Minutes[*]

Senate Committee on Finance and Planning
Tuesday, February 10, 1998
3:15 - 5:00
Nolte Library

Present: Fred Morrison (chair), Jean Bauer, Larry Fonder, Catherine French, Cynthia Gillette, K. Andrew Hall, Gerald Klement, Leonard Kuhi, Richard Pfutzenreuter, Jane Phillips, Peter Robinson, Terry Roe, James VanAlstine, Susan Weinberg

Regrets: Stephen Gudeman, Charles Speaks

Absent: Robert Kvavik, J. P. Maier, Joby Sebastian

Guests: Peter Zetterberg (Office of Planning and Analysis)

[In these minutes: Budget instructions; faculty salary comparisons and peer groups for employees]

1. Legislative Update

Professor Morrison convened the meeting at 3:15 and then asked Mr. Pfutzenreuter to provide an off-the-record update on the progress of the capital and supplemental requests. At the conclusion of his remarks, Mr. Pfutzenreuter was asked if there should be additional representation of faculty/student views to the Governor or legislature; he said that it might be useful to let the leadership in the House and Senate know of support for the request.

At the invitation of Professor Morrison, the Committee unanimously adopted a statement that it "warmly renewed its support for the University's capital and supplemental requests."

2. Budget Instructions

Mr. Pfutzenreuter then distributed copies of the budget instructions. Traditionally, they are brought to the Committee earlier, but because the University is seeking a great deal of money from the legislature, this year the Phase II instructions have been split into IIA and IIB. It was thought wiser not to make final decisions on expenditures and compensation until after the legislative session had been completed; these Phase IIA instructions concern revenue estimates and rate and fee estimation. The Phase IIB instructions will come in mid-March, after the supplemental appropriation has been decided.

This is a more technical document than has been distributed in the past, Mr. Pfutzenreuter explained, largely because of IMG. More information has been made available to help units estimate tuition and ICR funds.

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

Mr. Pfutzenreuter explained how the tuition estimates were to be prepared; it is assumed that tuition revenues will increase about 3%, because the President has said he wants tuition held to 2.5 - 3.0%. There may be a complexity, as the Twin Cities campus moves to a uniform undergraduate tuition. The administration will negotiate with units over tuition rates, particularly in professional programs; the interest of the Regents has tended to focus more on undergraduate tuition.

On ICR funds, there will be a reversion to the original agreement that the central administration receives 49% of the funds and the units 51%. Units that will face negative consequences from the change back to the agreement (after freezing the amounts to the administration and directing all increases to the units) will be held harmless.

Colleges will be asked to build reserves. There may be a temporary increase in tuition income next year, the final year before the change to semesters, and then a slight decrease the first year of semesters.

Rates or fees will not increase by more than 2.5% without special permission.

Administrative cost reductions will be imposed, per the President's call. In addition to the 8% cut, there will be a 2% auxiliary revenues assessment (except for the internal service organizations, due to the restrictions of OMB circular A21, and student-fee supported organizations). This 2% assessment will be on central units, not colleges.

Discussion touched upon a variety of points.

-- The .7% assessment for the enterprise systems will not affect anyone's compensation. The assessment is based on expenditures, and the recommendation is that departments take the money from non-recurring funds. The President intends to revisit the question of whether to continue the assessment next year. Professor Morrison noted that the trend is downward (the assessment was originally set at 1.4% for this year), and it may be phased out.

-- The surcharge on reciprocity tuition will all be delivered to the colleges.

-- ICR funds are not being budgeted on past performance, but on future performance that units must meet.

-- It was suggested the administration think about setting up a central bank which units could use for bridge funding and in which it could make deposits. It would be helpful for units with a temporary cash flow problem (not a structural imbalance). Mr. Pfutzenreuter pointed out that under IMG, the only central funds are the central reserves, and with fewer central discretionary dollars, deans will have to manage problems. He said that units with deficits will be evaluated on a case-by-case basis, and the administration is encouraging deans to build reserves. Next year will be the time to build reserves, with tuition revenues likely up; building a reserve would be wiser than spending the money on one-time expenditures.

-- The impact of IMG on University College will need to be reviewed, inasmuch as UC tuition is below projections.

-- A number of decisions are being made in advance of the legislative appropriation; it may be that the administration will have to revisit the revenue projections in Phase IIA if there are surprises. The Committee concurred with this suggestion from Professor Morrison without objection.

-- Networking and Telecommunications Services rates are under review; there are problems with some of them, and the impact on various units may have to be levelled.

