

## Minutes\*

### Senate Finance Committee March 2, 1989

Present: Warren Ibele (chair), David Dittman, Arthur Erdman, Lael Gatewood, Gerald Klement, Cleon Melsa, John Tackett, Walter Weyhmann

Guests: Neil Bakkenist, David Berg, Trish Beuhring, Mark Brenner, Shirley Clark, Ed Foster, Gayle Grika, Nick LaFontaine, Maureen Smith

#### 1. Minutes

The February 2 minutes were accepted as written.

#### 2. Financial Management Systems

Guest: Nick LaFontaine, Director, Budget Management

Mr. LaFontaine distributed a document titled "Integrated Financial Systems Plan." Touche Ross and Company, hired as consultants to develop a new financial system, prepared this plan to be consistent with the Blue Ribbon Commission recommendations. American Management Systems Inc., a company that comes highly recommended by other academic institutions, has been contracted to provide a more in-depth look at their Financial Management Data Base system, though a full commitment to this vendor has not yet been made. If selected, AMS will be under contract to provide training and support for system use on all campuses. There will be a 90-day period beginning this spring for technical and functional evaluation of the system.

The Committee asked several questions relating to the proposed computer system on the subjects of compatibility, training, security and financial system as a whole.

Several Committee member's comments touched on the question of whether the use of the new computer system would substantially change current modes of operation. If it would not, it was generally noted, a new system would not be worthwhile. Many transactions would be conducted differently, Mr. LaFontaine said.

The Committee's response to the proposed system was positive, and the discussion concluded with the observation that the primary obstacle in following through with this system will be financial constraints. Mr. LaFontaine said that the best time for the next consultation on this topic with this Committee will probably be May.

#### 3. Tuition Report

Guest: Director of Budget Management Nick LaFontaine

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Mr. LaFontaine began by distributing a letter from President Hasselmo in responding to the report presented by the Task Force on Tuition. He then noted that three of the recommendations from the report: a single upper division rate, the elimination of banding, and the pricing of post-baccalaureate programs at a rate higher than undergraduate rates, will be studied further.

He then distributed photocopies of an overhead presentation of the tuition study which provides a background for the decisions that the Committee made. Mr. LaFontaine noted that the graph on the second page exhibits a comparison of Minnesota with other institutions in the funding of public higher education. In 1978 the funding by the state of Minnesota was higher than other states, but by 1988 Minnesota was equivalent with the national average. In the national context, Minnesota has an above average taxpayer effort, an above average portion of the State budget goes to higher education, and a high participation in public higher education. Minnesota chooses to provide access to higher education through generous financial aid as opposed to low tuition.

The Task Force recognized, Mr. LaFontaine said, that tuition increases will need to be accompanied by increases in financial aid. President Hasselmo has asked that more avenues be explored for mitigating tuition increases. He then discussed the remainder of the report with the Committee. The Committee offered the following responses:

- The recommendation for a single upper division rate in the report is followed by a statement allowing for changes to be made at the discretion of the Board of Regents. The second statement is unnecessary as it is already understood that the Regents can make exceptions, so this statement serves only to open the door to others.
- Perhaps a good argument could be made that higher cost programs should require higher tuition. The higher cost programs usually result in higher salaries when students graduate.
- Students are not transferring to upper division programs when they should and the discrepancy shows particularly in the St. Paul campus. That campus is being under-utilized, so tuition prices need to be structured to offer incentive--better advising if transfer, for instance.
- Perhaps the fact that there are so many cells contributes to the inequities in tuition for students in the same courses. Upper division students in IT, for example, pay more for Humanities courses than CLA students.
- A full time student, who is most able to pay, is being subsidized by part time students, or those who are least able to pay.
- Another reason for banding, besides the intent of equity, is the incentive of getting through school quicker by taking more courses each quarter. (Disagreement with the rich/poor argument was expressed by other members of the Committee.)
- Though there is a recommendation for higher post-baccalaureate tuition than the undergraduate rate, it does not address a formula for determining that rate.

One Committee member inquired as to the reason that students are taking so long to earn a degree

was asked. Mr. Berg said that a study of Minnesota students that was conducted last year showed that, according to the students interviewed, finances presented the main barrier to graduating within four years. For other students, finances were not a primary consideration; they just preferred to take time off en route to their degree.

This discussion concluded with Professor Ibele's observation that the state of Minnesota needs to realize the value of investing in education.

#### **4. Support Services Report**

Guest: Neil Bakkenist, Assistant Provost, Support Services and Operations

Mr. Bakkenist began by distributing an update to the 1987-88 Support Services and Operations Annual report, which all Committee members received. He highlighted the reports, audits and reviews outlined at the beginning of this supplement, which are all available for review, as well as the updates on project initiatives that were mentioned in the Annual Report.

There followed some discussion on several items, including the transit way linkage. This is a linkage between the St. Paul and Minneapolis campuses along the railroad right-of-way that will be developed for the exclusive use of University buses. There will be two large parking lots along this roadway. This linkage will be positioned by the railroad tracks. The matching funds have been released from the federal government after twelve years of work on the project.

Mr. Bakkenist was asked why the bookstores lose money on textbook sales when textbooks appear to be priced at very high rates. Money is lost on textbook sales, Mr. Bakkenist said, because the cost from publishers has increased tremendously each year. 15% is added to cost in pricing the books for sale, but the overhead costs for bookstore operations is 19-21% above that cost. The profit for bookstores, then, is made on soft goods and computing. One Committee member observed that the 4% profit on computer goods is really unjustified in that it is a product that can be sold with little interaction with the buyer. The Microcomputer lab, on the other hand, is underfunded and over-subscribed. Mr. Bakkenist noted that these two operations do work together already to a certain degree, but agreed that this discrepancy warrants further consideration.

Mr. Bakkenist emphasized that the profit margins have been set at minimal levels, but are still realistic. Rationale for various profit margins were discussed at some length. The discussion concluded with an overview of Support Services and Operations' administrative structure.

#### **5. Civil Service Survey**

Guest: Trisha Beuhring, Director of Personnel Research

Dr. Beuhring distributed a brief summary of the survey design. The survey, she told the Committee, will sample 1000 civil staff members, system-wide, with appointments of 75% or more. Respondents will be asked questions relating to their satisfaction with salaries, training, job security, development opportunities, supervision, and benefits. Approximately half of the issues are items on which deans can take direct action based on survey results. The survey results will offer some indication of unit differences as well as overall staff attitudes. The survey will require a 2/3 response rate for the results to be considered representative. The Minnesota Center for Survey

Research will be in charge of collecting data. Dr. Beuhring emphasized that Personnel does not see this survey ending with a report, but rather action on key issues that it identifies.

Dr. Beuhring was asked why questions relating to job classification do not appear in the survey. She said that job classification will be considered, but that salary decisions are made at a collegiate level.

Further discussion addressed difficulties associated with asking employees if they considered their salaries to be "adequate." It needs some provisos, it was suggested, such as whether the salary is adequate within the context of the University budget or in relation to inflation.

Professor Ibele observed in conclusion that the primary problem is that civil servants at the University appear to be earning less than their counterparts working for the State.

## **6. Emergency Bonding Bill**

Provost Clark distributed a letter from President Hasselmo and a memo from Associate Vice President Ed Foster asking for review and consultation of items listed for a possible "emergency" (i.e. small dollar amount) bonding bill. Attached to the letter was the proposed list as well as a memo from Dr. Foster describing the rationale for the items that were chosen to be included in this list.

The Committee's questions centered around discrepancies between the legislative request and the items proposed for this emergency bonding bill. Those choices were constrained, Dr. Foster said, by the priorities that were specified by the legislature for formulating this list. Items had to be justified in the terms of this criteria and effort was made to include as many items as possible from the initial request within these guidelines - which ranged from health-safety concerns as the primary consideration to the University's mission. The concern remained within the Committee, however, that submitting such a list would undermine the validity of the initial request.

Provost Clark expressed her concerns about the incongruities between the Capital and O&M requests, saying that further attention will be given to reconciling these two lists in the future.

Concerning the Capital request, one Committee member offered the prediction that each year there will be a critical emergency item that will take precedence over other maintenance items. The inclusion of the Duluth Campus Center in the Emergency Bonding Bill list was noted as inappropriate considering the many 65 year old buildings on Twin Cities campuses that are badly in need of repair.

## **7. Options for FY 1990 Budget**

Dr. Foster told the Committee that previously-made commitments were taken into consideration in the formulation of this contingency budget. The figure that President Hasselmo delivered to the Legislature for what it would take to keep the University operating on a "standstill" budget, Dr. Foster said, was \$87 million over the biennium. This amount includes O&M items alone.

The observation was then made that several differing numbers have been offered by central administration in recent weeks as the amount that would keep the University operating on a standstill budget. The University could make a far stronger case to the Legislature if it could settle on a number and stick with it.

Provost Clark noted that at this time a primary consideration is to avoid putting the University in a position in which it would appear that it could manage with an inadequate allocation, while at the same time preparing for that eventuality. She added that there might be a need for a special meeting to consult with SFC on the budget.

The meeting adjourned at 6:15.

-- Kelly Craigmile

University of Minnesota