Minutes for Notre Dame Faculty Senate Meeting
November 4, 2014, 7:00pm
DeBartolo Room 140

Attendees: Gail Bederman, Karen Buranskas, Christopher Chowrimootoo, Matthew Capdevielle, Xavier Creary, Liz Dube, John Gaski, Liangyan Ge, Nasir Ghiaseddin, Alexandra Guisinger, Michael Hemler, Michael Kirsch, Donald Kommers, BJ Lee, Linda Major, Adam Martin, Paul McDowell, Paul McGinn, Hildegund Muller, Walter Nicgorski, Christopher Shields, Joshua Shrout, John Stamper, Marsha Stevenson, Sandra Vera-Munoz, Meng Wang, Kyle Watson, Sophie White, Richard Williams

Excused: Mark Caprio, John Duffy, David Galvin, David Gasperetti, Hai Lin, John Polhamus, Sylwia Ptasinska, Jeanne Romero-Severson, Joe Urbany

Absent: Matthew Devine, George Howard

1. Opening Prayer
2. Introductions
3. Minutes of the October 7, 2014 meeting approved
4. Chair introduced John Affleck-Graves
5. John Affleck-Graves (JAG) spoke on University budgets, Crossroads, 403b
    a. To begin, JAG described the overall process of the approval of the budget in February by Notre Dame's board of trustees, noting that the board has a finance committee that is the primary contact for the budget process.
        i. In August, the President and Provost provide a statement to the budget working group (BWG) about what they see as the priorities in the budget. After that presentation, the BWG starts the budgeting process by rolling over the prior year's budget (tuition, endowment payoffs, faculty compensation) with growth, and sees if it balances. Usually, there is a small surplus. After this initial process, the BWG sees what changes are possible including increases in tuition, increases in compensation for faculty and staff, and possible changes in the endowment payoff. Endowment payout is regulated by a spending rate limit of 4 to 5%. Spending rate= (what you can spend/endowment return averaged value over the previous 12 quarters). There is some flexibility in the spending rate: when markets are strong, lower the rate (to 3.6%); when markets are weak (2008 & 2009), increase the rate to increase the payout. JAG says that the expectation is an increase in the payout to 5% each year so we can cover an increase in faculty compensation. However, because of the financial crisis we have been limited to around 3% increases lately but are hoping to return to 5%.
        ii. In October, the BWG has a sense of how much additional money will be available. Thus in October, units can make presentations to the Provost's Office, President's Office, and Budget Office. These requests are aggregated by those

offices and brought to the budget working unit. At that point, there is a negotiation between different interests to set priorities. Sometimes priorities are moved to "one time funding" with the idea that it will be returned to the budget the following year. In other cases items are deferred to the next year, and receive higher priority at that time.

    iii. In November, the draft budget goes to the finance committee. In February, the finance committee then presents it to the full board for approval. The full board usually approves but tends to push on tuition and board increases.

b. JAG then responded to a series of questions
    i. **Question about the effect of market on payoffs**. There are contingency funds for when the endowment drops to certain levels. There are two different contingency plans for a 5 to 10% drop in a market. Larger than that are hard to plan for in advance, as they would be a large shock to all universities and the market.
    ii. **Question about the negotiations in the budget working group.** JAG says the bias is usually for academic initiatives, then student affairs, then facilities. In answer to a follow up question about representation by faculty, JAG argued that representation would then rapidly increase to other interested parties, and it would be harder to come to agreement and perhaps would hurt the faculty rather than help since potentially these groups would weigh against academic expenses.
    iii. **Question about what is the growth rate of the athletic budget vs. university**? The athletic budget increased 200% during a time period that the university budget increased by 30% if one looks at the gross values. However, the athletic budget is treated as other auxiliary groups (bookstore, catering) and thus they focus on net rather than gross revenue. Growth of athletics has led to growth in the contribution back to the general fund: contribution has increased 4 fold.
    iv. **Question about contribution process**. JAG says that athletics also come to the budget working group and make projections about revenues and expenses to calculate the net. He argues that focus on net is correct since gross expenses are covered by the increase in revenues. Also a share is taken to be placed in reserve because of concern about unknown risks to do with change in the NCAA regulations, treatment of licensing, concussion liability etc. Moody's outlook on 5 sources of revenue for universities is that they are all under pressure: tuition is hard to increase, federal funds under pressure, endowment, and auxiliary budget ($40 to 60 million a year in net revenue).
    v. **Question about recent years there were many changes in who pays for graduate stipends, fringe benefits, etc. What prompted these changes?** JAG's answer is that revenue pressure requires colleges and departments to be responsible for fully covering any increase in costs. Colleges and schools generate these costs and so they need to have a plan to cover them. JAG says it is too early to judge if changes have been a success. Most peers are trying to

centralize, but Notre Dame is already far more centralized than most schools so decentralization here may lead to a convergence with peers. He does not expect further changes.

vi. **Question about college budget.** JAG didn't have any contribution as this is all done at the college level.

vii. **403b question. Is TIAA/CREF for profit or not?** TIAA/CREF says that they operate as a non-profit, but legally the IRS treats it as a taxable company.

