

Minutes*

Senate Committee on Finance and Planning
Tuesday, January 18, 2011
2:00 – 3:45
238A Morrill Hall

Present: Russell Luepker (chair), Devin Driscoll, Will Durfee, Steen Erikson, Lincoln Kallsen, Kara Kersteter, Judith Martin, Fred Morrison, Kathleen O'Brien, Paul Olin, Shruti Patil, Richard Pfitzenreuter, Karen Seashore, S. Charles Schulz, Mandy Stahre, Jeremy Todd, Lori-Anne Williams

Absent: Jon Binks, Sarah Chambers, Lyndel King, Gwen Rudney, Terry Roe, Michael Rollefson, Thomas Stinson, Michael Volna, John Worden, Aks Zaheer

Guests: Vice President Aaron Friedman, Terry Bock (Office of the Vice President for the Health Sciences)

[In these minutes: (1) discussion with Vice President Friedman; (2) memo on paycheck information; (3) upcoming in St. Paul; (4) statement on space management]

1. Discussion with Vice President Friedman

Professor Luepker convened the meeting at 2:00 and welcomed Vice President for the Health Sciences and Dean of the Medical School Aaron Friedman and Terry Bock, Chief of Staff to the Vice President. He noted that the Committee has met regularly with Senior Vice President Cerra in the past to hear about the Academic Health Center (AHC) and the Medical School, and observed that it is a time of change for the whole University, not least of all the AHC.

Dr. Friedman began by distributing copies of the 1/7/11 memo from President Bruininks appointing an Executive Steering Group (which Dr. Friedman co-chairs with Vice President Mulcahy) charged to review the AHC infrastructure and to "provide leadership and oversight for what I expect to be a comprehensive process that will examine and help define the appropriate role of an academic health center model for organizing the health sciences in the broader context of the University of Minnesota. The broad parameters for this review are the following:

1. A review of the AHC mission, functions, and administrative responsibilities with an eye toward optimal utilization of enterprise-wide systems, identification of potential synergies and redundancies with colleges and central administration as potential opportunities for reducing administrative overhead and enhancing alignment of enterprise and unit specific roles and responsibilities.
2. A review of the existing centers and programs currently reporting to the AHC to define the most appropriate academic and administrative reporting relationships for each in light of what is best for the University and its broader goals."

He has spent time in a review of the AHC, and the first meeting of the Executive Steering Group will be tomorrow, Dr. Friedman told the Committee. They expect to produce a report by the end of the

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

semester and he would like to have the views of this Committee. An added benefit of the report is that the new president has said he is not especially familiar with academic health centers, so this report can help inform him. There have been a number of reviews of parts of the AHC in recent years, so there is information available for the Executive Steering Group. He said that at this point he does not have a great deal to report but he can comment on his thinking about the role of the Steering Group.

Mr. Bock said that the work of the Steering Group falls into three broad areas: (1) the mission and value of an AHC to the University; (2) the administrative infrastructure of the AHC; and (3) academic programs and centers. There are foundational reports that they will consider, such as the strategic-positioning task force report on administrative structure, and there have also been task forces on human resources, information technology, and communications. There are 24 AHC centers and there is a policy that establishes the criteria that is used by the AHC Deans Council in designating and approving a center s an AHC center. There are also annual reviews of centers. The task force will thus have much background information available, Mr. Bock concluded.

Professor Luepker observed that the Committee has been hearing about the "new normal" and the impending budget cliff, and a number of Committee members were on college blue-ribbon committees planning for fewer dollars and for how to maintain excellence. That process has been less evident in the AHC. Is the Steering Group process analogous to what other colleges have done in looking to the future? Dr. Friedman said he did not know because he was not part of the blue-ribbon process. The Steering Group was appointed because the President is concerned about the potential duplication of administrative services and possibly academic programs. They are taking the broader approach of explaining an AHC in a university to a new president; they need to explain what an AHC brings to the larger university, not just address administrative questions. They will consider what role the AHC should play and how a university can maximize the value of its AHC.

