Minutes[*]

Senate Committee on Finance and Planning
Tuesday, January 17, 1995
3:15 - 5:00
Room 402 Campus Club

Present: Virginia Gray (chair), Mark Davison, Craig Dexheimer, Thomas Hoffmann, Karen Karni, Gerald Klement, Roger Martin, Anne Sales, Thomas Scott, Craig Swan, James VanAlstine

Regrets: Patrice Morrow, Richard Pfutzenreuter

Absent: David Berg, William Gerberich, Allen Goldman, Roger Paschke, Doris Rubenstein

Guests: Marcia Fluer (Director, University Relations), Senior Vice President E. F. Infante, Robert Hanle (University of Minnesota Foundation),

[In these minutes: The budget instructions; a capital campaign; number and budget for publications]

1. Budget Instructions

Professor Gray convened the meeting at 3:15 and reported that she had written to the President on behalf of the Committee about the tuition policy and the steam plant. She then welcomed Senior Vice President Infante to discuss the budget instructions that were sent out to the colleges in December. He invited questions on the instructions.

One that has arisen, said one Committee member, is that the Committee has been told no decision has been made about Responsibility Centered Management (RCM), that the administration is only thinking about it, and that there will be consultation before anything is decided. These instructions, however, look like RCM has sneaked in the back door, with their tuition targets and revenue assumptions.

Dr. Infante noted that tuition has become an increasingly important part of the O&M budget, so it is important to try to have reasonable estimates of tuition revenues. There have been overestimates of tuition income the last two years, and enrollment has dropped by a total of about 2%. In addition, some programs want to do things that are appropriate, and say they can do so if they can obtain the tuition revenue. So, for better or worse, the administration has entered into agreements with the colleges.

There will be a tuition shortfall of about $1.5 million; the tuition estimates were made on the basis of expectations from the deans. It may be that some colleges have not paid as much attention to tuition as they should have. If there is a shortfall, it must be reflected in the budgeting--but tuition should not drive budgeting, he added.

The enrollment declines have been primarily in returning and graduate students; the University is

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doing well with freshmen enrollments. It is also not doing as well as it should with transfer students, and that may be because the University lacks mechanisms to bring in transfer students. Student credit hours in some colleges are down from 1-3%.

Will those numbers not decline further, asked one Committee member, if colleges are forced to lay off TAs? It is hard to see how colleges will maintain student credit hours equal to last year's in the face of the projected cuts. Units should not offer courses for the sake of offering courses, Dr. Infante agreed. The budgets call for setting plans, and cuts are not being imposed because of what may have occurred over the past two years. Such cuts WILL be imposed, however, in the next two years; the administration and colleges must reach an understanding of what the University will and will not be doing in two years. Course offerings, however, should be driven by the vision of the kind of institution the University wants to be, not by the need to offer courses. Dr. Infante said that he had made a mistake, in the past, in that he was too facile about enrollment and in building budgets based on assumptions about enrollment that were not realized.

The budget instructions appear to require great precision in enrollment management. To avoid a budget cut, colleges would have to hit tuition targets exactly; a dollar shortfall means a budget cut. Was any thought given to target ranges to help colleges adjust to small fluctuations? Things will be done on a delayed basis, Dr. Infante responded; the budget changes would not occur immediately, giving colleges time to adjust. It is his view that there must be appropriate estimates. Departments and colleges have more flexibility than the University as a whole, he pointed out, because they have larger reserves than the central administration, and they can fall back on the reserves.

Some decisions were made about this issue, Dr. Infante related this year. First, the tuition shortfall would not be assigned to units. It is evident where they occurred, but units had not been told that there would be consequences for failing to meet expectations. Second, the estimates made in the last two years will not be used; the colleges have been asked to make new projections.

On the issue of RCM, he told the Committee, no fundamental decision has been made. But this seems to be a decision, said one Committee member; what more could there be? A lot, Dr. Infante replied; RCM implies taking into account space and library costs, for example. The Twin Cities campus, for the first time, last year tried to manage freshman enrollment; institutionally, there has been no graduate enrollment management, nor have there been contingency plans--there have been no consequences if a unit did not reach its target--or transfer student enrollment management. What happens if there are significant tuition shortfalls? How should they be assigned? There will be a one-year interval to try to understand these issues, and cuts will not be imposed by unit because of shortfalls, but it is clear that some units are not producing revenue. One must ask what the implications of that situation are.

The emphasis on generating tuition revenue could be an incentive to units to hoard students, observed one Committee member. One department now encourages its students to take their math from the math department, even though similar departments nationally teach their own math. Philosophically, that seems to be a bad idea, but the incentive will be there to do so. Dr. Infante agreed that units had to guard against this tendency; that is one shortcoming of RCM. One way to do so is for central administration to make appropriate allocations within the University, and for central administration to insist on the best possible use of resources. A responsible dean, he said, would tell a unit that something does not make sense. But, rejoined another Committee member, when units are in different colleges it is in the DEAN'S interest as well to hoard students and it is difficult for central administration to control such actions. The decision must be made at the dean and provost level, Dr. Infante said.

One problem is writing-across-the-curriculum, Dr. Infante said; a number of units do not want to offer it. In general, there has been little incentive to provide courses for students; if the budget is constrained, they have no incentive. One cannot imagine a department taking the position and enrollment is not important, responded one Committee member.

One Committee member recalled that at his small liberal arts, there were caps on the number of courses a student could take within the major--that forced students to spread their work out and discourages hoarding. The problem, Dr. Infante said, is that every unit wants to teach courses that can be delivered cheaply (for example, math, statistics, and languages) and want to avoid teaching expensive courses. There is professional pressure on one college, noted one Committee member, to increase the number of credits students are required to take IN the college; pressure brought by accrediting bodies can be self-serving. There will now also be financial pressure in the same direction. It is the provost's job to provide the balance between these tensions, Dr. Infante said. How will that happen when there is more than one provost involved and they have competing financial interests, asked the Committee member?

Something that needs attention, Dr. Infante said, is curriculum review; this is the only major institution he knows of, he related, that has no central curriculum oversight body. Each college decides its own curriculum and no one raises questions (except perhaps the Board of Regents). His task, he said, is to bring controls in these areas.

Whatever system is devised, one Committee member reflected, people will find a way around it. In the case of faculty/student ratios, for example, when the budget is independent of tuition, there is no motivation for a college or department to increase class size. People will play the games; what must be considered are the implications of a proposal. Much though one might advocate market economics, one cannot rely entirely on the economic system to make fair distributions; the mechanisms to be used will depend on the financing system.

It would be a mistake to estimate tuition and then build a budget on the estimates, Dr. Infante said. The tuition estimates must be part of a total budget. In some units, clear estimates or projections have been set, and if they are not met, the activity may not be worth doing. One example is the Crookston campus, where the University has set a clear goal.

If the problem is that some units have more capacity than students, these budget instructions do not solve it, because they fix the targets based on current numbers--the implication is that there are units too large relative to their current enrollment and they should be serving more students. The proposed tuition guidelines say any increase in tuition over current levels give a college additional resources and any reduction means a college loses resources. That gives colleges with excess capacity a decided advantage and it penalizes colleges with inadequate resources to begin with--unless the targets are adjusted centrally, too much depends on current enrollments. What is important is the starting point, observed another Committee member. They are only estimates, Dr. Infante emphasized; one can imagine a discussion with a unit that includes saying it is underutilized, that it has resources, that there is a demand, and the total budget of the unit will decrease unless the utilization is increased. Without the estimates, however, there is nothing to discuss. But these are just STARTING points, he said, and he fully expects the numbers to change.

Dr. Infante said he wanted to make it clear that there will be changes as a result of the budget hearings. One Committee member said the University had no experience as to whether tuition targets would change as a result of those discussions. Experience last year with budget targets suggests that preliminary target could easily end up identical to the final numbers.

Discussion turned to whether or not fringe benefits will be fully funded; the budget instructions from one dean to chairs said they will not be, which will mean an additional cut required. Dr. Infante expressed surprise that it is believed fringes will not be fully funded; he pointed out that the administration is not withholding any salary and fringe benefit money. It may be, he said, that the 5% increase budgeted for fringes may not be enough, but that is not yet known. Every unit received 2.8% for salaries and 5% for fringes; if salaries turn out to be more than 2.8%, then there will be a fringe benefit shortfall, but that also is not yet known. Dr. Infante agreed to inquire about the cause of the problem.

Also touched upon were the reasons that fringe benefits will be increasing and the reasons for variations in the rates.

One Committee member raised a mechanical and a substantive question. The mechanical question had to do with the Strategic Investment Pool (SIP) allocations: each provost/chancellor/vice president has been asked to list their three top priorities. At the same time, there is wild variation in their responsibilities, if one considers the size of a budget a measure of responsibility--ranging from $1.5 million to $10 million and more. Is it appropriate to request the same number of proposals from each individual?

The way the language is written, the emphasis is on LIMIT, Dr. Infante pointed out. The SIP is that portion of the budget that should address the heart of the intellectual enterprise. The rest of the budget tries to take care of what needs to be taken care of and makes the infrastructure investments that are needed. This portion is intended to keep strong that which is strong and to address significant opportunities that may be available. Some deans have been told, he related, that he will be not be sympathetic to SIP requests from them; others have been told they could submit more than one and the areas where they might wish to do so. The total number supported will be 5-10, and they should make a difference.

The substantive question, it was then said, has to do with expenditure patterns. One understands his concern about the infrastructure, but there are two kinds of infrastructure: physical and quality of programs. One senses there has been a reallocation away from the latter to the former. Reallocations were supposed to be part of a plan for a smaller but better supported faculty. We have a smaller faculty but it is not clear that it is better supported. If one looks at rough aggregations of academic and non-academic categories, the budget instructions imply that in the second year of the biennium basic O&M support will increase by 3.6% for academic units and 8% for non-academic units. This continues recent trends and causes serious concern about the long-term health of the institution.

It would also be useful, one Committee member said, if the Committee were to receive information about the budget that is comparable in form to the tables it received last Fall. To the last point, Dr. Infante said he would relay the request to Mr. Pfutzenreuter. He noted that some of the increase in Finance and Operations are due to an increase in the University's debt service and because of the steam plant. As vice president for academic affairs, he said, he fights for programs, but said he must confess to supporting significant increases in the budgets for the libraries and for equipment, because he believes them important.

One Committee member pointed out that from the Magrath era through Gus Donhowe, the University kept cutting facilities budgets, a pattern that could not be sustained, and now the University must pay the piper. To add to the problem, the legislature has required the institutions to begin paying part of the debt service.

Moreover, Dr. Infante related, the size of the faculty has been going down, the size of the student body has declined, but the square footage keeps expanding! Even after closing buildings, the space has increased. Space costs a great deal of money--and the new space coming on line is much more expensive than the spaces being eliminated.

The more general point, it was said, is where the University is on reallocation and on the partnership plan compared to October. Dr. Infante said he would speak to Mr. Pfutzenreuter, and would be willing to make a presentation with him.

Professor Gray thanked Dr. Infante for his comments.

2. Capital Issues

Professor Gray next welcomed Robert Hanle, from the University Foundation, who she invited, at the behest of one member of the Committee, to talk with the Committee about a possible sesquicentennial capital campaign. [A sesquicentennial anniversary is the 150th.]

Mr. Hanle told the Committee that the President had inquired of the Foundation about the possibility of a university-wide campaign. The last campaign, from 1985-88 (the first such campaign the University had conducted), raised $365 million, and was focused on endowed positions for faculty. The Foundation asked if the University was prepared and in a position to mount such a campaign.

The Foundation was advised to retain an outside firm, which it did; the firm was asked to address a number of issues. Mr. Hanle reviewed the conclusions that the firm offered: the University should think seriously about a campaign, but it is not ready to do it; the University's performance with individual donors has been weak, unlike its success with corporate donors; the volunteer campaign leadership is not immediately apparent; and there must be an investment in support staff.

The firm's recommendations were these: the Foundation should consider a campaign around the sesquicentennial year (2001), it should consider establishing a volunteer campaign planning committee, it must focus on long-term prospects for major gifts, and should work on alumni relations to create a more favorable climate among the alumni.

The Foundation may start to consider the possibilities, Mr. Hanle said, but it will need considerable time (two to three years) even before any "quiet" campaign were to begin (a period that precedes a formal public announcement).

After short discussion about how the changes taking place in Washington might affect the success of a capital campaign, Mr. Hanle said he would keep the Committee informed about the Foundation's thinking. They intend to retain the outside fund-raising consultants, he said, knowing they will need their guidance during the next couple of years. One could say there should not be a campaign; some in the profession are arguing against "mega-campaigns." But several Big Ten schools are undertaking campaigns of the magnitude of $1 billion. Those are our immediate competition, one Committee member pointed out; if they obtain more flexibility in their programs than the University has, the future will belong to them.

Mr. Hanle observed that the University and Foundation have consistently reported voluntary support between $110 and 120 million per year for the last several years; if there were to be a campaign of perhaps seven years, that would total about $800 million already. The question is how much net additional money would have to be generated?

One Committee member inquired about the uses to which the money raised in the last campaign had been put. How were the endowed chairs filled, and by whom? One needs a good presentation about the last campaign, it was said, before the University can ask for more money. Mr. Hanle agreed, and said he would provide the Committee with a previously-published report on the status of chairs. The Foundation has asked Associate Vice President Kvavik for a policy on how the chairs are filled and the money is used; with 233 chairs, they have been treated in different ways across the University, and the institution needs to establish a policy on how to handle on them.

One Committee member expressed pessimism about raising money for fully-funded chairs; the amounts required are too great. The bigger problem is faculty who receive offers from other schools, offers that include supplemental research funds. Those could be provided with a lot less money than that required for an endowed chair, and it would provide the department chairs with flexibility.

Professor Gray thanked Mr. Hanle for joining the Committee.

3. Publications

Professor Gray welcomed to the meeting Marcia Fluer, Director of University Relations, and also circulated a glossy annual report from one University department. She had been sent the report by a colleague, she told the Committee, who expressed the view that the report was a waste of money. She herself, Professor Gray recalled, had contacted the SAVE program about a newsletter she thought was a waste of time; the subsequent response was that the unit publishing it believed it needed to do so. As a result of this and other comments, Professor Gray related, she invited Ms. Fluer to help the Committee think about whether the University is spending too much or too little on publications. She turned to Ms. Fluer for comment.

Ms. Fluer said she had begun to worry, several years ago, about the volume of publications that were crossing her desk. Her concern was not about any one item, but about the total number, and the amount of money that was being spent. She inquired, and learned that there is no policy governing publications, except for rules about including EEO statements and few other things; other than that, anyone with money can publish.

With the help of the two senior vice presidents, she told the Committee, she recently completed a publications audit. All 600 University units were asked to send copies of anything they published during the year and to answer a few questions about the publications. They received several thousand replies, with about half of the units not responding; Ms. Fluer estimated they saw about 60-70% of the publications that are issued. The costs for these publications probably run to $12 - 15 million per year.

She then reviewed the costs and numbers of publications that her office issues, and noted that they are a small player in the publications game. There seems to be prevalent, she said, a notion about publishing that if "they are doing it, we should, too." The annual report is one example; one unit, asked why they issued it, said so that central administrators would know they exist and what they do. In another case, what began as a small newsletter expanded to the deans-directors-department head lists, and then to alumni, so there were suddenly thousands of copies being distributed.

There is at present no way to get a handle on the costs of publications; one way to do so, she suggested, is to assign a CUFS number to publications, so that they have to be identified in order to be funded. Many of these publications are hidden in other budgets.

