

Minutes\*

**Senate Committee on Finance and Planning  
February 5, 1991**

Present: Burton Shapiro (chair), Avner Ben-Ner, David Berg, Bergt Bieler, Edward Foster, Lael Gatewood, Virginia Gray, Kim Kantorowicz, Craig Kissock, Nick LaFontaine, Fred Morrison, Mary Sue Simmons, Charles Speaks, John Sullivan

Guests: Geoff Gorvin (Footnote), Ken Janzen (Regents' Office), Warren Ibele, Senior Vice President Leonard Kuhl, Geoffrey Maruyama

**1. Report of the Chair**

Professor Shapiro began the meeting by reporting on the progress of the search committee for the Senior Vice President for Finance (of which he is a member). There are a large number of very strong candidates, he told the Committee. Asked about the possibility of achieving an appointment by February 8, he said it varied with the individuals; the President has not restricted the search committee to providing names of candidates who would only be available immediately.

**2. Discussion of Reallocation**

System-wide initiatives Professor Shapiro then told the Committee that the Senate Consultative Committee had expressed concern about the lack of information associated with the system-wide initiatives in the reallocation plan. The President tried to address the concerns but told SCC that he could not really specify how they would spend the money until it is available. It is not, until the Regents say so. He did, however, provide descriptions of the content of those initiatives.

Research funds On the research initiatives, Dr. Foster reported, there are two different views within the Cabinet. One is that the Graduate School Research funds should be expanded; the other is that the need is for lab set-ups. There is also concern about the increasing commitments being made against the Indirect Cost Recovery funds because of the debt service requirements on research facilities.

There are a number of faculty who believe, Professor Shapiro reported, that University-wide funds for research should be controlled and distributed by the Graduate School rather than by collegiate units, which would have a more parochial perspective. Professor Ibele concurred, noting that the question is the right balance between the two. If there are no seed money grants, in the long term there will be no set-ups to deal with. For certain faculty, the Graduate School is the sole source of their support; some activities are typically not supported by foundations or granting agencies. They are, nonetheless, legitimate academic endeavors which deserve support. Research initiatives, on the other hand, have the purpose of bringing research proposals to the point where they can compete for external contracts and grants. Not to continue that support will work to the detriment of the entire University.

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The other factor which militates in favor of funds being distributed by the Graduate School, Professor Ibele pointed out, is related to the purchase of expensive pieces of equipment. The Graduate School has the keenest oversight on that equipment; the separate colleges do not. If there are two investigators, from different colleges, who want to use a \$250,000 piece of equipment, it ought to be "run around the clock." Some central oversight body can ensure that it is used appropriately; that will not occur if oversight is left to the colleges.

Campus Club One Committee member commented that the \$75,000 in administrative funds for the Campus Club are slated for elimination in the reallocation plan even though there has been discussion and agreement on the need for some facility such as the Club. There is no place in the document, however, which will provide departments reimbursement for the charges that the Campus Club will have to levy for meeting space. This appears to be one of those retrenchments that will either be passed on to Campus Club members or to its departmental users.

Professor Shapiro reviewed the discussions and events that had occurred recently. An ad hoc committee has had one meeting to discuss alternatives; Mr. Donhowe had told them that he would try to assist them, if invited to do so. Mr. LaFontaine reported that Mr. Donhowe had drafted a letter which extended the financial support through the end of the fiscal year (June 30) rather than terminating it in January or February; he had also asked that the prerogative to reserve rooms not be restricted to Campus Club members. As the opening of the Art Museum approaches, moreover, and with the increased demand for food services on the campus, it might be appropriate to discuss the role that the Club could play. Mr. Donhowe did not propose to continue the payments beyond June 30, although, Mr. LaFontaine said, the question would remain subject to further discussion.

At this point Professor Shapiro welcomed Senior Vice President Kuhl to the meeting and thanked him for rearranging his schedule in order to attend.

Central administration reallocation One Committee member turned the discussion to the question of shifting costs, where an administrative unit can show savings and pass the costs on to other units--with no shifting of revenues to those latter units. Dr. Kuhl said he understood the issue; it is standard practice across the country for units such as physical plant, when they have a budget cut, to pass the costs to the academic units. Reassurances have been made, he said, that this will not happen; Mr. LaFontaine agreed.

There appear to be a number of areas in the Finance documents, it was argued, where this nonetheless appears to be occurring. This cost-shifting is not spelled out, and may not be intended, but "the logical and necessary results of the actions that are proposed are exactly that." Examples:

- A trivial item, the alternating service of the West Bank and St. Paul bursar. An audit in the Law School led to a requirement that certain funds be deposited daily. The alternating service either means sending a person across the street to the West Bank bursar or, if the alternating is daily, sending a person over to the East Bank every other day. The alternating office saves the bursar money but the Law School loses the services of one person for 10% of the day going and coming on alternate days.
- It is proposed to decentralize various personnel services, such as employee benefits. It is a good idea to have people in the departments who know what the benefits package is rather

than having to deal with someone on University Avenue. But this means that the units will have to devote some significant portion of an individual's time to that activity--while central administration is phasing out the support service. The policy proposal itself is not bad, but it is not free to the units; it is an implicit retrenchment.

There are many such items, examined from the financial side, which might be sensible money-saving changes, from an institutional point of view, but when examined from a burdens and benefits perspective, the burdens are going to the units with no provision for covering them "except to run faster." There is more of this reallocation of costs from central to operating units than has been admitted and the process must contemplate that outcome.

Campus Club, continued The Campus Club payment raises two issues, the Committee member continued. The first is the shift in costs, already discussed: If the payment is eliminated, one Club board member has said, it will have no alternative except to charge for rooms--the same way that most other private clubs around the Twin Cities operate. This plan makes sense but where is the provision for paying those charges?

The second and related issue is that the Club is one of the few things left which helps hold the University together. It may be inevitable that the University will "become a series of series of fragmented departments which have very little in common except a zip code." The Club is one of the last places of faculty interaction; eliminating it has academic and intellectual consequences for the concept of the University as a community. The Club as such may not be retained but there should be some University policy about maintaining a sense of community. This sense has deteriorated over his career, he said, and the University needs to take affirmative steps to avoid the loss.

The President has said that these plans are not carved in stone, Professor Shapiro cautioned the Committee; they cannot be. There is still time to consider alternatives. The perception of the need for a facility such as the Club is strong. Dr. Kuhl agreed that it was needed, although the Campus Club has a lot of problems. What needs to be done now, he said, is to decide what the faculty want and how best to obtain it. The present operation clearly is not working. Perhaps an outside operator could be brought in to set up a first-class restaurant that would be attractive; the meeting rooms need to be better set up.

What about the \$75,000, Mr. LaFontaine was asked. If the plan is adopted, he said, it will be in the reallocation pool. It could be distributed to units to pay for rooms, for example, but the issue is not with the Club itself; the faculty themselves must determine what they want. They are not voting with their dollars to join. Actually, it was rejoined, the \$75,000 is in the reallocation pool and has already been reallocated.

There is an ad hoc committee trying to work out alternative arrangements, the Committee was reminded, but it is difficult for them to work because the ground keeps shifting and there is no one from the administration with whom to talk. If the administration wants to work with the faculty there needs to be someone identified to work with them. It was agreed that Mr. LaFontaine would do so.

The administration, with reallocation, may have disabled itself from being able to do anything to deal with the problems. It will need to have funds available to address questions of community; the administration may have reallocated away from itself the funds to do that. Dr. Kuhl explained, however,

that in system-wide initiatives there is an item identified for community-building. Although focussed primarily on students, there is a need for the same kind of effort for the faculty. The exact amount of money to be allocated to those initiatives has not yet been decided so there is some flexibility. Before any money can be reallocated in this direction, Dr. Kuhl clarified, there must a clear plan in place.

Timetable One Committee member inquired about how the reallocation plan will proceed. Dr. Kuhl explained again that it is a five-year plan, although the President does want to see it speeded up some so it is a three-to-five-year plan. There is no question that some of the proposed actions will take a while to implement because there are personnel involved and some of the changes will depend on attrition. For example, a date has been set for Waseca--June, 1992--but even working toward that date entails considerable discussion. One would like to have as much of the "cash" up front, but reality precludes that; nor, however, should all of the funds come at the end of the five years. There will be some concentration of the changes in the first two years.

As for Committee consultation and comment on the plan, the President has asked for responses by February 15, Professor Shapiro reported. More generally, Dr. Foster added, this plan sets a direction just as Academic Priorities set a direction; it will be implemented in the annual budget decisions which will also go to the Regents. The door is not closed on February 15.

System-wide initiatives The question was again raised about the allocation of funds among the system-wide initiatives and when the decisions will be made. Dr. Kuhl said he expected that there will be clearer answers to these questions by the time of the March Regents' meeting. The items included in those initiatives--the undergraduate initiative, research initiatives, diversity goals, K-12 initiatives, and telecommunications--are general objectives that have been discussed for a long time. Some have more specific proposals behind them than others. In telecommunications there has been agreement to fund a pilot project with the Morris campus (for about \$80,000). In the K-12 initiatives there are projects being worked out jointly between IT and the College of Education. The Undergraduate Initiative reflects plans and objectives not specifically included in the reallocations to CLA and IT (such as eliminating more of the large classes, adding advising, and so on). Any suggestions the Committee has would be welcome.

Will these initiatives be based on proposals from the colleges, Dr. Kuhl was asked. He said there are people working on specific items; anyone with something to contribute should not hesitate to do so. Dr. Foster also reported that as a result of comments at the previous Committee meetings case statements on each of the system-wide initiatives are being prepared; they will be available for distribution at the March Regents' meeting.

It was suggested by one Committee member that the biomedical engineering funds should be clearly identified as being for the center rather than the program. The telecommunications initiative should also be labelled so it is clear the projects will link the campuses of the University, not all of Greater Minnesota, and so they are not confused with the STARS system being developed by the State.

Achieving objectives One concern of this Committee over the past two years has been how the central administration is directing reallocation toward central goals when most of the implementation is accomplished at the collegiate level. As one reviews the case statements, it was said, some spell out the plans in great detail while others are quite vague. How does the administration plan to steer all of this so that the internal reallocation goals achieve what everyone is expecting? Dr. Kuhl responded that there

will have to be a great deal of consultation and continuing negotiations. With CLA, for example, the administration will not provide any of the \$4.5 million until there is demonstrated progress on the internal reallocation as well as clear plans on the use of additional money. Ongoing, close attention will be required. If a school decides it will not carry out the reallocation, the administration could just take the 10% out of its budget. That would obviously be a crude way to proceed and is to be avoided; this is supposed to be a consultative process. There are no blank checks--in part because there is no money in the account, yet.

The same consideration needs to apply to the funds redistributed across colleges as well, one Committee member insisted. "Because each dollar is being so painfully wrung from each unit, the receiving units certainly have an obligation to use it wisely."

Crookston Another potential cost increase is contained in the Crookston proposal; the implications are frightening. It is unrealistic to believe that through internal reallocation Crookston can change from a two-year unit, with a minimal liberal arts component, to a four-year unit which grants baccalaureate degrees. What is worrisome is that if this document is approved by the administration, in two or three years someone will say "you put us on this course; in order to realize the expectations we only need another--let's say \$6 million. Back in 1991 the Regents approved this direction so we have an equitable claim on resources." To leave in the document expectations of bachelor's degree programs creates incentives for undisclosed cost increases.

Dr. Kuhi responded. He told the Committee that Crookston needs to do much more planning and must work much more closely with the other institutions in the area and develop a plan which encompasses the entire region. Such a plan will require more cooperation from the technical and community colleges than has thus far been offered. It is true that a four-year program will require additional resources--but there are a lot of steps which must be taken before the question can even be raised. The cooperation, for instance, might have to include closing down one or two technical colleges and considering how best to deliver two year programs in the northwest; that will require some courageous moves.

There will nonetheless be this document that people will cite, it was argued; this has happened before. There should be something in writing to limit the potential. Dr. Kuhi said he understood the point and that the caution is well taken. He also agreed with the point that the case statements are not being approved by the Regents. It was rejoined, however, that it has happened anyway; the endorsement, later, is interpreted to have been stronger than it really was. There must be a caveat of some kind in what the administration puts before the Regents in March.

Classes and teaching There is, through the documents, an effort to apply good technical standards in terms of size of classes, etc.--but there is a risk that the intellectual vigor of the units will be endangered. One possible example is the plan of the Carlson school to reduce the number of graduate seminars. There is a great difference in the way one approaches general classroom instruction and the way one approaches seminar and other graduate education. It appears that in the Carlson school the number of graduate seminars to be taught in a year will be smaller than the number of faculty members. One must think of the faculty member who will teach only the standard classes; while one hopes he or she will maintain intellectual vigor, it is not guaranteed. In most departments it is important to teach at that level.

It is true, of course, that there are units which have no graduate education and which have very productive faculty members. But it is harder to maintain that vitality. In his unit, the faculty member observed, those who do teach the seminars are producing more scholarly work than those who are not; it is not clear which is cause and which is effect, but the result may be to undermine the other goal of enhancing research if the plan is too insistent on generating student contact hour numbers.

Education One Committee member cited previous Committee minutes concerning the College of Education. Will there be a nearly \$2 million retrenchment from the College? Dr. Kuhl affirmed that there will be. The goal is to improve the teaching credential that one obtains from the College while at the same time decreasing the size of the faculty. There are a large number of institutions in the State which award teaching credentials, he observed, and there is an oversupply of teachers, so a modest amount of "downsizing" is not inappropriate.

The College plays a unique role in education in the State and nationally, it was contended. It would be undesirable to see the continued weakening of the College; it plays a leadership role and its strong program should not be destroyed.

Political considerations, Waseca Dr. Kuhl was then asked how the entire reallocation plan is playing in St. Paul. Is it the right strategy for the University? Aside from a small number of legislators centered around Waseca, he told the Committee, the plan has, in a sense, "thrown a curve ball" at the legislature. The leadership is very supportive because in the past the University, like other supplicants, has always asked for more and more money. This is the first time that the University has really said it recognizes the difficulties, the tight financial situation, has withdrawn its \$34 million request, and has said it will make as many of the changes as it can internally.

This does not mean the University will not be seeking cost-of-living increases; it has made that clear. But in general the reaction has been quite positive. Mr. Berg reported that there has been much voluntary comment along the lines of "you're right on track; the University is the only system that has responded creatively and realistically to problems in Minnesota higher education." These comments have come from both parties, from both houses, and including from people whose districts are near Waseca.

Professor Maruyama agreed; the leadership, he said, does not believe it can tell agencies to cut their budgets and, when they do it, then tell them they can't do it the way they want to. On the other hand, he said, there is great fear among rural legislators that closing Waseca will be a symbol--they see that there may be campus consolidations. The leadership may not have as much control as they might like. One problem, Mr. Berg noted, is that the only hearing on the Waseca question has been scheduled by the Agriculture Committee of the House, not the Education Committee.

The opposition is playing this up as an urban/rural issue and that the University is downplaying the importance of agriculture, Dr. Kuhl agreed. But the amount of money the University is putting into agriculture, in total, is about \$100 million--which is hardly a trivial investment. It is difficult for those affected by closing Waseca, to be sure, but the reallocation plan is not changing the University's commitment to agriculture. Moreover, there is more money going into rural initiatives.

Some, Professor Maruyama reported, would prefer to see the agriculture programs of the

University moved out of St. Paul--Waseca would be a good place to put them. The argument is that if the University is really committed to agriculture it wouldn't have the agriculture programs in the metropolitan area. The advantages of having it in St. Paul, Dr. Kuhl explained, is the interaction with other faculty and disciplines. This is exactly the University's responses are to the proposition, Professors Maruyama and Gray responded.

The Carlson School One Committee member returned to the questions raised about the Carlson school plan. There is an issue of how to measure the efficiency of the delivery of educational programs, it was said; one easily captured in numbers is the student-faculty ratio. There is a problem with the measure when raised in the context of the Carlson school. The plan calls for farming out some of the seminars to other departments; this raises questions of whether or not some courses are needed, whether or not concentration should be on vocational courses, and if more academic aspects should be farmed out. The premises of the plan remain open to question.

As far as increasing the number of students in advanced courses is concerned, there will be some savings. Experience suggests, however, that an increase in class size beyond 12 to 15 changes the pedagogical aspects of the delivery of education; the nature of the interaction changes and both students and faculty are shortchanged.

Education, continued One program proposed for elimination is Music Education, it was said; Dr. Kuhl explained that it is being transferred to the School of Music. There are no cost implications for CLA, he said, although the details need to be worked out. There are no University savings.

Another Committee member said he took a different view of the Education plans. The College will be made better, not worse, he said--and more importantly their graduates would be providing a higher quality of teacher instruction at all levels. The College was not told how much it would be retrenched and, in turn, then decided to cut the faculty and shift the programs to post-baccalaureate training; in fact, the process was quite the reverse and had begun before most current administrators were on the campus.

This is a positive sign, it was said. Minnesota is one of 15 states with the lowest standards for teacher education. The Department of Education has systematically resisted all attempts to increase those standards. This presents an opportunity to do something not only within the University but for the State as a whole. Another Committee member took issue with the contention about standards. But the point is that any college which has to give up \$2 million loses something.

In addition to losing funds, however, another Committee member pointed out, the College will receive money under the K-12 initiative. This will refocus funds on a few very specific programs.

Professor Shapiro thanked Dr. Kuhl for his time.

Rochester Center One question that arose when the last biennial budget was being considered had to do with the Rochester Center. In the reallocation plan there is only small mention of it under the CEE statement. Who is taking responsibility for it? Is there a set of objectives and mission statement? Dr. Foster responded that there is no linkage; the University refuses to negotiate over Waseca and link it to what is happening with Rochester.

That was not quite the question, it was said; what is the direction of the program? Who is responsible for administering it? Is it draining resources as it moves, under the table, to coordinate campus status? Dr. Foster replied that insofar as the University has to pay a part of the debt service on the new building it is draining funds from other programs. It is unlikely, given the number of students who will be attending the programs, that the tuition could pay for it. Moreover, a general principle adopted by the Regents holds that debt service on capital construction for instruction programs will be a system obligation, not a campus obligation.

There has been no discussion of changes in the current level of University activity at Rochester except what was mentioned by CEE, which proposes to reduce its subsidy.

Education, continued, again It is bothersome, it was said, that the first thing people think of when they think of the College is teacher licensure. The College produces 12% of the teachers in the State; teacher licensure is not a major part of the College. Historically, the College is larger than many because it comes out of the land-grant tradition. It has a much larger vocational-technical program than many places. It has programs which, at other institutions, are not typically housed in colleges of education. The core areas are not that large, especially in contrast to other midwestern universities. In comparison to those which do no teacher training, then it looks large. And one of its major roles is training people to train teachers. To continue in that role requires that the teacher-training function continue. But the College is not too big. And while it will make teachers in Minnesota better, it will not improve educational research because there will be fewer people doing research. Teacher training is not the central issue. There are a number of programs that are among the best in the nation and the College itself is in the top 10.

Computing Why, one Committee wanted to know, is there nothing in the reallocation plans which addresses computing. Dr. Foster said that academic computing was a possible candidate to receive funds under the system-wide initiative rubric; it lost out. It was finally decided that it would be better to put more money into programs and less into bureaucracy; attention will turn to computing again in the future.

What next? It was agreed that Professor Shapiro should draft a letter to the President and Senior Vice President outlining the concerns raised by the Committee.

The Committee adjourned at 4:50.

-- Gary Engstrand

University of Minnesota