

THE UNIVERSITY OF TOLEDO
Minutes of the Faculty Senate Meeting of December 4, 2012
FACULTY SENATE

<http://www.utoledo.edu/facsenate> Approved @ FS meeting on January 15, 2013

HIGHLIGHTS

Discussion of the Projected \$36,000,000 Budget Shortfall
The I.C.E. Program

Note: The remarks of the Senators and others are summarized and not verbatim. The taped recording of this meeting is available in the Faculty Senate office or in the University Archives.

President Michael Dowd called the meeting to order, **Lucy Duhon**, Executive Secretary, called the roll.

I. Roll Call: 2012-2013 Senators:

Present: Anderson, Bailey, Barnes, Cappelletty, Cochrane, Cuckovic, Duhon, Edinger, Hewitt, Hey, Hornbeck, Hottell, Humphrys, Jorgensen, Keith, Lee, Langan, Molitor, Moore, Moynihan, Nigem, Piazza, Plenefisch, Quinlan, Randolph, Regimbal, Relue, Rouillard, Springman, Teclehaimanot, Templin, Thompson, Thompson-Casado Van Hoy, Weck-Schwarz, Wedding, White, Williams

Excused absences: Ariss, Dowd, Duggan, Eisler, Franchetti, Gohara, Hoblet, Sheldon

Unexcused absences: Brickman, Cooper, Crist, Denyer, Ellis, Gilbert, Giovannucci, Hamer, Hammersley, Hill, Kranz, Lundquist, Nazzal, Ohlinger, Rooney, Tinkel, Willey, Wilson

II. Approval of Minutes: Minutes from October 23rd meeting are ready for approval.

Vice President Rouillard: I am calling the meeting to order. Welcome to the seventh Faculty Senate meeting of academic year 2012-2013. To begin our meeting, I request Secretary Duhon call the roll.

Thank you, Senator Duhon. Please let the record show, Minutes of the October 23rd Faculty Senate meeting are approved.

I am going to give the Executive Committee report for President Dowd because he will not be in attendance with us because he is ill.

On Nov. 15, the Faculty Senate Executive Committee members met with Provost Scarborough, Chancellor Gold and Mr. Dabney to discuss the budget shortfall of \$36 million. Mr. Dabney will come to this meeting at 5p.m. to address this issue with us.

Members of the Executive Committee also attended the BOT meeting of Nov. 19. The board passed Resolution No. 12-11-14: "Pursuit of Additional Collaborative Relationships with the ProMedica Health System" with a caveat by Dr. Jacobs that some research issues have surfaced that need to be addressed for that collaborative relationship to continue. The meeting included presentations on the budget shortfalls for FY 2013 and 14 along with a Standard & Poor's report on the financial state of the institution. The board

went into executive session to discuss impending litigation. I will ask Diane Cappelletty to update us on the Nov. 20 meeting of the BOT Clinical Affairs Committee.

Senator Cappelletty: The Board of Trustees Clinical Affairs Committee met on November 20th. For the first hour of the meeting Dr. Gold discussed the Press Ganey 2012 success story of quality improvement and leadership award which the hospital was awarded. The UTMC I-Care program was rated eighth of nine in the patient satisfaction survey, so there is improvement along that line as well in terms of great successes and positive things that are happening in the hospital.

As a follow-up: There have been several organizations that came into the hospital to review the hospital as a result of the mishap with the kidney transplant in August 2012. As far as the Joint Commission, a review has gone and everything seems to be set and they are satisfied; they simply want an updated report every six months. CMS which is the Medicare services from the federal government came in for an unannounced meeting on the 5th of November, overall that meeting/survey went fairly well. There were some minor issues that were cited, one of them was because of a discrepancy between what Joint Commission and CMS had in terms of standards for humidity levels in the operation rooms, so that is working to be resolved. CMS is outdated in their recommendations for their percent humidity. It was discussed that administration is anticipating to receive a notice of termination from CMS; this is a routine standard type of procedure for them. This is not something that is overtly negative. It gives the hospital ninety days to comply to that, to allow that to be reversed. As I said, that is a normal procedure. So, that may be something that will be announced within the next month if it hasn't already been. I haven't heard that it has been, but that is something not to worry too much about because it is a standard process.

Vice President Rouillard: Thank you, Senator Cappelletty. President Dowd also had some meetings regarding assessments. He met with Vice Provost Penny Poplin Gosetti regarding some assessment issues. President Dowd, Vice Provost Gosetti, Peg Traband, Senator Humphrys, Senator Molitor, and possibly Senator Cappelletty are scheduled to meet about the gen ed. curriculum on Thursday since there were some concerns raised in Columbus. After the Executive report I will ask some members of the Core Curriculum Committee to update us on this as much as they can.

On Tues. Nov. 27, two members of the Executive Committee, Mark Templin and Fred Williams attended a meeting of the steering committee of the new University Teaching Center and I will ask them to give an update on that meeting in a few minutes.

Finally, last week, we had some rather troubling events regarding some graduate programs. In my department, Prof. Emonds in German received an email from a prospective graduate student in German who informed her that the webpage listing of UT graduate programs states that applicants are no longer being accepted in the German masters' program. Prof. Emonds was quite puzzled as was her chair, Prof. Hottell, as was Dean Barlowe, and as was Provost Scarborough. An email message from Dean Komuniecki states that she is not sure why you were not aware of the mandate from the President last year to close down low enrollment programs at both the graduate and undergraduate levels. In Jan. 2012, Institutional Research ran the numbers for the President looking back 5 years for admits and graduates, and unfortunately the MA German was one of 12 graduate programs (a mix of master's and doctoral programs) that fell below the acceptable threshold. "I am sorry about this, and wish I had better news. I

was able to allow at least one student who was in the pipeline last year to complete his application, and hopefully he was accepted? So until the formal University Program Review process occurs, and another decision is made, I am afraid that we cannot accept any new students.”

The alphabetical list of graduate programs on our web lists the following programs as not accepting applicants: Education and Economics, Ed. and French, Ed. And Physics and the MA in German. Since the retirement of Prof. Dwayne Demedio in Education, the College of LLSS and the Dept. of Foreign Languages has been working to continue that program and several faculty in FL have been regularly advising students in that program; Prof. An Chung Cheng is currently teaching CI 4140 Teaching Methods for Foreign Languages, a course for that program. At our meeting with Provost Scarborough yesterday, the Provost promised to investigate and he noted the concern with due process in such a situation. If a program is scheduled for closure, he has promised that due process will be followed for those programs.

That concludes my executive report. I will now ask for some updates from Diane Cappelletty on BOT Clinical Affairs, followed by Mark Templin and Fred Williams on University Teaching Center and, then someone from the core curriculum committee.

Senator Jorgensen: I have a question on the Board of Trustees report. If I remember, on the Board of Trustees agenda material, there was a change in the University Council, was that approved at the meeting, is that correct?

Vice President Rouillard: There was a University Council Constitution, but I can't remember if there was a change.

Senator Jorgensen: There was a change.

