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DRAFT
MINUTES

E X E C U T I V E   S E S S I O N

CONVERSATION WITH THE PRESIDENT
Joint meeting with SCC, SCFA and UCBRBR
June 27, 1980

At 12:00 noon on June 27, 1980 in the Regents Room of Morrill Hall, Chairman Richard Purple convened the meeting of SCC, SCFA and UCBRBR with President Magrath for the purpose of discussing the University's biennial request to the legislature. The President requested of the Chairman that the meeting be closed to the press because he wanted to engage in frank dialogue with those present and did not want his presentation to the Regents anticipated by coverage in the Daily. Professor Purple asked those present if anyone dissented from having the subsequent meeting an executive session. No one indicated dissent, and the meeting was declared in executive session. President Magrath and Professor Purple presided jointly.

Also present at the meeting from SCC were George Blake, Robert Brasted, Marcia Eaton (also UCBRBR), Wendell Glick, Rich Kottke, Fred Morrison (also UCBRBR), Judy Nord, Douglas Pratt, Sue Pribyl (also UCBRBR), Paul Quie, L. E. Scriven, W. D. Spring and John Verrill; from UCBRBR: Dwight Brown, Rosalind Horowitz and Robert Lambert; from SCFA: Tom Bacig, Joanne Eicher, Jim Gremmels, Kathy Hoelmer, Ruth Hovde, Ronald Schuler, George Sell, Marilyn Sime, Craig Swan and Robert Ulstrom. Representing the central administration were Vice Presidents Lyle French, Clinton Johnson, Stan Kegler and Ken Keller, Associate Vice President Al Linck, and Assistant to the President Jim Borgestad. Paul Rasmusson, President of MSA, attended as a guest.

President Magrath proposed an agenda of four items: (1) the faculty salary increase request; (2) the capital request, which will be sent to the Regents for information at their July meeting; (3) the general question of priority setting for the 1981-83 biennium in both the operations and maintenance and the capital request portions; and (4) procedural and timetable questions. Professor Morrison asked whether supply and expense should be discussed and the President replied that the administration does not have the information it needs to submit this item to the Regents in July and that it will go before them for information in September. The President further said that he will submit written documents to the Regents in August even if there is no Regents meeting, which will allow more time to receive comments from UCBRBR and the SCC before the September 4-5 Regents meeting.

1. Faculty salaries. The administration has received the SCFA report. President Magrath stated that the Budget Executive generally likes the report in terms of its emphasis and thrust. He introduced these interrelated caveats: (a) he thinks it a tactical mistake to include in the request the details of how the appropriation will be spent because that interjects the legislature into those details; (b) how the University spends the money depends on how much it gets--the actual distribution tends to get changed when the appropriation is smaller than the request; (c) he and the Budget Executive are unwilling to commit themselves in advance to unit-equity adjustments, in part because (d) they doubt the appropriation will be as great as the 23% first year increase requested.

The Budget Executive has recommended to him a 30% biennial hike, divided 15%-15% between the two years. He is considering requesting the greater share in the first year to address the serious cost-of-living need as much as possible, and he pointed out that the total money is greater if the percentage increase is larger in the first year. Vice President Keller said the University will argue cost-of-living to the legislature, underscoring the substantial losses. The President emphasized that since the University is committed to faculty salary increases as its top priority, everyone concerned about the University must stick to that position, in all settings, in both word and deed.

Professor Purple raised two questions: (a) If you go for a 15%-15% request, what do you cut or trim in the SCFA plan? and (b) What would be wrong with educating the legislators by using the SCFA details as an example of how the University would divide the money? There were three responses. The President reiterated the Budget Executive's judgment that it is unwise to spell out the details. Vice President Kegler said one risks "legislative intent" problems; that if you give legislators these "hooks" now, they will hang things on them which will mean trouble for the '83-'84 request. And Associate Vice President Linck, who chairs the Budget Executive, said that body and the vice presidents considered 15% more salable than SCFA's proposed 23% and didn't approach the question as making specific cuts in particular categories. He acknowledged that what is sellable as between asking 15% and asking 23% is debatable.

There followed discussion of the data which the administration had examined comparing the appropriation results with (a) sizes of requests and (b) equal requests for both years of the biennium, for the biennia from 1965 to the present. President Magrath read the figures to the meeting.

Professor Morrison stated that he thinks the faculty regard the legislature as fairly reasonable and hence are less concerned than the administration about the prospect of erosion of the University's autonomy in spending its money. He predicted that the faculty would read a 15%-15% proposal as an administrative retreat. The University, he said, appears ready to repeat recent request tactics which have produced the inadequate responses of "low-to-middle" cost of living increases. He assessed the typical legislative mood as subject to optimistic economists who underestimate inflation.

