

Minutes

Senate Consultative Committee

April 4, 1991

Present: Warren Ibele (chair), Mario Bognanno, W. Andrew Collins, Bonnie Dittel, Paul Holm, Norman Kerr, K. Darby Laing, J. Kim Munholland, Aric Nissen, Kim Retzlaff, Thomas Scott, Burton Shapiro, Charlotte Striebel, Erin Sutter, Tina Tidrick, Shawn Towle, James VanAlstine, Christine VeLure, Shirley Zimmerman

Guests: Richard Arvey, Senior Vice President Robert Erickson, Geoff Gorvin (Footnote), Senior Vice President Leonard Kuhi, Nick LaFontaine, Maureen Smith, Marilee Ward

1. Reports of the Chairs

Professor Ibele began the meeting by announcing a change in the agenda to permit presentation of the budget principles. He welcomed Professor Munholland to the Committee, who is serving during Spring Quarter as chair of the Senate Committee on Educational Policy and thus also as an ex-officio member of SCC. He also welcomed Professor Bognanno to the Committee, elected to fill the unexpired term of Professor Overmier, who resigned three months early because he is on leave in Norway.

Finance and Planning He then turned to Professor Shapiro to report for the Senate Committee on Finance and Planning. Professor Shapiro noted that the decision on the new health plan has been put off for a year, in large part because of the issues raised by the Finance and Planning Committee. The health plan task force was extremely responsive to the Finance Committee's concerns, he commented, and the task force concluded that there would be insufficient time for organizations to make proposals, or for the University to evaluate them, if it tried to meet the 1992 deadline. There is also a question about whether or not the newly-unionized staff will be a part of the University plan or if they will elect to remain with the State Plan. Permission will be sought from the Regents in April to separate from the State Plan, if it is eventually deemed wise to do so, but without any commitment to that step.

A new committee is being appointed to reconsider the question of the steam provider. It would appear to be more appropriate to have a committee of experts, rather than lay members, but that is apparently not to be the case. Despite recommendations from several University committees and experts that the University move to natural gas and oil, the Regents rejected the recommendation for two reasons: it was more expensive than some of the other alternatives and the process--because it took into consideration environmental concerns in the absence of a Regents policy on the matter. The Regents directed that the bidders have an opportunity to make proposals and that there be a committee appointed to consider them. Professor Shapiro was asked if the Regents will adopt a formal University policy on environmental concerns; he said that there is an ad hoc self-appointed committee to address the issue but said he knows of no formal plan to adopt a policy.

There is a problem with the new athletic facilities; the water table on the site where the new hockey arena was to be located will apparently make the project more expensive--possibly not even feasible. The Assembly Committee on Intercollegiate Athletics will re-examine the proposals.

The Finance and Planning Committee also examined the financial projections for the report of the Task Force on Liberal Education; the report was supported in principle but the administration was asked to identify the source of funds to be used to implement the recommendations.

Educational Policy Professor Munholland reported that SCEP had spent time considering the report of the Task Force on Liberal Education and had forwarded concerns to the Task Force. Later this Spring SCEP will consider a task force to review honors programs--charged to look at earlier reports and make specific recommendations--and also take up teaching evaluation forms. There was concern that people involved in the honors programs had not been contacted about a possible review of the programs; Professor Munholland assured the Committee that nothing thus far has occurred and that they will be contacted.

One student member reported that Wisconsin requires six credits of academic work on another culture; will that be a part of the report? Professor Munholland affirmed that there will be cultural diversity and international perspectives recommendations, although their final form is not yet certain. It will be up to departments to develop such courses; presumably a number of departments could choose to do so.

In response to a question, Professor Munholland said that the participation of two of the student members of SCEP has been very helpful; the other two students have had scheduling problems not of their own making.

2. Discussion of Advisory Groups for Support Services

Professor Ibele next welcomed Professor Richard Arvey, chair of the Assembly Committee on Support Services (ACSS), to report on ACSS recommendations for the creation of advisory groups for support service units. Professor Ibele recalled for the Committee that over a year ago it received a report from the Task Force on Support and Service Units; one of its recommendations was that there be advisory or consultative committees of users to be in contact with units providing services to academic units. ACSS has formulated recommendations on the appointment of those advisory groups.

Professor Arvey began by reporting that ACSS had been asked by the Consultative Committee to provide it with recommendations on how advisory groups should be created. There are many support groups; the Task Force identified 54 such units, many of which were operating in a vacuum. Following the recommendation to create advisory groups, the question became how to form them, how large they should be, and what their role should be.

He then outlined for the Committee the recommendations of ACSS.

Which units should form standing advisory groups? With 54 units, there would be far too many advisory groups if each were to have its own. ACSS believes that only the larger units, and those having the most direct impact on the University's mission, should have standing committees. The smaller units should consider ad hoc groups to deal with problems as they emerge or should conduct periodic reviews.

ACSS had difficulty developing specific recommendations about the composition of the groups; they should obviously include the users and but selection is perhaps best left to the units. Faculty representation, however, is essential, and student representation as well, at least in some instances. The groups should be no larger than 4 - 6 members; larger than that they become difficult to coordinate and schedule.

As far as selection, recruitment, and motivation are concerned, these are problems, especially with respect to the faculty members. The support units advised ACSS, he reported, that obtaining faculty participation has been a problem in the past. ACSS has recommended that incentives be

created, perhaps using their services as rewards (parking, tickets, etc.); this is a solution relied on in private industry. (There was some sense of disapproval that this would be a desirable practice.) (This question, Professor Arvey noted, is really a systemic factor; faculty are not generally rewarded for service.)

ACSS recommends that the standing committees should deal with policy questions and strategy whereas ad hoc committees should deal with emergencies or complaints.

The reporting relationships of the advisory groups is a thorny problem. The past chair of ACSS recommended that they report to ACSS and that ACSS members serve on the groups. The current members of ACSS feel that would be too burdensome even though overlapping groups are effective. ACSS recommends that the groups report to the support unit, which is more efficient but the power relationship requires that there be considerable trust. He agreed that the reports to the service unit should also be provided to ACSS, which would review them. In the case of a serious complaint, a faculty member or student could file a grievance.

Professor Shapiro suggested that there is a parallel with the Physical Plant and Space Allocation Committee, which reports once or twice a year to the Finance and Planning Committee. This helps to insure there is no duplication; it also brings the groups within the governance system. Would it be possible to cluster the 54 support units, rather than only having standing groups for the larger units, so that all of the units have an advisory committee upon which they could rely? Professor Arvey agreed that this should be considered.

How would the groups be appointed, Professor Arvey was asked. He said some already exist, although some rearrangement may be required. How a complaint is filed is a mystery; some come to him, others might go directly to the unit and then to a committee if one does not obtain satisfaction. Professor Arvey concurred with the proposition that there is little information about support services for either students or faculty. The mechanisms for registering a complaint are not well known or delineated.

One Committee member affirmed that there should be a continuing link with the governance system and also urged that support units might regularly use devices to check on customer or client satisfaction. Use of such surveys would reduce the cost of faculty and student time required for committees. There must some mechanisms which the units could use, perhaps with the assistance of a part-time graduate student. There must also be inducements for faculty and students, Professor Arvey responded. This depends on the nature of the service unit, another Committee member pointed out; faculty interact with some units frequently enough that if they could help improve the operation, that in itself would be sufficient reward. If the intent is to keep the customer happy, he agreed, there should be a regular way to assess customer satisfaction.

It was suggested that support and staffing for any advisory groups not come from the service units because the possibility of conflicts or perception of compromise of the advisory group is very real. It was agreed that perhaps a small tax could be levied on the support units, the funds for which would be used to support staff for the advisory groups.

What next, Professor Arvey inquired. Professor Ibele said the long-range interest is in ensuring continuing contact between the users or customers and the service units. SCC would like to hear from ACSS on how the units will be continuously informed about the results of surveys of users and how ACSS would step in if something goes awry. SCC will consider the ACSS recommendations further and provide additional comments to ACSS in the near future.

Professor Ibele thanked Professor Arvey for his report.

3. Discussion of Budget Principles

Professor Ibele welcomed Senior Vice President Erickson and Mr. LaFontaine to the meeting to discuss the 1991-92 budget principles.

Mr. LaFontaine walked the Committee through a series of slides presenting the budget principles; he began by explaining that the principles reflect the Governor's budget recommendations and actions of the legislature that have already taken place. The principles will be presented to the Board of Regents for information in April and action in May.

The University will strive for a balanced budget, which simply means there will be sufficient resources to meet projected expenditures. Mr. Erickson emphasized that central discussions have focused on the importance of using whatever State funds are provided in the least disruptive way possible. The University is trying as hard as it can to avoid the sort of cuts that the Governor has proposed; some preliminary indications are that the University will be at least modestly successful in this respect.

During 1990-91, the 1990 legislature reduced the University's appropriation by \$2.3 million; the University correspondingly reduced expenditures by the same amount. The 1991 legislature reduced the appropriation by \$8.8 million; the administration has recommended that a portion of the central reserves be used to meet that additional 1990-91 reduction. Mr. LaFontaine affirmed that the \$2.3 million was a base reduction while the \$8.8 million was a rescission. The University does have some flexibility in achieving a "balanced budget" in that it can be accomplished over "a couple of years."

1991-92 resources consist of unallocated balances (the central reserves; \$37 million) and expected revenues. There are also "allocated balances," which consist of department reserves carried forward; they consist of revenues generated or previously allocated and are, in many cases, not legislative funds. The budget practice is not to consider those "allocated balances" available for central allocation. The Committee discussed at some length the presentation of the "allocated balances" item and offered a number of suggestions on how they might better be described. It was the strongly-expressed view of most Committee members that these funds must not be perceived as a "free" source that can be used for any University purposes. All appeared to agree, however, that there should be no perception that the University is trying to "hide" anything.

These balances, Mr. LaFontaine noted, have grown by about \$150 million over the last five or six years and are clearly reported and identified in the University's financial report. There is no intention, however, that these departmental balances will be "harvested or taxed" in planning the 1991-92 budget. It does appear, however, that there is prevalent view that the "other people's" money (the State and other University funds) gets spent first and "my" money gets spent second. It is that latter category of (departmental) funds that is growing rapidly. Legally, of course, Mr. LaFontaine noted, these departmental balances are unrestricted funds and subject to the control of the Board of Regents.

There was brief discussion of the projected return, beginning with the 1993-95 biennium, to an average cost (i.e., enrollment-driven) funding formula. Reversion to that formula does not affect the 1991-93 biennial budget. Dr. Kuhi also reported that there have been conversations with various legislative committees and a strong recommendation that the University not return to a strict per-student funding arrangement. What will come out of those discussions is not known.

The 1991-92 revenues (\$635 million) are based on the Governor's recommendations for appropriations and tuition; they do not reflect recommendations made more recently to increase University funding.

There are about \$660 million in recurring programs funded during 1990-91. There will be cost increases in some areas which "will be handed to the University," in spite of the Governor's recommendation to provide no inflationary increases; they include fuel and utilities, library materials, supplies, postage, and debt service. Mr. Erickson added that these increases will total approximately \$6 million, so the actual reduction to the University will be closer to \$30 million rather than the \$23.7 million reduction specified by the Governor. The debt service alone will increase from \$300,000 to about \$1.3 million because new projects are being built and the University must absorb 1/3 of the debt service. (The source of revenue to pay the debt service depends on the nature of the facility.)

It was noted by one Committee member that the \$660 million for 1990-91 does not include any faculty or staff salary increases for 1991-92. The Committee urged that the presentation make it clear, somewhere, that the projected budget does not include salary increases. The foregone salary increases will be a major contribution to a balanced 1991-92 budget. Mr. Erickson agreed to incorporate the figure in the presentation to the Board of Regents.

Thus, for 1991-92, there are \$635 million in anticipated revenues and, carried forward from 1990-91, \$660 million in continuing programs and a central reserve balance of \$37 million. Mr. Erickson said he would add to the \$660 million figure the \$6 million in uncontrollable expenses so that the gap between income and projected revenues is more accurately described.

In considering options for reductions in expenditures, the University could either rely on program reductions ("taking a piece out of the pie," leaving other programs intact) or "object" reductions. Program reductions are typically slower to produce savings, because of obligations to students, research granting agencies, and faculty and staff. They are also very difficult decisions. "Object" reductions in essence reduce the size of the pie--they tend to be system-wide and all programs are affected. Examples include reducing pay or reducing supply and expense budgets. Other forms are opportunistic, such as a hiring freeze. This would produce savings quickly but in a random fashion. Most find these reductions to be demoralizing but they have attraction of producing cash fast.

Could these reductions be spread out, in the expectation that the fiscal climate will be improved? Mr. LaFontaine noted that appropriations restored are not always restored in the same way they were taken away. Once a program is eliminated, the funds do not typically return to restore that program.

Mr. LaFontaine next pointed out that as one considers object reductions, it must be recalled that 75% of the University's costs are in salaries and fringe benefits. Another 10% consists of non-personnel plant costs (such as fuel and utilities, repairs and replacements, physical plant expenses), 5% are non-personnel support costs (such as libraries, computing), and 10% are non-personnel instruction (supply and expense budgets and student financial aid).

In terms of salaries, the objective of the University is to be competitive in the marketplace. The definition of marketplace varies by category of employees; for faculty it is national. The definition of "competitive" is not clear, nor is the importance of total compensation as against salary. One Committee member took sharp exception to the proposition that the only consideration the University

entertains with respect to salaries is that they are competitive. Does not the institution care if it is treating people fairly, if they are happy in their jobs, or anything like that? Are there not other objectives to be met? Mr. LaFontaine agreed that there are. Dr. Kuhl observed that well-paid employees are more likely to be happy employees.

Fringe benefits consist of federally-mandated retirements (FICA), state-mandated contributions (MSRS for civil service staff) and institutionally-defined benefits for the faculty. There is, in addition, the provision of various health care benefits and the recommendations of the Health Care Task Force will need to be taken into account (although probably not until the 1992-93 fiscal year). Removal of the "notch" from the faculty retirement plan will also occur next year (at a cost of slight less than 1% of salaries).

Another possible target of object reductions includes supplies, expense, and equipment (SEE). The University Building Energy Efficiency Program holds significant potential for reducing fuel and utility expense; the University has borrowed money to make changes--which are producing savings--but that initial investment must be repaid before any cash is produced. Some "cultural" adjustments will also be required; at present the University maintains its buildings to be ready for 100% occupancy 24 hours per day, seven days per week. The administration is exploring ways to achieve energy savings by reducing building fan operation during non-peak periods. It was suggested by one Committee member that depreciation of equipment should be included in this part of the presentation; Mr. Erickson concurred. Further, Mr. LaFontaine then pointed out, the University is spending less than half of what is required for repair and replacement so that deferred maintenance continues to accrue. Technology investments remain below those of University peers and library acquisition budget is still inadequate. The administration is recommending that the SEE budget "has long been abused and should be considered a dry well."

Mr. LaFontaine then reviewed for the Committee where Board-allocated funds (as opposed to gifts, grants and some income) are expended. The vast majority of instructional expenditures are Board-allocated (\$358 million), as are a small percentage of research funds (\$52 million), approximately 1/3 of public service funds (\$29 million), and the overwhelming majority of support funds (\$215 million). A very small percentage of student aid funds (about \$6 million) are also Board-allocated. (These do not include the hospital and auxiliary enterprises which are not instructional.)

Program reductions, Mr. LaFontaine next observed, were the basis of the recent reallocation plan. From that experience, the University knows what they are like and how much courage they require. Additional program reductions would be even tougher; the cuts would have to be deeper and the objective would be to save money, not to improve programs with the proceeds. They are also delicate because any discussion of program reductions may not be necessary--depending on what the legislature does; to discuss reductions now may make it almost impossible not to carry through with them. A great deal of damage can be inflicted on a program merely by discussing its elimination as an option.

Revenue options include returning some of the \$8.8 million to the central reserves and perhaps arrest the growth of the reserves. The target for the central reserves is in the range of \$40 to \$50 million; the Board will be asked if that range remains appropriate in light of the Governor's recommendation for deep cuts and the desire to provide "bridge" funding for some of the changes called for in the reallocation plan.

Tuition can also be examined. The University has begun to move to a uniform undergraduate tuition, which the administration recommends continuing. The Governor has recommended a \$6.1 million reduction in the State appropriation, and a corresponding increase in tuition income to make up

for it, for non-reciprocity, non-resident students; that proposal is being discussed with the legislature. The administration will ask the Board to consider a maximum level on any tuition increases and will also remind the Board of the link between increased financial aid and the cost of attending the University. The administration will also provide an overview of the Governor's recommendation on tuition: It has been portrayed as a 3.7% increase but it will actually be more; no one must be misled on the actual impact of the recommendation. Mr. LaFontaine and Dr. Kuhi both confirmed, in response to a query, that the Governor's recommendation will have no impact on the adoption of a uniform undergraduate tuition rate.

The administration recommendations, then, for the 1991-92 budget, are these:

On balances: (1) the central reserve balance, on 6/30/92, should be no less than \$37.5 million; (2) there should be no change in the practice of allowing dedicated unit balances to be carried forward; and (3) that unit balances should be considered in the budget development process. The last recommendation refers to interest payments on the unit balances. At present units are provided interest at close to the 3-year average T-bill rate; units are thus rewarded for accumulating balances. The administration is examining ways, without invading the balances, to adjust, reduce, or eliminate those incentives. In addition, the administration is considering the imposition of penalties on units which incur deficits, such as charging interest on them. There are good managers in the institution who run deficits on Board-allocated accounts and run surpluses in unit accounts--which, as Mr. Erickson observed, is simply good business practice (from the unit point of view). The Committee suggested that the second and third recommendations need to be reworded, because at present they appear to be contradictory.

There are times, one Committee member pointed out, when it is beneficial to permit the unit to accrue interest on balances; funds for endowed chairs are an example. Funds for an unfilled chair position should accrue so that when it is finally filled, the salary which can be paid has kept up with inflationary increases. Mr. LaFontaine explained that the administration is not considering "recapturing" any funds; all changes would be prospective. Another Committee member cautioned that taxing unit balances could lead to more aggressive behavior in seeking Board-controlled funds; a harmony must be found which permits rewards for savings and which penalizes deficits. It would likely not profit the institution, however, if the administration were to become involved in the individual unit balances, which may consist of a number of different internal accounts. Mr. Erickson explained that the discussions are preliminary and pointed out that the present situation is not a normal one in terms of University funding; all of the elements of University funds must be examined. Practices might be changed on a one-time basis or permanently, but the administration cannot overlook any possible source of funding. Several of the Committee members did express support for the proposal to develop incentives for balances and deficits. Mr. LaFontaine also said that they are not talking about endowment funds; Mr. Erickson said the proposal pertains only to temporary investment funds.

The administration's recommendations, continued:

On tuition revenues: (1) maintain current enrollment targets; (2) that development of the single undergraduate tuition be continued; (3) that any tuition rates will be raised to meet legislative intent--but no more--on a permanent basis, and that any excess charges be in the form of surcharges (which would have to be approved every year it was to be imposed); and (4) that individual rate increases for any subset of students increase no more than 150% of the base rate increase (for example, if the legislature mandates an 8% general increase in tuition, there will be no rate that increases by more than 12%). It was agreed that this language needed to be clarified.

On investment earnings: Examine ways to increase the amount of earnings available for Board allocation. It was suggested by one Committee member that presumably this effort has been going on for years; it was agreed that this language also needs clarification.

On expenditures: (1) explore non-program actions that would generate non-recurring, immediate savings, in order to maximize flexibility (which might include early retirements, closing the University for periods); (2) no inflationary salary adjustments if the State does not provide inflationary increases; (3) look to further program reductions as the vehicle to accomplish any permanent State funding reductions; (4) avoid measures which would further erode the non-personnel expenditures; and (5) increase the financial aid budget in recognition of the increase in the cost of attendance.

All of these except the second, one Committee member commented, are just possibilities. Another inquired if anyone seriously thought a budget shortfall of this magnitude could be met without program reductions. Mr. Erickson, while noting that as a newcomer he was probably least qualified to answer the question, said that the general consensus from the discussions has been that further across-the-board reductions accomplishes nothing. It is hoped that reductions can be avoided, but if necessary the University will have to bite the bullet. People are more afraid of more small cuts everywhere than they are of program reductions, it was commented.

Program reductions, it was clarified, would include both academic and non-academic programs. Pay-less days are also a possibility as one non-program action that would generate non-recurring immediate savings.

Legislative discussions, one Committee member reported, have touched upon the surpluses of graduates in some fields and shortages in others; is there any possibility that certain units could be reduced? Dr. Kuhl referred to the impact of the reallocation plan on the College of Education; the College is being down-sized. At present it produces 10 - 12% of the teachers in the State, and there are twice as many teachers as there are jobs in teaching; by reducing the program perhaps that problem can be addressed. There will be a teacher shortfall, another observed, and the problem is a complicated one. Moreover, another observed, the College will continue to graduate teachers--it will just not graduate them at the baccalaureate level.

Professor Ibele told the Committee that these issues would be revisited during upcoming meetings; he thanked Mr. Erickson and Mr. LaFontaine for their presentation.

4. Discussion of Agenda Items for the Senate and Assembly

Professor Collins next reviewed the items proposed for the Senate and Assembly dockets.

Some student members of the Committee indicated dismay that a student appears to be precluded from serving as vice-chair of the Senate. Professor Ibele explained that because there is a vacant seat on the Committee (there is no Duluth faculty representative, because that faculty has opted for collective bargaining and has declined to elect a member of the Consultative Committee), the faculty do not wish their numbers on the Committee diluted even further by having a student serve as vice-chair of the Senate (and thus a member of the Consultative Committee). The Faculty Consultative Committee has been reluctant to abolish the empty seat, or fill it with a Twin Cities faculty member, because it has always been the hope that the Duluth faculty would eventually choose to be represented on the Committee. Each time an overture has been made to the Duluth faculty, thus far, they have indicated they did not wish to have a representative.

Several Committee members expressed an interest in changing the membership of the Committee so that the vacant seat would be filled (inasmuch as the Duluth seat has been vacant for over a decade). The faculty also have relied upon the vice-chair position, another Committee member explained, to balance the representation on the Committee (so that, for instance, when there was no one elected from the agricultural fields, someone from that area could be nominated as vice-chair).

The students will likely nominate an individual for vice-chair of the Senate or they may abstain from voting. The faculty members proposed that the positions of vice-chair of the Assembly and vice-chair of the Senate be divided; the faculty would nominate an individual to be vice-chair of the Senate (and thus a member of the Consultative Committee) while the students could nominate an individual to be vice-chair of the Assembly (who would preside over Assembly meetings but would not serve on SCC). The students agreed to consider this proposal.

5. Report of the Chairs, continued

Mr. Towle reported that the Student Senate Consultative Committee is exploring ways in which it can be less reactive and more "proactive." They are taking up a possible University energy and recycling policy; it was noted that support from Hennepin County for recycling at the University may be reduced because of budget cuts.

SSCC is also concerned about a possible change in the ratio of students to faculty in the Senate caused by the expanding the eligibility of Academic Professionals for election to the Senate. At present it is two-to-one faculty-to-students. It was explained that there is no fixed ratio; there is one student representative for every 1,000 students and one faculty member for every 20 faculty.

Professor Bognanno explained that the forthcoming proposal to expand P&A eligibility (which will not include those who hold Academic Administrative appointments) encompasses roughly 150 additional individuals, in colleges across the University; there would, therefore, be anywhere from 6 - 10 additional members of the Senate. He replied to a question that they had not considered faculty members who hold "T" appointments. Could not the Senate be held to the same size and change the ratio of voters to Senators, Professor Bognanno was asked. If those provisions are to be examined, he said, one could establish relative proportions of the groups to be represented; one could also consider a clause which would reduce the size of the Senate. His Committee, however, was given a much more limited charge, however.

Mr. Towle said he would be willing to bring to the Committee a proposal. Professor Bognanno suggested that before he do so, another proposal from the Committee on Committees be considered, which deals with who should and should not be in the Senate. The Committee on Committees has grappled with this question and will bring a motion dealing with it. It was agreed that the membership of the Senate should be taken up by the Committee--next year.

The Committee adjourned at 3:10.

-- Gary Engstrand