Minutes*

Senate Committee on Finance and Planning
Tuesday, December 11, 2007
2:00 – 4:30
238A Morrill Hall

Present: Judith Martin (chair), Rose Blixt, David Chapman, Adam Faitek, Steve Fitzgerald, Lincoln Kallsen, Thomas Klein, Joseph Konstan, Kathleen O'Brien, Kathryn Olson, Richard Pfutzenreuter, Terry Roe, Gwen Rudney, George Wilcox, Aks Zaheer

Absent: Olivier Asser, Jon Binks, V. V. Chari, Russell Luepker, Mikael Moseley, Justin Revenaugh, Michael Rollefson, Thomas Stinson, Michael Volna, Candace Wagner, Warren Warwick

Guests: Julie Tonneson (Office of Budget and Finance); Vice President Karen Himle, Ms. Jan Morlock (University Relations); Police Chief Gregory Hestness, Terry Cook (Director, Emergency Management), Robert Janoski (Director, Central Security)

[In these minutes: (1) budget planning parameters; (2) budget-model subcommittee report; (3) Neighborhood Revitalization Committee; (4) public safety and emergency preparedness]

1. Budget Planning Parameters

Professor Martin convened the meeting at 2:00 and welcomed Vice President Pfutzenreuter and Ms. Tonneson to discuss budget and cost-pool issues.

Vice President Pfutzenreuter distributed a handout with the budget planning parameters. All numbers are increments over 2007-08.

Resources

16,510,000 New state appropriation funds
39,300,000 Tuition and University Fee (assumes 7.5%)
4,836,979 FY 07-08 balance (intentionally set aside)
3,700,000 Central recurring resources (spending authorized earlier that did not occur)

64,346,979 Total Resources for 08-09

Must Dos

5,610,000 Student Aid (Founder's program, 2% tuition buy-down for MN residents)
27,500,000 General compensation (all faculty/staff on state funds, 3.25% plus fringes)
3,805,764 Facilities (utilities, leases, debt, new-building operations)

36,915,764 Total Must Dos

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

27,431,215 Available for Investment

The amounts to be provided for cost-pool increases have not been determined; they are in progress. The requested increases in the cost pools are $55 million (which is more than 10% of their current budgets, Professor Konstan observed). Mr. Pfutzenreuter said the increases will be substantially less than 10%, although he could not say yet what they will be. If there are contract or safety issues, they will be addressed (e.g., more police officers), and there are some strategic ACADEMIC investments in the cost pools (e.g., the honors program, the writing initiative, libraries, graduate fellowships). There are also strategic support investments in the cost pools (e.g., Enterprise Financial system trainers, veterans certificate coordination, the Vice President for Scholarly and Cultural Affairs).

Professor Konstan asked about contractual/safety obligations. If they are currently in the cost pools, and when central funds go into them, is there a central subsidy or all the costs distributed to the units, which then pay higher charges? The Enterprise Financial System is paid up front, Mr. Pfutzenreuter said, but there will be annual license fees that fall into the contractual category and incorporated in technical costs systemwide. Each decision finds its way into a cost pool. Where are the funds to pay for them to come from, Professor Konstan asked? If the expenses go into the cost pools, there must be an assumption that there will be new tuition income for the units to pay them. That is part of the $27 million available for investment, Mr. Pfutzenreuter said, which is what is left of the $64 million in new funds. If the cost pools were to go up $10 million, then there will be a decision to make: do they take $10 million of the $27 million to pay cost-pool increases or distribute all the money and make the units pay the increased $10 million? Those decisions have not been made and are done unit by unit.

Professor Konstan recalled that originally the cost pools were to be accountable to users. With central mandates, however, it is a different game. The University buys PeopleSoft and the costs are in the cost pools, and central administration must juggle budgets for each unit. They have always looked at units on an all-funds basis, Mr. Pfutzenreuter said, and make case-by-case decisions about what source will pay for what—that is not new. They do not ignore tuition income, he added.

Professor Zaheer said it seems that the $27 million is already spoken for due to other commitments. He asked what Mr. Pfutzenreuter's best guess was about the amount of money that will be available for academic investments. Mr. Pfutzenreuter said it was a fair questions but that he could not answer it because they have not completed a final review of how new charges will flow through the cost pools. But some funds have been spoken for, Professor Zaheer pointed out; they have, Mr. Pfutzenreuter agreed, but the senior officers must make the final decisions. In reality, Professor Martin said, there will be some new funds but the amount will be modest.

Professor Roe asked how the process provides incentives to officers. An additional $20 million in the cost pools might be absolutely legitimate, but are there any process incentives to those responsible for cost pools to be more efficient? They have charged each cost-pool owner to set up a group to talk with, but they are not doing a good enough job in that respect, Mr. Pfutzenreuter said; there is not enough tension in the system. Professor Martin pointed out that Vice President O'Brien can talk to the deans about utility costs, but if the colleges do not get to retain any savings in energy use, there is no incentive. However much the cost pools increase, Mr. Pfutzenreuter added, almost one-half of those expenditures are in strategic academic investments, not administrators (as he noted previously, in libraries, classrooms, etc.).

There are two ways to achieve efficiencies, Ms. Tonneson said. One is incentives in the units, and the only immediate one is utilities, which are charged directly on consumption—if consumption goes down, the cost goes down. The other cost-pool charges are not designed in that way. A second way is to provide incentives on the support side in order to keep costs down. Mr. Pfutzenreuter said that he knows that if the cost pool increases are in double digits, they are in trouble, and they will try to keep the increases to the low single digits. If the increase is 6% and one-half of that money is going to academic investments, that is not bad. If the increase is 10% and only one-fifth of the money goes to academic investments, that is not good. One problem is that the cost-pools never seem to retrench things, Professor Roe commented.

If the central and service units make investments that are viewed as academic investments, how will a general reader be able to identify the academic versus general administrative investments, Mr. Klein asked, and how will the rationale for the investments be communicated? Ms. Tonneson is working on that, Mr. Pfutzenreuter said.

Ms. Olson commented, apropos utilities, that a challenge in multiple occupant buildings is to increase efficiency with a lot of different units. In general even in single unit buildings, Facilities Management does not have the resources to work on more than a handful of projects at any given time and isn't able to provide broad leadership in this arena. It takes money to save money, she said, and the units can't get the dollars they need. It would be nice to have an incentive pool, she said. Mr. Pfutzenreuter agreed. The University should cut utilities by $45 million through using switches that turn off the lights when one leaves the room, not have toilets that run 24 hours per day, and so on—those are changes the University is not getting to. The power plant is using oat hulls, which has saved a lot of money, but there is much more the University can do.

Could the savings be used to create an incentive pool, Professor Martin asked? That money goes into the $27 million available for investment, Mr. Pfutzenreuter said. Ms. Tonneson added that if a unit has budgeted $5 million for utilities, and actual consumption is $4.5 million, the difference stays in the unit budgets. Ms. Olson said if buildings are recommissioned and an energy savings results, money saved could be used to create a pool for incentives; since the efforts consumed in the recommissioning process are all-University costs, an agreement could be made so savings would be available for other efficiency projects.

Some cost pools will increase more than others, Mr. Pfutzenreuter said. He expects the number to be in the 4-6% range, with half of that in academic investments, not bureaucrats. Professor Zaheer said it would be nice if the Committee could see the numbers; Mr. Pfutzenreuter promised to provide them. Professor Martin noted that however the numbers settle, the University-wide communication about the investments will be critical, because there will be a lot of pushback unless people understand the investments are for the entire University.

Is there a place for cost-pool owners to look at their own incentives, Mr. Klein asked? Is there senior-level discussion of cost-pool budgets? The Committee and Mr. Pfutzenreuter discussed the incentives and support-service reallocation. Professor Zaheer suggested that achieving efficiencies could factor into the compensation system for the heads of units. They are working on ways to slow growth, Ms. Tonneson said; Mr. Pfutzenreuter added that everyone knows it is difficult for units to say they are going to stop doing something. They are good at starting to do things, however, Professor Roe observed.

The University continues to have a model that requires units to try to be cheaper by (for example) 2% every year, but it can't shed costs or increase prices like a private-sector corporation because the University has policies that make that impossible. For example, the living-wage policy requires paying more than the market, and a private organization would outsource some activities, but the

University has made policy decisions that say it will not be a place that sacrifices culture for money. Similarly, units cannot independently raise tuition, but they are still told to cut, while they are better equipped to focus instead on productivity and should spend less effort pinching pennies and more effort on advancing knowledge. Units are not given the structure to trim (e.g., send librarians to India) because it does not have the same standards as Wal-Mart. Mr. Pfutzenreuter agreed and said he was tired of the term "reallocation": the University's value system gets in the way of reallocation.

Ms. Olson said, about productivity, that she did not know what tools are available to measure management outputs, but if there are any, that could be a way to guide the discussions.

Mr. Pfutzenreuter said he would return at the next meeting with more details. After the senior officers approve the cost-pool budgets, they will develop instructions for academic units.

Professor Martin thanked Vice President Pfutzenreuter and Ms. Tonneson for the information.

2. Budget-Model Subcommittee Report

Professor Martin next asked Mr. Klein to present the report of the ad hoc budget-model subcommittee, which was jointly commissioned by this Committee and the Senate Research Committee.. (A copy of the report is appended to these minutes.)

