



## Budget and Finance Committee

### Special Meeting

June 17, 2019

### Minutes

The meeting was called to order at 6:10 p.m. by Governor Kelly in Conference Room 4339 in the Faculty Administration Building. Secretary Miller called the roll. A quorum was present.

**Committee Members Present:** Governors Barnhill, Kelly, Thompson, and Trent; Linda Beale, Faculty Representative, Mazen Zamzam, Student Representative and Waleed Eliwat, Student Alternate Representative

**Committee Members Absent:** Governor Kumar and Faculty Alternate Richard Smith

**Also Present:** Governors Busuito, Gaffney, and O'Brien

Governor Kelly began the meeting by asking Vice President Decatur and his team for an overview of the budget and tuition proposal to be presented to the Board later in the week.

### Budget Review

Jeff Bolton, Assistant Vice President for Budgets, began with several summary slides covering information previously reviewed by the committee, including the differences in the budget proposals being considered by the Michigan House and State Senate in Lansing, and the impact of those potential proposals on the appropriations allocated to WSU. There is an approximate swing of \$5 million between the Governor's initial recommendation and what is under discussion by the House and Senate. The Governor's proposal would have netted about \$6 million for WSU, compared to approximately \$733,000. The tuition restraint caps under discussion range from 3.2% to 4.4%. Under any scenario, the University will continue its practice to increase the institution's financial aid budget at the same rate of change as the tuition and fees are increased. AVP Bolton then spent time reviewing models of financial aid under proposed tuition structures, based on student need, and how gap funding would be managed in these scenarios.

The review showed the planning efforts in Financial Aid and Enrollment Management to increase gap funding and institutional aid to cover the difference between external grants and tuition and fee costs.

The next slides depicted changes in the budget based on a 3.2% tuition and fee increase, which, combined with the expectation of the State Senate's proposal of an increase just less than 1%, provides an increase in revenue of about \$16.9 million. Total expenses are expected to increase over all categories by \$29.6 million, causing a shortfall of approximately \$12.8 million, or about 3.1%.

Mr. Bolton turned to changes in the parking budget, reminding the committee that this year, the presentation of the general and auxiliary fund budgets have been separated from tuition and fees, and the budget will be presented at the Board's first meeting in the fall. Action is needed this week on Parking, to have the parking rates in place for the start of the fall semester. In terms of the recommendation, all student parking rates will be held flat from FY 19 to FY 20, including both the semester permit and one card entry. The university will continue its annual \$1 million subsidy, which began in 2018, which reduces the cost of semester passes. Parking rates will increase for employees and visitors, depending on method and location for parking. Parking is an auxiliary unit, and does not receive general fund dollars for operations.

Governor Barnhill asked why the Senate's funding proposal was used to build the budget. Mr. Bolton advised that given the wide variance between the Governor's proposal and the House, there is no certainty on what the final budget will contain, and he believes the Senate's version is a more realistic outcome for the University. VP Decatur added that some of the MPUs have adopted rates at the 4.4%, or will be proposing that rate, with some including a proviso that if the state comes in with a lower restraint, the institutions would reduce their tuition rates and adjust their budgets. In response to a question from Governor Kelly, Mr. Bolton advised that Eastern and Oakland have set tuition rates, with Saginaw Valley expected to act today. While the schools were expected to set rates at the tuition restraint cap, it was not clear which rate was selected. The University of Michigan and Michigan State are also expected to act this week.

Governor Thompson asked about the status of the benchmark information that had been previously requested on staffing levels and changes in administration. VP Decatur advised that each division is submitting this information to the Board office. Secretary Miller added that there is work also being done to compile other benchmark information, and it was her understanding that the org charts would be put together with other materials, to be sent together. She will check the status in the morning, and respond to the Board.

Governor Barnhill asked if there are other comparison points, besides tuition and fees, among those universities we regard as our competitors, and from a student's perspective, monitoring tuition changes, is it likely that they would make decisions on where to attend on just that factor? He believes understanding where the university stands among its top competitors could be helpful. VP Decatur noted that Michigan State was frequently cited as a main competitor and he will consult with Enrollment Management for a better breakdown of information.

Governor Gaffney asked for additional information on the impact of a tuition increase on the university's neediest, moderate need and no need based student categories, and the estimate of the percentage of students in each category. Mr. Bolton noted that he while

could get Gov. Gaffney better detail, 50% of the University's students are Pell eligible and 50% or more fall within the neediest and moderate need categories. Twenty percent of students considered non Pell eligible fall within the moderate need category. Samples of student profiles were provided and discussed, including their merit categories and differences in profiles affected by Expected Family Contribution (EFC) based on FAFSA guidelines. Mr. Bolton advised that with some exceptions including layoffs, new employment, divorces and other family situations, the EFC has been historically stable. Institutional aid includes tuition and fees, but not housing, and is in addition to Federal financial aid. A student in the neediest category would get full PELL and SEOG (Supplemental Educational Opportunity Grant). If students take out a loan, it will be because they want to put it towards other needs such as housing or transportation. In this scenario, students will pay \$0 out of pocket now and \$0 out of pocket even for next year towards tuition and fees.

Governor Trent asked about the percentage of students living at home and on campus, as a considerable number will not be paying room and board. Mr. Bolton did not have a final number. VP Decatur noted it is a small percentage of the graduate and undergraduate student population.

Governor Barnhill asked about the installment payment plan and its impact. Mr. Bolton noted that a student has to enroll and the first payment will be due at the start of the semester, with payments due approximately monthly over the semester. The University will work with the student to meet their payment plan needs, so installments can be different. Prof. Beale asked about the worst case scenario. VP Decatur noted that there are not many alternatives. There is approximately \$3.5 in strategic funding. This includes \$2 million for new faculty lines, retention of faculty and startup funds, \$500,000 for student success initiatives and funding, and \$200,000 for classroom equipment.

Prof. Beale asked about the student success initiatives and whether they include the cost of extending the Warrior VIP program. Provost Whitfield noted that there are many initiatives and the Warrior VIP represents about 67% of it. He is looking to expand the program to 300 students but noted stressors to consider include advisors, the building and the capacity needed for the program.

Governor O'Brien asked for clarification on the \$2 million in the strategic initiatives. VP Decatur noted that replacement positions will come out of the school and college budgets, but not new lines and not new positions. Provost Whitfield noted that \$2 million will net 13 new hires to meet accreditation needs, and with about 5 interdisciplinary hires, will bring expertise and expand research across the colleges, including the business school and Pharmacy. Governor O'Brien asked for a breakdown in the persons of color represented in the 9 new hires noted last year and the timeline for new hires. Provost Whitfield stated there were no minority hires in that group. In terms of the timeline, it generally takes about a year. Once the positions are approved, a committee is created to review proposals. This year's committee proposals center on social behavior and determinants of health. It is an interdisciplinary committee, which will be reviewing faculty proposals that must include faculty from at least two colleges. There were 52 proposals submitted, and no decisions

will be made on any of the proposals until it has been determined that there is budget to hire. Interviews will begin in January, and offer letters will follow as soon as possible in February and March, potentially stretching to May, depending on the progress for recruitment.

Governor O'Brien asked what the University was doing to attract minority faculty. The Provost advised that the University cannot hire based on race and ethnicity. The University has slowly increased the number of black and brown faculty. Pressures have been put on deans noting the importance of generating a diverse pool of candidates, and that success in this area will impact authorization for future hires. They understand, and are all committed. Diverse hiring committees can also positively impact the probability of hiring a diverse candidate. Recruitment committee membership can be impacted by other factors. Some departments don't have any diverse faculty and some departments have guidelines that actually limit those committees to people in that department. The Provost noted that he is working with Nikki Wright and some departments to bend that rule.

Prof. Beale asked how long term planning for interdisciplinary hires will be affected by budget cuts, like I-BIO hires with multi-year funding, who will at some point need to return to their tenure department. Provost Whitfield advised that there is a need for better communication and strategy between deans and VP's to plan next steps. He noted CLAS and Engineering are the first colleges to deal with these challenges. Prof. Hoogland asked how decisions about future planning, including new initiatives and replacement funding will be made in light of budget cuts. Provost Whitfield noted that savings from cuts will cover open lines to meet deficits and backfill. The University attempts to reach a balance, and there is a limit to the number of replacements that can be filled. Interdisciplinary hires and evaluating the need of the department can help solve the problem. In addition to smaller numbers of replacement hires, programs lose size over time because of lack of student interest, and strategic decisions have to be made between programs that are shrinking and those with expanding enrollments.

Governor O'Brien asked about the types of cuts that are under consideration. VP Decatur noted that recommendation for reductions was developed by the Budget Planning Council, based on budget hearings they held with every school, college and division. The recommendation was for differential cuts based upon the ratings the Council assessed to each unit, ranging from 0-5%. Provost Whitfield and VP Decatur presented the recommendation to the President. The President liked the idea of no across the board cuts, but did reduce the range of cuts, which is now between 2 - 3.3%

Prof. Beale noted that the policy on the method for distribution of differential tuition impacts the final results of these budget cuts, and talked briefly, as an example, about the Business School, which receives institutional support such as the bus shuttle and custodial service, among other areas. The result in these cases is that the ultimate cut ends up being less than what was recommended. She also spoke about discussions at the BPC on the allocation for discretionary increases for non-represented administrators, where the consensus was to reduce the allocation from 2% to 1%.

Governor Thompson commented that she would prefer to see cuts at the administrative level than in the academic enterprise, which generates revenue. She noted that she wanted to see organizational charts as it was important to see how the administration had continued to grow over the years. She asked why a hiring freeze would not be implemented, along with cuts. She believes hiring should be strategic and on the academic enterprise side, and believes the administrative side has expanded. VP Decatur noted that growth on both sides was not equal, and some of the divisions have taken large cuts, and it varies across the institution. He believes across the board cuts are the opposite of being strategic and added that this is the first year there is not a hiring freeze for some period of time. A previous hiring freeze was put in place in anticipation of a difficult budget in an attempt to eliminate vacant positions rather than laying people off.

Provost Whitfield noted that the previous two years new faculty hires were reduced significantly from around \$6 million to \$2 million. Prof. Hoogland asked if freezes on administrative positions were equal to freezes on faculty positions. VP Decatur noted that in his first three years at the university, there was a University wide hiring freeze.

Governor Barnhill noted that he would be interested in seeing what the data suggested about the relative growth in administrative vs other positions but cautioned against only using the approach that this group brings in revenue (academic) and the other group (administration) does not. It may be a useful framework, but limits the discussion. Janitors don't make money for the institution, but we need them. Administrators serve a critical role. He applauds growing efforts to be more strategic with the cuts and efforts to find efficiencies. The approach made with the BPC is a good step and he looks forward to the implementation of RCM. He commented that the move away from across the board cuts and more to deep dives into fundamental operations, better the alignment with University strategic goals. Prof. Beale agreed, and commented that this was the approach of the Budget Planning Council.

Governor Gaffney asked if the rationale of the RCM model is to reward people/units for tuition generation. VP Decatur responded if revenue is increased by a school or college, that unit will get to keep a big portion of it.

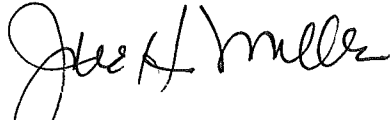
Ms. Simon asked about student retention of the 1100 freshman students discussed in the slides, and believes that the PELL recipients and first gen recipients of aid were not retained at as a high level as the general population. VP Decatur can get that data from financial aid and enrollment, and responded that the number one reason PELL students drop out is financial, and that the scholarship/financial aid strategy is making a difference in retention.

Mr. Zamzam asked about the following related to the proposed tuition caps under discussion by the legislature. If the Board approves a 3.2% tuition increase, and the legislature later approves a 4.4% tuition cap, would the administration come back to ask for a revision in tuition and fees? VP Decatur advised that, should that occur, the administration would not request an adjustment in tuition. There would not be a request to raise tuition to the legislative cap.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 7:23 p.m.

Respectfully submitted,



Julie H. Miller  
Secretary to the Board of Governors

DRAFT