

SENATE RESEARCH COMMITTEE*
Minutes of the Meeting
June 3, 1993

PRESENT: Paul Sackett (chair), Daniel Feeney, John Basgen, Essie Kariv-Miller, N.L. Gault, Robert Jones, Eric Klinger, Susan Markham, Sara Evans

GUESTS: Mark Brenner, WinAnn Schumi, Fay Thompson

ABSENT: Albert Yonas, Signe Betsinger, Anne Petersen, V.S. Mangipudi, Khahn Nguyen

The minutes of the last meeting were approved.

Space Management

Paul Sackett, Chair, asked members to turn to page 29 of the document titled Operation and Maintenance of Facilities at the University of Minnesota Recommended Principles and Practices -- Version: Consultation Draft, April 22, 1993.

Professor Brenner began the discussion by explaining that about one year ago, some of the area managers for facilities began to negotiate with department administrators regarding paying for certain operating costs for their facilities. Some complaints were heard because it occurred that the principle may have been violated that people might have to use grant money to pay for operational costs when in fact indirect costs were withdrawn from their grant paying for those costs. Professor Brenner stated that a moratorium has been placed on that activity but committed to doing a thorough analysis of the problem.

As a starting point, Provost Infante asked for the creation of a committee charged to write a White Paper on this issue. Professor Brenner was asked to chair the committee. The committee identified one difficulty in the operation - the lack of clear definition. The committee grappled with who's responsible for what space and who should pay, he said. Essentially, the committee said that supported space is really those things that are consistent with the direct academic mission of the institution. The second issue the committee grappled with, he said, is if the University is responsible for these "core" activities, then what level of support should be provided - what should the University be taking care besides electricity, etc. The committee agreed that if it was life and safety issues then the University should be doing it - it shouldn't be optional. An example: fume hoods. Professor Brenner referred to a table on page 14 of the document which indicates areas of financial responsibility. The areas of responsibility are: Facilities Management (annual operation and maintenance budget); Facilities Management (special budgets for repair and replacement, fire and life safety, and handicapped accessibility); Departmental (any budget, any fund source); Other University Sources (includes capital appropriations from the legislature and funds from central sources other than Facilities Management). Professor Brenner continued to walk the group through the document, discussing each section briefly.

Moving on to discuss the issue of funding the cost of supported space, Professor Brenner indicated that this

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will be done in phases. Funding adjustments could take up to five years, he added. The recommendations contained in the report proposes no change in the way Facilities Management is financed for the provision of services to non-supported units or for the provision of additional services to supported units by means of a direct charge system. How should Facilities Management be financed for the provision of the basic level of service to supported units? The source of the funds provided to Facilities Management for the operation and maintenance of supported space is a particular concern, cites the report. Currently, these funds are almost exclusively O&M funds, with only a very small percentage (approximately 2%) coming from other recurring fund sources. Professor Brenner explained that the University derives its annual recurring funding from four general kinds of funds: 1) O&M funds, which include both the direct state appropriation and tuition, 2) state special funds, 3) federal funds, and 4) other funds, which includes a broad range of funds from non-state and non-federal sources for a great variety of purposes.

Sue Markham interjected that since 1980 the facilities budget has been eroding. It was reduced 2% every year from 1980 - 1991. At the same time that the State stopped funding the operation of new buildings, beginning in 1986, over a million square feet of space have been added with no operating dollars available. On top of this, she went on, ICR funds that have come in have NOT gone to facilities and yet a major portion of that was collected for the purposes of heating, cleaning and maintaining the buildings. This is a major gap, she said. The actual gap, based on industry standards of what we should be doing at the University is between 12 and 26 million dollars. This is the range of the problem, she added. New facilities will be funded through the budget this year. This will be done through internal reallocation.

Ms. Markham informed the group that the cost for operating research buildings run between \$10 and \$12 per square foot. Non research buildings cost between \$3 and \$4 dollars per square foot.

Moving back to Professor Brenner - he said, we are clearly looking at the use of research support funds. In general, it is the philosophy of a good number of the members of the Research Executive Council, that we really ought to be using indirect costs that collect those funds to directly support research activities and infrastructure plans. The plan that is being implemented is formula funds, block grants, and departmental administrative costs for fiscal year 94 compared to 93 have been reduced by 15%. Money that has been recovered from that has been redirected for two purposes: 1) \$1.25 million towards facilities management and, 2) a one time \$3 million to study the indirect cost rate structure. Auditors will be visiting the University to renegotiate the indirect cost rate. This is expected to take place within the next nine months.

He indicated that he would come back in the Fall to discuss the new set of principles relative to this issue.

Professor Sackett directed the Committee's attention to page 29, second to the last paragraph -currently, we collect \$40 million in indirect, only a very small fraction goes to Facility Management and that \$12.7 million are targeted for annual operation and maintenance of facilities and that the eventual goal is to have the \$12.7 million recovered from the facilities O&M component. Turning to page 30, sponsored activities - what currently happens with this money that we collect in indirect that we are not using for facilities. Professor Sackett went on to say that he thinks this is a key paragraph. The document reads: When the University asked to retain all (or most) of its indirect cost recovery funds, it argued that the funds would be used to expand and to support research activities. The funds have been used in this way (e.g. for required matches for federal funds, for set-up packages for new faculty, and so forth), and the University's research activities have expanded....the question, in his mind is, how are those kinds of features going to be handled? Are we going to deal with the facilities problem by saying that we now have no mechanism for meeting the start up

needs of new faculty?

Professor Brenner responded that this was an important question. He asked, is that the sole responsibility for funds generated by indirect cost or in fact should we be using some of our operational maintenance funds? He added that it is a matter of positioning who is going to pay for what. Everyone agrees that there needs to be funds for set-ups.

One member posed the question of how we deal with