

Minutes*

Senate Committee on Finance and Planning
Tuesday, November 26, 1996
3:15 - 5:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Jason Frick, David Hamilton, Gerald Klement, Gary Malzer, Catherine French, Peter Robinson, Benjamin Senauer, Charles Speaks, James VanAlstine

Regrets: Patricia Ferrieri, Richard Pfutzenreuter, Craig Swan

Absent: Bruce Bromberek, Thora Cartlidge, Robert Kvavik, Roger Paschke

Guests: Liz Eull, Julie Tonneson, (Budget and Finance), Senior Vice President Marvin Marshak; Norma Allewell (Vice Provost, Arts, Sciences, and Engineering), Janet Aucoin (AS&E Human Resources), Associate Vice President Carol Carrier, Stephanie Lieberman (Director, EEO/AA)

[In these minutes: Resource Allocation Guidelines; separation of support services into a corporation; delays in Forms 16 and 17]

1. Resource Allocation Guidelines

Professor Morrison convened the meeting at 3:25 and welcomed Senior Vice President Marshak and Mss. Eull and Tonneson to discuss the Resource Allocation Guidelines (hereinafter the Guidelines).

The Guidelines describe what is in the biennial request. It summarizes the goals of U2000, summarizes the biennial request, calls for a compensation plan of inflationary increases for all employees plus funding to bring all employees to the median of their appropriate market (which is basically faculty, since almost all other employee groups are paid competitively), and calls for implementation of Incentives for Managed Growth. There is nothing new in the Guidelines, he concluded; it is a reprise of what has previously been presented to the Committee.

Professor Morrison noted that the Committee annually receives this document; it is usually prepared for the December Regents' meetings. This year the formal presentation will probably not occur until January (although there will be a review in December), because the December Board meeting will be very brief; the primary activity will be selection of the President.

Asked about the compensation plan, Professor Marshak said the comparison groups for faculty will vary with each campus. For the Twin Cities, it will be the CHANGE magazine top 30 research universities plus the four Big Ten schools not included in that group. The goal is to be at the median of

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that group over two years (originally the plan was to achieve the goal over four years, but it has been cut to two). Professor Morrison said that should be made explicit in the budget resolution; otherwise it looks as though the goal will be achieved in one year.

Professor Morrison reported on a recent trip he had made to the University of Illinois; they had studied Responsibility Center Management, decided it had a bad name, and called their proposals "budget reform." Their reform has four parts: tuition allocation, ICR allocation, facilities charges, and a central subsidy. The tuition allocation will be 80% to the teaching college and 20% to the college of registration (IMG envisions 75/25), ICR follows the same principles as Minnesota, and facilities charges will be a flat \$6 per square foot (IMG envisions \$5). Professor Morrison said he did not believe there had been any contact between the two institutions as the plans were developed, and he was greatly relieved that a similar institution reached conclusions nearly identical to those of Minnesota. Illinois also rejected the more complex Indiana model.

Professor Marshak reported on what he knew of the Illinois decisions. He pointed out, with respect to IMG, that on the expense side, salaries and fringe benefits have already been allocated to departments; the biggest cost NOT allocated is space, so if there is to be any budget reform, space must be included. The question is how complicated one wants to get. The mean cost of University space is \$9/sf; average cost on University Avenue is \$15/sf, and the cost of new Class B office space is \$21-23/sf. The \$5 charge for space under IMG is not the actual cost, or the marginal cost of new space; it is an amount large enough to get people's attention but not large enough to turn the system upside down. It is also simple enough a system that it will not require the University to hire an additional 100 accountants, Professor Morrison observed.

On the revenue side of IMG, tuition will be allocated mostly to the instructional unit, and partly to the college of registration for administrative and advising costs. In most colleges, IMG will affect only 25-30% of the revenue; most funds will still be the state subsidy, which will be allocated in the same judgmental way it has been. With IMG, instead of 100% of the funding allocated judgmentally for a typical college, 25% will be by IMG formula and 75% will be judgmental.

The problem with the Guidelines, in this half of the biennial budget cycle (i.e., awaiting the state legislative appropriation) is unreal, said one Committee member. Will the University receive the entire \$115 million increase it has requested? How will budgeting take place, in a semi-public way, if a smaller amount is planned for?

Professor Marshak responded simply that he had been told the most important thing about his job as Senior Vice President was not to blink. He did not blink when asked this question by the Regents or by others, and he will not blink now: the University will receive all the money. Professor Morrison responded by recalling that in France businesses keep three sets of books: one for the tax collector, one for when the tax collector asks to see the real books, and the real books. The problem, Professor Marshak said, is that University leaks so much that if plans are made they will get out. The presidential search is a good example; the search committee should perhaps not have named the finalists until just before the interviews were scheduled.

