

Minutes*

Senate Committee on Finance and Planning October 9, 1990

Present: Burton Shapiro (chair), Avner Ben-Ner, David Berg, David Biesboer, Bill Chambers, Edward Foster, Virginia Gray, Michael Hoey, Kim Kantorowicz, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Nancy Ann Root, Mary Sue Simmons, John Sullivan, Tracy Williamson

Guests: Senior Vice President Gordon Donhowe, Ken Janzen (Regents' Office)

1. Report of the Chair

Professor Shapiro reported on several items discussed at the most recent meeting of the Faculty Consultative Committee, including reallocation during the upcoming year, the search for the Health Sciences vice president, and a change in Graduate School tuition, per federal requirements, which puts a number of graduate students at a disadvantage.

On the last point, Senior Vice President Donhowe pointed out that although the changes are due to a federal requirement, how it will be implemented could be discussed. The principal issue has to do with certification of progress towards a degree; federal auditors will not allow federal financial aid to go to students who have used up their thesis credits but are not finished with their thesis. There is, moreover, substantial and continued exposure of the University to penalties unless the practices were modified quickly.

It was suggested that this change reflects a disturbing practice on the part of the University of implementing changes and then afterwards asking who is affected or who is hurt.

There was no consensus on whether or not this Committee was the appropriate venue for discussion; Professor Shapiro said he would resolve the matter of where the issue should be taken up.

2. Endorsement of the Biennial Request

It was suggested by one Committee member that the Committee should endorse the University's biennial request inasmuch as the Regents would be acting on it later in the week. There was agreement that the endorsement would be of the narrative describing the University's needs, not the zero-increase statement required by the Governor's office. Mr. Donhowe said that it would help to have such a resolution (even if the Committee has to "hold its nose" while making its endorsement).

Mr. Donhowe was asked if the request for faculty salaries included both the cost-of-living part as well as the "catch-up" part. There are no numbers attached to the cost-of-living, which is consistent with the rest of the presentation; does the request, however, include "catch-up" funding? Mr. Donhowe said his preference was to talk about facts, which includes where the University stands with respect to its peers

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as well as the (small but measurable) progress that has been made and what the University has done, and to describe what remains to be done. The case is thus made without having put a number in the request.

It is difficult to talk differentially about the different groups of employees which make up the University community, he observed. Student employees are paid very competitively compared to the alternatives and paid higher than any other students in the Big Ten; the bottom rung of the civil service staff are paid competitively but not more than that; the faculty are not paid competitively. The case can be made without a number; if the University is asked what it would take, the number can be produced immediately.

It is also not clear, Mr. Donhowe said, whether or not the committees of the legislature will want numbers in the request; the University is assuming, at this point, that they may not. Numbers have to be provided to the Regents because it is not possible to talk about educational improvements without dollar amounts being identified.

The concern, Mr. Donhowe was told, is that failure to attach a number to the salary increase request--while putting numbers on other elements of the request--will convey a message, both internally and to the legislature, that faculty salaries are not really as important as these other items. Mr. Donhowe demurred, noting that there are six themes in the request and that faculty salaries are the highest priority. Putting a number on the salary request might not be politically adept, since it might appear that the University is asking for a substantial amount of money at a time when the State's resources are constrained. The University's success will turn on whether or not it can make the case that it is doing a better job with its resources than any other public higher education system in the State and whether it can put together a very convincing argument on each of the six themes.

The motion before the Committee commended the strategy being used by the administration to deal with the biennial request; there is no interest in endorsing the request being required by the Governor's office. The importance of the salary issue was also to be reinforced; the strategy on that point is based on a judgment call by the administration but the Committee wished to re-emphasize the salary issue as well as the importance of all six of the themes. On vote taken the motion was approved unanimously.

3. Agenda items for the year and discussion thereof

Professor Shapiro told the Committee he wished to go through the list which had been provided in order to decide whether or not to take up an item and, if so, to deal with it early in the year.

1. David Minkinen, coordinator of communications for the CUFS project, the new financial management system, wishes to appear before the Committee to make a report.

-- The Committee agreed it wished to hear from the individual managing the project and Nick LaFontaine, rather than Mr. Minkinen, and agreed it should do so early on in the year. Professor Shapiro agreed to contact Mr. LaFontaine about putting this item on a future agenda.

2. Why are not the U Hospital and Boynton Health Service brought together as health service for faculty and staff?

- Mr. Donhowe reported that the Health Care Task Force has as one of its priorities inclusion of both the hospital and Boynton as major providers among whatever options will be offered. There has been a problem with patient management by the primary care physician, which Boynton will address. This issue should be folded into item 11, below.

It is expected that the Task Force will issue a report this Fall; the Senate committee on Faculty Affairs will take it up first and bring recommendations to the Committee.

3. What is the relationship, especially fiscal, between the hospital and the University? (That is, is there a potential problem if the hospital loses money? Where do the funds come from?)

- Mr. Donhowe observed that the hospital is as much a part of the University as any collegiate unit; for management reasons it is run as a business--as are most support services--and its financial management is different from the rest of the University. The hospital governance is devolved from the Regents to a Board of Governors, which the Regents elect. That arrangement is a mechanism by which a very large and complex organization can be managed within the University.

The logic of a teaching hospital is that it is a boon to the Medical School with which it is associated--if it is financially reasonably successful and has strong cash flows so it can finance its own capital needs as well as those related to the needs of the Medical School faculty. "There is not enough money anywhere to bail out a bad hospital if it's going south," Mr. Donhowe observed. Minnesota has very strong reserves and is still generating a surplus; the trend in market share over the past few years has been bothersome but the issue is being addressed.

It was agreed that this is such a complicated issue that the Committee could not effectively become involved in it; the Committee decided not take up the issue.

4. The Committee should receive a report on MSPAN 2.

- This should be combined with item 14, below; the Committee needs to take up planning matters as well as financial issues. MSPAN 2 will provide a context for planning. The report is due out in November, although, the Committee was told, there has been considerable unhappiness with the product. It was agreed to defer the discussion until the report was issued.

5. What are the percentages of ICR funds going to the different units in the University and how are those percentages related to the generation of the funds?

- This information could be provided to the Committee, Mr. Donhowe said. It is also related to the recent policy which was adopted, although the procedures for implementing the policy have not yet been agreed upon. It was agreed that Professor Sullivan would bring a report from the Senate Research Committee to the Committee after Associate Dean Brenner has met with it; the Committee would decide after that if it wished to pursue the

matter. The data should be provided to the Committee in any event.

6. Are there any planning issues which the Assembly Committee on Support Services should speak about with SCFP?
 - Professor Shapiro will speak with Professor Arvey, Chair of the Support Services Committee, about issues of mutual concern.
7. Should the discussion of space rental be a joint discussion with the Subcommittee on Physical Plant?
 - Yes, according to the chair of the Subcommittee on Physical Plant. The question was asked if there is a need for lengthy discussions if nothing will be done; Mr. Donhowe advised the Committee that the discussions should occur. There will be a document which the Committee can respond to; it will be provided when it is finished. It was agreed that the Committee would take the matter up as soon as possible.
8. There needs to be a follow-up on the report on asbestos and radon; it should be provided by the Subcommittee on Physical Plant.
 - The final report has never been forwarded to the Committee by the Subcommittee; it will be now.
9. How are units coping with retrenchments? What has been the effect?
 - This issue is tied in with items 10 and 12, below.
It was suggested that reallocation should be looked at not only in terms of where the money has been taken from but also where it has been spent and what the impact has been.

It was agreed to ask Senior Vice President Kuhi, Vice Provost Anne Hopkins, and perhaps other vice presidents to join the Committee. Data can be provided which will document where the reallocated funds were taken from as well as where they have been spent. These data will not, of course, address the quality issue and how units are coping with the loss of funds.

Professor Shapiro said he would discuss with Senior Vice President Kuhi how to approach the issues; it might include bringing in some of the deans. This will be a high priority item.
10. What is the relationship between retrenchments/reallocations and Academic Priorities?
 - Included under number 9.
11. What is the status of the health plan discussions? (This may go first to the Senate Committee on Faculty Affairs)
 - Included with item 2.

12. What are the current plans concerning the 2% annual reallocations?

-- Included with number 9.

13. Can the Committee profitably take up the question of Civil Service staff salary satisfaction/dissatisfaction?

-- Professor Shapiro inquired if it would be appropriate for the Committee to take this issue up. (Data on the upper end of the civil service salaries are not very good because the market and the nature of comparable positions are not always clear.) The issue is an important one for civil service staff, especially the question of comparability with State employees.

The Committee agreed that this is important and that the issues should be taken up; while numbers cannot be set by the Committee, it can advise the administration on the importance it attaches to civil service salaries. The discussion will be delayed, however, until the upcoming union election has taken place.

14. What are the major planning issues? Enrollment planning (beyond 1993) is certainly one; will there be areas or units of the University that are expanded?

-- This is coupled with item 4.

15. Apparently 3% of faculty fringes is for tuition benefits (presumably for faculty development but most use of the benefit is by civil service staff and TAs); can this be changed? Should it be?

-- There was uncertainty about what the issue consisted of; it was agreed that it should be taken up but very much later in the year (although any information which already exists, perhaps in Dr. Carrier's office, should be obtained).

16. There is a new graduate assistant health plan. 6.17% of faculty fringes goes to health coverage and the GA rate will be the same 6.17%--but 6.17% from those salaries will not cover the costs; will the faculty costs will go up as a result?

-- Mr. Donhowe said the facts in the item are not correct; the increase that would have gone to TAs was withheld to help finance the new health plan. Some additional part of the increases for next year will also have to be used to fully fund the plan. The costs to the faculty, however, will be unaffected.

17. The Committee might consider forming a subcommittee to work with the vice presidents on the 1993-95 biennial request, to discuss establishing a structure so the University is not always to responding to brushfires, and to engage in a continuing conversation about the future of Academic Priorities.

-- It was argued by one Committee member that the two most important subjects for the

Committee are the budget and planning; the biennial request comes third on the list of priorities. Can the faculty, Mr. Donhowe was asked, be more usefully involved in the process than they are at present; he responded that this would be after the expiration of Academic Priorities and that there would certainly be consultation about what will occur after 1993.

Dr. Foster said that the current process for developing both the budget and the biennial request will be examined very soon; faculty consultation will certainly occur.

It was argued that the issues involved are too important to be allocated to a subcommittee and that the matter should be set aside.

18. The devolution of central responsibilities, and costs, onto academic departments (the letter to Bruce Overmier distributed to the Faculty Consultative Committee).

-- The complaint here, it was observed, is about too much decentralization; another agreed but noted that the issue was linked to funding. This matter was added to the discussion to take place under item 1. It was pointed out that departments would have to add civil service staff to take on the added responsibilities.

There has been a study conducted at the University of Michigan which addresses a number of issues before the Committee, including the division between central and local responsibilities, but also to space rental, retrenchment principles, and so on. Mr. Foster agreed to provide a copy to the Committee--along with papers related to higher education productivity by Professor William Massy. These were commended to the Committee as very useful "think pieces."

19. Entertainment taxes on the honoraria of visiting speakers.

-- This is a state tax law, Mr. Donhowe pointed out; the University has no choice in responding. The question is how it is paid. The University has obtained relief on the amount which is included in the statute; a speech is also exempt if it is a credit-granting exercise. This tax, Mr. Donhowe agreed, is shoddy--as are many; he inquired who expects taxes to achieve some standards of aesthetics?

20. Status of the revision of the Minnesota Facilities Model.

-- This will be taken up by the Subcommittee on Physical Plant and Space Allocation; efforts will have to be coordinated with the activities of Associate Vice President Kvavik's administrative committee on this same matter. There was some confusion about who is working on a revision of the Model and the number of groups which might be involved in the process. Ms. Simmons was also advised to talk with Professor Clayton, chair of SCEP, because the question may come up there as well.

21. Policy on the rental of outside space (there is to be a proposal from Associate Dean Mark Brenner).

- It was agreed that the Senate Research Committee should take up the item first and then report to the Committee.
- 22. Policy on obtaining matching money for grants (there is to be a proposal from Associate Dean Mark Brenner).
 - This item will also be referred to the Senate Research Committee.
- 23. Discussion with David Grimsrud about the University Building Energy Efficiency Project.
 - It was agreed that the Committee should receive first a written report on what is occurring and then decide if meeting time should be spent on the subject. It may not be necessary to talk about the Project. Professor Shapiro agreed to solicit a report.
- 24. Review of the Report on the Elimination of Mandatory Retirement.
 - This will be taken up first by the Senate Committee on Faculty Affairs. Contrary to the understanding of some, the issue has not been settled at the University; while the Senate has called for the elimination of mandatory retirement in advance of the date required by federal law, the administration has not accepted or rejected that recommendation, largely because there has been no agreement on measures of faculty performance.
- 25. The contract with the Campus Club.
 - Mr. Donhowe reviewed the facts surrounding the provision of \$70,000 per year to the Campus Club in return for access to meeting rooms; the rationale is that the University would have to rent rooms at hotels around the campus. Some faculty have objected to the contract, calling it an unacceptable subsidy to an organization which they do not believe should be on campus.

One alternative may be to determine if the Campus Club needs all the space it occupies; maybe it could give up a couple of floors. Students have raised this issue as well. In equity if not in title, however, the Campus Club has a legitimate claim to the top three floors of the Union because they funded the construction; the Campus Club also pays for its share of exterior building maintenance and has paid for the operation and maintenance of the interior since it was built. If the two top floors were made available to the University, for some consideration, the proposal--and what the consideration might be--need to be discussed.

Mr. Donhowe said he had agreed that he might arguably have a personal conflict in the negotiation on the contract because he is a member of the Campus Club as well as an administrator. He did not, however, agree that the contract should be negotiated by some disinterested group of faculty (nor, apparently, did the members of the Committee). If it is to be someone other than an administrator who is a member, Mr. Donhowe said, then it should be a regent.

Several Committee members wondered if the faculty really support the view that the contract should be terminated or changed.

It was pointed out that the Campus Club is, at present, losing money; there are several alternatives which might be considered (raising dues--which might lead to a spiral resulting in closure, an increased subsidy, or simply closure). If it closed completely the University would have to assume a similar function--and it would have lost about \$150,000 in dues from faculty members. But it is not impossible to turn the entire function over to the University food service.

Mr. Donhowe inquired if the Committee wished to be involved in the negotiations; he said he would appreciate it if the Committee would discuss the issue because it affects too many faculty members and their views should be sought regardless of what decision is made. This will be taken up soon.

26. The uses of PUF funds and the status of the endowment.

-- Where are the funds committed and where are they invested? These questions might be addressed in a written report to the Committee. Mr. Donhowe said the information is available and could be provided to the Committee; part of it will come from Academic Affairs and part from Asset Management. Mr. Donhowe said that he and Dr. Foster will arrange to have it presented.

27. A review of the costs, overhead, operation, and return on the Business Office endowments and the Foundation endowments.

-- There is overhead in any endowment, and a performance level; the Committee should inquire after both pieces of information, on a global scale, for the Foundation and the Business Office. How well are the funds being managed and what are the costs? Mr. Donhowe said that Mr. Paschke would be giving the annual report to the Board of Regents and that he could be invited to present information if the Committee wished.

Professor Shapiro said that any Committee member should feel free to make suggestions about agenda items.

The Committee adjourned at 4:50.

-- Gary Engstrand