Senate Committee on Finance & Planning
Minutes of the Meeting
February 3, 2015

[These notes 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 notes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

In these minutes: [Governor's recommended budget; budget framework and cost pools for FY2015-16; old and new business]

PRESENT: Gary Cohen, chair; Fred Morrison, Dan Feeney, Kara Kersteter, Erik van Kuijk, Jill Merriam, Megan Wiza, Quinn Jurgens, Renee Cheng, Linc Kallsen, Taylor Barker, Samantha Jensen, Michael Korth

REGRETS: Karen Ho, Russell Luepker, Tracy Peters

ABSENT: David Fisher, Michael Volna, Laura Kalambokidis, Pam Wheelock, Paul Olin

GUESTS: Julie Tonneson, associate vice president, Budget and Finance

Professor Cohen welcomed the committee.

1. Governor's recommended budget, budget framework and cost pools for FY2015-16

Cohen welcomed Richard Pfutzenreuter, vice president & CFO, Budget and Finance, who directed committee members' attention to a handout with an overview of the governor's recommended budget.

Pfutzenreuter highlighted changes from the original request:

- Access and Affordability was a request of $65.2M. The governor delivered $32.6M, and asked the University to reallocate more. Pfutzenreuter said he believed that if only $32.6M were received, the Regents' would then not freeze tuition. Undergraduate tuition would increase half as much as was planned if there were no state assistance for access, an increase of 1.5% in each of the next two years.
- The numbers for the Healthy Minnesota initiative were adjusted down: $7.5M the first year, and $10.5M the second. The Regents will incorporate the governor's recommendation into the University's request: $5M the first year, and $20M the second year for his Blue Ribbon Commission recommendation for the Medical School.
- The governor did not support the Vibrant Economy and Facility Condition Improvement Strategy items. However, there will be a Higher Education Asset Preservation and Renovation (HEAPR) allocation in the bonding bill.

All told, the Governor provided $62.6M, less than half the $148.2M of the biennial request. Pfutzenreuter said that the administration looked forward to the February revenue forecast for the state and noted that President Kaler alluded to adopting a tuition freeze if there was more money.

Julie Tonneson, associate vice president, Budget and Finance, went on to discuss the budget framework and cost pools for FY16, and distributed documents to the committee. She noted the framework was built on and corresponds to the original budget request, not the updated one. Tonneson reviewed the document in detail with the committee. She pointed out that if the University did not get the $21.5M of new appropriation for tuition relief, it would be replaced with the tuition rate increase. The revenue estimate is based on an assumption of flat enrollment. However, Tonneson noted, when that is implemented in the budget, it is likely that not all the professional schools would go up the proposed 3.5%. Tonneson acknowledged that there were schools in which the enrollment was not stable, so the revenue would likely be less than estimated. The funds for reallocation realized from administrative savings might also change.

Tonneson went on to discuss cost pools, and said the numbers were preliminary and could change at the end of the current fiscal year. The figures had been communicated to the support units. She stated the cost pools do not increase at the same rate, and that the cost pool with the largest increase for next year is the research pool, which was going up 10.2%. Tonneson said there were initiatives being funded from that pool, and in addition, functions are being moved around within the institution, so budgeted activities are moving from other cost pools to the research cost pool. Tonneson also noted the large increase in the technology pool, due to the PeopleSoft licenses that will be coming into the budget in FY16. Pfutzenreuter added that the licensing fees for the Enterprise System Upgrade Project (ESUP) were being paid out of its $83M budget, but once it goes live it will move to the recurring budget. Tonneson said the information presented at the meeting was also on the website for in-depth review.

Cohen asked if each cost pool was levied on colleges according to a different formula, depending on the character of the cost pool. Tonneson answered in the affirmative. Regarding the cost pool for research, she said it was assessed based on the proportionate share of the total of a 3-year average of sponsored expenditures. Cohen asked if this meant that Office of the Vice President for Research supports the whole University, or whether the responsibility of the OVPR is assumed to be almost exclusively for funded research. Tonneson said that was the primary driver of the size of that budget.

Cohen asked about the structural imbalance of the Office of Human Resources (OHR) to which Tonneson had referred. Tonneson said OHR's recurring revenues were less than their recurring expenditures, and explained that in prior years they had built up a balance from salary savings, open positions, and the like. They were not in deficit at present because they have been spending down their balance.

The committee asked about the large expenditure for library licenses, noting the University Libraries have been very stretched. Professor Gunn discussed monopoly pricing with publishers like Elsevier, and suggested it may be something the committee may wish to discuss with the Library Committee. Pfutzenreuter said they chose not to cut the library budget as part of the reallocation. Cohen pointed out that the libraries had done considerable staffing reductions in recent years in order to try to address the rising costs of materials, and other parts of the University had not suffered the same reductions.

The committee inquired about technologies that could reduce utility costs and thus reduce the University's vulnerability with cost fluctuations. Tonneson said Facilities Management provides detailed information broken down by each utility, and the information showed consumption has consistently gone down for the last 3-4 years. The reductions are built into the budget.

The committee asked why there were five different categories for student services. Tonneson responded that there are different bases upon which the costs are spread. Professor Morrison asked that the total changes for academic units be calculated and provided to the committee. To the committee's question regarding the impact on departments in collegiate units, Pfutzenreuter said that would not be known until they knew what the state appropriation was.

Cohen brought up technology costs, and asked whether it might be time to revisit which costs are allocated to technology cost pools and which costs are allocated to the enterprise tax. If the head count of faculty, staff, and students was a good base for ongoing IT costs, Cohen asked why it wasn't an equally valid base for major IT capital expenditures. Pfutzenreuter said it was likely a distributional issue.

The committee agreed that the discussion go off the record at this point.

Pfutzenreuter then updated the committee on ESUP, saying that due to challenges in all the work streams, particularly payroll, the Executive Committee was recommending the go-live date be targeted for April 10.

Cohen thanked Pfutzenreuter and Tonneson for the information.

2. Old and new business

Cohen reported he had been communicating with Brian Herman, vice president, Office of the Vice President for Research, about the annual report on research and its deficiencies. Cohen said he had copied President Kaler and Provost Hanson on the communication, and Herman said he was working on other metrics for future annual reports.

Cohen said he would be attending an upcoming FCC meeting with the deans, and would raise the issues of medium and long-range budgetary planning and forecasting, sustainability of their programs, and their satisfaction with the current methodology. Cohen said he would also raise the issue of higher fringe rates for part-time and short-term academic appointments. The rates have increased significantly, and the impact should be explored.

Cohen asked Professor Gunn to speak about issues around mandatory graduate student fees. Gunn said in 2013, there were questions about the change in billing processes. Graduate students were receiving bills for fees before they received paychecks. There was now a resolution that would allow graduate research and teaching assistants to use the installment plan at no cost, and payments would not be due until after receiving the second paycheck. Linc Kallsen said he believed that was the easiest of several resolutions brought forward to the President, and he would find out what actually was implemented and report back to the committee.

Gunn went on to say that in reviewing past meeting minutes, it came up several times that graduate students are managing to live on their stipends but borrowing money to pay the fees. The general collegiate fees are about $1500/year, and an additional $300 for international students, which is about 10% of most students' stipends. Gunn said this was something that made the University of the Minnesota less competitive with peer institutions. Gunn proposed sending a resolution to Faculty Consultative Committee to examine the fees, and look into having the fees covered by the colleges and departments through stipends in the same way tuition is. The recommendation would be that the mandatory fees are the responsibility of the home departments of the graduate students who are on teaching and research assistantships funded by the academic unit, and Cohen noted that the language would be adjusted in the draft to exempt those that do not pay tuition.

Cohen called for a general discussion of the principle for the proposal, and said Gunn and he could construct some language for a recommendation, take a vote of committee members by email, and forward it to the FCC if the committee chose to.

Professor Seashore said in her department, much of the funded research does not go through the department but rather pays graduate research assistants. Thus, they would not be able to fund as many students if the department had to pay the student fees as well as tuition and stipends. Cohen acknowledged there were many different models around the University to be considered. Kara Kersteter said that although she supported the idea in principle, she was concerned about unintended consequences. She said she wanted to know more about the mechanics of how the support for fees would be paid; for example, would it be taken out of TAUI funding or would other sources be required. She agreed it would limit the number of students that could be supported in that case. Catherine Fitch suggested looking into the allowability of using a grant for such purposes, and wondered if the fees could be paid as part of grant. Seashore said because of overhead (indirect cost charges) on research grants, it was cheaper to hire someone with a masters' degree full-time as opposed to two half-time research fellows. Gunn said that many students question the fees and why they are not part of the tuition, and she listed some of the many and varied fees across the colleges. Cohen asked Gunn to consider how the proposal could be made to work without the unintended consequences and bring it back to the committee. Gunn also asked to make a request to the FCC for a follow-up report on the Special Committee on Graduate Education.

Hearing no further business, Cohen adjourned the meeting.

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