Professor Martin recalled that she got to know Mr. Bock during strategic positioning because she was one of two non-AHC faculty on the AHC task force. Based on that experience, she said she was prompted to ask how the interprofessional education and research programs are working and how well the sharing of facilities is going (e.g., wet labs). Mr. Bock explained that all new and remodeled research facilities, including wet labs, are interdisciplinary. They have large open labs and faculty are assigned by subject matter, not department. And that is working and people are happy with it, Professor Martin inquired? Overall, they are, Mr. Bock said. People want to collaborate and the open labs reduce the amount of square feet that is needed, and these labs also allow more flexibility if a program needs to expand or contract. The approach has been very successful.

From the viewpoint of the Medical School, interdisciplinary education had a slow start, Dr. Friedman commented, but it expanded quickly to encompass work between the Medical School, Pharmacy, and Nursing, especially in clinical education programs. It is less obvious that this works for the first year's education in each school, although students are a big proponent of it and they will spend time in the Medical School on team development.

Mr. Bock also noted that there has been a significant increase in interdisciplinary research grants in the centers as well as an increase in the number of centers that provide shared services to multiple colleges.

All of the schools have their own accreditation bodies, Dr. Friedman observed, and those bodies are more and more instructive about what instruction should look like. Interdisciplinary education has not

gotten through to accrediting agencies, so all of the schools labor under that constraint. They have to be inventive.

Professor Seashore said that she recognized the importance of educating the new president, and everyone knows how complicated the AHC is, but that educational function is incompatible with the rest of the University, which is becoming leaner and leaner and must get rid of something if something new is to be added. How will they sequence this? The education function does not equal finding anomalies and low-hanging fruit. Dr. Friedman said that looking through the prism of the Medical School, one major issue is program reduction because the budget is being reduced. The other AHC deans are seeing the same thing. But not all units are stand-alone; the simulation center is used by a number of schools, as are a number of centers in the Medical School. They are going through the same process as the rest of the University.

Professor Seashore said she was asking if the decisions would be part of the review—would they be integrated or a parallel process? They will occur at the same time, Dr. Friedman responded; the review has more to do with the role of the AHC and its relationship to the rest of the University. He has heard the comment that there are two universities on the Twin Cities campus, the AHC and the rest of the University, and that there are two units that are not acting in unison, so they have a responsibility to get to a different understanding of the relative roles. President Bruininks heard advice that ranged from "eliminate the AHC" and let the (AHC) colleges stand alone and share nothing, to "change nothing." That is quite a range.

Will the Steering Group come out with recommendations, Professor Seashore asked? The Steering Group will have working groups, Dr. Friedman said; its first meeting will include enlarging the scope of those who are involved to create working groups to look at the three foci that Mr. Bock mentioned. Part of their work will be to look at administrative structures, such as human resources and information technology; part will be a look at academic centers. There will be recommendations, and they hope to have a draft report in April for comment, with a final draft the end of May.

Ms. Stahre commented that as a Ph.D. student in the AHC currently funded on a grant through NIH, she has hit the NIH-imposed funding cap for predoctoral students. The funding cap, which states that predoctoral students cannot be paid more than a postdoc, puts current Ph.D. students at a disadvantage because their tuition benefits are included in this cap, even though they are not receiving salaries that are higher than postdoctoral students. Given that tuition has risen significantly over the past few years, the funding cap has not been adjusted and students all over campus are beginning to exceed this funding cap. Ms. Stahre said that the PI of her grant, who currently resides in the Med School, asked her to take 2-3 weeks of unpaid leave this fiscal year. That is not acceptable and means she would go almost an entire month without a paycheck. She knew there were discussions in the Office of Vice President for Research regarding this issue, but wanted to know if the AHC was also discussing ways to deal with this problem. Dr. Friedman said that while he did not know her specific case, the cap is not unique to graduate students—faculty run into it as well. He said he understood that NIH was thinking about establishing a cap as a percentage of income, in order to spread scarce funds around more, so the situation could get worse.

Mr. Driscoll said that the issue of NIH caps about a year ago led to a larger conversation about funding graduate students, and the Provost charged a task force to consider the issues. The NIH cap is a part of its work.

