Minutes*

Senate Committee on Finance and Planning
Tuesday, March 3, 2009
2:00 – 3:45
238A Morrill Hall

Present: Judith Martin (chair), Jon Binks, Joao Boavida, David Chapman, Jennifer Dens, Steen Erikson, Steve Fitzgerald, Zachary Gunderson, Kara Kersteter, Lyndel King, Joseph Konstan, Russell Luepker, Mikael Moseley, Paul Olin, Gwen Rudney, Terry Roe, Michael Rollefson, Karen Seashore, Warren Warwick, Aks Zaheer

Absent: Lincoln Kallsen, Thomas Klein, Kathleen O'Brien, Richard Pfutzenreuter, Thomas Stinson, Michael Volna

Guests: Vice President Stephen Cawley (Office of Information Technology); Chris Suedbeck (Asset Management); Vice Provost Robert McMaster, J. Peter Zetterberg (Office of the Vice Provost and Dean of Undergraduate Education)

[In these minutes: (1) information technology plans; (2) Faculty Retirement Plan; (3) resolution on parking; (4) differential undergraduate tuition (Twin Cities)]

1. Information Technology Plans

Professor Martin convened the meeting at 2:00 and welcomed Vice President Cawley, from the Office of Information Technology (OIT) to discuss plans in information technology.

Mr. Cawley noted that planning with no money is either very difficult or very easy. The University faces a significant financial problem, which is all the more reason to be prudent about new technology investments. They are now getting beyond the new Enterprise Financial System (which may take another 18 months to get completely in order), so the question is "what next?" Over the last ten years the University has replaced all its core management systems, so he has been consulting with the President's Executive Committee to develop principles to guide OIT. There are a number of projects possible.

Their goal is to invest in technology projects and services "that are truly transformative to the institution while maintaining and leveraging the infrastructure necessary to support them." In other words, they want to be sure they understand the underpinnings of the system and keep them healthy, Mr. Cawley said. The criteria they propose to use are similar to those used elsewhere in planning: centrality to mission, quality/productivity/impact, uniqueness and comparative advantage, enhancement of academic synergies, demand and resources, efficiency and effectiveness, and development and leveraging resources. Mr. Cawley also reviewed the principles OIT uses, including the institutional vision, service quality, institutional economy-of-scale value, technology maturity, interoperability, and so on. On economy of scale, Mr. Cawley observed that technology exists throughout the institution (e.g., students have their own computers), so before the University makes adjustments to its technology, it needs to be sure there is value and an economy of scale to be achieved. As for interoperability, they want to be sure that any new technology works with existing technology and emerging standards.

* 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.

Their consultation plans include the Senate Committee on Information Technology (on which he serves as an ex officio member) as well as a number of other groups (including one with faculty and associate deans that focuses on teaching technology, one with associate provosts and vice presidents that considers central systems, one with collegiate and coordinate campus IT directors, technology-specific work groups). He also consults with the deans and chancellors.

They are now analyzing several larger projects. Some are considered "strategic/transformative" and others are considered "infrastructure." The former category includes Constituent Relationship Management, e-education, Geographic Information Systems, and Strategic Sourcing (e-purchasing).

Constituent Relationship Management (CRM) is a system that focuses on undergraduate and graduate students and managing their experiences at the University by tracking their contacts with University offices and measuring the quality of the student experience, which could provide information to help with retention and graduation. Does this parallel advisors' use of PCAS, Professor Martin asked? It does, Mr. Cawley said, and is layered on top of everything else to provide a picture of the student experience; it includes mechanisms to intervene and help. How do they know that students want the University to know all this, she then asked? There are significant privacy issues, Mr. Cawley agreed. He said he is the "technologist" and it is up to others to work out the University's response to such issues. This is (now) an additional module on top of the other PeopleSoft student systems and seen as a missing piece. The next step would consist of consulting with experts who can deal with privacy issues.

Professor Konstan said that benefits of CRM seem distributed; they accrue to students, the central administration, and, one hopes, the units. So are the costs of programming in the information. There could be substantial unit costs, just as there were with EFS; who is responsible for estimating the non-central costs before a decision is made to invest in CRM? The project team, Mr. Cawley said, which should include both central and unit representatives, and a project expert should help with that assessment. He agreed that it is critical to understand the full costs before proceeding. How many projects get to a point that they have a project team and are then cancelled because they are too expensive, Professor Konstan inquired? Or cancelled because they are too tough on the units? Not many, he speculated. That did not happen with EFS, Mr. Rollefson observed. That was different, Professor Konstan said, because the existing system was on the edge of collapse and if the sky fell, the costs would have been so great that the University had to do EFS. Do the kinds of projects Mr. Cawley is talking about add functionality? If the right analyses are not conducted for these projects, there could be some winners but a lot of losers. CRM could be phased in, Mr. Cawley said; a few central offices might use it but it would not have to be decentralized. For example, the Disabilities Services Office has a system that tracks contacts, as do other offices. CRM could be used there and stop. A new decentralized model for graduate education could use it as well.

Professor Martin said the University would need to think about whether CRM is appropriate for the entire set of activities of the institution. She commented that she cannot think of very much she does not know, but wants to know, about undergraduates. Professor Zaheer suggested that undergraduate students should be asked if they would like the data to be analyzed. That is a policy decision, not a technology decision, Mr. Cawley repeated, and the institution would have to make the decision. Professor Zaheer said it should be treated like a research project and go through the normal channels for review.

Mr. Moseley asked if they have looked at what peer institutions do. It is commonly used, Mr. Cawley said; Minnesota is behind the game in that respect. He said he assumed that students would be involved in the decision and suggested the Committee speak with Associate Vice Provost Rinehart. If the

University is behind other institutions, Professor Seashore commented, then they should have answers to questions that might be raised here about whether CRM will make the University function better. "We need to know what questions we need to answer." Mr. Cawley said the Committee should ask Mr. Rinehart.

On the next item, e-education, Mr. Cawley noted there had been a task force to look at electronic and online learning in response to the Governor's call for MNSCU to offer 25% of its courses online. This is in an early phase and one question is whether the University wants a more robust non-credit registration system. It is very expensive and the College of Continuing Education has a near-enterprise-quality system. The next version of PeopleSoft will have such a system and the University could upgrade and add the function.

The GIS system is about understanding and managing space.

They have the technology for e-purchasing; it is a policy and strategic decision, Mr. Cawley said. There is tremendous savings potential; some of the University's peers have adopted it and saved tens of millions of dollars annually. That money is distributed to the units.

In terms of infrastructure projects, they include a data center, Enterprise Data Storage, identity management, ERP compliance, maintenance, and upgrades, and grants-administration and compliance databases. The last would not replicate EGMS, which has a lot of homegrown processes that put the University at risk. This is so integral to the University's research business that it cannot not modernize.

The data center is needed because the University is nearly at capacity; this will probably need to come up after the current budget problems. Professor Martin asked what the annual increase in data needs is; Mr. Cawley said the problem is power and space; the per-square-foot consumption is up every year as technology improves. They can extend the life of current University capacity but this problem will have to be addressed within the next three years or so.

The X.500 system has served the University well for identity management, but as new systems become available, the University will have to modernize. This one will be done when the University can afford it.

The ERP item is a $2 million upgrade to PeopleSoft every other year.

He has talked with the Executive Committee about these projects, Mr. Cawley told the Committee, and none of them has been authorized to move forward. Is it likely that one or two would move forward in the next biennium, Professor Martin asked? The President has asked for a six-year plan, Mr. Cawley related, and the idea is that they would set priorities. It could be that none of them will be taken up in the next year.

Professor Martin asked next about an article that had appeared in The Chronicle of Higher Education about information technology; one question is why the University pays to do what Google will do for free. Mr. Cawley included Google in a list of "Other Projects of Note" and agreed with Professor Martin. He reported that the University has signed a contract to provide student email through Google. Is the information on Google student email safe under FERPA, Professor Konstan asked? It is, Mr. Cawley said; the Office of the General Counsel has reviewed the system and determined that it provides all the safeguards required by federal law. Google applications are fabulous tools for things like joint projects and collaborative research (many faculty are using them now). They have sent an advisory to faculty about how to use systems that are not inside the University, but they want to make those sites safe to people do not have to follow cumbersome rules to use them. Such sites probably would not be used for official University business, and one must be careful about export-controlled business, but Mr. Cawley said he believes the faculty will use the systems wisely.

Mr. Boavida said that some students may not be happy if their identity as a University student is controlled by an outside company. They have tried to address that problem, Mr. Cawley said. Google will be integrated in the University environment; students will still have a umn.edu address, the cost is zero, and students will still be able to forward their email to another account (as they can now). Since it is free, what does Google get out of the deal, Mr. Erikson asked—data mining? The contracts protect privacy, Mr. Cawley said; they get advertising and indexing, and can do it faster than a desktop.

Professor Zaheer asked if there is a site where one can find the applications that the University is signing up for and their uses. There will be, Mr. Cawley said; some information is not available yet. The OIT website has what is available.

Mr. Cawley briefly touched on a couple of other projects in addition to Google, including the faculty expertise database (which is underway), a CIC data storage initiative, a UMCal/Email road map, and course management systems road map (Vista/Moodle).

Professor Konstan said that the UMCal, gmail, and mobile initiatives are not up to small-business standards. The University does not support Blackberry but small businesses do. Students can't put their Facebook ID in the director. The grad application system has made the process worse because it is not made for faculty to evaluate applications (it was much easier to do that with paper applications and students are not required to see an advisor when they can push buttons on a computer). Streamlining in some cases has made things worse in other areas. Professor Zaheer suggested that if OIT has user groups, they should include faculty who will be users who should be able to raise concerns. They use the Senate Committee on Information Technology, the group comprised of faculty and associate deans, and focus groups, Mr. Cawley said. Professor Konstan said it was not Mr. Cawley's fault; the advice of the groups was ignored.

Professor Seashore said that she likes all these systems—but the time she must spend as a faculty member on maintenance of her teaching is increasing. The innovations are nice but they are personally costly for faculty. The University does not know the full cost of the administrative burdens on faculty. Or the opportunity costs, Professor Martin added. Professor Seashore said she now spends more time on teaching as a consequence of technology—but other demands have not gone away. Technology has not saved a minute of time.

Professor Martin thanked Mr. Cawley for his report.

<u>2. Faculty Retirement Plan</u>

Professor Martin welcomed Chris Suedbeck, Director of Investments in the Office of Investments and Banking, to the meeting.

Mr. Suedbeck explained that Investments and Banking manages the endowment and other University assets. He interacts with the Retirement Subcommittee and understood that the Committee wished to know more about the Investment Policy Statement (a copy of which was provided to Committee members). The policy statement was drafted by Jackie Singer, Director of Retirement Benefits, largely in response to the decision to remove TIAA-CREF from the set of Faculty Retirement Plan investment options. The work on the document made it clear there were insufficient links between the Board of Regents, the Retirement Subcommittee, and Vice President Pfutzenreuter, so the Fiduciary Retirement Advisory Committee was created, an administrative group chaired by Associate Vice President Stuart Mason from Investments and Banking. The group also has four members from the Retirement Subcommittee because they want to be sure the two committees are in synch with each other. The policy defines guidelines for oversight of Faculty Retirement Plan providers and has been approved by Vice President Pfutzenreuter and the two committees; they use it as a guide to monitoring retirement-plan assets.

Both the committees monitor the assets of the retirement plan and meet with the plan sponsors on a regular basis. The Retirement Subcommittee addresses participant concerns and the plan structure; the Fiduciary Responsibility Advisory Committee is more involved in fiduciary and administrative issues such as monitoring assets and fees and the like. They have been meeting with Securian (which manages the fixed account) and will look deeper into the investments to be sure they are comfortable with the.

Are these meetings just a regular check and not because they are worried, Professor Martin asked? They meet regularly with the plan sponsors, Mr. Suedbeck said, so that they understand the structure and stability of the organization. The University is the biggest guaranteed-account client with Securian and has about 10% of its assets.

Professor Konstan asked if the University takes bids from providers in order to keep fees down. It does not, Mr. Suedbeck said, because it does not have the most efficient plan possible; each individual controls his or her own 457 plan. But the University does get a volume discount for the products in the Faculty Retirement Plan. They do have bids for the others, but when the difference is only 2-3 basis points, it isn't really significant.

Professor Konstan asked if there is a single investment one can put money in and leave it alone. There is, Mr. Suedbeck said, where one sets a target date for retirement and the investments are made accordingly. A number of people may be pushing that date farther out, Professor Martin commented.

