

Minutes*

Senate Committee on Finance and Planning
Tuesday, June 8, 2004
2:30 - 4:15
238A Morrill Hall

Present: Charles Campbell (chair), Calvin Alexander, Rose Blixt, David Chapman, Daniel Feeney, Steve Fitzgerald, Thomas Klein, Joseph Konstan, Cleon Melsa, Kathleen O'Brien, Diane Parker, Terry Roe, Alfred Sullivan, Susan Van Voorhis, Warren Warwick, Susan Carlson Weinberg

Absent: Brittany McCarthy Barnes, Stanley Bonnema, Michael Korth, Yi Li, Richard Pfutzenreuter, Charles Speaks, Thomas Stinson, Kate VandenBosch, Michael Volna

Guests: none

[In these minutes: (1) report from the Subcommittee on Twin Cities Facilities and Support Services and the ability to obtain information; (2) tuition waivers and dissertation credits; (3) budget principles]

1. Report from the Subcommittee on Twin Cities Facilities and Support Services

Professor Campbell convened the meeting at 2:30 and turned to Professor Alexander, chair of the Subcommittee on Twin Cities Facilities and Support Services (STCFSS), for a report.

Professor Alexander began by thanking the subcommittee members for their hard work; he said it has been a pleasure to work with them. He extended thanks to Renee Dempsey in the Senate office for all her help, and thanked this Committee for providing a charge to look into various matters. They work principally with Vice President O'Brien and the leadership of Facilities Management, and he expressed the subcommittee's appreciation for the cooperation from those offices.

The charge to the subcommittee is to review the operations of the support services on the Twin Cities campus, Professor Alexander noted, and make recommendations as appropriate to this Committee. This year they focused on the design, construction, commissioning, and long-term use of the buildings on the campus and less on the other support services. They asked people in to talk about the buildings, took information trips to problem areas, and concluded that there are a number of buildings--new and old--that have major problems with design, construction, and long-term use. An incomplete list, reflecting the experience of subcommittee members, includes the East River Road garage, Williamson bookstore, Civil and Mineral Engineering, the Basic Sciences building, the Ecology building, and Anderson Library.

It is easy to gripe, Professor Alexander observed, and the subcommittee wanted to do more than just gripe. They tried to identify patterns of problems and ways to turn them around. They identified "challenges" they see in how buildings are conceived, designed, constructed, and used over the years. They identified several challenges.

-- There is a problem with institutional memory and records

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- No one seems to be responsible for tracking the environmental data about the buildings that everyone works in
- It is difficult to obtain data streams from University authorities about buildings
- No one is responsible for inspections during the subcontractor phase of construction
- No one is looking at the cumulative effect of campus construction on the infrastructure of the campus; there is need for long-term thinking.

Professor Alexander said he had some frustrations to share with the Committee. They find it difficult to get information; staff are reluctant to provide information to subcommittee members; they have been told that staff members have been told not to talk to the subcommittee.

Their major recommendation is that Facilities Management people, in constructing buildings, make even more use of the knowledge and experience of the students, staff, and faculty who work in the buildings. The success stories are when there are dynamic partnerships with the occupants of a building; buildings work best when users are involved all the way along. That is easy to say and difficult to do, but it is the best way to go.

Professor Alexander said he had a request to make: The subcommittee needs a clear statement from this Committee that it is appropriate and encouraged for people on the subcommittee to discuss in open, objective discourse the issues in the purview of the subcommittee--with no fear of retaliation or retribution. The subcommittee also needs a clear statement that any University employee has the freedom, responsibility, and protection from retribution to discuss with the subcommittee issues about which they have first-hand information. Some of the non-faculty members of the subcommittee are worried, he said. There are places where staff live in a culture of fear and talking about problems will get them in trouble. He said he hoped the Committee could do something to help the situation.

The subcommittee's four primary recommendations are these:

- consult with the building users
- inspect the construction activities
- look at the cumulative impact of the growing infrastructure
- consider future conditions and anticipate problems.

Professor Roe inquired if there is any process that provides scheduled information from building occupants about the status of the building. Professor Alexander said that as tenure faculty members, they can report without fear that a report will affect their future. He said he was not aware of any program to obtain information from building occupants.

Professor Chapman said he found interesting the discussion about faculty and staff and open discussion. If there are people afraid to provide information, that is not a good way for the institution to operate. At the same time, this Committee may not be the place to say something; it should be the highest levels of the University that says "stop this!" Mr. Klein said he has heard the same thing in his department but cannot find anyone who feels threatened by providing information; people talk about the problem but no one has experienced it.

Professor Alexander said he could tell the Committee categorically that this worry has made getting information difficult. It could be a convenient excuse, to be sure, but while he did not want to talk about individual instances, he is aware of cases where people believe their jobs would be affected. It does not matter if the perception is accurate or not, if it affects the ability of the subcommittee to do its job.

There are two questions, Professor Chapman said. Is it true? And if so, how can it be combatted? Ms. VanVoorhis said she has never heard staff afraid to discuss things, especially building matters. She said she was surprised to hear that staff would be worried about losing their jobs because they talk about a building. Was this the occupants or Facilities Management staff, Ms. Blixt asked? Professor Alexander said he did not want to get into specifics, but those who are reluctant to speak with the subcommittee are people who keep the place running and know why systems do not work; he said he did not know the chain of command well enough to know to whom they reported. Ms. Van Voorhis clarified that she had been referring to the staff IN the buildings. Professor Alexander said that he, too, had never heard of people in a building at risk because they complained about the building.

Vice President O'Brien said she was surprised to hear Professor Alexander say that it is difficult to obtain information. Several staff members attend and participate in STCFSS meetings and prepare information for the subcommittee. The administration desires that participation in governance be useful, productive, and helpful in an open institution. She noted that there are people responsible for the condition of buildings and that they do conduct surveys to keep track of the campus's 28 million gross square feet. If there is something not receiving attention, she and Associate Vice President Spehn would like to be informed so that they can correct it.

Vice President O'Brien and Professor Alexander discussed the relationship between the administration and the subcommittee and the extent to which there needs to be a change in the culture. Vice President O'Brien said she did not want an adversarial relationship; she also suggested that the subcommittee might think about how it can be most useful in terms of the time subcommittee members spend on its work. She said she believes there are three principles that should guide University Services: excellence in service to faculty, staff, and students, accountability in what it does, and stewardship of the University's resources for the long term. In order to adhere to those principles the people in University Services need to be in communication with faculty, staff, and students, and the governance system is one mechanism by which to accomplish that communication.

Professor Alexander asked why there are no inspections of subcontractor work; is it just money? Vice President O'Brien recalled that in the early 1990s there were significant budget cuts that reduced the number of building inspectors, so there are far fewer people to do the work. She said she was aware that inspection of subcontractor work became a problem in the 1990s. Professor Alexander said that while it is perhaps just his own experience, nonetheless he and the subcommittee believe there is serious underfunding of the maintenance structure. He said he was not pointing fingers at anyone; the University has simply not had the money.

Professor Konstan said that it was not necessarily true that individuals and the institution share the same goals; once an organization goes beyond about 25 people, he surmised, the two sets of goals diverge. Most people at large institutions have personal goals rather than institutional goals (including the faculty). Faculty are glad to talk about building problems but not about curriculum and advising problems, which is why there is a need for management. Individual self-interest is exacerbated by a period of budget problems in which many are worried about their jobs. One should not say that individuals and the institution are on the same side, because, for example, the goal of efficiency almost invariably means that people will be laid off. Professor Alexander responded that the subcommittee talks about buildings because they are in its charge, but said that he did not agree with Professor Konstan that

people cannot share common institutional goals. He said he has been at the University for 30 years and seen staff do things far beyond what their job required and he has been proud to be associated with those individuals. He said he has seen students who should not have been at the University--but he has also seen a lot of students who make his job easy. He said that he sees faculty put in far more than 40 hours per week. He said he believes there are University goals and that most people work toward them. People do have personal goals, but they also support institutional goals.

Professor Chapman, responding to the request for a statement from the Committee, said he believed the Committee could adopt a statement but that it would carry more clout if it came from the administration--something to the effect that the administration would not tolerate secrecy that gets in the way of efficient management of the institution. The Committee could make such a recommendation to the President. It is certainly within the charge of this Committee, and the governance system generally, to bring up points such as this, Professor Campbell observed. The Committee could craft a statement encouraging communication and cooperation; they are implied by a governance structure--this one--with as many different participants as it has.

Is there something the Committee could do that would be more constructive and productive to address the problem, Professor Chapman inquired? The governance system sees itself as a partner with the administration in addressing problems, Vice President O'Brien said. She said she would be surprised if there are individuals who have been told they could not say something--that is a problem of perception and culture. There is a role for the Senate to be constructive, and if governance participants hear of a problem, they should ask if it has been brought to her or to Mr. Spehn.

Ms. Parker pointed out that there are different cultures in the University, within units. Some are more open, some operate with more fear. Changing a culture is something that happens in individual units, and is a big undertaking. She said, however, that she believed a lot of people are dedicated to the University's goals. Ms. Blixt said that in her experience, culture change does not happen as a result of direction from the top but from the bottom up. People in her building, for example, wanted a cleaner and safer building so they worked on it as a group. The model of ownership of a building works, rather than relying on Facilities Management.

Mr. Klein, responding to Professor Alexander's request for help, wondered if the subcommittee might follow up with Facilities Management leadership for six months and try to address the problem so that individuals did not feel pressure and the chain of command understood what is needed. They plan to keep working with Facilities Management, Professor Alexander said, because that is what they are supposed to do. Vice President O'Brien and her staff have done perhaps even more than should be required of anyone working with a governance committee. The issue is not with the leadership, it is in the middle of the chain of command. Have they invited Ms. O'Brien and Mr. Spehn to meetings, Ms. Van Voorhis asked? Mr. Spehn attends almost all the meetings, Professor Alexander said, and Vice President O'Brien comes to about half of them. Has this issue been discussed? It seems odd, Ms. Van Voorhis said. They have raised questions about how buildings are built and how to learn from problems, Professor Alexander replied. Vice President O'Brien noted that she and Professors Alexander and Campbell have a meeting scheduled later to discuss these issues.

Most of the questions Professor Alexander has raised arise as a result of past decisions, Vice President O'Brien commented. As an historian, she believes that people can learn from experience; the team now in place is working to develop an approach that does not replicate these problems.

Professor Konstan said he was pessimistic that people would say that something was "screwed up" because ultimately that means people will be blamed. The question is not who but how to avoid the

problem in the future. There are people--auditors--who gather information anonymously and report problems. A Senate committee is not the best mechanism to gather such information; there are offices in the University that do so. Moreover, a Senate committee does not have the power to immunize people from the consequences of their testimony. Sometimes there is a systemic problem; sometimes someone is to blame, but that person may have power. Unless the questions come from a position of power, and people can be assured about their status, the effort is not likely to be successful. Professor Alexander said he has never had any illusion that the subcommittee had the ability to protect people.

Vice President O'Brien thanked Professor Konstan for making the point about audits. There have been several audits on many of these issues, all of which she has read and many of which are public. There has been change in management at the University because of the findings, and there is an effort not to replicate the problems that have been identified.

This is the start of the discussion, Professor Campbell said. It has been excellent, and candid, and will continue. He said he appreciated the energy and hard work of the subcommittee and the insights it has brought to this Committee. He said the Committee would return to the issues. He thanked Professor Alexander for his report.

2. Tuition Waivers and Dissertation Credits

Professor Campbell turned now to Professor Roe to lead a discussion about tuition waivers and dissertation credits.

Professor Roe distributed a handout of talking points he had prepared for the meeting and pointed out that he was addressing the issue of graduate programs and revenue flows. The general issue is tuition revenues in graduate programs (both thesis and coursework), which go into the tuition revenue pool and is disbursed in the same fashion as undergraduate tuition.

Background:

- Current policy is to remunerate 25 % of graduate tuition revenue to the college of registration, and 75% is allocated to the college of instruction.
- Prior to ICR, graduate tuition payments were remunerated to the department of the Major Professor.
- It should be recognized that graduate tuition payments made by RA and TA appointments do not represent an increase in university revenues; these payments are merely a transfer from a research account to a teaching account.
- In this regard, it is the research account that generates the "new" revenue to the institution.

Problem – Issues:

- By not remunerating, at least thesis tuition payments, back to the research component of our enterprise we are effectively placing an unnecessary tax on a revenue stream that generates, according to the University's Annual Report (page 17), 25 % of total FY2003 revenues.

This is not to say that we should do away with thesis credits. Thesis credits encourage completion of programs, and serve to better monitor progress and resource allocation. I conjecture that the nature of tasks associated with thesis credits are closely associated with either on-going research programs, or help to increase the likelihood of competing for future grants and contracts. By not remunerating tuition revenues associated with thesis credits back to the

research enterprise, we are lowering our research capacity, i.e., our capacity to discover new knowledge. In the case of revenues generated from graduate course credits, an argument can be made that these payments should be at least partially reallocated back to remunerate the salary costs of faculty engaged in the graduate program.

- Remunerating graduate tuition revenues back to colleges alone could discriminate against those graduate programs (e.g., Conservation Biology, the new proposed Ph.D. program in Applied Economics and Policy) that do not reside in a specific college.

Consequently, a better policy might be to allocate thesis credit payments to the department of the major professor. It seems reasonable that circumstances may justify a college level tax on this revenue stream to cover the costs of public goods and other services a college provides to support the research enterprise. But this channel of remuneration should help establish transparency in resource allocation at the college level..

- In many cases, the lack of transparency at the college – department levels regarding the graduate component of the tuition stream can create a disincentive for faculty to “in load” grants and contracts as well as miss-directing research resources.

The lack of transparency can make it appear that a college is unwilling to appropriately reward a research program thus causing an individual researcher to either locate a research program/project in another institution or to carryout a project as a consultancy and hire graduate students to assist with the project. The lack of transparency can even confuse college administrators as to the true opportunity costs of research resources.

- Some evidence suggests that the tuition component of our graduate student fringe rate is affecting our competitiveness with peer institutions in competing for grants and contracts.

We recently responded to an RFP with the Department of Resource Economics at Berkeley. Berkeley's fringe rate was 10% of their Step I and Step II RA salaries of \$12,190 and \$13,135, respectively. Tuition was not part of the fringe rate. Moreover, some funding agencies do not permit the inclusion of tuition as part of graduate student support.

- The tuition component of our fringe rates is strengthening incentives to substitute post-doctoral positions for Research Associate positions.

A post doctoral position in the field of Applied Economics can be funded for about \$65,000 - \$70,000. This is only about 1.1 to 1.2 times the cost of an equivalent two RA appointments at the Ph.D. level. And, the post doctoral appointment typically embodies a higher level of human capital with fewer distractions than are common with an RA appointment.

The key point, Professor Roe summarized, is to keep track of thesis credit revenue and think about reimbursing the units that generate it.

Is he thinking about changes on the margin, neutral at the beginning, or about providing more money to programs today, Professor Konstan asked? There needs to be discussion about that, Professor Roe said. The problem varies by college and there is a lack of transparency in the process; with the

budget principles the Committee has recommended, there would be more transparency. If there were to be a major budget shock to units because of a change, it should be implemented over time.

Professor Konstan said he has argued that some graduate student tuition should go to the Graduate School for the services it provides and so it could be a conduit for funds for interdisciplinary programs. He said he was uncomfortable with Professor Roe's recommendations, however, because they could lead to perverse incentives, such as increasing the number of thesis credits required in order to generate more money. In the current budgetary system, tuition dollars, including thesis credit dollars, are used to provide the funding that covers faculty salary and other unit costs through the colleges. O&M funds were swapped out for these sources when IMG was implemented. It is possible to make marginal changes so that increased revenue goes back to the programs, he said, but any major change will not be stable because it will pretend to have money the University does not have. He said he would prefer not to charge graduate students tuition at all--since that would better support the University's mission of graduate education--but there are compelling reasons to raise "real" money from grants and self-funded students. For some cases Professor Roe's solution might work, but it reflects a lack of confidence that deans are being fair to programs, especially interdisciplinary programs and raises the more general question of whether there should be some safeguards for funds that flow to departments.

Professor Roe said that his salary will be paid by a grant and dissertation credit revenue is usually related to a research project. One could trace these funds so their disposition is transparent, and perhaps they should not be directed to the same program or department, but the flow of funds should be transparent.

Professor Alexander said he agreed with Professor Roe's observation that departments will bring in more postdocs and fewer graduate students, which is a real problem if one University goal is to support graduate student research. The Dean of the Graduate School has said that the numbers across the University do not reflect such a change, Professor Campbell reported, although that does not mean things could not change in the next year or two.

Professor Konstan asked if the issue of hiring postdocs instead of graduate students arises more in fields where there is historically an over-production of Ph.D.s. Has that happened because people in the field know there will be jobs as postdocs but not as faculty? Is the issue concentrated in some fields? Professor Campbell recalled that one FCC member commented that the money could be shifted to technicians, not to postdocs.

What is non-controversial, Professor Konstan suggested, is that the current high graduate tuition rates are hurting the graduate education and research missions of the University. There are causes for the rates, but one suspects they have been dragged along with undergraduate tuition rate increases without a lot of special thought about graduate education. One can question whether the fee for service model is the right one. Tuition could be kept high, with departments provided a rebate, or the rates could be lowered.

RA and TA dollars are a transfer, Professor Roe said; what matters is what happens to the money. In the extreme case, one could allocate the money back to the research program, in which case tuition increases would have no effect on the research program. The increases would, however, affect those students who pay their own way, a group that is increasing in number.

Part of the issue is covered by the transparency clause of the budget principles, Professor Campbell agreed, but he asked Professor Roe if he wished to transform the general issue into a motion the Committee might consider. Professor Roe said he presented this as points for discussion, because he does not have enough knowledge to offer a solution. Transparency is in the principles; he believes there should be even more, but to do it right there must be a more systematic approach.

Professor Feeney said there seems to be a combination of buffering the effect of tuition rebates and providing incentives. There is no incentive if all tuition dollars go elsewhere, but not all of them need to flow back to the unit. Moreover, the way the revenues are handled varies considerably across the deans; some give no money back to the units. He is hearing that in some units in the Academic Health Center they are hiring more postdocs because the postdocs do more work than graduate students. He asked if the Senate Research Committee should look at this issue and make a recommendation to the Graduate School and the central administration.

Professor Konstan said he was not opposed to transparency but said he did not believe that changing the allocation of thesis credit revenue would work. The challenge in all of this is to build an economic model that covers the risk of hiring a tenured/tenure-track faculty member. At Harvard this is not a problem because all faculty lines are endowed. The University could say that if a department wants to hire a new faculty member, it has to find the \$2.5 - 3 million needed to endow a new position. With the current budget model, units add faculty in a speculative way, without knowing if the research and tuition dollars will pay for the position for the next 40-45 years. There needs to be a model that puts brakes on a unit so that it doesn't go into a downward spiral, but he said he would also not favor a model whereby everyone in the college or all colleges needed to approve appointment of a new faculty member.

Ms. Blixt commented that with respect to exorbitant graduate tuition rates, she hoped that the budget principles discussion would also reflect the fact that these rates also hurt units that only have undergraduate students but that also have research programs.

Professor Campbell said he would communicate with Professor Balas, chair of the Senate Research Committee. The question is whether this Committee thinks the issue should go anywhere, Professor Roe commented. It was noted that Provost Maziar had intended to appoint a task force to look at funding graduate education; it is not clear whether that effort will continue with the change in leadership. Professor Roe noted that there will be a search for a Dean of the Graduate School; this issue should be a part of the discussion. The Committee will return to the subject, Professor Campbell promised.

3. Budget Principles

Professor Campbell noted that the budget principles had been modestly modified by the Faculty Consultative Committee; he distributed copies of the version approved by FCC. He said he thought that Committee members had raised good points but they had not been discussed because the Committee has not met. He asked if Committee members wished to talk more about the principles or add depth to the operating recommendations.

Professor Feeney said he would be bringing a second installment on the budget model from the AHC Finance and Planning Committee in the near future. He said he thought the process worked well last time and that the changes improved the document. It is imperative, he said, that this Committee and

FCC hold everyone's feet to the fire because there are important principles in the document. The faculty can promote things that no one in the administration would dare to support and they can also push for a budget review process that they believe meets what the faculty need.

Professor Konstan suggested it would be more fruitful to hear from the top administration before spending any more time on the principles. Is the President receptive to the principles? Does he want changes in them? The Committee cannot make anything happen; the best it can do is keep raising the issues. The Committee should have an early discussion with the President and the Provost, he suggested. Mr. Klein said that such a discussion would also allow the Committee to "close the loop," as it did with parking rates earlier in the year. There is a risk that there will be a perception "that's all done now" and the principles will not be brought back up. If the principles are good, there is need for a culture change in what one looks at as markers of change. Professor Feeney said that discussion with the President is not solely within the purview of FCC and this Committee should feel free to have a discussion with him. He noted that there are also presidential working groups on the budget, on which he and Professor Campbell both serve, so they can ask for feedback about the principles in those groups as well.

It was agreed that the Committee would invite the President and the Provost to a meeting to discuss the budget principles. Professor Konstan said there is a companion issue for discussion with the new Provost: To what extent is he aware of the diversity of implementation in the colleges of central administrative policies and procedures. He said it seems as though there is a process of translation in each college, so neither the central administration nor the faculty in the departments know what has happened.

Professor Campbell then adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota