



BOARD OF GOVERNORS

Budget and Finance Committee

Special Meeting

June 8, 2018

Minutes

The meeting was called to order at 10:30 a.m. by Governor Kelly in Room FGH at McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

Committee Members Present: Governors Busuito, Kelly, Nicholson, O'Brien and Thompson; Linda Beale, Faculty Representative; Louis Romano, Faculty Alternate Representative; Anchita Sanam, Student Representative and Mazen Zamzam, Student Representative

Also Present: Governors Dunaskiss, Gaffney, and Trent; and President Wilson; Provost Whitfield; Vice Presidents Decatur, Lanier, Staebler, and Wright; and Secretary Miller

FY 2019 TUITION AND FEE RATES; FY 2019 GENERAL FUND BUDGET; FY 2019 AUXILIARY FUND BUDGET

President Wilson called on Jeff Bolton, Senior Director, Office of University Budget, for the presentation and recommendations on FY 2019 tuition and fee rates, FY 2019 General Fund Budget and the FY 2019 Auxiliary Fund Budget.

Mr. Bolton's presentation began with an overview of the revenue components that comprise the general fund budget. In terms of state appropriations, the University expects to receive an increase of 1.6%, or an additional \$3.2 million for FY 19. The administration is recommending a tuition increase of 2.9% for both undergraduate and graduate students, which is far below the 3.8% state tuition restraint cap, and is the same % increase approved by the Board for the School of Medicine a few weeks ago. Overall enrollment projections for next year are flat in credit hours, with a slight uptick expected in headcount. These projections differ between undergraduate and graduate enrollment. The university is currently projecting a 5% increase in freshmen, counter to a trend at other Michigan public universities, and an upward trend is also expected in continuing and transfer students. However, the university is experiencing a decline at the graduate level in master's programs, which is part of a national trend of decline in international enrollments. Mr. Bolton shared a bar chart for non-resident masters students, both in

headcount and credit hours that showed a more than 40% decline since 2016 between actual enrollment in 2016 and projected enrollment in fall 2018. This translates to about an \$11 million reduction in gross revenue to the University.

Mr. Bolton summarized the \$16.4 million expected total change in revenues based on these projections and tuition recommendation, which includes \$3.2 million in state appropriations, approximately \$10.2 million in tuition and fees, \$2.5 million in F&A/indirect cost recovery and approximately \$500,000 in other revenue.

Mr. Bolton then reviewed the expense components, which begin with mandatory costs (those mandated by either law or contract). He advised that there is approximately \$8.2 million in salary commitments for next year, and roughly 7/8ths of those are driven by collective bargaining agreements. Approximately \$1.2 million in F&A Cost Recovery are returned to the Schools and Colleges, based on an approved formula, just over \$1 million is returned to Schools and Colleges for differential tuition and approximately \$3.3 million is debt service, primarily related to the 2018 bond series issued earlier this year.

There are additional expenses included in the proposed budget, and those include \$250,000 in Title IX resources, \$5.3 million in financial aid for next year to bring the budget of financial aid in line with actual spending, \$2.5 million in partial restoration of reductions taken last year for new faculty hires and the recruitment of new faculty, and \$1.8 million in structural deficits, which includes items such as bank fees and self-insurance payments. Mr. Bolton provided a bar chart that showed these expenses, plus mandatory expenses, against the projected revenues, and identified a shortfall of approximately \$7.2 million.

Vice President Decatur advised that the strategy to address the shortfall will be taken in two steps. The administration plans to use one-time monies in the short-term, and to meet with the Deans, the Budget Planning Council, and the Vice Presidents throughout the summer and fall to identify and implement strategic reallocations to address the \$7.2 million shortfall. Potential positive outcomes in enrollment and a new cash investment policy may also provide additional revenues to help close the gap.

Mr. Bolton then provided highlights on the proposed FY 19 Auxiliary Fund budget, which covers ten units in four areas of the university. Student Auxiliary Services, which include the Bookstore, McGregor Conference Center, Student Center and Housing/Residential Life, along with Publications, i.e., The South End and the University Press, are located in the Office of the Provost. WDET reports to Marketing and Communications, the Mort Harris Recreation and Fitness Center reports to Athletics, and Contract Services and Parking fall under Finance and Business Operations.

Mr. Bolton shared a few highlights for the auxiliary units. The Corvias partnership was finalized, and construction is underway for the new apartment complex. Renovation on the Thompson House was completed, now housing FCPCA Students. A new pilot program in parking will continue this year, providing a 25% reduction on student semester parking permits. These ten units are anticipated to bring in approximately \$37.9 million in revenue for FY 2019.

Provost Whitfield then provided a brief overview of three new initiatives designed to engage students, potentially boosting enrollment. The Warrior Way Back program is a pilot program to engage students who left the University with outstanding debt and without a degree. Students who meet the criteria will have the opportunity to reduce some of their debt over their first three semesters back, easing some of their financial burden, and getting them on the road to completion. The Warrior Spring/Summer Discount is a pilot that provides spring and summer tuition scholarships to students in the 2013 cohort, which will be coupled with significant advising to help these students complete their degrees. The third program is a 50% discount for active duty military students, in line with the university's reputation as a veteran friendly and military friendly institution.

Governor Kelly opened the floor for questions.

