Boyd or Regents. She will also be working with the Faculty Senate on possible changes in these monetary rewards.

The Chair brought up the question of electing a new chair for FY05. Our choice was between Glen Krutz, a continuing member, and Ben Kepple whose term was ending. We could ask that Ben be appointed for another term. Neither member was present at the meeting. After consulting both, Glen Krutz has agreed to serve as Chair next year.

The Chair then brought up possible oversights made by the Council in FY04 with an eye to correcting them in FY05. For example we had no input this year from a legislative liaison. The Provost said that the spring is the only time we have legislative liaisons on retainer. Victor said last year he, and before him Andy Magid in FY02, tried to establish an annual meeting with President Boren. Victor felt that it is important for the Council to have such meetings.

The Chair asked whether or not the Council needed to deal with the health insurance issue at this time. The Provost responded that it would be appropriate to invite Julius Hilburn, Director of Human Resources; the Chair of the University Committee on Employee Benefits (Pat Weaver-Meyers in FY04); and the Chair of the Senate Committee on Faculty Welfare, Bob Dauffenbach FY045, to our first meeting this August. A recommendation on whether to stick with Health Choice or go for a private insurer will be made by the end of August.

The next meeting of the Budget Council will PROBABLY be scheduled August 25, 2004 at 3:30pm in the Provost’s Conference Room EH103. Classes start August 23rd. The meeting adjourned at approximately 5:10pm.
May 31, 2004

Dear President Boren:

As partial fulfillment of the Budget Council’s charge “to recommend and to advise the President and other appropriate administrators on matters concerning fiscal policies and resources of the University”, the Council customarily offers an annual letter to you in late spring. However, because this year we offered our guidance on a salary program for FY05 in a memo to you dated February 2, 2004 (see attached) we defer to those recommendations.

As implied in our memo the primary threat to the academic health of OU, at this time, is a potential morale problem caused by the absence of salary programs in the recent past. Combined with soaring medical costs for many employees, the absence of salary programs stretched personal budgets to the point where significant changes in lifestyles were necessary. Our recommendation in February was, and still is, to put as much money into raises for FY05 as possible. We know that such a program is currently in development and we look forward to its implementation. Again, on behalf of all OU employees, we truly thank you for your efforts and encourage your success in obtaining funds necessary to maintain the University’s status as Oklahoma’s premier educational institution and to improve our status relative to our peers. We continue in our dedication to improving OU’s stature among all institutions of higher learning.

Sincerely yours,

Ron Kantowski
Professor of Physics & Astronomy
Chair of the Budget Council, 2003-2004
Nielsen Hall 310

The following are the 2003-2004 voting members of the Budget Council, Norman: Lou Ann Copeiano, Keegan Drake, Victor E. DeBrunner, Ron Kantowski, Ben Keppel, Glen Krutz, Zach Osko, Cindy Rogers, Craig St. John and Ginger Wetz. Additional information about the Council can be found at http://www.nhn.ou.edu/~sk/BC/.
Memo

To: President David Boren
From: Budget Council (Norman Campus) Ron Kantowski, chair
Department of Phyiscs & Astronomy, Nielson Hall 131
CC: Chairs of Faculty Senate, Staff Senate, University Employees Benefits Committee, Faculty Welfare Committee, Faculty Compensation Committee
Date: 3/2/2005
Re: Salary program for FY2005

The Norman Campus Budget Council wishes to offer the following encouragement and guidance in your attempt to improve faculty and staff compensation for FY2005.

We know that you are aware of the indirect salary reductions caused by the combination of inflation and a lack of raises. Although inflation is averaging at a low rate of around 2% per year, the accumulated effect is to a point that most OU employees are being forced to make significant adjustments in their lives. The most severely impacted are lower paid employees with families that rely on our group health insurance for medical care. Our health care costs have increased far beyond average inflation since our last raise. The increase in the annual high option premium for a spouse alone has been over $1800 during this period. In addition co-pays have gone up as well.

We also know that you are working diligently to find sources of revenue to raise salaries and restore our personal budgets to their previous levels. We truly thank you for your efforts as our President and want to encourage your success with these efforts.

After consulting with the Faculty Senate's Compensation Committee and the University's Employment Benefits Committee we offer the following input:

- As much of the FY05's budget as possible should be directed to a salary program.
- A combination raise, percentage across the board and merit, is needed at this time to maintain continued commitment of faculty and staff to OU's mission.
- To alleviate some of the severe family budget stress on our lowest paid employees all raises should be above some minimum, e.g., $1,000/employee.
- Some departments have serious compression/inversion problems that must be addressed on the basis of merit.

Additionally the Budget Council offers the following long-term guidance:

- Faculty salaries within departments will continually be compressed/inverted unless a source for a small but continuing annual raise is found.
- An increase in promotion raises is an essential step in addressing compression among the ranks and rewarding merit.
If we need to make any clarification in the above we will be glad to do so. We again would like to take this opportunity to applaud your successful efforts to pursue additional revenues for FY04 and to educate the citizens of the State about the necessity for tuition increases. We support your efforts and your good judgment in maintaining a quality university for Oklahoma in these lean times. We hope that you find our recommendations useful.

The following are the 2003-2004 voting members of the Budget Council, Norman: Lou Ann Copeland, Keegan Drake, Victor E. DeBrunner, Ron Kantowski, Ben Keppel, Glen Krutz, Zach Osko, Cindy Rogers, Craig St. John and Ginger Wetz. Additional information about the Council can be found at http://www.nhn.ou.edu/~ski/BC/.