

## Minutes\*

### Senate Committee on Finance and Planning November 19, 1991

Present: Burton Shapiro (chair), William Gerberich, Virginia Gray, Paul Hess, Michael Hoey, Thomas Hoffmann, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Irwin Rubenstein, Mary Sue Simmons, Charles Speaks

Guests: Senior Vice President Robert Erickson, Ken Janzen (Regents' Office), a Daily reporter

#### 1. Deficit in Men's Athletics

Professor Shapiro convened the meeting at 3:15 and welcomed Senior Vice President Erickson to discuss the status of the budget of Men's Intercollegiate Athletics (MICA).

Mr. Erickson confirmed that MICA had a deficit of \$1.2 million for the last fiscal year. He explained that the University is making changes in order to prevent the recurrence of such a shortfall; the accounting officers in the athletic programs will now have a dual reporting relationship to both the athletic directors and to him, and they will meet monthly to keep track of the budget situation. MICA has a number of different funds, and money flows in and out of each of them, so that it has been difficult to get a total picture; in the future all sources and expenses will be considered. The old accounting system, moreover, did not permit an annual update, and one only knew the budget situation after the fact; the new system will allow access to current financial information. The final budget for MICA for the current year has not yet been approved, but will be soon.

As for the deficit, Mr. Erickson explained, it has been covered by an involuntary internal loan. MICA, in the current fiscal year, will break even and make a small repayment on the loan. Even though football income is down, other income is exceeding projections and the aggregate income is projected to be adequate. It is intended that the loan repayment be accelerated in future years.

Mr. Erickson was asked about 0100 funding for athletically-related activities (for the academic counseling office and for upkeep and maintenance of space). Generally, he said, the idea is that MICA will be self-supporting, and that would include responsibility for space costs; he told the Committee he was uncertain about who pays them at present. He also said he believed that MICA was paying for its share of the costs of the academic counseling office; non-athletic funds are provided in order to support the women's athletic program, which is supported primarily by a State Special appropriation. Mr. Erickson promised to check on both items and report back to the Committee.

Mr. Erickson assured the Committee that athletic budgets would be under control and that steps would be taken to prevent a recurrence of deficits.

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## **2. Other Items**

Asked how the new accounting system was working, Mr. Erickson said he thought it was doing quite well. There have been individual problems, and some pieces of the system have yet to be completed. He emphasized that it is important to obtain control of budgets, and said it may ultimately be necessary to go to a 12-month budget--there must be some technique available to take "seasonality" into account and there must be a tool in order to "manage by exception" and to evaluate budgets. The most important change for the University, he said, is to change the focus from whence the dollars to come to how they are used.

The capital request has been approved by the Board of Regents, Mr. Erickson told the Committee, and consists of two items: \$15.6 million for life/safety improvements and funding for the basic sciences building. There is some doubt about whether there will be ANY capital funding from the State because it is at or above its debt service limit already--and any capital appropriations bill, once introduced, tends to grow out of control.

Mr. Erickson also informed the Committee that the University will change the manner in which it deals with capital expenses. One step to be taken is to decide on those buildings which will be kept--and maintained for use--and those which will not. In the latter instance (such as with North Hall), no new occupancy will be permitted and when the current occupants move, the building will be torn down. Memorial Stadium, he added, is slated for demolition next Spring.

## **3. Resolutions on the Budget**

Discussion next turned to the draft resolutions on the budget which had been distributed with the agenda. Before taking up the specific language, however, Committee members dwelled briefly on the rationale for not closing major units presented earlier by Senior Vice President Infante. One Committee member noted that one expressed reason for not doing so is that the payback takes so long--six to seven years. The long payback, it was argued, is not bad; if the University wants to recapture funds for other budgets, it does not matter if the process takes a period of years to effect. One gets the feeling, it was said, that the central administration is expecting that the legislature will be good to the University in the future--a strategy that has not worked for the last 20 years.

Mr. Erickson responded that the administration has given a great deal of thought to resource allocation and agrees that it must be viewed on a long-term basis. Major changes can be accomplished over five years, but not in one year. One difficulty is that the time frame for Dr. Infante was extremely compressed, considering when he came into office; there are limitations in the process itself which affect what can be done.

