Minutes*

**Senate Committee on Finance and Planning**
**Tuesday, October 6, 2009**
**2:00 – 3:45**
**238A Morrill Hall**

Present: Russell Luepker (chair), Jon Binks, David Chapman, Devin Driscoll, Steen Erikson, Kara Kersteter, Thomas Klein, Joseph Konstan, Judith Martin, Fred Morrison, Paul Olin, Richard Pfutzenreuter, Gwen Rudney, Terry Roe, Michael Rollefson, Karen Seashore, Mandy Stahre, Michael Volna

Absent: Sarah Chambers, Jennifer Dens, Lincoln Kallsen, Lyndel King, Kathleen O'Brien, Thomas Stinson, Warren Warwick, John Worden, Aks Zaheer

Guests: Julie Tonneson (Office of Budget and Finance)

Other: Jeremy Todd (Office of Classroom Management)

[In these minutes: (1) student fees; (2) update on the Enterprise Financial System; (3) cost pools]

## 1. Student Fees

Professor Luepker convened the meeting at 2:00, called for a round of introductions for the new members, and then turned to Vice President Pfutzenreuter to being a discussion of student fees.

Vice President Pfutzenreuter told the Committee that about a year ago the administration told the Board of Regents that it would come back with a new policy on, and a comprehensive review of, student fees. The University has a lot of fees but their use seems to go in cycles: they are eliminated, then build up, then get eliminated, and so on. The University is now at a point in the cycle when it's time to take another look because a lot of them have accumulated. There is nothing wrong—it is just time to do a review. It will not be an easy task, he warned the Committee.

Ms. Tonneson distributed a handout that identified three general categories of fees, raised questions about what policy might be concerning what fees may cover, and set out the process by which the three categories of fees are approved. The three general categories of fees are institutional/campus-based fees, collegiate and/or campus-based fees, and departmental-based fees.

I. Institutional/campus-based fees are:

1. financial transactions fees (late payments, late registration, NSF, etc.)
2. service fees (transcripts, installment plans, etc.)
3. Student Services Fee (Rec Sports, Boynton, student organizations, etc.)
4. designated-purpose fees (capital enhancement, stadium).

* 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.

In general, they are trying to standardize fees in category #1. For those in category #3, there is a separate process and separate committee that sets the fees that support student organizations. For those in category #4, there is an end date for the fees.

II. Collegiate and/or campus-based fees include (in this category, colleges and coordinate campuses are considered the same):

1. international services and operations
2. technology fees
3. "collegiate" fees
4. exam fees
5. confirmation/application/orientation fees.

These fees are proposed by and managed by the college or campus.

III. Departmental-based fees are:

1. course fees
2. service fees (locker rentals, breakage deposits, etc.)

Professor Martin inquired if anyone must approve the college/campus fees. They are reviewed and approved during the budget process, Mr. Pfutzenreuter said. Professor Luepker asked if the international services and operations fees are paid by international students; they are, Ms. Tonneson said, for services, and these do not include Study Abroad fees.

The technology fees could be for computers and labs, Professor Luepker then asked? They are, Ms. Tonneson said, and the use varies by college. When they were first proposed, each college was required to have a process, including students, to determine how the money would be used. Those processes still exist, and most of the money does go for labs and equipment, for items not provided centrally. Professor Konstan said that his college, IT, is an example of the process used. He said, however, that there are three things inconsistent across colleges: (1) the treatment of part-time versus full-time students; (2) how cross-collegiate students are dealt with (usually through bilateral agreements); and (3) the treatment of fees for the purpose of financial aid and fellowships/scholarships (i.e., whether aid covers the fees). And think of the transaction costs and angst spent on those issues, Mr. Pfutzenreuter added.

Professor Luepker asked Professor Konstan whether IT sets the fees to cover costs or at what the market will bear. To cover the direct costs of providing labs and software, Professor Konstan said, and they have strict rules about how the funds can be used. The fees have grown and everyone accepts them because the higher costs of some programs cannot be rolled into tuition, given the policy of uniform undergraduate tuition. The students supported the fees because the labs were miserable—and now they are good. The need for the fees is an artifact of the central cap on tuition.

