October 28, 2026 Meeting notes:

- **FY26 Financial Performance:** Stacey reviewed FY25–FY26 tuition, waivers, net revenue, and general-fund expenditures, explaining that FY26 net tuition declined despite higher gross tuition while expenditures finished slightly below budget.
    - **Net Tuition Results:** FY25 actual tuition and fees were approximately $105.8 million, with $31.0 million in waivers and scholarships and $74.8 million in net tuition. FY26 tuition and fees increased slightly to approximately $106.0 million, but waivers and scholarships rose to $31.9 million, reducing net tuition to $74.1 million—a decline of about $740,000.
    - **Budget Variance:** Compared with the FY26 budget, tuition and fee revenue was about $930,000 lower and waivers and scholarships were about $1.94 million higher, producing an unfavorable net tuition variance of approximately $2.87 million. Stacey explained that the university budgeted based on enrollment and discounting assumptions that did not fully materialize.
    - **Expenditure Results:** The general fund budgeted approximately $161.3 million in expenditures and spent about $160.8 million, creating $545,000 in savings. Labor and benefits were each below budget, while operating expenses exceeded budget.
    - **Expense Composition:** Labor represented approximately 88.6% of FY26 general-fund expenditures, while operating expenses represented about 9.2% and transfers about 2.2%. Stacey used this composition to explain that relatively little of the general fund is discretionary operating spending.
- **Unfunded Labor Obligations:** Stacey explained that mandated pay-plan, benefits, merit, promotion, and inversion costs for FY26–FY27 exceed state support and projected net tuition growth, creating a substantial funding gap for the university.
    - **Two-Year Labor Costs:** For FY26 and FY27, total labor increases were presented as approximately $13 million, including about $12 million in pay-plan and benefits increases and $1 million required for faculty merits, inversions, and promotions.
    - **State Funding Share:** The state was expected to provide approximately $6.9 million toward the two-year labor increases, leaving roughly $6.0 million for the university to fund.
    - **Tuition Growth Gap:** FY27 budgeted net tuition growth was approximately $2.7 million compared with FY26 actual net tuition. After applying that growth to the unfunded labor obligation, the remaining gap was approximately $3.3 million.
    - **Carryforward Shortfall:** The FY26 net tuition shortfall, partially offset by expenditure savings, produced a carryforward deficit of approximately $2.3 million. Combined with the FY27 funding gap, the projected shortfall was approximately $5.6 million before reductions and other adjustments.
- **Budget Reductions And Deficit Balancing:** The university reduced unit budgets to address the projected shortfall, but approximately $3.3 million remained unfunded; Stacey also described how non-general-fund balances were used to balance the prior-year deficit.
    - **Unit Reductions:** Vice presidents established reductions totaling approximately $2.3 million, which departments were asked to identify and implement. After

those reductions, the projected combined shortfall decreased from approximately $5.6 million to about $3.3 million.
    - **Athletics Loan Adjustment:** In response to a question about a transfer associated with the President, Stacey explained that the amount represented an internal loan to athletics. The university re-amortized the loan and reduced the payment to itself by roughly $250,000, an accounting adjustment that reduced the apparent deficit but did not create new revenue or spending.
    - **FY26 Deficit Funding:** Because the general fund must balance, the university used approximately $1.76 million from the grant-and-contract leave pool, Gilkey building funds, and land-grant revenue to cover the FY26 deficit. Stacey noted that declining balances under the university's control make future balancing more difficult.
    - **Nature Of The Deficit:** Stacey clarified that the prior-year deficit resulted from insufficient revenue rather than general-fund overspending. The university had spent most of its available budget but did not collect enough net tuition revenue to meet obligations.
- **State Appropriation Constraints:** Stacey reviewed the growth and restrictions of state appropriations, explaining that much of the FY26 increase was committed to specific purposes or replaced expiring external funding rather than creating unrestricted capacity.
    - **Allocation History:** The FY27 budgeted state allocation was approximately $86.1 million, an increase of about $2.0 million from FY26 and about 45.9% above the 2018 allocation. Stacey stressed that increases in state appropriations only cover about half of the mandated pay increases.
    - **Restricted Uses:** Of the approximately $13.6 million FY26 state revenue increase, about $12.9 million was allocated to specified purposes, leaving roughly $700,000 as contingency. Allocations included pay escalations, athletics, insurance, centralized advising, doctoral scholarships and stipends, dual-enrollment support, enrollment, financial aid positions, strategy and community relations, Provost pay initiatives, club sports, and sign-language interpreters.
    - **Temporary Funding Becoming Base Costs:** Stacey explained that the state or OCHE may fund initiatives for only one or several years, after which the university must absorb them in its base budget. Central advising, doctoral scholarships and stipends, and the 1 2 Free dual-enrollment classes were cited as examples.
    - **Athletics And Insurance:** The FY26 allocation included approximately $3.29 million for athletics and $3 million to restore liability and property insurance costs after a temporary state funding holiday ended.
- **Enrollment Mix And Tuition Strategy:** The committee discussed the university's strategy of increasing enrollment through WUE, dual enrollment, and other lower-price categories, which raised headcount but reduced average tuition collected per student.
    - **Fall FY27 Results:** Fall FY27 tuition and fee revenue was approximately $79,000 below budget, while waivers and scholarships were about $222,000 above budget, resulting in net tuition approximately $302,000 below budget. Stacey characterized the variance as relatively close but cautioned that spring results could also be below budget because spring planning is based on fall performance.