3. Salary Comparisons

Professor Morrison welcomed Dr. Peter Zetterberg to the meeting to discuss comparative faculty salaries.

Dr. Zetterberg distributed a handout containing the salaries paid to professors, associate professors, and assistant professors, along with the National Research Council ratings of each institution. In 1995-96, Minnesota was 28th in salaries paid to full professors, and it lost some ground in 1996-97 (because in some units there were no salary increases). The data for 1997-98 will be available in the next month or so, and Minnesota should probably gained ground; the average increase at other institutions was probably around 3%.

These data, based on AAUP compilations, do not break data down by discipline. One Committee member noted that in some disciplines, the full professors are paid at the levels of associate professors on these tables. Professor Morrison commented that while there is now an effort to gain ground, once the University is in striking range of its goal, it will not make sense to deliver increases across the board; salary increases should be part of the compact process with the colleges. Some units will be in desperate need of salary funds; others will be on target. It may be necessary in the future to direct salary increases where the University wishes to build strength, or to maintain strength.

It will also be necessary to be sure that salaries needed to recruit new faculty are competitive--when the University is so far behind, that is where funds must go.

The objective, Dr. Zetterberg reported in response to a question, is that for all employee groups on all campuses, average salaries be at the average of the appropriate comparison groups. That is a sound general objective upon which to build excellence, Professor Morrison said; the question is, what is the appropriate group? For secretaries, it is secretaries in the Twin Cities; for professionals, the appropriate professional peer group; for faculty, the University suggested and the legislature accepted the goal of the median of the top 30 research universities. In Dr. Zetterberg's handout, there are two columns of the top 30; institutions 1-15 are primarily private, and numbers 16-30 are primarily public. The University is so far down that perhaps the goal should be to get to the top of the second group, so it ranks with institutions with which it wishes to be compared, such as Michigan, Berkeley, and Texas. The University will never be competitive with Harvard, but it should not be at the bottom of the group.

The schedule calls for achieving the goal in three years; that may not be possible. One Committee member emphasized again that if the administration is serious about increasing quality, it must direct funds to departments where they can hire high quality new faculty; the bottom line will be that people will consider the offers they receive.

At the same time, it was argued, departments cannot pay assistant professors more than they pay associate professors without facing major problems; the average has to increase. Something must be done for well-qualified faculty already here, or they will move on.

Professor Zetterberg pointed out that with the advent of semesters, the University's average salary could drop because of retirements.

Asked about comparisons for other groups, Dr. Zetterberg said that Morris has a well-established peer group, but that the peer groups for Crookston and Duluth are less well-defined; in any event, he said, the other three campuses are much closer to the objective than are Twin Cities faculty.

For civil service employees, there have been surveys on how close the University is to the Twin Cities market. The problem is with the P&A staff; Dr. Zetterberg said he was not hopeful that the University would be able to identify the comparative data that people would like. The P&A class is a broad group with a lot of different jobs in it; it is not well-defined. He observed, however, that more attention has been paid to faculty and to civil service/union jobs than to P&A staff, a situation that must be avoided in the future.

Professor Morrison commented that it is unfortunate that P&A staff has been divided into two classes, those who are like faculty (and who received faculty-like raises) and those who are like civil service (who received civil service increases). P&A staff have not been judged on their own merits, and the administration has not left the perception that deans had the discretion to make wise decisions about their P&A staff.

There is a corollary with faculty, it was said; they are thought of as all alike, but when salary increases are delivered, there is a keen awareness of the market. Some have no market outside a university, and universities depress salaries in the humanities. One way to increase the University's ranking would be to increase salaries in the humanities--but if it pays what others do, no one will go into the fields. There must be long-term thought given to this issue. Professor Morrison agreed that in some cases, the University must make, rather than just meet, the market. Dr. Zetterberg commented that the private sector would be shocked at the salary distribution in universities; there is nothing like it in the private sector.

In terms of P&A staff, noted one Committee member, in some cases the private sector pays 60-80% more than the University (e.g., computer programmers), and the present salary arrangements mean there is no way to match offers. There needs to be a better way to assess employee pools.

Under IMG, Professor Morrison concluded, units will be faced with trade-offs, and the University will need to be more flexible in what it permits in the salary pool.

Professor Morrison reported he had sent a letter of thanks to Senior Vice President Jackson for her service to the University, and then adjourned the meeting at 4:45.

-- Gary Engstrand

University of Minnesota