

Minutes*

Senate Committee on Finance and Planning
Tuesday, January 22, 2013
2:00 – 4:00
238A Morrill Hall

- Present: Will Durfee (chair), Gary Cohen, Dan Feeney, Susan Hupp, Lincoln Kallsen, Kara Kersteter, Russell Luepker, Jill Merriam, Fred Morrison, Paul Olin, Richard Pfutzenreuter, Jahon Rafian, Terry Roe, Ann Sather, Arturo Schultz, S. Charles Schulz, Michael Volna
- Absent: Catherine Fitch, Talha Khan, Ruth Lane, Gwen Rudney, Michael Rollefson, Kyle Smyth, Thomas Stinson, Pamela Wheelock, Aks Zaheer
- Guests: Deans Allen Levine and James Parente, Associate Dean Mos Kaveh, Associate Vice President Gail Klatt (Department of Audits)
- Other: Jon Steadland (Office of the President)

[In these minutes: (1) administrative costs; (2) centralization and decentralization]

1. Administrative Costs

Professor Durfee convened the meeting at 2:00 and turned to Vice President Pfutzenreuter and Mr. Kallsen to lead a discussion of University administrative costs. He noted that this item had been added to the agenda on short notice because of the recent spate of newspaper articles starting with the 12/29/12 article in the *Wall Street Journal*. That article was the subject of an editorial in the *Washington Post* that was picked up by the *Star-Tribune*, and it and ensuing articles caught the attention of legislators and others.

Professor Durfee recalled that the Committee had an extensive look at both vice presidential and collegiate administrative costs over the last two years, and then Mr. Kallsen presented last September an initial report on workforce analysis, which has been a difficult challenge. One can look at these data in a number of ways, and there was a more nuanced view of them in the report to the Board of Regents in October. He turned to Mr. Pfutzenreuter.

Vice President Pfutzenreuter first reported on the governor's budget recommendation for the University. [The recommendation is to fund the tuition freeze, the MNDrive research request, the loan forgiveness program for students in medical fields (including veterinary medicine and pharmacy as well as medical school graduates) willing to work in underserved areas, but the recommendation does not fund the accountability items.] If the recommendation is funded, it will ensure that resident undergraduate students will not see a tuition increase for two years and the state will invest in important research initiatives. The University's appropriation will be contingent on providing a report on administrative costs.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

Mr. Pfutzenreuter turned to administrative costs and related that he has email messages from the *Wall Street Journal* reporter back as far as October, 2012. The newspaper was doing a series on higher education and the reporter zeroed in on Minnesota because it, in the IPEDS data, had the highest number of employees falling in the "executive/administrative and managerial" classification. [IPEDS is the federal Integrated Postsecondary Data System, which requires reporting of data to the federal government.] He and Mr. Kallsen spent about two hours with the reporter—and he now wishes he had tape-recorded the discussion because the reporter acknowledged how bad the IPEDS data are—but used them anyway. Some of the problem is self-inflicted, Mr. Pfutzenreuter reflected, because the University could have done a better job of reporting data. They provided the reporter with the University's data files and explained the problems in classifying people (with 650 job codes and 19,000 employees, it is inevitable that there will be people who are mis-classified).

Once they saw the numbers reported in the article, it took them about 10 days to reverse-engineer the data files to figure out how the reporter got the numbers he did. Many of them are subject to interpretation, but that does not excuse the fact that the University has not had a better analysis of administrative costs. That is the major reason they conducted the benchmarking study that was reported to the Regents in October: Because there are so many claims about what administrative costs are. Mr. Pfutzenreuter said he wished they had done the study earlier, but believes that they have appropriately identified costs and will stay with the analysis. Unfortunately, others got out ahead of the analysis and set their own definitions. [The University's analysis of the article is attached to these minutes.]

Mr. Kallsen distributed copies of a few slides and began by noting the variability in IPEDS data. He reiterated the point that had caught the attention of the reporter, the number of employees in the executive/administrative/managerial class. He said that even though there are definitions in IPEDS, institutions must interpret them, and the results can be variable. For example, from fall 2006 to fall 2007, the data suggest the University hired 1400 additional administrators—which it most certainly did not do. What it did was try to adhere to definitional changes made by the federal government in classifying employees. Mr. Kallsen pointed out that for the years 2002 to 2008, the number of employees in the executive/administrative/managerial category at Johns Hopkins were 1492, 159, 93, 100, 98, 1509, and 741. From 2004 to 2005, Michigan went from 1051 to 1625. Washington went from 930 to 432 in one year. Wisconsin went from 1262 to 473 in one year. So the University of Minnesota is not alone in having trouble applying the definitions, Mr. Kallsen concluded.

The same problem arises with IPEDS data on "other professionals (support services)" category, Mr. Kallsen observed. Johns Hopkins in one year went from 1669 employees in this category to 5516. Berkeley went from 5186 to 4259. Florida went from 1393 to 3093. Washington over four years went from 6733 to 9663. Minnesota, from 2006 to 2007, went from 7454 to 4316 (and has stayed at approximately that level since).

If one adds together the numbers in the two categories of employees, Mr. Kallsen said, the University of Minnesota's total count is below that of Wisconsin, Michigan, and Illinois, and ranks 22nd out of 72 very-high-research universities. Mr. Pfutzenreuter said that the reporter was given this information. What the reporter concluded was that the University had added about 1000 administrators over ten years, Mr. Kallsen said. The reporter asked for all data on all employees at the University and then looked at those coded executive/administrative/managerial over ten years and saw an increase of about 1000.

Were there 1000 more? There were, Mr. Kallsen said, the way that employees were coded. But 354 of them were faculty members who were miscoded (which is the University's fault, he observed; some colleges changed how they budgeted faculty lines, and held some positions in the dean's office so

they could be better managed—but those positions were classified as administrative even though the individuals were regular faculty members in departments teaching and doing research). That coding practice has ended, he said. Of the remaining 646, 53% are not supported by state or tuition funds. The remaining 343—those paid with state/tuition funds—are professionals who provide research and student support, such as coordinators in clinical trial research, coordinators in the Office of Disability Services, classroom technology professionals, study-abroad advisers, coordinators for MINITEX, and so on.

Professor Cohen said that there are several categories of non-teaching professional personnel where one can observe growth over time and one has the sense that both here and elsewhere they have become a larger percentage of the budget. Many would say those people provide good service, but what do institutions do to monitor the growth of those categories? Mr. Kallsen agreed and said the University has to talk about descriptive categories rather than simply lump all those people into "administration." He observed that there are categories, such as classroom technology professional, that didn't even exist a few years ago.

Professor Schultz asked how faculty members with a partial administrative appointment are classified. Mr. Kallsen said that if their appointments are split, a portion is allocated to administration and a portion to instruction. Department chairs are also an example; how do departments categorize them when the chair is also teaching?

Professor Olin asked if the analysis looks at augmentations over time. It does, Mr. Kallsen said, because it includes total compensation.

Professor Luepker asked how they use payroll allocations to decide on functions when the dollars are fungible. His role as a director of graduate studies is not separated from his other responsibilities in his salary. Mr. Kallsen said that if people's time is classified correctly, the payroll data are correct. He noted again that many administrators are not on state or tuition (O&M) dollars; a center director on an NIH grant is an administrator but not paid with O&M funds. Are they able easily to split out functions, Professor Luepker asked? They can, Mr. Kallsen said, but it may not be worth the cost. If someone's allocation of time changes every month, it would require a lot of time to keep recoding the appointment. On the other hand, if someone spends half his or her time doing X but the X activity is not coded appropriately in the appointment, it is difficult to get a true picture of the workforce.

Mr. Kallsen next reviewed four graphs. One plotted employee headcount over ten years; the number increased 3.6%, so was relatively flat. The number of students per employee increased 10.9% over that same period. The number of degrees granted per employee rose 28.2%. The sponsored dollars expended per employee rose 41.6%.

Professor Durfee recalled that Mr. Kallsen had at an earlier meeting presented data on expenditures on mission, on mission support, and "administration." Mr. Kallsen said they benchmarked those numbers in 2012 and will take the analysis back to 2006. Professor Durfee commented that there are many faculty members who would be interested in the data about the relative mix over time. When they did the payroll analysis, Mr. Kallsen said, they saw little change over time. In 2002 35% of payroll was for direct academic activities providers (faculty, adjuncts, scientists, extension educators, graduate assistants, etc.) and it was 35% in 2012. Those data should be included in presentations, Professor Durfee suggested, because they suggest the percentage of funds going to administration has not increased.

Professor Roe asked if the graphs would look different if, instead of using all employees as the denominator, one were to use professorial employees. There would be different ratios, Mr. Kallsen said,

but the large ratios—employees in direct academic work, mission support, etc. are remarkably constant over time.