This means the budget cannot be set before the legislature adjourns in May, Professor Morrison pointed out. That is unfortunate, Professor Marshak said, but he said he did not know how else to do it.

Professor Morrison thanked Professor Marshak for joining the meeting.

2. The Structure of Support Services & Subcommittees

Professor Morrison drew the attention of Committee members to handouts identifying the composition of three possible subcommittees: on facilities management, on support services, and on tuition and fees. He explained the background for each subcommittee and asked if the Committee wished to endorse the proposal and the corresponding bylaw change.

The support services committee, he explained, is a moribund Assembly committee that should be revived to deal with controversies such as parking fees and other proposals from Finance and Operations before decisions are made. Many of the support services are under Assistant Vice President Tschida, who is forthcoming on the issues and who wants a faculty-student group with which he can consult. (Most of the support services the subcommittee would deal with are on the Twin Cities campus, but there is no Assembly Committee on Finance and Planning, so it has to be a subcommittee of the Senate committee.)

Discussion turned to the ad hoc committee appointed by Associate Vice President Paschke, on which Professor Robinson serves as the representative of this Committee. Asked if the food services will be contracted outside the University, Professor Robinson said he did not know, but there is to be a pilot program and it could be food services. It was reported that one food service manager has contacted a labor lawyer because he has been told their contracts will be terminated in June.

The ad hoc committee will propose separation of non-academic areas into a separate corporation, run by its own trustees, the goal of which is to effect efficiencies so they can build and maintain their own facilities and provide revenues for the University. Professor Robinson said he has asked for data to show that this will be possible; they have not been provided. It may be, however, that a subcommittee on support services will not be needed if all the support services are to be spun off into a separate corporation.

Other Committee members disagreed, pointing out that the subcommittee should insist on having a role in the appointment of the trustees and setting policy.

The direction in which Mr. Paschke's ad hoc committee is heading should be brought back to this Committee for comment, one Committee member maintained; others agreed. The report will contain a dissent, Professor Robinson reported--his. The ad hoc committee report is skewed toward separating the support services from the University. Questions about the University's debt limit have not been answered, he said, and academic officers should want the University kept intact. Professor Robinson said the report will be issued in three weeks; he did not know why there was such urgency. But there has been another faculty member added. The problem is that the ad hoc committee was ostensibly appointed to study the feasibility, but it appears that question was decided beforehand, because the committee is planning HOW to do it.

Asked about the scope of the plans, Professor Robinson said it was to include the non-academic part of the University, which originally included the bookstores. It also includes dormitories. He said he had objected, and that there needed to be a definition of the services that would be included. The

argument is that the legislature has refused to fund the construction and maintenance of non-academic facilities, so how is the University to deal with those crumbling facilities? The three areas mentioned most are housing, parking, and food services.

Committee members discussed parking rates and transportation. His sense, Professor Robinson related, is that if there is a separate corporation, parking rates will be raised so they can fund their own renovation. The carrot in this is that the corporation will be run efficiently so it will generate revenues. He said he has asked for data about this assertion, but none have been produced. The only way they can produce revenues is to cut benefits and pay people less. The claim has been made that that is not true, but there has been no proposal on how to generate the expected efficiencies. One Committee member observed that a separate corporation might make a LOT of money; the Donhowe building renovation came from cash reserves, and money from parking has been used to pay for the basements of the Art Museum and the new Carlson School facility.

There are two separate questions at hand, said one Committee member: spin off the support services or contract with existing business, and not set up a separate corporation.

The intent is to remove non-academic support unit decision-making from academic decision-making, it was concluded. The proposal does not make sense philosophically or economically; it is a political gesture in the guise of economics.

The Committee then concluded, following discussion with Professor Malzer about the work and agenda of the Facilities Management Subcommittee, that responsibility for attending to support services should be folded into the Facilities Management Subcommittee, and that it should have a new name and charge.

3. Delays in Form 16s and 17s

Professor Morrison next welcomed Norma Allewell, Janet Aucoin, Carol Carrier, and Stephanie Lieberman to discuss an issue the Committee has heard about from a number of department heads: the delay in processing Form 16s and 17s. Originally it was thought the problem was University-wide; it now appears that the problem is confined to the provosty for Arts, Sciences, and Engineering. Clarification is needed, he said.

One Committee member recalled being informed that it would take three days to process Form 16s and 17s in Human Resources, and originally the delay was not restricted to Arts, Sciences, and Engineering. Some of the department chairs discussed the delay, and were more concerned about the Form 17, which could affect the ability of a unit to hire someone. Are lower levels doing such a lousy job of filling out Form 17s that it takes three days to fix them? Why are colleges not doing their job? With the advent of Incentives for Managed Growth, and the shifting down of revenues and expenses, this is a contrary move because it does not grant responsibility to the units. One has the sense, said another Committee member, that responsibility and accountability will go to the lowest levels, but authority will continue to be held by Human Resources, which can then deny responsibility.

Ms. Aucoin described the process for handling search and appointment forms in the Office of the Provost for AS&E, and recalled that there had been a set of minutes suggesting the need for a delay.

They do receive forms with many errors on them, she related, and they need lead time so that they can get questions answered when there are errors. They generally provide a 24-hour turnaround on both 16s and 17s, however, and are preparing a checklist to help departments ensure they have filled out the forms correctly and can get that short turnaround. The Provost's office, she noted, does not approve the candidate pool; that is approved by the college and the EEO office. She said she wanted to hear about any delays, when informed of one instance when it took eight days for approval of a form--and no calls asking questions about it. Dr. Lieberman told the Committee that her office will provide approval on the telephone.

Asked how many levels must approve the forms once they leave the departments, Ms. Aucoin said the 16 requires two and the 17 requires three. This is the kind of process the Denny report looked at, one Committee member pointed out; with many signatures on a form, none of the signers look at it. Dr. Carrier said that central Human Resources approval may be eliminated.

Asked about the new Human Resources system, Dr. Carrier said the intention is that everything will be on-line, with no paper, and with the possibility of immediate turnaround. The system will be installed over a two-year period, beginning at the end of 1997. Part of the task in evaluating the system was deciding where to change it because it was stupid, rather than try simply to continue to do faster what has been done before.

If there is a level in the system that is not performing, it must be corrected, said one Committee member. Hiring faculty is one of the most important things the University does; it must represent itself well to faculty and it must remain competitive. That is why a checklist will help, Ms. Aucoin said; many of the errors are lazy. If the forms are correct, there will be 24-hour turnaround.

The reason they cannot guarantee 24-hour turnaround if there are mistakes is that they must also approve ad copy, and if there is a discrepancy between the job description and the ad copy, they have to get the difference resolved. They will call immediately, because they understand there are often deadlines, but if they are unable to reach the responsible people, there could be a delay.

Thought should be given to granting prior approval to departments, and slap wrists afterwards if they make mistakes (e.g., they lose the position). Rather than become so bureaucratized and paralyzed, it would be better to hold responsible those departments that behave badly, and not make others wait because of them.

Another possibility might be to recognize a separation of function; why does the dean need to see the Form 16? Why would the dean need to approve the pool? The dean has to approve the Form 17, on the other hand, to be sure funding is available. This is what happens informally, Ms. Aucoin said.

Has anyone looked carefully at the forms, to see if what they ask is necessary, asked one Committee member? They are looking at the whole academic search process, not just the forms, Dr. Carrier replied, to see if it can be streamlined. For example, must there be searches for all jobs? For faculty, it probably makes sense to have searches; for P&A appointments, searches may simply make a lot of unnecessary work. Raising this question, however, is threatening to many, she cautioned; some see it as a possible assault on diversity. Process is a big part of the effort to achieve diversity.

In the review of the grants management process, one Committee member reported, it was found that the more signatures there were on a form, the less responsible each signer was, so they are cutting way back on signatures. That could also be adopted here.

What about eliminating fixed deadlines for searches, asked one Committee member? That has started for some administrative and some faculty positions, Dr. Lieberman said; they must be sure there is accountability as well as flexibility. Asked why it is being implemented slowly, Dr. Carrier said it is because people need to see that it works; some fear candidates will be treated improperly. It was pointed out that departments that want to get the best people are not going to dally.

Committee members argued strongly that the continued imposition of fixed deadlines for most searches, while permitting flexibility for more visible ones (e.g., the presidential search) is unjustifiable and has an adverse impact on morale. The impression will be that the administration can use the new flexible system but the faculty will be kept under the old rigid system. Often explosive power is needed to change the way things are done, because they have never been done that way before. The message from this meeting is that the search process must be handled more efficiently. It is bothersome that diversity is seen as a problem rather than an opportunity, because delays are an impediment to diversity.

Dr. Carrier said she accepted the argument that the flexible deadline should apply to everyone, but warned that she would need the support of this Committee to make the change, because many in the community are not supportive. Faculty and others have raised a question, if there is flexibility but not accountability, who will be accountable for diversity? Many believe it would disappear. If there is no accountability for results, the situation will be back to one of hiring "because I like you." And some units do not WANT the flexible deadline.

Professor Morrison thanked the four individuals for joining the meeting, and thereupon adjourned it at 5:10.

-- Gary Engstrand

University of Minnesota