Minutes[*]

Senate Committee on Finance and Planning
Tuesday, February 12, 2002
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Brittny McCarthy Barnes, Jean Bauer, Stanley Bonnema, Charles Campbell, Gary Jahn, Elo Charity Oju, Terry Roe, Susan Carlson Weinberg

Absent: Prince Amattoe, David Chapman, Daniel Feeney, Cynthia Jara, Wendell Johnson, Michael Korth, Richard Pfutzenreuter, Michael Volna, J. Peter Zetterberg

Guests: Suzanne Bardouche (College of Liberal Arts), Eric Celeste (University Libraries), Steven Crouch (Institute of Technology), Robert Elde (College of Biological Sciences), Professor Philip Goodrich (Senate Committee on Information Technology), Bernard Gulacek (Office of Information Technology), Jeffery Kimpton (School of Music), Carol Klee (Department of Spanish and Portuguese), Robert Serfass (College of Education and Human Development), Stuart Speedie (Medical School)

[In these minutes: (1) letter to the Provost on common goods funding; (2) tuition scholarships for graduate assistants; (3) tuition and graduation rates; (4) Office of Information Technology charges to fund the network]

1. Letter on Common Goods Funding

Professor Speaks convened the meeting at 3:05 and turned first to the draft letter on common goods funding (to be sent by the chairs of this Committee, the Committee on Educational Policy, and the Subcommittee) prepared by the Subcommittee on Twin Cities Facilities and Support Services, chaired by Professor Jahn.

Professor Jahn reported that the Subcommittee had decided to follow up this year on common goods funding. There was a letter from the three chairs to the President in November, 2000, asking questions about common goods. Provost Bruininks responded in January, 2001. The current draft letter asks for more information, and in particular for evaluation of the results of the spending on common goods, how the recipients of those funds feel, and how those units that were taxed feel.

This is timely, Professor Speaks commented, coming before Mr. Cawley joins the meeting. The last time Mr. Cawley appeared he talked about charges for information technology and the emphasis was on charges per connection or charges per person. Today, the Committee may learn that the best model could treat technology as a common good.

It is typical to think of the libraries as a common good, Professor Roe observed, but his department and many others have their own library and pay a librarian; the department could think it was

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

being taxed twice. What is the reaction of such departments, he asked? That is the starting point of the letter, Professor Jahn said, and the Subcommittee will look into such questions for the rest of the year.

With IMG there was talk about the need for colleges to save money, but now there is speculation that the savings are larger than what the administration would hold if it were doing the saving, Professor Roe said. Savings are resources that are not being used; some common goods funding could come from those savings instead of taxing departments. Theoretically, the IRS and other taxes are only assessed against colleges, not departments, Professor Speaks said, but the taxes paid are funds that cannot go to departments.

The Committee voted unanimously in favor of endorsing the letter.

2. Tuition Scholarships for Graduate Assistants

Professor Speaks next asked the Committee if it wished to pursue an additional question that had arisen with respect to tuition scholarships for graduate assistants who have appointments of less than 25% time. Under current policy, the tuition benefit to a graduate assistant equals the appointment time times two (a 25% appointment means a 50% tuition benefit), AND, if the student is a non-resident, he or she pays resident rates. He said he thought the two factors were inseparable. When Vice President Maziar agreed to allow 12.5% appointments (and a 25% tuition benefit), as the Committee had requested, she did not agree that non-resident students on appointments of less than 25% time would also be able to pay resident tuition. Implementation of the policy as it stands will mean a resident graduate assistant on a 12.5% appointment will receive a 25% tuition benefit at resident tuition rates; a non-resident graduate assistant with the same appointment will pay non-resident tuition and receive a 25% resident tuition scholarship.

The reason for this decision was not financial, Professor Speaks said he was informed. There are few appointments at less than 25% so the financial impact is small. The reason is the same as lowering the allowable appointment from 25% to 12.5%: too many employers may play games with the system. Does the Committee wish to say anything?

Ms. Oju asked how this affects international students. Professor Speaks said he believed they are treated the same as non-resident students.

This information should be circulated to departments, Professor Bauer said. It also needs to be made clear to graduate students, Ms. Barnes added: if they take a 12.5% appointment and are non-residents, they will not receive resident tuition.

The dilemma is that if the Committee had understood this beforehand, it would have argued for the full benefit, Professor Campbell said. The question is whether the issue should be raised again. He said he did not believe the matter should be left as it stands; the Committee should have a conversation with Dr. Maziar about her decision.