Professor Durfee said that one of the points in the *Wall Street Journal* article referred to the number of individuals with salaries over \$X thousand per year, which is always a hot-button topic. Mr. Kallsen turned to a handout that provided context for the numbers in the article. He noted that the reporter was not obligated to use a common starting year or to consistently include the non-Twin-Cities campuses, which is one reason it took so long to reverse-engineer the numbers. The contextual analysis has been provided to the Board of Regents.

Mr. Kallsen noted the analysis of the point about salaries. The newspaper article reported that "Administrative employees make up an increasing share of the University's higher-paid people. The school employs 353 people earning more than \$200,000. That is up 57% from the inflation-adjusted pay equivalent in 2001. Among this \$200,000-plus group, 81 today have administrative titles, versus 39 in 2001." Mr. Kallsen noted that the second sentence refers to ALL University employees systemwide—and of those making over \$200,000 per year, 74% are faculty members. In 2011, 35 (10%) of employees making over \$200,000 per year are in central units. Mr. Pfitzenreuter also noted the difference between the first and second sentence and said he believed the reporter intentionally wrote the paragraph that way to mislead people.

Professor Cohen said that responding point-by-point to the newspaper article makes it evident how difficult it is to compare numbers. Such a response is understandable but also gets into the weeds, it appears defensive, and involves a statistical maze. He wondered if people would not feel they were being snowed. Other Committee members agreed that the response appears to be defensive but that it need not be. Professor Kohlstedt said that academics will want to see the analysis and urged that it be appended to the minutes. Professor Luepker commented that the entire matter has become a public-relations issue and that there are lessons to be learned. The University knew there were problems in the IPEDS data a number of years ago, and this is the culmination of the problems. The salary cuts in the last few years focused attention on them. Other universities have the same problem; the University needs to say it is looking hard at the issues, has made changes, and will make more.

Professor Roe commented that the University is responding ex post to the article. What is the next issue that will come along? It could be rising tuition that increases the debt of students. In that example, there is a positive side: The return to education is increasing rapidly and the gap between those with a college degree and those without is increasing, so education pays off. It is worthwhile thinking about what the next issue could be. Professor Durfee agreed and pointed out that the benchmarking study in 2012 was an attempt to get ahead of the question of administrative costs.

This is a multivariate problem, Professor Hupp said, and difficult to deal with on a day-to-day basis. What would help educate the public is not to talk down to it but to take people through the facts in order and identify the critical ones to provide context. There was recently an article claiming that students are not learning much in college. If that were the focus of someone's attention, one could argue that students aren't learning anything because of highly-paid administrators.

Mr. Kallsen agreed that the University needs to do a better job of understanding the data. He and Mr. Volna are working with colleagues from other Big Ten institutions to develop a common understanding of the IPEDS financial data and how each institution interprets definitions. He also reported that all the human resources data will be changing in the next IPEDS report because it will be using standard federal definitions. Institutions will have a better sense of why they are putting someone in a particular employee category.

Professor Feeney noted that the president has said a consultant will be hired. In response to the request for a report from legislators, Mr. Pfutzenreuter responded. Professor Feeney said the University needs to make it clear that hiring a consultant is not a knee-jerk reaction to every crisis.

Professor Shultz said that with respect to public relations, it is not just the public—it is also the faculty. The faculty have significant concerns because they have seen cuts to their programs over the last five years and want to know if funds will be reinvested so they can meet the president's goals in education and research.

Professor Durfee thanked Messrs. Kallsen and Pfutzenreuter for their report.

2. Centralization and Decentralization

Professor Durfee now welcomed Dean Levine, Dean Parente, Associate Dean Kaveh, and Associate Vice President Klatt to discuss centralization versus decentralization: What aspects of the organization should be distributed (to the colleges, or departments) and which should be centralized at the University level? This can be a fuzzy matter, he said, but said the Committee has great guests to explore it. As the location of activities changes it affects the risk levels at the University, which is why he asked Ms. Klatt to join the discussion, in addition to reporting on her experiences.

Dean Parente said he had been reflecting on the topic in light of the email from Professor Durfee explaining the focus of the discussion but said it would help to understand how the Committee envisions centralization and decentralization and the gains and drawbacks of each. When it thinks of centralization and decentralization, what does it see as the pros and cons? Has it had preliminary discussions?

It has not, Professor Durfee said in response to Dean Parente's last question. Professor Feeney said that if an organization is decentralized, it is possible to see effort duplication and inconsistencies, and one ends up with data in which one cannot have confidence. Another dimension is that the division of labor is not transparent, Professor Cohen offered, and it can take years to figure it out (e.g., the division of responsibility between the college and central administration in such matters as human resources or accounting). Moreover, the boundaries can shift. It is hard to imagine either human resources or accounting as totally centralized or decentralized, but where the line is and how shifts in the line occur can have serious effects on units.

Professor Durfee said there is no grand theory, and while the Committee was thinking about services, one can also think about centralization and decentralization in academic matters as well. That is why the example of the Graduate School arrangements is so interesting: The colleges have more autonomy in an academic matter.

Professor Morrison said that with decentralization, departments receive the service they want as opposed to the service another department wants. In a number of areas the University has tried centralization and it has diminished the quality of service to the units. If one wants to do something cheaply, centralize it. If one wants to do something effectively for programs, decentralize it and run it separately.

Professor Roe said that units are linked with each other and must rely on other units to provide subject matter (e.g., English, mathematics, chemistry) that the unit cannot provide as effectively because of the nature of its specialization. This is what economies of scale are all about. The question is how to coordinate budgets and avoid the silo syndrome.

Dean Parente said that there are certain administrative functions that it is much better to do centrally, such as benefits and payroll, but there are specific personnel issues in the colleges where decentralization can be beneficial. He said that Professor Morrison had suggested a polarity; if one considers only academic issues, the closer to where the expertise lies, the better off the programs will be. No central office should decide curriculum, teaching, advising, and so on. With respect to the Graduate School, some areas of work were passed down to the colleges but some of the changes allowed decisions where there is expertise on the ground. He agreed with Professor Cohen about the difficulty of figuring out the relationship between central and college offices and said he had the same problem as a new director of graduate studies with the Graduate School and the college. With decentralization of the academic elements of graduate education, the colleges can develop policies that respond to the issues they face. Dean Parente said he did not have data on whether the changes in graduate education cost the college more but recalled that the overarching reason for the change was to save money.

Professor Durfee asked if there are areas, on either the academic or service side of the house, where the guests see things as out of whack.

Dean Levine said he has a certain skepticism about decentralization versus centralization because any new leader will see problems, make changes, and then other problems arise. These are cultural issues and they vary by unit (e.g., units with lab sciences versus those without them). One system will not work in a large and complex organization. Units are in different places but all of them talk to each other and can allow for unit variances. Any system must be attentive to unit needs. The changes to the Graduate School were sold as a cost-savings measure; if the changes were not so recent, one can imagine arguments that they should be centralized. There is no one clear answer to centralization versus decentralization; functions must be distributed according to the needs of the units. Dean Levine agreed with the proposition that certain services must be centralized, such as payroll and benefits, but he maintained that there will always be spreadsheets in the units. He concluded by saying he favors whatever works.

Dean Kaveh said that "out of whack" was perhaps too strong. The budgets for the College of Science and Engineering go through his office, he said, and he knows that the changes in the Graduate School have not saved the college money—but they have helped programmatically. But more decentralization would have made things worse and would have cost more. One must think about whether a change is saving money or if it is providing better service—centralization and decentralization must be balanced. With respect to information technology, there is need for more centralization for consistency and compliance issues. His college is one of the most decentralized but compared with more centralized colleges, they appear to have lower costs in information technology support, for example.

Professor Durfee asked Associate Vice President Klatt for her views. Ms. Klatt said that she is apolitical on centralization and decentralization; that is a management decision. More at the University than other places, the issue is tied to the values of the institution. There are trade-offs, however, to the decision. With decentralization the workforce is more adaptable to local needs, but one loses consistency across the institution and there can be different levels of service in the units. In a centralized environment the organization can change more quickly; change can take a long time when an institution is decentralized simply because of the number of people involved in executing the change. The president has urged that the institution "pick up the pace," which may run counter to decentralization.

Based on an analysis she did a number of years ago at another organization, Ms. Klatt related, centralization will generally lead to cost savings of about 15%, and up to 25%, institutionally. The question is how the desire for cost savings competes against the other institutional values that decentralization affords.

Where does institutional risk enter into the equation, Professor Durfee asked? It is higher in a decentralized organization, Ms. Klatt said, but it is also diffused because it is spread over a large number of units. There is a greater likelihood of a "bad" event in a decentralized organization—but it also has a lesser effect on the entire organization. "Heaven help the unit that wants to take on responsibility for preparing payroll and handling payroll tax compliance," she added.

Professor Morrison asked if Ms. Klatt's previous experience was at an organization that was engaged in one line of business. (It was.) That is not true of the University, he said. Ms. Klatt responded that the University often says that, but payroll, purchasing, plowing the streets, serving food in residence halls, and so on, are not different. Academic programs are very different, she agreed, and those are best administered locally. But "back room" operations are those most often considered for centralization; activities that involve students and teaching and research need local expertise and must reflect academic priorities. But in terms of managing a purchasing card, for example, most organizations want to do this as simply and as cheaply as they can, and those kinds of operations are the ones most often centralized.

Professor Morrison commented that in terms of information technology, for example, there are different legal requirements for information security for different kinds of users—legal, medical, general. Medical clinics must have systems that meet HIPPA standards; legal clinics must have systems that meet law client confidentiality standards; the standards for general users are not as stringent. So either it is centralized (and thus imposes the highest standards on everyone) or it is decentralized to meet local needs. Or there can be different tiers, Ms. Klatt said.

As her office conducts audits, a common complaint they hear from faculty members is about how difficult it is to do interdisciplinary research because of a lack of common rules and a question about whose rules apply; they ask "can't we all do this the same way?"

In response to a question from Dean Levine, Ms. Klatt said that she talks with other Big Ten schools that also use enterprise systems such as PeopleSoft and has learned that Minnesota provides access to far more people than its peer institutions—and that requires time and training. Is it less than was provided under CUFS, Professor Cohen asked? Ms. Klatt thought not but surmised that people have less authority within the system than they did with CUFS.

Dean Levine agreed with Ms. Klatt that overarching systems should be centralized but said that even within the financial system, units that work with NIH, NSF, USDA, etc., will have different reporting requirements. If they cannot have the requirements met by the central system, units will hire someone who can help them do what is required. That is not true only in universities, Ms. Klatt responded; when an activity is centralized, people using the service have the right to expect quality standards and provision of the service expected. When those expectations are not met, the system breaks down.

Professor Cohen said the discussion needs additional distinctions. One can talk about centralization as "control of" and "provision of" but another issue is uniformity in rules, procedures, and standards. Even if there is a local team (finances, human resources, etc.), the rules are the same across the University. When there are shared responsibilities, the local service unit is often more effective because it can take into account cultural differences in particular units and minimize delays and errors in communication.

Ms. Klatt agreed. Centralization does not mean everyone is located on the same physical site. There can be local teams with connections to a central office. President Kaler favors standardization and

predictability in order not to add to institutional costs. Ms. Merriam said that one example is the consolidation of desktop operations in central administration, where there are still local information-technology staff, but they are responsible to the Office of Information Technology.

The advantage of decentralization is that one works with people who care, Professor Hupp said, rather than someone in a remote central office who knows nothing about your unit. That makes a huge difference in working with people—the people part of the equation is sometimes missing.

Dean Levine noted that in Professor Luepker's unit the faculty are expected to generate their own salaries; does his unit rely on central services? They do not, Professor Luepker said; they developed their own administrative services. The pendulum swings back and forth, he said; with about 4000 independent faculty members, many don't care about the rules and just want to get their work done. Units have moved to local human resources, information technology, and so on in order to get their work done. More centralization makes that harder to do. Sponsored Projects Administration is an example: It needs to be centralized, for many reasons, but it is not a hand-holding unit. This is a problem that a place like 3M does not have.

There are half-centralized services, Professor Durfee observed, such as a joint career service with two colleges (Science and Engineering, Biological Sciences). Was that top-down? Dean Kaveh said it came from the deans. Do the deans look for opportunities like that, Professor Durfee inquired? They do, Dean Parente responded. Where there is a need, the deans talk to one another. He noted that there is a centralized career-services center in STSS; they were brought together, and share space, and are learning from each other. The CSE/CBS joint service was a natural for them, Dean Kaveh said, because companies wanted it. It also fits well for science and engineering to have advising and career services together. Did it save 15%, Professor Durfee asked? His college did not, Dean Kaveh said.

On the information technology side, Dean Kaveh said, in Science and Engineering every faculty member is a technology expert and the idea of moving departments to a central email system has been a struggle—but it is occurring. They did not issue an edict, they have nudged the departments and they had to convince the faculty that they would receive the service they need.

Professor Cohen said another element that needs to be considered is the peculiarities of a university that is this large. The economies of scale appear to be great but there are risks of degrading the service because of the remoteness of a centralized service provider. The pure scale of the University creates its own set of challenges; what about that?

Dean Levine said there are both savings and a degradation of service; one would need to study the trade-offs. Professor Luepker said that from his standpoint as a faculty member, if he had to go through all the Human Resources hoops to hire someone rather than being able to rely on someone in his department, it would be even more expensive than if the unit hired someone to do the job. The expense that is Professor Luepker's time doesn't show up in the books and it is more costly because he is not trained in civil service hiring procedures. Dean Levine expressed complete agreement and said that the faculty have taken on so many administrative tasks that they sometimes don't have the time to do what they were hired to do—that is a situation that has evolved over time. It is a global issue, Dean Kaveh added. And it is not limited to the academy, Dean Parente said.

