

Minutes*

Senate Committee on Finance and Planning September 24, 1991

Present: Virginia Gray (chair pro tem), Avner Ben-Ner, David Berg, Paul Hess, Michael Hoey, Thomas Hoffmann, Craig Kissock, Robert Kvavik, Nick LaFontaine, Alan Mackenthun, Fred Morrison, Jeff von Munkwitz-Smith, Mary Sue Simmons, Charles Speaks

Guests: Senior Vice President Robert Erickson, Ken Janzen (Regents Office)

Professor Gray called the meeting to order at 3:15 and explained that she was serving as chair at the request of Professor Shapiro, who is out of the country.

1. Fringe Benefit Rates for Graduate Assistants

Professor Gray turned to Mr. LaFontaine to explain the problem with fringe benefit rates for graduate assistants. The University has not been correctly charging fringe benefit rates for GAs, according to a federal audit; the change required would increase the rate from about 9.5% to over 30%. The principal impact would be for departments who are paying GAs on grant funds; the grants currently in place do not provide for funding of fringe benefits at this level.

Mr. LaFontaine informed the Committee that the issue will be resolved by the end of the week. The University will be able to maintain two rates, academic and civil service, through the 1992-93 fiscal year; after that the higher GA rate will have to be charged.

One Committee member inquired if the University would seek a change in the federal rules so that the present GA rates could be continued--and also suggested that it should not, arguing that costs should be assessed where they are incurred. Only a handful of universities have used a two-tiered rate and there is virtually no chance the federal rules will be changed, the Committee was told. Senior Vice President Erickson also agreed with the view that the accounting should reflect actual circumstances and costs and that the University will be better served by knowing where expenses are incurred.

2. Agenda for the Year

Professor Gray next inquired of Mr. Erickson and Dr. Kvavik about items that would be coming before the Committee during the year; they and several Committee members identified a number of issues.

- The 1991-92 budget and the manner of dealing with the \$32 million in cuts; the budget document will be distributed to the Regents on October 4 and will make up the agenda for the October 8 meeting of the Committee
- Charging for space

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- Implementation of the CUFS system, and the HRS portion of it
- Deferred maintenance and life-safety-fire improvements
- Organizational changes in Finance and Operations and rationale for them
- Financing of facilities, including alternative methods when the State funding capacity is exhausted
- With the departure of Dr. Foster from Academic Affairs, a rethinking of the division of labor on planning and budgeting between Academic Affairs and Finance and Operations
- The 1992 capital request
- Discussion of legislative strategies with Donna Peterson
- Identification of funding for utilities and maintenance for buildings constructed with private funds, especially the Art Museum
- The health care task force
- Investment performance and interest payments (paid to units, put in the endowment, retained centrally)
- Review of reallocation within Finance and Operations; where the funds are coming from
- Steam provider contracts; will be taken up first by the Subcommittee on Physical Plant and Space Allocation and then brought to the Committee
- Ways to encourage the efficient use of faculty time (in governance and administrative tasks and procedures)
- Salary issues, including equity within the system and a follow-up report of the ad hoc working group on salary structures
- The future of the University in northwestern Minnesota
- Possible replacement of the Average Cost Funding Matrix with other legislative approaches to funding higher education (such as changing the percent of instructional costs paid by tuition; information from other states on budget trends and planning would be useful)
- Greater attention to planning issues, such as enrollment and MSPAN

3. Issues From the Faculty Meeting on the Budget, September 19

Professor Gray explained that a number of faculty members had participated in a meeting to discuss the broad outlines of the 1991-92 budget; she inquired, of those who had been present, if there were any issues which needed additional discussion prior to presentation of the final budget on October 8.

One Committee member inquired if the final budget would explicitly identify whence the 3% escrow for salaries would come. Mr. Erickson reported that discussions between the academic vice presidents and deans are now taking place and that plans are in varying states of development. Dr. Kvavik said he did not know if the final numbers would be in the document; the 3%, he pointed out, will not be moved among colleges. It was suggested that despite assurances from central administrators, the 3% looks like across-the-board cuts by vice presidential area or by college and there is a question about whether or not the reallocation will actually be targeted. Dr. Kvavik said it will be clear that Academic Affairs and the deans have approached the reallocation programmatically and that it will NOT be across-the-board. It was also suggested that a 3% reallocation by vice presidential area assumes that the base is now properly allocated--an assumption not all would accept as valid. It is not intuitively obvious that all vice presidential areas should receive the same cut. Dr. Kvavik responded that if one looks at the entire budget, it will be clear that there are differential impacts by vice presidential area.

It was also agreed that there are opportunities to reduce inefficiencies (e.g., in heating faculty offices).

The Committee adjourned at 4:05.

-- Gary Engstrand

University of Minnesota