

## **11. Units with deficit balances and associated deficit reduction plans:**

The attached report (page 2-3) describes Academic Affairs' FY18 Categorization of Reserves and details major deficits and reduction plans currently within Academic Affairs. Other minor deficits have been identified and will be managed by reducing current year operating budgets.

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**TO:** Craig White, Interim Provost and EVP for Academic Affairs  
**FROM:** Nicole Dopson, Director of Financial Operations for Academic Affairs  
**DATE:** 9/13/17  
**SUBJECT:** **FY18 UAP 7000 Categorization of Reserves**

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In the current fiscal year (FY18), Academic Affairs carried forward a reserve balance of \$54,549,678 for all unrestricted funds. Overall, the net change from FY17 to FY18 was a (\$5,204,482) decrease, which amounts to an 8.7% decrease in reserves. This decrease was primarily due to the use of reserves in the following funds:

- **I&G (\$2,492,273):** Many of the academic units decreased reserves, with the College of Arts and Sciences having the largest decrease of \$1.5M and the Provost Units decreased by \$887.5K which was due to the distribution of the equity funding received in FY16, however not distributed until FY17. Additional positive reserves came from the College of Education and Extended Learning. A majority of the decrease in reserves was used to bridge the additional mid-year rescission in FY17, which amounted to \$1.3M. The total rescission for FY17 amounted to \$5.3M.
- **Research \$660,528:** The increase in reserves is primarily due to the increase in F&A for FY17, which amounted to approximately \$1M. The majority of the F&A distribution went to the College of Arts and Sciences and School of Engineering.
- **Public Service (\$1,048,437):** The decrease in reserves was primarily due to the UNM Press deficit increasing by \$722K and the FY17 pullback of reserves for the mid-year rescission in public service units by \$710K.
- **Student, Social, and Cultural, and Other (\$187,286):** The decrease in reserves was due to the pullback of reserves for the mid-year rescission.
- **Student Aid (\$1,846,866):** The decrease in reserves was due to Enrollment Management use of reserves for scholarships by \$2.2M.
- **Other (\$290,148):** Other includes auxiliaries and internal services. The reduction in reserves was due to the pullback of reserves for the mid-year rescission.

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### **Deficits-**

**UNM Press:** UNM Press increased its deficit by (\$722K), which brings its overall deficit to (\$7,110,832). The current recurring deficit varies from \$500K-\$700K depending on revenues from book sales, however for FY18 the budgeted shortage is \$600K. The Press has made progress reducing the recurring deficit by eliminating 5.25 FTE positions and reducing conference and travel expenses. In addition to the cost reductions, Interim President Abdallah has committed to subsidize the Press by \$350K for FY18. With the cost reductions and the subsidy the goal is to balance the Press's budget for FY18. Currently, there is discussion with the College of University Libraries and Learning Sciences to reorganize the Press under their leadership. This potential restructure could include outsourcing the warehouse and fulfillment operations of the Press to an external vendor, which will result in large cost savings. A final determination of the structure and leadership of the Press will be determined later this semester.

We are in the process of developing a realistic deficit reduction plan to address the (\$7.1M) deficit with executive leadership. In the interim, Academic Affairs has committed to pay down the deficit by at least \$70K per year beginning in FY18, until a long-term plan has been established.

**Continuing Education:** Continuing Education (CE) exceeded its deficit reduction plan by decreasing its deficit by \$370K, which brings its overall deficit down to (\$391,686). CE was able to make larger gains on the reduction of the deficit due to organizational changes to fiscal shared services and gains from state contracts. Given the current departure of the executive director of CE and the reduction of state contracts CE will continue to look for administrative efficiencies, while pursuing revenue opportunities to ultimately eliminate the deficit and become a fully self-sustaining unit.

**UNM West:** UNM West has been reorganized to the Health Science Center (HSC) to manage the building, while Academic Affairs manages the course offerings in order to serve the needs of the degree programs offered at UNM West. Due to this reorganization UNM West's deficit has been paid off and has a positive reserve balance of \$97,707, which will be utilized to for the curriculum needs of Academic Affairs to support degree programs offered at UNM West.

**Other Deficits:** Other minor deficits have been identified and will be managed by reducing current year operating budgets. Units with deficits that have exceeded \$10K and cannot be managed by reducing

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current year operating budgets have also been identified and will have a realistic deficit reduction plan in place if one has not already been established.

