

Minutes*

Senate Committee on Finance and Planning
Tuesday, April 20, 2010
2:00 – 3:45
238A Morrill Hall

Present: Russell Luepker (chair), Jon Binks, Sarah Chambers, David Chapman, V. V. Chari, Jennifer Dens, Devin Driscoll, Steen Erikson, Kara Kersteter, Lyndel King, Thomas Klein, Joseph Konstan, Judith Martin, Fred Morrison, Kathleen O'Brien, Paul Olin, Richard Pfitzenreuter, Terry Roe, Michael Rollefson, Karen Seashore, Mandy Stahre, Warren Warwick, John Worden, Aks Zaheer

Absent: Lincoln Kallsen, Gwen Rudney, Thomas Stinson, Michael Volna

Guests: Professors Bruce Braun, Eva von Dassow, William Messing; Vice President Carol Carrier

[In these minutes: (1) audit of spending; (2) summer support policy; (3) congratulations; (4) update on light rail; (5) new policy: Modifying Appointments of Academic Professional and Administrative Employees for Financial Stringency]

1. Audit of Spending

Professor Luepker convened the meeting at 2:00 and welcomed Professors Braun, von Dassow, and Messing. He recalled that at the March 25 Faculty Senate meeting, one of the items discussed was a proposal for a more detailed audit of University expenditures. Although the proposal was not supported at the Faculty Senate meeting (where, after an amendment, it was tabled for further discussion), Professor Oakes subsequently asked him, on behalf of the Faculty Consultative Committee, to bring the proposal to this Committee for a more extended discussion. He turned to Professor von Dassow to start the discussion.

Professor von Dassow spoke from prepared remarks.

We are told by the president that the University's financial situation is so dire, now and for the foreseeable future, that it is necessary to eliminate academic units and programs – not to mention implementing stopgap measures like temporary compensation reductions. But many of us look around campus and see excess spending hiding in plain sight, whether we see it in athletics, in the size and cost of administration, in branding campaigns, or in the proposals for new facilities that continue to spring up unabated even as the institution is said to face financial stringency. What we do not see is any disciplined scrutiny of all the University's expenditures, nor any sort of cost-benefit analysis focused on the alignment of expenditures with the University's education and research mission.

One may take the position that most offices, programs, or initiatives perform useful functions in support of the mission, and are funded at an appropriate level. Or one may not. But in a time of financial crisis so severe as to warrant narrowing the University's mission by cutting

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

academic programs and faculty positions, leaving less curriculum to serve more students, we would be remiss not to demand a thorough account justifying all expenditures in terms of the academic mission. The faculty and the public need to know why things cost what they do, whether their value to the academic mission is such as to warrant that cost, or whether they can be cut without significant impairment to our fulfillment of the mission.

Because it is this committee that is charged with advising the administration on the University's financial and operational planning, we have been asked to bring before you a proposal to implement the kind of cost-benefit analysis that the University's financial circumstances demand. This arises from the motion we presented at the March 25th Faculty Senate meeting, the "Resolution on Financial Stringency," which was tabled for further discussion. That motion called on the administration to, (I quote) "provide to the faculty and the public a detailed account of all current and projected University expenditures and savings, justifying each item and amount in terms of its relationship to the University's primary missions of education and research" (end quote). The motion further called for an independent audit to determine where expenses may be reduced without impairment of the academic mission. It should be clear that what was meant is not a "bookkeeping" audit such as is done annually under the Regents' authority, but an "alignment" audit meant to assess how well specific expenditures do or don't support the mission.

We believe that this sort of examination, whether it's called an "audit" or something else, is urgently necessary. We have been persuaded, through conversations with members of this committee as well as other colleagues, that an inquiry performed by an outside entity would be unlikely to yield the desired results, despite the surface attraction of having an independent third party possessed of some enforcement power determine that the University doesn't really need, say, 13 vice presidents (when the entire country gets by with just one). Therefore, instead of asking for an independent audit, we are asking this committee to develop and implement a plan for undertaking the needed inquiry.

Because you're all working for free as members of this committee, obviously it would be unreasonable to propose that you examine everything at once. Accordingly, we have taken up a suggestion made to us by Joe Konstan, to the effect that the committee [rather: the senate, according to Konstan's original suggestion] should conduct an ongoing review, choosing one or several items each year to subject to a cost-benefit analysis anchored to the University's mission. These "items" could be programs, initiatives, offices, or units of the institution. Because of its size and cost, we propose that central administration be the first item chosen for scrutiny.

