

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, October 8, 2002**  
**2:15 – 4:00**  
**238A Morrill Hall**

Present: Charles Speaks (chair), Brittny McCarthy Barnes, Stanley Bonnema, Charles Campbell, David Chapman, Robert Cudeck, Tom Gilson, Gary Jahn, Abu Jalal, Cynthia Jara, Thomas Klein, Michael Korth, Timothy Nantell, Kathy O'Brien, Richard Pfitzenreuter, Terry Roe, Susan VanVoorhis, Warren Warwick, Susan Carlson Weinberg

Absent: Jean Bauer, Bruce Brorson, Marvin Marshak, Thomas Stinson, Michael Volna

Guests: Elizabeth Eull (Office of Budget and Finance)

Other: none

[In these minutes: (1) the biennial request; (2) the football stadium]

**1. The Biennial Request**

Professor Speaks convened the meeting at 1:20 and turned to Mr. Pfitzenreuter and Ms. Eull to lead a discussion of the biennial request.

Ms. Eull distributed copies of the information being provided to the Board of Regents at their October 11 meeting. She recalled that the University has had a pattern of presenting very detailed biennial requests to the legislature. This time the request is focused on the importance of maintaining what the University has achieved and what it needs to keep rolling. Certain items remain a priority: set and implement academic directions, support talented faculty and staff, help students realize their educational goals, and building and maintaining the academic infrastructure.

The University recognizes that the state has significant financial problems. If the University requested funding for all of the investments it wants to make, the request could be well over \$200 million. In limiting the size of the request (to a total of about \$96 million from the state) so that it is not dead on arrival at the legislature, the request proposes to set up pools of funds to address priorities. It does not specify that certain amounts of dollars will be spent on specific items.

There are four primary areas targeted for funding. (Numbers are dollar amounts, in millions.)

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	Increase over prior year	
	2003-04	2004-05
-- Set and implement academic directions (seize opportunities to invest in programs "on the cusp of prominence," sustain the best departments, and build on recent initiatives)	7.0	12.0
-- Support talented faculty and staff (2.5% annual general compensation increase, fringe increases, and a pool to provide competitive compensation for all employees)	30.6	26.9
-- Help students realize their educational goals (e.g., technology in classrooms, undergraduate advising/career services, graduate student support in highly-competitive programs)	5.0	10.0
-- Build and maintain the academic infrastructure (the libraries, major research equipment, seed capital for research projects, start-up costs, research administration and compliance, facilities--utilities inflation, new building costs, capital debt service, information technology and financial systems)	22.4	13.3

The request proposes a total increase of \$192.2 million, of which half would come from the state and half from the University. Of the University's share of \$96 million, 26% (\$49.8 million) would come from internal reallocation from current funds and 24% (\$46.2 million) would come from tuition increases of 4.5% each year. The state would be asked to increase the appropriation by \$32 million each year, for a total of \$96 million (\$32 million the first year, carrying it forward to the second year, plus an additional \$32 million increment the second year). Asked what percentage of the University's 26% would be new dollars, Ms. Eull said that none of it would be unless the University finds a new source of funds other than tuition. What is the nature of the reallocation, Professor Roe asked? It is calculated at 2.5% per year of the state appropriation, Mr. Pfutzenreuter said.

Professor Speaks reported that the Budget Management Task Force, which advises the President and Executive Vice President on financial matters, has a draft proposal to capture all of the reallocation that occurs at the University. The plan will come to the Committee but it will not be implemented in the immediate future. If the Committee and the administration support it, the University could have real numbers to demonstrate what happens. How the reallocation will be spread across the University will be decided by the President, Mr. Pfutzenreuter said, in consultation with the Budget Management Task Force. Either the University needs to extract dollars from its base or it needs to find new money because the amounts proposed in the biennial request must be spent. The reallocation will come about; what is not clear now is HOW it will come about.

Professor Konstan concluded that voluntary reallocation will not count. In terms of marketing what the University is doing, replacing one Sociology professor with another Sociology professor will not impress people; \$20,000 for journals will, he suggested. Mr. Klein asked for an example of reallocation in the past that worked, to give a flavor of how the process works. Ms. Eull said that in the Academic Health Center there was a decision to identify ten top-priority programs and funds have been redirected to those programs. What will be wanted, Mr. Pfutzenreuter surmised, are examples of things the University stopped doing and put the money elsewhere.

There are a lot of examples in departments, Professor Speaks said. The transfer of positions within and across colleges is one. The Budget Management Task Force believes the University needs to inform the legislature about these kinds of reallocation.

There have been editorials about the Commission on Excellence, Ms. Barnes noted. It says Minnesota is among the top five institutions in affordability but that the state ranks 20<sup>th</sup> in terms of state funds going to higher education. Was that considered in the proposed tuition increases? Does the request speak to what legislators are reading? One message in the request is that the University wants to keep prices down and is asking the state for funding in order to be able to do so, Mr. Pfutzenreuter said. Ms. Eull said that the document puts forward the idea the University is a good place for the state to put money and that with its research and outreach missions it is playing a role the state has asked it to play. The message from the President will respond to the editorials and the Commission report.

Reallocation is a way to keep the University competitive, Professor Roe observed, but will that mean that some college budgets will rise or fall or will they be about the same? If the University receives the entire package it is requesting, some support unit and college budgets will increase or decrease, Mr. Pfutzenreuter said. If the state does not agree to the partnership proposal, all bets will be off and the University will have to make a different set of decisions.

Professor Konstan recalled that the President, in his State of the University address, said the University has to begin to make plans to deal with deferred maintenance and depreciation. Mr. Pfutzenreuter said the reference was to technology and systems planned for this biennial budget proposal. Professor Speaks noted that of the \$22.4 million for the academic infrastructure, \$5.4 million each year of the biennium is for technology and systems; are those fixed costs, he asked? They are not, Mr. Pfutzenreuter said; the University could, if it had to, wait to make improvements.

Of the \$22.4 million increase in infrastructure funding, \$14 million is for increased debt service; the cost of debt service goes up more steeply in 2003-04 than it does in 2004-05.

How does the 2.5% reallocation compare with what state agencies, MNSCU, and other top research universities are doing, Professor Konstan asked? Ms. Eull said that state agencies are being told to plan on 90% of the funds they now have--and within that amount they are to absorb any cost increases. They are being provided no guidance on salary increases. The University selected 2.5% for salary increases because that is the general inflation number the Department of Finance has used in recent years. She said she did not know what is happening at other research universities. It would be beneficial to have a study and to ask the legislature to pay a bigger share in the next biennium. Mr. Pfutzenreuter said the University will have to be patient as it awaits a new president and economic improvement.

Would the level of the tuition increase also be subject to reconsideration if the legislature does not accept the University's proposal, Professor Jahn asked? Mr. Pfutzenreuter said he could not speak for the President or Regents but he noted that certain expenses are fixed (buildings, fringe benefit costs) and the remainder are trade-offs that would have to be considered. Tuition could be increased or new investments could be decreased; he said he did not know how things would work out. If the 4.5% figure becomes known, does it take on the character of a promise, Professor Jahn asked? Mr. Pfutzenreuter said the University always made it clear that tuition increases depended on the partnership proposal; Ms. Eull recalled that the University told the legislature last time that there would be 3% tuition increases if the

legislature appropriated what was requested. It did not so tuition increases ended up at 13%/16% for the last two years.

How does reallocation relate to the 10% exercise the state agencies are going through, Professor Campbell asked? The University has also been asked to identify what it will do with 90% of its budget. This will be the subject of discussion with the Regents in November but the University will decline to be specific about what it would do with a 10% cut. It will tell the legislature it can manage 2.5% reallocation each year.

Professor Speaks thanked Ms. Eull and Mr. Pfutzenreuter for the information.

## **2. The Football Stadium**

Professor Speaks now inquired of his colleagues how they wished to proceed on the matter of the stadium. The Committee has discussed it from time to time; there has been the sense that it would be premature to take a position. It is unclear when the Committee would be well-enough informed to take a position; if it were to take a position, should the statement be limited to financial matters or also address the Committee's role in planning? The Committee is also aware that there is much activity taking place to which it is not privy; it does not want to subvert positive initiatives.

At the same time, there is the sense that the Committee has a responsibility to enunciate its own convictions to represent faculty, staff, and student views on complex issues.

Professor Speaks said he did not wish to try to persuade the Committee to take a position but IF it is inclined to do so, the time is near, because the University must respond to the state legislature in December and Mr. Pfutzenreuter and Mr. Maturi will inform the Committee in November what the administration's recommendations to the Regents will be in terms of the stadium predesign and the Memorandum of Understanding. He noted that the statement from the Faculty Consultative Committee, which had been provided to Committee members, did not take a position; it raised a series of questions.

Does the Committee wish to make a statement or watch events unfold? If it wishes to make a statement, it should discuss a draft in two weeks and have a final statement ready by early November.

Committee members offered a variety of comments.

-- The proposal is so non-specific, and there are so many issues, that it is difficult to decide what to say. The question of whether the Vikings will stay or go, and the University's potential liability, make it impossible to reach a conclusion; they are not dependable partners and it is not clear how one can make plans with them. (Professor Cudeck)

-- A statement now might not be meaningful; the Committee could only repeat that the details matter, that it is afraid they will be unacceptable, and that perhaps it could support a proposal if they were acceptable. The Committee needs to be clear on what the issues mean for faculty, staff, and students, and if it believes the Regents should say no, it should provide them very specific reasons why not. (Professor Konstan)

-- The Committee has an obligation to take a position; the FCC statement is only from the faculty. The proposal is hypothetical and is only considering one plan; the Committee should ask to see different options in locations, a University-only stadium, financial options, and political considerations. But there has been nothing said about anything except a joint-use University-Vikings stadium. (Ms. Barnes)

-- There are parts of the FCC statement that this Committee might help with. The details are unknown to the Committee, or perhaps not even well-enough developed to know. But this Committee could identify deal-breaking questions: what would compromise the University's mission or put the University at a financial risk a reasonable person would not accept. (Mr. Klein)

-- Mr. Pfutzenreuter and Ms. O'Brien could help the Committee with the information gap (for instance, there were originally 10 principles that were condensed to five and subsequently modified by the Board of Regents; the Committee has not yet seen the modified principles). Nor does the Committee know what is in the Memorandum of Understanding with the Vikings or when there will be a Memorandum that the Committee could react to. (Professor Speaks)

-- What the Committee might do could also vary with its intent. If the intention is to issue a strong statement because it does not believe a joint-use stadium is in the best interests of the University, it would write the statement one way. If its intention is to affect the negotiation process, it would write it another way. (Professor Speaks)

-- The University has shown a lack of creativity in dealing with people who come to campus. There has been no thoughtful assessment about what it might do if 60,000 people come to campus a Sundays/Saturdays per year (people who have enough money, at the least, to buy Vikings tickets). Should there be lectures? Breakfasts? Is anyone exploring the benefits beyond acquiring a stadium and legislative appreciation for helping retain the Vikings? How might this support be used?

-- The University has not had good luck in combining its activities with business (e.g., MALG). These activities consist of things no one is aware of; one worries about what one doesn't know. (Professor Warwick)

-- The Committee is unlikely to have any influence on the Regents (look, for example, at the exchanges about the presidential search-advisory committee). Something at this level of generality should be led by the Faculty Consultative Committee or Senate Consultative Committee; this Committee should be supportive of their efforts if they take the lead. This Committee should attend to financial and planning issues in consultation with FCC/SCC as it develops a final statement, which should be aimed at persuading the administration to take a particular position with the Regents. This Committee has a clearly delineated role. FCC/SCC SHOULD take the lead and this Committee should urge it to do so--and support it. FCC should provide a charge to this Committee on finance and planning issues. (Professor Campbell)

-- The Committee should support FCC and monitor financial issues it raises and identify any additional ones but this Committee should not take a leadership role. There is much negative comment about a stadium; the University should ask what opportunities will be created as well. (Mr. Klein)

-- What if the University took the position that the Vikings should have a stadium, not on the University campus, and the University would simply go in as a tenant? (Professor Konstan)

When can the Committee expect to see a Memorandum of Understanding, Professor Speaks inquired? The process is behind, Mr. Pfutzenreuter said; he said he did not know when it would be available.

Ms. O'Brien commented that all of the concerns she has heard at this meeting, and seen in the FCC statement, are also concerns she has heard voiced by her administrative colleagues. The University has been handed a difficult set of cards to play. It is important to recognize, she told the Committee, that this issue will not go away until there is a solution. The process that led to building the Metrodome took 12 years. At the same time, the leases that run through 2011 mean time is getting close in terms of the lifecycle of facilities construction; in another couple of years, 2011 will be getting VERY close. The University will have a football team and it will play somewhere, she said. The University must learn from the predesign and the Memorandum of Understanding to help inform whatever solution there may be. The consultants are doing a very good job for the University; she noted that the University of Illinois took 18 months to work out an agreement with the Chicago Bears to use the Illinois stadium for a temporary period while Soldier Field in Chicago is being renovated. The General Counsel has said he is prepared to tell the Board of Regents that he cannot provide a Memorandum of Understanding because he cannot obtain one that adheres to the principles enunciated by the Board.

Mr. Pfutzenreuter said he endorsed the questions that have been raised by the Committee and the FCC statement but said that any recommendation should wait on decisions about the predesign and the Memorandum of Understanding.

Professor Konstan said the FCC questions were useful; the Committee should follow up where it has expertise and then push the larger issue back to FCC or SCC in order to bring the student-faculty voice together in one place.

Professor Speaks thanked everyone for attending and adjourned the meeting at 3:50.

-- Gary Engstrand

University of Minnesota