

Minutes*

**Senate Committee on Finance and Planning
April 3, 1990**

Present: Burton Shapiro (chair), David Berg, David Biesboer, John Clark, James Coad, Arthur Erdman, Tony Faras, Virginia Gray, Nick LaFontaine, Cleon Melsa, Jeff von Munkwitz-Smith, Charles Speaks, Rob Webb

Guests: Senior Vice President Gus Donhowe, Associate Vice President Edward Foster, Ken Jansen (Regents' Office), Rabun Taylor (Footnote)

1. Report of the Chair and Discussion of the Role of the Committee

Professor Shapiro opened the meeting by distributing a short comment to be included in Footnote reporting on the Committee's vote on new athletic facilities.

Professor Shapiro also reported on a meeting which took place with Senior Vice President Donhowe and Professors Erdman, Ibele, and Scott concerning the separation of revision of the Minnesota Facilities Model from the space rental plan. The consensus of that meeting had been that the Model should be revised apart from any consideration of the space rental plan.

A letter was recently received from another institution inquiring about the role of the faculty in consulting on budgeting and planning; Professor Shapiro read the letter and his response--which related directly to the question of the role of the Committee. His response was:

What we actually do is somewhat different from our charge. Our meetings, one hour and 45 minutes every other week, usually consist of briefings from the vice president for finance or his senior staff, on issues such as [listed]. There is a general frustration by the committee that we are briefed on issues but can do nothing about them. Two reasons at least account for our inability to grasp financial and planning issues: One, we get information often after the fact, and two, less than two hours every other week may just be insufficient to deal with the many intricate issues involved.

Professor Shapiro then told the Committee he had several other comments. Perhaps it is not altogether bad that the Committee functions as a briefing group; it does have the option--which it has exercised--of accepting or not accepting something. The Committee, he pointed out, also functions as a sounding board; it might be useful to find out if Mr. Donhowe believes that the Committee plays a beneficial role in that respect.

Professor Shapiro, at the request of the Committee, read the charge to it contained in the Senate by-laws. It does seem, he commented when he finished, that it is almost humanly impossible for a faculty

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committee which meets twice per month to fulfill all of those responsibilities. He asked Committee members for their views.

One member suggested that the ability of the Committee to function depended on receiving information in a timely fashion; it could then fulfill the sounding board role before decisions are made. It may be difficult to create time in the decision cycle for the Committee to be involved but people have better things to do than have things reported to them "and nod their heads." Being asked questions to which the administration wants answers would be one way the Committee could be more effective.

Professor Erdman commented that the Subcommittee on Physical Plant and Space Allocation had been actively involved in a number of matters, in a timely fashion, and felt it had been able to contribute to the decision-making process.

Another Committee member, after considering the charge, said it suggested the administration would, "of their own volition and initiative," bring new developments to the Committee when they wanted faculty views--and before final decisions were made. That, however, is not what happens; it is more often the case that Committee members hear about things and ask that they be placed on the agenda. The administration does, at that point, share all the pertinent information, but proposals have often already been to the Board of Regents or is otherwise acted on. An exception was the recent presentation on athletic facilities alternatives.

Mr. Donhowe was asked if early involvement was impossible, perhaps because of a reluctance to discuss matters early in a public meeting or perhaps it has been tried and faculty advice has been found useless--"in which case we should know that so we stop giving you worthless advice." The administration, it was added, had to give the Committee some help. Mr. Donhowe said that the advice of the Committee on the athletic facilities had been helpful; he also demurred from the sweeping generalizations about the lack of consultation. He said the administration would be reviewing the budget with the Committee before it is presented to the Board of Regents for information. They cannot do so until hearings have been conducted and the President has made preliminary recommendations, however, because there is nothing to present to the Committee. He contended, though, that it is useful to have the views of the Committee and that they would be sought. He was not, he said, at this point "ready to be too contrite."