Do they peg progress at Minnesota against other institutions, Professor Roe asked? Mr. Suedbeck said Ms. Singer would be the better person to answer that question. It is his sense that comparisons are made, perhaps more with the optional plans. There are 300 choices in the optional retirement plan; in the Faculty Retirement Plan there are three providers (Securian, Vanguard, and Fidelity), while many institutions offer just TIAA-CREF. He said he believes the University has a good plan.

Has the movement out of TIAA-CREF worked well, Professor Martin asked? It has, Mr. Suedbeck said, and they are still tracking the performance of CREF versus the investment options the University provided. TIAA-CREF has some funds that have outperformed their replacements over the short term but, in general, Vanguard has lower fees and has outperformed over the longer term.

Professor Martin thanked Mr. Suedbeck for joining the meeting.

3. Resolution on Parking

Professor Martin asked her colleagues on the Committee if they wished to adopt a resolution about parking rates, particularly given that all football game-day parking revenues will go to Parking and Transportation. Professor Roe said it would useful for the Committee to know the size of the revenue stream from football games.

The Committee agreed that it would adopt a resolution by email after the meeting that would focus on reducing the charges for facilities and services (e.g., bus passes) that most faculty and staff use on a regular basis, and that Parking and Transportation should generate as much revenue as it can from athletic and other events.

[Note: The Committee was informed at its next meeting that no rate increases were proposed for parking other than for football home game days. Given that, Professor Martin concluded that no statement from the Committee was necessary.]

4, Differential Undergraduate Tuition (Twin Cities)

Professor Martin turned to Vice Provost McMaster and welcomed Dr. Zetterberg to the meeting to discuss the topic of differential undergraduate tuition. The issue has come up because of the current budget difficulties, Professor Martin noted, and some deans would like the latitude to raise tuition to a level of the value of the educational benefits provided. If everything is on the table in the current budget discussions, why not this, she asked?

Dr. Zetterberg said that his tuition records go back to 1960-61, when the University varied tuition for undergraduates both by upper and lower division and by college. In 1983-84 there were 19 different tuition rates. The Board of Regents would approve a 5% tuition increase; Institute of Technology students might see a 20% increase, which would lead to a 10% decrease in graduation rates. Students gamed the system as best they could by entering a lower-cost college and staying in it as long as possible, and then transferring to the college of their major at the last possible time.

The argument about low tuition rates is odd; is there any dean who does not want more money? Are some colleges better? Who is going to name them? Degrees are from the University, not from a college. Undergraduate education depends on quality across all colleges and there would be pernicious effects from different tuition rates by college.

Dr. Zetterberg said he reviewed the discussions that took place in 1990 and pointed out that the campus did not have uniform undergraduate tuition until 1999-2000 when the University changed to semesters. To achieve it, some of the prevailing rates had to be increased while others were not; the change had to made year by year. In the late 1990s upper-division tuition was held constant in order to bring lower-division tuition up to the same level.

There are institutional peers that have differential tuition, Dr. Zetterberg said. Wisconsin just adopted it, but he believes they will come to regret it. Of the schools that have differential tuition, do they see what he sees as the pernicious effects, Professor Martin asked? Dr. Zetterberg said he did not know about Michigan and Wisconsin, which would not see the effects for a few years. The best way to raise tuition revenue is to raise tuition for everyone. If one college raises tuition more than others, who gets the money? Would the college raise tuition more so the University gets more money, and can move more money around?

There are also financial aid considerations, Dr. Zetterberg said. The Founders Free Tuition dollars come from everyone to pay higher tuition. The majority of aid for most students is loans (60% of students have loans that average about $8000 per year). The amount a student can borrow will not vary by college. If one college has higher tuition, students in that college will be at a disadvantage.

Professor Konstan said he appreciated Dr. Zetterberg's experience and strong sentiments but wished to raise three points. One, colleges are already charging differentially through fees, with the problem that the fees are not treated the same as tuition for financial-aid purposes (e.g., technology fees). Dr. Zetterberg said the fees are not that different across colleges and there is no reason to have them anymore. Nor does it make sense to charge separately for one activity, such as technology; the fees generate a minimum number of dollars and it would be fairer to students to roll the charges in to the tuition rate.