Mr. Klein reported that the subcommittee set out to do two things: understand the budget model and understand various issues surfacing across campus. They talked with deans and department heads from a cross-section of the campus. They heard the same or similar issues from different perspectives. He said that Ms. Tonneson had been generous with her time; they also spoke with Senior Vice President Cerra, Senior Vice President and Provost E. Thomas Sullivan, vice President and CFO Pfutzenreuter and had candid conversations with the deans and department heads.

Finding #3 (see below) was the number one issue the subcommittee heard about. It was unclear how these funds were allocated and how or if they are linked to University priorities, unit priorities, or the goal of being among the top three. If research is such a critical priority, for example, why is the Vice President for Research not on the committee or part of the group that allocates state funds?

Mr. Klein emphasized the point in #4: the subcommittee was surprised that there is no mechanism to influence cost-pool units' level of services or the charges. There was extensive discussion on the need for standards that cost-pool units can be held to (e.g., service agreements), and the charges should not simply be mandated to the academic units without any control. The original plan for the use of cost-pools included discussion about market-like mechanisms that would provide feedback from the customers to the service units.

With respect to #5, Mr. Klein observed that the committee heard from several collegiate units that the perception is that academic departments must bear the burden of decreases in revenue while most cost-pool units do not have the same revenue pressures.

On #6, Mr. Klein observed that if a unit saves money by spending less than its budget on utilities, there is no assurance that there will not be a cut in state funds which offsets the savings. Until it is clear that utilities savings are a plus for units, there will be suspicion on the part of units that they will be cut elsewhere if they generate savings. Mr. Pfutzenreuter observed that utilities are the only place where there is a clear linkage with consumption. The budget model is supposed to provide a lot of incentives, but it does not because in many circumstances the units cannot control the supplier. A unit can save money in Facilities Management charges if it vacates space, but to get better space costs more than not moving. Professor Roe said that there is a THEORETICAL direct relationship, but the unit must find another one to take the space. Some things look good on paper but are difficult to implement.

Professor Zaheer (a member of the subcommittee), said that the report highlights issues and makes recommendations that are embedded in the report. But the subcommittee recognizes that recommendations may not be the optimal solutions because the subcommittee was not certain enough about the options and the solutions. Some recommendations, however, are obvious.

Is there anything in the report they did not know before, Professor Martin asked? Are there deep insights from the analysis? It is important to take questions that come from the deans and department heads and find out if something needs attention, especially if there is to be continuous improvement, Mr. Klein said. There is probably an underlying reason why several of these issues come up repeatedly and it suggests there are issues that should receive attention. Perhaps it is a budget-model issue or perhaps it is a communications issue. They did not uncover a disaster but it will be important not to let the budget-model issues slip and to keep them before the governance committees.

Professor Zaheer said his views were these: (1) it was never clear what the impacts of the budget model would be, although they heard some horror stories and uncovered some themselves, and (2) they tried to take a more dispassionate look at the model, tried to be fair to both sides, and tried to steer a middle ground. The report serves a useful purpose, he concluded. Professor Martin asked the Committee to take the work of the subcommittee and develop recommendations. Mr. Klein reported that the subcommittee members had different views about the level of confidence they would have in any recommendations: some wanted recommendations fully developed and defensible while others were comfortable with recommendations to be developed as the work goes along.

Professor Martin thanked Mr. Klein for the report.

3. Neighborhood Revitalization Committee

Professor Martin next welcomed Vice President Himle and Ms. Morlock to the meeting to discuss the Neighborhood Revitalization Committee (NRC).

Vice President Himle told the Committee that the NRC was the first activity she volunteered to participate in when she took her position at the University. She said she was impressed by the work that Ms. Morlock has done.

In response to a requirement in the bill authorizing support for the new football stadium that called for a report on the impact of the University on the surrounding community, the University, Minneapolis, and Stadium Area Advisory Group "appointed an Impact Report Task Group"; the report is on the web (at http://www1.umn.edu/urelate/govrel/pdf/07nirfull.pdf). More recently, the University, the city, and neighborhoods "have recently formed a steering committee to guide an alliance to propel neighborhood revitalization forward." The legislature provided $750,000 in one-time money to launch the alliance and for demonstration projects; the University is the fiscal agent for the alliance but the funds will be used for revitalization—the University is NOT the beneficiary. Ms. Morlock said they hope to go back to the legislature to obtain additional support for the alliance, and they also hope to expand the number of partners participating.

