

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

### **Meeting of July 29, 2002 (as approved Oct. 18, 2002)**

*Present:* Michael McIntyre (chair), Ravi Dhar, Charles Elder, Diane Gebard\*, James Kaltenbach, Charles Parrish, Linea Rydstedt, William Slater, William Volz, James Woodyard\*.

*Absent with Notice:* Stephen Calkins, Marlyne Kilbey, Jeannette Poindexter, Vanessa Rose\*.

*Absent w/o Notice:* Marc Cogan, Scott Ransom, Louis Romano, Lucia Schuger.

*Guests* Charles Bantz, Provost; Meredith Gibbs, Executive Vice President; Celeste M. Lezuch, Budget Office; Seymour Wolfson, President of Academic Senate and Faculty Representative on the Budget Review Committee

\*Liaison

1. The meeting convened at 3:17 p.m. The minutes of the meetings of June 17, 2002, and July 9, 2002, were approved without amendment. Prof. Calkins was praised for preparing excellent minutes for the meeting of July 9. One member noted the apparent completeness of the minutes for the meeting of June 17.

2. *Announcements.* The chair welcomed Provost Bantz and Executive Vice President Gibbs to the meeting. They were attending in their role as co-chairs of the Budget Review Committee. President Wolfson also joined the meeting as one of the faculty representatives on that committee. Prof. Elder is the other faculty representative. Ms. Lezuch was attending in place of Budget Director Rose, who was unable to attend due to the death of her mother. The members of the committee asked the chair to convey their sympathy and condolences to Ms. Rose.

The Provost announced that construction of the Welcome Center is on target and that the opening of the building is scheduled for September 12, 2002. He expected the new building to be a huge improvement over the prior arrangements. He also announced that the university is concerned about the impact on enrollment of the federal restrictions on part-time students entering the country, due to the large number of part-time students coming to Wayne from Canada. He indicated that a partial solution might come in the future from legislation that is being proposed to allow for the admission of part-time students who are citizens of Canada or Mexico.

The chair informed the committee, as he had done at several prior meetings, that he still had not received the list of chairs of the unit budget committees that the Provost's office has promised to provide.

3. *Discussion of FY 2003 Budget.* Provost Bantz gave the committee a general overview of the budget that would be presented the following Wednesday to the Board of Governors.

*Revenue Increases.* The Administration is recommending a tuition increase of 9.1 percent (\$425) for undergraduate students and 15 percent for graduate students. The tuition hikes, combined with hikes already approved for Law and Medicine, will produce a net increase in revenue of over \$12 million, after subtracting around \$2.6 million for an increase in financial aid. The other main revenue increase is to come from an increase in the indirect cost recovery received from various research grants obtained by the faculty and staff. Some additional revenue is anticipated from a projected increase in enrollment of around one percent. The State budget provides for no increase in the State appropriation, which accounts for over 60 percent of the budget. Thus all of the anticipated revenue increases are to come from the academic side of the university.

Provost Bantz represented that undergraduate tuition would remain considerably lower than that of the other Michigan research universities even after the proposed increase. He also indicated that Wayne State would remain less expensive for graduate students than Oakland University and other competing Michigan schools. In response to a question, he acknowledged that the Administration did not do any study of the relative tuition rates of out-of-state schools that compete with Wayne State for graduate students.

*Spending Cuts.* The Administration is proposing an across-the-board cut in the budgets of all academic units equal to 2.5 percent of their personnel budget. The central administrative would also have a cut equal to 2.5 percent of its personnel budget. The provost indicated that he might adjust the cuts to particular academic units up or down to deal with special circumstances.

Several committee members noted that the overall effect of the cuts will be to reduce significantly the relative share of the budget going to the academic units. [Note: It was subsequently calculated that the share of the budget going to the academic units would go down from 40.37 percent in FY 2002 to 39.00 percent in FY 2003. See *Fiscal Year 2003 General Fund Budget: Response from the Academic Senate*, July 2002.] The Provost suggested that some portion of the decline was due to the increase in financial aid and medical insurance costs, which show up on the administrative side of the budget. Members noted that the overall revenues to the University were budgeted to go up by 4.69 percent (see p. 19 of FY 2003 Budget Book) but that the increase budgeted to the academic units was going up by only 1.14 percent (p. 23 of Budget Book). It was also suggested that making the cuts a percentage of salaries may be more harmful to the academic units because the academic units spend a higher percentage of their budgets on salaries than the divisions.

The chair suggested that the Administration take steps to institutionalize the calculation of the impact of budget proposals on the percentage of the budget going to the academic units. He noted the interest in this number and the various suggestions made that the number might be adjusted for particular reasons. He also indicated that consistency in the method used to calculate the number was important. Provost Bantz agreed to consider such action as part of a general plan to deal with budget issues early in the coming academic year.

Various members asked why the rainy day fund was not tapped to mitigate the size of the budget cuts. Provost Bantz indicated that some BOG members were concerned about

the budget for FY 2004 and did not want to tap reserves for that reason. Prof. Elder circulated to the committee a memo sent to him and others by Vice President Davis about the size of various reserves. The memo indicated that the reserves are quite substantial. [Note: Depreciation Reserve: \$260,000; Equipment/Facilities Reserve: \$2.2 million; Reserve for Energy Related Projects: \$5.3 million.] One member noted that the reserves, although large in absolute terms, are actually fairly modest, given the overall size of the budget. Several members indicated their support for drawing on reserves to some extent to minimize the harm to academic programs that is almost inevitable from cuts of the magnitude proposed.

*Spending Increases.* The Provost indicated that spending increases were budgeted for an anticipated increase in fringe benefits, due primarily to an anticipated increase of 23 percent in medical insurance costs. Additional spending would be needed to deal with hazardous wastes. A spending increase was also budgeting for the capital campaign. One member asked whether the gifts to the university were up as a result of all of the new spending on fund raising. The Provost indicated that the decline in the stock market was making fund raising difficult. Vice President Gibbs indicated that some ambitious programs for raising gifts were moving forward.

4. *Parking Fee Increases.* The report of the Parking Task Force had been brought to the Budget Committee for informational purposes on March 18, 2002. The committee did not act on that report, however, because that report did not contain any specific budget proposals. The chair indicated that the committee would address the anticipated parking fee increases when the Administration had developed a concrete plan for altering parking fees. The Administration has now announced a major increase in parking fees, doubling the fees in the typical case. It did not consult with the Budget Committee or the Parking Task Force before announcing the increases, which are effective immediately.

Vice President Gibbs explained to the committee the need for higher parking fees. In her view, the parking facilities are in need of repairs and modifications. She indicated that all of the money from the increase in fees will be spent to improve the parking facilities. She recognized, however, that the parking increase is not popular with students. She indicated that she had met with student representatives, who had informed her of various student complaints. One member suggested that the complaints are likely to increase when the proposed tuition hikes are announced.

One member of the committee praised the Administration and Ms. Gibbs in particular for standing up and taking responsibility for the parking fee increases and taking the considerable political heat for it. The chair indicated that the committee, if it had been consulted, might have given the Wayne State community some greater confidence that the fee increase was needed and that the figures used to justify the increase were reliable. He also suggested that the politics might have been less difficult if the increase had been deferred until progress on the promised improvements had begun. Ms. Gibbs said that the projects would begin almost immediately. She also stated that the cost estimates for various projects would be included in the auxiliary budget going to the BOG in September. At the request of the chair, Ms. Gibbs promised to consult with the committee before the auxiliary budget is brought to the BOG.

Vice President Gibbs noted that some free parking will be made available to students and staff. One member suggested that some people have complained that they are concerned about safety at the free lots. Ms. Gibbs indicated that the lots will be attended and that a parking cadet corps will be put in place to patrol the lots, including the free lots. She also indicated that lighting is good at the free lots and will be improved where needed.

5. *New Bonds.* The Administration is proposing to issue \$49 million in bonds to cover the costs of various new projects, including the parking projects. One member noted that the payments for the bonds will be guaranteed by the General Fund, even though the Administration has identified various revenue sources not on the General Fund to pay the interest and principal on the bonds. Some discussion followed about the level of risk to the General Fund. Another member noted that the market for selling bonds is very good and that the Administration might want to take advantage of the present situation to issue more bonds. Another member noted that the legal document prepared by bond counsel had a typo on page 3, line 5. That line states that the amount of the bonds is "fifty million" but the amount should in parenthesis is "\$49,000,000". From the memo to the BOG's Budget and Finance Committee, the correct amount appears to be \$49 million.

6. The meeting adjourned at 4:47 p.m.

By Michael J. McIntyre