

MINUTES
of the
Board of Control
Michigan Technological University
Houghton, Michigan

Special Meeting of
June 21, 2012

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MINUTES OF THE SPECIAL SESSION OF THE BOARD OF CONTROL OF MICHIGAN TECHNOLOGICAL UNIVERSITY held pursuant to due call in Conference Room 101 of the Advanced Technology Development Complex on the campus of Michigan Technological University in the City of Houghton, Michigan at ten o'clock on the morning of June 21, 2012.

The Board of Control of Michigan Technological University met in special session at the University's campus at Michigan Technological University in the City of Houghton, State of Michigan, at 10:00 a.m., on the 21st day of June, 2012, in Conference Room 101 of the Advanced Technology Development Complex. The place, hour, and date duly established and duly published for the holding of such a meeting.

The meeting was called to order by the Vice Chair, S. Hicks, and a quorum was declared present.

The following members of the Board of Control were present:

M.K. Richardson, Chair (via telephone)
S. J. Hicks, Vice Chair
L. D. Ashford (via telephone)
T. L. Baldini
J. A. Fream
P. G. Ollila
T. J. Woychowski
G. D. Mroz, ex officio

The following members were absent:

K. I. Clark

Also present during part or all of the session were: Dale R. Tahtinen, Secretary of the Board and Vice President for Governmental Relations (via telephone); Daniel D. Greenlee, Treasurer and Chief Financial Officer; George Butvilas, Chair of the Michigan Tech Fund; Max Seel, Provost and Vice President for Academic Affairs; David D. Reed, Vice President for Research; Ellen Horsch, Vice President for Administration; and various members of the faculty, administrative staff, student body, press and public.

Where item numbers are used, they refer to corresponding item numbers in the agenda, in the hands of the Board members.

I. APPROVAL OF AGENDA

It was moved by T. Woychowski, supported by J. Fream, and passed by voice vote without dissent, that the agenda of the special session of June 21, 2012, as distributed to the Board, be approved.

II. COMMITTEE REPORTS

Finance and Audit Committee Report

Mr. Hicks reported that the Finance and Audit Committee along with some members of the Academic Affairs Committee met via telephone conference call last Friday to go over the FY 13 Budget, and asked Mr. Greenlee to present the proposed budget to the Board.

Mr. Greenlee provided the Board with the following report.



**General Fund
FY13 Budget Planning Parameters**

REVENUES	
Enrollments -	Decrease 100 Undergraduate Students Increase 50 Graduate Students
Tuition & Mandatory Fees Increases -	Resident Undergraduate Tuition - Increase 3.9% Non-Resident Undergraduate Tuition - Increase 5% Graduate Student Tuition - Increase 6%
State Appropriations -	4.1% Increase (\$40.7M to \$42.4M)

EXPENDITURES	
Faculty & Staff Salaries -	SFHI Initiative Faculty Promotional Increases \$200K
Fringe Benefits -	Regular Employee Rate: Increase 36.25% to 38%
Strategic Realignment -	\$2,700,000
Scholarships -	Undergraduate Financial Aid - Increase of \$4M Supported Graduate Students Tuition - Increase 6%
Contingency Reserve	Maintain \$3,200,000

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Discussion took place regarding the proposed tuition revenue as Mr. Greenlee stated that we are projecting a decrease in 100 undergraduates and an increase in 50 graduates which equates to a wash in terms of revenue. Ms. Ashford asked for clarification on that comment as she believes that while the total revenue numbers may come out the same, that due to the science and arts enrollment the internal costs for undergraduates for the first two years are less than the costs for the engineering students and graduate students, therefore there should be a bonus or an additional savings for those undergraduates.

Dr. Seel responded that since we don't charge differential tuition it comes down to a simple multiplication of the numbers with the actual tuition charged, however he would be happy to discuss this issue further with Ms. Ashford, and he did reassure Ms. Ashford that the University could still support all of the academic programs.

Scholarships and financial was also discussed. Michigan Tech provides about \$45 million in total for financial aid, with about \$31 million coming from the General Fund. Mr. Baldini noted that there has been a continuous increase in the amount of money allocated for scholarships over the years, and he feels that the University should be commended for this effort.

Dr. Woychowski asked about how the increase in tuition could be explained to parents, students and the general public since the State increased its appropriations by 4.1% and the University is recommending increasing tuition by 3.9%. Mr. Greenlee pointed out that the increase in health care costs, the continuation of the 3% salary increase that was implemented in January, and the \$4 million in financial aid are the major factors in the tuition increase. President Mroz also added that the University gives back \$5.6 million to the State for MPERS, so the increase that we received from the State doesn't go very far once the MPERS liability is deducted.

Mr. Hicks stated that from a messaging standpoint, the real issue should be looked at in terms of dollars and cents. We have received a \$1.7 million increase, and we are increasing scholarships by \$4 million, so we are giving back even more in terms of the total dollar amount. So when you think about the tuition increase that is the message that should be given as it is much better articulated to the general audience than the percentage points.

General Fund Budget and Current Fund Projection

	FY13 General Fund Budget	FY13 Current Fund Projection
Operating Revenues	\$ 122,901,384	\$ 197,711,422
Operating Expenses	\$ (152,236,546)	\$ (250,661,615)
Net Transfers between funds	\$ (13,224,738)	\$ (5,735,148)
Nonoperating Revenues	\$ 42,559,900	\$ 59,127,609
Net increase in fund balance	\$ -	\$ 442,268

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Resident Undergraduate Tuition and Mandatory Fee Rate Comparison Academic Year 2013

	Freshman	Sophomore	Junior	Senior	Average
Tuition and Fees 2012	12,853.00	14,263.00	14,263.00	14,263.00	13,910.50
Increase in per credit hour rate (x30)	480.00	480.00	480.00	480.00	480.00
Fee Increases:					
Student Activity	20.00	20.00	20.00	20.00	20.00
Engineering/Computer Science	-	50.00	50.00	50.00	37.50
Tuition and Fees 2013	13,353.00	14,813.00	14,813.00	14,813.00	14,448.00
Percentage Change	3.89%				3.86%

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Tuition Rates for Academic Year 2012-2013

	Proposed 2012-13 Tuition Rates
Undergraduate Resident per credit rate	\$436.60
Undergraduate Non-Resident per credit rate	\$900.00
Graduate Resident and Non-Resident per credit rate	\$744.00
Graduate Resident and Non-Resident per credit rate for Applied Science Education and on campus Peace Corps students	\$485.00
Graduate Resident and Non-Resident per credit rate for Graduate Students who are in the Research Only Mode	\$248.00
Engineering/Computer Science Tuition fee per semester for Undergraduates taking fewer than 6 credits and Graduate students taking fewer than 5 credits	\$365.00
Engineering/Computer Science Tuition fee per semester for Undergraduates taking 6 credits or more and Graduate students taking 5 credits or more	\$730.00
On-line MBA Program - includes cost of tuition for the two-year degree and three required residencies, which includes housing and most meals, but not transportation.	\$41,000.00
Undergraduate Student Government Fee	\$60.00
Graduate Student Government Fee	\$50.00

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Mr. Hicks noted that the tuition increase is always a sensitive topic for students and their families, and the Finance and Audit Committee has been very conscious in looking at the proposed tuition increase. The University has lost almost \$8 million in State support since FY11 and has increased scholarships by about \$13 million over that time, so the Committee is always trying to hold the line and do the best we can for our students and their families.

President Mroz commented that the placement rate for last year's students was 94.6%, with an average salary of \$55,000, and the return on investment for a Michigan Tech education was second in the State only to the University of Michigan, and way above a lot of other universities.

Dr. Woychowski asked about the possibility of capping the credit hours at 18. Mr. Greenlee stated that this was looked at but is still in the discussion phase. We will be talking about that in the future, but it is not included in this year's budget. President Mroz commented that Dr. Cook had sent out a letter to the students asking what they thought of the idea and the results were mixed. However, some students pointed out that many of them take a lot more credits on the front end so that they can interview for jobs in their senior year and spend more time on senior design among other things, and they thought if we were going to cap the number of credits with respect to the tuition they would like more time to plan. Even though that wasn't the majority opinion we decided that there was an important minority opinion so we will take a look at that this next year.

III. ACTION/DISCUSSION ITEMS

III-A. Approval of FY 2012-2013 General Fund Operating Budget

It was moved by J. Fream, supported by T. Woychowski, and passed by voice vote without dissent, that the Board of Control approves the FY 2012-2013 General Fund Operating Budget as presented.

Michigan Technological University

General Fund FY13 Budget

	Budget Year
	FY13
Operating Revenues	
Tuition and Fees	110,008,384
Federal Grants and Contracts	150,000
Indirect Cost Recoveries	12,426,000
Educational Activities/Misc. Revenues	317,000
	<u>122,901,384</u>
Operating Expenses	
Staff S&W	(27,864,030)
Faculty S&W	(41,609,216)
Grad Student S&W	(3,504,004)
Undergrad Student S&W	(943,447)
Fringe Benefits	(25,438,614)
Supplies & Services	(15,203,289)
Scholarships	(31,453,097)
Utilities	(4,520,850)
Carryforward/Contingency Reserve	(3,200,000)
	<u>(153,738,548)</u>
Transfers	
Mandatory	(519,000)
Mandatory/Non-Mandatory	(11,205,738)
	<u>(11,724,738)</u>
Nonoperating Revenues (Expenses)	
State Appropriations	42,409,900
Gift Income	150,000
	<u>42,559,900</u>
Net Income (Loss)	<u>0</u>

Michigan Technological University
Proposed Tuition Rates

	Proposed 2012-13 Tuition Rates
Undergraduate Resident per credit rate	\$438.50
Undergraduate Non-Resident per credit rate	\$900.00
Graduate Resident and Non-Resident per credit rate	\$744.00
Graduate Resident and Non-Resident per credit rate for Applied Science Education and on campus Peace Corps students	\$485.00
Graduate Resident and Non-Resident per credit rate for Graduate Students who are in the Research Only Mode	\$248.00
Engineering/Computer Science Tuition fee per semester for Undergraduates taking fewer than 6 credits and Graduate students taking fewer than 5 credits	\$385.00
Engineering/Computer Science Tuition fee per semester for Undergraduates taking 6 credits or more and Graduate students taking 5 credits or more	\$730.00
On-line MBA Program - includes cost of tuition for the two-year degree and three required residencies, which includes housing and most meals, but not transportation.	\$41,000.00
Undergraduate Student Government Fee	\$80.00
Graduate Student Government Fee	\$50.00

General Fund
FY13 Budget Planning Parameters

REVENUES

Enrollments -	Total Enrollment Decrease 100 Undergraduate Students Increase 50 Graduate Students
Tuition & Mandatory Fees Increases -	Resident Undergraduate Tuition - Increase 3.9% Non-Resident Undergraduate Tuition - Increase 5% Graduate Student Tuition - Increase 6% On-Line MBA Program Fee - Increase \$3,000 Engineering/Computer Science Fee - Increase \$25/Semester Undergraduate Student Government Fee - Increase \$10/Semester Graduate Student Government Fee - Increase \$5.70/Semester
Indirect Cost Recovery -	Flat FY12 Budget Level
State Appropriations -	4.1% Increase

EXPENDITURES

Faculty & Staff Salaries -	SFHI Initiative FY12 - 3% Salary Increase Faculty Promotional Increases \$200K
Graduate Student Salaries -	Stipend - Increase 4%
Supplies & Services -	One-Time Reduction Start-up Funding - \$500K
Fringe Benefits -	Regular Employee Rate: Increase 36.25% to 38%
Strategic Realignment -	\$2.7M
Scholarships -	Undergraduate Financial Aid - Increase of \$4M Supported Graduate Students Tuition - Increase 6%
Contingency Reserve	Maintain \$3.2M

TRANSFERS

Increase Auxiliary Transfer \$500K - Facilities Reorganization
IRAD Increase \$500K
Additional Auxiliary Transfer \$2.1M

Ms. Ashford asked if there was anything that was happening in the State that could have a negative impact on the budget that was just passed. President Mroz stated that the one thing that is a wild card is the tuition restraint money. We really won't know what that might be as it depends upon what all the rest of the universities do, and some of them won't be setting their tuition rates until July. We have taken a pretty conservative approach on that and figured in a fairly small increase for that piece. We should be able to operate with the budget as presented no matter what happens.

III-B. Appointment with Tenure

It was moved by T. Woychowski, supported by L. Ashford, and passed by voice vote without dissent, that the Board of Control approves the appointment of Dr. R. Eugene Klippel as Professor with tenure in the School of Business and Economics.

IV. OTHER BUSINESS

Ms. Fream updated the Board with regard to the Presidential Evaluation process. As fiscal year 2012 is ending very shortly, the Committee will be looking at the goals that were established and conducting the evaluation as they have done in the past few years. Ms. Fream has met with President Mroz and has had some initial conversations regarding the goals for FY13. The Committee will be finalizing those goals and will share them with the Board, and President Mroz will share them with his Executive Team. The Committee will finalize those goals over the next few weeks and then have a conversation at the August meeting to approve those goals.

V. PUBLIC COMMENTS

There were no public comments at this time.

VI. ADJOURNMENT

It was moved by T. Baldini, supported by J. Fream, and passed by voice vote without dissent, that the meeting be adjourned.

Secretary of the Board of Control

Chair, Board of Control