Professor Seashore asked what a "collegiate" fee is. Ms. Tonneson explained that Regents policy allows only one college-level fee charged to every student. Some collegiate fees are used for technology and some for technology and other costs. Is there a requirement that students be involved in setting collegiate fees, Professor Seashore inquired? There is not, Mr. Pfutzenreuter said, but he noted that the technology fees have sometimes morphed into collegiate fees.

Mr. Pfutzenreuter turned next to the policy questions. Given that fees will exist, what should be the operating policy about setting fees?

1. cover associated costs only?
2. cover associated costs and provide an incentive for some desired behavior?
3. cover associated costs and potentially make a profit to subsidize other operations?
4. policy should differ by type of fee.

Mr. Pfutzenreuter then reviewed the processes used for the various categories of fees.

1. Institutional/campus-based fees are initiated by the managing unit, student organization, or leadership; set based on costs the fees are proposed to cover or incentives they are intended to create; there is a committee process for some and consultation on some; and they are approved by the director, committee, Budget Office, President, and Board of Regents.

2. College/campus-based fees are initiated by the college or campus leadership; they are set based on costs to cover or a "reasonable contribution" to the costs; there is some consultation on some types (e.g., technology fees in colleges); and they are approved by the college, Budget Office, President, and Board of Regents.

3. Departmental-based fees are initiated by the department; set based on costs the fees are proposed to cover or the incentives they are intended to create; and they are approved by the department, college, Budget Office, President, and Board of Regents.

All these fees are entered into the financial system and reports are generated, and all are approved by the Board of Regents.

For each of the three categories there are policy questions, Mr. Pfutzenreuter said, and there are complicated policy questions about each of the fees as well. The angst is not really about the institutional/campus category (I) fees, it is mostly about those in category II and somewhat about those in category III, the departmental-based fees. One's attitude about them depends on whether one believes they should be fees or if they should be wrapped into tuition. That question is bounced around all the time. There is a sense that the "collegiate" fees are looking more and more like tuition because those fees are often paying for the same things as tuition. With uniform undergraduate tuition by campus, they may be a way to differentiate program costs.

Mr. Klein asked if the database on fees would allow one to organize the fees in different categories, such as those based on instruction and those that are not; that distinction might help get at the policy questions. They can for course fees, Ms. Tonneson said, but it is more difficult with the other fees because they pay for so many things. They are collecting more information on what the fees are being used for, so that information may become available, she said.

Professor Martin asked if Mr. Pfutzenreuter or Ms. Tonneson had any sense for whether Minnesota is an outlier in putting more of its expenses into fees. Neither knew. Mr. Pfutzenreuter said that in general institutions with differentiated undergraduate tuition appear to have fewer "collegiate" fees, but all institutions have course fees.

It seems natural that a Chemistry class with a lab costs more than it does for him to lecture to a group of students, Professor Roe commented, so he can see the need for different levels of revenue. One can ask, however, whether fees are going toward what they are supposed to; there is need for a monitoring system for fees, even though such a system would involve transaction costs.

Professor Konstan asked what percentage of the total tuition and fees is fees. Ms. Stahre and Mr. Driscoll both had their statements with them; Ms. Stahre reported that for her, a fourth-year Ph.D. student in Epidemiology, the fees were about 10% of the total; Mr. Driscoll, a Master's student in the Humphrey Institute, reported that his are about 13% of the total charges. That is big enough for fees to be an issue, Professor Konstan suggested. There is a values question that underlies the discussion, he said: In traditional liberal-arts colleges, the philosophy is that the choice of course should not be driven by charges for the course and they try not to let the market allocate students to classes. He said he is comfortable with that approach, but a review of fees should address the question whether more expensive courses should cost more or if there will be an institutional decision to charge the same for all of them.