viii. **Question about why no social choice option.** JAG says that the law is clear that when provided, a 403b plan must provide most profitable option at given risk rate. Given the restrictions of a socially responsible fund, it is likely that it will not be as profitable. We cannot as an employer offer that fund, as the employer is responsible for providing the best option. JAG argued that it is TIAA-CREF that is preventing faculty from being offered their products, rather than the University, because TIAA-CREF will not allow for access to their funds unless TIAA-CREF is the single record keeper. Fee difference is substantial. Senate faculty member noted that he can buy TIAA-CREF on the private market.

ix. **Question of whether Vanguard is a for profit group.** Although the materials say it is investor-owned, it is also for profit.

x. **Question about expanding ECDC.** JAG noted a Spring 2006, a committee was put together to evaluate ECDC. Licensing in Indiana requires smaller rooms, and more caregivers for infant care. The committee said the cost was too high relative to the number of spaces available. This is a standing committee that meets regularly. JAG claimed that he would have to cut faculty compensation by 1% to pay for expansion of ECDC. But the faculty senate should invite Linda Kroll to talk about this.

xi. **Question about Crossroads consultation: should the faculty senate have been consulted?** JAG argued that new facilities don't typically come to the Faculty Senate because it is a decision between the specific unit and facilities. A Student Center was one of the unfunded priorities in the last campaign. JAG thought that there was no enthusiasm because of the originally planned placement at the Stepan Center site. The suggestion for the stadium expansion did not come from athletics department. Instead it arose from a conversation between JAG, Jack Swarbrick and Dr. Burish. If you draw a 5 minute walking circle from the flag pole, two underused locations emerge: space next to the lake and space around the stadium. The space around the stadium is used only 6 perhaps 8 times a year if you count Sunburst and graduation. Funding for the new building has been difficult prior to Crossroads. Some Crossroads funding came from the strategic plan to cover buildings that had been previously planned ($200M). Also athletics contributed some funds that would have been used for an additional practice facility ($25M of $35M). Additional funding will come from loans. Covering these loans and additional costs of the facilities will be paid for by premium seating revenue. There are few sources of revenues, premium seating offers a source and will cover the operating budget. Most of the departments seem enthusiastic about the new facilities. Could this have been achieved at less cost, elsewhere? Perhaps, but the programs would not be getting the building that they will currently get. You could make arguments that the locations could have been better placed, but again, there is a chance that they would not be funded at all from the campaign. The fundraising started Feb 2, to date, the University has raised $140M of the $200M. Having the buildings attached to the stadium was more appealing to donors. For example, not one of them had previously offered to fund the music building.

In the stadium, there will be multiple levels of premium seats. At the "5.5 level" suites of 8 seats are available. For these, a donor pays $1M upfront, and an additional $150k a year. There are 136 of these seats. ND is holding back 16 of these. Top benefactors have already had an opportunity to buy them and we have already sold many of them. 'Loge boxes' are $45K upfront, $30K/yr. There are 348 of these and approximately ½ are sold. There are 2,200 club seats and they are 20% sold. All together there are 2,700 premium seats. All seats come with a capital fee and an annual fee, and are sold for 20 years. Seats are only transferrable to a family member. Important to remember that even if benefactors start with athletics, they usually then provide funding for other areas. For a subset of benefactors, athletics is an entrance. ND will issue $200M taxable debt at 4-4.5% (still TBD). The capital component (seat sales) will fund about $75M, which we will have in 2017. We could take this in short term debt, but ND might take the full $200M in long term debt, with the assumption that we can transfer this $75M to the endowment and it will grow faster than the cost of the debt. It will likely be taxable debt because it will allow more flexibility and the cost differential is small.

xii. A question was raised about the role of the faculty senate in advising on important issues. Noting the bylaws of the faculty senate, it was asked whether the faculty senate should have been consulted. JAGs response is that they can't bring every proposed building to the faculty senate. Crossroads is a series of buildings and had full participation by the colleges and departments involved. On the benefits side, his office has traditionally worked through the benefits committee. In this case (i.e. recent 403b change), it came too late. In the future, they will need to start early. 403b includes staff, not just faculty. However, having seen the savings to the University, he feels like they can't go back. If we could do it again, we would try to get more participation.

xiii. **Did Crossroads go through the approval faster and more quickly than others?** Yes, because funding was so readily available and everything in the process is driven by funding. Thus we need to move quickly. Typically Lou Nanni comes to JAGs office about 2 years before funding will close to allow for planning to start. In the case of Crossroads, Lou expected that there would be no problems getting funding, and he was correct so they could announce plan. They raised

$80-90M in just 3 months. They did have a contingency plan to delay if funding wasn't present by June, but the plan wasn't needed.

xiv. **What is going to happen to the student center, Haggar Hall, etc.**? Dan Meyers in the Provost office is looking at the backfill of these building and he is in negotiation with departments to fill them.

6. Revisit Crossroads resolution: Delayed for lack of quorum.

7. Committee Meetings cancelled because to allow faculty to leave for election night.

8. New Business – Request for faculty senate member to participate in student government meetings.

Meeting adjourned at 9:20p.m.