

MINUTES
SENATE FINANCE COMMITTEE
MARCH 3, 1988
3:15 - 5:00

Present: Mark Brenner, John Clark, Shirley Clark (Chair), David Hamilton, Sally Jorgenson, Gerald Klement, Bill Kukowski, Geoffrey Maruyama, Richard Mealey, Cleon Melsa, Walter Weyhmann

Guests: Neil Bakkenist, Roger Benjamin, David Berg, Mary Bilek, Carol Campbell, Ed Foster, Gayle Grika, Richard Heydinger, David Lilly, Irwin Rubenstein, Phil Shively, Maureen Smith

1. The minutes of January 14 were approved as distributed.

2. Support Services and Reserve Allocations

Guest: Neil Bakkenist, Assistant Provost, Support Services and Operations

Mr. Bakkenist expressed his appreciation for the opportunity to talk with the Senate Finance Committee. Though auxiliary services reports to a number of committees in different ways they are now looking at making this dialogue more comprehensive with the governance structure. He distributed a report titled "Support Services and Operations Overview," explaining that this was an attempt in two pages to describe an extremely complex system, but that it will give the committee an idea of the scope of Support Services in size and in dollars. Mr. Bakkenist went through the report briefly with the Committee and then several questions were asked.

-- What is the actual amount of money in the Support Services reserves? Mr. Bakkenist answered that there is a total of \$28 million in reserve right now and there is a total of \$16 million involved in projects that are currently underway. The total amount of reserve money increases at a rate of \$2.3 million a year.

-- Who makes the decisions concerning the spending of these reserves? Mr. Bakkenist said that the process is different depending on the type of reserve. The expansion of parking services, for instance, would come from General Services to him and for approval and then to Vice President Benjamin. The final decision would be made between Vice President Benjamin and Vice President Lilly. Mr. Bakkenist would make the decision on most equipment expenditures.

-- To clarify for the Committee the concept of trustee-held reserves and their limitations, Mr. Bakkenist said that the bond market requires that there will be enough money set aside to do the deferred maintenance to keep their investment viable. In housing, for example, there is \$1.5 to \$2 million dollars in reserves that can only be spent on on maintenance.

-- How much of the reserve money is discretionary? Mr. Bakkenist stated that there are no "discretionary funds." Each reserve has a specific purpose. If flexibility is needed, for instance if there is not enough money in Parking to build a parking ramp,

money could be taken for this kind of project from the general reserves only after it has been approved by Vice Presidents Benjamin and Lilly. If a significant amount of money was needed then the bond market would be considered. There is flexibility in that money is put aside in accounts that capital is being built up for future projects, but an attempt is made to keep a rigorous integrity within accounts. Vice President Lilly commented that as an overall goal we are trying to aggregate as much as possible the capital that would be devoted to "this, that, and the other thing" and use it for University priorities.

- Ed Foster was asked what comprises a fair return on capital investments. He said that 2.9% is slightly better than would have been expected since in some parts of the organization you attempt to just break even. He explained the reasoning of setting a profit margin at slightly above cost.

There was then some discussion of the issue of services performed by the University vs. outside contractors. Mr. Bakkenist said that outside contractors are considered for all services, but in almost every case the University can do the job for less money. The Plan for Focus document, for example, was printed on the University printing press for \$6600. A company called Beckwith bid for the same project at \$13,500. It is not uncommon for companies to add 9% to 12% to the cost of its services for corporate costs. On the other hand, some companies are willing to serve at 20% below their operating cost, taking a prohibitive two to three year loss in order to dismantle the University's equivalent service. Even with this reduction, the University is still able to beat their price. If more competitive rates can be found outside the University for certain services, he encourages departments to use them.

Vice President Lilly commented on the advantage of the University providing its own services. This way the cash stays within the University and is reinvested. He stated that as long as we remain competitive we all benefit from operating this way.

Professor Clark concluded this item by saying that this has been a productive exercise and that continued scrutiny of Support Services and Operations needs to be made by the governance structure and the Finance Committee in particular in order to promote dialogue and assure accountability. She suggested that it may be appropriate for an annual report to be made at the end of the fiscal year.

3. Indirect Cost Recovery proposal; conformity with University Senate Resolution

David Hamilton handed out a draft of the progress report on the ICR fund which is being developed in the Senate Committee on Research. He said that the purpose of this draft was to put the principles embodied in the Senate resolution on ICR distribution in spreadsheet form to show how the funds would be distributed. He explained that the Senate resolution essentially states that you take the total indirect cost recovery, subtract the cost and divide the remainder in half. One half goes to central administration and the other half goes to the units for their distribution. This model distributes the money (\$9 million dollars for the units) back to the units in proportion to the amount of money that the unit brought in.

To demonstrate the equitability that this plan proposes, Professor Hamilton pointed out that the Medical School by this model should receive \$3.6 million while actually last year it received only \$1.8 million. The Institute of Technology, on the other hand, received \$5 million while by this model it would have received \$1.8 million. The research committee believes that the Senate model is workable. Two things need to be agreed upon:

- The costs will have to be negotiated.
- There will need to be an agreement as to where in the University the decisions will be made with respect to the use of ICR money. For instance, the use of the new faculty set-up money would be decided upon by the unit rather than central administration.

