

Minutes, Budget Committee of Academic Senate

Meeting of January 28, 2008 (as approved March 17, 2008)

Present: Michael McIntyre (chair), Donald DeGracia, Charles Elder, Richard Elling, Rob Kohrman*, Winston Koo, Charles Parrish*, Frederic Pearson, Lou Romano, Robert Ross, Linea Rydstedt, Assia Shisheva, and William Volz.

Absent with Notice: James Woodyard.

Absent without Notice: Lothar Spang.

Invited guests: Nancy Barrett, Provost; John L. Davis, Vice President for Finance & Facilities Management; Daniel Walz, Assoc. Dean, SOM; and James Sears, Assoc. Vice President, Facilities Plan & Management.

*Liaison

1. The meeting convened at 11:01 a.m. The minutes for the meeting of January 14, 2008, were approved without objection.

2. *Report from Dean Walz.* Dr. Walz discussed the plans for the proposed Bio-Medical Building at the School of Medicine (SOM). The building would have 5 floors and a basement, with the fifth floor for mechanical equipment, such as air conditioning (architects' drawing attached). It would have gross square footage of 300,000 sq. ft. and net of 190,000 sq. ft. Of that net amount, 150,000 would be for research facilities and the rest for public areas. About 70 % of the research space would be for open laboratories and the remaining 30% for procedure rooms, including rooms for animal experiments. The idea of the open labs is to facilitate teams of researchers. According to current plans, the lab space would be divided between six groups.

The proposed building would house 70 researchers and support staff. Dr. Walz estimates that only around 10 of the researchers would come from the current SOM faculty. He indicated that the architects believe that the design would encourage collaborative work among researchers. The architects will begin work in June on developing detailed designs, which should take 15-18 months to complete.

The cost of the building is currently estimated at \$180 million. Around \$170,000 has been spent so far on developing the design. The hope is to get \$40 million from the State — the governor has recommended funding at that level. The University's current budget sets aside \$7 million for the building. According to Dr. Walz and Vice President Davis, there is no plan yet in place for obtaining the additional \$133 million needed. It was suggested that some money might come from donors or from a Federal earmark. University bonding is another possibility. Mr. Davis estimates that the University's annual cost of borrowing is \$65,000 per million dollars of bonding. Thus, the cost to the general fund of financing the balance of \$133 million would be around \$8.6 million per year.

Lively discussion followed the presentation. Many questions were raised about the funding and the lack of a current funding plan. Several members noted that the Budget Committee has long supported the construction of a new research facility for the SOM. One member asked why action had not been taken years ago, since the need for the building has been clear for some time.

Various points and questions were made by the committee. Questions were asked about replacement parking and whether the cost of the replacement parking deck might be a recoverable cost for the purpose of Federal grants. Questions were also asked about setup costs and whether the open lab design might reduce those costs. Dr. Walz was asked whether grants went up as a result of the renovation of Scott Hall, and he replied that he had no information on that issue.

The chair asked about the degree of consultation with the faculty at the SOM and noted that he had heard many complaints about the lack of faculty consultation and the lack of basic information about the plans for the building. Dr. Walz noted that the SOM dean's office had arranged a meeting to discuss the building project early in the process for interested faculty members. Many faculty members did not learn of that meeting, although a notice was posted on the door of the meeting room that made clear that the meeting was open to the public. In addition, Dr. Walz noted that some faculty members were consulted on specific aspects of the project, including a representative from the SOM's faculty council. The chair suggested that more extensive consultation with faculty was needed.

The chair thanked Dr. Walz and Mr. Sears for attending the meeting and providing the committee with information about the proposed Bio-Medical Building. He suggested that the Academic Senate might be happy to assist the dean's office at the SOM in arranging for more extensive consultation with concerned faculty.

3. *Report by Chair.* The chair reported to the committee on the consultations that had taken place between the Administration and representatives of the Academic Senate with respect to the use of unbudgeted funds from the FY 2007 and FY 2008 budgets. The chair of the Budget and Finance Committee of the Board of Governors (BOG), at its January 17, 2008, meeting, had asked the two sides to meet to try to limit their areas of disagreement. The Administration members were unable to meet until late in the afternoon of Friday, January 25, 2008. At that meeting, the Administration members agreed to add one additional faculty slot, two additional Graduate Assistant slots, and 2 additional Academic Support positions. The faculty slots were budgeted at \$100,000 (including fringes), with the understanding that they would be allocated primarily to departments with substantial increases in undergraduate enrollment.

