

MINUTES OF THE MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

June 5, 2003

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 2:00 p.m. on Friday, June 5, 2003. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

Interim President Lou Anna K. Simon called the meeting of the Board of Trustees to order at 2:10 p.m. in the Board Room.

Trustees present: Dolores M. Cook, Joel I. Ferguson, Dorothy V. Gonzales, Colleen M. McNamara, Randall L. Pittman, Donald Nugent, David L. Porteous (by telephone) and G. Scott Romney.

University officers present: Interim President and Provost Simon, Interim Provost Banks, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Huggett, June, Webb and Webster, Executive Director Williams, and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Jonathan Hall, Susan Melnick, Steven Spees and Brian Teppen. Student Liaisons present: Jared English, Missy Kushlak, Misty Staunton and Kimberly Yake.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Mr. Romney, supported by Ms Gonzales, **THE BOARD VOTED to approve** the agenda.
2. On a motion by Ms. McNamara, supported by Ms. Cook, **THE BOARD VOTED to approve** the minutes of May 9, 2003.
3. President's Report

Michigan State University ranks sixth in royalty earnings among universities in the country, receiving more than \$30 million in 2001 from royalties and other payments from licenses. MSU was the only Big Ten university to be ranked in the top ten.

MSU will enjoy a busy summer as nearly 35,000 individuals will attend conferences and summer institutes on campus. Additionally, summer

enrollment will bring about 16,000 students to campus throughout the summer. This is a great opportunity to showcase MSU's programs, educational opportunities and beautiful campus to children as well as families and senior citizens.

The MSU team of student engineers placed 3rd overall in the Society of Automotive Engineers Formula race car competitions. This car was featured at the automotive initiative event in Detroit recently. It is a great source of pride for the students' advisor, Gary Cloud, who is a professor in Mechanical Engineering.

The National Cancer Institute has awarded Michigan State researchers a \$2.7 million grant to test effectiveness of an intervention program, designed to relieve pain and fatigue among patients with advanced cancer who are receiving chemotherapy. This is part of our community cancer initiatives and builds on our strengths.

Dr. Simon congratulated Dr. Barbara Steidle, who is receiving the 2003 Distinguished Woman in Higher Education Leadership Award from the Michigan American Council on Education Network for Women Leaders in Higher Education. Dr. Steidle's career has spanned more than 3 ½ decades, with twenty-three years at MSU.

MSU's Food Laws and Regulations certificate program received the 2003 national award for excellence in college and university learning. This is an area of great pride for MSU, as one of the objectives of the University is to promote distance learning.

In order to have a fuller celebration of the National Academy of Science winners, faculty members, James Tiedje and Michael Thomashow will be recognized at the September meeting of the Board of Trustees.

4. Public Participation on Items Germane to the Agenda

A. Mr. Wayne Cass, President of a coalition of labor organizations at Michigan State University. Mr. Cass' coalition comprises 7,000 employees, who on a day-to-day basis provide the services this University needs to continue to run and maintain its facilities.

His constituents are very concerned, as employees of MSU and citizens of the State of Michigan, taxpayers, that the core mission of Michigan State University be preserved. The unions have reacted with efficiencies and made sacrifices, cooperatively and aggressively. They understand that it is very difficult to put a 9.9% tuition increase on the backs of students whose families have to come up with that money. At

the same time the State is reducing its funding, necessitating such action.

- B. Mr. Leo Sell spoke. He is the President of the Administrative Professional Association, the second largest union at Michigan State University. Of the 140 layoffs that have taken place thus far at MSU, one-third are from the APA union. Some of the other unions will not see such a large reduction because they have stronger provisions in their contracts to retain their positions. If the Board passes a tuition increase lower than 9.9%, the Trustees are making a decision that the University will move to a level of mediocrity that no one would be comfortable with. It is going to be difficult for students, as the State of Michigan is not meeting its obligations to MSU or to the citizenry at large. The APA union, and all other unions at MSU, lobby on behalf of the University and on behalf of higher education. They will continue those efforts. Mr. Sell encourages the Board to pass the tuition increase and understands it will be done with great difficulty.

5. Personnel Actions

Interim Provost Robert F. Banks presented the following personnel actions, in two parts. The first is a series of individual personnel actions, which, if adopted, will result in the appointment of Chairs of several very important departments, including Teacher Education, Epidemiology, Department of Medicine and Lyman Briggs School.

The second section is the normal June action on promotion and tenure recommendations. There are 46 individuals who have been endorsed by the faculty, deans and the Office of the Provost for promotion and tenure. They have been subjected to both internal review and substantial external review. Overall, the standards and expectations for faculty have improved over the years, and collectively, these recommendations, if adopted, will improve the quality of the faculty and the quality of the University.

