

Board of Governors

BUDGET AND FINANCE COMMITTEE

June 26, 2015

Minutes

The meeting was called to order at 9:03 a.m. by Governor Massaron in the Room FGH at the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Kelly, Massaron, Nicholson, Pollard, and Thompson; Andrea Sankar, Faculty Representative and Louis Romano, Faculty Alternate Representative; Zachary Rich, Student Representative and Aaron Szptyman, Student Alternate Representative

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

APPROVAL OF MINUTES, MAY 1, 2015

The Minutes of the May 1, 2015 meeting of the Budget and Finance Committee were approved by acclamation, as presented.

CONTINGENCY RESERVE

There were no requests for transfers from the Contingency Reserve Fund, and the FY 2015 balance remains at \$220,000.

TUITION AND FEE RATES AND BUDGET RECOMMENDATIONS FOR FY 2016

Governor Massaron introduced the recommendations for tuition and fee rates, the General Fund budget, and auxiliary fund budgets for FY 2016, items which he said represent one of the main functions the Board fulfills under the constitution of the state of Michigan. He declared that the three items are closely inter-related and asked that the agenda be slightly modified. The administration would give a presentation on all three items, after which the floor would be open to questions, discussion, and statements. At the very end the Board would take votes on each of the three proposals.

President Wilson commented that it has been another very difficult budget year. The Board has made every effort to make students the priority, while also balancing the need for funds to

deal with special initiatives. He added that the budget also reflects a significant reduction in force.

FY2016 General Fund Budget

Associate Vice President Kohrman began the presentation with an overview of the Current Funds budget with revenues of \$943 million, consisting of four components. The largest of these is the General Fund budget with revenues of \$602 million primarily from tuition and fees and state appropriations; 2) the Restricted budget at \$222 million or 23% of the current fund budget, including grants and contracts; 3) the Auxiliary budgets, 5% or \$47 million, consisting of units such as housing, parking and the University Press among others; and 4) the Designated Fund, about 8% or \$72 million, including fees for donor and private gifts and funding designated for specific purposes. On the Expenditure side, the total Current Funds budget was divided into the three primary missions of the University of instruction, research, and public service, comprising 54% of the budget; the "spur" programs such as financial aid and institutional support; academic and student support, such as the libraries, advising, and admissions; and finally the auxiliary operations, planning, and transfers.

Turning to the General Fund budget, Mr. Kohrman said there is a 3.3% increase over last year. On the revenue side, tuition and fees comprise about 61% of the revenue, state appropriations about 2%, and indirect cost recovery about 5%. In terms of increases, the university will receive about \$820,000 more, or a .4% increase over last year, from state appropriations based upon performance measurements. Tuition and fees represent a 4.1% increase resulting from the proposed tuition recommendation and anticipated enrollment increases. Indirect cost recovery is projected to increase about \$5.2 million, or 18.8%, as the result of anticipated increases in research expenditures. Mr. Kohrman noted that this year the Rainy Day Fund will not be used to balance the budget. Finally, the "Other" revenue category will increase by \$1.8 million because of the anticipated acquisition of a TechTown facility and the associated lease revenue of about \$1.8 million.

Mr. Kohrman then reviewed the General Fund expenditures. The schools and colleges budget is \$206 million, a 1% increase, and the administrative units have a 1.8% increase. Financial aid is up 3.9% since the University tries to match tuition increases with additional funds for need- and merit-based aid and graduate awards. Central accounts is increased by 7.4% for three reasons: First, debt service of \$2.5 million is the result of taking on a full year of obligations of previously issued debt; second, an increase of \$1.2 million in utilities, and third, central accounts is where the proposed compensation of \$3.9 million for the following year is held. Some of the initiatives funded this year are additional money for iBio faculty lines, additional funds for recruitment of new deans, and additional lines for deans for increasing enrollment. The retention initiative is in its last year, and 45 new advisors will have been hired by December. Other academic initiatives include the Rising Scholars Program, a student success program for the mathematics department, and the Apex summer bridge program for students who need extra help before enrolling in the fall semester, both in the Provost's Office. The Graduate Teaching Assistants (GTAs) have increased funding to help with the enrollment growth in certain areas. Mr. Kohrman also discussed security enhancements, where funding has been set aside to enhance the number of positions in the Public Safety Department, specifically the monitoring of the control towers and rooms, and to provide additional security cameras in the Matthaei athletic campus. Although early discussions involved a potential reduction of four officers, it was decided to maintain the current number of officers at 60. Mr.

Kohrman said that other important changes will be discussed by Provost Winters, followed by President Wilson.

Provost Winters discussed the status of three centers that are currently housed in the College of Liberal Arts (CLAS). The first, Center for Excellence and Equity in Mathematics (CEEM) or the Math Corps, did not experience cuts because of their external sources of funding from grants and donations. About \$33,000 worth of tutoring costs from state allocation was transferred to soft money. Provost Winters said that eventually they hope to put the Math Corps on a 501c3 basis, indicating it is important to the University but not one of its core functions. The second center was Labor @ Wayne, which is being kept in CLAS with two changes. One of the two advisors will be transferred elsewhere, leaving one advisor in keeping with the national best practice ratio. The other change is that the Provost will pick up the director's attachment and will be working with the director to find external funding to fund his salary in full.

The third center is the Center for Latino/a and Latin American Studies, currently in CLAS. Given its importance to the University and to the community, it will be moved to the Provost's Office, along with its faculty lines, to ensure that it remains intact. Since the Provost's Office is not authorized to grant diplomas, the academic function will be administered through CLAS but costs will be in the Provost's Office. The student success function will be fully in the Provost's Office, kept as a separate entity for Latino/Latina students, but with the opportunity to work closely with other student support services inside the Provost's Office.

Several questions were asked by committee members, and Provost Winters explained that she has the authority to transfer and charter the center for a year by memo. A formal rechartering process should be completed by the end of the summer, along with the chartering of the Levin Center, as well as the transfer and rechartering of the Center for Peace and Conflict Studies from CLAS to the Provost's Office. Charters can be issued for five to seven years and requests must include a description of the center, how it fits in with the University's mission, and the budget. In the case of the transfers, there will also be a discussion of why the centers were transferred from CLAS to the Provost's Office. There will be no change in the number of employees, and the status of faculty lines will remain the same. Provost Winters emphasized that nothing will change except some of the funding sources and the home of the centers. Because the centers will now have more visibility in a central university location, she expects growth not only in the student success area but also with the academic programs.

President Wilson next addressed the issues of the Public Safety Department and diversity in the School of Medicine. He emphasized that the safety of students is one of the most important priorities of the University. There will, therefore, be no cuts to the Department, and additional funding will be given to ensure that they have the necessary resources. The School of Medicine will receive additional funding for a diversity initiative, one of the issues brought up during the accreditation process. President Wilson noted that the School of Medicine took a budget cut of around \$2 million, so that the funding of \$350,000 will help with implementing immediately some of the recommendations of the diversity task force.

Mr. Kohrman resumed the discussion of the budget. A main component of the General Fund budget is enrollment, with an anticipated headcount for Fall 2015 of about 27,088, including an undergraduate enrollment of 17,779 with significant increases in Social Work, Engineering, and Nursing; a graduate enrollment of about 7,314 with increases in Engineering, Pharmacy, and Social Work; and a professional program of 1,995 students, including the M.D., J.D., and

Pharm.D. programs. To place the 3.3% budget increase in perspective, Mr. Kohrman showed how Wayne State compared to the Higher Education Price Index (HEPI), an index that examines components specifically related to higher education such as administrative costs, faculty costs, health care and utilities. Over the last five years, the HEPI average increase has been 2.4%, while WSU's average has been 1.1%. He also noted the shift in revenue between FY 2002 and FY 2016 because of the reduction in state appropriations, where students whose tuition once paid one-third of their cost of attending school now pay two-thirds.

Tuition and Fee Rates, FY 2016

The administration is recommending a 3.2% tuition increase, and Mr. Kohrman explained the specific features of the proposal. Action was taken on the School of Medicine's tuition rates at the Board's May 1 meeting. The Law School is recommending a freeze in tuition for Years 1, 2, and 3, and this proposal will reduce College of Nursing undergraduate credit hour rates by \$100 or 16%, and graduate credit hour rates by \$235 or 23%. The proposed Graduate School tuition increase is 3.2% and the Pharm.D. program is also 3.2%. The Mort Harris Recreation Center Fee will be merged into the Student Center fee, which will be pro-rated according to how many credit hours a student takes each semester, so that a student with 12 credit hours will pay one-tenth percentage point less in the fee than a student taking 15 credit hours.

With the next slides, Mr. Kohrman illustrated why the administration had to increase tuition rates. The basic reason for the last three years has been the reduction in support from the state. The average increase for Michigan Public Universities (MPU) during this time has been 3.5%; WSU's average increase has been 1.6%. If WSU had received the average increase, it would have \$11 million more in state appropriations than it has today. A second reason is that WSU has not had the restoration of the 15% across-the-board cut that universities took in 2012. WSU's 2011 appropriation of \$214 million was cut in 2012 by \$32 million. Mr. Kohrman noted that several universities have had their cuts restored and are actually a few percentage points better off than they were in 2011. The three research universities, however, are still below their 2011 levels. Wayne State is \$22 million below its 2011 state appropriation, while the University of Michigan is \$17 million below and Michigan State is \$15.4 million below their 2011 levels. Finally, there have been decreases or limited increases in state appropriations since 2002. Mr. Kohrman noted that in FY 1987 there was no increase in tuition because during those years the state invested in higher education and in Wayne State. Since 2002 there have been either decreases or very small increases, with the result that tuition rates have been increased to cover this loss.

The last slide showed tuition increases among the other MPUs. Despite the increase, WSU's tuition is still well below the average. For a student taking 24 credit hours during the year, WSU tuition is about 46% lower than at the U of M and about 15% lower than at MSU.

FY2016 Auxiliary Fund Budget

The Auxiliary Fund consists of four components. Publications include *The South End* and the University Press. The second is WDET-Radio and third is athletics as represented by the Mort Harris Recreational Fitness Center. The last component is Business Operations, consisting of the bookstore, contract services, McGregor Memorial Conference Center, parking/transportation, the student center and housing. Housing and parking make up almost 80% of the \$47 million auxiliary fund budget. The budget grew about \$5 million, due largely to a \$3.2 million increase in housing revenues as a result of room and board rate increases.

In summary, the General Fund budget of \$602 million includes over \$10.5 million of permanent budget reductions. Mr. Kohrman noted that over the last five years the University has achieved over \$70 million in permanent budget reductions. He noted again that WSU's budget change over the last five years is less than half the HEPI rate. The general tuition increase of 3.2% falls within the state's tuition restraint requirements, and WSU still falls below the MPU average for students taking 24 credit hours. Finally, the auxiliary fund budget recommendation is \$47 million, primarily in housing and parking. Mr. Kohrman completed his presentation, and the floor was open for discussion.

In response to Mr. Rich's question, Mr. Kohrman said that the \$350,000 for the medical school's diversity initiative is part of the strategic initiatives funding from the university.

Professor Romano asked whether the budget makes provision for funding library acquisitions. He noted that a committee worked on the issue, and it was clear from those discussions that library costs for acquisitions such as online and print journals and library books increases by at least 5% a year. He said researchers cannot work under conditions that cut their access by 5% each year. Mr. Kohrman explained that the library system reports to the Provost, and its budget was reduced for FY 2016 to \$16.8 million. He added that the Provost commissioned a study to look at the acquisitions budget itself, and the plan is to come up with a permanent strategy for FY 2017. In the meantime, they will work to find one-time funding for this year's library acquisitions. Provost Winters declared that this issue is very high on her list of priorities and she is committed to finding a permanent solution.

Professor Romano noticed that the parking rates for students has been increased, and asked for an explanation. Mr. Kohrman replied that the increase is in line with the business plan that was presented to the Board several years ago. Associate Vice President Tim Michaels further explained that student parking rates increase every other year. Last year there was no increase, while all the other fees increased, so that the perception this year is that student rates are higher.

Governor Thompson asked if there is anything the University could do to influence the Legislature in its favor. President Wilson replied that it is most important to get changes made to the metrics used in determining the allocations. Last year the University was successful in getting Pell Grants recognized as part of the metrics, and that has helped considerably. There are other aspects of the metrics that hurt WSU and have no relation to performance. One of the metrics uses the number of students graduating in STEM disciplines, but uses only undergraduates. The President said there is no rationale why graduate students in the STEM disciplines are not counted. This hurts research institutions such as WSU where a large proportion of the student population are graduate students. The University will continue to work with the governor and the legislature so that the metrics are more representative of research universities. Vice President Lindsey added that his office continues to engage alumni and students to help influence the governor and legislature.

Governor Pollard asked for explanation of the "Contract Services" category in the Auxiliary budget and whether the 2% is lower or higher than last year's figures. Mr. Michaels said the category represents those business relationships where third parties provide services on campus. In the last four years all of the contracts have been renegotiated. The vending contract has increased WSU's commissions, and the new Manage Print Program will turn from

an expense budget to a revenue budget for WSU, as well as providing students less expensive and more extensive services.

Professor Romano stated that during the declining budgets of the past few years, faculty and part-time faculty lines have been held fairly constant. He noted that during the budget hearings this year, many colleges seemed to be cutting tenure track faculty lines by not rehiring to fill positions. It was his contention that this will affect the University's core mission by reducing the number of credit hours that can be taught and reducing the research productivity of faculty. He asked if there has been a close examination of the cuts, and if there are projections as to how many tenured/tenure track and part-time faculty will there be based on the proposed cuts.

Mr. Kohrman replied that 56 individuals took the early retirement program and many deans gave up some of those positions as part of their budget cuts. They have not yet analyzed the faculty levels from FY 2015 to FY 2016, but once the fall term starts and there is a better idea of how many faculty are in their positions and how many left the University, he will do the analysis and provide the report. He noted that additional faculty are being brought in. The opening of the iBio will bring in 27 new faculty over the next three years, nine of them in FY 2016. The schools and colleges have plans to hire additional faculty within their budgetary means, and about \$800,000 has been set aside to bring in new faculty as part of the enrollment increases. The administration asked the deans whether they believe that a decrease in the faculty numbers has led to a decrease in enrollment, and the majority said it did not; they believe there are other factors leading to the decrease in enrollment.

Professor Romano said he is interested in the report. He is also interested in whether or not the decrease in credit hours is happening because of the decreased faculty numbers. Mr. Kohrman said that there are enrollment increases in new students; for example, graduate enrollment is up 7.4% compared to this time last year. Professor Romano countered that graduate enrollment is different because they have smaller classes and fewer number of sections. On the undergraduate level, large courses might have 15 sections this year; the number of part-time faculty is reduced and the sections are reduced to ten. He is certain that reduction affects enrollment. He understands that the analysis would be difficult but it must be done to determine any effect of reduction on enrollment. Provost Winters commented that she discussed the situation with the dean of CLAS. None of the deans is happy with the perpetual reduction in funds, but he assured her that for the Fall term, he can cover the sections that are needed. She and the deans will continue to monitor the situation, and although they are not pleased with it, she said they are being very innovative and managing the best they can, sometimes by adding two or three students to a section in a large multi-section course, or by adding more part-time faculty.

There were no additional questions, and Governor Massaron moved to voting on the motions.

Tuition and Fee Rates, FY 2016

MOTION by Governor Nicholson and seconded by Governor Pollard that the Budget and Finance Committee recommend that the Board of Governors approve the FY 2016 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 most students. Rates for Law School J.D. and LLM program students are frozen at the FY 2015 amounts.

