

Minutes, Budget Committee of the Academic Senate

Meeting of March 7, 2011 (As approved March 28, 2011)

Present: Michael McIntyre,(Chair), Donald DeGracia, Maik Huttermann, Robert Kohrman*, Bart Miles, Jennifer Moss, Richard Needleman, Charles Parrish, Louis Romano, Linea Rydstedt, Heather Sandlin, Karen Tonso, William Volz, James Woodyard

Absent with Notice: Charles Elder, Rita Kumar

Absent without Notice: Winston Koo

Invited guests: Ronald Brown, Provost; Richard Nork, Vice President for Finance & Business Operations

*Liaison

1. The meeting began at 11:04 AM.
2. *Announcement.* The chair indicated that he had been asked by the Office of the Provost to chair a Blue Ribbon Committee on budget cuts, the exact name of the committee having slipped his mind. He suggested that past Administrations had brought routine matters to the Budget Committee but had bypassed the Budget Committee on major matters by appointing an ad hoc committee. He indicated that he would do his best to make sure that the Budget Committee is kept in the loop on the actions of the Blue Ribbon Committee, subject only to the obvious need for confidentiality on some matters. In particular, he expected to communicate by email on the principles that he expected the Blue Ribbon Committee would develop for deciding on budget cuts.
3. *Parking.* The chair gave a brief overview of the Report of the Parking Task Force and noted that he had given a detailed presentation at the Academic Senate meeting on March 2, 2011, which he assumed most members had already heard. He noted that a discussion of that report was not on the agenda of the Budget and Finance Committee of the Board of Governors. At the request of the Provost, he had written a letter to President Gilmour last week, urging him to put the matter on the BOG's agenda but had not received a reply. President Seymour Wolfson had written a memo to the Provost to the same effect, and the Provost indicated that he had brought the matter to the attention of President Gilmour. President Gilmour had indicated to the Provost that he would read the report over the weekend but apparently was unable to do so, due to a heavy workload. The chair noted everyone is busy and that the report was issued on February 8, 2011.

The committee turned to a discussion of the formation of a revised Parking Advisory Committee (PAC). Members were surprised that the committee, which was

endorsed by all members of the task force, had not yet been formed. After some discussion, the following motion was made and seconded:

That the Budget Committee endorses the formation of a Parking Advisory Committee as soon as possible.

The motion passed unanimously.

One member asked what was causing the delay in forming the PAC, since there seemed to be no objection to it, and it had important work to do in advising on technology issues and on other pressing matters. Mr. Nork indicated that he was not in favor of re-establishing the PAC. A member asked for his reason, and he replied as follows:

"I'm not sure I need a committee to tell me how to do my job."

The Provost asked Mr. Nork if he would prepare a document that indicated which of the recommendations of the task force he favored and which he did not. Mr. Nork promised to produce such a document shortly.

4. *Nursing 501(c)(3)*. The chair indicated that he would like to see the committee produce a document that set forth the reporting requirements for the 501(c)(3) organization that was established by the Nursing School to manage the student clinic. He understood that the Nursing School was happy to provide the kind of transparency that the University needed to understand the relationship between that organization and the University. The Provost confirmed that the Nursing School was working with the Administration to provide the financial reporting needed. The chair suggested that it would be helpful for the Budget Committee to produce a document that set forth the transparency requirements for the Nursing 501(c)(3). He suggested that the document might provide a template in discussing transparency with other 501(c)(3) organizations operating out of the University. He offered to take the first crack at a draft, which he would circulate to the members. There appeared to be consensus on this approach.

Mr. Nork indicated that an action plan was being developed with respect to the Nursing 501(c)(3) organization. He was asked if he could provide that plan to the committee, and he agreed to do so.

5. *Matters Going to the BOG*.

A. *Contingency Reserve*. The contingency reserve statement showed that the search company had returned \$142,300 representing the unused balance of its fee for the truncated presidential search.

B. *Room and Board Rate Increases.* The Administration is asking the BOG to increase the room and board fees for campus housing by around 3.5%.

C. *Budget Update.* The committee had an animated discussion of the slide show that Mr. Kohrman intends to present to the BOG's Budget and Finance Committee meeting on March 9, 2011. The slide show indicated that cuts of 9.8% will be required to balance the budget. The consensus of the committee was that this figure was off by a large margin and could not be supported. One member noted that the slide show neglected to note that the University would gain gross income of \$22 million if it accepted, as it was certain to do, the governor's proposal to limit the cuts to 15% if the University raised tuition by 7%. At the request of the Provost, Mr. Kohrman agreed to add a slide to his show showing that the University's spending cuts would be far less if he had taken into account the expected tuition increase of 7% (resulting in gross revenue of \$22 million).

Mr. Kohrman indicated that the net gain from a tuition increase would be only \$16 million if the University decided to increase scholarship aid at the percentage it had done in the past. The chair noted that financial aid is a discretionary item and should not be treated as if it were a legal obligation of the University. He noted that in difficult economic times, all discretionary items had to be on the table for potential adjustment. He noted that there was no suggestion that financial aid be cut — only that it not be increased at the prior rate. Mr. Kohrman replied that he did not believe the BOG would support any change in the financial aid formula used in the past.

The chair noted that the whole scheme presented in the slide show was fatally flawed because it mixed together the amount of cuts needed to balance the budget with the potential targets of the cuts. A fair presentation would note that assuming the obvious — that the University would accept the governor's invitation to take a 15% cut instead of a 21% cut by raising tuition by only 7% — The budget hole was only \$32 million, minus the revenue from tuition, for a net budget hole of \$10 million, ignoring other factors. The \$10 million number should be the starting point in estimating the ultimate budget hole. Some adjustments would need to be made to that number, but the necessary adjustments would bring the total budget hole to around \$15 million, or perhaps a little more. No one could argue that a cut of that magnitude would require budget cuts across the University of 9.8%. (Note: \$15 million is 1.7% of the combined University budgets and around 2.8% of the General Fund budget.)

Various members objected to Mr. Kohrman subtracting out various fixed costs without taking out the largest fixed cost — the cost of paying tenured and tenure-track faculty. Only fixed costs on the administration side of the budget were taken into account. If the fixed costs on the academic side were taken into account, the proposed 9.8% cut would equal around 50% of the discretionary budgets of the schools and colleges. The chair noted that the Administration had engaged in similar

deceptive practices in 2004, when large budget cuts were imposed on the schools and colleges. He hoped that the Administration would choose this time to provide greater transparency and would work toward the preservation of the core functions of the University without all the game playing of the past.

6. *Transfer of Computer Science to Engineering.* The Policy Committee had asked the Budget Committee to look at the budget aspects of the transfer of the Computer Science Department to the College of Engineering. The chair asked Mr. Kohrman if he would provide the budgets of Computer Science for the past 5 years, and Mr. Kohrman agreed to gather that information and provide it to the committee.

7. The committee adjourned at 12:20 p.m.

Michael J. McIntyre