Professor Roe said, apropos of decentralization, that some aspects of an organization must harmonize, such as promotion and academic standards, so there are rules and principles that go to the units as the decision point. But there is strong commonality (e.g., so promotion-and-tenure decisions

have uniformity). From the perspective of the provost's office, some services could be decentralized but some may be too decentralized.

Dean Parente said that in the case of promotion and tenure, there are standards for the entire University but there is space allowed for how disciplines interpret the standards. The bottom line, however, is that the provost makes the decision based on University standards and the senior leadership must be in agreement on what the standards are.

Professor Durfee thanked Deans Levine and Parente, Associate Dean Kaveh, and Associate Vice President Klatt for joining the meeting and discussion.

-- Gary Engstrand

University of Minnesota

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Wall Street Journal Analysis in Context

1) WSJ: "Like many public colleges, the University of Minnesota went on a spending spree over the past decade, paid for by a steady stream of state money and rising tuition. Officials didn't keep close tabs on their payroll as it swelled beyond 19,000 employees, nearly one for every 3 1/2 students."

U of M: In June 2012, we presented to the Board of Regents our 10-year Integrated Postsecondary Education Data System report. It gave the University of Minnesota's growth in employees, including graduate assistants, fellows, and trainees, systemwide:

24,424 (fall 2001) 25,166 (fall 2011) 3.03% *employee headcount growth 2001-11*

The WSJ used a file that did not include graduate assistants, fellows, and trainees. After removing these employee categories, the numbers are as follows:

17,949 (fall 2001) 19,076 (fall 2011) 6.3% *headcount growth 2001-11*

Other numbers for the same time period systemwide:

Students enrolled:

60,433 (fall 2001) 69,221 (fall 2011) 14.5% *headcount growth 2001-11*

Degrees granted:

11,019 (2001-02) 15,568 (2011-12) 41.3% *degrees granted growth 2001-11*

Sponsored awards:

\$526.6M (2001-02) \$749.1M (2011-12) 42.2% *sponsored awards growth 2001-11*

2) WSJ: "... the system added more than 1,000 administrators over that period. Their ranks grew 37%, more than twice as fast as the teaching corps and nearly twice as fast as the student body."

U of M: The WSJ ran counts on the 151 job codes classified in our report as "executive/administrative and managerial" for any year from 2001 through 2011. We have 1,045 more people in this set of job codes in 2011 than in 2001. The growth is isolated to the following job codes.

Directors

12 job codes account for 411 people.

The codes include:

Director, Associate Director, and Assistant Director (University-wide)
Director, Associate Director, and Assistant Director (Campus/college)
Department Director, Associate Department Director, and Assistant Department Director
Program Director, Associate Program Director, and Assistant Program Director

For example, a director at the Supercomputer Institute or at the Cancer Center would be part of this count. For those with director titles, 52% are employed by academic units or coordinate campuses, and 47% of directors are paid from funds outside of state support or tuition.

Coordinator

1 job code accounts for 244 people.

For example, a program coordinator at the University Research and Outreach Center in north Minneapolis or a food services coordinator at U of M Duluth would be part of this count. Approximately 68% of coordinators are paid by academic units or coordinate campuses, and half of all coordinators are paid from funds other than state support or tuition.

Faculty

3 job codes (Professor, Associate Professor, Assistant Professor) account for 354 people.

For these jobs, a problem with coding on our part has led to misleading results. Beginning in 2007, some U of M units began to code a modest number of faculty as "academic support," and they were then miscoded as "administration." Obviously, professors are not full-time administrators. We were wrong in not catching this. We are correcting this coding problem in our reporting going forward.

The remaining 135 job codes account for 36 additional people.

With respect to the job codes above, we identified in our June 2012 report that both the "director" and "coordinator" job classes need review. Better definitions within these classes would allow us to more accurately distinguish, for example, among employees that focus on instruction, research, and outreach, or on student service, or on administrative and business tasks.

Regarding the miscoded faculty numbers, which account for 1/3 of the total “increase”: the error was ours. The WSJ accurately reported inaccurate data.

3) WSJ: “Its main Twin Cities campus had the largest share of employees classified as ‘executive/administrative and managerial’ among the 72 ‘very-high-research’ public universities in the 2011-12 academic year, according to data compiled by the U.S. Department of Education. Minnesota officials say the figures are misleading because not all schools report administrative spending the same way.”

