

Minutes*

Senate Committee on Finance and Planning November 3, 1992

Present: Irwin Rubenstein (chair), David Berg, Karen Geronime, Thomas Hoffmann, Julie Idelkope, Craig Kissock, Fred Morrison, Jeff von Munkwitz-Smith, Richard Pfutzenreuter, Jason Schmidt, Thomas Scott, Mary Sue Simmons, Susie Torgerson

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

1. The Planning Process

Professor Rubenstein convened the meeting at 3:15 and reminded the Committee that this would be a continuation of the discussion at the previous meeting. The discussion would focus on the role of the Committee in the planning process as well as the central questions to be raised by the process. He turned to Professor Scott for a report on the status of the process.

Professor Scott began by recalling that there had been discussion, at the last meeting, about the need to have a mission or vision statement before the planning process could move forward. He said he had not intended to leave unexplained his statement that he did not believe a vision or mission statement was necessary. In discussing planning with a number of deans, one of them told him there are two kinds of people involved in planning: Those who absolutely require a hard, fixed vision statement, and those who don't need it and are willing to struggle along.

There is, he noted, a University mission statement that is over a decade old and supposedly up for revision; editorial revisions will be presented to the Faculty Consultative Committee on November 19. As for a "vision" statement, Professor Scott said the best the University may have is President Hasselmo's inaugural address; in presentations and discussions with the public, the Regents, legislators, and others, he has not deviated very much from the ideas he articulated in the speech. Professor Scott recited some of the themes in the speech, and noted that the President had said the University would "stay the course" with over 10 years of planning. He agreed that typically "vision" statements are not as long as the inaugural address and cautioned that nowhere does the word "vision" appear nor is it at all clear the President would regard the address as a "vision statement."

One Committee member said the President's speech, unlike most vision statements, had more of a "on the one hand, on the other hand" tenor. Another Committee member reported he had recently had occasion to review vision statements from a number of institutions and he was struck by how interchangeable they were; most are vague and full of motherhood and apple pie. It would be nice if the University could develop a statement identifiable with Minnesota.

Some take comfort in reducing everything to a mission or vision statement, observed another

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Committee member; he, however, simply finds them ambiguous and would prefer to get to the decision level in the discussions. Decisions must be made before the units can plan, and they will either be made unilaterally by the administration or with faculty participation. The list of questions must be discussed before and after planning occurs. One can deduce anything one wishes from the President's inaugural address; the Committee must get down to the operating principles that will guide the units.

In addition, added another, the discussion must take into account state support versus state needs (if needs exceed support, some needs must go unmet), need versus size, and size versus quality. If the state says needs are less, then the size can be reduced, which will mean fewer faculty. But who is to decide these things? How will they be decided? These are parameters the units MUST know before they can plan. Any discussions of financing which includes reliance on the private sector, added another, should include representatives from the Foundation for a "reality check."

The purpose of his comments, Professor Scott concluded, was to amplify on the "vision statement" issue. We will not begin by trying to seek total agreement on a vision statement, but a clearer statement will emerge as planning progresses.

There is a difference, Professor Scott observed, between statements about improving things and strategic questions, and it is to be supposed that the planning process will include some of both. Some things already being done will be improved, but questions will also be asked about stopping things or changing things, questions that need to be addressed both at the unit and the University level.

Professor Scott then moved on to describe the process of planning as it now stands. First, at the college/campus level, there are several new deans who seem to be getting into planning in order to make their mark and set new directions. Some other deans, who have been around, are also planning, but some are not. Finally, there are some colleges on hold because they have acting deans. The college processes vary a lot, ranging from top-down to bottom-up, with the latter relying on the faculty from the very beginning. Neither he nor the Senior Vice President, Professor Scott observed, is in a position to prescribe the process a college should use--perhaps the Committee has some advice on this point. Everyone agrees that it will be critical for faculty to "buy in" to the process, but there ARE different traditions in the colleges.

Second, there are "collections of deans" active jointly in strategic planning; this is most notable in the health sciences. This group looks at issues in general that affect them in addition to the issues in each unit. It may be useful to consider such groupings where there are natural configurations of interest.

Third, there are major campus questions. There remains some doubt even now that the merger of the other higher education systems will be implemented as is; either way, there are consequences for the University. The Committee needs a thorough update on the several campuses (Rochester, Duluth, Crookston, Morris, and the Twin Cities). In addition, the Minnesota Extension Service has perhaps not been thought about in general University terms as much as perhaps it should have; the University says it only has four campuses, but it has extension agents in every county. The Extension Service is undergoing great change, and Dean Borich has been doing major planning to tie the efforts of MES to several colleges on the Twin Cities and coordinate campuses. Professor Scott suggested it would be useful for the Committee to talk to Dean Borich.

With all of the planning going on--variable in its nature, more or less strategic--the tricks will be to understand it, guide and encourage it where needed, to get the right questions asked, and to figure out how to get commitment to planning within and across units. Another problem will be to integrate the cross-cutting questions that affect all units into the process. His job, Professor Scott told the Committee, is not to run the planning process but to understand it and to see that the pieces all fit together.

Professor Scott distributed two handouts with an itemization of some of the major issues that could arise in the planning process. Some are strategic questions (whom we serve/should serve, with whom we compete, etc.). Others are topics that come up repeatedly when one thinks of major issues. Originally predicated on the KISS principle ("keep it simple, stupid"), Professor Scott said he was evolving in his thinking to a somewhat more complicated model of how the questions would be raised.

One Committee member expressed irritation at the amount of time being spent on discussion of the PROCESS and taxonomy of questions. This is the 3rd or 4th time planning has been on the agenda this year, and not once has the Committee turned its attention to the substantive questions. No unit can begin to plan until it has some expectations on financial issues--which may be subject to revision--but the Committee has not touched on the matter. At some point there needs to be a discussion of tuition policy, of the balance between teaching, research, and external grant funding, and of the corollary questions about public-private partnerships. Professors [the speaker was a professor] love taxonomies and logically deductive models--but by dwelling on them they can avoid the real issues. If this Committee, or FCC, does not discuss the planning guidelines, they will be made unilaterally by the administration--and the faculty will not support them. When is college planning supposed to begin? (There is no timetable set, was the response.)

Professor Scott responded by noting that in two or three cases where colleges have specific financial parameters, planning has proceeded within the parameters--they have had early decisions that their resources will be constrained. Several others are assuming a steady state, and none are assuming any substantial increase in funding. He agreed that units need guidelines, but it has been the hope--and expectation--that thinking about the future could take place independently of the vagaries of financing, to some extent. Some deans are also frustrated by the lack of parameters.

And, it was said, setting them is NOT purely an administrative function; the Committee should be involved in developing the parameters, not the steering committee alone.

This discussion, advised one Committee member, illustrates the problems with strategic planning. Strategic planning has long-term implications--but so do a lot of operating decisions that are NOT strategic questions (e.g., where to put a building). Not all policies are strategic, and if one is not talking about where the institution or unit will be in ten years, then one is talking about an operating decision. Discussion of faculty involvement in planning is a legitimate question--but it isn't strategic and does not get to the actual strategic questions. Often, moreover, strategic plans and operating decisions can be mixed together. It is also easier to talk about operating decisions--there are more of them, and it is what virtually all of us do in our daily personal life. Professor Scott agreed, and said that some colleges ARE doing strategic planning (looking at new programs, their position in the market, reconfiguration of their financing)--and also at a lot of operating decisions.

Further, Professor Scott said, these discussions are occurring at different levels. Tuition, for

instance, is a much more important to the Law School than elsewhere in the University--it's a strategic matter there, unlike in other units. One strategic question, he agreed, would be whether or not to let EACH unit set its own tuition. That raises the question, said another Committee member, of whether the University is a confederation or a union--and THAT is a strategic question.

Despite the frustration with talking about the questions, Professor Scott related, they only emerge as they are talked about. To again take tuition as an example, it affects where students enroll and can help account for costs as well as the location of students.

If Dr. Infante's assertion that the University must be one of the top 20 surviving research institutions is correct, argued one Committee member, that assertion should be directing what happens in the planning process. The University is really IN Minnesota, not OF Minnesota--it is of the world, just like cities of the world; it has its roots in Minnesota, but plays a different role in the world, and the planning process should explore that sense of the institution. The Committee should work on setting the type of institution the University will be; the units should then be asked how they will fit in. Another agreed that the University is the state's window to the world, and is responsible for much of what the state is known for in circles that matter in industry and economics.