A. Appointments

- 1) Battista, Michael C., AY-Professor, Department of Teacher Education, \$105,000, with Tenure, effective August 16, 2003.
- 2) Lundeberg, Mary A., AN-Professor, Department of Teacher Education, \$120,033, with Tenure, effective August 1, 2003.

- 3) Anthony, James C., AN-Professor, Department of Epidemiology, \$200,000, with Tenure, effective October 1, 2003.
- 4) Nettleman, Mary D., AN-Professor, Department of Medicine, \$230,00, with Tenure, effective September 1, 2003.
- 5) Simmons, Elizabeth H., AY-Professor, Lyman Briggs School; Department of Physics and Astronomy, \$116,667, with Tenure, effective August 16, 2003.
- 6) Chivukula, R. Sekhar, AY-Professor, Department of Physics and Astronomy, \$115,000, with Tenure, effective August 16, 2003.
- 7) Campbell, Rebecca M., AY-Associate Professor, Department of Psychology, \$86,000, with Tenure, effective August 16, 2003.
- 8) Kitchell, Barbara E., AN-Professor, Department of Small Animal Clinical Sciences, \$137,500, with Tenure, effective July 1, 2003.

B. Promotion and Tenure

Forty-six individuals endorsed by the faculty, deans and the Office of the Provost for promotion and tenure (See Attachment A.)

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to approve** the recommendations.

6. Gift, Grant and Contract Report

Vice President Huggett presented the Gift, Grant and Contract Report for the period of March 21, 2003, through May 23, 2003. The report is a compilation of 431 Gifts, Grants and Contracts, 51 Consignment/Non-Cash Gifts and two Consignment/Non-Cash Loans with a total value of \$46,846,944.63.

On a motion by Mr. Nugent, supported by Ms. McNamara, **THE BOARD VOTED to approve** the Gift, Grant and Contract Report.

Trustee Nugent asked how this report compares to those of previous years.

Vice President Huggett explained that this report comes a month earlier than the report last year. That reflects a difference of negative \$60 million. But, taking next month into account, to make an equal comparison, an additional \$15 million to \$20 million is expected. The USDA cut off one of the University's major funding programs, the Initiative for Future Agriculture and Food Systems, which amounts to \$6.3 million; there was an approximate decrease of \$6 million from the Cyclotron due to the construction grant for the upgrade that was realized last year; there was a decrease in the MEDC Life Sciences Corridor funding this year of approximately \$17 million. That totals two-thirds or more of the difference. It should be noted that the entire government has been slowed down due to the continuing resolution of other budgetary processes, such as money shifting over to Homeland Security from departments that had supported the University in the past. Now that money is sequestered in another account.

7. Committee Chairperson Pittman presented the Trustee Finance Committee report and recommendations.

A. Bids and Contract Awards

- 1) It was recommended that a contract in the amount of \$1,823,000 be awarded to Christman Constructors, Inc., of Lansing, Michigan, and that a budget in the amount of \$2,900,000 be established for the project entitled: Research Complex – Engineering – Nuclear Magnetic Resonance Addition.

On the motion of Mr. Ferguson, supported by Mr. Romney, **THE BOARD VOTED to approve** the recommendation.

- 2) It was recommended that a contract in the amount of \$531,240 be awarded to the Moore Trosper Construction Company, of Holt, Michigan, and that a budget in the amount of \$675,000 be established for the project entitled: Wells Hall – Replace Elevators A2, A3 and A4.

On the motion of Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to approve** the recommendation.

- 3) It was recommended that a contract in the amount of \$594,890 be awarded to Nielsen Commercial Construction Company, of Holt, Michigan, and that a budget in the amount of \$900,000 be established for the project entitled: Central Services Building – Air Condition Museum Storage Areas.

On the motion of Mr. Nugent, supported by Mr. Romney, **THE BOARD VOTED to approve** the recommendation.

Trustee Cook commented that all of the bids are very low and, in fact much lower than the budgets established for the projects.

Trustee Pittman explained that, given the economic climate, bids are coming in about 15% below what was expected. This is an opportunity for the University to save a considerable amount of money on these projects.

Trustee Nugent noted that there are a lot of firms bidding on the projects, including some female-owned business.

B. Architect/Engineer Selection

It was recommended that the Board of Trustees appoint Harley Ellis of Southfield, Michigan, as the Architect/Engineer for the project entitled: Cyclotron Building – Fabrication Addition, upon terms and conditions acceptable to the administration.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to approve** the Architect/Engineer selection.

C. Zoning Variance

The Trustee Finance Committee recommend that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that a variance to the University Zoning Ordinance is hereby granted to allow up to 35% land coverage by buildings in the block occupied by the College of Veterinary Medicine in order to construct a new Oncology Center and an Isolation Facility for large animals.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to adopt** the Resolution.

Dr. Simon commented that when the Board approved the 20/20 Plan, there were zoning ordinances, much like those found in any town or city. Proposed deviations from those zoning ordinances would be approved or disapproved by the Board of Trustees, in order to protect the integrity of the campus.

Trustee Nugent reported that the Oncology Center building will have only one floor above ground, as well as one floor below, and it will be designed to add additional vertical floors to the construction.

Dr. Simon reiterated that approving this project during a very favorable bidding period would prove advantageous to the University.

D) Funds Functioning as an Endowment

The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the endowment fund currently known as the Biochemistry Reading Room Endowment be renamed the “Biochemistry Enrichment Fund Endowment”; and

BE IT FURTHER RESOLVED that the purpose of the renamed Endowment, which will include funds transferred from the current fund functioning as an endowment named the Biochemistry Enrichment Fund (FFE), be changed as requested by the donors to the same purpose as for the FFE.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to adopt** the Resolution.

E) Investment Restructuring

1) The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the investment of \$8.5 million in Sofaer Capital’s SCI European Hedge Fund.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to adopt** the Resolution.

Trustee Pittman explained that Cambridge Associates is the investment advisor for Michigan State University. Cambridge has identified this new investment manager to replace OCM Emerging Markets II Fund that was liquidated at the end of May. The Finance Committee has had an opportunity to interview the firm and makes the recommendation to the Board.

- 2) The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the investment of \$8.5 million in JL Partners, L.P.

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to adopt** the Resolution.

Trustee Pittman explained that Cambridge Associates has identified this new investment manager to replace Catalyst, which will be liquidated at the end of June. Catalyst provided a value-oriented long/short role within the portfolio. A number of things have changed regarding Catalyst, and the recommendation is to replace them. The Finance Committee has had an opportunity to evaluate and review the recommendation and makes this recommendation to the Board.

- F) Revised Investment Policy Statement

The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the adoption of the attached revised Investment Policy Statement. (Attachment B)

Glen Klein, Director of Investments and Trusts, explained that meetings with the University advisors were changed from annual to at least three times a year. Also, the Director of Investments and Trusts office now receives that information about declines in investments of ten percent or greater nearly as soon as the University's investment managers and will report those changes to the Board.

- G) Revised Statement of Investment Objectives for the Common Investment Fund

The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the adoption of the attached

revised Statement of Investment Objectives for Michigan State University's Common Investment Fund (CIF). (Attachment C)

On a motion by Mr. Nugent, supported by Mr. Ferguson, **THE BOARD VOTED to adopt** the Resolution.

The current Statement of Investment Objectives was last revised in September of 2000. The proposed revision incorporates the following substantive changes that were reviewed by Cambridge Associates and with which they concur:

1. Revised benchmark and performance goals for private equity and other non-marketable investments.
2. Revised benchmark and performance goals for absolute return investments and marketable inflation hedge energy investments.
3. Use of the Jensen measure to calculate risk-adjusted returns.

The Statement of Investment Objectives for the Common Investment Fund provides direction as to asset allocations, goals for returns, etc. The update enhances the incorporation of the University's spending policy into the Objectives, providing a better link to that policy.

In collaboration with Cambridge Associates, the administration conducted a review of the benchmarks used to evaluate how the University's fund managers are performing. As a result, a new benchmark has been added for oil and gas investments to enable evaluation against a pertinent benchmark. Previously there was a single benchmark for inflation hedge, and that was a real estate benchmark.

The other change in the benchmarks involves the absolute return managers. The previous benchmark was a treasury bill x 2 benchmark. Because the treasury bills currently only realize about a one percent return, doubling that to two percent is much lower than desirable. That benchmark has been updated to be the treasury bill plus six percent. That changes the benchmark to seven percent, rather than two percent.

These policies need to be updated as the market changes, to stay consistent with the changes.

The last substantive change relates to the University's fixed income portfolio. It improves the grade to AA, a higher quality bond

portfolio. That is consistent with the direction in which the University is moving.

Trustee Pittman explained that it is critical to find every way possible to enhance the return the University realizes from its assets and endowment funds. The goal is to improve over that performance while managing the University's risk.

H) Approval of Budget Guidelines

The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the adoption of the Guidelines for Development of the 2003-04 Budgets. The guidelines include significant revenue and expenditure variables and tuition and fee rates. In accordance with these guidelines, and in anticipation of a ten percent reduction in the existing General Fund appropriation level, the administration is directed to develop the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension and Intercollegiate Athletics budgets.

Dr. Simon made comments concerning the University's budget guidelines and the budgets proposed in a subsequent resolution.

