

## Minutes\*

### Senate Committee on Finance and Planning November 21, 1989

- Present: Burton Shapiro (chair), David Berg, David Biesboer, John Clark, David Dittman, Arthur Erdman, Anthony Faras, Lael Gatewood, Virginia Gray, Matthew Kirkwood, Nick LaFontaine, Cleon Melsa, Charles Speaks
- Guests: Rick Bay (Men's Athletics), Mary Bilek (Academic Affairs), Ken Jansen (Regents Office), Maureen Smith (Brief), Rabun Taylor (Footnote)

#### 1. Report of the Chair

Professor Shapiro reported on several items:

- A draft of the report from Carol Campbell on the foundations has been placed before Vice President Donhowe and will be brought to the Committee in the near future
- A question about the distribution of remaining McKnight monies has been answered; the money was given to the humanities
- The issue of finding recurring funding for many items which had been on soft funding has largely been resolved; most such items have been transferred to the colleges and hard funding has been provided
- There is significant overlap between the Spencer Commission report and the Financial Management Committee appointed by President Sauer, so it will not be necessary to review implementation of both reports
- The Committee should be aware of the status of the 1991-93 biennial request and should advise the administration as it is developed; neither Vice President Donhowe or Vice President Kuhl were present to provide a response.

Committee members deliberated and then concluded that the issue of civil service salaries should come before this Committee; it had taken up the question last year and had promised to report back to the individuals who had made presentations. Professor Shapiro agreed to follow up on who should meet with the Committee.

#### 2. Funding for Men's Athletics

Professor Shapiro welcomed Rick Bay, Director of Men's Intercollegiate Athletics, to speak to the Committee about the funding of men's athletics. Mr. Bay began by explaining that the design of an

---

\* 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.

athletic budget is an inexact science; he can predict his major expenditures but predicting income is difficult because the latter depends on how well the teams do on the field in football, basketball, and hockey. They try to predict attendance at events, and thereby income, but often attendance (e.g., at football games) will depend on how well one did the previous week. If events go badly, the predictions go awry and so can the budget.

Once the football season is over, the department can usually tell whether or not it will make its budget (barring windfalls, such as occurred in basketball last year when the team made it to the final 16 of the NCAA tournament). By that time season ticket sales in basketball and hockey are complete so that much of the income can be predicted fairly accurately.

In 1988-89, the department was heading toward a deficit of about \$600,000 after the football season was over. When the basketball team did well in the NCAA tournament, along with the income shared from other Big Ten teams also doing well in the tournament the department received enough money to break even for the year. The department does not, however, routinely budget for such additional post-season income (except where it is known in advance, such as the Rose Bowl, the income from which is shared among all Big Ten schools).

For 1989-90, the budget of the department is approximately \$9.5 million, of which \$3.9 million is projected from football, \$1.3 million from basketball, \$730,000 from hockey, \$1.6 million from radio and television, and \$560,000 from post-season events; the balance is expected from fund-raising and various other small sources. The budget will not be met, given attendance at football this past season, so Mr. Bay has told all coaches they must save 5% of their budgets by the end of the fiscal year (June 30, 1990). If that goal is met, the department will stay in budget. Mr. Bay concurred that cutting football could be a problem; it is the sport which generates much of the income and to restrict it too much could do more harm than good.

Mr. Bay noted that football season ticket sales have dropped by 6000 per year for the last four years after hitting a peak of 48,000--and that includes the second year that Lou Holtz was here. He said the department must do more to make the tickets attractive, perhaps on a 1-game basis; he also said that the department's budgets will not be permitted to increase, because there are no reserves which can cover deficits.

Asked about the options if the department goes into the red, Mr. Bay said he hoped the University would carry a deficit forward and hope for better times--but told the Committee he has not talked with the administration about what would occur.

Mr. Bay was asked whether or not the department had borne the costs of the recent investigation; he said it had not, although he would not object to the department doing so because it was responsible for it taking place. He added, however, that he had no money to pay for it so the obligation would sit as an unpaid debt. He noted, moreover, that the men's athletic department had, over the years, spent between \$18 and \$20 million of its revenues on facilities used by the entire University community; if one wanted to argue about balance, he said, he could make a case that the department had given more than it had received.

The men's athletic department, Mr. Bay told the Committee in response to a query, does carry

significant debt service for facilities, including the Bierman Building, the new football complex, the new track, and a small part of the new natatorium.

One Committee member noted that faculty views about athletics tend to fall in three groups: avid fans, indifferent, and a small group which is anti-athletic. There is a disturbing lack of support for athletics at Minnesota; Mr. Bay was asked if he had any plans to bring it together with the community? Mr. Bay said he is trying, but that is something accomplished over the long haul. Little things are now being done, such as having gatherings for faculty and staff at the Radisson, but he pointed out that universities tend to treat athletics as ornaments. That, he said, is too bad; they should be seen as co-curricular at worst and as part of the educational experience at best. Universities are ambivalent about athletics, positive when doing well and negative when there are problems or budget shortfalls. The fact that no university funds go into athletics itself says something, he observed. Mr. Bay commented too that athletics--the good and the bad--are all out of perspective.

Whether or not basketball and hockey will remain on campus may depend on the results of a study being conducted about financing construction of facilities. Mr. Bay informed the Committee that one possibility being considered is a convocation center, which would serve for graduations and conferences as well as basketball and perhaps hockey. Construction of such a facility without state dollars and without student fee money might involve creative financing, such as VIP boxes, and would certainly include private gift money. He cautioned that the report, which will go to Vice President Donhowe, is not complete and no conclusions have been reached.

Mr. Bay then explained that he reports to the President, including on financial matters, although he meets with the auditors every quarter. He told the Committee he has recently hired a new assistant director with responsibility for budget and finance. Asked what he would do with excess funds, once a reserve were built up, Mr. Bay said he would love to be in a position to make a gift to the University, to give the President a million dollars; he has, he said, no particular interest in hoarding money once an adequate reserve fund has been established. At present there is no long-range financial plan, he said, although he intends to have one in place within the next year.

Committee members discussed for some while the priority granted to student ticket-holders. Mr. Bay explained that the chief problem with setting aside large blocks of seats for students is that they tend, like the rest of the public, to be somewhat fickle in attendance; if he cannot count on a certain number of students to buy tickets year in and year out, he cannot set aside a large block because those seats then become unavailable for sale to the public. He said he would very much like to have a large number of students; he would prefer to ring the basketball floor with students and then put the public behind them.

The Committee thanked Mr. Bay for his presentation.

### **3. Peer Group for Faculty Salary Comparisons**

Professor Shapiro welcomed Dave Berg to the discussion; Mr. Berg noted, apropos the presence of Mr. Bay, that faculty salary peer groups are historically defined either by their Carnegie classification or by their athletic conference, and state legislators tend to want to use athletic conferences.

Mr. Berg distributed to the Committee copies of a memo he had recently sent to the President on

this very question of the appropriate peer group for the purpose of salary comparisons. He said the University is often viewed as coming to the legislature with a "pick and choose" attitude; he expressed the view that it is important for the University to settle on one group, both for general financial purposes as well as salary comparisons. He said he welcomed the interest of the Committee and would like to have its suggestions.

Mr. Berg told the Committee that he thought it would be a very hard sell to get the legislature to look at private institutions; it has historically refused to do so. The group selected, he observed, should reflect the aspirations of the University: if a strong group is chosen, the University should perhaps seek the average of the group; if all the public institutions in the AAU are used, the University might wish to be at the 85th percentile; if it is to be in the top five, if they can be identified, "take those ten" and try to reach their numbers. The group identified should not be set too low, he cautioned. Mr. Berg also suggested that the appropriate peer group could perhaps also be tied to other measures, such as graduation rates, ability of the faculty to attract sponsored program money, and so on.

Mr. Berg then distributed a sheet showing the comparison groups used for colleges and campuses of the University. For the Twin Cities colleges, most peers are the public schools of the Big Ten except Ohio State (which doesn't report its data); some of the units have additional institutions because there are not enough peers in the Big Ten. For Crookston and Waseca, it was determined that the only peer schools were in the SUNY system; for Duluth and Morris a statistical comparison of institutions was developed by a national office and a list compiled (but which also included Southwest State and Bemidji because the University cannot overcome the prejudice that Morris is like the state universities). Mr. Berg said that the legislature generally accepts the data and the Finance Department has specifically accepted them. Finance, however, also wants a study comparing the Twin Cities campus with Illinois, Michigan, and Wisconsin--in which, he said, MPIS is very willing to cooperate.

Mr. Berg was asked if the AAU Data Exchange (AAUDE) schools would be used again, even though that group contains some private institutions; the AAUDE schools were not used for comparisons during the Keller years. Mr. Berg said he would like to hear what the Committee thinks, although he personally favors using them. They do include, he reflected, private institutions Minnesota is not interested in being compared with, and there is virtually no hope that useful data will be obtained from the private institutions in which we are most interested. It might be best for the University to define that group of public institutions in which it is most interested and basically forget about the private schools.

The Committee agreed that it would take up the question at its next meeting.

#### **4. Decentralization of Fringe Benefits**

Mr. LaFontaine joined the discussion to provide the Committee with information about the decentralization of fringe benefits. He recited the history of the change and noted that costs have gone up every year beyond the amount allocated to the departments. As a result there have been supplemental allocations each of the past three years; for fiscal year 1990 the units received sufficient funds for last year plus the increases so that they should now be caught up.

One of the Committee members asked why the change was made--what the advantage is--and if it was so simple, why were so many people upset? Mr. LaFontaine said that if the fringes are not in the

departments, they are not reflected in personnel decisions, and it can be argued that they are not well controlled. He said it was seen as beneficial to reflect the full cost of staff in the departments.

Committee members had a lengthy exchange with Mr. LaFontaine about fringe benefit charges against summer support funds. It was pointed out that when outside funds are to be raised for summer support for faculty, at Minnesota it takes 130% of salary since fringes must also be paid. Mr. LaFontaine agreed that the rate development process could be to be made more precise rather than developed over the entire salary base.

One Committee member expressed bafflement at how savings or controls could be achieved on fringes when they are determined by appointment. Mr. LaFontaine agreed that the only real control is in the number of full-time employees.

It was agreed that this issue would be brought back to the Committee next year.

The Committee adjourned at 4:50.

-- Gary Engstrand

University of Minnesota