Mr. Donhowe was then asked if it would be possible to have an agenda for the year laid out in advance, at least in rough outline, so that Committee concerns could be discussed at the right time. Would it be possible, for instance, to have a discussion before budget hearings on what issues he thinks might come up through the hearing process that he could discuss with the Committee and then return after the hearings to talk about results? Some Committee members, it was added, find it frustrating to be provided data at a meeting and asked to respond immediately to it. Professor Shapiro said he believed a tentative agenda for the year would be useful but that developing it would require the assistance of the administration.

Another Committee member agreed with the notion that information provided ahead of time, which could be studied before the meetings, would be helpful. More meetings would probably not be desirable but Committee members could spend additional time more productively if the information were distributed in advance.

When possible, it was suggested, the Committee should make recommendations on issues. Not all will be susceptible of such action; athletics, for example, however, was one where action was appropriate. The more the Committee can take stands, it was argued, the more effective it would be.

2. Status of the Plan to Charge for Space

Professor Shapiro welcomed Nick LaFontaine to discuss the space rental plan and opened the discussion by commenting that he was not convinced that the University would ever have a system of space rental.

Mr. LaFontaine said that it was correct to say that there would be no space charges on July 1, 1990; that has not been part of the planning for the last year. They are, however, working on a model which would enable the University to begin charging for space on July 1, 1991. Nothing is being done right now, he said, and thus far the administration has only considered how to constitute an advisory group to develop a model. Membership would include representation from this Committee, the Subcommittee on Physical Plant and Space Allocation, and from the administration--individuals who work daily on space matters. Mr. LaFontaine said that they hope to set the group to work as soon as the 1990-91 budget is prepared; it should be appointed before the end of Spring Quarter.

There will be two issues to deal with. First, what should be the initial allocation of funds to the colleges for space; second, what should be the charges for the various categories of space. Considerations might be the way space is used (instruction, research, etc.) and whether the space is prime, average, or sub-optimal; cost and occupancy data will need to be assembled.

Mr. LaFontaine was asked if the decision to have this plan is "locked in" and the only unanswered question the means of implementation; he replied that the decision to examine the issue and work toward space rental has been made. A follow-up query to him concerned the extent of consultation with faculty groups about the proposal. Mr. LaFontaine responded that the original budget proposal included charging for all kinds of support services; this year the focus has been on the space issue.

Professor Shapiro reiterated earlier Committee requests to be informed about the effect of such a plan at other institutions; he asked if any state institutions had adopted it. Mr. Berg informed the Committee that the last time his office had inquired they learned it had been adopted only at private institutions; the two major ones are the University of Pennsylvania and the University of Southern California. A few others have it partially (that is, they charge only certain collegiate units).

One Committee member told the administrators present that there is no issue that faculty are more concerned about than the plan for space rental; they should be aware that people "sense that this will be an unmitigated disaster." Information from other schools is that it is a disaster. The issue has never been directly confronted and should be. Although recent comments from Mr. Donhowe, in another context, provided some first understanding of the motivation for the plan, nonetheless, in the words of one Committee member, "I'm still not persuaded that it's going to work, or that it will work at a cost that you have not yet calculated in human terms."

Mr. LaFontaine said that while he could elaborate again on the advantages of the plan he also

wanted to hear about the apprehensions of the faculty. There may be some misperceptions about the plan which need to be addressed. One Committee member remarked that the greatest source of apprehension on the part of the faculty, including the members of the Committee, is a lack of information. It was also said that if a tentative decision has been made, then there must be some document available which lays out the rationale and the costs and benefits; it would be more helpful to be able to review even a brief document than to engage in peripheral discussion of the issue. Mr. LaFontaine said that the plan was embedded in the budget document; the statement might not make much sense outside the context of the budget document. He agreed, however, that gathering additional information was crucial.

One Committee member referred to the comments that the plan had been a disaster where implemented but pointed out that this perception was based solely on hearsay. Mr. Donhowe observed that it may have been a disaster at two universities but it was not a disaster at millions of other institutions; it is used every day, he said. Space is a major cost which must be recognized and managed--it is not a free good. The idea that it has not been tried at other public universities, and is therefore a totally foreign idea to institutions, is not factually correct, Mr. Donhowe told the Committee; space rental is used by virtually every major organization in the world other than higher education. Mr. Berg interjected that the perception of the plan at other universities depends on who one talks to; opinions appear to vary widely; he admitted he was perplexed at the differences reported. This, one Committee member answered, only reinforces the proposition that nobody knows what the plan is and the faculty have only misinformation and rumor. What is being proposed must be clarified so that something can be reacted to.

The fact of widely varying views should suggest, it was said, that more information be obtained. Mr. Berg concurred but noted that the proposal has had a stop-and-go history; the State several years ago asked the University to investigate it but nothing ever came of the effort; now there is again interest in pursuing it. Furthermore, it was cautioned by another Committee member, if faculty are consistently bewildered if not hostile to the idea, that may reflect how it impinges on their lives. Mr. Berg was asked if there is information available about how space rental affects the delivery of instruction or research; he responded that these questions need to be looked into and also agreed that better information needed to be provided to replace the speculation.

Another Committee member recalled that he had been trying to think of ways to respond to the concerns addressed by space rental; the point seems to be that space is not free, energy is being wasted, and there is a lack of interest in conservation. Perhaps there are other ways that those problems can be addressed short of the space rental plan, although he could think of none--but these were certainly issues that everyone would want to tackle because the University is wasting a lot of money which could be put to better uses. Mr. LaFontaine agreed that these were among the problems the plan is intended to address.

What needs to be decided, said one Committee member, is how to deal with them in a manner which the faculty buy into--and that may be space rental or some alternative--and agree is the best way to address them; then the best way to implement it has to be devised--rather than just presenting the plan and announcing it will be established. The current perceptions of the plan are such that it will be enormously time-consuming to work around them, there will considerable turmoil, and faculty and administrators will do a lot of jockeying to obtain the best space possible.

Mr. Donhowe pointed out that faculty and administrators already spend a lot of time and energy on

space, enormous amounts of energy. The difference, one Committee member argued, is that current expenditures are political rather than economic; once space has been obtained "you have it and it is not a continuous battle every day." The concern starts with the feeling among faculty that they are under-supported and under-supplied for a wide range of activities, "so we assume that once a dollar value has been put on space and energy, budget cuts will come and that will be constricted along with everything else." Ten years ago faculty in one department were told they could not take yellow legal pads, they had to ask for them; "I felt like I don't want to work at a place where I can't use legal paper." It is symbolic, it was said, but everyone reaches that point; "if we cannot turn the lights up or have enough warmth in our office--it's a hassle beyond which you don't want to go."

A lot of faculty would be business people or lawyers, it was argued, if they had that sort of mentality; they are instinctively against business-like practices. This plan suggests to them creeping bureaucracy and a lot of things they inherently dislike. If the faculty felt that everything were well supplied these fears would not arise and the reaction would be very different.

Furthermore, on the energy question, it is simply not feasible to act sensibly. Regulation of heat is impossible; if workmen are called, they tell faculty they have to open the windows to keep it from getting too hot. The faculty know that that wastes energy but they have no other way to respond. This kind of situation feeds faculty "paranoia; since we think it won't work because it is impractical, it will just lead to more harassment of us trying to do our job. We would like to do our jobs without worrying about electricity or yellow legal pads."

Mr. Donhowe responded that the faculty are apparently more comfortable complaining about administrators or the University than they are being empowered to do something about having to open their windows to regulate the heat. Would it not be better, he asked, for the faculty to have authority to do something about it, and to benefit from whatever is done, than just "screaming about how this doesn't work very well and the foolish administrators who cause the problems"? The energy problems, one Committee member responded, are not addressed in a coordinated way; the faculty would like to have an energy-efficient building but the University's activities do not lead to the best solutions.

Another Committee member echoed the concern that this would simply be another dollar amount in the budget which could be retrenched and reallocated. Would salary money or supply and expense funds be moved over to cover a retrenchment of the space funds? "I cannot give up two square feet of my office." Mr. LaFontaine said that he could not respond directly to that comment but observed that it is clear the University must pay to maintain its physical plant. Whether the charges are centrally allocated or are assessed against collegiate budgets which are centrally allocated, the costs will have to be paid. There is nothing at work here which will expand the budget of physical plant operations or anything else. The point of the plan is that there are real costs here.

One Committee member maintained that it not the intent of anyone to engage in administrator-bashing; what is happening is that Committee members are demonstrating the lack of understanding. Decentralization usually works to the benefit of the University and shifts burdens of responsibility in an appropriate way. If this plan were identified as decentralization of space charges it would receive a more positive reaction, "something being taken out of Morrill Hall." No one is objecting to the details of the plan--because they are not available. The general concept of the plan seems attractive but it is difficult to judge because there are no details.

Dr. Foster pointed out that as difficult as it is to reallocate funds and staff among units--which is very difficult--reallocation of space by administrative fiat is even harder. Examination of relative numbers of faculty and staff in different colleges, and concurrent tracking of space, will lead one to discover that space does not follow staff. Colleges with declining student load and faculty members simply expand to fill the space that they had before. One option that a decentralized space budget would provide would be an option for the college to decide whether to give up faculty, or space, or some combination of the two if its budget must be cut.

Mr. Donhowe reiterated that no time is now being spent on this plan; attention will be turned to it later this Spring. He reminded the Committee that the administration has said it would fully consult on the proposal; there is need for people to work on feasibility issues. It will not solve the problem to write a two-page description; the plan may not work the way it is now envisioned and the only way that can be determined is in working out the implementation details. That is what his office wants to do. But right now, he said, Dr. Foster is right; the most frozen asset at the University is space; "colleges own it; they have a title to it that is just as iron-clad as the title to your house." It is in the interest of the college, not the University, to consider this plan. Would they not want another trade-off possibility?

One Committee member recalled that supplies and equipment budgets have not gone up in recent years; this charge would presumably fall in that category. Departments have already had to make terrible trade-offs; this would be another bad trade-off. Mr. Donhowe replied that that is so because departments have very small budgets with which they can deal--all they have is salaries and SEE budgets. If a department wants to make a trade-off it can only select from salaries or SEE; if the faculty, he said, feel more comfortable with only those two options then the space rental plan will be abandoned.

It was clarified that the coordinate campuses are already under the space rental plan. Some of the elements of it work very well, it was reported, especially in conservation of energy. It is easier to do on those campuses, of course, because there is only one unit. But energy-inefficient buildings were quickly insulated and tremendous amounts of money were saved. Some of the funds went into improving the heating plant; other amounts went to retrenchment--but that meant there did not have to be retrenchment elsewhere. Presumably, however, one Committee member pointed out, a case could have been made for the need for insulation to save money; why would it have to be predicated on a space rental plan?

The question of long-term planning versus short-term retrenchment was raised; it would be unfortunate if a bargaining process were to result whereby colleges made bad planning decisions. The effort to be more aware of the existence, quality, and use of space should be applauded, it was said, because some of the University's facilities are woefully under-used. Units could be much more creative about keeping them busy--but it would not be desirable to see year-to-year shifts in space as colleges have or do not have money. Space needs to be taken as a given for academic activities; the uses that a dean may have for it one year may not be the same the next year. That, however, is about the level at which it should be manipulated.

One Committee member said he was pleased that Minnesota might be the first state university to consider such a plan; usually Minnesota looks elsewhere to see if something has been done. What is disconcerting, however, is that there is already an implementation date--in the face of a large number of open questions. It is to be hoped that the issues will be resolved before any implementation date is set.

This may be another case where the decision is made before the discussions occur; it also appears that people making the decisions do not know what is going on because they cannot tell the Committee about the effects at other institutions or what the alternatives might be. Without meaning to scold, it was said, it must be understood that there are a lot of faculty who are deeply concerned about this plan; another explosion like what occurred with the State Health Plan, a *fait accompli*, must be avoided. If these things keep on happening, with the faculty kept ignorant, people will become very demoralized. The administration must do the best job it can to get information out.

Dr. Foster cautioned that for Mr. LaFontaine to have a specific date may be misperceived. His objective is to put a plan together; he has been told to figure out how to do this by July of 1991. This doesn't mean it is going to happen; all it means is that there will be a plan. Mr. LaFontaine concurred; if there is no deadline to do something, all that will happen is that people will still be talking about developing a plan. He clarified that if, as plans are assembled, evidence is discovered which demonstrates that the plan is not prudent, that would certainly be taken into account. Right now, however, the goal is to gather better information and to prepare a plan.

Professor Shapiro promised that the issue would be brought back to the Committee.

3. Status of the Capital Request

Mr. Donhowe distributed summaries of the current proposals from the House and Senate along with the original University request. He walked Committee members through the status of the various buildings and commented on each. The House responded to most of the University's highest priorities; the Senate bill contains funds for all but three of the buildings.

The impact of cuts in the requests is troubling. Sometimes it reflects information obtained by the legislature on the ability to do the construction in phases; with others the legislature simply says the University should spend less on the building. This is disconcerting because some of the projects have already gone through design development and are already into working drawings; to accommodate the reductions will require re-design--and a significant amount of money to do it. Mr. Donhowe later observed that if the University said it would make no sense to spend a smaller amount of money, because the building would not work if that were done, no one would force the University to spend the money anyway. (The most serious problems, in this respect, are with proposals to reduce the funding for the biological sciences building and the Ferguson Hall addition.)

The Senate bill also contains the proviso that the debt service will be funded from the lottery income and that each institution will have to contribute one-third of the debt service from its own resources. It is left up to the institution how to do it, as it is with tuition: The University can charge whatever it wishes but the legislature expects one-third of instructional costs to be paid by tuition. The same is true here--the institution can pay for it any way it likes but it will fund one-third of the debt service if it elects to construct the building.

The University is somewhat better off than the other systems; they have only tuition as a revenue source. The University has two alternative sources: Indirect cost recovery funds, at least for selected buildings which would be oriented to research, and fees. Mr. Donhowe said it is an open question about what will happen in conference but there appears to be no possibility of compromise: the House funded

buildings in the traditional manner while the Senate relied on the lottery and partial institutional support; it probably will have to be one alternative or the other. The outcome will depend in part on politics at the legislature; Mr. Donhowe discussed a number of factors which could come into play.

The University has not, Mr. Donhowe reported, performed any further calculations about what might happen to tuition if the Senate proposal is adopted; to do so is a very complicated process dependent on a number of variables and the nature of the building. If all of the buildings were to be financed by tuition--which they will not--it could potentially add as much as 1% to instructional costs; the tuition rate could rise from 33 to 34% of instructional costs. Whether the University would do it in small increments over two or three years, or if it would even want to do it at all, is a discussion being deferred because of major regental reservations and because an attempt is being made to preserve for the systems the freedom to decline to build any of the buildings if they choose not to provide the matching funds.

Mr. Donhowe concurred with the observation that a precedent would be set; if the University comes up with a match this year, at the time of the next budget crisis the legislature will expect it again. Ultimately the match will come from the students or faculty, it was said, and the University may be better off with a lower amount and no match. Mr. Donhowe also observed, however, that when an idea such as this one commands very powerful support among the Senate leadership, the systems are not inclined to try to stop it. The University would not be obliged to fund or build anything; there are still politics to be played out and it is better that the House rather than the University take on the Senate leadership.

One student member of the Committee commented that he had chosen the University because of cost; if the University is forced to raise tuition for construction it will harm its ability to recruit students and faculty because money will be diverted for construction. Mr. Donhowe repeated, however, that if that were a danger, and other sources of funding could not be found, the University could forego the building. Pressed on what might happen if the University did it anyway, Mr. Donhowe replied that it is always possible "that we will do things that are inappropriate, ill-conceived, and dumb. That is always an option before us." He agreed, too, that the Regents would have to make a tough choice about whether some increase in tuition for some buildings would be acceptable. Asked whether such a tuition increase would be unit-specific or across-the-board, Mr. Donhowe said it had not been considered but that it would probably be across the board; it would be dangerous, he said, to have different tuition rates as a function of buildings being built in different places; that could lead to very strange results.

Professor Shapiro thanked Mr. Donhowe for the briefing.

4. Change in the Size of Administrative Staff

Professor Shapiro drew the attention of Committee members to the article from the Chronicle, sent with the agenda, which contained data on the growth of administrative staffs in higher education over the ten years from 1975 to 1985; parallel data about the University was also distributed. An article which had been printed in Footnote about the size of the administrative staff was also distributed.

The data for Minnesota, it was pointed out, required a caveat; in the early 1980s the P/A system had been developed and at that point a large number of individuals with diverse appointments had been incorporated in that system. There were, in particular, a number of people with nominal faculty appointments who were moved to the P/A system. There was no ready explanation available for an

increase which occurred between 1985 and 1987; Mr. Berg pointed out that one could spend a lot of time digging around in the data without necessarily discovering anything of much use.

Mr. Berg said it is fruitless to argue whether or not the number of administrators had increased faster than faculty; it has and everyone knows it. Since World War II the number of administrators has roughly tripled while faculty numbers have been more or less in proportion to student demand. The question is why this has occurred; the Chronicle article and the Footnote article explain some of the reasons, in particular the demands that have been placed on universities. One can also inquire if the demands need be met.

Mr. Berg was asked about private sector corporate action, in the past few years, which have cut administrative staffs by as much as one-third. Would that be in order at the University; is there a potential for it? Are the factors which led to the escalation in the number of administrators now judged not to be so important? That is the nub of the issue, he agreed, although he did not have an answer.

Mr. Berg identified some of the factors and legislation which has created demands on universities; how they could be reversed is more difficult to determine. One factor is the degree of litigiousness in the society; when he first came to the University there was one lawyer whereas "now we have a whole floor of lawyers and many beyond that." There is not much the University can do about litigation. When the law requires that a warning be read to employees about stumbling on the electric cord, it may be idiotic but the University must do it--there is little that can be done about the OSHA regulations. Equal opportunity and affirmative action require a huge amount of staff, both centrally and in the units; most would say that that is good and there is not much the University can do about it anyway.

To the extent that regulations are changed, or perhaps not enforced, the University can be continually scrutinizing its staff for cut-backs. It is an old adage, however, that it is easier to add than to subtract, but the University should be about the business of considering subtractions. Private industry suffers from the same forces, he agreed, but they have the constraint of the bottom line. Mr. Berg reported that comparisons with other universities show that Minnesota has about the same proportions of staff in various categories as most institutions with which it would normally compare itself--which merely suggests that the forces acting on universities are the same for all and that there is not the constraint of the bottom line and the possibility of filing bankruptcy. Higher education "affords" the cost of watering down the quality of its product in order to conform to these regulations.

In the long sweep from 1975 to 1989, Mr. Berg commented, the University had not put more resources--to any substantial degree--into its product; the money has gone into supporting activities.

One Committee member reflected that it is disappointing that the pressure to do better instruction or research is not equal to the pressure to sue. Mr. Berg concurred, but recalled that at one time the University received a threat that President Keller would be arrested within a week because a certain report had not been submitted to the U.S. Department of Commerce; the accounting department hadn't done it because it did not have enough staff so Mr. Berg and his associates helped them get it finished. But much of the administrative tasks done at the University, he said, hang on that kind of thread. Deadlines are frequently not met.

What this all suggests, Mr. Berg said, is that there should be a continual review of staffing,

particularly in support units.

Professor Shapiro thanked Mr. Berg for his comments.

The Committee adjourned at 5:00.

-- Gary Engstrand

University of Minnesota