

Minutes*

Senate Committee on Finance and Planning
Tuesday, October 21, 2003
2:30 - 4:15
238A Morrill Hall

Present: Charles Campbell (chair), Calvin Alexander, Brittany McCarthy Barnes, Stanley Bonnema, David Chapman, Michael Frankosky, Thomas Klein, Joseph Konstan, Michael Korth, Kathleen O'Brien, Richard Pfutzenreuter, Terry Roe, Rose Samuel, Charles Speaks, Alfred Sullivan, Susan Van Voorhis, Warren Warwick, Susan Carlson Weinberg

Absent: David Brown, Daniel Feeney, Yi Li, Timothy Nantell, Thomas Stinson, Michael Volna

Guests: Associate Vice President Stephen Cawley, Mr. Bernard Gulachek (Office of Information Technology); Executive Vice President and Provost Christine Maziar

[In these minutes: (1) initial budget assumptions for 2004-05; (2) Twin Cities campus network upgrade; (3) the compact process]

1. Initial Assumptions, 2004-05 Budget

Professor Campbell convened the meeting at 2:35 and turned to Associate Vice President Pfutzenreuter for a review of the initial assumptions for the 2004-05 budget. These assumptions, he noted, went to the Regents last spring, and it is almost certain that the numbers will change as the process unfolds.

Investments:

- Investment in academic directions (the compact planning process): \$12.1 million
- Investment in student goals (\$2.3 million, need-based financial aid, \$7.2 million for the compact process)
- 2.5% compensation increase (salaries and fringe benefits; amount unknown at this time)
- Facility infrastructure (utilities, new building operations, debts, leases): \$3.9 million
- Technology and other infrastructure needs: \$7.2 million
- Unanticipated financial obligations (items that must be funded but that are not known at this point): \$6.5 million
- FY04 recurring structural imbalance: the 2003-04 budget included use of \$10.5 million in one-time funds to cover recurring expenses; to balance the budget by the end of the biennium, the 04-05 budget must fund the commitments with recurring funds.

Sources:

- State appropriation: \$2.8 million increase (all attributable to enrollment/formula adjustments)
- Tuition: an increase of 11% for Twin Cities undergraduates and 10% for all other students. Revenue will be used to cover any increase in IRS obligations of colleges, college compensation costs, and potentially some college initiatives. Remainder will be used to balance the budget.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

Total increase expected to be about \$37.5 million, of which \$14.4 million for the 1% IRS increase, \$13.2 million for planned compensation increases in the O&M and State Specials, and \$9.9 million to balance the budget.

- University Fee: increase from \$600 to \$750 per year, estimated to increase revenue by \$9.5 million, to be used to balance the budget.
- Selective reductions: \$12 million; allocation has not been made final.
- Central ICR: a conservative estimated increase of \$1 million.
- IRS: a 1% increase in the academic IRS, from 7.5% to 8.5%, assessed against total revenues.

Professor Roe inquired about tuition. Mr. Pfutzenreuter said the administration was not taking more from the units than tuition would generate. Tuition income will be required to cover compensation and the IRS, with the rest swapped for O&M funds. There will be none left for unit initiatives. In the current year, a small amount was left behind for use by the units.

There is a difference between taking the increase and giving back 2.5% for compensation and the proposed model that assumes units will have enough left to pay the increased IRS and still cover compensation increases within the unit, Professor Konstan said. What about units where the IRS plus 2.5% of compensation is more than their revenues increase; will they be made whole? Mr. Pfutzenreuter said he did not believe there was any unit that would have that problem, but there could be units that do not increase tuition enough to offset cuts, compensation, and the IRS increase. Mr. Klein reported that the College of Continuing Education might fit in that category; the Extension Service does not have tuition income and will need other adjustments to become whole. Some units may not be made whole, Mr. Pfutzenreuter said. How will that be decided, Mr. Klein inquired? The President looks at a big spreadsheet on how units come out with additions and subtractions, Mr. Pfutzenreuter told the Committee.

Vice President O'Brien commented that all of the units that report to her pay the IRS tax and will pay the 2.5% compensation increase but have no revenues to offset those costs.

Ms. McCarthy Barnes asked about the number of students who would be affected by the investment in student goals; would it only be undergraduates? Mr. Pfutzenreuter said the only decision made so far is to increase funding for need-based aid. He said he knows that the President and Provost want ideas and urged her to forward ideas about supporting graduate and professional students if she wished. They are focused on ALL students, he added, not only undergraduates.

