

Minutes*

Senate Finance Committee June 1, 1989

Present: Warren Ibele (Chair), John Clark, David Dittman, Arthur Erdman, Lael Gatewood, Gerald Klement, Gary Kravetz, Cleon Melsa, Rick Revoir, Walter Weyhmann

Guests: David Berg, Mary Bilek, Shirley Clark, Gordon Donhowe, Nick LaFontaine, Geoffrey Maruyama

1. Approval of Minutes

The minutes of the May 4th meeting were approved as distributed.

2. Report of the Chair

Professor Ibele asked the Committee members to reserve September 19th for a retreat for the expanded Committee. The retreat will focus on the capital request.

Professor Gatewood suggested having a meeting during the summer, as soon as possible after July 1st, to meet with members of the committees which are being incorporated into the SFC. Professor Clark asked if it would be possible to distribute a draft agenda for the year to provide an idea in advance of what issues will be coming before the Committee. Professor Weyhmann, next year's chair, said he will begin assembling such an agenda and collecting the supporting documents to bring the new members up to speed. Documents will also be sent to those unable to attend.

3. Indirect Cost Recovery

The Committee discussed Professor Bruininks's proposed revision of the "Principles Governing Allocation of ICR Funds" document. The revision centers on Principle 1, dealing with fixed costs. It changes the language to provide greater flexibility by treating 30% as a goal to be reached gradually, rather than a fixed limit. The current percentage of the budget in fixed costs is about 43%, and it is expected that it will take some time to reach the 30% goal. Discussion concerned whether the inclusion of ORTTA support time may produce an imbalance and whether income from copyrights, patents and royalties are included in cost recovery and whether service units are supported by ICR income. David Berg said that they are not, although this has been proposed and ORTTA does work on patent and copyright applications. It was commented that the University's patent and license application procedures have been expedited, but are still slow.

Several Committee members emphasized that the move toward the desired 30% will be very gradual. With major items such a vibration-free facility and library services included, support of the research support structure will remain very costly. The Graduate School Research fund will be affected

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by the loss of biomedical research grants, and ORTTA costs will increase with its need to rent space. There was considerable agreement that some library and computer costs should appropriately be considered fixed and not divorced from base.

Concern was expressed that the definition of adjusted ICR in footnote 1 ("total budgeted ICR minus legislative offset (if any) and negotiated long-term commitments such as center support or ICR return to units with no 0100 support") raises the prospect that such long-term commitments might negotiate away virtually all ICR income. It was asked whether checks exist to prevent this.

It was noted that the four items listed under Principle 1 (ORTTA, Environmental Protection, Graduate School Research, and Department Administration) should be introduced by a sentence identifying them and explaining their connection with Principle 1. They are apparently legitimate ICR items, but this needs to be clarified.

Several Committee members suggested that guidelines are needed to assist administrators in estimating and identifying costs when developing proposals. Some items, e.g. repairs to laboratories, can't be anticipated and included in a proposal. There is pressure from investigators to reduce indirect costs, and it is necessary to be conservative in identifying costs in proposals for the government.

It was agreed that Professor Ibele will return the document to Professor Bruininks with a letter summarizing the discussion and noting recommended changes and the Committee's concern regarding ORTTA time and the long-term commitments referred to in footnote 1.

4. Budget Recommendation Discussion

Vice President Donhowe and Mr. LaFontaine

Vice President Donhowe distributed several sections of the Budget Plan -- 1989-90 Supplemental Program Funding, Indirect Cost Recoveries, and Source and Application of Funds. He pointed out that the Supplemental Program Funding items are grouped according to goals and the "*" indicates "Academic Priority," and some are also system-wide responsibilities. The Supplemental Program Funding items come from virtually all funds and were previously termed "strategic allocations." The first column, "Needed Funding," expresses annual need, he said. The format does not provide enough columns to distinguish between soft and hard-funded items, and he asked Mary Bilek to read out those which are hard-funded.

After looking over the documents, Committee members raised the following questions.

-- How will receiving faculty from the General College affect the receiving units?

Vice President Clark responded that credit is given for the transfers and receiving units will not be penalized.

-- How the Salary Plan is expressed.

Vice President Donhowe said that the plan takes into account the four columns on the right -- Reserves, ICR, O&M, and Special. The document which goes to the Regents will include salaries.

-- Whether Central Reserves will be healthier than had been projected.

Mr. LaFontaine said that the Board of Regents has approved a new spending plan which went into effect January 1st, which will involve and increase from approximately 1.5 to 4.

It was pointed out that in the Donor Demographics item under Improving Institutional Support the "Donor" and "Demographics" components will be separate. The contract to modify software applies to both, but the Donor files will go to the contractor for maintenance and the Demographics files will be maintained here.

With regard to the "Outreach" item under Serving Minnesota, it was suggested that the Outreach Document be looked at again and discussed with others in the higher education coordinating group. Cooperation in this area could be effective and improve the overall image of higher education throughout the state. Outreach covers extension services, but can be broader.

Under Quality Research, other points of clarification were that the Hormel Institute receives ICR from grants to them but no 0100 funds; Management Information Systems receives funds from an IBM grant; Research Centers functions as a place holder; and Research/Technology Office is hard funded.

Mr. LaFontaine also noted that under Improving Institutional Support, Retirement Liability Funding, applied to people who entered the plan prior to 1963, has been funded more rapidly than necessary, and the negative 1,000,000 figure reflects that. The New Space Operating Cost for Duluth reflects an incentive to energy efficiency.

On the Source and Application of Funds sheet, it was pointed out that rearranging the columns so that Central Reserves and O&M Funds were transposed would keep the hard-funding columns together and clarify the document. It was also noted that a balance forward does exist for O&M funds, but is not printed because it is not available to allocate.

The meeting was adjourned at 5:10

-- Catherine Winter

University of Minnesota