

Minutes*

Faculty Consultative Committee
Thursday, November 5, 2009
1:00 – 3:00
125 Nolte Center

Present: Marti Hope Gonzales (chair), Melissa Anderson, Nancy Carpenter [absent because of technology failure], Carol Chomsky, Chris Cramer, Shawn Curley, Janet Fitzakerley, Kathryn Hanna, Caroline Hayes, Emily Hoover, Brian Isetts, Jeff Kahn, Russell Luepker, Jan McCulloch, Michael Oakes, Martin Sampson, Kate VandenBosch

Absent: Walt Jacobs, Becky Yust, Cathrine Wambach

Guests: President Robert Bruininks, Provost E. Thomas Sullivan, Vice President Steven Rosenstone, Professor Judith Martin

Other: Kathryn Stuckert (Office of the President)

[In these minutes: Financing the future and the University's financial future]

[Correction on the discussion of presidential succession: With respect to the presidential search, the Board of Regents and the Regents Office will handle the presidential search. The Board will run the search and will work through the Board of Regents office to do so.]

Financing the Future and the University's Financial Future

Professor Gonzales convened the meeting at 1:05 and welcomed the President, the Provost, Vice President Rosenstone, and Professor Martin for a discussion of the "Financing the Future" task force report. The Committee and the guests agreed that the minutes would cover the highlights of the discussion.

-- The University should make short-term responses to the financial situation that confronts it over the next few years, but it should also not focus on long-term issues beyond the control of the Board of Regents (e.g., the state's economy). Problems it can deal with include such things as the financial system and retention and graduation rates.

-- The President said he hoped that the Committee and the task force he has appointed will help make the University more productive, more efficient, improve quality, performance, impact, and the reputation of the University; part of the solution will be to take on difficult long-term issues. The institution may have lost some flexibility to address some issues because of its highly-decentralized nature—which can be a source of great strength but can also create additional cost. He said there are both short-term and long-term steps that must be taken and the process will perhaps not be as tidy and linear as one might wish, but that is acceptable; the task force will need to be steady, and when it identifies

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something important to do, the University must do it and the task force must be steady through the transition.

-- There will be metrics, which follow up on the work that the Committee has done, and the Committee needs to continue to work with the administration developing them. The President said he hoped there could be consensus on 30-40 measures the University would use to track its progress over the long term; he asked Committee members for their thoughts and suggested the topic be on a future agenda.

-- There are several questions he thinks about, such as the obstacles to retention and timely graduation, how better to evaluate the performance and value of academic programs and centers to narrow the scope of activities and re-focus resources where appropriate, the obstacles to data-driven, value-based decisions that can advance the mission, and primary metrics that serve as key indicators of academic excellence and quality teaching, research, and outreach. Some programs may not produce a good return-on-investment of University resources, but at the same time it is also desirable to invest in programs that do not generate revenues because those programs are core to the University's mission and responsibilities. Any metrics must be value-based and not just numbers—and not metrics that simply measure what is easiest to assess and report.

-- The question of whether the task force approach will lead to a narrowing of the scope and whether that will occur in a bottom-up process.

-- There will be a need for even the best units to set priorities, and the impact of reductions in business operations in order to redirect funds to academic programs; people may want to rethink decentralization in some aspects of the University.

-- Adoption of the new financial system was not entirely successful but there is also a resistance to change in the way people do things (e.g., in the private sector, procurement is sometimes handled by one central office; there is nothing in the nature of the academic enterprise that requires procurement be handled in multiple locations). Do current teaching patterns require more classrooms than would be needed if different scheduling patterns were adopted, or if the curriculum were organized in a different way?

-- Given the big decisions and changes needed, and the problems of implementing EFS, one can be concerned about how well the University can make systemic changes effectively. It did so in a disciplined way when it changed to semesters. In the current circumstances, however, there is a need to reflect on the consequences of every decision with respect to both finances and values. Faculty may not always be good at that kind of discipline, but if faculty members are not engaged in the process and the administration makes decisions, it may not fully understand the implications for the faculty. There is a need have faculty support and participation at all levels. Getting buy-in is not unique to higher education but it is more complicated because of the decentralized environment and the strong commitment to shared governance.

-- One Committee member speculated that one can imagine that on 7/2/11 there could be furloughs and programs cut; it is not clear what must be done in the short-term and long-term and there is a need for strategies and incentives to encourage faculty and staff to change. The President said he will do all that is possible to leave a balanced situation to his successor, not a cliff; the situation is severe but it is not doomsday. The Committee discussed the evolution of the revenue streams (i.e., increased reliance on

tuition, less on state funding) and its implications for budget management. Provost Sullivan commented that if nothing is done to establish principles and follow them, everyone on 7/2/11 can ask if they were part of the solution; if principles are not established and followed, the University will slide into mediocrity from 1000 cuts. There must be a balance of raising new revenue for investments in programs and people, along with prudent cost-cutting.

-- The number of metrics requires attention; there are a thousand potential metrics and there can be debates about every one that is proposed and about what should be counted; it is worrisome if they will be used for decisions. On the question of values, every faculty member, academic unit, center, and college will argue that what it is doing is of value to the state and the world. It will be difficult to make decisions with multiple metrics and institutional values. The metrics will need to have face validity and there cannot be too many of them.

