

MINUTES

SENATE FINANCE COMMITTEE

June 6, 1985

1:40 - 3:30

Regents' Room, Morrill Hall

1984-85 members presnt: Marilyn Gorlin, Richard Goldstein, Wendell Johnson, Gerald Klement, Jerry Kline, Irwin Rubenstein, Paul Schulte, Deon Stuthman (Chr.), David Storvick, John Sullivan.

Excused: John Adams.

1985-86 members present: Charles Campbell, William Hanson, Jack Merwin, Tom Scott, W. Donald Spring, Patricia Thomas.

Guests: President Kenneth H. Keller, Acting Vice President V. Rama Murthy, Professor Phil Shively, David Lenander.

Professor Stuthman welcomed new members to this transitional meeting.

He invited Professor Shively, the faculty's legislative liaison, to report on the work of the House-Senate Conference Committee. Professor Shively distributed copies of a document, "Comparison of Biennial Budget Increases -- University Requests, Governor's Recommendations, House Bill, Senate Bill, and Conference Bill," prepared June 5 by the Office of the Vice President for Institutional Relations.

Professor Shively noted that while many people believe that the figures currently available are what the Conference Committee will approve, it has not at this point signed off on that set of appropriations. He called attention to a number of particulars on the list, as follows:

Operations and Maintenance(O&M):

- Strict adherence to the state's average cost funding formula would have cost the University \$18 million; that has been approximately offset by the one-time gain of bringing CEE and Summer Session into the average cost funding formula.
- Inflationary adjustment: 3% in first year, 4% in second, of biennium;
- Use of Permanent University Fund's income without an offset is good news;
- Legislature intends the University's market/retention appropriation to be \$4.2 million for the biennium, and to be used in somewhat the same way as was the comparable appropriation over the 83-85 biennium;
- University gained a small, partial victory in the funding of \$1.946M of a requested \$7.225M for medical and dental fellowships;
- Reciprocity offsets are fully funded at \$1.970M;

- \$2.5 million will be available so that tuition for graduate TA's can be fully waived beginning in 1986.
- A rank adjustment of \$8 million is funded, but most will have to be used to support requests not funded.
- The offset to recovered indirect costs will be reduced to yield the University nearly \$7 million more over the biennium.

State Specials.

- Special appropriations for Agricultural Extension do not quite meet the losses caused by federal cutbacks. Both Ag. Extension and Ag. Research are receiving but a small fraction of the sums requested.
- Institute for Human Genetics is to be fully funded.
- Geological Survey and Mineral Resources Research Center got partial funding;
- Of other research and service items, only the Supercomputer Institute and Intercollegiate Athletics were fully funded; other items range from partial to no funding.
- The item on faculty travel has been eliminated, in accordance with the University's request; it is to be covered by indirect cost recoveries.
- Cuts to the CEE and Summer Session supplement recognize that those have been folded into the regular budget and hence are now covered by average cost funding.

Faculty salary items, said Professor Shively, were met at something like the University's request except for the state's lower estimated inflation allowance.

Professor Shively said his own reaction is that the Conference bill allows for modest expansion of endowed chairs, for graduate student support and retention, but not for major moves forward as the University had been hoping.

President Keller then commented on the anticipated appropriation. He observed that flexible funds will be far less than needed, and that almost no money is being appropriated to operate new space. The administration is proposing to the Regents a budget based on this anticipated appropriation.

Fund-ranking adjustment is far less than the University needs. We are going to be able to do very little, he said, and that only in areas where the University is at the very bottom. The administration intends to put \$750,000 of it into the equipment budget, and \$500,000 into instructional computing, for which the state appropriated nothing. There will be too little money for adequate acquisition of library materials, especially for UMD and UMM, because of denial for funding sought above the inflationary allowance.

The University will operate on a \$2 million deficit in the first year of the biennium by opening its new space for the 1985-86 year. The President

told the Finance Committee he thought that would be all right because the budget for the second year looks better. We don't face any significant flexibility, he told SFC. Counted into the University's proposed budget is \$800,000 in retrenched money which the administration is not sure it can collect.

Still to be dealt with are the costs of funding comparable worth adjustments and civil service salary increases. Moreover, there are areas the legislature has designated for funding even though they are not among the University's highest priorities.

President Keller said he did not want to underestimate the gains, which include full funding for the Supercomputer Institute and reducing the offset on recovered indirect costs. The latter will allow the administration to fund research equipment centrally. He said the legislature has responded sympathetically to some of the University's needs, but in appropriating a 17% increase over two years doesn't get us back to where we need to be. He added that we have not yet dealt with central instructional cost needs.

