Senate Committee on Finance & Planning
Minutes of the Meeting
March 24, 2015

[These notes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these notes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

In these minutes: [Instructions for FY16 academic compensation program; funding for graduate students and support for interdisciplinary graduate student initiatives; cost benchmarking]

PRESENT: Gary Cohen, chair; Catherine Fitch, Kara Kersteter, Tracy Peters, Lincoln Kallsen, Jill Merriam, Paul Olin, Renee Cheng, Karen Ho, Daniel Feeney, Michael Korth, Karen Seashore, Jennifer Gunn, Russell Luepker, Megan Wiza

REGRETS: David Fisher

ABSENT: Quinn Jurgens, Samantha Jenson, Taylor Barker, Fred Morrison, Richard Pfutzenreuter, Michael Volna, Pamela Wheelock, Laura Kalambokidis

GUESTS: Karen Hanson, provost; Henning Schroeder, dean, Graduate School

Professor Cohen welcomed the committee.

1. Instructions for FY16 academic compensation program

Cohen welcomed Provost Hanson, who discussed the FY16 academic compensation program and instructions. She referred to the memo previously distributed to the committee, which provided instructions for implementation of FY16 (July 1, 2015-June 30, 2016) compensation increases that President Kaler was recommending to the Board of Regents as part of the overall University budget.

Highlights of the memo included:

- The FY’16 budget recommendation will be reviewed and considered for approval by the Board of Regents at two separate meetings in June 2015.

- Employees affected by the information in the memo include:
    - Faculty in the 94xx series, (excluding UMD and UMC faculty represented by UEA)
    - Academic Professional and Administrative (97xx, 96xx, 93xx series)
    - Civil Service
    - Graduate Assistants

Hanson reiterated the guiding principles for compensation:

  - The University’s compensation system is governed by Board Policy: Employee Compensation and Recognition, which includes principles addressing competitiveness, merit, and equity.
  - President Kaler has articulated his expectation that all faculty and staff who are not covered by a collective bargaining agreement will receive compensation increases based upon merit.

Hanson further reviewed the instructions for compensation increases, noting:

- Through the budget/compact process for FY’16, units have been asked to plan for the changing fringe benefit rates and a 2.0% increase to their total base for salaries for faculty and staff.

- Chancellors, vice presidents, and deans may exceed the 2.0% planned pool increase only if there is a need to address documented market challenges or exceptional performance results, and their budgets permit it.

- There may be an academic unit (college or campus) that cannot meet the expectations of delivering a recurring increase in the overall compensation pool of 2.0% due to significant financial stress. In these cases, the college or campus may propose a less costly compensation plan for their faculty, P&A and/or civil service employees.

- A written compensation plan is required from each unit.

The committee discussed aspects of the plan and instructions. Professor Olin said that many faculty felt they were not part of the discussion. He said that had faculty input been considered in the approval process, departments might have been able to be more strategic in planning for it.

Cohen also noted several issues:

- How much consultation and what sort of consultation does the administration expect before plans and policies are set for implementing the compensation program in each college?
- Is this a matter for collegial governance?
- Should it be something that is in the colleges’ constitutions?
- When a dean has decided what he or she will do, what sort of documentation and rationales can be expected, especially if something out of the ordinary is proposed?

Professor Seashore said another issue was whether the compensation policies among colleges were the best vehicle for solving structural deficits. She asked if there were other strategies considered by the Provost’s office rather than exempting colleges. Hanson said schools look at their own reserves, and she clarified that the faculty compensation piece is built into the budget framework. Professor Luepker said his unit did not have a written compensation policy, as indicated in the memo. Hanson said if there is doubt that each unit has a compensation plan and/or any kind of faculty advisory board, then the question is raised as to what role faculty advisory committees play. They should play an advisory role, and ultimately the dean has responsibility for the budget.

Luepker said 2% wasn't much to work with, and Hanson noted the small increment could potentially cause strife within a unit. However, some people ought to be rewarded, while others fall below the average increment. Luepker asked about special compensation if someone in a unit was extraordinary, and if this was common. Hanson said it was not uncommon but it depended on the fiscal health of the college.

Cohen asked if anyone had ever come to her in extraordinary cases for additional resources. Hanson said there was a fund for spousal hires and some chairs, and there may be open foundation funds for a special retention. She emphasized that no salary money was being withheld.

Seashore said it would be meaningful to include what kind of consultative processes occurred for both the compact and compensation plans as part of the information. Hanson said that was a good idea. It varies among colleges and units as to how this has been handled, and, Hanson noted, it is something that needed to be addressed as a campus. If people participated more equitably and completely in the processes, there would be less bad will about it.

Cohen thanked Hanson for the discussion.

2. Funding for graduate students and support for interdisciplinary graduate student initiatives

Cohen welcomed Henning Schroeder, dean, Graduate School, who discussed funding of graduate education. He had discussed some issues with the Senate Committee on Educational Policy (SCEP) and the Faculty Consultative Committee (FCC), and he sought feedback from the Committee on Finance & Planning about how to proceed. Schroeder discussed the value of graduate education, saying not only are students acquiring knowledge or training, they are also contributing to research, discovery, and creating new knowledge bases across the board.

Schroeder directed committee members' attention to distributed materials and said total funding support for graduate students had remained relatively constant for the past four years. However, the proportion of expenditures supported by sponsored funds continues to decline, reflecting the significant challenges in securing external grants.

Total funding for Graduate Assistants, Fellows and Trainees
Based on Expenditures from FY09 to FY14

	FY09	FY10	FY11	FY12	FY13	FY14	Change
O&M	$79,469,164	$73,183,417	$76,123,646	$77,661,581	$77,640,828	$78,387,582	-1.4%
Spon-sored	$53,861,440	$58,051,303	$62,476,228	$59,606,642	$57,445,165	$56,448,220	+4.8%
Other	$22,731,387	$27,552,637	$22,545,978	$23,099,737	$26,176,348	$25,838,896	+13.7%
Total	$156,061,991	$158,787,356	$161,145,852	$160,367,960	$161,262,341	$160,674,699	+3.0%

Note: Amounts listed do not include fringe expenditures for fellows and trainees as they are being paid separately and not via payroll.

Schroeder also noted:

- Tuition fringe rate has increased from $13.32/hour in FY09 to $17.32/hour in FY14, a 5-year change of +30%.
- Health insurance fringe rate has fluctuated from a low of 14.46% in FY09 to a high of 18.49% in FY12 with a current rate of 16.80%.
- Through his office's advocacy effort, the central subsidy for the tuition fringe pool has been increased from $2.4M/year to $3.6M/year (effective FY15) in order to maintain a 10% reduction in tuition fringe rate from its actual cost.

Cohen observed that tuition fringe rates increased by 30% between FY09 and FY13, yet the total funding for graduate assistants, fellows and trainees increased only by 3%. The money available for non-tuition expenditures for graduate students decreased, and there were fewer graduate students as a result. Schroeder said they had worked on models that would allow keeping tuition and costs more affordable.

Schroeder further noted:

- Capital campaign effort has the potential for securing new funding support for graduate students. Therefore, it is critical that the importance, value, and "common good" of graduate education are clearly articulated and well represented for the upcoming capital campaign.

- Interdisciplinary Doctoral Fellowship – advocated for higher level of funding for this initiative. The recurring budget for this fellowship program has been increased from $400,000/year in FY10 to $720,000/year in FY16. The Graduate School has also invested additional non-recurring dollars (one to two fellowships per year) to elevate the impact of this initiative. Starting with the next competition cycle, there will be an emphasis on cross-disciplinary research that addresses grand challenges to align with the new University strategic plan.

- Graduate Research Internship Program to take advantage of the vibrant and diverse group of companies and organizations in Minnesota. A non-recurring investment will be made to initiate this effort by providing funding support for graduate students to participate in these opportunities.

- President Kaler's work plan to develop a University Metrics Framework: when assessing graduate programs, particularly research-based degrees, there is a need to include student productivity measures (visibility in their fields). A pilot project is underway in collaboration with the University Libraries.

The committee discussed the information.

Professor Seashore asked why graduates students couldn't find funded internships, as undergraduates do. Schroeder said that although undergraduate internships were widely established, there was not much acceptance or understanding of the value of PhD students in like opportunities.

Professor Ho emphasized the need for more guaranteed summer funding, noting a significant piece of many graduate students' progress occurs over those months. Professor Seashore said it was becoming increasingly difficult to obtain top talent in some of the lower paid professional masters programs. The University is not able to attract first generation students and minority students because it doesn't fund them, and this sets a bad standard. Cohen cited conversations with the Vice President of Research about appropriate and adequate metrics for research productivity, and asked if there were going to be similar concerns regarding measuring and capturing graduate education.

Schroeder said the value of graduate education couldn't be conveyed solely by numbers. A graduate student's visibility in, or contributions to, his or her field (as well as society as a whole) comes in all shapes and forms, and Schroeder said they were collecting stories about graduate student endeavors and discoveries of a qualitative sort. Lincoln Kallsen added that alumni data is insufficient, and especially so at the graduate level, in a way that allows ways to parse the information. It was crucial for that to change, he said. Seashore said if the University was trying to convince the state legislature of its value, it needed to look at the long-term trajectory of its graduates.

Cohen thanked Schroeder for the information and discussion.

4. Cost benchmarking

Linc Kallsen presented information to the committee on cost benchmarking. He directed members' attention to a presentation and reviewed highlights.

Cost definition and benchmarking:

- Direct mission delivery
- Mission support and facilities
- Leadership and oversight

Original 2012 goals for cost definition and benchmarking analysis:

- Develop a shared understanding of University spending
- Promote a broader dialogue of our cost structure – where the money goes
- Identify gaps in processes, data and information
- Improve the University's ability to set its own spending benchmarks
- Establish a repeatable methodology to monitor changes or patterns in spending over time

Three-year trends:

- Leadership & Oversight category declining in headcount and as a percentage of overall spend
- 87% of additional spend directed at mission or mission support
- Lack of growth in available sponsored funding puts pressure on additional mission investment
- Program expansions often require mission support & facilities spending, as well as additional direct mission spending
- Non-personnel and sub-contract spending is quite variable year-to-year

FY14 Analysis-summary of results:

- Total spend was $3.2B (up $120m or 3.9% from FY13)
- Personnel costs increased 2.6% overall, mostly reflecting the FY14 compensation increase
- Total system-wide headcount increased about 1%
- Continued movement from part-time to full-time employees
- Non-personnel costs increased to a greater extent than personnel costs
- Research equipment, new facilities, royalty and sub-contract payments
- Direct mission costs increased as % of total
- Leadership & Oversight, Mission Support, & Facilities categories decreased as % of total

Key takeaways with the FY14 analysis:

- Operational Excellence activities in all 3 areas:
  - Direct Mission Delivery
  - Mission Support & Facilities
  - Leadership & Oversight
- Cost saving strategies and efficiency improvements come from all areas of University operations
- Evidence of specific efficiencies or savings will not be detected in this level of analysis – masked by program growth & service increases
- Refining job families to better understand what people do is helping overall analysis but making year-to-year comparisons more challenging
- Mission support spending will vary as investments in mission activities change and grow
- Greatest value will be in monitoring data over time
- Focus of the annual budget process

The committee discussed the information. Professor Feeney said there was a disproportionate effect on different units. It is getting to a point, he said, where if enough damage is done to mission support services, the mission itself is eventually damaged. Feeney wondered if central administration was looking closely at decisions being made in the colleges. Seashore concurred and said that support services could not continue to be cut at this rate, lest faculty end up doing administrative work and unable to execute mission activities.

The committee agreed to go off the record for the remainder of the discussion.

Cohen thanked Kallsen for the information.

Hearing no further business, Cohen adjourned the meeting.

Mary Jo Pehl
University Senate