# General Faculty Meeting
# 4-10-2014
# *Woodward Hall*
# *3:30pm -*

Tim Lowrey opens the meeting.

**Tim Lowrey**: We have a limited amount of time this afternoon and we are going to try and end at five o'clock. There will be people coming in. So, we do want to get started. Good afternoon, I am Tim Lowrey, chair on the Committee on Governance and welcome to the General Faculty Meeting. And this meeting is to discuss the issues concerning the FY 14/15 UNM budget and its impact on faculty and staff's salaries and health benefits. And I appreciate the faculty, the staff, and any interested members of the community taking time out of your day to come here for this meeting. Or, if you are listening in, to take the time to do that. This meeting has been called by UNM President Robert Frank, and this is provided for in the UNM constitution. And under the constitution the Committee on Governance is tasked with setting the agenda. The UNM president is tasked with presiding at the meeting. And before I talk about the rules I want to introduce the members of the Committee on Governance. Dr. Jacqueline Hood, Dr. William Croft, Douglas Fields, and Dr. Elizabeth Noll. They are sitting in the front. I also need to thank the Office of the University Secretary, because without their efforts this meeting would not have happened. They have been working through the weekend to make this happen. We also want to thank Professor Emirates Beulah Woodfin who is our parliamentarian. (*applause*) Beulah has been retired for some time, as many of you know, and she continues to come back and provide service, as many of our staff and faculty retires do. So we really appreciate that she has agreed to do this. I also want to thank Monica Serino for dismissing her class fifteen minutes early so that we could set this up, so she assured me the students were not going to suffer. So, in order to run this as an efficient meeting, as well as adhere to the faculty constitution, I need to mention a few rules that will govern the operation of the meeting. As delineated in the faculty handbook the meeting will be run under parliamentary procedures accord to the Robert's Rules of Order, and that is why we have Dr. Woodfin. As I just mentioned, we will have the services of Dr. Woodfin, and any questions on procedure will be directed to Dr. Woodfin. Under our constitution only members of the voting faculty have the right to address the meeting, although faculty members may delegate their slots to someone of their choosing whether they are faculty or not. So if any staff would like to speak they will have to be allocated the time slot by a faculty member. And this is an important point. Although we have invited the staff and community members, and we are so grateful that you are here, we do have to follow the rules. Please limit your questions to two minutes, if possible. The handbook provides for five minutes but we want to have as many people as possible to have the opportunity to speak. Dr. Betsy Noll will be the time keeper and will keep you in line. And each speaker on the agenda will be notified when they have two minutes remaining, and they are allotted ten minutes. And speakers from the floor will be notified if they are in danger of exceeding their two minutes. President Frank wishes to make an opening statement, but under Roberts Rules the presiding officer must turn over their role to another person who in this case is Provost Abdallah. And after he makes his statement he will then resume his role as presiding officer. Finally, for the faculty on the floor, when recognized to speak by the presiding office, please state that you are a voting faculty member and also provide your name, and then you may speak or delegate your time slot. We have four microphones set up. Two down here and two at the center at the end. So this is intended as an informational meeting, no motions or resolutions will be offered by us, the Committee on Governance, and none are anticipated from the floor. So I am pleased to introduce President Frank, who will act as the presiding officer of this meeting.

(*applause*)

Yes?

**Voice from Audience**: Can someone make a motion to change the rules for this meeting to allow staff to speak without asking for permission from a faculty member?

**Dr. Woodfin**: A motion to suspend the rules (*no microphone*)….but only if the voting faculty can vote to make that change.

**Voice from Audience**: Can I made that motion?

**Tim Lowrey**: You certainly may.

(*motion is made*)

**Tim Lowrey**: Ok, and please, this is the honor system, all those voting faculty please raise your hand in favor. Opposed? It's carried. So, anyone can be recognized.

**President Frank**: It is a pleasure to have you all here today. I think the last time I was in this room was as a psychology teaching assistant and I was nervous, and I am a little nervous today actually, so, all things come around in life. Anyway it is a pleasure to see you all and I look forward to our conversation this afternoon and I hope today we can lay out a bit of what we have been working on so I look forward to some of the things that we are trying to do as a university to lay the framework for compensation for you for the future. This is my second year as president, the second year that we have had a raise for you. I want to say right up that I do not think the compensation we are giving you this year is as high as I had hoped it would be, but it is a raise and so I am pleased that we are giving you a raise. I am not pleased that on some of the other things are as great as they are but two years of raises is what I want to match this with future raises, and I do not believe the compensation for our faculty and staff is adequate. And myself, and my leadership team, is committed to increasing the compensation for our faculty and staff and we have gone to great ends this year to make that happen and as you will hear, as we talk today, the price we paid for it in this year's budget is enormous. We believe, however, that we made the right decisions even though they are at a high cost. Now, the budget picture this year is a tough picture. Even though the legislature and the governor have supported us we face in this state, just like in most states in the United States, a tough picture for higher education. You know, in the past years the resources were greater for higher education, and even though our cause is great, our cause is just, resources do not pour in for what we do. I do not know if we at UNM have done the best job of telling our story, and I believe we have to do a better job. That said, we got a pretty good amount of money this year. Now, in Santa Fe they look at our money as one pool of money, they do not break it out like we do. So they see a bonus of money coming into us. We need to do a better job of telling about all the different parts of our enterprise, so they don't see it as the Health Science Center, the main campus, athletics, they see it as one bonus of money coming to us. Some of that is our problem, I do not think we have educated them as well as we can. Mark Sevedra, and his team of government relations people did a fantastic job of bringing a lot of money to us, and when Andrew talks you will see just how much money came to us. That said, we are a big place, we need a lot of money to give raises and Andrew is going to tell you a very positive story about how much money came. But as you will hear, we need a lot of money to give the raises we need to give, and I am going to let that story unfold in just a minute. But what I want to say is as this picture unfolds, it is a very complicated picture, we are going to work to give you raises and I am very proud of the raises you got. The three percent and the two and a half percent that, at the end of the day, we were able to give our staff, we are going to work next year to give you raises again. And that is going to be a goal. To do that this year we had to take out all of our initiative for our programs and that is something that is a really tough picture. We are going to have to change how we budget. We are going to have to do our budget conversations much earlier in the year. I met with the chairs and directors of Arts & Sciences and we had a good conversation on how we have to have a much, much clearer picture on where we are going with the budget earlier in the year, in the fall semester. Because we get to our budget pictures so late that everyone in Santa Fe has their mind made up of where the numbers as at and when we come up there, that late in the year, all those little budget numbers are fill in and they do not want to hear what we think because they have already made their minds up, justifiably. So we have to be able to come up to them earlier with our story about why we have needs. So, we are going to change how we do budgeting. I have already talked to the budget committee, and I met with them and said let's rethink this, let's move the calendar earlier. We have a good process but it has to move earlier. We have to get an earlier picture. Meet with the regents earlier, and have a better dialogue with the regents, and then we are all on the same page. Be that as it may, I think we can do a better job. We have some experts here who can present what has happened this year, why it has happened, what it means for you, and I am going to let each of them talk. Then we are going to have some dialogue about where we are at and you can ask some questions. They are the experts. And then I will get up and answer my part relating to what has happened. So let me get them up here and I will be back to answer questions. So let me bring up each of our experts. And I will take back the chair from our able Provost. Thank you. So next I take back the chair according to protocol. (*President Frank returns to his seat*) And now I am going to ask John Hatz to give a presentation on the proposed health benefits plan. John works for Gallagher Benefit Services and he has been our consultant during the health benefits changes.

