Minutes[•]

Joint Meeting
Senate Finance Committee
Faculty Consultative Committee
May 25, 1989

Present: Mark Brenner (Chair, FCC), Robert Bruininks, John Clark, Andrew Collins, David Dittman, Arthur Erdman, Lael Gatewood, Warren Ibele (Chair, SFC), Norman Kerr, Gary Kravetz, Cleon Melsa, Lynette Mullins, Bruce Overmier, Ronald Phillips, Rick Revoir, W. Phillips Shively, Michael Steffes, Charlotte Striebel, James VanAlstine

Guests: Mary Bilek; Gordon Donhowe, Acting Senior Vice President for Finance and Operations; Edward Foster, Associate Vice President for Academic Affairs; Evelyn Hanson, Nick LaFontaine, Director of Budget Management; Geoff Maruyama; George Robb; Irwin Rubenstein; Maureen Smith (Brief)

Professor Ibele began the meeting by saying that this special meeting to consider the budget for fiscal year 1990 was called in order to provide a more adequate time to respond to the budget. The regular meeting scheduled for June 1st would be too late for a response.

Operations and Maintenance Budget summaries were distributed. Vice President Donhowe explained the document as follows.

The document omits specials and reserve funds. The formula increases reflect a five and five inflator plus 2%. Equity adjustments ($2,580,000 academic and $2,480,000 civil service) have been taken off the top. Employee medical insurance represents the best estimate of costs for the present levels of coverage. Specials supplement is an incremental 2% for academic personnel. The increase for academic personnel breaks down to 4.5% merit, 1% market differentially adjusted, 1% equity and health increases of approximately 1.25% -- which comes to more than 7% total increase.

The University is treated as a unified system with no distinction between campuses. Reallocation is left to individual units. Academic and civil service personnel are treated as a unity for health care costs. With the 4.5% merit and the market increase, the academic package comes to 2% more than civil service, which is consistent with legislative intent. The budget is neutral with regard to university planning; changes in base are the cleanest.

A question was asked as to the extent to which the budget follows academic priorities. Mr. Donhowe replied that the merit increase of 3.5% will be delivered to the college units to be allocated, they will provide the other 1% to reach 4.5% for the average faculty member. Statistical feedback will be sought on what is being delivered.

Professor Brenner said that he had received a call from a CLA faculty member expressing a

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misunderstanding of the actual amount of the faculty increase. Apparently some had understood that the increase would be 7% salary, rather that 7% total package. This needs to be clarified and explained as soon as possible. It was recommended that President Hasselmo send a letter to the community stating what he is recommending to the Board of Regents. In response to a question about whether the Regents are likely to change from the recommendation, Mr. Donhowe said that this was not likely, however it would not be appropriate to publicize the recommendation before the Regents have seen it. The letter from the President can be sent immediately after the Regents have seen the recommendation.

A committee member suggested that it would be helpful to have a budget which expressed both percentages and amounts. Mr. Donhowe replied that more detailed information will be available later.

Returning to the budget sheet, Mr. Donhowe said that the Supply, Expense and Equipment figure of $3,210,461 represents a 2% increase appropriate according to the consumer price index. In general inflation is higher for academic costs, but the rate is uneven, e.g. the cost of books goes up more rapidly than many other costs. The amount for fuel and utilities ($1,134,970) is a 5% increase based on estimated cost increases plus new space needs.

In answer to questions concerning the equity adjustment, Mr. Donhowe said that the equity percentage will be less next year.

Concerning the medical insurance estimate, he said that health care is part of the base. The University piggy backs on state employees, who tend to make less use of medical plans and thus subsidize the University to some degree. Bids from providers are now in hand and negotiations are proceeding. Insurance rates went up 35% net last year and health care costs continue to increase.

Mirror-image study tables, showing faculty salary comparisons and retention were distributed. Mr. Foster explained that MPIS had calculated entitlement based on comparison of the University with peer institutions -- the Big Ten plus Iowa State -- which found the University to be approximately 2.5% below the peer group. All colleges which rank below their peers are considered to have a claim to market money.

