Academic Senate Budget Committee Minutes **March 22, 2021**

Via Zoom

Time: 11 am – 12:30 pm

Members Present: Paul Beavers (chair), Leela Arava, Linda Beale, Stephen Calkins, Wei Chen, Sudip Datta, Susan Davis, David Edelman, Brian Edwards, Mahendra Kavdia, Santanu Mitra, Charles Parrish, Jennifer Stockdill, Ricardo Villarosa, William Volz

Members absent with notice: Faisal Almufarrej, Carol Miller,

Liaisons: Kristen Chinery, AAUP-AFT; Duke Debrah, GEOC; Karin Tarpenning Szadyr, Union of Pert-Time Faculty

Guests: Jane Fitzgibbon, member of the AS Policy Committee; Noreen Rossi, member of the AS Policy Committee; Tamaka Butler, Interim Senior Associate Vice President of Finance & Deputy Chief Financial Officer; Affan Atif, Student Senate Representative on the Budget Planning Council; Brelanda Mandija, Senior Director for Budget and Planning; Christine Chow, faculty representative on the Budget Planning Council

The chair announced that he would be making a video recording of the meeting and deriving the minutes from them.

The minutes from the Budget Committee meetings of October 26 and November 16, 2020 and of January 25 and March 8, 2021 were approved.

The Process of Developing the FY 2022 Budget

Rebecca Cooker began with a brief PowerPoint display detailing the budget planning process and offering some background information on the budget. She began with a timeline and process for creating the FY 2022 budget. The University is getting a much later start this year.

This is the timeline for developing the FY 2022 Budget:

March:	Budget Planning Council Distribute Budget Template and Timeline Communicate Preliminary Budget Outlook to Community: Cabinet; Schools/Colleges/ Divisions (S/C/D); Budget Planning Council (BPC); Academic Senate Budget Committee
April:	Budget Planning Council: Budget Hearings with Schools/Colleges/Divisions
April 30:	BOG Budget and Finance Committee Meeting: Dining and Housing Rate Approval School of Medicine Tuition Approval
May:	Budget Planning Council: Provide Recommendations
June 25:	BOG Tuition Approval BOG Expense Reduction Target Approval

May/June: Schools/Colleges/Divisions Develop Unit-Specific Budget Plans
June/July: Budget Office Presents S/C/D Specific Budget Plans to Executive Leadership for Review & Decision
August: Budget Books Created
August/Sept.: Budget Meetings with Governors (individual or small group)
October 1: BOG Budget Approval

Yes, we are getting a somewhat later start, but, for the last couple of years, we have been presenting the budget much later than was previously the case. Rebecca recommended that the budget hearings be held later this year because there is just less information about how the year is going available in February and March. This year we have an extra month of official data as well as data about enrollment, government support, and factors like that. It is also better for the university not to set the budget until later because, by August we will have solid numbers on Fall 2021 and this will be essential for discussions of the budget with the Board of Governors. The State's fiscal year does not begin until October 1 so we will learn what the State's appropriation will be as we are finalizing the budget. This is an advantage over the other higher education institutions in Michigan that observe July through June fiscal years and must finalize budgets before state appropriations are definite.

At this point the Budget Planning Council has been formed, the template for the presentation distributed to schools, colleges, and divisions, and Rebecca is communication the preliminary budget outlook to the community in presentations such as this one. The Budget Planning Council will be holding its meetings in April. The Board of Governors will give its approval to dining and housing rates and the Medical School tuition rates at its April 30 meeting. The School of Medicine must have its tuition rates approved at this point because medical students begin their 2021-2022 academic year on July 1.

In May, the Budget Planning Council will make its recommendations to President Wilson. The schools, colleges, and divisions give individual presentations to the Budget Planning Council and then the Council meets two or three times to share their perceptions and prioritize funding recommendations by schools, colleges, and divisions. For FY 2021, the Budget Planning Council recommendations were used to in the process that made differential cuts to the schools, colleges, and divisions. Those cutes, however, included about 75 layoffs across the university. The Board of Governors ultimately would not approve such layoffs and they were removed from the budget that was approved. Rather than achieving balance the budget through layoffs, the approved budget relied on deficit spending. Unfortunately, the layoffs were not distributed evenly throughout the schools, colleges, and divisions. So the approved budget did not clearly reflect the impact of the Budget Planning Council recommendations on the initial proposal for the FY 2021 budget. Basically those units that cut things other than filled positions, including those units that cut open positions, fared less well in the approved FY 2021 budget than those units that proposed layoffs. Later I this meeting, Tamaka Butler—the Senior Associate Vice President of Finance & Deputy Chief Financial Officer—will have more to say about the effect of that deficit spending on what we will need to cut in FY 2022.

The recommendations of the Budget Planning Council do go to a smaller leadership group in May.

At the June 25 meeting of the Board of Governors, the Board will be asked to approve the tuition rates for the entire university other than the School of Medicine. This year, the Board will also be asked to approve an expense reduction target. Rebecca feels that, last year, though she made the point that declining to increase tuition created a greater deficit to be covered, the presentation was too abstract to have an impact on the Board. This year, she believes a forthright discussion of tuition and the size of budgetary cuts to be made will make the link absolutely clear. The tuition increase Rebecca recommended last year would have netted approximately $7 million and reduced our deficit spending by that amount: instead of $12 million in deficit spending, we would have engaged in $5 million in deficit spending. In the fall, Rebecca will be able to provide the Board with a plan to reduce spending by the amount approved by the Board in June. In response to Linda Beale, Rebecca explained that this plan would be a specific plan by schools, colleges, and divisions. It would, in fact, be the Budget Book with all the detail. Rebecca added that the Board's opposition to layoffs really was not clear during the summer 2020. It only became clear in September as she attempted to finalize the budget.

The target for reductions approved by the Board of Governors will form the basis on which they return to the schools, colleges, and divisions in June and July to approve specific budgets with the necessary levels of reductions. This work will be informed by the recommendations of the Budget Planning Council. For last year—as for FY 2022—we asked the schools, colleges, and divisions to present to the Council plans for an initial 5% cut as well as an additional 5% cut. The budget developed in June and July, however, made cuts strategically rather than across the board. By the end of July, Rebecca wants to be able to tell the Deans and division heads the levels of cuts that will be made to their budgets.

Charles Parrish asked if deficits were assigned to each school, college, and division last fiscal year. Rebecca said, no, they basically used the rainy day funds to increase the amount of money available in the general fund and general fund money was distributed to the units. These funds covered the additional expenditures on positions that would otherwise have been laid off. Charlie then asked where the deficits from last year figure into this year's process. Rebecca said they will address this in more detail in a moment, but basically the budget shortfall is a aggregate number associated with the budget; it is not distributed out to the schools, colleges, and divisions. This summer's work will be figuring out how this aggregate deficit will be distributed to the individual units. Linda Beale suggested that it would be useful to know what portion of the FY 2021 deficit could be attributed to specific schools, colleges, and division because they were excused planned layoffs. Rebecca said that issue was still something she needed to think about and suggested that it might be an important point for discussion in the Budget Planning Council.

Charlie Parrish asked about the impact on the budget of the Federal funds that will be coming in this year. There will be slides addressing the likely Federal funds later in the presentation. Rebecca did, however, caution that these funds would be one time money. They do not provide a solution to structural deficits. They may provide help by allowing us to address some of the structural deficit in coming years rather than immediately. There is a new tranche of Federal funding being planned about which we do not yet have details. It is, however, clear that the restrictions on how Federal funds can be spent are loosening. We can use it to replace lost revenue and we can use it to address overhead. Charlie pointed out that there is also a provision for maintenance of effort on the part of the states. Rebecca suggested that it will be interesting to see how that plays out. The provision for being able to use leftover funds from the previous allocations of Federal funding does not really affect WSU: we left nothing on the table.

Noreen Rossi asked, when would the Board of Governor's commitment to expense reductions in the School of Medicine be made? Would it coincide with the setting of the Medical School tuition on April 30 or be addressed at the June 25 meeting of the Board? Rebecca explained that it would be addressed in June as part of the aggregate commitment to budget reductions. Rebecca also pointed out that the School of Medicine had a number of sources of funding; the General Fund budget is only one factor in its overall budget. The decisions on the School of Medicine's General Fund budget falls into the same calendar as the rest of the university.

In the summer the executive leadership—President Wilson, Provost Kornbluh, Vice President for Research Lanier, whoever has been hired as Vice President for Finance and Business Operations, and perhaps other people—will review the materials prepared by the Budget Department. Rebecca pointed out that she believed she will have stepped down from her position as Interim Vice President for Research by the summer. Last year this executive leadership group got very detailed presentations from the President, the Interim Provost, the Vice President for Research, and the Interim Vice President for Finance and Business Operations on their sections of the budget. The Provost reported both on her administrative units and on the schools and colleges. The group reviewed each other's plans and the President ultimately made the decisions. This year the same process or one very similar will be followed. Given the turnover in leadership, the process will most likely occur in July.