    - **Headcount Versus Revenue:** Fall headcount increased from 10,917 students to 11,282, but average tuition collected declined from approximately $4,332 to $4,242 per student. The result is supporting more students with less revenue per student.
    - **WUE And Lower-Price Groups:** Stacey explained that WUE allows eligible students from western states to attend at 150% of the resident rate, which is lower than the standard nonresident rate. Dual enrollment and partnership programs also generate significantly less tuition. The committee requested more detail on the headcount and total value of each waiver or pricing group.
    - **Data Limitations:** Stacey said tuition is recorded as revenue while waivers are recorded as expenses, making subgroup analysis more difficult. Finance reports use dates rather than the term codes used in enrollment systems, so exact matching of students, waivers, and terms is not currently available, but can be created. The team agreed that information on the shift from nonresident enrollment to WUE was available.
    - **Grizzly Promise:** In response to a question, Stacey said Grizzly Promise funding is supported through the foundation and therefore is not included in the unfunded-waiver figures shown in the tuition analysis.
- **FY28 Budget Planning:** Stacey outlined FY28 planning assumptions, including compensation and insurance increases, uncertain state funding, scenario planning, and a revised process requiring departments to account for mandatory costs before proposing additions.
    - **Known Cost Increases:** Departments were asked to plan for a pay-plan increase of $0.75 per hour or 1.8% per employee, whichever is greater, and employer health-insurance increases of 7% in the 2028 and 2029 plan years. These costs are significant because labor represents more than 90% of current net general-fund spending.
    - **Unbudgeted Payments:** The university learned after submitting budgets that negotiations could produce a one-time payment of $1,000 per employee during FY27. A possible retroactive 5% increase in the employer health-insurance contribution was also discussed. Neither item was included in current budgets.
    - **Scenario Planning:** Because the university may not know its state contribution until as late as May, departments were instructed to prepare scenarios showing what they would cut if necessary and what they would add if resources became available. Stacey emphasized that these discussions do not guarantee additional funding or determine final cuts.
    - **Department Responsibility:** Unlike prior years, the budget office will not calculate the initial pay-plan impact centrally. Departments must calculate pay-plan and health-insurance increases themselves so they understand the mandatory costs that must be included before proposing new spending.
    - .
- **State Funding Allocation Formula:** The committee examined how OCHE distributes state support and compared UM with MSU, with Stacey explaining that resident FTE-based metrics and system policy—not individual campus requests—drive much of the allocation.

    - **Allocation Metric:** Stacey identified state support per resident FTE as a key metric used in the allocation process. UM's FY27 figure was approximately $15,000 per resident FTE, compared with approximately $14,000 for MSU.
    - **Scale Difference:** Although UM received more state support per resident FTE, MSU had a substantially larger base allocation and nearly $200 million in net tuition revenue compared with UM's approximately $74 million. Stacey explained that the formula can therefore produce larger total support for MSU despite the per-student comparison.
    - **OCHE Discretion:** In response to a question, Stacey said the state provides funding to OCHE, which has discretion within its allocation model. They stated that OCHE describes the model as using factors such as three-year resident FTE averages.
    - **Institutional Focus:** Stacey directed attention toward factors UM can control, including attracting students, improving the student experience, providing strong programs, and managing housing, dining, and educational quality, rather than assuming additional state funding will solve the budget gap.
- **Shared Governance And Committee Process:** Stacey clarified that the committee is an advisory body supporting accreditation-related shared governance and described how departments and vice presidents will present budget scenarios for committee prioritization.
    - **Advisory Role:** The committee is an advisory committee rather than a decision-making board. General-fund departments will present potential reductions and possible investments, and committee members will help prioritize them while recognizing that final funding and reduction decisions remain uncertain.
    - **Accreditation Requirement:** Stacey said the process is intended to demonstrate shared governance required for accreditation. The committee's discussion itself does not guarantee that a proposed increase or reduction will be implemented.
    - **VP Presentations:** This year, the vice presidents will be asked to directly explain what they want to increase and what they believe can be reduced in their areas, rather than having the budget office translate those priorities.
    - **Program Requests:** A question about new academic programs was directed to the Provost because the Provost's office controls how its allocated budget is used for new initiatives. Neither the budget office or the budget committee directly determines those allocations.
- **Budget Transparency And Communication:** The committee confirmed that meetings and materials are public and established Teams, SharePoint, website, and reporting resources for distributing budget information and answering questions.
    - **Public Information:** Stacey confirmed that budget committee meetings are public and that members may share the meeting's information and printed materials with colleagues. Required agendas, minutes, and other public records will remain available on the public website.
    - **Finance Reporting:** Members can request the daily tuition report and can use Banner Finance Self-Service to review spending, drill into transactions, and see where funds are used.
    - **Teams And SharePoint:** The budget committee Teams channel will hold meeting-related agendas, minutes, and materials, while the broader Business

Operations and Finance team and its SharePoint site will hold internal policies, forms, guidance, and operational information. Members were instructed how to search for and join the public Business Operations and Finance team and follow relevant channels.

- **Centralized Questions:** Stacey encouraged members to post questions in the Teams discussion area so answers are visible to the full group and the same question does not need to be answered repeatedly. Members were asked to report missing information or resources so the team can add them.