

MINUTES

APPROVED 3/14/85

SENATE FINANCE COMMITTEE

January 31, 1985

Regents Room

3:15 - 5:05

Present: John Adams, Mark Brenner, Richard Goldstein, Marilyn Gorlin, Linda Hanson, Carmen Hoeft (Minnesota Daily), Interim President Kenneth Keller, Jack Merwin (SCC), Irwin Rubenstein, Phil Shively, David Storvick, Deon Stuthman, John Sullivan, Wendell Johnson.

The minutes of January 3 were approved with the corrections already distributed.

AGENDA QUESTION: What items in the Biennial Budget Request are so important that the University should stand ready to retrench to fund them if necessary?

Participants had four documents for reference:

- "1985-86 Budget Alternatives as Taken from the '85-'86 Appropriations Request"
- Report of the ad hoc deans group on "1985-86 Budget Priorities"
- "Preliminary Recommendations of DOF Matched Against University Needs"
- "1985-86 BUDGET, Preliminary Considerations."

President Keller reminded the Committee that the Governor has lumped together his entire appropriation recommendation for the University. There are several ways of looking at his recommendation in relation to the University's request. Widely different percentage increases result depending upon whether one calculates the University's requested increase on the 1983-85 Base or on the FY85 appropriation doubled, and on whether one makes the calculation on the University's whole O&M budget plus the state specials, or on that part of the University's budget funded by the state.

The president acknowledged as correct Professor Stuthman's interpretation that if the University received its full request, the proportion of University support from the legislature would increase. In response to Professor Storvick he acknowledged that tuition would rise, but he noted that was in part because the number of students will decline.

Considerable calculation and discussion ensued in trying to determine the size of the gap between the Governor's recommendation and the University's request, and in trying to interpret the significance of that gap. Central administration interpret's the Governor's request as allowing about \$44 million over two years for program improvements, as opposed to the \$112 million the University requested. Only \$34 million of the \$44 million is flexible.

Faculty salaries: The Commissioner of Finance has defined 4% and 4½% as the increases in the "standstill" budget; the University allows 5.5% and 5.5% in its "standstill" request increase.

Indirect cost recovery fund: The net result of the Governor's recommendation, said Dr. Keller, would be to give the University half the ICRF's for flexible use and require the University to use the other half to cover state specials which have been removed from the base.

Some discussion followed on how to use ICRF's to best effect -- how much to send to the college, department, or individual investigator as reward and incentive, and how much to retain centrally for purposes such as purchasing new equipment and providing set-up money.

Supplies, Expenses, and Equipment: University's "standstill" request is for 5.5% and 5.5% and the state's is 4.0% and 4.5%.

The paper entitled "1985-86 BUDGET, Preliminary Considerations" has already been presented to the Regents to show how central administration intends to approach overall budgeting for the year. It lists four levels of incremental funding (from items required absolutely to those to be funded only if explicitly designated by the legislature), nine planning goals, and 17 budgetary decision areas. Dr. Keller emphasized that the deans' report focuses on category I.1: increases which are absolutely required and for which, if necessary, retrenchment and reallocation must take place. He added that the University cannot assume it will have \$44 million for the items in I.1. The most that can be assumed is a "standstill" budget. Dr. Heydinger noted that the deans wanted to consider for the imperative category only University-wide items, not program-specific items.

The president then asked the Finance Committee to consider if they believe there are any items the University <sup>should be</sup> willing to retrench to fund if the legislature does not appropriate for them. He mentioned that one essential piece of information not yet available is the size of the pool of dollars as colleges carry out their previous retrenchment plans.

Asked how the deans collectively reacted to the deans' subcommittee report, Dr. Keller commented that they seemed to agree with the ordering of priorities. They see individual merit and anticipatory retention salary increases as even more important than general faculty salary increases, and they very strongly back improved support for graduate students.

SFC then began discussion on how it would rank items for funding increases if retrenchment were required to attain them.

