

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, February 4, 2003**  
**2:15 - 4:00**  
**238A Morrill Hall**

- Present: Charles Speaks (chair), Prince Amattoe, Jean Bauer, Stanley Bonnema, Bruce Brorson, Charles Campbell, David Chapman, Robert Cudeck, Tom Gilson, Gary Jahn, Abu Jalal, Cynthia Jara, Thomas Klein, Michael Korth, Brittany McCarthy Barnes, Kathleen O'Brien, Daniel O'Connor, Richard Pfutzenreuter, Terry Roe, Warren Warwick, Susan Carlson Weinberg
- Absent: Tim Church, Joseph Konstan, Marvin Marshak, Tim Nantell, Thomas Stinson, Sue Van Voorhis, Michael Volna
- Guests: Executive Vice President and Provost Christine Maziar; Professor Judith Martin (Faculty Consultative Committee)
- Others: Julie Tonneson (Office of Budget and Finance)

[In these minutes: (1) statement on funding for classroom upgrades; (2) the budget]

**1. Statement on Funding for Classroom Upgrades**

Professor Speaks convened the meeting at 2:15 and asked Committee members to review the "Statement Regarding General Purpose Classroom Technology Upgrade Plan" that had been distributed at the last meeting. He noted that it could be an empty statement, in light of the budget situation, but said that the Committee may wish nonetheless to be on record supporting classroom improvements. With one minor editorial amendment, the Committee unanimously adopted the following statement:

The Senate Committee on Finance and Planning is repeatedly on record as strongly supporting the "General Purpose Classroom Technology Upgrade Plan" as the vehicle to increase vitally needed teaching & learning technology in Twin Cities central classrooms.

The plan, which was implemented in November, 1999, calls for upgrading all central classrooms to the "projection-capable classroom" standard by end FY 04. Of note, in addition to one-time funding for initial installations, the Tech Upgrade Plan also identifies the life cycle equipment replacement and maintenance costs, as well as the necessary faculty support costs, which result from the installation of technology in classrooms.

While the Committee notes that the Tech Upgrade Plan is about one year behind schedule, we also note with satisfaction the increase in technology upgrade installations that occurred in the summer of 2002. This increase was visibly signified by President Bruininks' virtual ribbon cutting of the 100<sup>th</sup> upgraded classroom at the beginning of the Fall 2002 semester,

---

\* 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 represents the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

and is reflected in the steadily improving access to vital classroom technology by faculty and students. This increase in installations was accomplished with one-time funds under partnership/leveraging initiatives between colleges/departments and Classroom Management.

However, the Committee also notes that the recurring funding to sustain these improved classrooms is lagging. Both faculty and students are increasingly dependent on technology in classrooms. Having adequate technology in classrooms is not optional for a top-tier institution. It is essential for faculty and increasingly expected by matriculating students. Faculty are increasingly investing great time and energy incorporating multimedia, web and projection technologies in their pedagogy. It will not be acceptable to have the technology in classrooms fail in the future due to lack of life cycle support.

While this discussion has focused on the Twin Cities, the committee notes that each coordinate campus has pursued a similarly important counterpart effort to address their own unique needs for classroom technology initiatives.

The Senate Committee on Finance and Planning endorsed the following resolution, which is presented for information.

"The Committee receives enthusiastically and strongly re-endorses the recommendation for the general purpose classroom technology upgrade and urges that it and corresponding efforts on the coordinate campuses receive recurring funding and implementation at the earliest possible date."

## **2. The Budget**

Professor Speaks next reported that the Provost's Budget Advisory Task Force had received a detailed spreadsheet outlining the cuts, by administrative and academic unit, that would be made as a result of the \$25-million rescission that the Governor has recommended. The numbers have been sent to the deans. The cuts are across-the-board. Professor Speaks said he had expressed concern that the cuts did not reflect judgments about institutional priorities but also that even across-the-board cuts can be done in different ways--so that the method chosen for the across-the-board cuts reflect some judgment or values. [Professor Speaks later explained that one can establish in several ways the base budget on which to calculate the cuts to each unit. For example, the base could count only the state-appropriated funds, or it could count those funds plus tuition, or it could count state-appropriate funds, tuition, and ICR funds. The distributional effects of the cuts vary considerably, depending on which funds are included.]

