Minutes, Budget Committee of Academic Senate

Meeting of July 23, 2001 (as approved Nov. 12, 2001)

Present: Marc Cogan (acting chair), Charles Elder, Michael McIntyre*, Louis Romano, Vanessa Rose*, William Slater, Shirley Walkowski*, James Woodyard.

Absent with Notice: Charles Parrish, Richard Beltramini, Marlyne Kilbey*, Hiroshi Mizukami, John Ofenstein, Linea Rydstedt.

Absent w/o Notice: David Edelman*, Nancy Greger, James Kaltenbach, Scott Ransom, William Volz.

Mary Cay Sengstock, as vice chair of the Senate, was present at the start of the meeting only.

*Liaison

1. The meeting convened at 10:10 a.m. In the absence of Prof. Parrish, the meeting was chaired by Prof. Cogan. The minutes of the meeting of June 19, 2001, were approved without amendments. The only item on the agenda was a discussion of the Administration's proposed budget, to be presented to the Board of Governors on July 25, 2001. Members of the committee received a copy of the abbreviated version of the Budget Book and a memo containing the recommendation for Tuition and Fee Rates for FY2001-2002 submitted by Provost Bantz and Vice President Gibbs to the BOG Budget and Finance Committee.

2. *Overview of Budget Proposal*. Budget Director Rose gave an overview of the Administration's budget proposals to the committee. She began by noting that the Administration was proposing a 9 percent increase in undergraduate tuition and a 9.75 percent increase in graduate tuition. The Board of Governors had already approved a 9.75 percent increase for the Law School and the Medical School. Most other Michigan universities that have announced tuition plans have indicated that their tuition will be increased substantially (see memo from Provost Bantz distributed to committee). Ms. Rose indicated that financial aid would be increased by $1.5 million to take account of the proposed tuition increase. The State has provided for an increase in the university's budget of 1.5 percent — the lowest percentage increase in several years.

The Budget Review Committee determined that the University needed to provide $18 million in revenue to cover actual and deemed obligatory increases. Those obligatory increases included salary increases negotiated with the various unions, projected increases in utilities, a new fund of $1 million for the Provost's Office to be used to enhance academic programs, and sundry other items.

To finance the obligatory increases, the Administration is proposing the following:

(1) Some cuts in budget items, such as an end to the WDET subsidy ($30,000), the McGregor subsidy ($53,000), and some reduction in debt service form

parking (due to projected increase in parking fees).

(2) An extension from the agreed 7 years to 10 years for repayment of some $45 million "borrowed" from cash pool (mostly for technology infrastructure improvements).

(3) A 2.5 percent cut in the so-called discretionary portion of the budgets of the various administrative divisions. This discretionary portion of a division's budget was computed by subtracting certain contractually required payments from the total budget of the division. This cut was expected to save around $2.3 million.

(4) A non-academic staff salary turnover tax of 2%. This tax is to be applied to the total amount that each college or division pays in compensation to staff persons (excluding faculty and academic staff). It replaces a prior mechanism under which a portion of salary savings for non-academic staff was captured by the Administration.

(5) A withdrawal of $1.49 million from the rainy day fund.

3. *Tax on Non-Academic Staff Budget*. There was extensive discussion of the proposed 2% tax on the non-academic staff budget. Currently the Administration recaptures a portion of the salary savings resulting from unfilled positions. In general, the tax is imposed on the difference between the authorized Hay salary amount and the deemed replacement amount. It is generally recognized that the deemed replacement amount is an artificially low number. This mechanism has been difficult to implement. The proposed tax is estimated to result in revenue loss to the colleges and divisions that is lower, in aggregate, than the loss under the current mechanism. Colleges and divisions that do not experience significant turnover savings, however, will do less well under the proposed tax. Some relief mechanisms are proposed to prevent hardship. The new mechanism would recapture estimated turnover savings up front and the estimated savings would be included as amounts available for spending in the budget. The prior savings were included in year-end balances.

4. *Parking*. It was noted that parking fees are expected to go up next year significantly. There is a tentative proposal for an increase of the standard fee to $2, with a further increase to $3 proposed for 2003. [Note: This tentative proposal was not adopted.] Ms. Rose indicated that the parking fees are included in the Auxiliary Budget to be presented to the BOG in September. Some general discussion followed on the possible impact of tuition and parking fee increases on enrollment.

5. *Share to Academic Programs*. The acting chair reported that the share of the budget going to academic units would increase from 39.95% for FY 2001 to 40.$% for FY 2002. His calculations do not include the proposed $1.2 million for the Provost's enhancement fund because it is not clear that any of that money will be spent for faculty lines. When the Senate expressed its concern in FY 2000 about the declining percentage of the budget going to academic units, the percentage was 40.2%, down from 41.4% in FY 1999. One

member noted that the small increase in the percentage going to academic units was due to the AAUP-AFT contract and not to systemic changes in the way the budget was being set. The acting chair indicated that for a systematic change, the Administration would need to make changes in the way the budgets were made and programs evaluated in the various administrative divisions. He noted that Meredith Gibbs had expressed a strong commitment to the Budget Review Committee to improving budgeting in the divisions.

7. *"Borrowing" Against Projected Surpluses*. In recent years, the Administration has approved expenditures without new revenue to fund them by "borrowing" against projected surpluses in certain accounts. For example, the university has "borrowed" against the projected balance in the indirect cost recovery funds allocated to faculty researchers. One member noted that the Administration needs to develop some sensible rules governing such "borrowing." Another member noted that this "borrowing" metaphor is inappropriate and misleading. In fact, what is going on is that the Administration is introducing on an ad hoc basic certain capital budget concepts into its cash budget. One member asked that this issue be put on the agenda for a future meeting.

8. The meeting adjourned at 11:25 a.m.

By Michael J. McIntyre