"It is often said that a budget is a policy document; it's not simply an accumulation of numbers. That is clearly the case for Michigan State University. In 2003, MSU finds itself to be a mixture of the expectations of traditional values and academic quality. Those put a particular tension on the development of budget recommendations because, in corporate America terms, the reputation, the enduring nature of our programs are our 'brand name.'

There is a stewardship function in the balance of resources and quality to preserve this fragile commodity. The degree received from Michigan State University ten years, twenty years, seventy-five years ago, is more valuable today than when it was awarded. It is our aspiration for the degree received by our students today to be more valuable tomorrow than today. That is a unique responsibility of universities that goes hand-in-hand with our responsibility to contribute to society through generation of knowledge and its application.

We also have all the obligations of corporate America in 2003, because we are a very large and diverse organization. Our all-funds budget extends well beyond the combination of State appropriations and tuition. We have to hold ourselves to benchmarks and standards of efficiency and effectiveness for our institution that would be exemplary in corporate America.

We also have a third component – and that is that we are a very public university. There is probably no type of university that is more public than a land-grant university. We must balance access, economic competitiveness and promoting quality of life – an extraordinarily difficult balance.

We also come to today with a history. Our history has been one in which for many, many years we have not received the per-student funding from the State that comparable institutions receive. That is a part of our history; it is not a fault of today. This is also at a time when the national and state economies are in enormous turmoil. Last year, we all predicted an economic recovery, and that simply did not happen.

We also have a history of asking our employees to be a part of the solution to our economic problems. Last year we had health care concessions that were significant. That is part of the context for today, even though it's not happening today. Health care concessions were implemented to address some of the continuing concerns of our staff about their salaries. For a long period of time the historic position of Michigan State as to salaries has been to control one part of compensation to advantage another in order to promote the long-term competitiveness of Michigan State.

We also come here today with \$13 million in budget reductions that we have taken over the last two years. Those are components of the fragile character of this budget.

It's always hard to judge the tipping point. A university has some responsibility to err on the side of not crossing over the tipping point. There are those who felt that we were nearing that edge through the period of tuition restraint. It is by the collective goodwill of the University community that we have been able to work through the downside of that restraint. That restraint of past times also affects us today and puts us in a different position than other institutions around the state.

If you assume that the State should fund Michigan State University at the average of the tier, that benefit would be worth about \$800 -

\$900 per student. If we could have been at the average of Michigan institutions, because our needs are as great as others, the benefit today would be \$1,000 built into the base for our students – or \$1,400, if you look at the Big Ten universities. That's all subject to debate. Some might look back and say that the tuition guarantee may have been something we should not have done; that because of it now our students' situation is much more volatile with respect to their tuition; we had dampened the natural volatility of tuition in a prior time. Whatever the reason, we are here today with the situation brought from our history.

We have worked very hard with members of the Board of Trustees and with the University community, to try to find a balance. That balance has always led with the assumption that there would be additional reductions on top of the \$13 million already taken. The budget reductions needed remain at \$31 million. Those reductions will be realized from reductions in supplies and services, travel, etc., because those expenses are relatively decentralized. Additionally, from March of 2002 to March of 2003, we have reduced the number of full-time employees by 140. In addition to that, there are 100 layoff notices that have been processed, and that only affects unionized staff. The March-to-March comparison doesn't include the end of the semester, and we know that our replacement rate for fixed term faculty and staff is down about 15%. That will affect approximately an additional 100 people. Plus, we will have between 75 and 125 fewer individuals appointed on research or teaching assistantships. We are working very diligently to find other sources of funds for those students. That is why the grant and contract activity and entrepreneurial activity are so important – we do have that capacity to help ourselves.

There will always be an argument that one can do more. With this budget and the reductions we are facing, our responsibility is to continue to find every dollar; our responsibility is to continue to hold down costs as much as possible in the future. The \$31 million in reductions is a high number. One could argue that there is justification for being even higher.

We will defer the two percent tuition increase to the summer of 2004 because we simply do not feel it appropriate to levy that large a tuition increase for fall semester. If circumstances improve, and if the needs of Michigan State are recognized by the legislature, that two percent will be considered in the context of the Board's 2004-2005 tuition recommendation.

With the ten percent reduction in State allocation that we currently face, we have moved from 3,800 students who were unfunded to 7,400 students who are unfunded at the \$900 level. That presents pressure on the students who are here to balance quality and access.

By nature, we are a conservative institution. Our corporate sense is to ensure that recurring dollars follow recurring commitments. That is in the long-term stewardship of the University. The budgets have been built on that. Looking at the budget recommendation that was distributed prior to the meeting, based on the Board's action in May, we had earmarked \$1.5 million for the direct student loan program. That money was unallocated. In looking at the impact of the large tuition increase, one of the conversations we had at the Trustee Finance Committee work session this morning, was whether it would be prudent to use those dollars at this time to augment our special financial aid program that was already budgeted at \$2 million. I'll let Trustee Pittman speak to that aspect of the recommendation.

