

Minutes*

Senate Committee on Finance and Planning January 15, 1991

- Present: Burton Shapiro (chair), Avner Ben-Ner, Bill Chambers, Edward Foster, Lael Gatewood, Virginia Gray, Michael Hoey, Kim Kantorowicz, Nick LaFontaine, Paul Madison, Fred Morrison, Jeff von Munkwitz-Smith, Roger Paschke, Mary Sue Simmons, Charles Speaks, John Sullivan
- Guests: Senior Vice President Gus Donhowe, Geoff Gorvin (Footnote), Tamara Hanson, Warren Ibele, Ken Janzen (Regents' Office), Geoffrey Maruyama

[These minutes were completed after the tragic death of Senior Vice President Donhowe. The chair and staff of the Committee were stunned by his death and note his passing with great sadness. A memorial resolution will be presented to the Committee at its next meeting.]

1. Committee Action on the Health Plan Proposals

Professor Shapiro opened the meeting by inquiring of the Committee if it wished to take up the health plan proposals once they are drafted. He noted that the Senate Committee on Faculty Affairs, chaired by Professor Ben-Ner, would be taking up the proposal in depth.

Professor Ben-Ner reported that SCFA has several members on the health plan task force and has had a number of discussions with Mr. Donhowe and the consultant and will have more of them. The agreement between SCFA and the chair of the Faculty Consultative Committee is this: The next meeting of SCFA at which the recommendations will be discussed is earlier in the afternoon of the day the Senate meets (on February 14.) Unless there are major issues in dispute which require immediate discussion by a broader group of faculty--at the Faculty Senate meeting on February 14--the recommendations will not be brought to the Faculty Senate until one of its meetings Spring Quarter.

There appeared to be agreement that it would be appropriate for the Committee to examine the financial implications of the plan and that Mr. Donhowe, Professor Ben-Ner, and the consultant would be invited to join the discussion.

2. Purchase of Steam

Professor Shapiro next turned to the question of the purchase of steam. Ms. Simmons reported that the Subcommittee on Physical Plant has been following the issue closely, including attendance by several at the Board of Regents' deliberations. The Subcommittee will meet and develop a recommendation and bring it to this Committee on January 29. Whatever action the Committee takes will then be forwarded to the Board of Regents for their January meeting.

* 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.

Ms. Simmons commented that there appears to be sentiment on the Subcommittee to endorse the proposal to seek a contract with DEI-Arkla but there is considerable debate about the internal option being the back-up alternative.

Mr. Paschke reported that the Board of Regents had heard from all of the companies that had made proposals. Their representatives had raised questions about the University's analysis; a response to those questions has been presented to the Board. The primary question has to do with the coal-versus-gas option; a further report and extensive information will be provided to the Board on this subject before they are asked to make a decision in February. He noted that the Board members have been very heavily lobbied and that they want to be sure that they are voting wisely.

There was brief conversation about the difficulties in finding a site for a new coal plan (the internal plan) and the possible future difficulties in finding a site for ash disposal.

3. Discussion of the Reallocation Plan

Professor Shapiro welcomed Senior Vice President Donhowe to the meeting to discuss the reallocation plan. Mr. Donhowe said he had no prepared remarks; the Committee has read the document and heard the presentation to the Board of Regents. He invited questions.

One Committee member began by reporting that he had heard there is a need for dental hygienists in the northern part of the State. Perhaps the program should not be retained at UMD, but since there is already a program, is there any possibility of transferring the program to the State Universities or Community Colleges? A similar question exists with respect to Waseca, it was added.

Mr. Donhowe responded that the program at Duluth produces about 9 or 10 graduates annually, about half of whom obtain jobs in the Twin Cities. It can be argued that northeastern Minnesota needs access to that kind of program, but it is not a strong one. The logical place for the program would be a technical college; it is the view of the University--UMD--that if a technical college wished to start such a program the University would be cooperative.

Waseca is a different question, Mr. Donhowe said. All but two of the programs have alternates at technical colleges within a 75 - 80 mile radius of the campus; there is no need to create new programs. The two programs not replicated, the so-called horse programs and the "vet tech" program. The latter may find a home somewhere else. No one, however, needs the physical facility; the State is "over-facilitated" generally, particularly in southern Minnesota. This is one factor that drives the unit costs of Waseca so high. The idea that agricultural programs could be congregated at Waseca will then create excess capacity at the community and technical colleges, some of which are now desperately seeking students.

