

Minutes*

**Joint Meeting
Faculty Consultative Committee
Senate Finance Committee
To Consult on the Development of the Biennial Request
August 4, 1988**

- Present: W. Phillips Shively (chair), David Biesboer, Robert Bruininks, John Clark, David Dittman, Art Erdman, Richard Goldstein, Lael Gatewood, Neil Gault, David Hamilton, Gerald Klement, Geoffrey Maruyama, Cleon Melsa, J. Bruce Overmier, Ronald Phillips, M. Kathleen Price, Burton Shapiro, Michael Steffes, Walter Weyhmann
- Guests: David J. Berg, Mary Bilek, Carol Campbell, Shirley Clark, Edward Foster, Gayle Grika (Footnote), Richard Heydinger, Nick LaFontaine, V. Rama Murthy, Irwin Rubenstein

[A note to recipients of these minutes: They are considerably longer than normal because of the importance to the University community of the subjects discussed.]

Professor Shively welcomed everyone to the meeting. He explained that he was serving as chair because both of the current chairs of the Senate Finance and Faculty Consultative committees were out of town and the previous chair of the Senate Finance Committee (Shirley Clark) was no longer eligible.

At Professor Shively's request, Vice President Clark explained the process that had taken place to develop the biennial request. It began in late April with a series of letters from the President describing the process and was followed on June 1 with a letter from Associate Vice President Foster to the colleges asking for their requests above the base budget. The college responses were received by Academic Affairs in late June; her office has been analyzing those requests since then. There have, she said, been numerous meetings to discuss the requests; the Operations and Maintenance (O+M) and State Specials have received first attention, although they have also begun to examine the capital requests as well.

For the first time, she reported, President Sauer had invited many groups to present to the senior officers, including the Chancellors, support service units, and others such as the Consultative Committee, graduate student assistants, the Civil Service Committee, those concerned with child care, and other departments and groups. Most, she said, left with them legislative requests; others brought concerns and proposals.

The Academic Affairs office has concerned itself primarily with academic affairs units and areas; other vice presidential areas have been scrutinizing the units within their purviews. Earlier this week, however, the senior officers also began discussion of all-University issues such as salaries, equipment, and the libraries and worked through recommendations. The discussion group included the President, the Vice Presidents, the Associate and Assistant Vice Presidents, other University officers, and included the Chancellors as observer/participants, for a total of 20+ individuals. They are not finished with the

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process, and this meeting is being held to obtain the views of SFC and FCC on the proposals, especially on the O+M and State Specials requests.

The data and information which have been provided, Vice President Clark cautioned, are already partially outdated because revisions are being made continuously; there is, she said, much work yet to be done. Professor Shively observed that while maybe the meeting was being held too early, it is nonetheless perhaps appropriate because they can make comments while the request is still in flux rather than react to a finished product.

Vice President Clark told the committees that the Regents will hold an informal discussion of the request next week, although materials have not yet been provided to them. While they do not normally hold an August meeting, the legislative calendar requires that they act in September on the O+M request.

The overall strategy, Vice President Clark said, has been to first look at all-University issues, such as the size of the increase to be requested. They have developed a target figure and, at the time of this meeting, the request being developed exceeds that figure by about \$12 million, so there is cutting that remains to be done. They have reached tentative conclusions about the academic and civil service salary requests for the biennium. Where there are all-University items (e.g., libraries, equipment, computing), they are being consolidated into a single line.

Another guideline being used, Vice President Clark related, is the evaluation of requests in light of the academic priorities because of the emphasis in the University on the planning process, on Academic Priorities, and on focus. The data developed for the request will reflect the proposals in Academic Priorities establishing where resources should be directed over the next five years. They feel, she said, that this line between planning and budgeting is important internally because of the significance of the planning efforts and they expect to be held externally to the rhetoric of planning. They will, for example, allocate Rank Funding Adjustment dollars on the basis of needs, not on a formulaic or statistical basis (where one unit could "gobble up" all of the money).

