Minutes[*]

Faculty Consultative Committee
Thursday, June 1, 1995 (Part 1)
10:00 - 12:00
Room 238 Morrill Hall

Present: Carl Adams (chair pro tem), Carole Bland, Victor Bloomfield, Thomas Burk, Sheila Corcoran-Perry, Dan Feeney, Virginia Gray, James Gremmels, Kenneth Heller, Roberta Humphreys, Robert Jones, Laura Coffin Koch, Geoffrey Maruyama, Harvey Peterson, Michael Steffes, Gerhard Weiss

Regrets: John Adams, Lester Drewes, Morris Kleiner

Guests: President Nils Hasselmo; Professor Kathryn Sedo (Chair, Committee on Equal Employment Opportunity for Women)

Others: Martha Kvanbeck (University Senate)

[In these minutes: budget matters with the President, especially salaries and tuition;

1. Discussion with President Hasselmo

Professor Adams convened the meeting at 10:00 and noted that the Committee would discuss various issues with the President until 10:30, at which time it would be joined by Professor Kathryn Sedo to talk with the President about the position of Director of Equal Opportunity and Affirmative Action. He then welcomed the President to the meeting.

The President began by saying that the budget document and cover letter to the Board of Regents would be provided to the Committee. He noted that pressures on the budget exist even though, on its face, there was a 4.8% increase in the state appropriation to the University. The appropriation is $26 million short of the amount requested from the state, and the appropriation is all non-recurring money. Those two circumstances have driven the budget decisions that have been made.

The University had to make a choice. Was it to accept the fact that it would make no recurring investments for the next biennium? That conclusion was rejected; some recurring investments in compensation and other areas had to be made, which could not come from the state appropriation. Some investments in institutional strategic investments could only be made by adding faculty and staff positions, which commitments had to be for more than two years.

As a result, the administration has recommended an increase of 7.5% in tuition revenues, to be distributed through highly varied rate increases. They have tried to assess issues of access and market implications of raising the rates, he said, but noted the increase is in revenues, not rates. They have tried

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

to protect undergraduate rates, which hover around 7%. They have also tried to avoid miscalculations on tuition revenues. Estimates were off by 2.3% this year, which is not a large error, but it is difficult to deal with because it involves several million dollars. Projecting tuition revenue is not easy, because while the University can estimate with some accuracy the number of incoming high school students, estimating the number of transfer students and students who will remain in school is hard to do. In any event, tuition is one way to increase recurring revenue.

The other way is to make additional retrenchments, which will be even more controversial. In addition to the $28 million proposed for retrenchment under the partnership proposal to the state, another $30 million must be carved out ($11 million the first year and an additional $8 million the second year, for a total of $11 million the first year plus the $11 million plus an additional $8 million the second year).

At this point, those additional cuts have only been allocated in terms of setting targets. The President said he has set a draconian target for central administration, but he has also set targets for the chancellors and provosts. The chancellors and provosts have been asked to identify, by September 15, how the additional $30 million retrenchment will be achieved over the biennium, in order to create recurring funds for compensation and other investments.

Those were the choices. Does the University compensate for the $26 million it requested but did not receive? By finding recurring funds elsewhere? If so, then how is it to be done? It must be additional tuition increases and additional retrenchments.

The University does have the opportunity to say it will not make the strategic investments, which amount to several tens of millions of dollars in the biennium. The President said they decided to tamper with those investments only at the margins; some have been postponed to the second year, and a few have been cancelled or postponed. The strategic investments envisioned in the partnership proposal will be carried out, in the face of very serious retrenchments and significant tuition increases necessary to do so. There will likely be considerable contention about this, he told the Committee; he said he felt it was necessary in order to try to get ahead of the curve. The projections for the next biennium (1997-99) are below the budget cap for the current year; the public financing picture is not one that permits the University to be sanguine. It will have to look to major restructuring to accomplish its goals, and the only way that can be done is to impose sharp targets and limits on the budget.

One Committee member inquired about the large tuition increase for graduate students. Acknowledging that money must come from somewhere, but given the fringe benefit rules that make graduate students very expensive, adding 15% on top of existing costs is making them unaffordable. Given that NIH and NSF cuts, they become even more unaffordable. If the University wishes to maintain and enhance its status as a research university, these increases are going in the wrong direction.

The President responded that in comparative perspective, the University's graduate tuition remains low. The University also has the automatic tuition remission for out-of-state graduate students.

Even so, it was said, for those who must pay graduate students from grants or TAships, there are caps; the University cannot obtain more money because its tuition for graduate students increase. What it really means is fewer supported graduate students. Another Committee member noted that the cost of graduate students is now about half that of a post-doc, but the post-doc works much longer hours; which is the better deal? The President acknowledged the problem and said he would at least provide to the Committee the data upon which the decision was based.

One Committee said the University must be sensitive to competition; will the students not come to the University because of these tuition levels. The President has said the University is trying to remain competitive. The other issue is affording the levels of support needed to keep the research enterprise going. This is one of the major challenges for the future; the University will have to find other sources to provide the support that has previously come from the state and federal government.

President Hasselmo said that they have lobbied hard with the federal government, and has sent a letter to the members of the National Association of State Universities and Land Grant Colleges asking them to lobby at the local level. He expressed gratitude that both Minnesota Senators voted against a big cut in NIH.

The problem, said another Committee member, is not that the University is high on tuition or fringe rates; it is that continuing grants get caught. If costs increase, the graduate students may have to be eliminated. It IS a good idea to raise these costs, because graduate education has been under-costed historically, and had the costs been built in, the grants would have accounted for the costs. Those costs have to be "ramped up" in such a way that continuing grants are not penalized, because they have no way of compensating for the increases.

The question is, is the University there now, the President asked? Or will there be additional increases? Presumably, it was said, whenever these increases occur, there will be a transitional period when some grants will be unable to cover the costs. If there could be a mechanism to cover them, that would be a help. It would not be enormously expensive, but it could help deal with some difficult situations.

The issue of post-docs versus graduate students, or P&A appointments versus graduate students, is an important one, said one Committee member. Students are supposed to be students first, so are employed around their educational obligations. For P&A appointees, however, the job is their primary obligation, and they are easier to work with because they don't have the other commitment. The situation is now one where the monetary advantage of graduate students is lost--it has gone the other way. That is serious.

The national associations are lobbying the federal government to avoid this trend, the President said. It has clearly begun to look to post-doctoral fellows as a more economical way to provide research support; the associations have lobbied against this. Graduate education has to be supported, and the federal government has a major role in doing so, and research grants are a way to provide graduate students support, not just research. There is an encouraging new study of engineering and science Ph.D.s; the marketability of the Ph.D. is very high. This contradicted some earlier assumptions that the Ph.D. was outdated; it has shown to be very marketable, and marketable as a research degree. The thesis, the independent scholarly undertaking as part of the degree, was shown to be an element valued by employers in industry who hire them.

Another point of this, said one Committee member, is that the University does have an interest in having graduate students working on grants--this is part of the educational mission of the institution. Other places that charge higher rates also provide more fellowships to graduate students who are working on contracts, to encourage them to hire graduate students. This University has very fellowships for graduate research. What it needs to do is encourage more research groups to bring on graduate students--and undergraduates--by providing additional resources to those that do. This is not just an efficiency issue.

The tuition increase will be a burden for students, especially poorer students, and some who should come to the University may go to community colleges or one of the state universities instead because they will be much cheaper. What kind of plan is there to provide for students who need help, from lower socio-economic backgrounds, to come to the University?

The University began several years ago to raise more private money for student aid, the President related, and the amount has more than doubled, from $4.7 million to about $10 million per year for scholarships, most of which is for undergraduates. The needs are much greater, the President agreed. There has also been a restructuring of the financial aid office, in part to comply with federal regulations. Another change has to do with the "40/60" issue, which is the pattern whereby students receive 40% grant funds and 60% loans; the effort is to stretch the resources so that more students can be supported, although each is supported less well, in order to make access possible. The University faces a problem in financial aid, the President commented, because federal aid is being eroded and state aid has not kept up with costs; the University has supported the position that more state financial aid go to lower-income students. There is a gap, however, between what is available and what is needed so that the University can be assured that access is not being denied on financial grounds. This is a major issue the University has not been able to solve.

The University will face this tuition issue, graduate or undergraduate, again and again, said one Committee member. There ought to be an understanding that every time tuition is considered, access is considered at the same time. In most instances, the University should make a statement that combines tuition and access as it repeatedly confronts this issue over the next several years. A related matter, it was said, is support for continuing students; they cannot be enticed to attend and then virtually dropped from aid.

The University recently welcomed about 200 Presidential Scholars to the University, the President reported, and they are truly outstanding students. Moreover, the applications to CLA are up by 34%, so the attractiveness of the University at the undergraduate level seems to be increasing.

One Committee member recalled learning that some lower-income students may have received funding that was too generous, and may see about $2000 less. The University may have over-estimated the cost of attendance, the President said; it has been re-estimated from $12,000 to $10,000. Of that cost, 60% would be in loans and 40% will be grants. What will the impact of this change be on continuing students? The President said he did not know. In addition, he noted, one must consider the psychological as well as economic. The tuition increases being proposed are $50 or $100 per quarter, or $150 at most; it is not thousands of dollars. In one case, the lower division undergraduate rate will increase by $47 per quarter. In percentage terms, the numbers add up, but the amounts are not formidable.

The next issue raised by a Committee member was related to the policy on faculty salary increases. The average being discussed is 2%. The discussion is not about averages, the President corrected.

The tradition on compensation has been to establish a percentage that applies to everyone at the University. That is not any longer tenable, because there are such different compensation situations and different competitive pressures in different segments. There is no "percentage" increase this year, the President said, because different segments of the University must be dealt with in different ways. There will be a percentage for civil service, because there is more uniformity across categories, but even that is a range adjustment. In other areas, there are dramatically different salary pressures, so the chancellors and provosts must have discretion to develop salary plans for faculty and staff in their units, plans which will be reported to him and evaluated. They will try to avoid the worst problems of inequities across provostal areas, but at the same time the provosts and chancellors will be allowed to tackle their most grievous compensation problems. He said he does not want to see 2 or 3%; in some areas there may be minimal increases. In the staff, for instance, there may be areas where the University is over-paying people, in comparison to the market. He said he hopes to see some areas of the faculty where the increases will be 4% or 5% or 6%, because that is what competitiveness requires. It will be controversial, and invidious comparisons will be made, but he said he believes the University should make an effort in this direction.

This also means that salary adjustments will be post-budget, and will be paid retroactive to July 1. In the circumstances, this seemed to be the best that could be done.

Professor Adams solicited comments on a policy that does not require all units to stay within a universal guideline, one that allows units to generate their own resources or restructure their activities to address salary problems. This will place a lot of pressure on units, but there is an interesting trade-off. If units are constrained from doing this, they may be at a disadvantage in the marketplace; if they have the discretion to act, it puts pressure on them. The guidelines that have gone out imply that units can try to create permanent funding of their own, to make salary adjustments beyond those provided by the University.

If it is permanent, fine, said one Committee member, but it should not be on soft funds.

This is another issue that will have to be faced the second year of the biennium, with the non-recurring money, the President said. Will the University be forced to go to lump sum awards? He said the administration believed there had to be some recurring salary adjustments, but there is a real possibility that non-recurring lump sums will be given the second year.

One Committee member said that if a major part of the University is to receive roughly a 2% salary increase--$1000 per $50,000 salary--and if there are promotion and retention cases, the amount left over to actually distribute could be about $500, or perhaps $300 in take-home pay per year. That is negligible for many, although not all. One idea that has been discussed by some faculty is to say that aside from promotion and retention cases, there will be no raises.

This has disadvantages, but if major segments of the University had no increase, it would have a large public relations impact. "For the 3rd year out of six the University of Minnesota is getting no faculty raises." This may turn away faculty, but it could be used to advantage in comparing the faculty with other state employees.

Another Committee member took issue with the proposal, saying that it would foster a lack of loyalty to the institution. Everybody who wants to move ahead would try to be on the market--while the University is trying to do the opposite, to attract people and keep them. The strength of the University is not the transient faculty but rather the faculty who stay. The proposal penalizes those who want to stay at the University and rewards those who play the game.

It also penalizes younger faculty, observed another Committee member. They lose $1000 now, which is a big loss over the long-term.

The Scylla the University has faced has been a political environment that favors no salary increase at all, the President commented. Charybdis is losing faculty because the University is not competitive and unable to retain faculty. The administration has decided the University must meet those competitive pressures; it must, for the welfare of the institution. That will have to be done in a targeted fashion, avoiding encouraging people to go on the market. That has resulted in disaster, where someone who had no intention of leaving went on the market, and suddenly discovered a wonderful that they could not resist. This is very tricky, because there are such different political forces at work. But if the University cannot maintain its competitiveness, the President said, it will not achieve any of the objectives of U2000.

One Committee member said that if the average salary increase were to be 2%, and a faculty member who is a retention case receives 5% or 6%, the message is still the same.

The difficulty is that everyone has to be at 5% or 6% for the next several years. One can say it is impossible, but it IS possible; the University can be what it wants to be, so a way to MAKE it possible has to be found. It is not clear if being masochistic will allow the University to be politically successful, but either a way will be found to do what is needed or the University will not be what it aspires to be. It is only worth doing, said another Committee member, if it will be a successful gesture.

This is where the question of additional revenues arises, rather than simply cutting the University further, the President commented; additional revenues have to be found.

2. The Position of the Director of Equal Opportunity and Affirmative Action

Professor Adams welcomed Professor Kathryn Sedo to the meeting to present the concerns of the Committee on Equal Opportunity for Women.

[Minutes were unfinished]

-- Gary Engstrand

University of Minnesota