

Minutes*

Faculty Consultative Committee
Thursday, January 27, 2011
1:00 – 3:00
238A Morrill Hall

- Present: Kate VandenBosch (chair), Melissa Anderson, Peter Bitterman, Elizabeth Boyle, Thomas Brothen, Colin Campbell, Carol Chomsky, Chris Cramer, Shawn Curley, Nancy Ehlke, Janet Fitzakerley, Michael Hancher, Jeff Kahn, Russell Luepker, Jan McCulloch, George Sheets
- Absent: Nancy Carpenter, Marti Hope Gonzales, Caroline Hayes, Michael Oakes
- Guests: Vice President Aaron Friedman; Professor Barbara Elliott (co-chair, Committee on Academic Freedom and Tenure); President Robert Bruininks; Vice President Mulcahy, Dr. Peter Radcliffe (Office of Planning and Analysis), Nicole Parker Chrysovergis (Tripp Umbach consulting firm)
- Other: Terry Bock (Office of the Vice President for the Health Sciences); Jill Christenson (Office of the President)

[In these minutes: (1) discussion with Vice President and Dean Aaron Friedman; (2) amendments to the tenure policy; (3) discussion with President Bruininks; (4) economic-impact study]

1. Discussion with Vice President and Dean Friedman

Professor VandenBosch convened the meeting at 1:00 and welcomed Vice President Friedman to his first meeting with the Committee. She recalled that Senior Vice President Cerra had joined the Committee about once per semester to provide updates on events in the Academic Health Center (AHC), so this visit continues that pattern. She noted that the Committee had provided Dr. Friedman several questions prior to the meeting, and turned now to the first one and asked him about his background and scholarly interests.

Dr. Friedman said that he had been at the University since 2008 and came here to serve as the chair of Pediatrics. Prior to coming to Minnesota, he had spent most of his career at the University of Wisconsin but also had a short stay at Brown. His scholarly work has been in pediatric nephrology and his research was focused on growth failure in children due to kidney failure. He was in a clinical department at Wisconsin, so did not have graduate students, but had many trainees (medical residents and fellows) come through his lab over the years. He said that he also served as chair of the University Committee, the 6-member central faculty governance committee for Wisconsin—and at that time was only the second medical school faculty member to have served on it. In addition, he spent time on graduate medical education, dealing with the training of future physicians.

* 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.

The second question was how the situation is evolving with respect to his needing to wear two hats, that of Vice President for the Health Sciences and Dean of the Medical School. How does he combine the vice presidency with the deanship and what are his priorities?

Dr. Friedman observed that he started in the position on January 3, so has about three weeks of experience in the two positions—even though he spent time during the fall with Dr. Cerra and others, he still served as chair of Pediatrics. He said he can provide some early thoughts about the combined position and also talk about the process that President Bruininks and Provost Sullivan began to look at the role and place of the AHC in the University. That report will be available in three or four months.

The President and Provost asked for a review of the AHC in the fall and appointed a Steering Committee, which he co-chairs with Vice President Mulcahy, Dr. Friedman related. The Steering Committee has broken into three subcommittees. One will deal with the mission and vision of the AHC; there is no clear picture of what AHCs are, and this is an especially large one, given the number of students and faculty in it, the fact that the Medical School is large, and that there are five other colleges in the AHC. One issue this subcommittee will examine is how the AHC interdigitates with the rest of the University. The second subcommittee will look at AHC administrative units that provide shared services to the health-sciences schools, colleges and interdisciplinary centers. The third subcommittee will focus on interdisciplinary academic programs and centers in the AHC.

On the last point, Dr. Friedman said he has spoken with Provost Sullivan about how the decision is made whether an interdisciplinary unit will be a University center, a college center, or an AHC center, and what each status means. One question is how AHC centers are managed administratively, but the larger question is how the AHC centers interact with colleges and schools in the AHC and the rest of the University.

