

Summary of Financial Affairs committee Fall 2015-Spring 2016 meeting with UA staff

A. Funding within the College:

1. Course Fees – Each college course fee is approved by Board of Trustees. Different for each college: C&BA is \$30 per course, Nursing is \$20 per hour and most others are at \$10 per hour.

Can have a special fee that relates directly to cost (supplies) which must be approved by Provost.

2. Research Funding:

a. Where the money goes when research funding pays for all or part of faculty position: the permanent funding stays within the college. Each college is different on how the “free funds” are used or divided among the college, department or faculty.

b. Allocation of the Overhead or Indirect Cost from research, grants etc.:

(1) 60% goes to UA Central where half is used for start-up costs and half is allocated to the Office of Research

(2) 40% goes to the College where the allocation depends on the college; some 50% to Dean and 50% to Department. Some all to Dean. In short, Dean control.

3. Each College Operating Funds (used for supplies, phones etc.) has remain the same amount for the past 20-25 years.

4. Continuing Studies is now allowed to keep only a small carryover of funds (5-10% of last year budget). All excess funds go back to UA Central and used to fund mostly big renovation projects.

Each college negotiates there allocation or split with Continuing Studies. For colleges without research funding or foundation funding, Continuing Studies is a major source of funds to fill the “gap” for Deans, especially to pay for the increase operation cost.

5. Vacate Positions: The funding for vacate positions stay within the college and are used to help the Deans cover start-up for the new positons, recruitment costs, moving expenses, other costs within the college. There is no UA policy or rule on how long positions remain open. Some colleges try to fill as soon as possible; one college filled a position before the position was vacated. It appears one college has a rule or understanding that you wait a year and then start the process which means the position was vacated for maybe at least two years. year.

6. Raises. UA employees are fortunate to have a raise each year for the last 4 or 5 years. Raises are allocated by groups(tenure, renewal, staff etc.) college can not use raises funds from one group to support raises for employee that is not in the group. The minimum salary for a fulltime faculty (renewal) is \$38,000 which may be something the committee may want to have further discussion.

7. Risks or Concerns:

a. State funding. UA can handle a lower allocation of \$2-3 million for a year but any major cut (\$10 million of more) will be a problem.

b. Tuition funding. The undergraduate enrollment has been a major funding growth in the past. It will not be in the future. The growth needs to be in the following areas:

(1) Research funding growth. Likely new president is focusing on new tenure research positions.

(2) Advancement – gifts, donations

c. Costs will be increasing

d. Will State get more involved in restricting enrollment or limit the increase in tuition dollars. State law direct that out-of-state tuition must be double in-state tuition.

8. Others: C&BA and Engineering had big increase in enrollment which Engineering can handle better than C&BA.

B. Financial Affairs

1. FY 2014/2015 Budget presentation to Board shows where the Needs are:

Compensation

New faculty positions

Scholarship funding

Library support

PEEHIP

Debt Service

2. Budget FY 2016: Increase

New faculty 2.6 million with 2 million salary and 600K benefits

Student support position 1.3 million

Compensation

Scholarship funding: Continuing students 6,285,000; New Students 9,410,000 and Veterans 920,000

Library Support

TRS (\$587,000) & PEEHIP (530,000) – additional cost from the previous year

Student employment: 7,156 students; Wages \$31,900,000

From Operating Budget: FY 2015 FY 2016

Total Revenue	875 M	926 M
Operating Exp	786 M	826 M
NET	89 M	100 M used to pay 10 M capital equip; pay princ on bond debt
Salaries & Benefits	71 %	
Scholarship	3 %	
Supplies & other services	26 %	

For the FY 2016 926.6 M Budget (FY 2015)

Tuition & fees	45 %	44 %
Grants & Contracts	13 %	13 %
Sales & Services	1 %	1 %
Auxiliary	17 %	16 %
Others	4 %	4 %
State App	16 %	17 %
Gifts	4 %	5 %

Athletic Department

Operating Revenue	\$ 151,285,643	
Operating Expenses	134,566,708	
Transfer to UA	6,327,000	(1M faculty salaries and 4 M scholarships)
Transfer from UA for Title IX	6,145,000	

70 UA Recruiters across USA

Free tuition ACT 30 in-state and 32 out-of-state

UA Debt over 1 Billion with \$40 M of Interest (part of operating exp) and \$15 M princ payment. Most of the debt is due toward the last 5 years of the bond.

About 8,000 UA Beds on campus plus about 1,000 greek housing. Estimated that in 5 years Tutwiler will be replaced.

Currently (Aug 2015) the lowest fulltime salary for exempt employee is about \$23,660 and fringes are calculated at 32% so total cost approx. \$ 31,232.

3. Meeting regarding Procurement problems.

Issue: Purchasing sometimes appears overly complicated and/or costly

Status: partially resolved – currently no further action planned

Dry Cleaners

Purchasing formally bid Dry Cleaning and awarded the contract to Royal Fine Cleaners. The University honors the contracts we establish, unless there is compelling reasons that we need to purchase off contract. After the bid opening, Purchasing contacted Penny Profit to find out why they did not bid and they indicated they were not equipped to service the entire University. We cannot give blanket approvals to go off contract when the contract vendor can provide the service we are requesting. If there is a significant difference, as in this case, we let them go off contract.

Desk Purchase

Purchasing received a request to purchase a Sit/Stand Desk from Evodesk. The quote the end user had obtained was from a non-contract vendor. The end user was advised that approval was needed from Furnishings and Design due to ADA compliance issues. A similar Sit/Stand desk was sourced from Allsteel which is a contract vendor. Upon approval from F&D an order was promptly approved from the off contract vendor. After shipping was paid, the difference in cost was \$140 but the Evodesk did not include assembly and installation. The Evodesk also only came with a 3 year warranty but must be assembled by an Evodesk approved contractor or the warranty was not valid. The proposed Allsteel desk quote included delivery, assembly, installation and a lifetime warranty.

Software Purchase

At the time of this purchase, it was University policy to review all software purchases that had legal language with terms and conditions attached, regardless of the dollar amount of the order. These agreements often contained language that the University could not accept or that put the University in a compromising position. It has since been determined to allow software purchases less than \$1000 to be processed without review of the terms and conditions. This will allow for greater flexibility and eliminate delays on small purchases in the future, while still allowing for reviews on larger purchases that may have a greater risk and larger impact on the University.

Computer Purchase

UA has a purchase agreement with Dell which automatically includes extended on-site warranty which costs about \$200 per computer. Given the large number of computers bought annually and the expertise pool available on campus this agreement most likely is not economically prudent. Occasionally, computers were put to task only after the extended warranty had expired

C. National Alumni Association

The National Alumni Association entity is a self-governed (503 c (3) - non-profit) membership organization which has a board but the Director also reports directly to UA Administration. (Dual reporting role) He is included in meetings with other Deans and VP. There are about 115 chapters - divided about equally between within state and outside state.

There are about 185,000 living alumni and current membership is around 34,000 with 25% of this total are non-graduates.

There are 22 staff members – all UA employees but the funding is through the association funds.

The National Association budget is approx. \$3.2 million with \$800,000 to \$1 million going to scholarships. Approx 75% of funding is from dues with others from royalty income (International travel program) fees from Nat Association credit card.

Each Chapter is a separate entity. The National Assoc provides assistance in chapter development. The partnership between the National Association and Chapters provide major scholarship funding. There is about \$40 million endowment. The combine groups provide about 4.7 million in scholarships each years. UA National Assoc is one of the top programs (along with Penn State and Texas) is providing scholarships.

The UA car Tag provides UA with \$48.75 each year for each tag and this funding is split 80% to Grad school and 20% to Nat Assoc. The National Assoc uses this funding as a match (80% match [this past year](#)) for new scholarships provide through the chapters. [This year match was a little under \\$1 million. The amount of the match can change each year. It is a mathematical calculation based on the proceeds from the sale of the car tags and the amount contributed to endowments from the chapters.](#) They have about 500 permanent scholarships. To obtain the match, must go through a chapter and the minimum amount is \$25,000 within 5 years and must sign a memo of understanding.

[The Alumni scholarship program for 2015-2016 academic year provided over 996 students with first-time recipients that total over \\$2 million.](#) The National Assoc also gives the Pres Office \$100,000 a year. Outstanding Teaching Award (4) is given each year with stipend of \$2,500 (total \$10,000)

Student Recruiting where they give between 240-300 one-on-one tours of UA.

Challenges: Not getting the under 35 as members. Trying to have mentoring/networking events and service projects to get the under 35 group.

D. Advancement

The committee had a meeting with the new VP for Advancement. Questions asked: With the VP and top two positions being vacated for a period of time, will there be restructuring of staff. The staff for the size

of institution has been too small. Yes to possible restructure and priority is to fill current open position and increase staff. Concern that athletic department having 5 fundraisers while many colleges (Business, HES) have only one and the leverage to give to athletics with points on athletic tickets priority as compare to colleges. The committee hopes to meet with the VP for Advancement in the Fall 2016 for updates.

E. Faculty Campus Climate Survey

Both the GTAs and limited travel allowance are generally control by Deans and department heads and it is an allocation of resource issue. There was a general belief that faculty would like more funding for GTAs and travel, but the question is how high of a priority is it as compared to faculty other needs.

Several members said we may have low GTAs as compared to some universities with more funding than UA and we may have lost potential grad students because of the GTA amount. For current Grad students there appear to be a problem for some for the summer when the GTA runs out – many have problems in finding funding for the summer. Question: Is summer funding more of a problem than the alleged low assistantships compared to other universities?

Travel allowance is a problem for many faculty, especially junior faculty and tenure track faculty who needs to go to conference to make presentations and network etc.. Travel is a problem for grad students to attend conferences and to go to research sites.

The group failed to come to a conclusion on how to determine if these two issues is a campus-wide problem.

D. 403(b) and 457 [“TIAA-CREF”] retirement account fee structure.

Results: Our inquiry resulted in changes to the fee structure for the UA system

Status: approved by all levels of administration, partially in force [03/2016]; no further action planned details:

- A 403(b) RFI was initiated due to recent inquiries from participants about plans expenses and because it is a good fiduciary practice to benchmark the plan costs every 5-7 years.
- The RFI was sent to ten plan vendors - TIAA-CREF, VALIC, Empower, Fidelity, Lincoln, Transamerica, Voya, MassMutual, Principal, Prudential
- Of the ten vendors, MassMutual, Principal and Prudential declined to participate.
- TIAA-CREF and VALIC will remain as the current vendors.
- TIAA-CREF and VALIC have agreed to reduce their revenue requirements which will be passed along to plan participants in the form of lower expense ratios.
- TIAA-CREF decreased revenue requirement from 12.5 basis points to 12.0 & VALIC decreased from 43 basis points to 30.0.

- A self-directed brokerage account will be made available to employees from the TIAA-CREF and VALIC platforms.
- The brokerage accounts would allow employees who have specific fund requests to access those funds through the brokerage accounts.
- The brokerage accounts would be limited to mutual funds only, i.e., no individual stocks, bonds.
- Thousands of mutual funds would be available to plan participants through the brokerage accounts.
- Offering self-directed brokerage accounts will not impact the cost of the plan, except for those choosing to open a brokerage account.
- The target date of offering the self-directed brokerage accounts is the first quarter 2016.