Mr. Berg was asked to review some of the specific figures which were distributed at the meeting. He began by pointing out that the base budget was \$530 million annually (O+M and Specials) and the biennial request would be twice that amount, approximately \$1.06 billion. This is the gross base and does not include the legislative offsets for tuition and other income; the net legislative appropriation cannot be determined yet because the tuition offset is unknown. The target figure for the increase is \$275 million for the biennium, or about 27%. The original requests from the units totalled \$325 million: they have, to this point, pared them to about \$285 million, so they are still \$10 million too high.

The formulaic salary and SEE increases to be requested will amount to 10.75% of the gross budget (which will be a larger percentage of the salary base); the increases currently total 26.5%. This is, Mr. Berg commented, a very large request in historical terms; the University has requested more, in the past, but has never received this much. The officers and the staff, however, he reported, have concluded that this is not a time to be modest. The University's legislative supporters want a statement of needs and will do their best to fulfill them. If the request is modest, it will be seen as an apology for the recent unpleasantness; that is not the way in which the University will proceed.

Mr. Berg explained that the first request the University will make will be to restore the decrease

in funding that the Average Cost Funding matrix would yield (due to decreasing enrollments). The chairs of the finance committees of the legislature have said publicly that they will support restoring those funds. The amount of this portion of the request is not yet known but will be plugged in when it is.

On repairs and replacement of the physical plant, Mr. Berg informed the committees that the legislature began this appropriation two years ago. The University was shortchanged in the process because the study was relatively unsophisticated; its physical plant is much older than that of the other systems. The Finance Department of the State is developing a more sophisticated study which should provide more money to the University; if they do not propose to provide the funds needed, the University will request additional money beyond what the Finance formula yields.

The discussion turned to faculty salaries. Mr. Berg said they had to decide on a goal; they know that salaries have slipped and there is no dispute about it. Legislative requests in recent years have had as their objective bringing the University to 3rd place among the public Big Ten schools on the Twin Cities campus and to 3rd place with the appropriate peers on the coordinate campuses. The University has sought this 3rd place goal in instructional funding, so has done so also with faculty salaries.

Looking at FY1987-88 Big Ten salaries, Mr. Berg said the University was short by \$4.9 million. The known changes in 1988-89 added another \$1.4 to the shortfall, so the total shortfall is \$6.3 million. This \$6.3 million represents 4.22% of the salary base. Although Minnesota only delivered a 4.25% increase for the current year, while other universities averaged a 5.24% increase, typically the actual increases are larger (in 1987-88, the University provided 5.5% but the actual increases, which varied by college, averaged about 7%). The 4.25/5.24 difference, however, provides a basis for comparison for the current year.

As a result of these analyses, Mr. Berg reported, the University intends to seek the 4.22% of the salary base which would place the University at the 3rd place average plus an inflationary increase of 5.5% each year of the biennium. The biennial request for academic salaries will thus be 9.72% (4.22 + 5.5) for the first year and 5.5% for the second.

Mr. Berg was asked whether or not the recommendations of the Faculty Development Committee (the Swan Committee) had been incorporated into the request; one of them, for instance, included abandoning the Big Ten as the reference group. Mr. Berg responded that the request does not any longer have the restoration of purchasing power as an objective, which the committee had recommended, and said also that President Keller had modified the recommendation about the Big Ten. Schools such as Michigan, Illinois, and Wisconsin use non-Big Ten institutions (e.g., Stanford, Berkeley) in their comparisons; by comparing ourselves to those Big Ten schools, we are comparing ourselves to the others. While this is in part a flawed analysis, it is nonetheless valid to the extent that those other state legislatures take the numbers into account.

Another difficulty, he noted, is that it is probably impossible to sell to the Minnesota legislature comparisons to Berkeley, Stanford, and Princeton. They typically ignore comparisons to private institutions and typically also ignore comparisons outside the Big Ten. But the University could of course try again, he added.

One committee member observed that the University always talks about the size and priority of the faculty salary request, and yet time and again the legislature provides only about half of the request; the true increases that have been delivered have come from dollars in the departments. Mr. Berg acknowledged the truth of the comment, and suggested that the appropriation is often more related to the financial situation of the State. He pointed out, however, that last time the legislature had funded an additional 1.5% that the University had requested. The bigger problem has been that the estimates of inflation have been inaccurate. This time, he said, the University will ask for X%, the Governor will recommend Y%, and the University will ask additionally for any difference between the two figures.

