Minutes of Regular Meeting
December 1, 2008

Meeting
Regular meeting of the full senate, 3:15 p.m., Kendall Cram Room, Lavin-Bernick Center.
Presiding: The chair, President Cowen.

Attendance
Ex Officio: Cowen (pres./chair), Long (vice chair), Sachs (SVP, dean SOM), Lorino (CFO), Y. Jones (COO), Barrera (chair, SAC), Mackin (sec), Wiese (parl)
Deans: Query (Libraries), MacLaren (NTC), Schwartz (Arch.), Ponoroff (Law), Haber (SLA), Buekens (SPHTM), Altiero (SSE), Marks (SSW)
A. B. Freeman School of Business: Sujan
Newcomb-Tulane College: Kalka
Architecture: Bernhard
Continuing Studies: Green, McLennan
Law: Davies, Overby
Liberal Arts: Balée, Bidima, Cole, Rothenberg, Maveety
Medicine: M. Landry (proxy for Mushatt), Doucet, S. Landry, DeSalvo, Voss
Public Health and Tropical Medicine: Hutchinson, Webber, Rose
Science and Engineering: Schmehl, Walker, Mullin (proxy for Tasker)
Social Work: Pearlmutter, Lewis
Student Senators: Walker, Pond (proxy for Pillert), Diamond (proxy for Kelley), Beyerstedt
Staff Senators: Earles, Hayes
Senators at Large: Robins, Hoeffel, Parker, Langston, Desai, Carroll, Purrington
Invited Guests: Maczuga (assoc vp, tech transfer), Johnson (gen. counsel), Baños (chief of staff), Berner (Hullabaloo)

Absent Senators: M. Bernstein, Cullen, DeNisi, Marksbury, V. Jones, Nowicki, Horowitz, Bunnell, Wietfeld

Introduction of New Senators and Guests
President Cowen introduced Tom Voss, newly elected senator from the School of Medicine.

Minutes
The minutes of the November 3 meeting were approved without change.

Elections
Faculty Representative to the Board
Hugh Long was elected to complete the term of Professor Diaz-Thomas.

President’s Report
President Cowen said he did not have a formal report but would entertain questions. Senator Purrington asked if any ongoing discussion with the American Association of University Professors was occurring about the censure of Tulane University. President Cowen replied that no discussion was going on between his office and the AAUP.

Senator Desai noted that a student had told him that the student’s registration was blocked because of a delay in processing the student’s loan. The president suggested that Senator Desai
refer the student to the financial aid office. The president added that the administration had anecdotal information on similar problems but so far had seen no wholesale problems with student loans.

Senator Schmehl asked about the applicant pool for next year’s incoming class. President Cowen said that by the time of the Thanksgiving holiday the university had received 32,800 applications, which was only about 1,000 short of the total number of applications last year. The number was likely to exceed last year’s total of 34,000, but how much beyond last year’s was unknown. He said the quality of the class on paper was better than last year. Last year, the university had accepted almost the entire class by January 1. This year the university had increased the academic standards for early action; nevertheless, about the same number had already been accepted as last year by this same date.

President Cowen said the administration was concerned about the yield rate. The downturn in the economy could affect the number of potential students who accepted the offer of admission to Tulane. He was also concerned about the discount rate. He noted that the university’s admission process was “need blind.” As the quality of the student body continued to rise, more need-based and merit-based aid might be required.

The president added that applications in the professional schools and graduate schools were also higher this year. He said that applications to professional schools typically rise in economic downturns.

Senator Hutchinson asked what the standards were for early admission. The president replied that the administration used a “TE score,” which was an amalgam of different factors. He estimated that the average SAT score of those accepted was 1350 and the vast majority were in the top 10 percent of their graduating class if they were from schools that ranked class members.

Senator Kalka asked if student loans could be a problem. President Cowen said he did not believe so in most cases. The federal bailout plan included money for student loans. The main effect of the economic downturn on enrollment was that parents might opt for lower-cost alternatives like in-state public schools. The administration would not know the overall effect until May of 2009.

Senator Sujan asked whether President-elect Obama’s proposal to give assistance to students for public service could have an effect on the funds available to students. President Cowen agreed that the Obama candidacy had included that type of student assistance as a plank, but he believed the new president would be dealing with so many other problems, he would not get to that plank very soon.

### Committee Reports

#### Budget Review

The chair of the Committee on Budget Review, Senator McFarland, briefly discussed his written report, which had previously been distributed to the senate. He noted that the committee had met twice in the fall semester and reviewed documents on university financial results for fiscal year 2008 and the budget for FY 2009. The committee also looked at fund-raising and the status of the endowment fund. At its second meeting, the committee had reviewed the most recent iteration of preliminary budget assumptions for FY 2010.