Rebecca pointed out that the June 25 meeting of the BoG will be Laurie Clabo's last meeting with the Board. Rebecca also hoped that the new VP for Finance and Business would be at that meeting of the Board with Rebecca providing support.

In August, the executive leadership decisions will be communicated to the schools, colleges, and divisions. The schools, colleges, and divisions then respond with their solid, this-is-what-we-are going-to-do plans. Those plans go into the Budget Book. Rebecca emphasized the response with final firm-plans because, even at this stage, there is room for some negotiations on exactly where their cuts will be taken. The cuts that they originally put forward sometimes became impractical and they would identify alternative cuts to accomplish the same reductions. \

Once the Budget Book has been compiled, they meet individually (or sometimes in small groups) with each of the Governors. Those meetings are 60 to 90 minutes and go very deep into the budget. Last year, which was Rebecca's first time shepherding this process, she received a lot of questions and it was her first solid feedback on the budget. These meetings are essential. If the Board does not arrive at consensus, a budget cannot be approved.

Linda Beale asked if Rebecca was assuming that there will be layoffs this year. Rebecca said she will be recommending layoffs, but she makes no assumptions about whether there will actually be layoffs. Linda then asked if the budget reductions the Board will be asked to approve in June contain any specific or just numbers. Rebecca replied, it will be an overview: if the tuition goes up X%, this will be the reductions necessary to balance the budget. She did, however, add that there will probably be a column suggesting that at X level of reductions there will probably have to be Y number of layoffs. She does <u>not</u> expect the Board of Governors to approve layoff targets. But she does expect them to approve a reduction target with the expectation that it will likely involve a certain number of layoffs. We have been holding a number of open positions, but it is not clear that the reductions can be achieved simply by sacrificing those open lines. For one thing, it is clear that a number of those open lines ought to be filled. Rebecca is not a proponent of layoffs. She agrees with those who say layoffs are a breach of trust and create problems going forward. When it comes to the structural deficit, however, she is not a proponent of kicking the can down the road. The structural deficit is the product of costs inflating more quickly than revenues.

Charlie Parrish asked if there has been any assessment of the necessity of continuing all the positions in the executive/manager class. Rebecca asserted that there was a layoff proposed for the FY 2021 budget of a position in that class. There was one specifically in Rebecca's area and she believe there was one in the Provost's Office as well. Charlie went on to assert that during the Wilson Administration the major growth in personnel has been among the executive/manager class. Rebecca suggested that this was a longer discussion for another day.

Ricardo Villarosa raise the question of the expansion of financial aid over the past few years. It is a strategic choice, but it should be open to conversation. Rebecca says that for many years there has been a complete separation between the budget side of the house and the financial aid office. She believes everyone woke up to this fact last year. She believes that Lisa Shrader's move to the Provost's Office has provided a means to really connect budget and financial aid. She believes there will be improved understanding of financial aid's relationship to budget and of the strategic uses of financial aid. Rebecca attributes a significant portion of the increase in enrollment of Detroit students in the 2019-2020 academic year to Heart of Detroit. That probably saved the Fall 2020 enrollment figures. Those students on average had the same financial aid rates as what we offer overall. They also bring in Pell Grants. The revenue from the Pell Grants really helped. Ricardo said, yes, but if you look at the financials over the past five or six years, you will see a pattern of not budgeting for this aid. Rebecca asserted that all such programs need to be analyzed and evaluated for costs and benefits. Finance needs to be involved in that discussion. She welcomes the new link to the Provost's office established through Lisa Shrader and suggested that, in past years, the absence of such a link sank our budgets. She suggested that, when Charlie Parrish asked where the deficit was assigned, she could have answered that financial aid is where the deficit is coming from.

Charlie went on to suggest that, when Federal funds come in that must be allocated to students, we think strategically about the allocations. Perhaps it should be given to students who have outstanding balances to it will return to WSU as tuition payments. Rebecca said that the regulations directed us to give the money to students and allow them to decide what they will spend it on. We can give it to students with outstanding balances, but it does not mean they will pay off the balances with the funds. The most recent regulations allow us to at least give the students an explicit option to pay down their accounts.

Mark Edwards said his department was about to hire a new faculty member and asked if that were a protected position. When the administration first started "freezing positions," there were a lot of positions already in the works. There were specific positions made about each position. Her office lost a position they were about to fill. Faculty positions are generally already funded. Right now positions cannot be posted and search committees cannot be formed until the position has been approved to be filled.

Paul Beavers suggested that over the past two years we have formed a much finer understanding of how much tuition is discounted. Such discounts are a regular part of our operations and the scholarships are often just increases to the discount and not actual funds flowing through the system. He asked if the Board of Governors when considering tuition increases actually had a concept of what percentage of people pay full tuition and what percentage actually receive substantial discounts. Rebecca said this was a good question and she would like to reply "Yes, I tried to communicate that last year." She is not certain how deeply the Governors appreciate this. She does draw an explicit line between increases in tuition and increases in financial aid. Paul suggested that, when it is expressed that way, it is easy to picture putting money in the financial aid pot and not a reduction in net revenues from tuition. She suggested that these factors might be addressed in a separate presentation to the Board. She may want to get feedback from the Budget Committee when planning such a presentation. Linda Beale suggested that it would be a good idea to distinguish clearly between financial aid that is a discount and financial aid, like Pell Grants and privately financed scholarships, that is actually money coming in. This will allow them to see how all the numbers fit together. Rebecca also added that there were scholarships and endowments at the school and college levels that are not being used as much as they should be. We need to make sure that we are using the non-General Fund money that we have to its fullest extent. Rebecca is hoping that this will be considered during the Budget Planning Committee work.

Jane Fitzgibbon asked, approximately how much will each student get from the new Federal COVID relief funds. Rebecca said she had no idea. We will all see the total funding available, but it is very difficult to break it down to funds for each student. There are requirements about the funding being related to financial need and not every student gets something. This is really a question for the financial aid office. Jane also asked if professional and graduate students were eligible for such funds. Rebecca replied absolutely. We are getting a significant influx of cash and Rebecca wants to make sure we are taking care of professional and PhD students with some of that money.

Fiscal Year 2021 Budget Review

Rebecca introduced Tamaka Butler. Bryan Dadey's interim replacement as Senior Associate Vice President of Finance & Deputy Chief Financial Officer. We also have a new Senior Director for Budget and Planning, Brelanda Mandija. Her position is the one left open when Lisa Shrader moved to the Provost's Office.

Tamaka took over the mic and began the presentation on the FY 2021 budget as it now stands. Tamaka summarized the situation at the beginning of the fiscal year with no increase in tuition (except in the Medical School and flat state appropriations. There was a shortfall of $15,665,676, representing the combined shortfalls of $12,502,876 from the General Fund and $3,162,800 from the Auxiliary Funds. The Board of Governors approved using rainy day funds to cover those shortfalls reducing our present rainy day funds to less than $4 million.

Some of the actions the university took to address the shortfall were permanent and others temporary:

- Permanent budget relief actions:
  - Vacant position eliminations ($5.1 million)
  - Forgo pay increases for non-represented employees ($1.4 million)
  - Operational funding reductions (+$5.6 million)
- Temporary budget relief actions:
  - Furloughs of non-represented employees ($1.4 million)
  - Salary reductions for VP's and Deans ($400 thousand)
  - Hiring restrictions (require President's approval to hire)

While the temporary budget relief actions helped to fill the gap in FY 2020, the university needs to looks at the budget shortfalls from as a problem to be addressed from a permanent, strategic standpoint with a focus on permanent solutions.

These are the challenges confronting the university during the current and forthcoming fiscal years:

