

**The University Senate
of Michigan Technological University**

Minutes of Meeting 482
4 November 2009

Synopsis:

The Senate:

- Heard and responded to a presentation of the University budget by Dave Reed
- Heard a presentation of the results of the Senate survey of constituency on compensation changes by Tom Snyder
- Responded to the Administrative Policy Committee's request for ranking relevant issues for the evaluation of the President
- Elected Diane Shoos to the Faculty Distinguished Award Committee
- Adopted Proposal 16-09: Double Majors at Michigan Tech
- Adopted Proposal 6-10: Graduate Certificate in Sustainable Water Resources

1. Call to order and roll call. President Rudy Luck called the University Senate Meeting 481 to order at 5:30 pm on Wednesday, November 4, 2009. The Senate Secretary Marilyn Cooper called roll. Absent were Senators Solomon and Vogler and representatives of Army/Air Force ROTC, Academic Services B, and Auxiliaries and Cultural Enrichment.

2. Recognition of visitors. Guests included Max Seel (Provost), Dave Reed (Vice President for Research), Alex Mayer (Center for Water and Society), and Scott Thompson (USG).

3. Approval of agenda.

Hamlin **moved** to approve the amended agenda; LeMay seconded the motion; and it **passed** on a voice vote with no dissent.

4. Approval of minutes from meeting 481.

Hamlin **moved** to approve the minutes of meeting 481; Scarlett seconded the motion; and it **passed** on a voice vote with no dissent.

5. Presentation of the University Budget by Dave Reed

Vice President Reed presented information to update the Senate about last fiscal year's budget and projections for next year (slides with complete information are attached). To put the University budget in context, he referred to an article from the Sunday, November 1, *New York Times* ("At Public Universities: Less for More") about the decline in public university financing. The situation at Michigan Tech is somewhat different, but the observations in the article are still relevant. He said that the state appropriation has never been a source of growth for over 40 years at Michigan Tech, and we are not looking for it to become so in future. A graph of state appropriations adjusted for inflation from FY1965 to FY2009 shows 2002 as the high point for appropriations at \$55 million, dropping to about \$48 million in 2003. We experienced the drop earlier than other institutions, who are experiencing it now, and we took many of the same measures that they are taking now, measures like furloughs. We never came back; our state appropriation is still well below what it was in 2002. Measures like furloughs are short-term fixes to a long-term problem that eventually has to be dealt with. Hoping for a quick turn-around is not realistic. He also noted that the federal stimulus package requires states to fund higher education at a level no lower than the 2006 level. The federal government has not granted any states a waiver to go below this level. This year the state funded us at exactly that level and probably will do so next year too. The stimulus package has protected Michigan Tech from the severity of cuts faced in other states, because our appropriation never increased after 2002, whereas in other states it did.

A summary of the general fund and current fund for FY2009 shows that the general fund ended up \$1.5 million low (from the projected balanced general fund) and the current fund with a surplus \$220 thousand (from a projected \$1 million surplus). (The current fund includes the general fund, the designated fund, auxiliaries, retirement and insurance, and the expendable restricted funds.) Two major things happened to cause the changes from the projected to the actual budget: the legislature in September cut the appropriation by \$1 million from what was budgeted in June, and investments, which in the budget were anticipated to provide a \$500 thousand gain, instead dropped in value by about \$1.25 million. These added up to a shortfall of \$2.25 million.

Luck asked what miscellaneous revenues are. Reed said gifts are a big part (though gifts to the Tech Fund are not included here), federal financial aid, and other things. Mullins asked if the Tech Fund is audited with the University. Reed said yes.

The total current fund balance for FY2009 was \$15.634 million, and the unrestricted fund balance was \$12.813 million, which Reed considers the indicator of the financial health of the university. Moran asked why there is a negative balance in the retirement and insurance fund of \$3.099 million. Reed said that is because that's where the investments are held and that's where the investment losses show up. L. Davis says the investments themselves would be positive and what's causing the fund to show a negative balance is the retirement liability. Mullins asked how the investments did in the retirement and insurance fund this year. Reed said there was a \$1.25 million drop in investments. He said that benefits expenses larger than budgeted also show up in this fund as negative items.

A chart of daily cash balance for 2007, 2008, and 2009 shows a high in January when spring semester tuition comes in and a low in August before fall tuition comes in. The regular bump ups are from the state appropriation which comes in every month for 11 months. The overall cash balance throughout the year is about \$23 million; in 2002 it was about \$5 million, and it often went negative and we had to borrow money. We have not had to do that for the past several years. Our goal is to have three pay periods in the bank at the low point in cash flow for the year. Right now, we are about \$5 million low from previous years because we have that amount expended on various building projects with bonds just issued, but when the bond revenues come in a week or two we will be back on track.

Luck asked who buys the bonds. Reed said he doesn't know. Hamlin said they are sold nationwide. Luck asked what interest the bonds pay. Hamlin said 6 percent. Reed explained that the bonds we issued are Build America bonds from the stimulus package, and the federal government pays one-third of the interest. We pay two-thirds of the interest, which amounts to around 4 percent; if we had issued municipal bonds the interest would have been 5 percent, so we saved about 1 percent on the interest. Mullins asked how our bond position compares to that of other universities in the state of Michigan. Reed said we had 55 bonds out before this issue, and there are 18 going out now, so we have about 73. We are one of the lowest in the state in number of bond issues. Michigan Tech and Oakland have the highest bond rating in the state. Moody has a rating site online where you can read the financial analysis of our situation.

The FY2010 budget approved in July by the Board of Control shows a balanced general fund and a \$528 thousand surplus in the current fund. Since the board approved this in July, the state passed a slightly higher appropriation for Michigan Tech, but it includes \$1 million in stimulus funds which we will not get next year. We are expecting the 2006 level appropriation next year, of \$48 million.

Luck asked what tuition increases are budgeted for next year. Reed said that the line in the budget shows tuition revenue and fees, which include expected revenues from higher enrollments. L. Davis asked Reed to talk about what's going on with the Promise scholarships and what the impact is going to be. Reed explained that there are two scholarship programs affected by state's appropriation changes: the Promise scholarships and the Michigan Competitive scholarships. The state approved no funds for the Promise scholarships. The amount for these scholarships at Michigan Tech was \$650,000 for fall semester, which we covered. Saginaw did the same for its students. Grand Valley sent all the Promise students a bill. But we are not covering the Promise scholarships for spring, and we told students to talk to their legislators. The state funded half of the Michigan Competitive scholarships; these scholarships at Michigan Tech also amount to about \$650,000. We are working with the state on what he restrictions are on the funds we receive for those scholarships, so we don't yet know what we will do. The impact of the lack of funding for the two programs is about \$900 thousand to \$1.2 million. But because of the enrollment increase, the tuitions and fees are running about \$1.3 million above what we projected. From June 30 to September 30, we also had Investment gains of about \$1 million. We're looking at funds in the Tech Fund that might be available to cover some of the students' scholarship needs in the spring and some of the expense in the fall. We're also looking at the needs of the students who will not get the Promise scholarships in the spring.

Wood asked what is going on at Michigan State which seems to be in much worse shape than any other university in the state. Reed said that Michigan State is certainly going public as being in much worse shape. They just announced a 10 percent reduction in budget; they just announced a program review; they are closing two departments. Wood said they are laying off 600 tenure-line positions. Reed said he really doesn't know the cause, but he said that Michigan State is much more reliant on state appropriations than we are. Seel said that six years ago we were in much worse shape than other universities in the state, so we've been working to get out of this slump longer. Reed said we have done a lot since then to stabilize our financial position so that we are more buffered from changes. Moran asked what is the goal for the percentage we will rely on from state appropriations in the near and short term. Reed said there is a school of thought that all state appropriations will go away. There is another school of thought that says our appropriation will fall to 10 percent of income. Other income will have to go up: tuition revenues, research, designated fund, auxiliary fund. It's reasonable to anticipate state appropriation will fall to 10 percent of income in the next 5-10 years. Mullins asked about how external research funding impacts the overall picture. Reed said that in new external funding received, we went from \$41 million in FY2008 to \$53 million in FY2009. The only thing that comes into the general fund from those funds is the indirect costs; the rest is in the expendable restricted fund. When graduate students get supported on grants, that's tuition money that goes into the general fund; money spent on equipment also augments all kinds of activities.

Mullins asked how Michigan Tech's financial situation compares to that of other universities in the state, excluding the University of Michigan. Reed said he is not familiar with the situation at all state universities, but in general we are in reasonably solid shape compared to the others, especially in comparison to Northern, Wayne State, and Michigan State. He said we have a much better handle on where we are and what is realistic for us, and we have budgeted and planned accordingly; we have buffered ourselves from the variations that occur.

6. Presentation of the results of Proposal 5-10: Survey of Senate Constituency on Compensation Changes by Tom Snyder

Snyder reported that the response rate was pretty good: 48.3 percent of faculty and 44 percent of staff. On question 1 (do you support the proposed changes in the University's retirement contribution structure for next year), 75 percent of responding faculty said no, and 64 percent of responding staff said no. On question 2 (do you support the changes to health benefits), 81 percent of responding faculty said no, and 73 percent of responding staff said no. On question 3 (do you support the current communication process of the benefit plans), 79 percent of responding faculty said no, and 65 percent of responding staff said no. On question 4 (do you agree that these changes will make it easier for the University to attract and maintain excellent faculty and professional staff), 83 percent of responding faculty said no, and 71 percent of responding staff said no.

There were not a lot of comments. The most were on question 4 (34 comments). Snyder summarized the comments on each question. On question 1, respondents said they didn't know that the changes were going to occur or what the changes were. On question 2, respondents said they didn't know enough about the changes to intelligently answer; that the HR web pages didn't have information on the new plans, so they couldn't evaluate the changes; and that they couldn't afford the current premiums let alone any increases. On question 3, respondents said that the decision deadline was actually 6 weeks rather than 2; that more written information should be available; that the fast rollout made it difficult for them to calculate what their own interests were; that if there was some discussion and feedback during the decision process there would be more buy-in from employees; that changes in health care last year were misrepresented as changes in carrier and co-pays when there were some significant changes in the procedures and consultations that were covered by the plan. One respondent asked specifically to be quoted: "There is no communication between the executive and the employees. It was like a king making a decision and then just announce to his subjects. Are we still in the middle ages?" On question 4, respondents said that the idea that cutting benefits for a small increase in salaries will attract and retain employees is ridiculous or the executive thinks we're stupid; that the people who come here and stay are at least as much influenced by quality of life decisions as they are by salary, and that good benefits are very important in people making quality of life decisions; that it would be fine to have a benefits package like Northwestern if we had salaries like Northwestern; that eroding benefits would make it harder to attract and retain faculty and staff. The complete results are available on the Senate website.

Mullins asked what will happen with the results. Snyder said we forwarded them to the administration. He said that there is some divergence between the faculty and staff and some administrators. Wood said that the people who didn't vote may be sending a different message. Johnson suggested that an email be sent to the Senate constituents. Snyder said that senators should send an email to their constituents with a link to the results on the Senate webpage. Seel said that the administration will possibly respond to the survey at the next Senate meeting. L. Davis said that in looking at the comments, one of the things he senses is some frustration with communication processes and with the failure of the administration to engage in shared governance on this issue. He said he was one of the original members of BLG, and one of the reasons he got off the committee was the that inability of faculty members to talk with their constituents conflicts with the notion of shared governance. He asked whether the Senate should continue to have representation on the committee if our representatives are not allowed to talk to their constituents. Luck stated that he wouldn't use the word shared governance in describing the function of the BLG. L. Davis agreed.

7. Report of the President

Luck notes that in Tech Today on November 2, President Mroz was quoted on the issue of possible parking fees: "It's important for people to weigh in with their concerns," Mroz says. "This is a complex issue involving both operations and aesthetics. We need the guidance of the campus community." The 11 members of the Parking Task Force will complete their work by January 1. They will address the number of parking lots and parking spaces available, procedures for assigning parking spaces, the effectiveness of existing parking gates, vehicle registration, the possibility of implementing registration/parking fees, visitor parking passes and handicapped parking placards, and violations, citations, fines, an appeals process, and delinquent payments. The members of the task force are:

Ellen Horsch- Administration, Chair- eshorsch
Daniel Bennett- Public Safety & Police Services- dpbennet
Andre Bonen- Housing & Residential Life- aabonen
John Bramble- Dining Services, McNair Hall- jgbramb
Nik Chaphalkar- Student Body, Engineering- nschapha
Katie Elicerio- Student Body, Biomed Engineering- kaelicer
Randal Harrison- Graduate Student Council- rsharris
Jarrod Karau- Information Technology- jlkarau
Andy Neimi- Facilities- agniemi
John Rovano- Facilities- jarovano
William Sproule- Civil & Environmental Eng- wsproule

Luck said he does not know how task force members were chosen, and that William Sproule is the only faculty member on the committee. The committee has been discussing removing the parking gates which cost \$8000 per year. The committee is also trying to develop the total annual cost of providing parking. From parking literature the

annual cost for operating and maintenance of surface parking is on the order of \$150 to \$200 per space and there are over 4000 spaces on campus. Luck suggested that a member of the Senate's Institutional Planning Committee should sit on the Parking Task Force, as the purview of that committee includes the allocation and utilization of the university's human and physical resources. Seel promised to bring the question to the attention of the task force.

Luck played a recording from NPR's Marketplace Money Report of October 31, in which a spouse of a Michigan Tech employee asked which of the two new retirement options make the most financial sense. Chris Farrell, economics editor for Marketplace, said, "You can't go wrong; both of these options are good." You'll pay more taxes with the higher salary. If the 4.5 percent salary increase allows you to save money in a taxable account and you won't be borrowing much, he said he would advise that plan. But with the 2 percent you get the value of the tax shelter and more money in your retirement plan.

Luck made some comments on the survey on compensation changes. The survey was proposed on October 14 and composed, distributed, collected, posted, and discussed by November 4. He thanked Judi Smigowski and the elections committee for the tabulation, which took two hours to accomplish and an additional two hours to type up the comments. The results are posted on the Senate website, together with the comments, and Senators should notify their constituents. The survey cost \$125. In response to comments on the survey that asked why members of the BLG do not convey information about the plans being discussed, he noted that BLG members are restrained from revealing the deliberations of the group. He said that it is clear that the administration could do a more constructive job explaining the reason(s) behind the retirement changes. A one page email with the pertinent details might be useful in advance of all the forums. The administration could have a calculation spreadsheet available on the HR website so as to demonstrate to employees exactly what these retirement changes mean. He said that since this will not save Michigan Tech any money, people should have been allowed the option of keeping the present retirement plan. Health care costs are increasing everywhere. The contention that these changes will lead to recruitment of excellent faculty and professional staff, while a noteworthy goal, is not relevant to the existence of most people already working at Tech. This reason should not be proffered as a justification to have employees paying more for health benefits, unless the savings are being used for these recruitment purposes.

Luck noted that the current Senate secretary will be on leave spring semester, so a new secretary needs to be chosen. Luck asked for volunteers or nominations, but received none. The secretary must be a faculty senator, and there is some recompense for service.

Committee Reports.

Caneba, chair of the Administrative Policy Committee, asked the help of senators in developing a survey to evaluate the president and vice presidents of the university with the goal of increasing the response rate, which was 16 percent last year, up to the level of the response rate to the recent compensation survey. The committee has suggested the following timetable: on November 4, senators will be asked to rank issues as to their relevancy in evaluating administrators; on November 18, the committee will present sample questions to the Senate and seek feedback on the manner of the survey as it relates to confidentiality; on January 20, the committee will describe the proposed survey, based on input from Senate constituencies and the administration, to the Senate; on February 24, the survey will be distributed; on March 17, the survey results will be processed. Caneba thanked the members of the committee for their work, and especially Smith who has contributed greatly to the design of the survey.

Smith distributed a ballot listing some issues and asking Senators to respond by circling 'include,' 'exclude,' or 'neutral' for each. He said that surveys like this are only effective if you can get a response rate of around 80 percent. The committee's first goal is 30 percent, Smith's goal is 50 percent and eventually 80 percent, but, he said, it takes several years to get there. He said we need to get a commitment from the Board of Control and President Mroz and the vice presidents about how the results of the survey will be used and how it will be responded to. We also need to make the survey easy and confidential. Today's ballot is the first step to make the survey relevant. He said that the committee has an unpaid consultant from the University of Michigan Research Center helping with the development of the survey.

Issues listed on the ballot were the President and his Executive Team's decisions on Aetna's administration of the Michigan Tech health plan; the health plan changes in coverage/costs this year, the move of many administrative units off campus, efficiency/productivity of administrative units, movement of benefits money to salaries, and the Strategic Plan process and implementation; the leadership skills, communication skills, and administrative philosophy of the President and his Executive Team; and retaliation issues, salary structure efforts, administrative ethics, and administrative diversity.

Moran asked what is meant by retaliation issues. Smith said people have said they will not fill out any surveys at Michigan Tech because of their fear of retaliation. Luck asked which administrative units are moving off campus. Christianson said Human Resources, Vice President for Research, General Fund Accounting, Vice President for Accounting, Budgeting, Accounting, Purchasing, Institutional Analysis, and Internal Audit.

Onder, chair of the Elections Committee, reported nominations for the Committee on Academic Tenure, Promotion, and Recruitment, Zhangping You, and for the Faculty Distinguished Award Committee, Diane Shoos. The committee is still seeking a nominee for an alternate member of the Faculty Review Committee. There were no nominations from the floor. Mullins **moved** to elect Shoos to the Faculty Distinguished Award Committee since there is only one candidate; Hamlin seconded the motion; and the motion **passed** on a voice vote with no dissent. Snyder said that the faculty must vote on the member of the CATPR. A ballot will be distributed to the faculty.

8. Old Business

a. Proposal 16-09 Double Majors at Michigan Tech

Keen said that the Curricular Policy Committee recommends approval of the proposal. Boschetto-Sandoval **moved** that the proposal be approved; B. Davis seconded the motion; and the motion **passed** on a voice vote with two dissenting votes.

b. Proposal 6-10 Graduate Certificate in Sustainable Water Resources

Keen said that this is an excellent certificate program, and Alex Mayer is in the Senate to answer questions. Hamlin **moved** that the proposal be approved; B. Davis seconded the motion; and it **passed** on a voice vote with no dissent.

9. New Business. There was no new business.

10. Adjournment. Hamlin **moved** that the meeting be adjourned; Malette seconded the motion; and President Luck **adjourned** the meeting at 6:55 pm.

Respectfully submitted
by Marilyn Cooper
Secretary of the University Senate