

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

January 27, 2004

President McPherson called the special meeting of the Board of Trustees to order at 4:30 P.M. in the Board Room.

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

Trustee absent: Randall L. Pittman.

University officers present: President McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, June, and Webster, Executive Director Williams and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Robert Maleczka, James Potchen, Arjun Sing, and Jon Sticklen. Student Liaisons present: Jared English, Missy Kushlak and Kimberly Yake.

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

1. On a motion by Mr. Porteous, supported by Mr. Romney, **THE BOARD VOTED to approve** the agenda.
2. Public Participation on Items Germane to the Agenda

There was no public participation on items germane to the agenda.

3. Board Item – Budget

On a motion by Ms. McNamara, supported by Mr. Nugent, **THE BOARD VOTED to adopt** the Resolution dated January 27, 2004. (Attachment A)

Mr. Romney clarified that the Resolution acknowledges the State's intention to change the proposed appropriation reduction to the University from 5% to 2% for fiscal year 2003 - 2004 and to make no further reductions in the base budget for 2004 – 2005. At Trustee Romney's suggestion, with no objections from the other Trustees, "for 2003-04" was

added after the reference to “reductions of the Executive Order from 5% to 2%” in the second sentence of the Resolution presented to the Board.

Trustee Romney questioned the wording that “MSU will limit the new fall 2004 undergraduate resident tuition increase to the rate of inflation.” The Resolution then reads, “The rate of inflation and therefore the undergraduate resident tuition increase will be no lower than 2.4%.” Mr. Romney said that the rate of inflation may fluctuate from 2.4%.

President McPherson said that he gleaned from his conversations with the State Budget Director that the approximate rate of inflation is 2.4%. The Budget Director understands that is the rate the University will use for purpose of calculating the tuition increase for Fall 2004 and Spring 2005, unless inflation turns out to be higher.

Mr. Romney asked whether the Resolution should include information as to the dollar amount of the proposed reductions and the dollar amount of increases in costs for health care, etc., that the University will experience in the next year.

President McPherson said that such information would be based on a number of assumptions. It is certain that under this proposal the University would have to make substantial reductions in expenditures. The cuts would be even deeper if this proposal were not adopted.

Mr. Nugent asked whether the Resolution adequately articulates that MSU’s agreement to contain the tuition increase is conditioned on the State actually holding the reduction to 2%.

President McPherson said that he believes the Resolution is clear on that point.

Mr. Porteous said this Resolution, once again, reaffirms the partnership between the State of Michigan and institutions such as Michigan State University regarding funding. Despite the Resolution, the University will face some very deep budget cuts. However, the Resolution does provide appropriate recognition of the efforts that Michigan State has made at cost containment and revenue enhancement. Mr. Porteous expressed concern as to MSU’s autonomy and whether passing the Resolution will limit Michigan State’s flexibility if the State does not comply with the proposal for smaller reductions. On balance, however, Mr. Porteous felt it important to move forward with the Resolution.

President McPherson asked Dr. Simon to comment on their thoughts about including in the Resolution a reference to the partnership between the University and the State for the support of higher education. The

Board agreed that Dr. Simon should prepare specific language about that partnership along the lines shared with the Board and add it to the Resolution previously submitted to the Trustees.

Mr. Romney echoed Mr. Porteous' comments and said he felt it very important that everyone be aware of how significant the cuts already made have been, and how frugal the University has been. MSU's tuition rate is so much less than one of the other schools in the state that the dollars that MSU realizes from a 2.4% tuition increase are much less than the dollars the other institution would realize. Passing the proposed Resolution is better than the alternative. Going forward, the University must be mindful of how it relates to the Legislature and the Executive Office in terms of setting tuition. It is the University's role to set tuition.

Ms. Cook agreed that the question of the University's autonomy is one of great concern. The Board needs to recognize how severe the State's budget problem is, and this Resolution acknowledges that. But the University must protect its autonomy, as well. Students in attendance at this Special Board Meeting, and others, must recognize that passing the Resolution is not the end of the process; it is only the beginning. A lot more discussion and decisions will be made between now and June or July, when the budget process is complete.

Mr. Romney said if the Resolution is not passed, and the allocation from the State is reduced by a greater amount, the impact on tuition would be much more drastic.

Kimberly Yake, Student Liaison and President of COGS, said that the Resolution addresses undergraduate tuition. When the Board considers tuition for graduate students, if there is a different increase, the Board should consider increasing financial aid for them. Secondly, she has not been able to share the Resolution with all her constituents, but she predicted that the undergraduate students and graduate students would support the Resolution, with the same concerns expressed regarding autonomy.

President McPherson noted that anticipated reductions for the University in the coming fiscal year would be in excess of \$20 million, even with smaller reductions in State support.

Ms. McNamara said the Board should applaud the Governor for taking this initiative. The Governor has taken a very important first step in giving the Board some certainty going forward and in addressing rising tuition. Ms. McNamara expressed the hope that the Governor will have the strength and the resolve to keep this agreement over the next few months.

4. Public Participation on Issues Not Germane to the Agenda

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

5. Executive Session

No executive session was requested.

6. On a motion by Mr. Nugent, supported by Mr. Romney, **THE BOARD VOTED to adjourn** at 4:47 P.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees