

University of Idaho
FACULTY COUNCIL MINUTES
2004-2005 Meeting #13, Tuesday, February 1st, 2005

Present: Bailey (chair), Adams (w/o vote), Anderson, Baillargeon, Beard, McCaffrey (sitting in for Bechinski), Cloud, Greever, McGuire, McLaughlin, Morris (w/o vote), Reid, Rinker, Woolston, Young, Zemetra

Absent: McMurtry, Exon, Gunter, Hammel, Houle, Reese, Rosholt

Observers: 6

Call to Order: A quorum being present, Faculty Council Chair Bailey called the meeting to order at 3:31 p.m. in the Brink Hall Faculty Lounge.

Minutes: It was moved and seconded (Beard, McGuire) to approve the minutes of meeting #12 of the 2004-2005 Faculty Council held on January 18th, 2005 as distributed. The motion carried unanimously.

Chair's Report: Chair Bailey reported on a "Conversations with the President" session that had taken place a week and a half before. The participants had been faculty members who taught core classes. These faculty were very enthusiastic about the core and what it was able to provide students and were eager to communicate this enthusiasm to the president. (The faculty spoke to many benefits of the core courses. They reported many student benefits as well as their own development arising from the experience of designing and teaching these courses.)

Professor Bailey also brought to Faculty Council's attention a publication titled, *Idaho Financial Facts*, which provided a wealth of current economic information about the state. It can also be accessed on-line at <http://www.legislature.idaho.gov/budget/> (then click on "2004 financial facts").

He reported that last week he had gone to Monday's SBOE/Board of Regents and JFAC meetings, which were held as part of "education week" in Boise. The SBOE/Board of Regents made its presentation to JFAC. The board president, Rod Lewis voiced the board's support of a tuition bill before the legislature (a bill which would allow those state schools not constitutionally prohibited from doing so—i.e., the University of Idaho—to charge tuition of their students) and also emphasized the need for legislative support for higher education. The SBOE/Board of Regents requested an increase in their budget this year because of the need to fund "increasing oversight" of Idaho education. (It is interesting in this regard that last fall's institutional accreditation review of both the University of Idaho and Idaho State University noted critical failures in the board's oversight function) It was pointed out in the meeting that over the last decade the board's budget has increased some 900%. Chair Bailey further reported that at the SBOE/Board of Regents meeting in the afternoon, student representatives from the four-year college and universities expressed their opposition to the tuition bill. Also at the board meeting, the University of Idaho was directed to submit Notice of Intent for the teach-out/discontinuation of any degree program offered at a particular location, even if the degree program is not in general being eliminated from the university's offerings. Finally the Board of Regents approved the university's proposal to rebond a substantial number of bonds at a lower interest rate which should save us a significant sum over the life of the bonds.

Provost's Report: Provost Morris reported on President White's presentation to JFAC. She thought it a good presentation which had its desired effect. The president's goal was to recreate a sense of trust on the part of the legislature in the University of Idaho—a sense of trust which has obviously suffered considerably by the events of the past few years. The president presented a confident view of the university's improving financial situation and emphasized the many excellences of the university's

students and faculty. He also chose to talk about the university by itself and not to compare the university to the other state institutions.

In response to a question from a Faculty Council member the provost said that the president did indeed emphasize the distinctive research mission of the University of Idaho and that the university's students had emphasized their abiding interest in the quality of their education. Concerning a question about the tuition bill being considered by the legislature, and whether the University of Idaho might be at a disadvantage vis-à-vis the other institutions if they were able to charge tuition and we were not, she replied that our situation is quite different than the other institutions'. Idaho State for instance is just about maxed out in terms of the fees it can charge. It is already charging for just about everything that is not an actual cost of instruction. If it is to raise more money from its students, it will have to charge for instructional costs, i.e., tuition. The University of Idaho's fees, on the other hand, only pay for a little over 50% of the university's non-instructional costs so there is room for students to pay more without their paying any actual instructional costs.

Plus/Minus Grading: Professor James Reid reported for the small faculty-council appointed working group on plus/minus grading. They had solicited input from a number of sources: ASUI Senate, the Honor Student Board, CLASS faculty. Students seem almost unanimous in opposing a change to plus/minus grading while faculty would seem to be about 80% in favor. They are still waiting for feedback from the Graduate Student Association. He asked Faculty Council how they should proceed. It was agreed that he should pass on his material to his fellow councilors and they in turn would query their colleagues.

Budget Update: Financial Vice President Jay Kenton and Budget Director Mark Brainard presented Faculty Council with a budget update that focused on the ending of the FY 2004 budget, a mid-year status report on the FY 2005 budget, and the process and prospects of the legislative appropriation for FY 2006.

