

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

### **Meeting of Aug. 2, 2007 (As approved, Sept. 21, 2007)**

*Present:* Michael McIntyre (chair), Stephen Calkins, Charles Elder, Robert Kohrman\*, Charles Parrish\*, Frederic Pearson, Louis Romano, Assia Shisheva, William Volz, and James Woodyard.

*Absent with Notice:* Arik Ragowsky, Robert Ross, Linea Rydstedt.

*Absent without Notice:* Vishwanath Sardesai, Shirley Thomas.

*Invited Guests:* Nancy Barrett, Provost; John L. Davis, Vice President for Finance & Facilities Management.

\*Liaison

1. The meeting convened at 11:01 a.m. The minutes for the meeting of July 20, 2007, were approved without objection.
2. *BOG Budget Meetings.* The chair informed the committee that the Budget and Finance Committee of the Board of Governors (BOG) had scheduled bi-weekly meetings to discuss a variety of long- and short-term budget issues, including issues relating to the FY 2007 budget and the FY 2008 budget. The first meeting is scheduled for August 8, 2007. The chair indicated that, as a member of that committee, he expects to attend the meetings. He indicated that one point of the current meeting is for the committee to offer guidance on the position he should take with respect to the Administration's proposed cuts in the budgets of the schools and colleges.

With respect to the 2008 budget, the chair stated that the BOG had approved a tuition increase of 12.8%, coupled with a contingency fee that brings the increase for Fall 2007 to approximately 18% according to the Administration's calculation. That fee would be dropped in Winter 2008 if the State provides the full funding promised to the University. The chair explained that the BOG, at the request of the Administration, had divided the issue of tuition (to be decided in July) from the approval of the budget (to be decided in September). Consequently, no action has been taken yet on the budget. That action will be taken at the BOG meeting scheduled for September 26, 2007. Thus, all issues about the budget remain open issues, to be addressed by the BOG's Budget and Finance Committee at its bi-weekly meetings.

Robert Kohrman, Director of University Budgets, expressed disagreement with the chair's statement that the BOG has not made any decisions about the budget itself at its July 25, 2007, meeting. In Mr. Kohrman's view, the BOG had at least implicitly accepted the Administration's recommendation for permanent budget cuts of \$9.1 million. The chair disagreed, stating that the BOG was aware that the tuition

increase would leave a hole in the budget of that amount, based on the assumptions being made by the administration, but the BOG had not given formal approval to any particular level of cuts and had not addressed whether the hole in the budget should be filled with long-term or short-term money. He promised, nevertheless, that he would review the actions taken by the BOG and would request clarification from the Secretary of the BOG.

[Note: The Administration's tuition recommendation approved by the BOG (Option 2) and the motion approved by the BOG's Budget and Finance Committee setting up the bi-weekly meetings are posted on the committee web site. The documents speak for themselves. Also posted is the Administration's slide presentation to the BOG on the budget.]

3. *Committee Position on Proposed Budget Cuts.* A member of the committee stated that he was aware of one college being instructed by the Provost to present a budget showing cuts of 1.95%. He asked the Provost whether other colleges were being required to take similar cuts, and to give the range of cuts, in percentage terms, for the various units. The Provost indicated that she was asking most units to take cuts of 1.95% but that at least one college was being asked to take a much larger cut. The member repeatedly asked for the range of cuts, but no additional information was provided. One member indicated that he was aware of one unit that was asked to present a budget with cuts well in excess of 10% but deferred to the Provost to disclose the actual amount. The Provost declined that invitation.

The chair noted that the committee, at its last meeting, had passed a motion urging that the administration not make any cuts to the schools and colleges. He stated that this motion remained in effect unless someone wanted to move to reconsider it. After discussion, the consensus view was that the original motion should stand. Several members urged the chair to make the committee's position known to the BOG's Budget and Finance Committee in the strongest possible terms.

One member noted that the University has received substantial new money over the past several years, despite the bleak budget situation in Lansing, due to tuition increases and enrollment growth. He noted that all of this money came from the schools and colleges and that the expenses associated with obtaining this money all were borne by the schools and colleges. Referring to a chart attached to the minutes of the July 20 meeting, he indicated that the schools and colleges had not received anything close to its proportional share of that new money.

That member also pointed out that the amount of funds going to the schools and colleges is misrepresented in the General Fund Budget Books. The FY2007 book was cited as an example. The pie chart on page 4 of that document shows that Central Accounts received 9.0% of the budget and Schools and Colleges received 54.2%; the figures for Central Accounts and Schools and Colleges on pages 83 and 13, respectively, of that document, however, show the amounts are 26.03% and 36.27%,

respectively. The member requested that the BOG be informed of this error in the budget books. He noted that the fraction of the general fund received by schools and colleges, as presented in the General Fund Budget Books from FY1998 thru FY2007, has decreased from 42.0% to 35.0%. He suggested that the BOG, in considering the FY2008 budget, should review the budgets of units that have received proportionally large increases in funds from the General Fund in recent years.

The chair noted that he had prepared a memo for the BOG's Budget and Finance Committee and this committee listing possible areas of budget cuts. He indicated his intent to raise these issues with the BOG's Budget and Finance Committee at its bi-weekly meetings unless there was objection from the committee. The consensus view was that the chair should be free to press these issues and others with the BOG's Budget and Finance Committee, consistent with the views expressed at this meeting. The chair agreed to press the committee's positions as best he could.

The chair noted that the Administration has been promising since before the BOG's July 25 meeting that it would provide information on the various plant reserves held by the University. Vice President Davis indicated that the report is being prepared by his office and would be made available to the committee shortly.

4. *Research Incentive Program.* One member indicated that the Administration was discussing plans for modifying the Research Incentive Program, which mostly provides funds to researchers at the School of Medicine (SOM). The plan, designed by the SOM, was adopted as a pilot program in an attempt to stimulate new grant submissions. Another member indicated that the discussion was about modifying the program, not eliminating it. He indicated that the plan under discussion would change the program to have a greater stimulus effect, both within and without the SOM. The chair indicated that this committee had not addressed this issue. He promised that he would bring the matter to the committee at its first meeting in September if the issue is raised at the bi-weekly meetings of the BOG's Budget and Finance Committee.

5. *Alternative Representative.* The chair asked for the approval of the committee for him to appoint an alternative to attend the bi-weekly meetings of the BOG's Budget and Finance Committee in the event he was unable to attend. He noted that there was an alternate appointed by the Policy Committee, but that this alternate had subsequently taken a position in the Provost's Office. Under the circumstances, the chair suggested that it would be unfair to the alternate to be the only representative of the faculty at a meeting of the BOG's Budget and Finance Committee, especially in light of the position of this committee in opposition to the budget recommendations of the Provost. The Provost stated her agreement with the chair's position. After brief discussion, the following motion was made, seconded, and approved without opposition:

That the chair is authorized by the committee to designate a replacement for himself as faculty representative at the scheduled bi-weekly meetings of the BOG's Budget and Finance Committee if he is unable to attend one or more of those meetings.

6. *Adjournment.* The committee adjourned at 12:14 p.m.

Michael J. McIntyre