Mr. Berg was asked how far behind numbers 1 and 2 in the Big Ten Minnesota stood. By rank and term, he responded, the differences are not large except in the category of 12-month professors; Minnesota suffers the worst by comparison in that group.

It was observed that there will be continued tension about salaries if comparisons are not made to the appropriate institutions, which includes the private schools. If the University is pegged to a lesser group, the faculty will suffer. Competition, moreover, is on an individual basis, not institutional, and that includes the private schools. While recognizing the political realities, it would be better for the University to state what it honestly needs and what the honest comparisons are. If the legislature does not accept the argument, at least the attempt was made. The University does state its needs for items such as space and for fuel and utilities so the legislature knows. The same should be done with faculty salaries; we should not foreclose the use of honest comparisons.

Mr. Berg agreed, and noted that the University can make more than one case. There is a reluctance to seek 2-digit increases because it brings on "sticker shock" in the legislature. The University can justify more, but it is better to seek the increases gradually. One question is whether or not the University would obtain more if it asked for more; Mr. Berg expressed doubt that that would happen.

One committee member suggested three points for consideration. One, if the legislature is provided additional information, it increases the probability that the 9.72% increase will not be cut in half. Two, the legislature should be given the realistic numbers. Three, the legislature should also be provided information on the Big Ten vis-a-vis other groups; the Big Ten itself is deteriorating in faculty salary comparisons. Another observed that if the University wanted to be among the top 5 public institutions (a goal with which the legislature has apparently agreed), then it should describe how it compares to the top four. If the University is to reach that position, it has to do so by acquiring faculty, which cannot be done with a steady base. The analyses do not address the objective of getting someplace, of obtaining the money to move the University somewhere.

Mr. Berg said that three of the generally accepted top five are in the comparison group being used and that data on two more (Texas and Berkeley) are available. We might, he said, present information on a group of 7 or 8 schools which are generally recognized as among the best and provide comparisons with that group.

One committee member observed that it was his experience that legislators will accept arguments that they can in turn make to their constituents and not those that they cannot make. The Big Ten question is an impasse; the University needs to address that slippage to a broader audience in the State. It

cannot convince legislators of what they cannot convince their constituents.

In response to an inquiry about longer range plans for future biennia, Mr. Berg said the University would need to reanalyze the data to see where it stood; it could still end up behind. The nature of the analysis and the comparisons could also change.

The "top five" argument, said one committee member, causes him to cringe because of the suggestion of elitism that attends it. A different argument might be to seek the middle of the salary averages for the top 28 research universities; achieving that would by itself require approximately a 20% salary increase. The University can argue it just needs to be at the middle so it can play the game with the big boys. Mr. Berg said that he had seen those figures, and while there were problems with them, the point was valid. A major difficulty is that it is almost impossible to obtain accurate salary information from the comparable private institutions; the public school data are good but the private school data are very hard to obtain.

Committee members debated the notion of a category for anticipatory retention; one observed that this idea would help the legislature avoid problems with the bargaining units in the other systems because it could be excluded from the comparisons. Mr. Berg pointed out that what the bargaining unit systems are obtaining is not what they have granted in bargaining, so they must be "eating themselves alive." The University increase has not always been the minimum used by the other units; the 1.5% granted last time was special for the University. He said he agreed with the view of Associate Vice President Foster that the University should ask for what it wants and that the legislature does not like to deal with a separate item.

Another suggestion was that the best way to proceed would be to use multiple arguments; they could include the Big Ten, purchasing power, other institutional cohorts. After five or six such perspectives, it will be hard to escape the conclusion that the University needs 10%. One committee member said that the "3rd place in the Big Ten" is the minimum and that the national competition and the decline of the Big Ten must be communicated; it cannot be emphasized too strongly that the University must tell the legislature what it needs and not just seek the Big Ten 3rd place.

It was observed that the salaries of state college and other system faculty are much closer to those of the senior university in Minnesota than they are in other states. Elsewhere the premier institution receives more and there is a larger differential among institutions. Mr. Berg noted that the State is forcing the other systems to look at peer salaries; his instinct is that these comparisons will be all to the benefit of the University.

The discussion moved to civil service salaries. Mr. Berg was asked if the increases proposed (6% each year of the biennium) were based on a market survey; he replied that they were not. At this point the number is a place holder; they want the request to be clearly above inflation and they will then look at the marketplace. The Personnel Department has indicated it can justify increases of 3% over inflation, so the number may go up.

These salary increases prompted one committee member to comment that the \$275 million biennial increase was getting smaller and smaller. It appears, in the abstract, to be a very large number,

but by the time adequate academic and civil service salary increments and items such as increased health coverage costs are included, there will not be a lot of money left for genuine programmatic improvements. The needs seem to justify a substantially greater increase than \$275 million, a self-imposed limit which we must be aware is established for political rather than "institutional needs" reasons.

Mr. Berg was asked if the legislature ever tinkered with the inflationary allocation in the second year of a biennium. He said it has not but that it could do so; ordinarily the University only requests in the second year those items which were not funded in the first.

As they had done in previous Finance Committee meetings, several raised a question about the perceptual impact of graduate student tuition remission on faculty fringe benefits (of which it is a part); it will seem that faculty fringe benefits, at 27% of the salary base, are too high.

Also a concern was that fringe benefit expenses are rising faster than the appropriations for them. Would this continue? Mr. Berg thought it probably would, although (in response to a comment) it would not mean reduced salaries because of out-of-pocket payments for health coverage because the President has recommended that the proposal to cap the coverage at \$2000 be dropped. The State Finance Department will probably pick up the increased cost, as of July 1, 1988, so the University will only have to absorb the expense for the six months January 1 to June 30.

The SEE budget request, Mr. Berg pointed out, is to be an increase of 5.5% each year of the biennium, in addition to other special requests related to equipment, so it was more than inflation. He added that if the University could obtain the money, and not divert it to other needs, some progress in the area might be made. One committee member urged that the administration be aware that many department costs absorbed by SEE budgets are going up faster than they can be covered (e.g., mail, copying, telephone). Equipment maintenance is another such item; there needs to be maintenance money put into SEE budgets. Mr. Berg concurred, and noted that a separate \$10 million item for instructional equipment could be used for maintenance and that this money would eventually get into department budgets.

Mr. Berg was asked if the \$10 million equipment request from IT was related to this \$10 million item; he said it was not. Associate Vice President Foster added that they are considering a special request for equipment for the new Electrical Engineering building as part of the capital request.

It was suggested that the distribution of the equipment money be on the same basis as the Rank Funding Adjustment dollars: On need, not on a statistical or formulaic basis. Associate Vice President Foster replied that President Sauer has insisted on one innovation in this request: Units will be informed in advance of the legislative session on how the all-University requests will be divided up so they will know going in what they will receive if the funds are appropriated. This will be true for RFA dollars, for computing, for instructional equipment.

Mr. Berg briefly walked committee members through a table showing the Rank Funding Adjustment dollars that have been needed for the past three years. He said the University has consistently argued that it is underfunded and has sought 3rd place in the Big Ten. The study, by disciplinary areas,

has become more accurate each time it is done, and each time it yields the same result: There is no progress and the data always support that assertion. In 1987 the University needed about \$27.5 million to reach the 3rd place position; with a \$3.5 million base adjustment that had been appropriated for the 1987-89 biennium, the University was still short by about \$24 million. The proposed request includes \$11 million per year, or about one-half of the shortage. They decided not to ask for the entire amount, especially since enrollments are dropping as planned. Mr. Berg explained that reaching the 3rd place average in instructional expenditures per student can be reached in one of two ways: Decrease the number of students while holding the funding steady or by increasing the funding. The University is pursuing both simultaneously (decreasing the enrollment and increasing the funding) and the lines should converge in 4-5 years. In response to a question, Mr. Berg reported that graduate students are counted as 1.5 undergraduates in all institutional data for the study; this includes the professional school students, which the legislature, for its analyses, has not permitted the University to do.

Asked about the impact on tuition as there are fewer students to pay it, Mr. Berg said their studies show it would not be severe if the professional schools pay their share of the 33% tuition offset dictated by the legislature. If they do not, the impact is significant. But if the professional schools do not receive some offset for that 33%, their tuition gets much too high. He noted two things: First, there is an item in the request for professional school tuition offset, \$500,000 the first year and \$1 million the second. HECB has recommended this offset and requested that it increase to \$1.5 million the third year and \$2 million the fourth, and then remain stable except for inflationary increases. Second, they are considering reclassifying some expenses in the professional schools which are clearly not instructional expenditures--the data suggest some categorization has simply been wrong. This change would help reduce the pressure on professional schools because it would reduce the amount of the tuition offset calculated by the legislature. For now this reclassification will probably only occur in Vet Medicine, but could in the future include changes in Dentistry, Pharmacy and possibly Medicine.

If the \$11 million in RFA dollars were obtained, how would they be distributed? Vice President Clark said that had not been decided and that they are looking at Academic Priorities to determine which units might be more and which less likely to receive part of the money.

In response to a question, Vice President Clark acknowledged that the fit between the data being examined at the meeting and the proposals in Academic Priorities was not complete: The programmatic priorities can generally be justified by rank funding, but not all programs with large rank funding shortfalls are high in academic priorities. Mr. Berg also agreed that there was a problem in looking at the RFA dollars vis-a-vis the salary increases requested, although they are not incompatible with one another.

One committee member asked why the clinical sciences in the Medical School were not included in the RFA comparisons; Mr. Berg said that there was, at present, no way to do them. The AAU Data Exchange had tried and failed to do such comparisons and had concluded that the accounting in clinical sciences made it impossible to reconcile programs.

Vice President Clark asked Vice Provost Murthy to explain the requests for computing. He told the committees he had looked at the terrible deficiencies in several ways: At what good institutions have, at what model calculations predict we should have, and at what the units had requested; by any measure, the University was grossly underfunded. The biennial request includes \$5.4 million the first year and

\$9.8 million the second. The University has been spending \$2 million per year from its reserves; the request to the legislature would replace that money from the reserves with state funds and the amount of additional funds to be sought for computing would be \$3.4 and \$7.8 million. The difference between the two years results from setting the objective of increasing by 10% each year the access to computing. A major portion of the money will go to networking, which is the major means by which institutions across the country are enhancing their computing. None of this money, he answered to a question, is for supercomputing; that is contained in a separate request item. This money is for mainframe and personal work stations. There was discussion of several other request items related to computing, mainly administrative and student services; several of the numbers were already out of date and others were explained to the satisfaction of committee members.

Several members of the committee held a technical discussion with Vice President Campbell about improvements in financial computing systems which are currently being studied. A committee member asked what provision was being made for improvement of financial accounting systems. The answer was that \$3 million per year is being requested for information system development. This is intended to include needs for financial systems as well as the student support systems. Vice President Campbell believed that this amount would provide a reasonable rate of progress.

One committee member observed that as computing has gone from being centralized to being distributed, the money has not followed. There are a lot of costs for the departments in setting up networking and in financial accounting; it is to be hoped that money will be provided. Dr. Murthy agreed, and said they were recommending money be provided at the collegiate level.

Another committee member expressed skepticism about all the money being spent on computing and suggested that it can waste a lot; where would it all go? Vice Provost Murthy identified three areas: instructional computing, networking, and improving access to computing. National studies, he informed the committees, which include schools not at the level of the University of Minnesota, show an average expenditure on computing per student annually of \$185. The University needs \$10 million per year for the system simply to be at that average.

Attention turned to the libraries; Mr. Berg was asked about the acquisitions. He could not identify that specific number but thought that none of the acquisitions requests had been cut. Vice Provost Murthy said acquisitions were up by 13-14%. Vice President Clark said the library requests had to be put together and that breakdowns would be provided later.

Deliberation touched on several other specific items, including transit, physical plant, and several of the State specials. Associate Vice President Foster was asked if the audit of Physical Plant, due shortly, might lead to the reallocation of funds which could be used to pick up some of the expenses discussed; he replied that he did not believe it would.

The State Special requests, according to Vice President Clark, were still in a state of considerable flux and there remained numerous changes to be made. One committee member said there had been a recommendation to get away from State Specials and fold them into the academic priorities of the University; did any such strategy exist? Vice President Clark said some old specials have been folded into the O+M budget; proposed Specials were being considered in light of their appropriateness as

Specials. Some were being combined. She also asserted that the Specials allow the University to do things it might not want in the O+M budget.

One committee member took issue with this, noting that they were all in the same total budget and that old Specials don't die; they are not just what the University does not want in the O+M budget. It is also easier, he said, to kill off expenditures in the O+M budget than it is in a State Special.

A question was asked about the "County Papers" Special; Mr. Berg explained that this item used to be called "Indigent Patients" but was changed. It is state money used to pay for patients at the University Hospital who have outrun all other benefit programs; the U Hospital is the general hospital of the state. The University keeps trying to get the money moved out of its budget and never succeeds, so it stays there and contributes to the apparent total of the University's budget. As it gets larger, it eats into the pie, making the University look better supported than it is.

Discussion moved to the Rochester Center, which, Vice President Clark noted, had been placed in the hands of the University. It had, she said, been the subject of very intensive discussions. It will consist of Master's degree programs in Electrical Engineering and Computer Science; Dean Infante is in effect the Director and the goal is to create top quality programs. Vice President Heydinger explained that the Rochester community was extremely interested in this center; they had done their homework and played their political cards well. There was and will be great legislative interest in the center, and there will be pressure on it to fund a \$10.5 million building to house, among other things, this center. It is, he said, an experiment for the University in delivering graduate degree programs off campus.

One committee member commented that this item, and the Specials overall, looked more like a Commitment to Diffusion than a Commitment to Focus. Vice President Heydinger responded that in the Rochester case specifically, while there are a lot of items on the agenda of the University and it should not be overloaded, it was difficult not to respond to a very focussed request for graduate education programs in Rochester if the University was to be a good citizen of the State. It will, he agreed, come off the legislative bottom line for higher education and partially off the bottom line of the University. One committee member said the State would only be well served if existing programs are strengthened at the same time this project is undertaken; if done at the expense of existing programs, we are all badly served. Vice President Heydinger said the Rochester people understand that and he is lobbying on that very point.

Another committee member said it looked like we were backing into a UMR and asked if consideration had been given to the cost of another coordinate campus primarily of an IT type. What did HECB have to say about it? Vice President Heydinger answered that HECB had had it as such a high priority that it wanted to run the program itself; the legislature, not wanting to see another system of higher education, preferred that the University establish it. As far as a UMR is concerned, he said that is in a way what the Rochester people wanted; their entire proposal goes beyond IT and includes a "university center" with a brokered center providing education through several universities. The public systems in the state were concerned about a 5th "municipal" system of higher education in the state. Vice President Clark pointed out that the University has long had a presence in Rochester through CEE, Master's programs in Education, and with UNITE.

Brief conversations were held about a number of the other State Special requests. One question

was the number of new faculty positions contained in the Special requests; another was the extent of internal reallocation that was part of the request. Vice President Clark said that discussion must be held with the deans about guidelines and accomplishment of inter-college transfers of funds and much remained to be done; Mr. Berg said his office was keeping track of the number of new faculty positions but he didn't know what the total was. Associate Vice President Foster commented that reallocation was an important question; the Specials had not been looked at when academic priorities were being considered.

The senior officers present were emphatic that the items that had been presented to the committees were not in priority order; it is too early for the request to be structured yet. Vice President Clark said, too, in response to a question, that it cannot be fitted into "Strategy for Focus," because that is a Twin Cities document and the request is for the system.

Vice President Heydinger said that if this list were to represent the request, one task is to develop themes, to decide how best to package it. One might consider SFF items as a theme, access items, and so on; it might take some shoehorning but clusters could be developed which the legislature would accept. One committee member said that if there were clusters, there would need to be some priorities among them; it was his sense that one would be administrative items, reflecting a legislative desire for the University to get its house in order. Others might be Academic Priorities, faculty salaries. Another said the legislature should be informed what other schools are spending and what this budget does in comparison to them.

Professor Shively commended the central officers present for what seemed to be a well-conceived and well worked out set of proposals and thanked them for the presentation and discussion.

The Committees adjourned at 4:15.

-- Gary Engstrand

University of Minnesota