In answer to a question Mr. Foster said that the table applies only to faculty, not to professional staff employed in libraries, clinical departments, General College, etc. General College comparisons are not included, however, in 1985, MPIS studied the General College and found that there too salaries were low relative to peers. Since not all the Big Ten universities have the same professional schools as Minnesota, a selection of professional school peers was added. The selection of these schools was negotiated with the professional colleges. Column 1, faculty size, gives regular FTEs, but includes some faculty that are not regular employees in the usual sense, e.g. part-time teaching staff in the hospital.

The table includes two kinds of data on retention, both of which are recognized as inadequate. The number of retention cases (column 6) is derived form a list compiled by Mary Bilek since 1983 of cases in which Academic Affairs was able to retain faculty who had received real outside offers. The retention index (column 7) is obtained by dividing the number of cases in column 6 by the faculty size in column 1. If the column 1 figure is high the resulting column 7 data will be skewed; the data is useful, however, in comparison with Big Ten counterparts and as an indication of the number of times faculty have been bid away, Mr. Foster said.

Several committee members commented that there are other factors besides an inflated faculty size figure which may distort the retention figures. Outside offers are not always reported to Academic Affairs. Sometimes deans handle negotiations themselves and the retention or non-retention is not recorded. Sometimes an offer is welcome and accepted, and retention efforts, seeming useless, are not made. Units which have received a message that they should shrink would be unlikely to approach central administration for retention funds.

Some committee members questioned the whole retention process, saying that it threatens to institutionalize the use of outside offers as a lever for pay increases. Mr. Foster noted that the process is also dangerous (even if moral) because once an offer is received, it may simply be accepted, without the possibility of retention.

One member noted that the "peer institution" designation is of dubious accuracy. It would be more accurate to say "mid-America comparison group," leaving open the question of whether the institutions included are actually peers.

Page two of the handout shows the entitlement index and retention severity index for colleges, classified by priority. It was noted that CLA is subdivided into two components: social sciences which is above mean and arts which is below mean. CLA retention cases, however, are primarily from social sciences.

Committee members raised the question of how the indices would be used. Vice President Donhowe replied that as central administration decisions are made the units highest in the entitlement index would have the most immediate claim. Several Committee members expressed opinions that market pressures and academic planning priorities are separate issues; if faculty in lower priority units are to receive lower salaries the result will be to reduce the quality of those units, which is counter to the purpose of the planning documents. One member stated that he concurred with the vote of the Faculty Consultative Committee at its May 18th meeting, which by a vote of four to two favored using only entitlement and retention -- not academic priorities -- in determining market funds distribution.

One Committee member stated that the index is not a good indicator of marketability because there is a great variation between departments which does not appear in a breakdown by collegiate units. He suggested having the individual departments identify peer departments with which they competed for their most recent hires. It was noted that this information should be available to each unit dean, who can include it in reporting data to central administration. Professor Ibele pointed out that the input used in developing academic priorities came largely from the deans. Another member said that any mechanical or mathematical way of dealing with market data will require more number crunching to the advantage of departments which enjoy and excel in this and the disadvantage of other departments such as arts and languages.

Asked whether the campuses were compared separately, Dr. Foster replied that a peer group was identified for each campus. On campuses where a union exists, the 1% will be subject to negotiation.

Returning to questions concerning the Operations and Maintenance Budget, Vice President Donhowe noted that the legislative increases (items such as library, equipment, etc.) are all system wide. Professor Brenner said that the amounts are straight allocation; bonding authority was not included. The library amount of $1,500,000 per year will include some funds for staff, not only acquisitions.

Vice President Donhowe, Professor Clark and several Committee members emphasized that the instructional improvement item ($3,307,000, which is incremental) will require a reporting of outcomes for use as the University goes back to the Legislature in the future. The Legislature wants outcomes specified because this year outcomes were not demonstrated. Asked whether the Legislature wants a programmatic or an accounting and return report, Mr. Donhowe replied that it wants both. Professor Brenner said that what had been requested was "results," rather than simply numbers.

It was noted that the tuition income amount equals 28% The question of how to run more than one formula to allow for growth on the Duluth campus is in abeyance. The bill rider allows for further discussion of enrollment. The growth in Duluth is caused by retention rather than new admissions, which have been rather low.

Further details and information about soft funds will be known next week.

The meeting was adjourned at 5:10.

-- Catherine Winter

University of Minnesota