Minutes*

Faculty Consultative Committee
January 2, 1992

Present: Thomas Scott (chair), Mario Bognanno, Amos Deinard, Judith Garrard, Paul Holm, Norman Kerr, Stanford Lehmberg, Burton Shapiro, Charlotte Striebel, James VanAlstine, Shirley Zimmerman

Guests: Avner Ben-Ner (chair, Senate Committee on Faculty Affairs), David Berg (Management Planning and Information Services), Senior Vice President E. F. Infante, Executive Director Barbara Muesing (Regents' Office), Maureen Smith (Brief)

1. Discussion of Minnesota Higher Education Reorganization

Professor Scott convened the meeting at 12:30 and welcomed Mr. Berg to discuss the issues surrounding the merger of the other three higher education systems.

Mr. Berg reviewed the background and projected schedule established in the bill that merges the three systems by 1995 and told the Committee that the University administration may be asked by the legislative leadership about the role it might be willing to play in the rearrangement of higher education in Minnesota. There is significant and widespread legislative dissatisfaction with the bill that was adopted and it is likely that alternatives will be considered. The University took no position, either publicly or privately, about the bill that was adopted in the last legislative session; no proposal ever included the University.

He then outlined the new proposals that might be made to restructure higher education and their possible political implications. It is probable that one or more proposals to add campuses to the University will be made. Any change made without the consent of the Board of Regents would require a constitutional amendment; the University will have to take a position, as alternatives are considered, on whether or not it will accept them.

One likelihood, if campuses are added to the University, is that a separate system administration would have to be established; it would no longer be possible to administer the system as an adjunct to the flagship campus.

Asked about the experience in Wisconsin (which was a COMPLETE merger of all systems), Mr. Berg said that most consider it "a failed experiment." No such complete merger, he noted, has been proposed for Minnesota. One disadvantage of the Wisconsin plan is that it has tended to pull down the salaries of the faculty at the Madison campus. Mr. Berg also concurred with the view that the University needs to retain a presence in the non-metropolitan parts of the State, especially northwestern Minnesota. Much of the University's strongest legislative support has come from rural areas; it is a smaller fish in a big pond in the Twin Cities whereas it has a large presence in rural Minnesota.

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Senior Vice President Infante joined the meeting and opined that the deadline for counter-proposals will be March 1, inasmuch as that is the date by which the plans for the three-system merger must be laid down. The University, he said, may find it more difficult to take a "hands-off" position again (which would be taking a position in favor of the existing merger bill). Moreover, President Hasselmo is now regarded by many as the leader of higher education in the State and he may be expected to take a position. Mr. Berg concurred and maintained that either he (Dr. Infante) or the President will be asked how, if the State were to start over, higher education in Minnesota should be designed. Mr. Infante reported that the central officers have had long discussions about this situation and will have another meeting shortly; they agree that the University will have to take a stand.

Committee members discussed with Mr. Berg and Dr. Infante various issues associated with the merger proposals, including the legislative interest in the subject (a desire for a more effective and efficient higher education system), the possible impact of changes on the Twin Cities campus, the different campus arrangements that might be proposed, whether or not consolidation of systems would save money (it rarely does, suggested Mr. Berg), and the possible timing of University discussions.

Inasmuch as Dr. Infante suggested that the realistic deadline for discussion and proposals is February 10, it was agreed that FCC would have to take up this subject quickly.

2. Discussion with Senior Vice President Infante

The Vetoed State Specials: Dr. Infante noted that the Governor, on December 23, had announced that he supported restoration of the funding of the $23 million for the vetoed State Specials. Dr. Infante reminded the Committee that the Governor proposes but the legislature disposes; it is not yet clear what means might be used to restore the funds.

The University is pleased with the recommendation but it must be kept in mind that the $23 million could be restored, only to be followed by another cut of somewhere between 2 and 5% (which would be part of a statewide general cut in funding for all agencies). The exact amount of any cut, it was noted by one Committee member, will depend on a combination of increased revenues, use of the State reserve fund, and the budget deficit.

It has also become clear in discussions, Dr. Infante told the Committee, that the Governor is interested in converting some of the State Specials to the O+M budget so that the University has maximum flexibility in dealing with any cuts. He said he expected there would soon be discussions about which Specials it would be desirable to convert to O+M funds and which not; there are various opinions on which Specials it would be most logical to switch.