**John Hatz**: Thank you. My name is John Hatz, and I am with Gallagher Benefits. Good afternoon, I am happy to be here. I am going to take you through the proposed design changes that got approved on Tuesday for the fiscal year 2015 fiscal plan. Just to add a little bit of background, the process for coming up with plan design changes starts well over a year in advance. So, we walked through many iterations on proposed plan design changes to try and find what is the best fit for the university and its population. We worked very closely with the HR and benefits staff to look at many scenarios. And what we have come up with, that you see on the screen, is for a couple of reasons. There are a couple of things coming up with health care reform that we have to think about in the future and we think moving the plan forward from where it is today will help mitigate future taxes imposed on the university. It is called an excise tax, coming up in 2018, and what that is, the university will be responsible for paying forty percent tax on benefits that cost an employee over ten thousand two hundred dollars. So, making these changes will help reduce that cost and help mitigate those taxes for the university in the future. Again, we want to offer a plan that is mitigating future health care trends which are much, much higher than economic trends. And the way you do this is you have to keep up with plan design changes and make these changes or the plan becomes financially unsustainable. So, that said, I will take you briefly through what these design changes are. So currently, the employee only has a two-hundred-dollar deductible and the change going forward with be six hundred dollars. We are moving from a three tiered system to a two tiered system so you can see that the employee, and spouse, is two times the individual, and the employee, and family, are three times. We are going to an employee only and an employee family deductible which for the family now is three times. There will be some changes in the out of pocket maximum as well. The employee only is going to go from seventeen fifty to twenty two fifty. We are removing the third tier again so it is going to be employee and family and there will be some relief on the employee and family that is actually lower than it is today. Currently the plan has a three tiered system. And tier one coinsurance is for all folks who go into the UNMH system in their medical group. Those will remain the same except we are introducing a new plan, alongside these plan design changes. Currently you have a Lovelace plan, a Presbyterian plan, and now we are introducing a University of New Mexico Health Plan. Now, the Lovelace plan will change slightly as that will now be administered through Blue Cross/Blue Shield health care system. The tier two coinsurance uses the Lovelace and Presbyterian networks. Those two insurances will move from twenty percent to twenty five percent, and tier two, in the UNM health plan, will go to thirty percent. There will be some mild adjustments to the copays. A five dollar increase across all current copays, including prescription drugs. There will be an added benefit this year where historically autism has not been covered will now currently be covered under the health plan. So that, in a nutshell, is what we are proposing. And going forward we will start the strategy for the next several years and are contemplating introducing a high deductible health plan in fiscal year 2016 with a qualified HSA account.

**President Frank**: Ok, what we thought we would do is to allow a few questions after each speaker from individuals who wanted to question the speakers by topic and then, after each speaker, come up and have general conversations across all speakers. One point that I wanted to make, that I did not make, is that we anticipate, with these changes in the health plan, we believe that we are going to stabilize our health care costs and we anticipate that unless there is incredible liability in our health plan that we do not anticipate remarkable changes in the next year, or so. We think these are the major changes we anticipate for the next year or two. So, we think the major change we have now made will give us stability in the health plan now. In addition, after John is done speaking, I would like Dr. Mike Richards to talk about plans we are implementing as well. So, maybe we should ask Mike to talk right now, before John takes questions. So, Mike, can you come up to the podium and talk about what your work group is going to do. We have commissioned a work group to work on some additional plans, so Mike, could you talk about what your work group is going to undertake?

**Dr. Mike Richards**: Yes, President Frank, and so I think that one of the things that we realize is that given that the university is not like other employers in that we own a healthcare delivery system which may create some new opportunities for us to look at other ways of designing healthcare plans in order to control costs, other than controlling consumption. Now, what we are really talking about is the concept of the patient centered medical home, and really trying to fulfill the expectations and aspirations of that kind of model. That kind of model is really about better disease management. It is about navigation through the healthcare delivery system. It is about creating care pathways so that when folks are consuming healthcare, that we put them in the right place at the right time to consume the ideal amount of healthcare. And it is also about better pharmaceutical management. Now, these kinds of programs are one way that you can start to lower healthcare costs, but an important part about this is that this really is not the model that was proposed in the 1980's around HMO's. That HMO model was really about turning the primary care physician into a gatekeeper and controlling healthcare costs by limiting access to healthcare. The philosophy, and what we now know, is that you can no use those patient centered home models, and these kinds of programs, to use your primary care physician, and the team around them, to really function as a quarterback. To help you to get the right kind of healthcare at the right time. And then you get cost savings because you are helping your members stay healthier, so they do not need to consume so much healthcare. So those are the kinds of programs we are going to start to explore with a multi-disciplinary team working very closely with the benefits office.

