

Minutes*

Senate Committee on Finance and Planning
Tuesday, May 24, 1994
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), Mary Askelson, David Berg, David Dahlgren, Mark Davison, Michael Hoey, Karen Karni, Craig Kissock, Richard Pfutzenreuter, Doris Rubenstein, William Rudelius, Dianne Van Tasell, Albert Yonas

Regrets: Fred Morrison, Mary Sue Simmons

Absent: William Gerberich, Karen Geronime, Gerald Klement, Roger Paschke, Thomas Scott, Susan Torgerson

Guests: Associate Vice President Mark Brenner, Senior Vice President Robert Erickson

[In these minutes: Biennial Request Advisory Committee; biennial request; central administration reorganization; report on Operations and Maintenance of Facilities]

1. Biennial Request Advisory Committee

Professor Rubenstein convened the meeting in Room 300 Morrill Hall at 3:15 and asked Associate Vice President Pfutzenreuter to lead the discussion of the proposed Biennial Budget Advisory Committee (hereinafter BBAC). The President has proposed to establish the BBAC, Mr. Pfutzenreuter reported, with 13-15 members, including one student, at least two faculty (the chairs of this Committee and the Faculty Consultative Committee), three deans, a bargaining unit employee, two chancellors, and the Senior Vice Presidents; it will be appointed within the next two weeks, if approved.

This is not the "Joint Big Decision Committee" that has been discussed by the Committee, Professor Rubenstein noted; it is a trial joint committee to work cooperatively on the biennial request. Senior Vice President Erickson pointed out that its life could be extended, although that is not now contemplated, and the effort will be evaluated afterwards. The BBAC will allow participation of the major internal stakeholders in the development of the biennial budget; it is important that it not be too large, but it should represent key groups. It should also represent all levels of the institution, said one Committee member, so wiser decisions can be made--but individuals should not REPRESENT groups.

Committee members offered several comments.

-- Consideration should be given to appointing someone from outside the University, such as from state government or the Alumni Association.

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- In terms of working with the existing governance system, the BBAC would actually establish biennial request policies and advise on putting together the request; the Finance and Planning and Faculty Consultative Committee would respond to what has been suggested. These committees often do not succeed, one Committee member recalled from the literature, and whether or not it does may depend on the role it is given. If it is to participate in decisions, it has a chance; if it is a "fig leaf," it will not. It is worth a try, however. Its charge will be important; it will not be a budget committee, but rather a policy committee. The charge to the BBAC will be to initially formulate policy; this Committee will continue to review policies prior to final adoption.
- It will be important to have a group of workable size whose members can trust each other and that can get the work done. The addition of other stakeholders can be considered if the process works and as it evolves.

2. The Biennial Request

Professor Rubenstein then asked Mr. Pfutzenreuter to review the development of the biennial request. Mr. Pfutzenreuter distributed a four-page handout and outlined a possible biennial budget strategy for the next two fiscal years. The elements of the request may include general needs, specific requests built around the five goals of U2000, and perhaps inclusion of the \$16 million supplemental request made to the 1994 legislature. The request should be marketable, built on partnerships (with the state and private sector), easily understandable, recognize the limits on state funds, Committee members again offered comments.

- The request should be mission-based and the University should be able to say the request is anchored in its long-term vision.
- Someone from the private sector should be involved in developing the request, such as the president of the University of Minnesota Foundation Board of Trustees.
- Public reaction to the sale of the Timberwolves (reportedly disgust at the priority given the issue and values it reflects) prompts a suggestion that the University should reassert values that Minnesota has held to for decades, such as education.
- Budgeting should be based on what is needed to run a program, given the expectations of it. No one has ever asked what it takes to run programs.
- A key question is who the target audiences are for the five initiatives related to U2000. How will they be helped by what the University does? The U2000 messages are very complex and most do not understand them. Marketing is easy if one has something to sell; the absence of specifics in U2000 has been a problem.

The President has spoken to FCC about including specific items in the request, which has both advantages and drawbacks. It makes sense, in that it identifies concrete proposals that the legislature can act on; it raises red flags, however, with those whose units are NOT included in the specific proposals and it also runs the risk of inviting micro-management

by the state. But including specifics is perhaps more likely to be successful than just requesting X million dollars for computing.

Mr. Pfutzenreuter then reviewed the increased dollar amounts associated with specific percentage increases in the University's 1994-95 appropriation. He discussed the politics that surround taxes and a balanced state budget. One concern voiced by Committee members was that the amounts required for salary and fringe benefit increases of 3.5% each year of the biennium, and a similar amount for non-salary inflation, could consume the entire increase. That situation could require cannibalizing programs, higher tuition, and "a starved university."

Other issues to be discussed, Mr. Pfutzenreuter pointed out, include, for example, contingent planning if the appropriation is insufficient to support the University's needs and objectives.

Asked where the work of the Compensation Working Group fits into the development of the biennial request, Mr. Pfutzenreuter said he was not sure. It was said that the Working Group intends to provide a rationale for faculty compensation based on quality and the competitive market place and that its work is to be completed in time for incorporation in the biennial request. Typically, Mr. Pfutzenreuter commented, the University's salary increases are tied to treatment of all state employees. Another Committee member pointed out that there have, however, been exceptions to that practice in the past. He agreed that there could be a specific request for salaries.

There is an implication that the "reasonable" expectation for the University's appropriation can be identified; the University could argue for inflation, salary increases, AND other improvements. Another Committee member pointed that hypothesizing that salaries and inflation will define the request assumes that the University will keep on doing everything it is now doing. If the University cannot fund well that which it is now doing, should it continue to do all those things? What will guide those decisions? Who will make them? Moreover, added another, if the University cuts an activity, that could create a vacuum for which the state will direct funding elsewhere--just because the University eliminates something does not mean it will be able to retain the funds.

Communication with the legislature may be in grim terms: Is this what it wants the University to do? If the appropriation does not follow, the University will not do certain things. Or the approach could be "Minnesota nice," thanking the legislature and Governor for their support even when funds are vetoed. Mr. Erickson noted that it is hard to make the case for salaries in general; the University must point out what it is doing for the state and that to do X, Y, and Z it needs a certain amount of funds--that if the legislature wants things done, there is a price. If the funds are not received, the University will have to make choices. It might consider asking for 10 cents for each external research dollar the University brings to the state--certainly no more than the state itself receives from those funds--or point out that one-third of the users of the libraries are not from the University, or ask the legislature how many professionals in various fields it is willing to fund. To the extent the University can cast the request as an investment by the state, the better off it will be. The University, he noted dryly, is not going to pick up and leave the state.

The \$270 million in research funding the University brings in, noted one Committee member, could easily disappear--there are a lot of institutions that would like that money. If the University receives less state support, Mr. Erickson agreed, those funds could drop off.

Work on the political process should start early, urged one Committee member, and might include the legislative network of the Alumni Association. That is a group of people across the state committed to the University; were they to be charged with seeking grass roots support, it would be a way to involve a cadre of interested volunteers in a meaningful way--and without asking them for money. A similar group, Mr. Erickson pointed out, is University employees, who make up 1% of the work force of the state; there is no one who doesn't have a relative or friend who is not an employee of the University. One problem with employee activism, it was pointed out, is that it is seen as self-serving. People can talk about what is wrong with the University, Mr. Erickson said, but they need also talk about what is right. There is a powerful economic development story to be told, it must be focused and simple, and it has to be a long-term project to tell it.

The idea of telling the story is a good one, commented one Committee member, but most people in the state know about the University. What is required is a consolidation of the effort. Experience at other local institutions makes one realize how much those students and faculty rely on the University. It is important for the University not only to use wisely the money it has but also to obtain the money it NEEDS.

3. Central Administration Reorganization

At this point the Committee recessed from Room 300 and reconvened in Room 238 Morrill Hall. The discussion turned to the proposed reorganization of central administration. Professor Rubenstein reported briefly on the comments the President had made to the Faculty Consultative Committee about it and urged Committee members to read the minutes of that meeting to inform themselves about the plans and rationale for them.

Professor Rubenstein reviewed the various models of the administration that were considered and said that one with three Twin Cities campus provosts and three coordinate campus chancellors has been proposed. The major strength of the proposal, in his view, is that it separates system and campus officers and functions. The vice presidents become system officers; the chancellors and provosts are line officers with responsibility for their units. At present Dr. Infante has an impossible job, serving both as system vice president and Twin Cities provost; this proposal would separate those responsibilities.

Mr. Erickson then explained some of the details associated with the units that would report to him and to Dr. Infante.

Asked if promotion and tenure files would continue to go through the Vice President for Academic Affairs, Mr. Erickson said he believed that office would play primarily a transmittal function and would review procedural elements of the recommendations. One issue is the role of the Graduate School, said one Committee member; it advises the Vice President for Academic Affairs and helps to ensure consistency and quality as well as aids in identifying weaknesses and problems in graduate school programs. Dr. Brenner had joined the meeting and reported that he understands the Graduate School would continue to play that advisory role to each of the provosts.

One major change in the organization, it was pointed out, is that the VICE PRESIDENT for Research and Dean of the Graduate School and the VICE PRESIDENT for Student Affairs are no longer

on the same organizational line as the vice presidents; they would report to the Vice President for Academic Affairs and may carry associate vice presidential titles. That issue is not settled, Dr. Brenner commented; in many institutions, it was said, the research officer has a more visible position than associate vice president. Perhaps more important than title, commented another Committee member, are the questions of who sits in what meetings and who consults with the President on major issues.

This proposal does not appear to create a "lean and mean" central administration, observed one Committee member, which was presumably a goal underlying the change. A question that also needs to be posed to the President, it was said, is "what is this reorganization trying to fix?" "What is not working?"

There appear to be two things going on, observed one Committee member. The power of the provosts and chancellors to make important decisions is being dramatically increased; the President is not going to second-guess those decisions. Given the character of the coordinate campuses, however, one can be uncomfortable with the idea that there will be no central perspective on promotion and tenure decisions. The other aspect of this plan is a significant decrease in the power of the Vice President for Research and the Vice President for Student Affairs, who may not have enough decision-making authority. The University only recently evolved to having a vice president for research, and it is regrettable that the position may now disappear, when it could have grown and developed into an important source of wisdom and perspective.

Another Committee member reflected that it was hard to see how this reorganization plan fosters the strategic directions of U2000. Downgrading two of the University's key players (in research/graduate education and in undergraduate education) who have central roles in two of the U2000 strategic directions, appears to mean they will no longer have the "place at the table" that they do now.

In addition, it was said, there is one disturbing statement in the reorganization handout: the job description for the Vice President for Finance and Operations contains the language "managing information flow to effectively transition to Responsibility Center Management" (RCM). Does this mean that RCM is a *fait accompli*, without discussion? Inasmuch as Senior Vice President Erickson had had to leave the meeting, Dr. Brenner commented on the issue. There does need to be thoughtful discussion about the implications of the reorganization, including RCM, he said. One problem of which he was aware, for example, is that faculty may decline to participate in University-wide responsibilities because doing so, under RCM, would not be in the best interests of the unit. RCM should not come in "by the back door," he cautioned.

When RCM was first proposed several months ago, it was recalled, this Committee had argued that it should be put on the back burner because there were too many other issues pending. That remains true now, but if the administration is serious about RCM, it should start consulting with this Committee and with FCC, because it would represent a MAJOR change in the way the University operates and would affect the character of the entire institution.

One Committee member expressed concern about the fact that two positions held by competent women who are leaving the University for better positions (Vice Presidents Marvalene Hughes and Anne Petersen) are now perhaps going to be downgraded to associate vice presidencies. What message does that send?

Except for the professional schools of Law, Education, Public Affairs, and for CEE, the proposed reorganization represents one fewer layer of administration. (For those four, it represents no change. They now report to the Senior Vice President for Academic Affairs; under the reorganization, they would report to a provost.)

Professor Rubenstein announced that a meeting of the Committee has been scheduled for next week, at which time President Hasselmo will join the Committee to discuss the reorganization.

4. Final Review of the Report on Operation and Maintenance of Facilities

Professor Rubenstein then turned to Professor Davison, Chair of the Subcommittee on Facilities Management, for comments on the Operation and Maintenance of Facilities report, developed by a committee chaired by Associate Vice President Brenner.

The Subcommittee, Professor Davison reported, supports the basic principles enunciated in the report--supported and non-supported space, the services each receive, the financial planning, and the idea of guidelines limiting the hours buildings are operated. The Subcommittee had some concerns about implementation: That non-supported space should pay its own way as much as possible (because if not, the costs are shifted to the supported units), that units receive full value of their funds from Facilities Management, and that building hour limits must be flexible. There were also editorial concerns that have been addressed. The Subcommittee recommends the Finance and Planning Committee endorse the report.

Dr. Brenner said it was the clear understanding of the group that the building hours limits WOULD be flexibly administered. Changes could probably be made with a telephone call from a department head.

Asked about language dealing with future state specials, Dr. Brenner explained that there are historical commitments to provide space for activities funded by state specials and that those arrangements should not be disturbed. In the last few years, however, the University's relationship with the state has changed--it is now required to pay 1/3 of the debt service on new facilities and the state has provided no additional funds for building maintenance. New specials, however, will increase the demands on space, so there must be a mechanism to cover those expenses. ICR funds should not be used, but there should be an ICR-like RATE developed and charged to new state specials.

There continues to be concern about the management of physical facilities on the Twin Cities campus, one Committee member observed. There needs to be proper oversight, feedback, and penalties for non-performance if the recommendations of this report concerning facilities standards are to be implemented. Specific performance levels for building maintenance need to be established, if Facilities Management is to receive an infusion of new funds for that purpose, with penalties for non-performance; without penalties, it is possible that appropriate performance will not be achieved.

The second part of the report can be construed as setting standards for custodial and other services, Professor Davison commented. It is questionable whether or not Facilities Management can be held to those standards if they are not provided the funds to meet them.

The other piece of this issue, it was said, is whether or not the services are being provided at

reasonable cost. The University does pay more than downtown facilities, but that is because its buildings are older and it is University policy to pay prevailing wages, and the legislature wishes that practice to continue. As long as that is the case, the University will pay more per square foot for maintenance. There were also higher costs in the systems in Facilities Management that existed when Associate Vice President Markham took her position, Dr. Brenner commented, and there have been personnel practices that have required modification. The question of cost-effective service is an important one, especially since the University does not operate in the free market but has instead a single vendor. When units ask about using a vendor in the market at perhaps half the cost charged by Facilities Management, the issues of wages and standards come into play. Ms. Markham has made impressive changes, he noted--some of which have appeared in the DAILY in both a positive and negative light. The report itself, however, did not address issues of cost-effectiveness; it does not provide enough information, he commented in response to a query, to determine if there has been or will be improvements over time. That is a proper concern, however, and needs to be addressed.

There has been progress in accounting for maintenance costs per square foot, Professor Davison reported; the figures have been made available to the Subcommittee. One question is what constitutes a reasonable rate, given older buildings, special facilities, and the prevailing wage standard. One Committee member, noting he is a consumer of these services, said the solution to cleaning special facilities appears to be to ignore them. Another Committee member, also identifying himself as a consumer, agreed with the call for performance measures and expressed displeasure at the service received, noting that he had seen NO progress thus far.

There is a means-and-ends issue here, said one Committee member. The mission of the University is to provide the highest quality teaching, research, and service at the lowest cost. In terms of space, how do these recommendations help the University better deliver its teaching, research, and service? There has been now consistency in operating standards, Dr. Brenner replied; the results should be better quality and uniform maintenance of space. The University has a huge debt in facilities maintenance that could be reduced if facilities are better protected. Teaching and research cannot be conducted in ill-maintained facilities. There has been a free market in services, he said, with deals being cut between units and facilities managers; this report eliminates those deals and simplifies the system. It must also be understood, he pointed out, that Facilities Management has been grossly understaffed and that all the changes recommended will not occur until funding is increased; in the meantime, health and safety concerns have been addressed immediately.

While one can agree that costs for service in older buildings will be higher, another factor is the LEVEL of service. Compared to downtown, the level is MUCH lower; the difference may be by an order of magnitude.

Professor Rubenstein then adjourned the meeting at 5:10.

-- Gary Engstrand