Minutes[*]

Senate Committee on Educational Policy
October 8, 1991

Present: Stanford Lehmberg (chair), Victor Bloomfield, Stephanie Carr, Thomas Clayton, James Cotter, Joanne DeMoss, Michael Handberg, Ken Heller, James Maertens, Clark Starr

Guests: David Brady, Senior Vice President E. F. Infante, Kathleen Newell, Christine Velure

Professor Lehmberg called the special meeting to order at 3:15 and welcomed Senior Vice President Infante to discuss the University's budget.

Senior Vice President Infante began by noting the arithmetic of the 3-year period 1990-91 to 1992-93: State funds in 1990-91 were $462 million; in 1992-93 they will total $451 million. If the 1990-91 amount were increased a modest 3% per year to compensate in part for inflation, it would total $490 million. The University will thus be short $49 million in real dollars (490 minus 451), or about 10%. The administration is of the view that actions must be taken, but only which are consonant with the long-range strategy of the University. The institution must emerge as strong as possible and must protect its human and physical capital; given that many of its peer institutions are in the same predicament, it may be possible for the University to come out better off--if it does things right.

Last year, Dr. Infante recalled, the University began an important $58 million Restructuring and Reallocation Plan to shift resources to places most appropriate to meet its educational and scholarly missions. That Plan stays in place and should not be confused with the budget shortfall.

The President has said that to have two years of frozen salaries is unacceptable, so there will be 5% increases in 1992-93. Dr. Infante also told the Committee that he had argued for, and obtained agreement on, a 5% increase in the supply and expense budgets. The administration has, moreover, kept in mind the fact that there was a significant tuition increase last year and that a second substantial increase had to be considered very carefully. To provide the necessary salary and SEE increases, funds had to come from four sources: state funds, tuition increases, shifting of costs, and a decrease in costs. This budget includes all four elements.

The budget is based on a fundamental assumption that the vetoed $23.2 million in State Special appropriations will be restored. The University will be insistent on that point and will not discuss alternatives.

There will be two types of tuition increases. One, an overall general rise of 9%, which will yield about $15 million; the legislature will be informed that it can "buy down" that increase by appropriating funds for salaries and SEE budgets. The tuition increase is a direct corollary of the need to increase salaries. (The only two legislative priorities for the University will be restoration of the vetoed State Special funds and a buy-down of the tuition increase.) The second type of increase will be targeted to

[*]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.

certain programs (Law, Management, Public Affairs), putting "each tub [more, at least] on its own bottom." Morris will also see a targeted increase; it has the lowest direct costs but high indirect costs (20% above CLA). Both the environment and the opportunities at Morris justify the increase. There will also be targeted increases for non-matriculated students; the University has a strong commitment to lifelong education, but it is becoming clear that the legislature is less inclined to support those who are not degree-seeking students.

Other elements of the budget include reducing support services and changing their mode of operation. To obtain the 6% needed for compensation increases (5% salary plus 1% fringe benefit--primarily health coverage--increases), it is necessary to impose a 3% reduction in personnel budgets in addition to the tuition increases. None of the funds from the tuition increases will be used for salary increases for personnel on State Specials. Dr. Infante emphasized that the 3% cut will not be a reduction in budgets; it will be a reduction in personnel and effort so that those who remain can be awarded salary increases.

Dr. Infante also noted the $300 million in deferred maintenance and the need to begin to catch up on it. He was asked about the University's reduction of its Indirect Cost Recovery rate to 40%: do not the private institutions include building replacement in their rates? Dr. Infante noted that the University has taken most of its ICR funds and used them for additional programs and personnel rather than putting them into the infrastructure; the budget document points out that it is absolutely necessary to divert those funds away from people and programs back to the infrastructure--buildings, books, computers.

By campuses, the considerations are these: CROOKSTON has a serious problem. It can remain the same, close, or change. To remain the same would not make sense (the campus is surrounded by other two-year programs which cost half as much, and it is operating well below capacity); the University, however, intends to retain a presence in northwestern Minnesota, so a change in program is required. The possibility of moving to a baccalaureate program is being considered. MORRIS is problematical; to require it to absorb the 3% reduction would have been severely damaging. The administration decided to propose the targeted tuition increase and also to advance the entire amount of the Reallocation funds this year (rather than over a period of 5 years). The campus also desperately needs two new buildings, of which the University must pay for 1/3; at a total cost of $25 million, the University's portion of the debt service would be about $1.1 million--how is that to be obtained from a $12 million budget? Some long-range planning is needed. (Dr. Infante also touched briefly on the differences between the situations at Waseca and Crookston that justify not closing the Crookston campus.)

On the TWIN CITIES campus, with radically different kinds of units, there will be no additional overall enrollment reductions beyond those agreed upon between the University and the legislature, but there will be targeted changes. General College will be closed to non-Minnesotans and its number of freshmen reduced from 1100 to 650.

The document is a budget PLAN; there will be about 60 days to develop the program details--which is not the business of Morrill Hall.

Dr. Infante was asked about the tuition increases in the non-Graduate School Masters Degree programs: is there information on the impact of the increases on enrollment, and is this an attempt by the

University to encourage other institutions to enter the CEE field? Dr. Infante said it was not; those programs have, up to now, been subsidized by others. Strictly professional activities need to be self-supporting; the University in some sense is being taken advantage of in these programs. He said he has asked MPIS for an elasticity-demand analysis. CEE, Dr. Infante noted, is supposed to be self-supporting--but it pays no overhead. The University has for too long been doing things "on the margin"--but that margin is vastly greater than the core. He noted, for example, that there are many new endowed chairs from non-state funds that will be filled by people who use lights, heat, and janitorial services--all to be supported centrally. He has, he observed wryly, not been told of any endowed janitorial positions. These overhead costs need to be allocated on an all-funds basis.

The Committee discussed CEE briefly with Dr. Infante--whether or not it should be placed in the departments. Dr. Infante noted that the University must continue to be accessible, with quality, and so will take a number of steps. The tuition policy for non-matriculated students is one. He observed that much in the budget document will take time; this is not a one-shot effort. The University will have to continue for 3 - 4 years to hone, sharpen, and improve.

One Committee member expressed admiration for the proposals in the budget document but cautioned that it is difficult to disentangle undergraduate and graduate education, research, and service costs--the philosophy that these can be compartmentalized is problematic. Dr. Infante agreed but said that it has not been pushed far enough at this university. It was also suggested that the taxpayers do not pay enough for the social benefits of education; it is time to start a dialogue with the State on what higher education is supposed to be doing. The Twin Cities campus has been feeble in this respect, in part because it has weak legislative support; legislators do not realize what an economic engine the University is for the Twin Cities. An effort to begin a dialogue cannot be the responsibility of Morrill Hall or the faculty; it must be joined by students and staff as well. There must be a concerted voice directed at Twin Cities legislators. Dr. Infante told the Committee, in response, that the President has decided to put a big emphasis on putting before the community the values the University has provided (including leveraged funds but also jobs, culture, the impact on the business sector.

Part of the problem, Dr. Infante reflected, is that higher education is now priority #4 with the State (down, he noted, from being #1 when he first came to the University)--behind health coverage (a black hole), environmental health and safety, and K-12 education). This reduced status (a national phenomenon) is combined with an adamant resistance to raising taxes. So, the University must get better by putting its house in order. He agreed with the observation of one Committee member that perhaps higher education SHOULD be #4--that those other concerns may legitimately outrank higher education. The problem is that higher education is not fully funded.

Dr. Infante told the Committee he was bothered by the possibility that the faculty are cynical about the University and the process being used in developing the budget; he urged Committee members to tell him when he was making a mistake. The University controls its own destiny, he said--it has the capacity to navigate through these times and perhaps emerge stronger. The next 4 - 5 years will involve stepping on toes, and it must be done with a smile. Risks are being taken, to be sure, but the outcomes should make them worthwhile.

Discussion returned to the infrastructure; one Committee member noted that the University is in terrible shape in terms of classrooms, computing, its supply-and-expense budgets. Dr. Infante concurred, noting that the University spreads its funds over too much. The budget document is intended to sharpen the spending patterns. Rather than spending 91 cents of every dollar on personnel, he would like to see that amount reduced to 87 cents in the next four years. The 3% reductions, he pointed out, cannot be taken from TA budgets or SEE, but it can be taken from faculty lines. The faculty drive every activity in the institution, he said; there is at present a lopsided investment.

The reduction in the ICR rate borders on the criminal, one Committee member argued; the University's rate is too low. Dr. Infante responded that he has been involved in discussions with Mr. Potami (head of the Office of Research and Technology Transfer Administration) on this subject and faces a decision about whether or not to invest between $200,000 and $400,000 in order to create a data base so the University can COMPUTE its indirect costs. The University rate should be 52%, in his view--and that is what he insisted the legislature provide for support of the Rochester center (it did). It appears, regrettably, that the University will have to hire more bookkeepers to comply with federal regulations on ICR funds.

Asked if central administration would review the college plans for implementing the budget proposals, Dr. Infante affirmed that it would. It would be disingenuous for central administration to tell the units their business but it will serve as their conscience.

Committee members inquired about the nexus between the budget plans and educational policy implications; Dr. Infante said he hoped that the fundamental underpinnings of the document rested on educational policy considerations that had evolved through the planning process. The implementation of educational policy issues, however, rests with the faculty. This is an educational and scholarly institution, he observed--if decisions are not made on the basis of educational policy, then what on earth is the University doing? Unfortunately, he added, it runs on money.

The Committee adjourned at 4:50.

-- Gary Engstrand

University of Minnesota