

Minutes*

**Senate Finance Committee
April 4, 1989**

Present: Warren Ibele (chair), Robert Bruininks, John Clark, David Dittman, Arthur Erdman, Laël Gatewood, Gerald Klement, Cleon Melsa, Rick Revoir, Walter Weyhmann

Guests: Nick LaFontaine, Director of Budget Management; Gordon Donhowe, Acting Senior Vice President for Finance and Operations; Edward Foster, Associate Vice President for Academic Affairs

Discussion of Proposed Budget Principles and Implementation Strategies

Vice President Donhowe and Mr. LaFontaine

Vice President Donhowe began by emphasizing that the Budget Example is just that - a hypothetical example designed to illustrate the allocation of funds consistent with legislative intent and the University's goals. Strategies also means what the name implies - a plan for utilizing resources in order to reach a goal. He then went through the Budget Principles, pointing out linkages and ways the principles reflect academic priorities.

With regard to student tuition and financial aid, he noted that while the ratio of tuition to state support of instructional costs is fixed by legislation, complex factors affect rate decisions. It is necessary to make different decisions for different colleges. The School of Veterinary Medicine, for example, would have the highest tuition in the nation at a strict one-third rate. Other professional schools, too, might need to look at various plans. Since the state has adopted the model of financial aid rather than lower tuition rates to make college accessible, it is important for the University to be as active as the private colleges in seeking financial aid funding so that rising tuition does not inhibit attendance.

With regard to faculty salaries, the goal is to reward merit and excellence, respond to market factors and correct inequities. Thus salary increases are considered under three components: merit adjustments, market adjustments and equity adjustments. Equity should be a goal of benefits plans as well as of salary. Indirect costs recovered should be returned to the units in a way that reflects the amount generated by the unit. Finally, it is important to maintain contingency reserves, but these cannot be expected to prevent the need of budget revision.

The budget will be released in April and acted on in May for implementation in June.

Budget Example

The March 28th Budget Example memo was prepared in response to the meeting with the deans. It deals only with 0100 monies, and presumes monies available with a 4% inflation base. Legislative intent would suggest an aggregate tuition increase of 9 to 10%. The University is being paid by the state for the

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number of students it had four years ago, but the actual number now is lower. It assumes a one-third charge to students; if this is not charged the base will be lower next time. The amount assumed in the example is close to the Governor's current proposal, so it may be that the amounts dealt with are close to a worse case scenario. The example attempts to respond to the linkage requirement with a plan which provides for salary increases representing both merit and equity, responds to market realities, and recognizes equity.

In response to questions Vice President Donhowe said that:

- Civil Service increases are funded at 2%. Units scheduled for reduction must fund merit increases specifically for both academic and civil service positions.
- No cost of living increase is included, only merit/promotion and market/retention factors. The intent is that units will find from their current resources, funds to provide 1% or one-third of the projected salary increases, but will not be compelled to provide more than this.
- Since meeting with the FCC he has been thinking hard about "salary triage." There will be significant differences among units. Those doing retrenchment will have to find the 3% for salary increases from what is left. He would look at market variation. Raising the merit number would be good for all but retrenched units which haven't gotten up to one-third.

Mr. Foster noted that they now have run tapes from this year's data. The second generation run is of the same rust belt group plus five public universities that pay well (e.g. Texas and Virginia). Some professional schools will respond that adding these schools has tilted the figures because some of the high paying schools don't have all the professional schools that we do. (E.g. in Texas the medical school is not part of the University of Texas.)

Asked whether the priorities will be the same next year, Vice President Donhowe replied that these will remain in effect unless revised.

Asked whether rewards would not become less equitable if there is more for non-retrenched units, he said that the odds of reward are lower for retrenched units. Colleges are mandated to provide the full percentage. Mr. Foster added that retrenched units which have a decrease in enrollment and a loss of tenured faculty could actually come out better.

Committee members also expressed concern about whether there was a plan to monitor for unit compliance and about the implication of retrenchment which required the termination of tenure track (not tenured) faculty, thus losing some of the best and brightest and jeopardizing future strength. Vice President Donhowe reiterated that the example is not as precise as the calculations might suggest and the amount of funding is not final. It is possible that the House will go a bit higher than the Governor's recommendation, the Senate higher again, and that the House-Senate conference will agree on a reasonable compromise. In communicating the University's needs to the legislature it is important to stress the need to retain faculty and improve the undergraduate experience. Once the legislature's Higher Education Budget is passed the total amount is fixed, but how it will be divided among the various institutions remains to be decided.

Asked whether the University should again consider increasing enrollment, Vice President Donhowe said that it will be obliged to, but it is too late for this to affect the present budget.

Several committee members noted that this budget is only one of a number of factors impacting unit and department budgets. Those with government grants are also feeling the impact of Gram-Rudman funding cuts. Accrued vacation costs is another factor which must be budgeted for.

Another questions concerned specials. Some specials will be consolidated, but the result will not be significant. There are groups interested in preserving specials, especially incremental specials, such as Rochester, but University leadership is chiefly concerned with the core University plus some regional specials. There is not the expectation that any specials will be cancelled.

Several committee members noted that there are environmental time bombs which could throw the budget off. The report on steam power is due at the end of May. It is expected that the cost will be enormous. While it has been customary to wait for money from the legislature if possible, the Physical Plant deserves credit for taking the initiative to make improvements now rather than wait too long and allow the situation to become worse. Under the Senate reorganization this committee will have oversight of the Physical Plant and Physical Planning. Vice President Donhowe responded that making buildings more energy efficient is urgent and not something which can wait for financing from the legislature. Professor Erdman pointed out that there is help available on campus for this purpose; student assistants could audit building needs and engineers could determine where the needs are most urgent. Asbestos abatement can begin with funds realized from the law suit settlement. Walter Library is a high priority on the planning list, but two years were proposed to develop a plan.

Vice President Donhowe said that following internal consultation on implementation he will want to return to the committee with an updated report.

Meeting adjourned at 5:00 p.m.

-- Catherine Winter

University of Minnesota