

BUDGET AND FINANCE COMMITTEE

June 27, 2014

Minutes

The meeting was called to order at 11:11 a.m. by Governor Massaron in Rooms BC in the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Dingell, Driker, Massaron, Pollard and Trent; Linda Beale, Faculty Representative and Abhilash Pandya; Faculty Alternate Representative, Tasneem Ahmed, Student Alternate Representative

Also Present: Governors O'Brien and Trent, and President Wilson; Provost Winters, Vice Presidents Johnson, Lanier, Lessem, Lindsey, Nork, Staebler and Wright, and Secretary Miller

APPROVAL OF MINUTES, May 2, 2014

ACTION – Upon motion by Governor Massaron and seconded by Governor Driker, the Minutes of the May 2, 2014 meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

CONTINGENCY RESERVE

Mr. Kohrman reported there were no transfers requested from the Contingency Reserve, and the FY 2014 balance remains at \$75,000.

TUITION AND FEE RATES AND BUDGET RECOMMENDATIONS FOR FY 2015

Associate Vice President Rob Kohrman began his discussion of three recommendations regarding tuition and fee rates, the General Fund budget, and the Auxiliary Fund budgets for FY 2015.

FY 2015 Tuition and Fees

Regarding the administration's recommendations for tuition and fees, Mr. Kohrman highlighted the following:

- There will be an increase of 3.2% for undergraduate tuition and for the Law School, as well as for the Student Services fee. He pointed out that the 3.2% increase for a lower division undergraduate student represents a \$1.17 increase per credit hour.
- A new program will be put in place, called the spring/summer semester break program. Its goal is to encourage students to take classes during the spring summer to help speed up their degree completion. If undergraduate students take and pass 24 credit hours during the Fall and Winter terms with a cumulative 2.5 GPA, they will receive a 30% discount on their spring/summer tuition; this would take effect for next spring/summer.
- A chart compared the cost of 24 undergraduate credit hours at WSU with other Michigan public universities (MPUs). WSU is the least expensive of the research universities, and still well below the MPU average for students taking less than 24 credit hours.

FY 2015 General Fund Budget

Action will be taken only on the General Fund and the Auxiliary Fund budgets, but Mr. Kohrman pointed out that the University's overall Current Funds Budget for FY 2015 is \$920 million. Of that, the General Fund consists of \$583 million, the Designated Fund \$73 million, the Auxiliary Fund budgets are \$43 million, and the restricted budget is \$230 million.

On the revenue side of the General Fund, 60% of the General Fund budget comes from tuition and fees, and 33% from the state. Mr. Kohrman compared the budget revenues of FY 2015 to those of 2001. In 2001, the State of Michigan covered two-thirds of the cost for a student to go to school, with the student's tuition covering one-third. That has flipped over the last 15 years, with the state supporting only about a third of the cost and the student covering two-thirds with tuition and fees.

In terms of expenditures in the General Fund, the primary mission of the University is public service, instruction, and research, comprising about 55% of the budget. The support programs include financial aid, institutional support, and academic and student support associated with the library and student activities. From a different perspective, compensation accounts for about 66% of the total expenditures, financial aid 11%, and facility services and operating general expenses together represent about 21%.

In summary, the FY 2015 General Fund budget represents an increase of 1.1% over FY 2014, including the state appropriation of \$7.1 million. Of that, \$5.6 million served as base restoration from previous budget cuts from the state and about \$1.5 million from performance funding, much of which came from the new Pell performance metric put in place for FY 2015. About \$7.7 million of budget reductions were implemented to balance the FY 2015 budget. Over the last five years, the base budget has been reduced about \$65 million, but every effort was made to protect the academic programs during the reduction process.

FY 2015 Auxiliary Fund Budget

The Auxiliary Fund budgets represent student activities such as housing, parking, the recreation center, as well as the University Press and the bookstore, with about 80% of the

budget covering housing and parking. Overall, these budgets will remain stable for FY 2015 compared to FY 2014.

Mr. Kohrman concluded his presentation and the floor was open to discussion.

