

Budget Committee of Academic Senate

Interim Report for Academic Year 1999-2000

May 17, 2000

The Budget Committee of the Academic Senate has met periodically over the past academic year to address various budget issues. Some of the issues were raised on the initiative of the Budget Committee, some were presented to it by the Policy Committee, and some were raised as the result of actions contemplated by the Board of Governors. Following past practice, meetings of the committee typically were scheduled just prior to the scheduled meetings of the Budget and Finance Committee of the BOG. This report is an interim report because the committee expects to be involved over the next two months in issues related to the 2001 budget, which will be submitted to the BOG in mid-July.

The Budget Committee held five meetings during academic year 1999-2000. The main issues addressed at those meetings are summarized below. In accordance with an informal request from the Academic Senate, the Budget Committee has been posting its minutes regularly on its website. Additional information is contained in those minutes. The address is: <www.law.wayne.edu/provost/budget>.

Meeting of September 8, 1999

Members of the Budget Committee discussed the draft report of the Budget Formula Working Group. At the July 12 meeting of the Budget Committee, Profs. Marc Cogan, Charles Elder, and Anders Sima were appointed as a subcommittee to study that report. Prof. Cogan stated that the subcommittee has not yet prepared a report but intends to do so shortly. The committee voted to add Prof. Hiroshi Mizukami to the subcommittee.

Vanessa Rose, Budget Director, gave some comments on the materials for the meeting of the BOG's Budget and Finance Committee, scheduled for later that afternoon, and responded to questions. One member asked whether provision was being made to deal with the budget costs of concluding contracts with the two unions that had not yet settled. Ms. Rose indicated that it was difficult to know what the outcome would be of the contract negotiations but that money would be available to reallocate for that purpose if necessary. One member noted that the deficit-reduction proposals called for cuts of only \$40,000 to the academic side. Ms. Rose indicated that those cuts were to be made in the budget of the Provost's Office without reducing funds going to academic units. The Budget Committee, through its chair, had

strongly recommended that the academic side be held harmless in the budget reductions at the meeting of the BOG's Budget and Finance Committee meeting in July.

Ms. Rose was asked whether the minutes of the BOG meetings were posted on the university's web site. She indicated that they were not but that she would ask whether they could be made available there. It does not appear that the BOG minutes are being posted.

Meeting of October 29, 1999

A major topic on the agenda was a discussion of the draft report of the Formula Funding Working Group. Profs. Marc Cogan, Charles Elder, Hiroshi Mizukami , and Anders Sima formed a subcommittee to study that report. The report argued that the basic budget problems of the university can be solved only through increased revenue. Redirecting existing funds is important, but the scope for major improvements in the budgets of departments from reallocations of existing funds is quite limited. Several members expressed concern about the decline in the share of the total budget going for academic functions. One suggestion was that the university should set long-term goals for increasing the percentage of funds going to the academic side. It was noted that the draft report of the Formula Funding Working Group did not address the administrative side of the budget. The chair noted that the Administration has hired the accounting firm of PriceWaterhouseCooper to do a study of the effectiveness of various administrative functions.

Several members expressed the view that the Budget Review Committee contemplated in the *Report of the Formula Funding Working Group* should include two faculty representatives. The main reason for wanting at least two members from the faculty is to prevent a single member from getting isolated. Various members noted that there were advantages in keeping the Budget Review Committee small. The consensus, however, was that the addition of one additional member would not create serious size problems. Some members also suggested that the Budget Review Committee should develop methods for consulting more effectively with the faculty and other stakeholders.

After discussion, the following motions were made, seconded, and passed unanimously:

Motion #1. That a second faculty representative, to be designated by the Policy Committee, be added to the Budget Review Committee.

Motion #2. That the Budget Review Committee be required to consult in timely fashion with the Budget Committee of the Academic Senate prior to the development of the budget.

Motion #3. That the subcommittee charged with reviewing the draft report of the Formula Funding Working Group revise its draft report in light of the discussion at this meeting, that it distribute the revised report electronically for comment, that it take the comments received into account in preparing a final report, and that it transmit that final report to the Policy Committee as soon as possible.

That report was revised and submitted to the Policy Committee. The Policy Committee endorsed the recommendation that an additional faculty member be added to the Budget Review Committee and forwarded that recommendation to the President.

Meeting of March 6, 2000

Vanessa Rose, Budget Director, reported briefly on the budget issues to go before BOG's Budget and Finance Committee. In response to questions, she reviewed the budget calendar. Budget packages were due April 3, and budget hearings were to be held in April. There will also be budget hearings on special initiatives with the vice presidents. A decision on tuition levels is expected in May. The issue of tuition levels and strategy is now before a tuition committee. The tentative budget should be ready by May 30. June 9 is the tentative deadline for finishing the budget.

Members expressed concern that the new process for setting the budget has focused only on the academic side. Performance measures are needed on the non-academic side as well. Otherwise, budget reform will simply result in budget cuts on the academic side because the reviewed part of the budget is the part put at risk.

The proposed WSU Research and Technology Park was discussed. It was noted that no General Fund money is currently at stake and that various time lines have been set to determine whether sufficient outside funding will be available to justify continuation of the project. Some members expressed disappointment that there was no evaluation in the current proposal for the reasons that the last technology park proposal ended in failure. Others expressed hope for the success of the new venture and the hope that it would offer some faculty an opportunity to exercise their entrepreneurial bent.

Meeting of March 31, 2000

The meeting began with a discussion of the form of consultation that the Budget Committee would be providing for the FY 2001 budget. It was noted that consultation with the Budget Committee is scheduled for 3 days before the budget goes to the printer. Many members noted that this schedule was unacceptable. Ms. Rose, who arrived late, subsequently explained that the scheduled meeting is to give a general report on the budget decisions to the committee. She contemplates substantial consultation in April and May.

Mr. Elder initiated discussion of the possibility of the Budget Committee preparing an annual report, near the start of each year, that would set forth the budget priorities of the Budget Committee. That report would be forwarded to the Policy Committee and then the Academic Senate for discussion, modification, and approval. Through the Policy Committee, the Budget Committee would seek input from other standing committees of the Academic Senate as to important items for consideration. The Budget Committee would take responsibility for doing a cost estimate of various proposals and indicating its views as to priorities.

It was suggested that the report, to have credibility, must be more than a wish list — it must indicate priorities and revenue sources, at least in general terms. The report would indicate long-term goals and suggest a strategy of incremental changes to work toward those goals. The report might indicate, for example, that reducing the university's heavy dependence on part-time faculty is a long-term goal of the Academic Senate. In addition, the report might suggest current changes in allocations that might move the university toward that goal.

Several members noted that this proposed report, although independent of the administration's budget process, is not intended to be in conflict with that process. The idea is for the Budget Committee and the Academic Senate to get its voice heard at a time when the budget was sufficiently in flux that input would be useful. With respect to the "capital budget," it was expected that there would be a lot of harmony with the administration, although there might be timing differences. Some members suggested, for example, that they support the administration's initiative to increase dormitory space at the university and might want to accelerate that initiative. At an early stage, the president of the Academic Senate might bring the Budget Committee's report to the full Senate for discussion and might raise the issues presented in the report in other appropriate forums.

To get the process started, the following motion was made, seconded, and passed by voice vote without opposition:

That the Policy Committee request the standing committees of the Academic Senate to prepare a list of up to five budget priorities in their area of competence and to sent the list to the Budget Committee to make cost estimates and to consider for inclusion in the Budget Committee's proposed annual report on budget priorities for FY 2002.

Mr. Cogan, in preparation for the meeting, had written a memo on budget priorities that he shared with the committee. The memo called for a shift in budget resources from the non-academic side of the budget to the academic side in order to address the problems created by the heavy use of part-time faculty at this university. The memo provided benchmark data tending to show that, adjusted for enrollment, Wayne State had between 247 and 316 fewer full-time faculty positions than its peer institutions. Based on language in the memo, the following motion was made and seconded and passed by voice vote without opposition:

That the Budget Committee of the Academic Senate recommends that the following steps be taken to bring the number of full-time faculty at Wayne State University into line with peer institutions:

- (1) That the share of the FY 2001 Budget allocated to the schools and colleges be increased by 1% over the FY 2000 allocation — to 41.40% of the Budget;
- (2) That the amount of the increased allocation be earmarked for the hiring of full-time faculty members and of support staff and instructional supplies for those new faculty members.
- (3) That it is further recommended that share of the fiscal year budgets allocated to the schools and colleges be increased by a further 1% each of the following four years: to 42.4% of the FY2001 Budget, 43.4% of the FY 2002 Budget, 44.4% of the FY 2003, and 45.4% of the FY 2004 Budget, with the new allocations in each budget cycle earmarked for new full-time faculty, support staff, and instructional equipment.

As a follow-up to these motions, a revised report based on Prof. Cogan's memo was presented to the Policy Committee. The Policy Committee endorsed the report and forwarded it to the President.

Ms. Rose discussed with the committee the coming budget process. She offered to come to a meeting of the committee in early May and to invite the faculty

representative on the Budget Review Committee to also come, for the purpose of discussing budget priorities in the coming budget. She indicated that she intended to sent to the committee a list of the major budget initiatives that the Budget Review Committee was considering as the lists were formulated. She indicated that the submissions would be piecemeal to maximize opportunities for timely input from the committee. She was particularly interested in early feedback from the committee with respect to unfunded priorities from last year.

Meeting of May 1, 2000

The focus of the meeting was the materials to be presented at the BOG's Budget and Finance Committee meeting. One of the items on that agenda was a report on the WSU public school. The chair indicated that the public school did not appear to be doing well relative to other charter schools in the state or area. Comparative materials, however, were not included in the summary report submitted to the BOG. After some discussion, the following motions was made and seconded:

That future reports on the WSU public school to the Board of Governors include a comparison of its MEAP scores for each grade with the average state scores for those grades and the scores achieved at other charter schools operating in Detroit and the surrounding area. In addition, the future reports should include information on faculty attrition at the WSU public school, with appropriate comparisons to other schools, and information on studies that may have been done on the effectiveness of the school.

The motion passed without opposition. Ms. Rose indicated that the report prepared by the school principal did include additional information that was not included in the abbreviated report submitted to the BOG. The chair indicated that he would raise issues about the WSU public school at the BOG's Budget and Finance Committee meeting.

Mr. Elder initiated a discussion of the proposal made at the last meeting of the BOG that the president be authorized to permit borrowing from the cash pool of up to 50 percent of the accumulated funds in the Indirect Cost Recovery Accounts. That proposal was not acted upon, although borrowing against the cash pool for an expensive piece of medical equipment was approved on a one-time basis. It is anticipated that this matter will come before the BOG at some future meeting.

In the ensuing discussion, it was noted that it is not possible to actually borrow against the ICR accounts. The money in those accounts is part of the cash

pool, so any borrowing is against the cash pool. The IRC account is simply an accounting entry that indicates a future claim against the cash pool. Obviously it is not possible to borrow against a liability.

It was also noted that the gradual increase in the size of the reserves in the ICR account is not evidence that the holders of those accounts are hoarding funds. The Budget Committee did a detailed report on ICR accounts a few years ago. That report is posted on the web page of the Budget Committee. At that time, the amount in the account was around \$9 million. It has grown to around \$15 million. Although no updated study has been done, the prior study indicated that a high percentage of the funds in the IRC accounts was spent within the first year and that virtually all of it was spend within three years.

Several members of the committee suggested that the increase in the balance in the ICR accounts is due to an increase in research budgets, not to an increase in the holding period for amounts in these accounts. To illustrate the point, assume that money comes into ICR accounts uniformly over the year and is spend uniformly over the year. As a result, at any point in the year, there should be a balance equal to half of the amount coming into the accounts. For example, if a primary investigator receives a payment of \$40,000 on July 1 and spends that amount uniformly over the next 12 months, there should be a year-end balance on December 31 of \$20,000. If the grant is doubled to \$80,000, then the amount on hand at the end of the calendar year also would double.

No immediate action on the ICR accounts issue is contemplated. The Budget Committee does intend, however, to monitor the issue and welcomes input from individuals who might be affected by changes in current practices.