The difference could be made up from central discretionary funds.

In response to this report, a question was raised regarding the sum of \$29 million and the fact that the University does not actually have this money. Professor Hamilton's response was that he worked with the basic assumption that an offset of \$7 million dollars will be received from the legislature. If this money is not received then there will obviously have to be a reduction across the board. He added that for this proposal to work at a unit level the full \$7 million has to be received.

Professor Weyhmann commented that until the bottom line is known, no judgment can be made about this proposal.

Questions were raised concerning the distribution of the money. Would the return be on an annual basis, for instance? Professor Hamilton answered that it would be received on an annual basis, and that ideally the dean of each unit would be able to plan on and budget for this money.

Other needs of the University, such as increased funding for Walter Library and computing, as well as funding required to begin implementation of Commitment to Focus, could be met at a central administration level with the ICR money that it receives.

Professor Maruyama was concerned for units that do not bring in as much money, such as CLA. Professor Hamilton said that while nobody wants to put these units in jeopardy, there is an issue of equity. The Medical School, for instance has a small return on a large income while its needs are great. Professor Hamilton ended this item optimistically, saying that small increases in money could make a dramatic difference to the units.

4. Progress on the University's 1988 legislative request

Vice President Richard Heydinger began by emphasizing the value of faculty members spending time at the Legislature as legislators appreciate hearing their perspective on issues. He reported that the Senate is currently taking action on the issue of a coordinate campus in Rochester. While Rochester has a good proposal based on their educational needs and we want to be supportive, Vice President Heydinger sees two drawbacks: first, it distracts us from our main state-wide agenda with Commitment to Focus and coordinate campus plans and second, they may have unrealistic expectations of their ability to recruit people to come to Rochester for the areas of education which they propose. These three areas are electrical engineering, computer

science and technology management. He was surprised to discover, however, that 20% of our Master's degrees in electrical engineering are delivered in Rochester.

Vice President Heydinger also addressed the issue of the Eastcliff controversy and its effect on the request. He first mentioned that he thought it was significant that only 1 out of 201 legislators have come out asking for President Keller's resignation. He also observed that ironically the controversy has renewed discussion with legislators about educational philosophy and about Commitment to Focus and that they are expressing more of their opinions on these issues. He distributed a Background and Issues paper that was presented to the Senate today by the Legislative Audit Commission. This is one of four audits that are underway. The other three are the LAC audit on Eastcliff and the President's office, the Regents study on the same, and the University's prospective management study.

Capital appropriations will begin to be dealt with next week, he said. Ideally the people involved with the buildings would be able to give presentations but this would be unrealistic since there are 20 buildings and only an hour and a half to make the presentation. Instead he will probably ask those people to be there to answer questions.

A discussion of the possibility of sales tax being imposed on research grants followed. These were some of the comments.

- This sales tax could be potentially devastating to research. The amount of the tax, however, would be built into the grant.
- There is currently a lot of confusion in the faculty about research grant money already received, and that they will be in trouble if they receive a lump sum request for sales tax.

Vice President Heydinger has the impression that the Senate is more disposed towards giving the sales tax while the House seems to be trying to keep the floodgates closed.

Finally, there was brief discussion of the telecommunications system and whether or not there would be a study on that problem. Vice President Heydinger reported that while Vice President Lilly wrote a letter to the Board of Regents in response to this issue, there will basically be no follow-up since it is mostly a media-produced issue. Telephone costs have not gone up if the same features were purchased in the new system as were used in the old system. Some Committee members then responded that their costs have gone up while others said they have not. Another problem with the new telecommunications system is that people have not taken the time to learn how to use it.

Professor Clark presented several potential future agenda items. The meeting was adjourned at 5:15.

Respectfully Submitted,

Kelly Craigmile

UNIVERSITY OF MINNESOTA

University Senate Consultative Committee
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February 26, 1988

MEMORANDUM

TO: Senate Finance Committee
FROM: Shirley M. Clark, Chair
RE: Next Meeting

Senate Finance Committee Meeting
Thursday, March 3, 1988
3:15 - 5:00 p.m.
Regents Room, Morrill Hall

1. Approval of Minutes from January 14 meeting (mailed earlier)
2. Progress on the University's 1988 legislative request; plans for development of the 1989 biennial request: Vice Presidents
3. Support services reserve and allocations: Vice Presidents Benjamin and Lilly
4. Indirect Cost Recovery proposal; conformity with the University Senate resolution: David Hamilton

UNIVERSITY OF MINNESOTA

Office of the Clerk of the Senate
427 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455
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March 18, 1988

Professor Shirley Clark
Chair, Senate Finance Committee
275 Peik Hall

Dear Shirley,

I am writing you on behalf of the Senate Committee on Faculty Affairs (SCFA). At our last meeting, SCFA discussed with Mary Bilek of the Academic Affairs office factors affecting the monies available for salary increases for the 1988-1989 school year.