Professor Storvick asked whether faculty salary increases of 5.5% each year of the biennium would keep the University on the approved schedule. Dr. Keller replied that it would depend on the inflation rate; to achieve the goal salaries have to rise by about 1.5% more than the inflation rate. But, he added, we must decide whether staying on that schedule is more important than anything else. Professor Stuthman said the University must at least think about exceeding the schedule now while economic times are good because they won't always be so. The president asked if SFC would consider guaranteeing 5% for general salary increases and holding 0.5% for special purposes. He reminded the Committee that the cost of each 1% salary increase is about \$2 million per year. The University <sup>has</sup> requested a one percent increase for special market and retention cases in the first year and no increase in the second year. Professors Rubenstein and Shively urged continuing to identify for the legislature the retention and marketplace fund request separately from the general salary increase item.

Committee position on salaries: SFC favors a 6% increase for faculty salaries in each year of the biennium, 5½% for general purposes and 0.5% for special purposes. SFC declared its readiness to see the University retrench to achieve that. President Keller warned that the cost would come to \$6 million over the biennium. He and Dr. Heydinger foresee that retrenchment is not likely to yield over \$2 million.

Tuition fellowships. A 1% retrenchment would generate 2000 tuition fellowships (= tuition waivers). 2800 of 7000 graduate students now have assistantships. \$2.6 million is what the University is presently distributing in financial aid besides the assistantships. Professor Sullivan reported that most members of the Research Committee feel this aid is very important for recruitment and has a positive effect psychologically as well as objectively. The Finance Committee members indicated their support for ranking tuition fellowships high.

Professor Stuthman and Dr. Keller noted that there is a proposal still pending to increase the indirect cost rate on grants by a small amount to fund fellowships in units where fellowships cannot be paid from grants.

Professor Stuthman observed that the Committee seemed to agree on the importance of the items put forth in the deans' ranking proposal. Ms. Hanson ask that the case be made that the Libraries are not program-specific (as the deans had categorized them) but exist for all faculty and students. Dr. Keller pointed out that in the case of this year's request, improvements are sought for the coordinate campuses' libraries because the Twin Cities libraries have caught up to the goal.

However, said Dr. Keller, he regards both the inflationary catch-up for the libraries and instructional computing as very important. People must consider whether some of the program-specific needs are not essential to the long-term interest of the University, he remarked. Dr. Heydinger called SFC's attention to the way the question had been put to the deans' group: "For what purposes would your units be willing to retrench?" Dr. Keller remarked the deans may have misconstrued the purposes intended for sabbatical leave funding and believed the University would continue to be constrained as it was by the terms of the Bush grant. It won't have those constraints.

Instructional Computing: Professor Stuthman told the president that no one seems to be able to grasp how well the University stands in this area. People want to know what is going on here and how that compares with the need. The president reported to SFC that the administration has had good proposals for instructional computing from Education, CLA, Management, and IT, and has been giving out money to these units. The Committee agreed it might be very helpful to talk with Assistant Vice President Wolfe at its February 28 meeting.

As the meeting was drawing to a close, Professor Brenner asked members to consider just what they mean when they say a 5.5% salary increase is worth retrenching for. The "when times are good" argument is given; but retrenchment is not a "when times are good" situation.

The meeting adjourned at 5:05 p.m.

Meredith Poppele,  
Recorder

We've received the following corrections and clarifications to the minutes of the Senate Finance Committee's January 31 meeting:

1. Attendance: Add Wendell Johnson.
2. Page 1, last line: "...that was in part because the number of students will decline."
3. Page 2, par. 3, (Indirect Cost Recovery Fund): "...would be to give the University half the ICRF's ~~it seeks~~ for flexible use and require the University to use..."

Page 2, next sentence: "...--how much to send to the college, department, or individual investigator as reward and incentive..."

4. Page 4, par. 2: "Professor Stuthman and Dr. Keller noted that there is a proposal still pending to use a small part of the increase in recovered ~~indirect costs~~ increase the indirect cost rate on grants by a small amount to fund fellowships..."

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MEMBERSHIP CHANGE: The Student Senate Consultative Committee has named Paul Schulte to replace Eric Ahlgren on SFC.