

Minutes*

**Senate Committee on Finance and Planning
Tuesday, October 12, 2004
2:30 - 4:15
238A Morrill Hall**

- Present: Charles Campbell (chair), Rose Blixt, Steve Fitzgerald, Joshua Jacobsen, Lincoln Kallsen, Joseph Konstan, Cleon Melsa, Kathleen O'Brien, Diane Parker, Richard Pfutzenreuter, Charles Speaks, Kate VandenBosch, Susan Van Voorhis, Warren Warwick
- Absent: Calvin Alexander, David Chapman, Arthur Erdman, Daniel Feeney, Thomas Klein, Michael Korth, Ian McMillan, Terry Roe, Thomas Stinson, Alfred Sullivan, Michael Volna
- Guests: Michael Berthelsen (Office of University Services), Orlyn Miller (Campus Planning); Senior Vice President Frank Cerra, Senior Vice President E. Thomas Sullivan, Vice President Carol Carrier
- Other: Jon Steadland (Office of the Board of Regents)

[In these minutes: (1) Michael Moore visit to the Twin Cities campus; (2) six-year capital plan and debt capacity; (3) financing graduate education; (4) faculty efficiency]

1. Michael Moore Visit

Professor Campbell convened the meeting at 1:35. Vice President O'Brien asked for a moment to provide the Committee an update on the visit of filmmaker Michael Moore to the campus; she said it would be good to have a statement on the record.

There is in place a procedure for those who must handle requests by individuals to visit campus when the visit would require a lot of planning. Such requests can come from academic programs or student organizations, internally, or from groups that want to rent space at the University. When the issue of Mr. Moore's visit was raised, the question of which track it was on arose; when they learned that it was part of his "Slacker's Tour," a political event, they went with the normal procedure for such events.

Of the \$30,000 cost, \$3000 was for rental of Williams Arena. Other costs included security, televisions in the Arena, and clean-up. Vice President O'Brien said she signed the contract on behalf of the Regents and stipulated what must be provided. There were a lot of questions about the event, she said, but the University followed its standard operating procedure and handled it in the normal way.

2. Six-Year Capital Plan

Vice President O'Brien next reviewed the capital improvement planning and oversight process. There are four stages, starting with potential projects identified by chancellors, vice presidents, deans, faculty, departments, business units, etc., during the compact process. The primary factors are programmatic needs and facility conditions. The second stage is preliminary review and program analysis; criteria include academic priorities, facility conditions, financial constraints, student experience,

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project logistics, and other considerations. The third stage is the six-year capital improvement plan, items that have moved from stage two to stage three; these projects are permitted to begin resource acquisition and do the necessary pre-design and schematic designs. Stage four is approval and implementation: the project is fully funded, pre-design and schematics are complete, it is approved by the Regents (if over \$500,000), and goes into construction.

The six-year plan outlines the next three capital requests to the legislature, sets priorities and direction for continued capital and academic planning, identifies the impact of additional debt, assigns responsibility for fund-raising for a project, forecasts additional building operating costs, and is updated annually. This year it will be presented to the Regents for review in November and action in December. The plan focuses on projects that cost more than \$1 million, or require statement funds/University debt, or have an impact on campus aesthetics or the adjacent community. The capital plan is guided by certain principles: advancing new and strengthening existing academic and program priorities; support stewardship and sustainability by preserving existing infrastructure and repairing current facilities; protecting the health and safety of faculty, staff and students; supporting and strengthening the student experience; and managing long-term financial requirements and future operating costs within realistic resource goals.

On the last point, Vice President Pfutzenreuter distributed a handout with information about the University's debt service, debt service assumptions and ratios, and historical data. He told the Committee the goal, in developing the six-year capital plan, is to look analytically at debt issuance and ratio analyses. He talked about the factors used by the rating agencies and the various ratios that come into play in evaluating the limits of the institution's debt service. In general the University is in good shape, he said, because it has conservatively estimated growth in the value of its assets and foundations. It still receives \$550+ million per year from the state, has high student demand, has reasonable debt ratios, and has strong management. For these reasons, he said, the University can reasonably support the projects in the six-year capital plan that total \$461.3 million in new debt (over the next six years). The plan would require funding a \$30-million annual debt payment, of which \$7 million would come from the state if it supports 40% of the cost of the football stadium. The \$30 million also does not include money from student fees for a stadium or any fund-raising by the units for capital projects (which is required).

Professor Speaks asked how the football stadium fit within the academic plans. He noted that the description of the capital planning process "begins with its academic planning." Mr. Pfutzenreuter noted that there are requests to the state and there are others, non-state items (that include auxiliary enterprises, equipment, the Bell Museum, rowing, etc., in addition to the football stadium). All items in both categories come to the President and ultimately he decides what will be on the list.

Vice President O'Brien next reviewed the six-year capital plan, which also includes the 2004 request (with inflation added to some projects, at a projected cost of about \$7 million, and others combined with the 2006 request). She mentioned that the President is committed to replacing the science classroom building at the end of the Washington Avenue Bridge with a facility that would have large classrooms and a student services site. This is a landmark site, she said, at the cross-roads of the campus, and would be best used for classrooms and services. There will be more programming prepared for any proposed facility. The project would be totally new and would completely replace the existing building. She also mentioned rehabilitation of Shepherd Labs, which would bring geology in, allowing renovation of Pillsbury (for English) and Physics in 2010.

Of the total request, 82% is for renovation and renewal, Mr. Pfutzenreuter said, and only 18% for new construction, which relates to the University's theme last year of preserving what it has and not proposing a lot of new buildings.

Ms. Blixt asked what plans are for Williamson Hall and the space formerly occupied by the bookstores. Ms. O'Brien said that they are doing an assessment of how to solve the water infiltration problem, but several uses of the building are envisioned. The water problem must be solved first, however.

Professor Campbell said he understood how the various indices are used to assess the University's capacity for debt but said he did not know how the debt service would actually be paid. He said there is nothing in the capital plan about an income stream. Absent a new institutional budget model, Mr. Pfutzenreuter said, auxiliary units pay their own debt service and debt service for academic units is 1/3 of the cost, which is shared equally between central administration and the units. The central funds come from reallocation, increased state appropriations, increased tuition, increased internal taxes, etc. Are the Governor and legislature concerned about the evaluation of the University's debt, Professor Speaks asked? Do the ratios or ratings have an impact on the capital request or the biennial request? Mr. Pfutzenreuter said he did not believe those in St. Paul were interested in the ratings or the ratios. It is almost the reverse, Mr. Berthelsen said; if the state believes the University has capacity to absorb debt, it seems to push the University toward financing things itself.

Would the proposal for the football stadium affect what the administration can put into other projects, Ms. VanVoorhis asked? It would not because the administration is not paying that debt, Mr. Pfutzenreuter said. The plan is that the University would provide 60% of the cost and the state would provide 40%, either by paying its share or providing the money for the debt service. The University's 60% includes game-day parking, fund-raising, sponsorships, naming rights, and student fees. In his judgment, the stadium would not have an impact on the projects on the six-year capital plan. There is a theoretical limit to the University's debt capacity, which could be affected by the stadium, but he said he is comfortable with the debt ratios that include the full six-year plan, which includes the stadium. The amount of the debt is less an issue than the ability to pay the principal and interest.

Professor Campbell recalled that he has been in many six-year capital plan discussions and projects seem to fall in several categories: ones that make it up the ladder, as one would expect; those that do not progress at all or very slowly, those that fall off the list, and new projects, surprise entries, that come on the list and advance above those that were already there. He asked what happened to Scott Hall and Peik Hall, which were on the list previously but now are not. What changes the order is the academic priorities of colleges and the administration, Vice President O'Brien said, as well as what they learn about facility conditions. For instance, Kolthoff Hall moved rapidly up the list because of need. Many factors bring a project on the list or slow its progress and involve balancing priorities within academic units.

What he finds most discouraging is how long an item has been on the list for the English department, usually at the bottom (the sixth year) of the request, Professor Campbell said. He said he did not understand how University priorities keep a core department in a shabby facility for so long, across one of the world's great rivers from its library. This situation calls into question the attention the plan pays to global priorities. Professor Warwick noted, on a related point, that the books of Wilson Library are scattered around the state because there is no room to store them; the libraries are key to the University and should be high on the list.

Mr. Berthelsen said that there is an item on the list that is for Scott or Peik Hall, although not explicitly identified as such. He agreed that some items have fallen back or off the list, but surmised that if one looked at the 1998 list, one would find that the percentage of items on the list that was completed would be quite high. Peik and Scott were originally scheduled for 2006 but are now 2010, Professor Campbell observed. Mr. Miller said that was because some things had to get done.

Professor Campbell thanked Vice Presidents O'Brien and Pfitzenreuter, along with Messrs. Berthelsen and Miller, for joining the meeting.

3. Financing Graduate Education

Professor Campbell noted that the Committee has had a lot of discussion of financing graduate education in the past and that it is an important topic. The Committee talked last spring about the cost of graduate assistants. Now a task force has completed a report on the subject that the Committee should discuss because this is a financing issue. FCC asked that the report be sent to all Directors of Graduate Study and members of the Policy and Review Councils; this Committee should try to schedule individuals from those groups to discuss the report. The Provost has also asked the deans for comments, Mr. Kallsen reported.

The report calls for a significant increase in support for graduate fellowships, Professor Campbell said, and that happened at the same time the biennial request was being developed, which includes a request designed to increase the number of graduate fellowships by 35%.

Financing graduate education covers a broad spectrum of students, Mr. Kallsen (a member of the task force) said. The University has 16,000 post-baccalaureate students, less than half of them MA/MS/PhD students—the others are pursuing an MBA, an MD, JD, etc. There is a very different context for each student. This report concentrated on the core, traditional graduate students receiving an assistantship. There are about 4,500 graduate assistants out of about 7,000 students pursuing an MA/MS/PhD. Even within different colleges these students have very different perspectives. In some cases almost all are TAs; in others, almost all are funded by grants or contracts. CLA might see them as underpaid; the Academic Health Center might see them as overpaid. This is a balancing act.

Professor Campbell said the report makes it easier to understand a complex problem. The bottom line is that more money is needed, from whatever source. The report also points out that the University must consider consolidation or closing graduate programs and the use of teaching specialists instead of TAs in others.

Professor Campbell said he was surprised at the reality check provided by the report in dispelling the notion that the University is not competitive with its peers in the cost of graduate assistants. It turns out that institutions face similar problems, and the private institutions are even more challenged with high indirect cost rates, although they do have more money as well. Mr. Kallsen said that the University is not at the top in terms of costs; the individual colleges are more mixed, with CLA near the floor. Mr. Kallsen said he was also surprised to learn that the University spent \$111 million on graduate student compensation (salaries and fringe benefits); some of those funds could be moved around to address pay equity and similar questions. What percentage of the \$111 is O&M money, Professor Speaks asked, pointing out that grant funds cannot be altered. It is about half, Mr. Kallsen said.

This report will be brought back to the Committee in the future for additional discussion, Professor Campbell said.

4. Faculty Efficiency

Professor Campbell next welcomed Vice President Carrier and Senior Vice President Sullivan to the meeting to discuss the issue of faculty efficiency, focused on the point raised by one Committee member earlier in the year:

faculty efficiency may be disproportionately lower in universities than the same people would be in industry, for three reasons, only one of which is "good": a. Deliberate "inefficiency" due to always training new people (students) rather than having a "staff" of trained people; b. Inadequate support--particularly in areas such as administrative and technician support. This is exacerbated by the dual difficulty of getting such support from O&M funds and of charging that support to grants (since it is part of the indirect cost rate base). One might argue that lack of money for seed projects is another area of inadequate support; c. Inadequate managerial training. It seems like we could be a significantly more productive and efficient institution if we were to address some of these issues. Perhaps we'd decide nothing is broken, or perhaps we'd develop a model for better supporting and developing faculty.

Professor Campbell said one question is whether faculty can do as much as they used to or if they are overburdened because things are pushed out to/on to faculty members. The point of the discussion is to find ways to optimize the way faculty do their job.

Professor Konstan said there have been recurring issues at Federal Demonstration Partnership meetings. The FDP is doing a study of faculty evaluating the burdens on them that are caused by government regulations. He also said the Committee should not start with the idea that there was an idyllic golden age, but if there is something faculty are hired to achieve in teaching, research, or training, is there a way they could achieve more of it? There is a lot of faculty time spent on things that others with less education could do at lower cost.

What role does technology play in the question, Senior Vice President Sullivan inquired? With the advent of personal computers, faculty are doing much more of their own writing. To what extent does technology help or hinder the faculty in doing their work? That is a big issue, Professor Campbell responded. For example, technology has put word-smithing into computers so people spend far more time polishing the product than they should.

With respect to teaching, there are now 200 classrooms with the same technology and teaching protocol plus 100 departmental classrooms where departments have installed the same technology, Mr. Fitzgerald reported. That greatly increases efficiency.

This is a double-sided issue, Vice President Carrier observed. As the administration has developed a lot of technology, faculty and staff like having it available, but faculty also find themselves doing things that others did in the past. There is a different model from the past, which some like and some do not. Another byproduct of technology is that people are wired both in their office and at home so that work never stops, Dr. Sullivan commented, and people lose reflective time. At the same time, people who work at home—which they can do—may lose or see reduced collegial and student relationships, advising, and mentoring. The web is a cold medium for those kinds of relationships. He said he was concerned about the drift of people out of their offices. He said he believes people are working VERY hard, but they are not connected in ways that they were in the past.

The fastest-growing employee group is P&A staff, Professor Campbell observed. There is a more clearly-differentiated staff than in the past, with advisors, technicians on grants, and so on. A lot of faculty work has been parsed—a phenomenon about which he was not making a value judgment because it is the way universities have gone.

There are false efficiencies to be had as well, Professor Konstan said, such as the idea one can go through an undergraduate program without advice from the faculty and with all advice provided by advisors. That does not hurt when it comes to curriculum but it may in terms of the bond to the school

and the relationship with the students who become the next generation of faculty. He said he was NOT advocating getting rid of advisors. Students, however, always expect a one-hour response to their email but they do not expect to see a faculty member act as an advisor.

Professor Konstan said he also recently received data from an NSF workshop about faculty in Computer Science (his field), and there may be corresponding data for other fields. From 1995 to 2004, the number of faculty in Computer Science increased from about 2500 to about 4000; the number of proposals from Computer Science faculty to NSF over the same period increased from 2000 (slightly less than one per faculty member) to about 6000 (about 1.5 per faculty member). That is a shocking number, he said. 90% of the proposals earlier were from individual PIs; now most of them are team proposals, which means a lot of faculty are spending time coordinating requests for funds.

A related question the Committee has talked about and wants to address is productivity, Professor Campbell said. There is a recent book by Vedders which claims that productivity in higher education has decreased, but there are serious problems with his research and his methodology. Nonetheless, universities do hear questions from society about how to measure productivity. One sees legislatures asking for indices of productivity. The question of productivity needs to be part of the answer to the questions about faculty efficiency.

Dr. Sullivan reported that he had spoken with the Board of Regents the previous week about program criteria to be used in the strategic planning process; this is one of the issues. The implication is that one can measure output, quantitatively and qualitatively. The more difficult question is the impact. There are a range of measures that focus on the product, Mr. Kallsen said. It is incumbent on the institution to broaden the discussion away from any one criterion.

If one looks at the number of students per faculty member, which is increasing, the University would not want to be measured that way, Professor Campbell said. Quality is central. How does the University get hold of this debate and respond to it? One hears conservative radio commentators claim there is no increase in productivity in higher education, or a decline in productivity, and therefore its funding should be cut. The issue revolves around teaching, and the preparation for teaching, Dr. Sullivan commented; some outside the University do not understand the preparation that is required or that research and service are part of faculty responsibilities and that teaching is only one part of what they do. If one is not in the classroom 6-7 hours per day, they do not understand what faculty are doing. Senior Vice President Cerra had joined the meeting at this point and recalled an article in the newspaper recently that reported that many classrooms are not used on Monday or Friday; he said he did not believe that was true.

There are metrics that can be used in different parts of the University, Dr. Cerra said. For example, in some of the Academic Health Center fields, NIH grant funding is a good measure of productivity. In other areas clinical income per faculty is a good measure. One could use tuition dollars per year per faculty, he surmised, but said he did not know what that would mean. How about degrees per faculty member, Professor Campbell asked? Dr. Cerra said he did not know what that number would mean, either.

The Regents heard about the views of graduating seniors, Vice President Carrier reported, and they demonstrate that the University has improved undergraduate education considerably. The softer piece is how the University is doing. Dr. Cerra said the University does not have a business model with specific metrics that can be applied, so instead it uses surrogates such as national rankings, graduation rates, and so on. It has good denominators, such as graduates or sponsored research, but not good numerators, Professor Konstan said. Dr. Cerra said that there is no single measure; the University must bring together several measures in a way that they complement each other and make sense to outsiders—

if that is the goal—to legislators, business, people on the street. He said he preferred the compilation of metrics as a way to answer the questions. More and more professional schools, he added, are taking a five-year look downstream as part of the accreditation process and employer feedback goes into the accreditation report.

There is a hidden piece to the faculty efficiency question he is concerned about, Dr. Cerra told the Committee: as the University cuts costs, the ratio of staff to faculty to accomplish a task. It is his sense that the University is paring support staff, which raises the question of what faculty are doing now that they were not doing before that affects their productivity. Can that change be captured as part of the information? As one looks at dollars per faculty, or graduates per faculty, or staff members per faculty, it would help to give a picture in the day of the life of the faculty. Dr. Cerra said he worries about this. Dr. Carrier said she has given a lot of thought to this as well as the University laid off 600 support staff.

The question is whether the technology systems offset the loss of people in getting jobs done, Dr. Cerra said. Economists say that is what is happening. That cuts both ways, Dr. Carrier said; faculty using technology-enhanced learning say that it requires a lot MORE effort—more time to plan and deliver the same course. Dr. Cerra concurred and said there are data from the health sciences suggesting that on-line courses take $\frac{1}{2}$ to $\frac{1}{3}$ more work. And the colleges are not calibrated to measure this increase in work, Dr. Carrier added.

The Committee has talked about decision points, the points at which departments decide to spend money, Professor Campbell said. When a faculty position opens because of a retirement, is it ever true that the remaining faculty would benefit from a technology person or secretary or teaching helper rather than from replacing the position with another faculty member? There was talk about this when the University approached the legislature about freshman seminars; some said it was time to argue about staff support needed when the University adds faculty. But the normal bias of academia is to add faculty no matter what else. It is perceived as in the interest of faculty to have more researchers in related areas than to have other kinds of support. Is there a way to evaluate this issue? Dr. Cerra said he believed there are data. If they hire a new faculty member, they know they will have \$300,00 to \$350,000 in new NIH funding or a similar increase in clinical income. One hopes there is the will to build the support that is needed. He noted that there is an academic personnel plan required of each college that came out of the governance system; if there are metrics, they could be used for a thoughtful discussion of those personnel plans. Will the University move in that direction, Professor Campbell asked? Dr. Cerra noted that Provost Sullivan is working on enhancing the capacity of the institutional research arm, and as it evolves it would be possible to move in that direction. There must be a common data set that all work with, not shadow systems, if there is to be consistent evaluation University-wide.

Professor Campbell thanked Drs. Carrier, Cerra, and Sullivan for joining the meeting and adjourned it at 4:15.

-- Gary Engstrand

University of Minnesota