

Minutes *

**Faculty Consultative Committee
to which the Senate Committee on Educational Policy
the Senate Committee on Research, and
the Student Senate Consultative Committee
were also invited
Thursday, October 23, 1997
2:00 - 4:00
East Wing, Campus Club**

- FCC: Victor Bloomfield (chair), Kent Bales, Carole Bland, Mary Dempsey, Gary Gardner, Virginia Gray, Russell Hobbie, Laura Coffin Koch, Leonard Kuhi, Michael Korth, Marvin Marshak, Fred Morrison, Harvey Peterson, Matthew Tirrell
- SCEP: Laura Coffin Koch (chair), Elayne Donahue, Kathleen Newell, Tina Rovick, Gayle Graham Yates
- SRC: Leonard Kuhi (chair)
- SCCC: Ryan Falk, Susan Giovengo, Kevin Nicholson, Joe Skupniewitz

[In these minutes: the capital request, the supplemental requests, the planning and budgeting process]

Professor Bloomfield convened the meeting at 2:00 and turned to Dr. Bruininks to lead a discussion of the capital and supplemental requests and the development of compacts with the colleges.

1. Capital Request

Dr. Bruininks noted that this is the largest and most ambitious capital request in state history, and shifts the focus of the University's efforts from new construction to restoration, preservation, and remodeling. He then turned to Mr. Pfutzenreuter, who presented a series of slides to the Committees outlining the elements of the capital request.

Mr. Pfutzenreuter made a number of points as he walked the Committees through the slides.

- Unlike in the past, this capital request links capital plans to academic priorities; per the President's proposal, this is a four-year request that calls for proceeding by zones, to (more or less) finish each zone before proceeding to the next one.
- This plan reverses the historic pattern of requesting about 30% for renovation and 70% for new construction.

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- The major component of the request is for the North and South Malls, although there is also significant funding for St. Paul and the coordinate campuses.
- For the North and South Mall, the plan calls for investing \$404 million. It improves facilities for IT, the Medical School, and College of Biological Sciences, which account for over two-thirds of the University's sponsored research; it supports high priority academic programs; it corrects fire, life safety, and ADA deficiencies; it rejuvenates the South Mall with housing, parking, and student space, and renovates 114 classrooms (this last item is in the supplemental request). With a series of maps, Mr. Pfutzenreuter identified the types of investments required in each of the buildings on the North and South Mall.
- The North and South Mall areas would be designated a Campus Historic District, indicating buildings of high preservation value to the University even though not on the National Register of Historic Places.
- The total four-year plan calls for spending \$775.9 million. The University contribution would be \$365.5 million; the state would contribute \$389.4 million. Of the money from the University: (1) \$245.4 million would come primarily from revenue bonds issued for parking, housing, the union, and some from the revenue from the sale of the hospital; (2) \$87.4 million would be for payment of the University's 1/3 of the debt service; and (3) \$53.7 would come from fund-raising (most of which has already been pledged or collected).
- Itemization of the elements of the 1988 and 2000 capital requests were presented (e.g., \$53.6 million for Walter Digital Technology/Science and Technology Library in 1988).

Members of the Committees asked a number of questions.

- Do the requests correspond to the campus master plan for the Twin Cities campus? They do, although some elements of the campus master plan are not addressed (e.g., Washington Avenue).
- Will building occupants have a say in what is to be done with the buildings? There are groups now working on the programmatic elements in each facility; Dr. Bruininks said it was essential that remodeling take place only in careful consultation with departments.
- Will the request deal with faculty who now occupy rented space? In part, Dr. Bruininks said; there will be an effort to reduce fragmentation and the use of rental space. The Gateway facility is to be supported by rental; one option is to put units in Gateway that are already paying rent. In terms of other facilities (e.g., replacement of JOML and movement of molecular and cellular biology departments/programs), there will be domino effects. New space can be more efficiently used, and there will be new and renovated space available.
- Has there been any discussion of relief from the 1/3 of the debt service the University has been required to pay? Mr. Pfutzenreuter reported on the discussions that have been held; he said that the University has continued to try to narrow the scope of the requirement for the debt service obligation.