First, there seemed to be some differences in remembering how much money the Legislature actually appropriated for 1988-1989; my recollection was 5% (after 4.5% for 1987-1988). Second, there were two major cost items beyond the social security increase, viz., health plan costs and tuition benefits. Based upon our discussions, here are the available figures for tuition benefits: Last year tuition benefits were approximately \$7 million, with \$611,000 from Regents' scholarships, \$166,000 from faculty and other non-student professionals, and \$6.2 million for graduate students. The state provided \$2.5 million, with the University matching (actually \$2.9 million) from grant monies. It was not clear whether the match came from fringe benefits or from ICR monies, or some combination of the two. (Thus, concern 1: What revenues does the "charge" on grant RAs produce? Can that be augmented somehow?) Regardless of where the money comes from, there is a shortage of somewhere between \$1.5-\$3.0 million for this year. (Concern 2: Should our raise money be used to fund graduate student tuition benefits?) With respect to health care, the projected increase of 22.2% (not including Blue Cross/Blue Shield lump sum one-time charges) seems disastrous; we hope that either the State will provide relief or that some alternative means can help spread costs equitably.

In sum, we were greatly concerned about the consequences of these unexpected increases on the available raise pool. We hope that SFC can help us to broadly discuss both the principles underlying decisions about who should pay as well as what sources of revenue are available to cover such unexpected expenses. As an example, we expect that few faculty or staff had any idea that they might have to "foot the bill" for tuition benefits; we'd hope that decisions about where funding should come from would precede discussions of where funding will come from. A priori agreements obviously don't elicit the same emotional reaction that post hoc agreements do.

We hope SFC takes an interest in this issue and that you can help us with it. Thanks for your help.

Sincerely,


Geoffrey Maruyama
Chair, Senate Committee on Faculty Affairs

encl.

1988-89 Budget Plan

	1987-88 Base	1988-89 Increase	1988-89 Budget	Percent Increase
Academic Salaries				
On 'Line Items'	146,857,149	5,875,000	152,732,149	4.00%
On Salary Pools	41,292,140		41,292,140	0.00%
Percent Increase on Base				3.12%
Civil Service				
On 'Line Items'	90,489,519	2,275,000	92,764,519	2.51%
On Salary Pools	9,714,965		9,714,965	0.00%
Percent Increase on Base				2.27%
Fringe Benefits	58,763,178	7,650,000	66,413,178	13.02%
Supplies, Expenses, and Equipment				
On Fuel & Utilities	22,716,181		22,716,181	0.00%
On Library Acquisitions	4,197,558	250,000	4,447,558	5.96%
On All Other SE&E	67,821,048	507,150	68,328,198	0.75%
Percent Increase on Base				0.80%
Total O & M Fund	441,851,738	16,557,150	458,408,888	3.75%
Available for Distribution		16,557,150	458,408,888	3.75%
Difference		0	0	

O & M Fund - Fringes attributed salary category

	1987-88 Base	1988-89 Increase	1988-89 Budget	Percent Increase
Academic	225,589,289	10,750,000	236,339,289	4.77%
Civil Service	121,527,662	5,050,000	126,577,662	4.16%
Supplies, Expenses, and Equipment	94,734,787	757,150	95,491,937	0.80%
Total O & M	441,851,738	16,557,150	458,408,888	3.75%

	1987-88 Base	Cost of 1/2%	Cost of 1%
Academic Salaries			
On 'Line Items'	146,857,149	734,286	1,468,571
On Salary Pools	41,292,140	206,461	412,921
Total	188,149,289	940,746	1,881,493
Civil Service			
On 'Line Items'	90,489,519	452,448	904,895
On Salary Pools	9,714,965	48,575	97,150
Total	100,204,484	501,022	1,002,045
Fringe Benefits	58,763,178	293,816	587,632
Supplies, Expenses, and Equipment			
On Fuel & Utilities	22,716,181	113,581	227,162
On Library Acquisitions	4,197,558	20,988	41,976
On All Other SE&E	67,821,048	339,105	678,210
Total	94,734,787	473,674	947,348
Total O & M Fund	441,851,738	2,209,259	4,418,517

Fringe Benefits

	1987-88 Base	Required Adjustment to Base	1988-89 Increases	Percent Increase
Retirement				
FICA	17,214,000	468,000	723,384	6.92%
Civil Service	3,714,000		88,227	2.38%
Academic	18,777,000	511,670	847,555	7.24%
Health Plan	15,192,000	1,200,000	2,175,000	22.22%
Tuition Benefits	2,765,000	1,500,000	100,000	57.87%
Worker's/Unemployment Compensation	1,101,178		50,962	4.63%
Total	58,763,178	3,679,670	3,985,129	13.04%

We have separated fringe benefits from academic and civil service salaries because of the extraordinary increases being experienced and predicted to occur next year. As a reminder, fringe benefit budgets were established in the departments only last year. We are providing the necessary supplements to the 1987-88 budgets so that departments will not be required to cover shortfalls from other budget categories. However, these supplements are being provided from nonrecurring funds and the shortfalls must be addressed in the 1988-89 budget plan.

Obviously, fringe benefits are directly related to personnel or salary expenditures. In the case of FICA, civil service retirement, workers' and unemployment compensation, the only way to control the level of expenditure is to control salary expenditure. However, the University is able to determine the contribution rate for academic retirement, health care contributions, and tuition benefits. It is probably not possible to roll any of these rates back, but it may be possible to limit the total contribution for each employee for some of these benefits.