Professor Speaks distributed to Committee members copies of a table he had prepared showing the base budgets used to calculate the cuts for each unit (state-appropriated funds (O&M and state specials) and tuition), the distribution of the \$25-million cut by unit (proportional to each unit's share of the total base budget), the cuts that would have been made if there were no (\$8.3 million) subsidy to athletics, and the difference between the two cuts--the latter illustrating the "cost" for each unit of the subsidy to athletics. The differences between the cuts with and without the athletic subsidy are as follows (in thousands of dollars):

<b>BOR</b>	\$6.0
<b>President</b>	\$24.7
<b>General Counsel</b>	\$31.0
<b>Audits</b>	\$13.9

<b>Budget and Finance</b>	\$39.9
<b>Controller</b>	\$58.2
<b>VP University Services</b>	\$9.9
<b>Campus Health &amp; Safety</b>	\$85.9
<b>Auxiliary Services</b>	\$5.4
<b>Facilities Management</b>	\$567.0
<b>Human Resources</b>	\$75.8
<b>Institutional Relations</b>	\$65.2
<b>Campus Life</b>	\$92.3
<b>Chief of Staff/VP</b>	\$8.6
<b>Athletics</b>	
<b>Research</b>	\$200.6
<b>EVPP</b>	\$266.3
<b>Information Technology</b>	\$346.9
<b>University Libraries</b>	\$206.4
<b>CEHD</b>	\$253.3
<b>CSOM</b>	\$303.8
<b>Humphrey</b>	\$33.4
<b>Law</b>	\$119.9
<b>Arch. &amp; Landscape Arch.</b>	\$59.7
<b>Ag Experiment Station</b>	\$375.5
<b>Human Ecology</b>	\$81.6
<b>Natural Resources</b>	\$42.4
<b>Ag., Food &amp; Env. Sciences</b>	\$107.2
<b>MN Extension Service</b>	\$221.8
<b>College of Continuing Ed</b>	\$126.5
<b>CBS</b>	\$159.0
<b>CLA</b>	\$942.5
<b>GC</b>	\$80.8
<b>IT</b>	\$746.4
<b>Duluth Med.</b>	\$64.9
<b>Dentistry</b>	\$137.0
<b>SVP AHC</b>	\$38.7
<b>AHC Shared</b>	\$219.9
<b>Medical School</b>	\$434.9
<b>Nursing</b>	\$52.4
<b>Pharmacy</b>	\$88.2
<b>Public Health</b>	\$76.1
<b>Vet Med.</b>	\$153.3
<b>Duluth</b>	\$750.3
<b>Morris</b>	\$195.8
<b>Crookston</b>	\$114.4
<b>Rochester</b>	\$11.3
<b>TOTAL</b>	\$8,095.0

What would be the impact on the athletic department budget if the entire \$8.3 million subsidy were eliminated, Professor Cudeck asked? The budget for the department is about \$48 million, Mr. Klein reported, after looking it up in the Twin Cities Athletics Financial Plan report to the Regents. Mr. Klein added that as a result of the memo from Professor Speaks to the Committee, he had reviewed the plan from intercollegiate athletics on how it would approach its budget problems; he said he believed the University should try to eliminate the subsidy. He commented that he also found it interesting the University Plan, Performance and Accountability Report from 2001 contained no references to athletics on the Twin Cities campus, although the athletic programs on the other campuses are mentioned in the Report. Athletics is impliedly part of the campus and traditionally has been part of the fabric of the

undergraduate experience. But there are no metrics on athletics as part of that report--it is as if athletics are outside the discussion of University priorities and put in a bunker outside the rest of the campus. People in athletics might well believe they are in a separate bunker. This seems to be an odd omission from the Plan, he concluded.

