



UNIVERSITY OF MINNESOTA
TWIN CITIES

All University Senate Consultative Committee
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Telephone (612) 373-3226

DRAFT

Approved 3-20-80

Minutes of the All University Senate Consultative Committee meeting jointly
with the University Committee on Biennial Request and Budget Review

February 26, 1980
Regents Room, Minneapolis Campus

The All-University Senate Consultative Committee and the University Committee on Biennial Request and Budget Review convened their second joint meeting of the year on Tuesday, February 26, 1980 at 1:10 p.m. in the Regents Room on the Minneapolis Campus. It was the SCC's thirteenth meeting of the 1979-80 academic year. Members present were Robert Brasted, Scott Carlson, Wendell Glick, Richard Kottke, Richard Purple, Chair; Vera Schletzer and L. E. Scriven of the SCC; Marcia Eaton, Jim Gelbmann, Fred Morrison and Sue Pribyl of both committees; and Dwight Brown, Paul Grambsch and Robert Hexter of UCBRR. Maureen Smith of University Relations also attended.

The order of business for the meeting was for the Senate Consultative Committee to receive and comment upon the UCBRR report on the 1980-81 budget (copies of which had been distributed several days in advance) and advise the SCC Chair on the content of the cover letter with which it would forward UCBRR's report to the President. The Chair turned the initial conduct of business over to Professor Morrison who summarized the arguments of the UCBRR report. (See support materials for text of report.) Among the most important points are these: (1) because of inflation and the legislature's failure to appropriate funds to compensate for inflation in the supply and expense budget, budget retrenchment is, effectively, across-the-board; (2) unless there is strong leadership from central administration, UCBRR doubts the academic units are going to be able to make the required cuts in the probably even tougher times ahead; (3) valuable parts of the University are going to suffer cuts, analogous to the cuts individuals must now make in their personal budgets, i.e., some things we would really like to have we must simply do without. Professor Morrison had to depart at 1:25 for a meeting at the legislature.

(Note: The points recorded below do not follow the chronology of the meeting. They have been grouped in an attempt to give a more comprehensible

overall structure to the major arguments.)

Professor Eaton recommended that the SCC cover letter give general support to the UCBRRB report and stress the points it wants to underscore. She said that UCBRRB hopes its report will influence the budgeting process next year and the 1981-'83 biennial request process. Next year the SCC or UCBRRB would like to have an exchange with the Budget Executive after UCBRRB drafts its report and before it submits it in final form to the President. Professor Purple remarked he sensed the feeling of UCBRRB and SCC members present was that this year the University has gone through a new process and come up with an old product. Professor Scriven called attention to the President's delegation of judgments and assessments to the Budget Executive, and the fact that the SCC acts as consultant to the President, not to the Budget Executive.

Budgeting criteria and the application of those criteria were the subject of extensive discussion. While UCBRRB approved the list of criteria offered in advance of the budgeting process as the bases for decisions, the rationale statements in the budget book imply that "need and demand" were the only criteria actually used. Professor Eaton made the further point that the credibility of the rationale is in some instances suspect because of subsequent "soft money" agreement to augment the budget of a retrenched unit, e.g., CLA.

Some of the difficulties and complexities within which the Budget Executive operated were considered. Professor Hexter offered the opinion that the Budget Executive found it very difficult to deal with criteria other than numbers, and that since they never had a second round of conferences with unit heads, they were never forced to face up to other criteria. The consulting process, he argued, needs time for that second round of discussions. He also made these points: The Budget Executive did what they could do in the time available. The University has been part of a growth economy for one hundred years; the going has been easy. The University is no longer growing. He suggested comparing the University's budgeting system with that of a great private university. The University's Budget Executive is without comparable experience in this kind of process, he said.

Professor Brasted stated that, in the end, one must have a measuring stick. Although using numbers is inadequate, it is probably the only measure that will be understood by people not knowledgeable about the nature and workings of the University.

Professor Schletzer referred to the century-long accumulation of the

structure of the University. There are huge portions of the University budget which are untouchable because of all kinds of rules. She believes that if a central administrator were actually making harsh budget cuts, the howls would be even louder than they have been this time.

Professor Grambsch spoke about the tremendous effect of the President's public pronouncements. He recalled that last summer SCRAP pushed the President for some statements on planning and priorities, and that as soon as President Magrath spoke his own views, they were blandished about widely. The President then said that he would not say more on the subject, and that all units were important. Grambsch reminded the group that private universities can prioritize far more easily than a public university can get away with. He suspects serious prioritizing here would create a tremendous morale problem. He noted that this university has been described by other institutions as the most comprehensive of all comprehensive universities. Furthermore, every University program has its constituency in the legislature. Genuine prioritizing is not a relatively simple matter of making value judgments.

Professor Eaton pointed out that the Budget Executive probably was taking public reaction into consideration, particularly the reaction of the legislature, and Professor Glick defined the budget as a political document as well as an educational/budget document.

Several points of view were expressed as to the sort of "leadership" SCC/UCBRBR is looking for. There was a call for strong leadership willing to make retrenchments and reallocations. That stimulated a caution against inviting a czar-like dictatorship. In response, Professor Scriven described a moderate definition--seeking leadership suitable to the most comprehensive educational institution, neither someone who does not lead, nor a czar. Professor Grambsch stated that there have been instances where central administration has hoped the University Senate would make the decision on some particular questions. Professors Eaton and Purple emphasized that ^{the} setting of priorities within the University has to be shared, whereas the cover letter of the Budget Executive puts that responsibility squarely on the deans.

Professor Glick and Mr. Kottke registered strong objections to the sentence on page 6 in the UCBRRR report about only units with "new deans" getting reallocation. Professor Glick said the point to be made was that people perceive that only new deans benefit. Professors Brown and Hexter stated UCBRRR's desire that the administration be entirely aboveboard about any need to offer a new

dean more money for the unit--that it should be made public at the time of an appointment when certain programs are to be "beefed up" in conjunction with the appointment of a new administrator. There was general agreement that the SCC letter should mediate the effect of that sentence in the report.

Professor Grambsch made several further points about the University's budgeting process. He stated that the University played the "numbers game" for a very long time. When, in the sixties, he asked if the University shouldn't be using additional criteria in its rationale, he was met with the attitude that "there's plenty of money for everyone." Now there isn't plenty of money for everyone and those numbers chickens are coming home to roost. It is also his opinion that there has been a fairly good working, consulting relationship at this university. In response to the UCBRBR call for strong central leadership, he asks if we want someone in the administration who unilaterally decides what can remain and what must go. He also called attention to the very hard question of how to make assessments apart from numbers, and he said this issue has been raised with the Regents. Beyond numbers, somebody's value judgment is needed. Whose? Should polls be the basis? National ranking and national prestige? Service to the state?

Professor Scriven argued that even numbers are not free of subjectivity. Subjective assessments determine which numbers are chosen for use.

Professor Eaton noted that the Budget Executive informed SCC and UCBRBR that they had, in fact, used other criteria but had not considered it appropriate to cite them in the rationales. The apparent reliance on numbers effectively hides other criteria which the Budget Executive says it used. We need, she said, to find out what they were. She would like the SCC letter to address this point. She regards it as dangerous for the credibility of the process if all the actual criteria for decisions are not revealed. She mentioned a unit's record in resource management as an important example.

Professor Purple pointed out the difficulty in assessing the budgetary status of all components of liberal education (page 6 of UCBRBR report). On the Twin Cities campus, traditional liberal education parts are scattered among many units outside CLA. Morris represents the only self-contained, entire liberal arts unit within the whole University system. There was a general consensus reached that the UCBRBR statement on the funding for liberal education was overly strong, and might be commented upon in the cover letter.

Ms. Pribyl moved that the SCC heartily support the UCBRBR report. The motion passed without dissent.

Professor Grambsch declared that there are certain budget principles we should storm the ramparts for. Tremendous burdens, he said, are put on a dean when internal reallocation is required. He called attention to the UCBRBR report point on page 3 that certain programs need to be guaranteed by central administration. Professor Eaton added that, in addition to consultation between central administration and the deans, the University Senate will decide that there are certain programs the University must have.

Professor Purple asked the UCBRBR members to consider how much they might have been influenced by the several written protests to the budget they received. They were hit by strong counter-arguments to the budget and they did not have access to the arguments that led to the decisions of the Budget Executive.

Professor Purple summarized four main points to be included in the SCC letter of transmission:

- (1) The leadership of the University has to at least express the non-numerical criteria for budget-making decisions and to take the heat for that;
- (2) Request another round of consultation (B.E. and deans, B.E. and UCBRBR);
- (3) Certain programs should be defined as sacrosanct--"the judgment call as to what constitutes the University;"
- (4) The revised Morris rationale will be part of or accompany the SCC letter.

Professor Glick cited figures from the February, 1980 Chronicle of Higher Education on library rankings. He requested the SCC cite library needs as an example of the acceptability of non-numerical criteria. Among major universities, the U of M is currently 15th in numbers of volumes, 30th in the rate of volumes being added, and 27th in the amount of money being spent for acquisitions. He stressed that the University is losing ground in this area, even given the state special of last year. Professors Eaton and Grambsch suggested this point might be even more appropriate in response to the proposed biennial request. Professor Grambsch further asked if the library budget should be determined by comparison with other schools or in relation to usage. Professor Glick said that a major research university must have the materials available.

SCC members were invited to telephone the office Thursday afternoon and the Chair and secretary would also try to reach the members, to discuss the final content of the letter. The meeting was adjourned at 3:05 p.m.

Respectfully submitted,

Meredith B. Ponpele, Secretary, SCC

MORRIS

RATIONALE

It is recommended that the Operations and Maintenance (O&M) budget for the University of Minnesota, Morris remain constant except for the non-recurring biennial request of \$18,500 for 1981-82 for the purchase of a microcomputer.

Analysis conducted by the Budget Executive showed that current financial and workload indicators as well as enrollment projections suggest the possibility in the 1980's of a downturn which might make Morris a candidate for a decrease in its budget. However, some reason for optimism regarding enrollment in the immediate future is provided by the observation that UMM has experienced a significant decline in only one of the last five years, and this has been followed this fall by a significant increase in new student enrollment, including freshmen. Moreover, the specific mission, size, and location of the campus must be considered. The college was established firmly within the long-standing commitment of our state to liberal education of high quality. UMM provides for the people of Minnesota at large the alternative of a publicly supported small liberal arts college, and it serves as a non-metropolitan alternative to liberal arts students within the University of Minnesota system. As a selective residential liberal arts college drawing only a small proportion of its student body from the local area (12%), its uniqueness and location pose special challenges in the immediate future. The core liberal arts program must be maintained in order to preserve the integrity of its institutional mission. Nevertheless, although it is recommended that Morris not be retrenched, the campus must give highest priority to effective management of its resources so as to maintain the quality of its curricular offerings in the best liberal arts tradition. Faced with a declining population of potential students throughout the decade of the 1980's, the faculty and administration of the University of Minnesota, Morris must establish priorities, should retrenchment be necessary at some time in the future.



UNIVERSITY OF MINNESOTA
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Law School
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February 26, 1980

Senate Consultative Committee
320 Millard Hall
Campus

Dear Colleagues:

We have examined a revised formula for distribution of tuition reserve income which was developed in response to our December letter. We believe that this formula would not provide an appropriate basis for distribution of the funds.

Rather than pursue details here, we suggest that a small subcommittee of UCRRBR meet with the responsible academic officers to develop an improved formula. This formula would apply to this year and to future distribution of the large tuition reserve component.

We ask that distribution of tuition reserves be suspended until this can be done.

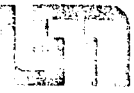
Sincerely yours,

UNIVERSITY COMMITTEE ON BIENNIAL
REQUEST AND BUDGET REVIEW

Fred L. Morrison/nmv

Fred L. Morrison, Chairman

FLM:nmv



UNIVERSITY OF MINNESOTA
TWIN CITIES

All University Senate Consultative Committee
5-255 Millard Hall
Minneapolis, Minnesota 55455
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February 29, 1980

President C. Peter Magrath
202 Morrill Hall
East Bank Campus

Dear President Magrath:

Enclosed is the report of the University Committee on Biennial Request and Budget Review concerning the 1980-81 budget, which the Senate Consultative Committee discussed with UCBRBR on Tuesday, February 26th. The SCC endorsed the UCBRBR report without dissent. This letter incorporates our view on a number of salient points in the report which we especially wish to underscore.

The process. The new process established for budgeting this year has elicited expressions of satisfaction from virtually everyone who has talked with us. There have been a number of comments on tight deadlines encountered this year in conjunction with the new process of the Budget Executive, but the overwhelming consensus is that the process is open, relatively clear and rational, and should be continued.

The SCC and UCBRBR are mindful of the Budget Executive's comments that the virtually concurrent deadlines for the 1980-81 budget, the 1981-83 biennial request, the Six-Year Capital Request and the Planning and Institutional Goals and Priorities document, all in the first year, have made some aspects of the 1980-81 budget decisions difficult to accomplish, in that some of the budget decisions might have been changed if there had been more time to consider them. In particular, both we and UCBRBR feel that one additional round of conferences between unit deans and the Budget Executive would have been helpful before the budget was "cast in stone." The Budget Executive noted that a second rewrite of the "rationale" sections of the budget was desirable and that they would have done so if there had been time. A second meeting with the deans followed by such a rewrite would in our view improve the process and hopefully produce a more united administrative consensus. We recommend that this occur for the 1981-83 biennial request if it is at all possible. The problems of data base accuracy and retrenchment decisions regarding the Graduate School are one example where the additional round might have led to a more satisfactory resolution of the 1980-81 budget. We are of the opinion that while time is tight, some adjustments on the '80-'81 budget can still be made before

our March 6th conference with you. Your February 26 letter to Dean Ibele raises the concern that the budget is actually fixed now, whereas SCC's impression was that closure would not definitely take place until at least March 6.

