

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

July 21, 2005

Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 2:45 p.m. on Thursday, July 21, 2005. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President Simon called the meeting of the Board of Trustees to order at 2:37 p.m. in the Board Room.

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

University officers present: President Simon, Acting Provost Hudzik, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, June, Webb and Webster, Senior Advisor and Director Granberry Russell and Executive Director Williams. Faculty liaisons present: Robert Maleczka, Michael Moch, Jon Sticklen and Shawnee Vickery. Student liaisons present: Bradley Love, Robert Murphy and Andrew Schepers.

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

1. On a motion by Mr. Porteous, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the agenda.
2. On a motion by Ms. Foster, supported by Ms. McNamara, **THE BOARD VOTED to approve** the minutes of May 6, 2005.
3. President's Comments

President Simon informed the Board that another series of incidents in London had occurred that morning. Three subway trains and one double decker bus were affected. MSU currently has 298 students and 19 faculty members as part of the London based Study Abroad Program. At the time of the Board meeting the University had accounted for 239 of the 298 students and 16 of the 19 faculty. All are fine. The emergency response

team will meet this afternoon and review all of the information. The 24/7 hotline is open to all members of our community traveling abroad.

President Simon pointed out that it is always startling to hear about situations like this on the news. It is very important that the reaction to these incidents not be generalized to large populations. The University community recognizes the many contributions of Arab-Americans and the Muslim population to the State of Michigan and Michigan State University.

President Simon stated that based on consultation with Provost Wilcox, and with Dr. Hudzik's agreement, Dr. Hudzik will help with the transition in the coming months as Senior Advisor to the Provost. She is very pleased that Dr. Hudzik has continued to work in this transition. President Simon expressed appreciation for all that he has done and his willingness to continue to help.

4. Public Participation on Items Germane to the Agenda

Joseph Ortiz, faculty member at Lansing Community College thanked the President, the Board and all University officials for the opportunity to address them on a very important issue, the pending tuition increase. Mr. Ortiz is a graduate of MSU. He was the first person in his family to attend college and medical school. Mr. Ortiz said that he is here to appeal to minds and hearts with facts and passion. As a member of the fastest growing segment of our society, the Hispanic community, he believes the high tuition increase comes at the worst time for several reasons. For one, Michigan recently tied in unemployment figures with what has been described in the past as the poorest state in the nation. Members of the Hispanic community lack the resources to afford a college education. Mr. Ortiz urged the Board to accept his challenge to embrace the land grant tradition in promoting education and research while making their benefits financially accessible to all, in particular the unemployed families in our state. Access to education and research for all our state residents should be at the top of our list. Quality doesn't always mean expensive or unaffordable.

4. Personnel Actions

Acting Provost Hudzik presented the following personnel actions:

Appointments

1. Jones, III, Arthur D., AY – Professor, Departments of Biochemistry and Molecular Biology; Chemistry; Genomics Technology, Support Facility, \$90,000, with Tenure, effective August 16, 2005.

2. Amalfitano, Andrea, AN – Osteopathic Heritage Foundation Endowed Chair, Departments of Microbiology and Molecular Genetics; Pediatrics, \$165,000, with Tenure, effective August 16, 2005
3. Chermak, Steven M., AY – Associate Professor, School of Criminal Justice, \$84,000, with Tenure, effective August 16, 2005.
4. Achebe, Nwando, AY – Associate Professor, Department of History, \$75,000, with Tenure, effective August 16, 2005.
5. Knupfer, Peter, AN – Associate Professor, Department of History; Matrix, \$80,000, with Tenure, effective May 1, 2005.
6. Hawthorne III, Walter W., AY – Associate Professor, Department of History, \$75,000, with Tenure, effective August 16, 2005.
7. Comley, Richard B., AN – Head Coach-Hockey, Intercollegiate Athletics, Subject to Contract, effective July 1, 2008 to June 30, 2009.
8. Izzo, Thomas M., AN – Head Coach-Basketball, Intercollegiate Athletics, Subject to Contract, effective July 1, 2011 to June 30, 2012.

On a motion by Mr. Porteous supported by Mr. Romney, **THE BOARD VOTED to approve** the first six recommendations.

President Simon noted that the amended Personnel Actions included the addition of Dr. Andrea Amalfitano as endowed chair because of his recent acceptance of the University's offer.

Dr. Hudzik said that Dr. Arthur Jones was Director and Academic Administrator Facility for Advanced Instrumentation at the University of California, Davis, and is currently Senior Scientist, Department of Chemistry and Research Professor in the Department of Chemistry at Penn State University.

Dr. Hudzik stated that Dr. Andrea Amalfitano received a D.O. from MSU and a Ph.D. in microbiology from MSU. He had a pediatric residency at the Mayo Clinic. He is presently Assistant Professor, Molecular Genetics and Molecular Genetics Pathology, at Duke University. Dr. Amalfitano has served as Acting Chief, Division of Medical Genetics, at Duke University.

Dr. Hudzik said Dr. Steven Chermak received a Ph.D. from the State University of New York, Albany. He has also served as Associate Professor of Criminal Justice at Indiana University.

Dr. Hudzik said Nwando Achebe received a Ph.D. in comparative black history from the University of California, Los Angeles. She has served as a Research Associate Visiting Scholar at the Institute for Study of Gender in Africa at the James Coleman African Studies Center, Department of History, University of California, Los Angeles, and is currently Assistant Professor, Department of History, College of William and Mary, and serves as chair of its African studies concentration.

Dr. Hudzik noted that Dr. Peter Knupfer received his Ph.D. in history for the University of Wisconsin and has served as a Visiting Assistant Professor, Department of History and American Studies, at Arizona State University and is now an Associate Professor and Associate Director of Matrix at Michigan State.

Dr. Walter Hawthorne received his Ph.D. in African history from Stanford University and has served as Visiting Associate Professor, University of Vermont. He is currently Associate Professor, Department of History, Ohio University.

President Simon pointed out that although all of these individuals are extraordinarily important to Michigan State, she is especially pleased to have the appointment of Dr. Amalfitano. His credentials and his research portfolio are very impressive. She mentioned that one of the benefits of having an endowed chair is being able to recruit someone from a place of great status like Duke University. President Simon said this underscores the importance of the Capital Campaign.

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

President Simon said that this is part of the typical work at this time of the year in the contract renewal process. These extensions are done in part to support and sustain the recruiting aspects of the programs.

Trustee Porteous stated that Tom Izzo is an extraordinary coach. No matter where Trustee Porteous travels people ask about Coach Izzo. He is such a classy coach and he integrates the academic and athletic side of the institution by having an elite program as well as making sure his athletes do well in the classroom. It is also important to know the amount of time he provides for development and other parts of the institution outside of athletics. Trustee Porteous said it is always good to say "Thank you."

Other Personnel Actions

Barber, Alison E., AN – Associate Professor, Department of Management; Senior Associate Dean, Eli Broad College of Business, to change title to Secretary of the Board of Trustees and Executive Assistant to the President and for a change in salary rate to \$200,000, effective August 1, 2005.

On a motion by Mr. Porteous supported by Mr. Nugent, **THE BOARD VOTED to approve** the appointment of Dr. Barber.

President Simon stated that the appointment is built on the person's academic salary with a small administrative increment that is never worth the challenges of the role. Dr. Barber has agreed to take on this very important role.

5. Finance and Audit Committee

Chairperson Nugent presented the Trustee Finance and Audit Committee report and recommendations.

It was recommended that the Board of Trustees adopt the Guidelines for Development of the 2005-06 Budgets (Attachment A). The guidelines include significant revenue and expenditure variables and tuition and fee rates. In accordance with these guidelines, the administration is directed to develop and implement the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics budgets.

Attachment A of the Guidelines for Development document summarizes revenues and expenditures for the 2005-06 General Fund budget. Attachment B contains student tuition and fee information. Attachment C is the summary of all proposed 2005-06 budgets.

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

Opposed: Trustee Gonzales

Trustee Nugent said that in his 11 years on the Board he has never seen the Board, faculty and others spend so much time on a budget. Trustee Nugent pointed out that this is a zero based

budget with efficiencies required of the different colleges. He thanked everyone for putting so much time on the budget process.

President Simon said there is no greater time of anguish than that associated with trying to do a budget. MSU has a mission and set of values. State support has been declining persistently over a period of time, however, it is important for MSU to have the quality that is expected within the array of international institutions with we compete and the State of Michigan. Our alums expect of us to be of quality and for the value of their degree to grow over time. The value the people of the State of Michigan expect and deserve increases as MSU works to solve the pressing problems of the day. The University has had a pattern of reductions over a period of time. President Simon stated that she is sure everyone shares her concern about how to balance quality and cost given all of the reductions that have been made and must continue to be made.

President Simon explained that the budget guideline does include base budget reductions. We must keep our attention on finding every dollar and spending it as if it were our own in this difficult financial circumstance for every family. The University's research and development activity brings economic benefits to the State of Michigan and to the Lansing region.

President Simon said the University's appropriation support as proposed for 2005-06 is really at 1983-84 levels in constant dollars. This is a challenge in terms of MSU's per-student appropriation. The Board has talked over the years about the fundamental inequities in funding of the research universities with medical schools. Part of that inequity is per student appropriation. Part of that inequity is a combination of the funds one university has to spend. MSU's commitment to Michigan students does limit its revenue but it is a commitment that we have all embraced willingly. The other research universities with medical schools in the State receive State support per the student that exceeds Michigan State's by \$4,900, almost 30%. The University is trying to produce educational quality and opportunity that is more than competitive with these institutions. MSU has a pattern of looking at tuition and trying to keep it as low as possible and that is to be commended. Students will save \$1,100 annually from the average they would have paid if we would have raised tuition at the average of the other state institutions.

President Simon stated that MSU will continue to deal with the challenges of quality and access. It is a difficult balance because it doesn't affect every individual in the same way.

President Simon said they have worked with the community to cut health care costs. The health care cost increases in this budget are only 10%, but that is still a very large number when it comes to Michigan State. Also, the University's student-faculty ratios are growing alarmingly high. MSU is in a tie for the highest in the Big Ten. It is not a measure of quality or particularly a cause of concern; it is a measure that one must worry about, not for the productivity issues, but because of the interaction and personal attention that students need. President Simon said the budget recommendations include money for academic quality to try to work on that ratio. We have sustained co-operations while doing all of the tinkering that one does in this kind of climate. She also stated that although MSU has one of the lowest costs for utilities and energy of any university, MSU is still hit very hard by the current economics around fuel and energy.

President Simon pointed out that the Board has proposed a special charge for energy so that it can be reviewed annually and MSU could include a charge to students that will be reduced when oil prices or coal prices go down.

MSU has included \$25 million to offset inflation and \$6 million dollars for energy and \$9.7 million dollars for academic quality and \$6.4 million for financial aid. All of the entrepreneurial activities generate another \$6.5 million.

President Simon stated that the financial aid funding is extraordinary. She noted that the University is on a recurring basis for financial aid. The percentage that tuition will go up is 9% for returning students because of the rebate provided by the energy fee. For new students the increase is 9.3%. The tuition increase for returning students will average about 7.5%. For new students tuition will be 13.5% and an aggregate rate with housing and lower division undergraduate students of 9.9%. The budget recommendations include an additional increase of 4% that would be effective for the fall of 2006.

President Simon added that MSU could have raised the tuition higher but the University tried to balance what it needs in the long run and in the short run and try to phase it in over a period of time. At the same time the University is trying to be sensitive to what it needs for quality and how it affords access with financial aid and try to minimize and fade in the impact.

The proposal also includes some programmatic fees in targeted areas including science, technology, agriculture and business. The fee of \$400 is particularly significant in the Broad College of Business in order to have more hands on experiences for its students. These fees are not unusual and the fees are only for upper division students, not lower division students. Further, we do not have course based lab fees as others do, and this approach parallels the existing fee for Engineering.

President Simon stated that the Broad College of Business has chosen the programmatic fee route to parallel MSU's College of Engineering. These fees will be part of the Financial Aid package. It is something that can be addressed with financial aid to offset the cost of those fees.

Using a Power Point presentation, President Simon reviewed some of the facts surrounding the budget. Looking at the financial aid budget, the cost of education that includes all the fees of being a student such as room and board, the total price last year was \$15,144 which puts MSU eighth in the State. President Simon stressed that looking at all of the numbers this way is important. Today the financial aid budget number is one place that you begin. Everyone starts with the same number. Financial aid is factored in to reduce that cost for a given student.

Trustee Romney added that the "financial aid budget" is actually the total cost of going to the school. Trustee Romney asked if this tuition increase is going to cost those with financial aid any more money to go to school. President Simon replied that for the students who have the most need, their net with financial aid is essentially the same. Mr. Rick Shipman, Director of Financial Aid, added that it will cost the neediest students less money because the significant increase in financial aid dollars that are part of this budget will actually reduce the out-of-pocket expenses of the neediest students.

Trustee Romney stated that the proposed budget also provides some aid to people who did not get aid before. Mr. Shipman confirmed this point.

Trustee Foster asked if that aid is \$1 million. Mr. Shipman replied that it is.

Trustee McNamara asked Mr. Shipman to confirm that PELL students would be paying less than they do now. Mr. Shipman confirmed that. Trustee McNamara stated that students would be

getting a reduction in tuition based on what the Trustees are considering doing today. Mr. Shipman said that the net cost out-of-pocket will go down slightly for the neediest students.

President Simon observed that this is part of the balance of quality and access.

Trustee Romney stated that the University is actually helping the neediest students in our largest growing population. We are actually helping those who are in need further by this proposal than last year. These students are paying less and other students who have the ability to pay are paying more. President Simon stated that there are students who are paying more who believe they do not have the ability to pay. Trustee Romney agreed that those students may be stretching a lot, but the neediest are being helped.

Trustee Ferguson said that even though this Board has the Republican majority, they, Republican Trustees, have endorsed a plan that helps the neediest. Trustee Porteous stated that this is not a Democrat/Republican issue.

Trustee Nugent commented that this truly is the land grant mission, to keep education accessible to our people. MSU has a high percentage of undergraduates who are first generation students. They are not as wealthy as students from other universities. The Trustees and Administration put forth a great deal of effort to make sure MSU keeps tuition affordable for students of Michigan.

Trustee Gonzales asked how long MSU would be able to keep the 6.9% for financial aid. President Simon said the financial aid numbers are part of the recurrent base. MSU's total cost of education is not third as represented by tuition but eighth as represent by cost reported in the financial aid budget. Total cost for returning students would go up \$656 for returning students and the cost for new students would go up about \$945. However, for the students who are in the most need, when they net out the financial aid they will actually pay less than they did this year.

Trustee Foster asked how many more students would receive financial aid than in the past. Mr. Shipman stated that if all forms of aid are included, the recipient count goes up by about 3% per year. Most are people who are taking out federal loans. Trustee Romney said his understanding is that 50% of MSU's students receive some form of financial aid.

Mr. David Byelich, Assistant Vice President and Director of Planning and Budgets, said MSU can expect our relative position to remain the same as it is today as the Administration looks at all of the proposed tuition increases. President Simon noted that the University expects to remain about third in tuition and we expect to remain about seventh, eighth or ninth relative position in terms of the cost of education as reflected in the financial aid budget. In addition, because of the financial aid decision, the net cost that students pay should be improved slightly. Students with the most need will pay slightly less once you subtract out their financial aid.

President Simon stated that she wished we were in a position where the State would provide more support, but MSU has tried to deal with the most vulnerable populations coming to the University while trying to find money for quality.

Trustee Romney asked how much MSU has cut out in costs using the zero-based budget program this year. Mr. Byelich said MSU has a \$7.8 million target toward which the Administration is working. What has been done across the board represents a continuation of the cost savings that have occurred. They range from the energy budget to the academic programs. A number of departments are changing and merging. Trustee Romney asked if the University has done all we can do without affecting quality. Mr. Byelich said we can always do more, but at this point the additional items become extraordinarily difficult and they are fewer and much less profitable than in the past.

President Simon said it would be possible to further change the shape and scope of Michigan State University by cutting, but there would be a dramatic change in order to continue to absorb the level of reductions requested by disinvestment of the State. It would be potential change in quality and have a significant impact on the value of a MSU degree.

Trustee Cook, by phone, indicated she wanted to stay on the line long enough to cast her vote and would go on record as supporting the work and the conclusion of these budget guidelines. They represent a lot of work on the part of MSU's faculty and staff, and by the Administration and the Board. Trustee Cook said she supports the recommended action on the budget.

President Simon asked if it would be acceptable to the Board to record Trustee Cook's vote now. The Board unanimously agreed to accept her vote. Trustee Cook also provided a statement

(Attachment B) to Vice President Terry Denbow that will be available to the press.

Trustee Cook thanked everyone for all the hard work that has gone into the budget. It has not been an easy thing but MSU had to do what the people of Michigan had to do and that is to keep Michigan State University strong. She said she is very proud of that.

President Simon invited comments from the faculty and student liaisons.

Student liaison Robert Murphy said that it is never easy for students to absorb tuition increases or cuts in programs and funding. It is always a difficult decision for students and their families to deal with. However, he and his colleagues Brad Love and Andrew Schepers have been working with Mr. Byelich and looking at the budget for next year. Given the State of Michigan's treacherous failure to fund public universities and higher education, he does not see any way out of the situation, except for the tuition raise. He can speak in favor of the tuition raise. The Academic Assembly has in the past supported most tuition raises for responsible reasons, for academic quality and to combat state funding cuts. Mr. Murphy said he sees all three criteria in this situation. He believes the Academic Assembly will be supportive of this unfortunate measure. Mr. Schepers left the meeting earlier to attend the Association of Big Ten Schools Conference where they will be comparing numbers with other students from Big Ten Schools and seeing how they will be dealing with this crisis. Mr. Murphy said he hopes that we will see promising results. It is regrettable but necessary.

Mr. Murphy said tuition decisions are always and should be tough ones, but in the face of increasing disinvestment from politicians in Lansing, this is a plan that maintains access to MSU. The University needs to be concerned that at-risk students have the opportunity to come here. The plan also maintains the value of an MSU degree, which is something that must be kept in mind, and it does address rising health care cost and energy costs. And it does so in a way that looks intelligently to the future. We can't ask for much more than that given the current situation.

Dr. Sticklen, faculty liaison, stated that Professor Vickery has been the most involved in faculty budget discussions. In her absence, he wanted to say that she and other faculty members are very impressed with the responsible decisions that this budget represents. Struggling with the raise allocation is a very difficult

process but the faculty supports it and is appreciative. The goal is to maintain a competitive position in terms of acquiring faculty, and the faculty is convinced that this budget reflects everything MSU could possibly do at this point in time.

Trustee Porteous said he thought the President explained the budget in very great detail and summarized in an excellent fashion the process the Board went through and the recommendations the administration has made. He stated that he appreciated the extraordinary amounts of time Trustee Nugent as chairman of the Finance Committee, and the other members of that Committee put in this past year. The budget was not something that was discussed over the last two months, but it has been an ongoing discussion each and every month. The Finance and Audit Committee has dedicated an extraordinary amount of time along with members of the administrative team. The common thread that you hear through all of this is we are stewards of those who came before us and we are stewards for those who will come after us. The question is how do we maintain access? How do we protect those most vulnerable? How do we make sure that we maintain the quality of this institution? Trustee Porteous feels the administration has done an extraordinary job in putting together a proposal that does an excellent job in balancing some very tough issues. He commended President Simon and her team and Trustee Nugent and his team. He also noted that the budget includes a mechanism to reduce costs to students. The House's proposed budget should go through. We have a way of then directly helping MSU's students.

Trustee Ferguson said that through this entire budget process, the Board members were always notified of different possibilities and asked for input. He thanked President Simon for maintaining access.