In general the news for the university's budget was good. We had increased our cash reserves; in essence we took in \$11 million more than we spent last year and now have reserves of \$29M which is 10.7% of our operating expenses (best practices dictate that reserves should be between 5-15% of operating expenses). Kenton also pointed out that our current ratio (current assets/current liabilities) ratio at the end of FY 2004 was at 1.2:1 (up from 1:1). Best practices would suggest a ratio on the order of 2:1 so we are making progress but will still need to improve in this area. Our debt burden ratio is currently at 5% (including the Water Center debt which is actually on the Idaho State Building Authority's (ISBA) books); 7% is generally taken as a danger point. Our bond rating was recently pegged at A+ (the second highest rating) which allowed us to refinance university bonds at a more favorable rate resulting in an average interest savings of \$230,000 per year. Nevertheless, Vice President Kenton noted that we still should be cautious about taking on new debt.

The auditors' assessment of the University of Idaho Foundation's finances was more cautious. They noted that the foundation did not have a funding source for the repayment of a note of \$5 million payable to the university on December 31, 2004. That note was subsequently extended to December 31, 2005 (when another note of \$2 million is also due the university). The auditors (Deloitte) noted that the foundation will have to find a source for those payments if the foundation is to remain a "going concern." On a more positive note, Kenton pointed out that the foundation's total assets had increased from \$194M to \$205M last year and that the foundation had continued to earn 13-14% on all endowments which was a very good rate of return given the investment marketplace.

Turning to the mid-year status report, Jay Kenton noted that, half way through the year, the university as a whole had 59.3% of the general education support funds budget remaining; in the colleges the average was 65.5%. Local service operations accounts in the academic area show a 20.3% increase over the previous year. Our interest income is up, our indirect cost recoveries are down, as is revenue from fees and tuition. The last results from a small drop in enrollment. (It was noted that graduate enrollments are up but undergraduate enrollment is down.) Also down is our land-grant endowment income. Responding

to a question concerning the relationship of rising tuition and enrollment, Jay Kenton replied that a twenty-seven year longitudinal study done by a pair of University of California researchers has shown that there is no price sensitivity whatever when tuition increases match general inflationary increases. However, for each \$100 increase above the general rate of inflation enrollment suffers a .7% decrease. Enrollment is also affected negatively by a softening of the high school graduation numbers occasioned by the passing of the “baby-boom echo.”

Finally Jay Kenton reviewed the budget process and prospects for FY 2006. Specifically he pointed out some substantial increases proposed by the governor as well as other aspects of the proposed budget. A Faculty Council representative noted the fact that the proposed budget would fully fund the 27th payroll that falls in FY 2006. This is for the 12-month employees. Nine-month employees will receive their same contracted amount and can choose to receive it in 27 pay periods, if so desired.

Overall the financial situation at the university seems guardedly positive. There is still a \$12 million debt that will take six or seven years to fully amortize but plans are in hand to do so. We need to find solutions to the \$6 million in annual recurring budget deficits. The president will soon be announcing plans, along the lines of those suggested by the University Vision and Resource Task Force, to deal with those deficits. He noted that of those areas identified by the UVRTF as contributors to that annual imbalance, the \$1.8 million attributable to the Water Center in Boise (a \$1.8 million in addition to the \$4 million in annual lease payments) has largely disappeared thanks to newly announced subleases. (However, the \$6 million total deficit figure remains despite the improving picture at the Water Center, other areas must have shown negative trends.)

School District Facilities Planning: Athletic Director Rob Spear and J.D. Wulforth of the Agricultural Economics and Rural Sociology Department, both members of a Moscow School District task force charged with making recommendations concerning school district facilities, presented to council a set of overlapping proposals for upgrading and/or replacing ageing facilities in the district over the next twenty-five years. Facilities replacement is a particularly thorny issue in Idaho because it is the only state that requires a super majority to pass a facilities bond and that does not put any money of its own into school facilities. A task force (which includes Rob Spear as a member) has been working for two years to assess the situation and come up with some possible solutions. They have held a number of meetings with various community groups, this being one such, and they will be presenting their findings to the school board in April. The board will then make its decision as to how to proceed and possibly recommend a facilities levy. Key issues to be decided are whether to build a new high school and new elementary school or not.

Adjournment: The day’s business having been complete, it was moved and seconded (Beard, Young) to adjourn. The motion carried unanimously and the meeting was adjourned at 4:58 p.m.

Respectfully submitted,

Douglas Q. Adams
Faculty Secretary and Secretary of Faculty Council