

## **Minutes, Budget Committee of Academic Senate**

### **Meeting of June 18, 2007 (as approved July 20, 2007)**

*Present:* Michael McIntyre (chair), Stephen Calkins, Charles Elder, Robert Kohrman\*, Charles Parrish\*, Arik Ragowsky, Louis Romano, Linea Rydstedt, Vishwanath Sardesai, Assia Shisheva, William Volz, and James Woodyard.

*Absent with Notice:* Frederic Pearson, Robert Ross.

Absent without Notice: Shirley Thomas.

*Invited Guests:* Nancy Barrett, Provost; John L. Davis, Vice President for Finance & Facilities Management; and Seymore Wolfson, President of Academic Senate.

\*Liaison

1. The meeting convened at 11:01. The minutes for the meeting of April 30, 2007, were approved without objection.
2. *Reports on Budget Going to Schools and Colleges.* Prof. James Woodyard and Director of University Budgets Robert Kohrman gave reports on the percentage of the budget coming to the schools and colleges and available for hiring tenured/tenure-track faculty. Prof. Woodyard noted that he and Mr. Kohrman had met on four occasions and had reached agreement on some matters but had not reached agreement on the percentage of the budget going to the schools and colleges. He presented a chart showing a downward trend over the past decade, based on figures from the budget books.

Mr. Kohrman presented additional data on the subject. He agreed that the amounts going to the schools and colleges have declined, although he felt that the numbers provided in the budget book are not a reliable indicator of the trend. He suggested that part of the recent decline in the amounts shown in the budget books is due to the transfer of the budget of the College of Lifelong Learning to the Office of the Provost. He indicated that the amounts going to instruction for the University have gone up in recent years. He suggested that the most important figure for the committee to monitor is the student-faculty ratio, which has been going up, reflecting a substitution of part-time faculty for tenured/tenure-track faculty. He also explained that the share of the total expenditures going to schools and colleges and to academic support and divisions has been declining in part because the share going to financial aid and central accounts has been increasing. Financial aid has increased in order to protect needy students from the full effects of the tuition increases made necessary by declining state funding.

The following motion was made and seconded:

That the committee update its 2002 report, "Fiscal Year 2003 General Fund Budget: Response from the Academic Senate" (July 2002), and present the updated report to the Board of Governors.

During the discussion of the motion, the chair indicated that it might be difficult to get a revised report completed by the meeting of the Board of Governors (BOG) on June 20, 2007. He asked for volunteers to revise the report on short order. After some discussion, the following motion was made and seconded:

That the motion on the floor be postponed indefinitely.

The maker of the motion explained that the effect of this motion would be that the matter could come up at any future meeting, if that is the will of the body. One member suggested that it might be desirable for the 2002 report to be revised by a small group and then considered by the committee. The chair noted that the next scheduled meeting of the committee is on Friday, July 20, 2007. The motion passed by voice vote without opposition. Prof. Woodyard indicated that he would work on a revision, and Mr. Kohrman volunteered to assist in obtaining updated data.

3. *Discussion of Budget Picture.* Mr. Kohrman reported to the committee on the state of the 2007 and 2008 budgets, showing selected slides from the presentation that will be given to the BOG on June 20, 2007. The full set of slides is available on the BOG web site. Provost Barrett and Mr. Kohrman then discussed the budget situation, with an emphasis on where cuts might be made. They indicated that the significant reduction in state funding will require budget cuts or tuition increases or some mixture of the two on the order of \$25 million for FY 2008. They discussed with the committee a series of suggested budget cuts amounting to around \$6.9 million.

The chair asked about the proposed schedule for bringing a proposal for a tuition increase to the BOG and for getting approval from the BOG for the FY 2008 budget. Mr. Kohrman indicated that the tuition issue would be addressed at the meeting of the BOG scheduled for July 25, 2007. The timing has not yet been set for considering the FY 2008 budget, but one proposal that the BOG will consider at its June 20 meeting is to postpone consideration of the budget until September 26, 2007.

The committee discussed the suggestion on one of the slides for an across-the-board (ATB) cut of 2 percent to schools and colleges and to divisions, centers, etc. The chair noted that the committee generally has opposed ATB cuts. One member suggested that if such cuts are needed, the cuts should be a higher percentage, with the excess revenue then rebated to units based on their performance. Provost Barrett noted that not all targeted cuts are strategic – a point the committee has also made in the past. She suggested that an ATB cut can be strategic if there is no time to do the types of evaluations needed for targeted cuts. In response, one member suggested that ATB cuts are often preferred by the Administration because they avoid the political pitfalls of targeted cuts.

One member asked about the suggestion, already brought to the council of deans, for a cut in the indirect cost recovery funds (IRC) going to the schools and colleges. The Provost noted that the proposal would reduce IRC funds for any school or college if that unit did not achieve in the current year 95% of its three-year average of IRC amounts. Mr. Kohrman noted that the primary investigators would not suffer a reduction under the plan. The chair called attention to the 2003 report that the committee had prepared on the ICR issue.

The chair noted that the Office of the Vice President for Research (OVPR) had received a fund of \$1 million for FY 2007. In requesting the money, the OVPR had prepared a report stating that hiring additional research faculty was the number one priority for the fund. The Policy Committee had requested an accounting of how the fund was being spent this year. That report, submitted in February of 2007, indicted that none of the money had been spent so far on faculty hires. An updated report has been requested by President Seymour Wolfson but so far has not been received. The chair suggested that the Administration should consider the elimination of these funds from the FY 2008 budget.

Another issue that arose was the allocation by the OVPR of a budget increase targeted at the centers that the OVPR oversees. At a meeting of the BOG's Budget and Advisory Committee last July, that committee directed the OVPR to allocate the new funding based on the relative performance of the centers rather than pro rata. In response to a question from the chair, Mr. Kohrman indicated that the funds were allocated pro rata by the OVPR. The chair suggested that the Administration take steps to reduce the budget allocations for these centers to reflect the inappropriate allocations for FY 2007.

The meeting also included a frank discussion of tuition options.

4. *University Guarantees of Third-Party Debt.* One member brought to the attention of the committee a memo from the Dean of the Medical School requesting that the Board of Directors of the Fund for Medical Research and Education (FMRE) vote approval of a loan guarantee of \$3 million for a group called OHS/UPG Ventures. Apparently FMRE has already guaranteed a \$10 million loan. The member suggested that FMRE should not undertake to give loan guarantees without the approval of the BOG. A member indicated that the loans for "Tech Town" had gone to the BOG for its approval.

Discussion ensued. A member suggested that FMRE funds are public funds that need to be accounted for to the University. Mr. Davis noted that FMRE is a legal entity separate from the University. He suggested that if there were legal questions as to the relationship of FMRE to the University, the General Counsel Office should be consulted. Some discussion followed about the percentage of FMRE funds that are allocated to the University. No one had figures available on that matter. One member noted that Mr. Davis and President Irvin Reid are members of the board of FMRE. Another member noted that loan guarantees are sometimes treated, by Congress and others, as if they have no significant cost when, in fact, they put the institution at

risk. The chair suggested that if the third-party defaulted and FMRE had to pay off on its guarantee, the FMRE funds going to the University might be in jeopardy.

5. Adjournment. The committee adjourned at 12:30 p.m.

Michael J. McIntyre