Minutes*

Senate Committee on Finance and Planning
Tuesday, May 7, 1996
3:15 - 5:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Thora Cartlidge, Craig Dexheimer, Kathy James, Karen Karni, David Kittelson, Gerald Klement, Roger Paschke, Doris Rubenstein, Steven Thelen, James VanAlstine

Regrets: Patrice Morrow, Richard Pfutzenreuter, Peter Robinson, Charles Speaks, Craig Swan

Absent: Allen Goldman

Guests: Thomas Shaughnessy and Peggy Johnson (University Libraries); Associate Vice President Susan Markham (Facilities Management); Provost C. Eugene Allen

[In these minutes: Library finances; the capital budget; parking rates; reorganization]

1. Library Finances

Professor Morrison convened the meeting at 3:25 and welcomed University Librarian Thomas Shaughnessy and Ms. Peggy Johnson and said that the information they provide will help the Committee think about the biennial request and about things that must be funded in other ways.

Dr. Shaughnessy thanked the Committee for allowing them to visit, introduced Ms. Johnson as the strategic planning officer for the Libraries, and distributed two handouts. Dr. Shaughnessy explained that the Libraries, like the rest of the University, were caught by inflation, and in their case the inflation on scholarly books and journals is out of control. It is doubtful that any segment of the economy sees greater inflation; books are increasing at about 8% per year while journals are increasing at an outrageous 10 - 15% per year (18 - 22% in the basic sciences), and have been for ten years. The Libraries are also affected by fluctuations in the value of the dollar, since 40% of the acquisitions budget is used to purchase foreign publications.

The University administration has been very sensitive and supportive, Dr. Shaughnessy said; they have done better than many places. The Libraries had $1 million added to their base since 1990, and will be provided $1.1 million in new money in 1996-97; the latter funds, however, are one-time, so they can be used for books but not for recurring expenses such as data base subscriptions journals.

The Libraries have cut about 700 journals, of a total of about 36,000 to 38,000.

The budget of the Libraries is about $21 million, of which $7 million is for acquisitions. One-half

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of the acquisitions budget comes from ICR funds. They are grateful to receive that portion of grant income, but worry that they are so dependent on it. Every time there is a movement to reconsider the use of ICR funds, they get worried; the Libraries would be in trouble without that money.

They have lost staff over the years. They were not TOLD to cut staff, but as vacancies occurred, the salary funds were put into the acquisitions budget. That worked for awhile, but after losing over 20 positions, they have gone as far as they can that way. They must also fund salary increases; they decided the increases would be permanent, because they are so far below the market, so they must find an additional $400,000 in recurring funds for salaries for all employees.

What can the Committee do? Dr. Shaughnessy had a few observations.

-- Re-emphasize the linkage between the quality of the faculty and the quality of the libraries; the two go hand-in-hand. There is much discussion about retaining a productive faculty; the University must also retain its library collections and staff.

-- It was magnificent of the University to provide $1.1 million, but the message must get out that the Libraries need base increases. Dr. Shaughnessy said he recognized that this same problem confronts every dean.

-- There is evidence that the Libraries serve as Minnesota's research library; 20% of the users are not associated with the University, and the Libraries lend more books within Minnesota than any other state does within its own borders. The message must get to the legislature that if it believes in the land-grant mission, the Libraries need support. Line-item appropriations are not welcome, but the message has to get out that the support is essential.

Asked about the Friends of the Library, Dr. Shaughnessy reported that they have 900 members who pay $35 each for membership. They have accumulated about $45,000, of which $35,000 is for acquisitions, $5000 for programs, and $5000 for staff development. Many of those people, he said, are part of the Alumni Association legislative network, and they helped with lobbying to get the new archives facility.

To say a journal subscription is eliminated does not mean the journal is unavailable, said one Committee member; a department may have it in their reading room. It is, however, not available to anyone who does not know of it, Mr. Johnson pointed out, and it is not on LUMINA.

Asked about the status of information technology, Dr. Shaughnessy said he believed the Libraries were doing well in that respect; about 9% of the acquisitions budget is used for data base access. They have had to insist on password accounts for access to data bases that charge for the use.

Asked if the Libraries budget, 2.2% of the total, included the coordinate campuses; it does not, but would not change very much if it did. The coordinate campuses have very different needs, and rely heavily on the Twin Cities libraries; there is a 48-hour delivery service from the Twin Cities to the coordinate campuses.

One Committee member asked why serial costs are up so much, and whether or not the libraries are fighting back. Ms. Johnson said that part of the price increase is legitimate; postage and paper costs have risen a great deal, and the dollar has been devalued. The prices are also a consequence of the consolidation of publishers, who increase prices; libraries cancel subscriptions, causing a further increase in prices, and so on. They have a captive market and are a specialized resource. There is a point, as governments have learned, where taxes on a product reach a certain point and then consumption (and revenue) declines; there must be a similar point for journals. That point has not been reached, Ms. Johnson said, and they have been waiting ten years for it to happen.

Can the libraries work together to get a better deal? They considered that, Dr. Shaughnessy said, but the Association of Research Libraries attorney advised them they would be sued for restraint of trade. There have been less formal pressures, Ms. Johnson added; in one case, there were widespread cancellations of one publisher's journals, and libraries have written to faculty about the journals they use. There is also hope that the scholarly associations will take back publications, because it is much easier to publish now than it was in the past. The journals moved to the for-profit sector, and that sector certainly is making profits.

In response to a question, Dr. Shaughnessy said he had not identified a strategy for getting the message to legislators. They know about the large amount of materials loaned to other libraries, but when it comes time to make decisions, they seem not to remember. This is an item to flag when the biennial request is being prepared, Professor Morrison observed, and it should not be a supplement but rather identified as something done every day that costs a lot of money.

There is a group analogous to the Friends of the Library, outside users who could let the legislature know the Libraries need help, said one Committee member. They could lobby. If companies are using the Libraries, they should be willing to speak up. Dr. Shaughnessy said there are companies that use the Libraries daily, but when one speaks to the upper level management, all they know is that they are getting the information they need. The staff know about the usage, but the message seems not to rise to the top of the corporation. It might be helpful to provide information and statistics to CEOs about the use of the Libraries; they have an interest in having this information available. If the Libraries could point out that a corporation used the Libraries 10,000 times in a year, they could be asked for a contribution. Dr. Shaughnessy agreed this should be explored.

One Committee member inquired if hard-cover texts and journals will be the medium of choice in the future, and will the libraries need as much space as they now occupy? Dr. Shaughnessy said that there have been projections about this question to the year 2025; the conclusion is that there will still be books, because they are convenient and they cannot be read on the screen. According to UNESCO, there is a worldwide boom in publishing; there are about 700,000 new titles published each year around the world. Journals, however, are tending to become more electronic, especially in disciplines that need the most current information.

This could be a particularly bad time, observed one Committee member, as libraries move into the electronic age while still also having most things on paper.

Professor Morrison thanked Dr. Shaughnessy and Ms. Johnson, and promised that the Committee will take the needs of the Libraries into account as it advises the administration on the development of the biennial request.

2. The Capital Budget

Professor Morrison now welcomed Associate Vice President Markham to the meeting to revisit the capital budget. The Committee took up the letter that the Facilities Management Subcommittee prepared about the capital budget.

Professor Kittelson explained that the Subcommittee had more questions than it had answers, and said that things do not add up for the long-term.

The 1996-97 capital budget is a step in the right direction, Ms. Markham said, but they have recommended that the Capital Improvements Advisory Committee set new and more realistic revenue targets for each of the next five years, and obtain the guidance of the academic community on what the priorities should be.

A more controversial proposal, Professor Kittelson reported, is that the University not give the legislature the choice of new buildings for the next two years, and seek ONLY capital funds for renewal.

Doing so would not treat the coordinate campuses fairly, said one Committee member; they have not completed their plans and have nothing to tear down. A lot of Twin Cities departments are also waiting for buildings, it was said; as long as the legislature has the option to spend money on new buildings, it will do so, and the University will never catch up. It may be, said another Committee member, that special consideration should be given to the coordinate campuses.

What is the status of the policy on no net new space, asked one Committee member? If there is such a policy, Ms. Markham replied, it is not operational and is not being achieved. If one looks at these things over time, it was said, almost all of the retrenchments can be traced to new building costs; they come in to the budget and must be absorbed by retrenchments. If buildings could be decommissioned, the operating costs could be saved. Ms. Markham pointed out that buildings cannot be decommissioned without dealing with academic programs. The problem is that academic programs have a tendency to expand to absorb all available space, one Committee member observed.

Asked if there would be space taken off line when the new basic sciences building opens (during this fiscal year), Ms. Markham said there are, right now, no specific plans to do so. It is the intent, however, to take parts of the JOML complex off line once the basic sciences building opens and the Fairview transaction is completed. One Committee member warned that if that did not occur within three months of the transaction, academic programs would expand and it will be discovered that all the space is being used. Ms. Markham said the provost is looking at this issue. Mr. Paschke explained that Fairview would purchase the Hospital, Unit J, and the parking ramp, and would lease other space during the transition, but once the new building is open and the transition is complete, there will be space that can go off line.

Even taking space off line costs money, pointed out one Committee member; funds have to be found to take space off line or to renew it, but these are costs that are always at the bottom of the priority list. It is not clear how the University will catch up without taking bold action. The problem is that the University can spend $5 million now to decommission space or spend $2 million in perpetuity on the space; that is not good management.

There have been projections about increased bonding service costs, one Committee member noted, and there will be other new capital indebtedness. A better credit rating will permit more borrowing. But more borrowing would increase debt service costs and the University cannot afford that; what is the administration thinking?

The steam plant has been in progress for four years, Mr. Paschke said, and the University planned to issue $100 to $110 million in bonds in new debt; that will happen soon. Those bonds will take the University to the limit of its debt capacity (about $450 million, under its current rating). There is additional debt service looming, from the projects approved by the legislature; the University must identify a way to pay the one-third debt service if it proceeds with the projects. Those would amount to about $18 million in debt service.

Mr. Paschke said he has told the Board of Regents the University has no flexibility to bond for new projects. The Fairview transaction will help; it will give the University the capacity to take on new debt because it will pay off the Hospital debt. If the Fairview transaction does not go through, the University has NO debt capacity beyond what will be needed for the steam plant. He agreed that if the Fairview transaction goes through, the Hospital debt could be reassigned to the steam plant and the University would not have to issue new bonds. That would leave additional debt capacity available; how and if it should be used is another question.

There are demands for capital projects that will require new debt, Ms. Markham pointed out, and there are needs on the coordinate campuses. Mr. Paschke affirmed that no additional projects would be undertaken without state funding; the University will NOT simply do them itself.

One Committee member said the concern in this area parallels that in planning and budgeting: the University talks a good story about planning, but it only makes one-year decisions. The same is true for debt service and space; it talks a good game, but it takes the money for new buildings and loads on the one-third debt service plus phenomenal operating costs. These are new costs and cause department retrenchments. They also create a further backlog in facility renewal, Ms. Markham pointed out. It is not clear how to force the University to think more about decommissioning and renewal, it was said.

This issue is not about facilities, it is about academic programs, Ms. Markham said; it is correct to say that academic programs fill up all available space. She said that the problem is NOT keeping Facilities Management honest; the problem is how people use space at the University.

Solutions have never been found, Professor Kittelson observed, so it is time to try something different. There is talk about RCM and people being responsible for their space; how about a buy-back? The administration would not TAKE space, but it would buy back space to decommission, letting units spend the money to increase the quality of the space they kept. That would appeal to a lot of units. If it were a large-enough scale program, it would work, Ms. Markham said, but closing only an isolated classroom or lab would not be effective.

There is a communication gap between the University and the legislature, said one Committee member; it seems not to hear the requests that are presented. There is an educational effort needed with the legislature about the facility renewal needs; there is also need for education of faculty and staff, and of alumni and donors about the need for renewal, rather than spending money on an alumni center.

The legislature did very well by the University, Ms. Markham pointed out; the University must now decide if it wishes to request money for renewal only. In terms of a possible capital campaign and funds for renewal, she said that facility renewal is being considered as one item in the campaign.

Mr. Paschke said the University gives too many choices to the legislature; it is its own worst enemy in that respect, he said. It may be, said one Committee member, that the Twin Cities request will have to be targeted on renewal.

It was agreed that the letter from Facilities Management would be appended to these minutes.

Professor Morrison thanked Associate Vice President Markham, who promptly departed when she heard that parking was the next agenda item.

3. Parking Rates

Mr. Paschke said that Senior Vice President Jackson was in a negotiating session on the Fairview transaction; otherwise she would have been at the meeting. He said he wanted to be straightforward about apologizing for the breakdown in communication, and reported that everyone in Finance and Operations who was involved feels bad about how the parking rate increases were announced and about their inability to use the consultative process the way it should be. They value the process and know how it can work, and they need to be more connected to it, especially on parking rates. Ms. Jackson will join the Committee in two weeks to talk about the parking rates.

Mr. Paschke then recalled that he had suggested to the Committee last fall that it would be a good idea to have an advisory group of faculty, staff, students, and community representatives to deal with parking and transit issues, because those issues are so complex. They are now setting up such a group. Professor Morrison pointed out that there will be a subcommittee on support services that should be consulted on those issues.

4. Discussion of Reorganization

Professor Morrison next welcomed Provost C. Eugene Allen to the meeting to discuss reorganization.

Dr. Allen began by relating that last summer he began to think about Twin Cities campus programs and wrote down some ideas for the President. There were three points of view one could take, he said. One is to do some modest tinkering and some consolidation so there would be fewer departments. A second would be to modify the collegiate structure so there would be consolidation and program elimination, and more centralization of financial and general services in a college (Education, Management, and Law are in various stages of doing this, and saving a considerable amount of money). The third would be a more drastic approach, to eliminate half of the colleges by consolidation into "institutes," and one can use IT as a model: it does not centralize services at the college level, but has departments large enough to justify having the services themselves.

The University has TOO MANY small departments and programs, Dr. Allen said, each with its budget officers and each trying to keep track of rules and policies. The University either pays too much overhead or expectations are not met, and one sees the latter in some areas. The new systems will facilitate operation of more efficiently-sized units; he recalled having just come from a site visit at another university that had a large number of departments of 6-8 faculty. Those are very costly, he said, and the University has too many of them. And even if consolidating them does not save a dime, they are still costly in human resources.

If the University does not do something, it will have to take money out of faculty and programs. Facilities can be closed and the organization can be restructured to save money, or things will continue as they are, with support for faculty and programs facing further cuts. The business of the University revolves around faculty, who attract and teach students and who offer research and outreach; it is a bad business practice not to streamline the University to preserve the activities of the faculty.

It is for this reason that he is proposing the changes in the units that report to him, he said. The biological sciences have major issues under discussion; they affect the colleges of Agriculture, Natural Resources, and Human Ecology, Biological Sciences, CLA, many units in the Academic Health Center, and others. The effort is being led by Provost Shively and Dean Elde, and he said he was pleased with how it was coming.

He has also proposed a merger of the College of Education and Human Development with the College of Human Ecology, and there may be other units involved. He explained the process that has taken place, and said he hoped to make a decision in early June, based on a report prepared under the leadership of Professors M. Janice Hogan and Richard Weinberg.

He has asked the deans of CEE and the Extension Service to inventory their support activities and identify what they do not have that they should as well as where there is overlap--recognizing that these are two different programs. This request will fit with the evolution of CEE to the new University College.

He has asked the dean of the HHH Institute to provide materials on the pluses and minuses of public affairs being a free-standing unit or part of a larger unit. Only 12% of the Institute's money comes from the state; the rest is from endowment, contracts, grants, gifts, and so on.

One concern of graduate students is that it is important for their degree to reflect their specialization, said one Committee member, and it would be worrisome if program identities were lost due to consolidation. If he has anything to say about it, Dr. Allen replied, there will not be small programs. In the biological sciences there are 44 programs, and the talk is about getting them down to fewer than 10. There will be a common door, and then students will enter programs with additional labels. They will try to address this concern, he said.

One Committee member said it was amazing to learn that the three biggest degree programs of the University are Law, Medicine, and the MBA; then there are a lot of tiny B.A., M.A., and Ph.D. programs. That is very different from the programs at other institutions, where one receives a B.A. or a B.S. There can be majors, and can be concentrations within a field, but they do not have complete different structures and entries. Things are done here because they have always been done that way.

One also hears that the University is losing good graduate students in the biological sciences, said another Committee member, because the programs are not focused and students do not realize there are so many choices. Forcing students into a specialty too early loses students. Decreasing the number of doors also means they could be staffed right, Dr. Allen added; there is no way that anyone applying to the

University in the biological sciences could comprehend the number of programs that are offered.

Dr. Allen mentioned that faculty are central to the University's activities, but in some units there is a high proportion of adjunct faculty (e.g., Architecture and Landscape Architecture); is it part of his goals to have more adjunct faculty, in order to control costs? Anyone who looks at Architecture would say that it is very successful, Dr. Allen responded; the involvement of adjunct faculty is very positive for their programs. In professional programs, use of adjunct faculty is not something that should be viewed as negative. The balance in use of adjunct faculty could vary with the program, but having them is very positive in terms of accountability, linkages with professionals, and the needs of the profession. He said he does not know what the right number in each profession would be, and that it would be different in each. He said he is confident that some programs need to think about more use of adjunct faculty, but added that he would not agree with the idea that a program consists PRIMARILY of adjunct faculty.

Dr. Allen noted that in professional programs that use adjunct faculty, they would have GAs if not adjunct faculty. That would be the only way to get all the teaching delivered, but in professional fields adjunct faculty can bring experience to the classroom that GAs cannot; that is what is so compelling about use of adjunct faculty in the professions.

The other side of that, it was said, is that the University gets out of the business of graduate student employment; there will be fewer resident students and more adjunct faculty, with less support for graduate students. There is a tradeoff; is this not also a graduate institution?

Dr. Allen said that in the competitive situation the University is in, the quality of the classroom experience is very important. He expressed doubt that those without experience could provide what will be expected in many programs, so the use of adjunct faculty will be more common. There is also great concern about graduate students because of the expense of fringe benefits; the University is pricing itself out of the realm of what it needs to do. The situation is untenable, and if not addressed, faculty will make different decisions about graduate student support.

He has emphasized teaching and outreach; where is the responsibility for research? With the tenured and tenure-track faculty, Dr. Allen said; that is why balance is important. There are examples of where faculty ability to deal with grants has been extended through the use of PA appointees and adjunct faculty as well as with civil service and graduate student employees. The HHH Institute does so through its Fellows.

What is interesting about the University, Dr. Allen concluded, is that if one can think of a model for doing something, it probably exists here.

Professor Morrison thanked Dr. Allen for joining the meeting and adjourned it at 4:50.

-- Gary Engstrand

University of Minnesota