

Minutes*

Senate Committee on Finance and Planning
Tuesday, February 18, 2003
2:15 - 4:00
238A Morrill Hall

- Present: Charles Speaks (chair), Prince Amattoe, Jean Bauer, Stanley Bonnema, Bruce Bronson, Charles Campbell, David Chapman, Robert Cudeck, Gary Jahn, Abu Jalal, Cynthia Jara, Thomas Klein, Joseph Konstan, Michael Korth, Marvin Marshak, Kathleen O'Brien, Daniel O'Connor, Richard Pfutzenreuter, Terry Roe, Sue Van Voorhis, Warren Warwick, Susan Carlson Weinberg
- Absent: Tim Church, Tom Gilson, Brittny McCarthy Barnes, Tim Nantell, Thomas Stinson, Michael Volna
- Guests: President Robert Bruininks, Professor Arthur Erdman (Faculty Consultative Committee); Wendy Pradt Lougee (University Librarian), Lael Gatewood, William Phillips, Leon Satkowski (Senate Library Committee)

[In these minutes: (1) the budget; (2) parking and transportation principles; (3) the libraries]

1. The Budget

Professor Speaks convened the meeting at 2:15 and accepted a motion to close it. Mr. Pfutzenreuter brought copies of the Governor's proposed budget cuts for the University. The cut for the University is \$185 million for the 03-05 biennium, or a reduction of 14.6%. The cut comes only in the first year of the biennium, however, and further cuts would not be required in 2004-05. Mr. Pfutzenreuter noted that in addition to the reduction in state funding, the University faces unavoidable cost increases that must be covered (e.g., bonds, new building operations, utilities, health care, etc.).

The Governor's budget also assumes no salary increases the first or second year of the biennium. The Governor DIRECTED state agencies to freeze salaries for two years; he ASKED the University to do the same but was mindful of the University's autonomy. The Governor also requested the University not to increase tuition more than 15% each year for the next two years. He also took away the tobacco endowment funding and replaced it with a dedicated portion of the existing tobacco tax; the yield to the University is about the same. The Governor also took some of the reduction in funding and provided to the Higher Education Services Office (HESO), which administers state financial aid, but he did not support any radical change in the financial aid programs (as had been requested by the private colleges); the funds provided to HESO were what it requested. HESO had assumed significant tuition increases.

Asked if the President will follow the Governor's recommendations, Mr. Pfutzenreuter said that everything is on the table, and pointed out that the first year will be more difficult than the second.

The President will discuss the budget with the Board of Regents every month and twice in June, Mr. Pfutzenreuter said; it will be an evolving discussion. Professor Chapman asked how long it would

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take for budget information to be translated into operational levels for departments; Mr. Pfitzenreuter said nothing would be final until the legislature adjourns the third week in May but the numbers would be provided as soon as possible, almost certainly before the end of the fiscal year.

The President joined the meeting. The Committee discussed a variety of matters with him, including the politics of the budget proposal, University lobbying, the way in which the budget process would be managed, changes that would be necessary inside the University, and the level of tuition increases. It was noted several times that this is the largest budget cut in the University's history.

Professor Speaks thanked the President for joining the meeting.

2. Parking and Transportation Principles

Professor Speaks turned to Professor Campbell to lead a discussion of parking and transportation principles.

Professor Campbell recalled that this Committee frequently raises questions about parking and transportation principles: by what principles do they operate? A set of principles were provided to the Committee last year but they were more like operating guidelines. He said he reviewed ten years of minutes of this Committee and the work of a recent task force on parking. The recommendations of the task force were endorsed by this Committee but the Vice President for University Services at the time, Mr. Kruse, did not accept several, which were therefore not incorporated in the operating principles.

There is a brochure on parking entitled "Twin Cities Campus Parking Policies" that essentially reflects the work of the task force, Professor Campbell said, except that the rejected task force recommendations are omitted. One omitted recommendation was that "parking revenues will not be designated for projects unrelated or marginally related to parking, transit, or transportation." One long-standing principle endorsed by this Committee was also not included: "Replacement parking shall be required of and paid for by the project that displaces an existing parking facility, and not by Parking and Transportation Services, which is a self-supporting department."

The person in charge of Parking and Transportation, Mr. Baker, has presented to the central administration arguments that the Committee favors, but in the end pragmatic considerations have outweighed principles.