Now, as an aside, I don't pretend to any competence in budgetary matters: some of the people in this room are responsible for not merely dissecting but constructing the University's budget, and it would make as much sense for me to tell you about the institution's finances as it would for you to tell me how to read a cuneiform tablet. But expertise aside, these are matters of common concern, so please indulge the undoubtedly simplistic observations I shall forthwith make.

Central administration consumes an ever-growing share of the University's budget. It is the main component of the category labeled "institutional support" in the annual operating budget. The amount of money expended in that category has increased by approximately 80%

since 2005, while the amounts expended in other categories have increased by only modest amounts, or in some cases actually decreased. In fact, fully one third of the total increase in the University's expenditures since 2005 is accounted for by the increase in "institutional support." Perhaps much of this increase is justified; but it requires justification. Another way to look at the cost of administration is through the lens of the cost pools: the cost pool that costs the most is "support service," erstwhile termed "administrative support," and this growing cost amounts to about \$90 million in fiscal year 2011. Since academic units are paying for administration through the cost pools, it is important to ask what exactly we're paying for, and what it does for us.

In sum, it is not merely reasonable but responsible for the faculty to require an accounting of central administration, office by office. Let us assume that all the people in all those offices are doing essential jobs well. We still need to know what the office does for the University's mission, and why it costs what it does. If the job it does can be done for less, it should be. We're paying for it—with public money.

This is moreover an opportune moment for such scrutiny, not only a moment when financial crisis forces the issue upon us. The administration is about to undergo transition with the retirement of President Bruininks. We can seize this moment not only to identify areas where the institution may economize and improve its operations, but to restore relations between faculty and the administration. By involving faculty and staff in the process of examining the University's finances and operations, a review such as we propose will help develop trust among the several parties, rebuild a sense of common purpose, and establish a new and more favorable norm for the incoming administration.

Professor von Dassow distributed copies of a proposal they wished to make to the Committee.

Fiscal circumstances now and for the foreseeable future require the University of Minnesota to reduce its expenditures. Reductions should be made where they will least impair the University's core missions of education, research, and outreach. Prior to eliminating academic units and programs, therefore, it is essential that broad scrutiny of the University's finances and operations be undertaken, in order to determine where economies may be implemented with minimal impact on the academic mission. The faculty, who bear primary responsibility for carrying out the mission, must play a commensurate role in determining where budgetary reductions are advisable. As the Senate Committee on Finance and Planning is the governance body charged with advising the administration on financial and operational planning, it is this committee that must spearhead this undertaking.

Accordingly, we propose that this committee commence an ongoing, proactive review of the University's finances and operations, selecting one or more initiatives, programs, or units to examine per year, and conducting for each one a detailed cost/benefit analysis anchored to the University's academic mission.

This review would focus on aligning the expenditure of resources with fulfillment of the academic mission. There are many areas where the alignment of expenses with the mission could be scrutinized. One such area is central administration. The size and cost of central administration have grown more, both in absolute terms and as a proportion of the University's budget, than any other part of the University's operations. There is widespread concern about

rising administrative costs and about whether these costs represent the optimal means of serving the University's mission. Central administration should therefore be the first "item" chosen for review. The review should scrutinize every office comprised within central administration, examining what each one currently costs, what it does for the university's mission, and whether that could be accomplished for a lower cost.

Undertaking such reviews has the potential to yield more than financial benefits. First, they will help to identify areas where the University may economize without impairment of its academic mission. Second, by involving faculty and staff in the process of determining where cuts are made, such reviews will help develop confidence in the administration and support for the budgetary decisions that are made, confidence that is lacking among many faculty and staff now. This process will thus establish a new norm in faculty-administration relations in advance of the transition to a new administration.

Professor Messing spoke next. He said that from his perspective, the University's mission is academic—education and research and scholarship take precedence over any and all other University activities. Essential to that mission are faculty, students, P&A staff, and those who are employed (primarily on soft funds) to work in labs. A central administration is not necessary to universities; great universities, going back to the 13th Century, did not have central administrations. There are fine universities in France without a central administration, universities that have presidents who are faculty members who teach and who serve without salary augmentation except to cover necessary expenses associated with the presidential office. The University of Minnesota is quite different. At Harvard, the president resigned after a vote of no confidence by the faculty; that is not likely to happen here, but the faculty should control the University.

