

ALL UNIVERSITY SENATE CONSULTATIVE COMMITTEE
AGENDA

Date: September 28, 1978

Time: 12:00-2:00

Place: Terrace, Campus Club

1. Approval of Minutes for the September 5, 1978 Meeting
2. Calendar
 - suggested dates for the remaining SCC meetings
3. SCC Legislative Sub-Committee
4. UCBRRR Status Report
5. Old Business
6. New Business



UNIVERSITY OF MINNESOTA
TWIN CITIES

All University Senate Consultative Committee
554 Business Administration
271 19th Avenue S.
Minneapolis, Minnesota 55455
Telephone (612) 373-3226

MINUTES OF THE SENATE CONSULTATIVE COMMITTEE

Meeting of September 28, 1978

APPROVED 10/19/78

The All University Senate Consultative Committee convened its third meeting of the 1978-79 academic year on Thursday, September 28, 1978, on the Terrace of the Campus Club.

Members present included Professor George Blake, Professor Wendell Glick (Associate Chairperson), Professor Ken Keller (ex-officio), Mr. Richard Kottke, Professor Fred Morrison, Mr. Thomas Potter, Professor Richard Purple, Professor Betty Robinett, Ms. Elizabeth Sands, Professor Vera Schletzer, Professor L. E. Scriven, Professor Donald Spring, Mr. Frederick Watson, and Professor Mahmood Zaidi (Chairperson).

Professor Zaidi called the meeting to order at 12:15 p.m.

1. The Minutes for the September 5, 1978 meeting were corrected and approved. Professor Blake moved the following corrections which were approved by the Committee: 1) that paragraph one on page three be stricken and 2) that the following be added to the first sentence in the the third paragraph on page three-- after the word neglected the sentence should continue "and stated his conviction that correcting unrewarded merit in departments or even between departments or colleges is a valid use of merit monies...."
2. Suggested Calendar dates for the rest of SCC's meetings were distributed and the following were approved by the Committee:

Thursday, February 1	12:30-3:00, 606 Campus Club
Thursday, March 1	1:00-3:30 , 606 Campus Club
Thursday, April 5	1:00-3:30, 606 Campus Club
Thursday, May 3	1:00-3:30, 606 Campus Club
Thursday, May 31	1:00-3:30, 606 Campus Club

In regard to the calendar, Professor Morrison had two points to bring to the Committee's attention: 1) that there was a possibility that a budget discussion meeting would have to be held some time during exams in March and 2) that a proposed settlement was possible in the latter part of October in the Rajender Case. Professor Morrison passed out a document (Civil Action no. 4-73-435 ORDER) wherein were stated the constraints surrounding the Rajender Case and how they applied to University personnel. Because of the importance of this matter, Professor Morrison asked that those who do not feel they can operate within the guidelines stated in the ORDER should notify him.

Professor Robinett asked that the minutes show that there was strong

reservation on the part of at least two faculty members of SCC concerning the meaning of the constraints outlined in the document and who is considered an administrative employee of the University. Professor Morrison reasserted that as a matter of practical interpretation, Committee members should not discuss the document to be supplied later with anyone other than the President, Vice Presidents Stein or Koffler, or others in charge of the case. The purpose of supplying the document to SCC members would be to obtain advice and not provide a forum of discussion with the faculty. Discussions should be confined to the restrictions as stated on page two of the ORDER

3. SCC Legislative Subcommittee

Professor Purple gave a short report and stated that the subcommittee had sent to Vice President Kegler a letter concerning the academic pay plan of the Biennial Request Narrative because members were dissatisfied with the way the pay plan was stated in the narrative. According to Professor Purple, the pay plan in the narrative was being redrafted, and Professor Glick added that the sections dealing with justification for new positions was also being redrafted. The members of the subcommittee have not seen the final draft of the narrative; Professor Zaidi requested that the Chairperson and the SCC be kept posted concerning the new narrative draft.

4. UCBRBR Status Report

Professor Morrison reported to the Committee and outlined developments relating to reallocation to date. UCBRBR has held three meetings to discuss the budgeting process and reallocation procedures outlined in President Magrath's draft recommendation and has stated its reservation and objections on unclear items to the President and senior administrative officers.

As a result of these meetings, three working groups were being created by the President to develop: 1) the interim criteria and guidelines for the 1979-80 budget; 2) the budget information and background data; and 3) the processes for reallocation. These working groups will report to the President. Some UCBRBR members will be represented on these working groups. For example, Professors Keller and Morrison, and Mr. Jim Clark will serve on the first group; Professor Hurwicz and Mr. Pat Eckman on the second group, and Professor Morrison and Ms. Liz Sands on the third working group. Professor Morrison also stated that he did not think the reallocation mechanism will be available until the January SCC meeting.

Professor Purple asked what role was being played by SCEP and SCRAP in the discussions concerning budget. Professor Morrison indicated that SCEP and SCRAP make their comments through UCBRBR and that they have access to UCBRBR material. Professor Purple emphasized that he hoped these committees will have an opportunity for substantive comments because of their involvement in academic policy. Professor Keller supported Professor Purple's statement but added that he thought UCBRBR had the expertise to deal with academic policy in the budget processes.

Professor Spring asked if mid January was looked upon as the time when processes for reallocation would be complete. According to the original document from the the President, units were responsible for retrenchment plans by mid January; he asked whether this date had changed. Professor Morrison stressed that the document dated September 8, 1978 was a draft and that mid January remained

the target date.

Professor Robinett expressed her concern that departments do not know what is expected of them in relation to budgeting/reallocation deadlines. In other-words, what are the dates when unit information is due? In support of Professor Robinett's question, Professor Spring said he believes there are two concerns: 1) morale and 2) preparations. Because there is a lack of clarity in what is expected and when, Professor Spring thought morale would be affected adversely and adequate preparation of material would not be possible. His concern was that faculty will feel that the reallocation process is being sprung on them.

Professor Zaidi stated that the subcommittees should be made aware of this problem. Professor Blake asked, and the Committee agreed, that the Chairperson be directed to submit these concerns to the President.

5. Old Business

None

6. New Business

None

7. The meeting was adjourned at 1:15. The next SCC meeting is on October 19 from 10:30 to 1:00 in Room 402, Campus Club.

Respectfully submitted,
Elizabeth B. Martin
Administrative Fellow
Senate Consultative Committee

SCC meeting 9/21/78
Reallocation



UNIVERSITY OF MINNESOTA

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

September 21, 1978

To: University Committee on Biennial Request and Budget Review
From: C. Peter Magrath, President
Subject: Reallocation Process Discussion/Criteria for Reallocation Decisions/
Construction of 1979-80 Budget

In thinking over our discussion on Monday, September 18, it seems to me that we are confronted with three important matters to resolve as expeditiously as possible: (1) Establishment of a process within the University community for making reallocation decisions in the years ahead; (2) the development of criteria (these conceivably could change from time to time) that would serve as the basis on which reallocation decisions would be made; these criteria (or at least the more permanent ones) should emerge from the process once it has been established and is functioning; (3) the construction of a 1979-80 budget; this budget, we assume, will have to involve reallocation judgments and must therefore be based on interim criteria and guidelines pending the implementation of the more permanent reallocation process and its associated criteria. We further assume that the 1979-80 budget ought to be developed on a consultative basis with ultimate judgments, naturally, being made by the Central Administration and the Regents. (We also confront deadline problems getting to work on the 1979-80 budget, particularly if we wish to maximize the consultative process.)

Accordingly, my proposal is this: First, the University Central Administration, in collaboration with UCBRBR and SCC, will move ahead with discussions leading to the development of a document that would propose the establishment of a permanent process for reallocation. It is understood that this reallocation process system would have to ultimately be endorsed internally by the University Senate and, of course, approved by the University of Minnesota Board of Regents. Second, the University Central Administration, in collaboration with UCBRBR and the Council of Academic Officers (CAO), will immediately get to work in developing interim criteria and guidelines for the 1979-80 budget. These two processes are interrelated but can be somewhat separated by necessity and for the sake of convenience.

It is therefore my thought that we establish a working group to develop interim criteria and guidelines for the 1979-80 budget. This working group would be chaired by Academic Associate Vice President Al Linck, and would include the

UCBRBR
September 21, 1978
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following individuals: Associate Vice President for Health Sciences David Preston; Dean William Gardner of the College of Education; Dean Warren Ibele of the Graduate School; and two faculty members and one student member from UCBRBR. Professor Carl Adams (who is on a partial working assignment in planning for Vice President Robert Stein) would sit as an observer with the working group, and Mr. David Berg, Director of Management Planning and Information Services, would staff the working group. The interim criteria and guidelines for the 1979-80 budget developed by the working group would then be submitted for review and reaction to UCBRBR (and presumably SCC), to CAO, and to the University Central Administration.


CPM

CPM:nw

cc: University Vice Presidents

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
FOURTH DIVISION

Shyamala Rajender, on behalf of
herself and a class of all other
women academic non-student
employees at the University of
Minnesota,

Plaintiffs,

vs.

The University of Minnesota,
et al.,

Defendants.

Civil Action No. 4-73-435

O R D E R

It being made to appear to the Court that premature publicity and discussion of certain terms of a proposed Consent Decree negotiated by counsel for the parties may be detrimental to the fair, prompt and impartial disposition of this case,

IT IS ORDERED, that (1) all members of the class, (2) all male academic appointees at the University of Minnesota, (3) all administrative employees of the University of Minnesota, and (4) counsel are prohibited from divulging all or any part of the terms of the proposed Consent Decree to: (a) any person not a member of the class (b) any person not an administrative employee of the University of Minnesota or (c) any person who is a representative of any communications medium, unless and until such time as the Consent Decree is initially approved by the parties and by the Court for submission to the class by notice. Counsel are free, however, to meet and confer freely with

representatives of their respective clients, including members of the class, concerning the proposed settlement provided that such consultations be conducted in a confidential manner.

June 26, 1978

15/ Miles W. Lord

Miles W. Lord
U. S. District Court Judge

Approved as to form and substance:

Paul C. Sprenger

Paul C. Sprenger

Charles C. Mays

Charles C. Mays



UNIVERSITY OF MINNESOTA

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

September 8, 1978

To: Council of Academic Officers
University Senate Consultative Committee
University Committee on Biennial Request and Budget Review
University Senate Committee on Educational Policy
University Senate Committee on Resources and Planning

Dear Colleagues:

I am transmitting with this letter a draft document for discussion purposes that I and my senior administrative associates have developed over the past few months. The document examines some of the key considerations that underlie the question of how to reallocate resources internally within the University of Minnesota in the years ahead, reviews briefly experiences elsewhere, notes some of the main techniques or systems that can be used, and proposes a model for a reallocation process heavily premised on the assumption that whatever system we use must be based on internal consultation and discussion if the tough reallocation decisions are to have maximum credibility and be effective in terms of the fundamental needs of the University of Minnesota.

I should like to emphasize a few points in this letter of transmission. First, the attached draft document does not set any criteria for reallocation decisions; I believe that the actual criteria should emerge from a process of consultation regarding reallocation. In other words, this document proposes a model system as to how reallocation might work at the University of Minnesota, and leaves open the important assignment of determining the key criteria that should prevail. The draft document does, of course, discuss considerations relevant to criteria, but it is essential to emphasize that no criteria are implicit or explicit in this proposal.

Second, it is the assumption of my administration, and I believe this view is widely held by others in the University community, that a system of reallocation must be established and implemented at the University of Minnesota just as quickly as possible. Indeed, our 1979-81 Biennial Request, which already is being regarded in many State quarters as excessive and unrealistic, is itself premised on the belief that the University will undertake reallocation internally so as to maximize the wisest use of our limited resources.


September 8, 1978

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Third, we also must agree on a process to follow, at least on a trial or tentative basis, as quickly as possible. Therefore, I would very much appreciate it if the University Senate, through the leadership of the Consultative Committee and its Committee on Biennial Request and Budget Review, could give me and my senior associates the benefit of their initial thoughts and reactions to the attached document, along with proposed modifications, changes, and the like, by October 6, 1978, if possible. I would appreciate having similar reactions from the Council of Academic Officers, and will ask Vice President Koffler to help coordinate the responses. This preliminary, one-month review period will be followed by additional consultative opportunities throughout the development of the reallocation process.

Finally, it seems to me that we have an excellent opportunity to build upon the outstanding work that the University Senate and several of its committees developed during the 1971-72 retrenchment period. I sincerely look forward to working closely and collaboratively with you, and earnestly solicit your frank reactions and suggestions as to how we can best proceed.

Cordially,



C. Peter Magrath
President

CPM:rw

Enc.: Draft of Reallocation and Consultation Procedures in the
Resource Allocation Process

DRAFT

UNIVERSITY OF MINNESOTA
Reallocation and Consultation Procedures
in the Resource Allocation Process

A DRAFT FOR DISCUSSION AND CONSULTATION PURPOSES

September 8, 1978

President C. Peter Magrath
Senior Officers

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University Planning for Selective Growth"

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INTRODUCTION

This document is premised upon my conviction that an effective system for reallocating institutional resources must be developed by the University of Minnesota. The ramifications of such an assumption are many, complex, and wide-ranging, and certainly deserve the attention and involvement of the entire University community. To initiate the type of discussion that will result in an acceptable and effective reallocation process, the authors of this report, the Senior Officers and I, have 1) examined the University's recent fiscal history; 2) projected fiscal constraints likely to be confronted in the immediate future; 3) reviewed a variety of budgetary systems employed elsewhere in the public sector; and 4) proposed that a particular reallocation process be discussed, reviewed, and modified by interested University constituents and groups.

At this time, we have not attempted to develop, nor do we specify, any criteria upon which reallocation decisions might be based. These criteria should emerge from a process of consultation and discussion -- such as the process proposed in this draft document.

It must be emphasized that this document is intended to stimulate discussion among every sector of the University community -- Regents, deans, faculty, staff, students, and central officers. There will be ample opportunities for consultation in the development of whatever reallocation mechanism is eventually implemented, as well as in the actual budgetary decisions that will be made. There is, however, one urgent point to be made: we must get on with this work, first, by establishing through reasonable consensus a process for reallocation; second, by developing criteria for reallocation decisions; and third, by then making the difficult but inevitable reallocation decisions.

At the same time, it should be understood that the preparation of the FY 79-80 budget must begin soon, forcing all parties involved to agree, within the next several weeks, upon an acceptable process to be used during the next budget development cycle. Admittedly, this means that the comparative amount of time that can be devoted to consultation and deliberation on the FY 79-80 budget process and guidelines might be less than the more extended opportunities available in future years. However, this is simply unavoidable if the next budget is to be completed on schedule. Those timely recommendations that the consultative groups generate will be considered in terms of the FY 79-80 budget process, with the later recommendations of the consultative groups being reflected in whatever reallocation process is eventually agreed upon for future years. Thus, so as to maximize consultative input, I hope that the deliberation process can begin as soon as possible.

History and Probable Dimensions of the Problem

Prior to 1971-72, the University of Minnesota had seldom experienced a budget situation in which real resources were shrinking rather than expanding. Accordingly, the budgeting processes then used were designed to handle marginal additions for new programs or expansion of current programs. No systematic and repetitive provision existed for reviewing the recurring base to discover low priority resource commitments for retrenchment or reallocation.

The legislative mandate to retrench for the fiscal years 1972 and 1973 and the necessity, under deadline, to achieve the FY 72 retrenchment on a formula basis, provoked intense discussion and planning activity in the summer and fall of 1971. The most important product of that activity was a report entitled "Accountability and Educational Criteria: University Planning for Selective Growth" (A&EC) which was developed jointly by the University Senate Committees on Educational Policy and Resources and Planning. The importance of that paper cannot be over-emphasized. It is attached as Appendix A to this report. A list of the members of those committees at that time is attached as Appendix B. While some of the detail is dated or might be modified by experience, A&EC remains as an excellent statement in principle of how a university might approach resource allocation under conditions of fiscal constraint.

A&EC visualized a continuing program of identification of low priority funding and reallocation of that funding to activities of higher priority. Great stress was laid on the desirability of such reallocation whether or not retrenchment is also required. However, while the A&EC approach was used for the Retrenchment and Reallocation budget of 1972-73, it was abandoned immediately thereafter. Relatively favorable legislative appropriations in 1973 and 1975 relaxed the pressure to engage in a

systematic, University-wide examination of the existing base. Instead, marginal budget changes have been accommodated through selective approaches.

The resource scarcity observed by SCEP and SCRAP in 1971 was scarcity only by comparison with the higher education boom of the previous fifteen years. The mid-70s have witnessed a slowing rather than a reversal in University growth. Since 1971-72 our faculty and enrollment are up 8 or 9 percent and constant dollar Operations and Maintenance Fund resources have grown by more than one-fourth. In spite of an internal perception of fiscal stringency, it is hard to cite data which demonstrate any overall deterioration in real resources; in fact, the opposite can be argued. This may suggest that the perceived pain reflects not a lack of resources but a failure to redeploy them to the best advantage.

If the pattern of the mid-70s has been relative stability, there is every reason to believe that the pattern of the 1980s will be selective decline in student numbers and funding. The development of new service publics and success in emphasizing non-instructional missions may mitigate the drop, but a reasonable assumption for this discussion is that the University's real resources will drop proportionately with the number of Full Year Equivalent students it teaches. There has been no significant long-term trend in the University's staffing ratios for at least forty years¹ and the present ratio, overall, is among the best in that entire period. Furthermore, it must not be assumed that governors and legislatures under pressure from the taxpaying public and faced with multiple demands for state monies will choose significant enrichment of the University of Minnesota funding ratio.

If this is true, we may expect an absolute decline in real resources beginning no later than fiscal year 1981-82. On the basis of present enrollment projections, that decline is predicted to be on the order of

¹See Figure 1, page 4.

10% in total through FY1985 and will continue through at least 1990-91. The period 1981 through 1985 is likely to be particularly precipitous. No slide in enrollments and absolute resources of that magnitude has occurred in the University system in recent times. Furthermore, while such a change in itself presents formidable problems of adjustment, experience indicates that it will be accompanied by unforeseen changes in student demand patterns and continuing pressures from expensive (and often unfunded) programs of reform in the legal, social, environmental, and other areas.

What is needed, then, is a set of policies and processes which, if necessary, could cope, over five or six years, with a real dollar reduction of approximately 10% of the present O&M budget base while still maintaining enough flexibility to adapt to changing programmatic emphases. One can hope that this forecast is excessively pessimistic, but it would be foolhardy not to plan for the possibility. The prudent assumption about the University in the 1980s is that the institution will be faced with continuing resource allocation problems of a dimension that will dwarf previous experience. It is very likely that some institutional activities will be phased out or discontinued over the next decade. Consequently, it is equally probable that some current faculty, staff, and administrators will no longer be members of the University community in the 1980s.

We do not wish to counsel resignation to the foregoing scenario; there are a variety of policies which may modify it and that will be pursued. Those policies, however, are a separable issue. The necessity for any healthy organization to engage in a continuous, structured process of analysis of resource allocation is not dependent upon a fiscal crisis, but the practices and processes adopted should be sufficient to deal with the worst likely assumptions about the fiscal climate. The challenge is not merely to identify a plan capable of insuring that the institution survives and insolvency is avoided; were this the case, any number of

Figure 1: UNIVERSITY OF MINNESOTA STUDENT-FACULTY RATIO: 1930-1977

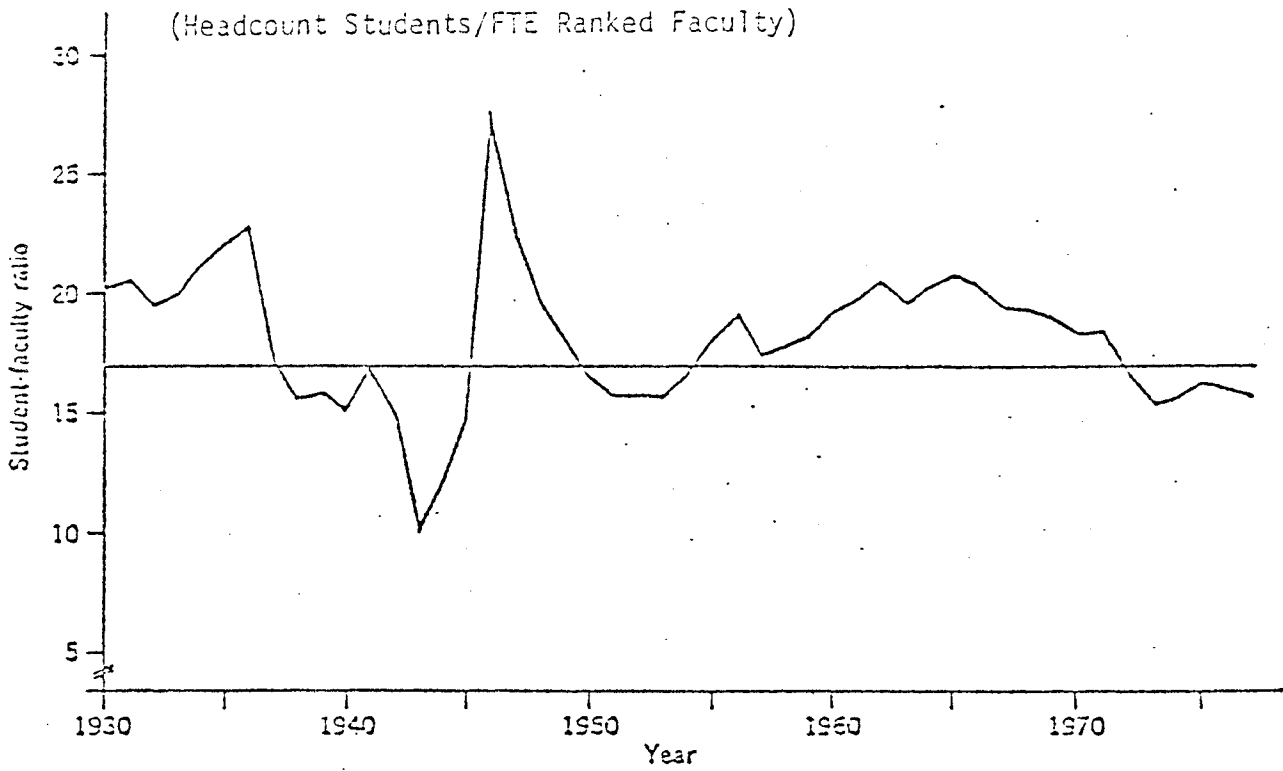
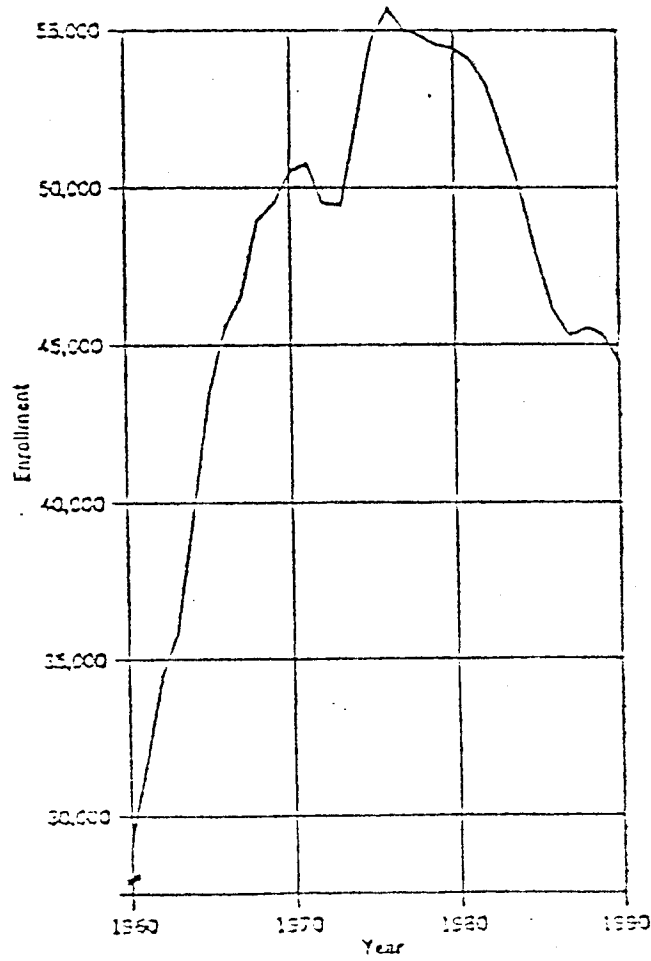


Figure 2: ENROLLMENT



mechanical approaches would suffice. To achieve these goals, however, while insuring that educational values are given primacy, that decision processes are open and participative, that effectiveness and efficiency are maximized, that the University does not shirk difficult but essential decisions and thus become merely a shrunken image of its current self -- these are the truly difficult challenges that will affect all members of the University community and that will demand the cooperation and consultation of all parts of that community.

The Relationship of Planning and Resource Allocation

This document does not address the desirable content of intermediate or long-term plans or the processes by which such plans should be formulated or adopted. We have concentrated on the internal resource allocation process, which is what we mean by the term "budgeting" when we use it in this report. Nevertheless, since a budget ought to be the expression of whatever planning, formal or tacit, is available when the allocations are made, no intelligent discussion of resource allocation should ignore its relationship to planning.

Although it is very desirable that budgeting be accomplished with the help of a formal, traditional plan (i.e., a plan which has specific goals and priorities, makes realistic assumptions about resource parameters, covers more than one resource cycle, and is continually revised through a broadly participative process), the existence of such a plan is not indispensable for planning to occur.

While managers plan for the future in many ways, the allocation of resources largely determines how an organization grows and changes. An organization may engage in excellent traditional planning, defining missions and developing strategies and, yet, fail to benefit if resource allocations do not reflect and

support the plan. Alternatively, appropriate resource allocation may provide an effective substitute for traditional planning.²

The best traditional planning is useless in the absence of an effective resource allocation system, but if there is no usable plan or while its development is awaited, an effective resource allocation process can fill the vacuum.

The need for formal, comprehensive planning at the University of Minnesota has been recognized for at least a dozen years. It has been cited in many internal documents, in the speeches of Presidents and Vice Presidents, and in Senate and Regents proceedings. It has found expression in the SCEP report "Toward 1985 and Beyond", in the Data Council, the Academic Planning and Programming Group, the Planning Council, the Senior Officers Planning Group, and a number of faculty groups. For a variety of reasons, progress in producing a formal plan has been very slow.

Recent developments provide some hope that progress toward the specification of a useful formal planning process is in the offing. The planning process itself can be valuable and eventually "plans" will be produced. However, the very consultative processes which must be used to give credibility, consensus, and quality to an eventual plan dictate that formal, comprehensive plans are not likely to be available soon.

This report specifically assumes the absence of a traditional formal plan although, when such a plan becomes available, it will fit into the recommendations made.³ Our immediate concern is to develop a resource allocation process that can be effective and goal-oriented with or without a formal plan. To accomplish this requires that budgeting be done in the presence of interim plans.

²Rogers, Frederick A. and Richard L. VanHorn; "Goal Oriented Resource Allocation for University Management"; Proceedings, 16th Annual Forum of the Association for Institutional Research, 1977.

³The Planning Council is continuing its efforts toward developing such a plan. Once a formal planning proposal is developed by the members of that group, it will be shared with other University constituents for consultation and reaction purposes.

Because priorities are not compared across all organizational units and activities, there is a tendency to employ retrenchment formulas derived from the existing budget base. This, in turn, fixes existing resource allocation relationships and restricts necessary reallocation efforts.

The basis for resource allocation, beyond that which legislative intent dictates, is not as clear as it might be under conditions of explicit budget criteria and guidelines. Thus, one of the most important functions of a budget -- to signal institutional values and to provide incentives -- is not always achieved.

The present process is unable to afford the type of timely consultation that a structured hearing schedule would provide.

Consequently, all participants -- Regents, central officers, deans faculty/student consultative groups, and the general University constituency -- must respond to the pressures of ad hoc meetings, rendering recommendations and decisions under severe time pressures.

What Is Done Elsewhere?

During the past decade, many, perhaps most, universities have at times been faced with a declining resource base. The initial response is typically an inversion of the normal resource allocation method used during expansion (i.e., a cut proportional to the existing base, perhaps modified by specific legislative or governing board expectations, or by a vague feeling that "non-academic" activities should be cut at a higher percentage rate). Invariably, that approach has produced a negative reaction from most concerned parties and an

attempt to design a process that would enable the institution to exercise a greater degree of selective judgment in structuring its future. The resource allocation process is the very heart of choice making about institutional futures. Responses to the need for modified resource allocation procedures vary from mechanistic "tightening" of the technical budget controls to highly sophisticated proposals based on organizational theory and hypotheses from economics and psychology. To provide a thorough background, the following discussion includes as many modes of budgeting practice as have come to our attention or we can imagine as being within the realm of the practical.

1) Non-Selective Formula Allocation

This approach, as mentioned above, is a frequent reaction to initial fiscal stringency. Typically, each operating unit is asked to retrench its budget by a percentage which represents the shrinkage in the total anticipated real resources. This is occasionally modified by asking for somewhat higher percentages from selected parts of the enterprise, such as administrative or service units. Plans of this type are usually quite arbitrary and are motivated less by analysis than by institutional politics and intuitive guesses.

Because the resource allocation process either is the planning system or represents the only possible means of carrying planning into effect, non-selective allocation systems based entirely on formulas have been consistently rejected except as unavoidable single-instance responses. No institution would choose such a system as a matter of policy. Indeed, such systems are not methods of decision making but methods of avoiding the making of decisions. The method tends to be the choice of last resort everywhere when the institution lacks usable planning or an

Interim guidelines can be of two types. They can be the tacit planning assumptions which come out of the specific decisions of a budget process. To be effective, there must be a high degree of participation, a continuity of purpose, and an institution-wide viewpoint on the part of persons making the decisions. Such guidelines are not written in advance, but criteria on which the decisions are made must be specified in writing when the proposed budget is produced.

An alternative is interim guidelines specified by the decision makers in each cycle prior to the resource allocation process. We believe this method has distinct advantages. It may reduce the tendency toward reliance on existing budgetary relationships as a guide to decisions for the future. It also provides both an advance standard against which to test individual budget decisions and a period-to-period record which may show whether any coherent, goal-oriented plan is being followed. Pending the availability of a formal plan, this latter approach is preferred. When the activities of the Planning Council have resulted in a formal, currently updated plan, that plan would serve the purpose of the interim guidelines.

What's Wrong With The Present Process?

While the biennial appropriations may reinforce the need for reallocation, the annual budget cycle is the vehicle for achieving it and it is that activity which must claim our immediate attention.

As practiced since 1973-74, the internal budget process has the following undesirable characteristics:

The current year budget base distribution is assumed to carry forward; reallocation occurs only marginally and only limited attempts are made to establish priorities among

components of the proposed budget except those "commitments" which it is assumed must be funded.

The practice regarding non-recurring funds (reversions and income windfalls) creates a drain on flexible resources and a fragmentation of the budget process. Use of such funds is frequently decided outside the framework of a competitive budget process and may result in funding of items which would not win support in a competitive process. These items then tend to win recurrent funding because they were supported previously. The liabilities created by present use of non-recurring funds could be traded for assets if those funds were dedicated solely to non-recurring purposes in a competitive sub-budget process while allowing all recurring needs to sink or swim within the recurring resource base.

Because retrenchment decisions must be made in a constricted period of time, there is seldom opportunity for as broad a participation process as is desirable. As a result, there can be a lack of widespread understanding about the decision-making criteria and process. As a further consequence, even that consultation which does take place is not always communicated to many faculty and student constituents, thereby giving a further, yet often undeserved, impression of the process as being "closed."

analytical, selective budget system, or when time constraints preclude any other response.

2) Position Recapture

It is possible that, as an aid to reallocation, specific line items could revert to the control of central administration when they become vacant through resignation, death, or retirement. The idea is, at least superficially, appealing. The University has a turnover of about 6% of academic positions in any given year. Since the academic salary budget is a substantial portion of the total budget base, recapture of academic turnover would provide, in raw terms, almost \$6 million annually in retrenchment and reallocation dollars. However, position recapture is not a budgeting system or a method of determining reallocation. Rather, it is a mechanical budget device which might conceivably aid in producing the flexible resources to achieve reallocation.

There are some difficulties with this budgeting device which make its use questionable at best. A study of the future retirement schedule and of the pattern of past turnover confirms the common intuition that vacancies do not occur in a regular pattern and that specific line recapture would not treat units equitably. Although the rate of academic turnover rose last year, it had been dropping for several previous years and might well continue to decline over the next few years. Recapture of positions vacated by resignation or retirement may create undesirable incentives at the unit level to retain persons merely to preserve the funding. Above all, the use of this device violates the concept of decentralized, goal-oriented management. It would put the central administration of the University into the business of making specific, line item decisions about the operation of its sub-units, the very area in

which the comparative advantage of central decision makers is apt to be negative. If the process is to be efficient or even manageable, the involvement of central decision makers in detailed line item budgeting should be minimized and their attention should be focused on the selection of programmatic priorities.

The purpose of calling attention to the possibility of specific line item recapture is to allow discussion of the issue. However, it must be emphasized that the use of such a system should be in addition to a programmatic budgeting process, not as a substitute for it.

If line item recapture were to be used supplementally, the occurrence of a vacancy would automatically reduce a unit's budget base by the amount of the item. That amount would be added to the base of a central reserve pending the next budget cycle. In the case of retirements, funds could normally be reallocated for the following year. For deaths and resignations, it might often be necessary for the funds to remain in the central recapture reserve for an intervening year until they could be reallocated in a succeeding budget plan. In every case, recaptured line items should be evaluated in the context of a system-wide budget plan before being reassigned on a recurring basis.

If recapture at the central level were elected, it should also include civil service positions, where turnover rates are higher than for academic positions. For some positions, both academic and civil service, an interim budget procedure would be necessary to avoid intolerable understaffing over long periods.

Efficient management of an enterprise as large as the University of Minnesota requires that detailed management decisions be decentralized. It would be imprudent to assume that each of the four or five hundred departments of this University can be managed from the level of the central

officers except in terms of overall planning and program priorities. In recent years, there has been some success in decentralizing management to the level of the Deans and their peers. Some managers at that level have found position recapture to be a useful tool in achieving their programming goals. On balance, we recommend that each Dean or equivalent level administrator institute a program of position recapture which will aid in meeting the requirements of central budget plans. It should not be acceptable for a collegiate level administrator to argue for additional resources because a vacant position remained in a low priority department or function. Decisions about vacant positions should be monitored, but the power to make such decisions and the duty to be responsible for them should reside with the Deans and Directors, in consultation with their departments and faculty constituencies.

Selective Non-Formula Plans

Selective non-formula plans may be classified in terms of their budgetary approaches and in terms of their process characteristics. By budgetary approaches, we mean the methods by which allocable resources are identified and priority decisions made. Process characteristics refer to the presence or absence and the nature of consultation, staff analysis, hearing processes, communication, criteria, and overt decision making.

3) Selective Underfunding

Price level increases and salary increase plans are sometimes used as a method of achieving retrenchment and reallocation. This can be non-selective as in the case of a plan which requires a given level of salary increase but underfunds that increase in equal proportion for each unit. This method can also be applied selectively. Under a selective

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underfunding plan all units are charged with achieving, for example, a given level of salary increase, but each unit is provided a varying amount of funds with which to do so, depending on central judgments about program priorities, workloads, and desirable directions of growth or contraction. This method has been used, on occasion, at Purdue and in the University of Wisconsin System.

It appears, however, that this approach is undesirable for the University of Minnesota. It would almost certainly raise serious misunderstandings at both the local and state levels, and it would confuse program decisions with price and salary level changes. While it has efficiency advantages, they are offset by deficiencies in process characteristics.

4) Decentralized "Market" Mechanisms

Each unit, usually a college, is constrained by the assignment of "its share" of the institutional income. Within that constraint it may choose its own priorities and operating policies. If the income sharing method is related to consumer choice and institutional priorities, this is not a formula plan. It has great advantages in putting effective decision making close to the operating action, and it is unparalleled in providing incentives. However, for large public universities it has many difficulties. Allocation of administrative and support costs is subject to continual negotiation. Central planning may be crippled. Furthermore, legislative assumptions and policies are usually at cross-purposes with a comprehensive market mechanism system. The approach appears to be more appropriate for private institutions, and Harvard, Pennsylvania, Carnegie-Mellon, and Washington University of St. Louis all operate on this system to some degree.

To the extent that the University is dedicated to consumer choice and believes in the efficiency of market economics, it should be selectively adopting market systems. At a less than global level it should be looking for opportunities to introduce practices that provide incentives to make the institution more responsive to its public. However, the University does not compete in a free market setting. This fact, together with the sweeping changes in customs and practices that would immediately be required, combine to discourage the use of a market mechanism plan as a generic solution to the problem of reallocation at this time.

5) Centralized Expenditure Constraints

Budget amounts are established by a central authority based on whatever planning or analysis data is available. Some units are increased, some retrenched, some untouched. Ideally, but not necessarily, every unit is provided an opportunity to make its case before the budget constraints are announced. The programmatic components of specific increases and retrenchments are rarely discussed in detail at the central consultative level. Rather, the units are left to accommodate to the budgets set for them based on central judgment about overall priorities. The method is efficient as a budgetary approach but tends to be very deficient in desirable process characteristics. Criteria are usually vague, communication is limited, and clear interaction with planning guidelines can be avoided. Decision making can become a series of bilateral negotiations rather than an open, participative, analytic process. Schools which have used this approach include Michigan, Purdue, Wisconsin, Minnesota in some of the past six years, and the majority of other universities at one time or another.

6) Zero Base Budgeting

Zero Base Budgeting (ZBB), a method whereby the entire available resource base is examined and reallocated in each budget cycle, was a fad in the early seventies, and it is predictable that the phrase will become popular again in the next few years as a political reaction to the tax revolt. Admittedly, the crucial content of the ZBB concept -- the examination of existing activities as well as marginal increases or decreases -- is desirable and essential to rational, efficient, goal directed budgeting. However, the pure system as set forth in the literature is generally inefficient in obtaining the desired results. This is especially true in the case of universities and colleges.

No university, to our knowledge, examines its entire resource base each budget cycle for purposes of total reallocation. Such a process would be impractical and unnecessary in the first place, and would be unjustifiably prodigal of organizational resources even were such an examination achievable. Only the lowest priorities among funded activities can be of any practical interest in a reallocation process, and to force the continual rejustification of every institutional activity is a waste of time and effort. The University of Minnesota is not going to stop teaching mathematics or composition, and a system that would require justification of such programs in each budget cycle is unnecessary. This is not, however, to say that particular mathematics and composition courses, enrollments, and policies should be exempt from budgetary review. Such a review might well accomplish important economies, but these can be achieved through methods that are more efficient and less costly in terms of organizational time and resources.

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7) Rotating Zero Base Budget

One variant of ZBB is the Rotating Zero Base Budget in which part of the budget base is totally and rigorously examined in each budget period with the rotation taking in all segments of the base over a cycle of several budget periods. The purpose is to reduce the administrative burden of total base examination in each budget period and to allow better analysis and decision making in relation to the part under current examination.

Rotating ZBB is far superior to the pure system and might be practical although we are not aware of any university that is using it as a continuing system. Nevertheless, this variant has the disadvantages of ZBB, albeit on a smaller and more manageable scale, and it also has a serious disadvantage which single period ZBB does not have. The examination of base only every three or four years implies that in the interim no adjustments except price level changes are made. Opportunities for retrenchment and demands for reallocation do not occur in that sort of pattern. The opportunities and demands that do occur can only partially be matched. The fatal flaw of the Rotating ZBB approach is that it insulates most of the budget units from examination in any single period and thus hobbles the ability of the budget process to affect programming. The concept of a rotating intense study of selected departments would seem to have more application to planning and efficiency studies than to the annual budget cycle.

8) Performance Contracting

Under this system each operating unit has a constantly updated program plan which constitutes an agreement with the central administration, in quite explicit and quantifiable terms, about what achievements will be

rewarded, how those achievements will be measured, and what weight will be attached to them. Allocations are then made in each budget period as a function of measured output or achievement.

The concept is appealing in a theoretical sense. It fits beautifully with classical planning concepts; it utilizes incentives to achieve specified goals; the existing base is re-examined in each cycle; it has the central characteristics of the popular Management by Objectives system; it decentralizes management and cuts the resource allocation process to a set of mathematical computations. If certain prior assumptions could be made, performance contracting as a budget system would be highly desirable.

The necessary assumptions, however, are beyond all hope of achievement in the immediate future. Performance contracting assumes a level of sophistication in specifying, valuing, measuring, and comparing achievements that is not present in this or any other university. The system will not work at the margin or with anything less than the entire base without becoming extremely complicated. That means that every behavior, activity, product, and service in the institution must have a value placed upon it, that those values must be constantly updated to reflect changes in program emphasis, and that the values must be in terms of a single metric. How, for example, does one quantify the outputs of the Agricultural Experiment Stations and the Admissions Office in units that can be divided to produce ratios?

Princeton University has used a modified performance contracting system for a number of years; however, it appears that subjective judgment is often substituted for a measurement system. Michigan has been gradually developing Memoranda of Understandings which are similar to performance contracts but are not used to produce a budget, except as background. Iowa State has been trying to produce a performance measuring system and is experiencing great difficulty.

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Nevertheless, the idea of performance contracting should be kept in mind, especially as planning tools and budget techniques are further investigated. In full use, it could eliminate some of the problems inherent in existing budget planning efforts, but presently the University is unable to implement a fully developed performance contracting system as a budgeting process.

9) Participatory Reallocation

Either by formula or selectively, resources are identified for retrenchment from the existing base. To the extent that budget reduction is not required, these resources are then reallocated. The retrenchment, the reallocation, or both must be on a selective rather than a formula basis if the process is not to be merely a more complicated type of formula allocation. The retrenchment and reallocation scheme of 1972-73 at the University of Minnesota was a prototypical participatory reallocation. A carefully designed system of this type can maximize desirable budget-making features, accommodating important process characteristics as well. In particular, it can produce the most important results of zero based budgeting without the forbidding diversion of organizational effort required by the ZBB system. Nevertheless, it requires significant dedication of time and effort, as will any effective reallocation system. That commitment has led to sporadic use of base retrenchment systems. Besides our own 1972-73 plan, this type of effort has occurred at Michigan, Wisconsin, Utah, Houston, Colorado, NYU, Princeton, Georgia, West Virginia, and some units of the SUNY system. The Carnegie Commission recommended a very similar approach in a 1972 report, suggesting the creation of "renewal funds" of 1% to 3% of budget through internal retrenchment.⁴

⁴Carnegie Commission on Higher Education, The More Effective Use of Resources, McGraw-Hill, 1972.

While it is true that participatory reallocation systems have a spotty history of long term use, so do all other systems which reallocate resources on a non-formula, planning based approach. Decision making under resource constraints is a difficult business and, not surprisingly, when individuals can find a way to avoid it, they do. The University of Minnesota community is not going to be able to avoid it and, of all the available approaches, participatory reallocation is clearly among the most rational, the most effective and, ultimately, the least agonizing.

Process characteristics of resource allocation plans vary considerably. It seems probable that the goals we want to achieve in choosing process characteristics are those having to do with the effectiveness and the acceptance of the results. The choice of budgetary procedures will also influence effectiveness, but process characteristics would seem to be particularly associated with issue identification, understanding of the resource allocation process, and consensus about the results. The process characteristics which are likely influences on these outcomes are consultative communication, analytic procedures, and participative decision making.⁵

It is extremely hard to evaluate the process characteristics of resource allocation plans used at other schools. Like the University of Minnesota, they are inclined to describe their processes as open, consultative, decentralized. The reality may be quite different. Certainly any formula based plan is, by definition, lacking in analytic procedures and highly centralized. It will also tend to be nonconsultative in regard to budget decisions, since consultation in such circumstances has no meaning.

⁵ This hypothesis derives from the doctoral dissertation in process by Timothy J. Delmont. Delmont is exploring these relationships in legislative request processes of state universities. Results are expected in the winter or spring of 1979. It is hypothesized that a positive relationship exists between these goals and process characteristics.

Where budgeting sophistication has gone further there is analysis and consultation. At West Virginia University the presence of an exceptional planning base and process has aided what appears to be a very open and effective budget process. Utah, using a base retrenchment system, has had a mixed experience with maintaining open process characteristics. Early efforts have been modified, apparently by the inability to keep up the pace. Analysis continues but consultative procedures are not as exhaustive as they once were. Consensus has suffered, but it appears that general understanding of the budgetary result is still present though agreement with it is not as general.

The existence of comprehensive academic planning should enhance the ability of the institution to incorporate desirable process characteristics but does not always do so. The difficulties experienced by the University of Michigan in bringing its excellent program evaluation system to bear on the budget process are typical of many similar problems. The University of Houston's efforts along these lines were initially unsuccessful, but they remain optimistic. Princeton and Kansas are examples of schools that have had more success.

What Should We Do?

A resource allocation system for the University of Minnesota should profit from previous experience here and elsewhere. A budget allocation process, if it is to have any worth, must examine priorities within the existing budget base. Methods must be found to compare priorities across all organizational units and types of activity. The allotment of "non-recurring" funds for recurring purposes must be prevented from eroding flexibility and subverting priorities in the budget process. Likewise, allocations of "hard" funding must compete with other budget priorities.

Nearly the whole University community of interests can be brought behind a rational budgeting and planning system if we are very careful that staff work and the consultative process are central to our activity, and not merely decorative. This boils down to beating the clock. Only a very small proportion of the analytic questions which arose during the R & R process were, or indeed could be, followed up given the time frame in which we were working. We must somehow produce a continuing cycle of analytic review, a continually updated base of planning and programming assumptions, and a close and continual working relationship between program managers on the one hand, and program analysts and decision makers on the other. --- We ought to obtain wide agreement that academic planning should be done *ab initio*, by academics. To do otherwise is to poison the credibility of the University enterprise. Somehow, the internal governance of the University must be made to function in a mode that produces planning judgments with wide consensus and produces them in a timely and democratic fashion. This cannot mean that "everyone" is consulted. The enterprise is simply too large and its clientele groups too diverse for that. --- Those not directly consulted must be willing to concede that their representatives actually hear them and attempt to take their concerns into the planning calculus. The fact that the Expanded Consultative Committee had a genuine effect on the outcomes of the R & R exercise should have gone a long way toward establishing this confidence in the process.

While the momentum generated in 1972 was subsequently lost, it is worth observing that the substance of the 72-73 process was generally judged to be a correct thrust, containing highly desirable budgetary and process characteristics. Only some procedural details were questioned. These centered upon two related time issues: first, the very large investment of staff time required by both administrative and consultative personnel, and second, the pressure to carry out the consultative process under unavoidable time constraints. Because an effective budget process requires intense involvement by all interested parties, there is no way to eliminate such problems, but they can and should be reduced to the extent possible.

⁶ Budget Planning and Information Service, "The University of Minnesota Budget and Planning Process - Reflections and Suggestions", May 17, 1972.

It may be advisable to provide a flexible "contingency fund" to deal with situations which cannot wait for a budget cycle. The "contingency fund" would then compete with other budget requests. Criteria on which budget allocations will be made must be widely known and critical analysis should be part of the process of reaching decisions. The consultative process should be structured, open, participative. While it must be clear that ultimate decision-making authority rests with the Regents and with the corporate officers to whom such authority has been delegated, the entire interested community should have, and should be seen to have, meaningful influence on decision making through appropriate consultative processes.

As a practical matter, both budgetary approaches and process characteristics must accommodate unavoidable time and staffing constraints. It may be well to recognize that the budget process for the first year of a biennium must be truncated because its constraints may not be known until very late in the preceding year. This need not affect the examination of the existing base except to the extent that effort is diverted to legislative activities, but it will inevitably foreshorten the decision-making and consultation phases of the process.

It is also important to recognize that the key problem in designing a budget approach is the identification of low priorities among existing allocations. There is never any problem in bringing forth proposals of high priority and, clearly, the heart of a reallocation process must be the comparison of those proposals against the lowest existing priorities. However, to make such a process work, the low priorities must be rooted out for comparison with proposed alternatives.

The budget process used for the 1972-73 fiscal year provides a good basic model for an ongoing reallocation program. An evaluation of that budget cycle written at the time observes:

In the University of Minnesota's case, consultation must at least involve the deans, separately and collectively, and the "governance structure" consisting of the Senate, through whatever committee or committees it currently considers appropriate. The Regents, of course, must also be involved prior to submission of a budget plan and must continue to be involved throughout the entire process. Likewise, the non-academic staff has interests in budget planning which are not presently represented in any formal way. There are probably other interested parties as well. All of this is complicated by the fact that many students and faculty do not necessarily regard their representatives in the Senate as having a mandate to speak for them.

The University administration cannot interfere with the way the faculty and students structure their consultative groups. It can, with perfect propriety, design its own processes so as to maximize realistic consultative opportunities at those points where consultation can be effective. Faculty and students, in turn, have the responsibility of structuring their organizations so as to take advantage of such opportunities.

Likewise, the University's practice, in the past few years, of holding open hearings in regard to the faculty salary plan offers an additional clue to solving some facets of the consultative problem. Those hearings have been

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effective in the sense that interested parties have the opportunity to be heard. They have been helpful both in getting a feel for faculty opinion and in dispelling the criticism that advice about the pay plan emanates solely from some "in" group.

It may well be that an important element in an effective budget procedure is the perception of evenhandedness. It is crucial, however, that this be understood to mean that no unit or activity is insulated from the process, not that the result will be proportional. The ultimate goal is not to "spread the pain" but to make programmatic judgments that reflect reasoned, goal-directed decisions about the wisest use of available resources. The best way to project universal participation is to include every unit and activity in the process of identifying low priority activities and to do so on a formula basis. It should be emphasized, however, that both the retrenchment and reallocation phases as described herein must be carried out as recommended. A formula retrenchment followed by a formula reallocation would be self-defeating. The process should be uniform in the sense that every unit and function participates, but if the results are uniform, it is unlikely that the reallocation purposes will have been accomplished.

Program vs. Object of Expenditure

It is also of the utmost importance that priorities be considered in terms of program or activity, not in terms of object of expenditure or organizational unit. Dollars allocated should not have priority because they are for faculty rather than non-faculty positions, because they are for disciplinary teaching units rather than support units, or because they are for instructional or research

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equipment rather than business processing or plant maintenance. The decision should be made on the ultimate importance of the expenditure and its centrality to achieving institutional goals, not as a function of its accounting classification. Non-academic staffing or budget allocations to service or support units may, at times, be of higher priority in maintaining activities central to the University's mission than academic positions or allocations to collegiate budgets. A simplistic preference for "academic" objects of expenditure over supporting activities may cripple the very program goals we mean to favor. A student who is dropping out of school because assistance is unavailable in the Student Aid or Student Employment offices will not stay simply because faculty staffing is enhanced. Additional research equipment should not necessarily take priority over maintaining the buildings that will house it or the security that protects it. Conversely, superbly maintained plant or ultra-modern administrative processes bought at the expense of the academic product are unwise bargains. Good decisions require looking behind the object of expenditure or organizational unit classification.

Core Programs

Recent discussion of "core programs" and their protection make it necessary to discuss that concept and how it fits a reallocation plan. It is clear that the term "core programs" resists definition. Does the phrase refer to centrality or uniqueness as discussed in A&EC or to some combination of the two? Is there a difference between "core programs" and activities that are central to an individual unit's mission? Does each college or administrative unit have one or more core programs? How about each department?

It is not essential to an effective budget process to define core programs. Only if a formula approach were adopted would absolute protection of certain parts of the base make sense and that approach would represent an inferior method of resource allocation. Assuming a program were genuinely at the core of

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our mission, it would seldom if ever be offered as an item for potential retrenchment and would, furthermore, be rejected if offered, or restored in the reallocation process. Enhancements of core programs will presumably receive high priority in an effective reallocation process but, ideally, they should compete with other reallocation proposals.

It can do no harm to attempt a definition of core programs, but budgeting can and will proceed without it if necessary and, if it does, effective preference to core programs can occur as a part of choice making in the budget process.

Degree of Low Priority Examination

The key activity in the budget process outlined here is the identification and selection of enough low priority components and enough high priority proposals to balance the budget plan at the desired level.

Simply to achieve the "worst likely case," retrenchment would require the identification of perhaps 2% of the O&M base each year as low priority for retrenchment. However, in order to have sufficient flexibility to make continual reallocation meaningful and to accommodate the extreme variation in those activities identified as low priority unit by unit, it seems necessary to ask for the identification of low priority funding to the extent of perhaps 3% to 5% of the base in each fiscal year. It would be advantageous, of course, not to become tied to any given figure, since more or less may be advisable in a given year, and since the exact percentage should derive from the estimated revenue situation each year. At the same time, it would be useful for program managers and the consultative structure to become accustomed to a continual annual examination of at least 3% of the recurring base. It is important to do this every year regardless of the projected revenues.

An Example of the Proposed Process

Applying the previously outlined procedures to the 1979-80 budget offers an illustration of the proposed allocation process. We have suggested some dates that will ultimately be determined by the progress of the consultation process.

By October, 1978, the budget bases for the 1978-79 fiscal year will be definite. We will not, of course, know the results of the 1979 legislative session at that point. Insofar as the legislative decisions affect salary rates, price level adjustments, and State Special appropriations, they are irrelevant to the budget planning process under discussion. To the extent that they modify the programmatic base, they are essential to the later stages of the process. Accordingly, it should be understood that legislative intent must be carried out regardless of other results in the reallocation procedure; to do otherwise is self-defeating.

Furthermore, a minimal number of exclusions should be made from the budgetary base for retrenchment. Because the process must be perceived as global, only that part of the base which cannot be retrenched because of legal or contractual obligations or where retrenchment would be counter-productive should be exempted. This is not to say that priorities in budgets other than the Operations and Maintenance Fund will escape examination. Typically, however, these non-O&M funds are dedicated to specific purposes and do not represent flexible resources. The process of reviewing such funds is, by its nature, not a reallocation exercise within the University but a process of ensuring that they are used with maximum efficiency in achieving the specific goals to which they are dedicated.

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Likewise, many of the dedicated funds are subject to market constraints which provide an effective continuing review. Since, in general, these funds are intended to operate near the breakeven point, they are not a potential source of reallocation resources. There is no purpose in subjecting the State Special Funds to a general reallocation process; to do so would violate legislative intent.

The University's success over the last few legislative sessions in clustering some State Special Funds has opened reallocation opportunities within those clusters, and constant program examination and reallocation already occurs within these funds.

Fringe Benefit budgets also fit the exclusion definition; they might be cut as a result of accepted retrenchment elsewhere, but they ought not to be retrenched as a programmatic decision.

The part of the base derived from dedicated departmental income should also be protected. To retrench it removes the incentive to produce the income and would therefore be counter-productive. Furthermore, in most cases these budgeted expenditures are on the 0LXX fund as a matter of historical accident and cannot be distinguished from income supported activities on other funds that are not proposed for inclusion in this reallocation process.

Rental Properties budgets and the Fuel and Utilities budgets should be excluded from the reallocation base as well. To subject these budgets to reallocation is purposeless since under existing practice they are already subjected to constant examination with any savings being subtracted from our legislative appropriation. For similar reasons, reserves for salary and fringe adjustments on the current fund should be exempt from the reallocation process.

If the recommended procedure is adopted, there may be other accounts for which an exemption argument can be made. However, arguments that an account should not be retrenched, as opposed to arguments that it cannot be retrenched or funds cannot be reallocated, belong in the reallocation phase of the process.

The Interim Guidelines

Prior to October 20, interim guidelines for the 1979-80 budget process should be formulated. The senior officers may, but need not, personally write the Interim Guidelines, but they should be done with as much participation as possible from CAO and the consultative structure. It is essential that their participation be sufficiently direct and that the Guidelines represent their collective views; subsequent disagreement about the Guidelines can be very disruptive to the process. The Guidelines should stress that reallocation will occur and should indicate some specific goals and priorities to inform budget decisions. Criteria to be used in judging low priorities as well as high priorities should be made as explicit as possible. If emphasis is to be placed on FYE loads, that should be stated. If weight is to be given to upper division or graduate FYEs and/or the production of graduate degrees, that should be made clear. If there are service program priorities, overriding needs for new programs, or necessity to strengthen the staffing or quality of existing programs, these should be discussed. Classes of programs considered central to mission should, if possible, be cited, as should classes of programs considered peripheral and thus candidates for retrenchment. The purpose of the Interim Guidelines is to state in advance the general principles on which the budget plan is formulated, providing explicit criteria but not specific priorities before the clash of individual budgetary proposals.

When the Interim Guidelines have been written, one or more public meetings should be held to receive formal comment from the Senate Consultative Committee, UCBRBR, SCEP, SCRAP and any other interested parties. The Interim Guidelines should be available to the University community at least two weeks prior to

the final public meeting and an approximately concurrent meeting of the CAO. Written comment should also be solicited from all interested parties, but it should be made clear that all comment on the guidelines must be available prior to a specified date if it is to be considered.

Identification of Low Priorities

On or about November 15, when necessary revisions have been made in the Interim Guidelines, and when an appropriate retrenchment base has been identified, a request should go to budget unit heads to identify X% of the existing base as the lowest internal priority in each unit. It should be made clear that retrenchment of the identified low priorities is very likely, but central administration should preserve the option of determining, after reallocation plans are received, that in some units the lowest priority for retrenchment is of such high institution-wide priority that the proposal will not be accepted. Stating clearly that the identified items are likely to be retrenched should reduce the tendency to offer retrenchment proposals with the expectation of refusal.

The percentage selected as a target should be derived from a preliminary statement of estimated resources. When applied to the adjusted base, the percentage must be at least enough to cover any anticipated decrease in programmatic resources and should also be sufficient to provide a desirable level of internal reallocation. The latter amount is a matter of judgment, but it is recommended that in no year, even if real resources are projected to rise, should the reallocation target percentage be less than 2%.

When the preliminary resources statement for an odd numbered fiscal year is made, appropriations revenues will be known and can be reflected in the statement. For even numbered fiscal years, the appropriation will be an unknown and must be assumed. Because of the political sensitivity of making a public

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assumption about legislative results, it is recommended that for even numbered fiscal years (e.g. 1979-80) the preliminary resources statement always assume a continuation of the existing real resource base and that the possibility of appropriations decrease be hedged against by selection of a relatively high reallocation percentage, some of which can be diverted to retrenchment if that proves necessary.

The question arises of the appropriate division of units for imposing the percentage target for identification of low priorities. That determination is important because the level selected is the point at which differential judgments about the impact of sub-unit retrenchment can be introduced, and selected sub-units or programs can be protected, retrenched more than proportionately, or even abolished. It must provide segments large enough to make such selective judgments a possibility and to avoid trivial retrenchments on formula. The units chosen should also reflect the real management structure of the University. Accordingly, it is proposed that the percentage priority targets be applied to the following units and aggregations of units:

Central Administration Regents, President, Vice President Offices,

University Relations (1)

Each Collegiate Unit (28)

Non-collegiate Units at Each Coordinate Campus (4)

Other Units Reporting to Vice President - Academic Affairs (1)

Other Units Reporting to Vice President - Health Sciences (1)

Units Reporting to Vice President - Student Affairs (1)

Units Reporting to Vice President - Finance (1)

Units Reporting to Vice President - Administration and Planning (1)

Low priority plans should be available by January 15, 1979, detailing the means by which a retrenchment of X% will be achieved and indicating the consequences of the retrenchment. Work should immediately follow to determine that

the proposed retrenchments are practical and can be implemented. If not, the proposals should be returned for revision. At this stage the senior officers should also have the opportunity of proposing for discussion, additional low priorities not uncovered in the preceding phase.

The Reallocation Phase

At the same time that low priority proposals are requested, all units should be asked for proposals for additional program funding for 1979-80. These proposals should also be available centrally by January 15, 1979. In principle, no dollar limit should be put on such requests. Because reallocation is to be on a non-formula basis, no limits based on percentages of the existing or retrenched base should even be suggested. Nevertheless, there should be rather precise limits concerning the purpose of the requests. They should be consistent with the Interim Guidelines and with any existing plans for the unit. They should be submitted as decision packages and priority rated by the requesting unit. It is possible that the senior officers might set absolute dollar limits for each of the 38 or so budgeting units, but those limits should not be determined as a uniform proportion of the base or a function of the amount retrenched.

It would be possible to request low priority and reallocation proposals consecutively rather than concurrently. Concurrent submission is proposed for three reasons. First, it will encourage units to engage in the desirable process of considering high priorities and low priorities at the same time. Second, it should reduce the hazard that the process may stop after a formula retrenchment or substitute a formula reallocation. This "half process" must be avoided at all costs. Finally, concurrent submission frees up additional time for analysis and consultation.

As has been emphasized throughout this proposal, allocation decisions should be made only through the competitive budget process; this includes

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standing requests to harden items that were previously soft-funded. These should be entered into the competitive reallocation at this point. If specific to one of the budgetary units, that unit should assign a priority to the standing request (not a "commitment" under this system) along with its other decision packages. All known claims against 1979-80 program resources should be entered into the competitive budget and should be available by January 15.

After the units have submitted their priorities and proposals, an analysis of the submissions should ensue. A tentative plan and alternatives should be debated by the decision makers and the preliminary administrative budget plan should be constructed by selecting among the retrenchment and reallocation proposals until available funding is exhausted. When this has been done, a final step would be to compare the highest priority rejected reallocation proposals with the highest priority rejected retrenchment proposals to ensure that a priority balance has been struck.⁷ Meetings would be held with unit heads as necessary and a preliminary administration budget plan produced by about February 28. Approximately in the period March 1 to March 20, a formal public meeting and written comment process parallel to that which reviewed the Interim Guidelines would be carried out. No later than the April Regents meeting, a final administration plan would be issued. Beyond that point the interaction with the Regents and the technical production of the budget would be similar to present practice.

In a legislative year, the process would, by necessity, be different in some respects. Meetings with unit heads might be impossible and staff work may have to be curtailed. If the likely outcome of the legislative request is known, it can be entered into the proposed budget plan. If it is unknown, a budget should be made on the existing level of appropriations with the priorities ordered

⁷ In striking a budget balance, the provision of reserves for enrollment fluctuations and for other contingencies should be considered along with other priorities.

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so that if a retrenchment follows and is not of a specific nature, it can be accommodated by subtracting low priority funding packages. Conversely, if flexible legislative resources are provided, other funding requests could be added. Such a tentative budget plan can be reviewed in a meaningful way through the proposed public meeting device even if legislative results are not known. It is not possible to specify a precise timetable of events beyond about March 1 of a legislative year, but the proposed system is no different than current practice in that respect.

A table of events, participants, and relationships in the proposed process is shown in Figure 3.

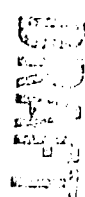
Consultative Interaction

It should be noted that the consultative interface has two characteristics that differ from the present practice. First, there are two formal periods of a two or three week duration during which consultation is intensified. Second, additional consultative opportunities are extended to all interested parties. Both of these changes are designed to enhance participation. The periods are selected at those times when consultation can make a real difference: when the interim guidelines are first put forward and when there is a Preliminary Administration Budget to react to and while it can still be changed. The format of the proposed system has the potential to make consultation more usable than the expression of vague dissatisfactions or concerns. Comments on the interim guidelines, to be effective, will have to propose changes that are as specific as the guidelines themselves. Confronted with the Preliminary Administration Budget and rationale, reviewers will be challenged to specify which funding proposals should be substituted for others, and why.

Although this proposal highlights two formal consultation periods, there is no intent to discourage consultation at other points in the process, provided

Figure 3
Table of Events
Proposed Reallocation Process

Date(s)	Main Participants	Event	Result to
Before 9/30	Central Budget Staff	Provides Preliminary Resources Statement for year beginning following 7/1.	Senior Officers
10/1 - 10/20	Senior Officers	Write Interim Guidelines to guide budget process.	Consulting Groups and Interested Parties
10/20 - 11/10	Consulting Groups and Interested Parties	Provide, either through open meetings or in writing, advice about the content of the Interim Guidelines.	Senior Officers
11/10 - 11/15	Senior Officers	Revises and completes Interim Guidelines.	Regents, U. Community
11/15	President	Requests budget units to produce plans identifying X% of existing base as low priority retrenchment potential.	Deans, Provosts, Vice Presidents
11/15	President	Requests budget units to produce reallocation proposals for additional programmatic resources. May set limits but not by formula.	Deans, Provosts, Vice Presidents.
11/15 - 1/15	Deans, Provosts, Vice Presidents	Prepare and submit low priority identification and reallocation proposals.	Senior Officers & Central Budget Staff
1/15 - 2/28	Senior Officers' Group and Central Budget Staff	Analyzes budget proposals, gathers supporting data, meets with selected units, construct tentative budget with reasoning and alternatives	President
3/1	President	Issues Preliminary Administration Budget Plan.	Consulting Groups and Interested Parties
3/1 - 3/20	Consulting Groups and Interested Parties	Provide, in writing or through open meetings, specific suggestions about desirable alterations in the Preliminary Administration Budget.	Senior Officers
3/20 - 4/1	President and Senior Officers	Revises and completes Administration Budget Plan.	Regents, University Community
April meeting	Regents	Receive Administration Budget Plan.	Senior Officers
In legislative budget years, when bill is passed	Senior Officers	Revise Administration Budget Plan to accommodate legislative action.	Regents, University Community
May meeting (possibly later in legislative years)	Regents	Receive Revised Administration Budget Plan for action.	Central Budget Staff



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the nature of the subject matter is relevant to that stage of progress. Specification of the formal consulting periods is not intended to diminish opportunity to consult but to ensure that opportunity is provided prior to the points at which certain aspects of the budget procedure become, effectively, closed issues. Thus, it is hoped that the proposal will enhance the opportunity for timely, meaningful, and effective consultation while in no way reducing or discouraging less formal contacts.

If the consultative process is to be effective, the central administration must have the responsibility for initiating the consultative activities, and timely reaction must be the responsibility of the consultative groups. Unfortunately, the lead time for such consultation is seldom as adequate as all parties would like. Such a concern is understandable, and it was originally hoped that the formal consultative periods could be extended. However, the time required at the central level and in the budget units to prepare and analyze submissions, along with the inevitability of deadlines, simply limits the length of the intensified consultative periods. This is not to say that all time problems are insoluble. The consultative units, for example, should not and cannot be expected to undertake lengthy, in-depth budget analyses by themselves. Accordingly, staff analyses prepared in support of the Preliminary Administration Budget should be made available to the consultative groups to aid their review. The consultative structure could also undertake preparatory studies between the Fall and Spring formal consultative periods. Other methods to alleviate the time restrictions may emanate from the consultative groups as well.

It should also be emphasized that effective consultation is not solely the responsibility of the central administration. The consultative groups with whom the central officers meet are expected, in turn, to consult with their constituencies to expedite the two-way flow of information and advice.

Perhaps the most useful consultation of all occurs at the college and departmental levels where much practical and specific advice can be gained. Thus, there should be sufficient time to allow line officers at those levels to seek the reactions of their own advisory groups. Opportunities for such interaction, as well as a schematic of structured periods for consultation, are outlined in Figure 4.

Finally, consultative opportunities involving all interested parties will be also provided. As described earlier in this proposal, these open forums will be scheduled at the Interim Guideline and Preliminary Budget stages. Such meetings can be conducted in conjunction with the Senate Consultative Committee or University Committee on Biennial Request and Budget Review proceedings, or separately. They can also be scheduled on each campus or at several times to provide maximum opportunity for input, if time permits.

Commitment: The Key to Effectiveness

It is noteworthy that less than a quarter of this report describes the detailed mechanics of a proposed reallocation system. The balance of the preceding pages is devoted to characterizing the general ingredients of an effective process. Clearly, the most important component of any such process is the commitment of those individuals who must initiate, modify, and implement the proposal. In this case, these functions are the responsibility of the entire University community, whose common commitment over many iterations to a well-understood, systematic, and centrally coordinated process is indispensable.

Fortunately, the framework for an effective process was prepared seven years ago through the efforts of two University Senate committees. Nevertheless, there is still work to be done in refining such a process; discussion of specific procedures must be initiated, consultation must be accelerated, and alternatives must be considered. This report is designed to commence these important activities by calling upon the University community to recognize

10/10/11

Figure 4
Consultative Opportunities

Subject and Approximate Time	CAO Collectively	Deans and Directors	All-University Consultative Structure	Collegiate and Department Level Consultative Structure	Interested Parties	Regents
Interim Guidelines Oct. 20 - Nov. 10	X	X	X		X	X
Formation and Review of High and Low Priority Proposals Nov. 15 - Feb. 28		X		X		
Preliminary Administration Budget March 1 - March 20	X	X	X		X	X
Administration Budget April 1-Completion						X

ACCOUNTABILITY AND EDUCATIONAL CRITERIA:
UNIVERSITY PLANNING FOR SELECTIVE GROWTH

ABSTRACT

This document is a proposal to guide preparation of the 1972-73 budget and to stimulate University, collegiate, and unit planning for the 1973-75 biennium and beyond. It is the result of a joint planning effort undertaken by the University Senate Committees on Educational Policy and Resources and Planning. Confronted by severely constrained resources and the compelling need for institutional renewal, we suggest criteria which the colleges should find useful in evaluating the contributions of their programs to the University's mission. Selected data are included to assist the colleges in this work. Essential to the success of this effort is the creation of a planning capability in the colleges. The continuing exercise of this capacity should generate criteria for ordering programs which reflect long-range goals rather than the present desperation.

Funds generated by a reallocation scheme, explained in the document, will be allocated on the basis of priorities established through program planning. The scheme is designed to recover fifteen percent of the instructional budget (0100 funds) over the three-year period 1972-75. Included is a rationale for reallocating these resources so as to enhance the vitality of the University. The document concludes with a schedule for the planning process.

July 1971

ACCOUNTABILITY AND EDUCATIONAL CRITERIA:

UNIVERSITY PLANNING FOR SELECTIVE GROWTH

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On Contributions to Teaching and Inquiry

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A. INTRODUCTION

It is apparent that public interest, confidence, and support of education has declined from the levels of the later 1960's. It is not very likely that education will soon return to those halcyon years. In higher education, the indicators of national support began to show a decline some years ago. Now support from state sources is appreciably less than universities believe is necessary. Adjusting to a reduced resource base is never an easy task. The problem becomes extremely painful when the institution, if it is to remain vital, must at the same time carefully and fundamentally renew its role in society. That all institutions are, or should be, similarly involved testifies to the importance of the effort.

In the period of general and rapid growth, units were seldom compelled to make hard choices among alternatives. Demand outstripped supply in many fields and intense competition among institutions for trained staff often discouraged careful evaluation of individuals and programs for their contributions to overall university objectives. Programs proliferated and grew in response to enrollment pressures, state and national demands, and the availability of funds, without sufficient thought for the development of imbalances in particular areas. An economy of abundance does not present a harsh Either/Or confrontation.

An economy of scarcity, however, is another matter. Every indication is that the University is entering a period of restricted growth, partly because the expansion rates of the economy and population are decelerating, but also because of the changing role of the university in society and of the University of Minnesota in the developing state system of higher education. These changes will not permit undifferentiated growth. Therefore, if we are to fulfill our redefined educational responsibilities to society and the state at the highest possible level and maintain our stature as a national institution, it follows

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that funds now applied to programs that contribute least to those goals must be redistributed to programs that contribute the most and to new programs. Investment of funds for development must be a continuing aspect of planning for the future.

I PLANNING FOR THE FUTURE

The Senate Committee on Resources and Planning's (SCRAP) document, Toward 1985 and Beyond, contains long-term planning principles which have the endorsement in principle of the Senate Committee on Educational Policy (SCEP). The document contains a mission statement which provides a valuable point of departure:

"The University of Minnesota, a public land-grant institution, is dedicated to the survival of present and future generations with an improvement in the quality of life. To this end the University will conduct programs of disciplined inquiry to discover, test, disseminate, and preserve knowledge and values, and will conduct programs of teaching which are indigenous to and nurtured by programs of inquiry in order to develop the competence, with commitment, of individuals and groups." (Toward 1985, p. 67)

The report defines two hallmarks of a university that enable the University to make its particular contribution to Minnesota and, it should be added, to the nation. The first hallmark is the interaction of research and teaching. The second is the relative universality of its intellectual concern. From this characterization of the mission of the University and these hallmarks, we can elaborate criteria for assessing programs and suggest specific tests for determining how well they meet the criteria. Although of necessity these criteria overlap, they will permit the construction of evaluation profiles by which priorities can be ordered. The criteria which follow are consistent with the long-term planning principles proposed in Chapter V of Toward 1985 and Beyond. Differences in emphases or qualifying remarks reflect in part our shorter range perspective and in part the ongoing dialogue begun between members of SCEP and SCRAP. It should be kept in mind that each of the criteria

has both short and long-range ramifications. This document is being distributed within the University community and following discussion and possible revision it will be submitted for action to the University Senate.

II ACCOUNTABILITY

The principle of accountability has guided the development of these criteria and should guide all reallocation proposals. Within a college, chairmen and faculties will rightly demand that, in the ordering of priorities, justice not only is done but can be seen to be done. In our context, justice is defined by the contribution of a program to the total educational mission of the collegiate unit and the University. Faculties should actively participate in the planning process and, when a phase of that process culminates in a plan for selective growth, it should be perceptible to all that the order of priorities satisfies criteria appropriate to the educational mission of a great university in our particular setting. The supporting grounds employed by a collegiate unit in formulating its proposals for selective growth will also be indispensable at the next level of the decision-making process, i.e., the ordering of intracollegiate priorities. This order will determine the actual amount of reallocation monies that will be returned to each collegiate unit for support of high priority programs. Whether a college receives any of these funds for its proposals must depend upon the strength of the plan supporting the high priority status for the programs involved.

B. CRITERIA: SPECIFICATIONS AND REFLECTIONS

ON CONTRIBUTIONS TO TEACHING AND INQUIRY:

"The distinguishing feature of a university is the interaction between inquiry and teaching programs as described by the mission statement. It is this interaction that shapes the University system and gives it a unique character. If this analysis is persuasive, then the truest test of the character and the vitality of a university is not its research

productivity, the number of volumes in its libraries, the degrees and distinctions of its faculty, nor the distinctions awarded its alumni. The key to the University's uniqueness in the state system is in the nature and effect of the interaction of inquiry and teaching programs." (Toward 1985, p. 73)

Because we do find this view of the University persuasive, we have not separated criteria for contributions to teaching from those for contributions to research. We hold that each faculty member and each program to which he contributes should be evaluated on both of these interacting and inseparable aspects of one total role. This wholeness of function, deriving not from the idiosyncrasy of individuals or programs but from the institution's character, is the mark that distinguishes University faculty and programs alike from those of other components of the state system. Each criterion, therefore, should provide an index to the interdependence of teaching and inquiry.

TESTS FOR APPLICATION OF CRITERIA

No precise quantitative methods for judging the quality of any particular program exist. Good judgment has no substitute, but it is guided and supported by being applied to a set of reasonably objective interacting criteria. A series of questions are listed below under each criterion. The answers to these questions should be useful to the deans in describing and assessing the relative importance of a given program and for justifying the collegiate proposals at the University level. By means of them, a weight can be assigned judiciously to each item that is used to assess the effectiveness and total contribution of a program, taking into consideration specifiable differences among programs that result from special characteristics. In this way, answers to the questions will provide tests for application of the criteria. The profile that emerges for each program will permit it to be evaluated and compared with other programs. A ranking of priorities among programs may then be constructed by means of the profiles.

CRITERIA

I PROGRAM DEMAND AND PRODUCTIVITY AT VARIOUS LEVELS

It is characteristic of University programs that they provide the opportunity for attaining various levels of competency in discipline-oriented fields, problem-oriented fields, and their points of intersection. At present the features most patently pointing to the University's uniqueness are its graduate and professional programs. It is essential that the University preserve and enhance this aspect of its total effort, on a selective basis, for it is the only institution in the state and one of a relatively small number of national institutions having this capability. However, there are ties between introductory and doctoral instruction that affect the character of the University's undergraduate programs. In any case, particular programs will vary with respect to the number of students they instruct at each level. Data about this will help determine the place of the program in the University system and, jointly with other criteria, signal its future growth or curtailment.

Plans for higher education in the state envision a diminution in the relative proportion of the University's lower-division offerings. This is consonant with the goal stated in Toward 1985 and Beyond that the University system should enroll at least fifty percent of its students in programs of a high degree of uniqueness. It is also part of the unique function of the University that it offer integrated, multi-level programs in which graduate level programs interact with undergraduate programs, resulting in innovation and providing teaching experiences. Nevertheless, the undergraduate and particularly lower-division programs should become a smaller proportion of total University offerings than at present, as this responsibility is increasingly shared among elements of the state's higher educational system. When and how

this responsibility is shifted become crucial if educational opportunity is to be preserved. The large majority of the state's qualified high school graduates seeking higher education come from the seven county metropolitan area. Until there are junior and state colleges in the metropolitan area offering programs which respond to the variety of student conditions, the University should maintain its capabilities in the broad area of undergraduate education, lower and upper divisions.

I 1. Enrollment at various levels for programs:

- 1.1 How many undergraduates are enrolled in a program's lower-division offerings?
- 1.2 How many undergraduates are enrolled in its upper-division offerings?
- 1.3 How many graduate students are enrolled in its upper-division offerings?
- 1.4 How many students are enrolled in its graduate-only offerings, seminars and, if this is reported, thesis direction?

(If the above information is not readily available in the college office, it may be obtained from the course inventory reports on file with the Scheduling Office, Room 430 Johnston Hall.)

2. What proportion of a program's student credit hours are taken by students in a different collegiate unit?
3. What proportion of a program's student credit hours are taken by nonmajors in the same collegiate unit? (See IX 5.)
4. Can the program reduce its instructional effort by reducing the frequency with which a course is offered:
 - 4.1 at the lower-division level?
 - 4.2 at the upper-division level?
 - 4.3 at the graduate level?
5. Can it reduce the variety of its lower-division offerings by consolidation and reorganization of two or more courses?
6. 6.1 Are there any unmet demands that the program could provide effectively, if it had the resources to do so?
 - 6.2 What unmet needs exist at the collegiate and University levels as seen from the program point of view?

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7. A program's productivity of students at various levels of competency is a measure of its uniqueness, vitality, and demand. For the past ten year period for each program consider the following:
 - 7.1 If applicable, the number of students who have attained one, two, or three year certificates to which the program's offerings are central.
 - 7.2 The number of majors at the baccalaureate level that the program has graduated.
 - 7.3 The number of professional or post-baccalaureate certificates to which the program is central.
 - 7.4 The program's contribution to continuing education.
 - 7.5 The number of graduate degrees, at Masters, Specialist, and Ph.D. levels, granted in the program.

(See IX 6.)
8. 8.1 What is the anticipated market demand over the next five years for students trained at the program's certificate or graduate degree level?
- 8.2 Where applicable, should a program tailor its curricula and admission policy to the probable market demand?

II UNIQUENESS OF PROGRAMS

"Its land-grant orientation and its commitment to the welfare of the state obligate the University to provide teaching programs; especially those for which the University has the resources (faculty and facilities) that other units of the state system do not have. These special programs may be unique because of the subject matter they treat or the students they serve (or both)." (Toward 1985, p. 73)

- II 1. Graduate and professional programs, as mentioned, have a high degree of uniqueness; that is, they enroll half or more of the number of students pursuing such a program in the state. Does the program offer such training?
2. "The interaction of teaching and inquiry should result in innovative, effective teaching programs which can influence the character of the programs of other institutions." (Toward 1985, p. 70) Such innovative undergraduate programs should be identified for each program where they exist.
3. Has the program developed novel and more effective ways of offering introductory courses that make them significantly different from similar offerings elsewhere in the area or the state?
4. "A university setting has unique resources for developing and implementing undergraduate career-oriented programs of study." (CLA Mission Statement, forthcoming) Such career-oriented programs at or below the baccalaureate level should also be identified for each program where they exist.

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5. The University will continue to enroll a large proportion of preprofessional undergraduates. Are the program's undergraduate offerings sufficiently diverse to develop an awareness of capabilities and of alternative career routes in students who may discover that their professional decision was premature?

III CENTRALITY OF PROGRAMS

Some programs are clearly central to the special teaching and creative functions of a collegiate unit. Others may be peripheral or ancillary to the primary mission of the college. Others fall somewhere in between. Some programs may exist as historical residues that once served a central function but, because of radical changes in the discipline or its staff, no longer do so. Others may have derived from central programs by the support of non-state funds which became available for specific limited purposes. Again, the relative affluence of the preceding decade may have seen the addition of programs, involving small numbers of students and faculty, which are essentially independent from other programs and add a certain modish prestige. All programs should be examined for their location with respect to the central mission of the college and an assessment made as to whether their degree of centrality warrants their support and growth or whether they should be reduced or phased out. In the latter case, a time-table should be indicated for terminating the program.

- III 1. Is the program central to the teaching and inquiry mission of the University?
2. If the program is peripheral, is it integrated with other programs in the same or other collegiate units to provide part of an interdisciplinary program?
3. If the program is peripheral and unintegrated with other programs, do its contributions warrant its continuation or should plans be made to curtail or eliminate it? If the latter is indicated, a time schedule should be proposed for phasing out the program.

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Reflection on the dialogue recently initiated by SCEP and SCRAP suggests that differences of opinion will emerge about how direct should be the University's contribution to solving social problems.

Some argue that we do not yet have enough basic knowledge about man and society to be applied to complex social problems. The dangers of fumbling and misapplication when dealing with human lives are far from negligible. Moreover, given the diversity and multiplicity of concrete social problems, fear is expressed that in the attempt to deal with them, the basic functions of teaching and research will be neglected by the only institution in society qualified to deal with them as reciprocally interdependent functions.

More fundamental, perhaps, is the fear that the more a department directly involves itself in concrete social problems, the greater the danger that it becomes a bureau which applies rather than creates new knowledge and as such is subject to various social and political pressures. Possibly these opposing claims on university resources can be reconciled by carefully distinguishing between direct attacks on the multiplicity of problems in a complex society and the indirect process by which the university capability is supplied through intermediating structures. Continuing Education and Extension, for example, carry the benefits of the University to the public while retaining the separation of teaching and research, on the one hand, from their application, on the other hand.

The dialogue continues and a consensus has not emerged on the precise approach of the University to concrete social problems. This fact should be kept in mind when evaluating the interdependent programs of teaching and inquiry.

IV B.1. Has the faculty of a program demonstrated a concern for improving its instruction by instituting regular teaching evaluation, by the instructor himself, his colleagues, and students?

2. What is the proportion of tenured to untenured staff in a department? Is the department or program top-heavy and, by implication in a time of limited growth, frozen unless steps are taken to prevent this?

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3. Has the program a record of promoting only persons with demonstrated teaching effectiveness and research contribution, or does it tend to retain incumbents regardless of achievement in these respects?
4. In its hiring practices, does the program tend to hire faculty only for specific tasks or does it give due regard to the candidate's potential contribution to the total mission of the program, college, and University?
5. Has the faculty of the program utilized the opportunities for renewal offered by the single-quarter leave and sabbatical system?
6. A major function of the University is the training of Ph.D.s, many of whom will serve as faculty members in other parts of the state system. The best way to learn is by teaching. Moreover, the continuity of scholarship depends upon the ability of present graduate students to inspire the next generation of college students.

Does the program utilize its assistantships to provide teaching experiences which are an integral part of the future college teacher's training? Does it have mechanisms to insure that teaching assistants are given an opportunity to learn to teach?

7. As a cost-cutting and learning device, has the program used, or indicated any plans to use, advanced undergraduates instead of graduate teaching assistants wherever this can be done without harm to the instructional program?
8. The special interdependence of teaching and research at the University flows from its unique research mission:
 - 8.1 What has been the contribution of the faculty of the program to new basic or theoretical knowledge in its discipline, as indicated by publication or other suitable means?
 - 8.2 How much has the program contributed to problem-oriented inquiry, either specific social problems or general problems of men in society, such as the application of computers to improvement of medical diagnosis or the retrieval of information?

IV C. VITALITY of STUDENT BODY

"To enable each student to develop his competence and commitment to the fullest extent, (the) University should provide activities that are designed to

- a) offer programs appropriate to his choices and experience

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IV INSTITUTIONAL VITALITY

"In the ever-renewing society what matures is a system or framework within which continuous innovation, renewal and rebirth can occur." (John W. Gardner, Self-Renewal)

As we end an era in which the vitality of higher education was assured by unprecedented growth driven by a tide of public confidence, we must nurture to maturity that "framework within which continuous innovation, renewal and rebirth can occur."

Three areas are specified which require systematic University programs directed to maintaining the vitality of the institution: the educational programs, the faculty and staff, and the student body.

IV A. VITALITY OF EDUCATIONAL PROGRAMS

A program may be central and unique but ineffective. "The university setting provides a context of inquiry, a specialized staff and a diversity of opportunity which permit the comparative study and critical analysis necessary for the innovative development of new programs, curricula, courses, and methods of instruction." (CLA Mission Statement, forthcoming) Just as the best clues to a man's character are to be found not in his promises but in his past conduct, so the best clues to a program's vitality lies less in new proposals than in initiatives already undertaken.

- IV A.1. Has the unit introduced any programmatic innovations in the past five years?
2. Has the unit submitted proposals for increasing effectiveness of instruction to the Small Grants Program or Educational Development Funds?
3. Has the unit made effective use of supporting services in attempts to improve instruction (audio-visual aids, test construction, learning labs)?
4. Does the program have a procedure for the systematic evaluation of its curricula, courses, and major requirements at all levels of instruction?

5. If the program has been evaluated by external bodies, such as the ACE, what is its comparative rating and how has this changed over time? Has it improved, remained static, or deteriorated?
6. Has the program paid special attention to the task of consolidating and reorganizing in structure and content their lower-division courses to improve instruction and to serve as a model for programs in other state institutions?
7. Has the program developed or contributed to interdisciplinary courses or programs designed to integrate discipline and problem-oriented teaching and research?

IV B. VITALITY OF FACULTY

Always an important issue to a University, the continuous development of faculty, becomes critical in times of limited growth. When a college expands, a continuous supply of fresh ideas can be assured by new appointments. At equilibrium, however, the addition of new faculty and staff will be limited to deaths, retirements, and loss to other institutions. This may amount to a turnover of about 2% per year, clearly inadequate to assure continuous renewal of the program and the University. Two approaches are suggested to insure the renewal of present faculty: 1) means should be devised to insure that faculty* periodically renew their intellectual vitality, and 2) revisions in policies concerning part-time employment, tenure, and early retirement should be developed.

The continuous development of faculty is intended to improve teaching effectiveness and encourage the creation of new knowledge. Issues about which there should be discussion in the University community concern the content of teaching programs and the direction of research. Research may culminate in contributions either to pure theoretical knowledge or to the resolution of critical societal problems. Toward 1985 and Beyond, though insisting upon the importance of the basic disciplines, emphasizes an obligation of the University to attack critical social problems, such as population, pollution, poverty, and prejudice.

* Much of what is said here about renewal of faculty has application to Civil Service staff as well.

- b) enable him to become an increasingly effective learner
- c) support him with the resources essential for effective learning, and
- d) offer opportunities that will enhance his development as a person." (Toward 1985, p. 97)

Major universities have supported the concept of a student body made up of diverse elements from the state, the nation, and foreign countries. The University's commitment should be reexamined in the light of its role in the state system, as a national university, and as a member of an international complex of educational institutions. In considering the diversity of students when planning for 1972-73 and beyond, the following should be considered:

- IV C.1. Has the program been structured to provide opportunities for students from all socio-economic groups in society?
 - 2. One aspect of student body vitality is its composition in terms of local, out-state out-of-state (United States), and foreign nationals.
 - 2.1 The present undergraduate student population is: 93% - state, 53% from Hennepin and Ramsey counties, less than 1% foreign nationals. Does the program have plans for creating greater diversity among the student body?
 - 2.2 The graduate student population is more equally distributed. Of the graduate student population in 1969-70, 51% were from Minnesota, 32% from other states, 14% were foreign students, and 3% of unknown origin. Does the program attract graduate students from other parts of the nation and of the world?

Finally, in considering the four sub-headings under the planning principle quoted above, the following University services are typical of those which deserve careful consideration for University support.

- a) To offer programs appropriate to his choices and experience:
 - 1. orientation and advising at the University, collegiate and departmental level
 - 2. special advising services for foreign and other culturally different students
 - 3. vocational and educational counseling services.
- b) To enable him to become an increasingly effective learner:
 - 1. Reading and Study Skills Clinic
 - 2. Student Counseling Bureau
 - 3. Martin Luther King Program, HELP Center, New Careers, CURA
 - 4. placement bureau(s).

- c) To support him with the resources essential for effective learning:
 - 1. readily available library services
 - 2. formal and informal study space
 - 3. financial aids including scholarships, loans, and work-study opportunity.

- d) To offer opportunities that will enhance his development as a person:
 - 1. Student Activities Bureau
 - 2. Concerts and Lecture Series
 - 3. University-sponsored film series
 - 4. Union Board of Governors' Programs, especially the newly-conceived ones centered around cultural differences represented on the campus
 - 5. opportunities to develop/display creative talents - art shows, The Daily, creative writing journals, informal music recitals, craft shows or fairs. For each program one should ask how much it contributes toward enhancing student development.

By keeping ways and means for student development in mind, the University will be in a better position to attract the variety of students at the undergraduate and post-baccalaureate level that are required to provide student body vitality.

V REDUNDANCY, DIVERSITY, AND QUALITY OF LIFE

Programs may be effective but redundant:

"As an institution with responsibility for bringing the products of research and scholarly inquiry to bear on the instructional process, the university should maintain concern for the whole of these instructional processes in our society. Though the university can usefully limit the scale or scope of its involvement in those learning and teaching processes administered by other institutions, systems or agencies, it cannot be totally disengaged from involvement in these teaching and learning processes." (Toward 1985, p. 70)

Programs may be effective but redundant. As the number of junior and state colleges increases, some of them will offer programs in many of the same fields as those offered by the University. Some University undergraduate programs, in particular, may therefore become redundant within the total state system. However, universality as a hallmark of the University requires the maintenance of a balanced, comprehensive program; the special capacities of the University's multi-level system produce innovative undergraduate programs; and the University has a responsibility to provide teaching experience opportunities for graduate students who will become instructors in other institutions.

By bringing the results of research and scholarly inquiry to bear on the instructional process, most of the nonunique programs in the University will differ in character from those in institutions without an express research mission. Such programs should, therefore, not only provide for diversity in the total University program but also add diversity of content and technique to the state system.

Contributions to the quality of life are also an essential part of the University's mission. "Quality of life" in a complex society has many dimensions. These include, but are not exhausted by, the solution of those social ills to which problem-oriented inquiry is directed. Indeed, the resolution of social problems may ensure the preservation of life but does not automatically ensure the preservation and extension of the good life. The capacity to be nourished by literary, artistic, and philosophical achievement is essential to the good life. Indeed, without self-consciousness, without sensitivity to the varieties of the human condition, and without training in critical reflection on moral issues and dilemmas, the student is unlikely to develop commitment to humane values. Without that commitment, he cannot even recognize social ills let alone have the desire to remedy them. The resolution of social problems is but one dimension of any contribution to the quality of life; the commitment to humane values is another and prior dimension.

- V 1. Should the offerings of a particular program be curtailed or eliminated because of the availability of comparable programs at other systems of post-secondary education in the area? State reasons why.
2. Does the performance of students who transfer into upper division courses suggest that lower division courses at other systems are not comparable with those of the University?
3. Can the productivity of a program at a given certificate or degree level be expected to decrease because of duplications elsewhere in the state system (rather than because of decreased market demand)?

4. If there is duplication in the geographical area of a given level of instruction in a program, is there sufficient diversity of content arising from the innovative, critical and coordinating function of a program in a multi-level system to warrant its retention?
5. Does the program, though duplicated elsewhere, contribute to balance and to the universality of concern that is the hallmark of a university?
6. Should certain programs be retained at the University on the grounds of universality and the special research mission of the University and their duplication elsewhere be discouraged because total demand for them is low?
7. Does the program contribute to the quality of life by deepening the student's understanding and alerting his perceptions so as to provoke discriminating responses to experience and a commitment to humane values?
8. Does the program contribute to establishing the conditions for enhancing the quality of life by playing a central role in a problem-oriented field?

VI. NON-INSTRUCTIONAL UNITS

"The University's warrant for its particular role in the state system comes from the conduct of those teaching programs which meet the three stated characteristics: (1) a mix of graduate level teaching programs, (2) integrated, multi-level programs in which graduate level programs interact with undergraduate programs and (3) reciprocal interactions among programs in discipline-oriented and problem-oriented fields. Other teaching programs are justified because they complete a balanced program matrix, supporting the comprehensive nature essential to a university." (1985, p. 77)

Noninstructional units at all levels within the University should be scrutinized in the light of this and the fact that reduction of federal funding implies a sharp decrease also of research assistantships.

- VI. 1. Does the unit still serve its original function and, if so, is this function still required?
2. Have changes in staff of the unit adversely affected its contribution and vitality?
3. If the unit was initially funded from nonstate sources, are these funds still available to it? If the college makes a contribution to the support of such noninstructional units, are there good educational grounds for continuing this support?
4. Could faculty and staff effort that is presently invested in noninstructional activities be profitably diverted to the instructional resources of departments?

VII COSTS OF PROGRAM

The cost of each program must be weighed against its centrality, vitality, and services to other collegiate units.

VII 1. What is the enrollment distribution by class size by each level:

- 1.1 lower division?
- 1.2 upper division?
- 1.3 graduate level?

(See IX 3)

- 2. What are the direct instructional expenditures per student credit hour at the different course levels in a multi-level program? The data attached are based on average departmental academic salaries, teaching loads, civil service salaries, and supply and expense items. Excluded are indirect expenditures such as library costs, maintenance costs, capital equipment, and building costs. For further information, see IX 1.
- 3. 3.1 Can small departments or programs be combined or coordinated to reduce overall costs?

3.2 Does a program require "hidden" library and ancillary services whose costs may be out of proportion to the contribution of the unit to the mission of the college?
- 4. Is the program so highly specialized that it serves only small numbers of students?
- 5. Should a highly specialized department that enrolls only a small number of students be curtailed or eliminated because the costs of attempting to compete with larger and more distinguished departments elsewhere in the nation are too high?

VIII IMPACT OF 1971-72 RETRENCHMENT

Because of the pressure of time, all collegiate units and most programs within them were indiscriminately reduced. Heads of collegiate units should determine the impact of this retrenchment on each program.

VIII 1.1 What, if any, academic line items were lost by each program?

1.2 What, if any, graduate student positions were lost by each program?

1.3 What, if any, civil service positions were lost by each program?

2. In the light of the profile constructed by means of the criteria suggested in this document and priority rating, should the University's contribution to the program in 1972-73 be reduced, increased, or remain the same as 1971-72?

3. What budgetary priorities are desirable for this program in 1973-75?

IX Data attached that may be useful in applying criteria:

1. Direct expenditures per student credit hour by study field and course level as derived from the Minnesota Cost Development Model for Fall 1969 and for Winter 1970.
2. Instructor Clock Hours (in-class faculty contact per week) by department for Fall 1969 and for Winter 1970.
3. Enrollment distribution of class size by study field and course level for Fall 1969 and for Winter 1970. (Additional information for individual course enrollments is on file with the Scheduling Office, Room 430 Johnston Hall).
4. Collegiate enrollment by student level (second week registration for academic year 1969-70).
5. Student credit hours in college of enrollment by college and department scheduling instruction and by level of instruction for Fall 1970, for Winter 1971, and for Spring 1971.
6. Degrees awarded in major fields.
7. Toward 1985 and Beyond, SCRAP document.
8. Small Grants Program Awards.
9. Educational Development Fund Awards.

C. IMPLEMENTING THE INSTITUTIONAL DEVELOPMENT GOALS

The previous sections of this report have identified the goals that are imperative in the short run for program, faculty, and student development. These are congruent with the longer term planning principles proposed by SCRAP. This section offers guidelines and procedures for implementing these goals, i.e., how funds are to be generated, how funds are to be reallocated, and how reallocations are to be reviewed. The guidelines specify that some objectives must be reached by the 1972-73 fiscal year, but these objectives must be seen as a plan that extends through the next biennium. In other words, the guidelines and the procedures specify what is to be accomplished over the next three fiscal years, 1972-73, 1973-74, 1974-75, and what must be completed for 1972-73. A period of adjustment will be required to effect the reallocations, and not every college will be able to adhere to the same schedule. The intent, however, is clear. Each collegiate unit will be expected to achieve the specified goals, but each unit, in seeking creative solutions, ought to be given the freedom to choose the path by which it reaches the goals. The means for accomplishing this task is suggested by:

"To provide the continuous flow of information essential for decision-making at all organizations levels, the University System should establish and coordinate planning units with special capabilities at the University System, University Center, and College (or other appropriate program unit) levels." (1985, p. 94)

I GENERATING FUNDS

Based on its total 0100 funds for 1971-72, each collegiate unit must indicate how 15% of that total can be available for reallocation over the three year period 1972-75. Not less than 6% must be made available for the 1972-73 budget year. For example, a collegiate unit with a 1971-72 budget that totals \$5 million must plan for a 1974-75 budget of \$4,250,000 and show how successive reductions would accomplish this objective in the two intervening years. The budget for 1972-73 could be no more than \$4,700,000.

The intent is that budget reductions will be accomplished by reducing, combining, or eliminating teaching programs, or by changing the balance between teaching, research and service programs. Disproportionate reductions should not occur, however, in services designed to facilitate faculty teaching or to enable students to be effective learners. For example, colleges usually would not disproportionately reduce clerical, TA, or supply items that facilitate teaching, nor would they disproportionately reduce such student personnel functions as orientation, advising, counseling, placement, etc.

II PLANNING FOR REALLOCATION

In addition to its reduction plan for the three-year period, each collegiate unit should also prepare a development plan. The plan should propose how the unit would build or rebuild its program from its new (reduced) budgetary base. The plan should be a three-year plan for the 1972-73, 1973-74, 1974-75 fiscal years. The content of the plan should be consistent with University guidelines outlined above and should indicate how faculty and students have been involved in the development of the plan at both department and collegiate levels.

Simultaneously, the University, particularly through the Vice Presidents for Academic Administration and Student Affairs, should develop plans for reallocation. Such plans should contain University priorities for the development of new programs consistent with the goals stated above and new, coordinated supporting services to provide for the program, faculty and student personnel development objectives outlined above.

III REALLOCATING DEVELOPMENT FUNDS

When collegiate development plans have been completed and University priorities have been established, then the priorities must be applied to the collegiate plans. As mentioned earlier, if these plans strongly

support collegiate priorities, then it is intended that collegiate units should have up to fifty percent of the funds which they have generated reallocated to them.

One-half the portion of the recovered funds will be available at the University level. These funds may be used both to provide further support for collegiate plans and to provide support for development of programs, faculty, and students. Specifically, it is intended that from its share the University would:

- III 1. meet the budget constraints imposed for the 1972-73 fiscal year;
- 2. provide funds for "mandated" reallocations;
- 3. provide the resources to support the Educational Development Fund;
- 4. provide recurring funds to support new or expanded programs that meet the guidelines; and
- 5. provide either recurring or non-recurring funds to maintain educational opportunity and to support student development activities either centrally or preferably at the collegiate level.

IV AN EXAMPLE OF POSSIBLE REALLOCATION SCHEDULE CONSISTENT WITH THE RECOMMENDATIONS

<u>University Level</u>	<u>1973-75 Biennium</u>		
	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
Retrenchment	1/2 %	none, hopefully	none, hopefully
"Mandated" Reallocation	1 %		
Educational Development, New or Revised Ongoing Programs	1 1/2 %	2 1/2 %	2 1/2 %
<u>Collegiate Level</u>			
New or Revised Ongoing Programs	3 %	2 %	2 %
	6% (minimum)	4 1/2% (expected)	4 1/2% (expected)

In this example, the percentages given in all instances are based on the 1971-72 instructional budget. Thus, the total funds generated over the three-year period would be fifteen percent of the 1971-72 instructional budget of \$100,800,000.

V REVIEWING REALLOCATION PLANS

When the University has received and evaluated collegiate proposals and develops a plan of reallocation, that plan shall be reviewed with SCEP/SCRAP or an appropriately designated subcommittee. This faculty-student review is specified as a means for testing whether the guidelines which were developed have indeed been met.

VI PLANNING SCHEDULE

- 1) July 15 to November 1, 1971: Units form a planning group to apply criteria for program evaluation leading to formulation of the 1972-73 budget. They should also establish mechanisms for continuous program review and decision-making on priorities for a longer time interval.
- 2) November 1 to December 15, 1971: Plans reviewed by central administration, issues identified and discussed with the Regents' Committees, SCEP, SCRAP, Faculty Affairs, and the expanded University Consultative Committee.
- 3) December 15, 1971: A general plan for the 1972-73 budget should be completed. Instructions concerning the plan will be issued to the several academic, administrative, and support units.

SECRET

APPENDIX B

MEMBERS OF SENATE COMMITTEE ON EDUCATIONAL POLICY AND
SENATE COMMITTEE ON RESOURCES AND PLANNING
1970-71

May Brodbeck (ch. SCEP)	William MacNally (student)
Warren Ibele (Ch. SCRAP)	Lonna Malmsheimer (student)
John Borchert	J. Alec McLaren (student)
Sylvan Burgstahler	Toni McNaron
Paul Cashman (ex off.)	Bruce Miller (student)
Hale Champion (ex off.)	Thomas Mortenson (student)
Harold Chase	Robert Mulhausen
Orval Driggs	John Neter
Jeanne Felton (student)	Vernon Ruttan
Stephen Granger	Wallace Russell
Eugene Grim	William Shepherd (ex off.)
Peter G. Hames (student)	Donald Smith (ex off.)
Robert Heller	Randall Tigue (student)
Hosni Iskander	Stanley Wenberg (ex off.)
Lynn Joesting (student)	James Wertz
Stanley Kegler (ex off.)	Roger Wilk
Norman Kerr	Kenneth Zimmerman
Timothy Lee (student)	
Albert J. Linck	



UNIVERSITY OF MINNESOTA

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Minneapolis, Minnesota 55455

18 copies perox

October 6, 1978

TO: Deans, Directors, and Department Heads
FROM: C. Peter Magrath
SUBJECT: Reallocation and Consultation Proposal

As most of you should be aware, over the last month a variety of University committees have been actively involved in examining and discussing a reallocation proposal that the senior officers and I submitted for University-wide review and reaction. One specific purpose of that document was to generate a broad discussion of how the University might develop a credible and acceptable method of internally reallocating resources, and all indications are that the draft has been successful in this regard. Admittedly, we still have a long way to go before an acceptable process and criteria for reallocation are established; there are a number of fundamental questions to be answered, objections to be addressed, and procedural details to be worked out in the months ahead. Nevertheless, I am convinced that we are moving in the right direction, and that together we will develop a mechanism for insuring the type of budget flexibility so critical in the decade of the 1980's.

Already a series of discussions on the proposal have taken place involving the Council of Academic Officers (CAO), the Senate Consultative Committee (SCC), and the University Committee on Biennial Request and Budget Review (UCBRBR). Several other University-wide committees have also received copies of the reallocation proposal and presumably will be reviewing the document as well.

Presently, there seems to be a general consensus among the members of CAO, SCC, and UCBRR on a number of fundamental points. First, some form of reallocation will be absolutely essential as the University enters a period of restricted resources and stable or declining enrollments. Second, two documents might be used for focusing discussions upon an acceptable reallocation system. These are entitled "Reallocation and Consultation Procedures in the Resources Allocation Process," a draft which the senior officers and I developed during the summer of 1978, and "Accountability and Educational Criteria: University Planning for Selective Growth," a document which was drafted by the University Senate Committees on Resources and Planning and Educational Policy during 1971-72. (The later document forms the basis of the more recent proposal.) Third, whatever reallocation system is eventually agreed upon must reflect academic values, must be systemwide in its application, and must emanate from a process of consultation among all University constituencies. Fourth, the criteria for determining reallocation decisions must also evolve from a process of consultation. Finally, a number of specific activities -- some that are long-range and others that are directed to the 1979-80 budget -- must be undertaken immediately if the University is to be prepared to deal with both immediate and future fiscal demands.

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The last point deserves greater explanation. The development of a reallocation process raises many complex questions that require thorough review and timely recommendations. In order to insure such review and recommendations, I have appointed three committees, whose members and responsibilities are as follows:

1. Interim Guidelines for 1979-80 Budget

Chairman: Al Linck, Academic Affairs

Staff: Carl Adams (Planning Council)

Members: ✓ Jim Clark (UCBRBR)
William Gardner (CAO)
Warren Ibele (CAO)
✓ Kenneth Keller (SCC)
✓ Fred Morrison (UCBRBR/SCC)
David Preston (Health Sciences)

David Berg (MPIS)

Responsibility: Preparation of the 1979-80 budget must begin soon if college, department and unit heads are to have sufficient opportunities to formulate their individual budgets in a timely and acceptable fashion. The first step that must be taken is to determine interim guidelines and criteria for systemwide use in developing unit, college, or department budgets for next year. Thus, this committee is charged with drafting interim guidelines (pending the implementation of a more permanent reallocation process) as well as criteria upon which budget decisions should be based. Optimistically, the committee will report its recommendations by mid-October, at which time they will be reviewed by the senior officers and me. Following these initial steps, I will recommend specific guidelines and criteria that will be reviewed by CAO, SCC, and UCBRR before they are sent to the Regents for final approval.

2. Budget Information and Background

Members: Dave Berg (MPIS)
Donald Brown (Finance)
✓ Pat Eckman (UCBRBR)
Chester Grygar (Finance)
✓ Leonid Hurwicz (UCBRBR)
(one additional faculty member)

Staff: Jim Borgestad
(President's Office)
Ivan Fletcher (MPIS)

Responsibility: The ability to provide meaningful recommendations on budget criteria, processes, and decisions assumes an understanding of a complex set of fiscal and institutional factors. In order to promote such an understanding, background information, analyses, and data will be made available to those faculty and students who are involved in the consultative process. The charge of this committee is to determine the availability of certain types of data, to facilitate the flow of such materials, and in those instances where the requested information does not exist, to determine whether an analysis can and should be undertaken. Due to the fluid nature of this committee's assignment, no deadlines have been established.

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3. Reallocation Process Committee

Chairman: Donald Brown (Finance)

Staff: Dave Berg (MPIS)

Jim Borgestad (President's
Office)

Members: John Imholte (Morris)
Fred Lukermann (CAO)
Fred Morrison (UCBRBR/SCC)
Liz Sands (UCBRBR)
(one additional faculty member)

Responsibility: This committee will either 1) redraft the "Reallocation and Consultation" document, incorporating those changes recommended by various consultative groups, or 2) propose and outline an alternative system of reallocation. In either case, the recommendations should reflect a more permanent process, which is systemwide in application, is consistent with academic values, insures adequate consultation, addresses those issues and questions raised by various sectors of the University community, and allows for periodic reassessment and change of the reallocation mechanism. Obviously, the nature of this assignment is complex, and will require much time and effort. Therefore, no deadlines are recommended at this time, although the committee is expected to accomplish its objectives as quickly as deemed prudent and possible.

While the three committees will report directly to me, the members are also expected to apprise their parent organizations (CAO, SCC, and UCBRBR) of their progress and recommendations. In turn, I will continue to consult with both the ad hoc committees as well as with CAO, SCC, and UCBRBR. Should other members of the University community wish to propose recommendations for review by the three committees, they are certainly encouraged to do so by either contacting the committee chairman, their dean, the chairmen of SCC and UCBRBR, Professors Zaidi and Morrison, or me.

The reallocation process that evolves will eventually be a part of a long-range institutional plan. Efforts to develop such a plan have been undertaken by the Planning Council. This group has established four committees to address questions regarding 1) Institutional Mission, Goals, Objectives, Priorities, and Criteria for Determining Program Status; 2) Organization of the Institution (including review of the Vice Presidential offices); 3) Biennial Request and Budget Guidance; and 4) Evaluation of Institutional Output and Effectiveness of the Planning Process. The Planning Council has set specific objectives related to each of the above foci and will deliver its progress reports to me by the end of the academic year. These, in turn, will be available for University-wide review and reaction.

In closing, let me say that the task of developing an effective and acceptable reallocation system will not be easy; nevertheless it is absolutely

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critical that we do so. There are inevitable threats and problems in any change, but to avoid preparation for the future will only mean that the tough decisions to be confronted over the next decade will be all that more difficult. I am confident that we can and will be prepared.

CPM

CPM:kb

cc: University Vice Presidents
Senate Consultative Committee
University Committee on Biennial Request and Budget Review
Provost Robert L. Heller, Duluth
Provost John Q. Imholte, Morris
Provost Stanley D. Sahlstrom, Crookston
Provost Edward C. Frederick, Waseca
Mr. Duane Wilson, Secretary to Board of Regents
Mr. Russell Tall, Director, University Relations