As if the picture painted by the fringe benefit schedule weren't bleak enough, we believe the State is going to bill us for losses experienced by Blue Cross/Blue Shield under the Aware Gold program in 1986-87. The combined bill for the O&M fund, the specials, auxiliary enterprises, and the hospitals is estimated to be in the range of \$2,500,000 to \$3,500,000.

FUTURE COMMITMENTS

DESCRIPTION		FY89	FY90	FY91	FY92	
ACADEMIC AFFAIRS--OFFICE (HARD)**	IAA	300,000				
AGRICULTURE--ENTOMOLOGY/NEURO SCI (2-5 YEARS)	IAA	20,000	20,000	20,000	20,000	Neuro Sci faculty
BIO SCIENCE--GFWBI - Deficit in fy86-87 ????	???	87,000				
CURA--MN CT FOR SURVEY RESEARCH	IAA	45,000				
COMPUTER SERVICE--WOKSAPE Dir Salary	IAA	50,000				
EDUCATION--PAT HELLER	IAA	33,750	32,000	32,000		
EDUCATION--ANNUAL DUES, HOLMES GROUP	IAA	4,000	4,000	4,000	4,000	
EDUCATION--REDESIGN OF TEACHER EDUCATION	IAA	125,000	125,000	125,000		
GRAD SCHOOL--NEUROSCIENCE PROGRAM (HARD)	IAA	38,000				
GRAD SCHOOL--WATER RESOURCES CTR	IAA	18,000				
LIBRARY--RLIN, LAW LIBRARY (HARD)	IAA	30,000				
LIBRARY--E. Smith - Salary & Support**		125,000				
CLA--SASS - Spouse of English Prof	IAA	25,000				
CLA--History - Spouse of Phil Prof	IAA	31,500	16,540			
CLA--History - Spouse of Agric Econ	IAA	20,000	15,000	10,000		
CLA--PAZENDAK	IAA	57,326				
CLA--E Asian - Spouse of Entomology Prof	IAA	38,500	34,500	34,500	34,500	Retirement in FY92
MANAGEMENT--CTF - Service Courses?????????	IAA	200,000				
MANAGEMENT--VAN DE VAN	IAA	55,000	55,000	55,000	55,000?	
PHARMACY--YE RAHMAN (HARD)	IAA	50,866				
U COLLEGE--GUARANTEED DEFICIT COVER FOR UWW	IAA	30,000				
MONDALE PAPER	IAA	50,000				
U PRESS - JACK ERVIN'S SALARY	IAA	36,000	36,000			
EEO - Women Faculty Environment	IAA	100,000	100,000			
SENATE - Streible, C.	IAA	100,000				
24 hours Study Space	IAA	40,000				
Technical Shop(salary)		51,185				
Lupton/Lopez		112,400				
B. Grundner's Classroom Equipment		15,000				
Student Course Evaluation - D. Perry		25,000				
TAC Allocations (FY88 allocation to 3/30/88)		600,000				
Searches(GC,FA,LIB,PRESS,VPROVDST,HUM,SS)????		?				
Salary Differential(Deans & Dir)		?				
KK & Reibe's Salary?		?				
AA RESERVE(U Neg,Band,MiIS,Cmt Trvl,Kolthoff,etc)		?				
TOTALS		2,513,527	438,040	280,500	58,500	

** Fringe Benefits are included.

University Senate
Finance Committee
March 3, 1988

Support Services and Operations
Overview

Support Services and Operations (SS&O) is an administrative grouping of auxiliary units that are in existence to support the educational mission of the University. Currently SS&O employs 1,150 FTE in 5 operating areas with 76 operating accounts. In 1986-87 SS&O had a gross operating income of \$78,582,498 with expenses of \$76,285,093 and a margin of \$2,297,405 or 2.9%. The value of SS&O financed buildings at cost is approximately \$85 million.

Areas:

I. Bookstores

Books Underground (St. Paul)
Harold D. Smith Bookstore (West Bank)
Minnesota Book Center (East Bank)
Health Sciences Bookstore

II. Food Services

Eleven Food Services (Mpls/St. Paul)
Vending Services
Special Events
Food Stores
Food Production Center

III. Housing Services

Eight Residence Halls (Mpls/St. Paul)
Faculty Housing (University Grove & Pillsbury Court)
Family Housing (Como and Commonwealth Cooperatives)
Off-Campus Housing
Campus Rental Properties

IV. Printing and Graphic Arts

Printing Department
Duplicating Services
Addressing and Mailing
Campus Mail
University Bindery

V. General Services

Technical Shops (Scientific Apparatus; Glass Technology; Electronic Instruments Service)
Fleet (Leasing, Rental and Shops)
Flight
Transit Services (Inter-campus and Route 52)
Parking (Mpls/St. Paul - Garages, Ramps, Lots)
University Laundry
Office Equipment Rental

Each of the above areas has a Director reporting to the Assistant Provost for Support Services and Operations. SS&O was administratively moved from the Office of the Vice President for Finance and Physical Planning to the Office of the Provost and Vice President for Academic Affairs in the summer of 1987. Each area, with the exception of Transit Services, Off-Campus Housing and Campus Mail, is essentially self supporting and expected to cover all current and future costs of operation, improvement, maintenance/code upgrading and expansion/replacement.

Support Services Auxiliary Reserves: very brief

In order to fund necessary future projects in its self supporting operations, SS&O maintains reserves. Each operating area is responsible for identifying its capital, deferred major maintenance and equipment needs for the next ten years. It updates that analysis annually. Rates are set and reserves are held to meet those identified and approved needs. All reserve funds are dedicated reserves - dedicated to specific anticipated and budgeted needs.

SS&O maintains its reserves in three separate divisions: ** 3 major reserve areas* 1) Parking 2) Bookstores and 3) Support Services. Because Bookstores has been a relatively recent addition to Support Services and because Parking has very high capital requirements, their capital, deferred maintenance and equipment reserves are accounted for independently from other Support Services units.

+ Reserves are funded in the following ways: 1) capital reserves are funded through Use of Facilities charges (depreciation); investment income and budgeted margins, 2) deferred major maintenance reserves are funded through deferred maintenance charges, and 3) equipment reserves are funded through equipment charges.

** press has said that EC came from #1 & #2 that is not true*

The escalating cost of planned for and approved renovation, code work, major maintenance and equipment purchases requires prudent reserves. Examples of recently completed or currently planned projects or purchases are: Centennial Hall heating and cooling project - \$3.3 million; Comstock Hall kitchen remodeling - \$1.9 million; Holman Building air handling and drainage - \$200,000; River Road Ramp repairs - \$490,000; a new Williamson Hall/Bookstore escalator - \$228,000; a replacement printing press - \$412,000; and one soft serve ice cream machine - \$7,500.

academic needs are served. Service firm not business firm

Questions on any of the above material should be addressed to Neil Bakkenist, Assistant Provost, Support Services and Operations and/or James Duffy, Director of Bookstores; Robert Ledder, Director of Food Services; Charles Lawrence, Director of Housing; Lester Metz, Director of Printing and Graphic Arts; and Theresa Robinson, Director of General Services.

UNIVERSITY OF MINNESOTA University Senate Consultative Committee

March 15, 1988

To: Members, Senate Finance Committee
From: Shirley M. Clark, Chair
Re: Additional information on Support Services Reserves

As an extension of his presentation on Support Services Reserves at the recent meeting of the Senate Finance Committee, Assistant Provost Neil Bakkenist volunteered yesterday to provide an informational memorandum. Your copy is attached. Some media reports of the last few days have claimed that funds from bookstores and parking were transferred to pay for Eastcliff renovations. This is incorrect, as Mr. Bakkenist explains in detail in his memorandum.

If you have any questions or comments, please give me a call (624-8527). Mr. Bakkenist has been very helpful and has offered to provide further details if we wish to have them.

cc: Senate Consultative Committee

UNIVERSITY OF MINNESOTA
TWIN CITIES

Support Services and Operations
Room 210
2818 Como Avenue S.E.
Minneapolis, Minnesota 55414
(612) 625-5878

March 15, 1988

TO: Professor Shirley Clark
Chair, University Senate Finance Committee

FROM: Neil Bakkenist, Assistant Provost *MB*
Support Services and Operations

RE: Support Services Reserves

Given the inaccuracy in recent published reports I thought it would be helpful to explain the role of Support Services reserves in relation to central reserves.

The "rainy day" fund which you have been reading about is a contingency reserve built up from three sources - one of which is Support Services reserves. The other two sources can best be addressed by those in the Vice President for Finance's office. Of the approximately \$53 million dollars in that fund \$5,694,343 is from selected Support Services reserve accounts.

In 1985/86 the Vice President for Finance and the Assistant Vice President for Support Services (Mr. Vern Carlson) studied the reserve needs of Support Services. They determined that given: 1) a non-expansionary future for Support Services unit (excluding Parking); 2) higher interest rates, and therefore higher interest income earnings in the late 70's; and 3) higher margins in Bookstores due to strong computer sales, a total of 8 million dollars could be identified for transfer to central reserves.

Although identified and committed, no money was transferred to central reserves in 1985 or 1986. The Vice President for Finance between 1986 and June 30, 1987 did, however, request that certain specific projects be funded from the 8 million dollar commitment. The major requests as reported in the Ernst and Whinney audit were two Project Woksape (academic computing) payments in February and July of 1986 totaling \$1,800,000 and the Eastcliff renovation project totaling \$500,000. (There were two smaller transfers totaling \$5,657.)

If you add the total deductions from our 2-year commitment you get \$2,305,657 which, if you subtract from the \$8,000,000 promised, equals \$5,694,343. This was the exact amount transferred to central reserves in August 1987 at the time Support Services moved from Finance to the Provost's office.

If the above isn't complicated enough, let me further explain the source of funds for each specific project and for the balance of Support Services reserves currently in the central reserve. Please remember, as I wrote in my hand-out and mentioned in my presentation to your committee, that Support Services has 3 separate reserve areas: Parking, Bookstores and the general Support Services, and that each of these 3 have 3 subdivisions; 1) capital, 2) deferred maintenance and 3) equipment.

The \$1,800,000 in Woksape projects was funded totally from Bookstore reserves. This was logical since at least some of the revenue was generated from the margins made from continued strong computer sales. The Eastcliff renovation transfer of \$500,000 was paid for out of the general Support Services reserves. No money from either Bookstores or Parking went to pay for that expenditure. Media reports that indicate otherwise are not correct. As for the remaining balance of \$5,694,343, it consists of contributions from general Support Services and Bookstore capital and deferred maintenance reserves. There are no Parking reserves in that total and statements of the media to the contrary are not correct.

Support Services is a very large, complex financial organization. Areas such as Laundry, Printing, Public Food Services, Residence Halls, Fleet, Bindery and Office Equipment Rental (income producing areas that make up the general Support Services reserve) need to be prepared for both anticipated and some unanticipated capital, deferred maintenance and equipment needs. In 1985/86 it was found that due to several factors, some of the reserves in general Support Services and in Bookstores could be identified as no longer necessary in a non-expansion mode and were earmarked for central transfer. Parking funds were not earmarked for central availability and were never involved in any payments and transfers.

Again, I realize the above is somewhat complicated, but I do believe it does lay out the specifics that the media did not have the time or interest to report on accurately. At no time did any reporter question me as to the source of funds for any of the transfers involved.

I am ready at any time, anywhere to discuss fully Support Services reserves. They are not a mystery or a secret. They are also not a contingency, rainy day or "slush" fund. They are, in fact, an appropriate mixture of dedicated capital and operating reserves that are essential to the maintenance of our services on campus.

Please let me know if the above is unclear or if you would like more information.

NB: jc

cc: Roger Benjamin - Provost and Vice President, Academic Affairs
Ed Foster - Associate Vice President, Academic Affairs

DRAFT

1988-89 INDIRECT COST RECOVERY FUND "FY89ICR" IN SYNCHRONY - 12/07/87

I	(A) TOTAL ICR FUND BUDGETED _____	27,827,660
	(B) STATE OFFSET _____	(7,000,000)
	(C) AVAILABLE ICR FUND FOR THE UNIVERSITY USE (A-B) _____	20,827,660

II 50% of (I - (C)) FOR THE CENTRAL ADMINISTRATION USE _____ 10,013,830

(A) ITEMS BUDGETED FOR SYSTEM-WIDE FUNCTIONS _____ (8,500,772)

- | | | |
|---|-------------|--|
| 1. ORTTA _____ | (2,562,456) | |
| 2. Research Animal Resources _____ | (612,261) | |
| 3. Graduate School Research Ctr _____ | (516,688) | |
| 4. Radiation & Environmental Health _____ | (132,070) | |
| 5. Library Acquisition _____ | (2,758,813) | |
| 6. Solid & Hazardous Waste Program _____ | (1,250,693) | |
| 7. High Tech Computing _____ | (947,789) | |
| a - Research grant for faculty/grad studs | | |
| b - Networking (TC & CIC) | | |

\$450,000 was added to FY88 budget

Do we need more money in here?

More money? At least \$ar Coding of \$350,000?

More money? Connections to other campuses?

(B) DISCRETIONARY FUNDS AVAILABLE FOR THE CENTRAL ADMINISTRATION _____ 1,513,058

III (A) 50% of (I - (C)) FOR THE CAMPUS/COLLEGIATE UNITS _____ 10,013,830

(B) PRORATED DISTRIBUTION TO DULUTH & MORRIS _____ (369,506)

- | | | |
|------------------------|-----------|--|
| 1. Duluth Campus _____ | (361,630) | |
| 2. Morris Campus _____ | (7,866) | |

(C) AVAILABLE ICR FUND FOR T.C. COLLEGIATE UNITS _____ 3,644,326

(D) FORMULA DISTRIBUTION _____ (6,041,102)

- | | | |
|--|-------------|--|
| 1. Formula Distribution (33% of [(III)-(C)]) - _____ | (3,214,775) | |
| 2. PI SHARE OF ICR FUND (1% OF (I-(C))) - _____ | (200,277) | |
| 3. Departmental Administration _____ | (2,626,050) | |

(E) FUND AVAILABLE FOR SET-UPS, MATCHES, CTBS, ETC _____ 3,683,226

(F) ESTIMATED EXPENDITURES FOR SETUPS, MATCHES, ETC. _____ (9,000,000)
(Based on FY88 data)

- | | | |
|------------------|-------------|--|
| 1. Matches _____ | (3,000,000) | |
| 2. Setups _____ | (4,000,000) | |
| 3. Others _____ | (2,000,000) | |

cell v. mary

Big Ctrs are not included here.

(G) ESTIMATED BALANCE BASED ON FY88 DATA _____ (5,396,776)

12/7/87 AM Meeting - Robert Brainsinks-Educ Psych; David Hamilton-Cell Bio & Neuro Anatomy; Robert Holt-Grad School; Ken Reid-PRC; Benjamin & Bilek - Acad Aff.

TABLE 1

INDIRECT COST RECOVERY BY COLLEGE (Research & Non-Research)

UNIT	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
IFRMC:				324,879		676,667						
AGRICULTURE	296,321	316,673	433,371		571,299		388,661	627,942	698,916	781,389	767,638	892,831
FORESTRY	29,946	20,132	17,383		38,359		47,860	23,184	51,371	37,790	83,997	97,049
HOME ECONOMICS	63,137	46,445	29,896		24,331		17,328	42,627	36,613	63,188	42,045	135,129
SPECIAL PROGRAMS	93,543	52,660	16,616		32,328		48,182	33,328	44,979	64,678	94,129	183,437
BIOLOGICAL SCIENCES	423,889	498,435	573,499	732,327	1,023,816	993,216	1,113,630	1,278,871	1,321,793	1,484,143	1,614,718	1,613,994
CONT. EDUC. & EXT.	27,119	39,837	31,336	53,498	62,182	76,847	64,381	62,463	45,738	15,714	6,312	13,451
EDUCATION	546,316	512,518	489,388	515,589	741,693	791,360	536,978	594,748	578,753	717,792	594,717	689,118
GENERAL COLLEGE	18,395	21,444	38,439	26,118	37,978	32,628	41,813	54,617	38,932	24,888	26,933	34,972
GRADUATE SCHOOL	385,991	312,847	485,462	548,889	473,223	581,392	618,824	748,930	734,257	768,647	791,966	732,934
HOW INSTITUTE									5,183	6,427	18,887	2,234
LABORATORY (Library)	15,684	6,694	1,844	928	(478)	2,227	3,943	1,332	16,179	28,387	4,846	18,898
LIBERAL ARTS	459,327	518,493	678,249	789,736	971,541	887,854	628,137	589,847	386,837	451,732	539,885	747,254
MANAGEMENT	12,335	23,253	31,348	32,886	22,378	53,861	41,219	7,576	31,836	114,786	93,367	34,813
TECHNOLOGY	1,881,428	2,061,178	2,198,858	2,611,287	3,183,866	3,554,321	3,942,938	4,317,891	4,686,868	4,881,695	5,522,637	5,877,671
UNIVERSITY COLLEGE	1,981	15,878	9,357	1,499				1,688	1,884		4,685	13,174
HEALTH SCIENCES:				458,348		244,831						58,743
DENTISTRY	214,863	188,785	151,462	168,714	193,148	233,925	344,158	281,871	257,284	383,418	413,522	349,368
MEDICAL SCHOOL	4,262,335	4,251,294	4,412,323	4,952,493	6,348,192	6,585,881	7,271,847	7,463,996	7,618,637	8,544,711	9,518,187	11,725,891
MEDICINE-DULUTH											336,661	389,815
NURSING	43,828	68,333	58,727	76,883	85,188	183,699	35,722	28,473	17,138	24,879	18,482	23,788
PHARMACY	78,883	58,831	64,885	81,889	188,249	138,198	131,397	113,784	132,633	151,392	184,532	233,885
PUBLIC HEALTH	579,489	493,798	664,382	1,083,153	1,227,342	1,588,935	1,968,574	2,022,844	2,541,385	2,961,381	4,273,131	4,226,357
VETERINARY MED.	78,332	101,398	113,987	81,884	185,541	138,975	121,928	133,269	168,379	171,138	273,183	292,368
SPECIAL PROGRAMS	211,385	331,439	349,785		413,947		285,127	274,859	286,634	231,466	259,835	2,814
COORDINATE CAMPUSES:												
CROOKSTON	916	1,975		111	48	231	288	2,793			1,995	1,814
DULUTH	131,588	148,972	212,871	264,121	347,648	444,394	463,483	584,493	553,583	566,995	379,813	432,948
MORRIS	32,667	14,988	48,853	15,125	46,263	136	433	3,888	9,388	5,677	14,934	421
WASECA	2,191	3,336	3,546	3,663	7,789	7,322	7,514	7,868	3,448	772	1,742	2,126
OTHER MISC.	179,237	229,948	245,328	53,636	318,236	254,234	379,723	679,487	418,562	49,227	543,326	486,514
TOTAL	9,976,586	10,323,688	11,263,127	12,993,828	16,328,137	17,216,666	18,633,968	19,816,799	20,588,628	22,443,858	26,448,799	29,179,963

TABLE 2

Historical summary '76-'87
 significant increase
 Total brought in distributed by unit

UNIT	FY87 ICR	% OF TOTAL	50% OF ICR	
			REMAINING AFTER COSTS	DISCRETIONARY ICR PER UNIT
AGRICULTURE	892,831	3.06%	274,966	274,966
FORESTRY	97,049	0.33%	29,888	29,888
HOME ECONOMICS	135,129	0.46%	41,616	41,616
SPECIAL PROGRAMS	103,437	0.35%	31,856	31,856
TOTAL IAFHE	1,228,446	4.21%	378,325	378,325

BIOLOGICAL SCIENCES	1,613,594	5.53%	496,940	496,940
CONT. EDUC. & EXT.	13,451	0.05%	4,143	4,143
EDUCATION	689,110	2.36%	212,226	212,226
GENERAL COLLEGE	34,972	0.12%	10,770	10,770
GRADUATE SCHOOL	732,954	2.51%	225,728	225,728
HMH INSTITUTE	2,234	0.01%	688	688
LAW	10,090	0.03%	3,107	3,107
LIBERAL ARTS	747,254	2.56%	230,132	230,132
MANAGEMENT	34,013	0.12%	10,475	10,475
TECHNOLOGY	5,877,671	20.14%	1,810,150	1,810,150
UNIVERSITY COLLEGE	(5,174)	-0.02%	(1,593)	(1,593)

	90,743	0.31%	27,946	27,946
DENTISTRY	349,360	1.20%	107,593	107,593
MEDICAL SCHOOL	11,725,891	40.18%	3,611,230	3,611,230
MEDICINE-DULUTH	389,815	1.34%	120,052	120,052
NURSING	25,788	0.09%	7,942	7,942
PHARMACY	235,005	0.81%	72,375	72,375
PUBLIC HEALTH	4,226,357	14.48%	1,301,594	1,301,594
VETERINARY MED.	292,560	1.00%	90,100	90,100
SPECIAL PROGRAMS	2014	0.01%	620	620
TOTAL HEALTH SCI.	17,337,533	59.42%	5,339,450	5,339,450

CROOKSTON	1,814	0.01%	559	559
DULUTH	432,940	1.48%	133,333	133,333
MORRIS	421	0.00%	130	130
WASECA	2,126	0.01%	655	655

MISC.	426,514	1.46%	131,354	131,354

	29,179,963	100.00%	8,986,571	8,986,571

CENTRAL ADMINISTRATION 8,986,571

COSTS

GRAD SCH. RES. CNTR	516,688
RADIATION & ENV. HEALTH	132,070
LIBRARY ACQUISITIONS	2,758,813
SOLID & HAZARD. WASTE	1,050,695
HIGH TECH COMPUTING	947,789
DEPARTMENTAL ADMIN	2,626,050
ORTTA	2,562,456
RES ANIM RES	612,261

11,205,822

UNIT	FY87 ICR	% OF TOTAL	AFTER COSTS 50% OF ICR	DEPARTMENTAL ADMINISTRATION	DISCRETIONARY ICR PER UNIT
AGRICULTURE	892,831	3.06%	315,141	80,350	234,791
FORESTRY	97,049	0.33%	34,255	8,734	25,521
HOME ECONOMICS	135,129	0.46%	47,696	12,161	35,535
SPECIAL PROGRAMS	103,437	0.35%	36,510	9,309	27,201
TOTAL IAFHE	1,228,446	4.21%	433,602	110,554	323,048
BIOLOGICAL SCIENCES	1,613,594	5.53%	569,547	145,215	424,332
CONT. EDUC. & EXT.	13,451	0.05%	4,748	1,211	3,537
EDUCATION	689,110	2.36%	243,234	62,016	181,217
GENERAL COLLEGE	34,972	0.12%	12,344	3,147	9,197
GRADUATE SCHOOL	732,954	2.51%	258,709	65,962	192,747
HHH INSTITUTE	2,234	0.01%	789	201	587
LAW	10,090	0.03%	3,561	908	2,653
LIBERAL ARTS	747,254	2.56%	263,757	67,249	196,508
MANAGEMENT	34,013	0.12%	12,006	3,061	8,945
TECHNOLOGY	5,877,671	20.14%	2,074,630	528,961	1,545,669
UNIVERSITY COLLEGE	(5,174)	-0.02%	(1,826)	(466)	(1,361)
	90,743	0.31%	32,029	8,166	23,863
DENTISTRY	349,360	1.20%	123,313	31,441	91,872
MEDICAL SCHOOL	11,725,891	40.18%	4,138,865	1,055,271	3,083,594
MEDICINE-DULUTH	389,815	1.34%	137,592	35,081	102,511
NURSING	25,788	0.09%	9,102	2,321	6,782
PHARMACY	235,005	0.81%	82,949	21,149	61,800
PUBLIC HEALTH	4,226,357	14.48%	1,491,769	380,351	1,111,418
VETERINARY MED.	292,560	1.00%	103,264	26,329	76,935
SPECIAL PROGRAMS	2014	0.01%	711	181	530
TOTAL HEALTH SCI.	17,337,533	59.42%	6,119,596	1,560,291	4,559,305
CROOKSTON	1,814	0.01%	640	163	477
DULUTH	432,940	1.48%	152,814	38,962	113,852
MORRIS	421	0.00%	149	38	111
WASECA	2,126	0.01%	750	191	559
MISC.	426,514	1.46%	150,546	38,384	112,162
TOTAL ICR:	29,179,963	100.00%	10,299,596	2,626,050	7,673,546

COSTS:

GRAD SCH. RES. CNTR.	516,688
RADIATION & ENV. HEALTH	132,070
LIBRARY ACQUISITIONS	2,758,813
SOLID & HAZARD. WASTE	1,050,695
HIGH TECH COMPUTING	947,789
RES. ANIM. RES.	612,261
ORTTA	2,562,456
TO BE DISTRIBUTED	20,599,191
CENTRAL DISCRETIONARY	10,299,596