-- Whether colleges can work together (which is required to promote interdisciplinary activities) and if they do not (which will promote redundancy) and how the institution can promote activities that are above the level of the dean. There is need for a group that looks at cross-silo functions and a mechanism that brings conversations together. The compact process is a vehicle for doing so. The task force may also need to address the fact that incentives for competition may be greater than those for cooperation.

-- The extent of the state's continuing support for the University and the implications of increasing other sources of revenue.

-- The need to review the undergraduate curriculum and whether resources can be better used to deliver education.

-- Creative people at the University will respond to incentives, but they can be cynical that money saved in a unit simply leads to lower funding; perhaps for two years people who come up with money-saving ideas should be given a part of the money saved. If colleges identify new ways to generate revenues, perhaps they should be "taxed" differentially.

-- Provost Sullivan said it would help if this Committee would assist in drafting principles to guide the process of balancing the tradeoffs that will have to be made. There will need to be more specific goals and targets and the University will need to be nimble and resolute. There will need to be timelines and clear measures so the institution knows how it is doing. Any process of evaluation should be lean. It must also be transparent, and there must be trust; not everyone can be involved, but the faculty must trust that the right people were.

-- People are weary because of the continued process and conversations about priorities and cost reductions, the Provost said. People must be convinced that other institutions are facing the same problems—and those that do it the best and the quickest will be the winners.

-- This is an opportunity to reshape the institution, said one Committee member, but many faculty may just leave things up to the administration and go about being faculty—but if the faculty do not participate, this could end up being a place where faculty do not want to be. There is a collective responsibility on the part of the faculty. The institution must take charge of its own future and decide what it will look like in 5-10 years.

-- There is a need to lower transaction costs and the University never sunsets anything. What if there were clear standards by which to make such decisions? There will be savings from the changes in the Graduate School, but it was a hard conversation; not every decision can carry those transaction costs. Nor is it likely there will be \$50 million in savings from one decision; there will need to be a lot of decisions, and if they all have large transaction costs, the University will never get to where it needs to be. People can become risk-averse if there are high transaction costs to every decision.

-- Vice President Rosenstone made several points. "If we do not work together in new and creative ways to address the challenges we are confronting, quality will most assuredly slide. No public university is immune to these challenges. Part of our competitive advantage will come from the University of Minnesota devising the smartest strategies. (1) There are fundamental design questions that need to be addressed. We may need to go back to 'first principles.' Gary Stern, former President of the Minneapolis Federal Reserve Bank recently observed that 'One could go far in setting good policy by keeping in mind the importance of incentives and the absence of a free lunch.' If we get the incentives right and understand that we can't do it all—even some of the things that are important and beneficial—the rest will take care of itself. No matter how brilliant our vision, no matter how great our resources, or talented our faculty, staff, and administrators, we will not make great progress if the incentives don't encourage and reward students, faculty, and staff across the University system to make the right things happen. (2) We must invest in smart and creative ways to improve student learning. These investments need to be better informed by evidence about how people learn and what students are actually learning. (3) We need to develop better strategies to guide investments that will advance science, knowledge, and creativity. As individual faculty, over the years we naturally abandon lines of research so we can turn our energies to inquiries that we think will have higher scientific payoff. Disciplines do the same thing, creating new fields (e. g. cognitive neuroscience, international political economy, human rights, or genomics) and abandoning fields that are less promising. It's a natural evolutionary process, investing more in fields that generate the big payoffs; investing less in those that do not. As we go up the ladder from individual, to discipline, to the University as a whole, decisions about de-investment get tougher and often produce moments of high politics. They should not. Instead decisions to move resources from one area of inquiry to more promising ones should be a natural part of what we do in the academy, during flush as well as tough financial times. (4) One is often struck by how risk-averse the academy is. Too often we hesitate to try new ways to do things or new ways to organize the enterprise, advancing those ideas that work out and abandoning those that don't. This is surprising given the security faculty are provided by tenure. Institutions that are more innovative and agile will soar over the years ahead, in part because they will figure out how to stop doing some things so they can invest in more promising endeavors. That is one of the key points made by the 'financing the future; task force.'

-- Committee members commented on tenure. It would be helpful to identify the way that tenure can help move the process forward, rather than allow tenure to be seen as something standing in the way of change. Tenure is about the opportunity to do certain things—and about reciprocal obligations to the community. It is also about the freedom to take reasoned, thoughtful risks—but the culture seems to be one of not taking risks. Faculty members take risks on an individual basis and need to do so on an institutional basis. One must also ask what the disincentives are to doing so—why do faculty not help the institution? Part of the explanation is socialization: faculty work in their specialty and in a department and sometimes do not seem themselves working in a university. The point of tenure is that they can break out of their specialization. But there is a cost to faculty who do so; chairs do not see participation in the affairs of the University as a way faculty should spend their time. It is related to incentives; if the institution says it will reward one thing but rewards another, faculty will do what they are rewarded for.

This is a common goods issue: faculty members are devoted to their field and want to do their work, and it is not a solution for everyone to say that someone else must drop an activity.

Professor Gonzales thanked everyone for attending the meeting and adjourned it at 3:00.

-- Gary Engstrand

University of Minnesota