**President Frank**: So, roughly eighty percent of the healthcare is consumed by twenty percent of the consumers. So this is a way of controlling healthcare costs vary dramatically and what we are asking Vice President Harris and Chancellor Roth to work together. But of course Dr. Richards, who is the medical director for the Health Science Center, will be at the helm of this plan. I have asked them to come together and to give us an initial sense of what we can do by early July, and how this might come together to give us a plan that can offset costs around our utilization. So we think this could have an impact and help drive down costs next year. So that is how we think we will be able to control costs in the next year. I am not just idly saying we think we can control costs. We have a plan to control costs in the next year. So I just wanted you to know we are not just going to say "Oh, gee. We are going to do it." We actually have a mechanism to do it. This is the work group that is going to do it and they will work with John, and his team, on that process. That is the mechanism that is going to happen. And, so, we have a team in place to do this. In most healthcare organizations these teams are very effective at maintaining healthcare cost. Now, these are not healthcare Nazis. You have opportunities to participate, or not to participate. Most people find this quite beneficial in navigating the healthcare maze and they find this kind of healthcare very useful to them, so it is an optional healthcare process. Now, people who would like to question either Dr. Richards or John, this is the opportunity to ask questions about either of these processes. It would help if you would go to the microphone and address yourself. There is somebody up there. Would you address yourself?

**Kimberly Lopez, Spanish & Portuguese Department**: This is a very quick question. I see you use the words "deductible", you use the words "copayment", but the word "premium" does not appear anywhere and I was wondering if it is where it says "coinsurance". Are those increases in premiums? The premiums we pay on a monthly basis?

**John Hatz**: No, those are increases in coinsurance. The premiums are increasing slightly from what they currently are today.

**Kimberly Lopez**: So, Presbyterian is the one going with Blue Cross. And previously UNM was through Lovelace?

**John Hatz**: Lovelace is now going to be administered through Blue Cross/Blue Shield.

**President Frank**: Just for the record. If we had not done anything we think our premiums would have increased by about seven percent. Because we have done this we think our premiums are, I think, going to increase by about three percent. Is that correct, John?

**John Hatz**: Yes, that is correct.

(*audio cut out for first part of next speaker's question*)

…for people who are just themselves and their spouse. It is rather different if you are just on your own with your spouse, as it were, older folks, as opposed to people who have a lot of children. That seems like a huge increase when there are just two of you.

**John Hatz**: No, I don't know the answer to that. I'm sorry. Just by design this is a two tier plan.

**Dr. Mike Richards**: You know, President Frank, I can talk a little bit about this from health insurance in general with other employers, although I cannot speak to the specific decision that was made here. Here is what we do know. That employers that have self-funded plans, and about fifty five percent of all people who have commercial insurance have it through their employers. So, most people have these kinds of plans. One of the things that is very common is that there is a differential for the spouse. And one of the reasons for creating that differential for the spouse is because often time the spouse has access to other healthcare insurance. What you really do not want to have is one employer subsidizing another employee for another organization. So, the two mechanisms that often times that are done to deal with this are one, either creating a separate premium that would go on top of the individual for the spouse, or creating a much simpler plan that only has two tiers. Either the employee, or the employee family. So this, I think, really represents what is very, very common across self-employment plans in the United States.

**Scott Hughes, Law School:** Just one statement and then a question. You are raising the copay five dollars. This is doubling the copay on a generic prescription from five to ten dollars which is a lot for a person like me that has five, or six, generic prescriptions. That is not a small increase. It is a huge increase. And then secondly, I am totally clueless on what co-insurance means. If you could just take a few minutes and explain what co-insurance means.

**John Hatz**: Sure. So, co-insurance is the cost share of the service that is rendered between the plan and the subscribers. So, for example, in a pure co-insurance environment, if you go and have a service that costs, say, one hundred dollars, and you have twenty percent co-insurance. What you would be liable for is twenty dollars. You pay twenty percent of the cost of that service. And the plan would pay the remainder.

**Scott Hughes**: Is that after a copay?

John Hatz: That would be after the deductible. My example, I'm sorry, was just in a pure coinsurance environment. So, given this plan design you would pay the deductible, and then coinsurance would kick in after the deductible is met.

**Scott Hughes:** Then, if I have met my maximum would I than pay none?

**John Hatz:** That is correct. Once you reach the out of pocket maximum the plan itself takes on one hundred percent of the liability.

**Provost Abdallah**: If I may make one point. If you could correct me. The copay, right now, does it apply does it apply to your total out of pocket?

**John Hatz**: Yes. Copayments apply and accumulate toward the out of pocket max.

**Provost Abdallah**: Does it today, or in the proposed plan?

**John Hatz:** It does it today and it is changing to accumulate toward the out of pocket max in the plan effective fiscal year 2015.