In FY 2008 net assets increased by 5.7 percent to about $1.3 billion. Operating income fell, largely because of lesser amounts of insurance recoveries than the prior year. On the other hand, several major revenue categories increased: net tuition and fees increased by 7.3 percent; grants and contracts by 5.1 percent; medical group practice by almost 24 percent; affiliated hospital agreements and contracts by 12.5 percent; endowment income by 12.3 percent; recovery of indirect costs by 5.1 percent; and auxiliary enterprises by 15.1 percent.

Operating expense increases in FY 2008 were generally commensurate with revenue increases except in two areas: public service, which increased 32.4 percent, and student services, which increased 16 percent, while institutional and academic support increased only 5.8 percent.

The budget deficit for FY 2008 had been projected at $34 million but ended up being $20
The university ended the year in a strong cash position with about $100 million in reserves, which should be adequate to cover any liquidity issues. Budget deficits were still projected through 2011; however, the financial forecast through 2009 had improved because of several factors: larger enrollments; one-time payments from insurance companies, FEMA, and the state; and several large gifts. The university was still pursuing up to $50 million in additional payments from FEMA and insurance.

Overall, Senator McFarland said, the balance sheet was in good shape. The university had adequate credit to deal with most contingencies. The major concern was the nation’s financial and economic crisis, especially its impact on endowment and endowment earnings, tuition revenue, grants and contracts, and fund-raising. The endowment had dropped 24 percent by the end of October, and that drop did not reflect investment in private equity funds, which would not release their results until March. He anticipated that the total drop in endowment would be greater by the end of the calendar year.

On the expenditure side, the current proposal called for no increase. Depending on circumstances, that could later be increased to the normal range of 2 to 3 percent. Utility costs remained high because those costs tended to lag behind reductions in oil and gas prices because of long-term contracts for fuel acquisition.

If funds were available, Vice President Lorino said, in addition to salary pool increases, the administration would revisit the phased implementation of the faculty and staff compensation enhancement plan. It also would re-examine graduate programs, especially the doctoral programs that the provost was reviewing. Finally, it would consider initiating Project 2020, which was a plan to enhance the university’s research activities by investing in infrastructure.

President Cowen commented that the administration was not excessively concerned about the budget situation in 2010 because it knew what the endowment payout would be. He was reasonably optimistic about tuition and believed research grants would continue at the current level. He acknowledged that fund-raising would be a problem; major gifts were unlikely under the circumstances. The administration was focusing on unrestricted gifts.

Fiscal years 2011 and 2012 were a greater cause for concern. If the endowment stayed down, the payout would decrease. The administration did not want to take Draconian measures at that time, so it was taking a conservative approach in 2010 to be prepared for 2011 and 2012. The president said that the picture would be much clearer in a year.

President Cowen noted that many prestigious universities were taking strong action in the next year by planning for reductions. His administration would continue to monitor the situation, but he believed Tulane University could avoid such strong actions. His most important priority was to have no layoffs at the university, ensuring the security of the people who were here. He believed the university would be able to attain
that goal. Since Hurricane Katrina, the university had become a lean organization. He said the administration would consider hiring freezes, modulating the salary pool, and deferring some projects if those actions were necessary. He added that the administration should know more when the senate meets again in February.

Senator McFarland emphasized that the assumptions being proposed for senate approval were preliminary assumptions. He added that the undergraduate discount rate was 43-44 percent, which was significantly higher than he recalled it being in the past.

President Cowen said that the rate was about 500 basis points (5 percent) higher for several reasons: Right after the storm, the administration had raised the discount rate to ensure that the university had an incoming class. Since then, the quality of the applicant pool had risen, and more students qualified for merit aid. He said that the administration was looking at the discount rate, did not want it to rise any more, and would like to lower it; but, he added, that could be difficult to achieve in the current economic situation.

Senator Purrington asked what sort of modeling the administration used in budgeting. Vice President Lorino said that two to three processes were used simultaneously. After the basic assumptions were approved by the senate, the administration took those assumptions and developed a model for the university overall. The administration tried to come up with a base that was the best indication of where the university stood at that time and then calculated the effect of the changes proposed.

Senator Purrington asked if the administration were using Monte Carlo simulations. Vice President Lorino answered no, it was not. He said the administration also developed a multi-year forecast, but that forecast was less reliable, especially in a changing economy. He noted that the administration also monitored cash flow daily and modeled the cash position.

Senator McFarland asked Vice President Lorino to comment on the cash reserves. Vice President Lorino said that in the past the university had often been in a negative cash position at the end of the fiscal year and the calendar year. After last fiscal year, however, the university held onto its cash. The administration paid $50 million of $150 million in debt but kept $100 million in cash, which gave it flexibility. Many other universities, he said, were in a more difficult position because their cash was locked up.

Senator Kalka asked whether the university could control the discount rate by dialing down merit-based aid. President Cowen replied that the administration had raised the standards but the higher quality of the student pool had outpaced the rise in standards.

Prefacing her question by wondering if she were tilting at windmills, Senator Carroll asked whether it would be possible both to achieve environmental goals and improve finances by promising individuals a return for reducing utility costs, for example, offering salary increases or reduced rates. Vice President Lorino said that the administration had pursued a major project in energy savings on the uptown campus after Hurricane Katrina. Those savings, however, were dedicated to the construction of the new power plant, which was a necessity. He was reluctant to forecast additional savings but was hoping to keep costs flat. Utility costs had risen more than $6 million per annum since Hurricane Katrina.

Senator Carroll noted that she often came in on the weekend and found lights on in empty rooms. She added that many faculty and staff members left their computers on. Vice President Lorino said that one of the administration’s projects included installing sensors that turned off lights when people left a room, but that project was not complete. He said that monitoring and enforcing utility conservation was a monumental task.

Senator Carroll said that was a reason why incentives might help. Senator McFarland responded that the university did not have the infrastructure to set up an incentive system because such a system would require complex control systems.

Senator Rose observed that before Hurricane Katrina freshman class size had risen to 1,600. He asked if the administration was considering going back to that class size. President Cowen said no,
that class size was too large for the size of the institution. Maintaining that class size would have required a major investment in infrastructure. The university would also have to abandon its plan to have students live on campus for two years. Increasing class size would be unwise in the long term and probably would not work in the short term because of the residency requirement.

Senator Sujan asked whether the administration was considering changing the ratio of regular faculty if the endowment continued to fall. President Cowen said the administration would have to look at a freeze to cap the number of people at the university. After that, the administration might consider converting some positions, but it had not looked at that issue yet.

Senator Rothenberg asked for an explanation for the increase in public service expenditures. Senator McFarland said he could not explain it; he had flagged the item because it had jumped from about $6 million to $8.5 million. Vice President Lorino said that most of the increase was the result of the university opening primary care clinics in the community. He noted that the line item also included some Qatar funds that were dedicated to community service. President Cowen added that public service as a category did not refer merely to the Center for Public Service but was a much larger category.

Senator Desai asked the president to comment on the status of athletics, considering the fiscal challenges that lay ahead. President Cowen said the university was trying to defer as many costs as it could but had a deadline of 2011 to get a full complement of sports. The cost of both added sports together was $250,000, so no great savings could be achieved by delaying them.

Senator Desai asked about the cost of existing programs like football. President Cowen said those programs were about as “bare bones” as possible. The cash deficit for athletics was in the forecast range. The administration had taken a hard look at athletics but had not found much to cut there.

Senator Green asked if the lack of attendance would affect Tulane’s Division 1A status. President Cowen said it would not in the foreseeable future as long as Tulane played a team like LSU or Alabama every year. Those teams always drew a crowd, and one game could increase the average by quite a bit. He added that football was the only sport with an attendance requirement.

Senator McFarland asked President Cowen to clarify his priorities on expenditures (item 4) considering financial limitations. The president said that the first priority was the salary pool increase, then in the order listed (compensation enhancement, graduate studies, Project 2020).

Senator McFarland then asked the president to explain his reasoning. President Cowen said that faculty and staff compensation enhancement remained a high priority. The phased implementation had begun but was not completed. The doctoral program was the next priority. The timing of the amount of dollars in a given year might change. The plan was to invest $4 million by 2012. The administration had not yet made a firm commitment of funds to Project 2020. It was about to when the economic crisis struck. Overall, the president repeated emphatically, the number one priority was that everyone would keep his or her job.

Following this discussion, the senate, by voice vote, unanimously accepted the preliminary budget assumptions for FY 2010.

**University Honors**

Senator Davies, chair of the Committee on University Honors presented the committee’s annual report, which had previously been distributed electronically to the members of the senate. He noted that much of the committee’s business, involving changes to procedures, was reported in the April senate meeting.

Under the old procedures, three candidates had been approved to receive honorary degrees at the 2008 commencement ceremony. One was unable to attend and was deferred to 2009. The other two, Leah Chase and Guy Canivet, were honored at commencement.

Under the new procedures, the senate committee met jointly with the board committee and considered 14 nominations. Four were rejected and two others were deferred. Five were recommended for honors in 2009 and three in
2010. Recommendations of both the board and senate committees were unanimous. These recommendations would be presented to the senate in executive session.

The confidential remainder of the report was postponed to executive session, which followed the regular senate meeting.

Adjournment

With no further public business, the meeting was adjourned to executive session at 4:00 p.m.

Respectfully submitted,
Jim Mackin, Secretary

Secretary’s Note: All written reports mentioned in the minutes, together with the full text of approved Handbook revisions and other policy changes, will be available on the senate Web site, http://www.tulane.edu/~usenate/.