Vice President Rouillard: Could you outline it for us?

Senator Jorgensen: Sure. A couple Senate meetings ago the president came and said there was a discussion of perhaps changing some aspects of the University Council and he asked for some advice. Some of us gave advice at that time and some gave advice later, but the only change that I see in it is instead of it being headed by the president it is being headed by the president or his designee. Do you know if that's the only pending change, no other change?

Vice President Rouillard: That, and simply what President Jacobs told us at the last Faculty Senate meeting that he attended and there's some time for a little bit more time for discussion. To my understanding, this is going to be put off until January, Provost Scarborough is that correct?

Provost Scarborough: My recollection is what Senator Jorgensen had said, that the only change was changing from the president to the president or his/her designee. So my sense of it is, that is the last change. I think most of you are correct, it does not begin until January, I don't know if there's an ongoing dialogue of further change; so that is my understanding of it.

Vice President Rouillard: Thank you. Are there any other questions or comments? Okay, in that case I will ask Senator Williams to give us an update about the Steering Committee meeting regarding the new University Teaching Center.

Senator Williams: On November 27th, Senator Templin and I went to a meeting for the new university teaching center steering committee. Dr. Ben Pryor was in charge of the meeting, and after introductions, we looked at the history of the CTE, CTL, all of the various entities that the University Teaching Center is set to “re-incarnate.” A “SWOT” was gone through, but I basically would not call it a “SWOT,” it was simply, let’s talk about this. Some of the things that were strengths and weaknesses were discussed. The main question that came up was, “Why?” Why bring the University Teaching Center together? There was a sense among the group that it would be a good thing to have a centralized place where teaching pedagogy and those types of things could be further brought-up. Not just the ones that always go, but we are trying to infiltrate even more into the different departments; using the ones that do go initially to go and spread the word more with their friends and colleagues bring them with them. We had some ideas about a Masters’ class, something that would be offered to particular younger faculty members as well as learning communities. As far as threats, there was a question brought up, “will there be a use of the center activities by administration or any other type of means?” So that would be part of the workload too. There are a lot of things that may be issues that may be factored in to other related topics. The idea was at that point there will be more meaningful input, and Dr. Pryor asked for our input. So, we can bring the ideas to you about the university teaching center and ask for your input. You can actually give me your input on this subject and I can take it to the next committee meeting.

Senator Barnes: I don’t know if Barbara Schneider or anybody else was there from the Writing Across the Curriculum Program, but they might be useful. I was just going to suggest that someone be there from that committee.

Senator Williams: He seemed to have picked and chosen a number of individuals as to what they were going to bring to the table. As far as that, we did have one person, but I don’t remember the name. So, yes, we did have someone there from Writing Across the Curriculum. If you have any input you can email me and I will be glad to take it back.

Vice President Rouillard: Thank you, Senator Williams. The next update is from the Core Curriculum Committee. Senator Molitor, can you give us an update on the Core Curriculum Committee?

Senator Molitor: The Core Curriculum Committee met last week and one of the things we did was to invite some of the advisors from ICA (Intercollegiate Committee on Advising) to update us about issues regarding implementation of the gen ed. core curriculum that was approved by the Faculty Senate during Spring 2011 and the list of courses that was approved by Faculty Senate during Spring 2012. We were disturbed to find out that advisors on campus are not following the new gen. ed core curriculum. They have a very good reason for not following it. A number of courses that we approved in this new core curriculum are not listed on the system as satisfying core curriculum requirements. The advisors are correct in taking the position that they do not want to advise any student to take courses that are currently not listed as satisfying the general education requirements. So the Core Curriculum Committee feels like we are at an impasse and we cannot proceed with the number of issues that I discussed at the last Faculty

Senate meeting until the new core curriculum is actually implemented and being followed. We do not know where this process stands. Why is it that these courses have not been coded on the system? We understand that the old core curriculum still needs to be coded because of this idea that we have current students who were enrolled at UT before Fall 2012 that can follow the old core curriculum. For the new students who are enrolled starting Fall 2012, the courses that we approved last Spring 2012 should also be coded. If those courses are not in the old core curriculum, then they are not coded in the new system right now. So our advisors cannot advise students to take the courses. That is basically where we are standing right now. Are there any questions? Thank you

Vice President Rouillard: Thank you, Senator Molitor. Moving right along on the agenda. As I said Mr. Dabney will be here until 5:00 p.m. and Provost Pryor's discussion on I.C.E. will have to be postponed because something came up today and he was not able to attend. This brings us up to Senator Barnes who asked to be included on the agenda to give an update on the sexual harassment policy.

Senator Barnes: There are two issues that I want to update you about. You may remember that I asked Dr. Jacobs about sexual harassment advisors because the sexual harassment policy states that there are trained sexual harassment advisors. The link to the list of advisors in the sexual harassment policy was dead; there was no list of trained sexual harassment advisors. Much to his credit, he took me very seriously and shortly after that a list of harassment advisors appeared and the link went live. On one side of the sheet that I handed out, you have the list. I was able to contact six people on this list directly; not one of them knew that their name was on the list. I'm wondering if any of the thirteen individuals knew that their name was on the list. None of them have received recent training. Some of them had never received any training. Some of them have had training in the past; a couple of folks talked about diversity training that they had etc. One of them is on sabbatical leave for the entire year.

The Sexual Harassment Committee is especially concerned because we had such trouble with the UT legal department about creating a place for confidential conversations, particularly with students, a place that they can go to inquire about experience before it will trigger an automatic response. This is obviously troubling to students, especially graduate students because they have all kinds of issues. We had a lot of trouble with UT legal; obviously they are worried about protecting the institution regarding these confidential conversations. One of the things that we were really insistent about was that those advisors have to be really trained to talk to students in a way that says, "You can talk to me about A, B, C, and D and it won't trigger an automatic response." So, those folks have to really know what they are doing or the students are incredibly exposed. I wish that I could tell you more about the individuals that I spoke to about this (more than one) who talked about their own experiences and what they felt were retaliatory experiences. I don't want to expose anyone so I won't say any more, but I will tell you that simply to ask the question made a lot of people uncomfortable. Obviously, we have a lot more work to do here. The list is on page 4. of a 10 page document, so it is not readily available either. You will have to dig around to find the policy and you will have to dig around harder to find the link to the list of untrained folks. So, we are not where we need to be on this issue, and I hope that you will continue to ask about it and to continue to make sure that we do something better.

More upsetting to me, personally, is the loss of Diane Docis, [the Sexual Assault Education and Prevention person] to this community. She recently left, and to be perfectly blunt, she left because of

institutional harassment here; interference in trying to do her work ,which is sexual assault education, prevention, and advocacy. The kind of harassment that she was getting was for her to release the names of the survivors of sexual assault, and because she was a very ethical person, that was something she would not do. There were a lot more things going on, but that was the most upsetting to her. But, I am not here to talk about her, I am here to talk about her program. I can tell you that this semester I have had a student who is a victim of cyber-stalking who was getting about 50 text messages a day from a fellow student; she has stopped attending school as a consequence of that. In another incident, leaving campus last Thursday I witnessed a young man scurrying behind a young woman to get across the street to catch up with her. My innocent mind was thinking, “Oh, that is cute, he is scurrying to catch up with her.” They were near the Driscoll Center, and as I rounded the corner and he cut her off, I thought, “Oh, he is not getting any points doing that.” But by the time I caught up with them it was clear that something else was going on. He was standing in front of her, preventing her progress, and talking in a very loud voice. I walked up to him and said, “It looks like she already said “no” to you and you really need to move on” and so he left, and then I got the story from her that this was an ex-boyfriend and “He basically just chased me out of the library. I am just going home and he’s been doing this, this, and this, and I’m worried.” I hope you already know and I don’t need to tell you stories like that to convince you of the significance of this office to our student’s ability to learn, but it is really important. My concern is that with Diane leaving there will be an attempt to not fill this position. The other harassment that Diane was getting, was that she was literally told by her supervisor that she was representing the students too well and not representing the university well enough. An institution that thinks in those terms, that there is a difference between the interests of the university and the interests of the students is not a university that is student-centered or cares about its students. I can understand a conflict in the short term between those interests, but when you are faced with that kind of conflict if you support the interest of the institution over the interest of the student you will end up with Penn State. I think that it is too late for us to get Diane back; she has moved on to a great job, but I am asking that Senate will support this position. I can tell you that the Student Government will be entertaining a similar resolution this evening. My department, Women’s & Gender Studies has already supported it, and other departments are considering it as well. I would love to see Senate sign on to this last statement. I am not one of those people that can do the “Whereas, whereas, and whereas therefore,” but that last bolded sentence just says, “...we reaffirm the need for a specially- trained advocate for sexual assault whose primary responsibility is education, prevention, and advocacy for students survivors of sexual assault.”

Vice President Rouillard: Is there somebody who would like to make that a motion?

Past-President Anderson: Yes.

Vice President Rouillard: Is there a second?

Group of Senators: Second.

Vice President Rouillard: Is there any discussion? All those in favor of the resolution that Faculty Senate reaffirms the need for a specially-trained advocate in sexual assault whose primary responsibilities are education, prevention, and advocacy for student survivors of sexual assault please signify by saying, “Aye.”

Group of Senators: Aye.

Vice President Rouillard: Any opposed? Nay? Any abstain? *Resolution Passed.* The following is the resolution that was passed by Senate:

Faculty Senate reaffirms the need for a specially-trained advocate in sexual assault whose primary responsibilities are education, prevention, and advocacy for student survivors of sexual assault.

Senator Barnes: Thank you so much.

Vice President Rouillard: Thank you, Senator Barnes for giving us that important information. Next on the agenda, Past-President Anderson will give us an update on the survey regarding faculty retirement.

Past-President Anderson: Our “little” sub-committee consisting of myself, Senator Cappelletty, and Senator Duhon completed the construction of the survey and it passed through the Executive Committee for approval and it is now online. All faculty should have received from Senator Cappelletty a link to *Survey Monkey* with this survey on it; it is really very straightforward. All you have to do is click a few buttons and answer a few online questions.

Senator Jorgensen: We did not get an email from Senator Cappelletty.

Senator Cappelletty: It actually came through Quinetta.

Vice President Rouillard: I received it.

Past-President Anderson: I received it too.

Group of Senators: No, we did not.

Past-President Anderson: Alright, well, it was just sent out an hour or two ago. Anyway, the survey is very straightforward as far as information is concerned. We don't ask for any personally identifying information.

Let's start off with the first question: “I am likely to retire by July 1, 2015” which is when the changes in STRS will come into effect. The answers you can select from are, strongly agree, agree, disagree, and strongly disagree. We asked in the email for every faculty member to respond whether or not they plan on retiring. If their answer is, “strongly disagree” then they can stop the survey there, but we do hope to have some kind of percentage availability. The second question is: “My response to question 1 might change if there was a retirement incentive package.” The third question about the college area is the only demographic that would sort of narrow down your personal field/rank such as assistant professor and professor etc. There are gender and race related questions. All that information is designed basically to see what the diversity change in the university would be. I guess if you answer all of these questions it can pretty much point to an individual person. The following questions are: “Average number of graduate

students you teach?” The “Average number of graduate students you advise?” The latter question refers to dissertations you direct, not just advise. “Will you take university funding with you?” “Are you willing to be re-employed after your retirement?” “Is there is a particular role that will need to be replaced should you retire?” If you are uncomfortable or your constituencies are uncomfortable with answering any of these questions, of course, just do not fill in that particular question. Finally, the last question is just a general summary, anything else you would like to say on the impact on the university mission from losing your participation.

As I said, the survey should be online. If we get a number of reports that you have not received it we will try to determine why not. There is no particular deadline, but it should be filled out before the semester ends.

Senator Anonymous: I have a question regarding the open ended questions at the bottom. In case I get asked by someone, what are the risks of identifying myself for simply trying to retire?

Past-President Anderson: In part, I would hope if you are planning on retiring that you would at least keep your department advised of your possible thoughts so they can plan ahead. I can't imagine nasty consequences unless some administrator somewhere whether it is a chair, or a dean, or a provost would have some axe to grind about a person X. I don't imagine that there will be a repercussion.

Senator Anonymous: Are there any possible risks to programs, “X, Y, Z” if you don't hire someone?

Past-President Anderson: Well, that is probably true; if half the History Department for example decides that they all are going to retire at once then it will be hard to continue that program.

Senator Anonymous: You don't see any risk for revealing that in this context?

Past-President Anderson: I don't see any particular risk but maybe someone does. Are there any other questions and comments?

Senator Hottell: Did you say that this is going to be sent to us again?

Past-President Anderson: We are going to try to determine why it was not sent to everyone. I should point out that should you wish to “skew” the results there is nothing that will prevent you from submitting it three or four times. I am only saying that because you might get another message that says, “We updated the survey.” We will indicate if we are going to throw away previous submissions and start over again. We will collate the results and make some kind of report that leaves identities untraceable.

Senator Cappelletty: The email came from the Faculty Senate Office and not from Quinetta. If you got an inbox from the Faculty Senate Office it is relating to the retirement survey and that was sent out about 2:00 p.m. today.

Past-President Anderson: Are there any other questions? Thank you.

Vice President Rouillard: Thank you, Past-President Anderson and the others members from that committee. I have a brief update from the evaluations of Deans Davis and Bjorkman, that survey closed last night at midnight. I forwarded the results to Provost Scarborough. Thank you to those who responded. The response rate was 16 and 44 responses, a 30% and 20% responsive rate respectively. Again, thank you for those who did respond and thank you for your patience; we did have some confusion at the beginning of the survey. I also want to thank Bobbi Vaughn from CCI and Brad Volk from IT who helped us with this survey and were exceptionally patient as we learned to work through this process. There will be some more deans that will be evaluated next semester and we will keep you updated with that. I see that Mr. Dabney is here, but there is one more thing we must do before proceeding, we have Dr. Peseckis with some agenda items and I will bring those up.