In terms of mandatory fees, Wayne State University requires all students to pay a Registration Fee (on a semester basis) and a Student Services Fee, formerly the omnibus fee (on a per credit hour basis). The per-semester Recreation and Fitness Center (RFC) Maintenance Fee is now folded into the per-credit hour Student Services Fee and no longer charged separately. It is proposed that the registration fee increase be 3.2 percent for all students. The Student Services Fee rate is proposed to increase by 8.9 percent for undergraduates and 9.1 percent for graduates, due to the incorporation of the RFC Maintenance Fee referenced above.

Further, it is recommended that the Board of Governors authorize the President or his designee to make adjustments to the rates for special programs or where otherwise appropriate.

Mr. Rich made the following statement:

First, students will never be happy about a tuition increase. The fact that we aren't going over cap, that we're just meeting the cap is something that they also won't be very excited about. However, this cut in the differential tuition for nursing students has been something that the students have been working for for many years now. The fact that we are seeing this happen is something that we can bring back to the student body as a victory. The nursing students have come to the Student Senate meetings, they have met with Provost Winters, they have met with Director Rob Kohrman and they have met with all of you when you have come to the Student Senate meetings and I just want to express how delighted we are that this is actually in the budget and in the tuition this year.

Governor Massaron gave the following statement in support of his vote:

I just want to indicate that I intend to vote for all three items. I am not happy to vote for a tuition increase. I haven't been happy to vote for those in the past. It is important that we have a base at Wayne, a base that relates to the tuition when in fact we are basically not restored in relation to the cuts that we experienced in 2012-2013 and the fact the metrics do not fit with the student body at Wayne State University. They do not fit with an institution that is more than an undergraduate institution and I don't know when we can change it and impact it. We have had some impact and we have to keep arguing and presenting our views. We may be able to impact it in the future and make it better than what it is. But at the same time, you have to construct a budget that will keep you in full service, a quality institution. A recent study talked about the quality of the people that we educate, which I think is a part of a narrative of Wayne we need to start talking about. There is another study that points out that people who go to Wayne in comparison to other public institutions in Michigan do well with regard to being hired; that's the Brookings Institute. This is making a substantial contribution to the growth of the Metropolitan Detroit area and to Michigan. Our research portfolio alone does that but by staying with a research portfolio we hurt ourselves in relation to these strange metrics. I think we have to construct a budget and this institution is going to be around to celebrate our 150th anniversary, going to be around 200 years from now. But we are going to be around tomorrow and the next day and we have to look at it that way. I think we have to do this even though it is a pain for students who attend this institution, and it is a pain that we ought to recognize and try as best as we can to hold increases as low

as possible until we straighten things out, if we can. That is why I intend to vote for all three.

ACTION — The above motion carried.

General Fund Budget, FY 2016

ACTION — Upon motion by Governor Pollard and seconded by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2016 General Fund budget, its projected revenues and expenditures, and the budgets for individual University units and specifically funded programs as summarized in the document. Also, the Board of Governors authorizes the President to implement the budget management procedures, and budget-related policies, with such modifications as may be deemed necessary during the fiscal year.

Finally, the Board authorizes the President to make budget adjustments and/or recommend tuition adjustments to the Board in sufficient amount to offset any subsequent state appropriation funding adjustment from the projected amount as shown in the proposed FY 2016 General Fund budget.

The motion carried.

Governor Massaron stated his intent to vote for the budget because of assurances that the Center for Latino/a and Latin American Studies, Labor @ Wayne, and the Math Corps will be preserved. He said that although the Math Corps does not directly contribute to enrollment increases at Wayne, it is part of WSU's urban mission, and the University's participation helps students not only in math but with future success in life.

Auxiliary Activity Budgets, FY 2016

ACTION — Upon motion by Governor Pollard and seconded by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2016 budgets for the Auxiliary Activity units as presented and as detailed in the FY 2016 Current Funds Budget book. The motion carried.

ENGINEERING MATERIAL SCIENCE NANO LABORATORY

Vice President Decatur presented three recommendations requesting authorization to award contracts on three renovation projects. The first would provide for renovation and creation of the new Material Science NanoEngineering laboratory, which will allow the consolidation of courses in a state-of-the-art laboratory and would support and enhance the instruction of nanoengineering courses.

ACTION — Upon motion by Governor Nicholson and seconded by Governor Thompson, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to renovate and create a new laboratory in the Engineering Building to support the instruction of

nanoengineering courses for a project cost not to exceed \$500,000. Funding for this project will be provided from grants received by the College of Engineering. The motion carried.

FOUNTAIN COURT RENOVATION

The second recommendation dealt with renovations to the Fountain Court area on Gullen Mall which has deteriorated significantly over the years. Funding of \$600,000 for the project would come from the Campus Enhancement Fund. Mr. Decatur explained that in 2013 a committee composed of members of the Academic and Student Senates, the Student Center staff as well as the staff of the libraries and recreation center, developed a plan for the renovation of Fountain Court. The final concept budget was approximately \$2.3 million, and the current request for funding of \$600,000 represents the first phase of a multi-phase project. Funding for future phases will be identified at a later date. Mr. Decatur further explained that although the committee did not include the fountain renovations in its original recommendations, the Cabinet believed that making the fountain functional was an important part of the overall project. The current proposal includes the fountain as well as removal of concrete walls and raised planter beds to provide safer, level walkways, and improved lighting.

In response to Governor Dunaskiss's question about the possibility of fundraising, Vice President Johnson said that when the committee first met, there seemed to be no prospects for fundraising, but her staff will continue to look for anyone interested in supporting the project.

Professor Romano noted that he served on the committee for six months, as did Secretary Miller, and none of the plans included the fountain. The idea was to develop an integrated area to be used for student gatherings and other university functions that require a fairly large space. He added that after the fountain was initially installed many years ago, it required several repairs, working for only six months after each repair. He asked how much of the project budget would be directed toward the fountain, and he hoped that the fountain would be expected to work for a longer time than six months. Associate Vice President Sears replied that \$50,000 of the requested \$600,000 is directed towards the fountain's renovation. In response to questions by Governors Pollard and O'Brien, he said that construction will begin on June 29 and will conclude before the Baroudeur bicycle tour on August 22. The components to the pumping system and the reservoir that holds the water beneath the fountain structure need to be replaced, and he is confident that the fountain will be functional by the end of the summer. Vice President Decatur added that under the terms of any contract, the University would expect that those repairs would make the fountain functional; otherwise, it would hold the company to its legal obligations.

ACTION — Upon motion by Governor Pollard and seconded by Governor Massaron, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to implement renovations to the Fountain Court area for a project cost not to exceed \$500,000. Funding for this project will be from the Campus Enhancement Fund that was established by President Gilmour in 2010. Following the authorization of this project, the balance remaining in the Campus Enhancement Fund will be \$338,198. The motion carried.

SCOTT HALL 4TH FLOOR LABORATORY RENOVATION

The final recommendation dealt with the renovation of research laboratories on the fourth floor of Scott Hall. The project will be funded from proceeds from the 2013 bond issue. Vice President Decatur said that approximately 10,000 square feet of laboratory space will be renovated to address infrastructure issues in Scott Hall, to accommodate relocation of investigators from the Elliman Research building, and to support further development of the cardiovascular research program. This research team will occupy the fourth floor along with the Biochemistry and Molecular Biology Department of the medical school. In response to a question, Mr. Decatur explained that although the funding had already been approved with the bond issuance in 2013, the current recommendation requires Board approval to award contracts to actually execute the project.

ACTION — Upon motion by Governor Thompson and seconded by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors authorize the President, or his designee, to award contracts to renovate research laboratories on the fourth floor of Scott Hall for a project cost not to exceed \$5,000,000. Funding for this project will be from Series 2013 bond proceeds. The motion carried.

PURCHASING EXCEPTIONS

Vice President Decatur presented an informational report on purchases greater than \$25,000 issued during the second quarter of FY 2015 without soliciting competitive bids. There were no questions regarding the report.

ADJOURNMENT

There being no further business, the meeting adjourned at 9:22 a.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors