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MINUTES

SENATE FINANCE COMMITTEE
October 5, 1984
Regents Room, Morrill Hall
1:10 - 3:00

Present: Mark Brenner, Richard Goldstein, Marilyn Gorlin, Linda Hanson, Vice President Keller, David Madison, Irwin Rubenstein, David Storvik, Deon Stuthman (Chr.), John Sullivan.

Excused: ~~Merrill~~ Wendell Johnson, Gerald Klement.

1. Upcoming meetings. SFC will meet 3:00-5:00 on Thursday, November 1 and Thursday, December 6. The normal meeting time will then continue to follow immediately each SCC meeting which preceeds the monthly Regents' meeting.

2. LCMR funding and University priorities and commitments. Professor Stuthman noted that the SFC has some interest in the prioritities of items funded by the LCMR insofar as there is a desire to see that the University's priorities mesh with the purposes of LCMR awards. Professor Rubenstein questioned whether the priorities of LCMR, as an outside funder rather equivalent to NSF, can be the Committee's business.

Vice President Keller described how they have become so. Faculty members in fact are submitting grant requests to the LCMR without telling the administration. In some instances, after LCMR has funded such a request for a time, the legislature expects the University to regularize the request in its BBR, since presumably it is of high priority. Often the request is made to LCMR for the initial effort with the implication that the work will be ongoing. Sometimes the applicant hints the University will of course later pick up the funding. LCMR has funded some requests which central administration had considered and declined to include in the BBR.

LCMR has lately said that items they fund which are of high University priority should be going into the regular biennial appropriation. Both the legislature and the University administration now see some need to cooperate on what requests will go to LCMR.

The very least commitment the University should be making, said Dr. Keller, is the assurance that there is space available for the LCMR-funded work. He thinks that in the future applications to LCMR should be considered and prioritized the same as items in the BBR.

Dr. Keller said the Legislature has asked the University to prepare some statements on its views regarding natural resources research and its coordination. The University is doing that and will share the statements with the Finance Committee.

Professor Rubenstein noted that faculty members need to be alerted to the existence of LCMR as a funding source.

3. Prioritization of the 1985-87 request. Hand-out. Vice President Keller distributed copies of Vice President Kegler's September 26 memorandum to President Magrath, the regents, *et al*, recommending priorities for the O&M reuqested increases and for the State Special requested increases, as requested by the Commissioner of Finance and the legislative leadership. The Regents, he remarked, may choose not to approve any prioritization.

A. O&M request. First come three imperatives, without priority. These items must be funded.* Then come the 18 other O&M increase items, in priority order:

#1. Academic Salaries -- 7% annual increase. Dr. Keller pointed out that the request for special salary funds for retention is ranked 10th. Professor Rubenstein spoke for the importance of keeping before the legislature the principle of funding for retention.

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* Fuel and Utilities -- deficit and rate increases; Operation of New Space; Disposal of Solid and Hazardous Wastes -- rate increases.

#2. Permanent University Fund Offset Removal -- to create endowed chairs (with matching funding). A discussion of the prospect is included in one of two letters Dr. Keller is preparing to send to the faculty. Central administration, not the colleges, will make the decisions on where to endow chairs by department, in accord with University planning and the need to increase excellence. Faculty input will come through the regular planning process.

#3. Indirect Cost Recovery Offset -- $5 million each year to fund various research equipment requests, research activities, and the like. Dr. Keller told SFC achieving this will help the Univeristy enormously in meeting its equipment needs.

#4, Professional Colleges Tuition Remission -- to modify tuition charges in four unique programs; #5, Increase State Allocation Due to Tuition Reciprocity, and #6, Post-MD Fellows Tuition Scholarships. Vice President Keller said their importance lies in increasing the University's flexibility to do its planning internally.

#7, Equipment Replacement Fund, and #8, Instructional Computing. These address the "outrageous" situation we have at the University with respect to equipment. Dr. Keller told SFC that an AAU data report for FY 1983 shows that the U. of M's funding per FYE student was below the Big Ten average; dollars of support per ranked faculty member was nearly at the bottom of the Big Ten; equipment per faculty member was the worst of all the schools on which we have data. These are the first quantitative data we have had on comparative overall equipment support, he told the Committee. The equipment fund for FY83 was less than $12 per student per year. Central administration has increased it markedly for FY85.

<u>SFC requested the opportunity to look at the AAU data at its November meeting.</u>

#11, Tuition Scholarships for Graduate Students. Dr. Keller said this was ranked lower than #'s 4,5, and 6 (see above) only because it is more restricted, less flexible.

#13, Faculty Retirement Deficit -- second half of remission of earlier retrenchment by the State. This is a non-recurring item.

#14, UMD Engineering Programs Operating Fund. The program is not a high University priority but has been a high legislative priority. If it continues to be so, the legislature will fund it specifically.

#15, Library Materials Increases. The University has achieved its goal for the Twin Cities campus to meet the acquisition budget of Wisconsin, Illinois, and Michigan. The current O&M item is for slightly higher-than-average inflation and for catch-up on the coordinate campuses.

B. State Specials. Dr. Keller commented that prioritizing the state specials requests was especially difficult since the University is seeking above-inflationary increases for only 12 specials and all are of high importance. The logic to the prioritizing is that they are generally ordered according to impact. There was no discussion of individual items.

C. 1985-86 Budgeting. Dr. Keller reminded SFC that by the time the legislative session begins the University is going to have to start saying what it will fund, for it will be entering the cycle to develop next year's budget. That budget will include items for which we are prepared to retrench, such as picking up support of the Bush sabbatical program, and increasing student recruitment.

4. Other issues.

A. Professor Rubenstein inquired about the future of the early retirement option, which is rumored to be coming to an end. Vice President Keller said the administration is considering cutting it off as of June 30, 1985. The financial crunch which prompted it is largely over, and it is an expensive program to carry out.

B. Professor Rubenstein asked whether a plan is yet being developed for anticipatory hiring of new faculty. Dr. Keller said only via seeking renewal of the award from the Northwest Area Foundation. Professor Brenner suggested that in Cycle IV we might begin to ask departments to examine their demographics and to anticipate their hiring needs. Professor Rubenstein urged that by the next biennial request the University have a plan designed. Professor Stuthman cautioned that the anticipated situation will have to be documented very carefully to overcome legislative skepticism.

C. Vice President Keller called attention to the request from the Faculty Affairs Committee to change the disability benefits program, mainly for the purpose of keeping up with inflation. Cost would be $300,000 on a non-recurring basis and $200,000 per year on a recurring basis. He reported his intention to take the request to the Regents and explain that, if approved, the cost would come off the top of the faculty salary increases. SFC indicated its accord with that approach.

D. Also from the Faculty Affairs Committee, and approved by the Senate, comes the request to allow a retiring faculty member the option of transfering his or her Mills I retirement funds into an IRA of his or her own choosing. Vice President Keller said this meant in fact that the retiree could then reinvest or manage those funds however he or she wanted. He said he raised the question with SFC because of the monetary consequences. Professor Goldwtein, SCFA representative, noted that the laws governing such funds have changed to allow a rollover since the University's plan was set up. Proponents of the plan want to control their capital, believing they can get a better return.

Vice President Keller raised two questions. The first is a social policy question. Has the University a social obligation to provide for its people in their advanced age? Does it retain some obligation to act _in loco parentis_? Or should it get out of that business? It is likely, he said, that some faculty members would lose all or a substantial portion of the funds they remove based on dreadful errors on investment. From experience, we know that some of those suffering would appeal to the University for relief.

The second issue concerns the University's obligation to the remaining investors in the fund. The performance of the whole fund could be significantly affected if numbers of people took out their money in good times (to reinvest at the highest possible interest rates) while in hard times when low interest rates prevail everyone left their money in. Professor Goldstein reported that a representative of the insurance company (Dean Wahlberg, a vice president of Minnesota Mutual) had told SCFA monetary consequences to the fund would be none or negligible.

Vice President Keller noted further that permitting withdrawal shifts the nature of the plan from that of a pension to that of deferred compensation.

Some faculty advocate, as a reasonable compromise, allowing faculty to withdraw up to half their funds.

The SFC asked Vice President Keller to bring the administration's proposal regarding the SCFA request back to SFC before presenting it to the Regents.

E. _Task Forces' recommendations_. Professor Rubenstein asked what recommendations are to be implemented out of the report of the Task Force on Facilitating the Scholarly Activities of the Faculty. Dr. Keller said he has asked one of the deans' councils to look for a plan for a more flexible sabbatical leave policy. He also referred to the possibility of offering options in faculty benefits, such as home mortgage assistance.

Regarding task force recommendations generally, Dr. Keller said he thinks we must look at those recommendations which cost significant amounts of money and consider which of them we think are so important that we are willing to retrench for them or include them in the University's request in the future.

The administration still has to sift through the recommendations and a deans' group will be doing the same thing.

F. Professor Rubenstein asked whether the budget principles discussed and adopted last winter relate to the budget choices the University will make this year. Vice President Keller noted that some of the principles clearly bind the University. For instance, we are under restraint to cap tuition at 5.5% which, of course, affects revenues.

In a related matter, Vice President Keller called the attention of the Finance Committee to the fact that there are errors in the state's average cost funding cells.

The meeting adjourned at 3:00 p.m.

Meredith Poppele,
Recorder