One legislative leader has expressed concern about the possible impact of tuition if some Specials are folded into the O+M budget. At present, Dr. Infante pointed out, the University's budget is not divided into expenditures for instruction, research, and service; it may be that the budget will have to be reclassified into those categories if the Specials are folded into O+M funds. He told the Committee that he has been trying to divide the Specials into three categories: those which should be folded into the O+M budget, those which should NOT be, and those about which there are legitimate questions; he gave examples of his views of which Specials are in each category. Dr. Infante agreed with the observation by one Committee member that folding the Specials into the O+M budget is not intended to be a device to cut the University's funding; it is only intended to provide more flexibility.

The Minnesota Supercomputer Center: Dr. Infante next turned the discussion to the Supercomputer Center; one of the vetoed State Specials provides slightly under $8 million for supercomputing. During difficult times in higher education, he observed, long-range decisions require serious consideration. The existing Supercomputer Center equipment under full control of the Center dates from 1985; the time on two other supercomputers, by federal agency rules, cannot be sold.

Dr. Infante recalled for the Committee that when the University bought its first supercomputer in 1982, there were then a series of retrenchments and it was unable to pay for it. In an attempt to fund it, the University engaged in successful marketing of use of the supercomputer by private industry. Shortly thereafter the University was threatened because it was seen as competing with private industry in the supercomputing market, so the University set up a private, tax-paying company owned 90% by the University Foundation and 10% by the University. Because earlier funding plans for supercomputers had not worked out, it was decided that the only way the University could acquire and operate them would be by selling time.

The Board of Directors of the company consists of four representatives from the Foundation and three from the University; two of the University representatives are the two senior vice presidents. The company has made a profit ever since 1982 and has paid taxes. Its revenues come more from outside than from inside the University.

In the past year the company has said it must take the next step forward in technology; it wishes to lease equipment with a value of approximately $100 million. It has asked the University to make a commitment to maintain the present level of funding for the next four years. On the basis of that guarantee, the company then expects to obtain similar commitments from outside amounting to between two and three times the University's commitment--and, on that basis, would then purchase the two or three major pieces of next generation computing equipment.

There is risk involved, Dr. Infante told the Committee. The University's commitment would ultimately be leveraged approximately 4 times. He and Senior Vice President Erickson have analyzed seriously the situation and have recommended to the President that the University make the commitment that has been sought. He explained that the State Special had been appropriated with the expectation that the activities in supercomputing would continue to move forward and that if it did not do so, the funding would be significantly endangered. Further, if the equipment is not upgraded, there will shortly be few commercial markets for the services the Supercomputer Center would be able to provide. Such a decision would imply that the Center--the University--would no longer seek to be on the cutting edge of supercomputing.

Machines, he told the Committee, are getting bigger and bigger, by orders of magnitude; the expense is increasing arithmetically. The first Cray 1 the University purchased cost $10 million; the C90 is the equivalent of 1000 Cray 1s and is priced at approximately $30 million.

Asked where the commercial business would go, Dr. Infante said to those organizations which acquire new equipment. The customers of the University are national and can go to any location that can provide the services they need. He agreed that the University could purchase the services it needed, rather than acquire the equipment itself, but to do so would be significantly more expensive.

One Committee member inquired if this same issue would arise again in another five or six years. Dr. Infante observed that there have been eight supercomputers at the University since he arrived in 1984. Some computing units are shrinking (desktop computers) and some are growing (supercomputers). He said he expects that eventually there will be about ten supercomputing centers in the United States by the end of the decade (down from the present 20); ten will go out of business. The capacity of the machines increases by an order of magnitude every three years, which means that there can be fewer centers serving more users. The University has been served well by the Center; it obtains a lot of "spare time" on the supercomputers at no charge. He said he expects that the University's portion of time used on the machines will decline in the future--as more and more external needs can be met without diminishing the time available to the University. The costs, however, of purchasing and operating the equipment will increase by 50%; the University cannot afford to contribute more.

Several Committee members spoke in favor of the University retaining its position on the leading edge of supercomputing but expressed concern about the possible risk if the commercial market were to fail to provide the necessary income. Dr. Infante reiterated that there is risk involved. If the University continues to provide the approximately $8 million, and the Center obtains commitments for $18 - 20 million from the outside, then it will need to generate $7 - 8 million in fees in order to operate without a loss. If that $7 - 8 million does not materialize (and the company does not declare bankruptcy, which always remains a possibility), then the two co-owners will be at risk. Some safeguards, he added, are being built into the lease arrangements to further minimize that risk. The venture, he pointed out, is not dissimilar to the way the University Hospital operates.

