

Minutes of the Budget Committee of the Academic Senate

Meeting of March 19, 2012

Present: Lou Romano (Chair), Linda Beale, Don DeGracia, Rob Kohrman*, Rita Kumar, Mike McIntyre, Richard Needleman*, Charles Parrish, Linea Rydstedt, William Slater, Karen Tonso, Megha Trivedi*, William Volz, James Woodyard.

Absent with Notice: Lawrence Lemke, Heather Sandlin, Charles Elder.

Absence without Notice: Shawna Lee, Senthil Sundaram.

Invited guest: Richard Nork, Vice President for Finance & Business Operations.

*Liaison

1. The meeting began at 11:03 AM.

2. *The minutes of January 30, 2012 were approved.*

3. *Report on State Budget and University Budget Process.* Administrative representatives reported that the State budget increase for Wayne would be 0.9%, which is one-time funds rather than an increase to the base budget, from the \$36 million performance fund established for the state budgeting process. Those funds consist of four categories funded statewide at \$9 million each:

- Undergraduate completion: WSU will get none of this funding;
- STEM: WSU will get \$485 thousand (at \$685/student. Undergrad only);
- Three-year average Pell Grant recipients: WSU will get \$1.2 million;
- Tuition Restraint: This will not be allocated until tuition is set in late summer but WSU's amount could be anywhere between 0 and \$9 million depending on our and the other universities tuition increases. If all universities raise tuition equally (at, for example, 4%) WSU would get \$2.3 million from this fund plus \$10 to 11 million from the 4% increase in tuition.

Research was not included as a category, but the Business Leaders of Michigan are pushing for recognition of the importance of research funding. The three major research universities received the lowest increases.

Since this is not base funding and is on top of a 15% base cut last year, the upside is limited. One member commented that this isn't a matter of finding the "right" metrics to support university education, but rather it is driven by the politics of sending more money to the areas of the state supporting the current legislative majority.

As to the University's process, Kohrman reported that the Board would set the School of Medicine tuition at the May meeting and then act on the remaining tuition issues at the June meeting. Housing is to be discussed at the March meeting. The President's executive committee (consisting of the President and Provost Brown, Vice Presidents Nork and

Ratner, and Budget Director Kohrman, with Mike McIntyre added if he is willing to serve) will meet with the deans and directors in 18 hour-long meetings in April and May. The Chair suggested that given Mike's illness one of the other faculty members should be selected as an alternate who would attend meetings to observe but not participate unless Mike were unable to attend. A member noted that the academic side is shortchanged in the makeup of the group, with only the Provost and one faculty representative.

4. BOG Budget Committee Documents for the March 21 Meeting. The Chair suggested that the committee should discuss the document on room and board rates, noting that there was a General Fund commitment of \$900 thousand for residence halls deferred maintenance. (That fund was supposed to increase at \$500,000 a year for four years, but it was cut 10% last year rather than increased \$500,000.) Vice President Nork responded that the Budget will be done in June along with the other auxiliary services. With stable occupancy rates at 92-3%, the goal is to break even without General Fund support and use the General Fund support to catch up on deferred maintenance. This year, housing expect revenues to be slightly less than costs, so less will be spent on projects to break even. There is about \$6.5 million of losses accumulated since the residence hall was built in 2002.

One member of the committee expressed concern that no budget numbers were provided: without those numbers, it is difficult to assess the rate projections. Another member noted that the Senate Budget Committee had forecast that there would be shortfalls in Housing, and had concerns about statements about high occupancy rates, given historic problems with nonpayment. Members expressed concerns that the \$900 thousand would not be sufficient to take care of high priority projects. Deferred maintenance problems damage residency: without those expenditures, residence halls become a public relations disaster. It requires good dorms to get students to live on campus and it can't work if maintenance is cut back. Vice President Nork indicated he wasn't sure whether the fund shortfall would create a significant problem for the projects that had already been lined up.

The Chair asked if the Administration would share a copy of the maintenance plan with the Committee, and Vice President Nork indicated he would be pleased to do so. It was decided that the Chair would arrange for the Associate Vice President for Housing and Business Operations to attend the April meeting to discuss these issues.

Another significant facilities issue is water damage. The problem with water in the Education building will be addressed by replacing windows and raising the sills that currently allow water to seep in from the roof over the floor below. The Engineering building also has leaks that will be addressed.

Parking structures continue to have drainage problems, with pooling of water at various levels. Vice President Nork indicated that the plan is to correct the problems and avoid such situations in the future. One member asked whether a parking employee walks the structures after rains to see areas where pooling occurs. Vice President Nork noted that is something that can be done. Jerry Tilson is responsible for the parking structures is coming on board and will make sure that repair work is inspected and completed properly. One member asked how faculty and staff can report problems. The current method of calling doesn't seem to work very well—perhaps there could be more information in the structures themselves and an easily accessible website and/or email. Vice President Nork thought that more could be done to make reports easier. Another member noted the problem with the

membrane that was used on the surface, which had been scraped up by snowplows: plows need to use a rubber gasket to avoid that problem.

There was some discussion about parking rates and whether they are adequate to fund the needed establishment of a sinking fund for future repairs. One member was concerned that the amounts set aside for maintenance would not be used for the required routine maintenance causing the reoccurrence the major structural problems we are currently repairing. Vice President Nork indicated that once the budget is available, he will invite an ad hoc parking committee to review it. The BOG does not want to do bonds for parking repairs, and therefore fee rates will be used to cover necessary maintenance. Once projects are current, the parking rates will be higher than they need to be to raise necessary funds.

The administration is beginning to collect data from the new technology installed, but will not be charging for parking as part of tuition this year, since that would take about 2.4% of the maximum permitted increase of 4%.

The committee also discussed the problem with the elevators not working for long periods of time, since spots reserved for the disabled are scattered on each of the floors in the garage. It was suggested that it would be preferable to locate all parking spaces for disabled drivers on the first floor to avoid the problem caused by elevator downtimes. At the least, the parking facilities should have signage that can be posted immediately at the entrance to the garage so that drivers will know when they park that the elevators in a particular area are down.

5. *Nursing Practice Corporation*. The Chair had distributed to the committee members copies of the Form 990 for the Nursing Practice Corporation (NPC) that was provided and the FY2010 Projected Expense document used to establish amount the University pays for clinical services for students. Several members noted the disparity between the two documents—the Form 990 indicates expenses of \$625,000, yet the projected budget indicated \$1.3 million. Vice President Nork explained that the NPC had expected more demand and expansion of services than was actually accomplished and reminded the group that Wayne started funding this in 2010, so the first year was more difficult to project. One member suggested that the reason there is such a large amount of un-recouped expenses, is because there is no doctor on site for almost all of the week. Thus, without a doctor, the charges cannot be billed to insurance. The Chair asked about how the “Dean’s Tax” works and how the funds that are “restored” to the University are expended. The Dean’s tax of 8.7% is assessed on the gross amount of funds provided to cover the expenses of the unit, which the committee found surprising, since it would be in the NPC’s interest to overestimate expenses. Members suggested that it would be more appropriate to base the Dean’s Tax on actual expenditures. The Chair suggested that this sounds like money laundering—an overestimate of expenditures would result in a larger Dean’s Tax [although we were told at the April 30 meeting that no funds have as of yet been collected through this tax].

The funds that are recouped when the budget is over the actual expenses are returned to a separate account and are used for classroom technology upgrades. Members asked how that decision was made and were informed that it was a joint decision of the Provost and Vice President Nork. Members asked where these materials are covered in the Budget Book. Mr. Kohrman indicated that it is within the Policies and Procedures section.

The Budget Committee suggested that the special committee appointed to look at the NPC, consisting of Mike McIntyre, Charlie Parrish, Don DeGracia, and Linea Rydstedt, should review this. Documents needed include the explanatory memo and the statute on which this process is based. Members noted that the BOG statutes should govern the allocation of funds, rather than a random decision by two administrators. This is the kind of budget process that demands transparency and faculty consultation. The Committee noted that there are a number of these tax-exempt corporations working in various areas, such as the law clinics and the Executive Education program within the Business School. Also, the omnibus fee is supposed to be dedicated to particular types of uses.

The meeting was adjourned at 12:30

Linda Beale and Lou Romano