Other Committee members also expressed concern about the position taken by Dr. Infante. One acknowledged that there would be political ramifications to any large cuts which would have to be considered. In terms of the length of the payback period, however, it was pointed out: 1) that a long payback occurs with small as well as large closings (e.g., Humanities and Linguistics in CLA); 2) if the long payback period is used as the reason not to make major cuts, such cuts will never be made--and it would be better to make them now and get the money in five years; and 3) the Committee has made known its views about "signature cuts" but the administration now proposes to expand the Crookston

campus program, which seems philosophically inconsistent.

Another Committee member recalled that a decade ago there had been much discussion of moving from budget-driven (short term) to planning-driven (long term) decision-making. Eighteen months ago there was reason to be optimistic that the University had finally moved to planning-driven decisions. After reviewing the budget documents, however, it seems clear that the process has been budget-driven. By the end of the process, there will be nothing more for CLA and IT, in real terms (although there will be internal redistribution of funds), even though they will be relatively better off than the rest of the University, which will be down by four to five percent. The rationale for this appears to be that the dollars cannot be obtained fast enough or that the University does not wish to offend certain legislative contingents. The institution isolates segments for internal reallocation but does not engage in system reallocation; certain units are protected and the University does not seriously consider whether or not they are needed. This process, it was concluded, is not the way to build excellence.

Mr. Erickson noted that these are primarily academic issues and suggested that the Committee talk with Dr. Infante about them. He did tell the Committee, however, that he is certain that the administration wants decision-making to be planning-driven; the immediate cuts, however, must be achieved, in the short term. In Finance and Operations, he observed, they are trying to recognize the priorities and missions of the University and to review their functions with that in mind.

The trade-offs being proposed in the budget, said a Committee member, are of concern. A modest salary increase is being achieved in return for higher tuition and a loss of jobs; is that in the best interests of the University? Another responded that most feel uneasy about that trade-off but that it is in the long-term best interest of the University to raise salaries--if the cuts, even though painful, can be made in the right areas. Four of the CIC institutions awarded zero salary increases but seven did not; already departments are expecting their salary rank to slip. Further, observed another, lost positions will eventually be replaced, at least in CLA and IT, so there is not a complete imbalance in the trade-off.

Mild exception was also taken to Mr. Erickson's assertion that the University must pay more attention to how it spends its money than to where the funds come from; is that not what the planning process has done? More important, it was said, the "tub on its own bottom" appears to be a driving principle of the budget--if you can pay for it, you can have it. That, it was contended, is a devastating way to run an institution of higher education, and if applied to all disciplines would have a serious negative impact on the liberal arts. The long-term consequences of the application of this principle must be seriously considered.

The Committee next took up the proposed resolution. One Committee member expressed dismay that every official visitor to its meetings denied that cuts would be across-the-board within vice presidential areas--but the documents leave no doubt that they were. Reservations were also again expressed about the wisdom of imposing 3% cuts on each vice presidential area. Committee members exchanged views on whether they took exception to the process or to the result; one said he objected to a process that inevitably leads to one result: if the vice presidential areas are viewed as immutable, the result is predetermined. This is a political issue in that each vice presidential area is viewed as a political constituency and the central administration decided not to disturb those constituencies. Then, within each vice presidential area, there were also college constituencies to be accommodated, so the only place where rigorous attempts were made to cut programmatically were within the colleges. It is counterintuitive, it

was argued, to think that all vice presidential areas, and all colleges, are equally well funded.

Another Committee member commented that while it might have been necessary and expedient to impose 3% cuts on each college (for example, in the units reporting to the Vice Provost for Academic Affairs), the Committee had been repeatedly told that would not be the way the cuts would be made.

Committee members concurred, on the basis of the information available to them, that the cuts within the colleges had NOT been made in an across-the-board manner.

The Committee agreed that it wished to receive copies of the college plans. There was agreement that the long-term plans of each unit must take into account planning priorities, regardless of where the short-term cuts required by the budget may fall.

The Committee also agreed that it wished to take up, in the near future, the question of enrollment management (mentioned by Associate Vice President Kvavik to the Senate Committee on Educational Policy at its November 7 meeting).

There was also agreement that the University should carefully examine the layers of administration which have been added in Academic Affairs. In the business world, it was noted, an organization looks at its levels of management to see if they are needed. Now there are two levels of administration between the department and the central academic officer; is that an efficient structure?

Other paragraphs in the draft resolution were discussed briefly; a final resolution was prepared and is appended to these minutes.

#### **4. Capital Request**

The Committee, noting that it had not been informed of anything about the capital request, asked Professor Shapiro to schedule a presentation on it.

#### **5. Post Secondary Education Options Act and Other Items**

Note was taken of the discussion at the November 7 meeting of the Senate Committee on Educational Policy about the number of high school students who are attending the University under the legislation which provides for that option. The projected number of students had been 500; there are about 3000 who are participating. Inasmuch as the University does not receive full finding for these students--they were supposed to be absorbed on the margins but instead constitute large parts of entire sections--there are significant financial implications from the numbers. Some high schools in the Minneapolis Public Schools, reported one Committee member, have decided to drop advanced language instruction and direct students to the University if they wish to continue.

The Committee agreed to invite Senior Vice President Infante to discuss this issue with it. The Committee also concluded it would like to obtain information about reciprocity agreements; at present, for example, Law School tuition is lower for Wisconsin residents than it is for Minnesotans, and the University is not reimbursed for the difference.

It was also agreed that Senior Vice President Erickson would be asked to provide an update on the efforts being made to assist employees who are losing their jobs.

The Committee adjourned at 5:00.

-- Gary Engstrand

University of Minnesota

Resolved, the Senate Committee on Finance and Planning, after reviewing the Budget Plan for 1992-93,

1. Welcomes the decision of the University administration to make provision in 1992-93 for the immediate needs and growth of the University, despite the absence of adequate state appropriations. We note, however, that the planned increases for the biennium are far smaller than the expected rates of inflation, so that the net result of the proposed budget will be an implicit across-the-board retrenchment of 3% to 5% in funds available for supplies and expenses and a similar loss of real income for the remaining employees of the University.

2. Accepts the budget plan as a feasible step to meet the short term budget problems of the University. For the reasons set forth in the following paragraphs, however, we believe that further steps of planning and reallocation need to be made in order to realize the potential of the University.

3. Expresses reservations about the decision to distribute the internal cost reallocations among the vice presidential areas (and sub-areas) on a flat across-the-board basis. In light of the differing cost and support levels for the various vice presidential and campus areas, we believe that explicit decisions need to be made about the appropriate level of retrenchment in each area, with the possibility of the transfer of funds between vice presidencies. The principles of Academic Priorities ought to be applied in these decisions.

4. Believes that the planning implications of the decisions need to be explicitly articulated. We note that many of the unit reallocation plans rely heavily upon retirements and resignations, wherever they may occur, without reflecting planning priorities. We agree that this may be the most feasible short term means of achieving the needed savings. We believe, however, that in the long term, the costs of this retrenchment should reflect student demand, departmental capacity, and relative cost. We request an opportunity to review the collegiate plans which implement these long-term goals.

5. Welcomes the actions of Finance and Operations, which are leading to restructuring and to changes in levels of service. We recognize that some further changes, both in structure and level of service, may be necessary as we gain experience with the new plan.

6. Encourages Academic Affairs to initiate a similar examination of the structure of administrative services, with a view toward eliminating duplication, both within central administration and as between central administration and collegiate units.

7. Shares the concern expressed by the administration about the financial feasibility of the development of the Crookston campus into a four-year college. In this respect, we request an opportunity to review the financial aspects of this plan and also request that the Senate Committee on Educational Policy concurrently review the educational adequacy of the plan as proposed. We are concerned that additional resources may become necessary to provide a four-year program of quality acceptable to the aspirations of the University, and that the additional funding for that program might be sought from central sources.

8. Supports, in principle, the idea of consolidating computer operations on campus. We look

forward to receiving the report of the Consultant who will be employed for this purpose and to the opportunity for comment thereon.

9. Views as critical the needs for support for the University Library, as a key unit of the University's research, teaching, and service missions. Its needs should be given special attention in the budget allocation process.

10. Suggests that the relationship of Continuing Education and Extension, and especially of the Summer Session, to other units be reexamined and carefully planned. While we endorse the proposed additional tuition for CEE as a revenue measure, we do not believe that it systematically addresses the changing relationship or other academic issues. Those issues should be addressed in a systematic plan.

11. Supports the decision of the administration to discontinue programs financed by the Special Appropriations, unless the veto is overridden or the legislature otherwise provides funds specifically for these programs. Although we believe that many of the programs contained in the Special Appropriations are particularly valuable, the results of the legislative process and veto ought to be allowed to have their force. (If provision of funds for women's intercollegiate athletics is necessary in order to maintain the men's intercollegiate athletic program, funds for that purpose should be drawn from the men's intercollegiate athletic program as an expense of continuing that activity, and not taken from funds which would otherwise be available for academic support.)