

Minutes, Budget Committee of Academic Senate

Meeting of November 9, 2004 (As Approved December 20, 2004)

Present: Stephen Calkins (Chair), Ravi Dhar, Charles Elder*, Michael McIntyre, Charles Parrish, Frederic Pearson, Louis Romano, Vanessa Rose*, Linea Rydstedt, Vishwanath Sardesai, Assia Shisheva, Harley Tse, William Volz, James Woodyard.

Absent with Notice: Marc Cogan, Robert Holley*

Invited Guest: John L. Davis, Vice President for Finance and Facilities Management

*Liaison

1. The meeting convened at 2:03 p.m. The minutes for the meetings of September 13, 2004, were approved.

2. *Review of Centers.* The chair announced that the following subcommittees had been assigned to review the centers and institutes that were requesting the approval of their charter or an extension of their existing charter.

Center/Institute	Reporting to*	Subcommittee Members
Institute of Gerontology	Research	McIntyre, Shisheva
Center for the Study of Citizenship	LA&S	Elder, Volz
Douglas A. Fraser Center for Workplace Issues	CULMA	Parrish, Pearson
Ligon Research Center of Vision	SOM	Romano, Sardesai
Center for Healthcare Effectiveness Research	SOM	Cogan, Rydstedt
*From C&I website: http://www.research.wayne.edu/ci/directory.htm		

3. *Maccabees Building* (5057 Woodward Avenue). Vice President Davis responded to concerns expressed about the continuing costs of renovating the Maccabees Building. One member noted that there was no business plan prepared at the time the building was purchased and that the subsequent business plan made what the Budget Committee believed were unrealistic estimates of the likely leasing revenue. The fears of the committee have come to pass, as most of the building has not been rented commercially. As a result, the University has been moving various programs and units within the University to the Maccabees Building. The Board of Governors (BOG) is being asked to approve funds for the renovation of the 13th floor of the building, which was expected to be a prime location for commercial leasing. The renovated space will be made available to the Office of the Vice President for Research. Questions were asked of Mr. Davis about the need of the OVPR for this additional space. Mr. Davis had no information on that issue. Apparently, the cost of

providing this new space to the OVPR will be \$600,000 plus the loss of leasing revenue.

Mr. Davis did not have detailed information at his disposal on the leasing revenues now being received from the building. A member asked for that information, and Mr. Davis promised to get it. He indicated that the building costs about \$1 million per year to operate, that the total acquisition costs have been around \$9.2 million plus around \$18.2 million for renovations. There are some expected savings in operating costs from tearing down the vacated buildings on Warren, and some expected recoupment of acquisition costs from the sale of properties included in the package of properties acquired from the City of Detroit as part of the Maccabees acquisition.

One member suggested that the building is being filled just to make use of the space and not for programmatic reasons.

4. Capital Outlay Plan. The University has prepared a 5-year Capital Outlay Plan for the State. As part of that plan, it made requests for capital improvements to be funded by the State. The State requests each university to list its top priority, but the University has traditionally submitted its top two priorities. As part of the planning process, the University prepares a list of its major capital needs, although the list is not prioritized beyond the first two items. For this year, the top priority listed by the University is the Purdy-Kresge Library Renovation. That item made the top of the list under Provost Bantz and has remained at the top. As part of that project the Science and Engineering Library would be consolidated within the Purdy-Kresge Library, with the current building used for some unspecified purpose. The second item listed is the Scott Hall Renovation. That renovation would be in addition to the major renovation planned from the recent bond issues that are being financed through a reduction in the indirect cost recovery amounts going to PIs, departments, and colleges.

One member indicated that a committee charged with a review of the University's library facilities was unaware of the recommendation for closing the Science and Engineering Library. He suggested that faculty consultation on the matter had been inadequate. Mr. Davis promised to convey that concern to the appropriate people.

The committee was informed by the Chair that the Policy Committee was recommending a change in the priorities shown in the Capital Outlay Budget. Policy recommended that the renovation of State Hall, the University's primary classroom building, be the number one priority and that the construction of a new multi-disciplinary medical building be moved to the number two position. It also asked that the faculty representatives to the BOG's Budget and Finance Committee make this view known to that committee. Discussion ensued.

Various members expressed the view that the library project, although certainly worthwhile, should not be listed as a top priority. There was a general consensus that improving the University's research and teaching facilities were higher priorities. After additional discussion, the following motion was made and seconded:

That the top capital outlay priorities for the University be a major improvement in undergraduate teaching facilities and the construction of a multi-disciplinary medical building.

Some members suggested that the construction of a multi-disciplinary medical building should be the top priority. They also argued that the Scott Hall renovations should be scaled back and delayed. In their view, the University has a real problem with inadequate research facilities. Merely renovating Scott Hall will not solve those problems. What is needed is a new, state-of-the-art facility. In addition, the planned renovations of Scott Hall will upset ongoing research because no alternative building is currently available as a temporary research facility. In their view, the University would be better off by building a new facility, which then could house all of the medical research while Scott Hall is renovated. They also indicated that Scott Hall is a structurally sound building that does not need radical renovation. The planned renovation of electrical equipment and such is much needed, but the expensive and invasive restructuring of walls is not needed and apparently is being driven more by administrative considerations rather than by research needs.

Other members argued that the existing facilities for teaching undergraduate students are poor and are harmful to recruiting and to good teaching. In particular, they felt that State Hall is a terrible facility, in need of replacement, and that Manoogian Hall needs major repairs and much better daily cleaning. Some expressed surprise that the State Hall project was billed at only \$10 million. Many members suggested that the University ought to consider replacing State Hall with a state-of-the-art teaching facility. One member stated that many graduate programs are in need of smaller rooms for seminars and the like and that this need should be accommodated in any new classroom building project. Another member noted that the committee should not be endorsing a new facility without a plan in place for such a facility. He suggested that the committee should recommend that the matter be studied, with appropriate faculty input. That latter point received broad support.

The chair asked for a straw vote on whether the motion on the floor should be amended to make the multi-disciplinary medical building the top priority. The straw vote showed a slim majority for making that project the top priority. After that vote, the main motion was amended as follows:

That the top capital outlay priority for the University be the construction of a multi-disciplinary medical building and that the second priority be the renovation or replacement of the major undergraduate teaching facilities, including State Hall and Manoogian Hall.

The motion passed without objection.

5. *Enrollment Numbers.* Budget Director Vanessa Rose informed the committee that the 5% enrollment growth anticipated in the FY 2005 budget has not materialized. Undergraduate enrollment has increased by about that amount, but graduate

enrollment is down by 12%. Ms. Rose was not sure of the reasons for the big drop in graduate enrollment. One member indicated that visa problems have been a factor in the Engineering College. Ms. Rose indicated, however, that the drop in graduate enrollment is not limited to international students. She stated that there is also a significant drop in the enrollment numbers for some masters programs that focus primarily on U.S. students. She indicated that overall, the enrollment growth was only around 1% by head count and 2.8% by credit hours (the important number for budget purposes). The overall result is a budget hole of nearly \$6 million under a worst-case scenario.

The Provost has indicated that the hole in the budget is not likely to create serious problems. The Legislature had promised the various universities in the state that they would receive a refund of a scheduled budget cut of around 3% if they kept the increase in undergraduate tuition at or below 2.8%. In setting the FY 2005 budget, the University had not allocated the expected refund, due to its contingent nature. It has now been provided, however, and is available to deal with the budget shortfall created by the lower-than-anticipated enrollment.

6. *Capital Campaign.* The University is in the middle of a major capital campaign. To fund the campaign, the University has proposed that 2% of each dollar raised by the campaign be allocated for the expenses of the campaign. In addition, it is proposed that a tax of 10 percent be imposed on the income from all endowment funds, reducing the payout to schools and colleges from 5% to 4.5%. The committee discussed the merits of these methods for funding the capital campaign.

One member suggested that the tax on the income from endowment funds was improper as a matter of sound budget philosophy and that it presented certain legal issues as well. He suggested that it may be both illegal and unethical to use funds that have been earmarked by the donor for a specific use, such as student scholarships, for some other purpose, namely the financing of a capital campaign. He argued that the allocation of a portion of endowment income for the capital campaign was a type of earmarking that was inconsistent with good budget practices. He noted that the Budget Committee has repeatedly opposed earmarking of revenue streams in the budget.

Other members joined the discussion. One member seconded the concern about earmarking and suggested that the 2% tax on funds raised during the endowment campaign also might be viewed as earmarking. In reply, a member indicated that such a charge was a reasonable accounting practice as long as the amount of the charge reasonably reflected the costs of raising the funds. The fee imposed on income from the existing endowment, however, cannot be justified as a user fee.

One member challenged the suggestion that the tax on income from the existing endowment fund raised legal and ethical issues. He indicated that many universities engage in this practice and that the University has prepared a paper on the topic. Other members noted that the practice has been quite controversial and has been rejected by some universities. One member noted that the *Chronicle of Higher*

Education has run a feature story on this issue some years ago. After discussion, the following motion was made and seconded:

That the earmarking of the income from existing endowment funds for any purpose other than the purposes specified in the endowment funds is inappropriate.

The motion passed by a vote of 9-1.

7. *Representative to BOG's Budget & Finance Committee.* The chair indicated that he would be unable to attend the BOG's Budget & Finance Committee meeting at 10 a.m. on November 10, 2004 because he teaches a class at that time. He had been told that the meeting would convene at 9:00 a.m., which would have allowed him to attend, but the time was not adjusted due to a scheduling glitch. He asked Prof. McIntyre if he could attend as his replacement. Prof. McIntyre agreed, noting, however, that he had a meeting scheduled for 11:30 a.m. on that day.

8. *Adjournment.* The committee adjourned at 3:40 p.m.

Michael J. McIntyre