

Minutes*

**Senate Finance and Planning Committee
September 26, 1989**

Present: Walter Weyhmann (chair), David J. Berg, Carol Campbell, John Clark, James Coad, Gwain Davis, David Dittman, Lael Gatewood, Virginia Gray, Senior Vice President Leonard Kuhi, Nick LaFontaine, Cleon Melsa, Charles Speakes

Guests: Assistant Vice President Mark Bilek, Senior Vice President Gus Donhowe, Steven Ebel, Associate Vice President Edward Foster, Associate Vice President Clinton Hewitt, Ken Jansen (Regents' Office), Matthew Kirkwood, Barbara Muesing, Kathy O'Brien (President's Office), Rick Revoir, Ron Webb

1. Announcement by the Chair

Professor Weyhmann began the meeting by announcing that he would not be serving as chair of the Committee. He told Committee members that he had accepted a 40%-time position as Associate Dean of the Graduate School; because of the possible conflicts of interest, as well as the time demands, he did not believe it would be appropriate to continue his service as chair. He would, however, fill the role until a new chair has been designated.

2. Approval of Minutes

The minutes of the meeting of June 1, 1989, were approved as written.

3. Instructional Cost Study

Professor Weyhmann welcomed David Berg from Management Planning and Information Services to the meeting to review the Instructional Cost Study which his office had prepared. Mr. Berg explained to the Committee that the Study analyzed the cost of instruction by college, department, course level, and so on. Originally the study was produced in response to a legislative inquiry about costs of instruction; once produced, there was a notable lack of legislative interest. Mr. Berg commented that the interest appeared to have been more in the fact that the University didn't know the cost of instruction than in the actual costs themselves.

In recent years, however, the State has shown a marked interest in the cost of instruction. The legislature wanted a uniform system of measuring costs; it adopted, with very little change, the system developed by MPIS starting in 1979. The Study has been done almost every year since 1972 and now serves as the basis for legislative cost analyses of the University.

Mr. Berg explained briefly that the cost of instruction includes department research--if a faculty member receives University support funds for working on research, that expense is counted as instruction.

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Done throughout higher education in the state, it is seen as part of the cost of acquiring quality in faculty for instruction. He noted that among the systems this cost was highest for the University--and well understood at the legislature.

Mr. Berg then walked Committee members through several tables in the report. He pointed out that in terms of constant dollars per FYE student (Full Year Equivalent; page 37) for the entire University from 1973 to 1986 the numbers had ranged from a low of \$3636 in 1983 to a high of \$4204 in 1977. In 1988 the amount was \$4300; unaudited figures from last year suggest that the figure will be up another \$370--which says, Mr. Berg told the Committee, that the University's goal of cutting enrollment but holding steady or increasing funding is beginning to succeed. Over the entire period covered by Academic Priorities (through 1992), the funding per student should increase even further.

After he had responded to a number of technical questions about the data, Mr. Berg was thanked by Professor Weyhmann for his presentation.

4. Discussion with Senior Vice President Donhowe

Professor Weyhmann welcomed Mr. Donhowe and Associate Vice President Clinton Hewitt to the meeting and explained that he had in mind three topics for discussion: Questions about the capital request, the status of building projects, and review of the report on utilities (the Cirrine report).

Capital Request On the capital request, Mr. Donhowe told the Committee that the \$10 million for life and safety would be used primarily for hazardous waste disposal. That request, plus the 13 buildings for which funding is being sought, constitute the "final" list. Other information will be provided to the legislature, documenting the needs, but is included only to inform the community of the enormous number of needs--which are far beyond what one could expect the legislature to fund over a reasonable period of time.

Current Construction Mr. Hewitt then reviewed with the Committee the "Physical Planning and Physical Plant Projects-in-Process" handout. It contains, he said, a listing of the 155 projects currently underway, of which 104 are under construction at a cost of \$98 million. None of them are less than \$50,000, of which there are another 75-80 such projects. Mr. Donhowe and Mr. Hewitt explained that items under \$50,000 do not require explicit approval of the Board of Regents, those over \$50,000 but under \$100,000 must be itemized, and those over \$100,000 require separate Board action. Fallout from the Eastcliff remodeling, the requirement of Board approval has slowed down the process and has put building construction on too tight a leash.

Committee members touched briefly on a number of other issues with Mr. Hewitt: the hazardous waste holding site and community involvement in the process for selecting a location (an explosive issue, but the process of consultation is one the University supports); a change in responsibility for asbestos removal from Physical Plant to Environmental Health and Safety (the question is whether or not EHS can respond to all the requests and the charges that may have to be made to departments); and Memorial Stadium (the only decision made has been that it will be demolished, and options for retention of the memorial itself are being considered; it was also pointed out that there is a considerable amount of assigned space under the stadium bleachers for a unit of the Medical School).

Utilities Study Mr. Donhowe described the background to the Cirrine report: That it had been commissioned after a request for a huge amount of money for utilities had been made without much advance notice to the Regents or the legislature. That request had led many to believe that a more thoughtful study was needed, hence the Cirrine report.

There are three pieces to the report, he told the Committee: air conditioning, electrical distribution, and steam. In summary, he said, the report said the University has the least desirable air conditioning system; it is unique to individual buildings, which is not efficient. The same tonnage, looped and connected, could handle the entire campus. The electrical system needs a substation to support the health sciences. The steam system has sufficient "design capacity" (when everything is working) through the year 2000, but lacks "firm capacity" (to continue operating if the system loses its biggest boiler on the coldest day).

Mr. Donhowe said that one big decision is whether to buy steam or to build our own plants. It is estimated it would cost \$170 million to build; there are several third parties interested in selling steam to the University. The group which handled the sale of the Energy Center in Minneapolis has been retained to help the University consider its options, because that group has the capacity to do financial analysis, it has engineering competence, and has negotiating ability. There will, he added, be nothing in any request to the legislature until the options have been sorted out. The University does have a small window during which it can consider what it will do.

Fund-raising Committee members turned their attention to the status of fund-raising efforts linked to the construction of several buildings (Ferguson Hall, the new Recreational Sports Center). Music has a reasonably good chance of raising the money; Recreational Sports, at present, does not, and since a commitment has been made to spend the money, Mr. Donhowe said, it may be necessary to go the Reserve Funds--which would be contrary to all policies governing the uses of those funds.

1989-90 retrenchments Professor Weyhmann explained that the Committee wished to know if Academic Affairs or Finance had any grasp of the impact on departments of the civil service and faculty salary increases which had to be carved out of department budgets. Assistant Vice President Bilek said that some units have borrowed money to cover retrenchments but that there were no data from the colleges on the salary increases. Nor, she said, had they been asked to tell Academic Affairs how they accomplished the required increases; she speculated, however, that the money most likely came from unassigned instruction and from vacant positions.

A question was raised about the outstanding service awards for civil service staff: Would not those departments which have outside income sources be in a better position to make the awards, thus helping morale, than those departments which did not and which were already stretched thin? This would lead to differential treatment of employees, depending on their units. It was pointed out that this was not an entitlement program; that deans might spend all available funds on other items anyway; the fund balances of the colleges suggest that all of them could provide the awards if they wanted to.

It was suggested that there might be value to tracking retrenchments and the impact of salary increases on departments--value to knowing how the units met their responsibilities (across-the-board, capriciously, with retirements and resignations, etc.) and whether or not the decisions were consistent with the college academic plans. Mr. Donhowe agreed that if reallocation as a basis for funding salary

increases is to continue it will be useful to know the repercussions.

Professor Weyhmann thanked Mr. Donhowe and Mr. Hewitt for meeting with the Committee.

5. Committee operation, 1989-90

Professor Weyhmann said he would meet to discuss the schedule with whomever is chosen as the next chair. There should, however, be a regular schedule of presentations on certain items, such as Indirect Cost Recovery funds, the Instructional Cost Study, and the biennial and capital requests. He will suggest that the new chair meet with the central officers responsible for these areas and set a calendar for reporting on them.

The meeting adjourned at 4:50.

-- Gary Engstrand

University of Minnesota