

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, April 15, 1997**  
**3:15 - 5:00**  
**Room 238 Morrill Hall**

Present: Fred Morrison (chair), Thora Cartlidge, David Hamilton, Gerald Klement, Robert Kvavik, Gary Malzer, Catherine French, Charles Speaks, James VanAlstine

Regrets: Peter Robinson, Benjamin Senauer

Absent: Bruce Bromberek, Jason Frick, Patricia Ferrieri, Richard Pfitzenreuter, Craig Swan

Guests: Senior Vice President Marvin Marshak; Associate Vice President Eric Kruse (Facilities Management)

Others: Mike Berthelson (Budget and Finance), Orlan Miller

[In these minutes: University plan (and continued budget cuts for departments); the 1998 capital request (priority of Duluth and Morris projects, the renovation of Walter Library); resolution on preservation of buildings; resolution on IMG and an IMG oversight committee]

**1. University Plan**

Professor Morrison convened the meeting at 3:20 and noted that Committee members had received the executive summary of the plan at the last meeting and the full University Plan in the mail. He asked if there were comments.

Dr. Kvavik commented that modifications were possible; the Board of Regents will adopt the plan in May. It is an annual presentation to the Board, a rolling plan that the Board has seen much of in the past. It is an institutional plan; its weakness is that it has not seen iteration with the colleges. One improvement this year is that it does incorporate the four-year financial framework.

One Committee member inquired if it is under the auspices of the plan that the 2.5% cut is being imposed on departments, a cut to be matched by increased funding from the legislature. Departments want to know when these cuts will stop and how to be part of new initiatives.

Dr. Kvavik explained that much in the plan is also material that went to the legislature as part of the University's request. It does not contain a lot of specifics, only broad categories, such as the compensation goal, investments in technology, funding for programmatic investments, and so on. Reallocation is part of the partnership strategy: the University needs about \$1 billion over the next four

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\*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.

years, has said it will hold tuition increases to the rate of inflation, and proposed to share in the increased costs. It is an overall strategy to generate money for the plans.

It has been difficult to communicate the reallocation notion, Professor Marshak added. Everyone sees that the University is likely to receive new money, so question why reallocation is necessary. There are two reasons. First, the partnership strategy is the one the administration believes will bring the most new money to the University; the legislature has been told that if it can provide \$230 million, the University will also provide \$230 million--and that will require some reallocation. Second, reallocation is necessary to create fluidity in the financial structure; if every unit gets what it had before, it becomes hard to move money. Most universities have a reallocation strategy, he said; the University is reallocation 1.5% for flexibility. Most colleges will see money coming back as programmatic initiatives; some of it will be new money and some will be reallocated funds.

There is nothing left to cut in departments, said one Committee member. Supplies have almost been eliminated, and there is only minimal staff. There are new funds, but they cannot be used for what the cuts took away. If a position comes up, that is the only money available. When faculty start asking if they can decline a salary increase, in lieu of a cut, one knows they are serious about the impacts these cuts are having.

The goal is to have programmatic change, Professor Marshak responded; if a faculty member retires in one subfield, the position might not be replaced, but might be moved to another subfield. CLA positions have always reverted to the dean, while IT positions stayed in the department; the University is moving to the position that open lines should go to the colleges for reallocation.

That EXACERBATES the problem for departments that was pointed out, said another Committee member. If the departments must cut and cut and cut, and positions all revert, there is no option for them to use the money for things that are important to faculty. This is a problem that is not confined to just one college. Central administrators do not understand what is happening at the operating level; faculty are trying to teach, do research, sharpen pencils, and cannot do their jobs. Money is disappearing from departments, and they are not seeing new funds. In one case, the money disappeared but 13 new people were hired in the dean's office--while departments cannot replace faculty.

There was discussion of the difference between the Academic Health Center and the rest of the University in this respect; one Committee member said that the AHC is one order of magnitude worse off than other units. Another said that this is an issue that must be on the table.

Over the next six months, there may be a change in the role of the planning process. The plans may seek to provide more guidance as to where colleges and departments should put their focus. Then decisions can be made about proper staffing levels and budgets gradually adjusted as positions become vacant. The problem is that cuts were always made to the postage budget, and then there was not enough money for stamps. There must be a decision on priorities; the plan never had that focus. Decisions must be made, and funds provided to cover the transition.

Dr. Kvavik urged that Committee members send him suggestions. President-elect Yudof will probably incorporate this plan in his Compact 2000, from Texas, and the two are quite compatible. Up to now, the Planning Office worked on the plans and forwarded them to the provosts to follow through with

the colleges; the follow-through has not always occurred. It is likely that Dr. Yudof will insist that directive plans be developed, with funding to carry them out and that are outcome-oriented, with measures to be agreed on in advance.

Professor Morrison said the Committee would return to this topic in two weeks.

## **2. Capital Request**

Professor Morrison next asked Dr. Kvavik to review with the Committee the proposed 1998 capital request.

Dr. Kvavik explained briefly what the Board of Regents does, and then turned to the priority list for the 1998-99 biennium. There are 10 projects on the list, totalling \$172 million. Dr. Kvavik expressed doubt that the University would receive the full \$172 million. The first item is a request for \$25 million for system-wide health and life safety improvements.

Senior Vice President Jackson interjected comments emphatically. She warned the Committee that it will hear a lot from her about health and life safety. The University has been negligent on this matter, she said, and it is often the first thing that is cut from projects. These deficiencies then come back to haunt the University later, and also puts it at risk. This should perhaps be an entirely separate item in the University's request, and it is more than just asbestos and air quality. The cost of decommissioning buildings is increased because of this neglect. This is worse than deferred maintenance, because it affects the safety of employees. Health and life safety improvements are not something one can raise funds for, so the money must come from the University or the legislature. She concluded that it would behoove faculty to support doing something in this area, for the betterment of all the people at the University.

Mr. Kruse reported that he and Assistant Vice President Tschida are preparing a report on the status of health and life safety issues, and he would be glad to return to the Committee to report on it. The rough number for asbestos abatement is \$200 million (of which 20% is in Moos Tower).

One Committee member said he applauded this sentiment, and that no one has warned people responsible for remodeling space for research that these problems exist.

Ms. Jackson responded that this issue needs an advocate, and concluded by saying she was tired of the University hiding from its environmental problems on campus.

On the capital request, the second item is Walter Library renovation. The cost, \$53.6 million, will address health and life safety concerns, deferred maintenance, and updating the facility. Dr. Kvavik said it is the biggest time bomb on the campus; a fire in the stacks would put lives at risk and cause a loss of millions of dollars in books in the stacks. There will come a point where the fire marshal will close the building. The plans for the building are also unsettled, at this point, because it should probably be a digital technology center, in addition to a library.

Ms. Jackson said that Walter is an excellent example of what she was referring to earlier. Of the \$53 million cost, \$30 million will be for health and life safety provisions; spending this money will not provide more usable space. Then the question arose, the University is going to spend \$53 million on a

library and not have it be digital?

The next two items, in order, were the Duluth library and the Morris science and math facility. A question was raised about this order, because in the last request the Morris facility outranked the Duluth library. Dr. Kvavik said that in the case of these two items, not a lot of thought was given to the order in the previous capital request; both received planning money and are ready to go. Both have major health and life safety problems. The Duluth library project entails more health and life safety improvements, but both are critical for the campuses. There are also political factors, both with respect to the legislature and the Board of Regents. The change does NOT mean a greater priority for the Duluth library than the Morris science and math facility. Dr. Kvavik conceded, however, that being in the 4th position put the Morris facility at slightly greater risk of not being funded.

One Committee member inquired about funds for decommissioning buildings; Mr. Berthelson reported that they are not included. The University does not ask the state for money for decommissioning unless it is part of a project at the same time. The state has never funded decommissioning. There are funds in the biennial request to help move people from buildings and dangerous places.

Dr. Kvavik was then asked about debt service operating costs, if the three facilities are funded (Walter, Duluth, Morris). He said they could only draw attention to debt service and operating costs. The Walter project should not carry any University debt service, because it is renovation (although it probably will, anyway, simply because of its magnitude). The debt service is in the operating plans.

One Committee member pointed out that there is no current debt service coming to an end, so this increase debt service will be an additional charge to the University's income stream. Dr. Kvavik agreed, but said that if space could be taken off line, the funds could be redirected to operation of the new and renovated facilities. That is why there is interest in the 5th item on the request, CLA and Student Services space renewal, because it will permit taking Nicholson, Jones, and Fraser off line. The Gateway project will permit other facilities to be taken off line. The other alternative is to put the buildings into the hands of auxiliaries or internal service organizations, but that will mean they have high operating costs. Ms. Jackson agreed with the last point; those units have been told not to raise rates, so will be reluctant to move anywhere unless the facilities are cheaper.

Dr. Kvavik then briefly reviewed items 6 - 10 on the list (classroom renewal on the coordinate campuses, \$2 million; Peik Hall classroom/building renewal, \$8 million; various projects at Crookston, \$2.1 million; Architecture renovation/renewal, \$9 million; various Ag Experiment station projects, \$4.4 million; University-wide planning funds, \$6.8 million). The planning funds include money for a number of buildings, including Jackson-Owre-Millard-Lyon, which has a total price tag (for replacement) of \$80 million.

One Committee member asked how closely the Walter, Duluth, and Morris items, and the JOML project, matched academic plans. Dr. Kvavik noted that the University plan has goals for all campuses, and that all three items on the request are critical if the University wants to remain viable. If the University wanted simply to be aggressive in raising its rankings in the National Research Council ratings, it would probably put together a different list. The Committee and the administration should know that the Capital Improvements Advisory Committee (CIAC) considered this.

One Committee member inquired if there is sufficient academic planning behind the Walter Library plans. The administration has tried for years "to peddle" the building to users, but there have been no takers to use it. Is there a plan and budget to support the new building?

Dr. Kvavik said there is no question that IT, Education, and Psychology are extremely dependent on Walter. After spending \$30 million on health and life safety improvements, and \$3 million for preservation, the University must spend money to support library users from those three units. The Archives facility was requested first, in order to make the Walter project less expensive, but now, as Walter is being considered, it would likely be unappealing to the legislature to program it as a library rather than a digital technology center. The case for Walter is not now prepared, but it must be done by the fall or the building will be taken off the capital request--and with the understanding that the building will then close. Following that, IT, Education, and Psychology books will be on the West Bank, in the Archives center.

Ms. Jackson emphasized again that \$30 million is simply to keep the building open. One could debate whether to tear it down and start over. With JOML, it simply cannot be kept; there is nothing that can be done with it. This raises the question of whether the traditional wisdom--that the University cannot obtain money to tear down buildings--is correct, said one Committee member.

Planning money is important, Mr. Kruse said; demolition and the cost of swing space would be included for the JOML project. The Committee discussed the choices facing the University and the needs that would arise in future biennia. There is a long list of projects that did not even make it on the planning money list, because the CIAC could not distinguish among them in importance.

One Committee member raised again the question of demolishing Walter. The University will NEVER receive permission to tear down Walter, Dr. Kvavik averred. It perhaps could do so if it built a building exactly like it, but that could be more expensive. Another Committee member expressed hope that an alternative proposal to tear down Walter has been costed out. Dr. Kvavik said there is no way that the historical preservation interests would allow the University to touch Walter. Asked if they would be happier if it were boarded up, he said that the University would be obligated to close it up so it did not deteriorate further. It must be rebuilt and preserved as much as possible, given who the architect was and where it fits in the history of the University. To seek to tear down Walter is a non-starter, he declared.

One Committee member said the state's historical preservation office has no jurisdiction over University property. Dr. Kvavik said he would not risk the University's autonomy on this issue.

Another Committee member inquired about the possibility of donors. Ms. Jackson reported she had had conversations with Mr. Fischer, head of the University Foundation, about this, and in particular with respect to Northrop Auditorium. His experience, and that of other universities, is that the success rate in fund-raising for renovation is MINIMAL. There is some money to be found, but very little. He can talk with the Committee about this, if it wishes.

The Committee discussed with Mr. Berthelson the amount of money that will likely be available for a bonding bill in 1998, and the amount the University should request. One issue is whether the request for planning funds should be included; removing it would emphasize to the legislature that the University is doing its own planning and will only seek funding for the facilities. On the other hand,

there are constituencies who would provide money for a building (e.g., for the art department) if they could see that it was a University priority (demonstrated by a request for planning money).

In the case of JOML, said one Committee member, legislators who have toured the new basic sciences building know the University must replace JOML and have asked where the University's request is. Asked if it is possible to make plans for replacement of JOML without completing reorganization of the biological sciences, Dr. Kvavik said it will be incumbent on Provosts Cerra and Shively to have a plan ready by October. With the new building open, said one Committee member, and the need for swing space, if there is no commitment to replacement of JOML, it will slowly fill up again, in dribs and drabs. Another Committee member said that would not occur; there are new keys for the building, and only the Associate Vice President for Facilities Management has them, so no one can get into closed spaces.

Dr. Kvavik observed that the capital request has been presented to the Committee in a more timely fashion than has been the case in the past, and said he would welcome comments. The documents represent staff work that requires review, and there are good arguments to be made for adjusting all of the top four items on the list. It was agreed that a chart would be prepared showing the health and life-safety costs in each of the projects on the list, and how the facility helps the University achieve the critical measures.

### **3. Resolution on Preservation**

Professor Morrison turned to Ms. Cartlidge to introduce a resolution concerning building preservation. Ms. Cartlidge reviewed the University's need to reduce its deferred maintenance backlog and the need to decommission buildings. Some of the buildings have historical value, and her resolution asks the administration to find ways to preserve and reuse buildings and landscapes that have historical value and that add to the character of the campus.

Points made in the ensuing discussion included the following:

- Not all buildings have historic value
- The University is completing a plan for historic preservation; it should be brought to the Committee for review
- It is important not to indicate in any statements that the University is subject to state rules, or that the University will try to save everything
- The CIAC has been doing what the resolution recommends; this resolution can reinforce their approach
- In the discussion with Regents, it appeared that at least a few believed that if a building is decommissioned, it automatically should be torn down; those comments may have been directed specifically toward Nicholson Hall, which cannot be saved.

With the understanding that certain editorial revisions would be made, the Committee then unanimously adopted the following resolution. [This version includes the editorial revisions requested by

the Committee.]

## RESOLUTION ON HISTORIC PRESERVATION

Whereas the University of Minnesota was required in the 1996 bonding bill to report on the potential decommissioning of University buildings, and

Whereas the University, to meet the condition of the State bonding bill and as part of its strategy to address the issue of facilities deferred renewal, has identified among the buildings to be decommissioned some that have historical, architectural and associational value to the University, including properties currently listed as contributing buildings to the Old Campus National Register Historic District, and

Whereas demolition is one possible outcome for buildings that are decommissioned, and

Whereas the University in its Campus Master Plans (adopted by the Regents in September 1996) recognizes that historic resources are a part of the University's traditional image and are valuable assets contributing to future campus development, and

Whereas the University through its Historic Preservation Plan (in progress) in cooperation with the Minnesota Historical Society, has undertaken to evaluate the historical significance of University buildings and landscapes and recommend policies and strategies for various treatments, ranging from preservation and re-use to decommission and demolition,

Therefore, be it resolved that the University administration, as part of its strategy to address deferred renewal of facilities and commitment to ensure responsible stewardship of the University's physical plant, continue to target opportunities to preserve and re-use properties as an alternative to demolition.

#### **4. Statement on Incentives for Managed Growth (IMG)**

Professor Morrison next asked Professor French to speak to her statement on IMG. She reviewed the contents of her statement, the central point of which is to create an IMG oversight committee.

After the discussion, and with the understanding that certain editorial changes would be made, the Committee endorsed generally the idea of the statement. It stands as a draft, because it must also be taken up by the Committee on Educational Policy.

DRAFT

**SENATE COMMITTEE ON EDUCATIONAL POLICY  
SENATE COMMITTEE ON FINANCE AND PLANNING**

The Senate Committee on Educational Policy and the Senate Committee on Finance and Planning recommend the establishment of an "Incentives for Managed Growth (IMG) Oversight Committee," which shall monitor implementation of IMG and develop recommendations, for the Senate and for the administration, for modifications of IMG that the committee deems appropriate. The oversight committee shall address issues which include but are not limited to the following:

- (1) The positive benefit of interdisciplinary teaching. In its current form, IMG may not encourage interdisciplinary teaching, particularly across colleges. If the IMG Oversight Committee recognizes benefit in interdisciplinary approaches to teaching, it may need to devise a mechanism to reward that effort within IMG.
- (2) The positive benefit of timely graduation rates. In its current form, IMG may provide incentives for departments to require more courses, or to spread out material in service courses such that students will be required to take more courses to cover the material. There may not be sufficient incentive to repackage material in order to reduce the number of required courses. If the IMG Oversight Committee recognizes the benefit of repackaging material to streamline programs and aid in timely graduation rates, it may need to devise a mechanism to reward that effort within IMG.
- (3) The effect of course duplication. In its current form, IMG may provide incentives for departments to teach their own service courses, in order to retain the tuition revenue. If the IMG Oversight Committee chooses to limit duplication of courses, a mechanism may be needed to discourage the monopolizing of service course offerings.
- (4) The effect of micro-managing with IMG. Although IMG is intended to aid in the distribution of resources at the college level, there are already indications of direct impact on the department level. The IMG Oversight Committee will assess whether or not this is appropriate and will take action deemed necessary.
- (5) The effect of IMG on morale. With IMG, two key benchmarks are space allocation and tuition. There may be a number of programs which fare poorly with respect to these factors, but which may offer the University other intrinsic value which must be evaluated on a different basis. The IMG Oversight Committee shall review these cases and make recommendations to insure that those units are recognized accordingly for the benefit that they offer.
- (6) The effect of using a particular point in time as the benchmark for deciding the revenue-neutral status for departments for space charges. Because departments may gain space through construction of new buildings or the development of new laboratories, the IMG Oversight Committee shall review potential disincentives generated for program space expansion if it would behoove the University to encourage growth in particular areas.
- (7) The effect of using a particular point in time as the benchmark for revenue neutral status for tuition revenues. Enrollments vary in many departments and colleges from year to year. Some of the changes are cyclical and can be found to occur in some cases over a decade. Because enrollments fluctuate, the effect of tuition revenues on annual departmental or collegiate income should be evaluated by the IMG Oversight Committee. If deemed appropriate, the IMG Oversight Committee may make recommendations to smooth out these trends (e.g., evaluate them over a



multi-year period, etc.).

- (8) The effect of tuition revenue on the quality of the student body and the quality of education. IMG in its current form may encourage larger enrollments in terms of total numbers of students admitted to the University and to individual classes. IMG Oversight Committee should ensure that standards are not compromised in order to increase tuition revenues. In addition, if the IMG Oversight Committee values the quality of education delivered through smaller class sizes taught by regular faculty, the IMG Oversight Committee may develop a mechanism to reward that effort within IMG.
- (9) The effect of IMG on collegiate units versus on other non-academic units. IMG only has an impact on the finances related to collegiate units (i.e. space, tuition allocation, and ICR). It does not have a similar impact on costs associated with administration, administrative processes, physical plant, support services, etc. The IMG Oversight Committee should investigate establishing a set of appropriate incentives for other areas of the University which generate revenues and create costs for academic units.

In addition to proposing modifications to the IMG process as described above, the IMG Oversight Committee shall provide counsel to the administrator(s) who will be making detailed budget decisions at the various levels within the University based on the IMG results.

It was noted that the Committee on Educational Policy is considering appointment of a Twin Cities Undergraduate Course and Curriculum Committee, and that a number of the points in Professor French's statement would also be addressed by such a committee. It was agreed that this proposed committee would have to be coordinated with SCEP, probably through the Faculty Consultative Committee.

Dr. Kvavik said he would encourage the creation of the committee, and paying attention to these issues, but disputed the assumptions. How IMG will affect these activities is not known, because IMG is not yet in place; there will likely be opportunities created as well as disincentives. One should not attribute all of these effects to an accounting device, he said, and there are legitimate concerns in all of the areas identified in the statement, but they may not be attributable to IMG.

Ms. Jackson reported that she had recently been at Indiana University on an accreditation team visit. They have had Responsibility Center Management for seven years, and according to the people at IU, it has had no impact in the ways envisioned by the statement. They remain worried, however, and continue to evaluate it.

Professor Morrison recounted that he saw much higher levels of cooperation in private law practice than in academic work, because lawyers bill their time. To ask another lawyer in the firm for help--for an hour, a day, or a week--is not a burden because the time will be charged and the work considered normal. One does not burden others nor is one burdened when time is charged. That kind of charging occurs now at the University, with research grants. He agreed that there is a fear of the unknown, and that the issues raised in the statement will require attention.

Dr. Kvavik said he welcomed this faculty initiative. He said he hoped that faculty would propose how to look at IMG; these issues belong to the faculty, and they collectively should decide how to

address them. If there are problems with IMG, the faculty should suggest the solutions.

Professor Morrison said he would speak with Professors Gray and Koch about the chartering and reporting authority for an IMG committee.

## **5. Other Business**

Professor Morrison said that discussion of the Student 2000 project would be laid over for two weeks, and that the draft policies on reorganization and on energy would also be taken up at the next meeting. Given the press of business before the Committee, he directed that meetings be planned for every week in May. He then adjourned the meeting at 5:10.

-- Gary Engstrand

University of Minnesota