Penn State, she told the Committee, tackled this same problem a few years ago; they established a board of editors, and no unit was permitted to fund a publication until the board had agreed to it, based on criteria of cost, quality, and need. There are problems but also solutions out there, she concluded.

One Committee member recalled that President Magrath had placed a freeze on new publications. After that, Ms. Fluer said, there was an explosion in the number of publications. At Penn State, she said, their system had NOT resulted in fewer publications--probably more were issued--but they were of higher quality, better timed, and aimed at target audiences. They also got at the problem earlier than the University is, so had fewer publications to deal with.

The dollars spent on publication do not mean that a message is getting out, Ms. Fluer observed. What must be considered is whether or not a unit is getting the right bang for the buck. The University should want to know if intelligent decisions are being made about audience and need, and people should be provided an opportunity to be dropped from a list. She said a number of people outside the University have reported to her that they receive five or six publications from the University that often carry mixed messages, so they get irritated and just throw them all away.

There are many instances where publications are entirely justified, Ms. Fluer noted; what is needed is policy to guide their development and to lay out the issues.

One suggestion that has been made, remarked one Committee member, is that everyone with the word "editor" in their title should be fired. That is the largest category of non-academic employee at the University, Ms. Fluer said. It is extraordinary what such people are hired to do, it was then said by the Committee member; often, Ms. Fluer replied, they are not publishing, but may in fact be helping faculty with publications. To fire them all could mean getting rid of people who the faculty want.

One Committee member expressed certainty that there is wasted money in publications, but pointed out that one hears a great deal about the lack of information available in the University. The idea of an oversight body is a good one, and policies should flow from the studies that have been done. There does not seem to be any existing committee that could handle the job. It should be done by professionals, Ms. Fluer responded, who could make informed judgments.

This is a diverse institution, one Committee member observed; what is bothersome is not the number of publications but the way they are distributed. The one circulated at the meeting is high quality, it was said; the question is, who got it? Did the department waste money sending it to a lot of people who did not need or want it?

One department she worked with was considering an annual report, Ms. Fluer related. She asked them what the goal of having such a report was; it was for the major business groups that use their services. Since there were only ten or fifteen such groups, she said, she told them to make 10-15 telephone calls. They did and were very pleased, and much more effective than distributing 14,000 copies of something and hoping that the right ten or fifteen people read it.

One major problem is the DDD list; one CANNOT be dropped from it. So a lot of departments have created their own lists, which is very expensive. The same problem arises if one wishes to mail to "the faculty," pointed out one Committee member: there is a low rate if one wants to mail to all faculty, and a very high rate if one wants to mail to a subset. Sometimes it is hard not to mail a lot of copies. This is portent of things to come, warned another Committee member; one sees the same thing in the electronic world. Even the ease of the use of the "delete" key does not obviate entirely the problem of overload.

Ms. Fluer reviewed some of the units that publish the most items; it is academic units at the top of the list.

The Republican question, said one Committee member, is how much it would cost in time and labor for a central committee to function. Not a lot to develop the policy, she said, perhaps 50 hours; at Penn State, the hard part was getting the buy-in by faculty and the administration.

Once an organization is turned down, said one Committee member, they'll scream about the First Amendment. The problem is not turning people down, Ms. Fluer responded; in discussions with the deans about marketing plans and streamlining publications, 99% want to solve a problem, not waste money and do a bad job. People generally want to do the right thing, she observed.

What she does not want to see, Ms. Fluer assured the Committee, is the perception that her office wants to take control of publications. It does not. They have expertise in communications in University Relations, but they don't wish to control. There is a Communications Council, with representatives from the colleges and campuses, and it is aware of the problem and could be part of the solution. It is more an issue of quality and distribution than control, she concluded.

Professor Gray thanked Ms. Fluer for joining the meeting and promised that the Committee would return to this issue in the near future. She then adjourned the meeting at 5:15.

-- Gary Engstrand

University of Minnesota