

Minutes*

Senate Committee on Finance and Planning
Tuesday, August 3, 2010
1:00 – 3:00
238A Morrill Hall

Present: Russell Luepker (chair), Jon Binks, Sarah Chambers, Kara Kersteter, Lyndel King, Judith Martin, Fred Morrison, Kathleen O'Brien, Paul Olin, Shruti Patil, Richard Pfitzenreuter, Michael Rollefson, Karen Seashore, Mandy Stahre, Jeremy Todd, Michael Volna, Lori-Anne Williams

Absent: None counted for a summer meeting

Guests: Brian Swanson (University Services)

[In these minutes: (1) reviews of administrative units; (2) congratulations; (3) space utilization and optimization; (4) cost pools]

1. Review of Administrative Units

Professor Luepker convened the meeting at 1:00, and commented that it will be an interesting year because of the leadership transition and because most expect financial tidal waves. This Committee has responsibility for consulting on the future directions of the University and he said he believes it can play a meaningful role in advising the administration.

Professor Luepker said he put three items on the agenda that will occupy much of the time of the Committee during the upcoming year: (1) reviews of administrative units [what have previously been termed "audits"], (2) the overall budget, cost pools, and student fees, and the third major item will be space. Vice President O'Brien, at the June 1 meeting, addressed a set of questions to the Committee about space allocation to which it should respond.

With respect to the first item, administrative unit reviews, the idea for conducting them started in the Faculty Senate debate about the 1.15% salary reduction, Professor Luepker recalled. Some faculty members who were concerned suggested that money was being spent unnecessarily on administration. The Faculty Senate referred the concerns to this Committee, which heard from some of those concerned faculty members last spring. From that discussion the Committee abstracted a set of issues that it believed it could examine.

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Later in the meeting, the Committee voted unanimously to adopt the following statement:

Presentations by University Administrative Units

At its 4/20/10 meeting, the Senate Committee on Finance and Planning (SCFP) heard from three faculty members about their concerns regarding the size of University administration in these

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times of economic constraints. The Committee decided it would give their proposal serious consideration and respond to it. Although the message was sweeping, SCFP believes it contained elements that could lead to a more informed committee as well as to a more informed University community. SCFP often hears reports from various University units, largely in the context of activities or describing new programs. This proposal would require SCFP to embark on a more systematic and thorough review of the patterns of institutional spending for administrative functions, a review that SCFP hopes will receive the endorsement of the central officers.

The basic approach that would be implemented over the next year is outlined below. The primary goal would be to educate SCFP members so that they would be in a position, as a consultative body, to offer useful and informed advice to the administration and University community.

A brief outline:

1. Presentations by administrative units

15-30 minutes presentation

15-30+ minutes questions

Slides or handouts as desired

2. Format (type of information would vary by unit)

Mission/ Aims/Objectives

Staffing plan and organizational chart and job descriptions

The unit's compact plan including future

Why an activity is centralized rather than decentralized to the academic units

Description of current and projected funding sources.

Accomplishments in past year five years.

The result of this effort will be a better informed SCFP and faculty as we consult with administration on emerging issues.

In addition, Professor Luepker reported, the University Auditor, Gail Klatt, informed him that she would be conducting an audit of VP administrative offices this fall and asked if this committee wished to add questions to the audits she would be conducting. Committee members offered a number of questions they said they would like to see incorporated in audits of administrative units:

1. Beyond the services the unit provides, what does it believe its mission to be? And looking at the future, what does the unit see as its functions in five years.

2. When was the unit/office established? If it is relatively new, how were the services provided before, or was the office/unit created to provide new service (and for what reason)?

3. To whom does the unit report and what accountability mechanisms are built in to the reporting? (That is, behavioral accountability, not just accountability on an organizational chart)

4. What does the unit see that it does that adds value to the institution? How is the unit connected to the academic mission?

5. To what extent are the unit's activities duplicated in the colleges? Some things done centrally are also done in the colleges and on the coordinate campuses.
6. To what extent does the unit provide service to the Twin Cities only versus providing services to the system? (It is not clear that all system offices behave like system offices.)

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Professor Seashore suggested that Ms. Klatt also be provided the Committee's plan for reviews.

Professor Morrison said that it would also be helpful to do a similar audit of the coordinate campus administrations because to some extent they also duplicate what is done centrally.

Professor Luepker said he would ask Ms. Klatt for the list of units she intends to audit; this Committee can then identify the ones with which it wishes to speak, perhaps one per meeting beginning during fall semester.

Professor Seashore commented that Ms. Klatt's audits are a gift, but that it might be appropriate for this Committee to ask for additional research on questions that Ms. Klatt may not be able to address, such as centralization versus decentralization. The Committee may need to bring in administrators from units outside the one being reviewed. Professor Luepker agreed and observed that no unit will say that its work is duplicating the efforts of other units. He added that the reorganization of the Academic Health Center is occurring at the same time and the Committee should hear about it as well.

Professor Olin inquired who determines what is centralized and what is decentralized. Professor Morrison responded that there is no policy; it is happenstance and history. Sometimes colleges started something that the central administration decided was a good idea and should do it for all colleges; in other cases the administration may be doing something that the colleges say it is not doing well or not in a way that helps them so that they do it differently. Sometimes the decisions are right, sometimes they are not. Professor Martin pointed to the example of the Office of Classroom Management, which did not exist ten years ago; before it was created, scheduling a classroom was sometimes a nightmare.

This will not be a witch hunt, Professor Luepker pointed out. The Committee will learn what is going on and shine light on activities people do not know very much about. The goal will be to review all the units, not pick on certain ones. Professor Seashore observed that this Committee has more contact with some of the administrators because of what they do; Vice Presidents O'Brien and Pfitzenreuter have not been shy about telling the Committee what they think could be changed for the better. She said this effort could be thought of as helping provide the basis for identifying the variances from what should be.

One question is how far down in the unit will the reviews go, Professor Morrison commented. Human Resources under Vice President Carrier includes Employee Benefits, Payroll, etc. Some of the larger units under a vice president need to be called out separately. Some of the review will be of the top level and some will need to be of the units. Ms. Klatt's information may be more high-level, Professor Seashore said, and the Committee can ask her if she can provide more nuanced information for a couple of levels below. Professor Luepker said he believed the Committee would receive such information, and he agreed with Professor Morrison that major subunits should be included.

Professor Chambers asked about the new accounting system and suggested there should be a study of how it is working and the staff time that has gone into it. Is it worth asking whether it is working effectively? Professor Luepker agreed that needed to be an agenda item again.

2. Congratulations

Before proceeding to the next item, Professor Luepker extended congratulations to Professor Seashore on being selected as a Regents Professor, the highest academic honor the University can bestow. Committee members gave her a round of applause.

3. Space Utilization and Optimization

Professor Luepker now welcomed Vice President O'Brien and Mr. Swanson to return to the discussion of questions about space that began last spring. The context of the questions is that the Committee asked administrative offices coming to the meetings whether there is something on which they wish to consult; Vice President O'Brien has been very forthcoming with respect to questions of space utilization. The questions posed at the June 1 meeting were these:

1. Should the University place restrictions on its net growth in total square footage? If so, what measures/criteria should it consider in establishing a limit?
2. Should the University work to quickly consolidate its existing programs into less space to allow buildings to be decommissioned and leases terminated?
3. Should the University more effectively incent innovative and efficient space use at the department level? What information would be useful to aid department level space decisions?
4. Should the University's space standards be adjusted to reflect changes in how people work?
5. What impediments exist that prevent faculty and staff from working from home, working off-hours or taking advantage of other innovative office arrangements?

Vice President O'Brien reported, for the new members of the Committee, that she is Vice President for University Services, responsible for non-academic operations University-wide, such as housing, parking, facilities, and so on. She introduced Mr. Swanson, the budget officer for University Services, who has worked on a number of large projects. He is serving as chair of the cross-functional staff committee charged by the President with reducing by \$10 million the institution's recurring cost of space. Mr. Swanson's committee is interested in the answers to the five questions posed to this Committee.

Professor Luepker said that space is an important issue at every university. This Committee has brought to the Senate issues related to energy and environmental issues; the issue here is whether the University has the appropriate amount of space, given that every square foot costs money.

Vice President O'Brien recalled that Professor Morrison had asked, at the June 1 meeting, if they were asking the right question: Does the University have the right academic programs and the space it needs for them? Labs, classrooms, and whether the programs are growing or shrinking. She agreed that there must be an academic plan before the five questions can be answered. The questions, however, were brought to the Committee because the answers can help the staff work.

Since the Committee last met, Vice President O'Brien reported, Ohio State University has taken action related to the first question: It has decided there will be no net growth in space on the campus. It

is reported that the University of Illinois has taken the same step. Many institutions are asking if there should be some kind of measure taken with respect to controlling space.

Rather than wait for "in the long run," Ms. O'Brien said, apropos of the second question, they propose to implement a series of relocation programs that would allow the University to take buildings offline and either demolish or decommission them. Decommissioning or "mothballing" a building saves almost as much money as demolishing it—but allows for future re-use when a suitable program and funding plan are available.

The Minnesota Facilities Model, the space guidelines, was developed over 30 years ago, before the widespread use of computers, Vice President O'Brien told the Committee. Is it time for the guidelines to be adjusted?

Mr. Swanson reported that the staff group is looking at how the University uses offices; he reported that there are about 11,000 rooms coded as offices. The University has approximately 450,000 assignable square feet in graduate assistant offices, yet every department appears to struggle with how to provide adequate space for its graduate students. The issues posed in the questions above will be tough nuts to crack, he said, and it will be helpful to have support from the Committee as they try to tackle them.

Professor Luepker inquired if the budget-model system of charging college for space has effects. Mr. Swanson noted that administrative units are not charged for space because those costs are part of the administrative cost pool. In all but two of the colleges (Medical School and Veterinary Medicine), the space charges are paid by the college. In CLA or CSE, for example, space is paid for at the college level but "consumed" at the department level. Space decisions are made by the departments, in consultation with the dean. In general, however, there is a mismatch between the payer and the user. Mr. Swanson's committee is working to develop tools for the colleges to use in determining how much department spaces cost. When departments know what space costs, they sometimes choose not to take it. The University's charges for space, he added, do not cover its full cost; it pays for such items as utilities, custodial service, and land care, but there is no depreciation.

Taking a 30,000-foot view, Professor Luepker said, if the answer to question #1 is "no," the other questions are irrelevant. Ohio State and Illinois have declared for no new net increase in space. What forces operate on at the University to oppose such a goal here? How would such a declaration play out here? Vice President O'Brien said she believed such a decision at Minnesota would require a significant cultural change because the University has never fully costed out decisions about space. If one asks about the cost of a new program, one includes new faculty, custodial service, utilities, equipment, and so on, but not about space, and people do not understand the full cost. To embrace zero net growth would affect everyone, and no one is without sin in terms of space usage.

Mr. Swanson reported that they did determine full costs when planning the Biomedical Discovery District, but if they are to include the entire cost, what Board of Regents' policy or procedures are they following for presenting that information? Requiring a full-cost approach would mean re-thinking a number of other things. Second, he said, the issue is not "zero new space, period," it is "no net new space without new resources." The issue is not with new space in itself, but rather with new space that is not adequately funded. New space with full lifecycle funding from a grant or a gift could be the right thing to do. The problem is that the University adds space it cannot afford. Vice President O'Brien agreed that the University has more space than it can afford and observed that it also does not have the right space (e.g., for teaching). The question is how to move from what the University has to what it needs, and a clear academic plan would help guide space decisions.

Historically, the reason for the budget model was to build space costs into academic planning, Professor Morrison said. Traditionally, the dean would identify the costs of faculty, TAs, etc., and the remainder of the costs were provided like manna from heaven. The idea of charging for space costs started with the Brenner report in the early 1990s and the system has gotten more sophisticated since then. It really takes discipline to say "no" if the resources for the space are not available, even if it would be for a wonderful program. The same should be true for classrooms: Unless there is money to support them, or they are such a high priority that other institutional funds should be diverted to them, they should not be built. The greater problem is how to deal with the "wrong" space the University now has. Mr. Rollefson said the budget model is to drive decisions, but is there an office that can say "no"? Traditionally, if a unit has the money, it can move forward. To say "no" would be a big change.

Professor Martin noted that two-thirds of the leases for space are in the AHC; is there a conversation going on about those? Mr. Swanson said that the Medical School is working hard to push space costs to departments and has a pool of funds to buy back space. Departments see an immediate benefit to reduce the amount of leased space.

Professor Martin returned to the question about the mismatch between the space the University has and the space it needs: If the model becomes no new space without funding to pay for it, it should be noted that some units can obtain funds more easily than others. She expressed concern about classrooms, for which there was little money in the past. Vice President O'Brien and Mr. Swanson agreed with her concerns. Resolving the mismatch between a building and a program can take time. The Mineral Resources Research Center (MRRC) was mothballed for ten years before it was renovated for the College of Education and Human Development. The University took down Owre-Millard-Lyon and build MCB. The University has taken down space, but in one-time decisions, not as part of an institutional strategy. The University is about teaching and research, Professor Martin observed, but it is better about figuring out space needs for research than teaching. It is important not to lose sight of the need to retain and continuously improve teaching space. That space also brings in revenue, Mr. Swanson agreed.

This discussion dances around the core problem, Professor Seashore remarked. Space is not fungible, something that can be changed to whatever one needs. The question is future thinking; the University has been conservative, building for single-use because multi-use space is more expensive. Are they thinking about the need for change in the future? They are, Vice President O'Brien said. Even with the new Science Teaching and Student Services building, the floor plate can be re-used. MRRC was good to mothball because it has large floor plates and high ceilings, so it is easy to use. In contrast, Owre-Millard-Lyon and Fraser Hall did/do not. They do think about re-use when they build buildings. Every time the University repurposes an historic building, Professor Seashore said, the classrooms end up with fewer seats because of improvements to quality. The University does so many different things, she added; no one knows what labs will be needed in 50 years, or what teaching spaces will be needed. She commiserated with Vice President O'Brien: "Sorry, it's just your lot." Vice President O'Brien agreed and said it is like trying to zone the city: trying to put order into chaos.

Professor Luepker asked how Ohio State is accomplishing its goal of no new space. Vice President O'Brien said she did not know; Professor Martin pointed out that OSU just made the decision so it will take awhile to figure out how to implement it. Ms. King said it would be interesting to know what in the OSU culture allowed them to make that decision. What is different there? It could have been the result of years of work, Mr. Swanson observed. Professor Luepker asked if Mr. Swanson could find out. Or it may be a policy in the book that has no effect, Professor Morrison said. Vice President O'Brien said their intent with the questions they have posed is not simply to make a point, it is to save money so it can be put back where it should be in the institution.

Ms. King raised a point about questions #4 and #5: Sometimes it can be difficult to get into one's work on a home computer. Ms. Stahre added, apropos working at home, that it limits the access students have to the faculty member. Mr. Swanson said that it appears that in some cases students would rather email than come to an office. There is a difference among students, Ms. Stahre replied; undergraduates might prefer to send an email but graduate students need to talk to the faculty.

Professor Chambers commented on the idea of common space for offices. She has an office with a lot of books and files, and there are times when she needs to meet with students in a private setting. There are disciplines where an office is also a lab, where teaching and research materials are located. It would not be efficient to have to retrieve the materials every time they are needed. Some of what she uses is electronic, but not all of it. The decisions in response to the questions will not change the University "for you and me," Vice President O'Brien commented, but they do not know what others will want to do. Professor Seashore observed that many faculty members may skype with students who do not want to come to campus. This effort is about how to design workable ways to do things, and people to think not about protecting what they have but about how to make the institution work well. There is need for a bridge between the present and the future, Professor Chambers responded. Professor Seashore agreed and pointed out how much has changed in recent years in the way faculty work with students. They will continue to change, she predicted.

What is challenging about question #5, Professor Martin said, is the need to recognize that this is a large and complicated institution (not the only one in society, to be sure). Some people will need to be in offices, some work in clinics, some work in labs. There is a diversity of needs. If the University gets serious about dealing with the impediments to a more rational and affordable system, it also needs to recognize the diverse ways that space is now used. Mr. Swanson said that there could be options for space sharing, by hours. There are also things like union work rules that place constraints on more than an 8-hour workday, limiting options for arrangements like four 10-hour days. They are trying to get to viable alternatives as a means of discussing the role of a traditional office. There needs to be a host of options. If someone only needs an office for two hours per day, they need to be able to provide design and management options that allow a person to share space and still perform their work. Professor Morrison said that what Professor Martin and Mr. Swanson are leading to is the need to think not about what space needs are today but what they will be. Students are changing and have very different patterns and expectations now, and the faculty are changing as well. It is necessary to think about 5-10 or more years in the future. In terms of office needs, Professor Morrison recalled that he never set foot in the office of either of his dissertation advisers. Is there a fixed need for offices? It may be necessary to be flexible about them.

Professor Olin commented that in his school, Moos Tower itself is the impediment, especially with asbestos. The best way to build is to allow adaptation, he agreed. One major impediment is the question "whose space is it?" People need to be reminded that it is not their space, it belongs to the group or the unit.

Ms. Kersteter asked what plans there are to deal with changes in technology. She noted that large files were once required for material that is now all online. Mr. Swanson said that architects are very aware of these kinds of trends; the private sector is far more innovative with space than is higher education. This is not a company, he noted, but there are things the University could learn from the private sector. The Minnesota Facilities Model is based on assumptions in place 30 years ago. But he agreed that there is no one right way. The University is part-way there, Ms. O'Brien said; STSS and Hanson Hall are more flexible, and she agreed with Professor Morrison that the University needs to look ahead.

Ms. Patil said the question of space is related to the growth of the University. As the number of students and faculty increase, there will be a need for more space. For the next five years, perhaps, the existing space could be optimized to accommodate the expansion. If there is to be no new space, the innovative use of existing space is encouraged. After the existing space has been optimized, then the question of new space should be considered. Professor Luepker responded that as the University grows, people will ask for more space. He inquired how the University's 26 million square feet compares with other institutions. If the University can't afford what it has, the amount is too high, Mr. Swanson said. And with the coming budget cliff, Professor Martin added, there will be less money for maintenance, less HEAPR funding, so it is likely there will be less building. And little proposals can still carry big costs, Mr. Swanson said. As was previously noted, renovation projects, particularly in old buildings, are not cheap.

The biggest impediment is culture, Ms. King concluded, and that is the hardest thing to change. Professor Chambers said she liked the idea of incentives rather than mandates. For example, the case of working 10-hour days: The incentives need to be balanced because not all employees will have the same range of choices. Paying more for working at home will probably benefit those with a larger income who have bigger homes in which they can work, while those with lower incomes and smaller houses would be forced by circumstances to continue come to campus. Mandatory culture change will not work, she said.

Professor Martin inquired if there is any thought about supported versus non-supported space. Mr. Swanson said that the "world began" with the Brenner report in 1994, which established principles for supported and non-supported space. The new budget model has cost pools and direct billing which have blurred the traditional view of supported and non-supported space. Units were held cost-neutral on space under the new budget model but the impact of that on some traditionally non-supported units has not been re-examined. The University could reconsider the concept of supported space.

Another way that incentives can be changed beyond the personal, Vice President O'Brien said, is to ensure that all understand the financial realities and impact of decisions. It is incumbent on them to do the analysis and let everyone see the costs so that they can make informed choices.

Professor Luepker summarized by saying that the University is such a diverse culture of 70,000 faculty, staff, and students that to achieve a single coherent plan for space may not be possible. But there is a need for a culture shift (e.g., classroom needs with the rise in distance education) and people need to think about the future in a way that transcends individual needs. And the University is facing a budget crunch that is exacerbated by the cost of maintain all its space. The Committee needs to identify a way to provide support for change for Vice President O'Brien and needs to transcend consideration of what is good for an individual or a single unit. This issue will return to the Committee early in the fall. Vice President O'Brien said she believed the effort would be a collaborative one between the governance system and the administration and that she looked forward to working together with the Committee.

Professor Luepker thanked Vice President O'Brien and Mr. Swanson for the discussion.

4. Cost Pools

Professor Luepker reported that he has been hearing from the deans about cost pools. At a meeting early in the fall semester he will invite a number of the deans to talk with the Committee about their perspectives. He also said he would distribute to the Committee the report of the external committee that reviewed the budget model.

The Committee held two retreats last year, Professor Luepker noted, one about the financial future report and one about health care. None are scheduled this year but he would like to consider having one in the fall and one in the spring on topics of interest. Ms. Stahre pointed out that there is a task force on funding for graduate students; someone from the task force could talk with the Committee in the spring. Ms. King said she would like to hear about comparisons of budget models and which work better, to which Professor Martin responded, "none do." The consultants were astonished that the faculty leaders knew as much as they did. Professor Morrison suggested the Committee look at an article written by the finance vice president at Stanford some years ago about all budget models.

There is a committee that is supposed to look at the budget model, Professor Luepker said; Professor Martin said it is charged to fix things, and that is being done. The work of that committee needs to come to this one, Professor Luepker said, and this Committee needs to push for results.

Professor Luepker adjourned the meeting at 2:45.

-- Gary Engstrand

University of Minnesota