

Minutes*

Senate Committee on Finance and Planning

Tuesday, June 8, 1993

3:30 - 5:00

Room 238 Morrill Hall

and

Wednesday, June 9, 1993

9:30 - 10:30

Room 238A Morrill Hall

Present: (June 8) Irwin Rubenstein (chair), David Berg, Virginia Gray, Michael Hoey, Karen Karni, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Richard Pfutzenreuter, Doris Rubenstein, Mary Sue Simmons

(June 9) Irwin Rubenstein (chair), Virginia Gray, Michael Hoey, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Mary Sue Simmons

Absent: None were counted absent because the meeting was called on short notice.

Guests: Senior Vice President Robert Erickson (June 8), President Nils Hasselmo (June 9)

Others: (June 8) Ken Janzen (Regents' Office)

[In these minutes: strategic planning (briefly); discussion of and resolution on the 1993-94 budget]

1. Planning

Professor Rubenstein convened the meeting at 3:30 and distributed a revised version of the strategic planning questions, noting that the steering committee had taken into account the comments at the Faculty Senate meeting and from individual faculty members.

The question is who will address the questions, said one Committee member. Professor Rubenstein confirmed that it will NOT be the steering committee that makes the decisions; one possibility is that it will be the President's Cabinet. No one else can, he observed; those with the responsibility must make the decision, with proper faculty consultation.

Agreed, it was said, but proper faculty consultation must be on more than just the questions that the Cabinet then unilaterally answers. When will the Cabinet sit with a broad group of faculty and discuss each question? Professor Rubenstein said he did not have a complete answer to the question; the best answer is that the normal consulting processes will be used. He also pointed out that the University will probably not be able to address, in this planning round, all the questions posed, but will instead have to

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identify the most important ones. The problem, it was rejoined, is that the normal consulting processes have not resulted in much listening or hearing or responding by the administration.

The data-gathering this summer will be important, it was agreed, but the next important step will be to make sure that the three senior officers do not go into a closed room and devise solutions that are not relevant to the institution; the solutions must be ones the institution "buys into." It may be that the only way to do that is to commit a substantial part of the President's time next fall. Perhaps there should be a series of Senate meetings in the fall at which planning is discussed. There is no reason yet to worry that the process will go forward without consultation on the issues--but there is no reason to believe there will be such consultation, either.

2. Discussion of the 1993-94 Budget

Professor Rubenstein welcomed Mr. Pfutzenreuter to the meeting, who distributed to Committee members the 1993-94 budget proposal as submitted by the President to the Board of Regents, the 1994 capital request, and explanatory detail on the "New Facilities/Rents/Debt" and "Other Expenditure Needs" (two expenditure categories that total nearly \$18 million). Mr. Pfutzenreuter briefly walked Committee members through the various kinds of funding upon which the University relies, noting that the current funds occupy most attention.

Mr. Pfutzenreuter noted again that there is an \$18 million deficit that must be addressed.

Committee members then inquired about various elements of the budget:

- Some of the buildings being funded house activities that charge fees (recreational sports, veterinary diagnostic labs, the child care center); does not the fee income pay for the building? (In most instances, the fees are insufficient but are already high and cannot be increased.)
- Funds for the Minnesota Supercomputer Institute are being transferred from soft to hard funds (true of a number of the items in the \$18 million in the "Facilities" and "Other" categories).
- The increase in the expenditures in Mr. Paschke's office are due to the University's responsibility for one-third of the debt service for bonds on new facilities.
- The large number of permanent transfers of funds among units is an attempt to put dollars where they are being spent--rather than being allocated one place and then transferred elsewhere for spending.
- The Morris tuition adjustment reflects the agreement that that campus could retain its increased tuition income; the funds show up on both the expense and income side of the budget. The same is true for CEE, although neither unit is exempt from the 2.64% reduction.
- The funds for distance education represent a new activity, and are not new funds from the

State. The Higher Education Coordinating Board did receive funds for this purpose, and the University may receive part of them, but each system was also expected to do its part. Plans how the funds will be spent are now being developed.

