

MINUTES
SENATE FINANCE COMMITTEE

August 27, 1984
Regents' Room
3:25 - 4:40

SFC members present: Mark Brenner, Charles Farrell, Richard Goldstein, Linda Hanson, Gerry Klement, David Madison, Irwin Rubenstein, Robert Sloan, David Storvick, Deon Stuthman (Chair).

Guests: Vice President Keller, Hugh Kabat, Cleon Melsa, Jack Merwin, Paul Schulte, Phil Shively, David Shope, Burt Sundquist.

Agenda for the meeting was review of the latest version of the 1985-87 O&M budget and biennial request. Vice President Keller distributed two documents: "85-87 Appropriations Request Schedule in Process" (8/3/84) and "1985-87 Appropriations Request by Budget and Program Categories" (8/8/84).

Level of state support.

Vice President Keller told SFC that we need to make the argument to the state that the University has been underfunded in some significant respects. The University has yet to discuss with the Commissioner of Finance the calculation of average cost funding. Because the number of students will decline, funding under the current formula will decrease.

Faculty salaries.

Schedule item on special retention and market needs will be comingled for FY87 with the faculty salary increases item and is included on that line.

Size of increase sought.

The increase request totals 16% over the biennium, which is the smallest percentage the University has asked of the legislature since 1969.

Budget and program categories.

The spread sheet has general entries under six headings and a chart indicating how each item fits into the planning process (to maintain program, cap tuition, improve the undergraduate experience, improve graduate education and research, contribute to other program thrusts, contribute to state economic needs, contribute to outreach).

Vice President Keller described Category I, "Deficits: Inflationary Increases" and Category II, "Increases Mandated by State Law, Regents' Policy,

or Commitment," where requested increases total \$71,340,702, as almost non-increases: they represent unavoidable expenses.

Equity is the argument for items in Category III, "Adjustments in Offsets," which total \$28,594,000. Each ^{relates to} a budget area where the legislature has underfunded the University (Indirect Cost Recovery, Permanent University Fund, Fellowships for Post-MD Fellows, Tuition Scholarships for Graduate Students, Unique Professional Colleges, and Reciprocity).

Altogether, combining Categories I, II, and III, the University requires a \$100 million increase over the biennium purely out of necessity and equity, said Dr. Keller.

Programmatic requests follow in IV, "Scientific Equipment/Materials," V, "Increases in Selected State Specials," and VI, "New State Specials."

Supplies and Equipment.

A 5.5% increase per year is permitted in the SEE request.

Endowing chairs.

Among the "Adjustments in Offsets" the University seeks is use of the income on the Permanent Fund to underwrite chairs. If the legislature will allow the University to keep the funds the state has heretofore counted as an offset, which is \$2.5 million per year plus any additional interest the University earns on the fund -- typically another \$1 million -- the yield would permit \$100,000 per year each for the support of 35 chairs. Since in addition there would be the opportunity and incentive for outside interests to endow chairs where they believe them needed through the donation of matching funds, the result could be the establishment of 50 to 60 chairs. Professor Rubenstein asked who would decide where chairs should be endowed. Dr. Keller told SFC that the University would retain control over endowing chairs in disciplines where there is not likely to be outside funding for them.

Tuition policy.

In answer to a question, Vice President Keller said central administration is watching with interest to see what happens to the argument of the State University Board in refusing to adopt a budget which would raise tuition at state universities to 33% of instructional cost.

Indirect Cost Recovery.

Professor Stuthman said that if the legislature permits the University to keep without offset a more substantial part of recovered funds, the allocation of that money will be of great interest to everybody. The Finance Committee hopes the vice president will share with it his ideas on central administration's plans to use those funds. SFC wants to educate the University community and hopes for general agreement on the use of the funds.

Vice President Keller said their use must of course be in accordance with the unit plans. Instructions on Cycle III planning ask colleges to identify where they believe additional funding is of very high priority. Cycle III planning will be far enough along to guide the 1985-87 biennial budgeting.

Other discussion.

All budget increases must fall into one of four categories. Vice President Keller defined them this way: (a) items that must be funded regardless of legislative action, (b) items which must be retrenched for, (c) items a college will reallocate for, and (d) items appropriate to fund centrally if the legislature appropriates the money and if there is an indication the college has made progress internally to accomplish the goal.

Professor Rubenstein commented that the category of "Adjustments in Offsets" is likely to be highly political; hence it will be useful to have strong faculty support behind it. Vice President Keller indicated his agreement and said the administration is explaining to a lot of people who inquire about their programs that they depend upon ^{the U's} getting those adjustments in offsets.

Vice President Keller told the Committee that UMD's engineering program is also in Category III. The University is committed to do what the legislature clearly wants, he said. The legislature's initiative and commitment was to build the program over several biennia. If the legislature does not increase its funding, the University will probably drop its effort.

Professor Rubenstein inquired whether there are the beginnings yet of building into the biennial request some preparation for the upcoming retirement

bulge. Vice President Keller said the University has submitted a second request to the Northwest Area Foundation for more new positions. He said he would like to see more discussion on that subject and the seeking of soft monies to begin anticipatory hiring.

Vice President Keller also referred to the usefulness for hiring purposes of being able to offer faculty a "cafeteria of benefits," especially assistance with mortgages, even though the Faculty Affairs Committee has not taken an interest in this possibility.

Mission Statement.

Vice President Keller told SFC he thinks we should work hard this year on revision of the mission statement. He hopes the Regents will focus on that task. The statement should be simplified, he said, and focused on some very few principles against which every choice can be measured.

The meeting adjourned at 4:40 p.m.

Meredith Poppele,
Recorder