



UNIVERSITY OF MINNESOTA
TWIN CITIES

College of Education

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MINUTES

SENATE FINANCE COMMITTEE

October 3, 1985

3:05 - 4:35

Regents' Room, Morrill Hall

Members present: John Adams, Gerry Bauer, Charles Campbell, Linda Hanson, William Hanson, Harry Hogenkamp, Becky Hurst (substituting for Gerry Klement), Wendell Johnson, Sally Jorgensen, Ron Kubik, Jack Merwin (Chair), Bruce Overmier, (substituting for Paul Gassman), W. Donald Spring, and Patricia Thomas.

Alternate attending: Peter Rieth.

Guests: Acting Vice President V. Rama Murthy, and K. Darcy Hanzlik (Daily).

Background materials distributed: (1) Minutes of the June 6 SFC meeting, (2) list of tentative appropriations anticipated as of June 6 from the legislative conference committee.

Professor Merwin, committee chair, called upon the members to introduce themselves.

Carry-over business.

1. Monitoring the coordination at the University level of faculty grant requests being submitted to the Legislative Commission on Minnesota Resources (LCMR).

Vice President Murthy explained that the LCMR senators had met last year with President Keller and Vice Presidents Kegler and Murthy to complain about the haphazard way in which requests were going to them. The administrators told the senators that starting this year the University would coordinate submissions to the LCMR. The University has a task force on natural resources. Vice President Murthy told SFC he would be convening a meeting with the LCMR legislators and could report on it at the next Finance Committee meeting. Professor Merwin affirmed that it is helpful for SFC to keep informed, especially since the sum of money LCMR has to dispense is considerable.

2. Distribution of recovered indirect costs (ICR's).

Professor Hanson reported that the Educational Policy Committee would, at its first meeting, look again at the distribution policy approved last year by the Senate Committee on Research. (SCR's proposal is that, of funds available after built-in costs such as ORA have been deducted, one-half would be retained centrally for the support of research and one-half would

go to colleges in proportion to their generation of the funds; of that half, one-third would be retained by the dean, one-third would go proportionally to generating departments, and one-third to principal investigators.) Vice President Murthy stated his personal disapproval of a formula to bind all units identically, saying the prescription would reduce flexibility at the college and departmental levels and that circumstances vary greatly among colleges.

Vice President Murthy said that in 1984-85 the administration had \$2 million available after paying fixed costs. It returned one million to the generating colleges and used the other million for purposes such as set-ups.

3. Retrenchment commitments made by units in Cycle II planning.

Units have varied considerably in the proportion of their assessments they have paid up to this time. SFC made an effort last year to monitor the repayment rate, and received a table of data from Academic Affairs. Vice President Murthy indicated to the meeting that Academic Affairs has now used flexible funds to reduce the debt owed by the various units. Professor Merwin requested that the Finance Committee be brought up to date on those changes and Dr. Murthy agreed to provide the information, saying it could perhaps be at SFC's October 31 meeting.

4. The cost of carrying out comparable worth adjustments. (No discussion.)

5. Proposal to increase research overhead charged to departments, in order to support TA's in units without grants.

Dr. Murthy told the committee that since federal regulations do not permit such a charge in the form the administration wanted, there will be no such increase.

6. The retirement schedule: facing the upcoming opportunity for substantial hiring, with some planning. (No discussion.)

7. Faculty salaries.

A table showing progress toward the University goal for faculty to regain by 1990 their 1972 purchasing power indicates that as of July 1, 1985, salary improvement was exactly on schedule, having reached 90.74% of the goal.

New items.

8. Commitment to Focus.

Professor Merwin noted that various Senate committees have an interest in addressing or monitoring certain of the CTF recommendations. At some later point the Finance Committee would look at cost implications. Dr. Merwin asked members to be ready to make suggestions at the October 31 meeting as to any additional SFC role vis a vis Commitment to Focus.

9. Health care coverage: Reduction in Blue Cross-Blue Shield coverage of outpatient mental health treatment.

Professor Merwin reported that President Keller had reported to the FCC that morning on this significant coverage loss which offset gains in certain other aspects of health care.

SPECIAL MEETING INCLUDING SFC: Professor Merwin announced that at 12:30 p.m. on October 18 the Senate Committee on Faculty Affairs would take up the issue as its first agenda item at a regular meeting, and inquired if the SFC could join SCFA to consider the question of the cost to the University should it pick up for a year all or some of the charges above the new 80% of \$750 limit.

It was agreed SFC would join Faculty Affairs for the first part of that meeting.

10. Tuition fellowships for graduate assistants.

Professor Hogenkamp inquired why RA's had been struck from the June 6 minutes' description of the beneficiaries of these fellowships, leaving only TA's. Vice President Murthy offered some assurances that although the legislature had not appropriated funds for RA assistance, the case was not yet closed. Academic Affairs is working hard, he said, negotiating with numerous parties to try to achieve identical benefits for RA's.

11. The Senate Finance Committee's specific charges and responsibilities.

Professor Adams inquired as to how the agenda of the Finance Committee intersects with the development of the legislative request and with activities related to the University's various other sources of funding (e.g., income from the Permanent University Fund, and the proposed capital campaign). He noted that the bylaws indicate that the Finance Committee is to advise the Vice President for Finance and Operations, yet that officer does not attend the meetings. He added he would like to understand how the University's legislative request relates to those of the state's other higher educational systems.

Professor Spring informed the committee that the bylaws are out of date with respect to the Finance Vice President. The Budget Executive was organized after these bylaws were written, and Kenneth Keller, as then-Academic Vice President and chair of the Budget Executive, chose to attend SFC meetings regularly on behalf of the Budget Executive.

Vice President Murthy noted that in looking at the legislative appropriation the committee sees about one-third of the total operating budget of the University.

Professor Adams explained that he wanted to know exactly what this committee should be doing while avoiding duplicating the work of other groups.

Professor Merwin suggested the committee might invite as a guest at some point Steve Roszell, Associate Vice President for Development.

Vice President Murthy said it might be useful for the Finance Committee to discuss the University-wide promotional statement being developed for the capital campaign. The writing is nearly completed by the campaign's steering committee of Kenneth Keller, Gerald Kline, David Lilly, V. Rama Murthy, Stephen Roszell, and Maureen Smith.

Professor Jorgensen asked whether the Finance Committee carries out responsibility #3, "to test the consistency of the biennial requests with the priorities originally agreed upon and the evaluation criteria used for ranking requests." Professor Merwin indicated that he had been thinking along the same lines and that he intended to discuss with President Keller what the Finance Committee's relationship would be with the Management Committee.

Professor Campbell reported that the Faculty Affairs Committee is particularly interested in having serious input on items relating to faculty welfare, such as sabbatical leaves.

Vice President Murthy said preliminaries are being attended to now; the biennial request itself would be developed next spring. Professor Merwin stated that the Senate Finance Committee would like to participate with central administration on that question before the administration proposes the biennial request to the Regents.

(See also agenda item #16 below.)

12. Special 1986 legislative request.

Professor Merwin expressed his regret that there had been no way to convene the committee at short notice in September to examine the special request which the administration had assembled in response to Governor Perpich's invitation. In the future, he announced, he intends to convene SFC when anything sudden comes up calling for the committee's attention.

Vice President Murthy said the nature of the 1986 request was determined by the governor's keenness for items relating to the economic development of the state. There are only three new items on the list of 15: Library Automation Project (priority #7, \$500,000), Center for Micro-Contamination and Particle Research (#8, \$1,534,000), and Hazardous Waste Engineering Research Center & Planning for Rosemount Research Center Clean-Up (#14, \$954,000). If these requests are funded, said Dr. Murthy, that will liberate funds in the University's internal budget for flexible use.

The governor's request limited the new submission to science and technology items, and the Management Committee prioritized those left unfunded from the 1985 legislative session. Rank Funding Adjustment was ranked #1 because it gives the greatest flexibility.

Professor Merwin asked whether there had been no written criteria which guided the selection. Vice President Murthy said the budget plan had been the only guide. He added that there are no rigid guidelines for the Management Committee, and that decisions depend on the dynamics of the individuals and those individuals' knowledge of the University.

Professor Johnson said he worried about the University's permitting itself to have its priorities dictated by the legislature. Vice President Murthy

commented that he worried even more about the occasional legislative practice of appropriating money for a purpose the University has not even requested.

The Regents have received the supplementary request for their information. The University termed what it sent to the governor for his September 25 deadline a "tentative submission."

13. Questions raised in Professor Stuthman's letter of June 18, 1985 to Vice President Murthy.

A) School of Management evening MBA tuition rebate. Dr. Murthy explained that then-Vice President Koffler in 1978 entered into an agreement with the SOM whereby the SOM could collect its own tuition for the Evening MBA, Management Development, and Executive Development programs, and of whatever it generated over and above the graduate tuition rate, keep about 80% to put directly into program while returning to central administration about 20%.

B) Apparent addition of the Law School to the small list of units favored for a net gain in the retrenchment-reallocation exercise resulted from a misunderstanding. Law has not been added to the favored list. Low tuition increase was sought not because Law was a favored unit but because U of M law tuition was much higher than that of most public law schools.

Professor Murthy pointed out that the Regents had turned down the differential tuition increase plan anyway and required 5.5% increases for all units.

14. Distribution of recovered indirect costs (ICR's).

Vice President Murthy commented that start-up costs are increasing steeply, even in CLA.

Professor Campbell spoke of his increasing concern about the concept of returning to the principal investigator some of the ICR's, a concern which stems from regard for what the consequences will be regarding the federal granting agencies. Dr. Murthy voiced his complete agreement. He said a program director would know of the return and might well require the PI to deduct the refund from the next grant request.

Professor Overmier said that since indirect costs represent real overhead costs the PI's have no real claim on the dollars; however, he added, if the legislature chooses to reward productive research by offsetting less of the recovered indirect costs, the program directors could not claim that reward.

Professor Overmier said that unfunded indirect costs present serious burdens to a university, and noted that the University of Washington had struggled with this problem.

(See also agenda item #2.)

15. State financial picture.

Professor Merwin inquired whether the University was developing any contingency plans as to how to deal with unallotment should that result from the

revenue shortfalls presently predicted. Vice President Murthy reported that the worst case scenario would cost the University \$21 million. That would result from the bleakest projection if all state agencies were treated equally, with no allowance to higher education. He said central administration was prepared to go further into pre-planning after the October revenue forecasts.

16. Criteria for requests and budgeting.

Professor Jorgensen asked if, given the limited number of SFC meetings, the committee should not be working right away on developing criteria.

MOTION: Professor Campbell moved that the Senate Finance Committee request the Management Committee to supply it with the draft of the budget guidelines in a timely fashion.

AMENDMENT: Professor Jorgensen offered an amendment, accepted as friendly by Professor Campbell, to substitute "by December 5" for "in a timely fashion." Professor Overmeier asked that the SFC also see the criteria which have been used and deemed acceptable in the past.

The current set of budget principles, which the Regents discussed at length in their April meeting, will be sent to SFC members.

Professor Hanson noted that the Senate Finance Committee had not been very specific last year in its oversight capacity and had aimed largely for consistency with earlier planning documents.

There was a consensus in favor of making the request of central administration. No vote was taken.

(See also agenda item #11.)

The meeting adjourned at 4:35 p.m.

Meredith Poppele,
Recorder