

Minutes*

Senate Committee on Finance and Planning November 5, 1991

- Present: Burton Shapiro (chair), William Gerberich, Virginia Gray, Michael Hoey, Thomas Hoffmann, Fred Morrison, Jeff von Munkwitz-Smith, Irwin Rubenstein, Mary Sue Simmons, Charles Speaks
- Guests: Senior Vice President Robert Erickson, Geoff Gorvin (Footnote), Michael Handberg, Senior Vice President E. F. Infante, Ken Janzen (Regents Office), Gerald Klement (CEE), Dean Hal Miller (CEE), Thomas Scott, Maureen Smith (Brief)

Discussion of the Budget

Professor Shapiro called the meeting to order at 3:15 and welcomed Senior Vice President Infante to discuss the more detailed budget documents which had been provided to the Committee. Dr. Infante began with an overview: The total shortfall in state funds (taking inflation into account) will be \$44 million; the University is proposing to obtain \$20 million of that through increased tuition and fees and the other \$24 million through cuts. Two questions that needed to be dealt with were how much recognition should be given to inflation and what should be the balance between increasing income and imposing cuts. In no event could there be two years without salary increases.

The proposed \$24 million in cuts represents 3.9% of the base budget; the next question was how to realize the cuts required. In central administration there will be changes to obtain maximum efficiency and reductions in service. Academic Affairs has reduced its staff. Dr. Infante pointed out that all contemplation of the budget came back to the realization that the faculty are central--it is the faculty who drive the number of staff and the amount of space needed; if there is to be a shortfall which is permanent, the only way it can be addressed is through controlling that critical variable.

Dr. Infante also said that the administration felt it important not to deviate from the Restructuring and Reallocation Plan, which sets academic priorities and serves as the base upon which to make decisions. The numbers presented, he emphasized, are not cast in stone; they are intended to show general effects and the distribution of the cuts.

Other points he made were these: 1) The vice presidents and deans have been told that these are not one-time cuts and that the units will have to engage in long-term planning by looking at the cost centers--the faculty. 2) The University is highly leveraged; the average faculty member in IT has \$120,000 in external funding. He expressed hope that a reduction of 20 faculty in IT would not lead to a decrease of \$2.4 million in external funding. 3) Three post-baccalaureate units (Law, Public Affairs, and Management), because of their elasticity of demand, will not be asked to cut their programs; they will instead increase tuition and the level of activity. Morris, because of its size, would be damaged by a 3% reallocation, so is also being asked to increase its tuition.

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In looking at the 1991-93 increases (adjusted for inflation), one Committee member [not from IT] noted, CLA is about where expected--given the priorities contained in the Restructuring and Reallocation Plan--but the IT increases are below inflation. On the other hand, Management, Public Affairs and Law are receiving among the largest increases but were not targeted for such increased support in the R+R Plan. The status of IT is worrisome. Dr. Infante agreed that the increases for the three post-baccalaureate units do not correspond precisely with the R+R Plan but are there because of the tuition and program increases expected. He said he was not happy about the proposed funding for IT, but it does represent "staying the course." He agreed that IT would be losing ground to inflation, but so would virtually the entire University; he also observed that IT has a large budget and that to increase it with inflation would have meant gutting other units--which he was not prepared to recommend. And the University has made the decision that major units will not be closed.

Some of the proposed budget decisions, Dr. Infante observed, are tactical, not strategic--but none deviate from the general strategy. That comment elicited an observation, by one Committee member, that most of the budget reductions appear to be accomplished by resignations and retirements--without regard for unit plans. That may be an appropriate tactical step, but it requires that there be a longer-term strategy for deciding upon appropriate staffing levels in each unit. Where vacancies occur may not be where the reductions should take place. Academic Affairs and the Committee will need to explore questions of staffing levels, how they will be increased, and how units will reach their proper levels. At this point the Governor could say "I won--the University cut \$24 million and is not cutting anything out." There are few program cuts, and it appears the University will continue to do everything it has in the past, just less well.

Dr. Infante responded that CLA and IT have good ideas about where positions will go in the next few years. He also expressed agreement with the need for general review of staffing levels. He said he would go one step farther in that he wants to be sure that no units plans are contrary to the long-term plans of the University; the unit plans must be elaborated over the next 1 - 3 years.

Another Committee member agreed with the need to review staffing levels but observed that in many cases those resigning or retiring are people the University needs. The question needs to be asked how the University will get to where it needs to be; the budget documents do not do that. Should tenure be reconsidered? Dr. Infante responded simply that he is a realist.

Another point made was that if the State is decreasing its investment in the University, it--the University--cannot continue to be comprehensive. The State is saying "stop doing things if you want to retain quality"; when will the University recognize that message? The necessary steps will be difficult, but if not taken now, when will they be? Dr. Infante concurred.

Another Committee member joined this view, noting some disappointment with the budget documents; there appears to be a lack of boldness and there is no "signature cut." The reaction of the State and Governor will be that the University had \$24 million in "fat" and had to cut nothing. Dr. Infante pointed out that the University is cutting people and very concerned about the \$23 million in vetoed State Special appropriations. He said he senses sympathy for the University among political leaders in the State and expressed the hope that the losses can be recovered in the future. It may be, he concluded, a pious hope.

To use IT as an example, one Committee member noted, 16 - 20 faculty positions will be eliminated through retirements and resignations but presumably IT will continue to offer the same number of majors and serve the same number of students. It may be necessary to cut enrollment or program breadth, over time. Dr. Infante replied that the cuts would not be made over time; enrollment in IT is driven by the faculty and the college will respond. More generally, he observed, there are some programs at the University which are under-enrolled; what is needed is an enrollment management policy and a careful look at participant numbers in some cases. Either resources may need to be shifted or the use of the programs must be increased.

Dr. Infante confirmed, in response to two different questions, that 1) projected savings from program cuts take into account the fact that faculty transferred to other departments will mean somewhat increased SEE budgets in the "receiving" departments, and 2) that in the case of early retirements and severance packages, part of the funds in a line item will be used to pay for those incentives--the department will not have to absorb the cost.

Other points taken up in the discussion were these:

- Dr. Infante said, in response to a question about the role that outside funding played in the Restructuring and Reallocation Plan, that it was based on the previous 10 - 12 years of planning and that it encompassed a broad set of conditions. The priorities included addressing problems of undergraduate education, especially in CLA, GC, and IT; further, some units slated for significant increases (such as Morris) bring in few outside funds and have no graduate programs.
- Dr. Infante repeated his statement that central administrative cuts are not to result in increased charges to academic departments; there will be net savings, not a shuffling of costs. In some instances, such as the new A21 circular on ICR funds, departments may face increased accounting costs. Senior Vice President Erickson made the same assurance about the cuts in Finance and Operations; nothing is to be passed through to departments. Mr. Erickson noted that some proposed internal charges may cost more to process than they are worth and promised to look into them.
- The increase in tuition rates for the three professional schools will be additive: The general 9% increase plus an additional increase in the range of 8% or more. Dr. Infante emphasized that the budget does not set tuition rates; the administration needs to have additional information on space availability and elasticity-of-demand studies before any final decisions on admissions or tuition are made.
- Of the \$36.6 million in 1991-92 for Support, Libraries, and Computing, about \$20 million is for the libraries and it is they that will receive most of the projected increase of \$5.6 million in that category. Dr. Infante agreed to provide the Committee the detailed numbers behind this category of expenditures. Fuel and utilities will be cut 7%; savings will have to be accomplished through energy conservation or there will need to be additional cuts.
- In the three post-baccalaureate professional schools, Dr. Infante explained in response to a

query, the size of the units can be expanded--and the University's contribution to them held steady--because the tuition is greater than the marginal cost of an extra student.

Discussion next turned to Continuing Education and Extension (CEE). The first two questions involved the administrative costs of Summer Session and CEE and need for a Summer Session office. Dean Miller told the Committee of a study of Summer Session conducted in 1983; the committee recommended its continuation because of what occurred at peer institutions which eliminated it as a separate unit: the programs became poorly managed and the income declined. At present Summer Session brings in about \$10 million. Other CEE units also bring in substantial amounts of money.

Several other points were raised:

- With respect to simplicity and efficiency in terms of grade sheets and a separate registration system, Dean Miller recalled that CEE waited 15 years for a joint CEE/Day registration system, but there were never enough funds to develop it. CEE was finally given approval to set up its own computerized registration system because it could not continue to manage registration by hand. It is being developed with the capability to interact with the Day system,
- Of those who enroll in CEE classes, 30% are Day students and 70% are not. The reasons for Day student registration in CEE are several, Dean Miller said: first, because of work schedules; and second, because of course availability--only 74% of required courses are available in the Day school and an additional 8 - 10% through Evening and Session during any one year. Day student registration in CEE may also occur because of closed sections. Most faculty, he noted, report they are satisfied with the experience of teaching in CEE.
- Serious changes in CEE could have an impact on University funding through the Average Cost Funding matrix: at present CEE receives \$6 million in support, besides generating the rest of its budget from income, and also generates \$48 million in State support for the University.
- There are some negative aspects to CEE, some Committee members suggested: many faculty use it as a means to augment their income (but by doing so are not engaging in scholarly activities). It can also be argued that it reflects a bygone age, when most students were 18-22 years old--there should be a better way to serve the more diverse student that now exists. Dr. Infante agreed that a careful look needs to be taken at outreach activities, including CEE. In some ways it is appealing to respond to the needs for lifelong learning, and to permit students to drop in and out, but especially for younger students the right expectations are not being conveyed. The problem of "internal consulting" is one that needs to be addressed, he said.
- The proposed tuition changes in CEE could have an impact on its enrollment. Dean Miller pointed out that 48% of non-degree-seeking students have incomes of less than \$20,000, over 18% are people of color, and 58% are women. It will take some sorting out to levy the tuition increases solely on non-degree-seeking students. Dr. Infante said there may be a difference between what is intended and what is possible; the intent is to levy the 10%

increase on non-degree-seeking students, but the definitions may have to be discussed for a while--the University needs to decide who is and who is not a degree-seeking student.

Professor Shapiro thanked Dean Miller for joining the meeting.

Discussion turned briefly to the relationship between increased student numbers in the professional schools, the size of the faculty, and long-term plans for accommodating any increases or downsizing; to the impact of recurring tuition increases and their relationship to possible returns from attending higher education (it has been estimated, for example, that those returns have increased over the last 10 - 15 years, vis-a-vis those without a baccalaureate degree). Dr. Infante opined that the portion of instructional costs paid by tuition may rise to 2/3, from the present 1/3, because of that increased benefit to the individual.

Dr. Infante also reported on factors he had inquired about at other institutions and where Minnesota stood: it is seen as having a better environment for women, providing less motivation to finish degrees, and has students who work an average of 22 hours per week (while at peer institutions they work 10 or fewer). These trends have implications for University policy-making.

Professor Shapiro thanked Senior Vice Presidents Erickson and Infante for their time.

Several Committee members then discussed the budget for a short while. It appeared to be the sentiment of the Committee that the budget cuts, below the vice presidential level, were more across-the-board than differential. This pattern camouflages the fact that hard decisions were not faced; the vice presidents appeared to pass the decisions down to the colleges in an across-the-board fashion, most of which in turn dealt with them by attrition--there was nothing substantially different from an across-the-board hiring freeze except for the production of a lot of paper. The reluctance to engage in real planning about where the units are going is discouraging. The lack of a "signature cut" also presents difficulties; the proposed budget may be the most responsible way to make cuts but it lacks political punch. One Committee member suggested that the budget documents were appropriate for Regents but not for legislators and the Governor; he also inquired whether or not the Committee really wanted vice presidents to decide on program cuts--is it not better that the deans make the decisions? But they should not be made by attrition; programs must be cut.

It was agreed that Professor Shapiro would write to the President communicating the views of the Committee.

The Committee adjourned at 5:15.

-- Gary Engstrand