Professor Campbell asked what the total increase would be when the tuition increase and the University Fee increase were added together. Mr. Pfutzenreuter said it would be in the range of 12-14%.

With respect to the selective reductions, Mr. Pfutzenreuter said there has been no decision that the \$12 million is final or how the cuts would be allocated among academic and support units or which units within those categories. The President has the final say on the cuts; some (but not much) of the \$12 million has already been decided on. Intercollegiate athletics, for example, will be cut, as part of a plan that was adopted previously. The President, along with Provost Maziar and Senior Vice President Cerra, will decide how to apportion the cuts. Professor Campbell reported that he believes, based on a conversation the President had with the Faculty Consultative Committee, that there will be a mechanism for faculty-student participation through the reappointment of the Budget Advisory Committee.

Mr. Pfutzenreuter repeated that the numbers will change as the President assesses cuts and investments--whether there should be more or less for investments, where tuition should be, and so on. All the variables are in play. But the President does want decisions made earlier, not so late as April or May.

Mr. Klein asked if the expected ICR increase was because the formula changed or a volume increase. Mr. Pfutzenreuter said it was strictly a volume increase.

These assumptions assume a stable state situation, Professor Konstan noted. Does the University plan to seek a supplemental request? There have been preliminary discussions about a request, Mr. Pfutzenreuter said. The University has received a letter from the Department of Finance said that the state does not anticipate having a lot of new funds, agencies can think about a supplemental request but it must be framed in terms of the Governor's priorities, and prudent planning would suggest agencies plan for a 5% cut. Any supplemental request would be focused on the priorities the President outlined in his State of the University address.

Professor Konstan asked how much of the 2.5% compensation increase, for non-tuition-generating units, would be cuts and how much would the administration absorb? Mr. Pfutzenreuter said the administration would pay about \$4.5 million of the total for central support units.

Ms. McCarthy Barnes said she had read in the newspaper about a proposal to take operating funds from the University for extension services and about the proposal to restore \$95.5 million of last year's budget to the U and MNSCU; has there been any analysis of the impact if any of those were to happen? The proposal is to take \$9.6 million from the University and give it to the counties, Mr. Pfutzenreuter said; if it were to happen, the President would have to decide where to take the funds from--all from Extension? He said he has not talked with the President about this, but the money would need to come from somewhere. He surmised the University would not increase tuition on students to shore up the Extension budget. Mr. Klein pointed out that if the legislature takes the money out of the University and gives it to the counties to buy extension services, the counties might well end up buying the service from the University, which may be the organization that has the expertise and structure needed to reach throughout Minnesota.

Professor Campbell asked when the discussion of budget principles for the next biennium would start. They will be linked to other things, Mr. Pfutzenreuter said. The Board of Regents is discussing financing the future of the University, which will start in December. The University will receive official instructions from the state about the first week in June; they will set the parameters for preparing the biennial request. For the Board discussion to inform the biennial request, and to have more governance committee involvement, the process will have to start earlier than the summer. Does the administration take a package to the Regents to guide their discussion, Professor Campbell inquired? Not typically, Mr. Pfutzenreuter said. The Regents' discussion about financing the future of the University should inform the biennial request.

Is there any time frame for the administration to look at IMG as the basis of the budget and allocations, Professor Konstan asked? The system has worked, but the only way to keep it working is to sweep funds into central administration. Mr. Pfutzenreuter said he knew of no formal effort to review IMG. Questions arise whenever it gets close to budget time--there should be different taxes, the amounts should be different, etc.--but there has never been a soup-to-nuts review. Professor Campbell reported that the committee chairs had raised the same question with the President and had thought about an ad hoc

committee. In looking at IMG, no one has looked at the unintended consequences (e.g., colleges start a new set of courses in order to avoid having their students take courses in another college). It was reported that the President would like to incorporate a review of IMG in the reconstituted Budget Advisory Committee, with the appointment of several work groups to look at various elements of the University's budgeting system.

Professor Roe said there may also be unintended consequences from IMG in research funding by including formula funds; IMG may tax research more than grants and contracts. Mr. Pfutzenreuter said that the IRS does not include sponsored accounts but does cover formula funds. The Extension/agriculture side has argued, for example, that it should be treated like sponsored research.

Another place the IRS hits is Foundation funds, Professor Campbell observed; the rate was raised a few years ago and is now being raised again. Mr. Pfutzenreuter agreed that those funds are included in the calculations, but the vast majority of units pay the tax out of O&M funds anyway. Professor Campbell said it would likely not go over well with potential donors if they knew part of their donation would go to taxes. Is this a concern? Mr. Pfutzenreuter said the Foundation has brought this question to the President and Provost and him several times; the decision has been that the system is working fine and such funds should be included in calculation of the IRS tax--because those revenue streams do cost the University money and they should pay overhead. The official answer, Professor Konstan said, could be that Foundation gifts are not taxed but the amounts are calculated in the tax. This is more a marketing problem than a problem of substance, he said. People know that a new faculty position costs the University money; there would, on the other hand, be serious consequences if the University were to seek from donors the full cost of an endowed chair. This needs to be made clearer, Professor Campbell said. Mr. Pfutzenreuter pointed out that the Foundation itself taxes donations in order to support Foundation activities.

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Unmet and unanticipated needs determine where the money goes, but individual units can be differently affected by the formula for distributing the costs, Professor Campbell said. It also says that the best way to get new things is by bleeding everyone and not leaving money in the units, Professor Konstan added. Mr. Pfutzenreuter said that the IRS now generates about \$80 million per year, which money pours back into the O&M budget--it is not discretely allocated to debt, etc. All units that receive O&M money are getting some of it back. The original IRS was imposed to pay for common goods, but the amount the IRS generates exceeds what is needed for common goods; the excess goes for salaries, the compacts, etc.

Professor Roe commented that what it is supposed to do is take money that is marginally less productive and put it where it is marginally more productive, but it does not do that. It is not clear that redistribution of the money puts it where it is more productive--and the administration may be taxing things it really does not want to tax. The question is what is the best way to garner seed money when there are no additional state funds and tuition cannot be increased. Mr. Klein agreed that it is an interesting question how the funds are used.

Professor Konstan maintained that all units need seed money for investment, whether because they are underfunded and could do better or because they are doing well and could do even better. The question is where the money should sit: the President, the deans, or the department? The University's model means that the lower down on the hierarchy one is, the more difficult it is to get seed money and invest in new productivity because the department needs to go through the dean to get money from the provost. That could be the most efficient way to allocate money, he said, but no one has tested whether it

would be better for departments to have money for new initiatives. This is discussed in the compact meetings, Mr. Klein said.

There are two ways to do academic initiatives, Professor Campbell said: by the President or through the compact process. There is also a third, an internal adjustment of funds, but there is not a lot of money available for this method. One point of discussion with Provost Maziar should be about how she determines the overall level of funds that will be in the compact process. Is it driven by unit needs? By the quality of proposals?

2. Twin Cities Campus Network Upgrade

Professor Campbell now welcomed Associate Vice President Cawley and Mr. Gulachek to discuss the upgrade of the Twin Cities network. He also turned the gavel over to Professor Roe because he had to leave the meeting.

Mr. Cawley told the Committee that the last time the network was upgraded was 1997, for reasons tied to PeopleSoft and security issues. That upgrade has served pretty well; the technology has about a five-year lifespan, and it is now time to change--which is no surprise to anyone involved. There are deficiencies in the current network: the University cannot provide the security that is needed in some cases (e.g., HIPPA, other regulatory requirements), and an upgrade will increase performance in research and teaching (e.g., the network now supports 10 megabytes per second while the upgrade will be 100 times faster, a gigabyte per second, with a protocol that will support new video and voice applications that now have to be "kluged" into the system). The new system will also be integrated into the statewide network in Minnesota.

The new system will cost no more than \$16 million; they are using bonds to finance it, which they needed to issue in June. The Requests for Proposals were received in September and the vendors want the business. They are providing significant discounts, so the cost will not exceed \$16 million and the University will receive more than it expected for less than it expected to pay. They will announce the finalist within the next few days because it is important for people across the campus to know what the University is buying.

Originally this item was scheduled to go to the Regents in November but it has now been scheduled for December in order to have a better idea of the cost and the nature of the contract; they do not want to rush it, Mr. Cawley said. Immediately upon receipt of approval, they plan to implement change, which will take about a year. It will replace the entire campus backbone.

Mr. Cawley said he sent a message to the deans, directors, and department head list explaining one point. Since information technology is now treated as a common good, and units are not charged for network connections, they have seen a significant migration of local networks to the centrally-supported model (although some units have retained their own). The message said that if units want to migrate to the central network, they needed to tell him now (so the University can build those units into the cost) and there would be no cost to the migration for the units. Some units are moving (e.g., the Carlson School, the HHH Institute), some are not, and some are discussing it. (Some IT departments, for example, have exotic networks that they may retain, which is fine, Mr. Cawley said; this is not a "now or never" decision.)

Are the upgrades from the University to the outside world or only internal, Professor Konstan asked? The University regularly upgrades the connections to outside, Mr. Cawley said, and also between the campuses; this is internal, but nothing at the desktop computer level or wiring in buildings. Then what percentage of labs, offices, etc., will be able to take advantage of the upgrade, Professor Konstan inquired? Mr. Gulachek explained that they have a color-coded map, with every building coded; some will be able to take advantage of it and some will not. The object is to get as much of the campus as possible to the higher speeds, and more than 50% is at 100 megabytes already.

Will the upgrade take into account wireless technology, Professor Konstan asked? Mr. Cawley said that his office is regularly upgrading wireless access out of current operating funds by increasing access points and monitoring congestion. This project does not include an upgrade beyond the current connections, however.

Will there be a capability for visitor access, not to University databases but to the internet, for example, Professor Konstan asked? That is theoretically possible, Mr. Cawley said, but it is not in the set of requirements for the upgrade. Mr. Gulachek agreed that a lot of units are looking for that capability and they do have it on their radar screen.

Professor Roe asked that the website with information about the upgrade be included in these minutes. These two sites offer different information:

http://www1.umn.edu/nts/network_upgrade_funding/ and
http://www1.umn.edu/nts/projects/building_infrastructure_update/

What advantages are there for departments not to be part of the central network, Professor Roe asked? Meeting some research needs or research flexibility, tighter control over the department network, tying computers together in an exotic network, Mr. Cawley said, or there may be a computer floor that the department wants to keep control over. He doubted that more 10% of units would fit these categories, and most are in Computer Science and the Digital Technology Center. This should not be a concern in the normal office environment. There were also service questions in the past, but since units are not charged for the network, they are fully flexible. Some units may not even know they are on a private LAN, Mr. Cawley observed, and they are seeking all of them out. Basically, there should be some reason related to the mission or research for a unit not to be part of the central network. There will also be some savings for a unit, although not a lot. Units with particular needs will still require someone to manage data sets, for example.

Mr. Cawley agreed, in response to a comment from Professor Konstan, that it will take the next generation of new computers before everyone will be able to take full advantage of the new system, but the gigabyte switches will allow the system to be used for the next 5-6 years. They are excited that they are buying the right technology at the right time.

What are they doing to move the coordinate campuses in the same direction, Professor Korth asked? Each of the campuses has a different funding mechanism, Mr. Cawley said; Morris at this point is the best campus in the system in terms of network. His office must pay off the bonds for the upgrade and the coordinate campuses have been uninterested in participating in that debt, but they are very interested in the technology and will probably migrate to it in the near future. The Morris network is already 10 times faster than the Twin Cities' and it has a beautiful infrastructure. Crookston needs to make a fiber

optic request and he will try to help with that, Mr. Cawley said; Duluth is in good shape and will likely not start to upgrade as soon as the Twin Cities.

Where will he obtain the funds to pay the debt service, since OIT does not charge units, Professor Korth asked? From his operating budget, Mr. Cawley replied; they have paid off some debt and are cleared to take on more now. They will not be asking for additional funds to pay the debt service.

For the 50% of the Twin Cities campus that cannot accommodate the upgrade, will the buildings be upgraded as well or will that wait on renovation, Ms. Carlson asked? Both, Mr. Cawley said. For academic units, there are some matching funds (see one of the websites listed above); the problem is usually the last 100 feet within the building. Several colleges invest year in and year out to improve the connections. This is also part of the six-year capital plan to ensure that they do not duplicate expenditures, Mr. Gulachek added. Mr. Cawley reported that a policy change two years ago with respect to capital projects now requires that they include technology in all buildings, and there has been significant improvement in the wiring across the campus.

Professor Konstan, referring to security issues, noted that wireless communication is not encrypted; is there a timetable to make the communications secure or will the University deny information to non-secure networks (e.g., HIPAA)? Not all service is secured as well as it should be, Mr. Cawley said. All central services are secure and encrypt messages to prevent snooping. With the new network it will be easier to enforce security rules. They will also be able to segment the system into a lot of networks with different security rules; each manager can select the level of security needed. They will create virtually enclosed networks and can apply virtual firewalls to those networks and let local units choose their options.

Who is responsible for coordinating this across the campus, Professor Konstan asked? This is a compliance issue, Mr. Cawley said, and his office is responsible; they work with the General Counsel, law enforcement, and so on.

Do departments have any incentive to use both systems, Professor Roe asked? A complex department might use both, Mr. Cawley said; they might a system 98% centrally supported but some unique elements they want on a local network. Those details can be worked out with units, he said.

Professor Roe thanked Messrs. Cawley and Gulachek for joining the meeting.

3. The Compact Process

Professor Roe welcomed Executive Vice President and Provost Christine Maziar to the meeting to discuss the compact process; Vice Provost Al Sullivan was also one of the presenters.

Dr. Maziar said that Dr. Sullivan, as vice provost, manages the compact process and ensures that documents are moving through the system; he has significant interaction with the budget office, colleges, and other vice presidential units. All vice presidential offices, colleges, and campuses are expected to do compacts; some deans also use the process within their colleges with individual departments, although that is not a uniform practice.

Dr. Sullivan noted that he was Dean of the College of Natural Resources for ten years and has been in Dr. Maziar's office for the last year, and works with the 17 units that report to her. Those include

colleges, the Extension Service, and the libraries; the coordinate campuses report through Vice President Robert Jones and the Academic Health Center colleges report through Senior Vice President Frank Cerra. Dr. Sullivan distributed a handout explaining the compact process.

The philosophy is to "improve alignment of broad University goals with the directions, investments, actions, and results of campuses, colleges, and service units, to create an atmosphere of collegiality, peer relationships, and a focused discussion of the unit's and the University's mission, values, and priorities, to promote decentralized authority, responsibility, and accountability, to move from a model that depends on regulation to one that focuses on accountability and outcomes, and to integrate IMG principles into planning and budgeting, including use of multiple revenue streams to address priorities, rewards for increased productivity, and shared responsibility for jointly addressing issues and priorities." There is an annual schedule of discussions and documented outcomes that includes the dean's office, the budget office, and Dr. Maziar's office; meetings are scheduled, with an agenda, to talk things through, after which the unit turns in a compact which is reviewed by a number of offices in the administration.

The goals of the compact process are: "implement a common, systematic, and integrated planning and budgeting process for campuses, colleges, and support units; engage faculty, staff, and students in local-level decision-making; expand discussions of issues while establishing documented, public agreements that move units toward clear goals and expected outcomes; develop and articulate standards of excellence for each unit and the institution as a whole; create a shared University plan through assessment of strategic issues, priorities, and directions; [and] implement an ongoing process that improves management of University resources and public accountability."

The compact process started with President Yudof about five years ago, Dr. Maziar recalled, and the concept of a "compact" came from his legal background; a "contract" seemed too legalistic and a "covenant" didn't seem right either, but the process struggled with the tradition of college budget hearings. A compact is more than budget and allocations, it is a place where the dean and the provost have an opportunity to talk about the right yardstick to measure progress in that college or unit. Not all units should be measured by the same yardstick, she said: Law has no undergraduates and the graduation rate is not a significant issue while other units do and it is. The coordinate campuses may have some measures that are not appropriate for the Twin Cities campus. Even if there are no funds to put in compact allocations, the agreements should still be reached because all units have funds they manage, with opportunities to reallocate. The compact process allows the unit to have communication with Morrill Hall about funds being used in as effective a way as possible.

Is annual compact scheduling optimal, Professor Speaks asked? Dr. Maziar said that the compacts are a burden and there could be a desire to do them on a biennial basis. They have tried to reduce the amount of work involved; the compacts do not need to be rewritten every year but instead can be updated. Updates allow a mid-biennium correction; because budgets are generally more stable in the second year of the biennium, there is an opportunity for deans to engage in more aggressive planning.

Dr. Sullivan pointed out that he has been on both sides of the table in the compact process. It is true that everyone may work too hard on the compacts; what is key is to get a good compact because then it can easily be updated.

What is the significance of the compact for the dean, Ms. Samuel inquired? Do they do them because they must or is it used in decision-making? Dr. Maziar said she has made it clear that evaluation

of college performance, through the compact process, is one surrogate for evaluation of the dean's performance--and they do measure college performance in the compact process.

With respect to the language about engaging faculty, staff, and students, Professor Konstan commented that if he did not read Senate committee minutes, he would never know there was a compact with his college; is the process meeting that goal? Different colleges use different strategies, Dr. Maziar said. CLA relies heavily on department heads as well as faculty advisory committees; IT may rely more on department heads. If one decouples the budget from the process, one gets the benefit of developing consensus and engagement, Professor Konstan responded.

When writing grants, Professor Konstan continued, sometimes one will write for what one believes one can get rather than what one really wants. Is there some risk that units write compacts for what the President wants rather than for unit priorities? Dr. Maziar said she has looked at a lot of compacts; the President's priorities are coming from the compacts rather than the other way around--his priorities have been bubbling in the compacts for some time but funding has not been available for them. They encourage deans to keep high-priority initiatives in their compacts even if they cannot be funded--for one thing, the colleges might be able to start them and should receive credit for doing so. It is rare that the President's initiatives spring "from the brow of Bob, or the mind of Mark, or the cranium of Chris."

There seem to be two different models in play. First, it should be easier to do small things, Professor Konstan maintained. The last ten years of budget cuts have drained flexible funds from departments. To take an initiative through the compact process means one must convince the department head, who must convince the dean, who must convince the provost. Alternatively, one could say that each department has 2% in flexible funds that it can try things with--the administration could push the funds out where the action is to see what creative people might do. Dr. Maziar said that as Vice President for Research and Dean of the Graduate School, she supported block grants, but there were so many small programs that one ended up with "sliver grants" instead that had no effect. It is better to aggregate the money and fund initiatives with an impact. This is a granularity problem, she said--what is the right size grant and what is the right size of a department to use a grant. The administration does not tell the colleges what to do about "small" things; the colleges can just fund them if they choose. But after years of the IRS tax, the Enterprise tax, and so on, the amounts available have declined considerably, Professor Konstan responded. Dr. Maziar agreed, noting that there is \$4 million in the compact pool this year, a small fraction of the University's budget. That is a function of overall economic conditions, Mr. Klein observed.

Professor Konstan said that money will not come pouring in and there are not a lot of flexible funds. There is a question of how money does flow in, in amounts that might be of "subcompact" size. \$1000 could allow a department to do something it otherwise could not. He said he has never heard that one priority of the President or Provost was to leave money in units that is unrestricted. Dr. Maziar said she has heard this point made in the past. The administration keeps an eye on reserves and monitors both growth and shrinkage of those reserves at the unit level. While there are encumbrances on some of the reserves, over a period of time those encumbrances should presumably be exercised so any growth in the reserves needs to be explained. She said she has not seen a model (and there may not be one) for what reserves are needed to mitigate risk at various organizational levels in the University versus what could provide local flexibility. She said she did not want to see local reserves built to ensure against large risk. Whether or not that happens, Professor Konstan said, depends on whether the department trusts that the college will help. It may be that units are "over-insured," Dr. Maziar said, and this may be a promising problem or issue to devote energy to.

Professor Roe inquired about the extent to which the compact process links inputs and outputs, efficiencies, and guides allocations between units. That is why there is need for a negotiating yardstick, Dr. Maziar said. It is not appropriate to have the same discussion about return on investment with CLA as with CBS or IT. She does not expect humanities faculty to generate the same amount of external funding as CBS or IT faculty; that is not their research or scholarship model. The question is what is the right measure.

The administration is responsible for identifying where there is a surplus or a deficit in productivity, Professor Roe said, and for carrying on a dialogue about it. Dr. Maziar said her office negotiates these issues with the deans.

Professor Roe noted that under IMG the income streams are higher for units with major undergraduate activities than it is for units with major professional and research activities, like the Experiment Stations. Has the compact process been helpful in addressing this balance? Dr. Maziar said there are different and complex financial and academic ecologies in each college, she said, and she is not sure that all of the cross-subsidies have been illuminated, although IMG has enabled some progress in that regard over past budget approaches.