Responding to a question on whether progress on Commitment to Focus will be stopped, he replied in the negative. Nothing we are doing in that direction is counterindicated by what we see in the appropriation, he said.

Professor Shively expressed thanks to the University of Minnesota's Faculty Association (UMFA), and especially Professor Patricia Swan, for what they accomplished through her excellent work at the legislature.

President Keller said the administration would appreciate the SFC's comments on whether the administration was hitting on the right kinds of priorities in its budget plans or whether it should be distributing the dollars differently. Relatively little is going into helping individual units, he commented.

Obligations imposed on the University have fiscal consequences. For instance, should the University stop taking hazardous wastes because its funding request for their disposal wasn't granted? He noted too that the legislature declined to fund the fuel and utilities deficit.

Mr. Schulte commented that it appeared the University lost on equipment funding in the Conference Committee because there were no extra lobbyists on hand for that. President Keller said that exemplifies the problem the University faces in getting its entire package through. Vice President Kegler tries to balance all the claims.

Professor Goldstein asked how much of graduate student tuition fellowships the \$2.5 million appropriation would cover and whether the funding would be recurring. President Keller replied that in effect it would cover the students' full tuition costs, and that it would be recurring. In addition, central administration wants to increase overhead charges slightly to give graduate tuition assistance to those units that don't have TA's

Sources for set-up costs for new faculty. In answer to a question the President said that, with the reduction of the ICR offset, we will now have flexibility to do a better job with set-ups, and to purchase new equipment

in the areas in which we have decided to move, and that in the future the University would have the means for other equipment funding. He sees the best way of operating distribution as to continue reporting to the Senate Committee on Research how central administration has spent that money, and allowing the SCR and others to comment on whether the administration should be doing it otherwise.

President Keller left the meeting at 2:25 p.m. and Acting Vice President Murthy took his place at this point. He reported that the Budget Executive would meet on June 7 to make a new draft of the budget plan. The administration would take a detailed budget plan to the Regents' Committee of the Whole on June 14. He asked the Finance Committee to get information back to President Keller or to himself very fast if it wants to make any recommendations for changes. The Regents will act on the budget plan at their July meeting.

Tuition.

Dr. Murthy distributed the draft document "Tuition Plan Assumptions and Constraints -- FY 85-86." He explained that the administration knows the sum tuition has to produce given projected enrollment declines. Adjustments are required because of the commitment to hold the increase to 5.5% overall. Actual increases will vary by college. No increases will exceed twice the average, and none will be less than half. Where the University's tuition is relatively high, we will hold tuition increase to the minimum. Where our programmatic priorities are highest the increase will be held to 5.5%. He said the University would be raising 25% of instructional cost under this formula (the state requires the University to move toward raising 33% from tuition).

There was some discussion of the data on the page showing tuition by collegiate units. Professor Rubenstein asked for more rationale on the differential increases. Vice President Murthy said the University had relied on AAU data. The University's aim is to get colleges' tuitions approximately in the median of the Big Ten, except for the professional schools.

INQUIRIES: Professor Shively said he could understand how Law, Management, and IT would be singled out for institutional support since they are understaffed, but that he did not understand why that should affect the percentage increase in tuition. Vice President Murthy volunteered to raise that question with the Budget Executive. Professors Stuthman and Rubenstein asked for a response also from the Budget Executive on how and when the Law School became added to the list of units to undergo no net retrenchment.

A third document distributed was the most recent draft of the budget plan. Some major items: Operating new space - \$2.258 million; average faculty salary increase for 1985-86 - 4.5%; civil service increase, after subtracting fringe benefits: 2.89%. Of the \$22 million in rank funding adjustments the University sought to improve the base of very badly funded units, it received just \$8 million. If the administration invests more here, he warned, it must come from other programmatic budgets. IT will get such a boost; but increases must be built into a collegiate unit's budget by building it into a dean's unit plan. No unit will simply receive it.

Professor Sullivan asked what process would be used to determine allocations of salary increases. Vice President Murthy noted that the special subcommittee was still working on that question and that the Budget Executive had not yet discussed it.

A \$2.1 million collection of items has emerged from task force recommendations, particularly from the Task Force on the Student Experience. The administration is shifting some projects underway from soft to hard funding, and is initiating others on hard funding, because they have been given a high priority.

An inquiry about the special arrangement with the School of Management's evening MBA program elicited the response that it results from a very complicated formula. SOM's retention of tuition from the evening MBA program comes from a five-year plan entered into by President Magrath.

\$5 million will be available from the Budget Executive in recovered indirect costs. Professor Rubenstein asked when the subdivision would take effect within the collegiate units along the lines recommended by the Senate Committee on Research. Dr. Murthy replied that the colleges would get the funds by July 1 or August 1.

In reply to Professor Goldstein's question, Dr. Murthy indicated that half the \$5 million per year would go to the colleges. He added that he thought colleges should determine their own subdivision (as opposed to the SCR-recommended formula of one-third of a college's receipt going to the department and one-third to the P.I.) since their structures differ so much one from another.

Dr. Murthy pointed out that there is a difference of \$39 million per year between the state appropriation and what the University needs in order to do all it proposes to do under the budget plan. The University will not be able to do anything specifically new programmatically in this biennium.

Cycle III retrenchment of \$800,000 would be obtained by enforcing the collections agreed upon in Cycle II planning. The administration will hold everybody accountable for at least 50% of its tax, Dr. Murthy said.

Professor Spring noted that while Cycle IV planning is essentially co-terminus with the Commitment to Focus document, and submissions for Cycle IV are due soon, no money is available for initiatives in the units. He asked what kinds of messages the University is giving to colleges by asking that they relate Cycle IV to Commitment to Focus with no hope of receiving funding for that plan. Dr. Murthy said CTF is not tied one-to-one to budget. He added that there is still a convincing of the legislature to do.

Distribution of recovered indirect costs. A table showing the distribution of recovered indirect costs had been sent to SFC members shortly after the previous SFC meeting. It indicated that \$2,117,435 had been available for 1984-85, of which \$1,795,300 had been distributed to units as of April 1. One million dollars was given to units in proportion to their generation of funds; \$300,000 was given to units in matching funds for set-up costs. Vice President Murthy said the administration was already making commitments for set-ups which will come in 1985-86.

Professor Rubenstein commented ruefully that the College of Biological Sciences had been outgunned in attracting new faculty because it could offer barely half the start-ups of competing universities. The exercise wasted a lot of faculty time, he reported.

Acting Vice President Murthy left the meeting at 3:15.

Professor Stuthman inquired if the Finance Committee wanted to convey to the Academic Vice President any message relative to the proposed budget. Members expressed the following criticisms:

- Professor Kline pointed out that no more than \$1 million of the whole budget is flexible. SFC could ask that some of that be given to instructional computing to augment the puny \$500,000 central administration has decided to allot.

- Professor Sullivan addressed the rank adjustment issue and posed the question of the extent to which the use of flexible funds reflects a unit's fund ranking within the Big Ten. He commented that it seems not to, although that is what the University argued at the legislature. It seems the dollars are going to hire new faculty for IT and Management, instead of being used for general support. Professor Goldstein responded that the two are not unrelated items: the need for new faculty is great too. But, Professor Sullivan countered, the outcome would give the University new faculty to use the same equipment base.

Professor Kline said SFC needs to become clear on the meaning of funding rank-- whether it is support for faculty, or support to units relative to the number of students.

A member reported that Professor Shively had told the Faculty Affairs Committee on the previous day that rank funding adjustment was to cover many items where this University fell short, and that it did include hiring new faculty in IT and SOM.

Professor Sullivan said the current budget did not address the issue of support of faculty, which was a concern repeatedly voiced in the focus group sessions held by the pre-accreditation site visit self-study committee. Faculty, he said, believe they do not have the support they need to do their job.

Professor Stuthman encouraged Finance Committee members, and particularly the new members, to attend the June 14 meeting of the Regents' Committee of the Whole.

The meeting adjourned at 3:30 p.m.

Meredith Poppele,
Secretary



UNIVERSITY OF MINNESOTA

University Senate Consultative Committee
SENATE FINANCE COMMITTEE
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May 31, 1985

To: Senate Finance Committee
From: Deon Stuthman
Subject: Confirming the telephone notice of our June 6 meeting

SENATE FINANCE COMMITTEE MEETING

Thursday, June 6, 1985
1:30 - 3:00
Regents' Room, Morrill Hall

Agenda: Based on the completed work of the House-Senate Conference Committee, Vice President Murthy will give us the University's specific tuition plan and general budget plan for 1985-86.

In addition, we will look at central administration's distribution of recovered indirect costs, as listed in one column of the table, "1984-85 Sequestered Reserve Fund Distribution" sent out in our last mailing. (That table and one on recent faculty salary increases are enclosed to new members.)

I am pleased that some of the new 1985-86 SFC members will be able to join us on the 6th.

:mbp