

# Memo

## Budget Committee of the Academic Senate

**To:** Chairs, Budget Advisory Committees (BACs)

**From:** Michael J. McIntyre, Law, Chair, Academic Senate Budget Committee

**Subject:** Budget Plans for FY 2008

**Date:** Aug. 7, 2007

I promised, at the Budget Committee meeting of March 5, 2007, to which all of the chairs of BACs were invited, that I would provide information about the FY 2008 budget when it became available. Please check the committee's website for minutes of our recent meetings and for memos reflecting the position of the committee on the FY 2008 budget. In brief, the committee has voted to oppose the budget cuts that the Administration is proposing for the schools and colleges.

<http://www.law.wayne.edu/mcintyre/Budget/budget-minutes.htm>

Members of the Budget Committee would appreciate any support you might want to give us in pressing our position with the Administration and the Board of Governors (BOG). Obviously, we also welcome support from your dean and chair, and you should feel free to share this memo with appropriate persons. The key, in opposing the proposed cuts, is for people to realize that the budgets of the schools and colleges are already stretched thin, that additional cuts would be harmful to our programs, and that students required to pay what is in effect an 18 percent increase in tuition should not have programs degraded which are likely to affect the quality of their education.

At the meeting of the BOG on July 25, the BOG voted to increase tuition by 12.8% and added a contingency fee that the Administration estimates will bring the tuition increase to a little over 18% for the Fall term. That fee will be dropped in the Winter term if the State provides the University with the promised base budget. There is a lot of speculation about the chances that the promised amount will be paid. I am cautiously optimistic, whereas the Administration seems to be decidedly pessimistic.

So far, the BOG has not taken any action on the budget itself. For the first time, the BOG, at the request of the Administration, has separated the tuition issue (taken up at its July meeting) from the adoption of the budget (to be taken up at its September meeting). The budget meeting of the BOG is scheduled for Sept. 26, 2007. In the past, the budget, including any tuition adjustments, was voted on at the July meeting.

The BOG's Budget and Finance Committee, on which I sit as the faculty representative, voted at its July 25 meeting to have bi-weekly meetings to decide on issues relating to the FY 2008 budget and to address several other issues as well. An organizational meeting will take place on August 8, and the first substantive meeting, when budget issues will be addressed, is set for August 15.

One of the topics to be discussed at the bi-weekly meetings is the Administration's proposal for cutting the budgets of the various academic units. Most units are targeted by the Administration for a cut of 1.95%. I am not entirely sure of the range, but I know one unit is targeted for a much more substantial cut. As I indicated, I oppose these cuts and, on advice of the Budget Committee, will vote against any budget proposal that includes them. I do understand that the University currently has a hole in its budget estimated at \$7.9 million (\$9.1 million minus \$1.2 million in reallocations within the schools and colleges). I have suggested alternative ways of plugging this hole.

I also will be pressing to have some or all of the cuts that were made at the end of FY 2007 (freezing all balances) returned to the schools and colleges if the state provides the University with some or all of the \$20 million it cut from the University's budget in June of this year. I'm hopeful the BOG's Budget and Finance Committee will come up with a plan for the use of the \$5 million (net increase in revenue, after financial aid, from the contingency fee) if the State provides the funding promised. There is also about \$3.2 million that the State cut from the University's base budget in 2007 that may be restored if all goes well in Lansing. Contingency plans for the use of that money also should be made.

The Budget Committee, in taking its position against further cuts to the schools and colleges, is not unaware of the serious budget problems facing the University. Nor is it unappreciative of the sustained efforts of the Provost to protect the schools and colleges from cuts in the tenured/tenure-track faculty. In the view of the Budget Committee, however, the schools and colleges have been bearing a disproportionate share of the burden of State cutbacks, and they cannot continue to do so without degrading the educational product offered our students. I list below a number of ways in which the budgets of the schools and colleges have been put under pressure.

- In the Administration's current plan, most of the fixed costs (e.g., utilities) of the divisions are taken out of their base in imposing an across-the-board cut, whereas the fixed costs of the schools and colleges (e.g., salaries of T-TT faculty members) are included in the base.
- The percentage of the General Fund budget going to the schools and colleges has gone down consistently almost every year for the past decade. According to the budget books prepared by the Administration, that percentage has dropped from 42% to a current 35%, and the percentage will drop again if the Administration's budget plan is adopted.

- The student/faculty ratio has risen in recent years. This rise is due to the fact that only a small fraction of the money obtained from increased enrollment has gone back to the schools and colleges.
- The payout rate on endowments earmarked for the schools and colleges has been reduced from 5% to 4.25%, with 0.5% going to fund the capital campaign and the other .25% being held in reserve, on the fiction that the stock market has been performing below expectations.
- The decline in the share of the General Fund budget going to the schools and colleges has been masked in part by the program for differential tuition, whereby schools have been allowed to increase the tuition on their students and keep 80% to 100% in their own budgets (Law School, 80%, School of Medicine, 100%, most other schools and colleges, 85%). In addition, when the Administration has increased tuition rates, it has included the differential tuition in the base but has not given the schools and colleges their share of the resulting tuition revenue.
- In some colleges, the Administration has required units to cover themselves the cost of fringe benefits for newly hired faculty, even though the Administration has been responsible historically for fringe benefits. It may be fine to include fringe benefits in the units to which they relate as long as the funds for paying those fringe benefits are included in the unit budgets. It is not so fine to change the rules on who pays the fringes without changing the rules on who gets the funding to pay the fringes.
- Certain costs, such as the cost for dean searches, have been shifted from the central administration to the schools and colleges. Obviously, a school or college has an important interest in the person selected by the Administration (after faculty consultation) to be the dean. But the result of shifting such a cost to the schools and colleges means that they have a new burden to bear and the Administration has money freed up for other purposes.
- The biggest cost for the schools and colleges is the salary of tenured/tenure-track faculty. In hiring faculty members, the University is competing in a national market, and, nationally, the salaries for top faculty members have been rising at above the inflation rate. The University also competes for some administrators in a national market, but mostly it competes in a regional market, where salaries have been more static. The net effect is additional pressure on the budgets of the schools and colleges.
- The University has engaged over the past few years in a variety of expansion activities that seem to be relatively less valuable than the activities conducted in the schools and colleges. Some of these programs get funded outside the General Fund budget but the associated interest costs sometimes end up as a charge on the

General Fund. The result is a smaller General Fund budget to support core activities of the University.

- The University responded to the loss in June of this year of the final State payment to the University (in the amount of \$20 million) by capturing all of the reserves (carryovers) of all units. It also imposed a cap on spending that created artificial surpluses in the units, which then were captured. The burden of this plan almost certainly fell very heavily on the schools and colleges (the percentage numbers are not yet available).

This list is undoubtedly incomplete, and it may include a few items that we might conclude, with further information, do not belong on the list. I welcome input from the unit budget advisory committees in revising this list. I also welcome any information you may have about cuts your unit is facing that you believe undermine your programs.