

Minutes*

**Senate Committee on Finance and Planning
Tuesday, September 25, 2012
2:00 – 4:00
238A Morrill Hall**

Present: Will Durfee (chair), Gary Cohen, Catherine Fitch, Susan Hupp, Lincoln Kallsen, Russell Luepker, Fred Morrison, Paul Olin, Richard Pfitzenreuter, Gwen Rudney, Terry Roe, Ann Sather, Kyle Smyth

Absent: Dan Feeney, Kara Kersteter, Ruth Lane, Michael Rollefson, Arturo Schultz, S. Charles Schulz, Thomas Stinson, Michael Volna, Pamela Wheelock, Aks Zaheer

Guests: Julie Tonneson (Office of Budget and Finance)

[In these minutes: (1) report on the Regents' meetings; (2) workforce analysis: definitions and issues; (3) Board of Regents Finance and Operations Committee work plan; (4) biennial request]

1. Report on the Regents' Meetings

Professor Durfee convened the meeting at 2:00 provided a report on the Board of Regents meeting. As chair, he is asked to attend two of the Board committee meetings, Facilities and Finance and Operations. He noted some of the items presented to the two committees.

2. Workforce Analysis: Definitions and Issues

Professor Durfee now turned to Mr. Kallsen and Ms. Tonneson to continue the discussion of the large project of looking at the cost of doing business. There are hard questions involved. This discussion is part of doing the workforce analysis, of who is at the University, of considering what job titles are linked to what portion of the mission. Mr. Kallsen and Ms. Tonneson presented to the Committee last May and then to the Regents in June. The presentation triggered a large number of questions on the part of Committee members.

Mr. Kallsen distributed copies of a few slides to provide a context for the discussion and said they could be used to go to a broader discussion of administrative costs. They started the analysis because (1) they needed a more consistent way to count the workforce, and (2) job categories are not accurate in describing the workforce. The original motivation for the question was how to talk about "administration."

Professor Luepker asked if this analysis is different from Vice President Brown's effort to rationalize job categories. It is not, Mr. Kallsen said, it is part of that effort.

Mr. Kallsen reported that the University had 25,307 unduplicated headcount employees on the 9th payroll in October, 2010. The University's total compensation bill for FY11 was \$1.968 billion paid to employees in 665 different job codes. Salaries were 76% of the total compensation, fringe benefits were the other 24%.

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

They propose a taxonomy of job categories:

- direct academic providers
- fellows, trainees, and students in academic jobs
- higher education mission support
- intercollegiate athletics
- facilities-related jobs
- organizational support
- University leadership.

Mr. Kallsen commented that this effort is, in essence, a study of job codes. They included every job code at the University—including a maritime captain and a chief mate (needed for work on Lake Superior).

Direct academic providers include tenured and tenure-track faculty, people providing direct instruction (adjunct professors, clinical faculty, teaching specialist, etc.), people directly performing research, extension educators, and fellows/trainees and students in academic jobs (e.g., RAs, TAs, etc.). This group constitutes about half of the money the University pays for compensation and consists of about 12,000 employees.

University leadership includes directors, academic leaders (deans, chancellors, chair, head, and assistants and associates thereto), and executive leadership (president, vice president, etc.). Vice President Brown has reported that the "director" category is problematic because there are many types, including both administrative and academic. Human Resources believes this is a title about which there needs to be more discipline in use.

Facilities-related positions include the skilled trades, buildings and grounds, facility operations supervisors, and other facilities-related positions (e.g., project manager, engineering, etc.). As one talks about the size of the administration, Mr. Kallsen said, the number of facilities employees is more tied to the size, age, and condition of the physical plant than to anything else.

Higher education mission support includes student services (student personnel worker, counselor, adviser), health sciences support (nurse practitioner, veterinary technician, dental assistant, etc.), and general mission support (librarian, scientist, curator, etc.). Mr. Kallsen said he would welcome better words to describe the category. The health sciences category does not include the hospital; the last category is a catchall (that includes the captain and chief mate).

Organizational support, also a catchall, includes operational support (human resources, finance, purchasing, information technology, and so on), clerical support, service and maintenance (child care worker, locksmith, parking attendant, etc.), coordinators, and professional generalists (e.g. administrative professional, associate to, analyst). There is no easy way to tell, from the data available, what "coordinators" are doing, Mr. Kallsen said, although there are over 700 of them. The category is problematic because there is not a lot of descriptive language about what they do. Someone could be in Morrill Hall coordinating an academic program or someone working in a research center. The problem, he agreed with Professor Durfee, is how to link them to the mission; the same is true for the professional generalists. Professor Cohen asked if Mr. Kallsen could identify whether the coordinators are at the department, college, or central level (he can) and if he could run the numbers comparing the different levels (he can, and also by fund source). Mr. Kallsen said he would do so. Professor Rudney assumed that Mr. Kallsen knows that "coordinator" is a miscellaneous category and the people who have the title do a multitude of things that are semi-managerial, and it is a good question whether they are

administrative versus line personnel delivering services. Presumably Vice President Brown's analysis will unpack this group and develop more accurate descriptors. Mr. Kallsen said he believed that is the case.

Mr. Kallsen presented a pie chart indicating the percentage of the University's compensation that goes to each group.

-- direct academic	35%
-- fellows/trainees/students	15
-- mission support	14
-- facilities	4
-- organizational support	24
-- leadership	6
-- athletics	2

Professor Roe commented that one can also think about these categories as overhead or fixed costs, etc. Professor Rudney asked if each person is in a category. Everyone is in a category, Mr. Kallsen said, even though their salary may come from more than one source.

Mr. Kallsen noted a bar graph indicating changes in employee headcount from FY02 to FY11; the number has not changed very much. It was 24,424 in fall 2002, was 25,266 in fall 2011, was at the lowest at 24,135 in fall 2005, and highest at 25,972 in fall 2008. Similarly, the percentage of total salary and fringe paid to each of the big categories has changed very little (no more than 1% in either direction). Degrees per employee have increased by 28.2% and sponsored dollars per employee have increased 41.6%; because employee headcount is not up, people are teaching more and doing more research.

Mr. Kallsen reviewed again the IPEDS data on executive/administrative and managerial employees at Minnesota and some of its peer institutions; as he noted last spring, the numbers fluctuate wildly and inexplicably at a number of institutions, including Minnesota, which demonstrates how unhelpful the IPEDS data are in making comparisons with other institutions. The definition is subject to a lot of interpretation on each campus, so who is counted and who is not varies widely. Professor Durfee asked who is responsible for deciding who goes into the category; Mr. Kallsen said a number of officers are involved.

Professor Durfee said he has a general sense from Vice President Brown that job codes are a good way to do the analysis and reflect what people do, even if there are outliers. Mr. Kallsen said that that is a question for Vice President Brown; he does not know best practices in human resources and he cannot provide any more information from the data they have assembled.

The issues could be grayer, Ms. Tonneson said; there could be people doing the same work but with different job titles. The job titles in information technology have been consolidated, Mr. Kallsen commented, which has led to somewhat less granularity. And responsibilities shift over time, Professor Durfee pointed out; with the change in the Graduate School, many people changed jobs.

Professor Durfee asked for a discussion of the concept of direct academic provider; it bundles together teaching and research, which could make a difference in the costs of teaching and research. Mr. Kallsen said it is a way to collect people in those categories, a way to collect similar functions. Have they tried these categories on a few departments to see if they fit, Dr. Fitch asked? Mr. Kallsen said he believed Vice President Brown will do so this fall. They have not done so on any systematic basis.

Another related topic is next steps, Vice President Pfutzenreuter commented. This analysis went to the Board of Regents; they conducted it in concert with Vice President Brown. At the end of it, one member of the Board of Regents said the report was interesting and illuminating, but what are the University's administrative costs? He will need to provide an answer at the October meeting of the Board and will use this discussion to try to do so. The president has said that the University will reduce administrative costs and the Board wants to know how it will be done; the task of analysis has fallen to him, Ms. Tonneson, and Mr. Kallsen and their staff to define administration. So they are defining job codes and non-personnel costs.

As they go through this important exercise, Professor Durfee said, they need to do so in an unbiased way, and not fall in the trap of thinking that "administration is bad" and try to move people out of the category in order to try to make the University look good. It is important to do the study accurately and to say that the administration does necessary things. The report must be honest.

The goal is to have a number that the president can use to benchmark costs over time, Mr. Pfutzenreuter said. One question is how the administration evolved over time, why it is bigger or smaller, Professor Roe said, because that is important to an understanding as the numbers themselves. For example, in some areas the cost of administration will vary with the number of students.

Professor Morrison said that it is his sense that at the department and program level, "directors" are usually mission support. They do not know what those individuals do, Ms. Tonneson commented. Professor Morrison suggested splitting them between the University and department levels. They have a number of directors who are mission support, not leadership (as suggested in the categories as Mr. Kallsen presented them).

Professor Durfee asked with whom the analysis would be vetted before going to the Regents. Mr. Pfutzenreuter said it would be brought to the president and vice presidents in early October; once they have the definitions, they can run data for all of the University's 52 major budgetary units. They will present those data to the Regents and then discuss them with the community. Ms. Tonneson added that they have not tried to make the administration smaller, they have tried to make reasonable decisions about categories.

Professor Durfee inquired if administration would be defined by who is in it or if there would be a definition and then people put into the category. It will be an iterative process, Mr. Pfutzenreuter said. They started with a definition, then started putting people in the category, then had to revise the definition. They hope to have a definition by the October Board meeting; they have not provided one at this meeting because they have not finished refining it.

Professor Luepker said he admired Mr. Kallsen, Ms. Tonneson, and Mr. Pfutzenreuter for taking on this project. If they establish categories for the University of Minnesota, or if the categories change over time, the question will be how to compare the University with other institutions, not with IPEDS data. He also observed that the president has said he will cut \$28 million in administrative costs. Mr. Pfutzenreuter said, apropos of the second comment, pointed out that the president did not say that there would only be \$28 million in administrative cuts.

Professor Durfee said the Committee would return to this topic later in October.

3. Board of Regents Finance and Operations Committee 2012-13 Work Plan

Vice President Pfutzenreuter reviewed with the Committee the work plan for the Regents' Finance and Operations Committee for 2012-13. Every Board committee chair each September develops a work plan for the year. Mr. Pfutzenreuter noted the items he believed it would be important for this Committee to discuss.

Professor Durfee noted that the October committee meeting included the administrative cost definition and benchmarking. With an eye to benchmarking and tracking, Mr. Pfutzenreuter said. In September the Board indicated it would like to see data on the cost of mission activities again. Both those costs and the cost of administration may become annual reports.

4. Biennial Request

Vice President Pfutzenreuter next provided a set of slides outlining the University's 2013-15 biennial request. He recalled that in recent years the University has not presented its request because the state faced such severe budget problems. The second biennium of a governor's term is his signature budget, his opportunity to put his vision on the state. The University is prepared for that situation with Governor Dayton.

The request has three major elements: reforming how higher education is funded, reforming how the state invests in its future, and reforming how students and their families pay for education. Each of those elements includes specific proposals. Mr. Pfutzenreuter offered several comments on the request.

-- The University has asked for \$14.2 million to hold resident undergraduate tuition increases to zero. Carried over four years, that would save a student over \$2500.

-- The University always receives some outcome-based performance funding and it has some now. It will again, and has proposed a measure for the legislature to consider. The funding involved would be \$11.5 million.

-- The request includes a proposal to cut \$28 million in administrative costs and operate more efficiently, which responds to a request from the governor on the impact of a 5% cut. It will cost the University \$40 million to deal with routine increases (salaries, utilities, etc.) each of the next two years.

-- Reforming how the state invests in its future includes \$18 million to fund four initiatives where the University has a critical mass: advancing industry and conserving the environment; supporting robotics, sensors, and advanced manufacturing; securing the global food supply; and advancing discoveries in treatments for brain conditions. The funds would provide for about 53 new faculty positions as well as new staff and research assistants.

Professor Cohen asked how the four initiatives were identified; Mr. Pfutzenreuter said the president went to the deans for suggestions. Professor Cohen said there was a little discontent in some quarters and there needs to be a little more explanation internally, and an indication that these emphases do not mean other units don't matter. Mr. Pfutzenreuter agreed and said the revenues that could be generated by changes in the third element, along with non-resident and graduate/professional tuition increases will fund compensation increases, health care costs, and core institutional bills. The accountability funding will support educational measures (e.g., support the graduation rate by hiring advisers).

Professor Durfee suggested describing better how the four initiatives benefit the non-Twin Cities campuses.

Vice President Pfutzenreuter reviewed the tax proposals that make up reforming how students and families pay for education. In ten years at the state and now 20 years at the University, he said he has never seen a higher education leader get involved in tax policy. There is a concern about student debt and the University has put together some proposals to help address it. The reform also includes, separately, a loan-forgiveness program for students who came out of Academic Health Center programs who work in under-served areas of the state.

The biennial request seeks an increase of \$32.2 million in FY14 and an additional increase of \$27.7 million in FY15; the total increase for the biennium is 8.4% (because of "biennial math," which means that if the University asks for a new \$1 in the first year of the biennium, and a new \$1 in the second year of the biennium, it is asking for a total of \$3 for the biennium—because the first year's new \$1 is repeated in the second year).

Professor Durfee thanked Vice President Pfutzenreuter for his report and adjourned the meeting at 3:45.

-- Gary Engstrand

University of Minnesota