

11/13/87

MINUTES
SENATE FINANCE COMMITTEE
October 23, 1987
3:00 - 5:00
626 Coffman Memorial Union

Members present: Mark Brenner, Shirley Clark (Chair), Andy Collins, David Hamilton, Cleon Melsa, Geoff Maruyama, Tom Scott, Mark Umland, Walter Weyhmann.

Guests: Roger Benjamin (Vice President and Provost), Mary Bilek (Assistant Vice President), Carol Campbell (Controller and Treasurer), V. Rama Murthy (Associate Vice President and Vice Provost).

1. The minutes of the October 1 meeting were approved with Professor Weyhmann's first name corrected.
2. Ranked capital request and renewed request for O&M items. Vice President Benjamin.

The vice president distributed copies of version #5, the up-to-date capital request revision. He told the Committee that while the capital request would be the University's main focus in the upcoming legislative session the U was also, at the state's suggestion, requesting increased Rank Funding Adjustment and retained ICR, and funds to operate new space. The non-capital part of the request will be ready for SFC to see at its November 13 meeting.

The State asks the University to rank-order approximately its top 20 capital request items. Recent evidence of deterioration in the Twin Cities Campus' system of coal and oil boilers has hurtled a new item to the top of the list: TC Boiler: Engineering and Environmental Impact Study. All the other items appeared on the list drawn up last year. The criteria for position on the list are life support, system-wide items, and items of high academic priority. The vice president briefly explained many of the items, and committee members commented and raised questions.

(1) Boiler: Assistant Vice President William Thomas has brought to the administration the problem of the aging boiler system. Contrary to the administration's expectations, which it has consistently affirmed to the legislature, the Grid-ICES system will not be adequate to guarantee heat well into the future. One part of the essential engineering and environmental impact study will be to get an estimate of the cost of purchasing our energy from NSP. The University must get some fairly thorough cost and benefit studies. Replacing the boilers, some of which are 40 years old, is estimated to cost between \$52 and \$100 million.

Professor Hamilton was concerned about legislative reaction to two examples of inadequate planning: library storage space, now found to

be exhausted several years ahead of schedule, and the unreliability of the heating plant.

Dr. Benjamin said the University Librarian began making the points about space needs years ago, but wasn't heeded. The Vice President said fundamental, long-term library decisions must be made, including where the humanities and IT libraries will be housed and consequently what new construction and what type of Walter remodeling is called for. Professor Weyhmann asked whether Betterments funds will be available for improving Walter Library. Dr. Benjamin said it is doubtful any of the decisions can be made before the legislative session.

Prof. Scott asked about the status of the University policy of no net new University space to support. Dr. Benjamin said he thought the new set of requests was consistent with the policy but that the policy does not cover new space which has been in the pipeline and is now about to come on line. Professor Brenner advocated taking on new net space with our eyes open, knowing the legislative policy means we're on our own for its operation.

Professor Hamilton noted the apparent fractionating of freshwater research (TC and UMD)

Items #9 and #13 are for new construction for departments with new heads, and Professor Clark asked if this implies an administrative policy. Vice President Benjamin could only confirm that the Music Department and the School of Architecture have vigorous new heads the University wants to back.

Intercampus transit link doesn't appear on the list. Ms. Campbell and Dr. Benjamin will check into its status.

- Home for U Art Gallery? One idea is to combine it with Campus Club.

Professor Scott: Given that state maintains a fairly constant level of bonded indebtedness we must bear in mind that our request competes with all other kinds.

Professor Weyhmann: What's the source of funding for the equipment in new buildings? Dr. Benjamin: The University's rapidly increasing total in both ICR and the proportion the State lets us keep without offset gives us the necessary flexibility.

Professor Hamilton: Regardless of our prioritization, which the legislature has required, how we sell things at the legislature makes a big difference in what it funds.

Drs. Benjamin and Murthy: This prioritized list is reasonably secure against changes at this late date.

3. University liability, under 1987 legislation, for state and municipal sales taxes.

Controller Carol Campbell gave the University's reasons for believing

it should not be subject to the tax. The bill as originally introduced would have covered every entity in the state. There are precedents in other states for such universal taxation. But lobbying groups got some categories removed. Not-for-profit corporations were exempted; state agencies were included. The University and the State University System are paying the tax; the other institutions of higher education, both public and private, are not. The University is seeking retroactive removal.

After the modified bill became law, the State and the University struck a compromise which (1) exempted the University Hospital (there is no structural basis for this, purely a basis of equity with respect to other hospitals); and (2) a pledge that the law would receive new attention.

The law went into effect July 1; standing contracts were excluded. The University is not being billed for the tax by vendors but, rather, is doing its own calculations and making the payments directly to the State. The State is not holding the funds in escrow, but both the State and the University know the exact dollar amount paid in. Payments to date:

July:	\$233,000
August	\$391,000
September	\$536,000.

The annual total is projected to be about \$6.2 million.

The University is making the payments centrally and not billing the department; clerks track every purchased item and departments receive a liability statement. As contracts are renewed they become subject to the tax. Ms. Campbell described the complications to the formula that make administering this tax a nightmare. If the University does not prevail at the state and moves to a court challenge, the action could take years and central coverage of the costs would have to be reconsidered.

Electronic ordering. Prof. Hamilton asked about the development of this capability. Ms. Campbell said it is partly in place; the goal is to free ourselves of the paper-bound system. The civil service payroll system is going this way; one complication concerns data privacy considerations.

4. Faculty Development Committee's Report.

Professor Clark asked if SFC would like at this point to deal with the report. Prof. Maruyama said the Faculty Affairs Committee will begin to address it at SCFA's next meeting, looking first at faculty leaves proposals. Although sabbaticals are not now costly, they would be if everyone eligible took a leave. At some point, said Maruyama, SFC could help the cause by stating that faculty vitality and redevelopment are very important. SCFA lacks any clear message from Academic Affairs about changing support for sabbaticals but sees that the Bush Fellowship program, tied to undergraduate education, appears to be continuing unchanged this year.

Prof. Brenner thought SCFA would need to take the initiative on several of the major FDC recommendations, particularly regarding the basis for faculty salary development. That should be part of next spring's biennial budget planning. Professor Maruyama suggested it should be the Faculty Consultative Committee that addresses the question of the appropriate comparison group. Professor Brenner thought it would be to our advantage for SCFA to endorse the Faculty Development Committee's recommendations regarding salary.

Professor Brenner asked that Library aspects of FDC be steered to the Library Committee.

Other issues that do not belong clearly to SCFA are faculty-staff ratio and general support. Professor Maruyama remarked that at some point it will be necessary to look at the big picture. Some people have pointed out the University has no integrated policy in faculty development.

SFC was inclined to identify and work on four or five parts of the FDC report.

5. Informational report on the University's acquisition of the Supercomputer building in Minneapolis' technology corridor. Associate Vice President Murthy.

Dr. Murthy explained the tripartite acquisition of the building by the State, the City of Minneapolis, and the University. The University will be able to vacate and sell its Lauderdale facility.

The City subsequently offered to sell its share (which it bought for \$4.4 million) to the U for \$2.6 million; U made a counter offer of \$2 million which the City accepted on the condition the University match its \$600,000 contribution for training disadvantaged youth in computer services. President Keller agreed. Both the Regents and the City Council have approved the transfer.

Space use plan is not firm. There will be costs for finishing off interior space and the parking space. The University has absolute control of the space.

Next meeting: November 13, 1:30-3:00, Regents Room, Morrill Hall.
Tentative agenda items: decentralization of fringe benefits; consequences of the stock market crash and subsequent turbulence.

The meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Meredith Poppele
Secretary

October 19, 1987

To: Senate Finance Committee
From: Shirley Clark
Subject: Meeting notice

SENATE FINANCE COMMITTEE

October 23, 1987

626 Campus Club

3:00 - 4:30

AGENDA

1. For approval: Minutes of October 1 meeting (enclosed).
2. For discussion and comment: 1988 Ranked Capital Request: Vice President Benjamin. (Note: As of this date the list is still undergoing revision. The Vice President will bring us copies of the up-to-date version.)
3. For information: University efforts to be relieved of the state sales tax: Controller Carol Campbell.
4. For discussion: Are there any parts of the Faculty Development Committee's report that SFC would like to discuss prior to receiving comments from SCFA and FCC? (Report copies distributed at October 1 meeting.)
5. For information: The University's acquisition of the Supercomputer building in Minneapolis' Technology Corridor: Vice Provost Murthy.