DRAFT
MINUTES

SENATE FINANCE COMMITTEE
April 3, 1986
Regents Room, Morrill Hall
3:00 - 5:15

Members present: John S. Adams, Gerald Bauer, William H. Hanson, Harry Hogenkamp, Wendell Johnson, Sally Jorgensen, Gerry Klement, Kevin Koch, Geoffrey Maruyama (substituting for Charles Campbell), Jack Merwin, Frank J. Sorauf, W. Donald Spring, Patricia Thomas.

Guests: David Berg, Joseph Latterell, Vice President V. Rama Murthy, W. Phillips Shively, Maureen Smith, Patricia Swan.

1. The minutes of the March 6 meeting were approved.*

2. Status of development of 1987-89 Biennial Budget Request.

Vice President Murthy told the committee the process of developing the biennial request had just begun. Initial requests were due in the Office of Academic Affairs in the first week of April. For reference he distributed to SFC members Vice President Kegler's March 6 memo concerning the 1987 Legislative Budget Request, Capital Request, and Other Legislative Matters. Dr. Murthy said he would of course be dealing very directly with the Finance Committee. The budget areas getting the greatest immediate attention are the unallotment and the 1986-87 budget.

3. 1986 Supplementary request.

Dr. Murthy confirmed the SFC's guess that the supplementary request which the governor had invited, and on which the Finance Committee had been consulted last fall, was never considered in the 1986 legislative session.

4. Changes in the 1986-87 budget strategies and principles.

(The Regents had received the budget strategies and principles for information in March and were to act on them in April.)

Mr. Berg noted that because conservative management had avoided the anticipated deficit in the 1985-86 budget, the 1986-87 budget need only be balanced; it need not include a surplus to compensate for an '85-'86 deficit.

The Regents were to receive the budget plan for information in April and will act on it in May.

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* A correction was subsequently submitted to the secretary and copies of the corrected paragraphs distributed to SFC members and others who had received the March 6 minutes. Corrections were on page 3 and concerned "A proposal to include tuition as a fringe benefit to University of Minnesota employees."

5. <u>Proposed distribution of programmatic retrenchment.</u>

Vice President Murthy reported that the retrenchment plan is designed to accommodate unallotment of $17.6 million; the actual amount may be somewhat less. To minimize the five-year burden to academic programs as the University pays off its borrowing, the administration has determined to cut $4.8 million up front; borrowing would then total $12.8 million and the annual debt repayment and service would be $3.1 million.

The tuition surcharge will yield $670,980 per year; the one-time 0.46% base cut to faculty and staff salaries will save $1,527,259 per year.

Professor Sorauf inquired how UMD came to have $500,000 available to take its share of the cut all at one time; Vice President Murthy explained that the Natural Resources Research Institute had access to a special appropriation and was not required to spend it immediately. He reported that CEE had just concluded it had the means and the preference to take its entire cut up front, and face no base reduction in the next five years.

Academic program cuts will total $900,000, Dr. Murthy told the committee, and have been apportioned approximately according to the size of the budget. Morris has been exempted from this cut because the $40,000 proposed would have had serious programmatic consequences.

<u>Four Twin Cities academic units are in a position to take programmatic cuts</u>, the vice president said. They are <u>Education, CEE, Law, and CLA</u>. Units protected from cuts fall into one of two categories: either they are units which were not retrenched in Cycle II because planning argued for no cuts (IT, Veterinary Medicine, and the School of Management), or they are units now operating at a deficit.

Professor Sorauf saw dangerous lessons in the operational criteria: a unit with lean, tight, responsible budget control is subject to injury, while one which is undercommitted and saving up money, or which runs a debt, escapes. But Vice President Murthy said the units which have budgeted responsibly have been complimented. The administration is taxing differentially, he said; CLA's bill is for $65,000 in an 0100 budget of $25,000,000, while CEE is paying proportionately more of its 0100 budget.

6. <u>The University's sytem for financing the establishment and maintenance of interdisciplinary programs, especially those that span college boundaries.</u>

Vice President Murthy told SFC there is no formal system. When a program is created and approved central administration often requires the people involved to return with a budget plan. Administration always tries to see that a financial package is put together. In the case of neuroscience, Vice President Murthy asked a committee of deans to make a plan to reallocate funds from their budgets to the new program. No central funds are allocated. If the program vice presidents are doing their job, he said, there should be no problem in arranging the budgeting. In some instances the University seeks a special state appropriation.

Professor Sorauf inquired whether most plans are initiated by an individual or by a group. Dr. Murthy said most begin with modest group requests to the central administration. Typically the initial funding is from training grants, such an NIH grant to fund 10 fellowships for 5 years; following that time the program would be on its own.

Professor Hogenkamp said that generally in practice, to support a new program, we've had to rob Peter to pay Paul, leaving existing programs barely alive -- unless there is a program one believes should be allowed to die.

Professor Jorgensen commented that members of the Finance Committee have suggested that the next biennial request include items for molecular biology and neuroscience so that units do not have to rob their ongoing programs to support these. Vice President Murthy replied that the trouble is the legislature l ooks at the University's total request; if it grants the new items it is likely to reduce other parts of the appropriation.

7. Indirect Cost Recovery Fund Distribution Policy.

Professor Merwin reminded the SFC that this year's Research Committee had forwarded to the president and to the Educational Policy Committee its new approved motion. President Keller had asked the Finance Committee to look at that recommendation as part of overall budget management.

SCEP has now considered the two different motions from SCR: that of last spring and that of this year. SCEP in its April 2 meeting endorsed a proposal which is almost identical to last year's SCR motion; it adds a proviso that the faculty of a college may decide on a distribution system other than the formula in the policy (which is that of the 50% going to the colleges 1/3 is to be held in the college, 1/3 is to go to the generating departments, and 1/3 is to go to the generating faculty members, all proportionate to the sums they generated; if the 1/3 is less than $100, it reverts from the faculty member to the department).

For the next few years it is expected that the sum available annually will be $4 million to $5 million.

Vice President Murthy asked the committee to keep in mind that all the ICRF is used in the support of research. The reason for maintaining flexibility is that at times University units need large sums of money for instrumentation which may cost up to $1 million. Although NIH awards grant money to purchase expensive equipment, it gives only 50% for costly items and the University must come up with the other half.

Professor Sorauf defined the ICRF question as ultimately one of redistribution. The principal investigators who have generated a lot of money feel unrewarded. While we have to face the question of reducing redistribution, he found the SCEP proposal unnecessarily rigid in minimizing redistribution.

Professor Sorauf asked why constly instrumentation could not constitute a claim on other of central administration's discretionary funds. Dr. Murthy said the only significant sources are the rank funding adjustment and the ICRF.

Mr. Bauer inquired why central administration rather than a committee determines how its portion will be used. Vice President Murthy explained that a Graduate School committee makes the recommendations on funding, which central administration follows if it has the money.

Professor Hanson reported that SCEP had been impressed by the claims of the principal investigators that they should be able to retain some of the funds they generated; SCEP had not been impressed by the opposing arguments. Professor Merwin noted that big sums could be obtained in only two ways: either central administration has it (or a matching share) to give, or the PI, dean, and department have to come together to raise most of it.

Professor Adams questioned whether redistribution is really what bothers PI's or whether they want more control of the ICR's because they feel they are not getting sufficient support within their unit. If this is the reason, then it should be dealt with where the unhappiness arises -- with the deans and department heads involved.

Professor Sorauf said that since ICR's are to pay for added indirect costs and deans and department heads see those costs rise yet receive insufficient ICR's to pay for them, they have to pinch other needs to handle these.

Professor Adams argued against rigid formulas and said that in the absence of compelling arguments he could not support either the Research Committee's motion or SCEP's. As a member of the Research Awards Committee, he sees well-reviewed requests come forward. The committee is able to fund the good requests, which seems valuable. He termed the issue that of the care and feeding of faculty members and said department heads who can't find a way to do that should quit.

Vice President Murthy told the Committee that he thought that central administration in the 1986-87 budget could again hold 50% centrally and return the other 50% to the colleges for their further distribution as they chose.

SFC RECOMMENDATIONS. Professor Merwin asked whether the Finance Committee could agree for the present to the 50%-50% part of the distribution question and save for a later meeting further consideration about distribution beyond the college level. There was a Committee consensus for this position.

8. Faculty salary and other compensation: the current catch-up policy and a policy to succeed it. Guests: Professors W. Phillips Shively (past faculty liaison to the legislature) and Patricia Swan (president of the University of Minnesota Faculty Association.

Professor Merwin welcomed the guests and Professor Geoffrey Maruyama, substitute SFC representative from SCFA and chair of its salary subcommittee.

Professor Merwin said the SFC was interested in confirming the accuracy of the current reports of progress along the schedule for salary improvement, and in considering whether the strategy continues to help faculty since it is tied to inflation so that salary increases are smaller as inflation declines.

Professor Shively said there is no question about the accuracy of the present data on progress toward the goal of restoring 1973 faculty purchasing power by 1992. There is a question over the interpretation of the data because of the different faculty age structure now from 1973. With a more mature faculty now, one could expect a higher average salary.

Professor Shively continued that the University is close to achieving its goal under the present salary plan, and said it would be a mistake to change any interpretations with the legislature. Instead, what we should do now is to develop, for presentation to the legislature, a much more positive goal for the future, one related to Commitment to Focus. Its aim should be to make this a better University and a better faculty by providing for faculty renewal, competitive faculty salaries, graduate student support, research support, and sabbatical leaves.

Professor Maruyama said SCFA has decided to deal with the question as a total faculty improvement package; it will be important to include more creative sabbatical possibilities. In terms of comparisons both with other universities and with other professionals in the state, SCFA has a lot of comparative and internal dta; however, they may not be particularly useful because different elements compare differently. He said his subcommittee had decided to use only peer institutions as comparison groups.

Professor Spring inquired how Mr. Berg might be able to measure faculty purchasing power to come up with a more accurate interpretation of progress toward the goal. Professor Swan responded that Mr. Bert has produced, probably annually, a large master table illustrating the progress. He has sometimes asked for faculty preferences on better ways to draw the picture. She said there are elements of truth in each interpretation.

Professor Swan continued that she thinks the University is not really behind in its catch-up schedule, but said she had lost interest because she doesn't think the strategy is adequate. She agrees that a new strategy should consist of more than just salaries.

Professor Sorauf noted that the rapid turnover of faculty will begin at approximately the time the current plan expires. Some legislators will see that as an opportunity for the University to reduce costs by replacing senior full professors with young assistant professors. But Professor Swan said the contrary will instead be true, for when universities hit the peak of the hiring competition, assistant professors might cost even more than professors.

<u>NEXT STEPS</u>. Professor Shively recommended that some body take to the Faculty Senate this spring a motion to create a special committee to develop a successor faculty compensation plan and report it sometime during 1986-87.

Professor Spring recommended triple committee sponsorship: SCFA proposing the motion, gaining SFC's support, and having it reported to the Senate through the Faculty Consultative Committee. Professor Swan recommended getting a sense of the direction of this plan by May to incorporate it into planning for the next biennial request.

Vice President Murthy suggested the University could initially attach the concept to rank funding adjustment, which would be a very concrete recommendation to make to the legislature.

Professors Merwin and Sorauf recommended that the chair of the Consultative Committee be asked to name the special committee.

Professor Swan noted that the table from SCFA's salary subcommittee shows that actual salary increase percentages were distinctly higher than what central administration distributed to the units. She asked the sources of these extra increases. Vice President Murthy said they were two: cannibalization of vacant positions and extra merit money. Mr. Berg said there may be cannibalism of vacant civil service positions too. Professor Spring was dismayed with the resulting appearances, saying the cannibalism makes all of us look bad because we've allowed some units to practice it. The actual increase for FY86 was 8.04%.

The Finance Committee voiced a consensus of support for the Consultative Committee to be asked to name a special committee, with membership drawn from several committees of the Senate, to prepare a new faculty improvement/faculty compensation plan.

9. Funding graduate fellowships for students not covered by the state appropriation, by granting tuition as a fringe benefit to all 75%-100% non-student employees, and funding that grant as an indirect cost of research.

The benefit is recognized as significant; some people voiced concern at the cost added to grant overhead. Vice President Murthy described the scheme as an essential part of the budget package.

Professor Merwin called upon anyone who felt strongly that SFC should frame an objection to this policy to say so. No SFC objections were voiced.

The meeting adjourned at 5:15 p.m.

Respectfully submitted,

Meredith Poppele, secretary

3/28/86

MEETING

SENATE FINANCE COMMITTEE

April 3, 1986
3:00-5:00
Regents' Room, Morrill Hall

Vice President V. Rama Murthy will meet with the Committee

AGENDA

Est. time

3:00 1. Status of development of the FY1988-1990 Biennial Request.

3:15 2. The fate of the University's 1986 supplementary request (prepared at Governor Perpich's invitation) and the effect that will have on the next biennial request.

3:20 3. 1986-87 budget strategies and principles: changes from what we have discussed before.

3:40 4. Proposed distribution of programmatic retrenchment, caused by unallotment, among the academic units.

4:00 5. University's sytem for financing establishment and maintenance of interdiciplinary programs, especially those involving more than one college.

4:15 6. Faculty salaries: goals and strategies. Professors Pat Swan and Phil Shively will join us for this discussion. Please see enclosed set of memoranda and data.

4:45 7. For action (discussed at March 6 meeting);

A. ICRF distribution policy proposed by this year's Senate Research Committee;

B. Funding proposal for graduate fellowships not covered by the state appropriation (fringe benefit available to all non-student employees of 75% time and over, and funded as an indirect research cost).

5:00 Adjourn.

College of Education

UNIVERSITY OF MINNESOTA
TWIN CITIES

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March 28, 1986

Dr. V. Rama Murthy
Vice President for Academic Affairs
213 Morrill Hall

Dear Rama:

I am pleased that you will be able to join the Senate Finance Committee at its next regular meeting, which will be on April 3, 3:00-5:00, in the Regents' Room. The agenda looks long but we want to be able to touch each item. Here are the areas in which we'd especially appreciate your briefing us and having the opportunity for discussion:

(1) The status of the development of the FY1988-1990 Biennial Request;

(1A) The fate of the University's 1986 supplementary request (prepared at Governor Perpich's invitation) and the effect that will have on the next biennial request;

(2) 1986-87 budget strategies and principles: changes from what we have discussed before;

(3) Currently proposed distribution among academic units of the programmatic retrenchment part of the unallotment tariff;

(4) The University's system for financing the establishment and maintenance of interdisciplinary programs, especially those involving more than one college.

In addition on that date Pat Swan and Phil Shively will join the Committee to talk with us about the faculty salary picture. The SFC should also spend time on determing the Committee position on:

(1) The ICRF distribution policy proposed this winter by the Senate Committee on Research, and

(2) The proposed scheme for funding as an indirect cost of doing research those graduate fellowships not covered by the state appropriation.

Finally, if Rick Heydinger has been able to assemble the data for me, I'll report to SFC on professional schools' tuition at Minnesota as compared with tuition for such units in peer institutions.

This is a formidable list for our attention. On the attached agenda I've entered some time estimates. We will probably have to limit our discussion on the third on certain major items (for example, the biennial request and interdisciplinary programs) because the committee will be able to consider them at much greater length in our May and June meetings.

Cordially,

Jack/mp

Jack C. Merwin, Chair,
Senate Finance Committee

JCM:mp

Encl.: agenda
salary-related data

UNIVERSITY OF MINNESOTA
TWIN CITIES

College of Education

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March 28, 1986

Dr. Richard Heydinger
202 Morrill Hall

Dear Rick:

You may recall that when you met with the Senate Finance Committee in February members raised questions about the current tuition in the several professional schools of the University of Minnesota as compared with tuition in the comparable schools at peer institutions. As I recall, the questions arose because the tuition tables we looked at that day indicated that our professional schols where tuition is to be raised at the average rate include both units where students now pay well over 33% of instructional cost, and units where students now pay well under 33%. SFC members wanted to be able to understand the size of the proposed increases based upon the two considerations we have been told will prevail: moving all students closer to paying 33% of instructional cost, and keeping tuitions in line with those at comparable units elsewhere.

The Committee asked if you could please report to me some comparative data on tuition in the professional units, and you agreed to do so. I believe you also said you could provide an update on the projected cost-of-living adjustment for 1986-87. If it is possible to get that information to me before April 3, I will report it to Finance in our meeting that date. Otherwise, I will plan to report it in May. Thanks for your assistance.

Sincerely,

Jack/mp

Jack C. Merwin, Chair,
Senate Finance Committee

JCM:mp