**Kim Gauderman, History Department**: I would just like to point out that currently, the plan right now, employee/spouse, also covers people like me who are single parents of a single child. And that this particular plan being proposed raises my deductible triples my deductible, every year. So, I would like to ask why were the people who planned this, these new plans, why were people like me not considered in your computations?

(*applause*)

**John Hatz**: Well, just to comment on that. The plan design itself was not designed to eliminate, or exclude, or pick on any one type of tier. To build on the Provost's comment it was moving toward a plan design that is more common in the marketplace in that it is going to help mitigate future costs and help control costs for the university in the future. And, like Dr. Frank said, add some stability and predictability in the costs without making drastic changes in the future.

**Non-Voting Faculty Member**: Hi, I am a staff member with the department OBGYN. I want to thank you for allowing me to speak. I have a question/comment. I am a breast cancer survivor and currently in cancer treatment. My question is really about this health plan change. If it is supposed to fund the rates for everyone then why is the static change, like for say the deductible increasing a certain dollar amount, being used to cover a percentage raise for everyone? So, for example, I make under fifty thousand dollars a year at this university, as do most staff. So we will be paying a blanket fee increase for out of pocket maximum which I met immediately, and which many UNM employees, who have health concerns, will meet immediately. But somebody who makes a hundred, two hundred thousand dollars a year at this university, and gets a two percent raise, well they will be able to fund this five hundred dollar increase in their out of pocket maximum. I feel that this is punitive, especially to lower tiered staff members, and their salary, and I do not think it is a good solution. But I want to thank you for letting me speak.

(*applause*)

**President Frank**: That was a comment?

**Next Speaker**: I think it was a statement. I am not sure. She asked why.

**President Frank**: It was a statement.

(*response from former speaker cannot be heard. No microphone*.)

**President Frank**: I am not an expert on plan construction, and as I understand it I had nothing to do with this plan construction, to be honest. This is how plans are constructed and as Mike said before, plans are constructed in a general industry standard and this is an industry standard and was brought to us. You know, there is not a great answer for this, this is how plans are constructed and this is the best we could do with a plan and it is not equal by all standards to all people. It does not treat everyone equally and I understand your pain. I wish we could make it perfect for everybody, but I cannot do that for you. (*gestures to next speaker*) Yes, Ma'am?

**Ann Braswell, Anthropology Department**: Thank you, President Frank. I am a single person and you just raised my deductible by two thirds, from two hundred to six hundred. You raised my out of pocket maximum to two thousand "something" dollars. I am actually the person you want in your insurance pool because I do not get sick and I do not spend your insurance. And I am being penalized. And I kind of take exception to that, because I am not one of the persons who abuses or missuses or utilizes it. What you have effectively done with this new policy is make it so that unless I have a catastrophic event, I am going to be paying a bi-weekly payment for an insurance premium that does zero for me because I will never meet the deductible or the out of pocket payment. And that is my comment.

(*applause*)

**President Frank**: Are there more questions or are we ready for Andrew Cullen?

**Next Faculty Member**: I have one question over here. I think a lot of these questions are very valid and I have concerns about just the dollar amount. A lot of these questions, I feel, should have been addressed in the Faculty Staff Benefits Committee, with a long discussion between the faculty, staff and the administration that would vet these things instead of this thing kind of appearing out of nowhere at the last minute and is somehow tied to the raises. The connection seems very tenuous and incomprehensible. I think this process has just not been very clear. I don't know, did this, I guess I should ask Richard Holder if this came up in the Faculty Staff Benefits Committee, and was this discussed at all or just coming from HR at the last minute?

**Dr. Richard Holder**: If it did come up in the Faculty Staff Benefits Committee that information was not transmitted to the Operations Committee, or to me. So I do not know the answer. It was a surprise to me.

**Faculty Member**: I don't want to Monday Morning Quarterback anything but, and I hate to use football analogies, but I do think there is a process for this that would have avoided a lot of these problems if this had been able to be veted by the constituencies at the right time.

(*applause*)

**President Frank**: Yes, a point well taken. With that we move onto Andrew Cullen to talk about the budget.

**Hans Barsun, Co-Chair, Faculty Staff Benefits Committee**: I would just like to speak for a moment. We were aware of these changes, a little bit ahead of everybody, but not by very much. I did have the opportunity to address the regents, along with Gene Henley, Dr. Frank, and Dr. Holder. It seems we did get some relief from that effort, at least on the staff side, not on the faculty side. We have been closely involved, but we cannot always change the direction of the ship, but we try, though we do not always succeed. We have also reached out to Dr. Roth and Mike Richards to actually try and get out ahead of these, we have been working on that, and it's a very slow process, and the budget always seems to catch everyone by surprise. We appreciate everyone's confidence in us and we do the best we can. Sometimes that is effective, other times things happen beyond our control.

**Dr. Mike Richards:** President Frank, you know I would also just like to mention, and remind folks, that we are in a time of unprecedented change in healthcare and in healthcare insurance. And in this particular community we have not been immune to that. We had major disruptions in our insurance market which came without warning, which would have nictitated a change in the plan with the transition and the sale of the Lovelace healthcare plan to Blue Cross/Blue Shield. So I think that those kinds of rapid changes maybe didn't give all the opportunities to have the kinds of discussions that we normally would have had around this. But you know what I have heard President Frank say? And what I know that Dr. Roth, and others, have asked me and others to do, is to say that these are changes that are tough. They are not unique to UNM. But what we want to do is come to the table, over the next year, and look for opportunities and try and find ways to ensure that we can find ways to bend this cost curve and create other types of products. Hopefully we will have some success with that over the next year.

**President Frank**: Thank you doctor. I hear all of your points and I think there is a lot of legitimacy to the points you are raising and we are very sensitive to all the points being raised. Let's hear from Andrew and have more discussion about it and see what we can do and move on here.

**Andrew Cullen, AVP Planning, Budget & Analysis**: Good Afternoon. My name is Andrew Cullen and I oversee the Budget Office, here on main campus. I was specifically asked three questions to address to this group, and you can see those on the screen. The total amount generated by the health benefit changes was correctly reported, most recently in the Journal, that the total savings are around one point nine million. When we talk about the construction of the budget here at UNM, the main campus, ING budget, construction general budget, that is only a portion of the savings. So, within the one point nine million you have the health science's center budget, you have internal services, you have auxiliaries and you have ING. The dollars that fund my office, and many of the schools and colleges, the majority of the schools and colleges budgets, out on campus. And that is about thirty percent. So the real savings attributed to ING, with these changes to the health care package, is about five hundred seventy thousand dollars. That was the first question I was asked. The second question was the cost of the raises and the funding sources for those raises. So perhaps I will drop down to the expenditure first. You can see faculty at three percent. To fund a three percent compensation increase, for all faculty, costs about three million four hundred eighty-one dollars. To fund the two and a half percent staff GATA compensation increase costs about three million one hundred fifty three thousand dollars. So you can see the total is about six point six million dollars to fund those compensation increases. The question of how those are funded is a little bit more difficult to answer directly. Only because the revenues that come into the university are pooled and then they are distributed out to campus. So when we talk about ING funding, and that is really the focus of our conversation, we wrestle with it this time of the year. About sixty percent of the ING funding comes from the state, state appropriation. About thirty eight to thirty nine percent comes from tuition and fees. And the other is somewhat miscellaneous revenue sources, land and permanent fund income that we get from the state, it is treated separately from the state appropriation. Interest earnings on our balances on campus, so forth and so on. So those revenues come in and they are pooled together. So, up top we know we got what was deemed a one and a half percent increase and compensation from the state, that is that first number, two million one hundred seventy thousand dollars. But what the state did, what they have done now for two years in a row, and I suspect it is going to be into the future, is they gave us one and a half percent of their sixty percent. So, you talk about a raise for myself, or any of you, a hundred percent, well sixty percent of that raise is coming from the state. And that is the money right there. The other forty percent is coming primarily from tuition and fees. So they are only increasing their one and a half percent on their sixty percent of the pie. That make sense? We also have this initiative that we have started, within the last two years, or so, called Results Oriented Management, ROM. Frankly we did not have the time to fully develop the metrics on how to redistribute the money out to campus. Performance metrics. So what we chose to do this year is to say we are going to pull back one percent on every one of our ING budgets and we are going to redistribute those in the form of a compensation increase. The total pull back, one percent, of two hundred ninety three million dollars, is that figure, two million nine hundred thirty nine thousand dollars. And the last number there, a million five twenty five, is unbudgeted tuition and fees. And really, I think the best way for me to explain it to you is that it is enrollment growth. We never plan for enrollment growth. We never predict what enrollment growth might be for the upcoming fiscal year. And it really ties into why there is this crunch in the budget development process each and every year. We do not get our numbers from the state until the middle of February, during the thirty day session, or the middle of March, during the sixty day session. It is kind of hard to go ahead and say what our budget is fully going to look like when we don't know what that sixty percent of the pie is going to look like. It is just going to go up…or down, in 2010, 2011 and 2012. We also don't know what our healthcare premiums are going to be. It is only in February and March, when we have a half year, or eight months, behind us that we can say healthcare premiums are going to go up. They are going to go up seven and a quarter percent before we look at these healthcare changes. That analysis is formed in the early spring, so there are some very practical reasons why each and every year we are kind of up against the wall to pull these final numbers together. As far as enrollment growth this year we are projecting we are going to have about two and a half million dollars more in tuition and fees than we budgeted. And it is because we had more students, through your efforts, come to campus in the fall and sign up for classes. So, we budgeted, for instance, a hundred million dollars, but we actually collected one hundred and two point five million dollars, that we did not count on, and it is unbudgeted. We have now heard from enrollment management that they are projecting that we will have steady enrollment in fiscal year 2015. So, my office feels confident that we can throw those dollars into the recurring pot of money to go ahead and pay for some of these initiatives, compensation being one of them, that we are going to have in fiscal year 2015. Now, because these dollars are pooled you could make the case that we have a savings in fringe benefits cost, i.e. healthcare insurance, so I can reduce that budget, which essentially freezes up revenue, which could pay for compensation. Somebody can make that argument and I could not disagree with you. But I could also make this argument right here that this is how we are funding our compensation for fiscal year 2015. And the last question that I was asked was what did we get from the state. This is the detail of what we got from the state. You can see that the total is about eight point seven million dollars. I will preface my remarks with this: the state is very good about running the funding formula, through HED, and seeing the higher edge of the performance metrics we put out, through student credit hours, more students on campus taking more credit hours. The funding formula in general is forty million dollars. Well, given the nature of the state budget and the fact that they have to fund these entitlement programs, they might only have twenty five million dollars for higher education. So what they did this year is they said we are going to put some of your money at risk, we are going to pull back four percent of your base. Right away, seven point two million dollars, but then we are going to give you the opportunity, through the performance metrics, and student credit hour generation, to get that money back and we did quite well in this effort. We got new dollars from outcome performance metrics, including research of nine point eight. We have more students on campus, taking more credit hours, we got another three million. Royalties from oil and gas, five hundred forty-seven. ERB, basically nine hundred thousand. Now they did the same thing with ERB that they did with compensation, they funded it at sixty percent. This is mandated, this is law. We have to come up with another point seven five percent. The cost of this ERB increase to the university is one point five million dollars. They gave us nine hundred thousand and we had to come up with the extra six hundred. So again, with these pooled revenue concepts someone could make the argument that the healthcare benefits changes resulted in savings within ING of five hundred and seventy thousand dollars. And quite literally we have a fringe benefit pool, within my office, and it funds FICA, it funds group healthcare, and it funds retirement. So you can say that the healthcare reductions savings, five hundred and seventy, that we saw in that first slide, is going to go right back to the same pot of money and it is going to fund this six hundred thousand bogie that we have with the ERB. Here is that compensation increase of two point one million. So now they have allocated all the money and the governor and the legislature had to agree on the state budget and the governor was uncomfortable with the amount of the reserves left. So, somewhat at the eleventh hour, and probably very prudently, given the nature of our state budget, and the reserves that they want to have, they cut everybody's budget by a certain amount. Ours was cut by about five hundred twenty thousand and that accounts for the total appropriation we got from the state. So again, those were the direct questions I was asked. I will take other questions if there are any.

**Carlotta Abeyta, Public Administration**: I have a budget question. If we could go back to the previous slide. I am not a finance person but if the ROM one percent is being used to fund our increases, correct, for this year? Our increases are recurring liability. We are using nonrecurring funds, right? That is not guaranteed.

**Andrew Cullen**: No, that is going to be a permanent reduction of one percent to every base budget that is funded with ING dollars.

**Carlotta Abeyta**: And you are going to continue to apply them to salaries?

**Andrew Cullen**: So, all things being equal, let's say that in Fiscal Year 2016 there is no new money. Whatever your budget is in 2014, in 2015 it will be reduced by one percent and you will get that same amount in 2016 that you got in 2015. So this is a permanent reduction to the base budgets funded with ING funds to fund a permanent increase in compensation.

**Carlotta Abeyta**: Ok, but we, as a group, do not have to worry about UNM coming up with further cost containment methods that are regressive that I feel, this year, that is what they are, we do not have to take that into consideration?

**Andrew Cullen**: In this particular instance, no. But given the fact that state funding is going to continue to be not just depressed, but on the national landscape, hiring is being funded less and less by the states, the continuing pressure to keep tuition and fees low, we have to continue to keep looking for cost saving measures within our schools, colleges and departments.

**Provost Abdallah**: You know, I tried yesterday, in my communique, to explain where the funding comes from, and I heard my numbers were really off. But let me just try and be very generic about it. There are three places where we can get our funding. One is the state, one is tuition, and the third one is things we can do ourselves. These are the things we can use for raises and other things. We do have other sources of funding, such as foundation money, or donations or research, but those are allocated. That is where the money comes into ING. So, the one percent ROM is really coming from the operational budget. We are not using everybody's salary by one percent but it is the operational budget of every department, every ING, service, academic units, and so on. The hope was to use this to be reallocated according to some metrics depending on potentially the things the state was rewarding us for, maybe more research, maybe more involvement and so on. Because this year we had zero percent tuition and because the other fixed costs were taken that is why this money was put in. But now, from here on, this is the one percent that is built into the budget. Next year, everything else being the same, the budgets of the units have gone up, and one percent would be slightly more than this, but it is still going to be one percent funding the same thing. Let's say, for the sake of argument, we got new income next year. The plan all along was to get the one percent, another one percent, reallocated according to some metrics. We could not do that this year. But that is the idea. The ROM is supposed to reward, or to move money according to some metrics we are still discussing.

**Carlotta Abeyta**: Thank you.

**Lee Brown, Pediatrics and Faculty Senate**: I totally understand the cheapening of the health plan in terms of raising the deductibles and coinsurance and how that saves the university as a whole funds. But, coming from the Health Science Centers side, and in fact the School of Medicine, where the finances are totally different with very minimal reliance on ING and a huge reliance on our clinical income and research income. I am not sure how this is going to fund raises for the School of Medicine faculty and will there be raises at all and how is that going to be funded.

**President Frank**: Yes, there will be raises on the Health Science side. They will match the raises on the main campus. Dr. Roth has agreed to match those raises. I don't know if Dr. Richard's wants to talk on this but I understand he is doing this through the reserves on that side. And that is my recollection of how he is doing this. Mike, is that how he is doing it?

**Dr. Mike Richards**: Yes, that is correct.

**President Frank**: Correct. They are going to be identical raises for the whole campus. Where are we? Down here?

**Speaker:** Yes, I just wanted to take the opportunity to thank Andrew and to ask if these changes, this plan, if it has had a positive effect or a negative effect on our debt obligations, our bonding capacity, so that projects in the future look good or look bad because of this situation.

**Andrew Cullen**: I do not know if they are directly linked. As far as debt to capacity, our current obligations, the key thing there is if you are going to spend more money you have revenue to pay for it. And this is a balanced budget and it does that. Beyond that you look at net revenues that are available for debt services and so forth and so on. We are in the process of analyzing that right now, we will speak with our investment advisor and our rating agencies. So this plan itself does not in any way serve as a detriment to our ability to go ahead and look at debt even of itself.

**President Frank**: But the VEBA plan that we did previously does affect our debt by reducing our liability by ten million dollars last year. So that did help us in our debt capacity and our bonding capacity.

**Erick Marchand, School of Medicine**: What you have done in going after the benefits, the medical benefits, to find this money to pay the raises, has turned into a reverse Robin Hood and this is amplifying what the woman from the department of OBGYN said before. You are taking from the poor and giving to the rich. It is really deplorable. (*applause*) I want to know what can be done to fix it at either an administrative level or what those of us who a fortunate enough to be on the receiving end of what they have given up to us can do to prevent it or mitigate the harm that is going to be done to people at the lower end of the economic scale at this university. (*applause*)