Another Committee member inquired about the time period over which the transfers listed in the reallocation plan would be accomplished and the rate at which they would be made; do the "winners" have to wait until the "losers" have produced the funds? Mr. Donhowe affirmed that the transfers will occur over the period 1991-96, although the President has now said it will be a 3 - 5 year program because there is a need to accelerate the schedule. Precisely when the transfers will be accomplished is

not known.

Mr. Donhowe noted that Waseca, for example, is slated to remain open through June of 1992. Suppose, however, that only 150 students decide to return; there were only 187 program completions last year. If only 150 or 200 return to a campus which has had a headcount of over 1,000, maybe the University would decide to offer scholarships and close it a year early. Whether or not that would be feasible is an open question, but that kind of implementation question cannot be answered until there is a decision by the Board of Regents on the plan.

Mr. Donhowe was asked if there would be a possibility of borrowing from the reserves--because those units slated to receive increases will want to act as soon as possible while those designated to lose funds will want to wait until 1996. He said that such borrowing would be possible--although if the savings will not be achieved for several years, "that is a lot of bridging." Care must be taken with using funds for bridging, he said, if there is any possibility that the schedule will not be met and the savings not captured. It is not possible, at this point, to provide a blueprint of when the funds will be cleanly and completely transferred; the implementation will be difficult "and probably negatively surprising."

Comments from faculty, it was reported, express surprise at the amount of funds to be directed to the Extension Service and Experiment Stations. What programs will benefit, Mr. Donhowe was asked? And what programs in the College of Education will be affected, given its decrease?

Dr. Foster responded that the College of Education is proposing to speed up elimination of undergraduate teacher training. They have already moved to post-baccalaureate programs; this plan will accelerate the process. They are also proposing to reduce the size of some of those programs. (He told the Committee he had been told by a College administrator that Minnesota has 45,000 licensed teachers who have teaching jobs and 45,000 licensed teachers who do not have teaching jobs. There is a surplus of teachers in Minnesota projected to last until 2010. The surplus is not across the board, it was later noted, but varies by field; the College is apparently taking these differences into account.)

Mr. Donhowe said he believed that the Extension Service and Experiment Stations funding reflects the original figures established in Academic Priorities. If so, the intent, Dr. Foster said, is to expand contact between the Extension Service and the rest of the University to draw in talent to address issues of importance to outstate Minnesota as well as to expand telecommunications options for outstate areas.

Asked about the extent to which the reallocation plan is a follow-on to Academic Priorities, Dr. Foster reported that some of the allocations are new. The amounts recommended for CLA and IT exceed considerably the amounts recommended in 1988. The funding proposed for the School of Management was not in Academic Priorities; Biological Sciences has not been funded up to the Academic Priorities recommendations but this document calls for the funds to stay with CLA and IT. There are modifications to the original Academic Priorities recommendations, Dr. Foster concluded, but there is a strong connection with them.

As far as the system-wide initiatives are concerned, Dr. Foster added, instructional equipment was inadvertently omitted and is being included in another of the items (the Undergraduate Initiative). Funds were received for equipment from the legislature, but for this biennium only; the intent is to try to continue that funding through reallocation.

The system-wide initiatives are the biggest gainers but a number of them are not clear. What does the K-12 initiative refer to? Dr. Foster said there are two proposals in that item; one is a math-science initiative, shared by Education and IT; there are others also being considered. He said he did not know the extent to which the funds would be provided to the College of Education.

One Committee member said it should not be thought that the College of Education is being hit hard without its own acquiescence. His interpretation, he said, is that that is not true; even at the time of Plan for Focus the College was considering moving to either a 3+2 or a 4+1 plan for teacher education [i.e., four years of undergraduate education--the BA--plus one year of post-baccalaureate training]. This makes those plans final. It also appears that moving teacher licensure programs to the post-baccalaureate level will be the primary way in which the \$1.89 million retrenchment will be implemented.

Another large reduction, it was pointed out, is in central administration services and operations; Mr. Donhowe was asked where these funds would come from. The number was arrived at, he said, by concluding that 10% of the base budgets of certain administrative and support operations could be moved to academic programs. Part of what will be done is known but part is not--but the commitment has been made that it will be done. He agreed that it is a target rather than identified programs but said it is reasonable to expect that it can be achieved.

Several department heads have expressed interest--concern--in learning about the details of these central reductions. They are apprehensive, Mr. Donhowe was told, because of past experiences; savings identified as occurring at the central level are assumed by the departments. The units must identify funds, in budgets not prepared for it, to carry out essential functions. A caveat, therefore, is that these changes not simply be a case of moving an expense from central to department administrations. That is no saving. Mr. Donhowe said that the administration has in mind redesigning some of the services and how they are delivered. There will be some shifts associated with the new financial management system--the University must change the way it does business. Nor will all of this be accomplished all at once; it may entail simplifying the number of forms used, or the procedures. There may be an initial perception that responsibilities are being loaded onto the local units, he said, but ultimately they will be seen as an advantage to them. There are well-developed ideas about these changes; the details of implementation have not been established.

The University simply must obtain some of the advantages of automation of the system, Mr. Donhowe said; there is no choice.

There will also be a task force, recommended by Coopers and Lybrand, on worker's compensation. The University's worker compensation costs are now about \$38 million annually--and growing rapidly. There will need to be a combination of efforts to tackle that issue. Incentives will have to be provided to units which have high incident rates, primarily Physical Plant and the Hospital. Right now every unit is charged the same rate, "like we don't charge rent." It is not a question of denying benefits, he added, but to make sure people are well-trained to behave safely and to treat this as both a human and cost issue that needs to be better managed. Even small percentage changes in worker's compensation, he pointed out, result in large amounts of money. There are a number of such issues which have not been addressed--it is these things which will be looked at rather than "just simply saying we're going to whack stuff. We aren't going to get very far if we just make the place do with less. We are going to have to redesign it so that we

get productivity increases so we can at least maintain a level of service, if not improve it. For less money."

Asked about what the discussions with the faculties of the colleges would be about (the reallocation document or specific college plans), Mr. Donhowe said he would not be involved. Dr. Foster said the meetings would be devoted to whatever the faculty wishes to discuss, although the President will not be the logical one to discuss detailed planning issues of the colleges.

Of the \$9 million decrease in central administration, Mr. Donhowe was asked, is any part of it related to the possible switch to natural gas through DEI-Arkla. He said there is not.

How were the internal reallocation targets arrived at, one Committee inquired; were they simply a percentage of the base or were there programmatic bases for each amount? Dr. Foster replied that the amounts are 10% of the base, including both the Operations and Maintenance base and the State Specials, with some exclusions (women's intercollegiate athletics, library acquisitions, net State support to CEE--rather than gross income--fuel and utilities, and building repair and replacement funds).

What of the hospitals and men's athletics, it was asked? Dr. Foster said the Hospitals are included as part of the Health Sciences reallocation. Men's athletics is not included because it is not part of either the O+M base or the State Specials.

If Waseca is closed, one Committee member inquired, is there a cost associated with maintaining the physical plant. Mr. Donhowe said there would be. Work needs to be done on this issue; it is probably not helpful to talk about possible alternatives at this point, he added.

The next question had to do with the Research Initiatives Fund--will these be funds allocated by the Research Executive Council and are they related to Indirect Cost Recovery funds? Dr. Foster replied that the system-wide initiatives are only identified with a lump sum is that the details of each have not been fully worked out. There are two different views, in the Cabinet, on how these research funds should be used; one believes they should be part of the Graduate School Research Advisory Committee for faculty research and the other believes they should be used for set-ups for new faculty. Mr. Donhowe affirmed, on a related point, that the University has dropped its request for release of the final \$6 million in ICR offset funds from the legislature, although they will be requested again in the future.

Dr. Foster assured the Committee that it would receive greater detail on the college plans; there will be "case statements" on each unit, with the major plans. Even these will not get down to the level of transferring a particular position between departments.

The question of transfer of faculty when a unit is discontinued--and the degree of consultation with the faculty member--will be taken up by the Faculty Consultative Committee with the President. It has been made clear that the funds follow the person. If so, another Committee member observed, there is no savings except that the receiving unit has a net increase. True in the short run, Professor Ibele said, but if the person elects to leave or retire then the funds are recovered. Or, Mr. Donhowe said, if there is a shortage of faculty in the receiving unit and a surplus in the giving unit, there is a net benefit to the University. Mr. Donhowe agreed that there are no savings if faculty go to a unit which already fully staffed; a variety of options will have to be examined for faculty and staff at Waseca. Dr. Foster pointed

out that the academic salary base at Waseca is about \$2.5 million of the \$6.5 million budget; of that, \$1.5 million is faculty.

Committee members discussed the timing and usefulness of a resolution about the resolution. Mr. Donhowe told the Committee that any statement would be helpful. Speaking only for himself, he said, it appears to him crucial that the Waseca proposal must be retained in the package; if any element of the plan is likely to be changed, it is that one. But it must be kept in the package. If the Regents approve the plan, he said, there was virtually no chance that the decision would be overturned by the legislature; there is no indication of interest on the part of the legislative leadership in reversing that decision. Most will applaud it.

But it is not clear, he said, that "we have that much support for that action [closing Waseca] on the Board of Regents." Most of the comments thus far have been in the direction of tempering the recommendation; there have been few firm statements that "this is the right way to go." There was concern about whether or not the procedures were proper as well as inquiries if Waseca could be taken out of the package and dealt with separately. The plan is also seen as an agricultural/rural issue. If the plan will unravel, it will be over Waseca. If that occurs, Mr. Donhowe warned, "the package crashes."

One Committee member expressed general support for the plan but explained that his only reservations were about the lack of detail on the system-wide initiatives. How that money is spent could make a great deal of difference to the faculty--and to their support.

Another Committee member argued that the Committee should express its support now--early--and make it clear that the support is of the document in front of it. Additional support (or lack thereof) can be expressed as additional documents are made available. He noted that it would be very unfortunate if this document, similar in impact if not detail to the Campbell Committee report, were to suffer from the same lack of support that it had received.

One of the student members inquired whether or not there would be an increase in tuition in the next biennium. Mr. Donhowe said there certainly would be, but any increases would not be affected by the reallocation plan. This plan, he noted, consists of moving internal funds around. The tuition income paid by Waseca campus will be lost, but since the other campuses are running slightly ahead of projected enrollment so that the net impact on tuition will probably be negligible. Increases in tuition will be caused by the continued--planned--decline in enrollment through 1993 (so fewer students will be paying tuition on an instructional budget which will be steady or slightly increased). If there is any appropriation from the legislature, the instructional budget will be increased--so the tuition paid in support of that budget will increase.

Mr. Donhowe also told the Committee that in a budget situation such as the one Minnesota faces, "it would not be surprising to have the legislature debate" whether students should continue to pay 33% of instructional costs or if they should pay more. The University will make no such recommendation, he added.

Mr. Donhowe was asked how much of the burden of reallocation would fall on students in the form of elimination of direct services or student positions and so on. He said they would bear very little of the impact; the principal brunt will be faced by civil service and P&A appointees, primarily (simply because

there are more of them), and faculty secondarily. He also said that the University would work very hard to find alternate positions in the institution for all of the staff; he said he was hopeful that with attrition and alternate locations there would be "very modest outplacement required."

Professor Ibele urged the Committee, at its pleasure, to adopt a statement of support for the plan. He recalled that the legislature has for five years supported the ideas represented by the plan; the students, with concern about tuition increases, have borne their share of the improvement of quality. The institution, however, has yet to make its contribution; this represents only the first step. If it does not do so, the entire effort to improve quality can be dropped.

One Committee member pointed out, vis-a-vis the impact on students, that they would be the biggest beneficiaries--the intent is to put the money where the students are and to fund the Undergraduate Initiative. This is part of the bargain made a few years earlier: The students would pay a little more but the University would improve the quality of the education they receive.

It was suggested by one Committee member that the Committee should act in support of this plan despite reservations about the lack of detail; there will, it was said, no doubt be details which she would not like. A decision to support it should be arrived at because the plan is in accord with Academic Priorities--which the faculty developed--and because it is in line with the many, many discussions that have been held since then.

It was moved and seconded that the Committee endorse in principle the January 9, 1991, document submitted to the Board of Regents, express its strong support for the plan, and urge that this support be communicated to the Board of Regents. The motion was approved 10 - 0 with 2 abstentions. The two abstentions were by students, one of whom explained that he was new to the Committee and was not in a position to make any judgments on the plan.

It was also noted that the Committee will continue to discuss the plan and review documents as they become available.

It was pointed out that one factor which will affect tuition is the definition of instructional costs; the University continues to negotiate with the State about the accuracy of what is included in the definition. The Committee, it was suggested, should have a report on the status of those discussions.

The Committee adjourned at 4:45.

-- Gary Engstrand

University of Minnesota