Minutes of the Special Meeting of the Oakland University Board of Trustees August 15, 1988

Present: Trustees Patricia Hartmann, David Handleman, Stephan Sharf and Howard Sims

Absent: Trustees Larry Chunovich, Phyllis Law Googasian, and Ken Morris

Chairman Handleman called the meeting to order at 4:58 p.m. in the Gold Rooms of the Oakland Center.

Revised 1988-89 Tuition and Fee Rates

President Joseph E. Champagne made the following statement:

> We have asked for this meeting of the Board of Trustees to officially inform you of a series of discussions held with the Governor, the Governor's Office of Management and Budget, and the administration of Oakland, including a meeting with all of the universities' Board members and some of Oakland's Trustees and the Governor. These discussions continued as late as a few hours ago. The subject of these discussions is related to tuition and fee levels for 1988-89 and funding equity within the Michigan Higher Education System.
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> It is our contention that if the funds for higher education in Michigan were distributed on the basis of enrollment and programs, Oakland would not have had to raise tuition, both last spring and again this summer, as much as it did. As we have pointed out many times, Oakland has grown in enrollment in the past decade by approximately 12 percent while the Michigan higher education system as a whole declined by more than 8 percent. Funding from the State has not tracked this shift in enrollment, and Michigan has come to a point where institutions are funded but not students. At present, there is a difference of approximately $4,500 in State aid per student between the highest funded university and the lowest funded. If you delete the universities with medical schools from this analysis, the range between the highest of the twelve remaining universities and the lowest is well over $2,000 per student in annual State aid. Oakland contends that this inequitable distribution cannot be justified and this funding inequity has driven some institutions to increase tuition levels in an attempt to balance budgets in an otherwise unbalanced system of public funding.

This situation has simply caught up with us and it is for that reason that we have begun a process of enrollment management at Oakland in an effort to realign institutional size with the State resources made available to our University. This is a long term correction plan. This year with State support rising only about one percent above last year's original appropriation, or three percent above what is called our adjusted base (that is last year's appropriation minus the general State budget reduction including the withdrawal of enrollment funds from last year's budget), we were forced to adopt the level of tuition and fee increase you approved in March and again in July. These increases were necessary to balance our 1989 fiscal year budget. It must be remembered that our appropriation is well below average as a result of the enrollment funding inequity in the Michigan system alluded to above.

Governor Blanchard has expressed great concern about the issue of access if tuition levels rise as rapidly as they did this year. You and I share the same concern that he has put forth. The dilemma we faced was how to reduce a budget in one year to the size necessary to achieve a funding balance and not raise tuition. It was not and is not possible. As a result of our discussions, the Governor is more deeply aware than ever of the serious situation confronting some institutions. Through his budget director, Mr. Shelby Solomon, he has pledged to address the issue of funding equity in order to find solutions to assist those institutions which have met the enrollment growth needs of their region but have not received commensurate State funding. We recognize that this problem will not be easy to solve, but we must work together to seek a solution that brings the institutions, the Legislature, and the executive branch together.

After much discussion and after a commitment on the part of the Governor to help us out, I am persuaded that we must view the problem in a longer term framework and work with the Governor to keep tuition level increases at a much more moderate rate than the increase put forth this year. He has asked us to reduce our tuition and fee increase to below 10 percent despite its effect on our budget. Rescinding the July 25, 1988, tuition increase approved by the Board will achieve the Governor's objective. Under this reduction plan, the total tuition and fee increase an undergraduate will face at Oakland over last fall will be about 9.7 percent.

I must point out that our projected fiscal year budget will now have a deficit in excess of $1,600,000. The July rate increase you approved was to eliminate this projected $1,600,000 deficit. It will be our challenge to find a reasonable way to retire this projected deficit. A final budget will be submitted to you shortly in which the deficit issue must be addressed. In the meantime, I will initiate certain emergency measures to curtail spending wherever possible. I further wish to point out, as you as Trustees well know, that the deficit is not being created by overspending, but rather by a State system of funding higher education in Michigan which does not fund growth in enrollment. This system punishes you for trying to serve the needs of those citizens who desire to go to college. The Governor, through Mr. Solomon, has pledged to find a solution to this inequitable funding system. We shall work with the Governor in rectifying a system of funding long in need of overhaul.

