

Via Zoom

Time: 11:30 a.m. to 1:00 pm

Members Present: Paul Beavers (chair), Leela Arava, Linda Beale, Stephen Calkins, Wei Chen, Wen Li, Stella Resko, Wassim Tarraf, Ricardo Villarosa, William Volz

Members absent with notice: David Edelman, Santanu Mitra, Charles Parrish, Sean Peters

Liaisons: Kristen Chinery, AAUP-AFT; Karin Tarpenning Szadyr, Union of Part-Time Faculty; Lukis Bagdon, Student Senate

Guests: David Massaron, Senior VP for Finance and Business Operations and Treasurer; Kenneth Doherty, AVP Procurement & Strategic Sourcing

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

The minutes of the January 24, 2022, meeting of the Budget Committee were approved. The March 7 minutes of the Budget Committee will be presented at the Committee's June 20, 2022, meeting.

The June 20, 2022, meeting will be the final meeting of the Budget Committee for Academic Year 2021-2022.

- III. Comments on the Joint meeting of the Budget Advisory Committees in the schools, colleges, and divisions and the Academic Senate Budget Committee

This item was moved ahead in the agenda because David Massaron was unavoidably detained.

The joint meeting of the BACs in the schools, colleges, and divisions with the Budget Committee was held on March 22, 2022, from 11:00 a.m. to noon via Zoom. Paul Beavers said the meeting was well attended with attendance in the neighborhood of 100. David Massaron gave an early version of the presentation he gave at the Academic Senate plenary session on April 6. He also explained the presentations the deans and unit heads were asked to make to the Budget Planning Council. David spoke to his intent to move from year-to-year budgets to multiyear budgets, beginning with two-year budgets and evolving to greater numbers of years. He also stated that there was a decreased likelihood of mandated cuts in FY 2023 because of HERF money and other one-time funds. He did, however, qualify this remark that such funds do not address structural deficits, but merely kick the can down the road. He also emphasized that our ability to postpone cuts in FY 2023 was contingent on enrollment. When Paul Beavers spoke, he emphasized the transition to all-funds budgets rather than the general-funds budgets that we have been doing. He also emphasized that the deans and unit heads were asked to include proposals that will lead to revenue growth and more efficient utilization of our resources. Such proposals might be given special funding. To be funded such proposals will need to be based on sound business principles. Creating sound and convincing proposals is an excellent reason for deans to work with their BACs. Having input from multiple perspectives and drawing on the expertise of the faculty and academic staff will make proposals stronger and ground them in practical detail. In the past,

some administrators seemed to think the BACs were simply asking intrusive questions. In the new environment, BACs may be seen as significant allies and collaborators. Paul was very happy the meeting took place after having missed a year. He believes we are back on track to hold the meeting annually.

Paul asked if other members of the Budget Committee who attended the meeting with the BACs would like to comment, but no one offered comment.

IV. Documents to be presented to the BoG Budget and Finance Committee on April 25, 2022

David Massaron began by stating that the Budget and Finance Committee agenda for the April 29 meeting of the Board of Governors was relatively light. He added that the agenda for the June 24 meeting of BoG will be much longer.

a. Contingency Reserve

Funding for the search for a College of Education Dean (\$150,000) and for a Vice President for Research (\$175,000) have been withdrawn from the Contingency Reserve leaving a \$0 balance.

No questions were asked.

b. FY2023 School of Medicine Tuition Rates

The document proposing FY 2023 tuition rates for the School of Medicine has not been posted to the Board of Governors' web page for this meeting. Such documents are not publicly posted until approved by the Board. David Massaron explained that the tuition increases for the School of Medicine are regularly approved at April meetings of the Board because the academic year for the School of Medicine begins considerably earlier than for the rest of the university.

The proposal is for a 1.5% tuition increase for both resident (in-state) students and non-resident (out-of-state) students. David emphasized that these are the tuition increases proposed. He is continuing to discuss this issue with the Board. The number finally approved is up to them.

Stephen Calkins asked if the School of Medicine can function with a 1.5% tuition increase, given that the US now has an inflation rate of 7 or 8%. David replied that, given some of the issues being weathered by the School of Medicine, there was a desire to keep the tuition increase relatively low. He also added that tuition represents a little more than 17% of the SoM's total budget. Tuition increases in SoM do not have the same revenue impact as elsewhere in the university, for example undergraduate education. Stephen asked if the Board would be given this explanation so they will understand the reasons for the large tuition increase for the rest of the university that they will be asked to approve in June. David said the Board would be told.

David added that, in the Academic Senate, there has been a larger discussion of the need for a larger tuition increase next year. This relatively small increase to the SoM tuition is viewed as a one-time reprieve as was the relatively small increase for FY 2022. Eventually, we will want to raise the tuition rate for in-state students. Our in-state tuition rate is below those of our peer institutions. Our out-of-state tuition rate, however, is comparable to those of our peers. There is also a more philosophical conversation about SoM tuition that we have been having and will continue to have. Some schools set very high tuition because there are far more people who would like to become doctors than there are spots in medical schools. From the LCME (Liaison Committee on Medical Education, the accrediting

body for medical schools) perspective, one of the largest detractors for schools with profiles like ours is the median debt of its students. In contrast to our SoM, the University of Michigan's Medical School has so much clinical revenue that it can put a lot more money into financial aid and scholarships. WSU does not own a hospital or health system and our students tend to have less external support.

Linda Beale asked how large the School of Medicine's structural deficit is expected to be in next year's budget. David said this year, given the number of vacancies, the structural deficit will be budgeted at \$8 million. The actual deficit will probably be \$2 to 3 million. The expectation is that they will address the budgeted deficit with some of the one-time funding we have discussed. Those funds will not be used strategically but simply to fill a deficit. Next year, the deficit should be manageable. The 40 infilled funded lines—even if we fill them quickly—will still provide funding toward covering the structural deficit. The structural deficit will look about the same. The inflationary pressures will have more impact on the general university than on any particular school or college. They are most profoundly felt on facilities, which is not included in the individual schools' or units' budgets.

Wei Chen asked about the impact of state support on the budget. Is state aid keyed to our enrollment? Will it fall or rise based on the number of our students? David explained that state aid will not be keyed to enrollment this year. We will get a flat funding of about \$120 million. The Michigan House, however, is considering proposals to key state aid to enrollment. There are also a number of other programs from which the university and the medical school receive funding, programs like MIDOCS, which funds a certain number of students who will become Michigan doctors. The plan to shift Michigan aid to higher education to a per pupil basis will disadvantage WSU. We have many more graduate and research-oriented students than say GVSU. Institutions like Grand Valley are much more oriented toward undergraduate students and their costs per pupil are much lower.

William Volz commented that he thinks of the School of Medicine as one of the few WSU programs that can effectively recruit out-of-state students. He asked what percentage of the students in the School of Medicine were out-of-state and whether he deliberately worked to retain a given number of out-of-state students. David Massaron said he does not know whether SoM intentionally recruits a certain percentage of out-of-state students. He does remember the percentage of out-of-state students in the SoM with enough confidence to state a number. Bill explained that he asked because there is a common thought that UM can recruit more out-of-state students because their tuition picture is much better than ours. David said that is right.

There are at least two things that limit WSU's net revenue on SoM tuition. One is the fact that many of our students come from more diverse backgrounds or from feeder schools that have been a part of achieving our diversity goals within the parameters of the Michigan Constitution. David believes we can achieve our diversity goals even if we increase tuition by targeting scholarships. The second is that the accrediting body (LCME) looks very closely at student debt both for in-state and out-of-state students. He suggested that there are some revenue generating efforts outside of raising medical school tuition that could be made. For example, programs like Masters of Public Health have proven to be revenue generators across the country.

Stephen Calkins suggested that debt load would not be a factor if the SoM increased its tuition and simultaneously increased its financial aid to offset the increase for students who might have large debt. David agreed and explained that that was the reason he put emphasis on "net revenue." There are many different factors that determine how much net revenue we could realize. Among those factors are

student debt and how many students in our market have the means to pay whatever the tuition is without accumulating debt. Ricardo Villarosa added that, it was not too many years ago that because of LCME and out-of-state tuition, we had to show restraint in our tuition increases, particularly for out-of-state students. Paul Beavers asked if there was a direct increase to the School of Medicine scholarship pool based on a tuition increase. David expects that the SoM will either use its existing budget or supplement its existing budget within their lines to ensure that students, particularly those are the most in need, are not harmed. Essentially, they increase aid with tuition increases just as we increase undergraduate aid.

Paul Beavers also expressed surprise about the statement on repeated courses that is part of this proposal:

The cost for a medical student to repeat a course at full tuition rates could create an extraordinary student hardship and increase the already high burden of physician debt. Per School of Medicine policy, students who fail a course are responsible for paying only a one-time repeat fee in lieu of tuition at normal rates. This fee will not exceed \$2,500 for each repeated course and is not dependent upon the number of course credit hours.

He cannot recall seeing a similar statement in any other proposals about tuition rates. David responded that he would need to come back to the committee on this. He believes the paragraph was in the increase last year but is not sure. He had thought this paragraph was some sort of well-established, traditional statement in the School of Medicine.

c. Informational Summary: Major Capital Projects

David Massaron suggested that capital projects was fairly standard.

