

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, September 14, 2004**  
**2:30 - 4:15**  
**238A Morrill Hall**

Present: Charles Campbell (chair), Rose Blixt, David Chapman, Arthur Erdman, Steve Fitzgerald, Lincoln Kallsen, Thomas Klein, Joseph Konstan, Ian McMillan, Cleon Melsa, Kathleen O'Brien, Diane Parker, Terry Roe, Charles Speaks, Thomas Stinson, Alfred Sullivan, Kate VandenBosch, Susan Van Voorhis, Warren Warwick

Absent: Calvin Alexander, Daniel Feeney, Michael Korth, Richard Pfutzenreuter, Michael Volna

Guests: none

[In these minutes: (1) response to resolutions from the Social Concerns Committee concerning Lehman Brothers and concerning renewable energy; (2) biennial request issues (and classrooms); (3) facilities and core infrastructure issues and trends for the Provost]

**1. Resolutions from the Social Concerns Committee**

Professor Campbell convened the meeting at 2:30, called for a round of introductions, and then drew the attention of Committee members to two resolutions that were adopted last spring by the Senate Committee on Social Concerns. The Committee needs to decide if it wishes to take a position on these resolutions, Professor Campbell said.

The first resolution concerned Lehman Brothers, the financial firm that underwrites the University's bonds. Lehman Brothers has also had financial relationships with the private prison industry, which the resolution finds has engaged in reprehensible behavior.

Committee members offered a number of criticisms of the resolution: that most of the "whereas" clauses have nothing to do with Lehman Brothers, that the resolution does not indicate if Lehman Brothers is the only firm with financial relationships to private prison companies, and that Lehman Brothers may not be involved with the firms any longer.

Professor Speaks inquired why this is an issue for this Committee. Professor Campbell noted that it had been forwarded to the Committee; it needed to decide if it wished to take it up. If it does, it might wish to invite a representative from the Social Concerns committee to back up the whereas clauses. Professor Konstan maintained that it is the business of this Committee because it involves adjusting University financial operations in a way that could cost a lot of money. The resolution does not hang together very well, he said, and sounds vaguely McCarthyite; it is guilty by association because there is no link between Lehman Brothers and the behavior to which the University might object. The emphasis is on the wrong actors, Professor Roe added.

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Professor Konstan moved that the Committee oppose the resolution on the ground that the tie between Lehman Brothers and any particular acts that would warrant such extreme action is not established in the motion. To endorse the resolution means accepting the facts as presented, Professor Speaks said, and he did not know if they are true. Mr. Klein said that it is more than not knowing if the facts are right; the stronger argument is that the approach is unwise; it injects policy into operations.

There are questionable practices in the private prison industry, Professor Campbell noted. Professor VandenBosch said she was not sure this was an appropriate issue for the Committee. When South Africa ruled by apartheid, it was seen as appropriate to inject policy into operations. She said she would abstain on the motion because she did not believe it should be before the Committee. Mr. Klein agreed that without question incarceration rates in the United States (mentioned in the resolution) are a legitimate social concern, but the judiciary deals with incarceration and the issue does not belong mixed up with the University's financial operations.

Professor Macmillan said that the Committee should leave open the option of objecting to what companies are doing. In this case, however, the link is not clear. The issue of prisons is not for this Committee, Professor Speaks said, but the issue of Lehman Brothers is.

Professor Konstan agreed with Professor Macmillan that it is important to say that there are times it is appropriate for the University to sever connections with a company because of its actions in the world at large. Part of the Committee's responsibility is to set the framework for when the University should take such action. His view is that the University should go after the entity whose behavior the University is trying to change, not take action on the basis of guilt by association. The latter incurs too large a cost for the University.

The Committee approved the following resolution 10-0 with one abstention.

The Senate Committee on Finance and Planning (SCFP) respectfully disagrees with the resolution concerning Lehman Brothers adopted by the Senate Committee on Social Concerns.

SCFP decided to take a position on this issue because it is directly tied to University finances. In particular, disrupting the University's relationship with its bond underwriter and starting a new relationship could cost the University a significant amount of money. Taking such action, in the Committee's opinion, was not justified by the case presented.

