

Minutes*

Senate Committee on Finance and Planning
Tuesday, March 8, 1994
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), David Berg, Mark Davison, William Gerberich, Michael Hoey, Karen Karni, Craig Kissock, Gerald Klement, Fred Morrison, Thomas Scott, Mary Sue Simmons, Dianne Van Tasell, Albert Yonas

Regrets: Mary Askelson, Richard Pfutzenreuter, Doris Rubenstein

Absent: David Dahlgren, Karen Geronime, Roger Paschke, William Rudelius, Susan Torgerson

[In these minutes: Faculty salaries, buildings, financial planning, quality indicators]

1. Faculty Salaries

Professor Rubenstein convened the meeting at 3:15 and noted that there were four items to be taken up; the first was faculty salaries.

Year after year, he noted, Professor Sloan produces salary data; never has he been as upset by them as he was this year. No explanation has been given by the administration, Board of Regents, or legislature--either the data are wrong, or they misrepresent the situation, or they are accurate--regardless, they call for an explanation. Being 30th in professorial and associate professorial salaries among the top 30 research universities reporting data represents a long slow decline over years; to be \$16,000 below the mean of peer institutions is very disturbing. These data must be discussed SOMEPLACE in the University.

The data include both public and private institutions, but Minnesota faculty members can take positions at either kind of university. Even among the public institutions on the list, the University ranks last.

The overall quality of the University is determined by the quality of its faculty and staff. If there is a relationship between quality and salaries, what is the University doing wrong with respect to salaries to ensure that it has the kind of quality faculty and staff that it wants? The administration and Board should be called on to explain what has happened.

More important than what has happened, it was said, is what WILL happen. The Committee must emphasize that this is a serious problem, it will continue to be a serious problem, that no one is addressing it, and the University is precluded this biennium from addressing it.

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Mr. Berg reported that he is making a presentation to the Board of Regents this week on salaries. The AAUP data are accurate, although somewhat flawed in that they do not adjust for a few factors. But basically one cannot argue with them. The University's position with respect to PUBLIC research universities has not changed much in recent years; what has happened is that PRIVATE research university salaries have increased dramatically in the last 20 years. Why? In the public institutions, tuition has increased rapidly to offset, in part, a decline in state support. In the private institutions, that tuition increase has gone to faculty salary increases.

In the past, Mr. Berg concluded, the University could reasonably compare itself only with the public institutions, for market comparison purposes, because there was no significant difference in salaries between public and private institutions; that is no longer true.

It appears, observed one Committee member, that the Compensation Working Group being chaired by Professor Bognanno will address the issues, including the relationship between salaries and quality. The University actually improved its position 1980-86, but since then it has lost ground every year.

Is one answer to this problem a smaller faculty who are paid better, and a University that does less?

One Committee member proposed a motion:

1. The Committee invites appropriate central officers to explain what is planned to be done to correct this situation;
2. The Committee indicates that the next U2000 planning documents should explicitly explain how the plan addresses this issue; and
3. The financial plan for U2000 ought to contain elements necessary to address this issue.

The current financial assumptions for U2000 call for 3.5% salary increases, perhaps a little more with recruitment and retention funds; if that is all there is, then perhaps there is NO plan to deal with this issue through the year 2000.

What ought the targeted compensation level be, asked one Committee member? If there is to be a long-term plan, what average level of faculty compensation should be sought? While he had no specific number, Mr. Berg said the issue will loom large in the biennial request; the question is how to frame it. The legislature likes comparisons with the Big Ten universities; that doesn't produce much argument, although the University is slipping there. The other major approach has been comparison with the AAUDE schools, in comparison with which the University has also been slipping. What the University should do--what it MUST do--is go to a comparison group that includes selected private institutions. That will be a hard political sell; the legislature does not like including private institutions in the comparisons--but those institutions ARE the University's competition.

If the Compensation Working Group is trying to deal with these issues, should not the Committee wait until it is done and then pick up the issue? The Working Group, it was reported, is likely not going to have a report before next fall. In that case, said another Committee member, this group ought to do

something earlier in order to have an impact on the biennial request. The motion lays the issues on the table and seeks answers.

One Committee member said it has become clear, as his unit seeks to recruit a faculty member for an endowed chair, that Minnesota is not seen as an elite institution that outstanding scholars want to be associated with.

The Compensation Working Group can perhaps provide reports to this Committee as it does its work. The faculty voice on this issue needs to be heard, but the faculty also share some of the blame in that they have not raised their voices enough. This issue requires public discussion because there is a lot of faculty discontent about it.

The motion was adopted unanimously.

2. Buildings

Professor Rubenstein next reported that one Committee member has raised a question about buildings.

As one looks at the financial assumptions for U2000 planning, it was said, the numbers seem improbable. The villain in them is the capital budget and those new buildings coming on line with no new funds for operations or debt service. They drive the numbers up. One wonders if the Committee ought not put up a yellow light on capital budgets: renovations, yes, but otherwise the University should look gift horses in the mouth and see if they need dental work--and maybe not take the money for buildings in order to preserve academic programs. OR, accept the money only with the clear expectation, at the time a new building is ordered, that within 30 days of occupance a demolition team will take down the same amount of square feet elsewhere on the campus. What other way is there?

In the 1960s the University received a lot of buildings and no funds for operating them. It never abandons anything (except perhaps Temporary North of Mines, which took 45 years and stood long after Mines was gone). This is a tough solution, when people have been planning new buildings for years, but unless the University says "no," EVERY OTHER academic program is being robbed to pay for them.

The long-range capital plan for the University, noted another Committee member, calls for no net new space. The first question to be asked is whether or not there is a need for new space. If not, but the University keeps adding space, the costs "eat us up." An example is the new basic medical sciences building, the need for which was argued on the basis that it was uneconomical to remodel the existing space in the Jackson-Owre-Millard-Lyon (JOML) complex; that new building will carry operating costs of nearly \$1 million per year. So what for JOML? It should be torn down. But if it is not, added another Committee member, it will quickly be absorbed. Buildings ARE torn down, but given the current situation, as new construction is planned, there is no hope to obtain additional funding to operate new space, so at the least the University must eliminate old space.

It was agreed that this would be an agenda item on April 26, along with a report from the Facilities Management Subcommittee on the Brenner report on funding facilities charges.

It was suggested that the Capital Budget committee and the long-range planning committee chaired by Dean Fraker should think about phasing space out as well as adding new space.

3. Financial Planning

The Committee next turned to the U2000 financial plans. The numbers are optimistic, pointed out one Committee member again--5.5% increases in state funds and tuition, 3.5% increases in salaries and other budgets--and there is 2% retrenchment annually "for as far as the eye can see." That is not an optimistic view. Is that a view the University can manage? If so, there need to be financial targets written into plans so that CBS and CLA and the Law School and so on can be told what their anticipated budgets will look like and what they should be doing. These two pieces are still very disconnected; the expectations in the first planning document do not take account of the financial realities.

If those assumptions, including the retrenchments, are to be, the University must build into college instructions the expectation that they will increase user-friendliness, etc., on a budget smaller by 12% at the end of six years.

Another Committee member responded that if there is to be change at the University, one way to accomplish it is to seek 1 - 2% changes in budgets every year. If the reductions are balanced with funding from the Strategic Investment Pool (SIP), that should allow some units to grow and contribute to University goals and to be funded for doing so--and it will allow the University to see other units shrink. That is change. This mandates slow but continuous change.

These assumptions do not say what the plans will be for the next four years--things do change, after all--but says there will be year-by-year change. The administration may not want to make explicit which units should grow and which should shrink, but that will be evident within a few years. This all depends on the way one looks at it--it is 2% annual reduction or 2% annual change. One can agree in part, said another Committee member, but plans should not be year-by-year; they should be rolling four-year plans, perhaps, so that one does not change the near-term plans. Presumably, with six year planning goals, the long-term directions are set by those goals and units year by year set out objectives to achieve those goals. If they do not achieve them, they should not expect to receive additional funding.

This process does not deal with anomalies, pointed out another Committee member. How does the School of Management suddenly get to the top of the capital list? What is ALG doing in terms of draining resources from the University? "Craziness causes plans to go astray."

One can understand the depiction of the process as slow but continuous change through retrenchment and the SIP. One can wish it would work, but it doesn't, because one can see that games will be played with the annual retrenchments and the SIP. Decisions are made too late to affect faculty lines, so they affect P&A and secretarial staff, supplies, and this happens every year. The decisions have been moved up by 3 - 4 months this year, which helps some, but not a lot.

What will be needed is central courage, and not elimination of the SIP, to indicate which units are in a steady state, which will decline, and which will grow. Those indications must be tied to financial planning; right now goals are out of synch with financial plans. The plans need not be absolutely fixed, but they need to extend for more than one year.

The assumptions also rely on all of the revenue materializing; if it does not, there will be even larger retrenchments. The result is steady-state funding, minus the 2% and plus the SIP funds, with a potential shortfall in state and tuition revenues. There are units that shrink, pointed out one Committee member; Education will shrink from 160 to 125 faculty and some departments will not hire new faculty for several years. That needs to happen more generally, it was rejoined.

One Committee member said it appears that much is coming together at the budget hearings with the units; there has been enough information gathered to inform the discussions. It is Dr. Infante's view that they need to be even earlier so they do not coincide with the beginning of the legislative session and the need to conduct promotion and tenure reviews. Another Committee member reported that a lot of SIP requests are being made, many very creative and some with long-term tails; the responses to them will affect planning before planning has considered them. But there appears to be much improvement in the budgeting process over previous years, when budgets were disconnected from planning--or budgets WERE the planning.

An important factor will be the extent to which the administration sticks with the plan and does not allow donor or other outside influences to affect decisions. There must be flexibility, of course, but questions about capital request raise issues. One cannot predict the future, said another Committee member, and new opportunities come along that the University must have the flexibility to seize, where appropriate. The one great virtue of the School of Management project is that it may permit the humanities departments to relocate, thus putting them next to their own library.

4. Principles to Guide the Development of Indicators for U2000 Planning

Professor Rubenstein reported that the author of the draft principles, Darwin Hendel, was unable to join the Committee but asked that discussion nonetheless take place. These principles are proposed to guide the selection of indicators to be used in measuring progress and to report that progress to those who are paying the bill. For students, it can help prove their tuition is permitting the University to do a better job. Some indicators will be unit-specific; others will apply to the entire University.

Is this an effort to measure quality or to measure improvement, asked one Committee member? One senses it is improvement. If a unit is already the best, all it can do is get worse; it isn't clear this is the best way to measure things. More important is the question of whether or not the University is better than it was. Small improvements or declines are not important except for what they might predict for the following five years. There is no value in just the differential between before and after, which is what the principles appear to focus on; the question is whether or not appropriate quality is being retained.

One can also be concerned, it was said, that the principles, in the search for appropriate measures, will eschew any measure; the result will be no measures. If one considers the measures proposed by the Graduate School, for instance, many disappear if one tries to apply them to units not funded by the Defense Department or NSF or NIH; more disappeared when NAS rankings are not relevant; eventually, they all disappear. It is doubtful one will end up with ANY University-wide measures.

Committee members then spent time discussing the merits and disadvantages of rankings and measures of quality, their relative validity, and how they include or not various units of the University.

Among the points made were these:

- Methodologies differ considerably among different rankings; NSF rankings vary from those of professional schools, for example, but at least there is consistency in the standards used within the NSF study to evaluate the several disciplines.
- In one study, the University ranks 6th among public institutions in quality; it also ranks 150th or 160th in the undergraduate experience. That includes competition with many good liberal arts colleges, but it even ranks low among public universities.
- Unless one knows how institutions differ in mission, disciplines, types of students, and so on, it is very hard to compare them; the Twin Cities campus is sometimes compared to Antioch or Berea.
- One must be concerned about a focus on rankings comparing entire institutions--when those rankings are based on 30 or 40 disciplines. The priorities of the University can be skewed to those disciplines when there are over 200 departments here. Michigan, to take one small example, has no College of Agriculture.
- Mr. Berg, who has dealt with these measures for many years, said he doesn't put much stock in ANY of these rankings.
- One might look at impediments to a degree, such as closed sections and students unable to register. The draft principles, it was noted, talk about moving to "output" measures rather than "input" or process measures, but that is one process measure that could be important.
- The state's Task Force on Future Funding has recommended that each system bring a small number of institution-wide measures to the legislature. With or without funding attached to them, they will permit the legislature to look at year-by-year improvements.
- There ought not be a disconnection between the institutional measures and the unit-specific measures developed by the colleges.
- When everyone wonders at the validity of institution-wide measures, how important are they? Some states have adopted such measures and linked them to institutional funding, it was noted, and many people will look at graduation rate and the rankings and ask what they mean; it will be tough to explain that they are not meaningful. The University must either deal with them formally or it will have a public relations problem, and it will need to create competing measures.

Then the University must take the opportunity to select the most accurate measures, if there are to be institutional measures of doubtful validity. Perhaps it is naive to ask, but must one assume that others cannot be persuaded of the doubtful validity of these rankings? In other states, measures have been imposed by people without a good understanding of higher education; here, the systems will propose them, and the University better be prepared for the 1995 session to propose the measures it believes best.

- One of the best institutional measures may be the first-year fellowships awarded to departments by

the Graduate School, said one Committee member. They reflect the relative quality of the students enrolled in programs, and so indirectly measure program quality. The distribution of those fellowships parallel quite closely the distribution of McKnight Professorships as well as other departmental rankings.

This again is a measure of "inputs," not "output," it was noted. The premise has been that what needs to be measured is the latter. Accrediting associations are increasingly moving toward assessment of outcomes.

- One must be mindful that whatever is done to measure outcomes and results will have costs; there are enormous administrative costs, for example, with training grants.

After agreeing that a future agenda item should include the financing of the health sciences and the implications for the University, Professor Rubenstein adjourned the meeting at 5:00.

-- Gary Engstrand

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