Bill Volz asked if the two years of the COVID crisis had led to any reconsideration of the Campus Master Plan. Students increasingly seem to be shifting online. David replied that the Master Plan already mooted the idea that the WSU campus is structured for the wrong activities. It said we had too much office space. It identified a lack of classrooms that were suitable for contemporary modes of instruction. But David does believe, however, that we are waiting to determine if the demand for online or hybrid instruction will remain high. We have to see what the post-COVID demand will truly be. We also have to think a lot about how we design classrooms and deploy classroom technology. We also know we lack other kinds of spaces. We do not, for example, have enough wet labs. We also have spaces we no longer need: we have office space, like AAB, designed to store and access paper records. We do not keep those records in paper any longer, but we have retained the space. We also pay to light, heat, and cool that space. The Undergraduate Library also falls into this category. It is not needed for book stacks. Should the space be repurposed for services that the students require and want? Paul Beavers, who is a librarian, pointed out that the public areas of the Undergraduate Library have always had very, very few books and those numbers have been reduced to almost nothing. The building is primarily important to the libraries because of the storage in the basement for books and other materials we need to retain. The libraries had shifted to emphasis on digital materials over print more than a decade ago. They acquire less print with every passing year. Even instruction and reference service are frequently delivered online.

Bill Volz added that he has long advocated building new classroom buildings. Many of our classroom buildings have aged to the point at which they cannot satisfactorily be refurbished. Even after refurbishment they will seem old fashion and seedy. Students will be attracted to Wayne by more modern facilities. David replied that he hoped that the level of change we are bringing to State Hall will make it the kind of facility Bill desires. It should in effect be a modern, brand-new building.

Paul Beavers said that one project he looked for in the Capital Projects Report was the repair and refurbishment of the elevators, but it was not there. He was particularly hoping to see some indication of the work on the Art Building elevators. David explained that the original plans for refurbishing the elevators and creating an elevator in the Art Building have had to be reworked because of features of the building that were not anticipated. A new plan is being formulated. That and other necessary improvement to the building will probably require two years for completion.

Linda Beale asked where the discussion of new debt and using new debt to address deferred maintenance stood. David said this is a difficult time for this discussion because we have both short-term instability due to inflation and long term market instability due to events like the invasion of the Ukraine. He cannot predict what market rates will be in a few months. David's opinion—and he stressed that it was his opinion—is that we need to begin setting aside funds for meeting the match to state funding for building a new Scott Hall. That will require something in the range of \$100 million. That is in addition to our differed maintenance and other issues. Differed maintenance will require at least another \$100 million over the next four years. There is also the question of rebalancing our public-private partnership in student housing.

The related workforce issues—getting our engineering positions filled—also bears heavily on these commitments. Bill Volz suggested that we are also thinly staffed elsewhere in the university. Bill suggested that Finance and Business Operations was one example of this. David said he is still getting his arms around the organization. In some places, Finance and Business staff may be too heavy while in other important places the staffing seems far too thin. For example, he believes we would benefit from more staff devoted to financial analytics. Too often staff are so busy they can only focus on finishing each day's work rather than having the opportunity to focus on the month's work.

WSU also seems substantially behind the times in taking advantage of how automated systems can facilitate staff productivity.

d. Purchasing Exceptions

David Massaron suggested that purchasing exceptions were fairly standard.

No questions were asked.

II. Anticipating the FY 2023 Budget

David Massaron said they are still leaning toward no across the board cuts though there will, of course, be adjustments in the budget as there are every year. We do need to make sure the data is yielding our historical average credit hours. Right now, we have applications and admissions that are positive, but our enrollment and indicators of enrollment are negative. People are not making decisions to enroll as they have done in the past. The COVID crisis made the last two years unpredictable, and people may be

more hesitant to commit. We all hope our potential students are just hesitating and will ultimately register for classes. The enrollment currently falling below expectation is a source of concern, but other indicators suggest we will ultimately reach our goal.

Paul Beavers added that, when the forthcoming budget, though he liked pointing out that drastic cuts are unlikely because of HERF and other one-time funds, he wanted everyone to know that those assurances are contingent on other factors like enrollment. Paul is always concerned about saying anything that sounds as though an absolute promise has been made when he knows there are contingencies.

David reiterated that, though enrollment was concerning, there were signs that it would pick up and meet expectations. Time will tell. Linda Beale said that there was something like a 10% drop in enrollment from a comparable point last year. The rise in applications was less comforting in light of that.

Linda expressed concern that other Michigan universities were snatching students who would have come to Wayne. David replied that there were indicators of growing student indecision across the country; it is not just WSU or the state of Michigan. Stephen Calkins suggested this concern is rooted in the University of Michigan and Michigan State University taking more students and asked why did they do so? David suggested that they accepted more students because they were concerned about indecision and wanted to make sure their enrollment remained high and because they were concerned about a loss of international students. UM has also been subject to a lot of pressure to except more in-state students in order to maintain their level of state funding. Wei Chen asked if there was a portion of in-state students that had to be admitted to maintain state funding. David said there was not. It is a political concern; UM does not want to attractive legislative attention.

Paul asked about when the Budget Committee could anticipate seeing the Budget Book. For the last three or so years, the Budget has been ratified at the first Board of Governors meeting in October or even later; that is to say it was ratified as the fiscal year began. David now seems to be intent on finalizing the budget by midsummer. Will that be the case? David said it was. He added that, because of the uncertainty around enrollment, they may have to do some hedging in the budget and do some revisions later. But it is important that everyone in the institution have a budget as they start the fiscal year. He is hoping to present the budget at the June 24 meeting of the Board of Governors.

V. Members of the Budget Committee may also be interested in other presentations to be made at the Bog Meeting

Paul explained that he had provided the Budget Committee with links to some of the other items on the Board of Governors agenda that touched on areas of interest to the Budget Committee. There is a report from the Division of Research that almost serves as an annual report for the division, a report from the Economic Development Authority, and a third report from Development and Alumni Affairs. These documents are so close to annual reports that someone decided that they need not be reviewed by the BoG Budget and Finance Committee. It is worthwhile keeping an eye on these reports from the perspective of the Budget Committee.

a. Division of Research 2021 Highlights

Linda Beale expressed disappointment in the lack of specifics in the Division of Research report. She felt it was set up in a way that it did not tell someone anything they could not figure out on their own. Paul agreed. The Senate has been concerned with the effectiveness of SPA, but all the report told us is that SPA handles grants, so the grants were a benefit of having SPA. There was no discussion of how funds were being spent or justification for the percentage of grant funds going to that office. Given that there will soon be a new Vice President for Research, it seems likely that there will be renewed discussion of the issue of the funds flowing to OVPR and how those funds are spent. Linda added we do not see how the Indirect Cost Recovery (ICR) funds are actually being used by that office to stimulate research. We need to know the value contributed by the Office for Research and how we are doing compared to our peers. Stephen Calkins suggested we would also like to know how the Office has been doing over the past few years. Linda agreed: We want to know our trend and ranking against ourselves and our trend and ranking against our peers and we want that list of peers to be a reasonable benchmark. We want to know where things are changing and why and how we are addressing challenges. This report really does not tell us any of that. Linda also noted that Policy has been asking for such reports since Stephen Lanier came to the university.

Bill Volz agreed on the need for a much more detailed and forthright report. Such reporting is essential to the kind of advice the Senate and its committees are supposed to give. They are essential for shared governance. We still do not know enough to give high quality advice. The Academic Senate can take credit for advances in faculty knowledge about university operations. Over the last 20 years we have become much better informed about the School of Medicine. But in respect to OVPR, we are still operating in the dark.

Paul said his particular frustration was not being able to gauge the status of the research cores. We have had example after example of work being contracted outside the university because our research cores were not adequate. In the last year, there has suddenly been great talk of building our research cores. Having gone through four or more years of being told it is more cost efficient to contract out such work than build and maintain our cores, it is hard to imagine why it is now efficient to build the cores.

VI. Comments on the Budget Planning Council

Paul Beavers reiterated the comments he made earlier about the contingent nature of the promise to minimize cuts in the FY 2023 Budget. Clearly, a drop in enrollment would require recalibrating our budget assumptions. He also added that the presentations this year—with a few exceptions—were much improved. The group as a whole also worked well together. Linda offered that one of the pluses for this university at the moment is that we have a provost who really understands what being a provost means and a CFO who really understands what being a CFO means. They truly want the financial functions to support the academic functions.

Paul also expressed his satisfaction with the data that the Office for Institution Research and Data Collection provided on each school, college, and division. The Budget Planning might even want to ask for additional data next year. WSU is moving towards an all-funds budget and the Budget Council did question deans about how they were spending their reserves.

VII. Budget Committee Report to the Academic Senate May 4, 2022

Paul said his report on the Budget Committee would include expressing our thanks for the work Rebecca Cooke had done with the Committee as well as talking about David Massaron and the improvements we can see him leading. He also wants to mention our meeting with Susan Burns and the positive movement on soliciting support for named faculty positions. Stephen Calkins suggested making a low-key mention of the problem of getting information from OVPR.

VIII. Other business

There was no other business. The meeting was adjourned.