In addition, after the conversations this morning with the student liaisons, we recognized that we were making a trade-off. We had identified \$10 million that was to be allocated to help bridge programs so that students in discontinued programs could graduate in their major. What we are proposing to do today, in the spirit of lessening the burden on students and still keep the budget intact, is to recommend that we spend \$8 million for that purpose and transfer \$2 million for additional financial aid for students. Figuring the tuition increase for Michigan State students who take 15 credits is \$600; by allocating grants of no more than \$400, the difference between an inflationary increase and the \$600 is covered for approximately 15,000 students.

In addition to that, we have approximately 3,500 students who already have full Pell grants. The combination of the increase in financial aid and the Pell grants represents an impact on our high-need students that is very much in keeping with the Governor's recommendations to change statewide programs to improve access across Michigan for high-need students. This is an effort to deal with the issue of accessibility as well as quality in terms of the base requirements.

This amount is in addition to the recommendation in the budget to raise tuition by ten percent to match the tuition rate for the embedded financial aid base. This is a special activity that has been supported in Trustee Finance Committee discussions.

Again, I understand the difficulties, the anguish and the passions that go with implementing budgets. We provide here a budget that balances our long-term stewardship issues, recognizes our history and our responsibilities and the current realities of the ten percent reduction from the State. If the State reduction is less than ten percent, there is also a commitment that the difference will be passed directly to the students, and the \$31 million in base budget reductions will be sustained.”

Trustee Pittman said that when this very lengthy process and the extraordinary depth of analysis is reviewed, what has really most impressed him is the leadership that we have at this University – leadership from Dr. Simon, from Dr. Poston and all the people they work with. That leadership has been effective in working with the deans of the colleges, generating the very difficult decisions and recommendations as to where cuts can be made. None of these decisions are ones that we wanted to make; they were decisions necessary to realize this \$31 million reduction.

It is evident how respected this leadership is. Deans of the various colleges and the members of the executive team are coming forward to say that they would like their salary increases for the proposed budget year to be reinvested into scholarships for students. Therefore, the leadership of this University has taken the first step to do what it can do to help the people we serve – the students at Michigan State University. That means a great deal to the Finance Committee. Therefore, it is with great difficulty that we endorse these recommendations and guidelines for approval.

Dr. Simon commented that it is very important, recognizing that senior administrative salaries are in the lower quartile of the comparison group, that she did not want a Board action calling for a “give-back.” But it will be part of the record today.

Many deans and vice presidents have a long-term commitment to Michigan State University. Many are already donors. Faculty and staff rank near the top of the Big Ten in giving back to the University. The salary raise money for deans and vice presidents will not be allocated, but will be set aside so that each individual may designate her or his own contributions, as some have endowed scholarship funds that go to the University. Although symbolic, because it will not balance the budget, it is important that this commitment comes from the heart of the people who are part of the University.

Trustee Nugent noted that the Board made a commitment to the faculty a few years ago to try to raise their salaries closer to the mid-point of the Big Ten. Obviously, this year it is impossible, but the adjustments will hold them even with the average changes in the Big Ten so they will not lose ground.

David S. Byelich, Director of Planning and Budgets, said that from review of the Big Ten, it appears that the average salary increase for the Big Ten institutions, save Northwestern, will be three percent in the coming year.

Trustee McNamara said that information she got from the Office of Planning and Budgets yesterday indicated that MSU's faculty compensation was fourth out of the eleven Big Ten schools, not near the bottom.

Mr. Byelich responded that compensation is, indeed, near the middle rank of the Big Ten.

Dr. Simon explained that a review of the information that Faculty Affairs has seen shows that MSU's full professors rank fourth in the Big Ten, but the overall faculty rank is fifth. MSU was seventh in 1999-2000. But MSU remains tenth in the Big Ten as to salary levels.

With the approval of the Board, a Student Liaison made the following comments:

Jared English: Over the last year, the student government at MSU has been monitoring the situation at the Capitol. Upon learning of the possible budgetary constraints, the student government made two requests of the administration: first, that any decrease in appropriations be tempered by mitigating the financial burden to the students; second, a request to maintain accessibility and quality of higher education to students across the State of Michigan. Mr. English acknowledged that with the 140 employee layoffs, cutting 15 programs and putting 16 programs on moratorium, the administration has done that.

To put the ten percent tuition increase in perspective, Mr. English researched to determine what other universities around the state and nation are putting in place. Arizona State increased tuition by 40%, California 27%. While the student government recognizes that ten percent is incredibly difficult to bear, it could be worse.

