

**Minutes of the Annual Budget Summit
Meeting of the Board of Regents of the University of New Mexico
March 22, 2016
Student Union Building, Ballroom C, Main Campus**

Members present

Robert M. Doughty, President; Marron Lee, Vice President; Ryan Berryman; Bradley C. Hosmer; Jack L. Fortner, Sec Treasurer (telephonically); Suzanne Quillen (telephonically)

Administration present

Robert G. Frank, President; Paul Roth, Chancellor for Health Sciences; Chaouki Abdallah, Provost and EVP for Academic Affairs; David Harris, EVP of Administration, COO, CFO; Gabriel Lopez, VP for Research ; Josephine De Leon, VP Equity and Inclusion; Dorothy Anderson, VP HR; Elsa Cole, University Counsel; Dana Allen, VP Alumni Relations; Ava Lovell, Sr. Exec. Officer of Finance and Administration, HSC; Eliseo Torres, VP Student Affairs; Liz Metzger, University Controller; Helen Gonzales, Chief Compliance Officer; Cinnamon Blair, Chief University Marketing and Communications Officer; Amy Wohlert, President's Chief of Staff

Regents' Advisors present

Crystal Davis, Staff Council; Carol Stephens, Retiree Association; Jenna Hagenruber, ASUNM; Stefan Posse, Faculty Senate; Texanna Martin, GPSA

Presenters in attendance

Terry Babbitt, AVP Enrollment Management; Andrew Cullen, AVP Planning, Budget & Analysis

Others in attendance

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

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

Regent President Rob Doughty called the meeting to order at 9:47 AM and confirmed a quorum of members present. Regents Suzanne Quillen and Jack Fortner joined the meeting telephonically. Regent Doughty asked for a motion to approve the agenda. Dr. Roth requested item X.b. Approval of the School of Medicine Tuition and Fee rates be moved up under item III., Health Sciences Budget Overview.

The motioned to adopt the agenda as modified passed unanimously (1st Lee; 2nd Berryman).

INTRODUCTION AND LEGISLATIVE UPDATES

President Robert Frank provided an introduction to the annual Budget Summit and an update on the 2016 Legislative Session outcomes. FY17 permanent reductions were reviewed; Main Campus Instruction and General (I&G) received a \$4.5 million reduction and Main Campus RPSPs received a \$600K reduction. The Health Science Center received a \$1.5 million reduction and HSC RPSPs received a \$700K reduction. The Branch Campuses received a \$600K reduction. The total amount of State reductions for UNM was \$7.9 million. Since FY14-15, the University has taken \$10 million of I&G reductions on Main Campus. The volatility in oil and gas revenue and the downward trends in tax revenue are likely to continue for at least two to three more years. They believe that the current budget cycle is the "new normal". The University will need to look past temporary fixes and find more sustainable ways to deal with the volatile budget environment.

President Frank stated that for the FY17 Main Campus budget there was a State reduction of \$4.5 million, a tuition decline of \$1.1 million, fixed costs increases for health care and utilities of \$1.2 million, and \$800K in must funds for Academic Affairs promotions and new hires. The total is a projected \$7.6 million budget shortfall, which would equal a tuition increase of 7% if funded just by tuition. The Regents have made it clear that a 7% tuition increase would not be approved, so Administration did not consider this as an option. Alternatively, they could address the shortfall with administrative cuts; approximately \$5.4 million reduction to Academic Affairs and \$2.2 million to the Administration. Neither of those approaches would support continued progress toward student success goals. They will bring forward a balanced approach which was developed in working with the Budget Leadership Team (BLT), which includes student leadership, faculty, deans, and senior leadership from the University. The BLT has been meeting throughout the year to look at different models on how to handle the budget problems. The model

presented for approval will have a modest tuition increase and significant reductions in each EVP area including Administration, Academic Affairs, and HSC. They believe they must fund and protect the University's student success efforts as these efforts have seen significant success; the areas that will be untouched included Advising, the Math MaLL, and the English program.

In closing, President Frank thanked everyone across campus who has participated in the budget development process this year as it has been difficult. They believe the proposal they are putting forward is the best they can do in the challenging climate. In May the University will celebrate graduations as many students will be moving on to do great things. The three EVP's including EVP Harris, Chancellor Roth and Provost Abdallah are committed to bringing together a group to establish cost efficiencies and effectiveness within the University; the goal is to bring back results over the next quarter to the Regents.

Regent Berryman inquired about the tuition shortfall and if some of that had to do with the University graduating students more effectively in four years. President Frank responded in the affirmative, a couple of significant factors in the tuition shortfall are students taking higher credit loads and lower enrollment of non-traditional students.

Regent Lee commented that incoming freshmen enrollment has remained flat, a percent and a half.

HEALTH SCIENCES BUDGET OVERVIEW

Dr. Paul Roth presented the overview and Ava Lovell presented specific details for the Health Sciences Center budget. Dr. Roth referred to slides that were included in the agenda eBook. Strategic initiatives are driving the FY17 UNM HSC Budget. The UNM2020 Goal #4 is Enhance Health and Health Equity, and HSC has four goals that essentially drive the operations of the Health Sciences Center: 1) improve health and health care for those we serve, 2) build the health care workforce of New Mexico by providing a premier education, 3) foster innovation and translate our research and discoveries into clinical and educational practice, and 4) deliver a well-integrated academic health center that provides the safest and highest quality clinical care. Dr. Roth mentioned the issues and challenges that fall under academic programs and the clinical enterprise, also called the health system, including having to do more with less resources, budget constraints, the need to lower costs while improving quality, competition in employment markets, facilities that are aging, inefficient and or structurally deficient, competition for limited research dollars, and rapidly evolving IT needs. Probably the biggest challenge for next fiscal year will be dramatic cuts in Medicaid reimbursements and could be as high as \$30 million cut in revenue. The HSC has received a number of national awards for community engagement, statewide engagement through 579 activities in 246 communities across the State with outreach activities in education, patient care, community research, and telehealth sites. Dr. Roth talked about several areas of achievement in FY16 and notable recent research grants. He gave a brief update on the hospital replacement effort. He thanked the Regents for the approval to move forward with the planning. Fanning Bard Tatum Architects were awarded a contract to provide professional high level programming and planning services; the effort will take about six months. Dr. Roth discussed a number of capital projects planned for the coming year, including the Health Education Building Phase III, the Eubank Women's Care Clinic, and UNM Cancer Center Clinical Buildout. FY2017 funding agreements between HSC and Main Campus come to a net of about \$30 million that goes to Main Campus for the HSC share of overhead costs and there will be future discussions on how to improve efficiencies and share services.

Ava Lovell addressed the details. She showed a slide depicting the differences between the Academic cycle, where revenues are essentially known and expenses match revenues, and a Clinical cycle, where expenses are not incurred until services are delivered and revenues are not known until after service is delivered and billing is completed. Ms. Lovell went over some details to the FY17 budget. Starting with FY16 budget, there is a \$1.24 million decrease to FY17 due primarily to a 2.4% reduction in HSC State appropriations of I&G (Instruction and General) funds. The projected tuition revenue increase is \$1.09 million and will be offset by the proposed 1% reduction in SOM tuition estimated at \$67K. The total tuition revenue projected at \$2.4 million will be transferred to Main Campus. The HSC will utilize a one-time use of reserves of \$1.64 million to offset the \$2.4 million that will be transferred to Main Campus. The Total HSC I&G Budget is balanced to zero with sources of funds of \$121.9 million equaling uses of funds. On the expenditure side, if there is funding, salary increases for those only under the 25th

percentile will be adjusted and with funds coming from clinical revenues. Fixed costs will see and increase, group health insurance at 4.5% increase, HSC utilities will have a 1.9% increase. The total UNM HSC Academic Enterprise is estimated to have revenues of \$655 million, expenses of \$642 million and a net margin of \$7.1 million. The primary areas contributing to the margin are the Cancer Center, Neurosurgery, and Project ECHO, in the grants they are receiving. Ms. Lovell presented the details State appropriations cuts to I&G and HSC special projects, with a bottom line cut of 2.3%. She touched on faculty compensation and presented UNM Health System FY17 financial assumptions and preliminary budget for the UNM Hospitals. Revenue projection for UNM Hospitals for FY17 is \$922 million, up from projected \$889.6 million for FY16. UNM Health System net margin for FY17 is projected to be \$7.46 million.

Student Regent Ryan Berryman requested confirmation the \$2.4 million transfer of funds to Main Campus will not in any way effect the reserve for the planned new hospital, since that is tuition revenue. Ms. Lovell confirmed that is true.

Regent Brad Hosmer inquired about private sector research grants and if there is an upward trend in number of private sector awards. Ms. Lovell estimated private grants may be about 5% of total grant funding, and if Project ECHO is included, then private sector funding trend is upward.

Regent Marron Lee inquired if the requested 1% decrease for the School of Medicine (SOM) tuition is the second decrease. Dr. Roth confirmed this is the second decrease and he was hoping to decrease tuition by another 5% next year, but with budget issues, that is uncertain. There was discussion about medical student debt, scholarships, and offering financial planning classes. Regent Lee asked how SOM tuition compares to other schools in the nation. Dr. Roth responded its tuition is in the lowest quartile in the country and the only school with a declining tuition. The financial impact of the 1% tuition decrease will be an estimated \$67K impact.

Regent Hosmer inquired about elasticity of demand with respect to tuition. Dr. Roth said elasticity of demand is not evident; however, a higher tuition and an increased debt load to repay could affect where students will agree to practice, because practicing in rural areas, where they are encouraged to go in New Mexico, their income will be lower. It may also influence the discipline they choose to go into, general pediatrics is the lowest paid area for professional income, and it's an area where physicians are needed, family medicine and general internal medicine. Those are the areas where student debt and high tuition will have an impact.

The motion to approve a 1% tuition decrease for the School of Medicine passed unanimously (1st Hosmer; 2nd Berryman).

BRANCH CAMPUS BUDGET PROPOSALS

Provost Chaouki Abdallah presented the Branch Campuses budget proposals for AY2016-2017. The University has four branch campuses; Gallup (UNM-Gallup), Los Alamos (UNM-Los Alamos), Taos (UNM-Taos), and Valencia (UNM-Valencia). Three of the branch campuses are requesting a tuition increase; UNM-Taos is the only branch not requesting a tuition increase. The proposals have gone through their Boards, are forwarded to the Office of Academic Affairs for review, and discussed with President Frank prior to bringing forward to the Regents.

The Gallup Branch Campus is proposing 8% tuition increase, which equals \$5.19 per credit hour for resident and \$13.76 per credit hour for non-resident. That would generate \$198K for the Gallup Branch; their budget is about \$18.4 million. Gallup will be allocating approximately \$100K of the tuition generated from the increase to need-based financial aid. Most of their students are resident.

The Los Alamos Branch Campus proposes a 6.8% tuition increase, which equals \$5 per credit hour for resident and \$14 per credit hour for non-resident. That would generate \$50K for the Los Alamos Branch; their budget is about \$3.7 million. They would allocate 20% of the tuition increase towards need-based financial aid.

The Valencia Branch Campus proposes a 8.7% tuition increase, which equals \$5.75 per credit hour for resident and \$16 per credit hour for non-resident. That would generate \$151K for the Valencia Branch; their budget is about \$11.8 million. They would allocate 20% of the tuition increase towards need-based financial aid.

Provost Abdallah commented that the Gallup Branch has had a recurring budget shortfall that Academic Affairs is working with them on. They have some reserves they are burning through.

Regent Berryman inquired why the Taos Branch was not requesting an increase. Provost Abdallah responded the branches have asked for tuition increases at varied times to meet their needs. This is a year where the Taos Branch can maintain their operation without needing to increase tuition.

Regent Lee inquired with regard to other institutions throughout the state with branch campuses, if they are seeing similar financial situations as UNM. Provost Abdallah responded many other branch campuses of other institutions are requesting large tuition increases. It is fairly typical that they go through periods where they don't ask for any tuition increase and then they ask for 5 or 6 percent. The reason is their credit hours are much cheaper. When they raise tuition, UNM requires a financial plan to take care of those most at risk with need-based financial aid.

Regent Lee inquired, with regard to the Gallup Branch, why they are burning through reserves. Provost Abdallah stated they have put the Gallup Branch on a deficit reduction plan to reduce costs. They built up reserves due to unfilled vacancies which caused their performance to suffer. It is important to invest in the academic mission even though the return on investment may take several years. They are making sure to adjust their budget to make sure it balances each year and use reserves toward the performance metrics being set for them.

Regent Lee inquired when the last time there was a tuition increase at Gallup, Los Alamos, and Valencia. The Gallup Branch had an increase of 7.1% last year. The Los Alamos Branch had an increase of 5% last year. The Valencia Branch had an increase of 7.2% last year. Some years these campuses have asked for no tuition increases.

Regent Lee stated she understands the importance of investing in services but the percent increase being proposed is concerning. Provost Abdallah responded the percentages are high but per credit hour is a small amount. Additionally, funds will be set aside for financial aid for those who need it.

Regent Lee inquired if they are looking at completing any efficiency studies at the Branch Campuses. Provost Abdallah responded the Academic Affairs Office began managing the Branch Campuses a year ago and they do have a plan to look at efficiencies. They renegotiated the services for the branch campuses and are working to implement student success efforts similar to UNM Main Campus. Branch Campuses have a lot of workforces needs and transfer articulations. Jerry Dominguez is responsible for working with all the Branches CEOs and he spends a lot of time working with their Boards and operations.

President Frank stated the tuition at each Branch Campus is different and he would like to see them brought to one common tuition level. It will be difficult as they all have different Boards.

The motion to approve the proposed tuition increases for Branch Campuses, 8% for UNM-Gallup, 6.8% for UNM-Los Alamos, and 8.7% for UNM-Valencia, passed by a vote of 4-2; Regents Quillen, Fortner, Hosmer, and Berryman voted in favor; Regents Doughty and Lee voted against (1st Fortner; 2nd Berryman).

UNM-Taos did not request a tuition increase.

Regent Doughty stated he is adamantly against tuition increases and believes the University should start every discussion on the budget from the standpoint of not increasing tuition. He is not satisfied with increasing tuition and agrees with President Frank about uniformity. There was no evidence presented to the Regents that Branch Campus operations are as efficient as possible which is why he voted against.

- Regent Lee echoed Regent Doughty's concerns and requested President Frank and Provost Abdallah to have a proposal by June on a Branch Campus tuition plan. Provost Abdallah said he will work with the President and the CEO's of the Branch Campuses to provide that.

Regent Berryman agreed the Branch Campuses should be examined further in the future to be more uniform and efficient. He voted for the proposal because he would like students at these campuses to have all the resources they need to succeed and without tuition increases these resources can potentially be cut.

FY17 FEE PROPOSALS

Student Fee Review Board (SFRB) Recommendations

ASUNM and GPSA presidents, Jenna Hagengruber and Texanna Martin, presented the item and referred to material provided in the agenda eBook. The student leaders outlined the process that arrived to the SFRB preliminary recommendation. The SFRB Student Activity Fee recommendation was \$16.64 million of recurring funds and \$226K of one-time funds for a total of \$16.87 million of Student Activity Fee funding and the recommendation of no expected fee increase. This is a 1.4% overall decrease from the current year due to enrollment declines. The breakdown of funding allocations was presented. Ms. Hagengruber stated that groups that submitted decreases on their own have other fundraising opportunities. There was mention of the already approved debt service fee increase, due to new capital projects, and that this increase played a large role in the boards' decision to not recommend an increase in the Student Activity Fee. The student leaders reported that sustainable one-time funding is an important part of the SFRB discussion and recommended a carryover of \$357K in the one-time account, to be used in FY17 (\$226K) and FY18 (\$131K). Andrew Cullen said these numbers were rolled into the budget scenario presentation he would make later in the meeting.

Regent Quillen, joining the meeting telephonically, disconnected and did not rejoin the meeting.

Online Delivery Fee Redistribution

Terry Babbitt presented the item. There has been talk about redistributing the online delivery fee. Right now students pay about \$100 for a 3-hour online course. The learning management system platform utilized for online courses is also used for traditional classes so a redistribution of the fee was being considered. The proposed fee increase would effect a little over 17,600 students. There are 12,000 students who take one or more online courses and they may even see a decrease in fees. There are about 1,100 students who are completely online; this has been a stable number without growth over the past few years. Dr. Babbitt discussed how web enhanced courses add value to the students' experience. The learning management system provides analytics and other useful aides. There was discussion.

- Regent Doughty said he was obviously in favor of this but he didn't want to push this off on students. He said administration had more work to do looking at this issue and charged administration to go back and look at other ways as to how this could be paid for.

VOTE TO CLOSE THE MEETING AND PROCEED IN EXECUTIVE SESSION / LUNCH (CHERRY SILVER ROOM)

Regent Lee moved to close the meeting to proceed in executive session during lunch. Regent Fortner seconded the motion. All were in favor. The meeting closed at 11:52 AM.

**Members present during closed session: Rob Doughty, Ryan Berryman, Brad Hosmer, and Marron Lee.
Members not present during closed session: Jack Fortner and Suzanne Quillen.**

Executive Session took place in the Cherry Silver Room, on third floor of the SUB. The Regents held closed session under the following OMA exception:

- a. Discussion and determination where appropriate of the purchase, acquisition or disposal of real property pursuant to Section 10-15-1.H(8), NMSA (1978)

VOTE TO RE-OPEN THE MEETING

The motion to open the meeting passed unanimously (1st Lee; 2nd Berryman).

The meeting opened at 12:29 PM; the door to the Cherry Silver Room was opened; there certification that only those matters described in the closed session agenda were discussed in closed session and action on one item would be taken; Regent Lee made a motion.

The motion to approve moving forward with the occupancy agreement with Signet Development team for Phase I of Innovate ABQ passed by unanimous vote with 4 Regents present and voting (1st Lee; 2nd Berryman).

- The Regents moved to Ballroom C on main floor of the SUB to continue open session. Members present: Brad Hosmer, Marron Lee, Rob Doughty, Ryan Berryman. Members not present: Suzanne Quillen and Jack Fortner. Regent President Doughty confirmed a quorum of 4 Regents and proceeded the meeting.

MAIN CAMPUS BUDGET OVERVIEW

Enrollment Projections

Terry Babbitt, AVP Enrollment Management, presented enrollment projections for Main Campus and referred to material included in the agenda eBook. The enrollment projection process is a critical element of all budget procedures and is taken very seriously. Enrollment Management uses modeling to determine enrollments. Typically the most common is a cohort ratio mortality rate, which means students transitioning from one level to the next. There are some input factors and several different classifications of students. They primarily look at increasing new freshman and have been projecting an increase. They are concerned with continued declines in non-traditional students, non-degree, and some graduate populations. Overall, the University is projecting a nearly flat enrollment level of about a 0.35% decrease. They also are projecting to see shifts in credit loads, as that impacts the budget; students taking 15 credit hours pay less than students taking 12 credit hours.

Dr. Babbitt presented several slides. The first illustrated the 10-year enrollment trend for Main Campus of full time students since 2006. The data incorporated credit hours taken and headcount, a combination of the productivity of students. The 2015 number was slightly down at 0.47%; it is not a large change but even small changes are significant to the budget. The five-year trend was a 1.5% decrease over that period.

Dr. Babbitt discussed enrollment models used by the University and demographics. The areas that feed UNM the most are anticipating a 4% drop in the number of seniors. People leaving or attrition at New Mexico high schools is affecting the University. It is making recruitment for traditional, in-state students more difficult. Dr. Babbitt discussed new students, the beginning freshman admit pool. New students impact the University and have been strong in retention and graduation rates. This week the students admitted to the University is almost a 929 increase in number, approximately 14%, from Fall 2015. The non-resident students saw a 40% increase, up 847 students. Residents are almost exactly flat. These are admitted students, and there are aggressive goals to get these students to decide to attend. Resident students are much easier to yield and their yield rates are higher. Non-resident students have a lower yield rate. They are focusing on pushing various efforts and graduation incentives to boost enrollment such as "Finish in Four", and it has received positive feedback. International admissions have been a very small for freshmen, which is something they are trying to change; this is up approximately 50 students.

Dr. Babbitt discussed load shifts as they impact revenue and enrollment. Load shifts impact what students pay, specifically the 15 credit hour rate, which is cheaper than 12-hour. In 2012, only 59% of the University's full time students took 15 hour loads. That was a concern for the Administration as a student cannot graduate in four years taking smaller credit hour loads. To address that, a tuition policy to incentivize 15 hour credit loads was implemented. The percentage taking 15-hour loads jumped up significantly to 78.8% by 2015. In 2014, the State government got behind the 15 credit-hour idea and passed Lottery Legislation that required cohorts of Lottery Scholarship students to take 15 credit-hours; two cohorts were grandfathered to remain at 12 credit-hour requirements. The load shift does have some impact on the overall tuition revenue to the University.

Dr. Babbitt discussed adult student enrollment. Currently the enrollment numbers of adult students are at pre-recession numbers as many of these students are going back to work rather than enrolling in classes. These students are weighing the value of degrees and return on investment, many are opting to work.

Next, the Lottery Scholarship and student migration. The Lottery Scholarship has meant a lot to New Mexico and means a lot in recruitment of students to stay in New Mexico and eliminate brain drain. The Lottery Scholarship was introduced in 1997 and since then more and more New Mexico high school students are choosing to stay in state. In 1994, approximately 25% of New Mexico's high school students were leaving the state, which is a drastic number. As the Lottery Scholarship kept momentum, that number shifted to 13% of New Mexico high school graduates leaving the state. The concern is if the Lottery Scholarship loses \$19 million in resources, this equals \$10 million in gift aid to UNM. There is value in keeping students in New Mexico and keeping loan debt down. It is a large challenge for higher education next year.

Regent Hosmer commented with regard to prior successes in reducing "brain drain" to the State. Many actions taken at UNM over the past few years are an attempt to further reduce "brain drain". The more talented students we can keep in New Mexico long-term, the better the State will be in the long-term.

Discussion of I&G Budget Scenarios

Andrew Cullen, AVP of Planning, Budget & Analysis, presented the Instruction and General (I&G) Budget Scenarios for Main Campus. The materials presented were included in the e-book. Mr. Cullen reviewed the Main Campus I&G budget development summary. For the Main Campus I&G budget it is primarily focused on tuition, enrollment, and State appropriation. For FY2015-2016, the University had to absorb a \$4.5 million reduction in revenue primarily due to enrollment decline, adding that to the decrease in state appropriation is nearly \$10 million in reductions from the start of July 1, 2015 through June 30, 2016.

Mr. Cullen presented the FY2016-2017 I&G budget scenario which proposed a 3% tuition increase to generate net \$2.286 million in additional revenues. The proposal also included a one-year reprieve from funding need-based aid which costs approximately \$250K for every 1% increase in tuition, and given the cuts the academic schools and colleges are facing, a reprieve from that practice is warranted. The student fee increase of 10.4% is due only to bonds sold February 2016 associated with funding the new \$55 million bond issue that will support the Anderson School of Management, Johnson Center, and minor renovations to Smith Plaza. The proposed tuition (3%) and fee (10.4%) increase rate would generate a blended rate of 4.68% increase for a student taking 15 credit hours.

At the beginning of FY16, administration chose to withhold 5% of the I&G budget from departments. Breaking that down, 1.5% covered the revenue reduction due to enrollment declines, and the remaining \$919K, was banked to off-set this year's State appropriation reduction. Expenditure reductions proposed for FY17 within Academic Affairs, Administration, President's Organization, and the corresponding fringe benefits, all total \$1.467 million expenditure reduction. These reductions are offset by funding priorities with increases totaling \$855 million. With regards to HSC transfers, the FY17 proposal has \$2.433 million that will not be transferred from Main Campus to HSC, resulting in a net positive \$1.743 million at Main Campus. Projected fixed cost increases are: health care (\$583K), utilities (\$364K), and property and liability insurance (\$280K). Taking all of these changes, with the proposed 3% tuition increase and the 10.4% student fee increase to support debt service (\$2.980 million), starts the University off with a balanced budget in FY17. Mr. Cullen presented FY17 budget proposal details included in the e-Book.

There are two concerns with enrollment; the number of New Mexico high school graduates and the cohort shift of students moving from taking 12 credit hours to 15 credit hours. A \$700K tuition revenue decline is projected due to the credit hour shift. A 3% tuition increase actually generates \$3.381 million, but nets to \$2.286 million when factoring in the projected enrollment trends.

Regent Berryman inquired what the cuts to the President's Organization, Academic Affairs, and the Administration entailed. President Frank responded most of the cuts are continuation of a freeze in hiring. The University will continue the hiring freeze in the year ahead. The only exception to the hiring freeze would be in student success areas. There will be very little hiring within the University, and it is the only way to achieve the necessary magnitude of cuts. The cuts have been vetted with the EVP's, and for Academic Affairs will be implemented to have a minimal effect on the schools and colleges.

Regent Hosmer inquired what would be the impact on the Academic enterprise due to those cuts. Provost Abdallah responded the investments made several years ago are bearing fruit and have momentum. However, when the funding for these initiatives, investments, and hires stops, there will come a point in time where areas will suffer. The focus needs to be in areas that will not affect student success. They are reducing the number of faculty by not replacing them when they leave and working with the deans on strategic hires in some areas. Faculty does not follow the trend in enrollment. They will maintain the gains in retention of high risk faculty being poached by other institutions.

Mr. Cullen stated regarding Administrative cuts, the Physical Plant Department, Utility Division, built a North Campus Sub-Station in 2001 and it was a 15-year term those bonds have retired, it is \$315K per year. The expense is off their books and they will be cutting the budget in that area by the same amount. It will be neutral for them but aided in the necessary cuts within the Administration.

CONSTITUENT GROUP COMMENTS AND PUBLIC COMMENT

Faculty Senate Stefan Posse, Faculty Senate President, provided comments on behalf of faculty members at UNM. Dr. Posse congratulated everyone for working jointly on the budget build process; it has created a diverse discussion amongst all constituents. In the end they have come together to build a budget that is responsible and in line with the current constraints of the State budget. Everyone has taken a hit and there are no clear winners. Faculty Senate believes the University can carry this, and moving forward they need to carefully consider how, when, and where to invest to bring the institution forward. Faculty Senate has pledged to identify opportunities and synergies between Main Campus and HSC to create centers of excellence and allow students to excel. Decisions to invest in infrastructure are very important. Faculty Senate efforts in support of the budget process are ongoing. A faculty survey of the budget committee is now complete and they will analyze the data to present in the future.

Staff Council Crystal Davis, Staff Council President, provided comments on behalf of staff at UNM. Over the past nine months, Ms. Davis has presented narratives and financial data showing both qualitative and quantitative information on the lack of staff increases and continual rise in the cost of healthcare benefits. Diminished budgets will undo the substantial progress made in the past few years in the areas of increased graduation rates, reduced repeat of remedial courses, and offering better products to students than in the past. To maintain the product, they must also maintain materials, personnel, and programs to lead to student success and systematic excellence. The University has used a short-term model to shore up budget deficits by allowing staff and faculty positions to remain unfilled using those salary lines to plug in the hole in a long-term problem. Many staff would rather retire than continue to take on increased workloads with decreased pay. Ms. Davis stated she would like staff to continue to be included in the discussions, not relegated to making comments after the fact. Keep in mind how much staff contribute to the University through maintaining day to day operations, teaching classes, writing grants, coordinating research and publishing results. Staff takes part in all activities.

ASUNM Jenna Hagenruber provided comments on behalf of the undergraduate students at UNM. Ms. Hagenruber presented a joint statement provided by ASUNM and GPSA regarding a tuition increase. ASUNM and GPSA have tried to be transparent about any increases for students. The increase for the institutional bonds was presented, vetted, and discussed with students beginning in May 2015. They feel confident they have the backing of both student body populations on the increase in fees for institutional bonds. For a tuition increase, Ms. Hagenruber is wary as it is hard to put a financial burden on students when they are paying so much. However, when students are in support of a tuition increase that is when you know it is a sad day for the University and the financial situation. Ms. Hagenruber stated that she is in complete support of a tuition increase; however she would qualify if undergraduates are to support an

increase it is below a 3% increase. The biggest concern she has is the lack of time to vet it through her constituents, which is due to timing and not to blame on anyone. Ms. Hagengruber spoke with the ASUNM Joint Council comprising 11 students of all different areas/backgrounds and they are in support of a tuition increase as they do not want to potentially lose services for students.

GPSA Texanna Martin provided comments on behalf of the graduate and professional students at UNM. Ms. Martin stated the financial hardship the University is facing impacts all members of the community. There are currently 5,701 graduate and professional students enrolled at UNM. Many of these students are teaching classes, assisting departments, and working on research that benefits the University. One of the most fundamental features of a thriving top tier research university is the engagement of the graduate population. Many students choose UNM because of the faculty and scholarship/research opportunities, rather than the price of tuition and fees. Assistantships are one of the most important resources provided to graduate students and play a strong role in recruitment. Without a tuition increase departments will be required to weather another round of financial cuts, which will likely lead to the decrease in amount of funds for assistantships. Martin advocated for graduate students, assistantships, and student employment overall. By advocating for protecting graduate funding resources, such as assistantships, means that graduate students support a tuition increase.

President Frank stated that the University will protect graduate assistantships.

Deans Council Provost Chaouki Abdallah spoke on behalf of the Deans Council and stated that they have not had a chance to meet. A few deans sit on the Budget Leadership Team. While no one is pleased with the cuts and sacrifices, they are all trying to pull together and make sure the budget session ends on a happy note.

Public Comment There were no comments from the public.

APPROVAL OF 2016-17 TUITION AND FEE RATES

Regent President Doughty requested Andrew Cullen approach the podium to address this item. Mr. Cullen restated the proposal before the Regents: to increase tuition by 3%, increase fees 10.43%, an amount that would cover the debt service association with the 2016 bonds. Both of those increases would result in a tuition and fee increase for a student taking 15 credit-hours of 4.68%. The necessary cuts, the contribution from the Health Sciences Center, fixed cost increases, academic priorities, and the debt service have been presented. Included are the overall reductions of student activity fees as recommended earlier by the students.

Regent Doughty asked if the 10.43% increase in mandatory student fees is the exact amount the students have agreed upon. Mr. Cullen confirmed that yes, this is the amount to cover the 2016 bonds that were already approved. Mr. Cullen clarified the student activity fee addressed earlier by the student leaders will not be increased and the funding reductions the student leaders presented in their recommendation is response to and in line with what the University is seeing overall in reduced fee revenues.

Regent Lee said she is not comfortable with a 3% tuition increase, or with any tuition increase; however she understands we are in some very difficult times as a university and as an institution. She expressed concerns about inefficiencies, and said she believes other efficiencies can be found and is encouraged there are meetings planned to address this. Three percent is the cap; what would happen if it was a 2.5% tuition increase? Mr. Cullen added that to address a 2.5% increase as opposed to 3%, the cuts in administration and academic affairs would have to go up by \$500K. Mr. Cullen said that for a 0.5% tuition difference, that's about \$26 per year impact to the student.

President Frank said that they can live with 2.5% tuition increase if that is what Regents can live with. Regent Lee said she preferred 2.5% over 3%.

Regent Hosmer said it is fair to look at the cost of higher education in all states as share between the populace as a whole, through taxes and the state budget, and those who benefit directly as students.

When the legislature went forward to reduce the contribution by the State, one could say that is directly an expectation that the students will increase their share. To understand how much the impact really is, Regent Hosmer inquired to Mr. Cullen what portion of undergraduates actually pay the sticker price. Dr. Babbitt responded that about half of the students pay the full price. And for those who do not pay the sticker price, they pay on average about \$1,400. And if tuition were increased 3%, those students who do not pay full sticker price and receive aid would see about a 1% increase.

Regent Doughty commented over the last 15 years UNM has increased tuition over 150% and added that since he became a Regent he made it clear he was adamantly against tuition increases. Last year's tuition plan had an incentive of the eighth semester free if students graduate in 4 years, along with that was a 3% per year cap to tuition increases. Regent Doughty said the Budget Leadership Team has done an outstanding job making cuts and pulling the belt as tight as it would go, and it is not prudent to cut anymore. Regent Doughty said as a result he would change his stance on the tuition and agree to a 2.5% increase to keep it below the cap of 3%. This is a one-time deal and not a systemic problem. Oil prices are going back up and hopefully next year there will not be similar cuts as this year's 2.4% cut from the State.

Regent Lee added that her position would be very different if the students had not expressed they realized the unique situation that the University is facing at this time and be willing to shoulder some of that burden with the rest of the institution.

Student Regent Berryman commented last year there was approximately a \$3.6 million shortfall and a 3% tuition increase to cover that, and this year with an \$8-10 million shortfall and to only be talking about a 2.5% increase is fair and shows everyone has done everything they can to reduce the budget as best they can. It also shows the University working together on a number of different levels. And with a 0% increase, resources that students currently benefit from would be lost. Student Regent said he also supported a 2.5% tuition increase.

Regent Lee moved to approve a tuition increase of 2.5%. Student Regent Berryman seconded and requested to add a friendly amendment that Regents also approve the 10.43% fee increase for the new buildings on campus. Regent Lee accepted the friendly amendment.

During discussion, David Harris commented his concern of a triple-hit impact on the athletics program, including the reduction the legislature imposed on their appropriation, the impact of the tuition they will have to absorb, the \$120K reduction in student activity fee allocation. EVP Harris asked if the Regents would be receptive to considering administration proposal to at least cover the reduction in student fees. Regent Doughty said that was prudent and acceptable. EVP Harris also commented his concern regarding the impacts of health insurance to faculty and staff, and hoped that as the budget is cobbled together, if a one-time compensation could be made to help offset the impacts of the health insurance increases. The amount would depend upon the availability of funds. Regent Doughty agreed it was a good idea and said this has been done in the past and inquired if this would be a one-time payment. EVP Harris confirmed and said it may not be a great deal of money, but at least it would show some compassion.

Regent Hosmer said he would support the 2.5% tuition increase as the least bad solution. The impact of the overall budget situation on the faculty is much to be regretted. The University is exposed to hostile recruiting of the most talented faculty and has stopped the progress that was underway of building a stronger and more prominent faculty, and hopes this will get back on track as soon as possible. Regent Hosmer said he would go so far as to support a 5% tuition increase with intent to share the grief between the students and faculty.

The motion to approve a 2.5% Tuition increase along with a 10.43% fee increase to cover the debt service passed by unanimous vote with 4 members present and voting (1st Lee; 2nd Berryman).

Regent Doughty reiterated instruction that Andrew Cullen would look into funds for athletics and one-time compensation to faculty and staff to off-set cost of health insurance increases.

Andrew Cullen confirmed there are no requests for differential tuition.

VOTE TO ADJOURN

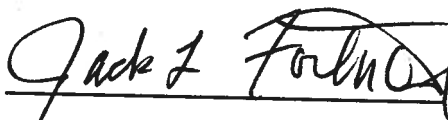
The motion to adjourn the meeting passed unanimously (1st Lee, 2nd Berryman). The meeting adjourned at 2:07 PM.

Approved:

Attest:



Robert M. Doughty III, President



Jack L. Fortner, Secretary/Treasurer