Professor Seashore said she can understand why there needs to be a comprehensive review of fees but suggested that the focus of the discussion revolves around the "collegiate" fees. One suspects that departments can identify what they pay for with course and other fees, and one can understand the institutional fees. Since all fees must be approved, is there a problem with the process? She said she believes the problem will lie in the technology fees (which virtually all colleges have adopted, and then decided what to spend the money on). The focus of the review should be on those aspects of fees that are the most problematic. Mr. Pfutzenreuter said they will get to that point. He repeated that some questions arise about fees in both categories II and III and one's view depends on one's view of fees. Some might say that course fees nickel-and-dime students and should be incorporated in tuition. Course fees are also morphing into revenue streams used for other purposes, Ms. Tonneson added.

Ms. Tonneson told the Committee that the Board allows departmental fees for three reasons: transportation, consumable materials, or services needed (e.g., a model for a drawing class). Mr. Klein said it would be helpful to see that units have a metric for whether they are using the fee for the stated purpose. Ms. Tonneson agreed and said they want verification of what the policy is, what it should be, and how strict they should be when the policy is enforced.

The review comes at an appropriate time, Mr. Pfutzenreuter commented, because tuition has become an increasingly large part of the University's revenues and there is political pressure to keep it down, so the use of fees to generate revenue could become more widespread.

Professor Morrison asked if the University Fee has been folded into tuition. It is still separate, Ms. Tonneson said, but once the reciprocity agreement with Wisconsin is fully implemented, the University Fee will be folded into tuition.

Mr. Pfutzenreuter next drew the attention of Committee members to the second page of the handout, which contained a series of questions about a number of different fees. These are questions for the Committee, he explained, and they are also reviewing them with the academic leadership.

Professor Luepker asked Mr. Driscoll and Ms. Stahre what their thoughts were. Ms. Stahre said that when she sees the fees on her statement, she wonders what they are charging for and what she is getting from them. The technology fee is her biggest concern; she said she would like to see an itemized list of what she is paying for. Most students don't ask. With tuition going up, when students see fees they feel they have no voice in them and they are a black box. Mr. Driscoll shared the concern about the technology fee, even though he understood that his college has expensive software programs. In his case, he is fully-funded as a student, but must still pay the 13% out of his own pocket. The discussion today has been helpful, he said.

Professor Konstan cautioned that no computer lab looks like what it costs. The costs are often in the people who run them, even though there is the view that the fee pays for hardware. That does not mean, however, that students cannot challenge a college about where the money is going.

Professor Luepker expressed appreciation to Mr. Pfutzenreuter and Ms. Tonneson for presenting the information. He said found it unfortunate that some of his suspicions were confirmed: The system is not transparent and some fees may not be linked to what their title suggests. He said he appreciated the work they were doing and that the Committee will want to see where it goes, and said there needs to be a transparent and rational system, given that no college is going to give up fees.

Professor Martin asked if the President wants a report by a certain time. He would like the policies this academic year, Mr. Pfutzenreuter said. Professor Luepker said the Committee would like to participate in the development of the policies.

**2. Update on the Enterprise Financial System**

Mr. Volna now joined Vice President Pfutzenreuter to provide an update on EFS.

Mr. Volna said he has spent most of his waking hours the last four years on EFS and would provide the Committee today an update on the post-implementation work that is being done. He last visited the Committee in May, at which time the primary focus was on getting through the end of the fiscal year, although they were also working on an enhancement plan that began last April. That plan has gone into high gear since the books for the last fiscal year were closed.

Mr. Volna distributed copies of a handout and provided an overview of the "Enhancement Process." The process started last April; users identified 95 issues that were grouped into six business-impact areas. User subcommittees were appointed to further define issues and requirements; as Mr. Volna explained, it does not help them to say that "the process stinks." They are now doing about 20-30 enhancements per month and will continue to do so through March.

Professor Martin inquired why they are calling a basic fix an "enhancement." If something wasn't working, fixing it is not an enhancement— it is a basic fix. If something wasn't working, it is a basic fix. Mr. Volna agreed that was a fair question; he said the system worked the way it should—but the way it should work did not work for many users. Both Professors Konstan and Seashore strongly urged Mr. Volna not to use the term "enhancement."

