Minutes, Budget Committee of Academic Senate

Meeting of February 28, 2005 (As approved April 19, 2005)

Present: Stephen Calkins (Chair), Marc Cogan, Charles Elder (liaison), Robert P. Holley (liaison), Michael McIntyre, Charles Parrish, Frederic Pearson, Louis Romano, Vanessa Rose (administration), Vishwanath Sardesai, Assia Shisheva, Harley Tse, William Volz (liaison), James Woodyard.

Absent with Notice: Ravi Dhar, Linea Rydstedt.

Guests (part of the meeting): Meredith Gibbs, Interim Vice President for Development and Alumni Affairs; John Davis, Vice President for Finance and Facilities; Roger Kempa, Assistant Vice President, Cash Management and Investments; Susan Burns, Associate Vice President, Development Office; and Pat Gawlik, Divisional Administrative Manager, Development Office.

1. The meeting convened at 12:25 p.m.

2. *Center for the Study of Citizenship*. The committee considered the draft report prepared by the subcommittee to review the Center for the Study of Citizenship. Charles Elder spoke for the subcommittee. Various members expressed concern about whether the Center's goals are specific, realistic, and attainable. Others noted that it has organized some valuable programs. It seems reasonably clear that the Center has drawn on the general fund and is likely to do so in the future; the question is whether the benefits outweigh the costs. Committee members expressed qualified support for the Center so long as that tradeoff is being made within the College of Liberal Arts and Sciences. It was moved and seconded as follows: "That the Committee supports chartering the Center for the Study of Citizenship for three years, if and only if the Center is made part of the College of Liberal Arts and Sciences ("CLAS") for budgetary purposes, with the Center annually submitting a budget to the dean of CLAS for funding from CLAS resources." The motion passed without dissent.

3. *Budget Materials*. Vanessa Rose reviewed the budget materials prepared for the Board meeting. She noted that fringe benefits are expected to come in $2.5 million below budget because of savings in life insurance costs and from slowed increases in health insurance expenses. Utilities have not been revised yet, but will be reviewed as we have more information about heating bills. As part of the discussion, one member complained about the taxing off year-end balances, which tends to lead to hasty purchasing. Ms. Rose agreed that this was a problem. One member noted that "academic support" showed a large discrepancy between the "approved budget" and the "revised budget." Ms. Rose agreed, explaining that the difference consists of carry-forwards, which were large for this category, which includes research, student life, library, and academic support. Another member noted that new options in telephones can save substantial amounts. Ms. Rose said that these bills like in the units, but agreed that savings are possible and the University is exploring options.

4. *Capital Campaign*. Meredith Gibbs reviewed plans, to be presented to the Board of Governors, to fund the capital campaign by taxing endowment funds 0.5% a year and charging a 2% administrative fee on cash gifts. She set out the justifications for doing this, which are reflected in a presentation she will make to the board. Committee members raised various concerns. Some wondered whether why the payout amounts she is contemplating seem so low, and wondered whether the University won't be doing better than this prediction (or, alternatively, whether the capital campaign will not be as successful as advertised). Ms. Gibbs said that the "yield" from the 2% fee was based on historic giving—but she said that she would share further information on this with us. On member protested that the program contemplates very substantial cuts in endowment payouts. Another member worried about this kind of earmarking. If extra money is raised, shouldn't it go back to the endowments? And, eventually, shouldn't all this be repaid. Ms. Gibbs said we're likely to be in a campaign all the time. Members continued to express concern that "old money," i.e., existing endowment funds, were being tapped to fund unrelated projects. Ms. Gibbs noted that some money is used to handle current investing, but admitted that she did not have good information on these amounts. One member wondered whether the "tax" shouldn't end after the campaign. Ms. Gibbs noted that any such program can be changed.

5. *Endowment Payouts*. John Davis presented a recommendation to reduce the payout from endowment funds by 0.25%, perpetually. This is based upon weak returns over the past five years and projected problematic returns in the future. Members complained that when times were good for investments, we were told that the 5% payout should be maintained (not increased), since it was a level amount that was too low in good years, too high in bad years, but sensible over the long term. And now we're told that the payout has to be cut. In response to questions, Mr. Davis said that UM is at 5% and holding, and MSU is at 4 3/4 or 5% and holding, but some other colleges have reduced payouts.

6. *Adjournment*. The committee adjourned at 2:30.