Minutes*

Senate Committee on Finance and Planning
Tuesday, January 17, 2006
2:30 – 4:15
238A Morrill Hall

Present:	Fred Morrison (chair), Rose Blixt, Charles Campbell, Daniel Feeney, Steve Fitzgerald, Dan Hennen, Lincoln Kallsen, Thomas Klein, Joseph Konstan, Michael Korth, Ian Macmillan, Judith Martin, Kathleen O'Brien, Richard Pfutzenreuter, Justin Revenaugh, Karen Seashore, Alfred Sullivan, Kate VandenBosch, Mike Volna, Susan Van Voorhis, Warren Warwick
Absent:	Calvin Alexander, Charles Bachmeier, Arthur Erdman, Tim Nantell, Jacob Olson, Kathryn Olson, Michael Sertich, Charles Speaks, Thomas Stinson
Guests:	Julie Tonneson (Budget and Finance); J. Peter Zetterberg (Institutional Research)
Other:	Jean Bauer, Scott Lanyon, Steve Ruggles

[In these minutes: (1) per diem rates; (2) rate setting under the new budget model; (3) salaries delivered for 2005-06; (4) salary memo]

Professor Morrison convened the meeting at 2:30 pm.

1. Per diem rates

The committee discussed the per diem expense policy, which Professor Morrison cited as essentially an honor system with limitations imposed, and for which documentation no longer has to be provided. Professor Konstan expressed support for the policy, stating that the previous policy was too confusing. Ms. Blixt concurred. Professor Seashore asked if the University was also going to adopt the federal rates for hotel rooms. Mr. Volna noted there were many variables in hotel rates by areas and regions, but that this was under evaluation. He said they were looking for opportunity to provide guidance to departments, according to reasonable rates established by circumstances and other factors. Professor Campbell asked for clarification that if the per diem is not spent, one still receives the per diem. Mr. Volna responded that that is the intent of the policy and that inconsistencies are being addressed. Professor Campbell asked if it was possible to claim less than the per diem, and Mr. Volna said yes, but that the old policy wasn't being enforced and emphasized that the language of the policy was still being clarified. Mr. Klein said the policy is based in common sense, and Mr. Volna agreed saying that it ultimately simplifies the procedure.

2. New budget model

Ms. Tonneson then presented an update on the budget model. She referred to the handout that she distributed, which reviewed information on investments and investment decisions. Broken down, Part 1 includes budget decisions for service unit activities and Part 2 includes budget decisions for academic unit activities. Each of these includes considerations of compensation, strategic academic

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

priorities, and infrastructure-related costs. Professor Campbell asked if Part 1 constrained Part 2, and Ms. Tonneson responded that they were aware of the potential impact of Part 1 on Part 2. Professor Morrison asked if was possible that Part 1 may be redone, and Mr. Pfutzenreuter acknowledge that possibility. Ms. Tonneson then went on to cite the resources and tools for budget decisions for Part 1, which included internal reallocations, additional unit earned revenues, and approved budget items added to cost pool. Resources and tools for budget decisions for Part 2 include increased state appropriation, state appropriation reallocated between academic units, additional unit earned revenues and unit internal reallocations.

Ms. Tonneson then referred to the decision framework, saying that the budget office made initial recommendations and is in the process of finalizing recommendations to take to President Bruininks. The decision framework involved establishment of revenue neutral cost pools, then review of service unit compacts and budgets, approval of service unit budgets and cost pools, and then subsequent review and approval of academic unit budgets. She noted that there will consultations about each step of the process. Ms. Tonneson then noted the revenue neutral transition and referred the committee to the spreadsheet, and the page which reflects totals for each of the cost pools. The double step down model takes these amounts and redistributes costs, and Ms. Tonneson noted, for example, that a library's share of administrative costs are based on the library's proportionate share of total expenditures. Accordingly, other funds are moved into the pool. Mr. Pfutzenreuter pointed out the column that indicates percentages of central costs based on statistics and depending on the nature of the specific unit, it will differ as to where costs are made up. Professor Konstan asked about the margins, which he said may be an indicator of fairness among the units and maybe useful for the compact process. Ms. Tonneson said it is proportional and that a million dollar change may affect colleges differently. Professor VandenBosch asked about the colleges that currently exist but will cease to exist. Ms. Tonneson noted that the model was created from the current structure, but will be reworked to show the revised structure. She then cited the Medical School Fiscal Page for Budget Development included in the handout, and noted the different columns indicating non-sponsored funds and pointed out the variations in column C. Professor Konstan asked if the O&M model was a fair representation of numbers, for example, for the state legislature. Ms. Tonneson felt that it was a more accurate representation than previously presented and Dr. Zetterberg added that, in his experience, the legislature does not make such distinctions. Professor Konstan said that leadership needs to consider if each unit's amount was appropriate in relation to the University's mission: for example, are units delivering enough to continue at their level of subsidy. Ms. Blixt asked if these were preliminary figures and Ms. Tonneson responded that it is projected for 2007 and that it is based on tuition estimates for the upcoming year. Professor Seashore asked what would happen if the Medical School lost grants but had no control over expenses, and Professor Konstan suggested that they would have to lay off people to accommodate such changes. Ms. Tonneson agreed, saying that such changes would flow through and affect the cost and revenue estimates. Ms. VandenBosch asked if this information was publicly available, and Ms. Tonneson said that it was. Professor Morrison thanked Ms. Tonneson and Mr. Pfutzenreuter for the information.

1. Per diem (continued)

The committee returned to the issue of per diem, and Professor Konstan said that many units are still confused about procedure. He suggested that a follow-up memo clarifying some issues would be helpful. Mr. Volna agreed, saying that people could go to the website, which listed common questions and their answers.

3. Delivery of salary increases for 2005-6

Dr. Zetterberg presented 2005-06 faculty salaries and compensation comparison information. He distributed handouts and explained his analysis, saying that the figures compare faculty salaries of those who have been at the University for two years in the exact same job. Professor Martin asked if these were straight salaries or augmented salaries, and Dr. Zetterberg clarified the figures do not reflect fringe benefits and that retention increases granted after salaries were established were also taken into account. Professor Konstan pointed out that knowing variances among colleges might be helpful, and Ms. Martin said that the percentages seem to reflect higher numbers than what people actually received. Dr. Zetterberg cited average increases at colleges and Professor Morrison asked about comparing the median to mean. Dr. Zetterberg replied that it would still come out fairly close, and pointed out the Academic Health Center is not considered in the figures. He said that in total compensation, only two colleges ranked ahead of the University of Minnesota, and Professor Morrison said that Michigan and California were used as models. Professor Seashore asked about the situation at the Crookston campus, noting the disparity between tenured and other faculty. Dr. Zetterberg noted that a number of factors were involved in the situation at Crookston. Professor Morrison thanked Dr. Zetterberg for the information.

4. Memo on salary policy

The committee began a discussion of the salary memo draft, and Professor Morrison asked for feedback from the committee, noting that a sentence should be added that ties the University of Minnesota into the top 30 colleges. Professor VandenBosch asked for clarification on the paragraph regarding first step salary adjustments and Professor Morrison suggested adding the phrase "on average." Other changes in the memo were suggested. Mr. Pfutzenreuter speculated that these adjustments could come to 10-12 million dollars over the next four to five years. Professor Seashore brought up that many P&A and faculty-like personnel were difficult to retain because they could go to other colleges and attain faculty status, and she expressed concern that many units cannot function without P&A. Professor Macmillan asked how living expenses factored into salary considerations. Dr. Zetterberg replied that multiple cost of living factors are considered, even in different areas within the Twin Cities, but acknowledged that these are sometimes hard to quantify. Professor Morrison said that there other negative factors at play, such as the weather. The committee discussed how the University of Minnesota compared to Michigan's policies. Professor Konstan said that despite comparisons of what's better or worse, salaries must match the market, and this should include the support spent on faculty, including administrative support, research support, grant mechanisms, and the like.

Mr. Klein noted that CAPA had asked how the competitive salaries memo might effect P&A , Civil Service and bargaining unit employees, and that CAPA had contacted him and felt that the role of competitive P&A, Civil Service and bargaining unit salaries should be part of the overall draft. Professor. Konstan noted that there is no evidence that faculty salaries impact staff, but that it is important that the committee be available to work with CAPA on the issue as the committee has a university-wide role and representation in its membership. Professor Korth asked how this affected the goal of the Morris campus to be in the top three and Professor Morrison acknowledged that the salary memo was based on comparison groups that had been broadly accepted. The memo could certainly acknowledge the desire of Morris to move to the top 3 of its comparison group, but there had been no acceptance of that by the Central Administration, unlike the strategy for “top 3” for the Twin Cities campus. It can also note, but not necessarily endorse, the new comparison group that the Morris campus wished to use. Professor Konstan noted that a key distinction between faculty and staff when it comes to using higher salaries to retain and attract the best is that there is no career path model in place for University staff. Whatever salary approach is used, it is critical to have a mechanism for exceptional staff to move up to positions of higher responsibility and highly desirable to have a model where units don't automatically lose good staff because the only way up is to apply to a higher-level vacancy elsewhere. Professor Morrison said he would redraft the memo, ask for a response from the committee again, and then send to the provost. He suggested to the committee that CAPA could bring the issue they raised to the committee as a separate matter.

Professor Campbell returned to the issue of per diem and asked that a request be made that the paperwork state that the amount claimed is the amount spent. Mr. Hennen said he supported the per diem system and explained his background with such issue. Mr. Klein, in addressing Professor Campbell's concern, said that perhaps the issue that Professor Campbell is pointing out on the impact of the per diem is actually a budgeting issue and that there may be another more efficient way to address the issue through the budget rather than trying to use the travel policy to deal with it. Using the travel policy is likely to entangle multiple people in dealing with numerous receipts, documentation and interpretation of the rules

Professor Morrison concluded the meeting at 4:35 pm.

---Mary Jo Pehl

University of Minnesota