Professor Konstan said it feels like there is a financially different climate now. Colleges are responsible for managing revenues and expenses, the costs of instruction vary across colleges (including the market for paying faculty), and it seems inconsistent to put the responsibility in the hands of colleges but not allow them to manage their revenue. It is a philosophical question: what recourse does a college have that wants to maintain program quality, but receives few central funds, and must use fees? Dr. Zetterberg agreed that colleges are in that situation because of the budget model but differential tuition would make things worse. This is a campus and it should have campus values and campus-wide quality. He also agreed that should not have to be up to the college. There can be less-expensive lower-division programs in IT; CLA has some expensive programs. Some programs are expensive because they do not do a lot of service teaching.

Vice Provost McMaster made several points. One was egalitarian: a student has a University degree whether earned from Computer Science or Philosophy and it one should not put a value on a degree by the cost of the tuition. Two, students would game the system and shift colleges at the last minute, which would create a lot of curricular problems. Three, students in higher-cost colleges would need more financial aid. Four, costs are already differential, with tuition banding, which helps graduation rates. If the Committee wants to consider differential tuition, it should consider charging more if a student stays too long rather than differential undergraduate tuition by college.

Professor Seashore said that there is variability in the capacity of deans to manage the work and differential tuition would make the situation worse. With imperfect financial systems and imperfect deans, things would get worse.

Professor Roe said he was sympathetic to Professor Konstan's points but would argue against differential tuition because there is great heterogeneity within colleges. Also key is transaction costs. Does the University want to motivate graduation by differential tuition pricing?

Professor Zaheer said he also agreed with Professor Konstan but that forcing units to stay with the same tuition goes against the grain of investing for excellence. It is part of the state culture that everyone is above average and no one is better than the rest. But that is not the way the rest of the world works and the University cannot turn back the clock; it needs to attract and reward excellence. It will not reach the top three if it forces all units to a common denominator. Then it should go to the highest one, Dr. Zetterberg said. If the University is seeking excellence, it should give more money to top programs where people make less (e.g., Child Development versus the Carlson School).

Mr. Boavida said the Committee needs to see faculty costs and who gets to be a faculty member in the humanities. It could be that decreasing tuition in those fields would drive salaries down and it may be that costs are not fair now. If tuition is based on potential earnings, Ms. Dens aid, what about the English or Sociology major who goes on to Law School, compared to the student who goes into management? What about double majors or IT versus CLA?

Ms. Kersteter asked if anyone had studied how much of loss there is in staff time, petitions, etc., when students game the system. Does one assess tuition by the college in which the class is housed? Has that been studied? It has not, but it is doable, Dr. Zetterberg said. The University could charge tuition by the course if it wanted to. It just depends on how much money it wants to spend to administer the system. Tuition could be charged based on the age of the building the class is taught in or by whether the faculty member is an assistant or a full professor.

Professor Rudney commented that the discussion is about the entire experience of undergraduate education, and it is troubling when one equates expense with excellence, which is not only a matter of how much money one makes after graduation. In an ideal world, a single tuition rate is the right path to excellence, Professor Konstan said, but given the political realities, the University can't charge one price. No one believes price reflects quality—price is about supply and demand, not quality.

Mr. Gunderson that if the idea is to charge more for quality, and if quality is defined as excellence, that is hard to quantify. If one uses salary at graduation as a measure, that does not line up with what education at the University should stand for. If tuition is to be differentiated, it should be based on quantitative characteristics. If one makes it clear to students that one college costs more than another, and why, then they can decide, if the basis is something tangible.

Professor Martin asked if there has been any gaming of the tuition-banding system in place since 2003. They have not seen any, Dr. Zetterberg said. Only a very limited number of students take 22 credits, for example, Dr. McMaster added. What might happen is that Graduate School tuition could disappear and each unit could set its own rate, Professor Luepker said. There are already programs in the Graduate School that have different rates, Dr. Zetterberg observed. Professor Luepker said he would wager that in five years there will be 50 different tuition rates in graduate programs.

Professor Martin thanked Drs. McMaster and Zetterberg for joining the meeting, and adjourned it at 4:05.

-- Gary Engstrand

University of Minnesota