UNIVERSITY OF MINNESOTA

University Senate Consultative Committee
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MINUTES
JOINT MEETING OF THE SENATE CONSULTATIVE COMMITTEE AND THE SENATE FINANCE COMMITTEE WITH PRESIDENT KELLER AND ACTING VICE PRESIDENT MURTHY

May 7, 1986
1:05 - 4:20
The Regents Room

Finance Committee members present: Gerald Bauer, Charles Campbell, Linda Hanson (also SCC), Harry Hogenkamp, Gerald Klement, Ron Kubik (also SCC), Sally Jorgensen, Wendell Johnson, Jack Merwin, Chair (also SCC), and Patricia Swan (for W. Donald Spring).
Consultative Committee members present: Ellen Berscheid, Mark Brenner (member-elect), Patrick Durbin, Richard Goldstein, David Hamilton, Cleon Melsa, Tim Pratt, Irwin Rubenstein, Roy St. Laurent, Frank Sorauf, Deon Stuthman, Chair, W. Phillips Shively (member-elect).

Guests: President Kenneth Keller, Acting Vice President V. Rama Murthy, David Berg, James Borgestad, Sue Klemond, Marsha Riebe, Maureen Smith, Margery Durham.

1. Minutes of the April 3 Finance Committee meeting: no corrections were offered.

2. Rescheduling the June meeting. Because a Senate and Assembly meeting have now been scheduled for June 5, SFC's meeting will be re-set for later in the month.

3. Child Care.

Professor Merwin invited Professor Margery Durham, chair of the Special Committee on Child Care, to speak about that committee's report.

Professor Durham said the committee recommended making a start by hiring someone to coordinate all child care activity. Later in the meeting she raised the question of whether the position of someone currently working in the University's child care system could be upgraded to that of Coordinator. The plan, she said, would not add a great many new slots all at one time. She told the group that there are considerably smaller universities that provide on-campus care for much larger numbers of children.

Professor Sorauf inquired what portion of total costs user charges cover. Professor Durham said some users pay nearly $100 per week on the sliding scale, while some pay far less; altogether, fees to not cover costs.

Mr. Bauer asked who the committee believed should have top priority in getting child care. Professor Durham said committee sentiment gave priority to low income students and employees. The coordinator, she said, in consultation of others, would have the assignment of prioritizing.

President Keller said he had read the report and prepared written comments to the Child Care Committee. He said that when he and the Consultative Committee had jointly appointed the special Child Care Committee (Autumn 1985) he felt that child care was important and was presently inadequate here. It is necessary to know how great the need is and how much the University should spend to help meet that need. He questioned the credibility of the report's needs estimate from CURA figures based on waiting lists and telephoned inquiries. He cautioned against moving into a big undertaking without knowing what private facilities exist. Financing questions include whether the University expects to be repaid through fees, whether child care would be an option in a cafeteria of benefits for faculty or other staff, whether the University would pay for child care for indigent students, and whether to any extent for students generally.

He told the meeting he was left with a series of questions as to the likely magnitude of a budget request and its priority relative to all the other major budget items. The plan needs to be rational within the context of the University's other needs. Putting more money into the existing structure so it can provide more care might be more cost-effective than alternatives. He noted his concern over renovation costs. He said we should address the question of whether the University should get started by doing some small things at once.

Professor Durham noted that her written reply to the President's inquiries suggested small ways to make a beginning such as, for example, enabling a Mills II-type deduction for faculty child care fees. It was noted that the Faculty Affairs Committee has been unenthusiastic at least in the recent past about "cafeteria-style benefits" options, and that the civil service staff would probably like the question of such an option for them to be investigated.

Professor Stuthman, noting that insurance costs are becoming a burden, asked whether there is any advantage in a child care center being insured through the University. President Keller remarked that the University's rates have risen so high that it has reduced its liability from $40 million to $10 million whild undertaking to be self-insured. Some private providers, he added, volunteer to provide the University with needed spaces, for a fee.

Professor Hogenkamp inquired how the University's fees compare with those at private centers. President Keller said the University's are about 10% higher for employees paying at the top of the scale because of the University's higher adult-to-child ratio.

Professor Merwin asked how the Finance and Consultative Committees could help increased child care to proceed. President Keller recommended that they first encourage those changes that can be made without cost. Next they should consider the questions of renovating or adding space; the administration would need capital expense figures very soon to feed into the next legislative request. He said he was not asking the committees to come up with a plan, but for some guidance on the size of spending and the degree of space subsidy.

Professor Durham said it has been the Child Care Committee's premise that any step which would make a start would be good. They left further action to those who know more about the University's budget.

Professor Hogenkamp inquired about the centers' present cost and subsidy. President Keller reported that student services fees contribute $20,000 and central administration provides a $100,000 subsidy.
approximately

Mr. St. Laurent asked whether child care can legally be included as a criterion for financial aid. Professor Durham knew of no legislation on that.

Mr. Bauer asked whether the legislature would be likely to help fund a subsidy for child care. President Keller said the University must rank its requests and be prepared to answer the legislature as to which items are more important to us.

4. INDIRECT COST RECOVERY.

Copies were distributed of the motion agreed to by both the Educational Policy and Research Committees, as well as copies of an amendment proposed by the Consultative Committee. (Current Regents' policy provides for at least one-third of available ICR's to be distributed to the generating collegiate units.) Professor Stuthman described his amendment as attempting to define some middle position between Regents' policy and what the committees seek.

Dr. Murthy noted that requesting distribution of 50% of the ICR's had not even been a point of discussion in SCR and SCEP since the committees were in complete agreement on that point. He said that since the University is purchasing more and more expensive equipment, he would prefer retaining one-third as the minimum and giving out more whenever possible, as he has been doing.

President Keller reminded the meeting that the Regents make University policy and he asked rhetorically if the Senate can veto Regents' policy. He regards a 50% distribution from central administration as running counter to the principles of ICR. ICR is an issue on every campus: faculty want more money for their research, central administrations want to be able to support research, and legislatures do not want to pay the full cost of research. It is true that the faculty member is the instrument for grant money coming to the University; but the federal government is supposed to pay all the real cost of research on its grants and if what it pays exceeds the real cost, auditors will discover the discrepancy.

The investigator, he continued, has no innate right to the money back, but of course the administration wants to help the investigator do more and better research. These funds actually belong to the state, and it is up to the state to give up what fraction it is willing to. The funds are being returned to the state for having covered the indirect costs in the first place. The University has persuaded the legislature to help it do a better job by not taking full reimbursement.

The University has further persuaded the legislature to let it keep more of the ICR on the premise that the University would not request appropriations for major research equipment. Consequently, the University cannot now reverse itself and seek those equipment appropriations. The major equipment involved in set-ups is costly. This year, he said, there have been half a dozen in the $100,000 to $150,000 range. These needs are not captured by an arbitrary distribution formula, he insisted.

The administration has agreed to disperse at least one-third. Recently $2 million per year (which is more than one-third) has been distributed to the faculty. However, next year's situation may be tougher. The University has just suffered a base cut of $4 million. Central administration has decided to use part of the ICR's for library acquisitions.

President Keller told the committees he believed there should be guidelines for distribution and that central administration should explain to the Finance Committee when it believes it is necessary to deviate from the guidelines.

Vice President Murthy reported that central administration has now for the first time separated the ICR money so one can see just how it is going to be used. He said he thought it would be appropriate for the Finance Committee to insist on an accounting each year as to how the ICR's have been used.

Professor Swan referred to the Finance Committee's charge and asked if ICRF stands apart from budgetary criteria generally. She asked if there is a set of criteria by which SFC can judge the budget.

Dr. Murthy said the same criteria used in the University's planning process were used in drafting the budget. The Budget Principles essentially constitute the criteria. Professor Swan pointed out that the Finance Committee needs to know what are the criteria so it can perform its responsibility of seeing if the budget is consistent with the criteria.

The group then discussed the consultative process. The Finance Committee has not been having the opportunity to discuss the budget principles or the budget plan before they go to the Regents. SFC needs to receive the necessary information promptly so it will have a basis for offering responsible advice to the administration.

ARRIVING AT A COMPROMISE POSITION REGARDING ICR's.

President Keller objected to a proposal for a Senate policy which would change Regents' policy and require the approval of a Senate committee to vary from that policy. That would require the Regents to forgo their own authority.

Further brief discussion resulted in an oral agreement among the committee members and the President and Acting Vice President that the motion to the Senate should be phrased as a recommendation to the Board of Regents, and that deviations from the guidelines should require consultation with the Finance Committee rather than the approval of the Finance Committee.

VOTE: GIVEN THESE MODIFICATIONS, THE FINANCE COMMITTEE AND THE CONSULTATIVE COMMITTEE EACH VOTED SEPARATELY, WITHOUT DISSENT, TO TAKE THE MOTION TO THE SENATE.

(The motion, as modified, recommended that Regents' policy be changed to state that at least one-half of available ICR's would be distributed from central administration to the collegiate units generating them, and prescribed a formula for further distribution within the units which the units could elect to modify if they so chose.)

5. CRITERIA FOR ACADEMIC UNITS' RETRENCHMENT RESULTING FROM UNALLOTMENT.

Handout: "Final Unallotment Plan." The document showed retrenchment for academic programs as $808,910 per year for five years.

The Finance Committee expressed surprise at the size of some unit cuts. Professor Merwin reminded the group that the only information the Finance Committee had previously received had been an oral report in an earlier meeting that the maximum cut would be to CLA, and would be $65,000.

(Twin Cities' academic unit cuts were to be as follows:

Education	$150,000
CLA	100,000
CEE	50,000
Law	30,000
AFHE	35,410.)

The Finance Committee had thought it had understood the President to say at the March 6 meeting that the maximum cut to any academic unit would be about one-third of one percent. President Keller said what he had intended to tell SFC was that the average cut to academic units would be one-third of one percent. The $809,000 cut is about one-third of one percent of the total academic budget. The College of Education has the largest proportional cut among academic units, about 1.5%.

Professor Stuthman suggested that to the greatest extent possible written information should be distributed to the appropriate consulting committees so as to reduce the risk of an error in committee records. Moreover, committee comprehension is better when an oral presentation follows distribution of documents. President Keller said he agreed with that as a general practice. In the case of unallotment and retrenchment, matters were in transition.

Professor Merwin inquired what determined which units would be protected from any retrenchment whatever. Vice President Murthy said that, as reported in the April 3 SFC minutes, units were not retrenched if they had been identified in Cycle II Planning as of high priority or if they had some deficit. In addition, he said, he approached more aggressively those units with a relatively better rank funding compared to peer institutions. The College of Education is better funded in the aggregate than is CLA; hence the larger percentage retrenchment in Education. He said he had reviewed each college's proposals as to how it would absorb a retrenchment.

Professor Berscheid asked if any unit is allowed to operate at a deficit. President Keller said only the School of Management has requested and been granted that permission. It is appropriate in that case because of commitments central administration has made but not yet kept to match funds SOM raised privately. He said there have been a small number of other instances where a unit has run a debt and central administration has worked out a short-term repayment plan. Central administration has not as a matter of course rewarded either poor management or "rich" management.

Professor Stuthman asked where the University would not cut if the total unallotment is reduced. President Keller said he thought the administration would welcome the committees' advice. He thought the understanding at present was that the dollars would be returned in approximate proportion to units' cuts.

Professor Sorauf suggested the Office of Student Affairs might well be able to absorb a cut larger than $60,000 per year. President Keller replied that the cut to OSA is 0.6% of its base budget, more than many of the cuts.

Professor Johnson noted that the final Duluth Campus plan was very different from what had been reported earlier. Dr. Murthy explained that was because the legislature imposed a lid on the amount of cut that could be taken from state specials; without being able to draw down on one unspent special, UMD decided to take its cut over the five years.

Professor Sorauf said that while he understood the reasons for differentiation in assigning cuts, the symbolic aspect of managing retrenchment should not be ignored. The approach of sharing the burden is not being applied as regards the Twin Cities academic programs. President Keller responded that three Twin Cities units account for approximately 50% of the University's academic budget: CLA ($30 million), IT ($25 million) and Medicine ($25 million). Professor Sorauf said he was not arguing for across-the-board or proportionate cutting, but for the desirability of widespread sharing of the cut.

Vice President Murthy told the group he took responsibility for the cut distribution. He reported that he had declined IT's offer of $50,000 because he could not justify to the legislature taking away to cover the debt some extra funds the University had sought and gained from the legislature because IT is one of our highest priorities. He pointed out that the legislation regarding reducing budgets to meet this state revenue shortfall requires that the legislature approve the budget plans, including the University's.

Professor Campbell said he frankly thought the University's collegiality is threatened when IT is repeatedly seen as receiving special consideration. He said he supported a budget cut for IT in this instance. Professor Goldstein noted that two of the state specials being trimmed are in IT, but he added that he too believed that IT, as a part of the University, should contribute to the academic program cut.

President Keller said central administration has told the affected units that although the budgetary judgments have been made, there are flexible dollars available to help them out of difficulties, In fact, he said, next year every unit will receive more money this year: more salary dollars and in some cases new positions. He said there is no unit among those taking program retrenchment that does not have an exchange of funds within a year that exceeds these retrenchment figures. (Vice President Murthy noted that total post-budget adjustments are $7 million to $8 million per year.) The administration finds non-budgetary sources to meet particular needs such as TA's for CLA.

President Keller told the committees that it is very hard to make what is on paper reflect what really happens to a unit's budget in the course of a year. What is important, he said, is that we have kept those aggregate reductions to under $1 million per year. In the aggregate, he said, this list conveys to him a symbol of selectivity. He raised the question of whether the committees wanted to change that for a symbol of the aggregate.

6. 1986-87 BUDGET PLAN AND BUDGET.

Hand-Out: "Proposed State Special Budgets for 1986-87" and "Proposed Operations and Maintenance Fund Budget Plan."

Professor Merwin noted that the budget and the budget plan were being discussed in the Senate Finance Committee for the first time.

President Keller said the budget plan is based on and expands upon the budget principles. The administration has incorporated into the budget all the items officers have talked with the Finance Committee about over the course of this year.

The budget will continue to be tight, he said, because lower enrollments in 1984-85 will result in a base reduction of about $ 4 million and because fuel and utilities deficits will have to be covered. There is a serious question of how to balance the budget given these costs together with a 5% faculty salary increase and 3% civil service salary increase. It helps that the University did not incur a deficit, as had been expected, in its '85-'86 budget. But the budget allows us to do very little that is new.

A decision was made, he said, that the only way we could meet all of the goals was to draw upon the one part of the budget which is increasing: the Indirect Cost Recovery Fund (ICRF). Library acquisitions is one item that can legitimately be shifted from the basic O&M budget to ICRF. He invited questions about the budget plan.

Professor Swan inquired about the relationship of the budget plans to the University's programmatic plans. Looking at the 1986-87 budget in the context of Commitment to Focus, she said, there is recognition of priorities in some of the items but it is not as clear as it might be on some points, such as how the University is moving to reduce the ratio of undergraduate students to graduate students. President Keller responded that because we are in a retrenchment budget we couldn't do a lot of new things. He said what additions there are are consistent with Commitment to Focus.

Professor Stuthman inquired about the $431,000 anticipated from making CEE rely increasingly on income. President Keller said he would still like to pursue moving CEE on budget; one requirement is to work out course credit equivalencies.

Professor Campbell inquired about the size of an SEE increase. President Keller said this budget, in contrast to previous annual budgets, does not distribute any SEE money across the board; the administration will instead apply those funds selectively. The appropriation for an SEE increase has been absorbed into one of the Resources. He said if the administration had budgeted the SEE increase across the board, it would have had to adjust items downward in the Resource Application list.

Vice President Murthy noted that every unit is being allowed to retain any 1985-86 budget funds still unspent at the end of the fiscal year.

Dr. Murthy also reported that the administration had pooled funds from other parts of the budget to bring the faculty salary pool to a 5% increase.

Advancing a year on the ICR budget. The officers reported that the University has shifted its ICR budget forward by a year. Professor Rubenstein asked if there is any risk in spending the ICR in the year it is received. The President said that except for loss of some temporary income, he thought not. If the University should overspend one year it would have to make up for that the next year.

Commitment to Focus. President Keller told the committees he thought the budget plan moves the University toward CtF, although not on every item. He said he felt worst about being unable to protect Instructional Computing. Professor Swan said if restoration is possible, it looked as though Instructional Computing might be a programmatically important item to restore. The President said he would approve of going that way; however, since it is not a retrenched item in the unallotment, doing so would mean a shift from other programs or other unallotment items to instructional computing and he would want the Finance Committee to advise on that. He recommended that the Finance Committee discuss reallocation since his discussions with SFC on retrenchments were necessitated by the state's unallocation without knowledge of what other budgetary retrenchments we were going to have.

7. STATUS OF DEVELOPMENT OF THE BIENNIAL REQUEST.

President Keller recommended a special meeting with the Finance Committee within approximately the next week. He said the administration would take the request to the Regents in July for their information; the Regents would act on it at their September meeting.

Professor Campbell said he was concerned that the committees representing the faculty have relatively little opportunity for input. President Keller said that what the administration has so far to draft the request are the lists of wishes from the units.

Professor Campbell noted that the Faculty Affairs Committee was quite eager to submit items for inclusion in the request and had been requesting this opportunity for input for a long time. President Keller said the administration would need the proposals from SCFA immediately.

Professor Swan asked whether there would be the opportunity to develop budgetary rationale and criteria. President Keller said there would be and that the Finance Committee should start on that soon.

Faculty Salaries. Professor Swan asked what would be requested from the state for faculty salaries and on what it would be based. President Keller said the request would be for 5.5% to stay 2% ahead of the improvement schedule. Professor Swan asked if the University was looking at comparisons with the rest of the Big Ten, and Mr. Berg said it was.

Professor Swan asked if committees were interested in building a bridge from the existing salary improvement plan to a successor plan. President Keller said it was unwise to introduce a new plan at this stage (the current plan is designed to run to FY 1992) but said rank funding adjustment is a good place to work on faculty salary improvement.

Professor Rubenstein commented that if we are to be in the top five public universities, our salaries have to be up there too. The President remarked that, however, you don't improve a poor faculty member just by paying that person more; hence you have to be selective in applying the increases. He said the state asks the University how it can demonstrate that just because it is funded at a certain level it is actually that good. We must be very careful about how we adjust a goal for faculty salaries which has been accepted, he repeated. The goal of rank funding adjustment has also been accepted at the legislature and the President believes that is the avenue the University should use at this time for further salary improvement.

The meeting adjourned at 4:20 p.m.

Respectfully submitted,
Meredith Poppele, SCC Exec. Ass't.