Ms. Morlock explained that it is useful to think of the University as living in a neighborhood that is important to it, like each of us lives in a neighborhood that is valuable to us. If one sees changes in the neighborhood that one does not like, one takes action. For example, if the majority of the properties come to be owned investors who have no long-term interest in the neighborhood, and the great majority of their tenants are in the same approximate age group (i.e., 18-24) and for whom this is their first time living alone, problems ensue. The neighborhood school is closed. The center city close to the area is doing well but the city revenues are down with a decline in the tax base. That is the neighborhood where the University lives. That has always been the situation but there have been marked changes in the last 15 years, in part a result of the University's success in getting students to live on campus. When students leave the residence halls after one or two years, many choose to live nearby. The neighborhoods around the University were built as single-family homes, unlike New York City, for example, in which a lot of renters are normal. These single-family homes are purchased by rental-property owners who convert them to a lot of bedrooms, which changes the culture of the neighborhood and places infrastructure demands on the community.

Ms. Morlock quoted from a memo that she and Vice President Himle prepared for the Committee.

> The campus and the neighborhoods adjacent to it are a unique asset in the city and the region. This asset is endangered by decline: in the condition of the housing, upkeep of the 'public realm,' and student/neighborhood relations. There has been a substantial decline in the percentage of owner-occupied homes, with a sharp increase in the conversion of single-family homes to over-occupied and poorly-maintained rental properties. The drive to create an enriched on-campus residential experience for first-year students has resulted in a great increase in the numbers of students living in neighborhoods close to campus—we are a 'commuter campus' no longer. Approximately 25% of Twin Cities campus employees live in the City of Minneapolis, but only 3% live in the neighborhoods adjacent to campus that were once home to many more University faculty and staff. The decline in property maintenance [e.g., broken windows] is part of a spiral of disinvestment that threatens the future safety and livability of the neighborhoods. A study of the best practices in other campus communities suggests that the best response lies in a partnership approach among the University, city government, the neighborhoods, local businesses, private investors, and other institutional partners.

These are dangerous directions but there are tools to approach them. Ms. Morlock emphasized that the University cannot act unilaterally but must be in partnerships with other organizations and the neighborhood.

What does the University have to gain? Ms. Morlock noted the point in the memo. "What we have to gain is a campus area community that is welcoming and safe for students and University employees and others to live, that is an asset in recruiting the great talent needed by a world class research university, and that distinguishes the University area as a premier place to live, work, learn, and visit. The risk in ignoring it is a trajectory of decline that can create very serious safety and livability conditions, as we have seen from the experience at other universities. The University of Pennsylvania, for example, needed to invest $79 million from their endowment in order to jump start a turnaround in the Philadelphia neighborhoods next to their campus."

These are the priorities (all are direct quotes):

-- Encourage long-term residency and University/resident connections in the neighborhoods adjacent to campus. This may include encouraging home ownership for U faculty and staff, alumni/retiree housing, rental opportunities for graduate and professional students and staff, campus-affiliated people of diverse ages living near campus.

-- Foster the development, restoration, and/or preservation of decent, safe housing for students within walking and bicycling distance of campus.

-- Encourage student, faculty, and staff civic learning and engagement; civic responsibility; and community safety in the neighborhoods adjacent to campus.

-- Encourage a high quality environment along the "gateways" to the University campus, and in the commercial districts that serve University community members and visitors.

-- Foster and support the efforts of adjacent neighborhoods, business associations, and local governments to preserve and enhance the vitality, beauty, and safety of the communities adjacent to campus.

-- Brand and market the University district as a premier place to live, learn, work, do business, and visit.

-- Engage local government, other major stakeholders, and potential partners and investors in focusing attention and resources on these priorities.

She has visited other universities to learn what they are doing, Ms. Morlock related, but has concluded there is no recipe. There are a lot of moving parts and the University cannot simply assign someone to do something. There has to be collaboration with others who may have different views.

Professor Roe commented that these problems are endemic to a lot of universities: fundamental economic forces drive neighborhoods to high-density housing that requires a high level of services. There is often also low-cost on-campus housing, which adds to the problems. They must look at the forces affecting these developments. One of the factors is increased commercial real-estate development, Vice President Himle said, which is a double-edged sword, because what developers want might not be compatible with nearby low-cost housing. The alliance will try to address these issues. She agreed, however, that there is a need to develop economic hypotheses about what is occurring.

Mr. Klein questioned the implication that faculty want to live near campus but are moving away. It is not known if they have moved away because of the neighborhood, or because they want bigger suburban yards, or for other reasons. The report probably should not state as fact that faculty want to live near the University and use that as an assumption for neighborhood planning efforts. Ms. Morlock agreed that they have much discovery to do. They have done a survey of University employees and want to do a focus-group discussion with newly-hired faculty to learn where they decided to live.

Professor Zaheer asked what the demonstration projects supported by the state will be. Ms. Morlock said they do not know yet; Ms. Himle said the alliance will develop proposals. What form might they take, Professor Zaheer asked? Ms. Morlock said that while she will not choose them, one example might be University issuance of an RFP to lease off-campus housing for graduate and professional students, and demonstration projects funding might be used to make external physical improvements to a property that might not otherwise be up to standard—good quality housing is provided for graduate students and the community has improved a substandard property. Ms. Himle observed that $750,000 will not go far but the good news is the number of people who are engaged in the process. But there will be a problem if they must say "no" to many people and then do not use the money to get results that the legislature will fund.

Students are the primary driver of the issues raised, Mr. Faitek said, because they have no long-term investment in the neighborhood. The University should look at why students move off campus and what it can do; the primary motivation for most students is money: if they want cheap housing, they don't care how crowded it is. How can that be changed? Ms. Morlock agreed that the University cannot solve affordable housing issues but it can try to identify where the levers are. The University does not want to eliminate students from the neighborhoods but it can try to create more commitment to the area and neighbors. One demonstration might be to build affordable rental housing, because much of the rental housing in the neighborhoods was not intended to be rental so it has gone into decline. Developers around the Twin Cities have already demonstrated it is possible to build affordable rental housing.

Professor Roe said needs to be a multi-faceted approach that includes such things as zoning (limit the number of multiple-occupancy buildings) and subsidized busing, and the initial balance will be important. Professor Martin observed that the zoning code already requires fewer than six unrelated people in one building; the problem is enforcement.

Professor Martin thanked Vice President Himle and Ms. Morlock for the presentation.

4. Public Safety & Emergency Preparedness

Professor Martin next welcomed Vice President O'Brien and Police Chief Hestness to the meeting to inform the Committee what is being done in public safety and emergency preparedness. She noted the recent increase in bomb-threat calls and wondered how many are prompted by a desire on someone's part to avoid taking exams.

Vice President O'Brien began by reporting that in the last 5-6 years the University has focused on strengthening its public-safety functions. The 1990s saw a major fire, a demonstrator hanging on a building, and eco-terrorism on campus, all of which predated the events of 9/11. After 9/11 the University examined what it should do to strengthen public safety; before that time, no office had responsibility for assessing security and assessing risk and there was only a limited emergency-preparedness function. Since then the University has invested resources and obtained top-rate staff.

Professor Martin asked if public safety and emergency preparedness are part of the Facilities Management cost pool. They are not, Ms. O'Brien said; they are part of the administrative cost pool. The (Twin Cities) Department of Public Safety (which includes the policy, security, and emergency preparedness) reports to the Vice President for University Services (her).

Chief Hestness said he appreciated the opportunity to brief the Committee again, introduced his colleagues Mr. Cook and Mr. Janoski, and made a few opening comments to the Committee. He observed that there has been a lot of interest in public safety this year, both for emergency preparedness and for crime and safety. The incident at Virginia Tech, other shootings, the 35W bridge collapse, and bomb threats on the Twin Cities campus have sparked an interest in emergency management. He and his colleagues have briefed the Regents, the deans, the President, and the legislature. The crime alert messages have also led to requests for briefings with student leaders. The media have also been interested. He said he would talk about public safety at this meeting, but that can be a presentation quite separate from emergency preparedness, which he said he would be glad to talk with the Committee about in the future.

The Department of Public Safety was formed in 2002 ("in response to a heightened concern for security following the events of 9/11/01, and to provide a less fragmented approach to the needs of the University community") and is focused on the Twin Cities campus. Their budget is $13.3 million, 72% of which comes from O&M funds, and has a total of 159FTEs (including 65 student-monitor FTEs consisting of 277 different students). The Department includes three departments: the Police Department (which also consults with and on occasion provides support to Duluth and Morris), Emergency Management, and Central Security (both of which serve all campuses). They have four full-time employees in Emergency Management; all are state-certified emergency managers.

Their goals for serving the University community are that "people are safe, people feel safe, [and] services are provided in a fair, impartial manner." The strategies they use to strengthen public safety include enhanced partnerships (on and off campus) and communication, increased training opportunities for Public Safety staff, technology advancements, enhancing the University's security infrastructure, and strengthening emergency preparedness efforts.

The strategies to enhance partnerships including working with Student Affairs, Housing and Residential Life, Environmental Health and Safety, the Academic Health Center, student associations, and so on. They also have cross-department task forces, work with community/neighborhood organizations, have public-private partnerships, and work with other public safety colleagues. They are responsible for 270 buildings in three cities, and even with 50 officers and over 200 students, they cannot have eyes everywhere. Security equipment helps but they also need people to call if they observe suspicious behavior. The Virginia Tech incident raised a number of issues with respect to students with mental health problems. The Provost created a committee that has been working for three years on better support for students struggling with mental health issues; it is easy for them to slip under the radar on a big campus and the Department of Public Safety needs faculty support to identify those students and provide them with help. Professor Martin observed that many faculty teach large lecture classes so would have no idea if a student has mental health problems.

Chief Hestness also reviewed the strategies for strengthening emergency preparedness efforts and to enhance the security infrastructure as well as the steps taken by the Police Department to maximize safety (improved records management, computer-aided dispatch, emergency communications systems, crime analysis from Minneapolis, and digital cameras in all marked vehicles).

Although they have had concerns about crime trends, and robbery in particular, both robbery and other crime rates are down on campus. Part I Crimes (the most serious offenses in the FBI Uniform Crime Reports, such as homicide, rape, robbery, aggravated assault, etc.) are down 7% in 2007 (through October). 85-88% of campus crime is theft; in 1995 there were 1,263 thefts on campus while there were 715 in 2005 and 2006. (Almost all of these are preventable, Chief Hestness commented.) Part I Violent Crimes gook a jump in 2005 (to 33 from 6 the previous year and 13 and 12 the two years before that) and has stayed above the earlier levels since (26 in 2006 and 22 in 2007). Part II crimes (less serious ones) have been declining slowly since 2003.

They also look at Part I crimes near the University and the data gives him concern, Chief Hestness said. There was a significant increase in 1998 and the numbers have stayed high ever since (ranging from 3,087 in 1998 to 2,849 in 2007). Robberies did not increase with other crimes in 1998, but it has jumped since 2005. He said he is concerned that something is fundamentally different from what it was earlier—for robberies, there appears to be a "new normal" in southeast Minneapolis.

Robberies on campus increased from fall 2006 to fall 2007: from 5 to 7. It is some of these incidents that led to the crime alerts that have caused anxiety. They cannot find any consistent pattern either in the on-campus or those in the campus area (of which there have been 32 this year on the Minneapolis east and west banks).

The staffing plan is to increase the policy force by 10 officers (to the 55 mentioned) by the time of the opening day for the new football stadium in 2009. At present the police department staffing ratios are the lowest in the Big Ten, which makes responding to urban crime a challenge and which also leads to lower visibility. They are staffed adequately to respond to 911 calls. The President has noticed a difference in policy coverage with the increased number of officers and encouraged the department to develop a plan, and has twice asked for briefings on the issue. The plan includes several elements: form a community-relations team (sergeant and four officers) whose members will walk through residence halls, etc.; add a second bomb canine (they have only one, but with the new stadium and an increase in visits by dignitaries, they need a second); add two more officers for day duty and two more officers to the middle shift (who would be on bikes); and other elements.

Professor Zaheer said that when he came to the University from MIT 15 years ago, crime was far less visible; now it is a problem with young women faculty receiving crime alerts and finding it difficult to work on campus at night (which affects productivity). How does Minnesota compare with other land-grant universities? Minnesota seems not to have the same level of police visibility that would make one feel safe.

There are resources on campus, Chief Hestness said. Security monitors are available to all and his office is responsible for getting information to everyone about the services that are available. In the 1980s and 1990s, the number of police officers was reduced significantly (to 35) in order to transfer money to academic budgets. They are now working their way back to 55 officers (they now have 45 and are budgeted for 50). He noted that adding 3 officers equals one officer per day around the clock. Finally, when concerns are highlighted and information is made available (e.g., crime alerts), that do not necessarily make people feel safer. He said it is helpful to talk to the Committee to get perceptions of how they can communicate more clearly with the community.

Professor Zaheer said the issue is not going to 50 officers but going to the number needed. Does the Department have the appropriate resources to cover the campus? Young women faculty worry, and have expressed their worries, so there is a problem. Will the increased number of officers solve it? There is no number of officers that would make the campus completely safe, Vice President O'Brien said. The number of officers is based on Chief Hestness's strategic plan on how to deploy them. But one cannot say that even if there were 150 officers that nothing bad would ever happen. How do they benchmark the resources and officers, Professor Zaheer asked? That is important and the strategic plan will provide ways to do so, Ms. O'Brien said. But it is difficult to compare Minnesota with Ohio State or Northwestern; her job, and Chief Hestness's job, is to ask whether they have the right number.

Will the people who are affected (e.g., those who feel threatened) have any input, Professor Zaheer asked? If young women faculty do not feel safe, they need to rely on the escort service, Professor Martin said. It is not just moving around campus, Professor Zaheer said; they are concerned about sitting in their own offices. They never see officers. Ms. Blixt commented that in McNeill Hall they have installed card readers on the outside doors. Those provide an audit trail, Chief Hestness agreed. Student monitors also have radios to contact the police department—and they are usually not backlogged in calls so can respond quickly. Vice President O'Brien said that help can arrive in minutes. She also noted that there is a security committee for the West Bank that meets with academic units and that has plans for units to support each other, something akin to a neighborhood crime watch. The investments that have been made also help with safety and with investigations, Chief Hestness added; they were able to identify on video cameras someone who committed a crime, and while these investments make people safer, they seem not to make people FEEL safer. Having members of the custodial staff around also helps to increase the comfort level, Vice President O'Brien said. Ms. Olson said the crime alerts are a good idea but they are jarring when people are not used to them. It would probably help if there was a follow-up to them. Vice President O'Brien said that she and Chief Hestness discuss the crime alerts before they go out; they rely on his expertise but they also do not want to cry "wolf." The crime alerts give the impression there has been a big increase in crime, Professor Zaheer said. There has not been, Chief Hestness responded. They try to err on the side of giving people information they need to be safe, Ms. O'Brien commented.

Professor Martin thanked Chief Hestness and his colleagues for joining the meeting and making the report. She adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota

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Ad Hoc Budget Committee Report

November 15, 2007

The *ad hoc* committee on the new budget model has members from the Senate Committee on Finance and Planning and the Senate Research Committee. The committee was specifically charged by the Chairs of these committees

-- "To consider what impact the new budget model is having on areas of importance to the faculty and staff, including interdisciplinary teaching and research, cost of services and infrastructure support"
-- "To ensure that appropriate feedback mechanisms are in place so that colleges, the Central Administration, and the two Senate committees are regularly informed about the effects of the new budget model"

To this end, the *ad hoc* committee began regular meetings in late Fall, 2006. We held discussions with administrators, college deans, and department heads, broadly representative of the University.

In what follows we first describe our understanding of the new budget model. We then briefly report some of the observations we collected from those who are engaged in trying to make the model work. Finally, we summarize our findings.

What is the budget model?

University documents state that the "new" budget model is designed to be a set of stable revenue and cost attribution rules for use in achieving the strategic goals of the University. Of necessity, the new budget model is also at the heart of a process for distributing and reallocating resources among units.

The model was first used in the 2006-07 budget year. As implemented, the budget model defines how most money flows to and from colleges or equivalent units. The University calls these units resource responsibility centers (RRCs). The new budget model is intended to apply to RRCs, but not smaller units like departments or centers, although some RRCs seem to be implementing the new budget model by passing expenses and revenue through to these smaller units. The guiding principle in the new budget model is that an RRC keeps all its revenue and pays all its own expenses. Although formulaic in principle, every RRC must have state funds allocated by Central Administration in order to have a balanced budget.

Revenue and expenses apart from state allocations

- All **revenue** earned by an RRC stays in the RRC. The revenue sources are:
  - All tuition and fees, subject to agreements between colleges on how tuition is shared when students in one college enroll in a course in another college.
  - All indirect cost recovery (ICR) funds
  - Direct costs from grants
  - Other sources of revenue include state specials, internal service organization income, gifts, private practice income, investment income, endowment income, sales, admission fees, and possibly others.
- All RRC **expenses** are paid by the RRC. These include:
  - Expenses that RRCs paid under the "old" budget model including salaries, fringe benefits, student aid, supplies and other items. The list of expenses does not include the "IRS" assessment from the old model as this has been abolished.
  - Many expenses previously paid centrally "off the top" are now paid by RRCs. These expenses are grouped into nine cost pools: Facilities – Operations & Maintenance; Utilities; Debt & Leases; Office of Information Technology; Administrative Service Units; Research; Libraries; Student Services; General Purpose Classrooms.

    The costs of these services are determined by Central Administration and are allocated to RRCs using fixed formulas. Some of the formulas are based on actual RRC consumption, such as utilities and space; some are based on a proxy for usage, including libraries and research Administration. The allocation for administrative units is based on a "common good" principle.

Centrally allocated state funds

- No RRC has revenue greater than or equal to its expenses. The imbalance is addressed with State funds that are allocated to RRCs based on priorities determined by Central Administration, after consultation with the RRCs.

Findings

Deans and Department heads generally expressed unhappiness with the new budget model and distrust of the decision process at the next higher level. These problems appear to stem from three basic causes, none of which is necessarily intrinsic to the new budget model:

-- *Incomplete information*. Most faculty do not understand that the budget model is intended to determine RRC budgets, but it is silent on how RRCs allocate funds to smaller units. While the revenues and expenses of an RRC apart from state allocations are easy to determine, the allocations from Central Administration to RRCs are not formulaic and may or may not correspond to RRC or departmental priorities.

-- *Inadequate funding*. The main problem with University budgeting is that it is trying to do too much with much too little money. Lack of funding is not the fault of this or any other budget model.

-- *Internal reallocation*. Internal reallocation of RRC funds is a regular component of the budget process. Reallocation is intended to reflect the goals and priorities of the University, but how the priorities are set and how the reallocation process is determined have not always been clearly stated. As a result, in a number of cases internal reallocations have caused anxiety and misunderstanding in RRCs and departments. The deans and department chairs we interviewed mentioned many perceived negative consequences of reallocation, including faculty salary increases viewed as unfunded mandates; difficulty in securing funds for faculty start up packages; potential decline of core departments; difficulty in retaining senior faculty; decline in funding for graduate education, and the use of scarce resources for interdisciplinary initiatives that may not reflect RRC priorities.

