

Minutes*

Senate Committee on Finance and Planning December 5, 1989

Present: Burton Shapiro (chair), David Berg, Associate Vice President Carol Campbell, David Dittman, Arthur Erdman, Tony Faras, Virginia Gray, Senior Vice President Leonard Kuhi, Cleon Melsa, Jeff von Munkwitz-Smith, Rob Webb

Guests: Senior Vice President Gordon Donhowe, Associate Vice President Edward Foster, Geoffrey Maruyama, Charlotte Striebel, Rabun Taylor (Footnote)

1. Report of the Chair

Professor Shapiro announced that there would be a meeting of the Committee on January 2; it will be chaired by Professor Gray.

The minutes of November 21 need to be corrected: The date on the header on the pages should be November 21, not November 7.

2. Resolution on Paying for Athletic Investigations

Professor Speaks distributed copies of a resolution he drafted following the discussion at the last meeting with Men's Athletic Director Rick Bay. The resolution calls for an athletic department to be charged with the expenses of an investigation which results from allegations of rules violations. Professor Shapiro asked Committee members if they generally agreed with the concept; if so, the issue would be taken up at the next meeting. It was agreed that the item should be on the agenda.

The point was made that the resolution should discriminate between charges arising from misbehavior, and costs associated with investigating them, and costs associated with the type of investigation which the University would routinely handle for any department.

Mr. Donhowe informed the Committee that the expenses of the investigation which has recently been taking place have been paid from central reserves.

3. Timetable for Action, the New Athletic Facility

Professor Shapiro asked Mr. Donhowe about the timetable for acting on the proposal for a new \$48 million athletic facility. Mr. Donhowe said that the proposal would be placed in front of the Regents this week for information; after that it would be hard to guess the schedule. February is probably the earliest it could be approved; unlike most other buildings, there has to be an appraisal of the financial risks in the facility, because it will be financed by selling bonds, the debt service for which will be paid by a revenue stream from the facility.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

Committee members expressed dismay that they read about a full-blown proposal in the Daily only a week after Mr. Bay had told the Committee that the plans were not fully developed. Mr. Donhowe explained that because the Assembly Committee on Intercollegiate Athletics had been involved all along in the development of the plan, he had taken a draft proposal to it; a Daily reporter had been present so the plan had become public.

It was suggested, and Mr. Donhowe agreed, that the proposal would be on the agenda for discussion at the January 2 meeting of the Committee.

4. Action on the Sauer/Spencer Committees Recommendations

Professor Shapiro welcomed Associate Vice President Campbell to the meeting to inform the Committee about the University's response to the financial management recommendations of the two reports.

Ms. Campbell began by recalling for the Committee that Interim President Sauer had appointed a Financial Review Committee consisting of members of the legislature, the state auditor, and others. That review committee had embraced the Spencer (Blue Ribbon) Commission's findings and issued four recommendations of its own. They were:

- The Board of Regents adopt a policy on reserves, which has been done.
- The financial management systems recommendations of the Spencer Commission should be implemented; they are in the process of implementing them.
- The University should develop information on all funds, public and private, including central and department reserves, and publicly disclose it; the information should also be provided to the legislature. An annual report is now prepared containing information on all funds and it is widely disseminated; some of the reporting to the legislature awaits the improvements to the financial management systems.
- The Board of Regents should reconsider its use of outside firms to perform external financial and compliance audits. After discussion with the legislative auditor, it was decided to continue to use outside firms for financial audits, which are conducted under well-prescribed routine; the legislative auditor can still conduct compliance audits as he wishes on units of the University. (There is no difference in cost to the University, because the State would charge for an audit as do private accounting firms.)

An inquiry was made about the legal authority of the legislative auditor to do investigations and the University's constitutional autonomy. Ms. Campbell said it was her understanding that where legislative dollars do, the legislative auditor has a right to follow. In the instance of his audit of the Foundation, it was a request and the University honored it. Mr. Donhowe added that the University would probably never want the challenge the right of the legislative auditor to examine the use of funds on behalf of the legislature. It is a battle the University might win on legal grounds, he said, but the political cost would be high. The current auditor pretty much confines his investigations to state funds, he pointed out, but

happens to be less circumspect than his predecessors about commenting broadly on programs.

Ms. Campbell was asked if she could respond to a question about the size of reserves; she said she could for central funds but could not for departmental discretionary reserves. When the new financial management system and new budgeting process is in place, however, that question will be answerable.

Committee members asked about funds which might be deposited in bank accounts and controlled by departments; Ms. Campbell said she hoped that there are no accounts like that and Mr. Donhowe warned that there better not be any such accounts because their tax status would be suspect if not received by an officer of the University and under University control. Several Committee members commented that there are rumors that such accounts do exist.

5. Report on Relationship of the University to Foundations

As had been promised at an earlier meeting, Ms. Campbell had provided to the Committee copies of a draft report setting out conditions and understandings which must govern the relationship between the University and "recognized" foundations. The report lays out the conditions which must obtain if a foundation is to use the name of the University and to use University space, staff, and equipment in conduct of its activities.* The report will be presented to the Board of Regents for information this week; it is also being presented to the Boards of the "recognized" foundations for action. It is expected that the policy will be adopted without difficulty.

Ms. Campbell explained that there are two reasons the report was developed: The University auditors had recommended it and there is a national movement toward better defining relationships between universities and their foundations (because of very messy problems which arose in several states (but not in Minnesota)). The report calls for the Board of Regents to recognize that foundations should be separate legal entities which they do not control but which have policies in place to protect the University.

The "recognized" foundations are those the activities of which are primarily to support the University (such as the University Foundation, the Medical Foundation, the Arboretum). There is no stigma attached to not being "recognized"; there are many "unrecognized" foundations which work closely with the University (the Lions, the Variety Club) but which do not have the University as their principal focus.

Ms. Campbell walked Committee members through the report and then advised them that it really contains no major changes in what has been the practice. It does clarify some points and tightens up procedures--in some instances it has not been followed to the letter. The report leaves open the possibility of establishing new "recognized" foundations; the University's view, however, is that it is most beneficial to concentrate activities in as few foundations as possible. Mr. Donhowe concluded the discussion by reflecting that this report is an example of the way that interlocking financial management at the University should work: The auditor saw some potential problems and recommended that a policy be put in place before trouble developed.

*Copies of the report are available from the Consultative Committee office.

6. Status of the 1991-93 Biennial Request

Professor Shapiro explained that he had received inquiries from several individuals about the status of the biennial request and how it would be tied to Academic Priorities.

Vice President Donhowe made several remarks but cautioned that they were strictly his personal opinion. Right now there is no schedule for developing the request; it will likely await the completion of the budget. The process will probably start during the summer and end during the Fall.** He observed that budget proposals and the current biennial request, as well as requests he saw when he was at the State, contained a lengthy listing of items, in great detail and covering a wide range of activities, with no real indication of what was important to the University, what was there for political reasons, and what was there to let an idea fly and see how it fared. He said he hoped the University could in the future communicate more precisely what is important to it; he also hoped that the University will very carefully carry out Academic Priorities. The University, he said, must be articulate, pointed, and focussed in its request and must not tolerate a large number of supplicants or advocates for special items.

Dr. Kuhl concurred with Mr. Donhowe, expressing his amazement at the tradition at Minnesota of bypassing normal procedures and toleration of groups lobbying at the legislature without paying any attention to the priorities of the University. He said he hoped that the University could get control of this situation. Professor Maruyama informed the Committee that in his experience as faculty lobbyist he learned that legislators quit talking to people who said they were from the University because they--the legislators--heard from so many people that they didn't know who to listen to.***

Asked how the Committee could be certain that the request would reflect Academic Priorities, Mr. Donhowe said it should exhibit on its face consistency with the priorities. That, he added, would be new.

There is now in place a policy which prohibits University units from hiring "outside guns" to lobby, Mr. Donhowe told the Committee, but that will not preclude hiring someone and then having that employee act as a lobbyist. He noted that those on State Special appropriations all lobby to retain and increase their own funding. Dr. Kuhl said that he would like to see one key set of designated representatives to speak on behalf of projects and a concentrated effort. Clustering the state specials will put additional responsibility on the vice presidents, Mr. Donhowe observed; as for the system Specials, organization of support for that "dog's breakfast" will have to be decided upon later.

7. Report from the Subcommittee on Physical Plant and Space Allocation; Discussion of the Minnesota Facilities Model

Professor Erdman reviewed for the Committee the activities of the subcommittee.

-- They are pleased with the appointments of new administrators in Finance, Physical Plant,

**The timing of the process will likely require summer meetings of the Committee.

*** After these minutes were prepared and distributed Professor Maruyama pointed out that his experience as a faculty lobbyist applied only to some legislators, not all of them.

and Physical Planning in terms of their dealings with the subcommittee.

- There should be a well-understood relationship between the subcommittee and its parent committee; a joint meeting in the Spring would perhaps be desirable.
- The subcommittee believes it should deal with major issues of reallocation or academic mission in the areas of physical plant, physical planning, and space; this may create some overlap with the activities of the parent committee.
- Issues to which the subcommittee has devoted its attention thus far this Fall include:
 - The CRS Sistine utilities study; Professor Erdman summarized briefly the current status of the activities surrounding that report.
 - The University Energy Committee and examination of ways to reduce energy usage by about 30% over the next five years.
 - The lack of participation in development of the capital request and the need to define the subcommittee's role therein.
 - Hazardous waste, asbestos abatement, and radon are continuing issues.
 - Participation by Professor Erdman and his predecessor, Professor Tom Scott, on a committee working under Associate Vice President Hewitt to revise the Minnesota Facilities Model; Professors Erdman and Scott, after the first meeting, came away asking how the model would interact with Nick LaFontaine's proposal that departments pay for their space.

The last item elicited a number of comments by Committee members sharply critical of the Minnesota Facilities Model. There was strong sentiment for carefully monitoring the process for revising the model; neither Professors Scott and Erdman nor every department chair at the University can adequately represent the diversity of the needs of the faculty. There should not be a new model which no one would use because the process of developing it was tainted.

It was argued vigorously that the model should be thrown out because it was so flawed that it was worse than no model at all. Mr. Donhowe responded that he fundamentally disagreed; without a model the University is "up a creek" because the only standard is then "a lot more space" and the result is chaos. He agreed, however, that it needs to be upgraded and observed that allocation of space ought not be a matter of opinion--data, he asserted, should be available, and they should be rigorous.

Rather than having a small committee develop a revised model (which might be a straw man) and toss it out for reaction, Dr. Kuhl maintained, there should be a process which includes surveys of individual departments. It was agreed that the subcommittee should be involved in the process from the beginning.

One of the Committee members observed that this appeared to be yet another example of how

physical planning and academic planning are not integrated. Involvement of the subcommittee might be one way to mitigate that situation.

Another Committee member advised that the quality of space--classrooms, faculty offices, meeting rooms, graduate student offices--contributed significantly to the ranking of his college; inattention to space or ignoring these considerations could prejudice the ability of the University to achieve its academic goals.

Senior Vice Presidents Donhowe and Kuhi acknowledged the points made in the discussion and said they would discuss how best to proceed.

8. Development of a Peer Group for Faculty Salary Comparisons

The discussion began with David Berg telling the Committee he had received from a department head a list of the institutions with which his department competes; there were 39 institutions on the list, 22 public and 17 private. Of the 22 public institutions, 18 are in the AAU Data Exchange (AAUDE) and similarly for 6 of the 17 private institutions. Eight of the Big Ten schools were also on the list. Mr. Berg said he concluded once again, from this, that the AAUDE schools were quite representative of the group department heads generally cite as their competitors.

Mr. Berg cautioned, however, that each department cannot be permitted to choose its own comparison group. The University tried to develop such groups when Henry Koffler was Vice President for Academic Affairs; they ended up needing information from over 100 universities just for the arts and sciences. It is impossible to get accurate information from so many schools and the University cannot give to the legislature so many different groups.

Several Committee members expressed support for using the AAUDE schools. One suggested using any other set of data except the Big Ten because many departments find the Big Ten schools to be mostly irrelevant except in a couple of cases. Mr. Berg suggested that the AAUDE list could be pared down somewhat, and the legislature would likely accept the cuts if the University could make a logical case for them. He pointed out, however, that even though there are some AAUDE institutions which some object to being compared with, several years ago we objected to being compared with Arizona, Texas, and North Carolina--and now we definitely want them in our comparison group. He told the Committee that the AAU tends to be a self-regulating group in terms of quality; once all members were rated by the best research institutions as among the best research institutions. Some have dropped out, and a few may have been admitted for purposes of balance. The University, however, need not seek to be at the average in a large group; it should probably strive to be near the top.

One Committee member suggested that department-by-department comparisons, from time to time, would serve as a reality check for the Provost. The University cannot go 10 or 15 years and not know where its departments stand vis-a-vis their peers. Some liberal arts departments have low salaries and need funding to increase their quality; others are highly rated and need money to retain outstanding scholars because they compete in a national market. Another observed that such data would serve to validate the comparison group ultimately chosen.

Mr. Berg agreed that this kind of information would be useful. He said it is an awful job to gather

the data but it is useful for setting internal salary policies and, if it could be boiled down in some way, might even be of use for the legislature.

Dr. Kuhi commented that he sees enormous inequities in salaries among people the same age solely because of the department they happen to be in. There is not really a merit system here, he said, because the dollars are not sufficient to keep abreast of inflation and reward merit. There is a need for a study as well as a significant presentation to the legislature; while there will be discrepancies among departments, they are so large at this university that they are not really based on quality or productivity.

Dr. Kuhi also inquired why the University was so bound to the Big Ten; Mr. Berg observed that it was politically impossible to get away from it but that the University needed to expand the comparison group.

Professor Maruyama told the Committee that he has heard from members of the legislature that the University keeps changing the comparison group--and that perception does damage to its credibility. Dr. Kuhi agreed and said that the University should choose a group and stick with it, even for 20 years, perhaps changing one institution every five years.

The point was made that the departments should not be disenfranchised in the process of developing the comparison group; relying on them for data was absolutely necessary. Equally important would be a requirement that the departments explain how they chose their peers--competition for faculty, for graduate students, and so on.

Professor Maruyama argued that legislature knows that all objective data the University produces will demonstrate that it is underfunded. Legislators talk to other legislators and know that all institutions make this argument. Legislators believe, too, that if the University loses someone, he or she can just be replaced. They do not understand the difficulties, he said, but the University is not credible. Dr. Kuhi responded that the University must start with something everyone could agree upon internally.

It was agreed that Dr. Kuhi, through the deans, would ask each department to provide a list of its competitors: places they lose people to, places they aspire to be like, and places they to which they lose graduate students. It was also agreed that the departments should be instructed not to assemble a list that is politically expedient--because the final group might be one with which the University will live for 20 years. Finally, there were comments made, but no consensus on, the number of competitors each department should include; it should probably be somewhere between five and ten.

It was agreed that this issue would be brought back to the Committee in the near future.

The Committee adjourned at 5:15.

-- Gary Engstrand