

Minutes*

Senate Committee on Finance and Planning
Tuesday, November 16, 1993
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), Mary Askelson, David Berg, David Dahlgren, Mark Davison, William Gerberich, Michael Hoey, Karen Karni, Fred Morrison, Roger Paschke, Richard Pfutzenreuter, Doris Rubenstein, Thomas Scott, Mary Sue Simmons, Susan Torgerson, Dianne Van Tasell

Regrets: None

Absent: Karen Geronime, Craig Kissock, Albert Yonas

Guests: Senior Vice President Robert Erickson

Others: Budget Office staff

[In these minutes: Budget status and process, 1994-95; strategic planning documents]

1. Resource Allocation Guidelines

Professor Rubenstein called the meeting to order at 3:15 and asked Mr. Pfutzenreuter to review the draft resource allocation guidelines with the Committee.

Mr. Pfutzenreuter distributed a seven-page handout with budgetary data and a draft resolution for the Board of Regents concerning the 1994-95 budget; he emphasized that the budgetary data are preliminary. He reviewed with the Committee the current estimates of this year's resources and expenditures for O+M funds, State Specials, ICR funds, and the Central Reserves. There has been no prediction of a reduction in state funds for the current year; although the legislature provided for the possibility of a 1% rescission, it now appears that the state revenue projects will be sufficient to preclude the necessity of the rescission.

Mr. Pfutzenreuter noted that the base budgets have been adjusted to accommodate expenditures that HAD to be covered (such items as rent, contracts, debt service). As a result, the base O+M budget is \$2.8 million above that set last year; of that, \$2.2 million is to cover the first installment on the debt service for the new basic sciences building. It may be that part of that debt will be ultimately charged against ICR funds.

The status of the Central Reserves is a cause for concern, he told the Committee. The balance at

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the end of this fiscal year is projected to be \$22 million; at the end of the next fiscal year it would be down to \$17 million. \$14 million in one-time charges have been taken from the Central Reserves; of the expenses charged against them, \$21 million are recurring. (The \$14 million in one-time charges consisted mostly of CUFS expenses, staff development funds, and money to cover last year's tuition shortfall.)

Mr. Pfutzenreuter then explained, with respect to the projected resources and expenditures for 1994-95, that the expenditures include a 3% increase for non-compensation items (e.g., supplies). With that increase, and the other base adjustments, there would be an unobligated balance of \$7.3 million for other uses. The projected expenditures make no assumption about compensation.

He then reviewed with the Committee the following numbers:

| | | |
|---------------------------|----|------------------------|
| Unobligated balance | \$ | 7.3 million |
| 3% Tuition Rate Increase | | 5.1 million |
| 5% Tuition Rate Increase | | 8.5 million |
| 4% Recurring Salary Costs | | 9.4 million |
| 6% Recurring Salary Costs | | 16.0 million |
| Strategic Investment Pool | | (no amount identified) |

The tuition income projections assume steady enrollment; that may be a somewhat conservative assumption. The availability of the \$7 million, Mr. Pfutzenreuter also pointed out, will be contingent on legislative action.

The way to think about these numbers, observed one Committee member, is that with no tuition increase, the University will have about \$7 million to spend on all planning proposals and on salary increases. With a 3% tuition increase, the University would have about \$12.4 million and with a 5% tuition increase there would be about \$15.8 million. At this point, no one has any idea what U2000 will cost; one can imagine administrative expenses in University College and several million for Student Affairs to make the campus more user friendly. The limit on funds is quickly reached when salary increases are also added.

The legislative understanding on tuition is that 5% is the maximum increase that may be levied.

The Committee then discussed for some while the salary raises negotiated with AFSCME: the actual raise granted next year of 3.25% and the step increases that are also achieved by staff members. The step increases come on top of the salary increase; even if there were no base salary increases, the step increases would be granted except for those who are at the top of their range. Later in the meeting, after Senior Vice President Erickson arrived, it was clarified that the net cost of step increases to the University was nearly zero when one takes into account turnover in positions and other factors--although individual units will be affected differently.

Asked about a rumor that there might yet be salary increases this year, Mr. Pfutzenreuter said he had not heard them. He pointed out that the projected balance at the end of this fiscal year in O+M funds

will be about \$50,000--so there is no money to pay salary increases.

Mr. Pfitzenreuter then drew the attention of the Committee to a visual that depicts the budget allocation process. The base adjustment process (to align revenues and expenditures) plus the Regents resource allocation guidelines will produce, by January, preliminary revenue and expenditure estimates. Taking those estimates, "preliminary investment targets" will be set. The plan also proposes to create a "Strategic Investment Pool," although the size of the pool has not been decided. (Some institutions set them as a percentage of the budget--e.g., 1% to %--Mr. Pfitzenreuter explained, but there are a number of ways one could decide on the amount to set aside.) If the "Preliminary Investment Target" were imagined to be \$1, for example, one could allocate 5 cents to the Strategic Investment Pool and the other 95 cents to the "Resource Responsibility Centers" (i.e., collegiate and administrative units, 49 in all). Following identification of the amount to be put in the Strategic Investment Pool, Mr. Pfitzenreuter told the Committee, the "95 cents" will be allocated differentially to the units--there will be decisions early to provide differential amounts.

Following the differential allocations to the units, there will be budget hearings at which the units will make presentations concerning their choices and accomplishments and the impact of the proposed allocation. The units will also be able to make application for funds from the Strategic Investment Pool. Following the hearings, there will be final allocation decisions and the budgets will be set up in CUFS.

It appears, summarized one Committee member, that there will be two discrete decisions. One will be made in Morrill Hall without unit participation: the initial budget allocation. The second will be made after information is provided. What justification is there for making the first budget allocation without information? That initial figure will be a target, Mr. Pfitzenreuter said, and the numbers will not be uninformed by the vice presidents and deans. Ideally the planning process will inform the numbers, although that will not be the case this year, he said.

What will the numbers be based on, he was asked? The best judgments of the senior officers plus the best information available to them. That will be a random and arbitrary process, it was said; it will not be completely arbitrary, Mr. Pfitzenreuter responded, although one might say it could be BETTER informed. And the first allocation decision, he repeated, will only be preliminary.

All could understand, it was said by one Committee member, that 1% would be taken off the top of the budget for the Strategic Investment Pool--all would realize the base budgets were being retrenched 1% across the board. But it will be hard to justify retrenchments that are informed only by the judgments of the two senior vice presidents.

Historically, Mr. Pfitzenreuter pointed out, units are given different targets--3% or 4% or 6%--and asked how they would respond. This process would give them one number and ask the units to explain the impact in budget hearings, with a final decision made then.

This issue then gets to an idea that Professor Rubenstein has mentioned earlier, said one Committee member: if there is a set of decisions by full time non-teaching, non-researching administrators, they won't have much credibility. Perhaps a budget committee that includes faculty members ought to be considered. It was agreed that the President and senior academic officers have been faculty, but they are now administrators who will seek to move the University in particular directions. One cannot support

delegating authority to one person in this process. Perhaps one could do so if the necessary information were available, or if there were to be across the board increases or reductions. But one must be very uncomfortable with the idea that differential allocations will be made based on subjective criteria.

It would be more accurate to call them preliminary budget planning numbers, Mr. Pfutzenreuter explained, subject to final decision after the process is informed about the consequences. In an important way this is different from last year, he said in response to a question; at the last minute departments were given a 2.64% reduction because of the tuition shortfall--and the administration was severely criticized for doing so.

With respect to the Strategic Investment Pool, one Committee member noted, units will have funds taken from them across the board but returned to them differentially, depending on how their plans help advance institutional goals. One would have no problem with the reductions, added another, if there were a plan in place and directions set. The problem is that decisions will be made in the next six weeks when there are no plans, only notions held by the vice presidents. The proposed process is not fair unless there is "input" by the operating units before the preliminary decisions are made.

A great deal will ride on the budget hearings, pointed out one Committee member, and the amounts that can be adjusted as a result. One could be more comfortable with this process if it is understood there will be a lot of leeway for changes. If not, and if there is no mechanism built in to inform the process, it will be inefficient not to have the information before preliminary budget decisions are made. Mr. Pfutzenreuter said the second decision is to be informed by information. There is a balance between getting a number earlier than usual, to eliminate uncertainty, and having it be fully informed. The preliminary allocations will be subject to change--but it would be less than honest, he said, to suggest they could all change a great deal later.

Asked why there are preliminary allocations at all, Mr. Pfutzenreuter said they will provide an opportunity to learn the impact prior to final allocations--rather than sending units away with a 2.64% reduction and telling them to report later on what happened. But the allocations are only "preliminary," he was reminded, if there is an opportunity to change them later.

Discussion then turned to the draft resolution for the Board of Regents. This will be the first time the Board will have the opportunity to see budget principles this early in the year; traditionally, Mr. Pfutzenreuter told the Committee, the Board sees them in May--sometimes as early as March--and acts on them the next month. This year they will see the principles first in December and act on them in January. This is an active Board, he said, that wants to be informed and play a role in making choices.

This draft resolution contains no numbers, it was pointed out (e.g., for salary increases, tuition rates); will they be included later? Mr. Pfutzenreuter said the Board of Regents will want to see recommendations by January. Asked about the data distributed to the Committee, he said that only the vice presidents have seen them before this meeting.

To recap the discussion for Senior Vice President Erickson, who joined the meeting late, it was said that the projected net available funds total \$7 million plus whatever is raised through tuition increases; those funds must pay salary increases (which will cost between \$9 and 16 million), U2000 costs, and--it was added now--a repayment to the Central Reserves (on the grounds that \$17 million is not

sufficient).

On the latter point, Mr. Erickson said he agreed they should not be reduced to such a low level. The University has been fortunate the last few years in generating investment income. And from an economic standpoint, there are NO reserves--because the obligations that exist over the next several years exceed the projected balance in the reserves. So, it was said, there is a maximum of about \$16 million for the three needs (salaries, planning, and reserves)--which means that the University is starting with barely enough money, or more likely NOT enough money, to support all of them. It is worrisome, then, to contemplate ad hoc differential allocations to units on an uninformed basis.

Mr. Pfutzenreuter again responded that that overstates the case; the allocations will perhaps not be FULLY informed, but they will not be UNinformed.

Nor will they be based on planning, said one member of the Committee. To say that is unfair, responded another Committee member, because it was never claimed that next year's budget could be based on planning. Even so, Mr. Erickson commented, there is starting to be a lot more information available. He agreed, however, that these were legitimate questions.

Asked about the performance measures, Mr. Pfutzenreuter recalled that they had been outlined in the Resource Allocation Reform Effort document that had been distributed and discussed at two earlier meetings of the Committee; they include issues of effectiveness, efficiency, workload, and so on. An attempt is being made to identify eight or nine standard measures to be used across all units; in addition, the administration will work with each unit individually to develop measures that they want to see used in budget hearings.

Mr. Pfutzenreuter was asked about the three pages of budget adjustments. He said they were provided to keep the Committee informed. There were a number that came in that the University denied--they were seen as decision questions, not unavoidable base budget adjustments. The base adjustments were "must do's"; some were rejected as being "want to do's" rather than "must do's." The adjustments include money being collected for the Restructuring and Reallocation effort. The base adjustments also include a series of transfers that total to zero; these are changes intended to align funds with where they are being spent.

Several of the transfers, it was noted, bring to mind the Committee concern about instances of the University providing a service to a subgroup where fees could be charged--which activities should the University be subsidizing? How many such activities are there? Mr. Erickson pointed out that the Brenner committee has started to catalogue those activities as part of its effort to deal with the issues of supported and non-supported space. He said he did not know how big an item in the University's budget these activities are.

Would it be possible for the Committee to get a report on these service activities? Professor Rubenstein inquired. The issue is "on the radar," Mr. Pfutzenreuter said, as something the University needs to get a handle on, but nothing will likely be available for several months.

Professor Rubenstein thanked Mr. Pfutzenreuter for again presenting clear and understandable information to the Committee in a timely way. Mr. Pfutzenreuter confirmed, in response to one last

question from a Committee member, that the point of the change in schedule is to allow earlier budgeting forecasts. Mr. Erickson also affirmed emphatically another comment that the intent is to hereafter allow budgeting to be tied to planning.

2. Health Sciences Principles

Professor Rubenstein reported that Provost Infante told the Provost's Council that the document setting out principles on the relationship between the Health Sciences and the rest of the University has been revised a number of times and that it will, it is hoped, be in the hands of the Committee by the end of the week. Presentation of the principles to the Board of Regents has been postponed to January in order to permit further consultation.

3. Draft Committee Motion

Professor Rubenstein then turned to the planning documents and the draft motion the Committee might adopt concerning U2000. Suggestions were made by Committee members for changes in the documents.

- The libraries should be singled out, in the discussion of research and infrastructure, for special support because they are so crucial to the research mission. The statement could also refer to information technology and retrieval rather than simply the libraries.
- The objective of improving minority student graduation rates should include a target date, parallel to the statement about the improvement of graduation rates generally.
- A broader issue involves the tenure code (technically, the supplemental regulations, not the tenure code itself) and promotion of associate professors to full professor: There may be associate professors whose research productivity has fallen off but who are excellent teachers; right now, those individuals would be effectively barred from promotion. That situation may be inconsistent with the language in the planning documents about recognizing and rewarding good teaching. Other Committee members suggested that the regulations SHOULD bar promotion--but not substantial merit salary increases would not be precluded for such individuals. There could, then, be an overlap in salary ranges for associate and full professors.
- The language about expanding the number of practitioner-oriented master's degree graduates is not intended to say anything about the practitioner-oriented degrees at the baccalaureate level. It is clear, from state planning documents, that the state produces far fewer such degrees than it needs--and the University is the principle provider of the programs that produce these graduates.
- Another performance indicator for graduate and professional programs is the quality of the applicants--it is a direct measure of the reputation of a program. One good indicator is the number of first-year fellowships awarded by the Graduate School because it involves an institution-wide judgment of quality. One could also consider using the quality of the entrants. Either, it was said, would be an easier measure to use than placement.

- Will cluster planning be continued in the future, with annual refinements and reports? The answer, it appeared, is "more or less, yes." As budgeting is tied to planning, cluster planning would be recurring rather than episodic, although there would not necessarily be full-scale efforts every year. This is also only the first pass at clusters, Mr. Erickson pointed out, and decisions will need to be made later about what was useful and what was not. There also needs to be more definition and understanding of the charge to the clusters as well as more faculty participation; right now it consists "of vice presidents and deans talking to themselves." It was also pointed out that the relationship between college and cluster planning is not clear.
- The planning process as structured has an advocate for University College--Vice President Allen and his task force. There is no parallel advocate for the residential/research university; it appears to be left to the interstices of college planning. In the long run that will not work, it was said, because the residential college will be third or fourth priority while University College is first priority for Vice President Allen. There needs to be an advocate for full-time students; the problems are cross-collegiate and in student services but no one is championing their needs.
- A question was raised about the use of the term "residential." One Committee member said one can draw the implication from the plans that there should be a larger number of resident students, which ties into providing more support for students and helping them get through. Providing more resident opportunities is also tied to making the University more attractive to prospective full-time, four-year students. This also relates to the need for an advocate, it was said; part-time students will have one to deal with the many such issues that affect them, such as access, lighting, security, transportation, and so on. Full-time day students also have problems that do not fall neatly in any one vice presidential area--but no one is coordinating the development of a response to them.

Committee members then took up the draft resolution. Following editorial amendments, clarifications, and changes in emphasis, a final version was adopted on a vote of 9-1. The resolution is as follows:

RESOLVED, the Senate Committee on Finance and Planning:

1. SUPPORTS the general directions for the University proposed in the planning document "University 2000: Mission, Vision, Strategic Directions, and Performance," as a first step in the planning process, while expressing concern that University College and other details should be subject to further consultation with faculty, staff, and students before implementation.
2. RECOGNIZES that the financial issues set forth in the document "University 2000: Institutional Strategic Financial Issues" are key questions, and that they must satisfactorily be answered, before University 2000 can be accomplished.
3. EMPHASIZES the importance of the participation of members of the teaching

and research faculty and of the staff and students in the further planning steps described in "University 2000: Strategic Planning Process" if they are to be empowered as enthusiastic participants in the accomplishment of these goals and visions, and especially emphasizes the importance of direct participation of faculty, staff, and students in the "cluster planning."

4. APPRECIATES the extensive consultation which has gone into the development of the current draft.

5. CALLS FOR a continuation of that consultation--

--with this Committee, especially with respect to the financial and planning questions,

--with all appropriate committees of the Senate, with respect to those parts of the plan which affect their responsibilities, and

--with members of faculty, staff, and students with respect to the implementation of the plan, especially collegiate and cluster planning.

One Committee member announced he that he voted against the resolution because U2000 is too much of a mystery. Another Committee member pointed out that there were several possible verb choices in the first point; it is not "endorse"--which is stronger--nor is it "accepts"--which is weaker. It is not an enthusiastic resolution but it supports the directions. Nor, it was said, does it support "the plan," because there isn't one. From what colleagues are saying, it was said, attitudes toward this plan "start at lukewarm and go colder"; no one is enthusiastic--and that may be the worst situation. If no one is enthusiastic, the plan may not work.

There is no plan yet, one Committee member repeated, and this is resolution is not a vote for a mystery. It is a vote to start the planning process.

It is difficult to understand the concern about the lack of details, argued one Committee member once again; that suggests a misunderstanding about the planning process. One goes from the general to the specific; we should NOT WANT the details now, and not from the administration--the details should come from faculty, staff, and students. Right now the focus must be on direction.

One Committee member responded that if the concern is about the administration imposing details, it may be legitimate--the process outlined earlier in the meeting by Mr. Pfutzenreuter suggests that may very well occur, and on the basis of these documents. There is reason to be concerned, agreed another Committee member, that the details of the plan could be filled out in a way that increases excellence--or that damages the University.

Professor Rubenstein then adjourned the meeting at 5:15.

-- Gary Engstrand