

# Memo

## Budget Committee, Academic Senate Wayne State University

To: Policy Committee

From: Budget Committee, Michael J. McIntyre, chair

Subject: Rescission of 0.25% Cut in Endowment Fund Payout

Date: November 28, 2005

At its meeting today, the Budget Committee approved by voice vote, without opposition, the following motion:

That the Policy Committee be requested to ask the Administration to rescind the 0.25% cut in the payout from University endowment funds that was instituted on the premise, now seen to be false, that the one-year decline in the income from endowments would continue indefinitely into the future.

Here is an excerpt from the Minutes of the Budget Committee at which this issue was discussed last year:

5. *Endowment Payouts.* John Davis presented a recommendation to reduce the payout from endowment funds by 0.25%, perpetually. This is based upon weak returns over the past five years and projected problematic returns in the future. Members complained that when times were good for investments, we were told that the 5% payout should be maintained (not increased), since it was a level amount that was too low in good years, too high in bad years, but sensible over the long term. And now we're told that the payout has to be cut. In response to questions, Mr. Davis said that UM is at 5% and holding, and MSU is at 4 3/4 or 5% and holding, but some other colleges have reduced payouts.

It is the view of the Budget Committee that the cut in the payout was not justified last year and that the current yield in excess of 11% justifies a return to the traditional level. Members noted that the effect of the cut is to reduce the share of University resources going to the Schools and Colleges.

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