



UNIVERSITY OF MINNESOTA

University Senate Consultative Committee
164 Food Science and Nutrition
1334 Eckles Avenue
St. Paul, Minnesota 55108
Telephone (612)373-3226

AGENDA

Special Meeting
Senate Finance Committee / Senate Consultative Committee

August 16, 1982
2:30 - 5:00 p.m.
Regents Room, Morrill Hall

A. Review of biennial request.

1. Organization of biennial budget request and increases by category.
2. Faculty salary increase.
3. SEE increase/distribution plans?
4. Libraries' acquisitions (accounting '81-'82, '82-'83)
5. Legal expenses.
6. Overall recommendation?

B. Capital request.

1. Critical list.
2. Other pressing needs
3. Recommendation on size/nature of capital request.





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MINUTES
SENATE FINANCE / SENATE CONSULTATIVE COMMITTEE MEETING

Monday, August 16, 1982
2:30 - 5:20
Regents Room, Morrill Hall

Members present: Phyllis Freier, Patrick Gaughan, Fraser Hart, Julie Iverson, Hugh Kabat, Vice President Kenneth Keller (ex officio), Marv Mattson, Paul Schulte, George Sell, Burt Sundquist, Pat Swan; Donald Spring via phone hook-up.

Guests Present: Donna Seese, Maureen Smith, Bruce Thorpe.

A. Review of Biennial Request.

Vice President Keller emphasized that the drafts of August 11 are intermediate working documents and not the administration's recommendation to the Regents. He summarized the process by which drafts 1, 2 and 3 had been developed. The state appropriation for the '81-'83 biennium was approx. \$660 million. The state Finance Commissioner issued regulations holding "state agencies" to a 5% increase in the first year of the biennium, and a compounded 5% increase in the second year. Were the University to abide by what is asked of agencies, it would request approximately a \$60 million increase for the biennium. Among the unanswered questions is how the state will treat deficiencies, such as have occurred unavoidably in the fuels and in solid and hazardous waste budgets.

Draft 3 gives prominence to a set of "unavoidable expenditure increases." An SEE increase of 5% is included. For academic salary increases, a "plug" figure based upon a 7% increase each year has been entered. The administration, however, contemplates instead submitting a complex package of salary improvement requests.

1. Specials. Base of the specials is about \$50 million per year. The University is seeking a larger proportion of improvement for the specials (the increase tentatively recommended is about \$3 million for the first year and somewhat more than that for the second year). In the O&M budget, the salary improvement proportion will exceed all others.

Professor Spring commended the administration effort in its development of draft 3 from draft 2, particularly the separating out of the fuels and waste items and the improved balance between specials and the O&M.

Professor Freier asked if the continuity of specials is guaranteed, and Vice President Keller said generally it is. Eventually the University tries to incorporate specials into its regular budget. He reminded the meeting that the

specials' base had been reduced in program prioritizing and said the increase requests roughly would restore them to their original base level. Keller is making a new effort via an equipment purchase item for the College of Biological Sciences to persuade the legislature to allow the University to keep more indirect cost recovery funds.

2. Faculty salary increases. Vice President Keller said more data are needed (AAUP tables and comparisons with external salaries) before the increase request is set. The Senate's long-range goal policy did not draw a linear plan, he said. The U may want next year to put itself on record for the catch-up but not make its biggest request in the first or second year while the economy is at the nadir.

Or, the University might request a basic percentage increase plus a separate appropriation for creation of one or more new funds, to match outside competition where that is appropriate, and/or to improve categories which have plainly lagged. He argued that since the Senate made salary comparisons outside higher education in areas competing for the same professionals, it is logical to compare each sector in the University with its outside equivalent, where one exists. He stated that many institutions, including some of the nation's very best, are giving increases to all faculty plus special increases to special groups. He recommended that the University openly consider this possibility and, if it makes that choice, that it ask the legislature directly for those targeted funds rather than painfully arranging internal reallocations.

Professor Sell asserted that the "catch-up" argument will be strongest in the first year of the improvement plan. Vice President Keller remarked that years of lobbying have taught him that "catch-up" is the least sellable concept to the legislature. Retention and recruitment needs are sellable, however. Professor Sundquist urged that people not be allowed to forget that faculty lost real income in the 70's.

Professor Turner supported the approach of a complex, distinctive salary presentation and of comparisons with the University's competitors for the Ph.D.'s. Higher education comparisons should no longer be limited to the Big Ten, he argued, for Sunbelt universities are now very real competitors for our faculty. Since the University got only half the 31% it requested in the last biennium, it should continue to stress salaries as its highest budget priority and also stress the importance of the salary component of the request to the quality of the University.

Professor Freier remarked that many faculty people will become discouraged by a practice of assessing the general marketplace value of all faculty. Vice President Keller said the administration wants to build on the reality of specific external competition without disadvantaging any faculty group; hence the preference of the special fund approach over internal reallocation.

Professor Spring also voiced support for the idea of breaking the salary request into parts, but with a caveat. With what, he asked, does one compare a professor of English, French, History or Philosophy--people who made their career choice before they entered academia. If, over the long range, such persons are not adequately attended to, certain people who would otherwise have made that choice will not, and the quality of universities will be affected.

Mr. Schulte expressed his approval of keeping faculty salaries the top priority. He suggested that in the current state fiscal situation, there are likely to be large numbers of first-term legislators unfriendly to special requests from agencies; hence he is wary of the effect of a split salary increase proposal. He asked how much the U. wants to reserve for retrenchment and recruitment.

Dr. Keller said the University would want to reserve about \$1.5 M. (1%). It would serve as a loan fund to help the colleges in particular retention and recruitment needs; the colleges would then have to adjust their budgets to build in the larger salaries. Having more money available under this plan would make it too hard for colleges to absorb the new expenditures.

Salesmanship. Professor Mattson remarked on the effective job the University Hospitals do at gaining outstate support for their expansion and renovation. Vice President Keller said the University's best arguments lie in demonstrating how it is helping itself.

Professor Swan summarized the meeting consensus on salaries: (1) there should be no percentage increased proposed to the Regents at this point; and (2) there should be a division in the salary request.

Vice President Keller said central administration may not be ready to make its recommendation on salary improvement by the September Regents meeting. The earliest it would send an academic salary package plan to the Regents would be after the August 26 BBR mailing.

3. SEE increase, and increase distribution plans. Professor Swan asked the administration's intentions.

Vice President Keller explained that the entire SEE appropriation is applied to SEE within the University, but the administration retains flexibility in the actual distribution of the increases. He told the group that Vice President Bohlen will hold meetings in various units to determine the logic of each SEE budget to the rest of the unit's activity.

Professor Turner asked what central administration does when a unit drastically overspends, saying there has not been an incentive to limit expenditures to the budget. Vice President Keller said a new system requires the overspender to present a plan on how it will wipe out its debt over the next two years. Moreover, a computerized accounting system due for completion in about a year will enable each unit to get its account information up-to-date on any given day, which should help units to avoid overruns.

4. Operations and maintenance support.

a. Libraries acquisitions. Professor Swan requested on behalf of the Finance Committee an accounting of that part of the library's budget derived from the '81-'82 tuition surcharge. How much of the surcharge income did the library spend on acquisitions, and in what categories (monographs, periodicals, replacements, etc.). Vice President Keller agreed to obtain and bring to SFC those library figures.

The acquisitions increase request is for \$900,000 in '83-'84 and \$1,200,000 in '84-'85, and is partly a replacement for the abandoned surcharge. The request more than compensates for inflation. Library personnel have been cut over 5% while acquisitions were left uncut to avoid long-term damage.

b. Legal affairs funding.

- Internal legal staff funding (\$200,000 increase each year). Vice President Keller told the committees central administration approved the expansion of the University's internal counsel to move away from the much more expensive hiring of external counsel and to shift to preventive practices.

- Specials: Implementation of the Rajender consent decree (no amount specified.) This item has been added tentatively. Keller said the legislature may take the attitude that dealing with those costs is the University's problem. Professor Turner indicated the University must make the special request, but he anticipated two likely problems: the legislature might diminish other parts of the appropriation if it funded this item, and/or the legislature might conclude it should investigate the decree implementation.

in favor

Professors Hart and Sell spoke out also of presenting the item and of specifying it in the summary. The consensus was to put the item in the "Unavoidable Expenditure Increases" category.

c. Computer items. Professor Mattson requested looking at the collection of computer items since the future direction of computerization is of major concern to the University, as indicated by the special CCI study.

- Administrative data and financial aids computerization. Vice Pres. Keller said this item will improve the University's cost accounting. The federal government requires a finer calculation on many budget items that the University presently has the capacity to calculate. The new capability will also provide faster turn-around on student financial aid, as well as in other services. It will improve cost-effectiveness and ultimately leave the University more for instructional budgets. Professor Freier observed that some legislators will want to see the projected savings reflected in future requests. Keller added that in some computerization requests the University's objective is just to compensate for a reduced base and fewer personnel.

- General instructional equipment includes the capital expenditure of computers for Crookston.

- Computer education (i). There is a great need for more funds for undergraduate computer instruction. The U reallocated internally to obtain \$400,000, and needs about the same amount again. The U has been remiss, Keller said, in not previously calling graduate school computing instructional.

- Computer education (ii). Research Grant Support (50% external match). The University recovers 90% of research grant computer costs. This request introduces the principle of the state's assuming 50% support of research-related computer use.

- State specials: Ag. Extension, including Computer System Phase II and other items. V. P. Keller called its inclusion an attempt at greater use of on-line computers in county offices.

5. Other questions.

- Remodeling-Renovation of Academic Facilities. Professor Hart asked what was included; Keller said they are changes in spaces for changed academic programs.

- Faculty/staff Improvements for School of Public Health. Professor Turner asked whether, if the intent is to move soft-funded positions to state support, the Medical School had an equal need. V. P. Keller said that Public Health has the lowest state support by a factor of 2 or more; only 20% of its faculty are state-funded. Control over the unit's priorities is removed from the University because they are largely federally funded. Their priorities become predominantly determined by the grants they can get.

Professor Turner asked if anyone was studying the overlap between the School of Nursing and Public Health Nursing; the vice president said no one was.

- CEE (Continuing Education and Extension) and SS (Summer Sessions) special to maximize salaries and retirement is intended to regularize salaries and retirement benefits for extension and summer instruction as compared to those for instruction in the regular sessions.

B. Capital Request.

Vice President Keller called the critical capital request a compromise between the University's needs and no request which some individuals had advocated. It is appropriate to go forward with this list of needs because they are critical and fit our academic priorities, he said.