Our own overall evaluation is that the budget model itself is neither intrinsically good nor bad. However, its implementation has created a number of difficulties we discuss in the next section.

Distribution of State Funds to RRCs

1. No RRC at the University has sufficient revenue to have a balanced budget without money from the State appropriation. After an extensive period of consultation, Central Administration allocates State money to RRCs. To the greatest extent possible this process has to be open for inspection by interested faculty and administrators.

   This aspect of the budget process is viewed with skepticism and concern by many of those we consulted, in part because allocations may not agree with priorities set by departments and Deans. While complete elimination of these difficulties may not be possible, they may be reduced by increasing the information available to faculty and Deans about RRC priorities, University priorities, how decisions are made, and who makes them.

   One means of increasing information availability on the new budget model suggested to us, would be for the Office of the VP Finance or the Provost and VP for the Academic Health Center to establish a Q&A section of the Budget Office webpage. At this site, budget and compact funding questions could be directed, the question researched and a response posted that would make the information available to the entire University community. Questions not suitable for broad dissemination could be handled directly with the person or group asking the question and not posted.

2. Budget allocations from the State are based on priorities determined by Central Administration, but based on our interviews, it is not clear if these priorities are set with input from the RRCs or if the rationale for setting the priorities is clearly communicated. With the explicit goal of the University to become one of the top three Public Research Universities, the committee was quite surprised the Vice President for Research is neither an integral part of the budgeting process nor directly involved in the discussions with the RRCs which determine the distribution of the state funds.

Cost pools

3. A frequent complaint we heard was that the costs from the cost pools are allocated to RRCs without any input from the RRCs. While this may have been necessary in the first year of the new budget model, each of the cost pools could now work to establish a mechanism, perhaps through advisory committees, that would help set budget priorities and establish equitable methods for distributing expenses.

4. Since RRCs operate with very limited budgets and thus cannot be expected to support cost pools that are ineffective or too expensive, the committee was surprised the RRCs did not have a mechanism to influence their charges or services. It appears the RRCs must pay their cost pool bill without the ability to establish quality standards, require a response to their needs, or demand a response to complaints.

5. In 2006-07, RRCs faced budget decreases shortly before the beginning of the academic year, but RRCs were not permitted proportional decreases in their cost pool allocations. Thus RRCs cut funding to academic programs, while the cost pools appeared to be protected. This seems to us to be contrary to the stated goals of the University.

6. Small variations in departmental revenue can be devastating to departments that are committed to cover their fixed cost pool allocations. RRCs seem to be the appropriate unit to bear the risk of paying cost pool allocations rather than passing charges onto departments or other units.

Retention of savings

7. One purpose of the budget model is to provide units with incentives to use resources more effectively and save money, for example by building appropriately sized buildings, saving on administrative matters like payroll processing, or reduction in utility use. There are not, however, mechanisms to insure that RRCs can keep their savings, and assurances that these will not be offset by decreased allocations of state funds.

8. There does not appear to be a means to insure that RRCs will not be punished for protecting activities that promote the aspirational goals of the University, even at the expense of higher costs. For example, the sharing of tuition for co-teaching arrangements when one or more instructors are from an outside RRC seems to be difficult to negotiate. In addition, not all cost savings are desirable. For example, a college’s costs can be reduced by increasing class sizes, increasing the use of adjunct faculty, or teaching more undergraduate courses and fewer graduate courses; none of these are likely to improve measures of the University’s success in its mission.

Reserves

9. Reserves are necessary for the long-range stability of RRCs. Some reserves are encumbered, for example in a faculty member's research account, others are for particular purposes, such as start up funds for a new hire or to cover unexpected short falls due to unexpected events. Reserves of these types should not be considered by Central Administration as possible sources for reallocation of funds.

Interdisciplinary research and centers

10. The new budget model describes how Central Administration allocates funds to RRCs, but it does not address how RRCs allocate money to their constituents, which include both departments and centers that are completely housed within one RRC, or centers that may span several RRCs. Consequently, the new budget model appears to have no formal impact on the operation of interdisciplinary centers or interdisciplinary research. According to our discussions, these activities are generally funded based on *ad hoc* agreements between RRCs on how centers are to be supported. To say that the new budget model has no effect on interdisciplinary research would be naïve; to say that it has a predictable effect common to all or many interdisciplinary efforts is equally naïve.

Final Note

The committee members would like to acknowledge the cooperation, candid discussion and generous sharing of their time by department heads, deans and central administration. We believe we have a better appreciation of the University's financial structure as a result of the efforts of these individuals. We look forward to the Research and Finance & Planning Committees' review of our findings.

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