

FACULTY SALARY AND BUDGET COMMITTEE

OCTOBER 20, 2017

PRESENT: Marty Abramson, Jonathan Bowman, Bonnie Bowen (ex-officio), Neal Buckwalter, Larry Burns, Gregg Dimkoff, Robert Hollister (Chair), Andrew Kalafut, Nancy Mack, Paul Murphy, Julia Mason, Len O'Kelly, Jon Rose, Ashley Rosener, Mike Yuhas.

1. The meeting was called to order at 12:00pm and the Agenda was approved.

2. The Minutes of October 6, 2017 were reviewed and approved.

3. Scott Richardson (Acting Vice President for Finance and Administration) & Brian Copeland (Associate Vice President for Business & Finance) led a discussion on University Budgets.

The university expects enrollments to remain constant or decrease slightly in the foreseeable future. The primary driver of this potential decrease is the fact that fewer students are graduating from high schools in Michigan each year. Most universities in Michigan have seen declining enrollments; GVSU, MSU and U of M are the only major schools that have not seen a significant drop in enrollment. Part of the reason that GVSU saw a very modest decline in enrollment this year (~100 students) is because MSU accepted a large number of people they held in reserve (presumably to assure that they did not see a declining enrollment). Enrollments in graduation education has declined significantly. The two major drivers of this decline are believed to be a recovering economy and changes in K-12 education which have de-valued a Master's Degree. Thus the largest declines are in the School of Education.

In recent years GVSU has earned a reputation of excellence and this reputation is believed to be a major reason why enrollments have not dropped at GVSU as they have at peer institutions. However there is no guarantee that this trend will continue. Several peer institutions have added significant money into financial aid to attract the best students. The belief is that good students attract other students. For example when graduating high school students talk and find out that the top tier students are going to GVSU, they attract the other top tier students. Central Michigan and Western Michigan have tried to stop this trend by providing attractive financial aid packages to the top students. Therefore, GVSU has increased its contribution to financial aid. In fact, over the summer the State of Michigan provided some unexpected moneys to GVSU which were allocated to financial aid. Despite recent increases in financial aid at GVSU, we still lag the amount peer institutions are providing.

Funding from the State of Michigan remains less at GVSU on a per student bases than every other school in Michigan except Oakland. The primary reason is because our enrollments have increased significantly over the past two decades and State funding has been slow to respond. State funding is not allocated per student and the budget has been relatively flat, therefore any additional money to GVSU may be associated with a cut to another school. GVSU has gotten several large one time investments from the State of Michigan to build new buildings (especially for building that support majors in healthcare because the State sees this as a growing sector of the economy). The long-term forecast for State funding is not good and it is unlikely that GVSU will see any increases in funding from the State. In fact, there is a significant chance that funding from the State may actually decrease because funding for Higher Education is considered discretionary funding while many of the major budget items (education, prisons, roads) are not discretionary and are projected to increase.

The administration does not see significant increases in tuition as a viable option. The belief is that increasing tuition may result in fewer students which could ultimately result in fewer revenues. It is also politically unpalatable to increase tuition significantly. The area of focus is increasing retention rates to keep the students that we already attracted. This also results in higher graduation rates and increases our reputation for excellence.

The net result is that the administration anticipates stable or slightly declining revenues from both tuition and the State of Michigan; therefore for the foreseeable future the overall budget is expected to remain flat or decline slightly. The belief is that the university can cope with these changes by being more efficient. The administration does not foresee a budget crisis anytime in the near future. The administration has significant reserves and has generally budgeted conservatively. The belief is that many small steps will be enough to avoid a budget shortfall. For example, as retirements occur in both administrative and faculty positions these positions will not be automatically refilled, rather there will be a significant attempt to cope without replacing them. The university already has a lower facilities operational cost because of steps previously taken to be LEED certified (such as high efficiency light bulbs, insulation, natural lighting, etc), the university will continue these initiatives. Facilities has already started some subcontract services to contain costs (such as high volume snow removal) and other small steps have been taken such as fixing the costs for natural gas through 2026.

A question was raised about the wisdom behind building new facilities given the long-term funding outlook. The administration's position is that we need to maintain quality facilities in order to attract and maintain students. Thus the administration will continue the high levels of maintenance and will continue to invest in new buildings especially for those in growing majors such as healthcare.

The university has accumulated significant reserves. These reserves are necessary to cope with year to year fluctuations. They are also necessary to plan for future building projects. Because funding from the State of Michigan is unpredictable, the university has to plan to fund these projects with general fund money and donors. Having significant reserves also allows the university to achieve better investment ratings which results in lower interest rates. Therefore the university is committed to having significant reserves.

4. The meeting adjourned at 1:30pm.