The Committee agreed that Professor Speaks would ask Dr. Maziar either for a written report or that she return to the Committee to discuss the issue, at her discretion.

3. Tuition and Graduation Rates

Professor Speaks turned next to tuition rates. One question is about whom a new tuition would apply. The proposal is that any 13-credit tuition band, it should be implemented immediately. If adopted, it would be directed to the President and Provost and Vice Provost Swan, with copies to the Faculty Consultative Committee and the Committee on Educational Policy.

STATEMENT ON ADOPTION OF A NEW TUITION-BANDING MODEL AS A FINANCIAL INCENTIVE FOR IMPROVING GRADUATION RATES FOR UNDERGRADUATE STUDENTS

The Senate Committee on Finance and Planning (SCFP) has read and discussed the document, *Improving our Graduation Rates: The Report of the Graduation and Retention Subcommittee of the Council of Undergraduate Deans* (August 13, 2001). The Committee concludes that the University must establish and communicate an explicit expectation that, upon admission, most students will be full-time students and will be expected to graduate within four-to-five years of matriculation. In reaching that conclusion, the SCFP strongly endorses the comments and recommendations prepared by the Council of Undergraduate Deans and sent to the President and Provost on January 22, 2002. In addition, the SCFP offers the following additional recommendations for undergraduate students in all colleges of the Twin Cities campus.

-- A policy that mandates a minimum average credit load of 13 credits per semester should be accompanied with a financial incentive in the form of a tuition structure that will support the University's objective.
-- After review of three tuition-banding options (13 credits and above; 13-17 credits; and 12 credits and above) and a new tuition-discount option (75% discount for more than 12 credits) expresses its strong preference for the *13 credits and above band option*.
-- A 13 credits and above band model, with no upper limit, is projected to cost the University $3.7 million dollars in lost tuition revenue. Rather than accept that cost as an investment to improve undergraduate graduation rates, the Committee believes that the per-credit tuition charge for students who register for fewer than 13 credits should be adjusted upward to offset the projected cost of the 13-credit band model.[1]
-- The Committee further concludes that the 13 credits and above band model should become effective fall 2002 for all undergraduate students—entering freshmen, entering transfer students, and returning students.

1. The estimated per-credit increase in cost, in 2001-02 tuition rates, is $5.36 (2.9%).

The Committee adopted the statement unanimously.

4. Office of Information Technology Charges

Professor Speaks noted that a number of people had been invited to join the Committee for a discussion of OIT charges. He welcomed Associate Vice President Steve Cawley to the meeting to discuss network funding options.

Mr. Cawley explained that the current model for charging for the network is based on the number of connections. There are locally-managed networks and centrally-managed networks; both rely on counting the number of connections. As they look at the future of the network and emerging applications, and expectations of wireless computing and "anywhere connectivity," they have found that the current model does not help to attain the goals. The model of counting connections treats the network as a scarce resource and tends to retard the development and deployment of technology in places like classrooms. Plans to develop wireless technology in classrooms is prohibitively expensive under the current plan.

What they are proposing is to find a model that allows the University to treat the network as a common good, like electricity or heat, rather than a local ownership issue. Over the past few months they have talked with deans and department heads and vice presidents and network administrators to try to understand all the issues. When he appeared before the Committee in November, he had talked about a headcount model—rather than charge for connections, charge on the basis of the number of faculty, staff, and students in the unit or college. That gets the University partially down the path towards a common good model, away from counting connections, and gets away from a number of the problems with the current model.

They were really encouraged by many people, however, to move further and treat the network the same way the University treats facilities: fund it centrally and make it simple. They want feedback from the Committee on the two models, headcount and common good, and will try to answer questions. Any plan is intended to fund the existing network, not a new one, and is to be revenue-neutral. They are not looking to create winners and losers, although there will be some accounting challenges. Any model will have complexities that will need work from the budget office.

There is a difference between something centrally-funded and something funded as a common good, Professor Speaks said. Centrally-funded suggests or could suggest the funds will come from some unknown source in central administration. Presumably the costs would be passed along in the form of a higher IRS tax. He assumes it will be, Mr. Cawley said, but he said he could not represent Mr. Pfutzenreuter in saying how that would be implemented. Potentially, if a centrally-funded model were adopted, the administration might take back from colleges what they pay for network charges--since they would not be paying network charges--and use the money for OIT; any increases might show up in the IRS tax. That is the assumption he makes: to take the network accounts of colleges and use the money to fund OIT.

Is that on the order of a few 10ths of a percent, Professor Speaks asked? If all of the base were recovered by pulling back dollars, the only increase in the IRS tax would be due to inflation. So might network upgrades but those are not planned for the immediate future. Upgrades might be the topic of conversation next year, perhaps to be adopted in 2003-04 or beyond. Now, however, the impact on the IRS tax would be moderate or non-existent.

Professor Speaks invited comments from the visitors from the colleges.

One guest inquired what would happen with cost increases if the headcount model were adopted; would they be passed on? Those who favor the headcount make the argument that if the headcount cost were $13, and network costs increase, the cost might go to $15.

Dean Rosenstone said that he was surprised, given the discussion of the last couple of months, that the headcount model is even being seriously considered. He said he thought the weight of the evidence and logic had eliminated that approach some time ago. Perhaps it is necessary to rehearse the issues for the Committee and to make the case for the REAL common goods model.

The issues have to do with logic--what makes sense--and "what do we want to spend our time fighting about?" How do we get cost containment? Where will there be accountability? What will make sense five years from now? On all those dimensions, headcount does not work, he said. People could spend years arguing over FTEs versus headcount. Is a full professor the same as an adjunct instructor teaching 10 hours per week on campus? The debate could take hundreds of hours. There could be the same discussion about charging electricity that way, or for the library. Or charge units that use more water. As one thinks a few years into the future, the University will look foolish if it adopts the logic of a 19^{th} or 20^{th} century model that does not match the technology that is available.

Everyone agrees that the current algorithm for charging for the network is not sustainable, Dean Rosenstone maintained. Everyone has ways of getting around it. So the University should adopt something that makes sense.

Second, there is accountability. For him, the accountability issue is that there are units in the University that can, through algorithms, pass on costs to other units. If those other units are not part of the discussion about what those costs are going to be, there is not the needed accountability. Accountability can occur when a provost discusses with a unit why its claim on collective resources is more important than another claim. Accountability does not occur if rate increases can automatically be passed to the colleges or units, if those units are not at the table to discuss quality or the return they are getting on their investment or to weigh in on the opportunity costs. Just as Facilities Management has to be accountable for management of the infrastructure, the libraries for their management, colleges are held accountable to the Provost's office, so should OIT be held accountable. That makes more sense than an algorithm where costs are passed on.

All of this points to treating OIT has a common good, Dean Rosenstone concluded. He said he could not imagine why a headcount algorithm would be adopted when no other common good is charged back by headcount. A headcount system would crumple under its own weight, just as the current system is crumpling.

Ultimately the decision will be made by the Provost, Professor Speaks observed. He asked Mr. Cawley if he had any sense of what the Provost might favor. At present, Mr. Cawley said, it appears that the people in Morrill Hall are leaning toward the common goods model and away from headcount. It is important to have a discussion of the headcount model--but said he generally agreed with Dean Rosenstone. The people with whom they have spoken also favor it, although a few still argue for headcount.

Dean Elde said he agreed with Dean Rosenstone. The difference between the network, on one hand, and lights and water on the other, is that different units have different performance needs. The accountability is not simply that the water is there; it is at what rate. With a centrally-funded model, what concerns him is that performance for the units will not be at a level most critical for students and faculty.

One thing that is not talked about with common goods is waste, Professor Goodrich said. A common good is not conserved--water and electricity are not conserved well at the University. The IRS tax, that is not a uniform way to get money; it taxes people who are not even on campus, through salaries, but they do not have the network that is available on campus. There is a need to be careful that the network does not get on to the IRS tax, which is what central funding is.

Everyone is concerned about waste and about performance, Dean Rosenstone said, but the headcount approach does not address these issues. Headcount charges will not guarantee high performance or more accountability. Nor will headcount address the waste problem or the issue of whether someone is on or off campus--headcount is headcount. If they are in the system, they are counted as a head. Part-time faculty and part-time students will count. That algorithm does not solve the waste or the performance problems.

It does if there are people who are interested in the overall usage of things, Professor Goodrich said. Dean Rosenstone disagreed; he said headcount did not move the University in that direction. If it gets each individual who is paying for the headcount to deal with people in their units, it does, Professor Goodrich said; he has seen it work. Headcount remains whether or not it is called a collective good, Dean Rosenstone pointed out; if he asks everyone in CLA to use the network less, he will still have the same headcount charge. Because the other units will still use the network; there is no incentive to reduce use. Headcount does not solve the problem.

That is true, Professor Goodrich agreed, but said that if one is interested in reducing use, units will work with people to use less. How is that accomplished, it was asked? And why cannot one do that with a common goods model?

How can one use technology less when one has no control over it; the University will go to wireless. Personal digital systems are exploding across the country. If a department tried to use a common listserv for graduate students, it would not work because three-quarters of graduate students do not use the University's email. Where is the point of using headcount? What is the headcount? Full-time students? Part-time students? There is no question there is waste, but students in a freshman seminar gave glowing descriptions of how they get around firewalls to use Napster. There is waste. Those are the issues at the department level that they cannot control.

If there is central funding, who will determine the service level? Will one college receive different service than another? Will Education receive different service than IT? Units are required to use the network more and more (e.g., for Sponsored Projects Administration, accounting, etc.), so it is not likely usage will go down. Will the service stay the same?

Mr. Cawley said he has heard that question a number of times. They understand that requirements are going to vary by discipline and type of research; they need to be ready to support what is needed. Three years ago they set standards for the campus network (many of which came in with PeopleSoft). There are places that exceed the standard; few are below it. As they move forward, they will need to be even more disciplined about those standards in terms of building standards, classrooms, offices; the standards are built by the community. Then units must be allowed to exceed the standard; there will be enough flexibility in the system that it would not cost a unit to move beyond the standard (although if they move significantly beyond it, then there would be costs). At a minimum, they want the campus standard to meet 90-95% of application needs, Mr. Cawley said. There should be no concern about the network if the funding level is sustained and increased at a reasonable inflation rate. The network will not be substandard nor will exotic needs go unaddressed.

It is also important to understand that the capital planning process now recognizes the network. The agreement is that when a new building is built, it will have all the electronics required to bring it to state of the art technology. That cost is built into the building costs and is not a burden on the IRS tax or OIT costs.

What is a reasonable inflationary increase? Network costs have been going up 8-10% per year for the last several years. Departments pay for these costs out of their supply budgets--and those budgets have seen no inflationary increase for years. Most departments, because of years of retrenchment, do not even have supply budgets and use carry-forward funds. Where are they going to get the money? Cost containment is a big issue for departments. The notion of the budget office scooping balances is scary; in some colleges the costs are decentralized in terms of how departments pay, and costs are not uniform across a college. The headcount model would not work at all. The network is a common good, but one worries about inflation, and if the "scooping" takes place, who will watch over the increase and how will departments be able to pay for it?

Mr. Cawley agreed that cost increases have been substantial, although costs have settled down this year. They just went through a major upgrade in the electronics of the network; they have seen a doubling of network capacity on the commercial Internet every year. While the cost was coming down, it came down nowhere near as fast as consumption went up. That has changed this year; the cost of commercial Internet capacity has come down because the telecom industry has fallen apart. The cost has come down significantly and the University will save some money this year.

But telephone bills have gone up again, it was pointed out. That is the result of a capital purchasing decision, Mr. Cawley pointed out. There is a need for the administration to examine the decision-making process on capital investments; if there is a decision to put in a new telephone system or to upgrade the network, costs will go up. One good thing is that there are funds built into the current base for capital renewal. The main inflation rate for the network this year is salaries.

If one is not going to count heads, something will have to be counted if there are to be charge-backs, it was said. If the system is centrally-funded, it will not be a charge-back system, Mr. Cawley explained. They would still count heads, as a unit of measure, to compare the University to peer institutions, but not for the purpose of assessing cost.

How will increases be calculated? There would be no connection in the future to what a unit had paid in the past, Mr. Cawley said, if the funds were withdrawn from the units. His assumption is that if there were an increase of X in the network cost because of an increase in commercial Internet costs, X would be loaded into the IRS and units would continue to pay their IRS taxes.

Every time one mentions IRS, Professor Goodrich said, it must be remembered that tuition does not go into the IRS. Professor Speaks said that is not true; the IRS is a tax on revenue and tuition is a revenue. Ms. Bardouche said she would be glad to show the bill that CLA receives. Professor Goodrich asked about other items that the IRS is assessed against (or not) and concluded that the IRS may not be the best instrument to use to fund the network.

It is possible that money may come from the state to fund the network, said one visitor. It is also possible that it could be funded some other way. The IRS is being considered because there is a budget problem and that is the place that can money can found. But there are other places from which the money could come. Or OIT could be asked to reallocate to cover cost increases, said another. Mr. Cawley said there is discussion about including a request for network funding in the next legislative request so they don't have to increase the central burden. He agreed that the IRS has been thought of as the default method of paying inflationary costs, but there may be other ways to do so. One guest commented that it has been a long time since the University has seen funding for technology and that "I'm not holding my breath."

It is not clear that the discussion is about charges against infrastructure versus charges against application technology. One can see where the application technology in places like IT or bio-engineering would be substantially higher than for the College of Education. It is interesting to look at a model that calls for fair-share payments for basic service and infrastructure, but if one begins to be taxed for substantial work outside the college, that would be a problem.

It is a not a given that there will be a tax or what the form of the tax will be, Professor Speaks observed. The central question for him is whether it makes more sense to charge for the network as a common good or charge by head count.

One person argued for simplicity. There are many complicated formulae and lots of distributions of costs across the institution. If units must begin to plan for a headcount system for the next several years, that will provide full employment for accountants and analysts. That money can be better spent.

One thing that is needed is one that becomes predictable for colleges, Professor Speaks said. Is there any way in which headcount is MORE predictable than treating the network as a common good? He said he could not think of one.

Dean Rosenstone said he agreed with Mr. Cawley's suggestion that the network should be compared with electricity. That makes much more sense in a wireless environment than thinking about another way of doing it. One can also use the libraries as a model. It may be that philosophers use the libraries more than colleagues in IT; maybe the philosophers should pay more. Maybe graduate students who use the network more should be charged 1.75 times the undergraduate charge. One can get into a very long discussion. What the University should say, as an institution, is that it wants to encourage the use of the library. It wants a library system that works, that it is efficient, that it gets the journals people need. The library is something important and part of the entire University. As one thinks about the network, it is as important a part of the University as the library was 100 years ago; to think of some other mechanism to carve up how to pay for it on the basis of how many bodies happen to be on the payroll gets to the point where it seems silly--and it does not improve efficiency, will not improve service. In the 21^{st} Century, the network is like the heating plant and the lights and the library. It is something the University wants to encourage the use of in order to teach well and facilitate research and keep the institution running.

Professor Goodrich said he understood that indirect cost recovery can include libraries, heat, water, and so on; by fiat, however, network cannot be included in overhead costs. Mr. Cawley said that is not accurate, that network costs are included in indirect costs. The network does not receive ICR funds--and one could argue that some of them should be used to pay for the network.

Ms. Weinberg asked if the Budget Management Task Force reviewed this subject and if it had a recommendation on how this kind of item should be handled. It did, Dean Rosenstone said, although it did not speak to the costs of the network per se. The Task Force tried to develop principles by which to answer the question about whether something is a common good. Is it something the University wants to restrict access to or is use to be encouraged? Is it something that everyone can use and consume without restricting someone else's consumption? The University has encouraged the use of the network for teaching, research, and administrative work, he said. If one wants to ration the use of a common good, one charges for it, and discourages people from using it. Put a meter on everyone's computer. That would probably not be a good outcome for the University. The task force was clear that if something is a common good, and its use is to be encouraged, it should be paid for by the community as a whole, just as it does with the libraries or facilities.

To what extent are these charges currently paid from departmental or college supply budgets, Professor Roe asked? Dean Elde said they are paid from a combination of funds that has replaced the supply budgets that have evaporated. Others concurred. The costs are not chargeable as direct costs against sponsored funds so colleges face a challenge and must scramble to come up with funds OTHER than sponsored funds--since the expansion of the costs are often directly related to the expansion of the research enterprise. So the instrument used to pay the bill matters a lot, Professor Roe observed, because it is constrained.

Is a telephone a common good, Professor Goodrich asked? Not long-distance charges, Professor Roe commented. But in reality, when one talks about the telephone budget, one would love to have the telephones be a common good, Professor Goodrich said. The telephone network is a common good, it was said; you can make the argument that telephones should be. Eventually, Mr. Cawley said, _____

When does he anticipate a decision from the Provost, Professor Speaks asked Mr. Cawley? He would like it as soon as possible, Mr. Cawley replied--March or April.

Professor Speaks said he would welcome additional messages from Committee members. He said it would perhaps be helpful if the Committee would take a position; Mr. Cawley agreed. Professor Speaks said he would draft and circulate a statement that would be brought back for action at the next meeting. Since he had heard no comments arguing AGAINST treating the network as a common good, he would draft a statement in favor of doing so.

[The Committee subsequently approved a statement 8-0 with one abstention; the statement reads as follows:

> The Senate Committee on Finance and Planning urges the central administration to move the data network to a common goods model of financial management in which the full recurring cost of the network is paid centrally.]

Professor Speaks thanked everyone for coming and adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota