

Minutes*

Senate Committee on Finance and Planning
Tuesday, April 20, 1993
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), David Berg, William Gerberich, Karen Geronime, Virginia Gray, Michael Hoey, Thomas Hoffmann, Julie Idelkope, Karen Karni, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Richard Pfitzenreuter, Doris Rubenstein, Paul Sackett, Jason Schmidt, Mary Sue Simmons, Susan Torgerson

Regrets: None

Absent: Carl Adams, Roger Paschke, Thomas Scott

Guests: Senior Vice President Robert Erickson, Harvey Turner (Facilities Management)

Others: Ken Janzen (Regents Office)

[In these minutes: the capital budget process; the planning process; legislative update]

1. The Capital Budget Process

Professor Rubenstein convened the meeting at 3:15 and welcomed Mr. Turner to provide additional information on the capital budgeting process. Mr. Turner began by telling the Committee that the process is moving forward, and that after the initial screening of capital items, the Capital Improvements Advisory Committee (CIAC) identified 400 immediate needs. There are two kinds of projects, programmatic and non-programmatic; programmatic are those that related to an academic or research program. They are rank-ordered by the units, and have received a preliminary rank-ordering by the chancellor or vice presidential office. The CIAC expects to complete its recommendations by next week, at which point Associate Vice President Kvakik will forward to the senior officers an annual budget and capital improvement program for next year. The projects range in size from \$30,000 to \$45,000,000.

Mr. Turner then explained that the state is also reforming its capital budgeting process. The state is interested in the preservation of the \$3+ billion capital assets of the University; he agreed that there is a greater emphasis on preservation than new construction. Requests for the 1994 bonding bill are due at the legislature by June 7 of this year; the legislature, he reported, has decided it will do bonding bills in the even-numbered years and is looking at a 6-year process.

Other points touched upon in the discussion were these:

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- Mr. Turner said he did not know how large the University's capital request would be; Senior Vice President Erickson and others are considering that question, especially in light of the bonded indebtedness burden that already exists.
- The capital budgeting process will be integrated with the campus master planning process.
- It will take several years to get the capital budgeting process operating smoothly; very good work has been done this year, but experience elsewhere suggests integrating with other activities takes time.
- When a building is funded from multiple sources, or from non-state sources, its place in the priorities will require a judgment call. The clearest case is support services, such as dorms, which have their own capital budget; the principal interaction with the institutional capital budget, in those cases, is the impact their plans would have on the debt load.
- The capital plan will include the impact of maintenance and debt service on the University's operating budget.

The Committee agreed it would take up the capital budget proposal at its meeting on May 4.

The Facilities Management Subcommittee also agreed it would take up campus master planning, that this Committee would consider the capital budget and that both, if possible, would consider the report of the "Brenner committee" on supported and non-supported space.

2. Planning

Professor Rubenstein next reported that the strategic planning process, presented the previous week to an impromptu meeting of SCC and this Committee, had been well-received by the Board of Regents; he asked Senior Vice President Erickson to quickly walk the Committee members through the process, for the benefit of the several who had been unable to attend the earlier meeting.

Mr. Erickson noted that there is a steering committee composed of Professors (Carl) Adams, Rubenstein, and Scott, Dean Julia Davis, Vice President Anne Petersen, Roger Paschke, and the two Senior Vice Presidents. This group has been involved in an intensive effort in getting work plans together.

The heart of the process is the "preliminary" list of strategic questions, Mr. Erickson pointed out. Professor Rubenstein told the Committee that the "preliminary" list will quickly become the "final" list of questions to be addressed, and that any question not added to the list may not be on the agenda at the end of the process. One suggested addition has been examination of support for interdisciplinary research and teaching.

Mr. Erickson briefly reviewed the elements of the process. In terms of the objectives of the process, he said, one question is how the institutional and unit plans will be meshed and combined. The list of strategic questions is very important; additions can be made later, but there should not be eleventh-hour planning; this is an attempt to develop a work plan and do the required analysis so the basis is laid

for informed decisions. Any question of University reorganization should follow from the strategic initiatives or goals.

The last question--"what should be the enduring hallmarks or the institutional character of the University and its campuses?"--is the most difficult, and the answer will be part of a longer institutional mission statement. What is it that distinguishes the University from Iowa State, Wisconsin, or Berkeley?

Professor Rubenstein pointed out that the process is on a very tight schedule, with an expected completion date of August, 1994--in time for preparation of the 1995-97 biennial request. The legislature provides only 28% of the University's funds, and the strategy calls for a consideration of that factor. The strategic planning process will be cyclical, looking at 6-year goals on a biennial basis.

The Board of Regents will be instrumental in the process, it was said; they will set the mission and the strategic initiatives or goals. Each unit will be expected to do the same, as well as set yearly objectives and action plans (the latter of which will be exemplified in unit budgets). At the unit level, outcomes from the plans should be measurable on a year-to-year basis.

It was suggested that for the question "in what areas should the University form regional collaboratives and with whom?" the word "regional" should be deleted. The University may have more in common with Heidelberg or California than with Iowa or Wisconsin; with the miracles of modern communication, there may be better choices than within the Big Ten.

It appears that organizational matters are an afterthought in the process, but that should not be so. There is a continuous struggle between the forces of centralization and decentralization. The University is decentralized, it was said, but there are still a lot of trivial decisions being made centrally, and now it is proposed to hire more budget analysts who will second-guess departments. The issue of centralized management should be attended to early in the process, not as an afterthought.

Mr. Erickson demurred from the proposition that analysts will be second-guessing the units. He also pointed out that the basic "what" and "who" questions (the strategic planning questions) have to be decided before organizational questions can be addressed, but there is no intent to put off the organizational issues. The problem, he told the Committee, is that the University is decentralized--but without accountability. It must be decentralized, but it must also be accountable--which is the reason for the budget analysts.

Another question raised was whether or not there will be any "reality check" in the process. If asked what should be done, every unit is going to call for improvement of graduate and research programs, increased emphasis on undergraduate education, and improvements to the library and infrastructure. But there are outside constraints; budgets are not increasing, external research dollars may decline, the infrastructure is deteriorating. It does not appear that any department or college will be called upon to shrink until very late in the process--but it is clear that some units are not a high priority and some graduate programs need to disappear.

If the strategic questions are answered honestly, it was said, the reality should begin to be known. Many of the answers should be apparent by November. If it is concluded that "widgeting" is not a high priority and it is not academically distinctive, what process will be used to communicate with the

"widgeting" college or department that it is not an area of strategic importance, and when will the communication take place? The college will need to develop a plan consistent with that institutional conclusion--there has to come a "crunch time." And it must come before units have engaged in extensive planning--this November or December.

It appears that there are three questions mixed together in the strategic planning document: What is the University, what is its role in society, and how will it be delivered? The units must be asked, once it has been decided "what is the University," how they fit. Are "widgets" part of it?

Senior Vice President Erickson reported that the steering committee is trying to organize the questions being asked. In part this will be done to help inform the colleges. The University will study overall markets and identify gaps, areas of expertise, and areas of academic distinction. In the process, units should begin to understand if they will be growing, if they relate to other areas of the University--they should begin to receive indicators if they are in a group that will receive more or fewer funds.

It would be nice, commented one Committee member, if central authorities were to say, next week, that "widgets" will be reduced 20%. Doing so, Mr. Erickson responded, would provoke the charge that the administration did not consult.

It asks a lot of central decision-makers to decide what will grow and what will shrink. It will not be possible to avoid asking the "widget" department to develop a statement of strengths and weaknesses, and there may be some time wasted. But it should be an intense and iterative process--rather than letting nine months elapse before a department even has a clue it is going in the wrong direction.

In terms of areas of distinction, it was said, a decision could come from the top, based on central funding, at least as a first cut at a plan. It would be subject to change, just as department plans will be. The President is also concerned about the integration of unit and institutional plans, Professor Rubenstein reported. How can the process be made iterative so that units can get an early reading of directions so they can refine their plans? Should there be reviews of early drafts? It appeared to be the view of the Committee that review of draft unit plans would be very desirable. One problem, it was pointed out, is that according to the present schedule, the units will have about six months to develop plans--and the administration will have only two months to digest them and respond. Another concern, it was said, is that two major units of the University have not started planning (CLA and IT); other colleges have begun and will be ready by late fall.

Asked if administrative units will also be asked to plan, Mr. Erickson said that first the "what we want to do" and "who is to do it" questions need to be answered; administrative units must then support those decisions. The institutional strategic plan does imply it will be comprehensive; there must also be a long-range financial plan as well.

One Committee member suggested that in the first question ("On what major areas of academic distinction should the University focus?"), the word "must" should be substituted for "should." To use "should" is "pie in the sky" in the current situation; the University needs to identify that which it must have, given its mission and mandate. What "can" it do should be a part of the question as well. "Should" is nice, but unreal. Mr. Erickson agreed, noting that all parts of the plan will need to be subjected to the test of reality.

The question of academic distinction may be less critical, in some ways, than questions that speak to the role of the University in the Twin Cities and the nature and size of the student body--as in the case of the polytechnic programs. "Widgets" may not be important to a major research university, but they could be important in polytechnic education.

One of the activities on the calendar, it was noted, is internal and external assessment. Who is to conduct it? If a small group at the institutional level does it, there may be one set of answers; if there is a great deal of unit participation, the answers might be different. It may be that this is where the iteration needs to occur. This is only in a preliminary stage, Mr. Erickson said, and needs to be fleshed out very soon. Will this take place before the units are expected to plan? It would be odd to have central administration, for example, looking at unit placement statistics. Those kinds of data would be aggregated, Mr. Erickson said, and part of the process will be learning what data exist. How can the process be iterative if these data are gathered before the units do anything? The institutional decisions will be made by November, it was said--but some of the data is not centrally held, it was responded.

While the Regents will be central to the process, the whole University must be involved, Professor Rubenstein commented. The challenge to the steering committee has been to make sure the University understands that. The Regents must support the overall direction of the institution, but so must the faculty, staff, and students, or it will not work. There can be all the talk in the world, but if the faculty and staff do not "buy in" and understand the process, it will go nowhere. The faculty and staff must be involved at the unit level as well as the institutional level, another Committee member added--the model should be the same at both levels. At some point there needs to be institutional feedback to the units and unit feedback to the institution--it may be that "thingamajigs" are big, so will receive more funding, while "widgets" no longer are, and will not.

One suggested question was whether or not the Twin Cities campus should be the only Ph.D.-granting institution in the state. Discussion turned to the thesis of an article distributed earlier to the Committee, which holds that the United States is producing too many Ph.D.s (hidden in part because so many of the current graduate students are from outside the U.S.) and that universities are moving into a "replacement" situation: a faculty member needs only replace himself or herself in the course of a career, rather than producing a number of Ph.D.s. One solution, it was said, is that some research universities may need to become service universities; one corollary is that some departments should not have graduate programs but should instead be undergraduate and service units.

It is not clear that the market for Ph.D.s is disappearing, it was rejoined; they go into the private sector as well, although universities may not be training for that market very well. Training for a career in education and teaching is not the same as training for industry.

3. Legislative Update

Mr. Berg reviewed for the Committee the status of the bills that had been acted on by the two houses of the legislature. The Senate bill assumes no tuition or inflationary increases for the biennium; the House provides for modest tuition increases, non-personnel inflationary increases the first year and general inflationary increases the second year. He also reviewed the language of some of the legislation (the Senate provision for an ambitious program in distance learning; the House requirement for reports;

the changes in the cap on student aid to private college students; admonitions from both houses, to all four systems of higher education, to put more emphasis on undergraduate education).

Asked why the results are so different in the two houses, Professor Gray commented that they work in very different ways. Mr. Berg said he could not tell why they developed the way they did. The Committee talked further with Mr. Berg about the process and the possible outcomes. It was noted that while state tax revenues are increasing, higher education is not receiving a proportionate share of the increases; this has been the trend for the last ten years or more, and appears to be continuing--in part because other expenses are increasing. The major competitors, Mr. Berg noted, are the Health and Human Services budgets, especially nursing home care for the elderly.

The meeting was adjourned at 5:00.

-- Gary Engstrand

University of Minnesota