

# The University Senate Of Michigan Technological University

Minutes of Meeting 357

10 October 2001

## Synopsis: The Senate

- (1) heard that President Tompkins approved Proposal 2-02, Research Faculty Rank Definitions.
  - (2) heard a report on the MTU budget.
  - (3) introduced Proposals 3-02, Elimination of the AAS Degree Program in Forest Technology, and 4-02, Elimination of the Minerals Process Engineering Option Degree Program.
- 

## 1. CALL TO ORDER AND ROLL CALL

President Bob Keen called University Senate Meeting 357 to order at 5:34 p.m. on Wednesday, 10 October 2001, in Room B45 EERC.

Secretary Craig Waddell called roll. Absent were representatives from Army/Air Force ROTC, Electrical and Computer Engineering, and Student Affairs and Educational Opportunity. Liaisons in attendance were Dennis Taylor (USG) and Becky Christianson (Staff Council).

## 2. RECOGNITION OF VISITORS

Visitors included Larry Davis (School of Business and Economics), Dickie Selfe (Humanities), Erik Anderson (student/Nordic Ski Team), Jennifer McConville (student/Nordic Ski Team), Britta Vande Hei (*Michigan Tech Lode*), Rebecca Dugopolski (*Michigan Tech Lode*), Pam Eveland (Planning and Budgeting), Kent Wray (Provost), and Marcia Goodrich (*Tech Topics*).

## 3. APPROVAL OF AGENDA

Keen presented the agenda and asked for amendments. Senator Barry Solomon requested that an item be added to the agenda to allow discussion of the delivery of AV equipment to classrooms. Keen inserted item 7.C to address this request. There were no other amendments or objections to the agenda as amended. [Appendix A. NOTE: Only official senate and library archival copies of the minutes will contain a full complement of appendices.]

## 4. APPROVAL OF MINUTES FROM MEETING 356

Keen presented the minutes from meeting 356 and asked for corrections or amendments. Senator Steve Seidel said that the acronym for the Computer Executive Committee should be CEX, not CEC. There were no further corrections and no objections to the minutes as corrected. The minutes were declared approved as corrected.

## 5. PRESIDENT'S REPORT

Proposal 2-02, Research Faculty Rank Definitions, was transmitted to the administration for approval. [Appendix B]

As directed by the senate, Keen forwarded to Provost Wray a memo containing the following sense of the senate: "No MTU employee should be making less this year than last year as a result of the combined effect of the 1.5 percent raise and choosing the Family Premium health-care plan." [Appendix C]

President Tompkins has approved Proposal 2-02. [Appendix D]

The Space Committee met on September 28 and October 1 to address a School of Business and Economics grant from Kimberly-Clark to establish an instructional-technology classroom. Room 108 of the Chemical Sciences and Engineering Building has been assigned to the school for this purpose.

At the last senate meeting, Keen was asked to determine whether the administration has already begun to install MTEP facilities at the Michigan Tech softball fields. Keen reported that MTU was repairing the street lighting and that UPPCO was installing a replacement power supply for residential customers on Sharon Avenue near the softball fields; no MTEP facilities are being installed.

Keen met with Provost Wray on September 8 to discuss senate involvement in processing proposed budget cuts.

The Budget Liaison Group met on October 1. They are making final adjustments in the new benefits plans in response to feedback they have received.

The Vice Provost for Research Search Committee has completed its final report and forwarded it to Provost Wray. The committee will meet with the provost on October 16 to discuss the candidates.

Keen reported that senate policies on Separation and Conflict of Interest are in their final stages and awaiting review by legal counsel and approval of the provost.

Keen met with President Tompkins on October 3. Discussion centered on the university budget.

Senate officers met with the provost on October 3 to discuss the timing of the senate's participation in budget-cutting and program-cutting proposals

The Strategic Planning Working Group met on October 8 to establish committees to review preproposals for the Vision Fund.

Keen noted that the senate officers will not have an opportunity to meet privately with Board of Control members during their October 11 meeting. He plans to report on the following at the Board of Control meeting on Thursday, October 11:

- Senate A and B list responsibilities
- the BLG's work as an example of shared governance
- the separation policy statement
- the scientific misconduct policy
- alterations to the tenure, promotion, and reappointment policies
- the senate's general approval of the implementation of MTEP
- the senate's passage of the research faculty description changes

The Senate Executive Committee met on October 10. The committee discussed the delivery of AV equipment to classrooms; agreed that the Senate Finance and Administrative Policy Committees would review and make recommendations on the proposed mergers of departments and cuts in athletic programs; agreed that the Finance and Curricular Policy Committees would review and make recommendations on Proposal 3-02 and 4-02; and discussed creating an ad hoc committee to review the proposed merger of the School of Technology and the College of Engineering by a provost-appointed ad hoc committee.

Keen reminded the senate of an informal meeting with President Tompkins and other administrators on Thursday, October 25, at 3:00 p.m. in the Red Metal Room.

## **6. COMMITTEE BUSINESS/REPORTS**

### **A. MTU budget -- Larry Davis**

Davis said that the university's financial reports are available at [www.admin.mtu.edu/acct/fin/](http://www.admin.mtu.edu/acct/fin/). Davis said

that there are three ways to measure a deficit: (1) how much one took in vs. how much one spent during the current year; (2) how much in total one is in debt at the end of the year; (3) how much cash one has.

Davis said that the university's budget is broken into five separate funds: (1) the general fund, into which tuition revenues and state appropriations go and out of which salaries come; (2) the designated-restricted fund, into which monies are deposited for specific purposes; and (3) the retirement and insurance fund; (4) the plant fund for the operation of facilities; and (5) the auxiliaries fund for the residence halls, the Memorial Union Building, etc. The state requires that these accounts be maintained separately.

Last year, the university spent approximately \$5.4 million more from the general fund than it took in. At last fall's BOC meeting, the university presented a balanced budget. However, healthcare costs, MPSEER costs, energy costs, and SS&E costs have all increased. Also, we were below the enrollment target, resulting in a revenue shortfall. Also, the accounting principle of materiality allows accountants to put insignificant amounts into expenses. Prior to this year, anything that cost more than \$500 was put into the plant fund as an asset; this year, that amount was increased to \$2,500. Thus, everything we spent less than \$2,500 for went into SS&E as an expense and is shown as a cash outflow in the general fund. These items collectively account for the \$5.4 million deficit.

Davis said that in the past, the university has taken all of the interest and uncommitted funds from the plant fund and the auxiliary fund and transferred them to the general fund. But we didn't do this last year.

Michigan Tech Budget Director Pam Eveland said that the university didn't transfer interest and uncommitted funds from the auxiliary and plant funds to the general fund prior to June 30 because if it had, there wouldn't be any funded carry-forward this year, and the university has a commitment to keeping carry-forward funds in the accounts that generated them.

Davis said that we should not focus narrowly on the general fund. When the deficits from all funds are combined, the university has a total deficit of about \$6.6 million. Another way of looking at the deficit is to ask how much one is worth, regardless of how much one has taken in and spent in a given year. Current assets in the combined funds are about \$3.3 million. In the context of hundreds of millions of dollars, that amount is not significant.

Senator Kelly Strong asked what the \$8.9 million non-mandatory transfer out of the general fund was for.

Eveland presented an overhead that summarized the various transfers that comprised the \$8.9 million in non-mandatory transfers (work-study funding, etc.).

Davis said that the university is running an operating deficit of \$5.5-\$6.5 million, but overall, the university still has a positive budget. Davis repeated that the third measure of deficit is how much cash one has. In this respect, the general fund is down about \$6.5 million. This money is borrowed from the student-loan fund, the plant fund, and the agency fund (money that passes through the university to be passed along to other people). After this, the university still has a deficit of \$1.7 million. Hence, we have a loan from Republic Bank. We pay Republic less than 4 percent interest on this loan, and generally, if we leave our money in investments, we will earn more than that. So this shouldn't cause a probably as long as on an annual basis we bring in more money than we spend.

Davis presented the university's actual and projected cash-flow cycles. Tuition comes in from August to October and then again from December to February. By August, we are in debt, awaiting the next year's tuition payments. Hence, for most of the year, we don't have any loans outstanding. The university is by and large bringing in more money on an annual basis than it is spending.

Eveland said that the agency funds include the amounts withheld from paychecks and the employer's matching amounts (for FICA, etc.). They also include funds raised by student organizations, for which the university serves as a bank.

Strong asked if the projected deficit was \$2.4.

Davis said that \$2.4 million was the loan balance. He said that maybe he shouldn't have said that we are taking in more money than we are spending, but rather that we still have cash (from loans). He said that he would expect August to be our cash-low point, but it was actually in February.

Eveland said that this might be because students pay early for fall semester tuition, but they don't pay early for spring semester tuition.

Strong said that the point is that there is a \$2.4 million deficit for the annual operating cycle. If that is projected over another 12 months, the university will be in big trouble.

Eveland and Davis agreed.

Senator Carl Vilmann asked what was the largest deficit that the university could tolerate.

Eveland said that currently the university's line of credit is \$10 million, but that it might soon increase to \$15.

Vilmann said that by Strong's calculations, we would reach the \$10 million cap by December of next year.

Davis said that he has had concerns about the university's financial-management processes, but that the problems predate Provost Wray and Budget Director Eveland, who have inherited the problems.

Senator Deb Bruch asked whether these problems have been fixed.

Eveland said that the Budget Office is trying to fix problems as they are identified. For example, they are funding carry-forwards.

Davis said that the North Central Association (NCA) Report of 1996 indicated that the university needed to build its financial plan around its strategic plan.

Strong asked if the university had spent one-time appropriations from the state on recurring costs.

Davis said that in his opinion, that practice has been a general rule, not an exception.

Strong said that if it had not been for this practice, we would have been forced to deal with our financial problems much sooner, before they had become as severe as they currently are.

Davis agreed.

Wray said that we have been using our credit card.

Eveland said that we should never include 100 percent of our projected tuition income as part of base budget--as we have been doing--because every time there is a shortfall in enrollment, this will affect the base budget.

Davis said that the university has been gambling its future on increased enrollment, but enrollments have essentially been flat since 1993 at about 6,000 students.

Strong asked Davis if in his 10-15 years of experience as an auditor he had ever seen a \$160-million-per-year operation where the top executives couldn't figure out something that is really very basic. This problem has been coming for five years and cannot possibly be a surprise to anyone.

Davis said that a business person experiencing financial difficulties can either declare bankruptcy or continue with business in hopes that something positive is going to happen.

Senator Dana Johnson said that at a university there is no profit incentive.

Davis said that there is, however, the incentive to build a first-class university.

Eveland said that from what she has gleaned since she's been at MTU, some of the top administrators and members of the Board of Control have not necessarily been given the information that would enable them to see some of this coming. Hence, the Budget Office is trying to provide reports on key management indicators and other financial information on a regular basis to the president, the Board of Control, and the University Senate.

Senator Bruce Barna asked how much of the deficit was related to downturns in the stock market.

Davis said that the university budgeted for about \$1.4 million in investment revenue, but investment revenue was actually negative.

Barna said that that would account for about a \$2 million between projected and actual funds as a result of speculating in the stock market.

Davis said rather than "speculating," he would say that we were depending on having income from our investments.

Barna asked if this was wise.

Davis said that investments usually yield returns.

Barna said that one doesn't count on such returns to fund essentials.

Davis said that gambling occurs when returns are high and one spends them all instead of holding back some of these funds for lean years, and Michigan Tech has been doing that--spending all of its investment income. On average, a conservative portfolio of fixed-income and equity investments will probably earn about 7-8 percent.

Eveland said that the investment income is the net between the cash flow expense on the line of credit. It doesn't mean that we lost \$780,000 that we had invested; it means that it's the net of the two. If we didn't make the income that we had planned, it doesn't mean that we lost any principal.

Barna asked Eveland if she knew how much the university lost in the stock market last year.

Eveland said that she did not know, but that she would find out.

Davis said that as of June 30, Michigan Tech had about \$8.4 million on the R&I (Retirement and Insurance) Fund, and the investment income on that stays in the R&I account.

Senator Jim Pickens said that the Investments Committee and Dan Greenlee recently increased the amount that the university keeps in this fund to 120 percent of the requirement, but he doesn't know whether the Board of Control has approved this change. Five or six years ago, the administration was sweeping \$1-\$2 million in capital gains from that plan of about \$7-\$8 million per year. Two years ago, the budget model was changed to reflect only a 5 percent return on that plan rather than 30 percent.

Davis said that he assumed that when the university has cash at the end of the month that this is in short-term debt securities, which are almost zero risk. The interest from those is offset against the interest we pay, which in this case is \$780,000.

Eveland said that this was only the general fund, not the R&I fund.

Davis said that the R&I fund investments are currently about \$8.4 million and have probably gone down to about \$8 million since June 30, a smaller percent loss than many other investments since R&I investments are not in high-risk securities; they're in fairly safe things.

Barna said that Davis had reflected the administration's position that increases in healthcare costs, utilities, and MPERS were responsible for the deficit. He said that he understood that Michigan Tech's healthcare costs were down from last year and that he assumed that the administration would not budget them to be significantly less than last year.

Davis said that what he had said was that these were the items that were higher than budget; he did not say whether or not he thought that the budget numbers were well founded. Healthcare costs from 1995-2001 have increased by approximately 11.55 percent per year, but we haven't budgeted for these increases accordingly.

Eveland said that last year's budget for healthcare was actually less than the previous year's actual costs. Michigan Tech needs to face the financial picture and plan accordingly.

Barna said that MPERS was not a variance, the utilities were up by \$800,000, healthcare costs were down, so the \$5.5 million deficit is really a mismanagement problem.

Eveland said that they are variances from budget.

Barna said that the budget wasn't done correctly; it was a mismanagement problem.

Davis said that there has been an attitude around the university that if there is an expense or liability, that somehow we can keep it off the balance sheet.

Barna said that the employees resent being told that they are the cause of this problem. The problem is bigger than healthcare, utilities, and MPERS.

Davis said that if you have \$100 million in expenses and only \$90 million in income, it's an arbitrary choice to say that any particular \$10 million is what caused you to exceed your budget.

Barna agreed.

Davis said that if a more realistic budget had been formulated two or three years ago, we probably wouldn't have a deficit.

Senator Tony Rogers said that healthcare costs are increasing, but they are not over budget.

Davis said that these costs are not beyond what an objective observer would predict.

Pickens said that benefits work on the calendar year and the budget works on the fiscal year (July 1 through June 30). Last year the BLG predicted a 12 percent increase in healthcare costs; this prediction is just about on target.

Rogers said that he did not believe that it was accurate to say that we were over budget on healthcare costs.

Pickens agreed.

Davis said that the university does not budget for fringe benefits. Thirty-nine percent of salaries go to R&I, and that's what the university pays R&I out of. This covers healthcare, TIAA contributions, life insurance, etc.

Eveland said that Dan Greenlee's explanation of the variance in fringe benefits does not include healthcare; it includes MPSERS and FICA.

Pickens said that everything except healthcare is a proportion of salaries, except that FICA has a cut off.

Davis said that the only thing unpredictable about TIAA is what percent of people will choose two-plus-two, but it's probably about 98 percent.

Eveland encouraged senators to attend Dan Greenlee's presentation on the budget at the October 11 Board of Control meeting.

Senator Larry Sutter asked how increased operating costs for new buildings have contributed to the university's financial problems.

Wray said that the increased operating cost for all buildings constructed since 1991 is about \$1.6 million annually.

Barna asked if that number included only utilities.

Eveland said that it includes all operating costs.

Davis said that operating the Dow Building costs about \$300,000 per year.

Davis said that the current-year budget projects a \$4 million deficit after the budget cuts, so we will not eliminate the deficit in one year. The next fiscal year projects a balanced budget. Next year's budget assumes an 11 percent tuition hike, no change in state appropriations, and no raises. The budget assumes stable enrollment.

Wray said that the idea for the second year was to be as conservative as possible, anticipating no increase in state appropriation, but if we received one, there would be money for a raise. His charge was to balance the budget at the end of the second year.

Davis asked Wray if he was committed to there being no salary increase in the second year.

Eveland said that it is not atypical to omit a salary increase in academic budgets at this point in the process. January is a more important time to consider this.

Wray said that the Board of Control was not inclined to give a raise this year, but the administration was successful in persuading them to provide a 1.5 percent raise. There are two points in the year when the legislature looks at revenue projections: January and May. So at this time, no salary increases have been included in the draft budget.

Strong said that next year's budget shows an 11 percent tuition increase but that we subsidize tuition out of the general fund with financial aid. Hence, he asked what the real percent increase would be.

Eveland said that last year, the real average wound up being almost a 19 percent tuition increase. However, there will be about an \$800,000 reduction in financial aid coming from the general fund next year, primarily because more financial aid will now come from the Tech Fund, and secondarily because of a decline in enrollments.

Strong said that that means that when we raise tuition by 11 percent, we get almost the full 11 percent.

Eveland agreed.

Strong said that last spring when energy prices increased, the university imposed an energy surcharge on students. Energy prices have since dropped. He asked Wray if the university would refund part of this

surcharge.

Wray said that the university's contracts will reduce expected payments by about \$200,000 by the end of the year. Refunding that would be less than one dollar per student per credit hour. Two members of the Board of Control are knowledgeable about energy markets and are advising the university in this area.

Eveland said that she believes that the utility surcharge paid by students this year is the cumulative result of underbudgeting for utilities in past years, not the result of increases in utility costs in one year.

Strong said that that suggests a veracity problem with the administration because the implication was that the surcharge was the result of one year's increase in energy costs.

Eveland said that they were very careful to explain the costs in detail in the letter that was sent to students and parents.

Wray said that the purchase policy at Michigan Tech has been to purchase a few months of energy in advance. Hence, we were forced to buy a considerable amount of our gas at \$10 per million cubic feet last year. Within a few weeks prior and subsequent to that time, the price was down to \$6-\$7 per million cubic feet. We need some long-term planning.

Davis said that this was a case of risk-return tradeoff. On average, the two-month advance price will be less than the long-term price because you're not shifting risk to the supplier, but we got the downside of the risk this time.

Wray said that the university's buying practice experience was altered because of deregulation.

Senator Chris Green said that the Capital Campaign is raising large amounts of money for new buildings yet we don't have enough money to pay our utility bills.

Davis said that we've been given money for buildings, but these buildings draw on the general fund for operating costs. However, the Tech Fund is also starting to receive money for scholarships, which means that financial aid can be paid from the Tech Fund rather than from the general fund.

Wray said that he believes that the Capital Campaign has raised about \$136 million of its \$140 million goal. Of that, about \$40 million was in building gifts; about \$40 million was in cash; and about \$40 million was in estate of deferred gifts.

Davis said that in the future, the Tech Fund might offer more general fund relief--such as financial aid--instead of general fund pressure--such as increased operating costs for buildings.

Keen closed the discussion.

## **B. University committees**

President Keen said that Senator Dana Johnson (School of Business and Economics) was a nominee for the senate's representative on the Presidential Commission for Women. He opened the floor for additional nominations. There were none. There were no objections to closing nominations and electing Johnson by acclamation.

Keen said that Tom Swaner (Library) was a nominee for the Graduate Faculty Council. He opened the floor for additional nominations. There were none. There were no objections to closing nominations and electing Swaner by acclamation.

Keen said that Bill Sproule (Civil and Environmental Engineering) and Carl Vilmann (ME-EM) were nominees for the Athletic Council. He opened the floor for additional nominees. There were none. Keen said that the approved list would be forwarded to President Tompkins for selection to the council. He said that in the past, the senate had forwarded a minimum of three nominees to the president. Strong MOVED

and Johnson seconded the motion to nominate himself. There were no objections to closing nominations and approval of the slate of candidates.

Keen said that Tom Merz (School of Business and Economics) and Tom Snyder (Biological Sciences) were nominees for the Academic Tenure Committee. He opened the floor for additional nominations. There were none. There were no objections to closing nominations and approval of the slate. A ballot will be sent to academic faculty. The candidate receiving the largest number of votes will be the faculty representative; President Tompkins will appoint another representative.

### **C. Senate Executive Committee**

Keen said that one of the items of business for the Senate Executive Committee was to consider the proposed merger of the School of Technology with the College of Engineering. Keen proposed and Provost Wray agreed that the provost would nominate people to a committee that would be charged with examining the proposed merger and forwarding its recommendation to the senate. The senate would then vote on the recommendation. The senate's recommendation would then be forwarded to the administration.

Keen said that some aspects of this proposal belong on the senate's A list, such as possible discontinuation of academic programs, which the senate needs to approve. The provost has forwarded to Keen for senate approval a list of potential committee members. The senate will vote to approve or disapprove these candidates at its next meeting.

## **7. NEW BUSINESS**

### **A. Proposal 3-02, Elimination of the AAS Degree Program in Forest Technology [Appendix E]**

The proposal was introduced as new business. It will be sent to the Senate Finance Committee and to the Senate Curricular Policy Committee for their recommendations. The senate will probably vote on this proposal on November 7.

### **B. Proposal 4-02, Elimination of the Minerals Process Engineering Option Degree Program [Appendix F]**

The proposal was introduced as new business. It will be sent to the appropriate senate committees for their recommendations. The senate will probably vote on this proposal on November 7.

### **C. Delivery of AV equipment to classrooms**

Keen called for a motion on this issue.

Keen said that IT has announced that as of November 16, audio-visual equipment will no longer be delivered to classrooms. This will result in a savings of \$8000 per year for IT.

MacLennan MOVED and Vilmann seconded the motion as follows:

*The Senate recommends that the Provost rescind the directive to eliminate AV delivery to classrooms after November 16, 2001.*

Dickie Selfe said that when he first heard about this a few weeks ago, he thought that it was still in the proposal stage.

Wray said that it still was.

Selfe said he was told that the issue was decided yesterday and that word of this decision was sent to system administrators, presumably because they would be expected to undertake responsibility for AV equipment. He said that Dean Max Seel had told him that all of the feedback he had received on this proposal had been negative. Selfe said that he was chair of the senate's new Computing Committee and that one of the committee's first priorities has been to enhance classroom technologies rather than to reduce them. He said that IT Director Jim Cross had told him that his proposal for a 5 percent cut in the

IT budget had been approved, so he (Cross) assumed that the elimination of AV deliveries that was included in this proposal was approved.

Johnson said that the School of Business doesn't have classrooms in its building; hence, faculty would have to carry AV equipment across campus.

Wray asked for a copy of the email message that people had received announcing this change. He said that as far as he was concerned, the proposal was still open for comment.

Selfe said that this proposal would reduce IT's costs but increase costs elsewhere in the university, including the costs of setting up diverse shops for the repair of AV equipment.

Senator Chris Williams said that it was unreasonable to provide only 30 days notice for such a change.

MacLennan said that if this was not an accomplished fact, the motion should be amended to eliminate the word "rescind."

Wray suggested that the senate table the motion and let him take care of this.

Bruch MOVED and Pollins seconded the motion to table the motion indefinitely. The motion to table PASSED on a voice vote with no dissent.

#### **D. Special Meeting**

Keen said that the Curricular Policy and Financial Policy Committees might delay the report on proposals 3-02 and 4-02. Hence, there might be a special senate meeting on November 14, and some subsequent senate meeting might be canceled. Keen asked how many senators would be able to meet on November 14. Twenty-six senators indicated that they would attend such a meeting.

#### **8. ADJOURNMENT**

Pollins MOVED and Bruch seconded the motion to adjourn. The meeting adjourned at 7:18 p.m.

Respectfully submitted by Craig Waddell  
Secretary of the University Senate