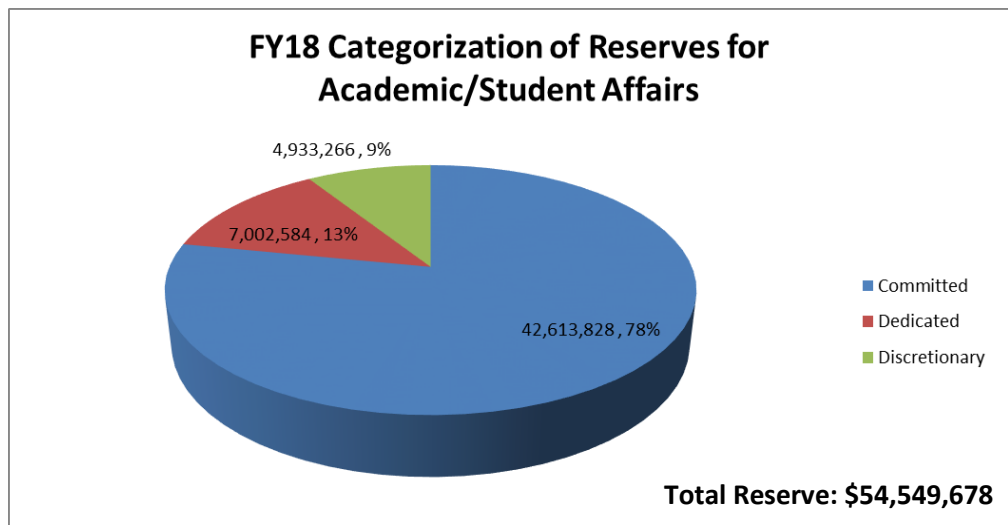
**Committed, Dedicated, and Discretionary Reserves-**

Below are the details of how the units categorized their reserves for FY18 according to policy UAP 7000, section 2. Of the \$54.5M unrestricted reserves, \$42.6M has been categorized as committed and \$7M as dedicated, leaving a net discretionary reserve of \$4.9M, which is approximately 9% of total unrestricted reserves.

**Provost and Executive Vice President for Academic/Student Affairs**

	I&G	Research	Public Service	Student /Social Cultural	Student Aid	Other*	Total
FY17 Ending Reserve Balance	13,379,634	20,942,565	4,889,220	1,409,524	13,181,514	747,221	54,549,678
Total Committed	3,962,898	9,151,373	10,429,662	455,273	18,411,832	202,789	42,613,828
Total Department Dedicated	4,250,512	6,926,017	545,210	406,600	(5,254,682)	128,926	7,002,584
<b>Net Discretionary Reserves</b>	<b>5,166,224</b>	<b>4,865,175</b>	<b>(6,085,652)</b>	<b>547,650</b>	<b>24,364</b>	<b>415,505</b>	<b>4,933,266</b>

*\*Other includes Auxiliaries and Internal Services*



**Committed:** A majority of reserve balances are categorized as commitments, which amounts to 78% of the Academic Affairs reserve balances. These commitments consist of donor-designated funds in endowments and gift accounts; special dedicated state appropriations; faculty startup packages and bridge funding not yet spent; legally promised cost shares for contracts/grants; committed professional service

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contracts and purchasing orders; funding set aside for student/course fees and funding set aside for future student scholarships and financial aid.

**Dedicated:** Reserve balances categorized as dedicated amounts to 13% of the Academic Affairs reserve balances, which include funding set aside for academic initiatives, funding for deficit reduction plans, equipment, and operating expenses.

Academic/Student Affairs	Ending Balance	Committed	Dedicated	Net Discretionary
UNM West	97,707	1,696	-	<b>96,011</b>
Provost Administrative Units	(1,320,402)	3,197,152	1,975,429	<b>(6,492,984)</b>
University College	87,212	80,951	2,249	<b>4,011</b>
VP for Equity & Inclusion	105,841	55,455	31,842	<b>18,544</b>
VP Division of Enrollment Mgmt	763,999	5,932,436	(5,168,630)	<b>193</b>
College of Fine Arts	3,064,120	2,487,649	267,873	<b>308,598</b>
College of Arts & Sciences	15,267,543	9,811,886	1,946,061	<b>3,509,596</b>
Anderson Schools of Management	2,653,023	2,355,307	297,579	<b>137</b>
College of Education	4,491,011	1,460,345	976,459	<b>2,054,207</b>
School of Engineering	10,445,032	7,754,999	1,033,128	<b>1,656,906</b>
School of Law	5,096,650	4,150,307	688,655	<b>257,689</b>
School of Architecture & Planning	1,775,320	1,484,597	73,671	<b>217,052</b>
College of Univ Libry & Learning Sci	1,048,696	716,029	328,607	<b>4,060</b>
Continuing Education	(391,686)	27,603	(97,782)	<b>(321,507)</b>
Extended University	3,109,292	262,591	900,473	<b>1,946,228</b>
VP for Research	5,543,614	1,365,112	3,234,056	<b>944,446</b>
Academic Affairs Monitoring	(319,461)	-	(385,994)	<b>66,533</b>
Honors College	210,683	162,489	6,521	<b>41,672</b>
VP Student Affairs	2,821,484	1,307,223	892,385	<b>621,876</b>
<b>Total</b>	<b>54,549,678</b>	<b>42,613,828</b>	<b>7,002,584</b>	<b>4,933,267</b>

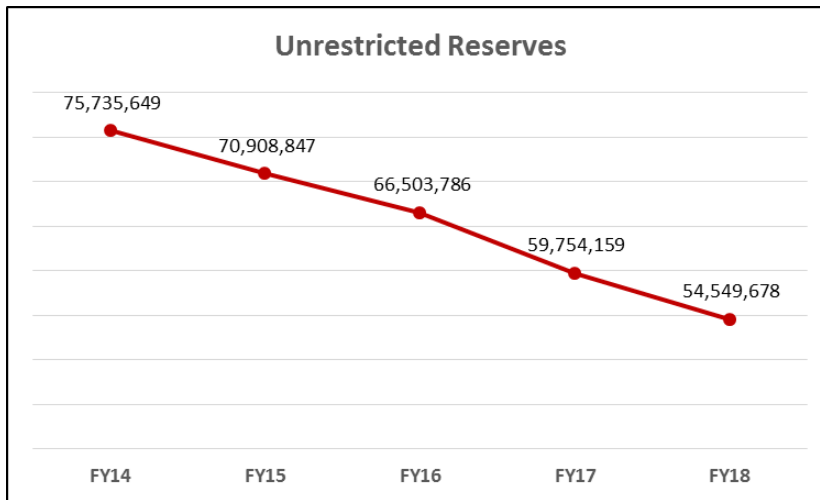
**Plant Fund Reserves-**

The categorization of reserves system only categorizes unrestricted reserves, however this year we reviewed and categorized plant fund reserves. In Academic Affairs reserve balances amounted to approximately \$6.4M, of this total \$3.4M are committed and \$1.9M dedicated leaving a discretionary reserve of about \$1M. The commitments and dedications will primarily be used for capital projects, equipment renewals and replacements, and lab renovations.

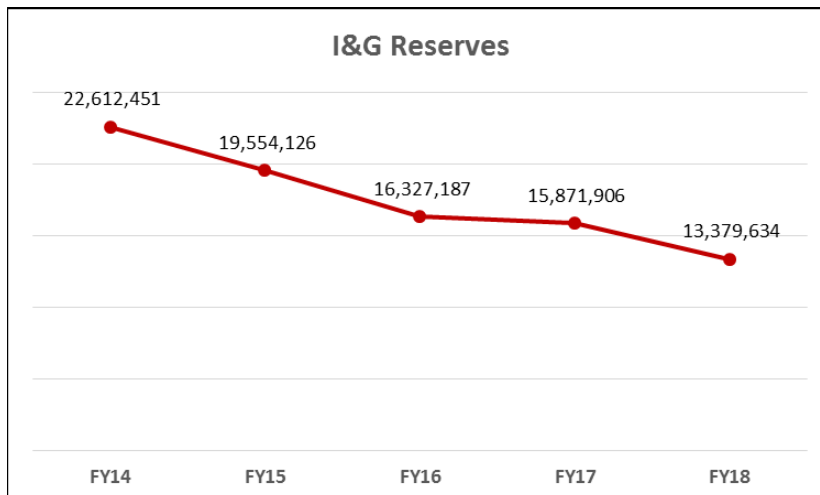
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**Reserve Trends-**

Academic Affairs reserve balances continue to decline, as noted in the chart below. Since FY14 unrestricted reserve balances have declined by approximately \$21.2M, which is a 28% decrease in reserves. Over the last four fiscal years the average decline in reserves amounts to about \$5.3M per year.



Academic Affairs I&G reserve balances also continue to decline, as noted in the chart below. Since FY14 I&G reserve balances have declined by approximately \$9.2M, which is a 41% decrease in reserves. Over the last four fiscal years the average decline in reserves amounts to about \$2.3M per year.

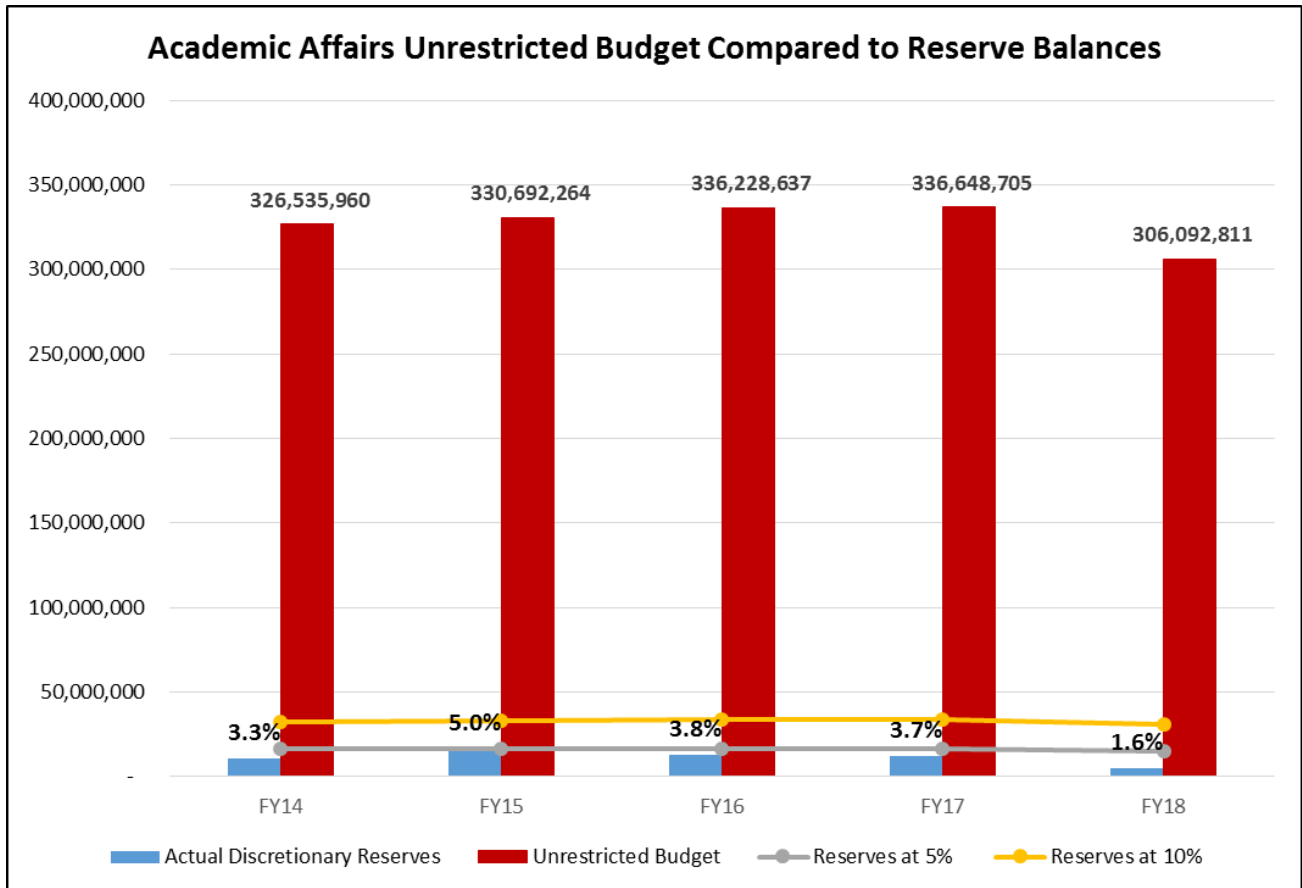


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**Key Points to Reference-**

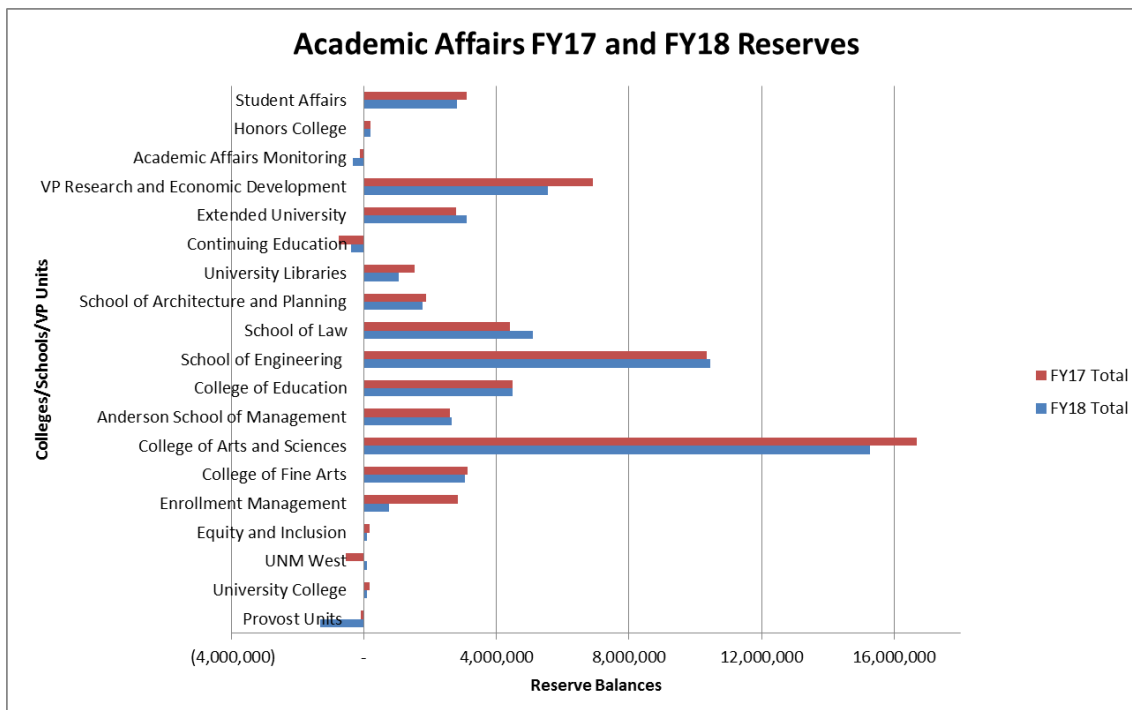
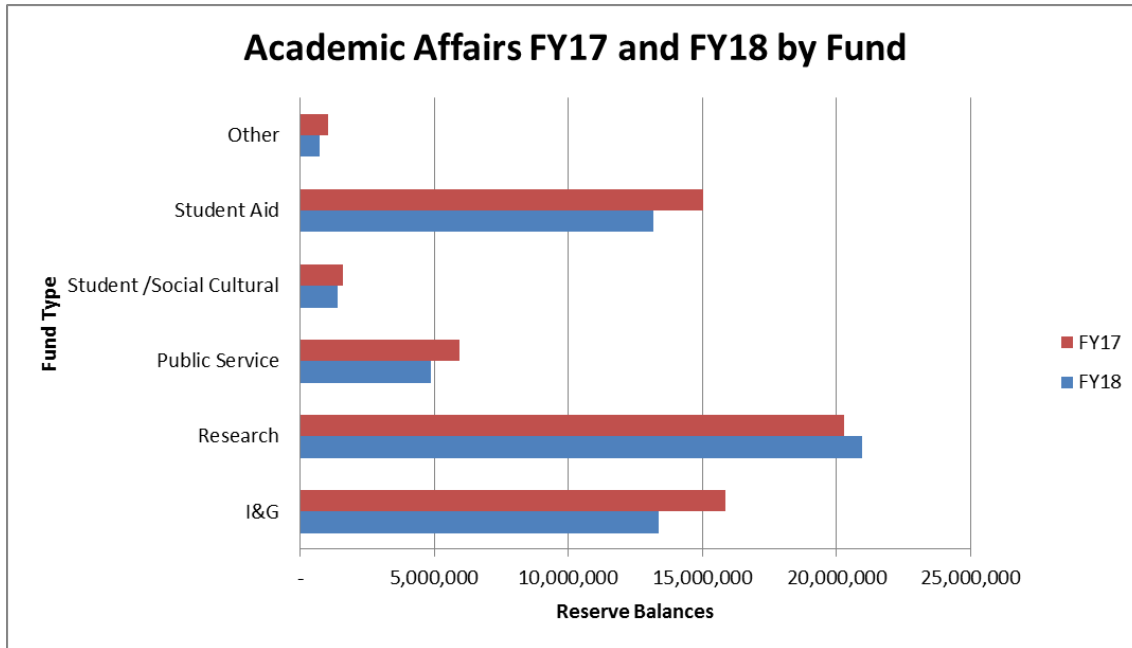
Please note the following key points below and see attached additional charts:

1. Total unrestricted discretionary reserves of \$4.9M amounts to 1.6% of the total FY18 unrestricted budget of \$306M.
2. Total I&G discretionary reserves of \$5.2M amounts to 2.7% of the total FY18 I&G budget of \$189M (includes I&G allocation, differential tuition, and course fees).
3. Total unrestricted reserves (less commitments) of \$11.9M amounts to 3.9% of the total FY18 unrestricted budget of \$306M.
4. Total reserves decreased by 8.7% from FY17 to FY18, which amounts to \$5.2M.
5. Since FY14 I&G reserves has decreased by 41%, which amounts to \$9.2M.
6. Since FY14 total unrestricted reserves has decreased by 28%, which amounts to \$21.2M.



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**Total Unrestricted Reserves Net Change:**





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**Total Unrestricted Reserves by Unit:**

	I&G	Research	Public Service	Student /Social Cultural	Student Aid	Other	FY18 Total	FY17 Total	Net Change
Provost Units	3,425,334	405,690	(6,062,361)	7,830	838,412	64,694	<b>(1,320,402)</b>	(74,944)	<b>(1,245,458)</b>
University College	3,795	2,456	39,182	2	41,776	-	<b>87,212</b>	169,066	<b>(81,854)</b>
UNM West	97,707	-	-	-	-	-	<b>97,707</b>	(552,590)	<b>650,297</b>
Equity and Inclusion	82,984	358	(5,048)	27,547	-	-	<b>105,841</b>	167,116	<b>(61,276)</b>
Enrollment Management	216,620	-	365,108	-	176,392	5,880	<b>763,999</b>	2,843,203	<b>(2,079,204)</b>
College of Fine Arts	754,193	19,808	1,023,496	187,828	1,017,682	61,112	<b>3,064,120</b>	3,130,534	<b>(66,415)</b>
College of Arts and Sciences	1,017,127	7,900,543	2,851,806	-	3,287,649	210,417	<b>15,267,543</b>	16,676,991	<b>(1,409,448)</b>
Anderson School of Management	601,456	171,306	462,801	-	1,417,460	-	<b>2,653,023</b>	2,608,607	<b>44,416</b>
College of Education	2,385,711	863,958	476,223	-	765,119	-	<b>4,491,011</b>	4,477,062	<b>13,949</b>
School of Engineering	1,234,496	5,697,296	1,632,909	(4)	1,875,642	4,692	<b>10,445,032</b>	10,350,498	<b>94,534</b>
School of Law	650,278	454,480	2,224,385	91,824	1,674,971	712	<b>5,096,650</b>	4,418,895	<b>677,755</b>
School of Architecture and Planning	166,745	146,989	432,985	-	1,028,601	-	<b>1,775,320</b>	1,878,151	<b>(102,831)</b>
University Libraries	405,824	2,929	389,542	-	250,402	-	<b>1,048,696</b>	1,531,274	<b>(482,578)</b>
Continuing Education	(1,242,478)	761,910	6,510	-	119,159	(36,787)	<b>(391,686)</b>	(761,982)	<b>370,295</b>
Extended University	3,081,783	8,699	-	-	-	18,810	<b>3,109,292</b>	2,782,727	<b>326,565</b>
VP Research and Economic Development	25,098	4,128,960	1,071,238	24,718	132,400	161,200	<b>5,543,614</b>	6,922,953	<b>(1,379,339)</b>
Academic Affairs Monitoring	66,533	-	(385,994)	-	-	-	<b>(319,461)</b>	(117,337)	<b>(202,124)</b>
Honors College	32,212	29,421	20,014	-	129,035	-	<b>210,683</b>	192,653	<b>18,030</b>
Student Affairs	374,215	347,761	346,424	1,069,779	426,814	256,491	<b>2,821,484</b>	3,111,281	<b>(289,797)</b>
<b>Total Reserves</b>	<b>13,379,634</b>	<b>20,942,565</b>	<b>4,889,221</b>	<b>1,409,524</b>	<b>13,181,514</b>	<b>747,221</b>	<b>54,549,678</b>	<b>59,754,160</b>	<b>(5,204,482)</b>