Dr. Peseckis: The courses that were sent out today are recommended for an approval from Faculty Senate. Mostly they have to do with communication and also a new alpha code for the Honors College and two pharmacy courses, one new and one for course modification.

Senator Jorgensen: If we only get these two hours before, we can't make a decision. It turns out that two of the courses that are in there affect my department and we had no idea about this until today.

Dr. Peseckis: Well, we did send it out today.

Senator Jorgensen: But you are asking us to vote on it. I didn't get a chance to talk to other people about it to see what they think, any issues.

Dr. Peseckis: Are they communication courses?

Senator Jorgensen: No, chemistry. They want to replace courses that are in our department.

Dr. Peseckis: That pharmacy students take?

Senator Jorgensen: Yes. The purpose of Senate is for us to represent our college, so we need to review proposals that affect our curriculum.

Dr. Peseckis: We can remove those for consideration today and after a discussion we can bring them back, alright.

Senator Jorgensen: Yes.

Dr. Peseckis: Are there any other questions and concerns? So, we are going to remove the courses from the College of Language Literature and Social Sciences and we will move forward with the courses in the Honors College so they can be approved. We will come back later to approve the pharmacy courses. All in favor? Any opposed? Any abstentions? *Motion Approved.* Thank you. The following courses were approved on 12/04/2012:

Vice President Rouillard: Unless there are any other comments or questions we can perhaps ask Mr. Dabney to speak.

Senator Lee: I have a question for Senator Barnes about the previous topic. I do recall conversations by being on the Task Force about advisors and as we reviewed them and updated them. I did notice that there is one person that has a 383 Health Science Campus number on here, so I would hope whoever is involved would be thoughtful that they are representing both campuses. There are hundreds of students who never come on the Main Campus and do not have encounters of this nature because they are on the Health Science Campus all the time. I am sure that we will have faculty in the College of Nursing that would be keen on being helpful with this.

Senator Barnes: I appreciate that. Let me be clear that the Sexual Harassment Taskforce had nothing to do with this.

Senator Lee: Whoever this goes to or whatever the process is.

Senator Barnes: Thanks.

Vice President Rouillard: Is there anything else? Okay, I am going to ask Mr. Dabney to come up and update us on the budget shortfall.

Mr. Dabney: Thank you for inviting me. I am going to try to answer some of your questions. I am going to make it available and pass out, feel free to stop me along the way as I speak if you have any questions. There were some questions regarding the Fiscal 11 Audited Financial Statements, referencing pages 22 and 24 of the audit financial report pertaining to the ARRA funding. The ARRA funding that the state used to maintain support for higher education in the previous biennium are reflected for FY's 10 and 11 in the amount of \$17.6M and \$17.9M, respectively. It is those funds, coupled with a reduction in SSI that combined to cause over a \$20M reduction in State support for UT in FY12 and 13 over the previous biennium. When it came to this biennium the state claimed that they only reduced us by 3%, but in reality we lost all of the ARRA funding as well which they have used to supplement our funding previously to keep us on the same level. So the net factor, when we ended that we lost a little over \$20 million dollars in state funding.

The other question on this audit had to do with the ARRA interest subsidy. That relates to the \$37,430,000 in federal taxable Build America Bonds UT issued on July 15, 2009. UT will continue to receive these funds, equal to 35% on the interest paid on the Build America Bonds until those bonds are paid off. We will see that on financial statements going forward until those loans get paid off.

Vice President Rouillard: What were those stimulus monies spent on?

Mr. Dabney: They were used for the normal operating expenses. The university treats it no different than the state share of instructions. It is just how the state labeled that portion of the state's supportive of the university.

Vice President Rouillard: I asked that particular question because at one point I saw reference to a proposal made for stimulus monies that included targets that were using that money for renovation and including infrastructure on the Scott Park Campus.

Mr. Dabney: Well, there were a number of grant proposals submitted to the federal government and also to certain agencies in the state that had federal stimulus money. Unfortunately, both of those did not result in any support to the university, so we did not get those funds.

Vice President Rouillard: Okay. Thank you.

Mr. Dabney: With respect to the errors in Medicare withholding, it came to UT's attention that some employees – faculty and staff – that had joined the university after March 31, 1986 without a break in service from another state agency – were not having Medicare taxes withheld as required by Federal law. Now, there was an exception because a lawsuit was filed and won by the university with respect to people who were employees of the state and had no break in service, even though they came here after March 31, 1986 that they were exempt. Unfortunately though there were coding errors that took place since March 31, 1986 on roughly 40-45 employees. They were coded to not be subject to the Medicare withholding tax which in fact they were subject to it. We sought outside council to tell us what we could do, so we could only go back three years, 2009, 2010, and 2011 and the university paid for both UT's and the employees' portion for 2009, 2010, and 2011. Because that was going to the portion that we paid that was the employees' portion it was going to be taxable income this year and we took a percentage of it and paid that as a one-time stipend to those employees to offset the tax implication rather than have them penalize and have them pay out of pocket. We took this year's Medicare tax of the employees' portion and we are withdrawing that over three pay periods. We did it in that first pay period where we did the onetime stipend to cover prior years' tax liability and then the next two payrolls. Okay, the next two payrolls after we do an analysis to it we plan to pay a onetime stipend on each of those two installments so that we would not adversely affect the take-home pay of these employees. I think the next payroll will be the third one and that should all be taken care of.

Corrected W-2's for 2009 through 2011 will be sent in December. There is no action required on these corrected W-2's. The corrected W-2's for 2010 and 2011 for errors related to other issues, such as imputed income on Life Insurance, have been sent out. I have to step back and say the Medicare ones will be sent out in December, but there is nothing that an employee can do besides stick it in their files because it has no income tax implication changes to prior years.

Next, I am going to update you on the budget shortfall. Am I still projecting a \$36M shortfall? The short answer is, "yes." I wanted to point out how did I come up with this \$36M number. There are basically three components to that 36M which are the following:

- i) In this year's budget if you look at the budget documents you would see under revenue line-items, a line-item for a capital for maintenance and repairs and it is \$15M. That is a portion of what the state provided to this university this year. We would typically take those improvements out of operating income and we decided on this onetime basis since the state gave us the money to not go after \$15M in additional reductions in the FY13 budget. That

was a conscious decision of management in consultation with the Board. Otherwise, we would have had to reduce this year's budget.

- ii) We also included \$8M in this year's budget being generated from strong position control that is not practical to continue. But, that is something over the long-term is not sustainable and so it needs to be addressed from a budgetary standpoint.
- iii) Finally, as we all know we had a 4.9% decline in enrollment in the fall. We had projected a 2% decline when we did the budget. So, between student tuition fees less the scholarship money we did not save and then considering the auxiliaries as far as the room and the board and other auxiliary services that get impacted such as the book store. When you add it all up roughly \$13M is the estimated shortfall in this year's budget due to enrollment decline above the original budget projections. We will wait to see how we do in the spring, that number can get larger or it can get smaller. Of course, we are doing this as an attraction because we are using housing to increase enrollment.

