Minutes*

Faculty Consultative Committee
Thursday, August 19, 1999
12:00 – 3:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Kent Bales, Linda Brady, Susan Brorson, Richard Goldstein, Stephen Gudeman, David Hamilton, M. Jan Hogan, Roberta Humphreys, Mary Jo Kane, Leonard Kuhi, Joseph Massey, V. Rama Murthy, Paula Rabinowitz, Jeff Ratliff-Crain

Absent: Mary Dempsey, Marvin Marshak, Judith Martin

Guests: President Mark Yudof; Associate Vice Presidents Robert Kvavik and Richard Pfutzenreuter

Other: Maureen Smith (Institutional Relations)

[In these minutes: athletics; the capital request; parking for graduate assistants]

1. Discussion with President Yudof

Professor Morrison convened the meeting at 12:10 and welcomed the President. The President requested, and the Committee agreed, that the discussion, about the situation in athletics, largely would be off the record.

President Yudof did observe that the reports about athletics will raise a number of issues that need to be turned over to the governance system. He urged, for example, that the faculty should look at academic misconduct rules and at structural issues. Professor Hamilton related that his experience with grants management had led him to conclude there is a systemic atmosphere of non-compliance and a need for department heads to exercise ethical leadership. The events in athletics reflect that atmosphere. The President agreed that this is a topic upon which he would also like to receive advice.

The President also noted that the NCAA processes, once the University has completed its own investigation, could take up to two years to complete.

Professor Morrison suggested that there were three follow-up issues that required attention:

1. A halt to the practice of providing free tickets to members of the Assembly Committee on Intercollegiate Athletics (ACIA). ACIA members should be permitted to purchase tickets at regular faculty/student rates.

2. The October 21 Senate meeting and State of the University address will need to be changed. There had been thought that the State of the University address should include a wrap-up on the athletic

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matters, but it was agreed that they should not be linked. The State of the University address will be moved to September 30; the October 21 Senate meeting will be cancelled.

3. What is the Committee's position on the work to be undertaken by the task force on sexual harassment? Professor Morrison suggested that FCC advise the task force that (1) there should be no special treatment for student-athletes in sexual harassment or any other disciplinary proceedings, and that they should be treated like all other students (and should have no special advocates), (2) the student disciplinary process should be separated from administrators also responsible for the athletic departments, and (3) any process should be generalizable to all conduct that is not academic misconduct (e.g., assault, theft, etc.)--and that there should be no special treatment for student-athletes in such procedures. It may be that sexual harassment/abuse may warrant a special procedure, but that procedure should be the same for all.

The Committee concurred with this position, and directed Professor Morrison to write to the sexual harassment task force to transmit FCC's position.

Professor Rabinowitz inquired why there had been no effort to place the events at Minnesota in a wider context. It is not as though these events happen only at Minnesota, she pointed out. The President, while agreeing, reflected that such an observation is no defense for what happened, and that there needs to be a fine line between dealing with the problems and recognizing the context. Professor Rabinowitz also asked if there would be any attention given to the benefits provided to athletes which are not provided to other students. Professor Morrison agreed that the matter should be addressed.

The President and the Committee touched very briefly on other matters (the capital campaign, the legislature), and then Professor Morrison thanked him for joining the meeting.

2. The Capital Request

Professor Morrison now welcomed Associate Vice Presidents Kvavik and Pfutzenreuter to provide to the Committee information about the capital request being prepared for the 2000 legislative session and for the two capital requests that would follow, in 2002 and 2004. A 13-page handout was distributed.

Mr. Pfutzenreuter began by noting that the Regents have directed the administration to develop a rolling 6-year capital plan to be reviewed and approved by the Board of Regents on an annual basis. The 6-year capital improvement plan is presented in two parts, as described below. Part one is the annual capital improvement budget, which identifies projects in the 6-year capital plan that are ready for immediate construction. It includes information on the source of funding for each capital project. Each year the Board of Regents adopts an annual capital improvement budget for the upcoming fiscal year. The Board approved the fiscal year 2000 capital improvement budget in May 1999.

Part two of the capital improvement program identifies projects that will be included in the 2000 capital request to the legislature or are candidates for the 2002 to 2004 capital budgets where state dollars are required of, if self-funded, are candidates for the 2001 to 2004 annual capital improvement budgets. The capital improvement plan identifies expected costs and financing plans for each project. Part two is driven primarily by the nature and timing of the capital budget request process of the State of Minnesota. The Minnesota Legislature has traditionally acted on the operating budget in odd-numbered years and focused its attention on capital budget authorization during even-numbered years. Accordingly, projects included in the University's capital budget request to the legislature represent the majority of projects of the first two years of the 6-year capital improvement plan.

Consistent with past practice, the administration is outlining for the Board of Regents at its September board meeting a conceptual framework for preparing the 6-year capital improvement plan. The Board of Regents will review the 2000 capital request at its September meeting for approval at its October meeting. The administration will augment this plan with additional capital improvement projects targeted for FY 2002 and 2004 for review in October and approval in November.

These 6-year plans have been presented in the past; one difference between this one and those in the past are that the list now is VERY large, with projects that total $1.2 billion. Not everything on that list can be funded, so what priorities will be set? That is the problem that the University now faces.

The capital planning principles are four in number. (1) priority will be given to projects that must be supported to address serious and harmful conditions or other undesirable consequences (e.g., health and safety, infrastructure, legal obligations). (2) to advance projects that constitute the completion of prior projects or projects that were previously provided planning funds and have completed pre-design (e.g., Phase II molecular and cellular biology, art building, UMD music performance lab). (3) projects that enhance and strengthen key academic priorities. (4) projects that leverage non-state funds to limit additional debt costs. With respect to the last, Mr. Pfutzenreuter said, this will lead to increased emphasis on fund-raising in order to replace and reduce debt service costs to the University.

The preliminary request for the 2000 legislative session totals $139.5 million. This request has been sent to the Governor's office (as have the plans of all agencies) for review over the summer. In addition, the University proposes to spend $43.5 million (which would consist of bonded debt) and to raise an additional $18.6 million. The request to the legislature includes the following items, in priority order (in millions):

system preservation/repair	15.0
Mole & Cell biology	35.0
Art Building (TC)	36.0
Plant Growth facility	17.1
Kiehle (UMC)	6.5
Sci/Math Phase II (UMM)	8.2
Music Performance (UMD)	6.1
Exper & Res stations	5.2
Bulldog Sports Ctr (UMD)	10.4

University debt would pay for the following items:

AHC infrastructure	16.0
Church St improvement	2.6
Nicholson Ctr for Fresh Studies	15.0
Bierman Renov/Addn	6.4
Planning for 2002	3.5

Fund-raising will be needed for the following items:

Art Building	8.0
Bulldog Sports Ctr (UMD)	2.1
Law School addition	7.5

This budget, as ultimately revised, will be presented to the Regents for information in September and for action in October. It is not now final, and has not been approved by the President. There is another project, microbial and plant genomics, that could be added, which could rearrange the list. [Note: subsequent to the meeting, the decision was made to include the plant genomics building.]

The Finance Department, Mr. Pfutzenreuter noted, has set a target of $50 million for the University's portion of the bonding bill.

Professor Kuhi inquired if there had been any effort made to get rid of the requirement that the University pay 1/3 of the debt service on new buildings. Mr. Pfutzenreuter said he suspected that there would be no changes at the present time, because the provision allows the legislature to do more. On the other hand, local projects are not required to pay the one-third debt service, and it seems that either the requirement should be imposed on all the entities or on none. The Governor is aware of the University's view and of the disparity in how the requirement is applied.

Professor Morrison noted that many of the items in the request are new construction. What is the annual operating cost of these new facilities? Mr. Pfutzenreuter said he had the data, although not at the meeting, and would bring them. The Committee needs to see two numbers, Professor Morrison said: annual operating costs and the annual cost of amortization of debt. It appears, by rough calculation, that there will be an increase in cost of $10 - 15 million per year. Where will that money come from? It is unlikely to come from the legislature or tuition increases, so the increased cost will require retrenchments.

Mr. Pfutzenreuter reported that when he worked with Governor Ventura, the Governor agreed that there should be a base adjustment in the budget to cover the cost of new building operations. That would help the University.

Professor Hamilton inquired if there had been any parallel discussions of automatic base increases for salaries (as is the practice for state agencies). Mr. Pfutzenreuter said the University has been unable to get agreement on that proposal. Professor Kuhi suggested such an adjustment should apply to the University's budget as a whole, not just to salaries.

In response to a query from Professor Kane, Professor Morrison emphasized again that these (operating and debt service) were new costs, that money to pay them must come from somewhere, and the Committee has a pretty good idea of where the money will NOT come from. It will not be the legislature, tuition increases do not cover cost-of-living increases, federal grants cannot be charged, so the costs are a big negative on the budget. The money must come off the top of the state allocation (so there are fewer new positions funded, or salaries increases are reduced, or the number of TAs is cut, etc.). There needs to talk about what the tradeoffs will be.

Mr. Pfutzenreuter then turned to the conceptual financial framework for capital planning: the analogy is with a highway: "there are only so many lanes on a highway and only so many vehicles that can fit in those lanes." The idea is that capital projects will be approved and assigned to a "funding lane," and once assigned, it will stay in that lane. Examples of lanes include
(1) facilities to be funded 100% by State General Obligation Debt
(2) funded by U of M 1/3 debt service, State debt 2/3
(3) funded by U of M debt through auxiliaries
(4) funded by current local resources
(5) funded by public-private partnership.
The development of these lanes influences what projects can be in the six-year capital plan.

Mr. Pfutzenreuter then reviewed for the Committee the stages through which a capital project must move before it becomes reality, going from proposal to planning and feasibility to resource acquisition to implementation.

Professor Humphreys inquired what items are on the list that totals $1 billion. Mr. Pfutzenreuter did not have a list available at the meeting.

Mr. Pfutzenreuter now turned to a page in the handout that identified the "considerations and constraints" the affect capital planning and a capital request (not listed in order of precedence): academic priorities, 1/3 state match requirement, geographical balance, potential for staging, federal/state priorities, project readiness, prior planning funds, interdisciplinary, external factors, fund-raising potential, project interdependencies, traditional share of state bonding, and internal debt capacity. With respect to the last item, Mr. Pfutzenreuter reviewed the status of the $330 million in debt for (1) 1998 capital projects and (2) the University's portion of the proposed 2000 capital budget ($200 million has been issued to date). A constraint is the amount of debt the University can take on: there is no precise number, but there are benchmarks used by rating agencies.

The University received a very good rate on the $330 million. The question is how much more debt it can incur. The view of those who have thought about it is that the University can comfortably issue another $30-50 million in debt. The funding lanes, in turn, dictate the number of projects that can be undertaken and the priority they will receive.

Traditionally, the University has received about 15% of the state's bonding bill, with variations between 11% and 19% over the last five capital sessions. Depending on how much the state chooses to issue in bonds, the University could receive anywhere from $40 million (10% of the Governor's proposed $400 million capital budget) to $240 million (20% of the actual state debt capacity of $1.2 billion). If there is a mid-range bond issue of $700 million, and the University were to receive its average 15%, the amount would be $105 million. $105 million for each of the next two capital appropriation sessions would not go very far toward funding the projects on the $1 billion list, Mr. Pfutzenreuter observed, so many will be disappointed. Even if the legislature is generous in the bonding bill, Dr. Kvavik added, the Governor can use the line-item veto or choose not to sell the bonds.

Professor Rabinowitz asked if 15% of a state's capital budget is typical for universities; Mr. Pfutzenreuter said he did not know but believed that the state treated this University pretty well. Dr. Kvavik said that Dr. Zetterberg might have those numbers, and said that information from a survey of Big Ten schools suggests that facilities have become a major cost factor. It is typical in Minnesota that higher education receives about 1/4 of the capital budget, and that 1/4 is split evenly between the University and MnSCU.

Professor Morrison inquired if FCC had any advice to offer. Professor Kuhi said it would be helpful to see the list of projects on the next part of the list. Mr. Pfutzenreuter said the conceptual framework will go to the Board of Regents, and that by October there would be a six-year plan. It will not, however, be a final, approved list of projects. Whether the Committee can see the list in September is up to the President, he told Professor Morrison. He cautioned again that given the various funding lanes, there will be many groups that will be disappointed.

The question is how much to winnow down the $1 billion list, Dr. Kvavik said. There are different ideas of what should be on a final list, but there is probably agreement on some items, such as earth science and completing the Mall. The President, he recalled, has talked also about renovating the knoll. Candidates for funding can be identified; what should go first in terms of programmatic strategy? If one does the very expensive items, there will not be a lot of money left.

Professor Rabinowitz reflected that faculty are being asked more and more to participate in fund-raising. That is not in the faculty job description, and while she does not oppose "tooting the horn" about her department, faculty must spend more and more time thinking about their activities can be connected to fund-raising. Professor Morrison observed that that is the reason the faculty keep the deans. Dr. Kvavik said that fund-raising is a reality of life.

Professor Humphreys said she is aware that some in the business community are concerned about the appearance of the campus, and there is a perception that the campus does not look as nice as its competitors. Planting flowers helped considerably. But it may be possible to touch a chord in the capital campaign on the issue of campus appearance. She said she was impressed at other large state university campuses, after a number of visits, by how much better they look. They are clearly more successful at keeping the campuses attractive.

Professor Morrison asked that Mr. Pfutzenreuter provide the Committee with written materials on the points that had been raised during the meeting (building operating costs, annual debt costs, long-term debt, expiring debt each year) and it would then decide what to do with them.

Professor Ratliff-Crain inquired if the majority of the buildings on the $1 billion list fell in the second "lane" (funded 1/3 by University debt); Mr. Pfutzenreuter said that they are not concentrated in any particular category, although historically most tended to be funded by the state. Most would fall in the first two lanes, Professor Morrison surmised. Would this mean the ones in the other three lanes would rise in priority, and take funds away from the first two categories? Morris, for example, is less likely to have access to fund-raising money than is the Twin Cities campus. Mr. Pfutzenreuter pointed out that one consideration in capital planning is geographical balance. At the same time, if fund-raising can be increased, for those projects that provide the opportunity, that in effect leverages money for buildings.

Professor Morrison thanked Associate Vice Presidents Kvavik and Pfutzenreuter for joining the meeting and making their report.

3. Other Business

Professor Morrison next turned to other items of business.

-- It was reported that the Subcommittee on Twin Cities Facilities and Support Services had endorsed a plan by Twin Cities Parking Services to offer contract parking eligibility to graduate assistants on 50% time (or greater) appointments. The Committee concluded that this plan could give GAs priority in parking over regular faculty and staff (depending on how long the GAs were on the list and the availability of parking), that voted that implementation of this plan should be delayed pending further study on its impact on faculty and staff recruitment and other academic issues.

-- Professor Morrison reported that the Regents' have agreed that the chairs of appropriate Senate committees should be introduced at the corresponding meetings of regental committees. The Senate committee chairs (Educational Policy, Faculty Affairs, Finance and Planning, Research, and, this year, Subcommittee on Twin Cities Facilities and Support Services) have typically attended the corresponding regental committee meetings.) Beginning this year, they will do so with recognition by the committee.

Having no other business, Professor Morrison adjourned the meeting at 3:15.

-- Gary Engstrand

University of Minnesota