

## **Minutes of the Budget Committee of the Academic Senate** **Meeting of Nov. 30, 2015**

Present: Linda Beale (Chair), Victoria Dallas, Donald DeGracia, Robert Kohrman\*\*\*, Lawrence Lemke, Christopher Lund, Lou Romano, Linea Rydstedt, Heather Sandlin, Richard Smith, Beena Sood, William Volz, Sudip Datta

Absent with Notice: Ewa Golebiowska, Stephen Lerner, Charles Parrish,

Absent without Notice: Nancy George, Bryan Morrow, Susil Putatunda, Richard Needleman\*\*, Lakshmi Nerusu\*, Suzanne Brown\*

Invited guests: Bill Decatur, Margaret Winters

\*Student Liaison

\*\*AAUP-AFT Liaison

\*\*\*Administration Liaison

The meeting began at 11:00am.

1. *Approval of Minutes.*

The minutes from the November 2, 2015 meeting were approved as drafted.

2. *Update on Budget Matters with VP Decatur.*

School of Medicine (SoM), Fund for Medical Research and Education (FMRE), and University Physicians Group (UPG). Both FMRE and UPG are set up as separate “501(c)(3)” corporations that are not controlled by the university, though SOM administrators played key roles during the period that these issues discussed here developed. VP David Hefner has worked with the SOM administration and an outside consultant to review the SOM/FMRE/UPG budgetary situation and interrelationship. As a result, it became clear that the FMRE amounts (commonly called the “Dean’s Tax”) carried over the last two fiscal years as a receivable on the University’s books as payable to the SOM (and used by it primarily to fund certain salaries) would not be paid in full. This situation existed in FY2014 but a partial payment of about half of the FMRE receivable at that time was made possible by UPG’s sale of a building in Troy. Since past practice had been that FMRE made good on its obligations even when there were some delays, this partial payment delayed recognition of the problem. In FY2015, however, UPG again had problems and the FMRE receivable was again at issue. Further, SOM had also failed to manage its well—having significant expenses that were causing losses at a burn rate of about \$1.5 million a month at the time all of these matters came to a head.

As a result of these problems in these areas (SOM, FMRE, and UPG), the University’s central administration had to write down its assets by about \$14 million.

Debt Capacity. This write down of assets could affect the University’s bond rating, which would likely slightly increase the rate for University borrowings and thus the University’s debt capacity. The University’s debt rating was already close to a downgrade prior to the

SOM writedown, however, since S&P had the University on a negative watch a year ago. Decatur indicated that they are “running numbers” to determine the likely impact of this situation. We expected a downgrade if we took on more debt for our projects, and with any downgrade, there will be more capacity, but at a slightly higher interest rate. The SOM situation won’t make too big a difference, then, but it will affect what the University can do.

In connection with the housing projects discussed at the last meeting, the University still expects to put out a request for proposals (RFP) in January for a private equity strategy for an 800-bed facility to replace DeRoy and add more capacity. It is not clear whether that will be a mix of private equity and University debt or private equity/private debt. The Chair asked that information about this be shared with the Budget Committee as available.

### *3. Enrollment Report from AVP Kohrman.*

AVP Kohrman provided a powerpoint review of the enrollment numbers for Fall 2015, noting that FTIAC enrollments were up 6.7% with an ACT average of 23.6 and increased yield from the Detroit area. Yield increased from just under 23% for 2014 to over 32% for 2015. Education, Business, and Engineering did particularly well. Nevertheless, undergraduates generally remain an enrollment challenge, with overall undergraduate enrollments down by 3.7% because of lower figures for continuing students and transfers. AVP Kohrman indicated he would provide the powerpoint to the committee.

FTIAC increases were likely attributable at least in part to a better orientation (so it recruited students who were still “shopping” for a school) and the marketing of Wayne as an exciting place (getting beyond the concern of “is it safe”). Further, Housing was increasingly a factor, as most of our residential students live within commutable distances but now want to be on campus.

This was a diverse group of students, including 56% White, 7% Hispanic, 18% Black; and 10% other. In response to a question about the number of students from outside Michigan and from outside the Great Lakes area, for the total student population and for undergraduates, AVP Kohrman indicated he would provide that breakdown.

Another trend noted was a decrease in students enrolling in community colleges, even though Wayne’s share of those enrolling had increased. Central Michigan and Grand Valley also had more transfers from community colleges, but other Michigan schools were down.

Masters students also increased in Business and Engineering. Law had an increase in first year JD (professional) students, going against the national trend of continuing declines in JD enrollments.

Because of these various increases, AVP Kohrman indicated that the budget numbers should come in about 1.3% above projected numbers (about \$1 million). However, the problem with continuing students appears to be hitting the numbers for the Winter 2016 term—undergraduates down 6.06%; grads up 4.5%, and professionals down about 0.5%.

Some discussion of the cause of the winter declines ensued. Speculation is that ability to pay (with financial holds on further registration) is a likely primary cause. About one in ten students owes more than \$1000. About 20% of those we might expect to register have not yet at this point. How to address this problem isn’t clear. More financial aid would help, but

the University already commits considerable funding to financial aid and it is hard to find more dollars. Loans may be needed, too. Members asked how Wayne compares with its competitors on this issue—especially urban universities. Rob indicated that Morgan State is about the same size and has worse retention and graduation rates. Several members wondered whether we can segregate out those who are not continuing because of academic performance rather than because of finances, and Rob responded that most are in a category of low academic performance. Most who don't register for the winter term by late November don't ever register. Rob noted the current payment mechanisms (i) allow paying over several months (an ebill of \$2000/month); (ii) charge late payment fees that are "in the middle of the pack" for those generally charged by our competitors; and (iii) allow students to register for the first semester without paying anything up front. However, some are discouraged from applying for loans or other financial aid like Pell Grants because they find the documentation difficult to comply with. A member noted that many need financial literacy counseling—they can go through the entire first semester without paying and without being deregistered, so are hit with the consequences upon commencement of the next term. Considering the role of advisors, some members urged that—to the extent financial information about a student can be made to advisers—the University should be doing so to enable financial advising.

4. *Discussion of Board of Governors Budget Committee Documents with VP Decatur and AVP Kehrman.*

a. Student Center Building 5<sup>th</sup> and 7<sup>th</sup> Floor Renovations.

VP Decatur noted that the original project description didn't include the multicultural center, which is a significant portion of the renovation area. The administration had originally proposed to use the Housing Maintenance Reserves but due to Board concern that these funds should be used for student housing, this proposal now substitutes other Student Center Equipment Reserves. These spaces will serve Student Orientation planning and Counseling Services. The faith-based groups are in the Student Center under a lease that provides that certain space will be provided.

A member asked for information on how the freed Housing Maintenance Reserves would be used.

Members commented on the success of the renovated building generally—a much more enjoyable place for students to congregate.

b. Five-Year Capital Outlay Plan.

This is a long document with much "boilerplate" required by the submission process. It identifies 5-year projects and projects for which funding is sought. The Engineering Library renovation to support STEM learning has been reconsidered to improve its 'score' with the State: it will include undergraduate teaching labs, classrooms, faculty offices and 'entrepreneurial' space for faculty and students. Faculty have been involved in this process, and VP Decatur plans to institute a "Facilities Planning Advisory Council" made up of Academic Senate representatives, Deans, administrators, and students that will provide regular input into this kind of planning.

The Engineering Library renovation will take \$29.5 million, with \$15M raised from debt and \$15M from the State. If the State funding doesn't come through, it would delay the project. The rest of the projects are mainly brought along from prior planning, but a new Master Plan process, delayed because of the lack of funding for a consultant, is a priority for the next budget.

The committee discussed the debt capacity issue further and the additional problems with the DeRoy housing resulting from acid corrosion caused by water seepage.

Parking, as always, is a significant issue for the campus. Detroit parking meters have now been installed on Second and Third Avenues, and there were questions about the impact on resident students. The parking committee, chaired by Michael Wright, is charged with reviewing these kinds of parking issues, but it has not yet met in the five months since the members were appointed.

AVP Kohrman mentioned that there had been a survey to parking committee members with questions about including parking in tuition and fees or how otherwise to pay for parking. AVP Kohrman noted that he didn't want to do a trial with freshman but with seniors, since that seemed to be what the student government wanted. The problem with a trial for freshmen, he said, is that it would be hard to take away once the expectation was created.

Various members of the Budget Committee reminded VP Kohrman that surveys can be useful or not depending on how questions are worded. The committee noted that Policy and Budget have both long advocated a trial of parking included in fees for all incoming freshmen. Doing the trial for seniors would please student government, since they would be the beneficiaries; but doing it with freshmen makes much more sense. Freshmen are the ones who most need to be on campus on a daily basis rather than deterred by parking fees and who need to schedule their classes for courses they need rather than just to get all their courses on one day of a week to save on parking fees. Anecdotal evidence supports the Budget Committee's view that students often decide on academic issues based on their ability to pay for parking on a daily basis.