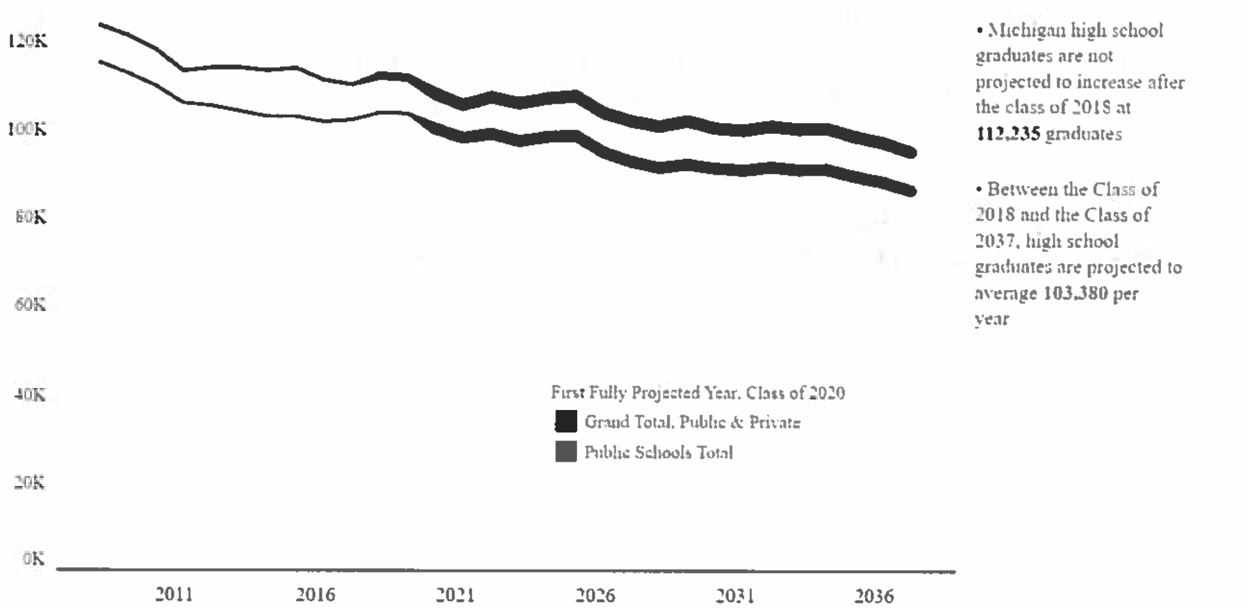
- There was a 0% tuition increase in current fiscal year (FY 2021)
- Enrollment slightly lower than budget in FY 2021
- Governor Whitmer Has proposed one time additional funding but zero base budget allocation increase to Higher Education for FY 2022 and a tuition increase cap of 4.2%. It is unclear how this proposal will be modified by the state legislature.
- University-funded financial aid has increased in order to support education affordability while helping maintain enrollment
- There have been and will continue to be unavoidable increases in expenses
- The long-term impact of FY 2021 budget shortfall will be carried forward to FY 2022

The budget shortfall on tuition will be about for winter $3 million for winter 2021.

In the FY 2021 budget, tuition and fees ($416 million) and State appropriations ($203 million) made up 92% of the General Fud budget. This demonstrates that the university is highly reliant on these two sources of revenue.

Tamaka presented a graph demonstrating the demographic cliff confronting higher education as the number of potential students of the traditional age for college students rapidly declines:

Total & Public High School Graduates. Class of 2008 to 2037



The university must be more successful recruiting students from beyond the State of Michigan and must find ways to maintain the enrollment of students that it does secure.

Like much of the nation, the State of Michigan is continually diminishing its support for higher education State support declined 37% between 2002 and 2021, descending from $2.35 billion to $1.47 billion. As state aid diminished, the university had to increase tuition to compensate. The burden has been shifted from the state to the students.

This chart sketches the university's financial situation as it begins planning the FY 2022 budget:

Early FY2021-22 Budget Outlook

	FY 2021	FY 2022
Revenue		
Tuition and Fees	$ 416,076,336	$ 412,376,966
Scholarships	(95,993,121)	(95,139,490)
Net Tuition and Fees	320,083,215	317,237,477
State Appropriations	203,210,900	203,210,900
Indirect Cost Recovery	36,500,000	36,500,000
Other Revenue	14,859,025	14,859,025
Total Revenue	574,653,140	571,807,402
Expenses		
Compensation	441,394,333	453,007,398
Operations	145,761,683	153,189,947
Total Expenses	587,156,016	606,197,345
Budget Shortfall	$ (12,502,876)	$ (34,389,943)

Assumptions:

- No tuition increase
- Flat state appropriation
- -1% change in enrollment (UG & GR only)
- Inflationary pay increases for all employees
- Inflationary increases for certain operating costs.

Note: This outlook is based on high level assumptions to provide a general outlook for the near future.

Assumptions and projections will be refined for future budget reports.

12

With these very high level projections—assuming no tuition increases, flat state funding, a 1% decline in credit hours, and unmoderated inflation of costs—the shortfall is projected as $34.4 million. This is in addition to the $12.5 million shortfall from FY 2021.

With more optimistic assumptions about tuition increases, state funding, enrollment, and scholarship expenditures, the FY 2022 budget would show a reduction of the budget shortfall by $124.2 million to $20.2 million:

Early FY2021-22 Budget Outlook

	FY 2021	FY 2022
Revenue		
Tuition and Fees	$ 416,076,336	$ 426,190,064
Scholarships	(95,993,121)	(98,326,310)
Net Tuition and Fees	320,083,215	327,863,754
State Appropriations	203,210,900	203,210,900
One-Time Increase	-	4,060,000
Indirect Cost Recovery	36,500,000	36,500,000
Other Revenue	14,859,025	14,859,025
Total Revenue	574,653,140	586,493,679
Expenses		
Compensation	441,394,333	453,007,398
Operations	145,761,683	153,724,934
Total Expenses	587,156,016	606,732,332
Budget Shortfall	$ (12,502,876)	$ (20,238,653)

Assumptions:

- **4.19%** Increase in tuition (UG only)
- **2%** One-time increase in FY 2022 State appropriations (Governor's proposal)
- **0.5%** Increase in enrollment (UG & GR)
- Flat scholarships expense
- Inflationary pay increases for all employees
- Inflationary increases for certain operating costs.

Governor's budget proposal includes a 4% FY 2021 supplemental, pandemic related funding for Higher Education. The amount is not included in this analysis.

Notes: This outlook is based on high level assumptions to provide a general outlook for the near future. Assumptions and projections will be refined for future budget reports.

A 4.19% increase for Lower Division* equates to an additional **$19** per credit hour (Fall and Winter).
A 4.19% increase for Upper Division* equates to an additional **$22** per credit hour (Fall and Winter).
*Base tuition rates

13

Tamaka also pointed out that these assumptions were high level. The actual situation during FY 2022 could be far less positive than the second set of projections and even less positive than the first set. We, of course, do not know what our enrollment will be, what state aid will be provided, and whether the Board of Governors will approve of a tuition increase or how large they will allow such an increase to be. Rebecca jumped in to emphasize that the second set of projections utilizes the maximum tuition increase the BoG might approve.

Tamaka then summarized the action the university has been taking to address budget shortfalls. These can be grouped into three broad areas:

- Increasing revenue
- Re-allocating existing funding
- Reducing expenses

Tamaka then emphasized six factors to be kept in mind as we formulate the FY 2022 budget:

- Tough decisions must be made to balance the General Fund budget, <u>not</u> on temporary terms
- Current programs/functions must be looked at closely to identify cuts
- A tuition increase will be needed
- Non-represented employees have sacrificed over the last two budget cycles with no pay increases (FY 2020 and FY 2021) and furloughs (FY 2021)
- Represented employees have received pay increases
- Lay-offs probably cannot be avoided

Ricardo Villarosa pointed out that in FY 2020 non-represented employees making less than $75 thousand did receive merit increases. Ricardo added that this is a small adjustment. Rebecca added that she isn't sure $75 thousand was the number; merit increase went to those non-represented employees below the midpoint in such salaries. Charlie Parrish added that the sacrifices by non-represented employees were never well messaged. The information was muddled. Mahendra Kavdia pointed out that with the number of open positions that have been left open or eliminated, the represented employees have taken on additional burdens and responsibilities. They have made sacrifices. These additional burden have been assumed not just during the COVID crisis, but over the last three or four years. Rebecca suggested that the point in this display was that represented employees have been better protected from some of the cuts than non-represented employees have. Jennifer Stockdill also suggested that many represented employees contribute significantly to income. There efforts bring the university earnings well beyond their salaries. Rebecca said she knows this point will be controversial, but the elimination of open faculty academic staff lines is the only way to cut payroll in those areas. They cannot lower salaries nor forgo salary increases. Rebecca also acknowledged that the group would not achieve agreement on these points and suggested that Tamaka proceed with her presentation.

Tamaka's final slides were in response to a Budget Committee member's request for information on hos funding were received apropos of the COVID crisis has been spent. Tamaka presented this concise summary:

- The University has been awarded Federal COVID relief grants
    - **Coronavirus Relief Funds (CRF)**
      In July 2020, the State amended its 2020 appropriations bill to replace $22.8 million of the University's state operating appropriations with Coronavirus Relief Funds received under the CARES Act. These are restricted federal funds with expenditure eligibility requirements. As of September 30, 2020, the University incurred eligible expenses and recognized revenue totaling $22.8 million.
    - **Higher Education Relief Funds (HEERF) I**
      In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, which awarded the University approximately $19.3 million in Higher Education Emergency Relief Funds (HEERF). The CARES Act requires that no less than fifty percent of the funds be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus and it allows the University to use up to fifty percent of the funds received to cover costs associated with significant changes to the delivery of instruction due to the coronavirus.
    - **Higher Education Relief Funds (HEERF) II**
      In December 2020, the Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Act, 2021 (CRRSAA). The University was awarded $32.4 million in HEERF II grant funds including $9.7 million to cover financial aid grants to students for any component of the student's cost of attendance or emergency costs due to coronavirus and $22.7 million for institutional use to defray expenses associated with coronavirus.
    - **Higher Education Relief Funds (HEERF) III**
      In March 2021, the American Rescue Plan (ARP) authorized HEERF III which includes additional COVID-19 relief for institutions of higher education. The University has not received an award notification yet (estimate $57 million/ 50% student).