In a similar vein, UCBRBR's role in the process has removed them (as they and we feel it should) from the detailed data base scrutiny. But on a few items, uncertainty as to details could also be overcome by an additional conference round between UCBRBR and the Budget Executive. The SCC and UCBRBR met with the Budget Executive prior to formulation of the UCBRBR report this time around. We recommend, however, that for the '81-'83 biennial request UCBRBR prepare a draft report, circulate it among SCC and the Budget Executive, then meet with the Budget Executive before UCBRBR drafts its final report to the SCC. The additional round could include the SCC although we believe that UCBRBR can effectively develop for the SCC the additional liaison with the Budget Executive which both need, as the process does indicate a considerable amount of presidential delegation of budgeting adjustments to the Budget Executive.

The substance of the '80-'81 budget recommendations. While the process itself has received very favorable review, the substance of the resultant recommendations has obviously led to a considerable amount of concern and some disappointment. We realize that this disappointment must be tempered somewhat by recognition of the complexity and difficulty of the budgeting task. The University of Minnesota has been recognized by other institutions as the most comprehensive of all comprehensive universities. Yet virtually every portion of the University has its internal and external constituencies which do not adequately recognize the scope of the total University. Genuine prioritizing at such a public institution is likely to cause severe morale problems. It is, moreover, exceedingly difficult, particularly as the structure of the University has been accruing for more than a century and enormous portions of the budget are, under a wide array of rules, relatively untouchable by a central budget executive. We refer here to federal grants and contracts, specific targeted legislation, contractual obligations to employees and the need to budgetarily protect and defend academic tenure as the only formidable, legally established defense of academic freedom. These realities result in a certain "damned if you do, damned if you don't" perception of the central administration's budget-setting actions. Nevertheless, we believe the UCBRBR report does target a number of legitimate concerns that the central administration should consider:

1. The primary concern is that in both the budget and the rationale, the Budget Executive appears to have addressed only the criteria of need and demand. UCBRBR and the SCC vigorously support all the criteria designated in the budget principles for budget decisions. But we strongly sense that only the numerical criterion

was actually applied. In our February 13 meeting with the Budget Executive, Vice Presidents Linck and French stated that they in fact did also apply other, subjective criteria. However, they had considered it inappropriate to specify the nature of those assessments in the written rationales.

We question why this must be. While numerical judgments give the appearance of hard fact, they too contain a good deal of subjectiveness in the underlying assumptions that give birth to the numbers. We believe the University's leaders should state openly the non-numerical criteria that actually weigh in budget-making decisions, and be prepared to take the criticisms that will inevitably fly. Indeed, it is dangerous not to define all criteria if credibility for the open process of budgeting is to be maintained.

We would like to suggest some instances where publication of the additional criteria would be constructive. If, for example, a unit (or its officers) has managed resources poorly, and this has influenced the Budget Executive's decision, the Budget Executive should state it, as diplomatically as possible. The embarrassment such a critique may produce will be offset by the message and direction central administration thereby gives the unit. As a second instance, we consider the libraries. The reallocation favoring University libraries was presumably based not merely upon numbers but also upon the concept of the libraries' relation to the core of the University. A major research University is not likely to remain such if its library acquisitions are permitted to fall behind comparable institutions. UCBRBR's support of this reallocation (page 7) and the suggestion that perhaps even more is required, indicates that the administration stands on solid ground in using the other criteria enunciated in the budget principles.

A third example illustrates the usefulness of citing all relevant criteria in order to preclude mistaken impressions. The UCBRBR Report comments (page 3) on the appearance that reallocations favor units with new deans. SCC's conversations with you on this issue over the past several years have satisfied us that no unethical or underhanded "deals" are being made or have been made. On the contrary, we feel that it can and should be made public when there is an agreement that certain programs in a unit are to be "beefed up" in conjunction with the appointment of a new dean, just as certain priority decisions are publicized in conjunction with strengthening units with "old" deans. The point we wish to make from these three examples is that those value judgments which lead to decisions affecting the University budget are realistic, will bear scrutiny, and are distinctly more helpful when made explicit.

Moreover, we urge central administration to take the leadership in making the judgment call as to what constitutes this University. The burdens placed on a dean when internal reallocation is required are tremendous. While it is important that deans retain flexibility

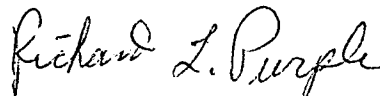
C. Peter Magrath
2/29/80
page 4

in making reallocations, central administration must be prepared to give some direction and guarantee support, based on non-numerical criteria, for certain programs which constitute part of the very definition of a university. As an important example, we submit herewith an alternative rationale for the budget for the Morris campus. We recommend it be seriously considered for substitution in the blue book.

2. The second major concern addresses both the written and the actual retrenchment and reallocation of the '80-'81 budget. UCBRR questions whether the stated retrenchment and reallocation is sufficient. The question is important because the legislatively-mandated funds for the '80-'81 budget included no support to offset the impact of inflation on the supply and expense portion of all academic unit budgets. We wish to underscore UCBRR's comments on this point (page 4). The budget draft contains no rationale or expression of concern, nor does it make explicit what is, in fact, the case: that in addition to the targeted retrenchment and reallocation, the University will be absorbing an across-the-board retrenchment in supply and expense of at least 10% (\$5,000,000) whose impact will dwarf the impact of the targeted retrenchments.

In conclusion, the SCC looks forward to our discussion with you on March 6th regarding both the pleasurable and the not-so-pleasurable aspects of the '80-'81 budget and the budgeting process. UCBRR's and our report on the '81-'83 biennial request will follow on schedule.

Sincerely yours, for the
Senate Consultative Committee,



Richard L. Purple, Chair

RLP/mbp

Enc.: UCBRR Report
Morris rationale

cc: Vice President Al Linck
Vice President Lyle French
Senate Consultative Committee
University Committee on Biennial
Request and Budget Review



UNIVERSITY OF MINNESOTA
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February 22, 1980

Senate Consultative Committee
320 Millard Hall
Campus

Dear Colleagues:

The University Committee on Biennial Request and Budget Review has reviewed the budgetary documents which have been submitted to us by the President. These include the 1980-81 tentative annual budget, the 1981-82 retrenchment and reallocation. Although items for the 1981-83 biennial request were included in the presentation, we do not believe that we yet have adequate information upon which to base firm recommendations. We note some tentative conclusions here and will report more fully at a later time.

Our general impression is that the budgeting process is a substantial improvement over that used in previous years. We also believe that the criteria selected last fall are sound. We are less satisfied with the application of those criteria and the immediate results.

We base our conclusions on our own review of the blue budget document, on the comments which were received at the public hearing at the University Senate meeting on February 14, and on other communications which have been made to us.

Our analysis is divided into three major parts. The first part addresses general principles and systemic issues regarding the budget. The second part addresses more technical issues. The third part is addressed to budget and biennial request procedures.

Part One. General Principles

1. Basis of Decisions. The rationales which accompany the various collegiate and unit retrenchment and reallocation decisions, as well as the general rationale of the budgeting

document, appear to be principally quantitative, rather than qualitative, explanations. Reductions of academic units' budgets are predicated almost exclusively upon falls in student numbers. The major reallocation decisions heavily emphasize the increasing student numbers. While we recognize that quantity was one of the five criteria urged as a basis for judgment, and while we recognize that it is the most easily identifiable and least subjective of the criteria, we are extremely disappointed in the heavy reliance on this single factor.

The FYE criterion appears to have been used in circumstances in which its use is probably not defensible. For example, a reduction in full-year-equivalent student numbers does not create any reduction in programmatic costs if the unit is operating at a minimum critical mass. Further, the effort to quantify qualitative differences, such as a suggestion contained in the final paragraph of the rationale for the College of Liberal Arts, reveals an undue fascination with numbers. It does not provide any reason to defend the judgment exercised. The failure of the budget documentation to address directly the programmatic impacts of the proposed retrenchments and reallocations seems to minimize the importance of other criteria in the decision-making.

Given this emphasis on quantitative factors in the rationales, it is not at all clear that the criteria established last October were followed in making the allocations.

As we approach the legislature with an argument to free our University-wide funding from the shackles of FYE calculations, it seems contradictory to impose increasingly tight restraints of the same nature internally. Surely, the justification for this criterion decreases as the size of the operating unit decreases. Even if FYE-based funding were appropriate as a University-wide criterion, it would not be appropriate in smaller units where costs are not evenly spread among students.

We perceive a need for much stronger leadership from the University administration in the formulation and assessment of priorities within the University. This cannot be accomplished merely by translating FYE's into dollars for subordinate units. It must be accomplished by the clear assumption of responsibility for leadership and academic programming and an ongoing cooperative effort between the central administration, the collegiate administrations the faculty and students. This cannot be a numbers game, it must reflect sound academic policy.

It is important to the University as a whole that certain programs be maintained, even though their funding is provided through a specific college. For example, the decision to retain strong ethnic studies programs or departments in exotic languages is the responsibility of the University-at-large. The college in which they are located should not be asked to bear the burden of low or declining enrollment programs, when they have been mandated centrally, nor is the decision to continue them one that can be left solely to that college. Indeed, in almost all circumstances, decisions about the continuation or reduction of programs must be shared between the colleges and the central administration.

The failure of the rationales to articulate the impact of proposed cuts or to indicate more clearly the uses of new allocations undermines the legitimacy of the decisions. While we recognize that unit managers must be given flexibility to make allocation decisions, an unspecific rationale leads to the inference that the Budget Executive did not have a clear notion of the potential impact. Surely, this can be worked out with the deans and managers in advance of final decisions. Particularly in the case of retrenchments, central administration must share the responsibility for the individual decisions, if they are to be carried out in fact.

The units receiving new allocations are all ones with new deans. Our colleagues on campus have expressed a belief that the allocations may, in fact, be an outcome of bargaining by these individuals at the time of appointment. If assurances are given to these candidates, it would seem appropriate to conduct review of those budgets at that time. If assurances are not given, it would be well to dispel that common concern.

2. Has there been any reallocation? An analysis of the budget documentation and its background, as well as the commitments orally made by the President at the Senate meeting on February 14, leads us to question whether there has been any substantial reallocation and examination of priorities has taken place in the present budget. Nominally, \$532,900 is retrenched and reallocated in the course of the academic year 1980-81 and another \$484,500 in the following year. This represents less than two tenths of one percent (or about one five-hundredth) of the University's state appropriated instructional budget. It is a very small sum in comparison with the larger targets which were attempted last year. It is an infinitesimal sum in terms of programmatic needs within the University particularly in light of the President's decision not to seek new instructional funding next year. In many instances, however, the reallocation reflects primarily bookkeeping transfers of certain functions from one division of the University (like student affairs or the graduate school) to another division of the University (usually the operating

academic department), with a reduction of the first unit's account but no corresponding increase of the second unit's account. Thus, although the report gives the appearance of hitting non-academic units heavily, in effect, it is imposing across-the-board retrenchments against all of the academic units in the University by imposing new charges on them. Between \$100,000 and \$200,000 of the first year retrenchment is this kind of item.

Further, we have doubts, articulated below, that some of the economies in non-instructional units can in fact be accomplished. If these are not accomplished, there will simply be deficits which must be covered.

In addition, the proposed document fails to take into consideration the absence of any cost-of-living increase in supply and expense budgets. In real terms, this amounts to about a \$5 million across-the-board retrenchment. To make the point with an example: the Institute of Technology will receive \$200,000 in new allocations this year. It will, however, lose about \$180,000 in real purchasing power of its Supply and Expense budget, assuming inflation at 10%.

These factors reinforce our concern that the tough programmatic questions have not been faced in the formulation of this budget.

Only a few academic units were selected for retrenchment. We recognize that the College of Liberal Arts will require "soft" money to replace the retrenched sums, but we note that the net effect of this transfer, for the second year in a row, is to nullify the judgments originally put forward. We do question the soundness and validity of the rationales, but if they are set aside, we have no substantial progress on reallocation at all.

If offsetting entries are disregarded, the net effect of the budget appears to be the assignment of about \$500,000 in new tuition revenues to the Institute of Technology, the College of Business Administration and the Law School. Most of the rest of the items are essentially "wash" items which cancel one another out. (About \$200,000 appears to be actually reallocated.) If this is the only result, was the institutional effort expended worth the resulting benefit? The ultimate effect is thus to impose the \$5 million due to cost-of-living increases across the institution generally.

3. Centrally held reserves. We express our support for the expansion of centrally-held reserves. The increase in the centrally-held reserves from approximately \$300,000 to approximately \$800,000 is a welcome change. In the case of enrollment shortfalls, these should cushion us against

the need for mid-year retrenchments. If enrollments reach or exceed our expectations, they should provide needed "soft money" for encouragement of new programs, support of short-term opportunities, "seed money," and the like. Since the disappearance of the Regents Reserve a few years ago, budgeting such an item in the ongoing budget has become a necessity.

Here again, however, we do not fully understand the principles involved. While generating the \$500,000 increase in the two tuition reserve funds, other reserve funds have been sacrificed. Sixty-five thousand dollars has been taken from the Presidential reserve for 1980-81 and another \$30,000 is to be taken the following year. Twenty thousand dollars are also to be taken from the academic vice president's sequestered reserves. This means, in effect, that \$115,000 has been moved from reserve accounts which are distributed on a judgmental basis into reserve accounts which will be distributed primarily on a formula bases. We question the wisdom of this.

Similarly, we ask reconsideration of the plan for distribution of the two halves of the tuition reserve account. The document suggests that the Temporary Instructional Allocation be distributed annually on an enrollment-related basis at the beginning of the fiscal year. The second half would be distributed, as received, on more discretionary basis. While we agree that, if an appropriate formula can be devised, such formula distribution of temporary funds may be partially appropriate, we would apply the formula to a portion of both reserve allocations. This should allow some non-enrollment-related discretionary distributions of soft money to be made at the beginning of the fiscal year, as well as later in the year. We have recently received a revised formula for distribution of these funds, and do not believe that it provides a reasonable basis for distribution. We will comment on this point later. Finally, if the discretionary distributions simply negate other decisions made in the base budget, we doubt the need for or advisability of such reserves. We hope these fears are unfounded.

4. Longer run issues. When addressing the longer-run issues, we are divided on the President's political judgment that new instructional appropriations will not be met with favor in the legislature. However, if the University does not seek new funding, we believe that a much more serious effort at internal reallocation is required, if this University is not to become merely the shrunken image of its former self. If we are not going to seek and obtain new funding from the legislature or from other external sources, our internal efforts must be more significant.

We believe the administration should explore the possibility of seeking interim funding, either as a legislative special or from foundation sources, to allow us to engage in carefully targeted hiring in the 1980's, to anticipate the massive retirements which will face us in the 1990's and beyond. There is a short period in which we may have phenomenal opportunities which will not recur.

We withhold final comment on further biennial request items until we receive further information. Before we can support some of these items, we need explanation of their funding levels and their relation to the academic program.

5. Administrative costs. In reviewing administrative costs, we see a mixed picture. In some cases, e.g. Academic Affairs, administrative support is inadequate. (This may contribute to the difficulties we identified in item 1, supra.) We doubt that further retrenchment in that office is wise. Other administrative units, however, such as University Relations and Administrative Data Processing, appear to have generous funding.

Collegiate administrative costs pose a particular problem. They appear to range from 1.5% to 29.0% of unit operating cost. The variations should be explored and explained.

Part Two. Specific Issues.

Now let us raise a few specific points, relating to budget adjustments. We have received explanations of some technical items from Mr. Ivan Fletcher of the Management Planning and Information Services, but note them so that they may receive official attention.

1. Liberal education. What is the role of liberal education in the University's program? It does not receive sufficient fiscal support either in the budget or in the biennial request. Indeed, in one instance, the Morris campus, its future is brought into question. While there may be situations in which money can be saved in liberal arts departments, a much clearer commitment to the core liberal arts program is needed. This should involve close cooperation with the college deans and careful examination of the central needs of these units on a programmatic basis.

2. Morris campus. The published rationale for the Morris campus creates serious problems. Again, it concentrates on student numbers as a fundamental basis for decision, rather than on programmatic issues. Its conclusion casts doubt upon the continued support of the University for the present liberal arts orientation, but leaves the question undecided. This document itself may, by its tenor, stimulate further

enrollment declines there, and become a self-fulfilling negative prophecy. Why was this unit, and only this unit, singled out for such prospective programmatic review?

This is the most extreme case of failure of interaction between the Budget Executive and the unit in the preparatory phases. Apparently the question presented -- more properly part of the planning process -- was not raised with the unit, nor was the potential demoralizing effect of the rationale assessed before its publication.

3. Graduate school. We are concerned that the retrenchment charged against the graduate school is premature and unwise. The rationale suggests that the graduate school can absorb these cuts by relying on admissions and records to provide records services in place of those which it now offers. We are informed, however, that the admissions and records office, is, as yet, unable to provide those services and will be unable to do so until 1981 or 1982 at the earliest. Even then, we are informed that admissions and records believes that they may not have adequate funding to provide the services. Until this can be worked out, we believe that a substantial retrenchment of the graduate school would be unwise.

Given the increasing role of the Graduate School Research Center and the substantial duties of the dean and the associate deans in operating it, the administration should explore the possibility of charging some of their salaries to that account.

4. Library acquisitions. Both the annual increase in library acquisitions budgets and the request for biennial appropriations are shown under section IV, page six, Twin Cities Libraries. This is in error, since the items include appropriations for libraries which are not part of the Twin Cities system, the four coordinate campus libraries and the law library.

There is some concern that the request of acquisitions contained in the biennial request, although large, is inadequate. We will explore this question in our report on the biennial request.

5. Laboratory fees. The budget principles indicate that laboratory fees will be phased out, and added to the general tuition charges. We understand that when this phase-out occurs, and the revenue becomes part of the budget base, a reoccurring allocation will be made to each of the laboratory science departments in an amount equivalent to their current receipts from laboratory fees. This sum, about \$152,000, is not an insignificant source of revenue for them. This is, however, not shown in the allocations. An appropriate adjustment should be made.

6. Tuition revenue is projected to increase by 8.7%.
We are told that this reflects a weighted average rate increase of 7%, plus overall enrollment shifts which will accommodate the other 1.7%. This seems surprisingly high.

7. User charges. Various retrenchments call for initiating user charges or increasing fees for service. Although we recognize that, in some instances, this kind of shift may lead to less or more efficient use of proffered services, we are not optimistic that these charges will result in a net reduction in costs.

There are several aspects of our concern. One aspect is our continued concern that support service operations which operate on a user fee charge have essentially a captive audience (in fact, if not by regulation) and can simply escalate their charges to meet their expenditures. We also note that no allowance has been made to the users to purchase these services, which will be a particularly "tight" year on departmental supply budgets. In effect, these retrenchments are charges against the departmental supply and expense budgets.

In one instance, the proposed retrenchment of the student Health Service, the unit is apparently fully supported by fees already, so retrenchment will be impossible. We also question whether the large proposed retrenchment of the General Expense budget can, in fact, be accomplished.

Part Three. Procedural Considerations.

We believe that the decision to accelerate the timetable for reallocation decisions has been a wise one. It should allow departments and colleges to plan effectively for the coming year. In any future cycle of retrenchment and reallocation, we would urge that the final allocations be made no later than they were made this year. We would encourage, however, that the process begin earlier in the school year. As the planning process becomes more regularized, it may move to the "off year" of the budgeting cycle. This would permit the budget conferences to begin earlier in the fall and would also permit closer interaction between the central administration and collegiate deans over details of the budget, before publication of the recommendations.

It is essential that the central administration work more closely with the collegiate deans, so that the budget recommendations can contain policies which have wide administrative support. This means both that the central administration should shoulder some of the responsibility for identifying programmatic decisions and that the collegiate deans should be involved to an extent that they will at least acquiesce in the decisions presented. To accomplish this, it will

probably be necessary to have two rounds of budget conferences, in place of the one which was held this year. This might alleviate some of the confusion which the starkly brief summaries generated this year.

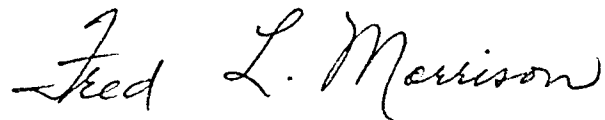
Although we recognize the problems generated by the time factors this year, we believe that the budgetary decisions must more closely reflect the planning decisions. We have heard comments that the planning conferences and correspondence appeared to give support to certain proposed activities, but the budget then negated that support. We are concerned that units plans approved by the administration should reflect fiscal reality so as not to give rise to false expectations.

Finally, we are concerned that an effective method of internal reallocation be developed. Assuming constant enrollments, we believe that most programmatic changes will have to be accomplished through internal retrenchment and reallocation. Retrenchment through cost-savings are exhausted. Indeed, we believe that some current implicit retrenchments may be counter-productive and reduce efficiency. Hence we may have to cut out some activities if we are to maintain quality. We have strong and healthy programs; cutting them back will be difficult, but necessary. To provide for the vitality of the University, we must have a mechanism to do this. We believe targeted retrenchment is better than across-the-board cuts for this purpose, but are willing to discuss alternative models. With this system, however, we must have the will and the leadership to perform this distasteful task.

We are convinced that continuing reallocation is essential to the health of the University. We cannot allow ourselves to become "the shrunken image of our former selves" as the world changes around us.

Respectfully submitted.

UNIVERSITY COMMITTEE ON BIENNIAL
REQUEST AND BUDGET REVIEW



Fred L. Morrison, Chairman