The two sides agreed to use the Administration's estimate of \$7.1 million as the unbudgeted permanent revenues available for allocation. The chair made clear that

the Senate side was not accepting that figure as accurate — only that it was accepting that figure for purposes of the current negotiations.

4. *Discussion of Budget Priorities.* The committee discussed the Administration's most recent proposals for allocating the unbudgeted one-time and permanent money. One member suggested that the committee should be proud that it had been successful in getting the Administration to substantially revise the amount of funds being allocated to the academic side of the budget. Other members suggested that the amounts going to Instruction and Academic Support remain inadequate, noting that they had been cut by almost \$8 million in the FY 2008 budget.

It was noted that a major reason that the Administration was unwilling to move more funds to the academic side was that it felt the need to provide \$2.7 million of permanent money to fund initiatives of the new president. The chair suggested that the BOG had intimated that it wanted to allocate a substantial amount of money to a fund for the initiatives of the new president. The Senate had recommended \$1.7 million of permanent funding for that purpose, but it had also recommended that \$4.5 million of one-time money be included in the new president's fund. The Administration had not proposed any one-time money for that fund.

After further discussion, the following motion was made and seconded:

That the Budget Committee recommend that an additional \$400,000 of permanent funding be allocated to the academic side of the budget, with the final resolution and supporting rationale to be prepared by the chair and circulated to members of the committee for its comments prior to the meeting of the BOG.

Discussion followed. One member asked how the \$400,000 would be used on the academic side. The mover of the motion said that he anticipated the allocation would be made by the Provost. At the close of the discussion, a vote was taken, and the motion carried without opposition.

[Note: The resolution and supporting rationale (attached) were circulated to the committee in the evening of January 28, and all comments received from members were addressed in a revised document that was submitted to the BOG the following day.]

After the vote on the motion, the chair asked Vice President Davis about the amount of revenue received to date from University investments. The chair noted that investment income for FY 2007 was \$8.7 million, whereas the Administration was estimating only \$4.1 million for FY 2008. Mr. Davis had promised the chair of the BOG's Budget and Finance Committee that he would "do his best" to get that information and would share it with the Budget Committee prior to the BOG meeting of January 30, 2008. Mr. Davis acknowledged that he had not made any attempt

himself to obtain that information, nor had he assigned anyone on his staff to obtain the information, due, he indicated, to the press of other business.

5. *Endowment Report.* The committee briefly discussed the 2007 Annual Investment Performance Report going to the BOG. That report showed an annual return on the investment of the University's endowment funds for 2007 of over 17%. The chair noted that the Administration, in 2002, had reduced the payout rate going to the Schools and Colleges from 5% to 4.25%, with .5% going to fund the endowment campaign. The rationale was that investment yields were expected to go down. In fact, the yields have been high. According to the Performance Report, the average yield over the past five years has been over 13%.

The chair noted that Vice President Davis had promised on many occasions over the past three years to provide a report on the payout rate but that the report was never produced. The chair promised to raise these points at the BOG's Budget and Finance Committee meeting on January 30, 2008. [Note: Those points were made at that meeting, and Vice President Davis promised the BOG that he would provide them with a full report on the payout rate prior to the BOG's budget meeting in July.]

6. *Cross Walk.* The chair noted that the Administration had promised to provide the Budget Committee with a cross walk showing the link between the information provided in the FY 2007 and FY 2008 budget books and the "natural classifications" shown in the December 12 report prepared by the budget director. (See attached memo from the chair to the chair of the BOG's budget and Finance Committee.) Despite the promises, the cross walk was not provided. As noted in the memo, the cross walk is needed to determine where money moved out of central accounts actually ended up.

7. *FY 2007 Financial Report.* The committee noted that the Administration was submitting a draft FY 2007 Financial Report to the BOG. Time constraints prevented the committee from reviewing that report.

8. *Draft Report of the Survey of Department Chairs and Deans.* The committee received a draft report on the survey that a subcommittee headed by Prof. Woodyard had conducted with the department chairs and deans. Those surveyed were asked to give information about the budget cuts they had suffered for the current academic year. The committee received the report and postponed discussion of it until the next meeting. A member of the subcommittee noted that the report does highlight the need for additional graduate assistants.

9. *Adjournment.* The committee adjourned at 12:22 p.m.

Michael J. McIntyre