

MINUTES
SENATE FINANCE COMMITTEE

April 2, 1987
3:15 - 5:00
300 Morrill Hall

Members present: Carl Adams, John Adams, Tim Allison, Andy Collins, Jill Gaudette, David Hamilton, Wendell Johnson, Sally Jorgensen, Gerry Klement, Geoffrey Maruyama (for William Boylan), Tom Scott, Phil Shively (Chair).

Guests: Vice President Roger Benjamin, David Berg, Vice President Stanley Kegler, Vice President David Lilly, Roger Paschke, Richard Purple, Maureen Smith.

1. The minutes of March 5 were approved as distributed.
2. Legislative report.

Professor Shively introduced Professor Purple, the faculty's legislative liaison, whom he had invited to attend.

Vice President Kegler reported as follows. The University anticipates an increase for the biennium of \$75 million to \$80 million. There is legislative intent on the Rank Funding Adjustment item (\$24 million sought) to designate \$4 million to solve problems at UMD. The U anticipates a \$3 million reduction in state specials. The University spent \$1 million on the farm debt remediation program and may not recover that outlay. As regards the bill to use a portion of the PUF for scholarships for coordinate campus students, it may be constitutionally impermissible for the legislature to direct the spending of scholarship funds for specific campuses, if done without regard for Regental action. The UMD separation bill has been tabled for interim study. President Keller and Vice President Kegler have discussed CTF with about 165-170 legislators.

The outlook for capital appropriations is for a bonding bill about half the size of the request. Basic Sciences within the Health Sciences and a Minneapolis Campus Recreational Sports Center are the largest items.

3. The 1987 Unallotment.

Professor Shively asked Vice President Lilly to describe the unallotment. Vice President Lilly explained that the legislature in 1986 cancelled \$15.788 million of the University's appropriation (what it determined to be the University's share in meeting an anticipated revenue shortfall), and

that that sum was what would now be restored (since revenues have been greater than projected). The legislature is not restoring an additional \$1.9 million which the governor ordered unallotted.

The University, reported Mr. Lilly, took \$3.23 million of the unallotment from the 1986-87 O&M budget and \$2.42 million from state specials, and borrowed \$12.041 million. Since the unallotment was not to permanently reduce the base, what the University actually recovers is \$3.7 million, all in the current fiscal year.

Vice President Benjamin told SFC that staff would develop a set of options for the use of the recovered money and bring them to the SFC within a month. Vice Presidents Kegler and Lilly told the Committee that the sentiment in administrative meetings has been that the cuts were reductions in the bases of the units from which they were taken. Professor Shively, on the other hand, had been told by a faculty member of last year's SFC that the 1985-86 Finance Committee felt strongly and was given assurances that the unallocation exercise should not be used for reallocation purposes if the funding were restored. Vice President Lilly thought the University would not regard units as being entitled to any given amount in their bases, but rather would allocate on the basis of the Strategy for Focus plans. Professor Shively suggested it would be sensible and fair to get an accounting of the monies unallocated from units and take them into consideration in the upcoming reallocation process. Vice President Benjamin responded that that would be fair.

4. Proposed University Credit Union.

Professor Geoffrey Maruyama, Chair of the Senate Committee on Faculty Affairs, reported that SCFA and the Student Senate have approved establishment of a University credit union. SCFA posed a set of questions to Roger Paschke, Director of Investments, to which he responded in detail. The issue is to what extent a University credit union could give members services unattainable from other institutions, most notably the State Capitol Credit Union (SCCU). However, the SCCU, after initially indicating it could not provide several sought-after services, now appears keenly interested in trying hard to meet faculty needs, but has not fully addressed student needs. Although SCFA has approved in principle the establishment of a University credit union, it has not closed off the SCCU option and plans talks with SCCU.

Mr. Allison reported that the UMD students would not favor establishment of a University credit union if the coordinate campuses were not guaranteed branches.

Mr. Paschke told the Finance Committee that the University's risk would be its anticipated \$4 million initial deposit which would be repayable over a five-year term. The University would probably not receive market rate interest on that deposit. A University credit union would be an independent entity and the University would have no liability regarding other deposits. The University would provide 1000 square feet of office space, probably in Coffman Memorial Union. Other campus services available to the new union would be the campus mail service and the telephone system; they might also include computer services and/or investment

services.

Mr. Paschke reported that college and university credit unions typically diverge over time to independent support, buying or providing their own services over time, as they grow. He said there are 15 strictly student credit unions, and 70 university credit unions nationwide, many of which allow student membership.

He said the SCCU could not guarantee a credit union office on each coordinate campus. Each chancellor would have the responsibility to decide whether to provide office space and, in addition, a credit union would have to determine whether it was likely to be economically feasible to establish an office at one or another of the coordinate campuses, and then to approach the chancellor if it desired office space.

Mr. Paschke went on to say that the steps taken so far put the University in a position to obtain the authority to establish its own credit union but will not require the University to do so if the SCCU can provide what the University wants. However, the application for the University Credit Union is proceeding. The question has been under consideration for about a year. The University's approach over many years, he said, has been to try to identify outside agencies which will provide the various services faculty and students have asked for. Because the University has been unsuccessful in that quest, it has moved to establish its own credit union.

SFC members wanted the University's risk to be minimized and not to exceed some fixed term, and they wanted assurance of representation on the prospective union's board. Mr. Paschke told the Committee that the bylaws drafted for the current plan call for at least one board member to come from each of the depositor groups-- students, faculty, staff, and alumni.

Professor John Adams voiced his skepticism about a University credit union actually having the means to provide those desired but presently unavailable services because of their expense.

Committee opinion. Professor Shively called upon SFC members to indicate whether they approved in principle the proposal to establish a University credit union if there were added to the appropriate binding document a renegotiation of University subsidies after ten years. With one audible abstention, members voiced their assent.

5. Report of the Chair.

A. SFC members who can will need to hold a short meeting on April 3 to discuss with Vice President Benjamin what should be the University's response to a House request on where in the Governor's recommendation on a University appropriation the University would take the \$7.8 million cut the House proposes. Members agreed to meet at 10:30 a.m. in 300 Morrill Hall.

B. Recommendations to the administration on the distribution of

faculty salary increases: The Consultative Committee is considering which committees should address the question. Professor Shively suggested that this year two committees address the question: SCFA from a faculty affairs standpoint and the Faculty Consultative Committee in its all-University aspects. Since distribution does not affect University finances, he suggested that the Finance Committee not comment on distribution but only on how much of the University's budget should go into faculty salary increases. Committee members expressed no opposition to this plan.

The meeting adjourned at 5:00 p.m.

Respectfully submitted,

Meredith Poppele
Secretary