CORRECTED AND APPROVED 3/5/87

MINUTES

SENATE FINANCE COMMITTEE
February 5, 1987
3:30 - 5:00
Regents Room, Morrill Hall

Members present: Carl Adams, William Boylan, Andy Collins, Jill Gaudette, David Hamilton, Wendell Johnson, Sally Jorgensen, Gerry Klement, Tom Scott, Phil Shively (Chair), Ian Stuart.

Guests: David Berg (Assistant Vice Pres. for Management Planning and Information Services), Vice President Roger Benjamin, Carol Campbell (Director, Accounting Records and Services), Associate Vice President V. Rama Murthy.

1. The legislative request.

Vice President Benjamin referred to the ongoing discussions between the University and the legislature and the University's efforts to maintain flexibility in its budgeting. Governor Perpich's recommendation to the legislature is about 40% less than the University's request. Professor Hamilton said it would be useful for faculty to know, when they call their legislators, where the University request differs from the governor's recommendation, and Dr. Benjamin said the University's offices could provide that information. He added that the University needs to communicate better the meaning of Commitment to Focus since there are some genuine misunderstandings, especially regarding access.

Faculty salaries and retention funds.

There was uncertainty in the group as to whether the administration anticipates providing retention monies out of the requested 5% annual appropriation increase for salaries or whether it aims to achieve 5% plus 5% plus retention. Dr. Benjamin commented that the University will have to make choices and faculty salaries have the highest priority.

2. Animal care policies.

Vice President Benjamin told SFC that the special committee which for over a year has studied animal care at the University has just submitted its report, which recommends centralizing oversight and improving the animal facilities. He finds their recommendations reasonable, but said implementing them would be expensive. Professor Hamilton called attention to the need to get the views of research scientists. Dr. Benjamin will send the report to the Senate Committee on Research.

3. Financial state of the Supercomputer Institute and Center.

Professor Shively had asked Dr. Murthy to report on the Supercomputer Institute's budget situation because of possible implications for the University of which the Finance Committee would like to be aware.

Dr. Murthy distinguished for SFC the Supercomputer Center (the for-profit corporation which maintains the facility) from the Supercomputer Institute (which handles the academic supercomputing). There is an operating deficit in the Center for which the Foundation, which established it as a corporation, has ultimate responsibility.

In establishing the Institute and the Center, the University anticipated an annual operating budget of about $16 million, for what is presently a four computer operation. The state granted $6 million and $6 million was raised privately. However, the total anticipated budget has not been realized, largely because of an NSF policy change. NSF recently announced it would give the University a total of only $1 million, which would be for 1986-87. Dr. Murthy said there is no longer a clear national policy regarding supercomputing.

The University transfers about $5 million annually from the Institute to the Center. The University has a very public and politicized commitment to the state and the city of Minneapolis to acquire an ETA supercomputer. Not only have we committed ourselves to fostering state-of-the-art supercomputing, but sought state funding within the context of the ETA commitment.

As a direct and indirect result of the NSF change, the corporation is running a deficit of $3 million to $4 million per year. The ETA-10 costs $5.2 million per year to acquire and operate.

The University is now looking further afield for resources. A possible source is the $11.7 million "Stripper Well" fund created by oil company excess profit fines paid under court order. The Department of Energy controls these funds; their use must constitute restitution to the populace. The University's proposal to the DOE includes such relevant projects as energy efficiency and traffic control.

The University is also lobbying for federal legislation which would authorize the expenditure of funds as part of a national policy on computing; should that happen, the University might get about $3 million per year. Dr. Murthy said the NSF's new rule forbidding use of its computer grants anywhere but at its own five designated centers is outside the intent of Congress and is detrimental. The University has lobbied in favor of permitting scientists to do their supercomputer work at whatever locations best fit their needs.

If both of the above efforts succeed, it is almost certain the University will acquire the ETA-10. However, there would still remain the $3 million to $4 million annual operating deficit. Dr. Murthy said the University could easily sell $6 million per year of supercomputer time to outside users, but the companies would dominate the equipment's use, eroding the academic nature of the project. Software developed would be for the companies and not useful for academic purposes.