The University does not need "Driven to Discover"; it wastes money and means nothing. When he mentions Driven to Discover to colleagues at distinguished Universities such as Harvard, Berkeley, Princeton, Chicago, Oxford, and Cambridge, it is seen as a joke; their universities do not engage in "theatrical junk."

Professor Messing said he hoped this Committee would ask why it is necessary to have 14 vice presidents and many more assistant and associate vice presidents. The St. Paul newspaper had a web page where one could see University salaries; the average salary in the President's Office is \$230,000. He said it seems to him that administrators do not merit that kind of money since it comes from people who are woefully underfunded, even before the 1.15% salary reduction. And the most recent proposal dealing with P&A staff treats them like dirt.

Professor Messing urged the Committee to take its job seriously and determine if it can cut central administration and let go those who do not have not tenure, or cut salaries, in order to avoid cuts to or elimination of academic programs.

Professor Braun told the Committee that March 25 Faculty Senate resolution, which had their names on it, came from a larger group of faculty. Behind it lies a sense among faculty and staff that it is difficult to know if University expenditures are aligned with the teaching and research missions. There is a sense that the information is opaque and difficult for faculty and staff to understand; it is also unclear what role faculty and staff play in decisions and how decisions are made. Faculty and staff are being asked to make a lot of changes (that is, program cuts, salary reductions); their resolution says that it would

be easier to come along with the changes if they had a better picture of the budget and if there were a serious look at whether certain parts of the University serve the central mission. The idea is that all would benefit from such scrutiny because it would mean looking at how well aligned expenditures are with the mission, it would mean having a larger discussion about expenditures and the mission, and it would mean dealing with questions of trust. Their conversations have raised the question of faculty and staff confidence in the way budgets are set and they are asking this Committee to take a more active role in decisions and how they are made. That could increase the confidence of the faculty in the administration. Given the decisions that will be needed in the next few years, that confidence will be critical. As long as the information and decisions are opaque, however, there will continue to be problems.

Given the likely change in the administration, Professor Braun continued, their resolution suggests establishment of new norms in terms of how the administration communicates with faculty and staff and how faculty and staff can ask questions about budget priorities. Changes they suggest would improve decisions and increase the degree of trust, which will help to build morale.

Professor Braun said they would like to know if this Committee can function in the way they suggest, such as in the construction of the budget, increase participation in the decisions, and help people understand why parts of the University exist and what they do.

Professor Luepker called on Professor Morrison. Professor Morrison began by saying that he agreed with most everything they had said. He said he disagreed about the source of the problem: It is a decline in state funding, which has dropped about \$130 million in the last year and likely to drop another significant amount next year. It is not primarily a problem of growing costs, it is a problem of declining revenues. In either case, the question the University faces today is still the same: how to increase revenues or reduce costs.

Professor Morrison said that budget information in this University is transparent, at least to members of this committee, but one must spend time learning what it means.

Professor Morrison complimented the guests for moving away from the idea of an outside audit. They always cost a lot of money (Berkeley spent about \$8 million) and it is not clear the results are worthwhile.

In an earlier draft of their statement, Professor Morrison recalled, they called for more examination of three areas. One is the cost of central administration and its dependencies. It is necessary to be concerned about the next administration; other institutions tend to draw sharper lines between the administration and working folks. Here, however, both he and other Committee members move back and forth between administration and faculty. The question is how centralized the University will be; more centralization means more administrators. The Committee needs to talk about this and the faculty need to talk about it with presidential candidates: What kind of administration do we want?

A second focus of the earlier draft was new construction. He has been beating this drum for a long time, Professor Morrison said. New construction generally comes from the capital budget, so it does not have an impact on the operating budget; maintaining and managing the buildings is expensive and does have an impact on the operating budget. The Committee needs to insist on a budget for maintenance of new buildings or a budget for demolition of the ones they replace. The University can't just keep

adding space--and with it the necessary costs for heat, power, and maintenance. This comment is separate from HEAPR, which funds are to be used for maintenance and renovation.

The third element was a question about strategic initiatives. They were started three years ago; it is time to see if they are working and how the money was spent, and whether strategic initiatives work. The Committee should be asking for an accounting of the allocations for strategic initiatives—and probably for an explanation on how those allocations are being used at the operating level.

Professor Morrison said he would add a fourth item, something that was worked on a few years ago: Take the Berkeley audit and compare it to Minnesota. There were three major areas. The University addressed two of them, simplifying administrative structures and economizing on utilities; it still needs to do the third: common purchasing and support service standards, which could probably save a lot of money. Professor Luepker interjected that this is being done.

Professor Morrison repeated, as a conclusion, that he agreed with most of what has been suggested as a useful direction to pursue. The Committee can get overwhelmed with details and it is time to take a look at the big picture.

Mr. Driscoll said that aligning expenditures with mission is key but said he hesitated to focus on central administration (and noted that as a student member of the Committee, he was not carrying water for the administration!). Cutting 14 vice presidents would save about \$3.2 million, but the University has been cut over \$100 million. It would be more constructive to consider both college and central spending and how they are aligned with the mission. Central administration can be an easy target and he said he is not sure going after it is the most constructive approach possible. In a period of change and crisis, there is an opportunity, and he would not like to see the student/faculty versus administration dichotomy revived.

Professor Martin said she agreed with both Professor Morrison and Mr. Driscoll and offered two observations. If one reads the minutes of this Committee, one finds an enormous amount of detail to help understand the University's budget. What is challenging for faculty and staff is getting into the budgets and understanding them. In terms of the increase in administrative services/cost pools, the Committee was surprised, too, until it learned that a large percentage of the increase was for scholarships. Perhaps that expenditure should not be categorized as it is, but that represents much of the increase. It is important to note that this university has raised \$300 million in new money for financial aid for students. With respect to facilities and construction, the Committee receives a utilities report every year; the University has saved a significant amount of money and done very well in managing utilities costs. Facilities are more complicated, and sometimes the University can build something because it receives a large amount of money from a donor. They have watched the six-year capital plan for many years, and see items stay on the list for many years, and she said she is not sure that even the administration fully controls it. However, she concluded, the guests are right to ask the questions they do, but it is not always easy to understand all the pieces and how they fit together.

Professor Messing inquired if it would be possible, and a good thing, if the University were to choose not to accept targeted gifts for buildings. Can it not say "thanks but no thanks"? No one on the Committee would disagree with that observation, Professor Konstan replied.

Professor Warwick suggested it would be useful to look at the history of Minnesota. University presidents have pulled the institution out of difficulties by talking; the President should be out 30 days per month talking about the need for the University and how important it is for the state and all the things it

has done. The Committee needs to take the message to the President that he should get rid of everyone working for him except for those who go out to talk for the University.

Professor Konstan said that he did not find nostalgia useful and did not wish to live in the 13th Century. One can go back 60 or 70 years and see that universities are dealing with an increasing number of government mandates. In Japan, a faculty member can write a grant and get a government check directly, with no administrative involvement. Here, however, the system is highly legalistic and bureaucratic, and if the University did not have sponsored research, financial reporting, compliance, auditing, IRB, and similar administrative offices, there would be no one in the labs because no one would get any money. He said he has fought against this bureaucratization, but doesn't believe the University of Minnesota can or should go it alone and forego public funding.

Many are talking about the balance between central mandates and unit flexibility, Professor Konstan continued, and there is a balance between (1) the efficiency of everyone using the same computer and having their buildings the same temperature, and (2) individual discretion and the right of faculty to "do their work unfettered." Many of the central mandates do not originate in the administration, they are peers telling each other what to do (e.g., liberal education requirements).

Professor Konstan said he also did not believe the issue is the transparency of central administration. One can ask questions about the wisdom of decisions, both of the central administrators and of the deans. There have been decisions that tried to improve the process—the budget model was to put decisions in the units, but that has not happened. Right now, the lack of certainty over "state subsidy funds" and the strong central mandates on tuition, salary, etc., result in deans not having real discretion, and too much being puppets whose strings are pulled by central administration. This is also not a question about extra staff; in some units, there are not enough staff members and one wishes there were more to help faculty do their work.

Professor Konstan said he did not believe the resolution from the guests was strong enough, and that it should go beyond this Committee. The Senate should pick perhaps two items per year that are hot buttons for the faculty (e.g., the certified-approver program or the money spent on compliance). The Senate could be more proactive.

Professor Konstan said he was also tired of hearing things bashed without a lot of data. Harvard and Berkeley do a lot of publicizing of their work. One can say bad things about "Driven to Discover" but the University needs to get the message out to the state about what it is doing. One needs to see data to evaluate the program, not be embarrassed by spending money to promote the University's message. He said he is also not embarrassed that the University spends a lot of money on a men's basketball coach who has brought a lot of good publicity; as scholars, they need to avoid negative reflexes and evaluate data with open minds before reaching conclusions.

Mr. Klein said that people are talking about symptoms of the underlying core issues. Some opinions are strongly felt, some are well-thought-out. The Committee is skilled and respectful in listening to different opinions and encouraging discussion. Like much of the University, its members enjoy talking, a lot. The core issue is "we have a dickens of a time making decisions and when we try to make a decision we do so in a way that it is often not clear what the decision is. And we struggle mightily with implementation, especially when what one does will be unpleasant for a number of people." In a time of

financial difficulty there are options and most options have merits and drawbacks. Most aren't right or wrong. An effective solution just needs to be decided upon and implemented.

Mr. Klein said that the symptoms are repeatedly going over the same question or endlessly discussing the potential trouble that will arise from a course of action, or the possible inequities of the process. The core issues are that the University needs to improve its decision making and implementation.

Professor Olin said he has struggled, as one looks at the cuts that are coming, with question of whether the administration is here to support faculty or vice-versa. Will the cuts come down from the administration or will there be consultation about the decisions needed to balance the budget. This question applies not only to central administration but also in the units themselves.

Professor Braun said he had a problem with simply saying that the state appropriation is declining. Everyone recognizes that as the root problem. The idea they are advancing is a continuous review of how the University decides on expenditures and how they align with the mission. This is something that should be done all the time. They are looking for an instrument so that faculty and staff can participate in the decisions. Regardless of the level of state funding, they want to be sure that expenditures are aligned with mission.

In terms of the information available, Professor Braun related, they dug around a lot on the web and found that once one gets to a certain point, one can go no further. One hits a black box, and that is where faculty have questions. So long as the information is not open, questions will continue to arise.

Professor Konstan's point is essential, Professor Braun said: One must take manageable questions. They thought about the strategic initiatives: Did they accomplish what was intended or could the funds be put to better use within existing units? Scale is important, in terms of what they are trying to get at, and whether the information is available and can be understood. The key is that they are advocating an ongoing process that would generate questions to allow the faculty to see what is going on. Mr. Klein said he liked the idea of an ongoing process of asking questions.

Professor Seashore said that the Committee already generates questions, every year, and maintains them in light of what has not been answered. The question the guests are raising is "whose questions is the Committee addressing?" She asked if their proposal addressed how questions should be raised. Professor Braun said they have not identified a process by which they imagined questions would come to this Committee. They have not thought about the collective manner in which questions can be heard or how questions come to be posed. The network of faculty governance is complicated, Professor Seashore commented, and questions come in from all over. Some questions are there all the time and sometimes new ones come up in the consultative process. She said she knows questions are out there, and she has some that have not been addressed, so the issue is how to feed questions into the process.

Professor Messing reviewed the charge to the Committee and noted that all but one of the items in the duties and responsibilities include consulting with the President and senior officers. There is nothing about talking to faculty rather than the President or senior officers. The Committee, made up of faculty, ex officio members, staff, and students, should be talking to faculty, staff, and students in addition to administrators. And most administrators should be talking to faculty and staff as well. Professor Luepker agreed that the Committee does meet with and talk to administrators, and it receives topics for discussion because faculty, students and staff tell Committee members there is a problem. The minutes are the most common way to communicate back to the faculty and staff, and a lot of people read them. But does the Committee represent everyone? No.

Professor Roe said he believed the Committee is sympathetic to the issues that they have raised and the Committee has discussed a number of the issues, such as how the University decides to allocate resources across colleges and how to develop data on productivity over time. There is a need to look at data over time, not just at a snapshot.

Professor Martin observed that with respect to changes in the colleges, those will not be central decisions, they will come out of the work of the blue-ribbon committees, which will make recommendations to the deans. In CLA, the committee has 29 members and made recommendations on how to cut \$5 million. The process is different in each college and varies by college culture. There is also a group looking at procurement and another looking at the University's appetite for risk. Bits and pieces are being reviewed and the Committee needs to hear reports.

Mr. Driscoll noted that he is one of four people in the room who are paying tuition and suggested that the focus not be only on the state allocation. He also urged that they talk not only about faculty, because the cuts in service and the 1.15% salary reductions affect everyone, and students will see significant tuition increases. The guests have done commendable work but it would help if they would broaden their focus.

Professor Chari said the proposal was carefully thought out and had two important components. One, in terms of the language "we propose that this committee commence an ongoing, proactive review of the University's finances and operations," that is what the Committee thought it has been doing, so it would be helpful if they could offer suggestions on what it should do. In terms of "conducting for each one a detailed cost/benefit analysis anchored to the University's academic mission," that is also what the Committee has been in the process of doing. He said he was puzzled that a lot of faculty members seem to think that is not what the Committee is doing. He also asked if the focus on central administration: Is it just one choice that could be made, or is the idea to go after central administration? Or is it to restructure the way the Committee does business?

Mr. Erikson agreed that it is difficult to drill down and find data. There is a lot of information out there but EFS is not an easy reporting tool to use. What they are asking for is the ability to navigate the data more easily than is the case now. He also said that fundamental value judgments will have to be made in the next several years; will the University cut programs or find other ways to reduce costs, including salary reductions, in order to save jobs?

Professor Luepker said he also worried about drawing a line between faculty and administration or faculty and students. American higher education is in a leaky boat, and if people do not all bail together, it is in trouble. Rather than set up barriers, the need is to identify a way to solve problems together. He recalled that the Committee started the year by looking at cost pools, and the administration has been very forthcoming with data—they have not hidden anything. The Committee just needs to ask the right questions.

The issues raised in the resolution from the guests are ones this Committee should look into, Professor Luepker said, because it can do so more deeply than any faculty or staff member can, and it must present its findings in ways that people can understand.

Professor Luepker noted that the guests had mentioned the mission a number of times. The difficulty in linking expenditures to the mission is defining what the mission is. Is the mission of the School of Public Health different from the mission of CLA and IT? They make decisions differently, and

the process is not universal across the institution. If one is to link expenditures to mission, the mission must be defined well.

Professor von Dassow responded to several of the comments. To Professor Chari's point, she said they are not trying to pick on central administration or asking the Committee to restructure what it does. They want to preserve the integrity of the University's mission and find a mechanism to identify the best way to cut expenditures rather than respond to mandates from the President to units asking what they are willing to cut. To Mr. Driscoll, she said they are glad to add students and agree they are at the core of their concerns. To both Mr. Driscoll (who suggested the administration is too small a target) and Professor Konstan (who said it is too big to tackle all at once), she pointed out that if it is considered that central administration is the chief component of "institutional support," that category is 10% of the budget and is huge, not just 13 salaries. She noted that Professor Konstan had suggested to them that the Senate should be involved, not just this Committee, although they have not figured out how that should happen, given the poor way in which the Senate works; they focused on the Committee because they know it works.

Professor von Dassow asked if the Committee is willing to support their resolution, in some form, edited or otherwise. Or does it propose to drop it as pointless? Professor Luepker said it is not pointless and is an important reminder to the Committee about its responsibilities in this evolving period. The Committee will respond, he promised, and said he believed most see a substantial portion of their resolution as within the Committee's charge. He thanked the guests and promised they would hear from the Committee.

Committee members gave the guests a round of applause.

Following the departure of the guests, Professor Luepker said the Committee would put their proposed statement back on the table. He said he did not believe the Committee's view was very different from what the guests were asking, although he is not comfortable bashing the administration. Ms. King asked who the guests represent; Professor Martin said they are part of a group, Faculty for the Renewal of Public Education; she said she did not know how many faculty members belong to it.

Mr. Klein said he liked the fact that they stepped forward and raised communications questions. They tried to go into the budget but found they needed a guide. It would be helpful if there were more understanding that there is no nefarious plot afoot. The Committee should encourage their aims. Professor Konstan agreed that there is need to help people understand the budget, but the University is an enormously complex institution. If there are uncertainties among Committee members, the average faculty member and student surely cannot understand the budget.

Professor Chari reiterated what he said when the guests were present: He thought that what they were seeking is the charter of this Committee. It should conduct an ongoing review of University expenditures. If a significant percentage of the faculty share the views of the guests, that is a problem. That is because many do not read the minutes of this Committee, Professor Martin commented. Professor Konstan said he suspected their views are widespread because faculty may believe the Committee is not looking at what it should. If one asks the average faculty member or student what the Committee should do, they would not mention cost pools or parking or energy—they would ask by there are 13 vice presidents and what do they do. The issues do not come solely from the administration; the core curriculum is a faculty issue and the questions about the Graduate School should have come from the faculty, staff, and students. So if the Committee is not doing what is expected, perhaps it should change what it is doing, Professor Chari suggested.

Professor Chari added that the notion that Yale and other research universities do not engage in extensive public relations is simply inaccurate.

Mr. Erikson reported that he has had conversations with faculty about why the University has fleet services, for example. It is not a core value. He said he believes it adds value if the right people are managing it. There are certain economies of scale that are achieved and it helps to have vehicles with the University's logo. More broadly, there are activities that are perceived not to be core to the mission, and that could be purchased from outside, but it is often less expensive to provide the service internally. Professor Luepker observed that sometimes faculty members take a narrow view of a function: If they don't use it, it isn't core.

Professor Seashore said she would love it if the Committee would take on identification and analysis of units and their relationship to the core mission, but she warned that Committee members would have to work ten times harder than they do now because they will have to evaluate information and write reports. There is a limit to what a committee such as this can do.

Professor Martin reported that the long-term budget committee that has been chaired by Dr. Cerra continues to meet and wrestle with the budget model. She said that she has shared the report prepared by the subcommittee of this Committee and the Senate Research Committee a couple of years ago.

2. Summer Support Policy

Professor Konstan raised a question about the summer-support policy change. Faculty on nine-month appointments must have two weeks in the summer when they are not on grants. A number of faculty members are raising questions because this seems arbitrary. If the Faculty Consultative Committee takes up the policy, fine; he said he did not believe the Senate Research Committee approached it as critically as he would have preferred.

3. Congratulations

Mr. Driscoll noted that Ms. Stahre was ending her term as President of the Council of Graduate Students and had done an outstanding job. Committee members gave her a round of applause.

4. Update on Light-Rail Transit

Professor Luepker turned to Vice President O'Brien for an update on the light-rail transit negotiations.

Vice President O'Brien began by thanking the several Committee members who had sent her notes over the last couple of weeks. She noted that at one point she had a 20-hour day in mediation. She reported on the discussions that had taken place so far and that the University would be back in mediation with the Metropolitan Council next week for four more days to finish the details of the agreement.

Ms. Stahre asked what to tell students: Has the litigation ended? They have established the framework for an agreement, Ms. O'Brien said, and hope to have a final agreement in the next few weeks. The University will not terminate the litigation until the final agreement is reached.

Professor Luepker thanked Vice President O'Brien for the enormous progress that had been made. Committee members gave her a round of applause.

5. New Policy: Modifying Appointments of Academic Professional and Administrative Employees for Financial Stringency

Professor Luepker next thanked Vice President Carrier for joining the meeting on short notice to discuss the new policy on modifying the appointments of P&A staff in times of financial stringency. He reported that he has seen a number of emails since a memo went out last Friday about the policy and there is worry about it.

The policy is short:

Policy Statement: The University reserves the right to modify the appointment terms of Academic Professional and Academic Administrative (P&A) employees in order to address financial stringency. Specifically, the University may: 1) reduce P&A salaries or percentages of appointment during the term of an employee's appointment; 2) impose unpaid furloughs or other mandatory unpaid absences; 3) postpone compensation; or 4) take other actions as determined by the University in its sole discretion. All P&A appointments are made subject to this right, effective _____ 2010.

Authority

The President will determine whether a financial stringency exists. The authority to modify terms of appointment under this policy will reside with the Vice President for Human Resources.

Vice President Carrier explained that it is a draft policy, on the web for review. It was created because when the Faculty Senate took its vote on salary reductions on March 25, P&A staff were also covered by the vote—but there was no way to implement it. There is no tenure-code equivalent for P&A staff, so there is no policy to allow temporary pay reductions for P&A staff or that would allow the administration to implement such reductions during a time of financial stringency. They do not envision a separate declaration of financial stringency applying to P&A staff; once financial stringency is declared, they are a part of it. The policy is not just written for the present; it is written so that the administration can decide if there will be furloughs, pay reductions, etc.—it allows the administration to do what would be done with the faculty.

Who declares financial stringency, Ms. King asked? The language is in section 4.5 of the tenure code, which defines both a financial stringency and a fiscal emergency, Dr. Carrier said. The Faculty Senate votes on the President's proposed solution to address the financial stringency, as opposed to voting on whether financial stringency exists. So the administration declares it and the Faculty Senate must agree with it, Ms. King said, and then it applies to everyone. That is not correct, Vice President Carrier said; the President declares financial stringency and then would propose some type of temporary reduction in pay for faculty in order to address it. The Faculty Senate would vote on whether to approve that proposal—but the impact is just on the faculty. In theory the faculty could reject such solution, and the administration could implement it for P&A staff, but the administration wants to treat everyone the same.

Professor Konstan said that the Faculty Senate votes to approve a formula for pay reductions for faculty. If the Faculty Senate voted against a pay reduction, could the University still adopt one for P&A staff, Ms. King asked? Unless this policy is adopted, the administration would have no vehicle for doing so, Vice President Carrier said. So this policy would allow that to happen, Ms. King concluded. If the President declares financial stringency, this policy allows for certain changes to the pay or appointments of P&A. Similarly the policy on Faculty Tenure allows for changes to the pay of faculty after such declaration.

Mr. Klein said he read the draft with incredulity. It seemed odd to require a policy statement in order for the administration to adjust expenses in a time of financial stringency. He said he thought that was within the responsibilities of those who manage; why would they not be able to make decisions when there is not enough money? The policy declaration makes things clumsy. Dr. Carrier pointed out that most P&A staff have annual contracts, so it is a question of taking a pay cut versus an annual contract, and there was no vehicle to adopt a pay cut outside the annual contract. There is no mechanism under the delegations of authority, Professor Martin asked? They thought about that, Dr. Carrier said, and they could issue notices of non-reappointment to all 4500 P&A staff, but that has many costs as well. The proposed policy gives the administration the authority to implement pay cuts, pegged to the Faculty Senate, Professor Martin observed. It is pegged to financial stringency, Dr. Carrier corrected.

This policy has caused a buzz because it goes beyond the Faculty Senate vote, Professor Olin said. There is a fear that there could be drastic salary cuts. Dr. Carrier said that there needs to be communication about the policy; it is very narrowly-focused and written as it is so that it need not be revisited in five years. The buzz is that it has no boundary, one Committee member said. It is applied, and notice comes after, and anything goes. There is concern about notice, Dr. Carrier said, so they are looking at the language.

The President will determine if there is financial stringency, Mr. Driscoll said, and then delegates to the Vice President for Human Resources responsibility for modifying the terms of employment. It is not clear that the Faculty Senate vote controls whether the President declares financial exigency; if the Faculty Senate rejects a proposal, there is nothing that says financial stringency conditions cannot be applied to others. The President was clear that if the 1.15% salary reduction was not accepted, then everything was on the table, Professor Martin recalled. That is what THIS President decided, Mr. Driscoll responded. This needs to be clarified.

Professor Konstan said that the policy is clear that it does not require a presentation and vote by the Faculty Senate, which is appropriate. But if P&A staff have contracts, financial stringency cannot override them. P&A contracts need to be rewritten so they provide for severance unless the President overrides them because of financial stringency. It not clear the policy achieves anything; it creates more constraints. This needs to be a contract issue, he said; this policy will get in the way. [Subsequent to the meeting, Vice President Carrier's office explained that the whole point is that P&A staff have annually-renewable contracts. Those contracts incorporate the entire body of policies that affect P&A employees. Once this proposed policy is in effect, and the P&A contracts are renewed in June, this element, regarding financial stringency, WILL be a part of the P&A contracts.]

Professor Luepker thanked Vice President Carrier for her willingness to join the meeting. Dr. Carrier thanked Committee members for their comments.

-- Gary Engstrand