U of M: Two key points should be kept in mind here.

First, with respect to raw numbers, large universities use categories in slightly different ways. So, for example, if one includes the related category “other professionals” in the count, the University of Minnesota then ranks 22 of 72 among large public research universities. The top 5 in this “look” are 1) Georgia Institute of Technology, 2) University of Washington, 3) University of Illinois at Chicago, 4) University of Wisconsin Madison, and 5) Ohio State University.

Second, one must take account of the unusual role played by the U of M’s Twin Cities campus. Some schools focus more on instruction, some more on research, and some more on the higher education research/public service mission. As our state’s sole flagship institution, the University of Minnesota’s Twin Cities campus does all three missions. The Twin Cities campus also provides services to all of the U of M system’s campuses to keep their costs down. Those costs and people appear in the Twin Cities campus’s reporting numbers.

4) WSJ: “At Minnesota, tuition and fees for state residents have more than doubled in a decade, to \$13,524. That far exceeds the average at four-year public colleges of \$8,655, which also represents a doubling, according to the College Board. Private-college tuition averages \$29,056, but has risen more slowly.”

U of M: The University of Minnesota Twin Cities campus has spent the last decade in the upper 20% for in-state tuition for the 72 “public/very-high research” universities. We were ranked 12th in 2001-02, and 9th in 2011-12. Historically, the U and the State of Minnesota have pursued a “higher tuition, higher aid” philosophy. The existence of a strong, means-tested Minnesota State Grant program is one testament to this.

As tuition has increased, the U has focused on substantially increasing both institutional financial aid, committing over \$30M per year through its Promise Scholarship for low- and middle-income families, and raising private philanthropy for scholarships.

When all financial aid is factored in, the U is competitive on net price—what students and families actually pay. For example, in 2010-11:

Income level (AGI*) Net price rank: 1–72 (#1 = highest cost)

\$0 - \$30k	41 of 72 schools
\$30k - \$48k	54 of 72 schools
\$48k - \$75k	53 of 72 schools

\$75k - \$110k	33 of 72 schools
\$110k +	27 of 72 schools

**Adjusted Gross Income from federal tax forms*

5) WSJ: “In 1975, a University of Minnesota undergraduate could cover tuition by working six hours a week year-round at a minimum-wage job, the Journal calculated. Today, a student would have to work 32 hours at minimum wage to cover the cost.”

U of M:

It’s important to remember that factoring by minimum wage introduces the problem that minimum wage has not kept up with inflation. The 1975 minimum wage in today’s dollars is \$9.34. Minimum wage has lost 22% of its buying power. A “real” 1975 minimum wage would reduce this number to 28 hours a week.

6) WSJ: “Administrative employees make up an increasing share of the university’s higher-paid people. The school employs 353 people earning more than \$200,000 a year. That is up 57% from the inflation-adjusted pay equivalent in 2001. Among this \$200,000-plus group, 81 today have administrative titles, versus 39 in 2001.”

U of M: Note that the second sentence refers to *all* U of M employees systemwide. Of the employees making over \$200,000 per year, 74% are faculty members. In 2011, of employees making over \$200,000 only 35 (10%) were in administrative units. While collegiate deans are “administrators,” they are also academic and intellectual heads of colleges, with faculty appointments.

7) WSJ: “Administrators making over \$300,000 in inflation-adjusted terms rose to 17 from seven.”

U of M: Fully 85% (53 of 62) of U of M employees making \$300,000 or more in 2011 were in academic units or athletics. The 17 administrators making over \$300,000 represent less than 0.4% of the U’s payroll.

8) WSJ: “At the University of Minnesota, the yearly cost of servicing debt more than doubled to \$106 million in that time. For decades, public universities were somewhat insulated from financial rigor by steadily increasing state funding. That has slowed or stopped in many states in tight budgetary times. Minnesota’s government last year contributed \$570 million to university operations, which was about the same as in the 2003-04 school year despite inflation and roughly 10% increased enrollment.”

U of M: The WSJ incorrectly used 2012 data rather than the reported 2011 data. The correct debt service numbers for the U of M:

FY02: \$48.2M
FY11: \$96.3M—not quite double FY02
FY12: \$105.8—the number quoted in the article

A significant amount of current debt service is paid directly by the state for TCF Bank Stadium and the Biomedical Discovery District, or by Intercollegiate Athletics gifts related to the stadium. In FY12,

\$18.0M of the \$105.5M debt service was paid by the State of Minnesota for debt issued by the U of M on the state's behalf. An additional \$6.3M was paid by the federal government or with revenues and fundraising associated with TCF Bank Stadium for debt issued by the U on the state's behalf. The actual increase between FY02 and FY11 of debt service paid by the University is 69%.

