

Minutes*

**Senate Finance Committee
May 4, 1989**

Present: Warren Ibele (chair), Robert Bruininks, John Clark, David Dittman, Arthur Erdman, Gerald Klement, Cleon Melsa, Walter Weyhmann

Guests: David Berg, Assistant to President, Management Planning and Information Services; Shirley Clark, Acting Vice President and Provost; Nick LaFontaine, Director of Budget Management

1. Approval of Minutes

The minutes of the April 4th meeting were approved as distributed.

2. Report of the Chair

Civil Service Survey. The results of this survey will not be available until the end of spring quarter or sometime during the summer. SFC will consider it in the fall.

Special Meeting May 25th. This meeting has been called specifically to respond to the budget before it goes before the Board of Regents and the budget will be the sole item on the agenda. In the future SFC meetings will be scheduled to follow the deans' meeting in the morning, allowing more time for response.

June 1st Meeting. This will be the final SFC meeting of the year.

3. Continuation of Discussion of Budget Planning

Nick LaFontaine, Director of Budget Management

Mr. LaFontaine began with an apology for not having the rewritten second version of the Budget available for distribution. It is done, but the cover memo which he plans to distribute with it is not finished. He expects to have it ready to present to the Regents, for endorsement or as a position paper, in the summer or early fall, at which time copies will be provided to members of SFC.

The changes from the first version of the Budget Proposal are:

-- Some toning down with respect to revenue generation and an increased collegiate emphasis. The proposal is not intended as a formula approach.

-- A "go-slow" approach to support costs, allowing time to learn about this aspect of the plan. However one aspect of the budget proposal which will not be delayed is space occupancy charges. Vice President Donhowe is interested in getting space occupancy charges into the budget within

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the next six months effective for the 1991 fiscal year. There will be some flexibility provided to collegiate units. For example, three different rate categories are set for prime, average, and less desirable space.

There are precedents for space occupancy charges: USC and the University of Pennsylvania use them and the practice is being considered at Michigan. The system parallels fringe benefit decentralization, in that units can economize and use the savings realized for other purposes. Problems would arise primarily during the transition phase with the allocation of original money. Questions were raised of how grant income and support costs would be factored in. Professor Ibele noted that if, over time, there are significant changes in a department's growth and space needs, perhaps linkage to space charges would be appropriate.

Mr. LaFontaine said that he does not expect to implement charges for academic support costs, e.g. library, computing and student support services, in the immediate future. Energy costs, however, will be charged somewhat separately as an incentive for energy conservation.

A question was asked regarding how custodial support costs fit into this plan and whether units will have choices regarding custodial services. Mr. LaFontaine replied that the possibility of choices is unresolved; it involves a number of factors, including collective bargaining agreements.

In general, Mr. LaFontaine said, the proposal represents a shifting of some responsibility to the collegiate level and attempts to provide resources to accompany those responsibilities. The coordinate campuses will be largely unaffected by space allocations charges because their budgets already treat space costs separately.

Professor Ibele noted that the SFC will be able to make comments at the June meeting.

4. Status of the 1989-90 Budget

Mr. LaFontaine made this presentation, since Vice President Donhowe was out of town.

He said version of the budget with new numbers has not yet been generated. Subsequent displays will show unit budget reduction corresponding to academic priorities.

David Berg reported on the status of legislative activity on University funding. He said that the education bills are expected to go to the floor today (May 4) or Monday. The Senate and House bills are very close - the closest they have been in ten sessions - but negotiation on details remains possible. The present funding level would be about 15 million above a standstill budget. The Senate bill has a cost of living increase of 5% and an academic salary supplement of 3% per year and adjusts the specials base by only 2% annually. The House bill has a cost of living increase of 5% and an academic salary supplement of 2% per year, but adjusts specials by 5%. The House has also passed a TA training bill funded at \$296,000. The Senate bill was originally drafted with a 97 million increase, but the shortage of funds resulted in cuts.

The governor and the legislature have fulfilled their commitment in terms of adjustment for enrollment decline according to Commitment to Focus, Mr. Berg said. At present enrollment levels the impact will

be on the Duluth campus. Duluth was not funded for a specified number of students, but the budget included enrollment assumptions which were exceeded. A possibility would be to make the enrollment rider apply only to the Twin Cities campuses.

The instruction funding/student portion ratio of one-third has implications for a tuition increase because of the increased instructional costs which will be borne by fewer students. Also, the legislature did not fund student aid for Health Sciences, but it did accept reclassification to "non-instructional cost" of one-half of the items the University wished to reclassify.

5. Indirect Cost Recovery Funds Distribution

Robert Bruininks, Senate Research Committee Chair

Professor Bruininks said that approximately three years ago the Senate Research Committee sent to the University Senate a statement of principles governing the allocation of Indirect Cost Recovery funds. It was not submitted to the Board of Regents. Item 10, to the effect that central administration should provide an annual accounting of expenditures to the Senate Finance, Planning, and Research Committees, was added on the recommendation of the SCC. The statement was taken back to SCC at their meeting on the morning of May 4th. It is intended to promote covering extraordinary costs of managing grants at the department and college level. Fixed cost are 10.3 million. Funds are now about 23 million; usually they are about 30 million.

Professor Bruininks will redraft item 1, which concerns fixed cost associated with obtaining ICR funds and with support of the research infrastructure. It states that fixed costs should be no more than 30% of the adjusted ICR. The revised document will be taken back to the SCC. Tightening the definition of fixed cost and limiting what can be included in that category is a key point in the plan.

Item 6 is a sunset provision allowing for annual review of commitments to units that receive no 0100 funds.

Professor Erdman asked if income from licenses and patents is outside this policy. Professor Bruininks replied that this is the case.

The meeting was adjourned at 4:40

-- Catherine Winter

University of Minnesota

Note: The remaining meetings are:

May 25 special meeting

June 1 regular meeting.