Minutes[*]

Faculty Consultative Committee
Thursday, April 22, 1999
11:00 – 2:00
Room 238 Morrill Hall

Present: Sara Evans (chair), Kent Bales, Linda Brady, Gary Davis, Marilyn Grave, Stephen Gudeman, David Hamilton, M. Janice Hogan, Roberta Humphreys, Michael Korth, Joseph Massey, Marvin Marshak, Fred Morrison, V. Rama Murthy

Absent: Mary Dempsey, Leonard Kuhi, Judith Martin, Matthew Tirrell

Guests: Vice President and Dean Christine Maziar; Associate Vice President Victor Bloomfield; Executive Vice President Robert Bruininks and Associate Vice President Richard Pfutzenreuter (Budget and Finance); (from the Finance and Planning Committee:) Jean Bauer, Carole Bland for Catherine French, Charles Campbell, J. P. Maier, Charles Speaks, Susan Carlson Weinberg

Other: Maureen Smith (University Relations); Liz Eull (Budget and Finance), Deb Cran (Office of the Executive Vice President and Provost), J. Peter Zetterberg (Institutional Research and Reporting)

[In these minutes: intellectual property policy; the future of academic publishing; the budget and associated problems, Committee leadership elections and personnel matters]

Prior to the beginning of the meeting, noting that this was "Take Your Daughter to Work Day," Professor Marshak pointed out that his daughter makes more than he does, so he did not bring her to work with him.

1. Intellectual Property Policy

Professor Evans convened the meeting at 11:10 and welcomed Vice President Maziar to the meeting to discuss the draft of the intellectual property policy.

[Note: Dr. Maziar made the same presentation earlier in the week to the Senate Committee on Finance and Planning (April 20). These minutes will report only on additional points that were made in the presentation and discussion.]

-- This policy used a different model of policy formation; the draft went to several committees, and the working group had representatives from several offices, including that of the General Counsel, in order to avoid review at the END of the process. The Academic Staff Advisory Committee and the Board of Regents were also consulted, and the draft will be circulated to the deans.

[*] These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

-- With respect to visitors (who are not covered by the policy, people who are research collaborators or only casual visitors to the campus), the University has an obligation to develop agreements with them before the fact. This is either not an issue (for most), or it should be in any letter establishing University-industry collaboration.

-- The exclusion of University ownership in intellectual property created by students solely for the purpose of completing a class or an undergraduate degree does not extend to intellectual property developed by graduate students in research labs; in that case, the graduate student is treated as a regular faculty member or professional staff member.

-- Professor Korth inquired, about the distribution of intellectual property income, why only the department's share contained a stipulation on how it must be spent? Dr. Maziar said that the provision is consistent with earlier policies reviewed and approved by Senate committees, and consistent with policies at other institutions. Professor Morrison added that another concern was that departments that receive intellectual property income might have their budget cuts; the policy makes it clear that this income is not to be considered an offset against other institutional funding. Dr. Maziar said that the Regents have also asked for more specificity in how the money that goes to her office would be used; she said that it would be made clear in the next version of the policy that the funds are to support (1) patent and technology marketing and (2) research and scholarly activities.

-- The University's responsibilities for intellectual property include management and oversight of commercialization, informing employees of the policy, protection of University intellectual property, defense of patents. The employee's responsibility is adherence to the policy and cooperation with the University in commercialization efforts.

Asked if the policy would be ready for the May 6 Senate docket deadline, Dr. Maziar promised that she would try to have it ready. If not then, it would have to taken up at the October Senate meeting.

Dr. Maziar reported that one regental concern is about the potential problem in distance education, where there could be a conflict between University interests and faculty ownership of regular academic work products. Her own view is that this is in part a problem of conflict of commitment or conflict of interest, but the Regents are concerned that if this is left vague, the faculty and administration could be left open to "nasty disagreements down the road." It is very important that both the Committee and the Regents be comfortable with whatever is adopted.

Professor Murthy said the document appeared to quite liberal, compared to some universities; was it drawn from peer institutions? Dr. Maziar said the working group tried to take the best from the University's peers. The income distribution is in the middle of the pack. Asked about the likely income stream, she told the Committee that without a "home run," it is about $6 to 12 million per year; with a "home run," it could be $40 - 50 million (based on one item).

Professor Evans commended the excellence of the draft developed by the working group and thanked Dr. Maziar for joining the meeting to present it. She noted that the policy would be presented later in the day to the Senate for information.

2. Issues of Academic Publishing

Professor Evans next welcomed Associate Vice President Bloomfield to put on the table issues related to academic publishing.

Dr. Bloomfield noted that the future of scholarly publishing is halfway between intellectual property and the budget--the next item on the FCC agenda--and closely linked to the intellectual future of the University.

Publication is the way faculty get their work out, Dr. Bloomfield began. Earlier, there were fewer journals, and they were mostly under scholarly control. In the last 20 years, researchers and scholar, and their universities, have lost control of journals; they have become very expensive, they beggar library budgets, and commercial publishers restrict the use of publications even within the academic community.

How can faculty and administrators regain control over academic publications, both their budget and, correspondingly, the intellectual future. The Internet provides the technological means to do so, but there are issues that must be addressed. The question is whether academe will retake control of academic publishing, or leave it in the hands of conglomerate publishers? This is no longer a "gentleman's" business; there are big dollars involved.

Dr. Bloomfield recalled that he had edited a journal recently, and had transferred it from a private publisher to self-publication. It is easy to do if there are professional society staff who are competent; printing and publishing professionals can be hired. He urged that if faculty are in a society that has a journal published by a private publisher, they think seriously about taking back control of the journal and self-publishing.

Online publication can save a substantial amount of money, although there are still the costs of peer review and copy editing. Printing and mailing costs can be 25-30% of a journal's expenses. In principle, online publication offers advantages; in addition to peer review, there is the opportunity for comment, which can indicate the level of interest in a publication. Peer review will remain crucial; new kinds of publications will not work unless strict peer review is maintained; that is the only way to ensure journals retain their prestige.

Just as savings can be obtained in journal publishing, so also can they be achieved in book publishing. If the publications of a university press can be made more affordable, that would be a good thing, Dr. Bloomfield concluded.

Much of the expense that libraries face is the cost of new privately-published journals. Faculty collude in this effort: they are flattered to be asked to be on editorial boards, sometimes for journals that provide little value. Faculty should work within their professional societies, and be sure that those societies publish new materials. Faculty should take the responsibility NOT to serve on editorial boards of expensive and over-specialized journals.

What is to be done? The faculty need to take action. Senior faculty can take positive steps in their professional societies--they are the ones, after all, who influence the societies. They are also the ones who serve on promotion and tenure committees; the senior faculty can say that publication in a well-regulated, peer-reviewed, on-line journal is as good as publishing in a print journal. This Committee, the

Faculty Senate, and the Senate Research Committee should make a positive statement about the directions the University should move that would better serve the academic community. In addition, the CIC (the Big Ten plus the University of Chicago) could make a statement that the current system is beggaring libraries and that a new system is needed.

Professor Hamilton expressed complete agreement with Dr. Bloomfield's comments, said that his professional society is moving in the direction about which Dr. Bloomfield spoke, and that the University needs a local plan to put in place. Professor Evans suggested that perhaps the national associations could weigh in on the topic.

One reason low-cost publishing works in some fields, Professor Morrison said, is because the institutions agree to assume some responsibility for funding activities of a journal editor on a campus.

It was agreed that Dr. Bloomfield should be invited to return to the Committee for a more extended discussion and so that more concrete proposals could be considered. Professor Evans thanked him for joining the meeting.

3. The Budget

Professor Evans now welcomed Executive Vice President Bruininks and Associate Vice President Pfutzenreuter to the meeting, as well as members of the Senate Committee on Finance and Planning who had been able to accept an invitation attend.

Executive Vice President Bruininks began by reviewing recent actions at the legislature. He noted that the University had not been faring as well as expected in the Senate, and maintained that the University would do its best to obtain support for its total request, including the health professional education endowment.

Dr. Bruininks distributed a handout with data on the budget. There are two issues, he said: the biennial request, and recurring costs not DIRECTLY associated with the biennial request. The costs not directly associated with the biennial request total $73 million for the 1999-2001 biennium: $29.7 million beginning in 1999-2000 (so $59.4 million for the two years), and an additional $13.6 million beginning in 2001-2002, for a total of $73 million. Much has already been cut to get the numbers to that level, Dr. Bruininks assured the Committee, and the process of reducing expenditures will continue.

Dr. Bruininks then drew the attention of Committee members to a table identifying three groups of costs. They were: (1) General Common Goods (e.g., Enterprise Systems Project, student modem pool, campus technology, utility costs, risk insurance, grants management, web development, and so forth); (2) Redistributive Academic Goods (e.g., AHC Health Services, CLA Best Departments, Internet 2, Regents Professors, Service Awards, Sabbatical Pool, Video Classes/Conferences, other academic Compact Investments, etc.); and (3) Core Administrative Services (e.g., Transition Compensation $, External Sales, Outside Legal, EEO Community Ed Program, Controller, New Debt and Lease Costs). The distinctions are somewhat arbitrary, Dr. Bruininks cautioned, and there is need for further discussion about how to set priorities within the groups. Some of them are large items, such as the Enterprise Systems Project, which will run for six years, and the debt on the new steam plant. The three groups total to the $73 million in costs identified previously.

The possible ways to meet these costs were identified on another table. They include cost reductions, assign responsibility to units, fees or billing units, changes in OIT or NTS (telephone) rates, assessments for the Enterprise Systems, institutional revenue sharing, taking part of the state appropriation "off the top" to pay overhead costs, and targeted reductions. The last four items are seen as the most probable ways of dealing with the problems.

For example, they are modeling a 1% assessment on payroll (excluding sponsored research and restricted accounts) for the Enterprise Systems (the costs of the project have increase from $42 million to $51 million, in many cases for reasons beyond the control of the team working on the project). Since payroll amounts to 80-85% of most budgets, the assessment would be equal about .85% of budget.

Dr. Bruininks said there should be consideration given to a joint faculty-administration committee to examine the University's budget framework and the underpinnings of IMG. There needs to be some continuity over time, but before any assessment becomes permanent, the budget framework and future, projected costs need to be examined. There is need to have permanent solutions to these University-wide needs and costs.

Institutional revenue-sharing would consist of an assessment target based on all funds, not just payroll. "Off the top" means the administration would take a modest amount of the state funds for institutional overhead before money is distributed to the colleges (that is, to fund the 3 categories identified previously).

Dr. Bruininks then reviewed the major sources of revenue (state funds, tuition, ICR, auxiliary sales, etc.) and how they are allocated between academic and support units (e.g., of state funds, 62% go to academic units, 38% to support units).

Mr. Pfutzenreuter explained to the Committee how an institutional revenue-sharing formula would work. Units now pay varying percentages in "taxes" on sales and service revenues, and the amount varies with the unit and the revenue. The intent of the plan would be level the playing field, so that no unit pays more than 1%, and to raise 1%. The "bill" for this amount would be sent during the 13th accounting period at the end of the year.

Professor Morrison suggested that the assessments (Enterprise plus revenue-sharing) amount to a 1.85% retrenchment. Dr. Bruininks said he did not look at it that way, and said it is important that 1% of TOTAL revenues be made available; he pointed out that units obtain money in very different ways. He noted a draft revenue-sharing plan, and reported that the deans have urged that they receive the bill, and they--the deans--be allowed to decide how to pay it, and that they not be directed for 1999-2000 to tap any particular revenue source. This assessment, he said, would be recurring.

The Committee also discussed assessing balances. Dr. Bruininks said the idea has been considered, but he believes this would be bad policy, because it encourages units spend down the balances. It is better to emphasize prudent fiscal management and to give managers flexibility in how they spend their resources.

Will costs be transferred to customers, inquired one Committee member? In some cases, Mr. Pfutzenreuter said, they will (for example, NTS (telecommunications) rates). Would these assessment mean deans would have flexibility in setting tuition and fees? It would not, Dr. Bruininks said; those are already set, but it would have an effect on the amount of money they have available to spend--for faculty lines, for equipment, for assistantships, or anything else. Any severe impacts would be reviewed, because the intent is not to damage the academic mission of the University.

Professor Gudeman inquired if it is possible to put constraints on spending, although noted that the horse may already be out of the barn in this case. Professor Evans added that this was a problem all knew existed when IMG was rolled out, and said she supported the idea of a broader conversation about how to fix it. Is a tax or retrenchment of units the way to approach it? there is a need for buy-in to whatever approach is adopted. She agreed with Professor Gudeman that a long-term solution to dealing with central institutional costs is needed.

Many central costs, Dr. Bruininks said, are traceable to the needs and support of academic departments and campuses. Professor Morrison disagreed, and said they were traceable to central decisions to do things (such as leasing the Gateway Center and building new buildings). Professor Evans observed that the University has not done a good job of agreeing in advance on how to pay for these things. And faculty governance has not played a role in making these central allocations that affect both capital and income flows, Professor Gudeman added.

Professor Murthy asked where the targeted reductions would take place. Dr. Bruininks said they would be in central administration, and about $4 - 5 million worth. He said he would like to cut overhead costs, but the University is in the situation of implementing new things while at the same time required, for a period, to keep selected old systems, so costs increase during migration from old to new systems. There may need also to be conversations about service levels, he said. The central reductions would NOT be directed at academic units, he assured the Committee.

Professor Morrison reflected that apparently units could anticipate 2-3 years of 1-2-4% assessments or retrenchments, because unallocated costs generated by the administration are increasing faster than revenues. He asked if there were any estimates of these costs for a period of several years into the future? Dr. Bruininks said there are, and that they should be discussed by the Committee. Some involved decisions that need to be reviewed, some involve core costs, some may involve cutting costs. It is hard work, and important value judgments must be made, because there are important trade-offs.

Mr. Pfutzenreuter observed that the additional costs expected for the second year of the biennium ($13.6 million) have not been addressed. Of those costs, 80% are facilities-related or technology/Enterprise-related or maintenance; they are NOT academic unit expenses. Those expenses will recur in the following year as well, and facilities costs will increase because of the way the debt has been structured.

A critical question is whether salaries remain a high priority, Professor Morrison said. Are they, or will they come after other expenses are paid? Dr. Bruininks affirmed they remain a high priority; what will happen with them depends on what the legislature does. He agreed that nothing in these tables addresses salaries, but said that they could be dependent both on the funding provided by the legislature plus any self-funded increases (the latter of which the deans want permitted).

Professor Morrison asked Dr. Bruininks if this mean the administration is no longer committed to a "catch up" in salaries. Dr. Bruininks emphasized that it does NOT mean that, and the largest part of the biennial request, and the highest priority, is compensation. At the same time, the University must balance its budget. He concluded that he would rather not have the responsibility of bringing this news about these costs to his colleagues on this Committee, but reiterated that the administration is not lowering the priority to seek competitive salaries.

Professor Hamilton recalled that two years ago, a proposed retrenchment in the Medical School would have required that his department fire all support staff and tenure-track assistant professors. He urged a careful look at the numbers, and a look way down into the units, to be sure that there are no devastating effects. In grants management, the staff in Sponsored Project Administration are working VERY hard; if some were to be fired, there would be increased paranoia and fear, and the University's research enterprise would be jeopardized. Dr. Bruininks agreed that these kinds of effects must be considered.

One Committee member contended that debt management and facilities costs were not being well managed; what if the University were to impose a 1- or 2- or 3-year moratorium on new construction? What impact would that have on debt management? Dr. Bruininks paraphrased H. L. Mencken to the effect that for every problem there is a solution that is "simple, neat, and wrong." A moratorium would be wrong, because there are buildings that must be renovated or replaced. In addition, it would not be wise to leave the Molecular and Cellular Biology building unfinished. The capital request is reasoned and conservative, he said. He said he would not personally have supported all the previous capital projects, but they were proposed, went through the process, and were approved; the University must now address their costs. It would not be wise to stop the capital process, but the University must be prudent about it and deal with it openly. Dr. Bruininks also recalled that 70% of the last capital appropriation was directed to the renovation of existing buildings; the next one will have a slightly higher percentage devoted to new construction. Growth is slower, but the debt accumulates.

Professor Bland, representing the IMG Subcommittee, reported that the subcommittee had interviewed deans and department heads. There was much support for central funds for costs, but those interviewed did not know how the money was spent and would feel better about central funds if they knew. Dr. Bruininks said such information was easily provided and accessible. No one is hiding anything, he said; it is all public. What is needed, Professor Bland said, is the larger picture; that is not easy to get.

In terms of central costs, Dr. Bruininks observed that when he was a PI, he thought the ICR funds directed to central administration went down a "rat hole." It all depends on one's perspective, he said. The costs must be taken together, in relationship to the institution's values and the need to support the public goods. There has not been a full or complete discussion on the overall University budget. The IMG budget framework forces the institution to think more in these terms and to face the issues.

Is not the cost of restoring old buildings the result of decades of deferred maintenance, asked Professor Humphreys? It is, Dr. Bruininks affirmed. He reported that the Registrar had done a study, and determined that over 200 classrooms could not be scheduled because they did not have the necessary technological infrastructure. That is not acceptable.

Professor Humphreys commented that after two years of relief from taxes and retrenchments and catch-up on deferred maintenance, it is sad to see a return to the earlier practices. It will not be the same, Dr. Bruininks said; obviously, the assessments to cover University-wide costs are funds that cannot be spent in local units, but there needs to be a fiscal model for sharing the overall costs of the University.

Under IMG, the costs exist but the administration has given away all the revenues; that must be addressed, and the biennial request cannot remain the only way to fund them.

Dr. Bruininks had to leave at this point; Professor Evans thanked him for joining the meeting.

Committee members continued to discuss the budget with Mr. Pfutzenreuter. One topic was tuition, and whether or not all of it should go to the units, rather than directing some of it to common goods. Professor Evans said there had been a proposal to tax tuition, but it had been taken off the table because imposing such a tax would be a fundamental change in the rules (without using a process to change them). The President has decided not to tap tuition, Mr. Pfutzenreuter affirmed. Professor Speaks endorsed that decision, because it would have a sharply differential effect on colleges, depending on the proportion of their income derived from tuition. Some costs, however, are related to the number of students, such as the modem pool, it was pointed out.

Committee members also discussed the implications for the University if the appropriation were significantly less than what the Governor recommended. The situation would be "bleak," said one, because after salary increases, and paying for new buildings, there would be very little left over.

Professor Evans thanked Mr. Pfutzenreuter for the presentation. Subsequent to his departure, Professor Evans commented that she believed the University needed good budget planning, she did not believe IMG permits one to see all the elements of the budget, and that the faculty need to push for better long-term planning. Others agreed.

4. Committee Personnel Matters

Professor Evans reported that the "lame duck" committee had met earlier in the day and wished to nominate Professor Morrison to serve as chair for 1999-2000 and Professor Hamilton to serve as vice chair. The two were elected unanimously.

It was suggested that the lame duck procedure should be made more open, so that all Committee members were aware of it. Professor Evans agreed.

Professor Evans next noted that the Committee needed to elect a replacement for Professor Tirrell for the last year of his term, and that it also needs to nominate a vice chair for the University and Faculty Senate. She suggested that to fill the unexpired term, the next highest vote-getter in the most recent FCC election be asked to serve, and that Professor Humphreys be asked to serve as Senate vice chair (subject to approval by the Senate). Without further ado, it was moved, seconded, and unanimously voted to do so.

Professor Evans then adjourned the meeting at 1:45.

-- Gary Engstrand

University of Minnesota