

Minutes, Budget Committee of Academic Senate

Meeting of November 8, 2002 (as approved April 28, 2003)

Present: Michael McIntyre (chair), Marc Cogan, Diane Gebard*, Charles Parrish, Louis Romano*, William Slater, Frances Trix, James Woodyard, William Volz.

Absent with Notice: Stephen Calkins, Ravi Dhar, Charles Elder, Vanessa Rose*, Linea Rydstedt.

Absent w/o Notice: Marlyne Kilbey, Lucia Schuger.

Guest: Celeste Lezuch (representing Director of Budget Office).

*Liaison

1. The meeting convened at 1:05 p.m. The minutes of the meeting of Oct. 18, 2002, were approved without amendment.

2. *Announcements.* The chair noted that the Budget Director, Vanessa Rose, was unable to attend but would make herself available by phone. Unfortunately, the Academic Senate conference room does not have a phone jack, so that option was not utilized.

The chair also announced that, in accordance with a request from the committee, he had asked Provost Bantz to provide the committee with the reports and supporting materials produced by the two committees that the Provost had appointed to look at budget options. No reply has yet been received to that request. The chair also had requested that Vice President Gibbs provide the committee with the budget information relating to parking prior to the joint meeting of the committee with Policy and Facilities, held on Nov. 4, 2002. That information was provided in timely fashion.

3. *Review of Centers and Institutes.* The chair indicated that he had received materials from the Senate President, Seymour Wolfson, on four centers/institutes that are up for rechartering. The centers/institutes are: (1) Center for Peace and Conflicts Studies; (2) Development Disabilities Institute; (3) Labor Studies Center; and (4) State Policy Center. President Wolfson requested that the committee give its views on those centers/institutes by December 20, 2002. The centers/institutes are also to be reviewed by the Curriculum and Instruction Committee and by the Research Committee.

The chair indicated that he would like to assign the job of doing an initial assessment of the centers/institutes to small (2 or 3 members) subcommittees. After some discussion, it was the sense of the body that the chair should assign members of the committee to serve on a subcommittee and should circulate the assignment list, with adjustments to be made as necessary. The chair indicated that he would like each subcommittee to see if the materials provided were complete as to budget materials as soon as possible. He indicated that the December 20, 2002, deadline for action by the full committee would be difficult to meet, due to the difficulty of scheduling a committee meeting at that time of the year. One member requested that the chair determine the

names of the people on C&I and Research who would be looking at the centers/institutes, and the chair agreed to make appropriate inquiries.

One member noted that if the committee wants its recommendations with respect to centers/institutes to have any influence on the recommendations being formulated by the committees appointed by the Provost to look at possible budget cuts, it would need to complete its reports on centers/institutes by early December. The chair suggested that such a timetable was not feasible. Some discussion followed about the function of the Provost's special committees. One member suggested that the procedure was improper. In his view, the proper procedure would be for the Provost to formulate his proposals and then discuss them with faculty representatives, including this committee, in accordance with established procedures. Instead, the Provost is conferring with a hand-picked committee, most of the members of which have no experience with budget matters. The chair suggested that if some centers/institutes are to be evaluated for budget cuts, the evaluation should be part of the general procedures for evaluating centers/institutes. He suggested that the real problem is that the Administration has never taken the review of centers/institutes seriously. Another member suggested that just about the only review of centers/institutes is the limited review provided through the Budget Committee.

4. *Review of BOG Materials.* The chair announced that he had just received the materials for the meeting of the Budget and Finance Committee of the Board of Governors (BOG) on entering the meeting. The materials were not posted on the BOG web site on the Thursday prior to the meeting, as had been agreed. As a result, he and others were at a decided disadvantage in providing useful advice to the BOG on the items on the BOG agenda.

The first topic of discussion was the Administration's proposal for spending large sums of money to improve the parking facilities and otherwise improve the parking operations at the university. The Budget Committee had been invited to join the first part of a meeting of the Policy Committee on November 4, 2002, to discuss the budget aspects of parking. Unfortunately, most of the time at that meeting was spent dealing with various consumer complaints.

Several member of the committee objected to the proposal to pave various parking lots. The cost of paving is substantial, and they felt that this cost could easily be deferred until after the current budget crunch has passed. In their view, the amounts saved by deferring the paving projects could be used to reduce immediately the payments currently being made from the General Fund for interest on parking bonds. The chair indicated that some of the projects had already been started. Several members suggested that the committee should find out what the status is of the various paving projects.

In addition, the chair suggested that if a decision is made to postpone paving projects, the savings should be used to roll back some of the increase in parking fees. In his view, the current group of students and staff using the parking facilities should be responsible for paying for current expenses but not for expenses incurred in the past that were not providing them with any current benefit. He also suggested that a decision to make parking self-sufficient should be done only after agreement was reached on the various functions that should be funded by parking fees. He noted that members of the

committee had argued in the past for low parking fees on the ground that parking provided a general benefit to the university.

Several members rejected that viewpoint, arguing that reducing the drag on the General Fund from parking during a time of budget tightness was entirely appropriate. One member suggested that the committee should instruct the chair to inform the BOG's Budget and Finance Committee that the committee wanted to defer the paving projects and use the savings to reduce the General Fund subsidy to parking. The chair reminded the committee that he served on the BOG's Budget and Finance Committee as the faculty representative and not as the representative of the committee. He indicated that he was not prepared to argue for deferral of the paving projects on his own but would present a resolution of the committee if the committee prepared a resolution and voted to adopt it. After some discussion, the matter was dropped.

Some members of the committee expressed concern about the comments made by Vice President Gibbs at the joint meeting with Policy on November 4, 2002, that the Administration had initially planned to fund projects in the later years by issuing bonds but was reconsidering that approach. They feared that the alternative approach would be to draw down funds from the General Fund. The chair suggested that the Administration generally has sought to reduce the General Fund subsidy and that it was remote in the extreme that it now would be planning to draw on the General Fund for additional amounts. After some discussion, the chair agreed to seek clarification from the Administration on this issue. [Note: See Attachment A.]

The committee then turned to a discussion of Item M (Research Excellence Fund, etc.) on the BOG agenda. One member suggested that the centers/institutes supported by the Research Excellence fund were not subjected to the 2.5% cut on their salary base. Ms. Lezuch, representing the Budget Office did not have information on this issue. Several members felt that exceptions to the cut were inappropriate without some clear justification. The chair noted that the cut on the academic side was around 2 percent of total budget, whereas on the administrative side it was less than 1.5 percent of total budget. One member asked about the revenues generated by the various centers. That information was not provided in the Administration's report to the BOG.

Several members noted that the amounts going to the centers/institutes referenced in Item M were no longer "specifically earmarked" by the legislature. It was suggested that this change in the appropriation system should be matched at the University by a change in the budgeting system. Instead of earmarking funds in the auxiliary budget, the money going to these centers/institutes should go into the General Fund, and the centers/institutes should compete for those funds against other worthy projects. [Note: See Attachment B.]

One member asked about the statement in budget note 4 on page 20 of the auxiliary budget document (Bookstore) that "funds totaling \$400,000 will be transferred to the Fund for non-General Fund projects to support University-wide needs." No one was able to determine, when the note says "to the Fund," what fund is being talking about or where the money will be transferred from. [Note: See Attachment B.]

Several members made comments about the subsidy to the Wayne University Press. It was not clear whether the budget of the Wayne University Press had been examined in recent years. One member suggested that the press has become somewhat insulated from the rest of the university and seems to pursue its agenda without much reference to the academic goals of the various academic units. As a result, no one had a good idea whether the subsidy amount is appropriate or how the subsidy level is fixed. [Note: See Attachment B.]

One item going to the BOG is the approval of a university guarantee for loans of up to \$500,000 for the WSU Research and Technology Park. One member noted that this guarantee was not without substance, given that university research parks have been known to fail and that one had in fact failed at this university.

The Administration is presenting to the BOG a lengthy report on the university's capital outlay request to the State. It is unclear in the current economic environment whether any capital outlays will be approved in the near future. One member suggested, however, that the capital budget typically has strong political support and is less likely to be cut by Lansing than other parts of the budget. There was some discussion as to the priorities shown in the report, which had not changed from last year.