Professor Rubenstein told Professor Scott that this had been a useful discussion, and his membership on the Committee a welcome addition, but he remained uncertain about how to respond to the concern about discussion of the substantive issues. To the extent the Committee can provide the administration with faculty and student support of the process, that is what it wants to do--but it needs to know how. One Committee member suggested that is for the Committee itself to decide. Another responded that as she listened to Professor Scott list the various issues, she hoped the Committee would NOT get involved in them--there are too many and the group must hold itself in check. What is unclear is where--or when--the Committee can best make its contribution.

Professor Scott acknowledged that it is frustrating for the Committee to receive things after the fact or when they are already cast in concrete--and he is trying to avoid that. The Committee CAN be helpful in addressing the questions as well as the cross-cutting issues; the challenge will be to use the Committee's time most productively. The cross-cutting issues will be most important, inasmuch as there is no ready way they can be incorporated in college planning without support.

The point of the distinction between strategic questions and operating decisions, it was said, is not the subject but the "why": strategic questions serve a higher order purpose. They are then used to evaluate operating decisions. There are a lot of vision statements--few good ones--which should drive operating decisions. Decisions are made by managers; vision statements are formulated by leaders. This Committee generally deals with operating decisions. Professor Scott said he appreciated the difference and would bring both types of issues to the Committee.

2. Tuition Policy

Professor Rubenstein next turned to Mr. Berg to discuss tuition policies and implications.

Tuition IS an issue, Mr. Berg began; there are changes in philosophy at the national and state level on how higher education should be funded. For many years in Minnesota, it has been a populist

philosophy--the best student aid is the lowest possible tuition; the charter of the University declares that when the University's funds are sufficient, tuition will be free.

In the early 1970s, students paid about 24% of their instructional costs at the University and most other--and that figure had not varied for the preceding 30 years, as best one can tell. By 1983, the percentage had risen to 33% and was enshrined in statute. In 1992 the figure had risen to 40%--legislative funding intent was 40.7%, and the University for this year will be close to 44%.

Aid has not begun to keep pace with these tuition increases, especially in the last two years. His office has examined the data, Mr. Berg reported, and aid has been nowhere near the real increases in tuition. Last year, in conjunction with the other 4-year systems, the University studied a variety of questions related to income, demographics, and attitude. A couple of the findings are of interest:

- Aid policies in Minnesota appear not to be effective: 10% of students in families eligible for aid do not apply.
- Of the students in higher education, those whose family income exceeds \$40,000 attend at three times the rate of students whose family income is \$30,000 or less.

The Waldorf/Jaros bill proposed reversing higher education funding from the statutory (although not now observed) ratio of 33% from tuition and 67% from the state and would have doubled the amount of state funding for aid. One clear purpose would have been to release some state funds for other uses--not ALL of it would have gone for aid. But the aid would presumably be better targeted. This legislation is still alive and there are strong constituencies behind it. The executive branch may be discussing it, and the Minnesota Business Partnership may favor it.

The state has gradually been withdrawing public support for higher education, and especially for the University. As a proportion of the total University budget, state support has declined from 32% to 28%, a 12% cut. This is not to denigrate the value of the state support--it is for the education and general activities of the University. The implication, however, is that we may be headed for the privatization of public universities (it has occurred in Pennsylvania, where some are officially designated as "state-aided" institutions). The Oregon State Board of Regents has considered becoming private, and the University might look at the same question.

The implications of the Waldorf/Jaros bill are these.

- If tuition is a large part of University support, the campuses should be in control of student aid--they could raise it and use it for their own purposes (e.g., avoid serving only affluent students who can afford tuition). This proposition will likely encounter **STRONG** legislative opposition.
- The average family income of students at the University is \$48,250; at the private colleges it is \$45,500, and at the State Universities it is \$42,250. The University has the most affluent students in the state. With the Waldorf/Jaros approach, one must look at the competition with other universities: If the University's tuition doubles, non-resident tuition at Texas at Austin will be lower than resident tuition at Minnesota--and perhaps at several

other institutions as well. Non-resident tuition at other Big Ten universities would not be lower, although the two rates would then be very close.

