Minutes[•]

Joint Meeting
Faculty Consultative Committee
Senate Finance Committee
April 4, 1988

Present: W. Phillips Shively (FCC chair), Shirley Clark (SFC chair), Mark Brenner, Charles Campbell, Richard Goldstein, David Hamilton, Warren Ibele, Sally Jorgenson, Gerald Klement, Geoffrey Maruyama, Cleon Melsa, J. Bruce Overmier, Ronald Phillips, M. Kathleen Price, Thomas Scott, Mark Umland, Walter Weyhmann

Guests: Tim Allison, Mary Bilek, Provost Roger Benjamin, David J. Berg, Acting Vice President-designate Carol Campbell, Associate Vice President Edward Foster, Gayle Grika (Footnote), Nick LaFontaine, Maureen Smith (Brief), Bruce Vandal, others.

Professor Clark and Professor Shively agreed that Professor Shively would chair the meeting. Professor Shively began by saying that there were three items the joint meeting would address: Faculty salaries, the spend-down from the reserves, and the 1988-89 budget plan.

1. Faculty Salaries

Provost Benjamin started the discussion of faculty salaries by distributing a table showing the proposal for salaries and fringe benefits, revised since the FCC and SFC meetings on March 31. He said that he better understood several items since the previous meetings and tried to clarify them for the committee members. The salary increase to be provided would be 4.01% and the total package, including fringe benefits, would be 5.39%. There are no funds set aside for retention. If the tuition benefit for graduate students is excluded, the package increase is 4.9%. He asked the committees to react to the revised proposal.

Professor Shively observed that the 4.5% increase intended by the legislature consisted of two elements, 2.5% to accommodate inflation and 2.0% to restore faculty purchasing power. That goal would not be met, now, because inflation has been more than 2.5%; the 4.5% should be understood to be a minimum which could be exceeded if faculty purchasing power were to be restored further.

Before responding to the Provost's request, committee members spent considerable time trying to understand the tuition benefits for graduate students, which had been the focus of lengthy discussion at previous meetings of FCC, SFC, and SCFA. Mr. Berg explained the financial details of the benefit since its inception in 1985-86, and Mr. LaFontaine provided a flow chart illustrating the sources of income and the expenses for academic and civil service fringe benefits. After reviewing the information provided, the committees, in the view of one member, accepted without fully understanding it the proposition that the graduate student tuition benefits were a flow-through item in the salary accounts and that the money spent on them did not constitute a draw on salary and fringe benefit funds available for distribution.

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Committee members repeatedly asked Provost Benjamin and Ms. Campbell how the size of the salary pool was set--is it legislatively determined or is it set by the central administration? If fringe benefit expenses increase, does that mean that salary increases must decrease? Ms. Campbell said the money available for salaries, fringe benefits, and SEE budgets is the sum of all available revenues; the base is carried forward and the increment is applied. It is a finite amount; they take a global look at the hard dollars available for salaries and fringes that must be paid.

One committee member pointed out that the administration achieved a 5.0% increase last year because there had been a previous cut of 1/2%, the un-allotment required by the State. Mr. Berg told the committees that the 1/2% had not been returned to the faculty or the civil service staff; when the un-allotment was returned to the University, he said President Keller decided the returned money would be treated as retrenchment and reallocation. That decision, said several committee members, ran contrary to all administrative statements made at the time and violated the trust between the committees and the administration. The system has gone bad, said one, if the committees can no longer take on faith what the administration promises. Another committee member described the administration action on the un-allotment as unconscionable.

It was pointed out that the academic compensation package of 4.9% represented a .4% increase over legislative intent. The civil service increase, 4.08%, represented a 1.58% increase over legislative intent--and the 2.5% increase the legislature intended was by no means adequate for the civil service staff. Provost Benjamin told the committees that the Civil Service Committee has asked for another .25%; Professor Shively told him that if that request was granted, there would need to be another meeting with these committees because they would want to discuss it further.

It was pointed out that the fringe benefit rate for academic employees appeared to be 27%; somebody is going to say that is very high, the State can't afford it when other employees are at 22%, and it will be suggested that the fringes be lowered and the money be taken from the salary funds. In any AAUP total compensation data, Minnesota will appear to be higher than it is--because 3% of that 27% is the flow-through for graduate student tuition benefits. Academic Affairs was told that the tuition benefits should not be itemized with other academic fringe benefits.

Several committee members said that salary increase money could perhaps come from other items, such as the recurring funds which are counted with the reserves (e.g., the Rank Funding Adjustment dollars). And since the 1/2% unallotment on salaries, when returned to the University, was used to fund programs, perhaps it would be appropriate to use program money this year to fund salary increases. Professor Overmier argued that a 1/4% increase in funds, in order to have a 4% salary increase and money for retention, wouldn't matter; 4% would be a disaster for morale and what is needed is <u>18-20%</u>--Texas just received 18%. The 1/4%, he said, is not worth the blood, sweat, and tears. Professor Shively replied that there had to be retention funds--it was demoralizing to only have 4% but it was also demoralizing to lose a colleague; it is necessary to scrounge to find the additional 1/4%.

One possibility suggested was that the 4% be delivered to filled positions and that the open positions be cut in order to have retention funds; the problem, said one committee member, is that departments with open lines are then penalized. Another suggestion was to hold health benefit increases to 4.5%, fund the remainder of the increase out of the reserves on a one-year basis (because this is not a problem limited to the University), and the pressure will be on the legislature next year to fund the increase for all state employees. If, however, the University manages to absorb the cost, the legislature will assume we could afford it. Both Provost Benjamin and Ms. Campbell said that President Sauer would not approve using soft funds for recurring commitments.

The general consensus of the committees seemed to be that Academic Affairs was strongly advised to deliver an average of 4% in salary increases at the department level; the committees were not inclined to request that the deans allocate 4% to every department or that the Provost deliver 4% to every college. There was also agreement that there should be retention funds, and that the money should be found either by taking it from other recurring expenses or, as a last alternative, by providing the increases only on the filled lines.

Provost Benjamin assured the committees that no decisions had been made yet, that these meetings provided a number of helpful suggestions, and that he agreed on the 4% floor. He said they were doing the best they could and was not sure how to deal with the unallotment problem. Fiscal prudence, he observed, would dictate that the University begin retrenching, but he was certain that to do so would sound the death knell for Commitment to Focus.

Professor Shively said it did not appear to him that the administration had knocked itself out trying to improve faculty salaries, but rather directed its efforts to meeting the letter of the law. He told the Provost that if a salary plan is developed which does not include delivering 4% to the faculty, he will introduce a motion calling for a public statement of disapproval and a declaration that the salary plan was implemented over the protest of FCC.

A sidebar conversation led to an agreement between Ms. Campbell and Professor Goldstein that the administration would examine again and more closely the taxability of graduate assistantships, since some of the private schools appear not to have to collect taxes on them.

2. Spending of the Reserves

Professor Shively said he wished to begin the deliberation with a personal statement. The recurring commitments ("D" on the Management Committee's recommendations) from the reserves were a shock. FCC had been assured by central administration that it had $11 million in recurring funds (including the $4 million in reallocations) out of the total of $35 million needed for Commitment to Focus (CTF). We know that the administration did not know about all the commitments that had been made, but the FCC members went to their colleagues and said that all was needed was $25 million in new money over the next five years, which was very do-able. FCC stuck its neck out. Then last Thursday, after saying the faculty would not sit on their hands and let CTF lapse, FCC was informed that there were $20 million in commitments and we went from $11 million in hand to a situation where we needed to retrench. The goals of the planning process, however, are still good ones; they have just become much harder to reach. As we look at the spending from the reserves, the planning process should be considered.

Provost Benjamin told the committees that the University thought it had the $10 - $11 million. He still believes the objectives and structural changes are worthwhile, and that if they are not done now, they will not be done and the program will be dead. Professor Campbell rejoined that the colleges want to see the money within a reasonable time or the willingness of the faculty to approve the changes will be zero no matter how good the plans might be. We need a plan with the potential dollars to carry it out clearly identified so that judgments can be made on the basis of the probability of the dollars coming.

The Provost was asked why the Rank Funding Adjustment (RFA) dollars, labelled recurring, are lumped with the reserves, which are supposed to be one-time expenditures, and if they are recurring, why could they not be made available if there were determined to be an item of higher priority than those listed in the proposed reserves expenditures. The Provost said they could be. Professor Shively suggested that if Academic Affairs wished to signal that the planning process would continue, the RFA monies could be used as the first installment on the plans. The Provost said Academic Affairs would make such a recommendation.

Committee members raised questions about why the D items were repeated for all three years of the projection and asked if any of them were open to discussion. Ms. Bilek said that these were primarily items which the administration has been funding softly year after year and are minimum needs. There was agreement that an item-by-item review would not be helpful, especially since the committees had no history on them and did not know what the monies were being used for. Professor Shively asked (1) if any of the items represented a significant <u>cut</u> from prior years, and (2) if central administration was reconsidering any of the items under D. Some of the items, according to Ms. Bilek, did represent cuts, but how much and from what the committee was unable to ascertain. In response to the assertion that the D items represented promises made and that the committee should look at other parts of the spending proposal, one committee member observed that "these numbers are fungible, they've already been funged." Professor Maruyama asked if these were the highest priority items; Ms. Bilek said President Keller had used the reserves to start up programs, knowing the RFA dollars were coming, but that the administration wanted endorsement for the plans from the Board of Regents before putting any hard money into them. She also reported that President Sauer had asked Academic Affairs to review the items in D and that it had and would continue to do so.

One item that caught the attention of many faculty, the Recreational Sports building, was reviewed. If the intent is to recover those funds from various sources later, Ms. Campbell was asked, why not borrow to start construction and pay back the loan later when the funds were coming? She said she would not issue bonds without a certain revenue stream, and that while the intent is that the reserves would be made whole, the money is to come from student fees and the capital campaign; if they don't materialize, there will be no money to repay the loan. This money, she said, is a bridge commitment to get started on a $17.5 million building; she would not defend the decision to build it, but the University is so far down the road now with the legislature and the Metropolitan Sports Facilities Commission that it is committed to the project.

It was suggested that perhaps some of the capital priorities could be stretched out further, if OSHA does not require the improvements now; Ms. Campbell said she would ask Vice President Heydinger to check with the legislature to find out if they objected.

Professor Shively commented that among the items identified as "Strategic Initiatives" there was not much of CTF and that several of the items could be renamed. The Provost said they could be wiped out and redistributed; one committee member suggested they go into programs that would be started new. The legislature, it was observed, asked the University to fund capital items, fire and life safety items, and planning objective; unfortunately, the last item has fallen out in the press on the available money. Provost Benjamin said that President Keller was betting (successfully) on programs by beginning the soft funding in advance of the RFA money; many of the items in D follow prolonged committee deliberations. If so, said Professor Shively, they should be moved out of recurring commitments and relabelled as strategic initiatives; the question, however, is whether these initiatives were started in the last year, as a result of planning, or funded by central administration as something needed so that the planning was moot and these initiatives will now receive hardened dollars.

In response to a question about using some of the RFA dollars for a 1/2% increase in salary money, coupled with a concern about the number of FTEs on the rank funding adjustment money, Provost Benjamin assured the committees that positions would not be adversely affected by using the RFA money. In balancing CTF against faculty salaries, one committee member said he came down on the side of salaries; another said that equipment and computer terminals were just as important and the answer was not clear. Provost Benjamin said he understood the problem.

The timetable for the spending plans, the reserve spending, and the biennial request preparation were outlined for the committee. Provost Benjamin said the Regents would approve a provisional one-year budget, with rank-order priorities from the planning process, and said also that retrenchments would probably be necessary to move ahead.

There was discussion of the extent to which the D items were new, whether or not they met the highest priorities to come out of the planning process, and the extent to which faculty realized that in some cases they already had their new CTF money. There was no clear answer about the impact of regental approval of the plan and consequent internal reallocation of funds on the proposals contained in the spending of the reserves.

Professor Weyhmann counseled a principle that funding minimize the disruption of services and provide no new permanent program funding until there can be an overall review (which might mean an increase for library journals, to minimize service disruption); Provost Benjamin objected, saying that he wanted some consistency with the Academic Priorities document. Professor Melsa inquired how that would be possible, if the objective was to maintain minimum reserves of $40 million; why extend the reserve expenditures out to the 2nd and 3rd year (on the handout) when there are no available dollars after the first year? The Provost concurred; Professor Shively added that all of the items will have to be examined in order to cut $10 - $15 million.

In response to a question, Ms. Campbell said that her revenue projections on the reserves spending handout were fairly conservative; she would not feel comfortable planning on more money, although there might be.

3. 1988-89 Budget Plan

Professor Clark assumed the chair. She explained that the Senate Finance Committee had not reached this item on its agenda the previous Thursday, and that it was going to the Regents for information in April and action in May. Provost Benjamin said they wanted to stick to that schedule in order to avoid delayed salary increases.

Committee members spent several moments discussing ICR funds, caps on health coverage expenditures, and the allocation of funds to the Duluth campus. The Committee decided to postpone extended discussion of the budget plan until its next meeting. Ms. Campbell urged that committee members with questions should try to reach her before April 21, which is when the docket materials must go to the Regents.

Professor Campbell said that the committee need to have a table with columns for the different funds and organized by program, and which included the current year as well as future projections; these piecemeal presentations do not permit the committees to advise the administration well. Also needed is an indication of the sources of the funds.

Professor Brenner commented that the committees have been preaching the importance of planning dragging budgeting, and that they saw tonight that budgeting anticipated planning, rather than the reverse.

The Committees adjourned at 9:30 p.m.

-- Gary Engstrand

University of Minnesota