

Minutes of the Budget Committee of the Academic Senate

Meeting of April 30, 2012

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

Absent with Notice: Charles Elder, James Woodyard.

Absence without Notice: Shawna Lee, Rita Kumar.

Invited guest: Ronald Brown, Provost, Richard Nork, Vice President for Finance & Business Operations, Tim Michael, AVP Business Operations.

*Liaison

1. The meeting began at 11:00 AM.

2. *The minutes of March 5 and March 19, 2012 were approved.*

3. *Report on the State budget and University budget process.* Mr. Kohrman reported on the budget process in the Michigan Legislature. The Governor's budget would provide about \$1.7 M to Wayne State and includes a 4% tuition restraint component. This money is all one time. The Senate bill would provide Wayne State with about \$3 M in additional one-time money. This proposal uses 8 metrics, one of which includes research productivity, and compares us with our Carnegie peers. This proposal has a component that limits tuition increases to 3.5%. The House proposal would provide WSU with about \$1M in additional funds and also includes a tuition restraint component. These proposals will go to a conference committee and Mr. Kohrman thinks that the final budget will end up between what is being proposed by the Governor and the Senate.

Mr. Nork indicated that there was a separate House bill that would reduce the State funding for the proposed biomedical building from \$30 M to \$25 M. He noted that all state university capital projects would be reduced \$5 M should this bill pass. The Chair asked Mr. Nork about our request for a biomedical science building that was to be located on Woodward Ave, north of the main campus and suggested that there were many scientific reasons to locate this building close to the basic scientist on the main campus or close to the research facilities at the Medical School. Mr. Nork indicated that this location allowed the use of the Dagleish Cadillac building which would reduce the cost of this project. Mr. Nork was asked to provide the cost per square foot for this \$90 M project and the total square footage for the entire project. He indicated that the new structure would be about 75,000 square feet. The Chair indicated that the cost for remodeling space is sometimes about the same as building a new structure. [For example, the just completed Biochemistry II Building at the University of Wisconsin cost \$97M for a 250,000 square foot building]. The Chair asked if it might be possible to reevaluate this project but Mr. Nork indicated that it was too late for any change of plans.

4. Report on the President's Budget Review Committee. Mr. Kohrman described the process for the forthcoming meetings of the Budget Review Committee that will meet with the Deans and Division Heads. This committee consists of President Gilmour, Provost Brown, VP Nork, VP Kohrman, VP Ratner, and Prof. Mike McIntyre. He indicated that the President has asked for each Dean and Division Head to provide a shopping list of possible cuts that total 3% of their budgets. One of the reasons for asking for these possible cuts is because the new rules from the DOE regarding Pell grants could result in a significant drop in enrollment next year. A member asked who had decided that the possible level of cuts would be 3% and how had this number been determined. Mr. Nork indicated that this had been discussed at a meeting of the Cabinet. The member replied that the Budget Review Committee should have been consulted in this regard.

Mr. Kohrman then described the process that the committee would use to evaluate the units and make decisions regarding the budget recommendations. He said the committee would look at trend data for each unit for 2010-2012. The Deans and VPs would provide a description of the achievements and challenges that each unit is facing, describe the cuts they recommend and indicate how the cut would impact the unit.

One member asked if the administration is considering combining the budget process with major restructuring of the University based on the Provost's statements that we may not be able to continue to do everything we currently do. The Provost indicated that we may be able to do this in the future.

5. Report on the Responsibility Centered Management Committee. Mr. Nork said that President Gilmour met with Provost Brown, Mr. Kohrman, and himself two weeks ago and decided to put the RCM discussion on hold. President Gilmour found some problems with the propose allocation methodology and requested addition information. The committee plans to meet soon to discuss this issue. Provost Brown said that the Deans had many concerns about this budget model. A member indicated that the distribution of the state subsidy will be very controversial. Another member said that it is important that the cuts and new budget model be based on a rational strategic plan. The real question is what kind of university do we want to be, not what kind of budget model we should use. The budget should flow from our plan not the other way around. The Provost indicated that the budget model should not drive our mission. A member indicated that the RCM can drive colleges to steal students and can lead to a lack of collaboration in teaching and research efforts. The Chair indicated that he agreed that the current budget process had many problems but that the recommended model, historical with a dynamic component, that used a committee to make recommendations on the budget adjustments was never implemented. A member indicated that the prior Provost, Nancy Barrett, had used the department enhancements as a way to adjust budgets of superior units. Another member said that he did not want a model where rewards were tightly coupled to enrollment. A member then made the case for enhancement of the research enterprise and hiring of TT faculty who will improve our research standing. It is not clear how the RCM model will promote scholarship and better research. In this model there does not appear to be any incentive to hire more full time faculty. Another member indicated that there is a wide variation across the colleges regarding the ratio of credit hours taught per total full time faculty. Some, like Nursing, might have a ratio of 200, while others, like Education, might be as high as 530. It is not clear how the RCM model would accommodate these kinds of differences.

6. Nursing Practice Corporation recommendations. Linea Rydstedt indicated that the subcommittee had not yet met to consider recommendations for how the University should deal with the NPC. She indicated that the four members had divided up the areas to consider in the following way: Ms. Rydstedt would consider budget problems with the program and how the program can be improved. Charlie Parrish will look at the 501 (c) accounting requirements, transparency issues, the justification for a dean's tax, and how the excess funds are used. Don DeGracia will see if the focus can be expanded to other university 501(c) corporations, including the UPG and other practice plans. Finally, Mike McIntyre will be responsible for pulling the report together and writing the BOG statute dealing with 501(c) corporations. Mike McIntyre distributed a draft version of this statute for comments. The Provost asked if the committee thought that the NPC is the only means that we can use to get health care for our students. Ms Rydstedt indicated that other units could provide this service but that she thought that using nurse practitioners was the most cost effective way to provide health care to the students.

7. Board of Governors documents for the May 2, 2012 meeting. The only item that was discussed was the proposal by President Gilmour to increase both in state and out of state tuition at the medical school by 1.5%. One member indicated that there was general agreement last year when this was discussed at the BOG Budget and Finance Committee that the out of state tuition was already too high and that if anything it should be reduced. Therefore this proposal to increase further this already too high level is unreasonable.

Mike McIntyre made the following motion:

"It is the recommendation of the Budget Committee of the Academic Senate that no increase be made to the non-resident tuition rates for the School of Medicine for the next academic year."

The motion was seconded and passed by the committee.

The meeting was adjourned at 12:30

Lou Romano

Motion at the BOG meeting:

"Move that no increase be made to the non-resident tuition rates for the School of Medicine for the next academic year."