9) WSJ: "The number of employees at the University of Minnesota with 'human resources' or 'personnel' in their job title—272—has increased by a third since the 2004-2005 academic year, a period during which the enrollment grew approximately 8%."

U of M: The WSJ methodology included in its count all titles containing "Student Personnel Worker" (Asst., Sr., etc.). These employees are counselors and advisers. They work in academic and student support units, not in our human resources department. We are proud of this investment in those functions to support student success.

10) WSJ: "In its Office of Equity and Diversity, the number of people with 'director' in their title grew to 10 in the 2011-2012 school year from just four directors five years earlier, by a university official's count."

U of M: With pride, we have invested in the Office of Equity and Diversity. Our enrollment from under-represented populations has exceeded the state demographics for many years. However, during this time the Office for Equity and Diversity (OED) expanded due to administrative shifts or office closures whereby existing units (e.g., Business and Community Economic Development, NorthStar STEM Alliance, Office of Conflict Resolution) were transferred to OED. Of the 10 new director titles, four previously existed outside of OED. The office also expanded its scope of responsibilities and added professionals to do the new work.

OED also works to help faculty members diversify the curriculum; offers support to students of color specifically in the science, technology, engineering, and math (STEM) fields; and works with organizations, minority-owned or women-owned businesses, and vendors tied to business and community economic development.

11) WSJ: "The Journal, using payroll data provided by the university, calculated that across all of the system's campuses, administrators consume 24% of the payroll, up from 20% in 2001. Employees who teach, such as professors, lecturers, and instructors, account for 37% of the payroll, down from 39% in 2001, the Journal calculated."

12) WSJ: "The University hasn't maintained a consistent definition of an administrative employee through the years. The Journal based its analysis on 151 job titles the university classified as executive, administrative or managerial at some point between 2001 and 2012. To make year-to-year comparison valid, the Journal included all 151 such job titles for each year. Likewise, the Journal's totals for teaching jobs include all 42 job titles the university has considered instructional at some point between 2001 and 2012."

13) WSJ: "In June, the university did its own analysis of compensation, which totals well over \$1 billion a year. One conclusion it reached was that salary and fringe benefits for those in 'leadership'—previously 6% of the compensation total—had risen to 7% of total compensation."

U of M: Given how the WSJ reporter and staff organized the data in (11), this could be correct and probably is. We just haven't been able to replicate the methodology at this time.

Statement (12) implies that the University of Minnesota has inconsistent definitions of administrative employees. We have been diligent in responding to federal definitions used in IPEDS reports. The U of M uses consistent definitions for federal reporting whenever possible, but has to be responsive to imposed definitional changes, such as occurred in the middle of the last decade.

Statement (13) is from our June 2012 Board of Regents presentation on workforce. It is important to note that this presentation showed broadly our workforce hasn't changed much in composition over the past decade.

14) WSJ: "Streamlining the chain of command has proved important in controlling costs elsewhere. A 2010 analysis of the University of California Berkeley by Bain & Co. found that supervisors oversaw an average of 5.1 employees. The school raised that to 7.1 and saved \$20.5 million annually, says Andrew Szeri, dean of Berkeley's graduate division."

U of M: President Kaler has initiated an analysis to assess the layers of administration and the span of control for supervisors. This analysis will align with ongoing job classification and human resource management system upgrade initiatives—all of which improve efficiency and simplify administration. Through this review we will both get an accurate picture of where we are today and identify nationally leading benchmarks that will allow us to "right size" our management structures. We will work with external experts to validate this work and assist with the analysis.

15) WSJ: "Since 2006, it has spent \$10 million on consultants and others for UMORE Park, a planned 30,000-resident community that the university will build on land it has 20 miles from the Twin Cities campus. School officials say the community reflects the changing mission of a public university in the 21st century. They also say it will one day yield a large return, partly from gravel that can be extracted on the land and sold. Meanwhile, however, the project is decades from completion but already has four staff members, including a \$171,000-a-year director."

U of M: The vision for UMore Park was adopted before President Kaler arrived at the U. A year ago in his State of the University address, President Kaler announced that the residential development was not immediate. We've significantly reduced operating costs and staff over the past year and just obtained our final permit for gravel mining, which will generate millions in revenue.