Tamaka also offered this summary of our expenditures from the various COVID relief funds as of December 31, 2020.

Federal COVID Relief cont.

- Federal COVID Relief Grant Expenditures Reported as of 12/31/20:

SOM Coronavirus Relief Funds		Awarded		Expenses as of 12/31/20	
CRF Funds	$	22,750,600	$	22,750,600	Expenses relate to Public Safety compensation and time and effort provided by employees for substantially different functions due to the pandemic.
HEERF Student Awards		**Awarded**		**Expenses as of 12/31/20**	
HEERF I	$	9,653,092	$	9,653,092	Emergency student financial aid grants
HEERF II		9,653,092		-	Financial aid grants to students for any component of COA or Emergency costs that arise due to coronavirus
	$	19,306,184	$	9,653,092	
HEERF Institutional Awards		**Awarded**		**Expenses as of 12/31/20**	
HEERF I	$	9,653,091	$	4,772,580	See breakdown below
HEERF II		22,724,359		-	To defray expenses associated with coronavirus
	$	32,377,450	$	4,772,580	
Total HEERF/CRF Grants	**$**	**74,434,234**	**$**	**37,176,272**	

17

The abbreviation SOM in the uppermost box stands for State of Michigan. These were the Federal funds the university received in lieu of state appropriations. There were specific requirements for how those funds had to be expended and the university identified expenditures that met those requirements and received every dollar of the allocation. In total the university has received $19.3 million to be distributed in student financial aid. As of the end of December 31, 2021, the university has distributed $9.7 million of those funds to students. We had not yet begun distributing the HEERF II funds as of that date.

In total the university was awarded $32.4 million in institutional awards. As of December 31, 2021, the university has expended $4.8 million of those awards. The rules for the expenditure of HEERF II funds have been developing. As of March 19, the rules for their expenditures are proving to be very flexible, including allowing funds to replace lost revenue. The $4.8 million in HEERF I funds were expended in this manner. The most significant expenditure that has taken place since December 31 is related to expenditures by the Campus Health Center for COVID testing and vaccinations. There are also still some outstanding costs related to C&IT and other areas that need to be recorded. Recently, it was also decided the unspent HEERF I funds could be spent under the more flexible guidelines developed for HEERF II.

Federal COVID Relief cont.

- HEERF I – Institutional: Expenses charged as of 12/31/20:

Institutional Expenses incurred by Category	
Covering the cost of providing additional technology hardware to students such as laptops or tablets, or covering the added cost of technology fees	$ 407,880
Costs related to operating additional class sections to enable social distancing, such as those for hiring more instructors and increasing campus hours of operations	89,851
Campus safety and operations	272,454
Purchasing, leasing, or renting additional equipment or software to enable distance learning, or upgrading campus wi-fi access or extending open networks to parking lots or public spaces, etc.	1,193,589
Additional Support for online classes and online curriculum development	317,115
Student reimbursements for tuition, housing, room and board, parking and other fee refunds	2,491,691
Total HEERF I - Institutional Expenses	**$4,772,580**

18

Ricardo Villarosa pointed out that the Budget Committee has been frequently told that the university will not leave any funds on the table when it comes to Federal funds. This presentation's emphasis on the more liberal guidelines for HEERF II makes it seem as though we were going to leave some money on the table. Rebecca replied that they had committed the funds across the university. Some units spent more than their portion and some spent less. They have not yet had to finalize our report to the Federal government. In finalizing the report, we will be moving the money around to different areas of expenditure. We have more areas in which we have spent money than we have money to spend. It is now a question of what programs do we want to identify as having spent the funds. Ricardo said he was just concerned that all of the covered expenditures be properly identified before the severe cuts to balance the budget are identified. We do not want to discover that we have additional COVID funds after the cuts have been made.

Charlie Parrish what the aggregate amount of funds our students owe to the university that might be covered with the student awards. Rebecca said she did not know the answer to that question, but would find out. She said that, yes, these debts were large. Rebecca had hoped that last year's support to students would be reflected in a significant increase in the payment of this debt, but it was not. The debt has not risen, but it also has not declined. Last year the university was not allowed to keep the money even at the students' instructions. This year students can direct the university to keep the money to reduce or eliminate their debt to the university. Rebecca did emphasize that she came out of health care budgeting and has often looked at "aged accounts receivable"; she hasn't, however, done this in her current position.

Mahendra Kavdia asked whether the Federal COVID relief funds going to students counted as part of the financial aid expenditures identified in the FY 2021 and FY 2022 budgets. Tamaka stated that they were not including; the financial aid in the budget discussion is financial aid supported from the General Fund budget. The money from HEERF did not flow through the General Fund.

Jennifer Stockdill asked about the distinction between so-called State of Michigan (SOM) COVID Relief Fund and the HEERF Funds. The SOM COVID Relief fund is part of the HEERF funds. Jennifer remarked that she had filled out a survey during summer 2020 about how her teaching had been impacted ("took over my life") because of the COVID crisis. The survey gave her the impression that some of the SOM Relief funds were going to give the faculty relief. Tamaka pointed out the SOM Relief Funds were a replacement from the support from the State of Michigan that the university would not be receiving. The relief was from suffering a cut in state funding. Jennifer suggested that the faculty was, therefore, assisting the university in not suffering these cuts. Rebecca replied that COVID is not the reason the university is running a deficit. The survey that Jennifer describes was not submitted solely be the faculty; all levels of staff replied. Portions of the costs for all levels of staff were charged against those funds. The slide on COVID Relief Grant expenditures stated that the funds were in part expended on "time and effort provided by employees for substantially different functions due to the pandemic." Jennifer said her real concern is getting the sacrifices made by the faculty acknowledged. They may have retained their small pay increases, but they worked many more hours and made other efforts to keep the university running during the pandemic.

Charlie Parrish pointed out that, although some of the money was applied to salaries, no one got extra pay because of the relief. Rebecca quickly agreed.

Paul Beavers asked Rebecca to identify what was in the presentation templates given to the deans and vice presidents for their sessions with the Budget Planning Council. Rebecca replied that we have once again asked them to present plans for a 5% + 5% cuts to their budget. They are to identify cuts that they would make to meet an initial request for a 5% budget reduction and then cuts of an additional 5% that they would make should they be asked to cut 10% to their budgets. Rebecca has made it clear to the deans and vice presidents that they are not expected to come to the Budget Planning Council identifying the precise layoffs they intend to perform. Rebecca also emphasized that she is <u>not</u> saying that there will be at least a 5% cut and perhaps a 10% cut. They do not yet know the conditions that will determine what cuts must be made. Frankly, if enrollment drops, our situation could be worse than the most negative scenario discussed at this meeting. We are not even raising the possibility that getting a budget increase is even a possibility because it is not. Paul added that we are also telling the deans and vice presidents that we do not want the response, "we will make cuts across the board." They are being directed to identify strategic cuts. Rebecca agreed and added that damage has been done over the years by failing to cut strategically; we do not want to reduce programs to points where they cannot cover necessary expenses.

Paul went on to say that, as a member of the Budget Planning Council—and he hopes Linda Beale will back him up on this—we give a lot more support and positive feedback to deans and VPs who think strategically and present strategic cuts and react negatively to those who suggest poison pill cuts that suggest, if my unit is cut, this is what I'll destroy. Linda added that those who say they will just take the cut across the board also receive the Council's disdain. Rebecca agreed and said she has warned the deans and vice presidents that such actions just set them up as targets.

Rebecca concluded that HEERF III was still being introduced and we are not sure how it will affect our budgeting. It may serve to postpone cutes that would be made in FY 2022, but it is one time money and will not correct structural deficits. Perhaps addressing such deficits more slowly will be good, but they must ultimately be addressed.

The ad hoc Academic Senate Diversity, Equity, and Inclusion Committee

Paul pointed out that, if members of the Budget Committee hope to serve on the new Senate DEI Committee, he must have the names of volunteers or of members others would like to nominate very, very soon. He said that the DEI Committee will be doing very meaningful work and urged members to put their names forward. Ricardo asked if liaisons to the Senate committees could serve on the DEI Committee. Linda explained that, as the call is currently formulated, the volunteers should be members of the standing committees.

The Post-Pandemic Future of Higher Education at Wayne State University project

Paul suggested that members should review the discussion of the Post-Pandemic project in the minutes from the March 8 meeting of the Budget Committee. In addition to Responsibility Centered Management (RCM), there are a number of other topics that Budget will want to address in contributing to WSU's post-pandemic strategic plan.

The meeting was adjourned.

Currently Scheduled meetings of the Budget Committee:

June 21, 2021	Review of the budget and finance materials for the June 25 meeting of the Board of Governors