Questions about the list of "Other Pressing Needs."

- Professor Spring asked why UMD's coal gasifier modification had been dropped from the critical list. V. P. Keller replied that it is not clear that the project is saving the state energy. It saves money only when UMD can burn high sulphur coal.

- Appleby Hall - Working drawings for remodeling. Professor Kabat noted the high cost for working drawings (\$616,000). V. P. Keller said the recommendation for changing the building came from the East Bank Planning Committee, but that the budget executive has some hesitation about the project. The proposal is to convert it for use for General College, which needs a building but not labs. Appleby is a good laboratory building.

- Electrical Engineering/Computer Sciences working drawings of \$3.3 million. Professor Freier called attention to the size of this project.

General discussion. Some members declared the size of the critical needs request was hopelessly large. V. P. Keller pointed out that the inflationary

catch-up on the projects approved already, plus the two highest priority new buildings (Music and Smith Hall renovation) comprise nearly all the \$52 million. Rejecting the size of the request requires removing either Music or Smith Hall from the critical list. The longer the University delays the Smith Hall rebuilding, the more costly it will become, and the less adequate. Momentum for the Music building should be maintained from the last appropriation session when the project came very close to approval.

Professor Freier suggested that if the request goes in at \$52 million, then it will be the legislature which decides which buildings the University needs. (Professor Swan added that the approved projects for which bonds have not yet been sold total about \$36 million.) Vice President Keller insisted the administration had pared the critical needs list considerably. The pressing needs list totals approximately \$38 million.

The joint committees indicated general approval of the critical needs list. Professor Sundquist said it is important to keep the needs lists before the legislature, and Professor Turner stated that nothing should be removed from the critical list.

The Senate Consultative Committee and the Senate Finance Committee went on record as supporting the budget executive in presenting the two lists to the Regents.

Recreational Sports. Bruce Thorpe asked for more information on the funding proposal for a new Twin Cities rec sports facility, for which working drawings money is sought. Vice President Keller said the 1/3-1/3-1/3 funding proposal would be clearly explained. He had understood the idea originated in the Fees Committee and had the approval of other student groups, but Mr. Thorpe said student groups have not yet discussed their proposed part in the venture. V. P. Keller indicated it might in that case be premature to propose working drawings at this point. Thorpe and Keller agreed to communicate further on the question.

Strategy. Professor Turner recommended caution in the way in which the "pressing needs" list is put forward. Keller said the administration wants the Regents to forward the pressing needs list to make the legislature aware of the needs the University recognizes.

Professor Mattson asked whether the fact that the critical needs list does not include any facilities for coordinate campuses could be damaging politically. There was a sense in the group that the critical needs list must be entirely genuine, and that the addendum of the pressing needs list shows the full breadth of recognized needs.

Professor Swan expressed the sense of the meeting that the critical capital request list looks about right. Vice President Keller thanked the group for its participation.

The meeting adjourned at 5:20 p.m.

Respectfully submitted,

Meredith Poppele

Meredith Poppele, Secretary,
Senate Consultative Committee



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164 Food Science and Nutrition
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August 11, 1982

To: Senate Finance and Senate Consultative Committees

From: Pat Swan

re: Background and Interpretive Notes on Attachment A draft, dated 8/5/82

\$217 M	- Open appropriation
48 M	- State specials
72 M	- Tuition
<hr/>	
\$337 M	- State appropriations plus tuition

The State guidelines, not adopted by the Regents, suggest a 5% increase. This would come to about \$17 M in the first year of the biennium and \$17M plus \$17 M in the second year as increase over the 1982-83 base.

This draft of Attachment A (dated 8/5/82) suggests 8 categories for possible increases in the 83-85 biennium. Category 1, salary increases, is calculated at a 7% increase. We need to discuss this item specifically in our August 16 meeting.

Category 3 totals about \$3.5 million in this draft, or about 0.5% of the biennial O&M base.*

Category 4 totals about \$15 M or almost 2.5% of the biennial base.*

Category 5 totals \$9.8 M or about 1.5% of the biennial base.*

Category 6 totals about \$8.8 M or about 1.2% of the biennial base.*

The total increase over the biennium on this draft comes to \$112 M or 17% of the biennial base. This is larger than the proposal to the Regents will be.

The 1982-83 base figure for faculty salaries is about \$150 M.

" " " " " civil service salaries is about \$91 M.

" " " " " SEE is about \$82 M.

* Please note that these percentage figures are straight percentage figures over the 1982-83 base and would be smaller if one considered that the second year of the biennium should have been calculated as an increase over the 83-84 base.

Biennial Budget Request Increases/Recurring

<u>Priority</u>		<u>1983-84</u>	<u>1984-85</u>	<u>Biennial Increase</u>
1.	<u>Faculty & C.S. Salary Increases (O&M Spec.)</u>			
	Faculty Request: 7%	11,700,000	24,160,000	35,800,000
	Civil Service Request: 7%	7,100,000	14,800,000	21,900,000
2.	<u>SEE at 5%</u>	4,093,000	8,391,000	<u>12,500,000</u>
	Total			<u>70,200,000</u>
3.	<u>Faculty/Staff Improvements for:</u>			
	IT	250,000	500,000	750,000
	SOM	67,000	133,000	200,000
	CVM			
	Hospital (Top Priority)	495,000	765,000	1,200,000
	College Teaching	227,500	351,000	578,000
	Waseca	50,000	150,000	200,000
	Public Health	200,000	400,000	600,000
4.	<u>O & M Increased Activity</u>			
	Expenses to Implement Rajender Decree	?	?	
	Disadvantaged Student Fellowships	50,000	150,000	200,000
	Admin. Data Computerization and Financial Aids Computer	600,000	600,000	1,200,000
	Computerized Registration	300,000	300,000	600,000
	General Transit (Includes UMD)	100,000	246,000	346,000
	Remodeling and Renovation	500,000	500,000	1,000,000
	Rents and Leases	67,000	137,000	204,000
	Fuel and Utilities - Deficit	3,350,000	3,517,000	3,350,000
		2,325,000		5,842,000
	Debt Serv (ICES)	<u>1,477,000</u>		<u>694,000</u>
			Fuel Total	11,363,000
	Solid and Hazardous Waste (1983-1984 figure should have a separable deficiency appropriation to base)	414,000	494,000	909,000
	(def)	520,000		520,000
	International Agriculture	30,000	30,000	60,000
5.	<u>Operations and Maintenance Budgets Improvements in Equipment, Books, etc.</u>			
	General Instructional Equipment	3,250,000	3,250,000	6,500,000
	(Specific allocations will be made to IT, Law, Waseca, UMD Psych Research, UMD Industrial and Technical Studies, Crookston, Crookston Computers, Handicapped Student Equipment, Dentistry)			

	<u>1983-84</u>	<u>1984-85</u>	<u>Biennial Increase</u>
General Library Acquisitions	900,000	1,200,000	2,100,000
Computer Education			
Instructional Computing and Grad Student Computing	421,000	465,000	886,000
Research Grant Support (50% Match External Funds)	100,000	150,000	250,000
<u>6. State Special Appropriations - Increases</u>			
Vet Diag Lab	115,000	222,000	337,000
Exp. Station			
Animal Health	200,000	200,000	
Molecular Biology	100,000	100,000	
Increased Ag Productivity Value-added	327,500	327,500	
Youth Research, 4-H	72,500	72,500	
Matching Funds/Endowed Chairs	<u>105,000</u>	<u>105,000</u>	
Reduce to CVM Match	600,000	600,000	1,200,000
		200,000	200,000
Ag Extension (See Also Under Non-Recurring Equipment)			
Computer System	145,300	145,300	
Econ Development	110,000	110,000	
Value added	200,000	200,000	
Tourism/Econ Development	150,000	150,000	
Ag Industry Development	75,000	75,000	
Families and Youth	<u>90,000</u>	<u>90,000</u>	
Reduce to	500,000	500,000	1,000,000
Med/Cancer Research	100,000	100,000	200,000
Capitation Replacement (Request transfer to O & M)	272,000	325,000	597,000
CEE & SS - Max salaries & retirement	?	?	?
RPAP (<i>Rural Physicians</i>)	75,000	75,000	150,000
Environmental Path. Laboratory	105,000	105,000	210,000
Disadvantaged Retention	85,000	85,000	170,000
Grad School Research Fund	150,000	150,000	300,000
WICA: +MICA			
Twin Cities-wica	168,000	168,000	336,000
Crookston	37,000	37,000	74,000
Duluth	205,000	205,000	410,000
Morris	90,000	90,000	180,000
Waseca	<u>130,000</u>	<u>130,000</u>	<u>260,000</u>
Total ICA			1,260,000
Lake Superior Basin Studies	20,000	20,000	40,000
Sea Grant	100,000	100,000	200,000
Hospital Education Offset	1,000,000	2,000,000	3,000,000



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August 11, 1982

To: Members of SFC and SCC who will attend the August 16
special meeting

From: Pat Swan

Attached are two documents provided by Vice Presidents Kegler and Keller at the August 6 meeting of the SFC. They can serve as a basis for thinking about the business on August 16; however, revised materials will likely be provided at that time.* The draft minutes of the August 6 meeting are provided here for your background. I have provided also some background notes on the Biennial Request draft document.

The "Critical" list on Attachment B should receive most of your attention. You will also want to note which items did not make the "critical" list.

The August 16 meeting will be our last opportunity to consult before materials go to the Regents. We will be small in number (due to vacations and leaves) but I anticipate a useful session. See you at 2:30 p.m.

* I have just learned that the biennial request has been reorganized. Items in category 4 for fuel and waste will be pulled out and treated separately. In the same category, the first item will be treated as a general expense for development of the legal counsel's office and not specifically as a Rajender item. The items for computerized registration, general transit, and rents and leases will be handled internally and not be in the biennial request. The disadvantaged student fellowships will be made into a special.

Many of the figures in the 8/5/82 draft have been reduced, especially in category 6. There are some other, minor, changes as well. The new total is perhaps somewhat under \$100 M.

8-6-83

1983 Capital Requests

<u>Priority</u>			<u>Critical?</u>
<u>1.</u>	<u>Supplement for Projects on Hold</u>	\$6,162,000	Yes
<u>2.</u>	<u>CME Shortfall</u> (State Match Private on 1 for 2 Basis; Total 750,000)	250,000	Yes
<u>3.</u>	<u>Remodeling - Working Drawings - TC</u>		
	Appleby Hall	616,000	No
	North Hall	195,000	No
		500,000	
<u>4.</u>	<u>Construction - Working Drawings - TC</u>		
	Green Hall	618,000	No
	Rosemount Dairy & Nutrition Res.	138,800	No
	Animal Science	307,000	Yes
	TC Rec Sports/PE	650,000	No
<u>5.</u>	<u>Construction - Twin Cities</u>		
	Music	15,333,000	Yes
	Folwell Hall	2,686,000	No
	Smith	21,100,000	Yes
	Mines and Metallurgy Renovation	700,000	No
	Williams Arena	565,000	No

Priority

Critical?