Professor Beale raised concerns about the process used in the development of the budget. While the Budget Planning Council did participate in numerous School/College/Division hearings, it was not involved in the final decisions that determined the budget before the committee today. There was an expectation that the Budget Planning Council would have discussions on the information received during the hearings and that those discussions would inform the S/C/D budget allocations for FY 2019. That did not occur, and Professor Beale believes that the ability to have those discussions is at the core of the consultative process. Professor Romano agreed, and added that the Council, which includes deans and administrators, spent considerable time in reviewing materials and preparing for these hearings. He was discouraged that there was no input on the tuition recommendation, and while understanding the Board's interest in tuition constraint, felt that a full discussion of the rationale for the budget allocation and the tuition recommendation should have occurred.

Vice President Decatur advised that almost everything being funded are mandatory costs or are funds allocated to address structural deficits. There is no discretionary money to address the \$7.2 shortfall, and rather than using the previous method of across-the-board cuts, both the Provost and Vice President Decatur felt there needed to be more time for discussions on identifying strategic reductions to make permanent base reductions, and/or identify additional revenues. Work with the Budget Planning Council will continue to balance the budget on a permanent basis. Professor Romano felt that the timetable for the work of the Planning Council provided opportunities for strategic discussions within this budget cycle, so that there would not be an across the board cut. He hopes that there will be an improved planning process next year. Professor Beale agreed, and reiterated her concerns that it be a thoughtful consultative process.

President Wilson commented on the difficulty of understanding the full extent of the deficit until certain factors are known, such as state appropriations and the level of tuition. If either of those two components change, then the amount of the shortfall changes. He believes the difficult work is just beginning, and that the intention is to fully involve the faculty in that discussion.

Governor O'Brien advised that the Board is always concerned about tuition, and moved up the timetable for budget review discussions earlier this year, which may have had an impact on this process. She encouraged the process for next year be one where all of the participants have an opportunity to participate and be heard.

Governor Kelly asked Provost Whitfield if he had a clear vision of changes that might be made to this process next year to address some of the concerns raised. The Provost responded that the process will begin this summer, and that the RCM budget model will enable some decisions to be made at the college level. The hope is to use the Budget Planning Council to look at self-evaluation metrics, begin this process in the summer and continue on through the fall. Next year's tuition discussions will also be part of the process as it moves forward into the development of next year's budget.

Governor Thompson asked about the progress on the deep dives that were undertaken to review school/college and divisional budgets, as this was an issue of importance she raised last year. Vice President Decatur advised that there is one more review to be completed, for the School of Medicine. His staff will be summarizing that information and the findings for that analysis for a future Board meeting. Professor Beale commented on the lack of faculty representation on the RCM task forces, and advised the Committee that the faculty had asked to participate, but were told that they would not serve on both the Budget Planning Council and the RCM task forces. She expressed frustration with the cancellation of the last three meetings of that Council, and the lack of input of the Council in the current budget recommendations.

Upon hearing no further discussion, Governor Kelly asked for a motion on the recommendations before the committee.

ACTION: Upon motion by Governor Nicholson, supported by Governor Kelly, the Budget and Finance Committee recommended that the Board of Governors approve the following three recommendations:

FY 2018-19 Tuition and Fee Rates:

The Budget and Finance Committee recommends that the Board of Governors approve the FY 2019 tuition rates and mandatory fees as presented below. In summary the base tuition and fees for Wayne State University are increased by 2.9 percent for undergraduates and 2.9 percent for graduate and most professional students, with the exception of fourth year School of Medicine MD program students.

WAYNE STATE UNIVERSITY FY 2019 TUITION RATE RECOMMENDATION				
	Resident – per Credit Hour			
	FY 2018	FY 2019	\$ DIFF.	% DIFF.
Undergrad-Lower Division	\$373.90	\$384.74	\$10.84	2.90%
Undergrad-Upper Division	\$433.71	\$456.58	\$12.87	2.90%

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 called the omnibus fee (on a per credit hour basis). It is proposed that the registration fee increase by 2.9 percent for all undergraduate students and 2.9 for all graduate and professional students (excluding School of Medicine MD program students, who are charged a separate fee). The student services fee rate is proposed to increase by 2.9 percent for undergraduates and 2.9 percent for graduate and professional students (MD program is charged a rate based on their class level).

A table will be included in the Proceedings of the Board of Governors meeting of June 8, 2018 with the details of all specific changes for all Wayne State tuition rates and mandatory fees for FY 2019. The Board of Governors at the May 17, 2018 meeting approved the tuition and fees for the School of Medicine's MD program.

It is also 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.

FY 2019 Proposed General Fund Budget

The Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2019 General Fund budget, its projected revenues and expenditures, and the budgets for individual university units and specifically funded programs as summarized in the recommendation. 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 2019 General Fund Budget.

FY 2019 Proposed Auxiliary Activity Budgets

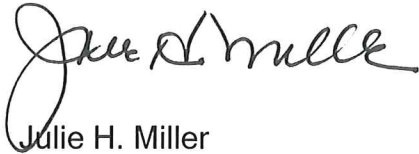
The Budget and Finance Committee recommended that the Board of Governors approve the proposed FY 2019 budgets for the auxiliary activity units summarized in the recommendation and detailed in the FY 2019 Current Funds Budget book. A chart detailing total auxiliary activities revenue and expenditures will be included in the Proceedings of the Board of Governors meeting of June 8, 2018.

There being no further discussion, the committee voted on the three-part motion. The motion carried, with a vote of 6-1.

ADJOURNMENT

There being no further business, the committee adjourned at 11:12 a.m.

Respectfully submitted,



Julie H. Miller
Secretary to the Board of Governors

DRAFT