Minutes*

Senate Committee on Finance and Planning
Tuesday, April 17, 2012
2:00 – 4:00
238A Morrill Hall

Present: Will Durfee (chair pro tem), Sarah Chambers, Catherine Fitch, Susan Hupp, Lincoln Kallsen, Kara Kersteter, Cody Mikl, Richard Pfutzenreuter, Michael Rollefson, Ann Sather, Karen Seashore, Arturo Schultz, Aks Zaheer

Absent: Brittany Bergemann, Martin Caride, Ruth Lane, Russell Luepker, Fred Morrison, Kathleen O'Brien, Gwen Rudney, Terry Roe, S. Charles Schulz, Thomas Stinson, Michael Volna

Guests: Professor Dan Feeney (incoming Committee member for 2012-13); Julie Tonneson (Office of Budget and Finance); Vice President Aaron Friedman, Associate Vice President Terry Bock, Elizabeth Nunnally (Academic Health Center)

[In these minutes: (1) course fees; (2) Budget Model Advisory Group; (3) centralization versus decentralization; (4) Academic Health Center administration]

1. Course Fees

Professor Durfee convened the meeting at 2:00, explained that Professor Luepker was out of town, welcomed Professor Feeney as an incoming member of the Committee, and turned to Vice President Pfutzenreuter to begin a discussion of course fees.

Mr. Pfutzenreuter recalled that they had committed themselves to reviewing the Regents' policies dealing with fees—campus and college fees, administrative fees, and course fees. Last year they made policy changes dealing with campus and college fees by adding definitions and clarifying what such fees can be used for so that students know what the money is being spent on. They next reviewed the language governing course fees and matched the language to the practice while also ensuring that course fees were being used in accord with Regents' policy provisions. They have a proposal to change the language of the Board policy governing tuition and fees; Mr. Pfutzenreuter distributed copies of the proposed language change. The goal, he concluded, is not to eliminate fees but to clarify the language governing them, to be sure they are being used appropriately, and to be clear what they are being used for.

Ms. Tonneson reiterated that they are talking today only about course fees, those that are triggered by registration in a particular course. Course fees generate about $5 million per year (a figure that does not include study-abroad fees). They are recommending four changes in the Board of Regents' policy.

The first change is to require that any fee in lieu of tuition must be set so that the total fee is equal to or greater than the tuition rate applicable to the credits earned. Such total fees may include multiple components (e.g., for study abroad, it might include travel costs and lodging). If a fee is to be discounted

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from what the applicable tuition rate would be, then that action should appear as an identifiable scholarship or waiver, rather than just a lowering of the comprehensive fee.

What about when a student studies abroad at an institution that charges less than the University, Professor Seashore asked? The charge would be at the rate where the student is studying, Ms. Tonneson said. It is to be "applicable to the credits earned."

The second change is to refine the definition of course fees so that it is clear that they (1) are essential to the educational outcomes of the course, (2) unique to the type of course, (3) are used during the term of enrolment, and (4) represent direct costs or assignable indirect costs calculated on a per-student basis. The course fees are to be set to recover but not exceed actual costs. Ms. Tonneson said that they are also developing an administrative policy to accompany the Board policy that will contain more specifics.

The third change is to permit fees in excess of tuition in the case of distance education (where the physical presence of the student is not required on campus). Such fees may be set to reflect market considerations. The provost has a number of questions that require further exploration of this kind of fee, Ms. Tonneson reported, and what they have proposed for now is language that allows current practice.

Professor Seashore said that colleges are also allowed to charge a technology fee that presumably allows distance delivery. Since those fees have not always been used as intended, how do they propose to prevent additional charges on top of the technology fee? Ms. Tonneson said that because there are a number of unanswered questions about distance-education courses, they have separated them out in this provision because there may be different approaches to charging for them. These fees are an attempt to capture revenue from students outside the University. Mr. Pfutzenreuter clarified that there are no separate technology fees charged to students; those have all been wrapped into campus or college fees, which can be used for technology, but there are no separate technology fees.

Professor Seashore said that a related question is how much students should pay for infrastructure through fees versus treating something as a common good paid out of general revenues. There seems to be a migration to charging students fees for infrastructure that future students will use. Professor Durfee said that these fees are not supposed to be for course development. Ms. Tonneson agreed but said that many units do talk about course development costs; those costs are only charged through UNITE, the College of Continuing Education, and for courses at the Crookston campus.

Mr. Pfutzenreuter said that the language about distance-education fees is really unfinished business that needs more work. Professor Durfee said he found it interesting that distance-education courses are set out differently in the policy and that they can be set to capture a market. Ms. Tonneson said they would rather not receive proposals for online fees; Mr. Kallsen reiterated the point that the proposed language only allows current practice to continue, pending additional work. Professor Seashore said she was struck by the removal of language requiring that course fees in distance education "shall be assessed only in specifically justified situations"; that removes the mental constraint on imposing them at will. Mr. Pfutzenreuter pointed out that all such fees must be approved by the Board of Regents. Ms. Tonneson accepted the suggestion that the language calling for justification of the fees be restored to the policy.

Professor Hupp asked if there is a loophole in the policy. While it states that fees must be "equal to or greater than the tuition rate", it does not say that the fees must be used as tuition. Mr. Kallsen said that there are so many combinations and types of fees that that would be unenforceable. But the intent is to apply the fee to tuition, Professor Hupp asked? The setting of tuition rates is covered under other language in the policy, Mr. Pfutzenreuter pointed out, and amendments to that language are not being proposed.

Mr. Mikl said, apropos of distance education, that he understood it to be a cheaper option but that there are many development costs. Both Professors Hupp and Seashore took issue with Mr. Mikl's assumption and said that they have found distance-education courses to be more expensive to deliver, not cheaper. For one thing, Professor Seashore said, the courses cannot have as many students as traditional courses.

This language is more about market than cost, Professor Durfee observed. Fees are cost-based; this particular provision allows a college to make money from fees for distance-education courses. Is it about making a "profit," Professor Hupp asked? There is no difference in charges between the cost of a course delivered by an assistant professor and a (full) professor, Professor Durfee said. Mr. Kallsen said that courses vary widely in terms of whether they make a "profit" or not. Professor Zaheer commented that if fees are set based on the market, a course could lose money, depending on other players in the market offering courses. Ms. Tonneson responded that these course fees would be on top of tuition.

The fourth change simply allows off-cycle approval of fees to correct errors or to establish fees for the delivery of new courses.

Ms. Tonneson reported that the administrative policy will have much more detail about accounting guidelines, specific examples of allowable fee costs, and so on. Professor Durfee urged that the policy be communicated broadly to instructors. Mr. Pfutzenreuter commented that there can be a blurry line between what tuition should pay for and what fees should pay for, but they do not want to see course fees used as a release valve for keeping tuition low, so they would not (for example) permit fees to be used to pay faculty salaries. They have discovered a few instances where fee revenue was used for expenses that they considered inappropriate.

Professor Durfee said that he teaches a lab course that has consumables, and he can pick a price range for the materials and justify it. Universities are seeing pressure on textbook prices, even if a more expensive textbook is the better one for a course. Where in the policy is there language that urges instructors to be economical when they can? Mr. Pfutzenreuter said that the course fees come through his office, and there are hundreds of them (which, together, generate the $5 million he mentioned earlier). All they can do is watch fees over the years and ask questions if a fee jumps. That is the only check and balance on course fees. They also compare across fees, Ms. Tonneson said; the fees are usually clustered and not typically very different (i.e., for labs, for art courses, and so on). If something sticks out, they will ask about it. But they are not prepared to add administrative staff to chase down explanations for all the changes in course fees, Mr. Pfutzenreuter added. There should be a general principle that instructors should attempt to be economical, Professor Durfee repeated, because instructors do not usually see the total bill a student pays.

What is the approval process for course fees, Professor Durfee asked? Departments propose them, Ms. Tonneson said, and each college has a different system for reviewing them. The system is automated; the college enters the proposed fees and their office then views them as a college proposal. Their office approves or denies them, and they then go to the Regents for final approval. Professor Durfee commented that information about the fees is transparent—what all undergraduates pay, by college, department, and courses—and anyone can see it. And in their internal process, Ms. Tonneson report, they ask for detailed information about what the fee income will be spent on. The goal is that students and parents can go to the web and find the information, Mr. Pfutzenreuter said.

The next step will be review of administrative fees (admissions, late payments, etc.), Mr. Pfutzenreuter told the Committee. They have been trying to standardize those fees over a period of years.

Professor Durfee thanked Mr. Pfutzenreuter and Ms. Tonneson for the report.

2. Budget Model Advisory Group

Professor Durfee asked Mr. Pfutzenreuter to provide an update on the status and work of the Budget Model Advisory Group (BMAG).

Mr. Pfutzenreuter said the BMAG was created a number of years ago, when the University adopted the current budget model, to oversee implementation and to address a number of questions related to cost-pool algorithms. The group spent time addressing questions and finished its business last fall with respect to eight or nine technical fixes. Since that time it has been quiet. As questions arise, they will reconstitute the BMAG; last year he and Provost Sullivan drove its efforts to get things done.

Professor Durfee inquired if there is any group looking at the larger question of whether the budget model makes sense. The BMAG? Mr. Pfutzenreuter said the BMAG was charged to look at technical issues, not whether the University should reconsider the budget model itself. Is the president or provost looking at that question, Professor Durfee asked? Not that he is aware, Mr. Pfutzenreuter said.

3. Decentralization Versus Centralization

Professor Durfee suggested that the Committee begin a discussion of centralization versus decentralization: What should be done by the colleges versus what should be done by the central administration? People have been vocal on this at various times. How should the discussion be framed? It is a topic the Committee should probably take up in greater depth next year. Professor Chambers asked if the question arises because of the discussions with the deans and vice presidents or does it go beyond administrative costs? "Both," Professor Durfee replied.

Professor Zaheer asked if there are clearly-identifiable problems that need to be addressed. That is one way to think about the issue. Do the deans feel that the administration is appropriating too much power? Or do the deans feel that there is too much autonomy? What would drive examination of the question? The poster child for the debate is the Graduate School, Professor Durfee said. It was centralized and now it is not; people did not like centralization and now they do not like decentralization. Her question, Professor Seashore said, is why the private universities do not have graduate schools.

Who does not like decentralization, Professor Zaheer asked? When work is decentralized, the question is whether there are also funds decentralized to do the work, Professor Hupp said. In the case of the Graduate School, the colleges were asked to do the work but were not given the money to do so.

Professor Seashore said she also had the sense, both from Committee discussions and from other faculty members, that when activities are centralized, there is a faculty/staff/student committee where one can ask about transparency. There are not always equivalent committees at the college level, and people in some colleges are concerned about how administrative and budget decisions are made. And within the colleges, Professor Olin said, money is given out to the departments in a way that is not always transparent.

Professor Zaheer commented that this subject touches on research he does in other areas, and what the research has found is that organizations swing from one to the other and never land at an equilibrium point. They go too far in one direction and then pull back in the other. Professor Seashore said that may be particularly true in higher education. Given what this Committee, representing faculty, staff, and students, has learned in the last year and half, can ask if there is any way to require more transparency now that activities are more decentralized. The question that precedes that, Professor Zaheer said, is whether the University is now appropriately decentralized or if it is too decentralized. Is it time to go back the other direction? Or are there ways to compensate for the decentralization? The University is also in an era where there are many demands for efficiency, Professor Seashore said, and it must be able to demonstrate efficiency; it has not grappled well with the questions of decentralization. That is not the only criterion for efficiency, but students want to know how much things cost them.

Professor Feeney said that a number of issues have shown up in the conversation. Is there a problem with the cost-allocation model? What he's hearing today is a question about what is going on in the colleges once allocations have been made—is there transparency or obfuscation? It seems like the oversight that this Committee could provide has been lost at lower levels. He recalled that he served as chair of the Academic Health Center Finance and Planning Committee for 9 of its first 10 years of existence, and that committee developed the budget model that is now in use at the University. It is simply a responsibility-center-management system, he said, whereby units keep the money they generate and pay for what they do. The question of transparence at the college level came up a number of years ago; it should be the college's responsibility to figure out a mechanism to use. In his college they have a faculty council that interacts with the dean and there is transparency. But if there is a concern about transparency at the college level, he reiterated, it should be dealt with in the college.

Is that the responsibility of faculty, staff, and students at the college level, Professor Seashore asked? In her studies, central policies set guidelines on what colleges must do. There is nothing about transparency in the rules here. Professor Feeney said that when the budget model was established, that question was left open. The administration could say there should be transparency in the colleges. It could call for an accountability mechanism for the deans, Professor Seashore said. She said she was not claiming that the deans are trying to subvert the intent, it is a matter of how expectations are set and monitored. Budgets are monitored but a parallel culture for consultation is not, and that can be developed by policy. She said she did not believe the problem is necessarily structural but rather of the University setting expectations.

Professor Zaheer said he would be hesitant to suggest that every college have a committee such as this one. The meetings with the deans have been a salutary exercise but he was unsure there should be a mandate for an additional layer of committees. The accountability could be built into the 360-degree-review process for deans, Professor Seashore suggested. Professor Olin commented that if more of the budgets were open so that people could see them, perhaps there would be fewer articles in the newspaper about the expenditure of funds. Or if there is a mechanism to ask questions, Professor Seashore said; faculty may know about things but are uncomfortable asking questions—not for the purpose of second-guessing the dean's decisions, because everyone makes some good decisions and some that are not so good.

Professor Durfee said that accountability should be part of the compact process; deans should be asked how they make decisions. There used to be a question about consultation in the colleges when President Yudof and Provost Bruininks began the process, Professor Feeney said; has it been dropped? The Committee could ask about it and ask that the question be reinstated.

Mr. Kallsen expressed reservations about more monitoring but said it would be useful to have a mechanism through which colleges could share best practices. Colleges and faculty members are very creative at identifying ways to do things, but the administration has a hard time identifying ways to spread them to other units. Some practices would not work in other colleges because the colleges are different, but right now each college develops its own practices and is left alone. Ms. Sather asked if the sharing of ideas wasn't the goal of the quality fair, which provided some great ideas.

Professor Durfee said the Committee would return to the topic.

4. Academic Health Center Administration

Professor Durfee now welcomed Vice President Aaron Friedman, Associate Vice President Terry Bock, and Ms. Nunnally from the Academic Health Center (AHC) to continue the Committee's discussion of administrative units around the University initiated two years ago at the request of the University Senate.

Dr. Friedman, Mr. Bock, and Ms. Nunnally provided the Committee with budgetary and personnel information about the units in the AHC (not any of the colleges that comprise the AHC; this discussion was about the AHC administrative and support units and the interdisciplinary centers and programs that are not within the colleges). They and the members of the Committee discussed trends in administration, reviews of units and services, the impact of the requirement that some of the AHC schools provide clinical experiences to their students, the relationship between AHC activities and rules and those of the University, and the impact of all of these factors on operating costs.

Professor Durfee expressed appreciation for the detailed information that was provided to the Committee and suggested that the Committee will need to revisit the discussion about the AHC simply because there was so much information to absorb.

Professor Durfee adjourned the meeting at 4:00.

-- Gary Engstrand

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