Minutes*

Senate Committee on Finance and Planning
Tuesday, March 4, 1996
3:15 - 5:00
Room 238 Morrill Hall

Present: Charles Speaks (chair pro tem), Cynthia Gillett, Gerald Klement, Catherine French, Richard Pfutzenreuter, Peter Robinson, Craig Swan, James VanAlstine

Regrets: Fred Morrison, Thora Cartlidge, Benjamin Senauer

Absent: Bruce Bromberek, Jason Frick, David Hamilton, Robert Kvavik, Patricia Ferrieri

Guests: Assistant Vice President Paul Tschida (Campus Health and Safety), Bob Baker (Parking Services); Senior Vice President Marvin Marshak; Vice President Mark Brenner, Associate Dean George Green (Graduate School)

Others: Associate Vice President Carol Carrier

[In these minutes: Route 52 bus service; statement on budget and related issues (salaries, tuition, administrative computing systems, graduate assistant tuition benefits, parking, telephone rates)]

1. Transportation (Bus Service)

Professor Speaks convened the meeting and explained that Professor Morrison had slipped on the ice and broken his arm, so was visiting his doctors. He welcomed Mr. Baker and Mr. Tschida to talk about the possible discontinuation of the University's Route 52 bus service.

Mr. Tschida began by explaining where people who come to the Twin Cities campus live and how they generally get to the campus (e.g., 20% live within one mile, 50% live within 4-5 miles; 50% drive to campus alone, 20% walk, 8% carpool, 5-6% bike, and about 15% ride the bus; the latter number is down from 18-20% a few years earlier). About 1000 people use the Route 52 buses.

Until 1996, there were 12 #52 routes; 4 of those were eliminated because they could not be justified on the basis of low ridership. The remaining 8 have satisfactory ridership, and those who use the service like it because it is convenient and timely. The problem they face is insufficient funding, Mr. Tschida explained. They believe they must improve the on-campus transit system, which is used by about 20,000 people per day.

Mr. Baker reported that the subsidy per passenger per year on Route 52 is almost $1100; the total cost is $1600, with the University, the MCTO, and the passenger each paying about one-third. The on-

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campus transit service subsidy cost is $75 per passenger per year, and the service is fully subsidized. There is a priority in demand for the on-campus service.

The situation is that there are problems with the on-campus transit system that require attention (overcrowding, unsafe, inability to meet service intervals). One solution is to extend the 5-minute connector service to 4:30 (now it ends at 10:30). Others include adding a second bus to circulate between the east and west bank, extension of the evening schedule to 10:00 (classes run past 9:00), and combining the east bank north and south routes. Mr. Tschida and Mr. Baker reported, in response to questions, that service demands are now heavy throughout the day, and they have been unable to meet it. There is no significant drop in traffic between class start times, they also explained, and expected no change with the conversion to semesters, because the class schedule will remain the same.

To provide the additional on-campus service, they cannot continue to run the Route 52 service without additional funding. Shortfalls will also require discontinuing the limited shuttle to Como housing and a slight reduction in the service to residence halls.

One Committee member exclaimed that people could walk from the east to the west bank; it takes as long to ride as to walk. Mr. Tschida did not disagree, but said that his office heard many complaints when they reduced the service.

The MCTO has proposed providing service in place of the Route 52 service; Mr. Baker distributed a handout and explained that according to MCTO calculations, the significant majority of the service used by Route 52 passengers will be retained without significant increase in travel time. One Committee declared flatly that "I do not believe it" in response to the claims that travel time would not increase. If there is a financial decision to be made, then make it, it was said, but it is disingenuous to say that only 4% of Route 52 riders will see an increase of more than 12 minutes in their transportation time each way. Mr. Baker responded that MCTO did ridership surveys and timing studies, and that he has no reason to doubt their data. The service alternative proposed by the MCTO seems reasonable, he said, and may be an acceptable solution if the University is no longer able to operate Route 52 because of funding problems.

They tried to introduce the U Pass, Mr. Baker recalled, which would entitle every student to ride any bus system at any time; student fee funding was denied. They continue to believe that was a good idea, and it is used with success as such places as Washington, Colorado, and Wisconsin.

Mr. Baker concluded by emphasizing that the on-campus transit service, with its much higher demand, must be improved, and that to continue to run the Route 52 service and the other campus service would require an additional $350,000. He said he has made no proposal on what the source of such funds might be.

The University must decide what it wants, Mr. Tschida said. The Route 52 system is a good one; it is well-run by Medicine Lake Lines and people like it. They do not like the MCTO. Does the University want to run a system used by 1000 people, either at the expense of an improved on-campus system or by spending additional money?

Professor Speaks thanked Mr. Baker and Mr. Tschida for joining the meeting and said the

Committee would decide, at its next meeting, if it wished to take a position on the issue.

2. Statement on Issues

Committee members then turned to a draft statement from the Committee on a number of issues, most of which arose during the discussion of the shortfall in golden grickles at the University of Erewhon. Senior Vice President Marshak joined the meeting for this discussion. (A copy of the final statement adopted by the Committee is appended to these minutes and will be presented to the Senate for information.)

One question that arose, with respect to the goal of increasing faculty salaries, was whether the goal was the median or the mean of the top 30 research universities. Mr. Pfutzenreuter reported shortly after the point was raised that the University's budget documents submitted to the legislature described the goal as the mean; Senior Vice President Marshak observed that the mean is higher, because the distribution is not symmetric.

Professor Marshak then reported to the Committee the faculty compensation plan for 1997-98. He emphasized that all faculty salary increases will be based on merit; there will be no cost-of-living adjustments required.

The CALCULATION of the increases at the unit level, however, was based on three different elements.

-- First, each provost and chancellor will receive a 2.5% increase on the base salaries in their units, which represents the Governor's estimate of cost-of-living increases.

-- Second, there will be an overall 4% compensation pool available to provosts and chancellors, to be allocated on the basis of market, but these funds will be distributed differentially. The market calculations are based on the AAU Data Exchange salary information. One the Twin Cities campus, the increases will be as follows:

  -- 3% increases to faculty in Professional Studies
  -- 5.2% increases to faculty in the Arts, Sciences, and Engineering
  -- 6.1% increases to faculty in the Academic Health Center.

  For the other campuses, the numbers will be as follows:

  -- 4.5% at Crookston
  -- 9% at Morris
  -- Duluth salaries will be set through the bargaining process.

-- Third, there will be an additional 2% available for salary increases based on quality and priority.

The total compensation increase for Twin Cities faculty, on average, is 8.5%: 8.4% for salaries and 8.5% in total compensation. There will be different amounts delivered to different units, and the President expects to receive plans from the provosts and chancellors. Professor Marshak affirmed, in response to a question, that the administration expects the provosts to differentiate among the colleges, the colleges to differentiate among departments, and departments to differentiate among individuals. He also commented that salaries for the second year of the biennium will not be determined until after the legislature has acted.

One Committee member maintained, apropos use of a market standard for salaries, that there is a perception within the University that certain parts of it are less able than others (e.g., the humanities), and that part has no market at all. If the University wants to be first-rate across the board, long-term, but pays a humanities professor less than a biology professor, people will choose disciplines accordingly. Variations in quality will then be a self-fulfilling prophecy.

Professor Marshak responded that the term "market" means academic market, with comparisons draw from the AAU data. But that, it was said, will simply reflect the fact that some disciplines are paid more than others. How long have the differentials existed, Professor Marshak inquired? If more than one generation, there should be data demonstrating the effect is real. If the differences have existed less than a generation, the point may be valid. People have different reasons for going into a field, he added; they are not motivated entirely by money.

Ms. Jackson pointed out that the 2% for quality and priority is attempt to address this issue, and get around pure use of the market--which, she agreed, is not appropriate for all areas.

Another Committee member pointed out that the AAU schools are not those with which all fields compete, and that while the differential distribution of increases is to be applauded, there are fields that cross provostal lines, so individuals in the same field could be receiving different increases.

Professor Marshak said they could only use the data they have, but for the long-term, it may appropriate to ask units to identify their major competitors and obtain salary data. That, however, may be difficult. In the meantime, they will use the top 30 institutions and data from the AAU.

Professor Marshak then reported that there will be a retrenchment of 1.3%, or about $9 million, on recurring funds. The distribution, Mr. Pfutzenreuter explained, will be based on the percent of the operating subsidy a unit receives, under IMG calculations; this means that central units, which are funded with a higher percentage of state dollars than academic units, will take a greater proportion of the retrenchment. The calculations will be summed across units and the totals will be retrenched from the provosts and vice presidents; they, in turn, will determine where the actual retrenchments in the units will be imposed.

When salaries are increasing and the legislative picture is good, what will the retrenchment be used to pay for, asked one Committee member? Professor Marshak said there is no link between the retrenchment and what the money will be used for; the University budget proposal to the legislature proposed a partnership, whereby the state and the University would each provide money; this retrenchment is part of the University's contribution.

In response to a request, Mr. Pfutzenreuter promised to provide to the Committee the IMG spreadsheets and the retrenchments that are imposed.

There will also be an assessment made against the units which will be the first part of a multi-year plan to fund administrative process redesign (the new central computing systems), but the President has required that the assessment not occur until the issues raised in item #4 of the Committee's statement have been dealt with. For PLANNING purposes, however, units are being asked to plan on a 1.4% assessment on salaries. The assessment, Professor Marshak clarified, is not a cut in the base budget, and will probably occur for a five-year period. Ms. Jackson commented that they have developed a process consistent with items 4 and 5 of the Committee statement.

[It should be noted that both senior vice presidents received a draft copy of the statement several days before the meeting, and were privy to the discussions at the meeting about Erewhon, so were able to respond to several of the issues before the Committee formally adopted the statement.]

Mr. Pfutzenreuter explained that the assessment would be on an all-funds salary base and would total about $10 million per year, for five years. If the systems cost less, the amounts will be reduced; that will not be known until the plans and budgets are developed.

Both the assessment and the retrenchment have been structured in ways that benefit the colleges, Professor Marshak pointed out: the retrenchment will fall more on central units, while the assessment, based on all funds, will also fall on units that are not supported by state funds (e.g., auxiliary units, athletics, etc.) Ms. Jackson added that the amount is a placeholder for the process, and does NOT imply approval of plans or willingness to pay before budgets are approved and the specific approval process has been met.

Asked what that process would be, Ms. Jackson said it has nine steps that are very specific. The instructions will be on the web page of the Budget Office, Mr. Pfutzenreuter said, so everyone can see them.

With respect to parking rates, one Committee member pointed out that the increases over the last four years had been substantially greater than salary increases, and $1 million of parking money had gone into the Carlson facility; there should be no increase. Ms. Jackson said that increases for internal service organizations (which parking is not) would be limited to 2.5% until their proposals are brought to a rate commission, to be established.

Does this mean, inquired one Committee member, that a unit such as parking could be charged the assessment, and thereupon pass along the charge to its customers by increasing rates--something that other units cannot do?

Mr. Pfutzenreuter explained the difference between internal service organizations and auxiliary operations. Rate increases for the former will be held to 2.5% until an aggressive rate review commission can be formed. in the case of the auxiliaries, if they are charged an assessment, they are responsible, in the budget process, for identifying what goes into their rate-setting. There is not enough oversight over auxiliary enterprises, he said, and the factors that are driving up their charges need to be examined. It is primarily the source of revenue that determines which units are internal service organizations and which are auxiliary enterprises; the latter derive much of their income from outside the institution (e.g., athletics, housing, food service). For those units, their capital and other plans must also be taken into account in setting rates.

One needs to look at this from a human resource point of view, maintained one Committee member. The cost of garage parking has increased by an average of 11% per year for the last 15 years; faculty salaries have gone up nowhere near that much, and morale is extremely low. These things have to be taken into account, but clearly have not been. Ms. Jackson agreed that auxiliary enterprises need more discussion.

On the issue of telephone rates, it was pointed out that departments are charged for long-distance calls at a rate out of line with what anyone can get anywhere. A survey of department chairs in the Big Ten suggests the University's rates are far too high. When the question has been raised with Telecommunications, the responses are bureaucratic. The rates should be adjusted.

Mr. Pfutzenreuter reported that the budget instructions hold rate increases for telephone charges to 2.5%, and long-distance rates are limited to 14¢ per minute.

That is a welcome change, it was said.

The Committee turned next to graduate assistant tuition benefits; Professor Speaks welcomed Vice President Brenner and Associate Dean George Green. Drs. Brenner and Green distributed a handout outlining the plans for dealing with graduate assistant fringe benefits. The tentative plan for a surcharge for 1997-98 (to pay for a deficit in the fringe benefit pool) has been put on hold, pending a review of the possibility of central funding.

Dr. Brenner then explained the various rates that would be charged for graduate assistants, depending on their status, to cover fringe benefit costs. Much of the discussion was related to administrative system changes to deal with accounting for costs.

At the conclusion of the discussion, the Committee decided to withhold a statement on the tuition benefit issue, pending receipt of additional information.

The meeting was adjourned at 5:00.

-- Gary Engstrand

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STATEMENT

Senate Committee on Finance and Planning

March 4, 1997

Following lengthy discussions with senior officers of the University over the last several months, in light of information available to it, the Committee makes the following statements.

1. The faculty salary increases that have been proposed in the four-year budget plan (increases sufficient to reach the mean of the top 30 research universities within the next two to three years) should not be reduced, nor should the schedule for achieving the goal be extended. Given the events of the recent past, the vulnerability of the University to "raiding" by other institutions because of both morale and salary problems, and the significant number of retirements that are expected in the near future, it is critical that the faculty salary increases be delivered as planned. This means that salary increases should be taken "off the top" of state appropriations.

2. The proposed tuition increases, in the aggregate, should not in general be more than the rate of inflation, and perhaps slightly less, given the accelerated rate of increases in the past several years. The University should continue to seek external funding to bolster student financial aid.

3. Retrenchments at all levels should be based on judgmental decisions and not on an across-the-board basis. The Committee expects to be consulted about budget plans made by the senior vice presidents, provosts, and deans before they are approved by the central officers. The Committee is prepared to comment publicly on any budget plan, at any level, that appears to do no more than impose across-the-board reductions.

4. There should be no further expenditures on administrative process redesign (for new computing systems in human resources, student systems, grants management, and financial management) until (a) there are plans, budgets, and SPECIFIC expected outcomes/performance measures for each of the new systems, and (b) those plans are oriented toward simplification of processes and enhancement of accountability and efficiency. The Committee on Finance and Planning expects to be given an opportunity to review those plans, budgets, and performance measures. The administration should go on record agreeing that no additional funding will be provided for these projects until it is shown that the improvements will benefit the faculty, staff, and students in proportion to their costs.

   The Committee is not calling for a moratorium on systems improvements. Systems are not now functioning and must be made effective. The Committee is calling for serious scrutiny of how the needed improvements will be accomplished and how it will be KNOWN that the improvements have been made.

   With respect to administrative process redesign, the Committee wishes to emphasize that advanced systems must not simply continue practices that are outdated, inefficient, or result in a diffusion of authority and responsibility, and insists that there be more thought about what parts of processes are essential and what parts are mere historical relics. The Committee also underscores the importance of ensuring that new systems are understandable and usable at all levels. The Committee requests the Senior Vice President for Finance and Operations to report regularly on how procedures and processes will be streamlined and shortened.

5. The Committee emphasizes that the University should not support development of separate or duplicative administrative computing systems in different provostries or colleges; new systems and procedures should be university-wide, with useful interfaces at all departmental, collegiate, and other levels. For example, the Committee has been informed of plans for introduction of a new human resources system in one of the major units that is separate and different from the central

system being implemented. The Committee requests the administration to explain the basis for the development of such a system and for its cost and budget implications for the University as a whole.

6. The Committee notes that over the past four years, the charge for parking contracts for faculty and staff has risen by over 9 percent per year while faculty salaries have risen by about 3 percent per year. The Committee is also annoyed at the minimal consultation in recent years about proposed parking rate increases.

   The Committee requests the administration to produce a budget for the parking operations of the University for 1997-98 with no increase in general parking fees.

7. The Committee is troubled by the significant discrepancy between long distance telephone rates charged departments at the University (23 to 30 cents a minute) and several other benchmarks:

   - Widely advertised and generally available rates of 15 cents a minute, anytime, anywhere, and

   - rates charged to departments at other Big Ten public universities.

   The Committee has been told that current charges are "being studied." It is the strong presumption of the Committee that current charges cannot be justified and that they should be adjusted before the beginning of the 1997-98 fiscal year. The Committee requests that the appropriate administrators inform the Committee of the results of that study so that action can be taken before the beginning of the next fiscal year.

The Faculty Consultative Committee previewed these statements before they were adopted by the Committee on Finance and Planning, and unanimously endorsed them in principle.

University of Minnesota