Professor Durfee asked if part of the Steering Group's task is to look at relationships with colleges outside the AHC. Dr. Friedman said that part of the first question is the role of the AHC in the

University. Two of the AHC deans visited two other comparable schools and saw very different models of how AHC schools interact with other colleges; in one case, almost not at all, and in the other, extensive interaction. The answer, he told Professor Durfee, is "yes." They will need to address it before or at the same time that they deal with the administrative issues. This is important, Professor Durfee said, because a defining element of the Twin Cities campus is that it has an AHC and provides the opportunity to do interdisciplinary research. Dr. Friedman agreed. Professor Schulz reported that his department uses that fact in recruiting faculty—they are recruiting to a university, not just to a department. Dr. Friedman said that if one asks individuals about relationships with other parts of the University, a more vivid picture emerges: Some have no relationship with people outside the AHC but for many people there are many such relationships.

Mr. Erikson asked what model is used to pay for shared research space. Mr. Bock explained the funding model, which includes a common staff to provide building and lab support services and a budget for maintenance of major pieces of shared equipment. Users are charged based on the amount of lab space they occupy and their equipment usage. They are looking at alternative lab support models and need to engage faculty members, deans, and department heads in the discussions. They cannot afford or manage interdisciplinary research buildings that house researchers from multiple colleges if every college has its own staff. They have just completed a customer survey for all their buildings to learn what can be done to improve services. Mr. Erikson asked if they had any evidence about what has been successful versus what has been less successful. Building management has been mostly a success, Mr. Bock said, although they have tried to do it as inexpensively as possible, including relying on student employees, and it may be that in some cases the students do not have the level of training that is needed.

Professor Luepker pointed out that in terms of parallel services, some fall under the Vice President for University Services, and the AHC is not the only place at the University where there are wet labs. Is there some evaluation of potential duplication? There will be, Mr. Bock said, as part of the AHC review. Mr. Bock added that AHC services are typically those that the schools have clustered together rather than doing themselves, and are not typically services provided at the University level.

About two years ago, Professor Luepker recalled, Vice President Pfitzenreuter and Senior Vice President Cerra reported that there was a structural deficit in the Medical School. Does it still have one? They do but it is much smaller, Dr. Friedman said. Mr. Pfitzenreuter agreed and said progress is being made and debts are being paid. Is there still a structural deficit, Professor Morrison inquired? That is a difficult question to answer, Mr. Pfitzenreuter said, and they need to dig deeper into costs and revenues to be able to tell. In any event, it will be small if there is one, Dr. Friedman assured the Committee.

Professor Luepker next asked about the Biomedical Discovery District. Where does it stand? At first it was going to be multiple buildings, now cardiovascular and cancer have been combined into one building. Dr. Cerra also spoke about many new faculty PIs to be hired.

Originally the plan included \$292 million for four buildings, Mr. Pfitzenreuter said. The expansion of CMRR is nearly complete. The second and third buildings have been combined (cancer and cardio); the groundbreaking will take place in early March. The University issued debt last August for some of the projects and will do so again next August. CMRR and the cardio-cancer facility will use all but \$38 million of the \$292 million. The last project will come in 2012-13, so there is time to focus on it under President Kaler (originally it was to be devoted to infectious diseases). The program was passed by the state when it had more money than it does now, Mr. Pfitzenreuter said, and the University made sure that it could use the money for renovation as well as new facilities. The use of the remaining funds will be the subject of discussion with the new President. There is also the question of who goes into new facilities and who goes in to renovated facilities.

What about the funds to hire people to populate the new labs, Professor Luepker asked? Mr. Bock said that originally they had projected 80 new PIs; they are now projecting 40. With the new financial realities, they have made adjustments in the plans.

Mr. Pfutzenreuter noted that the University is responsible for 25% of the debt service on the \$292 million in funding; it is also responsible for the operating costs of the new buildings. The decision about how to fund that expense will be on the table during academic budget discussions this spring. The debt service for CMRR and cardio-cancer also begins this year; the Medical School will be sent the bill but the question is whether it should pay the costs from its own funds or from dollars in the compact pool. They are also working with the Minnesota Medical Foundation to raise money, Mr. Bock added.

Professor Martin asked if renovation of Moos Tower and Weaver-Densford Hall is off the table. Mr. Bock surmised that the renovation will probably not take place "in our lifetime."

Mr. Pfutzenreuter turned to the Supreme Court decision about medical residents. The University and Mayo argued that medical residents were students first; the Court ruled 8-0 that they were employees for the purpose of FICA. "We were trounced," Mr. Pfutzenreuter commented. The financial implications are that the University must continue to pay FICA but there is no immediate financial hit because the University has been collecting and paying the money to the federal government. The University does not owe any money. What was lost was the opportunity for saving, \$45 million per year.

Ms. Stahre asked if there were implications for medical residents—do they have to pay back loans earlier? They do not, Professor Morrison said; being a student for tax purposes does not mean the same thing as being a student for loan purposes.

Professor Luepker thanked Dr. Friedman and Mr. Bock for joining the meeting.

2. Memo on Paycheck Information

Professor Luepker now asked Vice President Pfutzenreuter to explain the "2011 Paycheck Information" message that everyone had received.

There are two things going on, Mr. Pfutzenreuter said. There is a 2% reduction in Social Security contributions, effective with the January 12 paycheck. Then there is a change in withholding for taxes, but the withholding tables from the IRS were delayed because Congress acted so late on the tax bill, so that change will show up on the February 9 paychecks. Moreover, any open-enrollment changes should have also shown up on the January 12 check. Finally, faculty and P&A staff will receive a salary increase (if they received one) in January. Civil service and bargaining-unit staff saw a reduction in one paycheck, reflecting the 3-day furlough.

Professor Durfee observed that these changes are all programmed at the University; can one assume they will be perfect so that one can trust one's paycheck? Mr. Pfutzenreuter said it would be smart to keep an eye on paychecks, although the University has a good track record in making changes as needed.

3. Upcoming in St. Paul

Mr. Pfutzenreuter and the Committee discussed the proposed budget reductions announced by the majority in the Minnesota House of Representatives, various budget scenarios that might play out in the

capitol, the nominees for the Board of Regents, and the local and national Republican focus on public-employee salaries and fringe benefits.

4. Statement on Space Management

Professor Luepker next drew the attention of Committee members to a draft statement on space management that had been prepared at the request of the Committee by Mr. Swanson in Vice President O'Brien's office. The statement read as follows:

The Senate Committee on Finance and Planning (SCFP):

- 1) Endorses the principles that space should be:
 - Sustainable: The University should not have more space than it can afford to operate, maintain, and support.
 - Aligned: The University should provide the correct type, quality, and quantity of space required for programs (academic, administrative, and athletic) to function effectively.
 - Managed: The University should provide tools and incentives for maximizing the efficiency and effectiveness of its space resources.

- 2) Supports a disciplined and purposeful decision-making process regarding the University's space inventory by:
 - Establishing a "No Net New Space without Net New Resources" planning goal.
 - Prioritizing the renewal of existing buildings over new construction
 - Conducting comprehensive cost analyses (capital, operations, program) on all new facility projects.
 - Funding new building operating costs, including Repair and Replacement funds.

- 3) Encourages the inclusion of additional incentives to reduce space-use in the budget process.

- 4) Supports the updating and adjustment of the Minnesota Facility Model (MFM) space standards to reflect changes in technology, space sharing, and other best practices applicable in the current academic environment.

- 5) Urges the communication of best practices and training of units (departments and RRCs) on space management methods and space charging practices.

Professor Luepker noted that the Committee has looked at a number of proposals related to University policies; this one is supportive of the activities of Vice President O'Brien's office in terms of achieving better and wiser use of space. The Committee does not make decisions but many felt it would be useful for the Committee to take a position.

Professor Schulz said that the challenge his department faces, in doing clinical, teaching, and research work, is that when someone gets a grant, and needs space for 5-6 people, they are limited in what they can because they lease space on the Riverside Campus of the AHC. He asked if there are more flexible ways to deal with increases and decreases in space needs. Vice President O'Brien said she understood the circumstances; as they move toward a more restrictive space policy, they are considering the need to have flexible space available. Mr. Swanson said the University is not the only organization that has the problem. Medtronic does "hotelling" in providing quiet and collaborative spaces, depending on what people need. When they have a temporary program expansion, they put people in the flexible

space. The University is doing a pilot project on a similar use of space in the HHH Institute and it seems to be going well.

Professor Martin asked Vice President O'Brien how the statement would help her. As they go to colleges to discuss the space-utilization element of the six-year capital plan, having this statement helps ensure faculty support.

The Committee voted unanimously in favor of the statement. Vice President O'Brien said she appreciated the Committee's attention to the topic and the vote of confidence. It is a topic she will bring back to future meetings.

Professor Luepker adjourned the meeting at 3:40.

-- Gary Engstrand

University of Minnesota