To be specific, the resolution makes a compelling case that there are problems related to the level of incarceration in the U.S. It also makes a compelling case that there have been some questionable practices in the private prison industry. While we accept that Lehman Brothers has profited from its work for the private prison industry, we do not see evidence of any particular egregious act committed by the firm. Had the resolution presented evidence that Lehman Brothers was directly involved in prisoner abuse, inappropriate lobbying, or some other alleged wrongdoing, we might well feel differently. As the resolution is presented, however, it presents allegations against an industry as a whole, and we do not feel that we can support action against Lehman Brothers for the actions of others. Furthermore, SCFP was concerned that endorsing this resolution would be endorsing a set of "whereas" clauses for which we lack evidence to judge. In particular, the Committee was not comfortable with many of the implications of wrong-doing, and would want to see supporting documentation to determine whether these were isolated acts of a few firms or coordinated practices of the industry as a whole.

SCFP respects and appreciates the Senate Committee on Social Concerns' role and agrees that the University must have the option to object to unethical, illegal, or socially irresponsible corporate behavior, and to sever connections with such companies. At the same time, SCFP feels that severing such a connection is an extreme step that should only be taken when: (1) the behavior itself is egregious, (2) the company's involvement in that behavior is substantial and clear, and (3) other avenues for influencing the company's behavior have been pursued and have failed. We do not foresee the use of ultimatums as the primary communication vehicle for causing change. And we do not feel that the information provided to us with the Social Concerns Committee resolution justifies such severe action.

Adopted 10-0 with one abstention September 14, 2004

The Committee also took up a resolution concerning renewable energy adopted by the Social Concerns Committee, which included a call for the University to derive 25% of its energy use from "a local, renewable source or purchased from a wind energy program or other renewable energy sources." The resolution provided that "renewable energy includes: wind, solar, biomass, geothermal, hydrogen or future technology with a low impact on the environment."

Professor Konstan said he would recommend the Committee oppose the resolution, in part because it is simply wrong: hydrogen is not a renewable energy source and the state program in biomass may consume more energy than it generates. It is also undesirable because it sets a date to achieve a goal with technology that is not yet developed or not yet economical. He said he could support a more general statement calling for increased reliance on renewable energy. He said the resolution could also arguably include nuclear energy as a renewable source. He said he did not like the tone and moved that the Committee oppose the resolution.

Vice President O'Brien recalled that she and Executive Vice Provost Sullivan brought to the Committee last year a draft Regents' policy on sustainability and renewable energy; the policy was approved by the Board and envisions performance measures for the University in its accountability report. The faculty members on the committee that developed the policy felt very strongly that before the University set a policy on sustainability, there should be research by faculty experts to develop performance standards. The President intends to set up faculty-administrative subcommittees, on the basis of the policy, to create measures. The Social Concerns resolution is thus perhaps premature, and people in the University community who are interested in renewable energy should make themselves known in order that they can participate in the process. Did the Social Concerns Committee know of this policy, Professor Campbell asked? They did, Dr. Sullivan said; he brought it to them.

Professor VandenBosch said she would amend Professor Konstan's motion to say that the resolution is superseded by the Regents' policy. Professor Konstan agreed, saying that the resolution is not as well thought-out as the Regents' policy and it may undermine the policy.

The Committee voted unanimously in favor of the following motion:

The Senate Committee on Finance and Planning (SCFP) respectfully disagrees with the resolution concerning renewable energy adopted by the Senate Committee on Social Concerns.

SCFP believes that the resolution has serious errors that undermine its purpose. We are concerned that current renewable energy projects may not be truly renewable at present, in that

their consumption of fossil fuel used in production and transportation may actually exceed the energy delivered. SCFP also believes the resolution is ill-advised because it sets a date for University use of renewable energy at a stipulated level when the technology does not yet exist or is not economical to use.

It is the judgment of SCFP that the intent of the resolution has been superseded by the Regents' policy on "Sustainability and Energy Efficiency" (see below), adopted in July, 2004. The Regents' policy is more thoughtful and practical, and SCFP would not want to see that policy undermined by the resolution from the Committee on Social Concerns.

Adopted unanimously September 14, 2004

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## **REGENTS' POLICY ON SUSTAINABILITY AND ENERGY EFFICIENCY**

### **SECTION I. COMMITMENT.**

Sustainability is a continuous effort integrating environmental, social, and economic goals through design, planning, and operational organization to meet current needs without compromising the ability of future generations to meet their own needs. Sustainability requires the collective actions of the University of Minnesota (University) community and shall be guided by the balanced use of all resources, within budgetary constraints. The University is committed to incorporating sustainability into its teaching, research, and outreach and the operations that support them.

### **SECTION II. GUIDING PRINCIPLES.**

**Subd. 1. Leadership.** Through excellence in environmental education, research, outreach, and stewardship, the University shall strive to be a world leader by promoting and demonstrating sustainability and energy efficiency and by producing leaders and informed citizens.

**Subd. 2. Modeling.** The University shall strive to be a model in the application of sustainability principles to guide campus operations by:

- (a) meeting and aspiring to exceed all applicable regulatory requirements;
- (b) preventing pollution at its source;
- (c) reducing emissions to the environment; and
- (d) encouraging the use of a life-cycle cost framework.

**Subd. 3. Operational Improvements.** The University shall undertake a continuous improvement process that seeks to meet the operational performance targets, goals, and objectives designed to achieve sustainability.

**Subd. 4. Energy Efficiency.** The University shall undertake a process to increase energy efficiency, reduce dependence on non-renewable energy, and encourage the development of energy alternatives through research and innovation.

## **2. Biennial Request Issues**

Vice President O'Brien reported that the biennial request is still being drafted and that the Committee can make contributions to it if it wished.

Professor VandenBosch said she had heard that there will be a bonding bill. Ms. O'Brien reported that the Governor has said he will support a bonding bill in the next legislative session; the University will bring its request back to either a lame-duck session held after the elections or to the new legislature next year. It appears that the delay has inflated the cost of the University's projects about 3.8%, or about \$7 million, and that amount will be added to the request. There will also be slight fine-tuning, given changes that have occurred since the request was originally made; she said the final request can be presented to the Subcommittee on Capital Projects and this Committee.

Professor Campbell recalled that Senior Vice President Jones brought the biennial request to the Committee last spring; it is his sense that the structure is the same, with the proposed partnership with the state, the University funding some elements and the state others. The University would fund regular salary increases; the legislature would be asked to fund retention and special merit increases, along with other items.

Professor Speaks asked if the central administration would fund the salary increases or if the costs would be pushed down to the colleges. That has not been determined, Professor Campbell said. And what about funding for common goods, Professor Speaks asked? There should be two groups expressing concern: faculty and students. In past years this Committee has adopted statements about the need for funding for classrooms, for example, and he would like to see the faculty efforts expanded by bringing in the Faculty Consultative Committee and perhaps also the Senate Consultative Committee, which includes students. He said he was concerned that students seem so passive with respect to the conditions in which they learn. If Professor Marshak agrees, the issue should be brought up when Senate committee chairs meet with Provost Sullivan.

There are three issues surrounding classrooms which may explain why there is no unified voice, Professor Konstan said. First is instructional technology; there are still a significant number of faculty who do not use technology and who are happy to use chalk and the blackboard. The average professor is not a problem yet, but the problem is coming. Second is the general condition/repair of classrooms; there are not enough complaints about them and this should be a common concern. Third is the construction of new classrooms—this is the biggest issue—because departments are shifting classes all over due to the lack of classrooms with appropriate technology. One argument that might help is the one made by the Libraries: they are a state resource and make that fact known. No one markets the classrooms in the same way as a resource for the Twin Cities; if the number were expanded by 25%, with the appropriate technology, perhaps they could be.

Professor Speaks said that the argument for technology in the classrooms should be framed around the fact that faculty have invested hundreds and sometimes thousands of hours in classroom technology and that letting the technology slip will pull the rug out from underneath them, and around the fact that students who are used to technology would be in an uproar if the quality of the University's technology were to decline.

Vice President O'Brien said that the custodians of the University would agree with the view that there is a problem in classrooms. Their greatest concern is lack of student respect for classrooms, reflected in food ground into the carpeting and damage to equipment. They would ask for the help of the faculty in taking care of the rooms.

Each year the Committee hears about classrooms and technology and that there is no collective energy to improve them. In fact there is a strategy on technology in classrooms—it is exactly what Mr. Fitzgerald described in the summary "Some thoughts on facilities" emailed to the Committee. The de

facto strategy is to fund classroom technology "year by year and budget by budget," Mr. Klein said. When the same sequence happens each year, it seems almost to be as scripted as a well written play.

It is easier to build prisons than to change national drug policy, Professor Konstan said, and it is easier for his department to build private classrooms than to wait for the University, which cannot deliver. If all departments do that, there are a lot of classes taught in conference rooms and so on, so there ends up not being a problem. If departments need classrooms, and build their own, however, there are serious productivity and efficiency problems.

Professor Roe said that the University should be investing in classroom technology because it is intermediate to distance education. He said he believes the University will be asked to integrate more with MNSCU and with other land-grant institutions. The University must mentally get used to the notion that capital investments in the classrooms are an investment in the future.

Mr. Fitzgerald said he agreed with some of the points that had been made and did not agree with others. He pointed out: the expectation of K-12 students who come here is that the University will have great technology; some faculty use the blackboard, but his office has received a steadily-increasing number of requests for classrooms equipped with technology, which is a major reason for the technology upgrade plan (a Camry, not a Cadillac); the faculty have requested an ubiquitous protocol throughout the University, not different technologies in each classroom; he was told to proceed with technology upgrades as soon as possible, with a lot of one-time money. The idea was that other costs would be covered later. They are well into the replacement cycle now and a lot of faculty instruction will be at risk if they cannot find the funds to catch up, Mr. Fitzgerald said. They have been obligated to put all their recurring funding into technology, which has meant there is no money for other elements of the classrooms (furniture, carpet, etc.).

Mr. Kallsen commented that the University has not abandoned classrooms; former Senior Vice President Maziar invested a great deal of recurring money in them—in the worst possible fiscal climate—and while the campus is not where it needs to be, there has been enough money to replace technology, even if not all the chairs. Mr. Fitzgerald agreed; classrooms are now much better equipped than they were in the past, but he cautioned that the situation "is close to the edge" because they are surviving on one-time funding.

Professor Campbell observed that the governance system has been consistent in urging greater funding for the libraries, classrooms, and other common goods. But it must also give advice on priorities.

### **3. Facilities and Core Infrastructure Issues and Trends**

Professor Campbell noted that the discussion had veered in the direction of the next agenda item, the Committee's response to the letter from Provost Sullivan to him requesting its views about facilities and core infrastructure issues and trends. Several Committee members had sent comments electronically in advance of the meeting.

Professor Konstan said he was impressed with the comments that Mr. Klein had sent with respect to productivity (the number one issue is "inadequate improvement in productivity while maintaining intellectual and operational quality in research and teaching"). There are two clear next steps, he said. One, the University must be able to measure what it produces (right now it only uses rough numbers and inputs), and two, a large part of productivity is not about being lean, it means, for example, expensive machinery not sitting idle for want of small parts. If support budgets are starved, faculty waste time in the

classroom, in the libraries, and on paperwork that other units should do. Since there is no way to measure research and teaching, there is no way to measure their impact.

Professor Campbell agreed that the productivity questions Mr. Klein raised need to be pursued, and the points he and Professor Konstan have made belong in any letter about the strategic planning process. Professor Konstan has tied the more general productivity issue to the more narrow area that the Committee has been asked to offer its views, on facilities and core infrastructure. He said he was interpreting that request narrowly, about the physical infrastructure and buildings.

Dr. Sullivan provided context. The University is in a strategic directions exercise under the leadership of the President and Provost that includes an environmental scan to see what the University must react to. They have erred on the side of inclusion and have asked a lot of individuals to contribute to the process, including a number of governance committees and key administrators. All of those groups and individuals will contribute ideas, which a small group will then winnow to draft a strategic plan that will be circulated for reaction.

What is the definition of "core infrastructure," Ms. Van Voorhis asked? Dr. Sullivan said he did not struggle with the term—it is generally intended to mean support for the physical infrastructure, but the Committee can interpret the term as broadly as it wishes. The Committee discussed the issues surrounding space and facilities; Dr. Sullivan explained that the genesis of the request was a St. Paul campus analysis of space when it was thought a new building was needed. The study identified assigned space that exceeded what the Minnesota Facilities Model suggests would be needed (about 240,000 square feet). That space is not vacant; it is used, but it is not well-configured and some of it is not good space.

The discussion started by asking why this Committee was asked about facilities, Mr. Klein said. Because there is 24 million square feet on the Twin Cities campus, which represents a huge financial commitment, Dr. Sullivan said. The Committee can make connections between productivity and space utilization, Mr. Klein said, and he could envision a Committee report that makes those connections.

There is a gap between productivity and efficiency, Professor Konstan proposed. Productivity is something that applies to a person or a building. Efficiency is how one uses all of the inputs. He said he worried that the tail is wagging the dog in the discussions if asking about faculty, department, or student productivity, and then about efficiency. The discussion should start with what makes the University unique and potentially strong, which is people, which in the first instance is faculty and students. Staff, facilities, energy, and so on, exist so that students can become educated more efficiently and effectively and so faculty can teach and produce knowledge. If the Committee report is not linked to teaching and research, it will miss the point. Another dimension is public goods, Professor Roe said; at the department level, the question must be decentralized. What constraints, future opportunities, and directions do they face? The Committee cannot really provide insights into what departments need, but it can speak to the issue of public goods.

One enormous factor is that the vast majority of funds are committed for life (in tenured faculty). It might be possible that the University could produce more by putting one-third of that money into support for the two-thirds who remained, but there is no way to do that. If departments could say that for a certain amount of money it could produce more education and research, the money could be provided and then taken away if the department did not produce what was promised, but the University does not have the infrastructure to make those kinds of decisions.

Professor Roe noted that the discussion is not about academic programs but the distinction is artificial because facilities and core infrastructure are integrally related to programs. There is a need to identify productivity measures for the unit level. The core issue is how to make programmatic decisions that are tied to facilities, Mr. Kallsen said.

Professor Konstan said that what is needed is GUP—Gross University Product. If the University does not define it, it will be unhappy if the product is defined by the outside. A landmark book on Mayan history might not count if an outsider establishes productivity because such a book would not contribute to the economy. If the University, however, could demonstrate that the GUP was up 7%, that could give it the basis for arguing for support and for comparing with other organizations. The measure cannot be developed quickly, but without it research universities will have a difficult time making their case.

A key issue for this Committee is to be sure it provides the administration with a short list of things it cares passionately about, Dr. Sullivan said. Professor Campbell said the Committee could provide a short list of priorities; Mr. Klein said the Committee might make a stronger contribution by identifying a few things and not pretend to be comprehensive. This could help focus attention on the few critical issues rather than the many of importance. Others are also preparing priorities so the Committee's need not be definitive. Will the draft plan be iterated, Professor Campbell asked? The whole University will see it, Dr. Sullivan promised. Professor Campbell said he would prepare a draft and remained open for advice.

What is the Provost looking for, Ms. Blixt asked? Everyone agrees on what is needed and Professor Campbell can prepare the list for the Committee, but where will the money come from? What kinds of decisions will be made if there is no additional money? What will be the plan once the document is prepared? Dr. Sullivan said he doubted there would be many "eurekas" in the plan. The idea is that the Provost has asked what is most important in the environment that will shape the University. There will be a collision between wants and finances. When the plan is done, there will be an environmental scan to identify opportunities, weaknesses, and threats, but the process is not far enough along to identify specifics.

One should not assume that everyone thinks about these things the same way, Mr. Kallsen observed. Faculty in the Carlson School, for example, may not see classrooms as a problem. The point of asking for the Committee's priorities is to obtain a broad view. The plan will not miss classrooms, Dr. Sullivan promised. There should be a paragraph on funding for technology in classrooms, Mr. Klein said; that is a subject in the Committee's bailiwick. Classrooms can be a "threat" to the University if new students see them as worse than the classrooms they had in high school, Mr. Kallsen commented. It is important the University get the best students, Professor Konstan said; if it does not, it will not be as successful and there will be long-term harm to the University. So it must invest in classrooms as a resource to get the best students.

Professor Campbell adjourned the meeting at 4:05.

-- Gary Engstrand



