Minutes*

Senate Committee on Finance and Planning
Tuesday, March 28, 1995
3:15 - 5:00
Room 238 Morrill Hall

Present: Virginia Gray (chair), David Berg, Mark Davison, Craig Dexheimer, Thomas Hoffmann, Karen Karni, Gerald Klement, Roger Martin, Doris Rubenstein, Thomas Scott, Craig Swan, James VanAlstine

Regrets: Thora Cartlidge, Patrice Morrow, Richard Pfutzenreuter, Anne Sales

Absent: William Gerberich, Allen Goldman, Roger Paschke

Guests: Professor Carl Adams (Chair, Compensation Working Group), Kathy James (sitting in for Anne Sales)

[In these minutes: Semesters; report of the Compensation Working Group; report from the Facilities Management Subcommittee on several facilities issues]

1. Committee Business

Professor Gray convened the meeting at 3:15 and noted that there has been a temporary lull in Committee business, so she has cancelled recent meetings. Tuition will be discussed at the next meeting, but there are no other pressing issues before the Committee at this time. Professor Gray invited Committee members to think about issues that should be taken up.

2. Semesters

Professor Gray then reported that there is a bill in the legislature requiring all public higher education systems to get on a common semester calendar by 1999 or risk loss of public funding. Legislators are tired of hearing from students about transfer problems and want the problem to go away. Professor Swan, legislative liaison for the faculty, reported on the pieces of legislation that have been introduced.

The Faculty Consultative Committee has asked the Senate Committee on Educational Policy to reconsider the semester question from an educational policy standpoint, and it seemed appropriate for this Committee, as the planning committee, to also consider it. Committee members received documents prepared in the mid-1980s, when the question of a change to semesters was last seriously considered; there is no real new information.

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The Committee was told that the administration's position toward the bills in the legislature is one of benign neglect. The University IS saying that if the legislature intends to require a common semester system, it should give the institutions time to do it right.

Why was the issue tabled in 1988, asked one Committee member? Another Committee said the major reason was the view of the Senior Vice President Kuhi, who had been through the change at another institution and who said that there were big costs involved in the change but no long-term financial savings and that it was not the right time to spend that kind of money. Vice President Hopkins agreed with that view. Some faculty in one unit have expressed concern, it was reported, about the chaos that would be created by the change, but that's probably true in every department.

Related to the calendar issue is the discussions SCEP has held about an early start, but on the quarter system. The quarter would begin right after Labor Day, end at Thanksgiving; Winter Quarter would begin in January, as usual. FCC did not react favorably to the idea, and it is unlikely the University would adopt such a calendar if there were semester legislation pending at the Capitol.

Professor Gray inquired of Committee members their views on a possible change to semesters and, if it is to take place, how it should be done. One Committee member recalled that the issue had been discussed more recently than the mid-1980s; FCC, it was said, took it up in about 1990. There was also a document prepared by Vice President Hopkins, it was said by another, that made several points. (1) If the change is to be made, it should be done on a timetable that allows fundamental rethinking about the curriculum. (2) The cost will probably be about $4.5 million. (3) The biggest cost is not included in the $4.5 million, which is people's time. A change to semesters would be the biggest change the University had undertaken collectively in a long time, and the cost of diverted effort from other activities would be a very large cost that should be carefully considered. Those thoughts, moreover, preceded the work of the Task Force on Liberal Education and the changes subsequently implemented by the Council on Liberal Education.

The liberal education requirements are set out in terms of courses, not credits, pointed out one Committee member and could be directly translated to semesters. Another, however, said the requirements would have to be re-thought; another said they would establish requirements for a five-year baccalaureate.

One Committee member recalled that when surveys have been taken, students and faculty tend to split down the middle on the desirability of the change, so there is nothing to be learned by repeating that process. Furthermore, there was discussion of including the change to semesters when the U2000 planning process was begun; there was some thought that the timing would be right. The counter-arguments, however, prevailed; the change would be too much and the cost too great.

Is the University fighting a losing battle against the legislature? Or should it graciously give in, and ask for money to pay for the change? It will certainly be costly, especially for individual faculty. A significant byproduct, on the table elsewhere, is faculty workload; one cannot make a simple mathematical translation of courses to determine faculty load. This will be a hidden barrier to the transition. There were translations in one of the documents, it was pointed out, but each unit would have to rethink that issue. No doubt some fear their load would be greater after the change.

Asked how serious the prospects for this legislation appeared to be, Professor Swan replied "very." Then it would be a good time to start the discussion about funding, said another Committee member, and the catchword in Congress right now is "unfunded mandates." This, several Committee members agreed, would be an unfunded mandate. And it will probably remain that way, it was said; the University can choose to be gracious about it, but that will be unlikely to lead to any additional funding. Then the University will have to figure out to fund the change from its own sources, which may take even more time. The University should, however, ask for the money.

The other issue is costs and benefits. There is no decision to be made about "costs" without thinking about gains. There are advantages to both systems, and it isn't obvious on the surface that one is better than the other. The argument for semesters is that students can do more in depth; the argument for quarters is that students can do more things.

Students would get out earlier under semesters, but that is a calendar issue separate from quarters and semesters--although, with the winter break, it is awkward to organize quarters so students can get out early.

An issue external to the academic discussion is the question of inter-institutional cooperation. A new era may be coming; there is much more talk about more relationships with other institutions, not only in the state but also interstate relationships. That raises questions beyond what is "academically" better; it has to do with Minnesota students taking courses at Wisconsin or Iowa (both of which are on semesters). MOST other institutions are on semesters, it was said, so that consideration would obtain almost no matter who the University wished to cooperate with.

One Committee recalled holding the view for a long time that semesters are better educationally. At the same time, the legislature should not be setting the University's calendar.

Asked about the students' views, one student member asked how the changeover would occur for a student in progress. There would be a translation of quarter credits to semester credits, it was said. If the change occurs, there would have to be a fair amount of understanding and "grandfathering" in terms of graduation requirements; students could end up 2.75 credits towards something that is 3 credits under the new system, and they should not be held up. That would be less of a problem in the COURSE requirements of the liberal arts, but there could be problems in majors and other requirements.

One Committee member recalled that students on SCEP, several years earlier, had been in favor of the semester system, because they would finish earlier, thus giving them a better opportunity for summer jobs. They also save a month's rent in the spring.

If the University were to move to semesters, would it actually be able to start earlier, given the parking situation in St. Paul? Would it be a late semester start, with the State Fair? That is a real concern, agreed other Committee members. There has been a lease signed, Professor Gray reported, and that the University has signed a contract with the State Fair in perpetuity. Presumably, however, if the legislature directs the University to be on a particular calendar, then the contract would have to be broken. Another way to deal with the problem would be to lengthen the class period.

Is the amount of academic information in a course the same under either system, asked one

Committee member? Would students be learning the same amount of material? In theory, yes, but one problem is breaking up courses. In one unit, for example, faculty teach two courses per quarter, or 6-7 courses per year; under semesters, they would probably have to drop one and combine others. It would not be an easy task.

With a year-long curriculum, it is relatively easy to divide a course into two pieces rather than three. But one- and two-quarter sequences will not ALL be offered, because there are not enough faculty to teach them all. Some would disappear, some would be combined. A department now offering 50 courses might only offer 30 under a semester system.

One unit that now relies heavily on other units for instruction, it was reported, would begin to offer some of that instruction in expanded semester courses, which would require either more faculty or more faculty time. Students would not benefit from the perspectives of other departments and faculty teaching loads would have to increase.

One advantage of semesters is that a mini-semester or "J" term can be offered, for travel or field work in January. That would not be desirable if the objective is early release.

How much time would it take to prepare for the switch? The earlier reports said two years; Vice President Hopkins estimated four years, with one year devoted to figuring out what the calendar would be and that everyone was committed to it. Inter-departmental relations, such as coordination of curriculum changes, just take time. Use of space would also have to be reconfigured.

When does the bill call for the change to occur? One calls for 1999; another may require the change in September of 1997. Senator Moe has called for consultation with the institutions, but the discussion at one hearing was confused. Professor Swan said that if forced to bet $1 on the bill, he would bet it would pass.

CEE would be concerned, it was said, about losing "casual" students--people who are interested, but come only for a course or two rather than because they need a degree. Those people may not come in the same numbers if the University is on semesters, and CEE would see a revenue decline. All of the Independent Study courses would have to be redesigned, and there would be a lot of other costs.

The bill provides no funding for the change; the advice of this Committee should be, Professor Gray said, that the University needs to ask for the funds or identify the internal source of funds.

What are the justifications for the bill besides student transfer problems, asked one Committee member? The legislature had information that a large proportion of institutions in surrounding states are on semesters, it was said; implicit behind that is the notion of institutional cooperation. The legislation, however, applies to ALL public institutions in Minnesota, and none of the other states are 100% on semesters, but there was the sense that this seems to be the direction in which the rest of the world is going and the state should be in step. But that is about the extent of the rationale; to the extent there is substance, it is perceived problems with transfers. At the same time, all of the systems have made a significant effort to resolve transfer problems, so it is not clear how much of a problem there really is.

The legislature also needs to understand that a change to semesters will not solve all transfer of credit problems, it was said.

The University should ask for money, and if the bill passes, the University should be the institution that decides when the common calendar begins and ends, rather than just trailing along after others. Even in the common calendar bill, the language permits specific campuses to argue for an exemption, it was said. One Committee member recalled that at the institution at which he had studied, they had been on semesters but without an early start; they had a two-week break at the holidays followed by a final week of classes. There is a myth that semesters lead to an early start and early finish; that is not necessarily so. Most schools, however, that are on the semester system now do have an early start, it was noted. That is why, if the bill passes, the University must act quickly to decide what calendar it wants.

3. Compensation Working Group

Professor Gray next welcomed Professor Carl Adams to the meeting to discuss the report of the Compensation Working Group (CWG). He began by providing a brief summary of the appointment and work of the CWG; the report addresses the issue of an institutional policy position on faculty and P&A staff salaries. It also discusses some questions of distribution and pay for performance, but the primary orientation is to the University being in a good competitive position in the labor market for faculty and P&A staff. The report also addresses the issue of whether putting money into salaries will lead to a return in terms of performance; the argument is made on the basis of data available and literature analyses, and the CWG concludes that there IS a significant relationship between salary and performance. The best faculty go to the institutions that pay the best, which means one isn't chasing competitive position just for the sake of competitive position.

One issue of interest to this Committee may be the financial strategy to address the fairly large cost associated with the recommended position. The report made it clear that the CWG was not the group that should specify the financial strategy, but it did try to consider the realism of its recommendations. Professor Adams then invited questions from Committee members.

The emphasis of the discussion should be on cost and strategy, Professor Gray suggested; other committees will review it from different orientations.

One Committee member said that aiming for the 75th percentile (in salaries) of the top 30 research universities is not very ambitious. Professor Adams said that aiming for the 75th percentile of this peer group essentially says the University wants to be one of the top ten institutions in the world, and that is a significant statement. The financial implications, an additional $50 million per year, make people gulp and gasp, given the current situation.

There was a presentation of the report to the Board of Regents last month, for information; they did not appear to flinch at the recommendation to aspire to this level of achievement. They were a little taken aback at the cost, but their reaction seemed to be that "if that is what it costs, we have to figure out how to get there."

The administration, by and large, has been concerned about the realism of a 75th percentile objective, and has contended that a goal of the 50th percentile would be appropriate--and would put the University at the top of the Big Ten public institutions.

Salaries at the private institutions have surpassed those at the publics in the last ten years, observed one Committee member. How are they doing that? Some pay substantial salaries at the full and associate professor level, but they also use a lot of non-tenured faculty who receive lower salaries. Is it feasible to reach the 75th percentile without going to a system like that? Professor Adams said the University does some of that now; P&A employees are lecturers, there are temporary faculty positions, and there is use of post-docs. Does the University wish to go farther in that direction, in order to have a mix of costs, which would allow tenured and tenure-track faculty salaries to be higher? It could be considered.

There are a number of ways to go to pay for the increases called for; the way the private institutions have chosen is one way. The private institutions also benefited from the period when the states withdrew funding from the public institutions, and they were unable even to keep up with inflation; the privates were at least able to keep up with inflation. The University has lost a significant part of the state subsidy, in real dollars, over the last several years. One Committee member also pointed out that in private institutions they tend not to pay union wages as much, nor do they pay their staff as well, and concentrate their money on faculty.

The faculty, observed another Committee member, may be the only group of employees at the University who are not paid the prevailing wage. There have been data to support the idea that civil service staff and unions are paid at the market reasonably well; that would suggest the University is at the 50th percentile. The difference in this more local market between the 50th and 75th percentile is not very much, whereas the differences in the academic market are quite large--$7000 or $8000 per faculty member between the 50th and 75th percentile.

Was there not a comment recently about Michigan doing something like the private institutions, hiring lecturers outside the tenure-track process, asked one Committee member? There was some stir recently because figures provided to the Board of Regents reflected a change that Michigan adopted without really saying much about it; they put into their faculty salary numbers the salaries for 200 or more lecturers, who are at an assistant professor level or lower. That drew their average salary numbers down, so it appeared Minnesota was not very far behind Michigan. Similar individuals at Minnesota and other institutions would not be counted in faculty salary data. It appears that Michigan has adopted this strategy in order to better support their tenured and tenure-track faculty; they can rely on relatively lower-cost temporary assistants or lecturers.

What would the comparisons look like if the CWG had factored in cost of living in these different regions? That question was asked by the Regents, Professor Adams said, and he has learned more about cost-of-living differentials and how they fit into pay schemes than he cares to know. This has been a major debate in compensation for a long time. Some surveys report that cost-of-living differences are as much as 100% from one location to another; other surveys will find a difference of 10% or less. Then it becomes questions of what is being counted, how is it being counted, what is appropriate to count, and so on. The compensation people have concluded that if one tries to factor in cost-of-living differences, and try to accommodate amenity differences, they turn out to be insignificant in the individual decision-making process. If the choice is between living in a metropolitan area or Iowa City, those are two different things, and it may be more lifestyle than cost.

Is there not an index to cost-of-living? The federal government has given up on it, Professor

Adams replied. Another Committee member observed that there are several indices, with wide variations. The Bureau of Labor Statistics, however, decided it was too hard to measure and too dependent on what one wants to use it for.

If one restricted consideration to the Midwest or Big Ten, it was said, the Twin Cities is one of the most expensive places to live, while the faculty salaries are among the lowest in the Big Ten. That would argue, at least within the Midwest, that the situation is worse than appears just from looking at the salary data.

One Committee member noted that the CWG argued for an increased emphasis on one-time augmentations. There is a discussion in one section about increased flexibility and incentives, Professor Adams said. They tried to differentiate flexibility from incentives, although they get intertwined. The flexibility argument is that, given the University is substantially behind where it wants to be, is it not possible to allow flexibility in the timing or temporariness of certain kinds of payments that would be useful as a bridge for the a five to ten years it may take the University to get to where it would like to be. If the University were in the position it wishes, the argument for temporary augmentations would be very narrow; there might be some places where it would be appropriate because of a temporary assignment, but it would limited. The report suggests that in the University's circumstances, perhaps funds could be committed to compensation on a temporary basis; should advantage of that not be taken, while the underlying permanent change is being made? The CWG acknowledges that this discussion is not simple, because it gets back to a tradition of a collegial or professional model; does this move toward a non-collegial, fee-for-service model that most would not like? The CWG suggests it only as a temporary, bridging activity, and that it should be thought of in exactly that way.

One Committee member said the point about the fee-for-service approach is a cause for concern. Doing one-time things as a regular activity would be a serious mistake. Professor Adams said he agreed with the sentiment; the document points out the difficulties and suggests the most interesting possibility may lie in the bridging concept "while we get ourselves well."

Another Committee member said the report reminds one of the development in one college of the research track and the teaching track for faculty. A number of faculty are opting for the teaching track; this report does not seem to lend itself to that kind of flexibility. Moreover, the report speaks repeatedly to teaching, but there are a number of people who are neither teachers nor researchers but who are nonetheless professionals; the report seems not to speak to these people.

They tried to keep the language about faculty and P&A consistent, Professor Adams said, but may not have been completely successful. The intent is not to limit the temporary arrangements to faculty, nor to teaching. Historically, the most widespread use of augmentations has been for administrative responsibilities.

Professor Gray asked if there were any more queries about temporary incentives. Incentives are different from temporary augmentation, Professor Adams pointed out. Incentives are another issue that the administration would like to move quickly on; the CWG took the position that they might be desirable in terms of signalling institutional priorities. They could be done on a group or individual basis, using salary or non-salary items, but the CWG support for the idea is limited. There should be some experimentation, they say; the administration is moving much more directly to incentives than the CWG suggests. But there is the question, as the University moves to make significant structural changes, whether incentives would be useful; the answer may be "yes," he concluded.

The University uses a fair number of incentives, one Committee member pointed out, and cited the call for proposals to address diversity issues as an example. The EDP grants were the same.

One Committee member expressed concern about the context. The proposal has been floated elsewhere for a temporary salary increase that would not be in the base, "which I think is a terrible idea." Support for this section of the document must be isolated from support for the idea of delivering raises. The CWG had none of that in mind as they prepared their report, Professor Adams assured the Committee.

Another Committee member expressed reservations about the assumptions. The report says that faculty morale seems to be unusually low, and cites the aggressive U2000 plan, but then notes the weak faculty endorsement of it. Why does the report perpetuate the myth that U2000 is a strong, aggressive plan? The Committee member expressed reservations about U2000 and argued that the report should not say it is an aggressive institutional plan. Despite all the resources put into it, one can wonder what U2000 would look like were there to be a change in leadership at the University.

In much of the documentation he has seen about U2000, Professor Adams commented, there is no explicit statement that the University wants to be one of the surviving 15 or 20 major research institutions. That is an interpretation that has been made, and endorsed by the Regents and senior officers. There is a benefit to providing an interpretation of it, and then in various forms acknowledging that that is what is meant. He was surprised, he said, when the Regents made it clear that is what they meant by U2000; if people don't think that's what it says, it is up to them to say so.

The implication of the CWG report, said another Committee member, is that the compensation plan is not on a par with other U2000 aspirations and needs to be shored up if there is to be a chance to accomplish U2000. Another aspect is that if the University clarifies, in U2000, that it wishes to be one of the top 15 or 20 institutions, then the inconsistency between the salary position and the aspirations becomes apparent. If the aspiration is to be in the middle of the pack in the Big Ten, the University has no salary problem. There is only a salary problem if the aspiration is to be one of the surviving 15 or 20 major institutions. If U2000 is not interpreted to say that, the underpinning for claiming there is a salary problem evaporates.

One Committee member said it was clear, when the process began over two years ago, that it was addressing culture change in the institution. Real progress has been made, at least in getting people to pay attention to that issue. Even to discuss this kind of issue, as it is raised in the CWG report, suggests people are rethinking what this entire enterprise is about, and THAT is what U2000 is all about.

Is it a good idea to set a goal, and is the 75th percentile the right goal to set, asked one Committee member? It is a good idea to set a goal, it was said, so that the faculty have a standard to which to hold the administration accountable. There is a tendency to treat compensation as a residual category: first the University pays the interest on the debt, then for buildings, then other things, and whatever is left over is put into faculty salaries. There would be a different mindset if there were a specific goal for faculty and P&A salaries, and it would NOT be treated as a residual category.

One Committee member recalled that there had been a goal set many years ago. The goal set by the Senate was to re-establish purchasing power and compensation decisions were made to achieve it. The goal was achieved, even though it was not defined correctly. So there is a history of establishing compensation goals and policies, with some success. Other Committee members assented.

The report calls for achieving the 50th percentile of the top 30 institutions in the short term and the 75th percentile in the long term. Is that too gradual, asked one Committee member? It is also important to have the top 30 research universities as the peer group, because there is always pressure to have the University compare itself to the Big Ten or some other set of lesser institutions; the University should be on guard against those kinds of comparisons.

What are other Big Ten institutions saying? Have they made any statements? Professor Adams said they have not. All have great interest in this kind of compensation policy, but none have defined one. The only major research institution that has one is the University of Washington; they and their higher education coordinating board selected a set of 24 institutions they will use as a peer group. Their target is to be at the 75th percentile of that group. It is not the same group as the CHANGE top 30, but there is a lot of overlap. Some of the other institutions may have peer groups they use, observed another Committee member, but they don't have a policy position.

It is important to always keep private institutions in the peer group, added one Committee member, because they are part of the competition. The University should not talk about itself only with respect to other public institutions.

Might the University be out in front of some of the other institutions? They may be making comparisons, but the rankings of the National Research Council are going to be a wake-up call to the Midwest. It may be that they will become more explicit about what they want to do.

If the University adopts this report, Professor Adams surmised, it would create competitive pressure on a number of other institutions. One would feel differently as a faculty member at an institution that had a policy, compared to one that did not.

What are the downsides of setting a target like this? One is that it becomes a target that the University must meet at all costs, including the equivalent of cutting off limbs. Implementation could lead to actions which might cause everyone to rethink the goal. Commitment to a substantial expenditure will mean someone has to pay the piper; paying the piper could be very painful, but people might not be flexible in backing off the goal.

Another area that deserves the attention of the Committee is the financial strategy the CWG laid out, raising the $45-50 million from several sources. There are two significant points to make, Professor Adams told the Committee. The report makes clear that the CWG is NOT the group that should identify the institutional financial strategy. If one is talking about these amounts of money, it is not as meaningful as it should be if the discussion is only about compensation; the financial strategy should be integrated into the entire institutional plan. There is a danger that the CWG might say that programmatic reductions of $20 million should be used to pay for faculty salary increases; another part of the financial plan might also count on $20 million in program reductions for building improvements. The full picture has to be in mind, and this Committee would be interested in the institutional strategy and could identify where the CWG report would fit in.

There is value, however, in considering how realistic the $40-50 million figure is, Professor Adams said. A significant part of the discussion is where the funds might be obtained. The CWG suggested that over a five-year period or longer, an additional state subsidy of $5 million might be expected, perhaps by convincing the legislature that services the University provides or could provide at no significant increase in cost should be subsidized. Or perhaps increase their subsidy; the amount is small.

The tuition amount, $10 million, raises the question of how much tuition can be increased beyond inflation. The revenue could be realized by either rate or volume increases; some of each might be appropriate. There is much concern about rate changes, in terms of both access and in actual revenues realized because of enrollment changes. It is to be hoped that if U2000 accomplishes what it is supposed to, there might be a demand shift: the University would be providing something of greater value, and could thus charge more for it. Moreover, as the University's reputation increased, it might have a different mix of resident and non-resident students. Michigan, for example, generates much more tuition revenue than Minnesota, on the same base of students, because they have a much higher proportion of non-resident students. He is not lobbying for non-resident students, but there may be more such students attracted to the University. That is not bad for the state; if the University brings in high-quality people who end up staying in Minnesota, that should be a plus.

Is it true, asked one Committee member, that the admissions standards for resident students at Michigan are higher than those for non-residents? Another Committee member said not, but that they are significantly higher than what Minnesota requires; it is not a land-grant institution. They do have lower admissions standards for children of non-resident alumni, however, and receive a lot of applications from those alumni offspring. That may be a large part of their non-resident students, it was observed. The same is true at North Carolina, said another Committee member. Irrespective of alumni status, Professor Adams observed, Michigan is quite selective in which non-resident students it accepts.

The University would need to be very careful in setting up differential standards that might favor non-resident students, said one Committee member. The caveats for alumni children does put a little different spin on it, said another.

The CWG also called for $5 million for salaries from increased overhead funding; even in difficult times for research funding, there are ways to recover slightly more overhead or by investing to expand the amount of research that receives overhead. Those funds can be treated as fungible dollars; they can be used to free up other funds that would be spent on infrastructure. Overhead costs are supposed to be cost-based, it is true, but if in the cost base there are infrastructure improvements the University was planning to make anyway, then there are funds freed up. Information technology is an example; there may be plans, but if more can be funded through cost recoveries, then funds are freed up.

This says the University has not been aggressive in this area, said one Committee member. The University has slightly increased its recovery, Professor Adams said; the University is now at about 45% of direct costs, which is comparable to many peer public institutions, but is not at the 50% level many of the premier private institutions are at. If the University expanded the amount of research brought in, it could perhaps add items to the base that would be covered by the increases. The rate would not change, but the volume would.

The proposition that funds could be obtained from efficiency came from simply looking at the very large amount of money and estimating that efficiency improvements of 1% could be obtained every year; it is not based on anything except a call to look at the source. One Committee said the efficiency argument is similar to that made by those who would balance the federal budget by getting rid of waste and inefficiency. When they look closely, the options are not there. This is also reminiscent of administrative re-engineering--which just sounds like cuts.

As he was reviewing these items, Professor Adams related, he asked where the change in base support was--where is the pressure on the $150-300 million in activity to achieve savings? He said he does not know the answers, but the questions should be asked.

The spirit of the report is that the CWG is trying to counter any argument that their recommendations are pie-in-the-sky. It is not too unrealistic, said one Committee member, to identify these amounts of savings in these ways; it is achievable. It is not a plan, but it shows how things might be done.

One Committee member recalled the state contribution to instruction, presently about 60%. Why not recommend something similar on subsidy here? Say that we expect the state to deliver X% subsidy toward the goals of the CWG. The state subsidy issue is the presumption that the University can convince the legislature to pay for inflation PLUS provide some additional funds. The University might not do any more than it is now.

In tuition, the University might take on additional students, from whom it receives a net gain in funding. One difficulty is taking on students where there is no net gain; that does not help. They can only be taken in where there is a net gain, such as filling small sections. Part of it could come from rate increases, if the University is delivering a better product that students are willing to pay for (that is, shifting the demand curve to the right). The University does NOT go the state and say it is educating more students, and ask for the state to pick up its share.

One Committee member inquired whether the CWG looked to the faculty itself as a source of funding, by getting rid of non-productive faculty members? That may not be a big problem University-wide, but in individual departments it can be, with a lot of money going to those salaries. The CWG did not talk specifically about non-productive faculty, Professor Adams said, but the largest category of possible income is programmatic reduction. The way it is discussed is to say that there are probably a number of areas, through restructuring or modification of loads, where the University can do a better job and do it with fewer people, if it has the right people doing it--and it can better pay the people doing the right job.

The question was more about individual people than programs, it was said. Professor Adams commented that the report says clearly that the only basis for individual compensation, in non-unionized areas of the University, is pay for performance. If a faculty member is not performing, he or she should have no expectations about pay. But the CWG did not believe it could go beyond that level of policy.

Another Committee member asked about U2000 shifting the demand curve; what if people see this as something they do not like, and the demand curve shifts to the left? What would happen is that if the University tried to raise tuition, it would see a substantial reduction in revenue, Professor Adams replied. If there is no demand curve shift, and the University tries to increase revenue, it could decrease revenue instead, because people will go to other alternatives. The report is absolutely clear on this: revenue from this source CANNOT be expected if there is no demand curve shift.

There might be places in the University, observed one Committee member, where tuition revenues would be increased if the rate were LOWERED. Professor Adams agreed, but said the CWG did not talk about that.

One other significant issue is what is to happen in 1995-96, Professor Adams said. The CWG suggested that if the institution accepts the recommendations for a policy position, then the administration should think about providing salary increases of about 2% above the competition (estimated, now, to be inflation) over the next five to ten years. The first test comes in 1995-96; if the policy is approved and the goal is inflation plus two percent, "all hell breaks loose." The University is not even seeking inflation, pointed out one Committee member.

There is an important notion here, Professor Adams said; the CWG has consistently said to the Regents and the administration that they cannot, on the one hand, say they like the long-term policy, and on the other hand do nothing about it in 1995-96. That would have no credibility, and they should not subscribe to the policy unless they plan to back it up in some way.

The report will go to the FCC and to the Senate, for discussion; the latter could adopt resolution endorsing the report. The Senate should adopt a resolution supporting the goal, one Committee member said. In terms of the administration, Professor Adams said, the President would like to identify a place in the planning process where a position on faculty and P&A compensation could be adopted; it has not been identified yet, but they are trying to do so. He would also like to address compensation for all categories of employees, but he does not want to wait for everything else to fall into place before taking at least an interim position on the CWG report. The report will be provided for information to the Regents at their next meeting.

This Committee appears to support of the general goal, Professor Gray said, although not everyone may agree with each point in the report. She thanked Professor Adams for meeting with the Committee.

3. Report from the Facilities Management Subcommittee

Professor Gray then reported that she had received a letter from Professor Davison, chair of the Facilities Management Subcommittee, and asked him if he wished to speak to it.

He said he had several comments. There was a comment at the last meeting that certain items must be funded with recurring dollars, such as utilities and debt service. These are eating up increases in the budget. In about a year, presumably this Committee will consider capital budgets. Capital expenses have tails on them, in operations and maintenance; the Committee needs to recall the point about the use of recurring funds when it considers the capital budget.

The Subcommittee received an update on the steam plant recently and has copies for anyone on the

Committee who wishes them. The timetable on the process is that the final EIS will come out at the end of the month; there will be time for comment and then the Environmental Quality Board will make a determination of the adequacy of the EIS. The Regents will probably be reviewing and acting in May or June.

At the last meeting, the Subcommittee heard a report on the classroom study. Professor Martin reported that the Subcommittee did not take any position on the report. It appears that the University is well below national standards in terms of utilization of classrooms, commented one Committee member, and two-thirds of them are not in good shape. There is a Catch-22 here, said another; departments are pushed in two directions. One is user-friendliness; students don't want to take classes except between 10:00 and 2:00. To the extent they have jobs, that is a constraint, but the buildings are there a lot longer. The best thing to do for enrollment is to schedule all classes at 8:00.

One Committee member recalled hearing someone in planning say that the reason the classrooms are used so few hours of the day is that the faculty refuse to teach except from 10:00 - 2:00. Everyone who heard that took exception to the statement; it is the students who don't want to take later courses. The point is that there is a lot of misinformation on each side. Other campuses do schedule more around-the-clock than Minnesota; they may be more residential campuses. Maybe there ought to be a tuition break for early or late enrollment.

Professor Davison also reported that the Subcommittee also sent a letter to Professor Gray endorsing the long-range planning process and asking the administration not to do anything to reduce the University's flexibility in responding to what might come out of that process. It also asked that steps be taken to ensure that once there is a master plan in place, there is an attempt to adhere to it. The University has a long record of ignoring those plans.

The Committee needs to be cognizant of the need for faculty and student participation in the plan. One Committee member recalled having been in an hour-long interview with a planning firm from Toronto; later she learned she was the ONLY faculty member who had been interviewed. Their idea of consulting apparently did not include faculty.

There are exciting ideas in the plan, Professor Davison reported.

Professor Gray adjourned the meeting at 5:00.

-- Gary Engstrand

University of Minnesota