Professor Morrison said the problem is that the basic design of the system means it deals with micro-level transactions very well but it leaves managers unable to do macro-level analyses without a shadow system because the numbers do not add up. He said he thought the goal was to avoid the need for shadow systems; is there a way to fix that problem? Mr. Volna said they are addressing it and that Ms. Tonneson is also working on it. They have to learn what units are creating shadow systems for, because the system is reporting properly. The biggest problem is with encumbrances. Both Professors Morrison and Seashore voice emphatic agreement with Mr. Volna's last observation. Professor Morrison said that encumbrances do not come off when something is paid and that the encumbrance system "is a shambles." How does one add amounts in different accounts? One gets out paper and pencil and an adding machine.

Mr. Volna, Mr. Pfutzenreuter, and the Committee discussed problems with encumbrances.

Professor Konstan said the discussion illustrates the challenge of evaluating the system from the right perspective. EFS is not fixed until people get information they can trust, and a 1% error rate is too high. One would never drive a car if there were a 1% chance it would blow up. If there is a 1% error rate, there will be shadow systems. There are problems with reports not being aggregated correctly and with the system unable to handle the demands. It does not help to measure how many of the 95 problems are fixed; it needs to be measured by what PIs, department heads, finance directors, and deans are receiving and are able to work with. The system is better but it is still not reliable. The point is not to measure whether the system processes transactions correctly but whether people are getting information they can use.

Mr. Pfutzenreuter responded that he is concerned that EFS is blamed for problems that are not with EFS. There are broader problems. The problem with system overload is that there are not enough servers, which is not an EFS problem. Professor Konstan said he did not agree. From a user perspective, it is all one system. His argument is that the people in the trenches have to receive what they need. Mr. Pfutzenreuter agreed and said he has told people working on EFS that if the reports are not 100% accurate, they have not done their job. At the same time, however, problems in other systems may need to be fixed in order to get to that point—systems over which his office has no control.

Mr. Klein said his takeaway is that it is important to have specificity in identifying the problems and calmness no matter how irritated one is. This discussion can quickly reach an emotional level with everyone it touches, but there are multiple levels of problems that need to be dealt with without attacking the people or becoming cynical. People in other offices (not responsible for EFS) must also deal with problems related to EFS that they did not anticipate. Some are pre-EFS problems that have been brought to the forefront by EFS.

This has been a rough implementation, Ms. Kersteter said; what plans have been made to conduct a "lessons-learned" analysis to help avoid similar problems the next time the University needs to adopt a new system? That is a good question, Mr. Volna said, and noted that the last two times the University implemented a system of this size, the people involved did not remain at the University. There is a lack of continuity unless someone writes everything down for the Archives. He said he would need to think about the question because he has been so focused on solving problems. Ms. Kersteter said she has a colleague who still talks about how bad the CUFS implementation was; the University needs to figure out a way to avoid this in the future.

Mr. Erikson said he is surprised that programmers and systems do not work together. Professional developers should do so. It is the way the systems are organized, Mr. Pfutzenreuter said—which is not uncommon in universities—where there are business process owners who must know their own systems, and tell programmers what they need to know in order to make changes, but there is a lot of room for mistakes in that communication chain. That is a big part of the problem with EFS. Mr. Volna agreed that when different systems are involved, they must have people who understand all those systems or there can be a breakdown. Mr. Erickson said that the Bank of America merged large systems without major problems and without any major failure. He said he struggles to understand why programmers and developers here do not talk to each other. Mr. Pfutzenreuter said the problem is not just with the developers.

Mr. Erikson also recalled that when the Committee discussed EFS last spring, it was told that PeopleSoft was not helping because the University made changes to the system that EFS did not approve and so voided the warranty. That is not accurate, Mr. Pfutzenreuter said. Mr. Volna explained that the University has a site license for EFS and PeopleSoft will support EFS here as long as the University maintains its site license, which it intends to do. The University chose not to use PeopleSoft as its primary implementation partner, so PeopleSoft has not been on site, but the University can call on it for help. But PeopleSoft does not have the same obligations it would if the University had hired it for implementation.

Mr. Erikson wondered about the time lost because of EFS, and related how his unit was unable to understand a transaction that was a month old. Some business processes have been broken by a misguided sense of the need to separate duties, he said. There is obviously need for some separation, but some of them are too onerous in EFS.

Professor Seashore related that when she first came to the University, each department has its own bank account because the system did not work, and one went across the street to the bank to get money. When one thinks about how badly the system worked 25 years ago, one realizes there has been improvement.

Mr. Pfutzenreuter then said it is important to understand what the current scope of work on EFS does NOT include. Mr. Volna explained that it does not include complete replacement of the purchasing-card software, it does not address a complete revamping of the workflow and approval processes (to completely replace the software would be a huge project and perhaps 20,000 hours of work), and it does not include new software tools for the data warehouse. People want the old data warehouse back, and they will analyze the requirements, but it will not be simple. Mr. Pfutzenreuter added that the Office of Information Technology is not keen on supporting a data warehouse; Ms. Tonneson added that they are, however, committed to providing some ad hoc reports that people need. Mr. Volna said he has been trying to focus on user issues, and many of the 95 problems do focus on day-to-day problems.

Professor Olin asked if Mr. Volna had the resources and labor needed to fix EFS in a timely manner. It will cost about $3 million and 16,000 hours in labor to fix the system, above day-to-day stuff, Mr. Volna said. The proof will be if people have confidence in the final numbers, Mr. Pfutzenreuter said. He will not say that everyone will be happy and there will still be workflow and processes that people do not like. There is a long life-cycle of continuous improvement, Mr. Volna said.

Professor Martin recalled that the Committee heard from some departmental finance people last year; they were very unhappy. They revisited the Committee later, and were less unhappy because they had figured out how to work around the system. If they were invited back now, would they be even less unhappy? It might be that there is some problem they have not yet addressed, Mr. Volna said, and they are not actually addressing faculty issues and instead are dealing with day-to-day users. He said the changes will improve the situation for departments. They may not be happier, but he said he hoped they would acknowledge that the projects in the queue will be more of what they want. While they may not get all they want, will EFS work reasonably well by the end of the year, Professor Martin asked? Mr. Pfutzenreuter said he wanted the numbers in financial reports to be right—they must be, he said—but that does not mean the process and work-flow issues will be smoothed out. They also see that a PeopleSoft upgrade is coming, so the question is whether to do upgrades to the system now or to wait to see what the upgrade contains. And they do not have the capacity right now to make many of the changes people want, Mr. Volna added, so they are trying to get reports accurate and the 95 problems addressed.

Mr. Klein suggested that Mr. Volna look Mr. Erikson's month-old problem to see if it is on the list of 95 problems and let the Committee know how it will be fixed. Mr. Volna agreed and said that they have first tried to solve the problems and then address the cause of the problems. He can inform the Committee about this particular instance. Some of the problems people face could be one-offs.

Professor Seashore said she hoped that Mr. Volna and Mr. Pfutzenreuter would take seriously the comments from Professor Konstan. Quality management calls for starting with the user and how to improve systems so people can get their work done. They have done well but must keep monitoring, because if they were to pick out 12 departments with complex accounting needs, the 95 problems might not cover them. She advised them to pick two kinds of users, the end user and those in the middle, people who use the data, so that they do not later hear again that the system has not gotten better.

They have involved people who manage budgets in departments, Mr. Pfutzenreuter pointed out. But they have not involved people who must manage budgets on a larger scale, such as department chairs or center directors—faculty-level appointments, faculty administrators who are responsible for budgets.

Professor Roe asked if any thought has been give to identifying best practices for shadow systems. That could be helpful, he said, and would give people confidence that the administration recognizes EFS is a complex system and that not everyone is 100% happy with it. Mr. Volna said they have looked at what several units are doing and it appears that they are unique because of the way they do things. They are considering whether they can adopt some parts of the shadow systems in order to make what people are doing an institution-wide solution.

They recognize they have made a lot of changes to the system, Mr. Volna said, and are hearing that it would be helpful if there were refresher training available. They will offer the training; people who have worked with the new reports have found the training extremely beneficial.

Professor Luepker thanked Mr. Volna for coming to the meeting and subjecting himself to tough questions. There is a lot of feeling around these issues, he said. If your bank does fine on 1000 transactions and screws up one, that is the one you remember, he said. He said he appreciated the systematic approach that Mr. Volna has taken and that while not everything is fixed, people know he is trying. Everyone hopes to see a .01% error rate. He said he expected Mr. Volna will be back with further updates. He added that people at high levels do not face the problems that he and Mr. Erikson face in the departments. NIH will hold him to account for the money, he pointed out.

**3. Cost Pools**

Professor Luepker turned next to the issue of cost pools, and asked Mr. Pfutzenreuter once again to begin the discussion. He noted that this would be a preliminary discussion; the issues associated with cost pools have caused a lot of debate and discussion in all the colleges. When the new budget model was adopted, all tuition and indirect-cost revenues were devolved to the colleges; the cost pools were developed as a way to pay for common services such as the libraries, heat and light, etc., by billing colleges for the costs. One major concern is that the cost-pool costs (charges to the colleges) seem to grow faster than revenues. Several deans have pointed out that the cost-pool charges to their colleges now exceed the state funding their colleges receive, and there may be an increasing number of colleges in that situation. This Committee has been very interested in the cost pools as they have evolved and he suggested they will be a hot issue for the foreseeable future, especially as budget cuts come. The cost pools will be part of the discussion at the half-day retreat on October 28. He noted that even if the cost-pool issue disappeared, the University would still fact serious financial difficulties in the upcoming biennium.

Mr. Pfutzenreuter distributed a handout listing the 16 cost pools and their charges for FY09 and FY10.

| | FY09 Total Charges | FY10 Charges | $ Change | % Change |
|---|---|---|---|---|
| Admin Service Units System | 90,319,702 | 87,153,451 | (3,166,251) | -3.5% |
| Technology Systemwide | 32,375,918 | 32,433,850 | 57,932 | 0.2% |
| Facilities O&M | 85,972,545 | 86,311,171 | 338,626 | 0.4% |
| Admin Service Units TC | 12,897,249 | 12,926,454 | 29,205 | 0.2% |
| Technology Twin Cities | 32,478,040 | 32,554,304 | 76,264 | 0.2% |
| Student Services (All) Syst | 10,418,702 | 11,187,062 | 768,360 | 7.4% |
| Student Services (All) TC | 2,173,832 | 2,374,798 | 200,966 | 9.2% |
| Research Administration | 24,352,393 | 24,740,214 | 387,821 | 1.6% |
| Library | 41,297,709 | 40,600,104 | (697,605) | -1.7% |
| Student Svcs-Undergraduate* | 39,407,445 | 43,377,521 | 3,970,076 | 10.1% |
| Student Services – Graduate* | 20,905,488 | 20,511,597 | (393,891) | -1.9% |
| Gen. Purpose Classrooms | 8,767,908 | 6,563,124 | (2,204,784) | -25.1% |
| Warehouses - Direct | 309,851 | 285,415 | (24,436) | -7.9% |
| Utilities - Direct | 45,725,368 | 48,804,943 | 3,079,575 | 6.7% |
| Debt - Direct | 24,691,235 | 27,137,671 | 2,446,436 | 9.9% |
| Leases - Direct | 3,431,162 | 3,728,706 | 297,544 | 8.7% |
| Total | 475,524,547 | 480,690,385 | 5,165,838 | 1.1% |

*These two items are scholarships/fellowships

Mr. Pfutzenreuter observed that in the previous budget system, everyone was taxed to pay the $475 million. The cost pools, however, are assessed based on different algorithms for each one. Utilities are a direct charge based on the space occupied by the unit and the cost of the utilities for them. The administration tries to contain costs, but if utilities go up, those costs appear in the charges to the units. The cost pools are often lumped together and the complaint is that "they are killing us," but when the cost pools are disaggregated, it becomes clear there are different issues for different colleges. In any cost-pool discussion, he said, one must look at each one individually. Some argue that the cost pools should be frozen; if that were to occur, there would be cuts to the Founders Scholarships (Student Services-Undergraduate).

For 2009-10, there is a combined increase of 1.1%. Each of these is on the Budget Office website, at www.budget.umn.edu ("Current Documents," FY10 Budget Development), with details about the decisions on each.

The issue is more than transparency, Professor Roe commented. Units can do something about utilities, but a lot of these are external costs—the units have to take them as a given. Are there documents behind the decisions? When the cost pool system was devised, Mr. Pfutzenreuter said, the decision was made not to be so complicated that the institution would drown in data (e.g., developing unit-specific charges for the offices of the Auditor and the General Counsel) because the transaction costs would not be worth what was spent on them. So there are proxies used. Professor Roe said he believed Mr. Pfutzenreuter was correct but suggested that there is a middle ground so that one can get a sense of what central resources college consume so that adjustments could be made.

One issue with the cost pools, Professor Morrison said, is that they are run by the general costs the units have: Academic units are budgeted by what is left over while service units are budgeted by what they need. The budget instructions should call for cuts in cost pools that are about equal to cuts in the rest of the University. The cost pools should reflect the 5% cuts in the rest of the institution. The cost pools were given the same target, 5% and 8% cuts, Mr. Pfutzenreuter said, and in at least one case the unit actually cut more. Next year, they will be given the same 2% cuts as academic units—they receive the same instructions. The cuts are not applied uniformly and the institution could decide that cost pools will see greater cuts. Some of them can't be cut, Professor Morrison observed, such as heat, but it needs to be made clear that the administration is not taking dollars off the top and that cost pools are subjected to the same discipline as academic units—and perhaps the cost pools need to go further. The administration should say that if there are additional budget reductions in April or May, there will be further cuts to the cost pools. It is important that the deans feel the cost pools are forced to be as frugal as academic units.

There is more transparency than there was a few years ago, Mr. Klein commented. If one sees the changes as a progression, there is more information addressing gaps in knowledge and the myth that administrative units are not asked to make cuts. There is a need to match up administrative units with academic units to compare costs. Mr. Pfutzenreuter suggested it would help people if they would go to the website and look at the data available and see the costs over time. It is clear that debt, utilities, and student financial aid are driving the increase in cost-pool costs. There needs to be a simply message so people can understand that units can save and keep the money, Mr. Klein said. The same connection needs to be made between individual actions (e.g., turning off computers) and their units (e.g., lower utility charges to the college). The problem is that "my unit" is not the one that saves the money; the savings go to the colleges, Mr. Pfutzenreuter pointed out. The University achieved an enormous, multi-million dollar by hedging gas costs. The charges go to the colleges, and some deans push the charges down to the departments—but some may not push the savings down.

The transparency is in the details, which the deans need, Professor Seashore said, but that is not what the average person wants. The message from the administration has not been crisp and clear enough, such as what has been done to cut services in order to fund aid for students. The message is not getting out. In a year of retrenchment, some would expect that the cost-pool charges would not increase, Mr. Rollefson observed. Mr. Pfutzenreuter said he was surprised that people would ask that; he suggested again looking at the student-financial-aid category. It is difficult to imagine the total going down, given the amount of money that flows into aid. Nor is it quite so simple as a matter of tradeoffs occurring in instances where the largest increases and decreases occurred. Is it possible to send out a simple message that is also true, Professor Seashore asked? Professor Martin said that many people are not interested in the details. Any message should go to the deans, who provide it to department heads, who should share it with the faculty.

The story is pretty much told by the Student Services-Undergraduate, Utilities, and Debt cost pools, Mr. Pfutzenreuter said. Scholarships, utility costs, and expanding square footage, and they will continue. The scholarship costs will only increase.

Professor Roe inquired about the extent to which there is the thought that units should pay these costs—but not mine? And to what extent is there a lack of knowledge about how the costs are allocated among the units? Mr. Pfutzenreuter said that in the case of the first item, Administrative Service Units Systemwide, the bulk of any increases are paid by the Academic Health Center. Undergraduate colleges pay the bulk of any increase in the scholarship cost pool.

Professor Luepker said the Committee would return to this item. The cost drivers may be things that the units cannot control, but one does not see 5% decreases in the other cost pools.

Professor Luepker next reviewed a resolution adopted by the Faculty Senate on 4/3/08:

The Faculty Senate recommends to the President that:

1. The Vice President for Research should be an integral part of the process by which decisions are made to allocate resources to all aspects of the University mission.

2. There be changes to the way that cost-pool rates are set and reviewed. Specifically, (a) establish college revenue budgets before setting cost-pool unit expense budgets and link them, so that if college revenues decline, cost-pool charges also decline, (b) establish performance metrics and quality standards for all cost-pool funded units and establish a corresponding mechanism to protect colleges if cost-pool units perform below standards, and (c) require all cost pools to report on the input received from the colleges.

3. A system of incentives be established for cost management and colleges guaranteed that they will retain for a period of time the savings they generate. Mechanisms should be in place to insure that colleges and administrative units can retain their savings and that these will not be offset by allocations from state funds.

4. A faculty committee be created to formulate basic rules that simplify and provide incentives for interdisciplinary research. (Interdisciplinary research and centers that cross college boundaries are not directly addressed in the new budget model.)

**COMMENT:**

The Senate Committee on Finance and Planning (SCFP) and the Senate Research Committee last year appointed a joint ad hoc subcommittee to examine and make recommendations about the University's new budget model. The subcommittee submitted a report last fall; this recommendation to the Faculty Senate represents a distillation of some of the recommendations made by subcommittee members on SCFP in addition to the report. These are the recommendations that SCFP believes most important at this time. There are other recommendations that the Committee will bring to the Faculty Senate at a later date.

Professor Martin said it appears that the resolution disappeared after it went from the Faculty Senate to the President. The Committee might check on its disposition.

Professor Seashore said it is notable that costs of research administration increased when it was asked to cut 5%. She said she did not accept all the arguments that are made in support of cost increases. Professor Luepker said he was not sure how deep the Committee wished to dig, although it could ask for an explanation of some of the increases.

As important as the Faculty Senate resolution was the Faculty Consultative Committee resolution on 3/6/08 (below), Professor Martin maintained. Did anything happen?

> The Faculty Consultative Committee recommends to the President and senior vice presidents that a representative group of the Twin Cities deans (and coordinate campus chancellors, as appropriate) either (1) be involved directly and integrally in the current mechanisms used to determine rates for the cost pools, or (2) be constituted as a separate body to review recommendations on cost pool charges and provide advice to the President on them. In either case, the review and consultation should take place before any decisions have been made about cost-pool charges or rates.

To some extent things happened, Ms. Tonneson said. The cost pools come to the deans and explain what they are doing. The extent of consultation within the cost pools is mixed; some have consultative bodies. Professor Luepker asked to what extent the Committee should discuss the issue; the end users (the deans) are involved, so is the matter taken care of? It is in some areas but not all, Professor Martin said.

Ms. Tonneson said that as someone who sits in on all the budget discussions, she can tell the Committee that the way the cost pools arrive at numbers is very similar to the way academic unit discussions take place. There are pluses and minuses in each unit. The cost pools are given the same questions and answers are expected—they do not receive special treatment. Professor Seashore said she did not intend to imply that they did, and added that increasing transparency in the colleges would be nice to see as well.

There is a review process, and if people understand it, they may have confidence in it, Mr. Klein said, but at first glance there is still worry about a 1.1% increase in support unit expenses in a -5% year for the organization. The numbers don't seem consistent with the information. Ms. Tonneson said that the academic cuts were 5.5% and the administrative cuts were 5.7%. What the Committee is seeing in the cost-pool charges are not administrative unit operating budgets. That suggests another level of reporting is needed, Professor Konstan said; this listing suggests that administrative units got a raise when they were cut 5.7%.

Professor Luepker agreed that the Committee needed to see additional numbers, and adjourned the meeting at 4:15.

-- Gary Engstrand

University of Minnesota