

Minutes, Budget Committee of Academic Senate

Meeting of February 2, 2004 (As approved February 16, 2004)

Present: Michael McIntyre (Chair), Stephen Calkins, Marc Cogan, Charles Elder, Marlyne Kilbey, Celeste Lezuch*, Louis Romano*, Vanessa Rose* (Late), Assia Shisheva, William Slater, Harley Tse, William Volz, James Woodyard.

Absent with Notice: Ravi Dhar, Carol Parker, Linea Rydstedt.

Absent without Notice: Charles Parrish.

*Liaison

1. The meeting convened at 11:00 a.m. The minutes for the meetings of December 1, 2003, and January 23, 2004, were approved.

2. *Budget Cutting Guidelines.* The committee reviewed the draft memo prepared by the subcommittee on budget cuts. The memo had six sections, each of which was reviewed in order except that a discussion of centers and institutes was left to the end. The general ground rule was that the chair would prepare a revised memo in light of the comments made at the meeting. The first section of the report, dealing with the importance of protecting the core functions of the University, was approved in principle. The second section, dealing with the cuts already suffered by the divisions in the last round of cuts, was also approved in principle. It was suggested, however, that the memo add a brief discussion of the need to use some of the revenue from increased tuition to cover the increased marginal costs in the units. The third section, dealing with the Raining Day Fund, was also approved in principle.

The fifth section of the subcommittee report, dealing with earmarking of surpluses in the auxiliary accounts was approved in principle. It was suggested that some addition be made to address the potential problem of administrative units adding new fees to avoid the impact of budget cuts. It also was suggested that more general issues of fees for services should be addressed by the ad hoc budget review committee chaired by Professor Cogan. It was noted that the Administration has taken some steps to require auxiliary units to repay certain hidden subsidies. It was also noted that any discussion of fees for services should make clear that the committee did not oppose the use of market mechanisms for resource allocation. The objection was the use of fees to change the intended budget allocations, shifting revenues inappropriately from the units paying the fees to the units collecting them.

The committee decided to delete the sixth section of the subcommittee's report, dealing with an overall review of the University's research function. The view was that this issue is an important one but is really not germane to the issue of how to make budget cuts. The chair suggested that the committee address the issue of

the review of the research function at a later time, with a view towards formulating a general recommendation to the Policy Committee.

The fourth section of the report, relating to centers and institutes, provoked extensive discussion. One member noted that the whole discussion of centers and institutes was stimulated by a discussion at a meeting of the ad hoc budget review committee, where the idea was discussed of cutting the General Fund subsidy for centers and institutes by 20 percent a year for the next five years. In some respects, therefore, the subcommittee's recommendation may be seen as offering some cushion from the cuts that otherwise might occur.

The chair indicated that he was having second thoughts about the subcommittee's proposal for using the Centers and Institutes Advisory Committee as the instrument for recommending targeted cuts on poorly performing centers and institutes. He suggested that because the committee is chaired by the Vice President for Research, there might be an appearance of bias in favor of centers/institutes that report to that office and against those that report to other parts of the University. He also suggested that the conflicts of interest inherent in having directors of centers/institutes on the CIAC created an appearance of impropriety.

What might be needed in the long run, the chair suggested, is someone in the Administration who would have the authority and responsibility for oversight of all centers and institutes (a C&I czar). Whether or not such a change is desirable, however, it is not likely to occur soon. In the short run, the chair suggested that the earlier proposal for a special oversight committee might be preferred. Various aspects of the problems of reviewing centers and institutes were discussed. The consensus that emerged was that the committee was not in a position to make any kind of detailed recommendation on how the centers/institutes should be evaluated for potential budget cuts. It was suggested that the report should put the focus on the principles to be applied in conducting a review, with the design of the mechanism for implementing the review left to others.

3. Review of BOG Materials.

A. New Dormitory. The committee discussed the proposal going to the Budget and Finance Committee of the Board of Governors for the construction of a new dormitory. The dorm would have beds for over 900 students and would be 11 stories tall. Several members suggested that large dormitories can create major problems and noted that the prior provost had warned against large dormitories based on his experience at Arizona State. Some members noted that some of the existing student housing is poorly maintained and overcrowded, noting in particular the problems in DeRoy and Forest.

Several members wanted to obtain information on the likely impact of the dormitory on the General Fund. In particular, several members wanted the Administration to provide a written report on any intended subsidies, such as the subsidies now provided for residents of North and South Halls through scholarship

aid. One member indicated that his son had recently received a letter from the University offering a substantial subsidy for residing in one of the dormitories. [Note: The chair and Professor Elder were given a briefing on the new dormitory by President Reid and Vice President Gibbs. The chair's report on that briefing is attached.]

B. Endowment Fund Report. The annual report on the Endowment Fund was distributed to the BOG. All that was circulated, however, was a brief summary and a list of the members of the Wayne Foundation, which now manages the Endowment Fund. It was clear from the brief summary that the management of the fund had been turbulent in the past year, with several funds being dropped and others added. The committee members complained that the information provided was totally inadequate and was far less comprehensive than in the past. [Note: A full report was distributed to the chair and to Professor Elder the following day, with an apology for leaving the report out of the distributed materials. The report is available in the Senate office.]

Members also expressed concern about the proposal to "study" a reduction in the percentage of endowment funds distributed to stakeholders. For a very long time, that rate has been 5 percent. The report summary suggested that the managers of the Endowment Fund were considering a drop in that percent, to reflect the lower revenues being generated by the fund.

After discussion, the following two motions were made, seconded, and approved by the committee by voice vote:

1. That the Budget Committee is concerned about a suggested reduction in the current 5% rate of payout on endowment funds because:
 - a. such a reduction is inconsistent with the basic premise that the rate would reflect an average of the rate of return in good and bad times; and
 - b. such a reduction would have adverse effects on the fund-raising efforts of the schools and colleges and would encourage gifts of one-time money rather than contributions to the endowment fund.
2. That the University community, including the Budget Committee, should receive an annual report on the performance of the Endowment Fund, as has been the uniform practice in the past.

C. Year-End Performance Report. The Provost's year-end performance report was reviewed briefly. One member noted that the amount of detail in the report declines every year. He circulated a chart showing the decline in the number of pages in the report over the last decade. Several members noted that lots of important details are omitted. It was suggested that the committee should get a detailed breakdown of the accounts showing expenditures on fringe benefits, debt service, utilities, and the like. Budget Director Rose promised to obtain that

information for the committee. Ms. Rose indicated that some additional details are available on the website of the Budget Office.

4. *New Business.* One member suggested that the committee should review the way revenues from the summer school are distributed. It was suggested that the distribution patterns are becoming increasingly unfair. It was also suggested that the current system practically precludes the use of full-time tenure/tenure-track faculty in the summer program. One member noted that faculty members who serve on a dissertation committee do not get any academic credit for that work. The chair indicated that he would put the topic of summer school financing on the agenda for a subsequent meeting.

5. *Adjournment.* The committee adjourned at 12:45 p.m.

6. *Next Meeting.* The next meeting of the committee is scheduled for 11:00 a.m. on Monday, Feb. 16., 2004.

Michael J. McIntyre