6. Health Sciences

_____ Microbiology Remodeling	3,700,000	Yes
_____ Public Health Remodeling	4,400,000	No

7. Crookston

_____ Owen Hall	1,399,000	No
_____ Ag Operations Lab	authorization	No

8. Duluth

_____ Phys. Ed. & Rec. Sports (Planning & Working Drawings)	700,000	No
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9. Morris

_____ Greenhouse	301,200	No
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10. Waseca

_____ Mech. Ag & Receiving Dock (and (?) Vehicle Storage)	1,019,000	No
	92,000	No
	<u>1,111,000</u>	
_____ Planning: Rec Sports & PE	330,000	No

11. Experiment Stations & Research Centers

_____ Land Acquisition, Lamberton (50% state funding)	Auth.	Yes
_____ ARC, Crookston	468,000	No
_____ Road Surfacing and Drainage, Morris	82,000	No
_____ Machinery Storage, Waseca	111,000	No
_____ Forest Roads, Cloquet	37,500	No
_____ Excelsior Greenhouse (Drop \$32,000 Item)	150,000	No

PriorityCritical?12. System-Wide and Special Items

_____	Physically Handicapped Access	1,000,000	No
_____	Short-Range Transportation Program	1,650,000	No
_____	OSHA Remodeling	900,000	No
_____	Tree Replacement	500,000	No
_____	Animal Waste Recovery Unit, St. Paul	403,000	No

13. Utilities and Services, Twin Cities

_____	a. Heating Plant Conversion, Mpls	5,047,000	Yes
_____	b. Primary Electric, Mpls	936,000	No
_____	c. Primary Electric, St. Paul	1,114,000	No
_____	d. Water Distribution, East Bank, Minneapolis	403,000	No
_____	e. Water Distribution, St. Paul	281,000	No
_____	f. Sewer Separation, East Bank, Mpls	160,000	No
_____	g. Steam Tunnel, St. Paul	315,000	No
_____	h. Low Pressure Steam Line, St. Paul		
_____	i. Heating Plant Boiler, St. Paul	9,200,000	No

14. Utilities and Services, Duluth

_____	a. Steam Line - Study	100,000	No
_____	b. Coal Gasifier Modification	440,000	Yes
_____	c. High Pressure Steam Line	245,000	No

15. Utilities and Services, Crookston

_____	a. Coal Storage Facility	30,500	No
_____	b. Watermain Rehabilitation	88,000	No
_____	c. Sanitary Sewer Rehabilitation	208,000	No
_____	d. Campus Services & Improvements	500,000	No

Priority

Critical?

<u>16. Utilities and Services, Waseca</u>		
_____ Ring Road	440,000	No
_____ Waseca City Sewer Relief	97,000	No
<u>17. Horticultural Research Center</u>		
_____ Sanitary Sewer	87,000	No
<u>18. Landscape Arboretum</u>		
_____ Water Connection	182,000	No
<u>19. Rosemount (Storage Haz. Wastes)</u>	75,000	?
Totals	87,107,404	52,339,000

attach to Attachment B of 8-5-82

Total, despite, of \$112,160,470 \approx 16% increase (per year, compounded?)
of this, Kiger says, \$66 M necessary to stand still - assuming
5% enables U to stand still

\$24 M to restore cuts made the last few years (not including
replacing the low-priority items cut)

\$21.1 M for new items or improvement

20
37
54



UNIVERSITY OF MINNESOTA

Office of the Vice President for Institutional Relations
 232 Morrill Hall
 100 Church Street S.E.
 Minneapolis, Minnesota 55455
 (612) 373-2054

August 11, 1982

TO: CPM, VPs, Berg, Fletcher, Robb, Heydinger, Perlmutter,
 Hewitt, Professors Swan and Sundquist

FROM: Stan Kegler

SUBJECT: Status of Items in BBR and Capital Request After
Meeting of 8-10-82/Revised Tentative Draft

Biennial Budget Requests = Recurring Items

Unavoidable Expenditure Increases in 1983-85 Period:

	<u>1983-84</u>	<u>1984-85</u>	<u>Total</u>
1. Fuel and Utilities			
a. Deficit from 1981-83	\$ 3,350,000		\$ 3,350,000
b. Projected Increased Costs	2,325,000	3,517,000	5,842,000
c. Debt Service-Grid ICES	1,477,000	694,000	<u>2,171,000</u>
		Total	\$11,363,000
2. Solid and Hazardous Wastes			
a. Deficit from 1981-83	520,000		520,000
b.	414,000	494,000	<u>908,000</u>
		Total	\$ 1,428,000
Total Unavoidable Exp. Increases			\$12,791,000

Other Recurring Increases:

1. <u>Academic Salary Increases</u> (Specials and O & M at 7% each year; see note at end of BBR)	\$11,700,000	\$24,160,000	\$35,860,000
2. <u>Inflationary Increase in Supply, Expense, Equipment Budgets</u> (O & M and Specials) at 5% each year	4,093,000	8,391,000	12,484,000
3. <u>Operations & Maintenance Support</u> (in priority order)			
a. Libraries Acquisitions	900,000	1,200,000	2,100,000
b. Internal Legal Staff Funding	200,000	200,000	400,000
c. Administrative Data and Financial Aids Computerization	600,000	600,000	1,200,000

already ca 60M

	<u>1983-84</u>	<u>1984-85</u>	<u>Total</u>
d. General Instructional Equipment (Specific allocations in 1983-85 will be made to IT, Law, Waseca, UMD Psych Research, UMD Industrial and Technical Studies, Crookston, Crookston Computers, Handicapped Student Equipment, Dentistry)	\$ 2,000,000	\$ 2,000,000	\$ 4,000,000
e. Remodeling-Renovation of Academic Facilities	500,000	500,000	1,000,000
f. Computer Education			
(1) Instructional Computing and Grad School Computing	421,000	465,000	886,000
(2) Research Grant Support (with 50% match from external funds)	100,000	150,000	250,000
g. International Activities	<u>60,000</u>	<u>60,000</u>	<u>120,000</u>
Total - Priority 3	\$ 4,781,000	\$ 5,175,000	\$ 9,956,000

4. Faculty/Staff Improvements for:
(in priority order)

a. Institute of Technology		500,000	500,000
b. College of Vet. Medicine			
(1) Teaching Hospital	250,000	765,000	1,015,000
(2) College Departments		351,000	351,000
c. School of Public Health	<u>200,000</u>	<u>300,000</u>	<u>500,000</u>
Total - Priority 4	450,000	1,916,000	2,366,000

Summary: (O & M, Salaries, SEE)

Unavoidable Expenditure	\$12,791,000
Academic Salaries	35,860,000
Supplies, Expense, Equipment	12,484,000
O & M Support	9,956,000
Faculty/Staff Collegiate Improvements	<u>2,366,000</u>
Total	\$73,457,000

Continuing State Special Appropriation Increases
(not in priority order)

	<u>1983-84</u>	<u>1984-85</u>	<u>Biennial Increase</u>
___ Veterinary Diagnostic Laboratory	\$ 115,000	\$ 222,000	\$ 337,000
___ General Agricultural Research (includes Animal Health with CVM)	300,000	500,000	800,000
___ Match for Addit. CVM Funding		200,000	200,000
___ Ag Extension (includes Computer System-Phase II and other items)	300,000	400,000	700,000
___ Med/Cancer Research	100,000	100,000	200,000
___ Capitation Replacement (request transfer to O & M)	272,000	325,000	597,000
___ CEE & SS - Max salaries and retirement	?	?	?
___ RPAP		75,000	75,000
___ Disadvantaged Retention	85,000	85,000	170,000
___ Grad School Research Fund	150,000	150,000	300,000
___ Lake Superior Basin Studies	20,000	20,000	40,000
___ Sea Grant	100,000	100,000	200,000
___ Hospital Education Offset	500,000	1,000,000	1,500,000
___ Disadvantaged Student Fellowships	50,000	150,000	<u>200,000</u>
Continuing Specials Total Increases			\$5,319,000

New State Specials Proposed
(not in priority order)

___ Micro-Electronic and Information Sciences	\$ 500,000	\$ 1,000,000	\$ 1,500,000
___ CLA Literacy Special (50% match with external funds)		100,000	100,000
___ Implementation of Rajender Consent Decree	?	?	?
Total	\$ 500,000	\$ 1,100,000	\$ 1,600,000

Non-Recurring Equipment Purchases

___ Financial Aids Computer Equipment and Development Costs	\$ 520,000	\$	\$ 520,000
___ College of Bio Sciences	450,000	(ICR)	
___ Ag Extension Micro's	104,700	104,700	209,400

Summary

O & M, Deficits, Salaries, SEE	\$73,457,000
Continuing Specials	5,319,000
New Specials	1,600,000
Equipment	729,400
Total	<u>\$81,105,400</u>

Note: In keeping with past practice, the University is not seeking a salary increase for civil service employees; traditionally, we have been allocated the same percentage increases as those awarded state employees. The administration recommends salary increases at the level funded by state appropriations, not those negotiated by some external groups.