President Champagne made the following recommendation:

RESOLVED, that the Board of Trustees rescinds the July 25, 1988, action that increased tuition and fees and that the rates will be as established at the level adopted at the March 9, 1988, Board of Trustees meeting, effective with the Fall 1988 term.

Trustee Sims, seconded by Trustee Hartmann, reluctantly moved approval of the motion for reasons of discussion.

Trustee Sims stated that the deficit would be a much easier problem to contend with if it were caused by overspending. He asked what the effect would be on the University for this, and subsequent years, if the tuition increase of July 25 was rescinded.

President Champagne stated that there are some measures to cut expenditures which the institution will study as it prepares the budget. Some possibilities would be to defer maintenance and equipment expenditures, continue the hiring freeze, and eliminate or reduce inflationary increases in departmental budgets. He added that a number of methods which together may reduce or even eliminate the deficit would adversely affect the institution.

President Champagne stated that Oakland's budget is lean when compared with other institutions in the State, especially since the faculty have the highest teaching loads, and the physical space per student utilized to achieve Oakland's objective is about the lowest in the State. The State pays Oakland an average of $3,300 per graduate or undergraduate student in any discipline. Other institutions receive more money per student. The State gets a "good buy" by educating a student at Oakland. President Champagne added that the magnitude of the tuition increase proposed in July was necessary to "tread water as best we can" recognizing that the State has financial problems.

President Champagne stated that he gives credit to the Governor and the Legislature for the fact that the appropriations to higher education have been greater than the general budget increases within the State.

If one looks at the relative underfunding which has been historic in Michigan, Oakland is merely trying to "catch up" from the enormous problems of the late seventies and early eighties. For example, Oakland has approximately 8,500 student computer users and only 600 to 700 microcomputers on campus. The Physics Department has laboratory equipment with MS/OU inventory tags. If it were not for the hard work of the faculty and the grant support that it has brought to Oakland, some of the present new equipment would not be available to us. President Champagne stated that progress has been made at Oakland. Progress has occurred through a qualified faculty and staff who have generated resources and from a very generous community which in the last several years has provided an enormous measure of philanthropic support. A public institution cannot operate on philanthropic support. It has to obtain its base budget from the State and its students. Michigan has a higher portion of tuition paid by the students than many other states. About 60 percent of the budget comes from the State and about 33 percent from students and 7 percent from grants. The institution will experience some hardship in that equipment will not be purchased and staff will not be hired until the budget issue is resolved.

Trustee Sims stated that given the future fiscal prospects for the State, the $1,600,000 for Oakland is neither a short or long term answer.

Trustee Hartmann asked what would happen if the Trustees chose not to rescind the tuition increase.

President Champagne stated that if this were to occur, he suspects there would be a veto of the appropriations bill. He added that

Oakland must consider the need to build a "long term relationship" with the officials in office in Lansing.

Trustee Sims asked what level of enrollment the State appropriation could support at this time, without a $1,600,000 deficit. He also asked what would impede the University from capping its enrollment immediately in order to balance its budget.

President Champagne stated that Oakland has a $3,000,000 shortfall of funding as indicated by the market share analysis data provided to the Board. The University would have to cut approximately 2,000 students in order to be fully funded. A few months ago Oakland had projected that it should try to reduce full time equivalent students by 1,500. It was suggested that if Oakland reduced approximately 300 students per year for five years it would place itself in a parity position with the higher funded institutions. President Champagne recognizes that a reduction in enrollment is not a well received solution in some quarters, but when one looks at the level of State support based on the number of current students enrolled, there is no other conclusion. A few years ago certain high demand programs such as engineering, business administration, elementary education, and physical therapy were capped. President Champagne added that if the student population were reduced, the loss of tuition revenue due to the reduction in enrollment would have to be considered in the development of the budget.

Trustee Sharf stated that there must be more innovative methods for saving funds. He suggested that all of the universities work together in an effort to combine services that each institution uses, particularly computing systems. He recommended that a task force be developed to investigate such methods, since there are not many areas in Oakland's budget to cut.

President Champagne stated that he agrees with Trustee Sharf that it is up to the institutions to find ways to cooperate. He mentioned that this has begun with the library cooperating with Wayne State University. He added that there has been a discussion with Senator William Sederburg about the centralization of mainframe computing for the use of all of the State institutions.

Chairman Handleman stated that Trustee Sharf's recommendation cannot be dealt with at present. The immediate concern is the $1,600,000 deficit, and the Trustees have to decide whether Oakland can afford to rescind the tuition increase. He added that Trustee Sharf's idea is something to aspire to, but it involves programs that will take a long time to implement.

Trustee Sharf stated that whether the results are immediate or not is not the question. He suggested that the investigation of these methods would be beneficial in the long run.

Chairman Handleman stated that the Trustees agree. He quoted T.S. Eliot who said "between the idea and reality falls the shadow." He noted that unfortunately, Oakland is now in the "shadow".

Trustee Sims asked if President Champagne was prepared with a specific recommendation on what cuts will take place in order to make up the $1,600,000 deficit.

President Champagne stated that if the Trustees concur in rolling back the tuition, a memo will be sent to the entire University community in which certain cutbacks will be proposed including a freeze of general fund travel and equipment purchases. He added that the travel budget is approximately $300,000 and the equipment budget is $600,000. The hiring freeze, which since November, 1987, has netted the University about $420,000, will continue. He apologized that he could not be more specific.

Trustee Hartmann asked if the other universities do not roll back, would Oakland be free to return to its tuition rate approved in July.

President Champagne stated that the presidents of the universities have been in constant communication. He stated that he cannot be certain that every university will roll back to tuition increases below 10 percent. He noted that four State universities have done so. He stated that the Governor has the option of a line item veto for those institutions who do not roll back. President Champagne noted the importance of this roll back to the Governor. He added that he would not be recommending a $1,600,000 deficit if he did not feel that the long term interest of the institution would be better served by the deficit than by taking a position against a rollback.

Trustee Sims stated that in communicating the roll back to the Governor's office, it must be made very clear what the costs to the University entail, particularly in terms of human resources.

President Champagne stated that the Governor is aware of the difficulty this action places on the institution. Oakland must indicate what the action has done and project the long term ramifications of the debt and how it will be resolved. He added that it will take years before it is resolved.

Trustee Sims asked if September or October was a realistic time to expect that a 1988-89 budget will be brought before the Board. President Champagne responded that it will be no later than October.

Trustee Hartmann asked if the student/faculty ratio would increase in this case. President Champagne stated that there is a mandated ratio within the collective bargaining agreement which the institution intends to honor.

Chairman Handleman called for a vote on the motion which was unanimously approved.

President Champagne stated that as a matter of process, early registration began today at the rates approved in July. However, the billing submitted to the students will indicate the revised tuition rates.

Approval of a Closed Board Session for Strategy and Negotiations Connected with a Collective Bargaining Agreement

Mr. John De Carlo, Vice President for Governmental Affairs, Secretary to the Board of Trustees and General Counsel, stated that Mr. Keith Kleckner, Senior Vice President for University Affairs and Provost, has requested a closed meeting for further strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement with the AAUP. Section 8(c) of the Open Meetings Act provides that a public body may meet in a closed session for this purpose. A roll call vote is required.

Mr. De Carlo called for a vote as follows:

Trustee Handleman	yes
Trustee Hartmann	yes
Trustee Sharf	yes
Trustee Sims	yes

Mr. De Carlo stated that the closed meeting was approved and will be held immediately following the adjournment of the formal meeting in the Meadow Brook Room of the Oakland Center.

Trustee Hartmann, seconded by Trustee Sims, moved adjournment of the open meeting. The motion was unanimously carried. The meeting was adjourned at 5:40 p.m.

Submitted,

John De Carlo, Secretary
Board of Trustees

Approved,

David Handleman, Chair
Board of Trustees