President Simon commented that the Wall Street Journal reported that MSU is in an unusual position because last year tuition increases in Michigan were kept artificially low. In other states they were very high. This year other state Universities have gotten increases in State support, not just smaller cuts, but actual increases in state appropriations for higher education. Michigan is one of two states that is not providing an increase in higher education this year.

6. Policy Committee
 - A. Approval of Contract Terms and Conflict of Interest Procedures

It was recommended that the Board of Trustees approve the administration's recommendation for execution of an option agreement with *AFID Therapeutics, Inc.* consistent with earlier public notice given at a Board meeting and with the "Option Term Sheet" now presented to the Board for inclusion in its minutes. (Attachment C)

On a motion by Ms. McNamara and supported by Ms. Foster, **THE BOARD VOTED to approve** the recommendation.

7. Chairman's Report

Trustee Porteous read a note from Trustee Cook thanking the Board for the flowers that she received when her sister passed away two weeks earlier.

8. Trustees Comments

Trustee Porteous presented a resolution to Dr. John Hudzik for his service as Acting Provost. (Attachment D)

Dr. Hudzik said he has thoroughly enjoyed the opportunity to work with so many great people. He stated that the job could not have been done with the truly superb people associated with the Provost's office. He stated that there is a real team at MSU. He has appreciated the opportunity to get to know the Board. He said the members of the Board put in a lot of time and effort and often anguish as well. Dr. Hudzik said that he has enjoyed working with the President. This has given him the opportunity to work with her at a new level and that has been thoroughly enjoyable.

Trustee Nugent told Dr. Carter that she has been a joy to work with and it has been a pleasure to have her keep the Board informed and connected. He wished her the best. Trustee Nugent informed everyone of the \$7.5 million dollar donation from Mr. David Morris of Grand Ledge. Mr. Morris announced the donation at the Ag Expo.

Trustee Foster expressed her appreciation to John Hudzik for his assistance to the Board and for having a full grasp of the role of Provost. She thanked Dr. Carter and said Dr. Carter was not an "ordinary woman." Trustee Foster said Dr. Carter's accomplishments are nothing short of remarkable. She looks forward to their tenure together. Trustee Foster also commented on the unfortunate incident in London and how informed

MSU's study abroad program has kept the Trustees and the University about them. She noted that the emergency procedures for locating MSU's students and faculty are quite remarkable.

Trustee Foster said the budget decisions are for the integrity of the University. MSU is still ranked and will continue to be ranked as one of the best values in higher education by *US News and World Report* and MSU is the only institution in the Big Ten to have that recognition. The increases are necessary to continue the quality of MSU.

Trustee McNamara thanked Drs. Carter and Hudzik and said they have been great to work with. Ms. McNamara said she anguished over the decision to increase tuition. Many students work for decades to pay for the degree. It is a real balance to assure that the education, the degree, has the perceived value nationally and internationally. It is important that they get something for all they have sacrificed for. MSU has tried to ensure that those who are most vulnerable to the economic impact of this tuition increase are assisted and taken care of and can come to Michigan State and still have access to the same quality of degree that the Board is working to maintain. She is very proud of everyone that she has worked with on this.

Trustee Gonzales congratulated Dr. Carter for the good job that she has done for the Board. She told Dr. Hudzik said enjoyed working with him at the liaison meetings. Trustee Gonzales congratulated Dr. Alison Barber on her appointment. She commented that she was very concerned about the budget and voted with her heart and for the people she represents and hopes everyone will understand that.

Trustee Ferguson echoed what Trustee McNamara said earlier. He stated that they did not compromise at Michigan State is and at the same time they protected those who were most vulnerable. He said Michigan State stuck to its land grant mission. Trustee Ferguson said MSU did not miss a beat when he came on board and he is glad Dr. Hudzik will still be around. He congratulated Dr. Carter and commented that she was very bright and very versatile.

8. Public Participation on Issues Not Germane to the Agenda

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

9. An Executive Session was not requested.

10. On a motion by Mr. Ferguson supported by Mr. Porteous, **THE BOARD VOTED to adjourn** at 4:04 p.m.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees