The University Senate
of Michigan Technological University

Minutes of Meeting 469
12 November 2008

Synopsis:
The Senate
- Heard a presentation from Dan Greenlee on Michigan Tech finances
- Elected Michael Mullins to the Faculty Distinguished Service Award Committee
- Approved Proposal 3-09 "Marriage Penalty and Single Parent Health Care Surcharge"

1. Call to order and roll call. President Sloan called the University Senate Meeting 468 to order at 5:31 pm on Wednesday, November 12, 2008 in room B45 EERC. Secretary Cooper called roll. Absent were Senators Vable and Vogler and representatives of Army/Air Force ROTC, Biomedical Engineering, Civil & Environmental Engineering, Mathematical Sciences, and Advancement. Liaisons Anna Pereira (GSC) and Daniel Freeman (USG) were in attendance. Mechanical Engineering–Engineering Mechanics, Academic Services A, and Auxiliaries and Cultural Enrichment currently have no elected representatives.

2. Recognition of visitors. Guests included Dan Greenlee (Chief Financial Officer) and Lesley Lovett-Doust (Provost).

3. Approval of agenda. Malette **moved** approval of the agenda and Christianson seconded. The motion to approve **passed** on a voice vote with no dissent.

4. Michigan Tech Financial Update, presentation by Dan Greenlee
Greenlee presented the fiscal year 2007 and 2008 income statements which include all five funds: the general fund, the designated fund, auxiliaries, retirement and insurance, and the expendable restricted fund. The state increased our appropriations by about 1.1 percent, from $48,132,000 to $49,028,000. Grants and contracts rose from $42,431,000 to $45,644,000; auxiliary activities rose from $24,906,000 to $27,473,000; about two-thirds of that comes from housing. Miscellaneous revenue (which mostly comes from the Tech Fund but also represents unrealized gains or losses on securities in the retirement and insurance fund, which are used to insure that if the university is short of funds those commitments can be met) decreased from $13,914,000 to $12,482,000. Expenses for salaries and fringe benefits rose from $114,424,000 to $125,276,000; about $90 million is salaries, and about $35 million is fringe benefits. Expenses for supplies and equipment rose from $42,273,000 to $45,151,000; for fellowships and scholarships, from $24,371,000 to $27,421,000. Expenses for utilities fell slightly from $8,525,000 to $8,475,000; Greenlee commended the utility people. Depreciation expenses rose from $11,180,000 to $11,505,000. Depreciation is not only a non-cash expense; about $7 million is off of buildings, which were largely given to us by the state. Because of this, Greenlee said, he doesn't get too upset by a negative bottom line. In addition, we increased the cash balance in FY2007 by about $750,000 and in FY2008 by about $250,000. The net loss for FY2008 before adding in the capital appropriations, gifts, and grants was $6,598,000; and the bottom line was a net loss of $4,800,000, in comparison to an income of $7,751,000 in FY2007. The difference was largely attributable to the difference in capital appropriations, gifts, and grants, which were $12,353,000 in FY2007 and $1,798,000 in FY2008.

Gregg asked for the reason for the drop in capital appropriations. Greenlee said that in 2007, the state came through with a program that gave us $7.5 million from the state and a $2.5 million match we raised ourselves for maintenance items (roofs, safety, etc.). We also got our last gift, a $2.5 million donation, for Rekhi Hall. Gregg asked what would be a normal expectation, over the past five years, for capital appropriations, gifts, and grants. Greenlee said he didn't know if we have a normal year. Gifts to the Tech Fund in themselves would be, maybe, $1.5 million a year. Three-quarters of the miscellaneous revenue comes over from the Tech Fund. Every year we're getting about $10 million from the Tech Fund that is brought over by departments to be used on campus. Gregg asked how Tech Fund activity is separated from miscellaneous revenue and gifts and grants. L. Davis said the Tech Fund activity doesn't show up in these reports because Tech Fund reports are separate from the university financial reports, and that the Tech Fund moneys show up in many of the categories. Greenlee said that they do not issue a consolidated report but rather parallel reports, as the Tech Fund is considered a related activity of Michigan Tech because they exist for the benefit of the university.

Luck commented that research expenditures in 2001 were $20,700,000 and the overall expenditures for the university were $161,157,000. In 2007, research expenditures were $42,700,000 and overall expenses were $182,300,000. He noted that the overall increase is much higher for the research expenditures. He asked where this money is going. Christiansen suggested that this might be due to the acquisition of the Michigan Tech Research Institute. Greenlee said that we received donor money to purchase the Michigan Tech Research Institute from David House. He explained that the expenditures come from the contracts and grants income, and they go to salaries, supplies, and other expenses involved in carrying out the research specified in the grant or contract. He said that research expenditures have doubled in the past seven years. Sloan suggested that perhaps we could invite Dave Reed to give a presentation at a future Senate meeting on how research is allocated across campus.

Caneba asked how depreciation is figured. Greenlee said it was 3 percent a year. Buildings, which are the largest part of depreciated assets are depreciated at 40 years, equipment like computers, at 3 years, automobiles at 7 years. The rate for buildings is thus about 2.5 percent.

Looking at the comparison between the general fund and the current fund, Greenlee observed that typically we would lose money in the general fund (though we do make money on housing and auxiliaries). He explained that the category of transfers out refers to money that goes out of the general fund to other funds. Thus, to assess the financial health of the university, we should concentrate on the current fund, which shows the overall gains or losses for all funds. The loss in the current fund is minimal: $665,000. We spend roughly $800,000 a day, so the loss is less than one day's operational expenses.

Looking at the comparison of the FY2008 actual general fund FY08 to the budget for FY2008, tuition came in higher by $1,171 thousand. We got a 1 percent increase from the state instead of the budgeted 4 percent, for a variance of $1,421,000. Salaries and benefits came in under budget by $2,703,000 which was offset by transfers out which came in over budget by $2,624,000. There was a loss in the general fund last year of $495,000, which is small for the amount of expense and revenue flowing through the fund.

The total current fund balance was lower in FY2008 than in FY2007 by $665,000, but higher than in FY 2006 and FY 2005. The total current fund balance was $15.4 million; the unrestricted fund balance was $12.5 million.

What if the state misses a payment? In 2007, the state skipped one of the eleven payments, and they said they would pay it in the next fiscal year. That was startling but not critical. Our cash balance is such that we get to a low point just before fall tuition is paid, which gets down to about $9 million. By the second week of January it's at $40 million. We also have two lines of credit of about $10 million each. Currently we have in the bank about $17 million. We're in good shape as far as cash goes, and we've been increasing our cash balances for the last 7 years. We took out the lines of credit to insure against emergencies.

We are not in the common fund, the mutual fund at Wachovia that a lot of universities have gone into. We have it all in CDs at Fifth Third Bank, and we have insurance in securities at the Bank of New York.

Caneba suggested that with a total of $20 million line of credit we would have to tap all of that if the state reneged on their payments. Greenlee agreed. Caneba asked whether a sensitivity analysis was done on the other categories to see what it would take to exhaust the line of credit for a combination of a loss from state payments along with investment shortfalls and losses in other categories.

Greenlee replied that he starts to get nervous when our balance goes below three payrolls at the beginning of fall (below $9 million). If we were in dire need we would tap the resources of the Tech Fund. Legally, you don't ever want to do something like that, but in an emergency, we would. The $20 million line of credit is about 40 percent of our appropriation. If the state cut all the schools by 40 percent that would be a lot, about $500 million, and all the schools would be downsizing. Caneba said that he was assuming we have an algorithm in place if we get into a series of shortfalls in a number of places at the same time. Greenlee said we do have different areas we could take from that would not hurt our operations. We would slow down capital expenditures and projects on residence halls.

Luck commented that from FY2001 to FY 2007 our income loss before other revenues was $35 million, and he asked whether capital appropriations and gifts were specifically designed to compensate for the income loss. Over the same period, income from capital appropriations and gifts were also $35 million. Greenlee said he wouldn't necessarily say that is the case and that it was probably a coincidence.

Cooper asked how the Strategic Faculty Hiring Initiative is being paid for and whether that might be jeopardized by financial situations at the university. Greenlee said it is a normal part of the budgeting process; we funnel the money into the provost's budget and she used it for the SFHI. Cooper asked where the money comes from. Greenlee said it comes from the general revenues of the university. Cooper asked whether the university took out a loan to pay for the SFHI. Greenlee said no.

5. Approval of minutes from meeting 467. Cooper corrected two sentences on page 2, starting in the lower left hand column, from "Kern explained that one solution that was considered was including a box on the electronic form where instructors would sign. Milligan added that in Spring, IT will ask for more information in a box" to **"**Kern said that there is a box on the electronic form where instructors could fill in what needs to be completed for the I grade. Milligan added that in Spring, IT will ask for more information in the box." L. Davis **moved** approval of the minutes and Miller seconded the motion**.** The motion **passed** on a voice vote with no dissent.

6. Approval of minutes from meeting 468. Klooster **moved** approval of the minutes and Malette seconded the motion. The motion **passed** on a voice vote with no dissent.

7. President's report.

Proposal Actions

The provost has approved 20-08: Amendment to Proposal 42-04: Evaluation Procedure for the President subject to the Senate seeking approval of the leadership of represented staff prior to extending a survey to their membership and a number of required editorial changes. These changes are shown in the resubmitted proposal 20-08, which we will consider this evening.

The provost has rejected 22-08: Revised Procedures for the Establishment and Amendment of Charters. The Senate executive committee and the academic policy committee are reviewing the proposal and her response to it.

CATPR Election

Faculty should have received ballots to elect two of three candidates to the Committee on Academic Tenure, Promotion and Reappointment. Ballots are due Friday, 21 November. Please encourage your constituents to vote.

Executive Committee Meeting with President Mroz

The Senate executive committee will meet with President Mroz to discuss shared governance on Wednesday, 19 November. Senators and alternates are encouraged to provide issues for this discussion.

8. Old business.

a. Elections for University Standing Committees.

We have a candidate for the Faculty Distinguished Service Award Committee. Mike Mullins. There were no other nominations. Luck **moved** that Mullins be elected to the committee, and the motion was seconded by Johnson. The motion passed on a voice vote with no dissent. Sloan declared that the committee was now complete.

9. New Business.

a. Proposal 2-09 "Revision of Senate Bylaws to Remove the Computer Committee from the List of Senate Standing Committees." Sloan announced that the proposal is being brought by the computer committee on the grounds that there is rarely any work for them to do. Chuck Wallace, chair of committee, explained that the committee was inaugurated in 2000 and since then nothing has come out of it. Last year it never met, and at the only committee meeting this year, he suggested that it be disbanded. He commented that they were striking a blow for humanity by eliminating the committee

Snyder asked what was the standing charge of the computer committee. Wallace said that the committee was formed without a charge or a mission, that it was supposed to create its own charge. Klooster asked whether the people on that committee would be willing to serve on other committees. Wallace said that was the one drawback committee members saw to this proposal. Luck asked whether the committee really did nothing. Wallace said that in 2000 and something, one proposal was discussed but not sent to the Senate, and that this proposal might be their first.

b. Proposal 20-08: "Amendment to Proposal 42-04: Evaluation Procedure for the President." Sloan explained that the proposal to revise the evaluation procedure came at the President's request in order to enable staff to also participate. Last year we extended the survey to staff and collected their responses separately. Then there was discussion of whether the staff should be involved in designing the survey. The Provost sent the proposal to the attorney who said we might be in violation of the union contract if we did not consult the union representatives first, so this was added and there were other editorial changes made by the provost. We have brought it back to see if the Senate approves of these changes. We will vote at next meeting.

Hoagland asked how the union employees feel about these changes. Provost Lovett-Doust replied that the intent of checking with the union representatives is to protect the senators because they cannot extend the survey to the unionized employees without first clearing it with the representatives. It's a courtesy to talk to the representatives first.

c. Proposal 3-09: "Marriage Penalty and Single Parent Health Care Surcharge." Sloan announced that there is a request that we consider this proposal as an emergency measure so we could vote on it tonight. Because it would affect the rates for 2009, there is some urgency.

Snyder, who submitted the proposal, introduced it. He said that several people have pointed out inequities in the required contribution rates for the 2009 Husky Care PPO plan. When both members of a couple are employed by the university, together they pay more than if they were considered as single people ($84/month instead of $80/month). The rationale offered by the benefits office, that a couple is always more expensive than two single people because two people are usually older or only one of them carries insurance because the other isn't eligible for insurance or happens to be sick or can't work, is inapplicable when both individuals in the couple work for the university. Single parents also pay more than couples with children (a single parent pays $44/month for one child, while couples pay $24/month for one child). The University of Michigan health plan distinguishes between single parents and couples with children, and under their plan single parents pay less than couples do. Since single parents are usually less financially well off, asking them to pay a penalty does not seem equitable. This proposal requests that the university change the rates so couples both of whose members are employed by the university pay the same as two single people, and single parents pay the same rates as couples with children.

Johnson, chair of the senate's fringe benefits committee, voiced concern about the committee not getting full details of the proposal in advance in order to review it, though she acknowledged that the proposal is under time constraints. The proposal was received late in the week while Johnson was out of town. L. Davis, chair of the finance committee, said he did receive the proposal as an attachment to an email, but that the finance committee didn't feel they needed to discuss it.

Snyder said that the procedure is to circulate a proposal through the Senate president who passes it on to the correct committees; he attached the proposal to an email to the president, and Sloan said she forwarded it to Johnson and Davis. Snyder said that not all proposals have to come from committees, that they can be submitted by individual senators, as this one has been. Johnson said the benefits committee has been looking at their charge and their inability to get the information necessary to fulfill it, and that's why she is concerned.

Snyder **moved** that the Senate consider this proposal at this meeting as an emergency measure and L. Davis seconded the motion.

LeMay said there is also an inequity for single people and the whole rate structure would have to be reexamined. Johnson said that the benefits committee wanted to compare rates at other universities, but as they were not informed about the details of health plan prior to its being presented to the Senate, they could not do so. Sloan reminded senators that the motion on the floor is whether this proposal should be considered an emergency measure and that comments should be relevant to that question.

Luck said that irrespective of which committee examines this, the final decision will rest with the benefits office, so that it would be prudent to examine it as an emergency measure. Hoagland asked whether it is possible for the benefits office to revise the rates at this point. Needham said he had talked with someone in the benefits office and that it's extremely unlikely that the monthly premium schedule could be changed. He added that that doesn't affect whether we vote on this or not. There are more important issues we should talk about. There are a lot of statements in the proposal that are iffy. He said he asked people in his unit (IT) about the proposal, and universally no one thought this was an issue. L. Davis said that we're clearly shifting the cost of health care from the university to faculty, and while it may not be an issue now, it certainly will be in the future. He said he didn't see that changing the premium would be that major an issue for Aetna. Hein said she agreed that there are huge inequity issues in the whole structure, and there are people in her department (Engineering Fundamentals) who agree. The whole structure is inequitable and needs to be revisited, but not tonight. Sloan again asked senators to please restrict their comments to the question of whether the Senate should consider this as an emergency measure.

Johnson said the proposal addresses two separate issues, and the single parent issue is more critical than the other, and that they should be in separate proposals. Sloan ruled that if we vote to consider this proposal as an emergency measure, we can then accept a proposal to divide this proposal. She announced that a vote aye means we will not only discuss the proposal but also vote on it tonight; a vote no means we will wait for the next meeting (in three weeks) to vote on it. The motion **passed** on a voice vote with no dissent.

Snyder pointed out that the proposal does not include a specific rate schedule but just asks that the benefits office set an appropriate rate schedule. The rate schedule in the 2009 Health Plan is structured quite differently from that at the University of Michigan. He said that it might be the demographics in Houghton are different than in Ann Arbor, but that he didn't want to get into that discussion now. Johnson suggested that the situation at the University of Michigan is different because of their having a hospital there and that it might be better to compare our plan with that at other universities in the state. Snyder said that at the University of Michigan there are five plans, but in all of them, the rates to cover children are lower than in the Michigan Tech plan. L. Davis asked Snyder if the basic point is that the current schedule is discriminatory on marital status, which runs though both situations. He said he thinks that's all you need to say. Snyder agreed. L. Davis also said that there is a statement in the proposal that the rate structure is not logical, but that he would argue that there is a great deal of logic to it, not in an equity sense but in a financial sense as the rates are based on actuarial statistics. But financial analyses, as in the case of redlining mortgages, are often outlawed based on discrimination. As a university, he said, we shouldn't be doing that. Pierce said that when you look at dollar amount it works out as the same cost per person. Hein said that's why it's inequitable. that with a family of five, she pays more per person than someone with a family of six, and that she also pays less per person than someone with a family of four. Christianson said the categories used to be single, couple, family. Hein said maybe the rate should be simply the same amount per dependent and that would be more equitable. Boschetto-Sandoval asked what percentage of couples are both employees of the university, and she said she thought it would be a high percentage. Needham pointed out that at the forums, they said that the cost to the university per contract for health benefits was $11,000, and that the amounts we're talking about for our monthly premium to buy into the PPO are inconsequential in comparison to the cost to the university. He said the university is budgeting $16 million dollars for health benefits, while he would be paying $1300 for his family of three. This is a small cost for a great benefit, and to quibble over $5 or $10 doesn't seem important. Snyder replied that if you're a single parent, you're not quibbling over $5 or $10, as it is a lot to them. Needham replied that that is a gross stereotype, that there are rich single parents as well, and insurance companies have to use averages. Snyder said that the average cost per contract for the university is very different than what the average person costs. The median cost per contract is a minute fraction of that. The issue is that in society as a whole, single parent families make considerably below what two-parent families make. Those are the people we need to be concerned about and for those people the extra $20 a month to cover their child makes a real difference. L. Davis said that it is his understanding that at one of the forums, the benefits office was asked what their plans were for funding these plans for next year, and they said they don't know. I think it would be important for the Senate, even if we can not affect this this year, to be on record not to discriminate based on marital status.

Johnson **moved** to divide the question by pulling out the single parent issue into a separate proposal. The motion died for lack of a second.

L. Davis proposed a friendly editorial change to the last line on page 1, to delete "illogical and" so that the sentence would read "There are three possible solutions to this inequitable rate schedule in regard to the marriage penalty." Snyder agreed to the change.

The motion **passed** on a voice vote with one dissent.

10. Adjournment.

President Sloan adjourned the meeting at 6:55 pm.

Respectfully submitted
by Marilyn Cooper
Secretary of the University Senate