- The funds for CUFS represent new RECURRING expenses.
- The funds for computing access represent not only elimination of the computing fee but also an increased expenditure on access. There is concern that this need may increase in future years.
- UBEEP does not make money; the savings accrue to Facilities Management. The UBEEP expenditures are covered by O+M funds; one can agree that perhaps it should not be housed under Vice President Petersen.
- Provision of tickets to members of the Board of Regents for athletic events will now be funded from O+M funds rather than central reserves. Board members are expected to attend the events.

One Committee member inquired about the relationship of the central reserves to this budget: is it the case that many items were previously funded softly from the reserves and are now being transferred to hard funding? If so, why are the expenditures being hardened when it requires retrenchment to do so? Mr. Pfitzenreuter explained that the Board of Regents and senior officers believe the University must stop funding recurring and necessary activities from central reserves (and the central reserves are projected to have a balance of only \$20 million on June 30).

One Committee member said he wished to depart from consideration of specific items to make a statement. He has talked to a number of people about the budget, he said, and the question being asked is this: If the Governor and legislature had not said there will be a salary freeze, would the administration be making the decisions it is today? It seems unlikely. The reactions of the senior faculty with whom he has talked range from anger to discouragement to a sense of abandonment to a loss of faith and trust in the administration. The junior faculty have started to wonder what kind of place they have joined when they have a salary freeze for two out of three years. No doubt faculty members thinking about coming to Minnesota will not do so.

The University, he continued, received \$36 million in new funding in its base budget, and the message from central administration has been consistent in proclaiming salaries as the top priority. This budget shows the reality. There is an oral priority for salaries, but the real priorities are buildings and central administration.

It is his sense, he said, that the University is first of all the people who work and study here; it is they who make it great, not the buildings. One sees a budget that embodies the philosophical values of the University, and it is clear what they are. This is very frustrating and portends a loss of trust in the administration. One must implore the administration and Board of Regents to consider first the people of the University and not hide behind the Governor's statement about a zero salary increase in order to make other budget adjustments. Some kind of raise is necessary--some amount--to show continuing and prospective faculty and staff that they are the priority of the institution.

Another Committee member concurred with the foregoing sentiments. She said she has been joking lately that she would be better off if she declared herself a building. The more one considers this budget, it was said, the more disturbing it is.

It is difficult to understand, she continued, the point at which one trades off academic programs for the items in this budget. Is UBEEP worth 2.5 faculty? When the legislature allocates funds to the University, it believes the money is for faculty and students and to operate programs; if legislators saw this budget, they would ask questions. Whatever statement the Committee adopts today should be forwarded to the Board of Regents; the Committee should also request a meeting with the President because the message seems not to be getting across. [The meeting with the President was scheduled for the next morning.]

She also urged Committee members to read Regents' Professor Berscheid's letter to General Counsel Rotenberg. It is, she said, a sad and disturbing letter from one of the most distinguished scientists at the University--it illustrates the sad position in which the faculty find themselves. The Committee must also be sure the President sees Professor Berscheid's letter as raising important issues. The letter, added another Committee member, also speaks to the loss of a lot of civil service employees.

Another Committee member pointed to the absence of Vice President Erickson, said that his absence was notable and that it should specifically be noted in the minutes of the Committee. This meeting was announced as one to discuss the impact of the budget, and the finance vice president appears not to be interested. Several Committee members assured Mr. Pfitzenreuter that the sentiments expressed at the meeting were not directed at him.

Further, it was said, when the President says this was a successful budget year, and when his letter transmitting the budget to the Regents says he is "pleased" with the outcome, it is a slap in the face to faculty, students, and staff.

Discussion then turned to the draft resolutions that had been circulated with the agenda. The author, however, said he would prefer to withdraw them, in light of the sentiments expressed at the meeting, and defer to a simpler resolution that could be drafted.

The problem is not with what happened in St. Paul, said one Committee member; the University did as well as it could have. The dismay results from what happened after the appropriation was made; what Morrill Hall has done with it is "appalling." Usually the administration makes the best of a bad situation; in this case, it took a moderately good situation and made it much worse.

Many believe, it was continued, that the faculty are complaining because they did not receive a raise. The faculty did NOT complain two years ago because there was a sense that all were sharing in the sacrifice for the greater good. This year, however, there is no raise along with program cuts--in order to support commissions and buildings. The addition of four budget analysts, added another Committee member, is an affront when programs are being cut.

Another Committee member said that for the first time he has been asked, by 7 or 8 faculty, P&A, and civil service staff members, about contacts in the private sector. These are among the best people in

his unit.

The bottom line that concerns everyone, said one Committee member, is what the zero salary increase represents in retaining quality. The marginal cost to move the University to near the top in salaries is relatively small; Iowa, by contrast, over the last few years has consciously raised its faculty salaries to the point where it is second in the Big Ten--and that decision will have implications for quality improvements at Iowa. The University, by contrast, has been unable to make that commitment.

At the request of the Committee, Professor Rubenstein left the meeting to try to schedule a meeting with the President. There was brief discussion, during his absence, of what the budget would have been like had the \$9 - 10 million tuition shortfall not cropped up at the last minute. Professor Rubenstein then returned and announced a meeting had been scheduled for the next morning. Senior Vice President Erickson also joined the meeting; Committee members who had been working on a resolution expressing strong concern about the budget read it to him.

Mr. Erickson told the Committee that there were not a lot of good choices and that everyone is focusing on the 2.64% reductions rather than the Restructuring and Reallocation plan. Is this what he would like to do? No. But the University must have as a priority getting itself in a situation where it can evaluate its budget. He and Senior Vice President Infante wrestled with a lot of possibilities, he commented, and could not find anything better. The budget problem has been exacerbated by the tuition shortfall, he noted; without it, the \$18 million in budget adjustments would have been easier to accommodate. But there were no good choices, he again concluded.

One Committee member reported that the Committee had looked at the new allocations and was not pleased, especially with the big block sums. They will lead to layoffs in operating programs, resulting in an unplanned reallocation of resources to support units.

Another Committee member said there may not have been a lot of good choices, but better ones could have been made. The choices made take away from the academic mission of the University. Several items, the funding for which is being "hardened," were identified on the list that had been mentioned earlier in the meeting. Units such as Recreational Sports and child care should be charging fees; they are ancillary to the mission and require tradeoffs that are unacceptable.

Mr. Erickson responded that the University has been kidding itself about facilities for a long time and recalled once again that there have been no new maintenance funds since 1986. The problems that have been recurring need to be addressed with integrity, he said. Other adjustments reflect decisions that have been made and approved.

There was also a decision made, rejoined a member of the Committee, to teach history, and that the activity would be supported. This budget retrenches history and a lot of other units across the board without any notion of priority or plan and undermines earlier decisions--in order to support task forces and centers, which most would not see as a priority over laying off TAs. One Committee member urged Mr. Erickson to read Regents' Professor Berscheid's letter; it is a good example of what happens when the University fritters away dollars on the items proposed in this budget.

One Committee member inquired about the role of the Committee and its responsibility to make

known to the University community the elements of the budget and the reaction to them. One Committee member said the Committee tries to represent to the central administration opinions about the budget. While it is a limited group of University members responding to a document, it is not insignificant-- Committee members have heard from others about the impact of this budget.

Most faculty, it was said, will not understand this budget until next fall, when they see the 2.64% reduction going to fund the items in this budget. By the middle of fall, faculty will not be of a mind to answer a strategic planning question about programs necessary to be a quality research university. Faculty will ask how the University can continue to strive to be a second-class institution and not slip any further.

The meeting was recessed at 5:00 until the following morning.

The meeting was re-convened at 9:30 on Wednesday, June 9, with President Hasselmo. Following the meeting with the President, the Committee unanimously adopted the following resolution:

1. We express serious concern about the adverse impact of the budget on the University's quality and the morale of faculty and staff.
2. We urge the administration to commit itself to making all budget adjustments for 1994-95 on a reasoned, planned basis. These allocations should supplement and compliment the existing Restructuring and Reallocation plan. There should be no more across-the-board cuts.
3. We urge the administration to implement the fund for faculty and staff self-development and to increase funding to \$2 million.

A list of potential items to be reduced or eliminated from the 1993-94 budget were provided to the President after the meeting.

The meeting was adjourned at 10:30.

-- Gary Engstrand