To what extent does the compact process fulfill the information needs required to allocate, at the margin, resources across/between units to get the highest returns to them, Professor Roe asked? The compacts are developing stronger documentation of the priorities of the college and how they are progressing on them, Dr. Maziar said, and the colleges negotiate with the administration on how to support those priorities. It is essential that these discussions were held for several years because they helped develop the President's priorities and will inform the biennial request.

Dr. Sullivan pointed to an item on a part of the handout identifying the elements of a compact to make the point that there is no formula for the data profile for a college. Much of the data is maintained by Institutional Research and Reporting, standard numbers for all colleges. There are also unique goals; the agenda of the compact meetings are prepared with participation by his office AND the college. They look at the compact, the data profile, and see if there are items to discuss, but there is no formula for the proceedings.

One issue this year is that too many students reach 90 credit hours--students who are classified as seniors but fail to graduate. They will talk with each college about this issue. If the University wants to improve its graduation rate, Dr. Maziar commented, this could be low-hanging fruit--successfully deal with the problem of losing 25% of seniors.

Are the same metrics used across all units, Mr. Klein asked? Dr. Sullivan pointed out that the Minnesota Extension Service does not have the same measures as CLA. It could be more productive to have a standard set of measures and then allow each unit to explain its place on the yardstick, Mr. Klein said. One could spend more time building separate yardsticks for each unit than explaining a unit's position vis-à-vis a common yardstick. There are some standards, Dr. Sullivan said, but graduation rate, for example, is not a measure for the Extension Service. There also might be different measures for Law, Medicine, COAFES, CLA, IT, and so forth, Dr. Maziar added. It is difficult to think of the same standard that would be used for all. If all are explaining why they do not use the yardstick, Mr. Klein responded, that may preclude the discussion getting to core issues of evaluation.

It is even subjective to make judgments across units using a common denominator, Professor Roe suggested. Dr. Maziar agreed. But, for example, student success is a high priority and they have had conversations with units that are not doing well on that measure; that reflects an institutional value that has the endorsement of the Board of Regents. Mr. Klein said he liked the elegance of graduation rate because it reflects an organizational value.

Has there been progress in meshing the compact process with the capital planning process, Ms. Weinberg asked? She said she hoped that the compact discussions include buildings that may be on the six-year capital plan. Part of his charge from Dr. Maziar, Dr. Sullivan explained, is to include facilities as part of the compact process. That connection has gotten better over the years. The compact process is not where a unit REQUESTS a capital project, but they do look at facilities and are trying to avoid having things pop up in the capital request that are not part of the compact process.

To what extent are the compact agreements public, Professor Roe asked? They are on the web, Dr. Maziar said. And on occasion, she will suggest to a dean that he or she look at another college compact to study exemplary formats. All from last year are not on the web now, Dr. Sullivan clarified, but they all will be this year. Dr. Maziar added that the deans complete the compacts early in spring semester, before the administration can make commitments in the process--which the deans understand--so her office continues to receive updates until the final allocations have been made. Prior to the compact process, requests for funds were ad seriatim and one could not identify where a request for funds fitted into the priorities of the college. Now such requests are evaluated for priority against other collegiate requests.

What other sources does the administration use in assessing college performance, Professor Roe inquired? Or is the compact the primary instrument? They constantly collect data, Dr. Maziar said, and she has individual meetings with the deans about every six weeks to receive an update.

What are the best practices to get students on board and involved in developing a consensus, Professor Konstan asked? What works best is use of existing governance/advisory structures, Dr. Maziar said. Dr. Sullivan recalled that when he was dean he had a student-faculty advisory board that he met with about every three weeks. Did the compact come up, Professor Konstan asked? Did any student read the compact? It did not come up in discussions, Dr. Sullivan said, and most faculty would say that they know enough, through the continuing series of conversations, that no one would be shocked by anything in the compact.

Dr. Maziar said she should perhaps return to the Committee in about two months to talk about the investments made this year. The decisions made, she added, will demonstrate that the process does not invest in glitz and baubles; some deans have been concerned that they would only receive funds if they had something new. The administration, however, has put funds into the best departments, for recruiting new faculty, into classrooms, to accommodate upper division students, and to support the libraries.

Professor Roe thanked Drs. Maziar and Sullivan for joining the meeting and adjourned it at 4:45.

-- Gary Engstrand