Professor Spring asked the administration how it justifies its percentage increase request to the legislature, whatever that percentage is. Mr. Keller noted that one can justify almost any figure according to the base period one picks; for instance the loss is 18% if calculated from 1970, 15% from 1972, etc.

Professor Tom Bacig, chairman of the SCFA subcommittee on faculty salaries, stated that SCFA believes a different strategy from the past is called for and that there is a need to show the legislature how the state's money is being spent, including conteracting the legislators' sense that too much money goes to the wrong people. SCFA is concerned now, he said, that it has worked hard this year to produce a proposal which seems to be having no impact on the University's actual request. He asked when this kind of faculty work is going to be accepted. In his view, central administration has effectively said "No" to the entire SCFA report. The University, he said, needs to inform the legislature of what it thinks is warranted. SCFA used the past decade (1969-79) for its comparison, which seemed reasonable to them. He acknowledged that SCFA had reservations and was divided on the question of whether detailing the disbursement would risk legislative interference, but the majority thought the risk worthwhile. The intent of the specifics is to show the legislators the complexity of meeting the needs and rectifying the losses but not to invite them to interfere.

The President responded that he would continue to make recommendations based on what he thinks best for the University and the faculty, so long as he has the responsibility. It is not his role to forward directly the recommendations he receives, but to use them in formulating his own. He warned that asking too much may well result in receiving too little and suggested that, based upon experience, a 23% request might yield a 8%-9% appropriation while a 15% request might net 12%-13%. He repeated his strong reservation about detailing the expenditure. He also said that many factors influencing the appropriation are outside the control of the University, such as the rhetoric which flows into the office of the Finance Commissioner. The University can only work to counteract it.

Professor Craig Swan agreed that documentation of the request was crucial but thought the University would risk its credibility, both externally and internally, with a 23%-23% request. Some faculty would perceive a 23%-23% request as unrealistic and conclude that the administration is simply trying to buy them off with talk. If he were a legislator, he said, he'd be asking what it costs to buy the people for the University who do what we want them to do. Past losses in real incomes result in part, he said, from the imbalance in supply and demand and are unlikely to be made up soon. One part of the coat-of-living argument to make is that the University in 1978 was bound by the Presidential guidelines which were subsequently and quickly abandoned. Regarding market comparison, he said if the University chooses to compare, it must meet the competition of tomorrow, not of yesterday.

Professor George Sell of SCFA said SCFA tried to address the question of how one makes the case of need to the legislature. The proposal is an attempt to provide catch-up for University salaries over a five-year period comparable to average Minnesota salaries. SCFA saw the need for this catch-up as well as for inflation compensation.

The President responded that every time the University has requested money to catch up to where real faculty salaries once were, it has been refused, and that the request for inflation compensation has been more successful. If the University won 30% over two years it would serve to halt the effects of previous erosionary inflation. We are fighting a national erosion of faculty salaries, he said, but while most of our peer group institutions have built-in adjustments that run them to 8% or 9% increases, ours at Minnesota will be closer to a little over 7%. Professor Swan added that the legislatures in many states granted a 1%-2% supplement because of the current high rate of inflation.

Professor Pratt said that the faculty is not insensitive to the matter of the legislature's proper role regarding the University and that he would hate to see the detailed request result in a mandated distribution system for the University. He also does not want to see the situation in which only people on the "low end of the totem pole" can afford to stay in colleges and universities. He urged the University to make the best possible case to the legislature, including the comparison of faculty salaries in real terms with the pay of other Minnesota public employees. President Magrath expressed his agreement with Pratt's point about competing for employees.

Professor Katherine Hoelmer of SCFA supported Professor Bacig's arguments and pointed out that (a) SCFA's category I is a reflection of the 1979 rate of inflation; and (b) the purpose of the details in the SCFA report was to lay out the justification. She also pointed out that the two highest increases for faculty salaries in the past 15 years came in the years the requests were the highest.

Professor Brasted recommended the administration not underplay the fact that there are good young minds who could join the University faculty for $17,500 and could go to industry for much more than that. The President recognized the point but said it must not be overplayed, either, because there are people who seriously recommend augmenting the salaries of faculty in divisions in which people have lucrative alternatives in the job market.

Professor Robert Ulstrom of SCFA stated that the report request is for less than the full actual dollar amount of catch-up. While there is a risk that legislative indignation at the size of the request might bring an adverse reaction, he thinks a shock may be in order at this time to inform the legislators of the real reasons behind the request. The University perenially goes to the legislature and asks for more. Maybe, he suggested, the reasons get to sound routine and monotonous. There may be value in shocking the legislators to get their attention. He hopes the SCFA report will be viewed as a strategically strong urging.

Vice President Kegler commented that the years in which the University has received a fairly good faculty appropriation in relation to its request have been the years when there was a state surplus and no one was urging that the surplus be returned to the taxpayers. He predicted that what happens in the next legislative session will relate heavily to the governor's stand-still effort. There is little surplus in the state treasury and the governor wants total indexing of taxes, which means returning any surplus to the taxpayers. And while the faculty is recommending a change in strategy, he remarked, a legislator had recently said to him something very much like this: "I see the University is preparing to do what it has always done-- change the strategy and choose the data to fit their purposes." In fact, said Kegler, over the years the University has used different strategies and has talked about all the items in the SCFA report. His sense on how the University can sell its request, he said, lies somewhere between the SCFA report and the MPIS document.

President Magrath said that he will make a judgment on the salary request early in the week of June 30 and will inform the SCC, SCFA and UCBRBR when he informs the Regents. He will reconsider the 15%-15% recommendation. He recognizes that the main message of the SCFA report is the salary crisis situation. The administration will take account of those recommendations and the rationale as they prepare their own request. We are trying, he said, to get the most we can conceivably get. Professor Bacig added that SCFA also wants the most, and that they recognize that the choices are the president's. Bacig expressed the hope that the president would continue to think about using the SCFA category approach. There was broad agreement in SCFA, he said, about using the categories to illuminate the need factor.

Vice President Keller noted, appropos the request issue, that the SCC now needs to name a new faculty lobbyist.

2. Capital request.

(a) Humphrey Institute. President Magrath stated that he will not recommend a specific site to the Regents in July. He said he does not think it would be fruitful to engage the SCC and UCBRBR in consultation on this question, but that the site will be reconsidered. He will not make his own recommendation on the site until the fall.

(b) Size of the capital request. It has to be held down. The request is essentially a resubmission of the request of last winter, with an escallation factor.

(c) Williams Arena. The president believes this renovation should go forward as a capital request. He thinks an outside capital fundraising effort would impair the very funding that keeps intercollegiate athletics in the black. The University has not asked before for capital funds for men's or women's intercollegiate athletics. Moreover, Williams is used less than 50% for intercollegiate athletics. He said the priority ranking for Williams will have to be quite low.

(d) Ranking system. He said he likes the UCBRBR suggestion of "high," "middle" and "low" rankings, and he concluded by saying the Budget Executive needs to receive the UCBRBR/SCC priority recommendations by mid-July.

Professor Purple asked whether the SCC could obtain the documents relating to a site for the Humphrey Institute to prepare itself to participate in future discussions. Vice President Keller said that Director Harlan Cleveland is developing programmatic documents on the institute that bear on the location question. The president suggested that a meeting of SCC and UCBRBR with Mr. Cleveland after he officially moves to the campus on August 1 would be of the greatest value to the committees.

3. Minimum Budget Supplement. The president reminded the meeting that the commissioner of finance, with the concurrence of the governor, has requested all state agencies to submit budgets with documents and instruments showing how they would operate in the 1981-83 biennium if they had only 90% of their current budget in constant dollars. He views the order as an anticipatory exercise to prepare state agencies for a possible fiscal downturn. The University, he said, has to be extraordinarily careful in preparing its document. A 10% decrement would equal approximately $20 million. If that were cut across the board it would damage the University severely; if the cuts were made selectively, the $20 million would be quickly gone. The University's intention is to submit examples of what the University would look like if it cut 10% of its base. The exercise will become especially difficult when the University is asked what pieces of itself it would rather give up. The regents, he reported, are very reluctant to report a detailed schedule of cuts; nevertheless, the president is required to submit an indication of how the University would cut. He would prefer not to have wide consultation on this exercise, thinking it would demoralize the faculty to engage them in developing a document which will probably never have to be employed but which will produce anxiety of its being a self-fulfilling prophesy.

Professor Morrison responded with two concerns. First, if the University does in fact have to take a decrease, the document to follow will exist and someone will have the responsibility for having approved the document. Moreover, keeping the exercise as quiet as possible doesn't fulfill the need for consultation. Secondly, regarding negotiations: the nature of the negotiations with the finance commissioner will leave the president on his own to respond to questions such as "Will you cut 'a' to get 'b'?" For that reason, Morrison wants consultation ahead of time.

The president replied that SCC and UCBRBR have persuaded him in the past on the dangers of the self-fulfilling prophesy. He does not want to needlessly alarm too many people. He agreed there will have to be some consultation.

Vice President Kegler remarked that while Governor Quie agrees it is not well to wreak internal chaos with retrenchment discussions, the finance commission regards that as a healthy exercise. He also emphasized that the University is vastly different from all other state agencies. The president added that the finance commissioner has written to all state agencies saying they can request increases for just two of their divisions and must submit justifications for those.

The meeting was adjourned at 2:00 p.m.

Respectfully submitted,

Meredith B. Poppele,
Secretary, SCC