1983 Critical Capital Requests
(In priority order)

Special Capital Needs

- Amplify
Business
Agreement*
1. Supplement for Projects on Hold \$ 6,162,000
 2. CME Shortfall (State Match on
1 for 2 basis) \$ 250,000

Construction - Working Drawings - Twin Cities

1. Animal Science, St. Paul \$ 307,000

Construction Funds - Twin Cities

1. Music Facility \$15,333,000
2. Smith Hall \$21,100,000

Health Sciences

1. Microbiology Remodeling \$ 3,700,000

Experiment Stations and Research Centers

1. Land Acquisition, Lambertton Authorization
(50% State Funding)

Utilities and Services - Twin Cities

1. Heating Conversion \$ 5,047,000

Critical List Total \$51,899,000

1983 Capital Requests - Other Pressing Needs
(In priority order within each category)

Remodeling - Working Drawings - Twin Cities

- | | |
|-----------------|------------|
| 1. Appleby Hall | \$ 616,000 |
| 2. North Hall | \$ 195,000 |

Construction - Working Drawings - Twin Cities

- | | |
|---|-------------|
| 1. Electric Engineering/Computer Sciences | \$3,300,000 |
| 2. Green Hall | \$ 618,000 |
| 3. Rosemount Dairy & Nutrition Res. | \$ 138,800 |
| 4. Twin Cities Rec Sports/PE | \$ 650,000 |

Construction - Twin Cities

- | | |
|------------------------------------|-------------|
| 1. Folwell Hall | \$2,686,000 |
| 2. Mines and Metallurgy Renovation | \$ 700,000 |
| 3. Williams Arena | \$ 565,000 |

Health Sciences

- | | |
|-----------------------------|-------------|
| 1. Public Health Remodeling | \$4,400,000 |
|-----------------------------|-------------|

Crookston

- | | |
|----------------------|---------------|
| 1. Owen Hall | \$1,399,000 |
| 2. Ag Operations Lab | authorization |

Duluth

- | | |
|---|------------|
| 1. Phys. Ed. and Rec. Sports
(Planning & Working Drawings) | \$ 700,000 |
|---|------------|

Morris

- | | |
|---------------|------------|
| 1. Greenhouse | \$ 301,200 |
|---------------|------------|

Waseca

- | | |
|---|--------------------|
| 1. Mech. Ag and Receiving Dock
and (Vehicle Storage) | \$1,019,000 |
| | \$ 92,000 |
| | <u>\$1,111,000</u> |
| 2. Planning: Rec Sports & PE | 330,000 |

Experiment Stations & Research Centers

- | | |
|--|------------|
| 1. ARC, Crookston | \$ 468,000 |
| 2. Road Surfacing and Drainage, Morris | \$ 82,000 |
| 3. Machinery Storage, Waseca | \$ 111,000 |
| 4. Forest Roads, Cloquet | \$ 37,500 |
| 5. Excelsior Greenhouse | \$ 150,000 |

System-Wide and Special Items

1. Physically Handicapped Access	\$1,000,000
2. Short-Range Transportation Program	\$1,650,000
3. OSHA Remodeling	\$ 900,000
4. Tree Replacement	\$ 500,000
5. Animal Waste Recovery Unit, St. Paul	\$ 403,000

Utilities and Services, Twin Cities

1. Primary Electric, Minneapolis	\$ 936,000
2. Primary Electric, St. Paul	\$1,114,000
3. Water Distribution, East Bank, Minneapolis	\$ 403,000
4. Water Distribution, St. Paul	\$ 281,000
5. Sewer Separation, East Bank, Minneapolis	\$ 160,000
6. Steam Tunnel, St. Paul	\$ 315,000
7. Low Pressure Steam Line, St. Paul	
8. Heating Plant Boiler, St. Paul	\$9,200,000

Utilities and Services, Duluth

1. Steam Line - Study	\$ 100,000
2. Coal Gasifier Modification	\$ 440,000
3. High Pressure Steam Line	\$ 245,000

Utilities and Services, Crookston

1. Coal Storage Facility	\$ 30,500
2. Watermain Rehabilitation	\$ 88,000
3. Sanitary Sewer Rehabilitation	\$ 208,000
4. Campus Services and Improvements	\$ 500,000

Utilities and Services, Waseca

1. Ring Road	\$ 440,000
2. Waseca City Sewer Relief	\$ 97,000

Horticultural Research Center

1. Sanitary Sewer	\$ 87,000
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Landscape Arboretum

1. Water Connection	\$ 182,000
---------------------	------------

Rosemount

1. Hazardous Waste Storage	\$ 75,000
----------------------------	-----------

\$37,912,500



UNIVERSITY OF MINNESOTA

Office of the Vice President for Institutional Relations
232 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455
(612) 373-2054

August 3, 1982

To: Vice Presidents, D. Berg, Fletcher, Robb, Hewitt

From: Stan Kegler *AD*

Subject: August 4 Meeting Agenda (Please see last note at end of this memo)

On August 4 we will need to deal with the following items:

1. Proposed BBR on Capital Increases:

a. Hewitt: Williams Arena
System-Wide and Special Items

b. Bohen: Adm. Data Processing
Transit
Rents and Leases
New Space
Waste Disposal
SEE Increases
Utilities and Services:

b-1. Utilities and Services, Twin Cities

- a. Heating Plant Conversion, Minneapolis
- b. Primary Electric, Minneapolis
- c. Primary Electric, St. Paul
- d. Water Distribution, East Bank, Mpls
- e. Water Distribution, St. Paul
- f. Sewer Separation, East Bank, Mpls
- g. Steam Tunnel, St. Paul
- h. Low Pressure Steam Line, St. Paul
- i. Heating Plant Boiler, St. Paul

b-2. Utilities and Services, Duluth

- a. Steam Line
- b. Coal Gasifier Modification
- c. High Pressure Steam Line

b-3. Utilities and Services, Crookston

- a. Coal Storage Facility
- b. Watermain Rehabilitation
- c. Sanitary Sewer Rehabilitation

b-4. Utilities and Services, Waseca

Waseca City Sewer Relief

b-5. Horticultural Research Center

Sanitary Sewer

b-6. Landscape Arboretum

Water Connection

- c. Hasselmo: Women's ICA: Twin Cities
- d. Kegler: Women's ICA: Coordinates
- e. Wilderson: Computerized Registration
Disadvantaged Student Retention
Rec Sports Facility
- f. Keller: General Instructional Equipment
Computer Education Equipment

2. Using Attachment A (List of BBR Increases)

- a. Decide on level of increase each year.
- b. Decide on priorities.

3. Using Attachment B (List of Capital Requests)

- a. Priority of importance.
- b. Scaled down--"critical" list requested by Regents.

4. Items the Budget Executive Wishes to Include from
"Unsolicited" Sources

- a. FIRE Special (McGuiggan)
- b. CEE Requests (?)
- c. Summer Session Requests

SS Max on Salaries
SS Retirement Contributions
Departmental Adm Costs
Departmental SEE Costs

August 3, 1982

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d. SBE, UMD (Target?)

e. Pharmacy - Capitation Special 250,000 250,000

5. NOTE: So far, without some figures:

Capital Request	\$104,331,000
BBR: O & M Recurring (excl salaries)	19,200,000
BBR: O & M Non-Recurring	3,200,000
BBR: Specials	12,848,000

SBK:mw

Attachment A

Biennial Budget Request Increases/Recurring

Priority

<u> </u>	<u>1. Faculty Salary Increases:</u>	<u>1983-84</u>	<u>1984-85</u>
	Amount Request: _____ % =		
<u> </u>	<u>2. Faculty/Staff Improvements</u>	<u>1983-84</u>	<u>1984-85</u>
	<u>for:</u>		
<u> </u>	IT	1,600,000	1,600,000
<u> </u>	SOM	134,000	134,000
<u> </u>	CVM		
	College Teaching	455,000	703,000
	Hospital (Top Priority)	495,000	765,000
<u> </u>	Waseca	490,000	490,000
<u> </u>	Public Health	350,000	700,000
<u> </u>	<u>3. O & M Increased Activity</u>	<u>1983-84</u>	<u>1984-85</u>
<u> </u>	Graduate School Fellowships	340,000	340,000
<u> </u>	Admin. Data Computerization		
<u> </u>	General Transit		
<u> </u>	Rents and Leases		
<u> </u>	Operation of New Space		
<u> </u>	Solid and Haz. Waste (1983-1984 figure should have a separable deficiency appropriation to base)		

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Priority

	<u>1983-84</u>	<u>1984-85</u>
_____ International Agriculture	146,637	187,625

4. Operations and Maintenance Budgets
Improvements in Equipment, Books, etc.

_____ General Instructional Equip, 2,100,000 2,100,000

_____ General Library Acquisitions 888,544 1,167,994
(also Law)

_____ IT Equipment 500,000 500,000

_____ Law Library Acquisitions 160,000 160,000

_____ Duluth Education 65,000 65,000

_____ Computer Education

_____ Instructional Computing 421,000 465,000

_____ Research Grant Support 100,000 150,000
(50% Match External Funds)

_____ Grad Student Computing 160,000 185,000

_____ Technical Staff 135,000 279,000
Total \$816,000 1,694,000

Priority

5. State Special Appropriations - Increases

	<u>1983-84</u>	<u>1984-85</u>
_____ Vet Diag Lab	115,000	222,000
_____ CVM Specials	235,000	435,000
_____ Exp. Station		
Animal Health	200,000	200,000
Molecular Biology	100,000	100,000
Increased Ag Productivity	327,500	327,500
Value-added	195,000	195,000
Youth Research, 4-H	72,500	72,500
Matching Funds/Endowed Chairs	<u>105,000</u>	<u>105,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>
_____ Ag. Extension (See Also Under Non-Recurring Equipment)		
_____ Computer Comm System	145,300	145,300
_____ Econ Development	110,000	110,000
_____ Value added	200,000	200,000
_____ Tourism/Econ Development	150,000	150,000
_____ Ag Industry Development	75,000	75,000
_____ Families and Youth	90,000	90,000
_____ III-Better Use:Volunteer	90,000	90,000
ETV	60,000	60,000
Staff Dev.	60,000	60,000
	<u>\$981,300</u>	<u>981,300</u>
_____ Other Requests	1,407,000	1,407,000
_____ Med/Cancer Research		
	H.S.:	
_____ Capitation Replacement	Vet.Med. 21,000	22,000
(Request transfer to O & M)		
_____ RPAP		
_____ Environmental Path. Laboratory		
_____ Disadvantaged Retention		
_____ Grad. School Research Fund	150,000	150,000
_____ WICA:		
_____ Twin Cities		

August 3, 1982

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Priority

	<u>1983-84</u>	<u>1984-85</u>
_____ Crookston	37,000	37,000
_____ Duluth	205,000	205,000
_____ Morris		
_____ Waseca	130,000	130,000
_____ Duluth/Bureau of Bus. & Econ Res	50,000	55,000
_____ Lake Superior Basin Studies	430,000	430,000
_____ Sea Grant	100,000	100,000
_____ Hospital Education Offset	1,000,000	2,000,000

6. New State Specials

_____ CLA Literary Special	60,000	60,000
	50,000	250,000
_____ FIRE - ?		

7. Non-Recurring Equipment and Book Purchases

_____ College of Bio Sciences	330,000 + inflation (ICR?)	
_____ Waseca	75,000	75,000
_____ UMD Psych Research	145,000	145,000
_____ UMD Industrial & Tech. Studies	160,000	160,000
_____ Crookston	75,000	75,000
_____ School of Dentistry		
_____ College of Law	500,000	
_____ Computer Education		
Instructional Computing	371,500	104,000
Date Comm. System (Ph. I)	260,000	
Total	<u>631,500</u>	<u>104,000</u>

August 3, 1982
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Priority

	<u>1983-84</u>	<u>1984-85</u>
_____ Ag. Extension Micro's	104,700	104,700
_____ Crookston Computers	48,000	48,000
_____ Vet. Diag. Lab.	227,500	62,500

Attachment B

1983 Capital Requests

<u>Priority</u>		<u>Critical?</u>
<u>1. Supplement for Projects on Hold</u>	\$6,162,000	
<u>2. CME Shortfall</u>	760,000	
<u>3. Remodeling - Working Drawings - TC</u>		
<u> Appleby Hall</u>	616,000	
<u> North Hall</u>	195,000	
(?) 2T Comprehensive Plan	500,000	
<u>4. Construction - Working Drawings - TC</u>		
<u> Green Hall</u>	618,000	
<u> Rosemount Dairy & Nutrition Res.</u>	138,800	
<u> Animal Science</u>	307,000	
<u>5. Construction - Twin Cities</u>		
<u> Music</u>	15,333,000	
<u> Folwell Hall</u>	2,686,000	
<u> Smith</u>	21,100,000	
<u> Tuba Museum</u>	185,000,000	
<u> Mines and Metallurgy Renovation</u>	700,000	
<u> Williams Arena</u>	565,000	

Priority

Critical?

