MINUTES
SENATE FINANCE COMMITTEE
March 5, 1987
3:25 - 5:00
Regents Room, Morrill Hall

Members present: Carl Adams, Tim Allison, William Boylan, Wendell Johnson, Gerry Klement, Ian Maitland (for Andy Collins), Tom Scott, Phil Shively (Chair).

Excused: John Adams, Jill Gaudette, David Hamilton, Sally Jorgensen.

Guests: David Berg (Management Planning and Information Services), Mary Bilek (Academic Affairs), Kent Jones (Finance and Operations).

1. Proposal to shift to September 16 the effective date for academic employee salary increases. For discussion and formulating an SFC position. Guest: Kent Jones, Assistant to the Vice President for Finance and Operations.

Mr. Jones distributed copies of an outline of the issue and questions to be answered. The administration has proposed the change in order to allow all administrators more time to make salary increase decisions and to reduce substantially the occurrence of retroactive pay increases. Mr. Jones explained that in appropriation years the legislature is still in session on May 1, which is the date Payroll would need the documentation to effect raises on July 1. An illustration comparing salary compensation under a July 1 and a September 16 starting date showed that if in the year of the shift a slightly larger percentage increase were awarded on September 16 (the awarded annual increase plus about 23% of that increase), the total fiscal compensation for that year and succeeding years would be no less than it would have been under a July 1-effective increase.

Professor Scott asked whether using the later schedule would not constitute a loan by the employees to the University or to the State. Mr. Berg replied the State would make the appropriation as it does now and the University would draw on it as needed. The State would probably get a slight advantage in interest.

Professor Adams noted that staff on B appointments drawing summer salaries from research grants would suffer repeated losses. Mr. Berg replied that was true; however, because the grant rules have changed, the University is already supposed to pay the previous year's salary during the summer.

SFC members pressed three points in the discussion: (1) Faculty in units on B appointments would prefer in any case to complete the consultation and decisions on increases prior to June 15; (2) Neither faculty nor civil service staff are distressed to receive their raises retroactively; and (3) Given the fact that contracts run from either July 1 through June 30 or from September 16 through June 15, no paperwork would be saved by the shift: units would have to prepare PAF's for all summer employees to continue at the previous year's rate and then prepare new PAF's in September for continuation at the new rate.

Professor Shively polled the Finance Committee on two questions:

1. If there would be no savings in paperwork, how many SFC members would favor the shift to September 16-effective raises?

Vote: 0 yes, 7 no, 1 abstention.

2. If paperwork could be saved (for instance, if contracts can be made to run from 9/16 to 9/15), how many would favor the shift?

Vote: 6 yes, 2 abstentions.

2. New Finance Committee member.

Professor Shively introduced Mr. Allison, a student at the Duluth Campus. He is both the new coordinate campus student member of SFC and a new member of the Consultative Committee.

3. Budget principles. For information and discussion.

The Office of Academic Affairs had mailed copies of the budget principles to SFC members in advance of the meeting. Professor Shively told SFC that it has been a standard practice of the administration for many years to propose budget principles for the Regents' approval; they conceptualize the budget and are only applied when the size of the appropriation is known.

Mr. Klement noted the weakness in the principles of an affirmation to pay equity. Mr. Berg said the Regnts are committed to the principle but not to any particular schedule in achieving pay equity. The principles guiding civil service compensation are to match state pay and to remain competitive with outside employers. However, the budget principles do include the statement, "The Board directs the administration to present a budget plan that will reflect continued progress toward that end [comparable worth]."

Professor Boylan observed that the policy of reducing the inequities among students in various colleges of the percentage they pay of cost of instruction is almost so vague as to be meaningless.

There was brief discussion of the timing of any budgetary increases which will be made for 1987-88, and of how people outside the University might interpret that timing. Ms. Bilek and Mr. Berg told SFC that Academic Affairs would make no budgetary increase commitments for 1987-88, but that following completion of the Strategy for Focus process, some changes in those budgets might be made.

4. Evolution of unit budgets from 1971 to 1987. For information and discussion.

Ms. Bilek noted that the material distributed in advance had been taken from the printed budgets for 0100 monies over the last 16 years, adjusted to 1987 budget dollars; it does not reflect the various post-budgetary adjustments. The major changes illustrated were:

The whole University received $97 million more in 1986-87 than in 1970-71; Health Sciences are up $23 million; coordinate campuses are up $14.5 million; physical plant up nearly $19 million; staff benefits, including fringe, are up $30 million. The Twin Cities total (Health Sciences excepted) is down from $146 million to $131 million. CLA has declined steadily in both student FTE's and in budget. IT's budget declined despite increased student numbers and this year for the first time has a larger 0100 budget than in 1970-71.

Professor Shively remarked there was no obvious connection between the overall changes and University planning at the time. He noted that the figures show that the University, like many institutions, reacts very slowly to both increases and decreases in demand.

Professor Scott asked Mr. Berg if the University has benefitted in proportion to the state's economic growth. Mr. Berg said the University now receives a smaller proportion of the state's tax revenues; he did not know what the change was, if any, with respect to the state's total wealth.

5. Report of the Chair.

Professor Shively distributed for information a single sheet prepared by MPIS, "Shortfalls in Direct Instructional Expenditures, 1984-85." (The shortfall is with respect to the funding level of the 3rd place school in the Big Ten.)

Professor Shively distributed for information copies of the March 1 PUF summary by collegiate unit.

For its information, SFC members had received in advance of the meeting a one page summary statement of the University Hospitals' operations and operating cash flow. Professor Shively noted that revenues have been higher than anticipated for the current year, due to greater-than-anticipated admissions.

Professor Shively reported that the University and all state agencies had recently been asked by the state to respond in great haste as to how they would deal with a hypothetical budget cut of up to 3%. The University complied with the request. Professor Shively said the exercise is more applicable to other state agencies than to the University.

Professor Shively reported up-to-date information regarding the Supercomputer Center's budget deficit: that deficit will not be financed by a loan from the University.

Professor Shively reported on a proposal to establish a University credit union. The Faculty Affairs Committee has approved the proposal, which is now due to go to the Regents. The University would be an initial depositor and the credit union would require 1000 square feet of floor space. Professor Carl Adams said the Finance Committee should concern itself with the degree of risk; the University should be prudent and deposit no more than can be insured. At Professor Shively's suggestion, the Finance Committee authorized him to talk further with SCC chair Ellen Berscheid and Vice President David Lilly about how much speed is necessary in acting on establishing a credit union, and to use his judgment on whether to ask to have it removed from the Regents docket (where it appears for action) until it can come before the Finance Committee.

Possible changes in meeting dates anticipated. Professor Shively asked SFC members to be prepared for possible changes to one or more meeting dates so that each Finance Committee meeting can include time with Vice President Benjamin, who had to be out of town on this date.

Possible April agenda item. Professor Adams recommended SFC inquire of Vice President Lilly what has been the financial effect for the University of shifting Continuing Education and Extension to the Average Cost Funding formula.

The meeting adjourned at 5:00.

Respectfully submitted,

Meredith Poppele,
Secretary