

Minutes*

Senate Committee on Finance and Planning
Tuesday, February 23, 1993
3:15 - 5:00
Room 300 Morrill Hall

Present: Irwin Rubenstein (chair), Carl Adams, David Berg, Karen Geronime, Thomas Hoffmann, Karen Karni Craig Kissock, Jeff von Munkwitz-Smith, Paul Sackett, Jason Schmidt, Mary Sue Simmons, Susan Torgerson

Guests: Senior Vice President Robert Erickson, Vice President Anne Petersen, Professor George Spangler

[In these minutes: Sea Grant program; the 1993-94 budget]

1. The Minnesota Sea Grant Program

Professor Rubenstein convened the meeting at 3:15 and welcomed Professor Spangler, until recently acting director of the Sea Grant College, to discuss the Minnesota Sea Grant College. Professor Rubenstein explained that the matter had been "on the table" of FCC for several months, and he finally concluded that the issues involved were related to planning, so he brought the matter to this Committee.

The central issue with respect to the Sea Grant College is the plan to move the director's office from the Twin Cities campus to the Duluth campus and conjoining of the program with the Lake Superior Research Institute (LSRI). At issue today, for this Committee, as a policy committee, is whether or not the questions associated with the plan such that they indicate a need for a policy recommendation on the addition, deletion, or movement of programs?

Professor Rubenstein asked Professor Spangler to provide a brief sketch of the history of the Sea Grant College, a summary of what is being proposed, and the rationale for it. Professor Spangler outlined the Sea Grant program:

- It is nationally-funded, permitting coastal states to conduct programs related to their coasts. The Great Lake states were brought into the program in 1966, Sea Grant now consists of about 31 programs in 29 states, of which three are consortia of several institutions. The intent of the program is to provide programs which allow coastal states to capitalize on their intellectual resources in basic and applied research and to bring that research to the user community. The directorship of the program, at Minnesota, is a 50%-time appointment.
- The Sea Grant program has about \$40 million in funding; allocations to individual programs are based on past history plus competitive grants awarded by the Washington office. The funding for each program consists of two federal dollars for each non-federal dollar; the University has about

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\$700,000 in federal funds. The state funds are provided through a State Special. The next federal funding cycle is 1994-96.

One Committee member inquired what the relationship with LSRI would be. Sea Grant funds cannot be used to support other research, but is the location of the director's office important when one is applying for research funding? Professor Spangler cautioned that he has not been privy to discussions about moving the director's office, so could relate only his own perceptions. The legislation does preclude using Sea Grant funds for other purposes, but the director is not precluded from having other responsibilities. One possible problem is a conflict of interest, the director of the Sea Grant College and also of LSRI will be in the position of overseeing grant applications from two different units to the same agencies--LSRI and Sea Grant applications could be addressed to the same funding agency and compete for the same funds. It has been suggested that a good manager could identify and avoid the conflict of interest, Dr. Spangler told the Committee, but there is no documentation on how it would be handled if the two organizations were brought together. Dr. Petersen later took issue with this as a major concern, noting that most Sea Grant directors have other responsibilities, and said there is no inherent conflict of interest--and any potential problems would need to be addressed at the outset.

Professor Spangler then sketched a brief chronology of events, in response to a question, and noted that discussions about moving the director's office to Duluth began last year. It is true that the director could perform anywhere in the state, so the questions are related to efficiency and the coordination of outreach activities as well as the expectation that the director will learn what the academic community is doing and funnel appropriate research interests to the program. These responsibilities can be more effectively performed on the Twin Cities campus, he suggested, because most of the faculty doing the research are here.

One question is when the decision to move the director was made. Professor Spangler said he was told in December that the decision had been made before he agreed, last July, to continue as acting director. Had he known that, he said, he would not have agreed to continue.

Asked about preparation of the 1994-96 funding request, Dr. Spangler said it was well along and the next director of the program will be able to complete it.

One Committee member inquired about the role of the Committee in the issue. As a case study of the process of administrative decision-making and change, it is instructive, but what is the Committee to do? When budget decisions require program elimination or reduction, such changes are part of planning said another Committee member. Water research at the University is fragmented, and research planning should include a way to deal with it. It wasn't clear that this decision was handled "cleanly," and the question is whether or not faculty governance should play a role? (It may be that it should not.)

If the question is the process, then this Committee should consider the decision, suggested another Committee member. If, however, the concern is about planning for a significant area of research--the substance--then it should be referred to another Senate committee, such as the Research Committee.

Another part of planning, it was rejoined, is the number of institutions in the state that should offer Ph.D. programs. If the step of moving the director to the Duluth campus is a forerunner of a request to offer Ph.D. programs, the state and University will be poorly served. Dilution of these activities should

be a major planning issue in a state that has too few people and too few resources to support multiple Ph.D.-granting institutions.

Another Committee member agreed it is entirely appropriate for this Committee to look at the process, apart from the substance. A concern is that there is a program in place that seems to be doing well, obtaining funding with a core of people and a director--that is being tampered with. It appears that the process could have been more respectful and timely.

Asked for his views on this issue, Senior Vice President Erickson told the Committee this was entirely an academic issue, one in which he has had no involvement at all.

At this point Vice President Petersen joined the meeting and the statement of the last Committee member to speak was repeated for her benefit. Professor Rubenstein then inquired after the rationale of the change; what is broken, he asked, that is being fixed?

Vice President Petersen told the Committee that Professor Spangler has a principled but narrow perspective on the subject and that there were a number of factors that came into play in the plan to move the director's office, none of which are new. There is also a question, she said, about how well the program is actually functioning. This University has a strong commitment to research on environmental issues, including water, and she said she is trying to make the whole greater than the sum of the parts--at present, there are a lot of separate entities that do not function as well as they might. The Duluth campus, she added, has significant external funding for water research and has been included in discussions about this research.

Academic issues, Dr. Peterson observed, are frequently entwined with political considerations. Duluth would like more activity, but when she investigated the question, she said she did so strictly from the standpoint of scientific integrity. She concluded that the University must obtain effective leadership at Duluth, beginning with the Director of LSRI, and then make a decision whether or not to move the Sea Grant director as well. The opening between those two steps left an opening for efforts to stop any move of the director to Duluth. There are faculty at Duluth doing research on water. The President, she told the Committee, has made a commitment that the Duluth campus will be permitted to develop research in areas where it has faculty strength, and water is one of them. The Duluth campus, she said, should have the opportunity. There is, in addition, legislative interest in having more water research at Duluth. So, as long as it can be achieved with scientific strength, the Sea Grant program is not devalued, and the national Sea Grant director is willing to see the change happen, the director's office can be moved to Duluth. The true evaluation, she concluded, will be in what they can accomplish.

A concern mentioned earlier in the meeting, Dr. Petersen was told, was the proliferation of Ph.D.-granting programs around the state, which are very expensive and inseparable from the intellectual base and library resources of a major research university. Dispersion of these efforts is a planning issue. It is true that Mayo offers doctoral degrees, but one of the strengths of this state is that it has not split the land grant and research institutions. A Ph.D. in toxicology is already offered jointly at Duluth and the Twin Cities, Dr. Petersen pointed out.

Whether or not the concern about "proliferation" is legitimate, observed another Committee member, is this not all one University? Is not Duluth part of the University? The faculty are tenured at the University and part of the same institution. Dr. Petersen pointed out that it is only the office of the

director of the Sea Grant program that would move, and there is no proposal or commitment to link the move with Ph.D. programs (although conceivably that could come, but the decision should be explicit, not backed into). This is not, moreover, a campus-specific activity, she pointed out in response to a query about moving the director away from the location of the principal part of the activities. The tradition of programs such as this, she observed, is to have the director at the most eminent research institution, which is clearly the Twin Cities; if the move is made, access to the major campus resources will not be compromised.

The director is not tied to the research by location, said one Committee member, so where it is located or what is done should be determined by other issues.

The question is whether or not some kind of policy statement is needed, Professor Rubenstein summarized, so that such decisions can be made more smoothly in the future. If Committee members have thoughts, they should let him know, he said; otherwise, the matter will be left as is. The policy, said one Committee member, should be that whenever a decision is to be made, the people in the program should be consulted before a decision is made.

Professor Rubenstein thanked Vice President Petersen and Professor Spangler for joining the meeting.

2. The Budget

Discussion next turned to the University budget. Three different documents were distributed, each containing statements or proposals with respect to how the 1993-94 (and beyond) budget should be set; two of the authors were unable to be present at this point in the meeting for the discussion. The third proposal, authored by Professor Rubenstein, was thus taken up, with the understanding that all three would be the subject of the next meeting of the Committee, next week.

The Committee began by looking at the relationship between direct and indirect instructional costs. Data produced for the Committee demonstrate that the indirect instructional costs have declined over the last decade from 35.9% to 30.1% of total instructional costs--meaning, in essence, that instruction is being carried out with less overhead. True, observed another Committee member, but the University is "eating its physical capital" to do so, and may not be exercising sufficient oversight in some areas. The numbers are comparable with data from the 30 or so other institutions with which Minnesota compares itself; the University is within 1-2% of the average. Asked if the low rate could be sustained, Mr. Berg said he personally believed it was way too low for the long-term health of the institution.

In addition, Mr. Erickson pointed out, the University has received no new building maintenance funding since 1986, which is probably reflected in these numbers. Associate Vice President Markham is comparing numbers on maintenance underfunding; it would be interesting, he observed, to integrate those numbers with these. The preliminary data suggest significant underfunding in maintenance of the physical plant and infrastructure; if included in the indirect costs of instruction, it is probable there would have been no decline.

Another factor that is not obvious, one Committee member pointed out, is that the costs of litigation and regulatory compliance have increased significantly in the past few years--which means that those costs have been absorbed at a time overhead has been reduced. The result is that there has probably

been an even greater reduction in actual indirect costs for activities that have continued at basically the same levels.

The significance of the data, said one Committee member to another in response to a query, is that one often hears legislative and public criticism of the University for having too much administration and non-instructional costs; this is one way of responding to that question.

The truth, responded one Committee member, is that units may not be as efficient as they could be, but that has nothing to do with the amounts of money spent on indirect costs. One must look at the activities of those delivering instruction. The indirect costs are not the categories where one should look for efficiencies, it was said. It became clear last year, in discussions with legislators, that the concern is not with classroom time versus administration, the concern, whether right or wrong, is with classroom hours per week. If the University is right in what it is doing, it isn't communicating very well; if it is wrong, then it needs to rethink what it is doing.

Mr. Erickson emphasized the point about efficiency. Substantial progress has been made in Facilities Management, he maintained, and that progress has been demonstrated to the legislative auditor. In an urban setting, where it is paying prevailing wages, the University may still be on the higher end of the scale. Work is still in progress, he said, to increase efficiency--one cannot say one is done trying to achieve efficiency. There are things yet to be done, but they entail long-term change in attitudes toward the customer.

He and the President met with the Governor last week, Mr. Erickson then reported, and told him of the substantial structural modifications that have been made (in excess of \$100 million between reallocation and the cuts of the last two years). They pointed out the pace of change that has occurred and sought some relief, if possible, Mr. Erickson said they told the Governor the University could do a better job of making long-term changes if it could be protected from the constant short-term budget reductions that have an inhibiting effect on change. They specifically request restoration of the \$6.5 million per year for infrastructure repairs, the addition of \$2 million for distance learning and the \$18.8 million in state support for the master's programs. The discussion went well, Mr. Erickson reported, and they received a sympathetic hearing.

One concern that has cropped up is that the anticipated economic forecast contain preliminary indications that there may be a reduction in economic growth the second year of the biennium.

The Governor will do a revised budget, after the March 4 revenue forecast is prepared, and that revised budget will probably be available about the middle of the month. In terms of legislative support for the University, it was reported, there has been little negative reaction to the health sciences problems; legislators have the feeling that the administration is in control and exercising management responsibility. It was also speculated that the probability of the legislature supporting the removal of the tuition subsidy for the practitioner-oriented Masters' programs was very low.

The University has differentiated tuition rates considerably, Mr. Erickson noted; one only need look at the Law School, Morris, and others. Further differentiation could occur in the future, he added, but the dramatic changes proposed by the Governor move too quickly. Tuition has not in the past been much on the minds of legislators, he commented, but the recent student lobbying and other public reactions have brought it to their attention.

The Committee then turned its attention to a series of tables which illustrated effects on different parts of the budget if other parts are altered (e.g., what would be required in the way of program reductions if tuition were to increase 3.5% and salaries and supply budgets were to be increased 3.5%; what it would take to reduce a shortfall if the legislature were to provide \$10 million more than the Governor recommended and tuition were to increase 3.5%, and so on). Professor Rubenstein said he has also asked Mr. Pfitzenreuter to provide to the Committee, at its next meeting, preliminary budget projections for the second year of the biennium and for the next biennium so that the increases in items such as building costs and debt service can be identified.

One circumstance that is irritating, said one Committee member, is that each year at this point it is proposed that only across-the-board cuts can be accomplished--but that NEXT YEAR cuts will be targeted and judgmental. Unfortunately, that time never comes, and each year the cuts are made across the board.

This problem has been discussed at great length, Mr. Erickson responded. Historically, the University has treated budgets as incremental; the intent, in the processes being put in place, is to give the University the facility to look behind aggregate numbers at individual units--in order to look at what is being done. Over time, the University will be able to ask what programmatic "outputs" is it getting for the resource "inputs." The process is detailed and time-consuming, with no shortcuts possible, but once in place, the University can look at departments and their resources and make decisions about reductions and increases. This is, moreover, something the Board of Regents has insisted on.

Discussion then turned to Professor Rubenstein's proposals for the budget. He explained that the purpose was to get away from across-the-board cuts. Vacant faculty positions would revert centrally (except for the case when tenure has been denied) and reallocated to graduate programs on the basis of quality/ranking, need, efficiency, and future importance. A program high on all four measures would obtain positions; one low on all four would not. This would allow the University to build on strength. Across-the-board cuts invariably come from open lines, because that is the only source of funds large enough to make the cuts, and both strong and weak departments are affected.

Another important aspect of the proposal--as elaborated in a speech given by the President of the University of Michigan to his Faculty Senate, to be distributed to the Committee--is the future of research. The most advanced areas are interdisciplinary or at disciplinary boundaries. At present the University has no good way to fund such research; if funding were to flow to graduate programs, rather than departments, the University would have found a way to support interdisciplinary programs. Under this scheme, the successful candidate for a faculty position would then choose which department in which to work.

The weakness of the proposal, Professor Rubenstein acknowledged, is that it flies in the face of way things are now done, where positions are identified for colleges and departments.

Mr. Erickson said such proposals are to be applauded, because they provoke thinking about the way the University does things. By examining the way things are done, perhaps changes can be identified.

1. Sea Grant Program, Continued

Discussion returned to the first agenda item. The Committee should affirm one point made earlier, it was argued: there should be consultation, and not just with the governance system, when programs are to be altered. One Committee member inquired if there is a process for deciding on changes such as the one planned for the Sea Grant program; there is not, it was said. There are a lot of gray areas involved, observed another; when is something an educational policy decision, when a finance matter, and when a matter for administrative decision?

The question is how faculty wish to address program changes, and of what magnitude; the Committee certainly does not want to get involved in within-college changes. Another Committee member pointed out that when retrenchments must be made, the administration should--must--consult, but ultimately the administrators must make the hard decisions. What a policy might be is unclear. One difference, another Committee member suggested, is between long-term and short-term cuts, in the case of short term cuts, where funds are needed immediately, an administrator may decide to cut a program with insufficient consultation. Over the long term, such decisions are likely to be more thoughtful.

The Committee adjourned at 5:15.

-- Gary Engstrand

University of Minnesota