Thanks are extended to administration for minimizing the burden on students. However, there will be students who leave MSU. The student government established a scholarship called the Respect Scholarship Program that gives \$29,000 to students that will be administered through the Financial Aid Department, with the goal of keeping students at MSU. Mr. English was happy to learn this morning that there would be a ten percent increase in financial aid and \$6 million for students who do not meet the Pell Grant criteria, but are eligible for more financial aid.

Mr. English appreciates Michigan State being willing to accept its share of the financial burden that will be placed on students. On behalf of the students, he thanks the Board and the administration.

A Trustee Cook said she wanted to thank Dr. Simon for the very well thought out and eloquent presentation made today about this process and for describing with great sincerity and feeling, the basic values that are important to this institution. Michigan State has been through difficult times before – nothing quite like this, but in the 80s there was a period when MSU went through some pretty difficult times economically.

In the 13 years Trustee Cook has had the privilege of being a member of this Board, she never saw a process involving more consultation than this one. It was spearheaded by the leadership of the administration, with President McPherson, Provost Simon and Dr. Poston, but it also engaged the faculty, the department chairs and the deans. The last important revision of the guideline recommendations is the inclusion of more money for students in need. MSU is in the business of educating the children of the people of Michigan. That is our commitment, and MSU is not an elitist institution. The Board doesn't want to drive students from this institution. It wants them to come here; it wants them to stay here; it wants them to graduate; and it wants them to go on to their careers to represent what is the best in a land-grant institution.

The gesture by the administration, the executives of this institution and the deans is more evidence of the kind of family feeling that prevails at Michigan State. What is outlined by the Chair of the Finance Committee and by Interim President Simon is a demonstration of the Board's commitment and this university's commitment – however painful – to making this budget work. Ms. Cook applauded

the work of every member of the Board; every member of the Board has had to give and take; not all have agreed on what needs to be done. This is not a budget that the Board is thrilled to put on the table today, but we recognize the responsibility that we have as Trustees of this institution. Therefore, she is proud to support this proposition.

- B. Trustee McNamara asked that the following comments be placed in the record:

**MSU's proposed tuition increase of 12% by the end of the 2003-2004 academic year is too high –
Tuition will have risen 21% in just two years**

- o Tuition rates are reaching levels beyond many Michigan families' ability to cope.
- o Michigan families have a right to expect tuition which allows access by students who earn their entrance through academic excellence.
- o MSU students presently leave the university owing, on average, \$19,000, several times larger than just a decade ago.
- o Most students must work during their university years many more hours/week than previous generations needed to.
- o A family which begins saving for an MSU education for one child at age 6 must save over \$400 each month for the next 12 years . . .
- o 55% of Michigan's families have a household income of less than \$50,000 – not nearly enough to save what will be needed for their children's higher education

MSU can and must cut deeper so as not to place the largest burden of state revenue cuts on the backs of students and their families.

- o MSU has amassed a considerable capital reserve over the years (over \$1/2 billion) for various purposes, including "rainy day" funds. This must be tapped deeper – it's raining.
- o There are scores of customs and privileges adopted over the decades that need to be recognized, examined and at the very least suspended until brighter days – areas such as travel limits, sabbaticals, "company" cars . . .
- o State universities should be more cooperative and creative in attempting to eliminate redundant programs.

- o Administrators have clearly done yeoman's work in cutting what they have so far, however, had they been told by the Board to cut deeper in order to lessen the tuition hike, they would have. This budget is not "to the bone".
 - o There must be a balance between the health of the institution and the accessibility of the university to the people of the state. This tuition hike puts an unfair share of the burden of the state's fiscal troubles on MSU's students and their families.
- C. Trustee Gonzales asked that the following comments be placed in the record:

It comes as no surprise to the Board and members of the University community that I cannot support the tuition increase which was presented in the Budget Guidelines. Any tuition increase that this Board passes will most affect those who can least afford tuition. While an across-the-board increase affects each student's bottom line by the same dollar figure, the same comparison cannot be made on each student's ability to pay the tuition bill. I recognize that revenues from the State are down 10% from last year, and that the costs of health care and utilities continue to rise. I also recognize that we cannot move forward with declining revenues and increased expenditures. But progress on the backs of students is not progress at all.

In order to balance its own budget, the State of Michigan does not have the luxury of simply raising tuition rates. The Governor has made it clear to Universities that tuition increases should keep pace with the rate of inflation. This year, State appropriations will make up 42% of MSU's revenue. If we don't want further reductions, or strained relations with the Governor and legislators, we should strongly consider how we spend State money.

For years I have said that students and parents must be part of this process, and must have sufficient time to prepare for and respond to tuition adjustments. The 2% increase which is slated for summer 2004 hardly constitutes fair notice, given that students and families were handed a 10% increase while the majority of students were off campus.

The additional 2% increase in summer 2004 is also misleading, because during that same summer, the University will likely impose an additional double-digit increase for the 2004-2005 budget year. Tuition is being increased right at the end of the budget year so that the following increase will have a greater negative impact on students.

I also find faculty, support staff, and administrative staff pay raises difficult to understand when people are being cut from payrolls all over campus, and students are paying higher tuition. Our Board has committed to faculty salary increases in order to hire and maintain the best educators for our students, and I fully support this position. But if the quality of our student body declines because certain segments of the population cannot afford to attend MSU, how can this land-grant school really say that we are educating the students of the State of Michigan? And how can we say we are advancing knowledge and transforming lives? Are we simply transforming the lives of the upper class?

The materials sent to the Board state that there may be “significant reliance on tuition and fee adjustments” if the State appropriates less than we are expecting. The door has been left wide open to additional tuition increases and greater hardships for our less-than-privileged students.

This University, as I suspect all other Universities do, compares itself to other schools in the Big Ten in terms of tuition increases. But we should look at ourselves to see whether we are better today than we were yesterday. Can we honestly say that we are better off as a University if we have excluded even a single potential student who can’t afford our tuition but may be outstanding in every other way?

I hope that in the future we will invite scholars, educators, students, parents, business people, and others from the community to a round table discussion regarding these pressing budget issues in education. If this process included all of the groups affected by these decisions, I think we could find other creative ways to offer an affordable education to our students.

- D. Trustee Ferguson indicated that he is going to vote “no” on the budget guidelines. But, he wants it noted that he absolutely rejects the notion that those voting “yes” are anti-

student. And, the Trustees who are voting in favor of the guidelines have given the other Trustees an opportunity to express ideas to make this process better. To take the position that those voting “yes” are anti-student or not committed to working families of students is the wrong take, just as those who are voting “no” are not anti-union. With an even higher tuition increase, more employees would be able to retain their jobs.

There is a difference of opinion among the Trustees on how best to be stewards and how best to run Michigan State University. But this is a very well run University. It has been a victim of the tuition guarantee and that gives a smaller base from which to operate. Because the University of Michigan didn't have a tuition guarantee, it has a higher base on which to build, allowing them to have a lower percentage increase, but a higher dollar increase. Every member of this Board is trying to work hand-in-glove together, and any attempt to demonize those who might not agree on the vote is definitely the wrong perception.

- E. Trustee Romney offered that he enjoyed the process and he enjoyed listening to the union representatives today. Mr. Cass indicated that the Board's vote will make someone unhappy, and it is Mr. Romney's view that no one is happy about doing what needs to be done today. Mr. Romney expressed his pride in the leadership of the administration. The Finance Committee and its Chair, Mr. Pittman, are to be applauded for the innovative measures they have devised to deal with the issue of providing aid to those who are in need. The Board and administration have made an enormous effort to listen to students, faculty, parents, people outside the University community, people within the University community. There are two facts that are problematic for the Board: The University of Michigan receives \$24,000 per student in State appropriation and tuition. Michigan State University receives \$15,000 per student in tuition and appropriation. Can we continue to compete with that in terms of providing a quality program – at 60% of the rate that U of M receives? Additionally, tuition at the University of Michigan is even higher than the State appropriation for each student, whereas Michigan State's tuition is lower than the State appropriation. Looking at a snapshot of five years of tuition, there is no university that can match MSU in terms of tuition cost containment. The University has taken

dramatic cuts – when 31 programs are being eliminated, it has a dramatic impact on MSU.

The additional \$6 million of financial aid that is being provided equates to two percent of tuition. There could have been a tuition increase of 7.9% across the board, rather than 9.9%, with no increase in financial aid. That would have meant that lower-income students and their families would have had to pay the same 7.9% increase. By applying that \$6 million to those in need, the impact has been dramatically reduced on those that are in need. The President and Trustee Pittman should be credited with devising this innovative approach. It will benefit 15,000 students who are in need of aid.

Looking at future issues MSU will face, the University faces an enormous amount of deferred maintenance and renovation of buildings and facilities. The cost of retirement benefits and health care benefits the University provides will come into play at some point in the future. The Board must bear in mind its duty to the University community now and its duty to the University community in the future. Although some disagree, the Trustees have made their best effort to provide a balance between access and quality. Trustee Romney thinks the administration has done a great job with this proposal.

- F. Trustee Nugent said the Spartan family has worked very hard. This is probably the most creative budget that has ever been presented. Everyone worked hard to make the cuts necessary to meet the \$31 million reduction – that's a lot of money. Implementing a two-phase tuition increase – 9.9% this fall and 2% next summer, plus the \$6 million available for financial aid – is the best way to accomplish our goals. It is not pleasant, but it is a good, sound proposal. It is one we certainly need to support.
- G. Trustee Porteous thinks the Interim President and his fellow Board members have done a great job in summarizing how he feels by articulating the very strong public policy reasons why this budget is so important and why it is critical that this budget and these guidelines be adopted. Mr. Porteous appreciates the Board accommodating him by allowing him to appear by telephone. This is a product that every one can be proud of. It was a University-wide process that touched every individual, every department, every aspect of this

University to develop a budget that is very difficult, with tough cuts as well as an increase in tuition, that balances the Board's stewardship responsibilities, and Mr. Porteous is supporting these guidelines and recommendations.

On a motion by Mr. Nugent, supported by Ms. Cook, **THE BOARD VOTED to adopt** the budget guidelines. Trustee McNamara requested a roll call vote. Secretary Carter called the roll.

Trustee Cook:	Yes
Trustee Ferguson	No
Trustee Gonzales	No
Trustee McNamara	No
Trustee Nugent	Yes
Trustee Pittman	Yes
Trustee Porteous	Yes
Trustee Romney	Yes

I) 2003-04 Budgets

The Trustee Finance Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees approval of the 2003-04 University budgets (see Attachments D through H). Further, within the context of the approved budget guidelines and the attached budgets, the administration is authorized to develop and implement the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension and Intercollegiate Athletics internal operating budgets. In sum, budgets for the above units total \$839.1 million, an increase over the previous year of slightly less than one percent.

On a motion by Mr. Pittman, supported by Ms. McNamara, **THE BOARD VOTED to adopt** the Resolution.

9. Committee Chairperson McNamara presented the Trustee Policy Committee report and recommendations.

A) Revision to Ordinance 36: Towing

The Trustee Policy Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Policy Committee recommends to the Board of Trustees that Ordinance 36.03 be amended to read, in its entirety, as follows:

03. Impound vehicles. The Department of Police and Public Safety is authorized to impound and remove to a place of safekeeping any vehicle found on the lands governed by the Board of Trustees, at the expense of the vehicle's registered owner, when it is determined that the owner has failed to answer six or more parking violation notices or citations regarding illegal parking. The vehicle shall be released to the owner or the agent of the owner when the impoundment fee for the vehicle has been paid and when all outstanding parking violation notices and citations regarding illegal parking relating to the vehicle have been cleared. The fee for impoundment shall be of such amount as shall reimburse the University for all towing and impoundment costs and for storage. Impounded vehicles not claimed shall be disposed of as provided by law.

On a motion by Ms. McNamara, supported by Mr. Nugent, **THE BOARD VOTED to adopt** the Resolution.

Vice President Noto explained this is a clarification: when a car is towed for six or more unpaid tickets, the individual has to pay off the unpaid tickets, as well as the charge for towing and storage. That might have been viewed as implicit, but this change makes it explicit.

B) Notice of Intent to Negotiate Contracts

Pursuant to state law, the Chair of the Policy Committee gave public notice to the full Board during the Committee's report of the University's intention to negotiate agreements regarding technology licensing, research and related matters with Dstrate LLC, a Michigan firm based in DeWitt, Michigan. Dr. Brage Golding, a Professor in Department of Physics and Astronomy, and his immediate family own or have options to buy an equity interest of more than 5% of the company. Dr. Golding is also an officer of the company.

C) Approval of Contract Terms and Conflict of Interest Management Procedures

The Trustee Policy Committee recommended that the Board of Trustees adopt the following Resolution:

BE IT RESOLVED that the Trustee Policy Committee recommends to the Board of Trustees that it approve the administration's recommendation for execution of an agreement with Genistry GmbH, consistent with earlier public notice given on April 20, 2001, and an applicable "Testing, Option and License Term Sheet" as now presented to the Board for inclusion in its minutes. (Attachment I)

On a motion by Ms. McNamara, supported by Mr. Nugent, **THE BOARD VOTED to adopt** the Resolution.

10. Trustee Comments

- A) Trustee Cook passed.
- B) Trustee Gonzales passed.
- C) Trustee McNamara passed.
- D) Trustee Porteous passed.
- E) Trustee Nugent said he is very glad that Drs. Tiedje and Thomashow will be recognized by the Board for their awards from the National Academy of Science. He attended a reception for them, and there are only eight from MSU, either active or retired, who have received this award, and we have two of those eight this year. Additionally, they both come from the same department – Crop and Soil Sciences. It is almost unheard of to have two from the same university, let alone two from the same department. It is truly a great honor for them and for Michigan State University.
- F) Trustee Romney passed.
- G) Trustee Pittman passed.
- H) Trustee Ferguson passed.

11. Public Participation on Issues Not Germane to the Agenda

There was no public participation on issues not germane to the agenda.

12. An Executive Session was not requested

13. On a motion by Mr. Romney, supported by Ms. McNamara, **THE BOARD VOTED to adjourn** at 3:37 P.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees