

Minutes*

**Senate Committee on Finance and Planning
Fall Retreat
Friday, September 11, 1998
8:00 – 12:00
Radisson Metrodome**

Present: Stephen Gudeman (chair), Jean Bauer, Charles Campbell, Catherine French, Cynthia Gillett, Gerald Klement, Terry Roe, Charles Speaks, Susan Carlson Weinberg, J. Peter Zetterberg

Guests: Professor Kent Bales (Chair, Senate Committee on Faculty Affairs), Professor Fred Morrison (past chair, Committee on Finance and Planning), Julie Tonneson (Office of Budget and Finance)

[In these minutes: issues before the Committee; the University budget; report from Faculty Affairs; the compact process]

1. Introductions and Opening Comments

Professor Gudeman convened the meeting at 8:00 and began with a round of introductions. He then said that he would like to focus on (1) the meaning of governance in matters of finance and of planning, and the role the Committee should play, and (2) the integration of finance and of planning in the compact process and the interaction of that process with Incentives for Managed Growth (IMG). In pursuit of understanding about the latter, he has tentatively scheduled a number of the deans before the Committee to talk about compacts and IMG and how the compacts fit with budgeting as they have worked out in the colleges thus far. An integral part of the Committee discussion must also address the question of the faculty's role at the college level.

Professor Morrison then spoke about the issues he believed the Committee would see in the future. (1) New budgeting systems will lead to increased micromanagement, because there will be more information available. (2) The application of budget principles to the annual budget. (3) IF the University is to be competitive in its peer group, that peer group must be identified and concerted efforts made to be competitive. (4) It is easier to obtain bricks and mortar than to deal with the tails and tags of buildings, the operating costs and the debt service; the administration must be pressed on how facilities costs will be covered without damaging intellectual programs. (5) There is a SERIOUS problem in funding for the Academic Health Center.

One item that is missing in these discussions is research support, and it must be addressed. Supposedly it comes from grants, but grant income is level and delay in resolution of the problems with NIH will affect the ability of faculty to obtain grants and the ability of the University to recruit researchers. The Committee must press for a RESOLUTION of the matter, not just for the University to win the lawsuit.

* 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.

Professor Gudeman thanked Professor Morrison for his comments.

2. The University Budget

Professor Gudeman next asked Dr. Zetterberg (Office of Planning and Analysis) and Ms. Tonneson (Office of Budget and Finance) to talk with the Committee about the structure of the University's budget. Dr. Zetterberg and Ms. Tonneson distributed a set of tables and charts that illustrated the revenues and expenditures of the University.

Several points were made in the discussion.

- The Twin Cities campus of the University receives more state dollars than any other campus in the country, and generally more per student and per faculty than most campuses. This is in part because the data include the Minnesota Extension Service and the system administration of the University, and because the Twin Cities campus has perhaps the most comprehensive set of academic programs anywhere in the country. It is nonetheless indisputable that the state provides the Twin Cities campus a great deal of money.
 - The University is about at the mean in terms of administrative and academic support costs, the cost of student services, and so on, when compared with equally programmatically diverse campuses such as Wisconsin, Florida, Ohio State. The University does not have more students or faculty, but it is programmatically diverse in a way that makes the campus very expensive (e.g., no other institution matches the array of health sciences programs at Minnesota).
- Why are faculty salaries lower than elsewhere? Because the University spends its money on different things.
- Tuition at Minnesota is about average.
 - Plant expenses are higher than average (in part because the University probably has the largest physical plant of any university in the country – or very close to it – and because that physical plant includes a large number of research facilities). The University does not spend more per square foot than other institutions.
 - The University spends more on student services than comparable institutions, in part because the University has a larger-than-average number of part-time students.
 - If one tracks revenues from the end of World War II to the present, the proportion coming from each source (e.g., tuition, federal sources, state funds, etc.) is remained relatively constant. Tuition has NOT become a bigger part of the University's budget; it has always ranged between 11 and 14%. Nor is the University more dependent on federal funds than it has been in the past; those dollars peaked in 1972 (adjusted for inflation).
 - The President supports Incentives for Managed Growth (IMG); although he generally does not like complex systems, he does support the principles of IMG. The deans are more comfortable with it and trying to manage under it. IMG does not solve the problem of items in the budget that are underfunded. One concern is the capacity of colleges to assemble data and make use of them

in decisions; colleges vary quite widely in this respect. They need to acquire the necessary skills and need the help of central administration in doing so.

Under IMG, the colleges cannot control tuition, so they are not really independent. They do, however, have significant influence on the decision about what tuition levels will be.

- There is discussion about tuition banding (i.e., charging the same price if a student registers for, e.g., 12 or 13 or 14 or 15 credits), to provide an incentive for students to take a full load. At Moorhead, after the change to semesters, student credit loads dropped by about 1/2 credit; that has large educational and financial implications. The MnSCU system lost \$50 million per year in tuition and enrollment declines in the change to semesters. The central question is one of getting students to take an extra class. (The University is in the minority among its peers in not having banded tuition.)

It is not clear that students are that price-sensitive. They are managing complex lives, and course load may matter more than tuition levels; banding may not affect behavior. The University could do better than it is to make the place more customer-friendly.

Advising will be critical in student decisions, and the FACULTY must “own” the problem – they cannot give all the responsibility to advisors. Faculty must talk to students about their academic workload. This is not only a tuition issue, it is also a student success issue; if credit loads drop, it will take students longer to graduate, which is NOT in their best interest. A decline in credit loads will also affect retention and graduation rates.

The Committee then reviewed the timeline for the development of the annual budget, and agreed it would meet with Mr. Pfutzenreuter and other appropriate officers at times when its comments would be timely.

3. Report from Faculty Affairs

Professor Gudeman turned to Professor Bales for a report on issues in front of the Senate Committee on Faculty Affairs. Professor Bales noted several:

- The lack of consultation on the compacts (this was also an issue before the compact process was initiated)
- How to assure, or know if, there are sufficient funds to support tenured and tenure-track faculty positions; this question was initially raised in the Academic Health Center, and there is a subcommittee working on academic appointments. The subcommittee (which Professor Bales chairs) will recommend certain changes to the Senate and also ask for authority to go farther in some directions. It was agreed that the academic appointments subcommittee report should be brought to this Committee for action. One issue that needs to be addressed, either by the subcommittee or this Committee, is risk management with respect to academic appointments.

Professor Gudeman thanked Professor Bales for joining the retreat.

4. The Compact Process

The Committee next took up the compact planning process. One question was how the Committee would be involved in the process; periodic updates is one possibility. Another question is the relationship between the role of this Committee and the college governance committees. Dr. Zetterberg said the process should be different in this and succeeding years, because the units (collegiate and support) will not be starting from scratch. The compacts should not change greatly from year to year.

One Committee member expressed an interest in seeing the compacts that have been prepared and learning about the extent of faculty consultation within the units. Health consultative committees in the colleges, it was said, must be a part of the process; whose responsibility is it to ensure that that occurs? Another question arises about the overlap among units; who, for example, is involved in the Graduate School compact? Ms. Tonneson reported that Professor Bloomfield will be involved on behalf of the Graduate School; she also cautioned that this was the first year of the effort, it was not perfect, and she agreed that participation must be coordinated among units where appropriate.

It was suggested that Professor Gudeman write to the college consultative committees about the compacts and their participation in the discussions. The Committee will also be hearing from the deans over the course of its meetings during 1998-99, so will have the opportunity to press the point.

Asked about incorporation of facilities in IMG, Ms. Tonneson reported that nothing is occurring at present and the processes for doing so have not been worked out. No unit will be affected by IMG vis-à-vis facilities.

Professor Gudeman thanked Dr. Zetterberg and Ms. Tonneson for joining the Committee.

5. Issues for the Year

The Committee next grappled with the issues it wished to focus on and the individuals with whom it wished to speak during the year. Among the major items the Committee agreed on were these:

- In addition to the several deans who have already been scheduled to meet with the Committee to discuss IMG, the compact planning process, and the interaction between the two, the deans of Education and Human Development and of the Graduate School should be added to the list of invitees.
- The Committee should review the work of the IMG subcommittee and follow up on the questions it raised in its reports last year. Coordination with the Committee on Educational Policy will be required as well, since it, too, is interested in the implications of IMG (with respect to the delivery of instruction).
- The Committee wished to have an overview of the work on the enterprise systems (the new computing systems).
- The Committee should hear from Georgina Stephens, the University Treasurer, and Gerald Fischer, President of the Foundation, about the University's endowments.

- The status of the inclusion of charges for space under IMG should be taken up by the Committee.
- Later in the year the Committee will wish an update on the contract with Aramark for the provision of food service on campus, and will also take up the more general question of funding for “the commons,” items that benefit the entire community but which have a difficult time being justified under the strict cost-benefit analyses of IMG.
- An update and overview on all of the capital projects underway at the University should be provided to the Committee.

Professor Gudeman thanked everyone for attending the retreat and adjourned it at noon.

-- Gary Engstrand

University of Minnesota