Professor Campbell said there would be no sense in re-inventing the task force report but that the Committee should review it again. Moreover, he said he would suggest that future parking rate percentage increases be tied to salary percentage increases as a limiting factor (employees have seen double-digit parking rate increases in years that they have also seen little or no salary increases).

Vice President O'Brien said she had not seen the full task force report but will read it. She commented that there has been an affordability/availability issue with respect to parking on campus; for the first time in memory, there is parking available on campus and contracts are available (although they may not necessarily be in a location that is most convenient). They have not been able to deal effectively with the affordability issue (as surface lots are lost, they are replaced by more-expensive ramps). Auxiliaries, except for Campus Mail, are self-supporting businesses that do about \$130 million in activities each year; if the University imposes policy requirements of various sorts on them, it could be

more difficult for them to be self-supporting. The Minneapolis parking system (larger than the University's) generates about \$6-8 million for the City; she has been asked why the University's parking system does not generate revenue for the University. She told the Committee that she explains to people that parking at the University is to serve faculty, staff, and students and that it is to be self-supporting but not generate revenue from those groups.

Vice President O'Brien recalled that she, along with Professors Bauer and Jahn, are on a service and productivity task force that is grappling with developing a standard review process for service and support units in order that there are periodic and systematic reports. There will be follow-through the reports and they can be used to build relationships between the service units and the people who use the services and so that there can be discussions about whether the needed service is being delivered well. The philosophy about support and service units is that they receive no O&M support.

Professor Speaks thanked Ms. O'Brien for her comments and suggested that the Committee approach this issue in a different way. The University has a new Vice President for University Services and a new administration. The Committee should explain its frustration: It is to be consulted annually on parking rate increases but instead is TOLD what will happen, it adopts resolutions opposing the actions proposed, and the Committee regularly has no effect. To be fair, he said, Parking's hands are often tied: They are told a new facility is needed and they are to be self-supporting so they need to find the money. Professor Speaks proposed to Vice President O'Brien and the Committee that she come to the Committee to talk about what the philosophy of parking and transportation should be, how it is structured, how it has expanded or contracted, and what the principles governing it should be. That would permit a constructive and productive discussion.

Ms. Weinberg said she would defend previous presentations to the Committee by parking and transportation because it has been asked to take on extended commitments that were not directly related to parking (such as skyways, tunnels, sidewalks and gutters, and so on; when Mr. Baker comes to the Committee, those decisions about other commitments have already been made so parking fees have to rise to incorporate them. The administration needs to consult BEFORE those decisions are made. It is those revenues (expenditures) that are more comparable to the money generated for the City of Minneapolis. Professor Campbell agreed that parking had been required repeatedly during the last ten years to pay for items that were not directly related to parking. In some cases, the costs were taken out of the O&M budget and put into parking, Ms. O'Brien observed. The issue needs to be clarified, Professor Campbell said.

There are fee structures in the University that have been adopted with little discussion or thought, Professor Konstan commented, and some have been heavily debated (for example, the part that tuition should play in the University's budget). Copy fees, student fees, parking fees are seen as small and not worth talking as much about, and self-supporting units are not looked at as closely to determine if they are doing a good job with the funds they receive. The Committee cannot look at all of them but it can discuss those that are subject to widespread complaints. Parking is seen as not contributing to the University's mission (Professor Konstan said he did not know if that is accurate or not). It is valuable to look at the way the units operate.

Vice President O'Brien said it is not correct to say that because units are self-supporting, there is no pressure on them to improve and to be efficient. There is pressure on them to live within their revenues. What is troubling to her, she told the Committee, is that there are discussions that are not

iterative; that is why a review system for support units needs to be instituted, rather than relying on an ad hoc process that is frustrating and probably not very effective. Her belief is that how auxiliary services are funded and the services they deliver should be transparent and this Committee should receive information on the reasons for the business decisions that are made. That can include decisions outside the units that affect how they do their business (e.g., decisions requiring parking funds be spent on other projects).

Professor Jahn said he hoped that the review groups would work. He noted that the Committee learned that while athletics were supposed to be self-supporting (but are not), parking is also supposed to be self-supporting (and actually supports OTHER things as well).

What is the problem with auxiliary services generating revenues for the University, except for the fact that people don't like parking rates, Mr. Klein asked? Nothing, Professor Jahn said, as long as people know what is going on and realize that rates are a tax on salaries to support loading docks, curbs, and gutters. Those are things that are needed and that the University must pay for, Mr. Klein pointed out; Professor Jahn responded that he would prefer the University pay for them before he receives his salary.

Part of this is attitude, Professor Campbell said. It sometimes seems to be the view that auxiliary units "should get as much as they can from employees." The Committee has asked questions about other units (such as the bookstores) and the inquiries demonstrate why it is important to discuss principles. Ms. O'Brien said it was troubling to hear about the erosion of trust and said she hoped to rebuild it. People may feel that auxiliaries are trying to make money off people but they are not; the people in charge of them are trying to run a business as best they can.

But the bookstore in Coffman Union must generate revenues to support the Union; the Committee suggested that costs would be higher, Professor Roe observed. Now, if being in the Union makes costs higher, it will not be providing a convenient service in the most efficient manner. That decision was also made before it was brought to the Committee, Professor Campbell added. Vice President O'Brien pointed that "I don't own that University" and said that neither should the President. She said she knows that the bookstores are changing their mix of products in order to generate revenue.

Professor Speaks asked Ms. O'Brien if she would return at a future date to discuss principles. She said she would; as part of the budget process, all auxiliary units must revisit their business plans and she will ask them to come to the Committee to talk about them.

3. The Libraries

Professor Speaks next welcomed Wendy Pradt Lougee, the University Librarian, and members of the Senate Library Committee. Ms. Lougee distributed a handout and said she wished to talk with the Committee about the challenges that the libraries face and some themes about where they might go in the future.

After noting that she had received a graduate degree from Minnesota and then served for 20 years in the libraries at the University of Michigan, Ms. Lougee noted several trends that highlight the issues facing the libraries: an unprecedented array of different content formats, users who have new ways to get information, the tools used to draw on library resources did not exist ten years ago, the need to balance demands with tighter budgets, and new legal issues with respect to copyright and how content is sold.

What happens in the publishing world affects the libraries a lot. The book is not dead; books continue to be published at an unprecedented rate, especially in the third world. The libraries are also affected by an inflation rate much higher than that faced by the rest of the University (the rate is now down to about 8%, after years of double-digit journal inflation). The libraries needed \$900,000 in new funds this year simply to keep pace with inflation; it did not receive that much.

The libraries have cancelled 7500 journals in the last eight years; they have cancelled 700 more this year and will cancel more next year in order to stay within their budget. They have also cut the number of monographs they purchase. The result is that the University is now ranked 52nd among research universities in monographs purchased and near the bottom of the CIC in expenditures for electronic content. How do they decide to drop a journal, Professor Speaks asked? They have subject-area librarians who stay in touch with researchers; they also look at the data on journals used, citations, and where people at the University publish, Ms. Lougee said. They are also adding new journals, Professor Cudeck said. In paper versions, at a very modest pace, Ms. Lougee added; the electronic journals are often offered as a publisher package so the libraries take all or a larger number of them-- although they are fighting that packaging because of the pricing structure.

Are there antitrust issues if research universities jointly cancel journals, Professor Konstan asked? The assumption has been that there would be antitrust problems if the research universities acted together, Ms. Lougee recalled, but at a recent conference a federal official pointed out that there is a clause in antitrust law that allows organizations to petition for action in the interest of public good. She said she did not know if the libraries would step up to use that exception. Professor Campbell related that there was an employee of the American Physical Society who wrote about the problems in journal publishing and was subsequently sued by a publisher in the United States and Europe and his estate was sued after he died--these were nuisance lawsuits by big players.

All publishers are moving to electronic publication, Ms. Lougee reported, the prices for which are 15-20% higher than the print versions of a journal. If the University subscribes to both the print and the electronic versions, the price is thus 115-120% of the cost of the print subscription. The libraries also have contracts with the publishers on how the materials can be used; campus licenses are much more expensive than others (for example, for Psychological Abstracts, the print price for a copy is \$1200; the electronic license for campus access is \$22,000). Can the journals be shared with other institutions, Professor Roe asked? The contracts set bounds and usually forbid such sharing, although in some cases there are joint licenses with other institutions.

What if the Psychology Department decided to purchase Psychological Abstracts, Professor Jahn asked? Some departments have purchased electronic subscriptions for limited use within the department, Ms. Lougee said, but the library philosophy is campus-wide access; individual department subscriptions preclude that access and evidence suggests most titles are used by a broader community than the specific discipline. What about individuals donating paper copies to the libraries, Professor Konstan asked? Ms. Lougee said she did not know if there was a legal issue involved but the administrative problems with donors regularly remembering to send the copies to the libraries makes that a generally impracticable solution.

