MINUTES
SENATE FINANCE COMMITTEE

May 21, 1987
3:15 - 5:00 P.M.
238 Morrill Hall

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

Guests: Vice President Roger Benjamin, David Berg, Mary Bilek, Carol Campbell, Shirley Clark, Vice President David Lilly.

1. The minutes of April 30 were approved as distributed.

2. Changed dates of effective faculty appointments.

Funding is not available, so the item was removed from the agenda.

3. Setting of Amount for Academic Salary Increases for Next Year.

Vice President Benjamin discussed with the Committee a draft letter to Vice Presidents, Deans, Directors and Department Heads which outlined the procedures for the distribution of salary increases for faculty and other academic staff on the Twin Cities Campus. Vice President Benjamin explained that because of the lack of adequate funding, President Keller will be recommending to the Regents an increase of 4.5 percent for salaries, with .25 percent being retained centrally for special retention cases. Units may, if they choose, reallocate funds internally to provide higher salary increases. All increases for 1987-88 will be merit based.

When asked about legislative funding, Vice President Benjamin reported that the total 0100 budget from legislative and other sources is $444 million. Within that $444 million, Legislative intent is clear that $15 million of that funding will go for grid ICES debt service, solid and hazardous wastes, repairs and replacements, library staff acquisitions, Graduate School fellowships, and other items. The Legislature also allocated $2.6 for Funding Rank Adjustment.

Professor Shively asked what would have to be cut in order to bring faculty salaries back up to the 5 percent increase. Could Funding Rank Adjustment money be reallocated to faculty salaries? Vice President Benjamin did not think it wise to use the Funding Rank Adjustment to make up the difference. When asked if there were commitments made against these funds, Vice President Benjamin reported that it is intended that UMD will receive $443,000 or 1/6 of the allocation.

Since Vice President Lilly had to leave the meeting, the discussion of faculty salaries was deferred until later in the meeting so as to allow Vice President Lilly to present the next item.

4. Faculty Summer Fringe Benefit Charges.

The issue on the apparent inequity in the way fringe benefit charges are placed against grants for those faculty who charge salary against grants, particularly the NSF, was raised in the Senate Research Committee.

Carol Campbell explained the process for calculating fringe benefits. There is a pool which is made up of salaries which includes everything except summer teaching; all costs of fringe benefits are applied to the pool of salaries; and an annual fringe benefit rate is attained. Ms. Campbell explained that the rate would be higher than it is right now if summer session is not excluded. Vice President Lilly asked that the item be deferred in order to give him time to study the issue further.

5. Decentralized Budgeting of 0100 Fringe Benefits.

Vice Presidents Benjamin and Lilly gave a brief overview of a recommendation by Kent Jones that 0100 fund resources currently budgeted centrally for fringe benefits be transferred to academic and support units in the 1987-88 budget. This proposal is intended to match up responsibility to accountability at the departmental level.

Each unit will be allocated funds in the 1987-88 budget equal to each unit's anticipated 1986-87 actual fringe benefit charges. At the end of the 1987-88 year, the actual costs will then be adjusted either upward or downward with funding provided centrally to cover these adjustments. After the initial 1987-88 year-end allotment adjustment, central funds will augment fringe benefit budgets annually to cover anticipated increases in fringe benefit charges resulting from increases in salary compensation plans, increases in fringe benefit costs, or increases in centrally funded salary positions. However, additional funds will not be provided to cover increases in fringe benefit charges resulting from unit decisions to reallocate SE&E funds for salary purposes or unit decisions to substitute full-time employees for part-time employees.

There was some concern expressed that departments could look on this as a way of saving money -- instead of hiring a full-time position, hire a person on a part-time basis so as not to have to pay the fringe benefit costs. With the monitoring by EEO and the processes for hiring, it was not thought that this would be a problem. It would, however, make departments look more closely at the real costs of hiring a person, taking into account fringe benefits as well as salary. This proposal does nothing to change the policies on fringe benefit charges on research grants.

There was agreement that this is a good and sensible proposal which will be forwarded to the Central Administration for implementation.

6. Senate Research Committee Motion to Support a Maintenance Funding Level for the Technical Services Shops in FY 1987-88.

This item was deferred until the June 4 Senate Finance meeting. Jud Sheridan will be asked to be present to discuss the issue.

7. Proposed FICA Withholding for Part-time Student Employees. Guest: Carol Campbell

Carol Campbell briefed the committee on the Federal proposal to end the exemption from Social Security (FICA) tax for students employed by a college or university. This proposal will be addressed in the Reconciliation Bill in September. If implemented, it would cost the University approximately $6.8 million and the students an equal share. Lobbying is being done with the Minnesota Congressional Delegation and the House Ways and Means Committee. Representative Frenzel will be asked to sponsor legislation against this proposal.

8. Problem of Deficits at the College Level.

Vice President Benjamin reported that at the moment there is one unit within the University which has a serious deficit problem. There may also be other units that have deficit problems, but not as serious. In the past, units may have benefited by running a deficit, but that practice cannot be allowed to continue. Vice President Benjamin has talked to the Deans about this problem and various steps will be taken when a deficit occurs. First there will be a polite request for corrective action; second, fiscal control of departments will be handled in Morrill Hall; third, the Dean will be fired.

9. Continuation of Discussion on Allocation of Faculty Salaries.

The committee then returned to the discussion on the allocation of faculty salaries. Vice President Benjamin again reported that under the current scheme, 4.75 percent would be allocated to each campus. On the Twin Cities Campus 4.5 percent would go for salary increases and .25 percent for retention, with the proviso that units may reallocate to give higher salary increases. Vice President Benjamin stated that when you look at the $32 million hard money increase, and $15 million of that is mandated by legislative intent, you are left with approximately $16 - $17 million.

It was brought up that in previous discussions Vice President Benjamin had stated that faculty salaries were the top priority and the Central Administration would reallocate to provide an average 5 percent increase per year. Professor Shively again asked what would have to be cut in order to bring faculty salaries back up to the 5 per cent increase. Vice President Benjamin reiterated that the Administration's priorities were: faculty salaries; civil service salaries; SE&E; comparable worth; and fuel and utilities.

There is an approximate figure of $4 million in discretionary money available after funding the priorities. There are also potential claims on this $4 million for requests which won't be met next year. These potential claims included instructional computing, financial aid, and the Veterinary Diagnostic Lab. Vice President Benjamin noted that the Administration is trying to keep hard money commitments at a minimum to retain flexibility per the intent of the whole planning process. Several committee members voiced concern over the change from 5 percent to 4.5 percent for salaries and the discussion continued as to what steps could be taken to bring salaries back up to 5 percent. Vice President Benjamin thanked the committee for its input and will take its suggestions into consideration.

The meeting adjourned at 5:15 p.m.