Minutes, Budget Committee of Academic Senate

Meeting of June 19, 2001 (as approved July 23, 2001)

Present: Charles Parrish (chair), Charles Elder, Michael McIntyre*, John Ofenstein, Vanessa Rose* (late), William Slater, William Volz, James Woodyard.

Absent with Notice: Richard Beltramini, Marc Cogan, James Kaltenbach, Marlyne Kilbey*, Louis Romano, Linea Rydstedt, Shirley Walkowski*.

Absent w/o Notice: David Edelman*, Nancy Greger, Hiroshi Mizukami, Scott Ransom.

*Liaison

1. The meeting convened at 3:06 p.m. The minutes of the meeting of June 4, 2001, were approved without amendments. The main item on the agenda was a discussion of the Administration's proposal to the Board of Governors to raise tuition in the Law School and the School of Medicine by 9.75 percent. Tuition increases elsewhere in the university are expected to be dealt with in July. The Chair indicated that he would not be able to attend the coming meeting of the BOG's Budget & Finance Committee. Professor Elder, as the alternate, would replace him. The Chair also noted that the Policy Committee had nominated Professor McIntyre to replace Professor Elder as the alternate representative.

2. Members noted that the Budget Committee had been on record as opposing the prior administration's policy of keeping tuition as low as possible without regard for the financial resources needed to develop and maintain quality programs. It welcomed, therefore, the willingness of the current administration to look at tuition issues as part of a general strategy of providing quality programs. One member noted that the Michigan legislature has implicitly followed a high-tuition policy for many years. That is, it has funded higher education at a level that requires universities to charge high tuition if they are to run quality programs. Another member noted that the policy at the state and federal levels has been to support education primarily by subsidizing the consumer (students and their families). The expectation is that universities would compete to capture that subsidy. To do so, they must provide well-regarded programs responsive to student demand, and they also must charge tuition at an appropriate rate for their market. It was also noted that Michigan schools that followed a plan of charging relatively high tuition and providing a high level of student services have tended to prosper over the past decade relative to Wayne State. Members noted, nevertheless, that universities are properly subject to important restraints in their ability to charge high tuition. As with other goods sold in the marketplace, a university cannot change a premium price unless it is providing a product of perceived high quality. A university also has a moral responsibility to provide financial support to qualified students who are unable to afford to pay high tuition. Most universities have met this responsibility by charging high tuition to those able to pay and providing grants in aid to those of more modest means.

3. Discussion followed regarding the proposed increases in tuition at the Law School and the School of Medicine. The committee had little information about the competitive

pressures facing the SOM. One member familiar with the Law School situation suggested that the Law School is facing serious competition for well-credentialed students and that many schools are offering these students generous scholarship aid. He suggested that the cumulative increases in Law School tuition over the past four years have been high — totalling over 37 percent. He also noted that the university has not returned any of that tuition increase to the Law School. As a result, the Law School ranks very low nationally in the resources available to it, harming both its national ranking and the quality of its educational product. He noted that the Law School can fill its classes, but it has become less competitive in attracting students with high credentials in recent years, after enjoying great success in the prior decade. Various members suggested that a policy of raising tuition in units that were perceived to have good quality without providing funds to maintain and improve that quality was not consistent with good strategic planning. The obvious long-term effect would be to bring down the best elements of the university to the average level.

4. Several members expressed concern about the Administration's recommendation to raise the out-of-state tuition in the Law School. It was noted that the Law School enrolls very few students who pay non-resident tuition, so the revenue gain from raising that tuition would be negligible. Raising that tuition, however, makes it more difficult for the Law School to compete in the national market for students. It was noted that the market has become increasingly national over the past decade and that schools that do not compete nationally are placed at a disadvantage. One member suggested that the Administration could show that it is serious about a market-based tuition policy by including a recommendation for a significant cut in the Law School's out-of-state tuition. Several members suggested that Professor Elder, as the faculty representative on the BOG Budget and Finance Committee, might indicate to the Board that the Budget Committee had serious reservations about the wisdom of increasing the Law School's out-of-state tuition. One member noted that the committee appointed by the Administration to study the tuition issue had recommended that the out-of-state tuition at the Law School not be increased. Some members suggested that the BOG should be encouraged to leave the issue of out-of-state tuition at the Law School for its July meeting. Professor Elder indicated that he would be comfortable making that suggestion at the BOG meeting if the opportunity arose.

5. Various members complained that the Administration, although espousing a market-based strategy for setting tuition levels, was not looking seriously at the relevant markets. One member noted that when tuition at the Law School was raised last year, the Administration made reference to the tuition levels at four Michigan law schools, only one of which (MSU-DCL) competes seriously with Wayne. The various out-of-state schools that Wayne competes with were not surveyed. In addition, no effort has been made to track the impact of prior tuition increases on the quality of enrolled students, in the Law School and elsewhere. Nor was an effort made to compare the after-scholarship prices charged at Wayne and competing institutions. Various members noted that it made no economic sense for the university to raise tuition in a unit simply because it needed additional revenue. If the demand for enrollment in that unit is low, the high tuition might reduce revenues. Alternatively, the higher tuition might force the unit to reduce its standards for admission, resulting in a long-term decline in its quality and national ranking. Members suggested that the Administration should establish in the Provost's Office an on-going system for

monitoring the market impact of tuition increases over time. It was noted repeatedly that the key to a market-based approach to tuition is the collection and analysis of the relevant market data. One member indicated that the Provost has indicated at a prior meeting with the committee his understanding of the need for better data. It was suggested that the recent reorganization of the Administration might give the Provost's Office the capacity for the collection and analysis of market data. One member noted that a budget office traditionally would not be expected to engage in market research. Such research requires a type of expertise that is not closely related to budgeting. Another member noted that the marketing situation needs to be monitored regularly because the market mix can change quickly. He suggested that the undergraduate market for students in the first two years may be different than the market for third and fourth year undergraduates, due in part to the way the state funds community colleges. He added that the business sector does marketing studies all the time, that certainty is unattainable, but that a respectable study that provides useful information is not that hard to do.

6. In response to questions, Ms. Rose indicated that, to the best of her knowledge, the university has not engaged in any extensive study of the Law School market or any other educational market in which the university competes. She indicated that the Administration is concerned about market issues and has done some surveys of tuition levels at Michigan law schools and law schools at Carnegie I universities. She noted that some problems have arisen in getting comparable figures for various law schools. It was noted that the best comparisons are with first-year tuition levels. It was also noted that not all law schools teach the same number of credits in the first year.

7. Ms. Rose gave a brief overview of the budget outlook in Lansing. She noted that the cap on tuition is included in the House bill and not in the Senate bill. It was suggested that an increase in state funding of 1.5percent may be the best outcome reasonably anticipated at this time, and there was considerable risk that even that modest level of increase would not be obtained. She also noted that several universities are making noises about raising tuition. One Michigan university had indicated that it was considering a tuition increase on the order of 9 percent.

8. The meeting adjourned at 4:15 p.m.

By Michael J. McIntyre