-- The annual amortization cost of the \$87.4 million in debt service will probably be about \$8 million, which will have to come out of the operating budget. (By comparison, the approximately 8.5% increase in faculty salaries will cost \$12-13 million.) There will also be additional operating costs for the new facilities of approximately \$6-7 million. The debt service costs have been an institutional responsibility in the past, and Mr. Pfutzenreuter expressed doubt that practice would change; assessing the units using the new and renovated facilities would be neither practical nor fair.

Dr. Bruininks said the plan is a calculated gamble; there will be costs to the University, but if it does not make the effort, it will lose the ability to compete and revenues will decrease. The President has said that if the revenues are not sufficient to sustain the projects, they will be reconsidered. The plan does assume the University can maintain or increase its revenues.

Professor Bloomfield agreed on the need to make the investments, but said there has never been a good discussion with the faculty of the options. If the money is spent and the debt incurred, that will mean money is not spent on faculty salaries or positions or TAs or secretaries or support--all items on which the University is also short and which also require additional investment. It should be possible to do a simulation, he suggested, that would identify the costs and benefits of various options.

Professor Morrison also agreed on the need to make the investment, but expressed concern that some of the budget projections are wishful thinking, and that in April or May (two years hence) the optimism will be replaced by a budget shortfall. He said that the history of the University is that repeatedly the good intentions of the fall give way to retrenchments in the spring.

Dr. Bruininks said there are no guarantees, but there is also no appetite in central administration for the "retrenchment rollercoaster" that the University has been on. He said there is an administrative commitment to long-term planning, and avoidance of the need for short-term gaming and fluctuating unit budgets. He told the Committees he did not have answers to all the questions being raised. Some of the debt service costs would be accommodated through economies, some through increased revenues. There is a risk, but if the investment is not made, it will be difficult to maintain and grow the University in the future. He said the administration would try to get at the financial issues as early as possible, and not let them go unresolved until the spring. Dr. Bruininks emphasized that the President is serious about making cuts in the central administration and not, simultaneously, pass costs on to units.

Professor Marshak observed that the University has repeatedly reduced maintenance and operations expenditures in order to protect program dollars. President Yudof has said the University has gone too far in that direction, and that it is time to invest in facilities and "ratchet up" the entire operation. This is a new strategy, and it is assumed that increased revenues will follow from the improvements.

-- What is the relationship between these plans and ICR funds? It is possible the plans will lead to the ability to increase external funding, and thus ICR funds; will they be singled out as a source of funding? They will definitely make a contribution, because the investments are in facilities of units that generate over two-thirds of the University's sponsored research, but ICR will not be tapped disproportionately. Committee members discussed the advantages and disadvantages of increasing the University's ICR rate and where the University stand with respect to other public

and private institutions both in terms of its rate and the amount of sponsored research it conducts; Professor Marshak pointed out that no research university receives more than about \$375-400 million (except Johns Hopkins), and that an increase of 20% in the University's sponsored research (now at about \$310-315 million) would put it near the top.

2. The Supplemental Request

Dr. Bruininks distributed a handout and began by noting that the supplemental request consists of four items: \$13 million for faculty and staff salaries, \$9 million for academic program initiatives, \$15 million for faculty set-ups and equipment, and \$4.5 million for classroom improvement. The \$9 million (which would be recurring funds) would be used for such things as new faculty hires, fellowships, and restoring strength to the computer and biological sciences. Where the money will be directed is under discussion.

Professor Marshak expressed concern that the \$13 million for faculty salaries is in the supplemental request. Nothing is more important to improvement of the University than improvement of faculty salaries; if the money is not received, is this item expendable? If so, that would be a mistake; faculty salaries are more important than the capital request, he said.

Dr. Bruininks said there is no disagreement on that point, and said he did not think there would be a need to choose. There is no backing off of the commitment to increased faculty salaries, although there is a shortfall in the second year of the current biennium. The commitment to faculty salaries remains, however.

In terms of the salary goal, reaching the median of the University's peers, the University did make progress. The Big Ten averaged about 4 - 4.5% increases, and the national average appears to have been slightly less, so there was a gain.

Dr. Bruininks said a question that arises, with respect to the \$9 million for important academic priorities, is about how other significant academic needs will be dealt with. If the request is successful, there will be new state funds for long-term investments; these will give units more room for reallocation, and there is a commitment to getting away from annual retrenchments.

Professor Bloomfield inquired how a retrenchment could be avoided when there is a projected \$26 million shortfall in the budget this year. Dr. Bruininks said there will be a retrenchment, but not in order to create a central pool of funds to be reallocated back to the colleges (obtained by writing a 60-page paper). Discussion suggested a consensus on avoiding use of tuition increases to make up the shortfall.

Asked what would happen if the economy took a nosedive, Dr. Bruininks said the University assumes there will be stable inflation for the foreseeable future but that it is hard to project what the economy will be like and that the University will not be able to protect itself if there is a severe downturn. The best way to proceed, however, is to increase the base budget and build the reserves; on the latter matter, the University is not doing as well as it should. There was public outcry about the reserves some years ago, but there is now a more thoughtful understanding of the need for reserves.

3. Compacts

Dr. Bruininks distributed another handout, this one about the planning and budgeting process. He noted the proposed calendar, and said that apologies are due to the deans because of the short time for preparation of materials. Next year they will know more, and will be able to provide more time.

Dr. Bruininks outlined briefly the process that will be put in place and how agreements will be reached between the colleges and the Executive Vice President and Provost. The agreements will be public, and on the web.

Professor Morrison questioned the extent of consultation called for, and pointed out that the agreements will not have much meaning if there is not faculty support; how will it be obtained, when there is only three weeks for the process? Dr. Bruininks said faculty support was essential, and the agreement would not matter without it. He said the process the first time through would not be tidy, and would build primarily on what is already in place. Deans will have time in the future to talk with faculty.

Professor Dempsey cautioned that the task force on governance is learning that in some colleges, there is no organized faculty advisory group, or that it is weak. These plans depend on faculty involvement, but it is not clear all the colleges will be able to obtain it. Dr. Bruininks said that not all has been worked out this year, but there is no sense that college plans would be adopted without talking with the faculty. He emphasized again that there would be no vitality in the process without faculty participation. He agreed that in some places, a cultural change might be needed, and said that exemplars might be provided.

Professor Gardner pointed out that there is considerable lack of clarity with respect to IMG and attribution of teaching; the rules are not known. There will be a big impact if there are curricular games or counting student credit hours by designator rather than faculty member. Dr. Bruininks said that teaching must follow the individual, not the designator, and that it would be a disaster to try to change that. It was agreed that this matter must be clarified promptly.

Dr. Bruininks was asked what process would be used to help him decide where new initiatives should be made, as compacts between his office and the deans are developed. There must be ongoing public reporting, Dr. Bruininks responded, and new initiatives will be more collegiately driven than in the past. Institutional priorities will remain, but few of them will be in research; the best process for identification of research priorities comes from the bottom, he said.

If there is to be more authority will the colleges, then inter-college efforts will require attention, it was said. Professor Bloomfield noted that he wishes to press faculty governance to pay attention to the big topics, including the intellectual future of the University. Two issues that are central are interdisciplinary work and distance education; he has proposed two campus-wide forums on those subjects, sponsored jointly by the faculty, administration, and regents, in order to bring those three groups together in shared governance.

Dr. Bruininks endorsed Professor Bloomfield's proposal, and said it would be helpful to identify how to build a culture to nurture interdisciplinary work, rather than control such work. There are many ideas for how to do so; central funds could be invested, and the administration must ask the deans and

departments how best to do facilitate interdisciplinary work. He agreed with the comment of one Committee member that it has been easy for faculty to work together, and that the administration must not take steps that prevent collaboration.

Dr. Bruininks also suggested adding undergraduate education at a research university to Professor Bloomfield's list, as a possible third topic, because the University may not be using the advantages it has in this area.

Dr. Bruininks said the process of developing and using the compacts is not chiseled in stone and will be evaluated, and there must be more consultation.

Professor Bloomfield thanked everyone for joining the meeting, and adjourned it at 4:00.

-- Gary Engstrand

University of Minnesota