

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

### **Meeting of Sept. 11, 2006 (as approved, Oct. 16, 2006)**

*Present:* Michael McIntyre (chair), Anjali Anturkar\*, Stephen Calkins, Charles Parrish\*, Frederic Pearson, Arik Ragowsky, Louis Romano, Robert Ross, Vishwanath Sardesai, Assia Shisheva, William Volz, James Woodyard.

*Absent with Notice:* Linea Rydstedt.

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

\*Liaison

1. The meeting convened at 11:02 a.m. The minutes for the meeting of July 19, 2006, were approved without objection.
2. *Committee Meetings.* The chair announced the tentative meeting schedule for the academic year and invited comment. He indicated that additional meetings would be called as needed. The schedule (posted on the committee website) is as follows:

September 11, 2006 (11:00 a.m.)  
November 6, 2006 (11:00 a.m.)  
January 22, 2007 (11:00 a.m.)  
February 5, 2007 (11:00 a.m.) (department/college chairs)  
March 19, 2007 (11:00 a.m.)  
April 30, 2007 (11:00 a.m.)  
June 18, 2007 (11:00 a.m.)  
June TBA (Joint meeting with Policy and Provost on Budget Model)  
July 20, 2007 (FY 2008 Budget to BOG) (Friday, 11:00 a.m.)

The chair indicated that a meeting in October was likely. Provost Barrett indicated that she hoped to meet early in 2007 with the committee, perhaps as a joint meeting with the Policy Committee, to discuss budget options. The chair noted that Provost Barrett also agreed to participate in the meeting with the chairs of the department/college budget committees.

3. *Work Agenda.* The chair reviewed potential issues to be addressed by the committee for the coming year and invited additional suggestions. After discussion, the following items emerged as likely topics during the coming year:

- Consultation on FY 2008 budget and tuition policies;
- Reinstatement of prior payout rate for Endowment Funds;
- Re-examination of decline in percentage of budget available for faculty hiring;
- Consultation on capital spending projects;

- Monitoring of discretionary funds spent by the office of the Vice President for Research on faculty setups and faculty retention offers;
- Consultation and communication with department/college budget committees;
- Monitoring of progress and expenses of capital campaign;
- Updates on the proposed medical research building.

Vice President Davis had promised in the prior academic year to provide the committee with information on the practices of other universities with respect to the payout of endowment funds. In particular, he agreed to gather information about the possible use of a rolling average of the return on investment to determine the proper endowment payout rate. Mr. Davis said that his office was working on that matter and would be providing the information to the committee. He also agreed to confer with the chair about a meeting to deal with the priorities in the list of capital spending projects sent to Lansing.

One member suggested that the committee might try to communicate early with the chairs of the department/college budget committees. He suggested that some of the committees do not operate effectively and may not understand their rights under the collective bargaining agreement to receive full budget information from their chair or dean. The chair agreed to prepare a memo to the chairs, which he would circulate first with the committee for comments and revisions.

4. *Monitoring Spending by OVPR.* The chair had suggested, in listing issues to be addressed during the year, that the committee ought to monitor the spending by the Office of the Vice President out of the \$1 million discretionary fund provided in the FY 2007 budget. In asking for the money, the OVPR has indicated that its top priorities were faculty setups and faculty retention offers. The chair indicated that it might be useful to determine whether the amounts spent from the fund actually reflected those priorities. It was suggested that if such monitoring were to occur, it would be appropriate to give notice soon to the OVPR so that it could put in place the necessary accounting mechanisms. After further discussion, the following motion was made and seconded:

That the Budget Committee requests the Policy Committee to ask the Office of the Vice President for Research to provide an accounting of the expenditures it makes from the \$1 million special allocation it received in the FY 2007 budget, including an account of the amounts spent during the fiscal year for faculty setups and faculty retention offers, with a comparison to the amounts spent for those purposes from discretionary funds in the prior fiscal year.

Objection was made that consideration of this motion was premature. A motion to postpone consideration was made and seconded. That motion failed by a vote of 5-4. The motion set forth above was then voted on and passed by a vote of 7-1. The chair agreed to draft the wording of the motion to reflect the sense of the body and to circulate the draft to the committee for its comments.

5. *Third Quarter Budget Report.* The Budget Office has prepared for the Board of Governors (BOG) a report that updated the FY 2007 budget as of the end of the third quarter of FY 2007. The chair explained to new members that the committee had objected to the lack of actual expenditures in the first and second quarter reports. That objection had been brought to the BOG's Budget and Finance Committee at its meeting of June 19, 2006. After some discussion at that meeting, the Administration has agreed to provide a more complete report that not only showed revised projections but also provided a comparison of the actual expenditures through the current quarter with the actual expenditures for that same period in the prior fiscal year. It was noted that the actual figures had to be treated with caution, since variation of the actual expenditures from the estimated expenditures might be due simply to timing issues.

A discussion followed. It was noted that the Third Quarter Report, although a distinct improvement over the prior reports, still lacked adequate information about actual expenditures. In particular, members complained about the lack of "actuals" for utilities, fringe benefits, and other items in the central accounts (see page 4 of the report). They indicated that they wanted the actual expenditures for those items as of the current quarter and for the same period in the prior fiscal year.

Director of University Budgets Anjali Anturkar indicated that she had the missing information and would provide it to the committee prior to the BOG meeting of Sept. 13, 2006. The committee thanked her for agreeing to provide this information in timely fashion and asked that similar information be included as a matter of course in future quarterly reports.

A question was raised about the expenditures listed under the heading "research facilities and equipment". It appears from the table on page 4 of the report that \$1.3 million had been backed out of the utilities budget for FY 2005 and FY 2006 and that this amount had ended up in the line for "research facilities and equipment" in FY 2006. It was unclear where the amount went for FY 2005. Vice President Davis stated that this matter involved the Hudson-Webber Building, which is owned in part by the University and in part by the DMC. The DMC is responsible for managing the building. Mr. Davis promised to provide the committee with a full accounting on this matter.

6. *Auxiliary Budget.* The committee reviewed with its invited guests the Auxiliary Budget. It was noted with approval that the University is having some success in requiring most auxiliary activities to pay their own way. One member noted that the fitness center, although appearing to pay its own way, actually was receiving a very large indirect subsidy from the General Fund, due to the \$25 per student fee that is assessed on all students and included in the revenues of the fitness center. It was noted that this fee is equivalent to the earmarking of tuition revenue.

The chair noted that the report indicates that \$1.0 million was spent from the Auxiliary Budget for unspecified "activities of the University." Assistant Vice President Nabelah Ghareeb indicated that there is no general listing of these

expenditures in the Auxiliary Budget but that the budgets for various operations showed the amounts and purposes of those expenditures. She promised to provide the committee with a full listing of all of the amounts and purposes of the various expenditures for “activities of the University”. The committee has traditionally argued that these amounts should go into the General Fund and be allocated as part of the budget process instead of getting earmarked for special uses.

A question was raised with Ms. Ghareeb about the book store branch located in one of the resident halls. Ms. Ghareeb explained that the branch store pays a rental fee to the housing department and does not make a payment to the University based on its sales revenue, as is the case for the main store. One member noted that this arrangement results in the shifting of funds, which otherwise might be available for reallocation to the General Fund, from the Auxiliary Budget to the housing department.

One member suggested that the difficulties of WDET might have been discussed with a bit more candor in the budget documents. He also suggested that the budget report might have noted that the addition of a new food cart at the Law School was accomplished in part by closing a different food operation at the Law School.

The chair asked whether the 95% utilization rate stated in the report for the parking structures indicated that parking was getting excessively tight and that expansion of the parking facilities might become necessary in the near future. Ms. Ghareeb indicated that there was no immediate problem — that the high rate reflects the fact that many of the parking spaces get used multiple times during the typical day. Several members commented on the major improvements in the management and security of parking at the start of the academic year. Ms. Ghareeb indicated that the shuttle bus was continuing to operate, despite significant costs, due to its popularity with students.

7. *Adjournment.* The committee adjourned at 12:40 p.m.

Michael J. McIntyre