Professor Shively asked what alternatives central administration sees in case the University gets neither a portion of the Stripper Well funds nor the federal authorization. Vice President Murthy said the University can operate some supercomputers on the guaranteed income of $13 million. The structure cannot be changed in the immediate future because the lease through Chase Manhattan has two to three more years to run and because of tax laws. As Professor Campbell explained, sale of computer time to the corporate world is taxable and the University's academic use of the computers is not taxable. However, he noted, the IRS is intensely scrutinizing some universities and sharpening its definitions of what is taxable and what is not. We already know from those cases that some of our activities will become subject to income tax.

Professor Shively asked what the budgetary implications of the deficit are for the University. Dr. Murthy said the impact is on the University's ability to provide high level computing rather than on budgets. The budgets of MSC, Inc. are the responsibility of the board of directors of that corporation. This University is distinguished for having been the first to introduce supercomputing into the academic industry.

4. Principles of program budgeting.

Professor Shively introduced Carol Campbell, Director of Accounting Records and Services. He remarked that the new principles are intended to bring budgeting much closer to the academic planning process.

SFC members were given a copy of a January 30, 1987 letter from Vice President David Lilly to the Board of Regents proposing "...a general revision of the budgeting process in order to provide a broader perspective of University activity in a more understandable programmatic format which will serve as the logical extension of the Strategy for Focus five-year planning process." The expansion and reorganization of the budget process is to be phased in over several years.

The new system will provide a way to pull together all the sources of funding (both 0100 and external) for a given program. Information will identify a unit's program and show both the sources for its money and how it is spending the money.

Professor Carl Adams raised again the cautions he had expressed at the January 15 meeting. Allocating funds on a program basis is very difficult, he said, because allocations must go along budget lines. However, analyzing expenditures programmatically is useful. A wide range of kinds of institutions has tried to achieve program allocation and found it extremely tricky. He favors programmatic analysis and he urges keeping that distinguished from programmatic budgeting. Ms. Campbell said she could not agree more, and she encouraged further comments and suggestions.

Professor Hamilton said programmatic plans cannot be rigid because faculty must be free to respond to sudden new research opportunities. Vice President Benjamin said there is no intention to be rigid. What we want is to be able to discuss budgets intelligently in program terms. Right now we can't even identify the budget for any given program. We must first get a better map of what we are doing at the collegiate level.

After that we have processes, faculty advisory committees, etc., by which to make adjustments.

Mr. Berg supported Professor Adams' contention that no one has achieved programmatic budgeting but that programmatic analysis is useful. He told SFC that the Management Committee has for years been making decisions on little pieces of the budget without every understanding their relation to the bigger picture. Management Committee needs to get a lot of program information. Ms. Campbell said that with programmatic analysis allotment decisions can probably be achieved 80% on a programmatic basis.

Professor Jorgensen was concerned about the amount of paperwork and documentation to generate the data, but Ms. Campbell said it is no more than colleges are doing right now in their programmatic planning. Mr. Berg said that while defining cross-college programs as programs will require more paperwork, it will provide information budgeting people want.

Professor Hamilton cautioned that it would be hard for a department head to get the data central administration wants because the University does not provide the facilities to collect it.

Vice President Benjamin thanked the committtee for the good questions raised. In summary he told SFC that to make good decisions about resources, he has to know about all the sources of revenues.

5. Future agenda possibilities:

- Update on comparative information regarding faculty development support;

- Outlook on sales tax. Mr. Berg commented that if proposed legislation is enacted, the University's sales tax burden will be about $7 million per year.

6. Hand-out for information: Proposed revised schedule for tuition refunds to a student cancelling a class. (Submitted by the Office of Student Affairs to the Management Committee on 10/30/86.)

7. SFC minutes of January 15 were distributed at the meeting. They were approved with the provision that corrections may be telephoned to the secretary through February 11.

The meeting was adjourned at 5:00.

Meredith Poppele,
Secratary