

Minutes*

Senate Committee on Finance and Planning
Tuesday, May 19, 1998
3:15 – 5:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Jean Bauer, Catherine French, Gerald Klement, Leonard Kuhi, J. P. Maier, Richard Pfitzenreuter, Jane Phillips, Charles Speaks, James Van Alstine, Susan Carlson Weinberg, J. Peter Zetterberg

Regrets: Eric Kruse, Terrence O'Connor

Absent: Larry Fonder, Cynthia Gillett, Stephen Gudeman, K. Andrew Hall, Peter Robinson, Terry Roe, Joby Sebastian

Guests: Professor Kent Bales (chair, Senate Committee on Faculty Affairs)

[In these minutes: Sabbaticals and leaves funding and availability; the 1998-99 budget; report from the IMG subcommittee]

1. Sabbaticals and Leaves

Professor Morrison convened the meeting at 3:20 and welcomed Professor Bales to report on sabbaticals and research leaves.

Professor Bales said he did not know what they are called, did not know if P&A staff are included in the same policy, but did know that the policy on sabbaticals and leaves for semesters will be essentially the same as the policy for quarters: a semester leave at one-half pay, or a full year's leave at one-half pay, plus a (competitive) single semester leave at full pay. The value of the latter to the faculty member will increase by 50%, since it will be a semester rather than a quarter, and the single semester leave, as with the quarter leave, will not count toward time accumulated to earn a sabbatical.

This decision came from the Council of Deans, Professor Bales reported; they had several proposals before them, and they decided they cost too much, so developed their own, which cost the least. The policy is not drafted yet, and he said he hoped that Faculty Affairs would do the drafting, because it would be a bad idea simply to change the word "quarter" to "semester" in the current policy. The existing policy, for example, says nothing about what happens if a faculty member has a worthy application but is considered to be essential to a department or program; all the drafts that his committee has worked with say that the leave could be deferred for up to one year, but not more.

Asked if the deans did not want to buy a more rational and logical system because of the funding, Professor Bales said that they might have wanted to, and one supported the original proposal strongly until the costs became known. They looked for a compromise because of the costs.

* 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.

There is one new wrinkle: the administration will use the former Bush money (now O&M money) for central supplements for leaves; units will send a ranked list of faculty leaves with a description. There will be \$310,000 in recurring central funds; the Executive Vice President has promised to try to add several hundred thousand to the pool until it is larger. There will be cost-sharing of leaves with the colleges. The only faculty eligible for the central supplement will be those taking a full-year leave, but the salary support might be increased through the central supplement from 50% to perhaps 60% or 70%. Asked if there had been discussion about phasing into a more generous program, Professor Bales said that the infusion of additional central funds is seen as the start of such phasing; if funds can be added over the years, the point can be reached where the policy can be changed. There has also been talk with the Foundation about raising an endowment for leaves, but millions of dollars would be required to support even a modest program.

Professor Bales told one Committee member that it was quite typical for departments to use salary savings from sabbaticals to fund TAs and the like.

The only University-wide issue at hand is the provision of central funds to the pool to supplement salaries, Professor Morrison observed; the impact will be on the colleges.

Professor Kuhi expressed disappointment that the Faculty Affairs committee had put in so much work and ended up with a policy that could have been adopted in two minutes. Professor Morrison invited a vote on the proposal that the Committee was disappointed; the vote was unanimous.

2. The Budget

Professor Morrison turned next to Mr. Pfutzenreuter, who distributed copies of a set of slides that had been used to present the budget to the Regents at their May meeting. He remarked that the presentations to the Board had gone well, and that people felt "pretty good" about the budget. The President had made clear the support the University had received. The information and data Mr. Pfutzenreuter presented to the Committee included the following:

-- the University's non-sponsored funds budget (i.e., all except research grants) totals about \$1.617 billion; in addition, there is approximately \$325 million in sponsored funds, for a total of roughly \$2 billion. Of the \$1.617 billion, 31% comes from state funds, 13% from tuition, 13% from internal service organizations, 13% from other restricted funds, 7% from other non-restricted funds, 11% from auxiliary enterprises, and 12% from other sources (central reserves, ICR, and state specials).

-- For 1998-99, there was \$87.5 million in new funds (some of which are recurring and some of which are not). That amount is up from \$22.8 million that the University had before the legislative session, other increased revenues, and before cost-savings measures were taken.

-- Of the \$87.5 million in new funds, 15% (12.6 million) will go directly to the units as tuition and ICR revenues; 85% (74.9 million) will be centrally distributed. In both cases, the money will go toward investment priorities, and some of the centrally-allocated funds (\$2.4 million) will be distributed through the compact planning process. The goal was to have more money available through the planning process, but the demands for compensation, buildings, and other priorities did not permit it. This amount, Mr. Pfutzenreuter agreed, must be larger in the future.

-- The University requested \$22 million in recurring funds from the legislature (\$13 million for compensation and \$9 million for interdisciplinary initiatives); \$23.325 million was appropriated (with \$3.650 million for the agriculture state special). The University also requested \$19.5 million in non-recurring funds (for faculty setups and equipment, and for classroom improvements); \$12.175 million was appropriated.

-- There are ranges for the funding of each of the five initiatives, which should be finalized within the next few weeks. The actual allocations will be post-budget. The "float" (i.e., funds for new faculty lines) from the appropriation will be used to fund the enterprise systems, but the funds will be allocated in the way the legislature was told they would be.

-- Of the recurring funds available for central distribution (\$32.4 million), 75% will go for compensation, 17% for facilities, and 8% for other institutional investments and obligations. Asked about counting ICR funds as recurring money, Mr. Pfutzenreuter pointed out that they have grown every year, the prognosis for research funding for the present is good, and that they have been spent as recurring funds for years.

-- The salary increases vary by groups. Faculty will receive 6% from central funds, plus up to 2% to be provided by local unit decision. P&A staff will receive 4% plus up to 2% provided by local unit decision. Civil Service staff will receive 2.75% on June 22 plus 2% on December 21.

-- If the Minnesota faculty salary increase averages 7.5%, while peer institutions average 4%, Minnesota will rank as follows among the Top 15 public research universities:

	Full	Assoc	Asst
1997-98	11	9	10
1998-99	8	6	7

Would this meet the goal, one Committee member inquired? The University is certainly unable to compete with the private institutions. (In the list of top 30 research universities, ranked by salary, 14 of the top 15 are private and 14 of the bottom 15 are public.) Professor Morrison said the goal was not now clearly articulated; originally, it was to reach the mean of the top 30. But he agreed that the University cannot compete with the private universities. Should the goal be the middle of the top 15 public institutions? A better goal would be the top one-third of the public universities.

-- Dr. Zetterberg informed the Committee that the Regents reviewed their tuition guidelines. Undergraduate tuition is to be equalized on each campus. In the mid-1980s there were 10 upper division rates; over a long period of time, upper division rates have been changed so they will be equalized next year, and he said he hoped there would be one undergraduate rate by 1999-2000. In terms of graduate tuition, assistantships, and tuition waivers and remission, the University is to be competitive; for professional schools, tuition is to be based on cost, with market the limiting factor on tuition increases. (Mr. Pfutzenreuter reviewed the increases by campus and the exceptions to the general increases.)

-- Financial aid increases, for the student receiving need-based aid, will more than cover the tuition increase.

-- The Central Reserves will be about \$54 million on June 30, 1999.

Asked why private schools receive more financial aid funds than the publics, Dr. Zetterberg explained that the Minnesota program recognizes the cost of attendance, so students at private colleges receive more money. The intent is that the lowest income students are not forced to attend community colleges, and can choose the University or a private college. There has been an ongoing dispute between MNSCU and the private colleges about this; the University has been in the middle. The program benefits the University, while MNSCU lobbies for changes so that all students receive the same aid amount for tuition.

In response to a question, Mr. Pfutzenreuter explained that the operating budget contains \$18 million for relocation costs for units displaced by the remodeling and renovation that will take place.

There have been \$8 million in cuts in the administration; Minnesota supposedly had higher administrative costs than peer institutions. Are the costs more reasonable now, or will there be more cuts? Mr. Pfutzenreuter said President Yudof wants an efficient administration and that will continue to be emphasized. Comparative data on administrative costs are very hard to develop, and he said he did not know if the University was as lean as it could be; no organization is. Not all administrative costs are in central administration, he noted; the colleges have administrative costs as well, in some cases because of University policies.

It was noted that the slides reported that UMD would eliminate all course fees. Dr. Zetterberg said that earlier Regents' policy had allowed more fees, and UMD took advantage of that permission. The Regents have since changed their policy, disallowing most course fees, and so UMD is recapturing some of the lost course fee income through slightly increased tuition rates. Colleges may impose fees, he said, for things such as labs and technology, but may not establish fees for individual courses. In his view, he said, there should be NO course fees. It is true that more expensive courses would not recover costs, but on that theory, fees could be charged for every course, in order to be completely fair. Dr. Zetterberg agreed that this approach, not allowing course fees, runs exactly opposite to IMG.

Dr. Zetterberg also agreed that the policy of the Regents with respect to fees is different for undergraduates than it is for graduate and professional students. He pointed out that graduate students actually pay very few fees, although there are questions about the fees in Dentistry. It was said that an independent student audit of the fees would be conducted. Dr. Zetterberg concluded that professional schools are pretty free to set their tuition and fees where they believe appropriate.

Professor Morrison noted that while the University has adopted IMG, it subsidizes high-cost units and does not charge full costs, it allows higher tuition in some units, based in part on cost and in part on the ability of students to recover the money. The tuition policy, he agreed, is contrary to the principles of cost-allocation. If a college increases the number of students, it should receive more tuition revenue but should also get more state funds, one Committee member pointed out. Professor Morrison disagreed, saying that if the college cannot cover its costs with the tuition revenue (that is, add students on the margin), it should not increase enrollment, because each new section or course costs money (i.e., additional state subsidy). The administration should approve increased enrollment.

Professor Morrison concluded that he would be supportive of the budget proposal at the hearings conducted by the Board of Regents. The Committee concurred.

3. Report from the IMG Subcommittee

Professor Morrison turned next to Professor French for a report from the IMG Subcommittee. [Note: the principal elements of the Winter Quarter report of the IMG subcommittee have been reported in earlier minutes, and will not be repeated here. Only highlights of the discussion will be reported.]

-- Provost Bruininks has urged that the Subcommittee identify the top half-dozen issues it believes most important, and develop more detailed recommendations on them.

-- Of those interviewed by the Subcommittee during Winter Quarter, few believed semesters were a particular problem related to IMG.

-- With respect to space allocation and charges, there is no mechanism to get rid of space, so the incentive originally envisioned to reduce space costs does not exist. Dr. Zetterberg commented that the administration may decide not to continue the allocation of charges and funds for space; it is not clear that it is worth doing.

Professor Morrison suggested this was an issue the Committee should discuss. In theory, colleges were to be given control over maintenance and quantity of space; neither works, so it has become a bookkeeping exercise that is needlessly complicated. People worked intensively on the space model, and how space could be given up, but the experiment is showing that it does not work.

The Committee also discussed the flexibility of the University to spread costs under IMG (it appears to be restricted), whether or not colleges can strike deals and side agreements (they can if they understand what they are doing), and the possible proliferation of the use of adjunct faculty and Gas in order to save money. Professor Speaks commented that IMG is becoming the El Nino of the University, and that a number of the items raised in the discussion are issues the University should pay attention to, whether or not it has IMG.

Professor Morrison thanked Professor French for her report. He noted that the IMG subcommittee will continue to work on overseeing and improving the new system next year, and that he, Professor Koch, and Professor French will be meeting soon to lay out the issues and the membership of the joint subcommittee for next year.

Professor Morrison then adjourned the meeting at 5:05.

-- Gary Engstrand