In response to Governor Pollard's question about the direction of state allocations, Vice President Lindsey replied that at this time there is no way of telling whether the allocations will continue to increase or decrease. Governor Snyder did indicate that he intends to increase funding in FY 2015, and there is \$80 million in new money, so hopefully the trend will continue.

Professor Romano expressed concern that the out-of-state tuition rates for both undergraduates and graduates were at fairly high levels compared to in-state tuition. He believes this is a strong disincentive for students to come to Wayne, and the University is actually losing considerable revenue. He asked whether there could be a creative way of reducing incoming tuition rates but leave current rates the same, such as giving a small scholarship to out-of-state graduate students to help reduce the rates. He noted that the College of Engineering is losing foreign students to universities in the south, where tuition for out-of-state students is much lower.

Mr. Kohrman replied that the administration established the Great Lakes Tuition policy for undergraduates. Students from any state that touches a Great Lake will have tuition reduced to 110% of resident tuition. Wayne State does not draw a large number of students from far states such as Arizona, New Mexico, or Texas, but the new policy will help increase the number of out-of-state students in the regional area. In terms of graduate students, a recent analysis showed there is a sufficient number of out-of-state and out-of-country students, and no tuition adjustments were made. Instead of reducing the tuition rates, the Graduate School and the Provost implemented a scholarship program specifically for the Master's programs in four colleges: Education, Engineering, Library and Information Sciences, and Social Work. It is a two-year pilot, currently in the second year. The College of Engineering has already noted an increase in out-of-state and out-of-country students as a result of the program. The policy will be re-evaluated by the Provost, in conjunction with the Dean of the Graduate School, the Graduate Council, and the Council of Deans, to see if tuition rates should be reduced or whether the scholarship program would continue. Nevertheless, there is a proposal currently on the table for scholarships for both Master's and Ph.D. students.

Governor Massaron noted that WSU's metrics have improved with the inclusion of the Pell grant. He asked whether the University will continue to work on improving the metrics beyond that. There are many areas where WSU gets no credit for its non-traditional student body, which differs considerably from Michigan State University or Grand Valley. Vice President Lindsey agreed, noting the University has already begun talking with the Legislature to get metrics that are more reflective of Wayne State's situation. The administration will be engaging members of the Board and the President to help advocate for further changes.

Governor Pollard asked that the Committee vote on all three of the agenda items in one collective motion.

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors adopt the motions on Tuition and Fee Rates for FY 2014-2015, the General Fund budget for FY 2015, and the Auxiliary Activity Budgets for FY 2015. The motion carried.

The individual wording for each of the motions is provided below.

Tuition and Fee Rates, 2014-2015

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors approve the FY 2014-2015 tuition rates and mandatory fees as presented. In summary, the base tuition and fees for Wayne State University are increased by 3.2 percent for undergraduates.

In terms of mandatory fees, Wayne State University requires all students to pay a registration fee (on a semester basis), a fitness center fee (on a semester basis), and a student services fee, formerly called omnibus fee (on a per credit hour basis). The registration fee is increased by 3.2 percent for undergraduates and 9.4 percent for graduate, Law, and PharmD students, while the fitness center fee remains unchanged. The student services fee rate will increase by 3.2 percent for both undergraduates and graduates.

Further, that the Board of Governors authorize the President or his designee to make adjustments to the rates for special programs or where otherwise appropriate. The motion carried.

General Fund Budget, FY 2015

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2015 General Fund budget, its projected revenues and expenditures, and the budgets for individual University units and specifically funded programs as presented. Also, that the Board of Governors authorize the President to implement the budget management procedures, and budget-related policies, with such modifications as may be deemed necessary during the fiscal year.

Further, that the Board of Governors approve the transfer of \$2,640,222 from the Rainy Day Fund to be used for the purpose of balancing the University's General Fund and providing funding for selective strategic initiatives in FY 2015.

Finally, that the Board authorize the President to make budget adjustments and/or recommend tuition adjustments to the Board in sufficient amount to offset an initial or subsequent state appropriation funding adjustment from the projected amount as shown in the proposed FY 2015 General Fund budget. The motion carried.

Auxiliary Activity Budgets, FY 2015

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2015 budgets for the Auxiliary Activity units as presented and detailed in the FY 2015 Current Funds Budget book.. The motion carried.

ENGINEERING RESEARCH LABORATORY UPGRADES

Vice President Nork presented a recommendation to renovate and refurbish eight research laboratories in the Engineering Building. The project has a high priority because of increased faculty hiring and the associated space requirements. Although the current request is for \$1,000,000, the range might be higher as the scope of the work and the design plans become finalized. Governor Massaron asked that the record show that if the project estimate is increased, the request will come back to the Board for approval.

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to award contracts to design, renovate, and upgrade approximately eight research laboratories in the Engineering Building for an estimated project cost of \$1,000,000. This project will be funded with \$500,000 from the Research facilities fund (balance \$0.7 million at 5/30/14) and \$500,000 from the Depreciation Reserve (\$1.4 million at 5/30/14). The motion carried.

SCHOOL OF SOCIAL WORK RELOCATION

Last year the University purchased 5447 Woodward, the former home of the Detroit Institute for Children, with the intention of relocating the School of Social Work from its current site in the Thompson Home. The School is growing into a nationally ranked program with increased enrollment and has outgrown its current location. The new building was formerly a clinical practice site and will need extensive renovation to make it suitable for offices and classrooms. The request for \$250,000 is to award the design contracts.

Vice President Nork said the actual construction of the project will be done in two phases. The first phase involves the renovation of about two-thirds of the building for faculty and staff offices. The building is configured in such a way that there is a separate wing that can be used for classrooms. When additional funds become available, the second phase will add those classrooms and update equipment to meet fire safety code regulations.

In response to Governor Driker, Vice President Nork said there is a possibility that the College of Fine, Performing, and Communication Arts, currently in the Linsell House, might move to the Thompson Home. Professor Romano asked how the square footage of the Thompson Home and the Linsell House compares to the new building. Mr. Nork replied that the new building is 32,000 square feet. He does not know the square footage of the Linsell House, but it is much smaller than Thompson, which is in the high 20s. However, the space

in Thompson is inefficient and would require considerable renovation before another unit could move in. He added there will be much more efficiency in using the space in 5447 Woodward because it is more suited for building offices along a corridor.

ACTION — Upon motion by Governor Massaron and seconded by Professor Parrish, the Budget and Finance Committee recommended that the Board of Governors authorize the President or his designee to award design contracts in the amount of \$250,000 for the renovation and improvement of 6557 Woodward necessary to relocate the School of Social Work from the Thompson Home. This amount will be funded by the Office of the Provost. The motion carried.

PURCHASING EXCEPTIONS

Vice President Nork presented an informational report on purchases greater than \$25,000 issued during the second quarter of FY 2014 without soliciting competitive bids. He explained that most of the purchases fall in five categories, primarily scientific judgment and professional services.

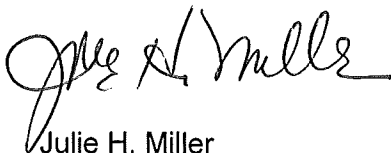
Professor Parrish called attention to a personal services contract for \$100,000 for Dr. Nicholas Cadar to review and help with manuscripts by the personnel in PRB. He said in academic departments it is common to have colleagues look at each other's work, but surprising to spend \$100,000 to have an outside person come in and work on their research. Vice President Nork explained that the contract was at the request of the PRB and signed off by the Dean of the School of Medicine. He discussed the matter with Dr. Sonya Hassan, director of PRB, who told him it was in preparation for an upcoming site visit from the NIH. Dr. Cadar had done work previously for the PRB and had familiarity with the subject, and Dr. Hassan felt it was essential to have this person's support in preparing for the site visit; there were also time constraints involved as well. Vice President Wright noted that he signs off on the purchasing exceptions. The contract is listed at \$100,000, but as services are provided and invoices are filled, the total may come in as significantly less than \$100,000. Further, the funds do not come from the General Fund, but rather from an expendable restricted fund from the federal grants and paid for by the PRB grant.

ADJOURNMENT

In closing, Governor Pollard thanked all those who worked on the budget. It was difficult work. He noted that during the five years he has served on the Board, about \$75 million was cut from the base operating expenses.

There being no further business, the meeting was adjourned at 11:42 a.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors