

Minutes*

Senate Committee on Finance and Planning
Tuesday, February 22, 1994
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), Mary Askelson, David Berg, David Dahlgren, Mark Davison, Karen Karni, Craig Kissock, Gerald Klement, Richard Pfutzenreuter, William Rudelius, Thomas Scott, Mary Sue Simmons, Dianne Van Tasell, Albert Yonas

Regrets: Fred Morrison, Doris Rubenstein

Absent: William Gerberich, Karen Geronime, Michael Hoey, Roger Paschke, Susan Torgerson

Guests: Senior Vice President Robert Erickson

Others: none

[In these minutes: U2000 financial planning (briefly); budget hearing instructions to units; undergraduate education]

1. U2000 Financial Planning

Professor Rubenstein convened the meeting at 3:20 and asked Mr. Pfutzenreuter to explain the agenda items. Mr. Pfutzenreuter said the U2000 financial planning materials were not yet ready but would be presented at the meeting of the Committee scheduled for next Monday.

Generally, he told the Committee, his office is refining the financial strategies outlined in the earlier strategic planning documents in order to forecast and to do "what if?" modeling for the O&M budget. The efforts are being focused on the elements of the budget over which the University has control (O&M, State Specials, ICR, and the Central Reserves); there are large parts of the budget which are not available for U2000 planning (e.g., the Hospital budget, sponsored funds, private practice plan income). There are not that many variables, he noted: state funds, tuition, the size of the Strategic Investment Pool, the level of inflation, and reductions necessary to obtain a balanced budget. There are KNOWN elements, such as \$20 million in facilities costs for new buildings coming on line and \$38 million in debt for the new steam plant. Assumptions about compensation can be made to see how they affect the model. The effort involves adjusting the variables to produce a plan that can be implemented.

This process is at the earliest stages, Professor Rubenstein pointed out, and the Committee is being brought in for consultation. Given the deadlines involved, most of the consultation needs to take place in the Spring, because the budget recommendations will go to the Board of Regents for action in early

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September.

Mr. Erickson told the Committee that the examination is taking place by fund (e.g., 0100 funds, private funds, ICR, etc.), which he believes makes the most sense. If the Committee has another idea, he said, he would like to know about it early. Committee members briefly discussed with Messrs. Pfutzenreuter and Erickson the advantages of reporting by fund rather than some other way; Mr. Erickson also noted the growth in Foundation income, now at about \$50 million per year.

2. Budget Hearing Instructions

Professor Rubenstein next inquired if Committee members had questions about the budget hearing instructions that Mr. Pfutzenreuter distributed at the beginning of the meeting; he noted that documents were due in the Finance office the previous day. (Some of the colleges even met the deadline, observed one Committee member!)

One concern, said a Committee member, is the amount of time that colleges and departments had; in one instance, the department had 48 hours to gather information and consult with faculty and students. The Senate action called for participation in planning; were other Committee members consulted? No one reported having been consulted, although one Committee member said his college had completed its planning cycle in October and had pulled those plans together for this purpose.

A number of the budget documents are larger than normal, Mr. Pfutzenreuter reported, because they appear to integrate a considerable amount from the planning documents. This will aid the process, he said, and reported that 67 hours of budget hearings with the units have been scheduled.

One can be concerned if the creativity of faculty and staff have been tapped in these efforts. The process of doing so may not even yet have started. But there is nothing like waving \$10 million to get people's attention. The process is relying on the deans to elicit those creative responses, it was said, but the deans may not know how to do so--it is not obvious how that is to be accomplished. Some of the deans have involved faculty, staff, and students, it was pointed out, and they have a lot of other things going on now as well.

Mr. Pfutzenreuter explained, in response to a query, that the budget materials would be reviewed before the hearings; the hearings are an opportunity for the dean to present the major issues, how the college will accommodate the budget target, what the SIP requests are, and so on. After the hearings are completed the final allocation decisions will be made--and they will be much better informed than they have been in the past.

It appears from the handout that the participant list for the hearings "is a cast of thousands," said one Committee member. The likelihood of satisfaction drops with any meeting of more than three or four people; this will be a daunting situation. Mr. Pfutzenreuter agreed that if this appears to be too much, they would have to think about cutting the numbers, but said they would like to try the hearings with those listed. He explained the role of each person proposed to be at the hearings. His role, he said, was simply to keep the discussions on track; others of his staff would serve as recorders. The two senior vice presidents and Vice President Petersen will, of course, play key roles in the final decisions.

Will there be full disclosure before the meetings, Mr. Pfutzenreuter was asked, so that everyone agrees on the numbers? He replied that he hoped there would be no arguing about numbers at the hearings and said that most data problems would be cleared up before the hearings. His staff is now working with the colleges to confirm numbers; they do NOT want to spend hearings trying to reconcile data. Professor Scott noted that he, Associate Vice President Kvavik, and Jane Whiteside have been spending time with the colleges to tie budgeting to planning; Dr. Kvavik will also be at the hearings, so this represents another effort to ensure the numbers are the same. The deans, Mr. Pfutzenreuter said, are being invited to bring whomever of their staff they wish.

One Committee member noted that in one of the budget documents there is discussion of salaries and comparable information from the American Association of Universities Data Exchange (AAUDE). It was pointed out that University of Washington documents, when addressing salaries, looks at the 75th percentile of its peer group. If the University is to be in the top ten, it should not be talking about the mean of the AAUDE schools; it should be considering some measure higher than a mean. Others on the Committee appeared to agree, although it was noted that these are benchmarks in internal documents that have nothing to do with the public or the legislature. It would be useful to be consistent on this issue, said one Committee member, and to get people used to thinking about the type of quality the planning process is seeking to achieve.

After a short discussion of issues related to CUFS and the presentation of tables in the budget documents, one Committee inquired again if the Resource Allocation Guidelines could change if, for example, tuition were set at 4% and the SIP at \$7 million (instead of 3% and \$8.5 million); Mr. Pfutzenreuter affirmed that they could. The compensation changes are extremely unlikely to change but the other amounts remain on the table, he said. They will also do another revenue forecast (largely a function of enrollment) before making final budget recommendations to the Regents; right now, the revenues are satisfactory.

Committee members continued to discuss technical issues related to CUFS reports. The focus of the discussion was on budgeting by object code (e.g., salaries, supplies, etc.). Also noted was the fact that if funds were not budgeted in an object code, increases on those funds (for salaries or supplies & expenses) were not provided. Inasmuch as the vice presidents hold funds for later use by the colleges, they were increased. Budgets need to be set up earlier; inasmuch as increases were delivered on the basis of salary budgets on January 4, 1994, there were a lot of funds that did not receive increases because they had not been budgeted. It is to be hoped, observed one Committee member, that people have learned their lesson. This occurred only in a few vice presidential areas, Mr. Pfutzenreuter cautioned, and he is meeting with area class managers (e.g., for collegiate units) to make sure the rules are understood and that no games are being played.

The numbers on equipment depreciation, according to the documents provided to the college, "are horrendous," observed one Committee member. They observe, for example, that "the University owns equipment for which it paid \$476 million (all funds). This asset is depreciating at a rate of \$58 million per year." The point that must be made, Mr. Pfutzenreuter said, is that some departments are setting aside funds for equipment replacement--but there are many that are not doing so. Equipment replacement is a serious problem. There needs to be a way for departments to save money and they need to be encouraged to do it; internal service organizations use plant funds, for example.

Mr. Pfutzenreuter had to depart at this point for a meeting at the legislature but affirmed, in response to a question, that the only route to the SIP, for an academic department, is through the dean of the college. The discussion continued; where does that leave interdisciplinary programs, asked one Committee member? It is not clear that has been thought through, said another; the SIP is proposed to exist into the future, and a proposal not funded one year might be funded the next. The administration, it was added, must be on guard against the idea in the academic community that the senior officers already know how the SIP funds will be spent. That is not the case, and the money will be spent through the units.

The supplemental request to the legislature has projects attached to it, it was pointed out. The University would have to spend the money in ways it proposed, said another Committee member, but to the extent those items overlap with proposals for the SIP, it could reduce the demand on the latter.

The point of having budgets and accounts, observed one Committee member, is to improve resource allocation to the units. It has also been argued that it is important to do program budgets. Do CUFS object codes also carry program numbers? How is program budget accomplished? Do colleges, for example, in presenting budgets, have an idea of what their teaching load will be? Enrollment, it should be understood, does not equal teaching load. It is possible, said another Committee member, to identify both function and object in CUFS, although not perfectly. For example, if the directions to a college are to increase freshmen admissions, the dean might need to increase the number of sections. There have been estimates made of enrollment demands and where they will occur, so colleges do have some advance warning.

One Committee member then inquired about the role of the Committee in these proceedings. What is the responsibility of a Committee member when budgets are discussed? That is not clear, nor is the Committee's role. Is it a sounding board? a source of information and consultation? a watchdog? As facts come to the Committee on how budgets are established, and involvement in the process--without laying blame or fault--is the Committee able to do what it wishes? What are its goals? Participation at the unit level seems uneven.

One Committee member, expressing his own perspective, said it was his obligation to bring a perspective from his part of the University to the discussions--although not to REPRESENT any part of the institution. Students on the Committee, for example, do not REPRESENT students; they should bring a student perspective to the discussions.

One should also not be too harsh on the planning process. This is the first time through; there will be opportunities in the future for expanded participation. The planning effort this year has been foreshortened because of the schedule and the tremendous amount of work needed. Next year, with the proper lead time, it is to be hoped people will realize they have to get at it and that they will understand what it expected. "I believe in the planning idea," he said; if one can say where the University should go, what is necessary to get there, how, and at what cost, slowly the institution will change (he hoped for the better).

The planning process has been consistent in its goals and principles, observed another Committee member, and it looks beyond the next year. University planning is like trying to turn a flotilla--there are a lot of craft and what is needed is the fleet heading in the same direction. Fundamental directions are only

changed over a period of time, and they are set by the Board of Regents. The process itself must take place in departments and colleges--they must do the basic work and must tie planning and budgeting together. This is also to be a continuing process and is to be built into the way the University does business. Also to be built in is the participation of faculty, staff, and students, which will be easier in some units than others.

One Committee member said that the Committee consults, asks questions, expresses opinions, but that decisions are made elsewhere. But the Committee's opinions appear to be listened to. Another observed that the person who has the responsibility must make the decision; the Committee can provide perspective, but in the end the decision must be made by those with the responsibility.

Mr. Berg, who recounted that he has been associated with the Committee for nearly 25 years, said he has been struck by the fact that people on this Committee think about their role. In response to the earlier itemization of responsibilities--sounding board, consult, watchdog--he would say the Committee does all of them. The only thing it does NOT do is make decisions. And even with respect to the last, that is not to say the Committee does not affect decisions. Moreover, no one thinks of everything, and one of the most valuable contributions of the Committee has been when it informs the administration it doesn't know what it's talking about.

One Committee member asserted again regret that the opportunity to exploit faculty and student creativity in planning has been missed, even though this Committee has pushed the idea hard. Another Committee member cautioned that the opportunity will recur. If the University does not maintain its commitment to a continuous process, it was said, a lot of people have wasted a lot of time.

Trying to get faculty and students involved is difficult, reflected one Committee member. And faculty, it was said, are more sensitive to the need for student involvement than students might think, but in the departments they are often at a loss when it comes to involving undergraduates (obtaining graduate student participation is a little easier). One student member of the Committee concurred with the observation, noting that students may go to the department no more often than necessary to obtain a signature. It isn't clear how to involve students, but they do need to know that they can change things. Nor is it likely that the students who participate in governance are average students, it was said, but it is the views of average students that would be helpful.

In one view, it is nice to be on this Committee, it was said, because one can have an opinion without responsibility. But the Committee DOES have a responsibility to have a clear opinion that is helpful to the administration. A few years ago one sensed that the budget was prepared on a wing and a prayer, and often late; the idea has been to turn the process around, and that is happening. It is not wrong that not everyone has been involved this time. There needs to be a change of mindset--that planning is important and it affects budgets. Service on this Committee is a marvelous learning experience; it provides a perspective on the entire University's budget. One senses that the Committee is heard, although its views are not always accepted, which is fair enough.

One Committee member said the Committee should emphasize planning over finances because it is unlikely to have much influence over finances. The Committee also needs to take time to discuss critical issues--and undergraduate education should be very high on that list of issues. The University can continue to offer undergraduate education, or not; if it is to continue, it must do it well. There will be

competition.

One can be skeptical of the ability of large institutions to innovate on their own, but innovative things must be done in the delivery of undergraduate education. This Committee, along with SCEP, should deliver ideas to Morrill Hall; it seems that the University lacks good ideas. And someone in Morrill Hall must say that undergraduate education matters.

Another Committee member pointed out that President Hasselmo has emphasized undergraduate education since the day he became president; it is clearly an issue he is concerned about. The Board agrees, in that one of the five strategic directions of U2000 is about improving undergraduate education. All of this is a substantially different set of messages than those being delivered a few years ago. The President sees the Undergraduate Initiative as an early major effort, and it is being steadily accomplished--and it has profound implications. The University, moreover, is not alone; this is a fundamental question being addressed by every university in the country because of a sense that the undergraduate mission has gotten short shrift.

If the University is serious about change, it was said, its reward system must recognize those who deliver quality undergraduate education. That is not always the case at the present, and making the change will require courage on the part of key people in Morrill Hall. But it is required if undergraduates are to receive the education they expect from the University.

A recent article being circulated by Dr. Infante, said one Committee member, argues that if the universities do not do their job in undergraduate education, others will, especially given the electronic information highway. In the past, accreditation has protected institutions of higher education, but that protection will fail if others can demonstrate that student outcomes are as positive from education outside universities.

Another observed that if the incentives of the University are not changed, nothing will change, and right now none of the incentives are to produce quality undergraduate education. If this is a planning committee, it is the right place to discuss possible changes.

The Committee should discuss the key issues in undergraduate education, it was said, and if it has the courage, it should go on record with the administration and Board of Regents about what needs to be addressed. There was strong consensus that a joint meeting with the Committee on Educational Policy should be scheduled to identify those needs. The University has also been fighting against being bludgeoned by the graduation rate data, it was said by another, and some of the best discussions have been about why graduation rate is NOT important; it would be desirable to get back to ideas and incentives.

Professor Rubenstein agreed to talk with Professor Heller about scheduling a meeting to start the process of improving incentives for undergraduate education. He then adjourned the meeting at 5:05.

-- Gary Engstrand