No one on the committee had an opportunity to review the report because copies were provided just minutes before the committee met. The report, however, was prepared long ago and was submitted to the State on October 24, 2002. The report lists the renovation of the Purdy-Kresge Library (cost of \$39.2 million) as the top priority and the renovation of Scott Hall at the School of Medicine (\$85 million) as the second priority. Also listed are: State Hall renovation (\$28 million), Chemistry Building renovation (\$47.1 million), and a new Humanities and Social Sciences Center (\$39.2 million). The listing of the last three items may be only a formality because the State is unlikely to fund more than one of the projects in the near future. Some members thought that the State Hall project had been ranked higher in the past. Everyone seemed to agree that renovation of that building is badly-needed. One member suggested that the committee might want to review the university's priorities, given the sad state of State Hall and the increase in undergraduate enrollment that is projected in the capital outlay report.

One member noted with approval that the Administration has estimated the indirect costs going to the university radio station, WDET. According to budget note one (p. 37), the indirect support contribution is \$349,000 annually. It was noted that most centers/institutes and other auxiliary functions do not have an overhead figure included in their budget, although they obviously get some overhead benefits. One member suggested that whatever formula is being used to compute overhead for WDET might be appropriate for other units. Unfortunately, the budget note does not explain how the overhead contribution to WDET is being computed.

5. The meeting adjourned at 2:35 p.m.

By Michael J. McIntyre

Attachment A to Minutes of Nov. 8, 2002, Meeting of Budget Committee

E-Mail Exchange Between Vice President Meredith Gibbs and Prof. Michael J. McIntyre, Chair of Budget Committee, Nov. 10-11, 2002.

PROF. MCINTYRE: There is some confusion about the bonding plans. It appears that the parking projects for the current year will be financed with bonds. But it is less clear for later years. You indicated at the joint meeting with Policy that the administration was rethinking the bonding for the later years. If so, what is the alternative plan? In particular, can you guarantee that none of the funding for the parking projects will come from the General Fund?

VICE PRESIDENT GIBBS: Yes I can guarantee that General Fund dollars won't be used for any future Parking improvements. Originally, the plan was to float another approx. \$10 million bond in 04/05 to fund the next series of Capital Projects. When I said I was rethinking the bonds, I am only doing so as to the amount we'd need to finance. Ideally, I'd like to bond less than that because the parking operation will have to pay the debt service on those bonds. The message I was trying (unsuccessfully, I guess) to deliver is that we must look at reducing our operational costs, and finding greater efficiencies in addition to bonding to fund improvements.

Attachment B to Minutes of Nov. 8, 2002, Meeting of Budget Committee

E-Mail Exchange Between Budget Director Vanessa Rose and Prof. Michael J. McIntyre, Chair of Budget Committee, Nov. 10-12, 2002

PROF. MCINTYRE: I have the following questions coming out of the meeting of the Budget Committee this past Friday.

1. There was some confusion over the source of funding for various parking projects for FY 2004 and beyond. Meredith had indicated at the joint meeting with Policy that the Administration had planned to fund the projects with bonds but was now rethinking its position. Do you know where the money is likely to come from? I indicated at the meeting that I was confident that there was no plan to use General Fund money. Was I off base? (I have also asked Meredith this question by email).

BUDGET DIRECTOR ROSE: It is my understanding that these funds will come from the auxiliary and not the General Fund.

PROF. MCINTYRE:

2. With respect to Item M (Research Excellence Fund, etc.), is it correct that these centers/institutes were not subjected to the 2.5% cut on their salary base? If so, is there some special reason for that exemption?

BUDGET DIRECTOR ROSE: You are correct, there was no budget reduction in the Research Excellence Funds. The basis for the reduction in the General Fund was the ability to cover non-discretionary commitments during FY 2003. State funding represents the majority of General Fund revenue. That is not the case with the REF, and they are more flexible in their ability to absorb restrictions in state funding.

PROF. MCINTYRE:

3. Again on Item M, do we have information on the revenues generated by the various centers? We have heard tales that Molecular Medicine has lost some key people and is not generating high revenues. Is this correct?

BUDGET DIRECTOR ROSE: George Dambach would be able to provide that information to you.

PROF. MCINTYRE:

4. If some or all of the centers referenced in Item M were considered for cuts, what issues are raised by the state appropriation system? The memo indicates that these items are no longer "specifically earmarked" by the legislature. Why then, are they still in the auxiliary budget rather than in the General Fund budget? I am told that the final state appropriations for WSU was \$253,644,700, which included (explicitly stated in the Bill) \$6,356,023 for the

Joseph F. Young, Sr. psychiatric research and training program. The appropriations reported in the July budget were \$240,882,300, leaving a little over \$6 million unaccounted for. Can the Budget Committee infer from these numbers that the amounts shown in Item M for the Research Excellence Centers and Institutes document (a little over \$6 million) were not included in the July Budget book? If so, why is the matter handled this way?

BUDGET DIRECTOR ROSE: You are correct. The total appropriation for the General Fund is the enacted amount less the earmarked money for Joe Young and less the allocation to the REF. We have discussed the issue of how to direct the REF money — e.g., General Fund or REF or some of both. The ultimate decision was to continue support for these centers and institutes.

PROF. MCINTYRE:

5. On page 20 of the auxiliary budget document, budget note 4 is unclear, and I'm hoping you can clarify. The note states that "funds totally \$400,000 will be transferred to the Fund for non-General Fund projects to support University-wide needs." When the note says "to the Fund," what fund is it talking about? And where will the money be transferred from? From the General Fund? And what are the university-wide needs? Please clarify.

BUDGET DIRECTOR ROSE: This is a transfer of accumulated funds within the auxiliary's fund balance to a more central fund that can be used to cover costs of projects that require capital costs, but are not supported by the General Fund. None of this impacts the General Fund at all.

PROF. MCINTYRE:

6. Has the Wayne University Press been examined from a budget perspective lately? Do we have any idea if the subsidy amount is appropriate. How is the subsidy set?

BUDGET DIRECTOR ROSE: Dr. Bantz directed a \$100k reduction in this budget subsidy as part of the FY 2003 budget and has indicated that he will continue to examine this budget to assess the continued level of General Fund support.

PROF. MCINTYRE:

7. The WDET FM item indicates that there is a university administrative support contribution of \$349,000 annually. It was noted at the Budget Committee meeting that most centers, etc. do not have an overhead figure included, although they obviously get some overhead benefits. Can you tell us how the overhead was calculated? Is there a formula, and is there any reason this formula could not be applied to other centers, etc.?

BUDGET DIRECTOR ROSE: The overhead figure was calculated by determining per unit costs for items such as rent, utilities, administrative services (e.g., payroll, accounting, etc.) and applied to relevant statistics in WDET - FM. We will be looking at such overhead for all auxiliary operations within the next year.

PROF. MCINTYRE:

8. One of the issues raised at the BOG meeting last academic year was the computation of the decline in the percentage of the budget going to academic programs in the academic units. It was my understanding that the Administration was prepared to work with the Budget Committee to get an agreed method of measuring the amounts going to the academic side. The administration apparently believes that some items included in "Administration" are more properly included in the academic budgets. I want to get useful numbers, not political numbers. So I'm prepared to refine the numbers, as long as we have rules and do the adjustments consistently over a long period. It is the change numbers that I think are reasonably reliable, not the underlying absolute numbers. That is, I'm not confident that 47% was ever the right number or that 38% is the current number, but I am pretty sure that the 9 percentage point drop is a pretty accurate estimate. Anyway, given the BOG's mandate, we need to get working on this issue. The first step is to get the numbers showing the amounts that actually went to the academic units this year. In the July budget, we had a black box — we did not yet know the compensation numbers that would be agreed to. Now we know, so an update is in order.

BUDGET DIRECTOR ROSE: Mike, the budget numbers are not significantly changed by the negotiation process. We budgeted slightly less than the actual agreement called for, but deferred large portions of the payments to March. The net result in savings was not large. There are some potential changes in fringe benefits as a result of changes in copay provisions for prescriptions and doctors visits. Some of that will be used to pay the bonus called for in the contract — which was not budgeted at all.

Here's my suggestion — in a few weeks, we should have actual figures for payments to AAUP and non-rep. I typically perform an analysis at that point — comparing actual to budget. I think that this would be more reliable than a reforecast of budget based on assumptions. What do you think?