Past-President Anderson: A quick question about that. On the auxiliaries, don't they have their own budget anyway? So, if there is a loss of housing funds or something, that comes out of that budget as opposed to coming out of the general university funds?

Mr. Dabney: Well, it comes out of their funds, but they're part of the overall university. The agreement that the president has with the Board is to produce a consolidated financial statement that has a zero or positive net income when you factor in state share of instructions. You are correct. I mean, it does impact and it impacts the university.

Past President-Anderson: It does impact the bottom-line. But, the question is whether that impact will be spread throughout academic programs, for example, or whether it will remain in the auxiliary budget?

Mr. Dabney: I think when we go through the rest you will see how it is addressed because the net-net basis the auxiliaries produce excess income that ends up being used in the other aspects in the academic enterprise and to the extent it does not make that excess income then it has to come back from where it was spent. If you flip the page you will see a Senate Bill IV projection if there's no change.

- b.) I have had projections done on the basis of not addressing the budget shortfall, but using the university's reserves to cover. The results are that
 - iv) The State would take control of the university after FY17, following two years below the minimum 1.75 required.
 - v) UT would run out of cash and investments in FY18.
- 2) What has happened since 2009?
- a) UT ended FY09 with a \$15.4M negative NOI

Vice President Rouillard: Does that include the auxiliary services?

Mr. Dabney: Yes, that includes the auxiliary services. That includes that entire academic enterprise including the auxiliaries and so what I am doing is these numbers are everything except for the hospital. I wanted to walk you through some major components and what's taking place:

- b) Net Tuition and Fees plus SSI increased \$6.7M
- c) Net Expenses changed as follows:
 - i) Administrative expenses declined by \$10.9M from \$86.5M to \$75.6M
 - ii) Colleges declined by \$200,000 from \$212.1M to \$211.9M
 - iii) Academic Overhead expenses declined by \$7.9M from \$37M to \$29.1M
 - iv) Hospital Reimbursement decreased by \$2.1M
 - v) Net Contracts and Grants declined by \$11.2M of which \$4M was loss of Success Challenge. I am still having this looked into. This is gifts, grants, and private – we are trying to find out what did go away. The actual 1M of it related to the success challenge money that was in there in 2009 and it was moved up to the state share of instruction line.
 - vi) Net Auxiliaries improved by \$1.5M
 - vii) Central expenses declined by \$2.8M
 - viii) FY12 NOI was a negative \$1.3M

When you add all of this up it does tie-out and that's in a nutshell where we are at today. I started with that by starting from taking all of that into consideration and looking at what we budgeted for FY 13 to explain \$36M. But, I think it provides a frame of reference in terms of where we are at and how we got to where we are at. Are there any questions?

Senator Jorgensen: When we read the paper it stated that there was \$13M from this year that was identified also as an enrollment decline in this year's budget.

Mr. Dabney: That was the line on that first page. You probably see it.

Senator Jorgensen: That is from next year.

Mr. Dabney: No, this is talking about the FY 13, but it carries over.

Senator Jorgensen: Right.

Mr. Dabney: So, that is the basis what they are starting from, \$13M less.

Senator Jorgensen: So I understand, the \$13M is more than just the enrollment funds, it's the utilities issue?

Mr. Dabney: No.

Senator Jorgensen: That was reported in the paper from the president.

Mr. Dabney: That is all I have factored in thus far and that is exactly what I have focused on. When we looked at tuition and revenue lines and we looked at the scholarship lines and we looked at the

implications that it had with respect to housing and we looked at the implications that it had with respect to meal plans and some of the other auxiliary services, and that is how that \$13M came up from where I am sitting.

Senator Jorgensen: So fiscal year 13, the one we are in right now if nothing is done differently and the recruiting efforts from January are successful, at the end of June of this year there will be a deficit \$13M?

Mr. Dabney: We will have a \$13M deficit if we don't do anything. We started every budget year with a contingency as part of the budget and that contingency started out with \$10M and we've used some of that when the years progressed, but a portion of that \$13M can be and will be absorbed by the contingency funds.

Senator Jorgensen: Of course we have those students with less expenses too, less are taking classes with us.

Mr. Dabney: That is correct, and the provost and the chancellor are looking at the funds that they have with respect to part-time faculty and they are looking at the savings to have there and so that would be a portion of coverage this year's \$13M shortfall. We don't intend to have a \$13M shortfall by the time we reach June 30th, but the question is, how are we going to cover it? And that is still being worked on in the president's office with myself, Dr. Scarborough, and Dr. Gold. We are going to come up with a solution that the president will run by the Board then we will be in a position to share, this is the solution to the whole community. But right now, we are putting all the pieces together and looking to see what the options are.

Senator Jorgensen: Well, \$13M hasn't been reduced by reduced cost and expenses with housing, sections, and various other things?

Mr. Dabney: Well, I think that is a good question and that goes to, why did we offer free room to transfer students? Well, we lost a gross of \$3.2M in revenue from...by closing it, but we didn't have anyone to put in there. Our variable cost for operating in that dorm is \$300K, so we can fill it up for free and only cost ourselves \$300K and add a couple hundred students that are paying tuition; the university picks up a million dollar...line, so it makes good business sense to do that.

Senator Barnes: I don't know if it will be useful, but I am curious to know, you said when you started your narrative of the budget that we started with a \$15M hole in 2009, do you have any idea what caused that?

Mr. Dabney: I have to say I did not go back and fully analyze this in preparation for this meeting; I certainly have the data and I could go back to see. That is also why I took 2009 and said, what changed since 2009? Where have the improvements come to get \$15.M down to what it was in FY12 with negative \$1.3M and those components were part of what I passed out. I was not here at that time and in fact, there were people here before I was. I can analyze it, but I will probably need to go back and analyze it from many years prior to that. Those things happened over time typically and the university at that time was on an unsustainable financial model and it needed to make some changes.

Senator Humphrys: When I look at my W-2 form from 2011 and I look at the Medicare wages, Box 5. If I multiply that by 1.45%, which has been the rate for years, I don't get the amount that is in Box 6. It is off by a few dollars, and I wonder why that is. Is that what you were addressing earlier? If that is true with my W-2 form then it is true with everybody's because it is the only simple calculation that occurs on the W-2 form. So, I was wondering could you give us an explanation for why that amount is incorrect?

Mr. Dabney: I will have to see yours. If you are saying the Medicare wages and then the Medicare tax and the tax is divided by the Medicare wage box and it does equal 1.45%, to me that is another error.

Senator Humphrys: I put this out in my department and everybody who reported back to me said they were also off by \$3-8.00 dollars.

Mr. Dabney: I would typically say that is a rounding error, but that seems a little large for a rounding error. Medicare taxable wages differ from your federal taxable wages.

Senator Humphrys: It is just really interesting.

Mr. Dabney: I will follow-up on that.

Senator Keith: I have a question on the third page under revenues, listed under student fees, and then *Less Scholarships*. Are we actually getting \$40.2 in tuition and fees?

Mr. Dabney: It changed from 2009 to 2012 and it was \$40.2M additional tuition and fees collected/booked by the university (this is accounting). \$4M of which we have been able to identify had to do with the Success Challenge that the state previously provided for the university and then auxiliary that if we take the revenues less the expenses they accrued by \$1.5M, so it is like an expense reduction, but it could have been a revenue increase.

Senator Keith: Okay, that was my question because you confused me because it seemed like it was from having it pertained to increase, positive to negative. It was very confusing, so thank you.

Mr. Dabney: I know, but if you look at the numbers if they have a bracket around it then that means they helped us and if they don't have a bracket around it they used up money, more money was reduced since 2009.

Senator Humphreys: Can you tell me what kinds of things go into the expenses under the administrator category which is in the academic over-head category?

Mr. Dabney: Yes, the office of the president in under the administration. I can certainly provide you the details of who used up more money and who provided it. The office of the president increased by \$763,000 and the general counsels decreased by \$310,000, the facilities decreased by \$2.8M, External Affairs decreased by almost \$900,000, Finance decreased by \$2.9M, Internal Audit increased by \$500,000, Information Technology decreased by \$800,000, Student Affairs declined by \$80,000,

Institutional Advancement declined by \$400,000, HR, Safety Health, and Police declined by \$3M, Government Relations increased by \$180,000, and the office of Research and Innovation declined by \$1.2M, so that is how we came up with the \$10.9M and those are the component pieces. I just felt like it would be an overwhelming amount of information, but certainly each of the components would be happy to provide additional information.

Past-President Anderson: What is under the Academic-Overhead?

Mr. Dabney: The Academic-Overhead is the library, grad school, research and sponsored programs, Tri College, the Chancellor's Office and Provost's Office. The Provost's Office is down \$ 2M and the Chancellor's Office is down \$1.7M, so that is basically each one of those.

Senator Jorgensen: Back to the \$40M increase. Students increase tuition fees, \$17M in scholarship which means that 40% of the increase was never collected and was given away in scholarships.

Mr. Dabney: That is correct, and I think the provost is here and he can probably talk to you about the recent addition to his team. With respect to Enrollment Management and I've talked to Cam, I got optimism that we will see perhaps a better return on the investment on the university in terms of how we are using the scholarship money.

Senator Molitor: On the change in expenses on the last page, one of the biggest increases in expenses was grants and contracts.

Dr. Dabney: That is correct.

Senator Molitor: Then why don't we see a corresponding increase in revenue with grants and contracts?

Mr. Dabney: This is a net number. What we took into consideration was the revenue with contracts and grants and the expense that is associated with contracts and grants and this is a net number. What I was trying to say, we know \$4M of it had to do with the Success Challenge monies. Because it is so significant we are researching and trying to understand what that other \$7.2M represents; did we get a lot more private grants back then or was it the state grants that we were getting that we are no longer getting, what changed that caused us to lose \$11.2M in either funding or higher expenses? It really wasn't higher expenses in my opinion. But, it is funding in the federal grants and contracts and not to other grant categories.

Senator Wedding: In other data I have seen the grants and contracts had dropped 37% in the last two years. In other words, right now I think our research grants are around \$47M and they were up over in the 70-80's, is that is where that \$11.2M question is coming from? I think this is a three-year number that you got.

Mr. Dabney: This is from fiscal year 2009, so we are talking about, 2009, 2010, 2011, and 2012. So, I am going from FY 09 to FY 12 and that is basically taken off both the revenues and less the expenses and

saying, what's the change? And the change is, I will call it a "loss" of \$11.2M in either revenue or higher expenses, one of the two.

Senator Wedding: The loss in contracts which roughly corresponds to this from Jim...office he produced something, I will use my professor's license, about 37% in drop.

Mr. Dabney: That is more recent.

Senator Wedding: That is the last two years not the last three. So that is in the drop of research and contract substantial that correlates some of this.

Mr. Dabney: Right.

Senator Weck-Schwartz: I don't understand which numbers here add up to the \$36M shortfall.

Mr. Dabney: The very first page shows you the \$36M shortfall; all the remaining pages did was put in perspective where we are at and where we are coming from. This \$36M shortfall does not include the \$1.3M deficit for FY 12. What I did was start a clean slate that says this year's budget which is designed to have a zero dollar rating included a one-time capital of \$15M that we don't expect to get from the state in the next buy-in, \$8M in Tight Position Control which we intentionally did this year to not make the budget exercise FY 13 so onerous and then it got complicated because of the lower enrollment which added another \$13M, that is how we get to \$36M. If in fact they add higher enrollment which was our hope that \$13M would have been a \$13M positive and we would have been looking at a more...shortfall.

Senator Thompson-Casado: I understand that this is a look back over the past several years of how our expenses have changed and you probably have seen that the union has hired someone to look back on the change, is the administrative cost going down with the numbers you provide don't jive at all with what we see with the other report that shows administrative cost goes up significantly? I guess I just don't understand how it could be so different.

Mr. Dabney: I will have to look at the report. I will certainly be happy to talk to the person that put the report together to understand where they are drawing their numbers from.

Past-President Rouillard: The numbers in that report are from Audited Financials.

Mr. Dabney: So they are looking at it from FY 09 through FY 12.

Vice President Rouillard: They produced a report that looked at the figures just prior to the merger up until 2011 because those were the figures that were available at the time.

Mr. Dabney: I didn't get back from that point of time which would have been FY 2005, so I guess that would possibly explain the difference. I will have to go back and look at those numbers and see.

Senator...: So if our goals were to increase enrollment to avoid this problem from coming, where is our \$36M...that come from that don't...?

Mr. Dabney: The challenge right now is being discussed in the president's office. I will have to leave it to the president to explain what strategy he is going to recommend and I am sure he will consult with the Board as he considers the options. I don't have the answer for you right now. I can tell you that I have visited with everybody present at the institution and we have looked at every administrative area and we've looked at where there are opportunities for...areas, reassigning work and making those operations more efficient. So, there are some dollars that the president is aware of in those particular areas and that could be reduced from a budgetary standpoint. I started every meeting that I had with the vice presidents saying to them, "You have to justify to me that this is not shooting the university in the foot. And we are not doing something that is going to impact the mission of the university. Who is going to perform this role? Is this role no longer needed?" Now, I can speak for my area very easily. I eliminate positions and have been eliminating positions and fortunately a lot of people retired, so it wasn't eliminating a person, but through automation... I can tell you right now that we are in the process of rolling out the traveling expense model. That is a part of the Banner System that the university purchased many years ago. That is an automated process and I already used it. It will be rolled out campus-wide. There is one FTE that is available and handles all of that paperwork that is currently done manually. So, hopefully it is going to be along those types of lines that we are going to be able to find our savings. But, I can tell you that there is not \$36M of those types of savings that I am aware of in this institution. So, the president is going to have to look at and consider other options that are put forth by a management team. Now, this may not be something that can be addressed in one year, and if that is the case, I gave you the "worst-case" scenario here when I talked about Senate-Bill 6 and the use of reserves to cover this and basically doing nothing. The university has got to do something to make this a financially viable institution in the long term. But, it is not necessarily going to be able to do \$36M of corrections in one year, but I can't speak for the president on that, he ultimately will.

Senator Wedding: Is it possible that \$13M for the decline in enrollment is just a tad bit high? I heard numbers closer to \$5-6M, but you have \$13M for that and you did plan for 42%, so that means really if you have 3% of enrollment drop that would equal to \$13M. That seems like a lot higher numbers that we have been given elsewhere.

Mr. Dabney: Well, the \$13M was the original estimate that came out from an analysis that was done by the budget staff. I have not changed that number to the current calculation taking the approach that...out for spring, let's say it is going to be closer to \$15M not \$13M. We looked at these numbers very carefully and that is why I don't go changing the numbers around when they stay within a very limited range. I am looking very carefully at what's going to happen in the spring. I am not encouraged right now based on the indicator I used, which is future receivables, that's when students have enrolled and the...is turned on and it shows up in our receivable book for a future receivable.

Senator Barnes: : I would just like to ask, and I am sure you don't have anything to do with this, but what was that fiasco that caused students to be evicted from the dorms with one week left in the semester? I don't know what caused that to happen, but we had several students that were leaving because they had an outstanding bill; at this point of the semester it just seems ludicrous to do that.

Mr. Dabney: I am the head of the Bursars Office and they are the ones who work for me. I am very aware of what they've done. We evicted fifty-eight students this year.

Senator Barnes: With one week of classes left?

Mr. Dabney: Not all had one week of classes left; many were deregistered. We tried to weed out the students early in the semester. Some of them got, I consider some bad financial advice. But these students in the last couple of week have not paid the university any money. We will not get state share of instruction. We will not get one dollar collected, it all will go to the Attorney General's Office for collection. But, it is a sad situation, they should have never come to the University of Toledo when they don't have the financial... Yes, there has got to be a balance between helping students to get an education to further their career and opportunities and taking a stand for the students who are paying their bill and have every right to a seat in a classroom and have every right that the person sitting next to them is also being expected to pay their bills. Now, in this last group there was a handful. But, they were very carefully reviewed; they have paid zero dollars to this institution. Whoever talked to them extended their time to that student without getting any compensation to this institution. Now, we do have to try to teach students more than what they learn in the classrooms and part of that is financial responsibility. We reach out and try to work with these students from the beginning and we work with them in a sense we'll put them on a \$5.00 per week payment program if they just agree to pay us something. If they aren't going to do that then they really don't belong here at this institution. I mean, we are not heartless, but at the same time we do feel like we have an obligation for the students who pay, especially with respect to taking up a seat in the classroom if it is full by someone who is not paying and having to wait on a waiting list for the paying students.

Senator Barnes: They weren't financial aid recipients or anything like that?

Mr. Dabney: Some of them could have thought they were going to get financial aid and some of them could have thought they were going to get an alternative loan. But like I said, we basically weeded out over one-hundred at the beginning of the semester. We had some in the dorms in the first few weeks of class that really should not have been here; they came and worked with us and signed a Promise Note to pay a few bucks and did not pay it, whereas the other students that the university technically said "you owe us this amount of money," we deregistered them and made sure that even though they ate some meals here and slept some here they owed the university nothing. We hope they can come back when they can afford to come back. That is how we are trying to work with the students, but we are trying to teach them financial responsibility. And those who thought they could come here and never pay made a serious error in judgment and that message needs to be circulated among others so we will end up with students who are serious about paying. I can tell you for a fact that before this was even done that list was shared with Cam and he had his financial aid people go through it and they identified close to 100 students that they reached out to and did provide assistance to.

Senator Barnes: It is kind of ironic when we ourselves aren't balancing our own budget.

Mr. Dabney: Well, we are trying to get there.

Vice President Rouillard: Thank you, Mr. Dabney. We appreciate your time. Is there any new business from the floor? Provost Scarborough, would you like to address Senate? Do you have any comments that you would like to make to Senate this afternoon?

Provost Scarborough: Nothing in particular. I would be happy to answer any questions that anyone wants to ask.

Vice President Rouillard: Are there any questions for the provost? I can have him come up here.

Provost Scarborough: There is one question I would have asked had I been with you during today's presentation, the amount of the hospital's transferring went up or down by \$2M. What that was, when the university decreased its administrative cost that was the hospital share of not having to pay for part of that \$10M and so that was the justification. The administrative costs of the university were reduced, therefore the hospital shares for administrative costs were reduced, so that was the answer for the \$2M.

Senator Thompson-Casado: It had nothing to do with their revenue?

Provost Scarborough: No. The part of today's presentation I did not understand was the contracts and grants piece. That was a part I think admittedly he (Mr. Dabney) does not really fully understand either. The fact that he said they are still researching it I think it is a point where we want to revisit that issue at some point. I guess we can hypothesize what it might be – sometimes contracts and grants also fund financial aid programs for students, so it could be the university lost some amount of funding for specific federal financial aid programs that we chose to continue funding in some other way; and that was kind of the fact the gentleman from engineering asked a good question. In most cases when federal grants and contracts increase it ought to be a commensurate decrease in the revenue. In any experiences when the net would be zero and the fact that this is producing something other than net zero suggests that this is ? something like losing funding that we chose to go ahead and continue anyway, that is an example for that. I actually thought Dave, who I have known for a long time did a nice job looking at this from a global standpoint, but the contracts and grants I thought needed a little bit more information.

Past-President Anderson: I assume that number really only relates to the overhead grants, right?

Provost Scarborough: Oh yes, the overhead grants too.

Past-President Anderson: So, if you do lose \$30M in actual grants you are also going to lose approximately 40% of that in the overhead that goes into the general budget.

Provost Scarborough: That is another great possibility. We could have lost some funding, but we could have, for example, gone ahead and spent some of the accumulative indirect cost that built up over the couple of years. That was another very good idea.

Senator Hammersley: When you are talking about \$13M with fewer enrollments, what are you calculating, one thousand students with roughly \$13K a piece?

Provost Scarborough: Senator Hammersley, I think you asked another good question. I am going to agree with Senator Wedding, that \$13M and all the enrollment seems high. I don't know what methodology Dave used to get to that number, that number does seem a lot. I would have said though if I would have been Dave, that number is hard to project because we are essentially taking fault in all the decline and projecting what the impact would be in the spring and the summer, that is not an exact science. The other thing I would have said if I would have been Dave, one of the things this \$36M does not account for is the change with the state share of instruction formula which is going to hit us if that formula is approved by another \$3M. So, while he may be higher in enrollment impact it does not include the potential impact of the state share of instruction, which gets to one of the points I think Senator Jorgensen made, there are many things going up and down in this; for example we are likely to have a mild winter, so if we have another mild winter there should be some utility savings that can go against that. What Dave was saying was "let's focus on the big issues for the moment," but all across the year things will go up and down. I thought someone else asked a good question, how is it possible that we are in this financial mess, even though we have a report that says our finances are in pretty good shape? I think Dave struggled with that a little bit. But I think it is a pretty straightforward answer to that and that is this, again, I always preface these comments with everyone has strengths and weaknesses. One of the strengths of Dr. Jacobs has been when the university has taken a funding cut or has lost revenue or whatever the source, he has always been quick to adjust the budget accordingly. So, as we look back over the years, the fact that we've taken "hits" one way or the other, we've always adjusted the budget so when we begin at the beginning of the year we have always ended up okay. The exception to that rule has been recently when we lost the stimulus money from the federal government through the state. It was the first time since I've been here that we did not react immediately that there's a conscious decision made by the administration and the Board and it is a phrase that Dr. Jacobs uses, "They decided to "kick" the can down the road," whether to buy us another year to adjust to this loss of stimulus monies. So the fact that we bought ourselves another year essentially through cash reserves and then it became more complicated by the fact that we didn't hit enrollment with those budgets, now the funding formula changed etc. etc. The number has grown to a much greater number than I am sure they would have hoped for when they made the decision not to adjust the budget immediately. That is a long way from saying why your financial condition improved over recent years and yet we find ourselves in a little pickle. And the question about how we deal with this, Dave said, "I don't know. The president will have to speak to that," but what Dave is really saying that there have been a lot of conversations on decisions about how really you do that. You always start with the non-academic areas. Any good financial officer who has a heart for higher education will always start with the non-academic areas and say, "Okay, here we go again, where can we reduce cost?" because you are trying to protect the core mission. Assuming Dave's numbers are correct and Dave is also a collection of strengths and weaknesses, but I have never known Dave's numbers to not be ethical in his best measure of what is really happening. If these numbers are correct it suggests the university has always gone first to the non-academic side to try to find the savings. Someone said, we have gone too far, but I would argue we are now to the point where how much more can we take. We "nibbled" around the edges meaning we cut all the administrative areas so much that there's just not much there. So it gets us to the harder questions, non-academic programs that attempt to achieve service missions, can we afford to do that? Once we then address the service mission and teaching research missions in the academic areas and that is what everyone has tried to avoid doing. Thousands of

universities are confronting the same thing in the United States. That's where we find ourselves is where other universities are finding themselves.

Senator Jorgensen: There are two things that jumped out at me and I already mentioned, if 40% of the increase of tuition has gone on scholarships; there's a 40% discount. Private schools have discounts – 40% in increase over time seems like a big number. The other thing is 1/3rd of freshmen do not make it back the second year. Many years ago we had seventeen funded programs through theFYE Program trying to get freshmen to become sophomore and many of those programs are now lost. The best student to “recruit” is the one that is already there and we are very poor in state statistics and that would be something to zero in your area.

Provost Scarborough: Again, I couldn't agree with you more. I can remember when I started this business the average discount rate for a public university was something close to 27-28%. As public universities have tried to model the behavior of private universities over time to compensate the loss of all state funding, those discounts rates have been on a steady decline. So in a way it does not surprise me that we hit a 40% discount rate number. Everyone that looks at this would say when you start getting in the 40-50% that is when you are usually right on the edge for someone to try to produce a cash flow. We really need a strategy to attract the better-paid, more well-prepared students, usually there is a strong correlation between those two. We have our fair-share of underprepared, underfinanced, and under-resourced students, and I know those students are very dear to my heart as I know they are yours, but we do need a strategy to attract more well-prepared and well-resourced students; that has to be a part of our strategic plan going forward

Senator Barnes: At what point are we no longer a public institution?

Provost Scarborough: Well, that's been the big tell joke for many years now. First, I'm not much for telling jokes and I never try, but the joke goes something like, at first you were state-supported and then you were assisted and ultimately you were state okay. The numbers of public support are headed in that direction. And again, I don't like to beat people up, although politicians do occasionally, but political leaders have a difficult problem because Medicaid is running away from them. As a nation we probably over-promised on a number of financial commitments that right now it seems like we are unable to afford. The Medicaid program from the state is really running away from our legislatures. Secondly, the prison population is costing more and more and the K-12 logic is affected. So, in the end they don't have a lot of choices, they can't print money like the federal government. I think they have been a little irresponsible because they started selling off one-time assets to kick the can down the road where they use rainy day funds etc. etc. So, in the end the state is left with a difficult issue and you all have been following it.

Vice President Rouillard: When we first merged, the hospital and the university, we were promised a firewall between the two budgets and that's never happened and now the academic missions are very vulnerable to, as you mentioned, Medicare and we are vulnerable to litigation consequences given what happened at the hospital, is there any chance of our budgets being separated?

Provost Scarborough: Well, here's what I can tell you because I wasn't around to hear some of the discussions, but what I do know is this- they account for the hospital for the academic enterprise. They

keep good records and they keep the records clean. There are only two things that connect so far, the academic enterprise with the clinical enterprise and that is the cross-charge that we talked about that is essentially the hospital claiming the university for its fair share of support the hospital receives, a percentage of the president's salary, a percentage of HR funds, a percentage of the police function, a percentage of the utilities paid, etc. etc. The hospital cuts a check each year at the university for its calculated fair share, that's one way that the two finances come together. The other way they come together each year is when the hospital is charged with writing a year-end check for \$10M to support the College of Medicine. Now, we compensate the academic enterprise with full disclosure and that money is stored and it always has and it goes to offset expenses in the College of Medicine. So those are the only two places where the two entities are kept separate in the accounting records will fund one or the other. Now, to the point I heard you make, I go to bed at night hoping that the hospital will find a partner; that the university will be able to partner with a larger healthcare enterprise and reduce the financial risk to the overall university. I will be the first to tell you that the hospital is the more risky of the enterprises; I don't think anybody would want to debate that. On the other hand, the hospital is part and parcel of the academic mission to the College of Medicine. So that partner we find has to be committed to the teaching mission of the institution, and that's been the hard thing to find -that partner in the right condition. I would have thought by now we would have found that partner because I know how hard we have been working toward that end. But, a lot of things happened, for example a more likely partner in town got in a little trouble with an entity called the Federal Trade Commission, so that made that potential partnership all the more problematic if it were to work out for academic and other reasons. Dr. Jacobs has said this as long as I've been there, a 200-bed hospital is probably too small to succeed long term in an industry that is consolidating quickly and where the rules of the reimbursement game get harder and harder every day, so I am like you, Vice President Rouillard, I am hoping that we find a way to minimize that financial risk.

Vice President Rouillard: Okay, it is just about 6:00 p.m. and I would like to thank Provost Scarborough for spending some time with us. Is there a motion to adjourn? Meeting adjourned.

IV. Meeting adjourned at 6:00 p.m.

Respectfully submitted by:

Lucy Duhon
Faculty Senate Executive Secretary

Tape summary: Quinetta Hubbard

Faculty Senate Office Administrative Secretary.