The risks, Dr. Infante said, are these. First, some may say that the $8 million now going to supercomputing could better be spent elsewhere. That, he observed, is arguable--and it is doubtful the University would even have the money if it were not spent on supercomputing. Second, the University and the Foundation assume an arm's-length risk (bankruptcy is an alternative which would obviate any demands on University resources) because they are the firm's owners. It is also likely, he told the Committee, that one of the outside customers alone will be willing to make a commitment to an amount approximately twice that of the University.

There will be an item presented to the Board of Regents which would guarantee the continued funding for the Supercomputer Center, Dr. Infante told the Committee. He said he intends to consult with the Senate Committee on Computing as well as the Advisory User Committee that he and Senior Vice President Erickson have established to advise them on the reorganization of computing at the University.

Committee members appeared to be in general agreement with the proposal to guarantee the $8 million in funding.

3. Update on the Health Care Task Force

The Committee next went in to executive session to discuss with Professor Ben-Ner recent developments with respect to the health care proposals.

4. Review of the President

Professor Scott next welcomed Ms. Muesing to the meeting to discuss the review of the President conducted by the Board of Regents last Spring. He told the Committee that he had received a number of comments last summer, following the review, about the extensive detail contained in the report that was released to the public. Of particular concern were the extended comments on Academic Affairs and External Relations. The question is whether or not these kinds of comments put the President in a difficult position. The Committee, he explained, needs to better understand how the review process works.

Ms. Muesing began by telling the Committee that she could explain the context of the reviews, and how they are conducted, but that she could not speak for the Board of Regents on substantive issues which might be raised. She told the Committee that from the mid-1970s to the mid-1980s there were no annual reviews; the recent review of President Hasselmo was the first one to take the form of an annual report. Earlier the reviews typically took place at about five-year intervals. Given current University concerns about accountability--at all levels--annual reviews seemed more desirable, with more substantial reviews periodically. The President, Ms. Muesing observed, serves "at the pleasure of" the Board of Regents, so the timing of the reviews is not all that important, but conducting them annually, and making them routine, can be helpful and can prevent small problems from growing large.

One of the primary responsibilities of the Board is to hire and support a president; annual reviews can be helpful in this respect, so the Board decided in 1990 to begin conducting them. The process is intended to be open, thorough, and honest--but not bureaucratic so that it becomes less useful. The four factors evaluated in the review were academic leadership, management, diversity, and internal and external relationships (including those of the President with the Board).

Such a review, Ms. Muesing reflected, cannot help but include not only a review of the President's office but also those in the next layer down--those offices that the President supervises. It is the discussion of that next layer, she observed, that may raise delicate points.

The Board established the review committee and met with the President in a non-public meeting to obtain his assessment. All other meetings, with various consultative and constituent groups, were also non-public. The views expressed were then drafted into a report, which report was written in such a way that views expressed were not attributable to any particular group. This report was then presented to the President in a non-public meeting. After this meeting, the report was released publicly. Ms. Muesing said it was her judgment that the President was not uncomfortable with the process, although she suggested the Committee might wish to speak directly with President Hasselmo about his view of the process.

One Committee member inquired about the non-public nature of the discussions; those who have been involved in reviews of other University employees have been told that the Data Practices Act requires that anything said during the review must be made available to the individual being reviewed. Ms. Muesing told the Committee that the General Counsel had advised the Board that non-public meetings were permissible and that the minutes and tapes of the meetings were not made available to the President.

Another Committee member said that a summary evaluation should have been included; it is not clear from the report whether the President received an "A" or a "C-" because there are both strongly positive evaluations as well as criticisms in the report. The report, it was argued, "could be used to beat him over the head or to say that he did a great job" and the reader is left with too many questions. Other Committee members took issue with this position, saying that there is no need for a "bottom line" and that it would not serve the purposes of the review. The pluses and minuses can't be added up; it would denigrate the criticisms to summarize by saying the President did a great job. It was noted by another that the review is a very informative and useful management document; the question is how it might be used externally and how it might affect the President's ability to do his job. Most who have reacted to the report, Ms. Muesing reported, have had very positive comments about it.

The President, Professor Scott emphasized, has not said anything whatever about this process to him; the origins of the questions about it are in the faculty.

Asked if there had been any similar review of former Senior Vice President Kuhi, Ms. Muesing said she did not know. There is in place a process which involves each vice president setting goals and reviewing accomplishments, and each is reviewed annually by the President.

Ms. Muesing concluded by suggesting that if questions about the process remain, it might be useful for the Committee to meet with the Chair of the Board of Regents next Spring, before the next review occurs.

Professor Scott thanked Ms. Muesing for joining the meeting.

The Committee adjourned at 3:20.

-- Gary Engstrand

University of Minnesota