Professor Speaks said that he may be seen in some quarters as athletics-bashing, but he is not; he likes athletics. Inasmuch as the University will have retrenched nearly \$50 million during the current biennium, and could face cuts of between \$250 and \$400 million in state funding the next biennium, ANY subsidy has to be on the table. Before then-Vice President Brown brought her report on funding of athletics to the Committee in 2001, there had been a belief that athletics was self-supporting. Vice President Brown's report demonstrated that it was not and it laid out the projections. Without inferring causation, he said, if one looks at a graph of the subsidy for the last ten years, there was a gentle slope upwards until the time that President Yudof arrived, after which time the slope increased sharply upwards. The subsidy began because there was a state special appropriation for women's athletics which was subsequently folded into the University's general appropriation in the mid-1990s. In the view of former women's athletic director Chris Voelz, there was an implied intent that institutional support for women's athletics would continue; in the view of President Yudof and Vice President Brown, the amount was folded in to the University's appropriation but there was no intent included. This Committee, and the Faculty Consultative Committee, has twice adopted statements urging that the subsidy be reduced (but did not call for it to be reduced to zero).

Professor Speaks recalled that President Yudof had proposed to eliminate three sports as one way to reduce the subsidy. At the last minute, it was learned that there were policies in place governing how sports are to be cut. The eventual outcome of the events was that the Board of Regents voted to continue the subsidy for at least two more years.

It may be a hollow gesture to call for the elimination of the subsidy, Professor Speaks said, but the Committee must continue to remind the administration every time it looks at the amounts of the cuts to the units, the numbers will be huge in the next biennium. Another way to look at the athletic subsidy, Professor Campbell observed, is that it amounts to 2.5% of tuition.

Professor Speaks, responding to Professor Cudeck's original question about what would happen to athletics if the subsidy were eliminated, said he did not know. Athletic Director Joel Maturi has said he wants the subsidy reduced but his plans are not known to the Committee. He probably could not cut \$8 million but he perhaps could make budget reductions to shrink the subsidy. Professor Speaks noted that two of the major revenue-producing sports in men's athletics (basketball and hockey) already produce the maximum revenue that can be expected; even if football were to sell out every game, it would generate only an additional \$3 million. So the only way to deal with the subsidy is to cut expenses or increase fund-raising.

Professor Jahn wondered what proportion of the expenses of new buildings were borne by intercollegiate athletics. Those costs cannot be escaped and are probably very large because of the amount of construction that has taken place. He also noted that he and Professor Bauer serve on a steering committee charged with identifying ways to assess the performance of support services; the first question on a survey that has been distributed is "whom do you serve?" The response from intercollegiate athletics was student-athletes and the public. The response was not "the University." Professor Campbell recalled that he only half-jokingly suggested that perhaps there should be a check-off on state tax returns for the Gophers and something similar on student fees; in the case of the latter, the contributions could be used to provide discounted tickets.

With respect to the next round of cuts, Professor Speaks reported, Dr. Maziar has assured him that they will not be across-the-board, unlike the \$25-million rescission. He said he did not know what the strategies would be but they would probably include cost-cutting (e.g., an electronic directory and class schedule, reductions in benefits, and so on). Even with cost reductions, however, he said he did not know how the University could escape targeted reductions if the cuts are not to be across-the-board.

Mr. Pfutzenreuter reported that the Governor's budget recommendations for the next biennium will be released on February 11. Professor Speaks inquired how the current-year rescission might be affected if the legislature cannot reach agreement on a budget plan and the Governor is forced to unallot. Mr. Pfutzenreuter said he could only speculate but said that unallotment could increase the rescission to \$40 million because the Governor would not be able to reach some funds in unallotment that could be dealt with in a budget decision by the legislature. It is almost irrelevant whether the number is \$25 million or \$40 million, he said, because there will be cuts, whether now or later. If the cuts are deeper now, they may offset cuts in the future.

Professor Roe asked if the administration is doing what planning it can, after which it will see the Governor's budget and then decide on recommended tuition increases, and so on? Once they see the numbers and the size of the cut, Mr. Pfutzenreuter said, then it will have to be seen where the administration and the Board of Regents stand on tuition; they will try to fashion an increase to offset part of the cut. There are "must dos" such as utilities, bonds, the cost of opening new buildings, promises made, and so on, which total about \$80 million in increases for the biennium.

Mr. Pfutzenreuter affirmed that there may be some discussion of these issues at the Regents' meeting on February 13-14, since it will occur two days after the Governor's recommendation. He said, however, that there will likely not be discussion of any specifics. Professor Speaks noted that every 1% increase in tuition generates about \$3.5 million; even if tuition were to be increased 20%, the increase in revenue would total \$70 million, which would be unlikely to come close to covering the likely reduction in state funding.

Ms. McCarthy Barnes expressed concern about what she saw as growing political support for a "high tuition, high aid" approach to higher education funding in an effort to fund students and not institutions. She said that faculty, staff, and students should be concerned that tuition revenue to the University could exceed the amount of state support, especially at a land-grant university. And if there is high tuition and low state support, Mr. Pfutzenreuter added, one must ask if cuts can come in instruction. If tuition is supporting the University, it may not be feasible to cut instruction. So should research and service be cut? There is also the question of accountability. If students are funding more of the University through tuition (i.e., support services, such as advising, housing), to whom will the University become more accountable--the state? the students? Ms. McCarthy Barnes asked? She concluded that there is increasing support for the University becoming more like the University of Michigan [tuition at which is approximately twice that of the University of Minnesota], which is not appropriate for Minnesota.

Is there support for the Brandl idea, Professor Speaks asked? Mr. Pfutzenreuter gave the Committee a primer on economic issues. There will be three issues commingled at the legislature with respect to higher education. First, the Higher Education Services Office (HESO), which provides student financial aid from the state, requested \$60 million for financial aid and a 1.1% increase in the four-year tuition cap. That increase would drive some additional funds to the private colleges, but not much. If the public institutions raise tuition, they would in turn capture more of the money (because the financial aid packages are tuition-driven). Second, there has been a proposal from John Brandl and others that more money should be taken from the base appropriations to the University and to MNSCU and put into

increased financial aid (beyond the \$60 million that HESO has requested) and that the caps on aid be increased significantly. This will mean more state financial aid money will flow to the private colleges and universities; the proposal takes more from the University, after which the legislature might then tell the University to increase tuition to recover the money.

That proposal polarizes access to higher education, Ms. McCarthy Barnes interjected, and it is not in the interest of the land-grant institution. It is a reaction from the private colleges to the increased quality of education at the University, she asserted.

The third higher education item at the legislature is simply that the legislature must balance the budget, Mr. Pfutzenreuter continued. The University could be reduced to support HESO because the state wants to move to a "high tuition, high aid" approach to funding higher education. He said the University will not know what the approach is until the numbers become public.

Several of his colleagues have pointed out that many research grants include funds to support graduate assistants, Professor Campbell reported. Raising tuition increases the amount that must be paid, and the fringe benefits, so erodes the ability to support as many students or it reduces the amount of work that can be done. This second-order effect from large tuition increases is very serious. It has also been a long-standing goal of the private colleges to reverse the traditional funding formula in public higher education (1/3 paid by the students, 2/3 paid by the state) so that the students pay the 2/3 and the state only 1/3.

Some faculty may want the University to look more like the University of Michigan, Ms. McCarthy Barnes commented. Even if that is true, Professor Campbell responded, it is not clear how the University would pull off the change. Such a change cannot be accomplished with cuts such as the ones the University is facing. The University could be there in ten years, however, Mr. Pfutzenreuter commented, but not now. He noted that in a number of cases, the aid package from the private schools brings their cost of attending close to that at the University; if the University raises tuition a great deal, the cost of attending here could exceed that at the private schools--and, he surmised, parents will certainly look at those differences. And some private schools have very good four-year graduation rates, Professor Speaks added; it is not clear that students would come to the University for its more leisurely five-year rate. Parents will also do the calculation of cost for four years at a private institution versus five years at the University.

Professor Speaks now welcomed Executive Vice President and Provost Maziar to the meeting. He noted that he has not brought materials from the Budget Advisory Task Force (BATF) to the Committee unless Dr. Maziar released them; he will bring them as soon as he can to the Committee. Dr. Maziar told Professor Speaks he should query her each time materials are distributed, because she wants the confidentiality of the BATF discussions respected in order its members can be frank.

Professor Campbell noted that there have been budget advisory committees/budget advisory task forces in the past. This one is different because it has two very good faculty while the others had five. The current committee cannot get the breadth it needs from only two faculty members.

As the budget moves forward, Dr. Maziar responded, they will need representation from students in an advisory capacity as well, because as the picture becomes clearer and the impact on students becomes known, it will be important that they be at the table. Right now there are so many unknowns about the biennial budget that she worries taking an early position on issues could affect the proposals coming from the Capitol. This is a remarkably difficult environment, she said, because what people do at

the University could have an impact on how issues are framed at the legislature. It is likely that there will be no final decisions in St. Paul until the end of the session.

The Governor's targets will be known next week, Professor Speaks observed. While she does not know what it will say, Dr. Maziar said, whatever it contains will provide enough insight for the University to begin work; past practice suggests the University's budget will be within 5% of the Governor's recommendation, plus or minus.

Professor Speaks said that everyone must do what they can to influence legislators about the biennial request. Some office in the University, however, needs to provide faculty and staff with talking points. There are offices providing such information, it was noted.

In terms of representation on the BATF, Professor Speaks said, the President appoints the group. Professor Campbell's point seems reasonable; anyone who wishes to comment on the matter should drop a note to President Bruininks.

Dr. Maziar next distributed several items. First, copies of two articles about student financial aid, one by the President of the Minnesota Private College Council, David Laird, and the other by former University President Kenneth Keller. There is a strong movement in the state to change the philosophy of funding higher education, to move from funding institutions to funding students so they have money to attend the institution of their choice--to establish, in effect, a higher education voucher system. The arguments on both sides of the issue are laid out well in the two articles, she said.

The University sees danger in a changed state posture on funding higher education, funding it through a "high tuition, high aid" approach, because it is not clear there would be adequate funding for graduate and professional education, the University's research mission, or the outreach/extension mission.

Dr. Maziar then reviewed briefly what some of the University's peer public institutions are doing on budget issues. Some have received mid-year cuts this year, ranging from \$3.23 million at Penn State to \$7.8 million at UCLA to about \$19 million at Texas-Austin.

The University had other options with the \$23.7 million rescission last year, Dr. Maziar commented, because the cut came before the new fiscal year. The University could raise tuition, defer investments, and so on. When the rescission hits in the middle of the budget year, the administration judged it unreasonable to raise tuition mid-year, concluded it was too late to defer investments (although units have been asked to do so where they can), concluded it would not be possible to capture many savings from efficiencies when they came so late in the year, so concluded that balances must be considered.

Dr. Maziar turned to a two-page spreadsheet showing the state funds, state specials, tuition, ICR allocations, and various totals and cuts that would be made depending on which "base" one wanted to use. She noted that when tuition revenue is included in the base used to calculate the cut for the \$25-million rescission, certain units' proportion of the base increases (i.e., the units that generate tuition). By contrast, when tuition is included, other units' proportion of the base decreases (e.g., the libraries); for the most part, support/administrative units do not generate tuition income so that including tuition in the base total decreases those units' proportion of the base--and thus the cut they must sustain.

If ICR funds were included in the base, some administrative units' share of the base would increase slightly, but there would be significant shifts in the impact on the colleges (e.g., the Medical

School and School of Public Health would see a notable increase in their share of the base). CLA and the Agricultural Experiment Stations, on the other hand, would see a reduced cut if ICR funds were included.

They then looked at balances growing in certain parts of the University, Dr. Maziar related. Some of those balances were accumulated at the direction of the central administration. They nonetheless concluded that for THIS rescission, the amounts that would cause the least disruption in the functioning of the University would be to use as the base budgets the amount that included the state allocation, state special allocations, and tuition, but not ICR funds.

If this approach is adopted, because of growing balances, Professor Speaks said, it is saying that units should use non-recurring funds (the balances) to bridge cuts that are recurring. Dr. Maziar pointed out that the University had to find \$25 million in five months and that it expects another set of significant recurring cuts from the state. The administration does not expect this model to be the one used in making the biennial cuts. Professor Speaks noted that General College Dean Taylor was quoted in a DAILY article as saying he would use reserves to handle the cuts; if the deans are using non-recurring funds, are they being asked how they would bridge to permanent cuts? They are, Dr. Maziar said; the cuts must be made recurring in 12-18 months. She said the great regret is that this is only the first shoe; the next one will be a Doc Marten.

Professor Campbell noted that President Bruininks had sent out a message about the budget and said the University would protect its core activities. Does the administration believe this mixture of cuts protects the core elements of the mission? With respect to the current rescission she believes it is, Dr. Maziar said; it would not be the optimal mixture in making the decisions about the biennial budget cuts. As they have talked through the options at the BATF and with the President, they have the sense that the upcoming biennial cuts are a big problem in which all must participate. She said they are concerned that if the central administration differentiates in cuts for this rescission, they would fight so many battles they would not be able to extract the money needed this year and would open up the University to more restrictions and micromanagement from outside.

Professor Speaks noted that the BATF was also not unanimous in recommending the particular set of cuts that was adopted. Dr. Maziar agreed and said the sense of the discussion had been conveyed to the President. The strategy would have been different if this had been a budget cut of \$25-50 million, rather than a mid-year rescission. Professor Speaks said it was his sense that one might concede that under the pressure of five months, an across-the-board strategy had to be used. But the University needs to get to the point where it can follow the original Rosenstone task force recommendation: once the University establishes what it values and what it must protect, then whether it receives a big or small financial hit, with a lot or a little notice, it can act. Dr. Maziar commented that the Rosenstone task force was not contemplating the level of cuts that are coming; this could be an historic moment for the University. She said she was concerned about the legacy this generation is leaving for the future.

If balances played a role in the decision, Professor Korth said, did they consider adding a column to the spreadsheet explicitly noting them? Dr. Maziar explained why they did not and added that the decision to include tuition prevented more units from being thrown into deficits. Professor Speaks noted that the spreadsheet tuition data were for PROJECTED income, as set by the unit for the year; to the extent a unit brings in more tuition than projected, it will have a cushion. Mr. Pfitzenreuter affirmed that that was the case and said that many units ARE generating more tuition than projected (although, he pointed out, some of that money have been SPENT to generate the additional income). Professor Speaks asked that the Committee be provided the actual tuition revenues.

Dr. Maziar then turned to the draft biennial budget priorities. She distributed a one-page draft summary. The primary objective is to "protect the University of Minnesota's mission: its capacity to serve its students and to advance knowledge and by doing so serve the people of Minnesota." The secondary objective is "recognize that these are difficult times for higher education throughout the nation and that opportunities to preserve and even improve their competitive position are available for those institutions willing to realign investments to the strategic needs of the university of the 21<sup>st</sup> century. These institutions will promote values of efficiency and effectiveness in the stewardship of their resources as they execute their mission." There followed 11 bullet points. This document, as finally approved, will frame discussions with various groups and form the basis for local decisions, Dr. Maziar said.

The point of the second objective, she said, is that the University should not just "hunker down": as it reallocates and reinvests, there is still the opportunity to prepare the University to be a player in this century. The ones that do so will be the ones in ten years that are rising in the rankings.

Dr. Maziar then reviewed the bullets. The first, "continue to support/invest in key areas in which the University commands a leadership position or has reasonable, near-term (within the decade) promise of doing so," means the University will not let its top programs fade. (The first six bullets carry with them the footnote "the budget climate may be sufficiently harsh that 'continue to support' is interpreted as taking smaller than average cuts.") It would cost more to rebuild them and letting them decline would mean losing a sense inside the institution that they are a model for excellence. As she talks to her Big Ten counterparts, Dr. Maziar related, the most consistent pattern is of formulaic cuts--as the University has done with the \$25-million rescission--but differential reallocation. The administration could differentiate on the cuts as well but that would lead to significant difficulties.

The second bullet provides that the University will "continue to support/invest in programs at the core that support multiple other programs within the University--although such programs may not have attained the distinction of national leadership, other University programs depend on their vitality and health."

The third bullet provides that the University will "continue to support/invest in campuses and programs that serve students cost efficiently and serve them well."

The fourth bullet provides that the University will "continue to support/invest in programs that provide significant leverage of state dollars by attracting external resources--the multiplier effect for such programs operates in both directions!" What this means, Dr. Maziar explained, is that just as state funds attract external funds, to pull state funds out can mean losing external funds as well, so reducing such funds would mean a greater reduction in University funding.

The fifth bullet says that the University will "continue to support the U's physical, information technology and business systems infrastructure that serve the University's core mission cost efficiently and effectively." Dr. Maziar said that if the University believes what it is going through is "re-basing" of the state's budget and the state's support, the change will not go away in the next biennium. That means the University cannot defer maintenance of vital infrastructure systems such as information technology, buildings, and core business systems for students, researchers, etc., or it will be caught in a spiral of decay.

The sixth bullet says the University will "continue to support programs that provide education/training/service that is both unique and necessary for the state's welfare." The University will continue to do things that if it did not do them would harm the state, Dr. Maziar said. There could be things the University does that are unique but that do not affect the state, she observed. And there appears

to be the noble sentiment that as state agencies are cut, the University should step in. If that happens, she warned, the University will have the obligation forever and will get no support for it. If something is a state responsibility, the state must pay for it.

The remaining five bullets are these:

- "Eliminate/reduce institutional subsidy for programs and services not at the University's core."
- "Eliminate/reduce programs not of sufficient quality or impact to merit institutional support."
- "Reassign or reduce resources where capacity is underutilized (research space, departmental classrooms, support personnel)." This means get more bang for the buck, Dr. Maziar said. This is a long-term strategy (it will only be possible to save money on research space if the space is used better, which means avoiding or delaying construction of new space or the use of rental space.
- "Reduce unit cost--especially in areas where U is outside the norms for its peer group." Vice President Muscoplat is heading an effort to accomplish this.
- "Eliminate duplication and redundancy of programs and services--locate function closest to core competency." The University has built enterprises around the campus that duplicate activities elsewhere.

These principles will NOT solve a \$250-million problem but they are a start, Dr. Maziar said; they will ensure the University is getting as much effectiveness as it can from its resources.

Professor Speaks agreed that these principles will not fully address the necessary budget cuts. In terms of the last five bullets, how much will happen at the central level and how much will be expected of the deans, he asked? Dr. Maziar said she talks about the granularity of the kinds of cuts that are needed. If one is talking about a cut of \$150,000 to \$200,000, it is not appropriate that such a decision be made at the central level (and a lot of such cuts will be seen with the \$25-million rescission). The Provost does not have the expertise to look at units and decide where \$200,000 should be cut. If the biennial cuts are several times larger than \$25 million, however, the granularity will be sufficiently large that a decision must be made centrally, with all the needed interaction with faculty, staff, students, and the Board of Regents. These would not be granular cuts, they would be big boulders, she observed.

Is the decision-making machinery in place to make these kinds of decisions, Professor Roe inquired? Mr. Pfutzenreuter said one must look at this as a two-year budget problem: What can be done in the next 12 months and what can be done in the longer term. The administration is not equipped to evaluate every program in every college in the next months, so it will be a two-year effort and there will be more targeted cuts in the second year (depending, Mr. Pfutzenreuter noted, on how the cuts come and if bridge funds exist). But the central administration is not equipped to make surgical cuts. Dr. Maziar added that there is great concern that as soon as something is identified as a low priority and targeted for reductions, there will be a rider in the legislature preventing the cut. The result is that lower priorities are protected. (Professor Speaks noted that as the President talked about cutting three sports, he was unable to do so because of procedural problems.)

Professor Speaks asked, apropos Professor Roe's question, if the President has the authority to eliminate colleges and departments. What would the mechanisms be to make cuts of this magnitude? If the legislature could intervene, who would make the cuts and who would participate? Boulder-like cuts would be made at the central level, Dr. Maziar said, would be targeted, and would require a lot of consultation with the University community and with the Board of Regents--and would need the full support of the Board of Regents. Even then there would be the potential of external interests making it difficult to make the cuts.

In financial terms, would it be to the University's advantage to front-load the cuts as much as possible in the first year, Professor Speaks asked? That depends on the size of the cuts, Dr. Maziar said. If they are modest, the University would prefer to try to take them all in the first year and avoid a second year of cuts; the University could then begin to grow with its new base. It is important to get past the point of the base reallocation. If the cuts are extraordinarily large, however, to take all of the cuts in the first year could be crippling and it would be difficult to start to grow again the second year.

This situation will also be affected by how the economy fares in the next two years, Professor Cudeck pointed out. The University could hunker down for two years, but if the situation will remain the same for five years, that is a different situation. Dr. Maziar said she believed that this dislocation has brought the University back to different days, days it would have been on without the dot.com bubble. Language will be important, Professor Cudeck said; talk should not be about the end of a certain time and a different University but instead about an extraordinary period and that the University will not die.

The University must be in a position to grow after the budget is "re-based," Dr. Maziar said. The situation is a little worse in Minnesota because of public policy decisions about K-12 funding that were not made in other states--the government in Minnesota has an extra burden that other states do not. That does not change the fact that there is a lot of internal strength at the University in its faculty and staff and that it is attracting better students than ever before. Even people around the state see that the University's mission is valuable to the state. She said she detected no hostility in St. Paul toward the University; perhaps a little ambivalence in a few places, but people are only beginning to understand how big the problems are. Professor Campbell disagreed to a small extent: He said the Brandl initiative on funding is hostile to public higher education.

Ms. McCarthy Barnes asked if, with respect to external reactions to eliminations or reductions, the administration is prepared to talk with people about the issues and programs that they care about before final decisions are made. Mr. Pfutzenreuter observed that the dispute over ethanol is not about ethanol, it is about urban-rural differences, it is about geography. He speculated that that may be the issue at the Capitol more and more, and it crosses party lines. Dr. Maziar said she hoped the University can work through a process to identify institutional priorities, identify where it must take unfortunate cuts, where it must put resources to keep the University strong, and then look at where it might have difficulty making the decisions stick.

There was discussion in the House, about the \$25-million rescission, that the Agricultural Experiment Stations should be exempt from cuts, Professor Speaks said. That would make a difference of \$1.4 million in the cuts--an additional amount that would have to be absorbed by other units.

Dr. Maziar commented that in one way the University is fortunate because it is dealing with these budget problems at a time when the executive officers trust each other and they trust the faculty leadership and the students. This would be unimaginably difficult if these conditions were absent.

Professor Campbell asked about the letter from President Bruininks: To put on the table that some of the cuts may be taken through reductions in employee benefits will touch everyone and will anger many employees. It will not help collegiality or solidarity with the administration. Dr. Maziar responded that the President was trying to be honest with people about what is under serious consideration. Benefits costs are one the costs that is expanding most rapidly. The discussion today has been about budget cuts, not about other budget challenges the University will face in 2004 and 2005. There are unavoidable cost increases in debt, benefits, operating costs, buildings, insurance, and so on.

When the administration looks at the costs it can control, benefits are one; they are being open about the possibility.

Professor Speaks said the Committee would appreciate another meeting with Dr. Maziar as soon as the deliberations about budget cuts have advanced further. He adjourned the meeting at 4:45.

-- Gary Engstrand

University of Minnesota