_____ MEIS Facility (Matching) 2,000,000

_____ 6. Health Sciences

_____ Public Health Remodeling 4,400,000
_____ Microbiology Remodeling 3,700,000

_____ 7. Crookston

_____ Owen Hall 1,399,000
_____ Ag Operations Lab authorization

_____ 8. Duluth

_____ Phys. Ed. & Rec. Sports (Hewitt: 11,150,000)
(Planning & Working (UMD 9,421,000)
Drawings or Construction?)

_____ 9. Morris

_____ Greenhouse 301,200
(Are there alternatives which
are less costly? If not, why not?)

_____ 10. Waseca

_____ Mech. Ag & Receiving Dock 1,019,000
(and (?) Vehicle Storage) 92,000
1,111,000
_____ Planning: Rec Sports & PE 330,000

_____ 11. Experiment Stations & Research Centers

_____ Land Acquisition, Lamberton Auth.
(50% state funding)
_____ ARC, Crookston 468,000
_____ Road Surfacing and Drainage, Morris 82,000
_____ Machinery Storage, Waseca 111,000
_____ Forest Roads, Cloquet 37,500
_____ Excelsior Greenhouse 150,000
(Drop \$32,000 Item)

Priority

Critical?

12. System-Wide and Special Items

_____ R & B (Better in O & M?)	4,000,000
_____ Physically Handicapped Access	2,000,000
_____ Short-Range Transportation Program	1,650,000
_____ OSHA Remodeling	900,000
_____ Tree Replacement	500,000
_____ (Note: State has dropped its program)	
_____ Animal Waste Recovery Unit, St. Paul	403,000

13. Utilities and Services, Twin Cities

_____ a. Heating Plant Conversion, Mpls	5,047,000
_____ b. Primary Electric, Mpls	936,000
_____ c. Primary Electric, St. Paul	1,114,000
_____ d. Water Distribution, East Bank, Minneapolis	403,000
_____ e. Water Distribution, St. Paul	281,000
_____ f. Sewer Separation, East Bank, Mpls	160,000
_____ g. Steam Tunnel, St. Paul	315,000
_____ h. Low Pressure Steam Line, St. Paul	
_____ i. Heating Plant Boiler, St. Paul	9,200,000

14. Utilities and Services, Duluth

_____ a. Steam Line - Study	100,000
_____ b. Coal Gasifier Modification	440,000
_____ c. High Pressure Steam Line	245,000

15. Utilities and Services, Crookston

_____ a. Coal Storage Facility	30,500
_____ b. Watermain Rehabilitation	88,000
_____ c. Sanitary Sewer Rehabilitation	208,000
_____ d. Campus Services & Improvements	500,000

Priority

Critical?

<u>16. Utilities and Services, Waseca</u>	
<u> </u> Ring Road	440,000
<u> </u> Waseca City Sewer Relief	97,000
<u>17. Horticultural Research Center</u>	
<u> </u> Sanitary Sewer	87,000
<u>18. Landscape Arboretum</u>	
<u> </u> Water Connection	182,000
<u>19. Rosemount (Storage Haz. Wastes)</u>	75,000



UNIVERSITY OF MINNESOTA

Office of the President
202 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455

April 7, 1982

The Honorable Charles H. Casey
The Honorable William B. Dosland
The Honorable Willis K. Drake
The Honorable Erwin L. Goldfine
The Honorable Lauris Krenik
The Honorable David M. Lebedoff
The Honorable Verne E. Long
The Honorable Charles F. McGuiggan
The Honorable Wenda W. Moore
The Honorable David K. Roe
The Honorable Mary T. Schertler
The Honorable Michael W. Unger

Dear Ladies and Gentlemen:

I am forwarding today for your information and review and for discussion at the meeting of the Committee of the Whole on Friday morning, April 16th, 1982 a Budget Plan for Fiscal Year 1983 (1982-83) which begins on July 1st, 1982.

The proposed Budget Plan that is attached focuses on the State Funds portion of the University's comprehensive budget -- the General Operations and Maintenance Fund, and the package of State Specials budgets. The remainder of the University's comprehensive budget involves self-supporting operations, such as University Hospitals, and anticipated external funding for research and training. It will be available for Regents review in June and final approval in July.

The proposed Budget Plan for 1982-83 has been put forward for Regents review by the Budget Executive, chaired by Vice President Keller. After extensive discussion and consultation with me, the Budget Executive reached the unanimous conclusion that it would not be useful to follow standard procedure and prepare a two-year budget plan for the period 1982-84, given the current uncertainties in the state's economic and political environment, and the difficulty of now projecting either budgetary problems or solutions for the University for the year beginning July 1st, 1983. At the same time, we do expect that the changes in academic programs presented to the Regents in the document entitled "Academic Program Priorities: the University's Choices for 1982-85" will form the basis for

Board of Regents
Page 2
April 7, 1982

the academic budget over the next several years. Those changes are being initiated in the Budget Plan for 1982-83 and will be carried through in the budget planning for the years ahead.

The Budget Executive recommends a Budget Plan for 1982-83 for the General Operations and Maintenance Fund that anticipates receipts of \$329,031,614, expenditures of \$327,622,056, and a budgeted reserve of approximately \$1,400,000. As explained further in the attachment, the true net increase in funds available to the University for 1982-83 is \$13,365,786, or only 4.2% more than the adjusted O and M base for 1981-82. This, of course, is only about half of the rate of inflation and necessitates the many programmatic retrenchments with which the Regents are familiar, and which are detailed in terms of their budgetary impact, in Exhibit II of the attachment.

Finally, the proposed Budget Plan for 1982-83 provides, as is customary, a recommended salary plan for faculty and staff. Because the state is able to provide only a portion of the funds needed to meet externally-negotiated settlements for certain classes of covered employees, and only a small fraction of the funds that we sought for salary adjustments for faculty, the Budget Executive has given extra attention to the problems of wage and salary adjustment in this plan. While unconventional at first reading, the salary proposal for both civil service and faculty respects the limits of resources presently available, while minimizing the need for additional layoffs among our civil service employees and maximizing the increase in the base upon which future faculty salaries will be calculated. Vice President Keller and his colleagues will focus their remarks on the recommended salary plan on April 16th, as it is by far the most important new element in the attached Budget Plan.

If there are questions on this material before we meet, Vice President Keller or I would be pleased to try to respond to your concerns.

Cordially,



C. Peter Magrath
President

CPM/pj

Enclosure

cc: University Vice Presidents
Mr. Duane A. Wilson

UNIVERSITY OF MINNESOTA

The Operations and Maintenance Budget Plan for 1982-83

A Proposal for Information and Discussion

Introduction and Overview

Although it is only a fraction of the University of Minnesota's comprehensive budget, which also includes such self-supporting activities as University Hospitals, Residence Halls and other Auxiliary Services and externally-generated funds for research and public service, the Operations and Maintenance Fund Budget provides the bulk of the resources for the institution's educational mission and the central administrative and physical maintenance services that support that mission.

The University's O. & M. Fund Budget includes items funded by the public resources made available by the State of Minnesota for the conduct of the University's programs, and by the tuition and other fees paid by the men and women who enroll for the benefits of a University education. It records literally thousands of separate allocations of funds to schools, departments and offices for the conduct of the University's sweeping array of educational offerings, and for the direct and indirect services that make them possible. It reflects the settled policies and traditions of the State of Minnesota with respect to the provision of appropriated State funds and the offset of certain resources that come to the University from other quarters. As a fiscal blueprint for the immediate future, the proposed Budget Plan derives strongly from commitments made earlier while, at the same time, incorporating as much as possible the University's evolving goals and aspirations.

It will surprise no one familiar with the University of Minnesota that the proposed Budget Plan for 1982-83 is a retrenchment document. It reflects the series of hard and unhappy decisions and constricting internal adjustments

that have been forced on us by reductions in appropriated funds, by the inadequacy of State funds originally made available to meet externally negotiated salary, wage and fringe benefit settlements, and further deficit-induced invasion by the State of Minnesota of a substantial share of the resources initially set aside to fund faculty and staff salaries in 1982-83.

Exhibit I outlines the major developments and changes in the University's O. & M. Budget. The table also reveals, on close examination, the dimensions of retrenchment required to balance the University's books during 1982-83.

On a strict accounting basis, the increase in O. & M. funds available to the University for 1982-83 is a surprisingly large \$31,397,417. But this figure includes \$18,031,631 in funds made available for salary and wage adjustments for 1981-82, and provided, as the Regents will remember, long after the budget for 1981-82 was approved. Thus, the net increase in funds available for 1982-83 amounts merely to \$13,365,786. Of this net amount of new funds, moreover, the extraordinary tuition increase we have found it necessary to schedule provides \$11,714,138. An additional \$1,376,305 is projected from anticipated increases in revenues derived by departments such as Agricultural Research that charge users for certain services. The budget also assumes a very moderate increase in recovery of indirect costs for research paid for by the federal government.

Indeed, as Exhibit I starkly reveals, the net increase in funds appropriated directly by the State, or made available for personnel compensation through special accounts for the O. & M. Budget for 1982-83 is only \$1,022,293. The difference between this amount and the \$14,555,657 that appears to be provided to the University for salary and fringe benefit enhancements is actually covered by the reductions in academic programs, support services, and staff that have been presented to and discussed with the Regents through the winter of 1981-82. When corrected for the distortion introduced by the late allocation for salaries for 1981-82, the Budget Plan for 1982-83 displays graphically both

the lean rations available to the University for the year ahead, and the University's almost complete dependence next year on the realization of historically large increases in tuition and revenue derived from other goods and services it generates.

Major Elements of the Budget Plan

Enrollments

The Budget Plan for 1982-83 anticipated a system-wide enrollment of 58,274 students for the fall quarter, a reduction of 629 students from the enrollment achieved in the autumn of 1981. This projected reduction in enrollment is reflected in the Budget Plan for 1982-83 in a reduction of \$1,342,700 in the Tuition Reserve below levels provided in the current budget.

The enrollment projections for 1982-83 derive from an analysis that takes into account the large increase in tuition that will be in effect for 1982-83, and includes a depressing assumption of an overall reduction of 15% in student financial aid from current levels as well as an overall rate of inflation of 6%. From these assumptions, we see the head count enrollment outlook as follows:

	<u>Fall 1982</u>		<u>Fall 1981</u>	
	<u>Budget Plan Projection</u>	<u>Legislative Estimate</u>	<u>Actual Enrollment</u>	<u>Anticipated Change By Campus</u>
Twin Cities	46,930	46,382	47,427	(-497)
Duluth	7,350	6,494	7,524	(-174)
Morris	1,741	1,355	1,690	(+ 51)
Crookston	1,133	1,025	1,161	(- 28)
Waseca	<u>1,120</u>	<u>1,220</u>	<u>1,101</u>	<u>(+ 19)</u>
Total	58,274	56,476	58,903	(-629)

If enrollment actually dropped to the levels provided in the legislative estimate, the University's tuition revenues would decline by approximately \$2,000,000 below levels now projected in the budget.

Tuition Charges

The proposed Budget Plan for 1982-83 anticipates an average net increase of 21.7% in tuition charges. This follows from the approval by the Regents of a 15% general surcharge on tuition for 1982-83, the termination of the special 3% fee for libraries and instructional equipment that was in effect during 1981-82, and the confirmation of the 10% base increase in tuition provided as legislative intent. As indicated above, even with a slight reduction in enrollment, higher tuition charges will generate additional revenues of slightly more than \$9 million beginning with fall quarter, slightly more than \$800,000 in the 1982 summer session, and about \$1.8 million from Continuing Education and Extension.

While increased tuition charges will average 21.7% across the University, the tuition schedule will be consistent with the continuing effort to implement existing Regents policy to move the rates charged in all schools and programs toward the all-University proportion of tuition to instructional cost. It will also introduce a complete per credit tuition approach now possible because of the computerized registration system. This, too, is consistent with previously approved Regents policy. The final recommendations on the tuition schedule are now being reviewed and will be presented to the Board in May.

Recovery of the Indirect Costs of Sponsored Research

The proposed Budget Plan for 1982-83 anticipates a small increase in recovery of Indirect Costs from Sponsored Research of \$746,000 -- from \$18,054,000 to \$18,800,000.

This estimate for 1982-83 assumes a modest increase of 2% in the University's rate of recovery of the costs of sponsored research -- from 36% to 38% of the direct costs or value of awards for sponsored research. It also assumes a volume of sponsored research for 1982-83 that sustains the current dollar value of awards for 1981-82, an assumption that now seems realistic

given downward trends in the real dollar value (when adjusted for inflation) of federal funds available for award for sponsored research.

Finally, the estimate for 1982-83 has been adjusted for the likely reduction of about \$1 million in the recovery of indirect costs for biomedical research sponsored by the National Institutes of Health. Along with other Universities, the University of Minnesota is strongly protesting the recent unilateral, wholly capricious and arbitrary decision by the Director of the National Institutes of Health to depart from the careful procedures worked out over years for indirect cost reimbursement for federally sponsored research, and the capping of NIH's planned reimbursement in 1982-83 at levels 10% lower than the value of fully justified costs. This decision stretches NIH's budget further and permits a level of biomedical research nationally that is higher than it would be if the indirect costs of universities were fully reimbursed. It leaves this University (and others), however, with large operating costs in 1982-83 that are not covered by federal reimbursement.

As the Regents will remember, about 70% of the value of the University's recovery of the overhead costs for federally-sponsored research become an offset to funds that the State of Minnesota would otherwise provide for general operations of the University. The Budget Plan for 1982-83 contemplates an offset in recovery of federal funds of \$13,810,052, an increase of \$691,052.

The remaining 30% of federal reimbursement is employed, pursuant to standing Regents policy, to cover the direct costs of central management and support in collegiate units for the University's large, critically important, sponsored research program, and to support selected members of the faculty in the development of new proposals for federal research assistance. The chief regrettable effect of the unforeseen, arbitrary reduction of reimbursement from NIH in 1982-83 is to hold the allocations for these vital functions at current

dollar levels (and below true costs) in the Budget Plan for 1982-83. (See Exhibit IV for full profile of Indirect Cost Recovery allocation.)

Program and Personnel Reductions

Throughout the past fall and winter, the Regents have reviewed and approved increasingly detailed plans for the curtailment and, in some cases, the elimination of programs and services in the face of the severe decline in the State's economy and shortfall in revenues available to meet commitments. The Budget Plan provides for a major retrenchment projected to yield actual savings of about \$7.4 million in 1982-83 and incorporating a recurring annual reduction of about \$6 million in the University's O. & M. base budget.

Although the timing and scope of the budget reductions forced by the State's problems have severely threatened orderly and rational decision-making, the proposed retrenchment is selective rather than across-the-board in character. It is derived to the maximum practical extent from a conscious weighing of educational priorities and emphases at all levels of this complicated institution. It draws heavily upon the comprehensive process of planning for the future of academic units that was put in place several years ago and on the specific programmatic choices outlined in the document "Academic Program Priorities: The University's Choices for 1982-83" which has been discussed with the Board in its meetings since February of this year. Of the \$3 million in academic program cuts in 1982-83, about one-third represents the initial stages in the implementation of these programmatic choices.

Exhibit II provides a detailed summary of the spending reductions now being implemented (1981-82) or planned for the remainder of the biennium (1982-83). It also indicates the recurring base reductions that are proposed in the Budget Plan. Although the overall retrenchment is unprecedented in scope and severity, selected academic and support units have been spared recurring base reductions

to be consistent with our long-range plans for those units. Exhibit III details the instructional spending reductions by college, school or campus.

Reduced Allocations for Supplies and Expense

In the legislative session that began in January of 1981, the University requested a price-level increase for supplies and expense of 9.1% for 1981-82 and 8.6% for 1982-83. The Legislature appropriated 5.33% for 1981-82 and 5% for 1982-83. The increase of 5% for 1982-83 was scheduled to provide an increase of \$1,974,700 in funds for supplies and expense across the University.

When the Legislature recently faced an additional budgetary shortfall approaching \$200 million, it agreed on a plan involving spending reductions of \$30 million, and the University's share of this most recent reduction is \$736,089 (O. & M., \$645,089; Specials \$90,000). The Budget Plan for 1982-83 proposes to absorb this most recent reduction in appropriated funds through a proportionate across-the-board reduction in allocations for supplies and expense for the functional activities under the jurisdiction of University Vice Presidents. The plan would further authorize the Vice Presidents to make selective further allocations within their line jurisdictions, based on urgency of need. The effect of this proposal is to lower the rate of increase in funds available for supplies and expense in 1982-83 from 5% initially appropriated to a mere 3.3%.

Permanent Reductions in the University's Budget Base

Unlike the non-recurring budget reductions imposed by the State in the autumn of 1980 to meet a State revenue shortfall of \$195 million, the reductions experienced in recent months have carried with them a permanent annual reduction in the University's State Funds Budget Base of \$10.5 million, plus a \$9.8 million loss in 1981-82, or a total loss of \$20.3 million over the 24-month period of the biennium.

The proposed Budget Plan for 1982-83 accommodates this permanent annual budget base reduction of \$10.5 million as follows:

State Specials Budgets	
Twin Cities	\$1.4 million
Academic and Health Sciences Programs	
Twin Cities	\$1.8 million
Administrative and Support Activities	\$3.5 million
Coordinate Campus Programs	\$0.7 million
Supplies and Expense Reductions (All Campuses and Units)	<u>\$0.7 million</u>
Sub-Total	\$8.1 million
Incorporation of Portion of Tuition Surcharge (6%)	<u>\$2.4 million</u>
Total	\$10.5 million

In order to balance the Budget Plan in 1982-83, it has been necessary to include part of the tuition surcharge -- 6% or \$2.4 million -- in the budget base for this coming year. As the Board knows, it is the administration's current intention to submit a biennial request to the State of Minnesota for 1983-85 that terminates the tuition surcharge completely. But for 1982-83, to avoid truly damaging, the more extensive base expenditure cuts across the University, we believe it is preferable to use a portion of the surcharge to fill out a budget base that is in balance on June 30, 1983.

Academic Staff Salary Plan

In the absence of retrenchments even deeper than those already planned, resources are available to fund a salary increase for all academic staff of 5.3%. This is far less than the amounts originally requested from the Legislature by the Regents for this purpose and will result in a further erosion of faculty and academic staff salaries following a decade in which their real income has dropped by 20%. However, we believe that further retrenchments at this time would have

such a profoundly negative effect on the quality of the institution, that it would be unwise to attempt to augment the academic salary increase using that approach.

At the same time, it is extremely important to move in a clear and responsible way toward correcting our serious faculty salary problem. To accomplish this, it is recommended that faculty and academic staff salaries be increased by an average of 6.5%, but that the effective date of these increases be delayed so that the total amount paid in increases during the year is no more than the 5.3% of the salary base which is available. With this approach, 12-month faculty would receive their 1982-83 rates starting on September 16, 1982 instead of July 1, 1982, and 9-month faculty would be paid at their new rates starting November 16, 1982 rather than September 16, 1982.

While this 6.5% increase in the salary base can be achieved with the funds available for 1982-83, in order to carry it forward in succeeding years, it will be necessary to add about \$1.7 million to the salary base. To accomplish this, the 1982-83 Budget Plan has been adjusted so that the \$1.7 million will be available in 1983-84 and beyond without additional legislative appropriations.

As in previous years, we recommend that similar salary guidelines be followed for faculty and other academic staff supported in part or entirely by non-State funds.

Civil Service Staff Salary Plan

Because of the shortfall in the State appropriations for salary adjustments, after annualization of previously granted increases, only 3.77% of the Civil Service salary base is available for increases in 1982-83. In order to provide salary and fringe benefit increases equal to those negotiated by other State employees, a 5% reduction in work force would be required. This would result in a serious loss of support for our academic programs and would

require substantial additional layoffs. Therefore, we have developed an alternative plan which has been discussed with and endorsed by the Civil Service Committee.

The comparability provisions of State law require that the mid-point in comparable University and State agency salary ranges be adjusted upward by the same percentage. This can be accomplished by moving the upper salary limit in each range enough to compensate for a relatively small adjustment in the lower salary limit. The actual salaries of individual employees in those ranges can be adjusted on an entirely separate basis provided only that they remain in the range. Therefore, we propose that the ^{mid-point} median salary level for all Civil Service salary ranges be adjusted in accordance with the requirements of comparability, but that non-bargaining unit employees receive a uniform 5% increase (Conversion Adjustment) on July 1, 1982 with no further adjustment until July 1, 1983. This can be accomplished with the available salary adjustment funds and a work force reduction of approximately 1.4%. Employees on all Civil Service salary schedules would be treated the same under this plan. The one group that we recommend be excepted from the restriction on further adjustment during FY 1983 are the University Hospital nurses, whose annual adjustments are tied to their original date of employment, consistent with practices followed at other area hospitals.

We recommend that the University offer representatives of our bargaining unit employees the option of modifying their contracts to provide for an arrangement similar to that being proposed for other Civil Service employees. If they prefer not to do so, then we recommend that the negotiated increases be met with available funds coupled with work force reductions of 5% in the bargaining units. Since the dollar outlay is independent of the option selected, the proposed 1982-83 Budget Plan will not be affected by the option ultimately selected.

As with academic staff employees, the salary adjustments made will not depend on the source of salary funding.

State Special Appropriations

As we have reviewed with the Regents previously, the shortfall in State appropriations required a \$2.5 million spending reduction in the State Special Appropriations during the 1981-83 biennium. The individual spending cuts are detailed in Exhibit V and were presented to the Board at an earlier meeting.

As with the reductions in the O. & M. budgets, the spending reductions in the State Specials were not made across-the-board. Certain critical Specials, primarily in the area of seed money research grants where no similar funds are otherwise available and in the area of disadvantaged student retention, were entirely shielded from cuts. Other Specials which support highly integrated activities of teaching, research, and service were partially shielded so that their cuts were at a somewhat reduced level. A number of Specials were cut by an amount approximately equal to the average overall spending reduction assigned to the Specials and some very few, which we believed to be of lower priority or which we believed could be deferred to the next biennium, were eliminated.

Exhibit VI is a summary of all changes in the budget base of each State Special from the beginning of this biennium. While the base reductions are included in the changes from 1981-82 to 1982-83, the changes also reflect the salary supplement adjustments made only recently and the transfer of funds between O. & M. accounts and State Special accounts consistent with Legislative intent. These latter changes dominate the base reduction changes and give a false sense that our total appropriation has increased significantly. In fact, after adjusting for the various accounting changes, the base has been reduced slightly in real dollars.

Concluding Comments

The Budget Executive recommends Regents approval of the Budget Plan proposed for 1982-83, and previewed in the preceding pages. Within the very tight limits and choices available, the Plan follows traditional Regents principles for Budget Development, and recognizes the University's priority needs:

- . The budgeted deficit of \$746,900 approved for 1981-82 has been covered through reallocation of recurring funds, and the Plan for 1982-83 leaves the University in balance with a recurring reserve of \$1,400,000.
- . The major retrenchment required to meet repeated shortfalls in state revenues and allocations to the University has, to the maximum extent possible, spared the University's educational program, at the price of uncomfortably large, *but* workable reductions in administrative and support services.
- . To the maximum possible extent, the inescapable reductions in funds for academic programs reflect judgements and decisions on the University's academic priorities and opportunities for intellectual development. They are selective and comparatively protect the schools, programs and campuses coping with the difficult combination of approved growth and severe budgetary inadequacy.
- . The Plan makes the largest possible allocation of funds for faculty and staff compensation, consistent with fiscal responsibility. Adequate faculty compensation remains the University's leading institution-wide priority and challenge.

To highlight these affirmative themes does not obscure either the costs or the losses embedded in this Budget Plan for 1982-83. In the year ahead, the University will experience a high-level of continuing demand for its programs and services with a smaller complement of faculty and staff. The State appropriation shortfall requires that a large fraction of total instructional costs be covered by student tuition. The University's faculty will also make a heavy sacrifice, once again receiving salary increases less than the rate of inflation and adding to the 20% decrease in real income which they have experienced over the last decade. In every area of the institution, budget limitations impede innovation and enhancement.

The proposed Budget Plan for 1982-83 sustains the University of Minnesota. No one can or should hope for more.

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U/M
Budget Increase Amounts
(\$ Millions)
Various Options

	<u>FY83 Base</u>	<u>FY84 Increase</u>	<u>FY85 Increase</u>	<u>Biennial Increase</u>
<u>Supplies, Expense, Equipment @ 5%/5%</u>				
O&M	75.009			
Specials (est)	6.860			
Total	81.869	4.093	8.391	12.484
<u>Academic Salaries*</u>				
O&M	131.143			
Specials(est)	17.676			
Total @ 4%/4%	148.819	6.667	13.601	20.268
Total @ 5%/5%		8.334	17.085	25.419
Total @ 6%/6%		10.001	20.602	30.603
Total @ 7%/7%		11.667	24.151	35.818
<u>Civil Service Salaries*</u>				
O&M	74.257			
Specials (est)	16.722			
Total @ 4%/4%	90.979	4.076	8.315	12.391
Total @ 5%/5%		5.095	10.445	15.540
Total @ 6%/6%		6.114	12.595	18.709
Total @ 7%/7%		7.133	14.765	21.898

* Fringes estimated at 12%

MPIS
8/3/82



UNIVERSITY OF MINNESOTA

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100 Church Street S.E.
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August 24, 1982

TO: President Magrath
Members of the Board of Regents, Mr. Wilson
Vice Presidents, Mr. Dunham
Provosts and Deans
Professors Swan and Sundquist

FROM: Stan Kegler

SUBJ: 1983 Biennial Budget Request
1983 Capital Request

As you know, we will be presenting to the Committee of the Whole at the September 10 meeting of the Board the materials associated with the 1983 Biennial Budget Request and the 1983 Capital Request.

As a followup to the materials we presented at the June meeting of the Board, we are presenting herewith a rather detailed set of materials which flesh out the items, ranked in priority order, with attached dollar figures for the rather sketchy lists presented in June. As you will note, in some cases we have not yet been able to estimate the price tags associated with some items; we hope to have these completed by the time of the September 10 meeting.

A few words about the process of budget development may help you better understand the present situation. Using the Program Priority Statements growing out of the planning process and the 1981 and 1982 budget reduction processes, we identified a number of key potential requests of the Legislature. We asked relevant deans, provosts, and directors, in two days of intensive hearings, to "make their cases." From these presentations grew a set of preliminary requests which have been repeatedly whittled to reach the present level; what is presented in the attached budget requests represents less than one-third of the original requests from provosts, deans, and directors. Concurrently, we have held a number of meetings with appropriate Senate Faculty/Student committees to seek their advice and suggestions. In most cases, these have been incorporated in the attached proposals.

A second set of comments relates to the fiscal and political situation. We are being asked to present a series of budget proposals to conform to a set of guidelines prepared by an outgoing administration. We must present those materials before a new governor and a new legislature are elected.

So, in a sense, some of what is embodied in our proposals to you is in the context of protecting the University's flexibility to adjust in the face of a volatile, as yet unpredictable political climate.

August 24, 1982

In the remainder of this rather detailed cover letter, I will be referring to six attachments; it may be helpful (and help you avoid flipping back to the addenda for detail) to outline these:

- A- Summary of Commissioner Rudell's Budget Guidelines
- B- Summary of the Biennial Budget Request
- C- Same Level/Changed Level Format
- D- 1983 Critical Capital Requests
- E- 1983 Capital Requests - Other Pressing Needs
- F- Capital Budget Instructions

Attachment A

To set the context for the attached Biennial Budget Requests, we have appended, as Attachment A, a one-page summary of Finance Commissioner Rudell's Guidelines, prepared by Dave Berg of our Management Planning and Information Services Department. I urge that you read this carefully, as we believe this is an accurate, non-political reading of the resources likely to be available to provide state services in the next biennium. I should add that, since receipt of the guidelines from Mr. Rudell, we have received information that we may seek an inflationary runup of 7% (rather than 5%) on our Supply, Expense, and Equipment Budgets.

Attachment B

Attachment B is the detailed explanation of the items we are tentatively seeking in our Biennial Budget Request. As you will note, we have listed, not in a priority order, the unavoidable expenditures associated with fuel, utilities, waste disposal, etc. We didn't feel there was much point in ranking this item in priority order; these expenditures (unless we close down something) are unavoidable. We note that salary increases for the present employees are the first priority -- but we haven't settled on a figure until we've had an opportunity to discuss the matter thoroughly with President Magrath. The note on this item in Attachment B does describe the components we are presently considering to finally describe our needs.

Veteran Regents will note the absence of previous "big ticket" items -- increases in "transportation," "rents and leases," "costs of operating new space coming on line." In the case of the two former items we propose to get along with the 7% increase suggested by the Commissioner of Finance. In the latter case -- there hasn't been much new space coming on line (or projected to) in the near future.

I hope that the notes we've supplied for other items will describe what we're seeking. The rankings reflect our best present judgment, subject to Regents' approval. I should note that our ranking on Continuing State Specials reflects our judgments about the increases, not the Continuing State Specials themselves.

Please also note that, at the urging of several Regents and others, the Budget Executive held a special hearing on the FIRE Special which we deleted in our budget reduction process. As a result of that hearing, The Vice Presidents have recommended that this Special be reinstated with full funding at the present level. While none of us are convinced that this is a key, central University activity, we are at a loss to suggest a better home for what all of us agree is an important service activity to fire protection activity in the State.

We have also suggested two "new" State Specials, and we are seeking discussion of the problem of funding costs associated with implementation of the Rajender consent decree. These are costs which must be funded from some source -- insurance, a special legislative allocation, or a process of re-trenchment from all budgets. The issue is not whether these expenditures will be funded, but rather, from what source.

Lastly, in regard to the Specials, it should be noted that there are fourteen priority rankings. This compares with thirty-seven requests in 1981, which reflects, in a way, the rigor of both the planning and the budget request processes. *

The summaries in Attachment B should remain as a point of reference throughout the rest of our Biennial Budget Request Process. From here on, these will be re-sorted to fit a fiscal format used by all state agencies; in September and October we will print narratives to fit the Department of Finance formats. But, as careful readers, you will have to "skip around" in those later materials to find the bottom line dollar figures and descriptions in Attachment B. I urge you to keep Attachments B and C as a kind of "scorecard" of our requests from here on in the process.

Attachment C

One of the recurring problems which we have as one of the two "autonomous" elements of state government (the other is the Minnesota Historical Society whose "autonomy" is less clearly defined in the Territorial Charter) is that we are unable to "mask" real expenditures in ways that state agencies and the other systems of higher education can. As a result, our budget requests seem to be inflated; "first-blush" headlines tend to put us in an unfavorable light.

For example, the "biggest price ticket" is salary increases; about 75-80% of our budgets are salary items. No one else "seeks" these increases in their preliminary proposals, mainly because almost everyone else is in collective negotiations. But, traditionally, we always have announced, early in the process, what we think we need as appropriate salary increases for faculty and staff. (See note below). As a result, our budget requests always seem terribly high. (For example, a 7% salary increase each year in the next biennium would total \$56.7 million in increased salaries.) Proportionately speaking, our results from the legislative process are no higher than others, but our particular "Constitutional status" occasionally puts us at disadvantage by making our requirements known at the outset; no one else has to do that. *

NOTE: Prior to 1973, we submitted requests for salary increases for Civil Service Staff. Since then, under the "salary comparability" clause of each session statutes, we have received for our civil service staff the same increases as that accorded to comparable classes of staff on state payrolls. *

To neutralize the negative headlines, we believe we should stress comparative requests -- that is, expenditures proposed which are comparable to state agencies and other systems of higher education. Those data elements are outlined in Attachment C, and, as you will note by comparison with similar entries in Attachment B, are considerably lower, by fiscal format definitions.

Attachment D

Several Regents asked at the June meeting that the University Administration pare its Capital Request to those items deemed most critical. These are listed in Attachment D; a few notes of explanation may be helpful for some of the items.

We feel that the first priority must be accorded to projects already authorized and for which funds have been appropriated (although bonds not sold). The two major items in this category are the Agronomy, Plant Pathology, Soil Sciences Facility on the St. Paul campus and the Hubert H. Humphrey/School of Management Complex on the West Bank. Unless we seek an inflationary augmentation for these facilities (which were approved by the 1981 Legislature) we will need to re-design, a prospect which will require still more time and lose still more precious construction dollars. In the case of the "Agronomy, Etc." facility, for example, failure to receive this supplement could result in a facility size far less than half the level envisioned when we first approached the 1979 Legislature.

The Civil-Mineral Engineering Shortfall resulted from a dramatic shift in the bidding climate between the first and second phases of what everyone agreed was an experimental building. We would seek to match each state dollar with two externally-raised dollars, mainly from the private sector.

Most of the other items on the "critical" list are well known to you, especially to members of the Regents Physical Plant Committee.

Attachment E

Attachment E lists other pressing needs of the University. If one takes Attachments D and E, for all practical purposes, one has the residue of what we requested in the 1981 Legislature, but for which we did not receive approval.

The Administration believes that both Attachments D and E represent important capital improvements we need. Given the present fiscal constraints, we have ranked the needs as best we can evaluate them at this time.

Attachment F

I have attached a memorandum from Val Vikmanis of the Finance Department which we received in just the last few days. In a sense, it "overtakes" the work we have been doing with respect to our "critical capital requests" and "other pressing needs" lists. We are working with our Finance Liaison, Dr. Dale Nelson, to clarify further procedures.

At present, however, we believe that, with the exception of the requested planning funds for the Animal Science Phase II Facility, all of the items on our "critical list" qualify for the "emergency projects" category described on page two of Val Vikmanis's memorandum.

August 24, 1982

Reference is also made in Mr. Vikmanis's memorandum to a Six-Year Capital Plan. Since there has been precious little capital authorization in the last biennium, we should be able to update our plan easily by moving back the biennium in which we seek capital improvements. That is, much of our 1983-85 request is "left overs" from 1981-83; our 1985-87 request will be a similar list of "left overs" from 1981 and 1983.

Conclusion

In this cover letter and the six attachments, there may be more than you ever wanted to know. I have tried to highlight policy issues as well as fiscal and political issues. Please call me (373-2054) if there are questions (or further data you need) before the presentation on September 10.

SBK:mb

cc: All Associate, Assistant, Deputy Vice Presidents
MPIS Berg and Fletcher
Bill Carey, University Relations

encl: 6

Attachment A

State of Minnesota
A Summary of Commissioner Rudell's Letter to Department Heads
of 7/16/82 on the Subject of Long Term Fiscal Planning

- 1) Current fiscal difficulties are not temporary.
- 2) Present relationships among the State, local governments and individuals make fiscal management very difficult.
- 3) The revenue base from which future growth will occur has permanently decreased; the base level of State transfer payments has not decreased.
- 4) On present planning assumptions about surtax expiration, transfer payments, revenue growth, inflation, etc. Minnesota will face a deficit of \$476 million by the end of next biennium and \$815 million by the end of fiscal 1987.
- 5) Therefore, policies should be adopted that will —
 - a) eliminate the projected deficits for the next four years.
 - b) restrict or freeze expenditures or transfer payments which have grown disproportionately in recent years.
 - c) restore a top credit rating.
 - d) eliminate the need for short term borrowing by 6/30/87.
- 6) To do this — (*= particularly important to University of Minnesota)
 - a) The 5% Sales Tax must continue.
 - b) The Income Tax surtax must continue through 6/30/85.
 - c) Transfer of Motor Vehicle Excises to the Highway Fund must be deferred until after 6/30/87.
 - d) Working capital (surplus) of at least \$370 million should be accumulated by 6/30/87.
 - e) FY1984 school aid increase of 11.2% should be honored. No increase for FY1985 and no more than 5% annual growth thereafter.
 - f) Property tax relief and aids to local government should be frozen at 1983 levels through 6/30/87.
 - (g) Cost of State-delivered services must be held to 5% annual increase with rare exceptions.
 - (h) As inmate/patient/student counts decrease, agency budgets should decrease proportionately.
 - i) Medical assistance should be limited to 10% annual increase, other income maintenance programs to 5%.
 - (j) Because of interest rates, no capital budget. Emergency projects only.
- 7) If the foregoing were carried out, Finance estimates that the surpluses created would be minor. They would, for instance, not quite allow "sunsetting" of the 7% Income Tax surcharge, even with no additional initiatives.

Comparison of Campus and College Requests
and Tentative Administration Recommendations
(Follows Same Order as Attachment B)

<u>Unavoidable Expenditure Increases</u>	<u>Original Request</u>	<u>Administration Recommendation</u>
1. Fuel & Utilities Increases	\$11,363,000	\$ 11,363,000
2. Solid and Hazardous Waste Disposal	1,428,000	1,428,000
3. Skilled Trades Increases	1,785,000	1,785,000
 <u>Other Recurring Increases</u>		
1. Academic & C.S. Salary Increases		
2. SEE Increases (allowed by guidelines)	\$12,900,000	\$ 12,900,000
3. <u>Operations & Maintenance Support</u>		
a. General Library Acquisition	2,100,000	2,100,000
Law Library Acquisition	320,000	
b. Internal Legal Staff	400,000	400,000
c. Administrative Data Computerization	1,036,000	1,200,000
Student Financial Aids Computerization	770,000	
d. Instructional Equipment		
IT	1,000,000	
Law	500,000	
Waseca	150,000	
UMD Psych Research	145,000	
UMD Ind. & Tech. Studies	160,000	4,000,000
Crookston	75,000	
Crookston Computers	48,000	
Handicapped Student Equipment	130,000	
Dentistry	261,000	
e. R & R for Academic Facilities	2,920,000	1,000,000
f. (1&2) Computer Education	2,880,000	1,136,000
g. International Activities	395,000	120,000
4. <u>Faculty/Staff Improvements</u>		
a. IT	4,280,000	500,000
b. College of Vet Med		
(1) Teaching Hospital	1,530,000	750,000
(2) College Departments	1,528,000	300,000
c. School of Public Health	700,000	500,000
d. School of Management	133,000	-0-
e. UMD	296,000	-0-
f. Waseca	490,000	-0-
 <u>Continuing State Specials</u>		
1. Vet Diagnostic Lab	627,000	287,000
2. Capitation Replacement	597,000	597,000
3. Disad. Student Retention	350,000	170,000
4. Grad School Research Fund	400,000	300,000
5. Med/Cancer Research Fund	200,000	200,000
6. Disad. Student Fellowships	280,000	200,000
7. Hospital Education Offset	3,000,000	1,500,000

	<u>Original Request</u>	<u>Administration Recommendation</u>
8. Ag Extension	\$3,340,000	\$ 700,000
9. Sea Grant	200,000	200,000
10. General Ag Research (with CVM)	2,600,000	1,400,000
11. Rural Physician's Associate Program	150,000	75,000
12. MRRC	400,000	100,000
13. Lake Superior Basin Studies	860,000	40,000
14. Summer Session Fringe Benefits	1,308,000	675,000
 <u>Reinstated State Specials</u>		
1. FIRE	200,000	200,000
 <u>Proposed New State Specials</u>		
1. MEIS	2,000,000	1,400,000
2. CLA Literacy Special	420,000	100,000
 <u>Non-Recurring Equipment</u>		
Purchase of Equipment and Development Costs for Student Financial Aids Computerization	520,000	520,000
 CBS Equipment	 450,000	 450,000
 Ag Extension Microcomputers	 209,400	 209,400
 <u>Other Items</u>		
2. UMD Bureau of Bus. & Econ Research	105,000	-0-
3. Women's and Men's Intercollegiate Athletics	1,152,000	-0-
4. Environmental Pathology Laboratory	210,000	-0-
5. Pharmacy Affiliates	500,000	-0-
6. Grad School Fellowships	400,000	-0-
7. Admissions Computer Support System	1,000,000	-0-
8. Computer Operating Costs (Registration)	600,000	-0-
9. Sports Facilities Planning	650,000	-0-
10. OSHA	185,000	-0-
11. Rents and Leases	230,000	-0-
12. MINTECH	400,000	-0-
13. CEE Salary Maximum	600,000	-0-
	<u>Original Requests</u>	<u>Tentative Recommendations</u>
Approximate Totals	73,666,400	47,375,400
Minus Unavoidable Costs & SEE Increases	<u>27,476,000</u>	<u>27,476,000</u>
Comparison	46,190,400	19,899,400