

Minutes*

**Faculty Consultative Committee
December 15, 1988**

Present: Mark Brenner (chair), Warren Ibele, Lynnette Mullins, Ronald Phillips, M. Kathleen Price, Burton Shapiro, W. Phillips Shively, Michael Steffes, James VanAlstine

Guests: Acting Vice President Shirley Clark, Richard Goldstein (chair, Faculty Retirement Plan Committee), Ed Hunter (representing the Governor's Office), Maureen Smith (Brief), Dave Swanson (Employee Benefits)

[Note: Because of the length of the meeting--5 hours--and because of the nature of the discussions, these minutes are longer than normal.]

1. Search for the Provost and Vice President for Academic Affairs

Professor Brenner reported that President Hasselmo has asked that FCC identify, as soon as possible, appropriate individuals to serve on a search committee for the Provost and Vice President. The Committee did not develop a set of names at the meeting but agreed to meet again on December 20 and would do so at that time.

2. Response to GOP Leadership Call for Resignation of the Regents

Professor Brenner inquired if the Committee wished to make any statement or take a position in response to the call of the Republican leadership that the Board of Regents resign. He suggested that there was a question of autonomy involved; it would be unwise to have a precedent whereby every time the legislature was unhappy with the University or the Board it could ask for the Regents to resign. While not endorsing every action of the Board, Professor Brenner said, in his view FCC should not look with favor on this demand.

Committee members debated the merits of several statements. A question arose about whether or not all of the Board members accept and adhere to the recommendations contained in the "Report of the Senior Advisors on University of the senior advisors; if not, the Committee should assert that one of the strongest lessons to emerge from the recent tumult is the practical application of the wisdom contained in that report.

It was finally decided that since the proposal received a very quick squashing from the DFL leadership and the Governor it was unnecessary for FCC to respond. The Committee did conclude, however, that it might in the near future wish to issue a general statement, perhaps in the context of the report of the Spencer Commission.

* 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.

3. Designation of an Acting Vice President for the Health Sciences

Committee members discussed possible designees for the position of Acting Vice President for the Health Sciences. Professor Brenner promised to bring the comments of the Committee to President Hasselmo.

Professor Brenner also reported that President Hasselmo wished to proceed on the searches for the vice presidents; he had cautioned the President, however, that it might be important to settle questions of organizational structure before beginning a search.

4. Report on President Sauer's Committee on Financial Reporting

Professor Ibele, who serves on the Committee, reported that they have drafted a document for review. The report pertains to departmental balances; Professor Ibele said it must make clear that many of those balances are from individual faculty initiatives and that the money is not state or public funds. Unless the legislature wishes to do great damage to the University, it will not lay its hands on that money. In some cases the faculty could have taken the money as salary but chose instead to plow it into their programs. One committee member added that he has received gift money from the private sector for research; if the corporate givers found out the money was going back to the University for operations, he would be cut off. Professor Ibele said these issues would be made clear in the report.

5. Structure of the Central Administration

At the request of President Hasselmo, the discussion of the structure of the central administration will be reported in a later set of minutes in order that he has a period to reflect on the advice and comments he has received without creating expectations that certain decisions will or will not be made. The President has indicated to FCC that he will present for discussion a model of the University administration after his return from Arizona in early January.

6. Discussion with Governor's Representative Ed Hunter

Professor Brenner welcomed Mr. Hunter to the meeting and thanked him for taking the time to listen to the concerns of the faculty about the University's biennial request and for communicating those concerns to the Governor. The discussion began by Committee members asking Mr. Hunter about the Governor's view of the University at this point; is the ship on course or still listing badly?

Mr. Hunter said that the Governor and the legislative leadership are all aware of what a valuable asset the University is and that it has been badly beat up, both politically and publicly. They are all sympathetic, but the Governor has said that times will be difficult for the University over the next 5-6 months as the State wrestles with the allocation of resources. The Governor has said the University should not delude itself that it is over the hump and that all the problems are behind it; he does not believe that is true.

The budget process--which he described as an oxymoron--is not going well, he said. The Governor has decided to invite the legislative leadership to participate in the budget discussions. This could initiate

a new era in cooperation, but a cynic might say that when there are tough choices and circumstances it is easier to share the difficulties of the decision-making.

The present situation, he commented, could be summarized in three short statements:

- There is a lot of money;
- Most of it has been spent; and
- Everybody wants what little left over money there will be.

There are, he commented, no right answers; they are not choosing between meritorious and non-meritorious requests. It is, rather, a case of choosing between such items as repairs and maintenance for higher education, roads, and health care for children.

The process, such as it is, is not sequential and linear; it is a circular activity whereby they continue to go around the edges of the requests shaving them down until the budget has to be printed. Then, five weeks later, the Governor's office issues a series of codicils. Compounding the problem is that the budgeting is based on revenue forecasts; the document submitted to the legislature is based on the November forecasts. It can then be redone in March, when there are new forecasts.

The process this year, Mr. Hunter commented, is almost as difficult as those years when there was no money available. Most states, he said, would probably be envious of Minnesota; the revenue base is robust and the economy is doing well, but there remains the fact that a lot of spending is already determined because of legislative strategies to make decisions in advance. The legislature could not meet needs in the past so they approved future changes which carried budget liabilities; as a consequence, about 2/3 of the revenue increases predicted for the next two years has already been committed. Deciding where to commit the remaining money will make many groups unhappy and the University will probably be among those which are unhappy.

Notwithstanding that gloomy picture, Mr. Hunter said that the University and higher education will be one of 2-3-4 very high priorities for the 1989 legislative session. The publicity surrounding the University has been responsible for that; it has resulted in issues being discussed which might have otherwise been set aside (e.g., University problems with boilers has led to general review of physical plant problems; Commitment to Focus has engendered review of mission differentiation among higher education institutions in the State).

It was pointed out by one Committee member that one over-arching concern, separate from the recent University troubles, and which must be addressed over the next two or three legislative sessions, was that the large group of faculty hired during the period of tremendous expansion of the University after World War II will be retiring during the next few years. The University will be going into the marketplace to hire replacements at a time when there will be a declining number of faculty members available and when the competition for good faculty will be extremely intense. Unless the University can make itself into an attractive and vital place to work, it will be unable to get the people it needs and provide what the State expects from it. There is a compelling need to begin making progress now; waiting for two legislative sessions will be too late.

Mr. Hunter noted that President Sauer has brought this issue up in his discussions with the state

officers; it has been reinforced by the State University System. There are some in the Governor's Office who would like to eliminate the line item appropriations (such as the State Specials) and simply let the University have its money and decide how to spend it. That won't happen in the 1989 session, he said, but it might in later years.

Mr. Hunter added that it is unlikely there will be any capital items acted on during the 1989 session. The Governor and the legislature are wrestling over this issue, he said; the Governor wants a capital appropriation, and so does the leadership, but legislators say there is too much to do and want to put off the capital items until the following year. It is possible, he concluded, that there may be some appropriations for high priority items.

Another Committee member echoed the previous comments and observed that some non-line-item money would meet the needs of the University to make itself more attractive, a good place to work, and good for students. There would be more than a missed opportunity; if the University cannot recruit effectively very soon, it will miss a whole generation of scholars. It was pointed out that states all over the country are beginning to respond and are making significant efforts to improve the ability of their universities to recruit effectively. Some of the highest priority items for the University are such things as computing, libraries, and support for graduate students; these are the University's problem areas which require attention.

Moreover, another Committee member added, it is not just recruiting; the best faculty receive offers all the time and many of them will be scared off if the University is treated badly by the legislature. There is a need to protect what the University has now as well as a need to recruit.

It was pointed out to Mr. Hunter that many at the University were very glad when the Governor signed on early to Commitment to Focus and Academic Priorities; now there are signs he is discouraged and backing off. What must be made clear is that the problems the University has had are not in the colleges and the departments but with some top administrators and in some of the support services.

Mr. Hunter commented that the University has fewer stronger supporters than the Governor, even though he may not have articulated that support. He is discouraged, in one way: When he presents the University's budget to the legislature, it is treated as a ceiling; when he presents the budgets of the other higher education institutions, they are treated as a floor. One Committee member commented that when a legislator has a campus in his or her district, it is so important to the district that the legislator will kill to protect it. In the Twin Cities, however, the benefits of the University are diffused and metro area legislators focus on other issues; the University is not a neighborhood issue for them. The University needs to get its story out better, but this situation also causes the University to have to rely more heavily on the Governor than do the other systems and campuses.

Mr. Hunter commented that other statewide-elected officials should share in the burden of representing the interests of the University. The Regents also need to think of the University as a statewide asset rather than represent parochial interests.

Mr. Hunter also reported that the Speaker of the House will insist that the University disclose all its financial affairs, not just the uses of the public money. That era, he said, is gone; now the legislature will want to see every dime--where it goes, who decides, why the allocation was made, and why priorities

were set as they were. It will be a burden on the University.

One Committee member commented that the idea was a good one in principle but that it could be dangerous in practice. Another noted that the faculty members on the Senate Finance Committee had had similar problems in past years; they only saw bits and pieces of the budget rather than everything in context. It was also pointed out that this knowledge of non-state funds would be an opportunity for the legislature to see and understand how much money is brought into the State by the legislative investment in the University. The University brings in, through contracts, grants, and services, money and jobs that other systems do not; the legislature will perhaps understand that its 32% contribution to the operation of the University brings a lot more money.

It was also pointed out that much of the money in the University budget cannot be transferred; contracts and donor restrictions do not permit diversion of funds for general University activities. Some of the money in University accounts is raised by faculty initiative for special purposes and could be kept outside the institution in a commercial bank; that money must not be confused with legislative money or contract and grant funds. Mr. Hunter commented that all of this will require creative presentational skills on the part of the University to clearly convey these messages to the members of the legislature.

Another complex message to be communicated, in the view of one Committee member, concerns the research activities of the University, with its multiple foci, many areas, faculty as both teachers and researchers, and the participation of students in research activities. Mr. Hunter responded that this was an area of great interest to the State; there is intense interest in both applied and basic research. The Governor, the legislature, and the Greater Minnesota Corporation--which may have an enormous amount of money--will want to know what the University is about in its research activities. They will also want to know what the University expects them to fund--and it cannot just be the grass-cutting; they have to have the feeling that they are investing in vital and exciting initiatives for the State.

Most members of the legislature, Mr. Hunter commented, do not understand the University very well and do not understand what a university is. For many, the discussion of Commitment to Focus was not in the context of mission differentiation; they do not understand how the University is different from other institutions which might also be called universities. Further, he added, the legislators have to deal with everything--roads, children, schools--and the University has to inform them. How that is done is the University's responsibility. The good news, he noted, is that every legislator and committee will want to hear about the University and what it is doing.

It was observed that there may be legislative support for the improved accounting system, which will save money for the University because it will eliminate the need for dual or shadow bookkeeping systems. That, however, is not the only priority; there is a, for example, concern with slipping faculty salaries. The University now ranks 28th among the top 30 research universities in faculty salaries and is going in the wrong direction. Part of the problem is that the University used a naive model--trying to catch up with inflation--while in the rest of the country the marketplace overtook the University. If the State waits two years to make headway, the University is going to lose people.

Mr. Hunter suggested that this was an issue where the higher education systems could conceivably link together on an item of common concern. There has, he said, been a movement to joint requests in a number of areas and they have typically been successful because they take on a different status. They

will be in the Governor's budget. Could faculty salaries be done that way as well?

One scenario was posed for Mr. Hunter: There is about \$390 - 400 million in discretionary money available and the University accounts for roughly 10% of the state budget, so formulaically the University could expect \$39 - 40 million. If the financial accounting system requires \$18 million, inflation at 3-5% must be covered, and the current operating deficit of \$10 - 20 million is covered, there is no money available. This appears to be a situation which could be very demoralizing; moreover, the State will be tracking money far more closely, the University will probably receive less than enough money to cover actual inflation, and will have to cut programs because there will not be sufficient money to cover the deficit--all of this leads one to be very down at the mouth. Mr. Hunter was asked if this was too pessimistic a view.

Mr. Hunter said, first, that no one thinks the University will receive \$18 million for financial accounting and management; it is more likely that it will receive \$4 - 6 million so it can get a good start on improvements. At present there is \$393 million available; there could, however, be more if some agency base budgets are cut and those cuts hold up. That would almost certainly mean there would be more for the University. Higher education will not receive more than about 40% of the money, so there is an outside limit of about \$160 million; more likely it will be \$20 - 30 million less. All the higher education system requests total over \$500 million, so it is conceivable that the University would receive about \$.30 on each \$1 requested.

Mr. Hunter commented that the past would not dictate the nature of the deliberations now; last year should not have happened, he said, and everybody recognizes that it was a mistake. He also said it would be a mistake, given the size and management of the University, to think only in terms of the 1989 session; with the need to repair its image and make real improvements, it might be 1990 or 1991 when the real level of resources for the University is fixed.

The Committee members quickly pointed out that that would be a very costly interval for the University. The faculty will not understand that process; they will see a bad result and will project it into the future.

Mr. Hunter replied by noting that the state is now basically on an annual appropriations cycle and there will be a chance again in 1990. But 1989 will be a difficult year no matter what; the University must fix things and do a lot. It must also say what its needs are; it will have hard decisions in choosing its approach to the legislature and how it will allocate its own resources. He also noted that most agencies have a fixed biennial budget but that higher education is one of a small group which can ask for additional money each year.

Committee members reiterated that it will be important for the faculty to have a show of support for the University. They will not see the lack of a capital appropriation as waiting, they will see it as "they're doing it to us again." The mobile faculty members will leave; the suitcases aren't packed yet but they are out from underneath the bed.

Mr. Hunter was asked about the provision of a different model for faculty salaries; would there be a willingness to work with the University to at least begin to work toward improving faculty salaries? That message would be of help. Mr. Hunter said that might work. He went on to note that in his capacity as

President of Wellspring (the business/labor/government consortium/think tank), he could tell the Committee that they have been considering the troublesome issue of compensation for public officials--and the faculty, to a certain extent, fall in that category. They would like to improve ways of thinking about such compensation. One way, he suggested, is not to argue for salaries but rather for money to recruit the very best faculty; while the difference is subtle, there is an interest in trying to recruit the very best.

It was observed that the faculty are always in the position of seeming to be self-serving when it comes to arguing for faculty salary increases; Mr. Hunter was asked if there is any logical group to champion their interests so they could get out of the loop of always serving their own interests. The federal government, Mr. Hunter noted, has recognized the problem with the recent recommendations for federal salaries; Wellspring will look at it as well.

Mr. Hunter was told that the Governor could be of tremendous help to the University in terms of restoring its image. Classes have met, there have been record gains in grants and contracts--the essential operation of the University is undisturbed. Now, with a new president, new central officers, the Governor could say that the University is intact and moving forward; an enthusiastic statement of support rather than holding the institution to some measure of accomplishment would be a help. This is not the time to keep the University at arm's length.

7. Comments to the Minnesota Regent Candidate Advisory Council

Professor Brenner commented that he found the drafts which had been circulated to be excellent.

The Committee, after some deliberation, decided to recommend that one member of the Board should be an individual who has had experience as an academician, as both a teacher and a researcher. The individual should probably be selected by a national search and should come from a peer institution.

It was also decided that the Committee would recommend strengthening provision #6 under "Individual Regent Responsibilities" by adding language which would make it clear that all concerns or complaints are to be communicated to the President for resolution (as opposed to the present practice on the part of some Regents to make direct contracts with administrators in the University).

8. Change in the Faculty Retirement Plan

Professor Brenner welcomed Professor Richard Goldstein, chair of the Faculty Retirement Plan Committee, and Dave Swanson from Employee Benefits. Professor Goldstein explained to the Committee that because of changes in the 1986 tax law, the faculty retirement plan had to be changed to conform to new requirements in the IRS code; it must be changed from a 403(b) plan to a 401(a) plan with a 414(h) amendment. The Faculty Retirement Plan Committee is recommending that the changes be made.

The only changes of significance are that participation would become mandatory and contributions would have to be made with pre-tax dollars (at present there are 31 individuals who have opted not to participate in the plan and there are a few hundred who have chosen to make their contributions with after-tax dollars). There would also need to be a trustee for the plan, which would add between \$10 and

\$18 to the cost of each account (spread over the life of the account).

Professor Goldstein was asked what would happen if the University declined to make the necessary changes; he told the Committee that the faculty retirement plan would then be made to conform to the civil service retirement plan. There will, he said, be separate accounts maintained for the funds contributed before and after the change, although Employee Benefits will try to put it all back together as one package for purposes of account summaries. The investment options will remain basically the same as they are at present.

Committee members spent some time conversing with Mr. Swanson about the possibilities for improving the education of faculty members about the plan and the options they can consider; he told the Committee that they are moving toward the designation of an individual in each department to be a representative. Employee Benefits, he said, has plans to improve the deliver of information but it is continually inundated by other projects (such as this change).

Professor Goldstein also urged that speed was necessary on this item because the election to change the system had to be made by early summer and it would require action by the Board of Regents. He said that his committee will report to SCFA and thence to the Senate but that the item had to be on the docket of the Board of Regents for information in January and for action in February.

The Committee voted unanimously to forward a recommendation for making the change to Vice President Campbell and ask that it placed on the docket of the Regents meeting in January.

The Committee adjourned at 3:00.

-- Gary Engstrand

University of Minnesota