Ms. Lougee then spoke about Elsevier, an organization that has some good and some bad practices. They are good in that they are taking steps to ensure that content will be available in the future and that the institutions own what they license. They are bad in that they engage in pricing that attempts

to sustain level of expenditure. The University's license with Elsevier is \$1.6 million for about 800 titles in print and electronic format. The University has proposed reducing that number by about 100 titles and subscribing to only about 170 publications in print; Elsevier told the University the price would be about the same regardless of the reduced subscription base. How does she know that the publishers do not discriminate in pricing across universities, Professor Roe asked? Since licenses for public institutions are typically public information, this information is widely known. Ms. Lougee said; only very large consortia received better deals.

One question is whether the University should move to an electronic format and drop the print versions of the journals, Ms. Lougee said. Publications differ in their pricing schemes, but there is typically a 12-25% mark-up for the electronic version, and some do not permit cutting the print version. The electronic use of journals is enormous, she said in response to a question, and per-use costs may be lower than with the print versions even though the electronic versions cost so much more. Ms. Lougee agreed that there is no accurate way to count use of the print version of journals but generally documented ratios of in-library use to checked-out use give some idea of the volume of use of the print editions. Professor Konstan asked if the libraries had looked into a per-use-per-article arrangement rather than a subscription; Ms. Lougee said they had and that per-use charges can be as high as \$30 an article, similar to the costs to get a copy of an article from another library. Have they considered a fee for service, Mr. Klein asked? They are looking at where fees might be introduced as they take cuts, Ms. Lougee said.

Ms. Lougee said that as there are changes in disciplines in how people obtain and use information, the libraries think about changing the paradigms it uses to provide access to information. There is heightened interest in intellectual property and changes are coming in copyright law. The TEACH act is helpful; the Bono act (extending copyrights for an additional long period) takes material out of the public domain for a much longer time. When publishers license content to a library, the license often negates what the law provides in terms of fair use.

There are also financial challenges for the libraries. They have invested a great deal in technology over recent decades but the budget for replacing workstations, for example, is far too low (e.g., until this year a \$100,000 annual replacement budget for an installed base of 900 workstations). They also face very competitive salaries in trying to hire staff.

Key points for the future are these.

- There is a group working on issues of print versus digital materials and related legal and financial issues as well as looking at the archival role of libraries with access to PRINT materials (because a large proportion of older collections printed on acid paper will not last many more years because they are so brittle; it will be a challenge to save them).
- They need to rethink access. The Libraries have traditional methods of description and classifying books, but increasingly the methods of access found on the web are capturing user attention. Yet the Internet carries considerable risk in terms of the quality and authenticity of the content. How can the libraries bring the same sense of trust to the electronic arena that is found in physical libraries? How can the Library create a sense of boundaries to the electronic library, akin to people knowing that print materials in the library were selected? And how the Libraries enable an understanding that electronic content is often licensed on users' behalf--that resources such as Psychological Abstracts or journals are not free?

- How should the libraries relate to departments? The Libraries are assessing having a realigned structure by subject disciplines in order to try to do a better job serving academic programs.
- They have a new undergraduate initiative to collaborate with campus offices serving undergraduate interests and to coordinate the activities of the 16 libraries within the University Libraries system. This initiative will address issues ranging from how to make undergraduates more comfortable in using the libraries to how to increase their information literacy skills.
- They are developing relationships with the research environment to provide new tools for user communities, more customized virtual communities.

How will the libraries afford this round of cuts (\$631,000 out of \$27 million, about 2.5%)? The libraries will use technology to be more effective and automate some processing routines but they will also have to cut hours and the number of staff. This will result in longer queues for support, fewer subject specialist librarians, and reduced support for equipment and technology. The libraries will also be addressing its income operations, working to make these services cost recovery (e.g., considering increased fees to external users and fees for book deliveries on campus).

What adjustment to the base of \$27 million would be needed to bring the libraries to a level that supports the campus programs, Professor Speaks asked? About \$4 - 6 million, Ms. Lougee said, which is what a 1998 task force recommended, and would be reasonable given the large number of facilities, technological costs, and the escalation in content price. The additional subsidy needed for the libraries is a clear example of the opportunity costs of the subsidy to athletics, Professor Roe commented. Professor Konstan asked how the situation would change if the University had a library science or information science academic program; Ms. Lougee said it could be beneficial in bringing in research funding, providing internships, and create a synergy between labs and the libraries. There were benefits to the program that exists at Michigan, she said, but there may well be other areas for research collaboration here.

There was the hope that libraries would specialize, Professor Cudeck said; is that on the horizon as a way to save the libraries, since they cannot survive as they are? The concept of dividing up responsibilities for different subject coverage among libraries was a popular idea in the recent past but failed to get faculty or administrative support in most institutions. Further, Ms. Lougee said, electronic licenses often prohibit sharing of content among libraries. Consumer support could have an effect, Professor Cudeck responded. Ms. Lougee pointed to the example of the Public Library of Science, whereby researchers agreed not to review for nor provide editorial support for journals engaged in problematic practices of pricing. In the end, the movement failed to sustain commitment. There have been several times when the ire of the academic community did not lead to changes in journal publishing.

Ms. Lougee said she would like advice on how to engage voices about journal costs in a way that captures sentiment and potentially goes beyond Minnesota. Professor Konstan maintained that whoever is not willing to walk away from negotiations will lose. Someone must walk away from the negotiations with Elsevier, take nothing, and wait a year to see if they will be reasonable in the future. There will be a lot of heat on the library that does that and it must be big enough to have an impact. Right now they feel the libraries will not walk away.

The Committee is on record supporting increased funding for the libraries, Professor Speaks recalled. Does it continue to want to see the libraries supported as a public good for the University? Committee members indicated they thought the libraries should be so supported. Professor Konstan only

cautioned that there is a danger that the Committee will never see anything it does not believe to be a priority, except possibly for athletics. If everything is a top priority, there will not be money for anything. There must be a decision about what is not worthy of support.

Professor Warwick said that as the number of publications has decreased there has been an escalation in price. The University's lawyers should look at whether there is a monopoly and control of information; whoever controls information makes money. The Department of Justice has looked at the merger of publishers and typically found no legal issue in these mergers, Ms. Lougee pointed out. What percentage of the library funding problem is related to the increased cost of journals, Professor Jahn inquired? It would take \$900,000 to address inflationary cost increases, Ms. Lougee said, but that would not address the issue of what the University does not have (that most other research libraries do). Moreover, the libraries entered the year with a deficit so they must cut MORE than the \$640,000 required by the rescission.

Are society-published journals still cheaper than those published commercially, Professor Campbell asked? They are, generally, but some have equally problematic pricing policies, Ms. Lougee said. In the sciences at least, Professor Konstan observed, faculty candidates for positions are not considered unless they have a long list of publications; that, in turn, creates pressure for more and more journals, all of which can be selective. The journal enterprise is three centuries old, Ms. Lougee pointed out, and follows certain conventions; it is difficult to change them.

Professor Campbell asked if the libraries are seen as a place to do non-catalogue computing, as an earlier comment of Ms. Lougee's had suggested. Sometimes they are, she said. Wilson Library is used by West Bank residents; they could impose restrictions but as a public institution they have a mission to provide access to information resources beyond the community. It is very difficult to monitor how computers are being used, but the Libraries have begun using some restrictions on access for selected computers to ensure availability to University affiliates. Professor Campbell noted that departments have department-only use, and there are public labs, so if the libraries can save money by limiting library computers to library use, they should do so, he suggested. Ms. Lougee noted that it is difficult to evaluate what is a "non-library use" of the computers. On the other hand, Ms. VanVoorhis pointed out, her office tells students to go to the library to obtain admissions and financial aid information.

Professor Campbell said he was concerned that the number of books being purchased has eroded. One college is trying to raise money to buy books for the libraries. Ms. Lougee agreed that the Library is losing ground vis-à-vis its peers. The libraries' budget has not grown as much as that at other peer institutions. The libraries have tried to increase fund-raising; the University of Minnesota Foundation has been very helpful but it will take awhile to build up the support needed. The libraries have several substantial endowments that support special collections. Another future focus for development will be the preservation of collections. Federal and foundation funds for preservation are drying up.

Professor Speaks thanked Ms. Lougee for joining the meeting and adjourned it at 4:00.

-- Gary Engstrand