- Reciprocity agreements would have to be repealed. The agreement with North and South Dakota provides that the student pays the resident tuition at the RECEIVING state--no one would come here from the Dakotas, and Minnesota students might well decide to go to one of the Dakota schools, especially where they have good programs. The agreement with Wisconsin provides that the student pays the resident tuition of the SENDING state; since Minnesota state aid is not portable, there would be incentive for aid recipients to stay in Minnesota and for non-aid recipients to go to Wisconsin. If one is willing to take the evidence from a number of studies that show family income correlates positively with test scores, high school rank, and parental education, one can deduce that with the Waldorf/Jaros bill, unless the reciprocity agreement is repealed with Wisconsin, generally Minnesota would retain the students of less measured ability and would send the better ones to Wisconsin.

The University should have a policy position on the Waldorf/Jaros proposal--and it does not. Officially, the University wants the lowest possible tuition and no impediment to student choice of study based on economic considerations. That is not working now.

One major question is "what should the University do?" Should it work with those who favor high tuition and high aid in order to massage the bill and make it more effective? Or should it do whatever it can to oppose the bill? The Committee should speak to this public policy issue and the administration would welcome the advice. The University may be driven to the Waldorf/Jaros approach anyway, but if it can influence events, what stance should it take? The advice to the Regents can make a difference what is said to the legislature and Governor.

A couple of Committee members expressed doubt about the data suggesting University students come from the most affluent families. Twin Cities students work more than students on any other campus in the state--is it because they have less support or because the work is available? Mr. Berg agreed with the observation that the data for INDEPENDENT students probably goes in the opposite direction--at the University, those students likely have a LOWER income.

Asked if privatization is being considered elsewhere in the Midwest, Mr. Berg said it is not--Minnesota is surrounded by low tuition states. Asked about the possibility of the Clinton plan [at this meeting, IF Clinton were elected], Mr. Berg said that while students can now borrow, there is no income-contingent repayment plan. The research on the possibility thus far has been discouraging; at the state level, it appears to lead to adverse selection (students with high incomes don't borrow; students who borrow have a difficult time repaying).

The different participation rates for students of lower and higher family incomes is predicated on the assumption that the participation rate is due to economic factors--which may not be true, said one Committee member. One could study high school graduation rates and see the same phenomenon; it is a fallacy to assume that a drastic change in student aid would change those numbers. Mr. Berg agreed that this was a problem with the study; it needed also to consider a comparable cohort of students who chose NOT to attend higher education.

Senior Vice President Erickson said it was important to step back from the populist/privatization debate and consider that education has two kinds of benefits, public (i.e., to society generally) and private (i.e., in increased income, satisfaction in life, jobs, etc.). The move to privatization focuses on the private returns and ignores the public benefit of having an educated citizenry. It is VERY disturbing to see the long-term policy of acknowledging the public benefits being abandoned.

Another flaw with a voucher proposal (which is what the state aid would be, he said) is that it assumes an underlying homogeneity in institutions. If all were liberal arts colleges, the costs would be about the same. As a comprehensive institution, the University has a different cost structure than most. One major social policy question is how much the choice of vocation should be determined by the cost of the education (e.g., engineering is more expensive); right now cost does not enter into the choices made at the University.

It is critical that the University come to closure on this issue and take a position. No position is a position--often the worst one that can be taken--and the University is gradually being pushed to a Waldorf-type approach. It is incumbent upon the University to decide, Mr. Erickson said--he will do his job, as he should, but the academic side of the house must make a decision.

Asked about the task force on the funding of the University, Mr. Erickson said its membership is now being developed. One thing it will do is compare the University to other Big Ten schools, which are very different because of conscious choices that have been made about how reliant they will be on tuition, research, etc. The patterns are instructive. Morris is an outstanding example of the University creating a model of what it wanted and then working toward it; accomplishing it took a lot of discipline.

Who, Professor Rubenstein inquired, would prepare information for the Committee so that it could consider the tuition issue? Another Committee member cautioned that it should stick with the strategic question, not the operating decision. Mr. Erickson was asked if there are other strategic questions as important as this one; he indicated such things as the amount of research funding and federal support to be pursued and changes in the economics of teaching.

It was agreed that the tuition question would be revisited in three weeks, and the Committee would consider a specific resolution on the subject.

The meeting adjourned at 5:30.

-- Gary Engstrand

University of Minnesota