The Steering Committee has acquired a second role, Dr. Friedman said. The President-designate takes office in July and he has made it clear that he did not oversee the AHC as provost at Stony Brook. So the study will help the new president better understand the AHC and provide him thoughts about the future.

Professor Curley, noting that he is from the Carlson School of Management, said that the position of Dean of the Carlson School is a full-time job, and he would imagine that being Dean of the Medical School is also a full-time job, so it is difficult to believe it is manageable to add the vice-presidential responsibilities on top of the deanship.

Dr. Friedman said that the answer is related to what the dean and the vice president must do personally versus what a management team can do. Some tasks can be performed at the management level, while priority-setting and strategic thinking are more important for the leader. He needs to develop a management team that will allow that division of labor. The answer also depends in part on the culture; in the Medical School here, a number of matters handled by the dean are, at other universities, delegated to a dean's management team. He needs to identify the role of the management team in the Medical School. The relationship with the rest of the University will also help determine if the two roles are manageable. He said he does not have a sense, yet, of whether the roles can be managed. This is a common combination of responsibilities at the University's peer institutions, partly because of the overwhelming nature of medical school budgets and activities, something that is a little less true at Minnesota. There is also considerable leadership change in a short period, Dr. Friedman observed, both

in the Medical School and at the University, so he will be better able to answer the question of what is manageable and what things will look like in six to twelve months. It is a fair question, Dr. Friedman concluded, and the leadership and roles in the future are big questions.

One issue that will play into events in the Medical School and AHC is the upcoming Medical School accreditation visit in March, 2012. That is a big deal, Dr. Friedman said, and it requires a lot of effort to get prepared for it. They will complete a self-study by the end of the semester and then address the issues it raises.

Another issue related to the Medical School and the AHC is the relationships with large clinical providers, especially Fairview Health Services. All the AHC schools have important relationships with Fairview, including training students, clinical research, and clinical delivery. The Fairview relationship began in 1996 and has evolved over time. It is not the same now as it was then, and it will continue to need to change, especially in an era of health-care reform. This relationship is a major agenda item. The University has taken a much greater interest in the relationship since the discussion a year ago about the possible integration of Fairview and University of Minnesota Physicians (UMP). While the integration did not come to fruition, the discussion focused the University's attention. There is now a Board of Regents AHC Work Group that is looking at what the impact on the University is, given the close relationship with Fairview in supporting the academic mission of the AHC and in providing clinical care (including branding and the use of the University's name).

Professor Cramer said he can understand the relationship with Fairview but asked how one should think about UMP. It was formed in 1996, Dr. Friedman said, and is a separate 501(c)(3) organization; it is a faculty clinical practice plan. Many such plans were formed around the country at about that time because medical schools needed to capture clinical revenue. UMP has about \$340 million in annual revenue, the vast majority of which comes from clinical practice or contracts UMP physicians have with outside organizations. Almost all practicing physicians at the Medical School have a University appointment and a UMP appointment, receive two different paychecks, and have different benefits (e.g., malpractice insurance is provided through UMP). So when they are acting in their capacity as practicing physician, they are in their UMP role, Professor Cramer asked? It is more complicated than that, Dr. Friedman responded; they may have medical students with them in the clinic at the same time, so are also teaching. For the majority of medical students, teaching occurs with UMP physicians (UMP members are charged to provide teaching to medical students). UMP is a separate legal organization, but one closely affiliated with the University of Minnesota and one that exists solely to support the University's mission of education, research, and care in the health sciences.

Professor Luepker commented that everyone is acutely aware that there is the potential for a large decrease in state funding for the University. About 14% of the state budget (O&M, State Specials) is allocated to the Medical School. Presumably all the budget changes will happen by the time the legislature adjourns. How is he thinking about the potential problem of a cut in state funding?

Dr. Friedman said the Medical School is not preparing any differently than every other unit at the University. They are working under the assumption they will see decreased state funding. The question for a number of professional schools is, as the percentage of their budget from state funding goes down and down, how they should respond. The University can consider a tuition increase for undergraduate programs but that is not a feasible option for some of the professional schools. The Medical School is already the fourth-highest in the country among public institutions; a 5% tuition increase would raise it to

second. The question has been asked every year, as clinical and external research funding in professional schools is an increasing proportion of faculty salaries. (The Medical School and the School of Public Health together account for 43% of all external University research revenues, a little less than \$400 million of the total.)

As he has itemized priorities and work with the AHC Review Steering Committee and work with President-designate Kaler, what will be the balance between his responsibilities as dean and those related to the relationships with Fairview and UMP, Professor VandenBosch asked?

The Steering Committee has met once, Dr. Friedman said, and will meet again tomorrow. The agenda includes asking the subcommittees to give a picture of the questions they will ask and the approach they will take to answer them. He and Vice President Mulcahy want a coherent approach on the part of all three subcommittees; they will broadcast their work and gather information and expect to have a draft report by the end of April with a final report by the end of May. There have been a number of other reports to draw upon and the AHC deans visited other two other AHC's last fall, so they are not starting from scratch. Professor VandenBosch noted that there are several individuals from outside the AHC on the Steering Committee who can help look at the issues of connectedness.

One discussion that this Committee had is about the changing financial pressures and their impact on faculty salaries and faculty effort, Professor VandenBosch told Dr. Friedman. In the AHC, how does he envision the future availability of grant resources and if erosion of those sources has implications for faculty duties.

Dr. Friedman responded that there is no clear picture of the amount of federal research money that will be available in the future given the federal deficit. The rules for distributing it are changing too as federal agencies try to balance their budgets. Already today, for example, NIH has a salary cap for anyone working on an NIH grant or contract; and there are many faculty members (here and nationally) who exceed that limit. Francis Collins, the Director of NIH, has suggested the cap could be lowered even more or the percentage of time paid by NIH could be reduced as a way to deal with budget cuts in his agency. All of which means the universities have to make up the difference from other funds, which are also under stress. These ideas are being discussed nationally and they are important; how do they plan for changes when the model has been built around the idea that one is paid for effort. Another budget idea federal agencies are considering is to ignore what universities say their indirect costs are and simply give them a set amount. NIH and NSF are the best sources of indirect cost funds, so a change would affect how the University pays faculty and supports the research infrastructure. It is impossible to know what will happen but these changes could have a huge impact.

Professor Campbell said he could understand saving dollars by cutting the salary cap, but the PI will hire staff to do the work. How does that save money? The simple answer is that the maximum amount of any grant will decrease, Dr. Friedman said.

For schools with clinical operations, one question is when is reliance on clinical revenue too great, Dr. Friedman said. It can be such a driver that it can jeopardize the other missions. That is a great question, Professor VandenBosch said; is there a tipping point? Dr. Friedman said that Pediatrics has about 140 faculty members; Medicine has about 240. For the groups as a whole, they spend about 15% of their time teaching (although there is a question of definition—if a medical resident spends all day with a physician, is that 8 hours of teaching?). It appears that teaching may suffer; what happens if the

physicians can't take the time to teach because of the pressure to produce clinical income? This is a problem across the country, Dr. Friedman said. But society wants to know if the graduates of these programs, as well as in Dentistry, Nursing, and so on, can do the job. The training model is fundamentally an apprenticeship model, and the schools cannot say "we don't know if the person can do the job because we did not watch." Simulation can provide some of the training, but that is not enough.

Professor Bitterman returned to Professor Curley's question. Being a medical school dean is a full-time job, he said. The widely-held faculty perception is that it is a full-time job and it is a challenge to construct a leadership team that will allow the person to take his eyes off the Medical School in order to be Vice President. Professor Curley's question is a tough one.

Dr. Friedman agreed. The question of the culture, and what is expected to get to the Dean's office and what the individual will do, is important. There are many examples of work that is done by others but overseen by the Dean. He said he is learning whether that will be an acceptable practice at this University; it is not clear if it is. If the individual had to be hands-on with every issue in both jobs, it could not be done. One can make that argument today about the job of Dean of the Medical School, he said, even without vice presidential responsibilities; a hands-on model will not work.

Professor Cramer commented that as government support for research dries up, it is popular to suggest looking to industry for support. There are a lot of questions that come up when industry supports medical research; is it viable? Or are the ethical issues too explosive?

Dr. Friedman responded. One can pretend that the public funding the University has in place is sufficient (that it can obtain enough NIH funding and state support) and does not have to be associated with industry-support research, but that is not viable. His view is that if the University is to enlarge the scope of work with industry, there needs to be a different understanding between the two parties—and with the public. The negative impact of the relationships has often been born by universities and industry has received a pass on the problems. But if industry needs universities to do research, it has to get into the fray and help change the nature of the discussion. That is a long-term process. But it is not realistic to assume that this is just a small, temporary down cycle in federal research support; the University must plan for other help with research funding.

Is there a conflict with the for-profit motive, Professor Cramer asked? Professor VandenBosch observed that there had been a great deal of work on the University's conflict-of-interest policy, and implementation is a work-in-progress. It is better than what the University had a year ago, Dr. Friedman said, but he is not sure it is a long-term victory. The "best" risk-management policy is to take no risk and not do any work funded by for-profit organizations. That is not viable so the University will have risk. The question is whether there are different levels of risk and whether the University should be more sensitive to areas with high risk. That is not the approach that has been taken historically here or at most universities. Vice President Mulcahy has said it is the way the University should approach risk. The Medical School will be out in front in terms of thinking about high- and low-risk activities.

Her last question was about consultation and governance, Professor VandenBosch said. What are his thoughts about working with the governance system in the AHC and what topics he might take to governance in his role as vice president?

They have to continue work on conflict of interest, Dr. Friedman said; when faculty and administrators hear about it, it is usually a complaint about the process or they are told that there will be a story about X coming out in the press. They need to spend time, not on the policy, but on understanding what risks the institution and individual faculty are willing to take and manage (the conflict-of-interest policy just regulates). Some faculty would say that everyone should have nothing to declare while others say the opposite. Dr. Friedman said he was not sure he had the sense of what risks the institution is willing to take and manage. This is not just an administrative decision, it is a larger faculty conversation.

In terms of other topics, changes in education are one, Dr. Friedman said. E-learning gets interesting when one asks the professional schools how much of it they will deliver in their curricula and in their continuing education programs. The AHC schools are responsible for being leaders in continuing education in each of their professions. That no longer just means professional meetings twice per year by current practitioners; individuals will need to be continually certified by licensing boards and accrediting agencies and must demonstrate that they have learned something. Who better to meet this need than the University? This will not be face-to-face learning, but rely heavily on e-learning. The schools are not yet well prepared to do that. Rather than each school building its own e-learning platforms, the University and AHC need to build platforms that can be shared by schools and colleges. Each AHC school can't afford to do it on its own. This is a big item.

Professor Chomsky said that the previous governance question was about consulting with faculty. In the AHC, and also in her college, the Law School, there are several different kinds of faculty members, and the question is how they fit together in participation, status, and role.

Dr. Friedman noted again that he had been at Wisconsin, which is not dissimilar to Minnesota in that regard; Brown, however, is very different (only about 10% of the faculty are tenured and the overwhelming majority are in a contractual arrangement with the university and the hospital—it is a very different culture). How do they carry out the educational mission, and clinical responsibilities, and the research mission? Both here and at Wisconsin those are all thrown together and the institution dances around the term "faculty member." That situation may not be able to continue but, Dr. Friedman said, he does not know the University's rules well enough yet and he is not sure it is acceptable to have only 5-10% of the faculty tenured.

Professor VandenBosch thanked Dr. Friedman for joining the meeting and said the Committee looks forward to continued interaction with him.

2. Amendments to the Tenure Policy

Professor VandenBosch welcomed Professor Elliott to the meeting (connected by telephone from the Duluth campus) and turned to Professor Chomsky to lead a discussion of proposed amendments to the tenure policy that have been approved by the Committee on Academic Freedom and Tenure (AF&T). Professor Elliott said that AF&T would be meeting the following day to complete its work on the proposed amendments and would take into account any comments from this meeting before preparing a version to be distributed to all non-bargaining-unit faculty for comment and questions.

Professor Chomsky began by saying there are very few real changes to the code, even though in places the marked-up version may appear to have many of them. Most of the amendments are intended to clarify the language and make it more consistent.

The bulk of the amendments are in sections 3 and 6, intended to better define faculty ranks and what tenure means, Professor Chomsky said.

Amendments to section 6 are to deal with issues related to Instructors on probationary appointments (there are very few of them), Professor Chomsky explained. Probationary status is given to Instructors only if the person is someone to whom the unit would have given an Assistant Professor appointment but for the lack of the terminal degree. An appointment as probationary Instructor may only be for one or for two years, after which the person must be promoted to Assistant Professor or terminated. The year or two spent as a probationary Instructor count toward the (usually six-year) probationary period. Some units will not appoint probationary Instructors but some do. Some additional work remains to be done to clarify the notice requirements for such appointments.

The amendments to section 6.3 make it clear that when a probationary Assistant Professor comes up for tenure, the person must be promoted and tenured with a single departmental vote. Increasingly, Professor Chomsky reported, departments are voting twice on a candidate, once for tenure and once for promotion, and have split votes. The standards for tenure and promotion need not be the same but there can only be one vote.

Professor Bitterman said that if there are more and less stringent standards for promotion and tenure (or vice-versa), but a single vote required, this change does not clarify the situation. The more-stringent standard will apply and the less-stringent standard will be irrelevant. Professor Chomsky said that one suggestion is to simply have one standard, but Vice Provost Carney does not want to have ask every department to revise its 7.12 statement. [Note: At the AF&T meeting the following day, Vice Provost Carney explained that the new 7.12 statements have one standard for tenure and for promotion to associate professor. That is, when there is a separate section for associate professor, the section typically states that the standards for promotion to associate professor are the same as those for tenure. This is true even for most of the old 7.12 statements. AF&T agreed on the language that it will recommend be in the code: "A single vote is taken on whether to grant tenure and promote."]

AF&T is also recommending a change in section 5.5, which deals with extending the probationary period (for childbirth/adoption, for medical reasons, or for care-giving reasons). There is a great deal of clarification in the language. The three categories of reasons are retained; the extension for parenting is automatically granted if the person indicates he or she is eligible while the extensions for caregiving or personal medical reasons must be requested and approved by the provost. The language also now makes it clear that if a person's appointment falls to less than two-thirds time for medical reasons, the probationary period is automatically extended by a year.

What if a same-sex domestic partner has a child, Professor Cramer asked? Professor Chomsky said she would ask Vice Provost Carney; she said she assumed the coverage would be the same. [Note: At the AF&T meeting the following day, Vice Provost Carney affirmed that same-sex partners are treated the same as married couples under section 5.5.]

[The discussion of the tenure policy was suspended in order to talk with the President and with Vice President Mulcahy and colleagues, and was resumed later in the meeting.]

Professor Chomsky said, apropos of section 5.5, that there is one substantive change, of sorts: There is now a three-year limit on extending the probationary period for any reason. No one has ever asked to extend it more than three years, only two or three probationary faculty members have extended it for three years, a few have done so for two years, and the large majority who extend the probationary period do so for one year. The limit does not deal with a problem but it adds clarity.

Professor Chomsky returned to the beginning of the code and quickly ran through the other amendments being proposed.

There is a change in definitions; collegiate unit no longer includes "institute" because there are no institutes any more.

The changes in section 3.2 are primarily a re-ordering of the language to define regular faculty (that is, those who hold tenure or are on the tenure track).

Section 6.3 offers a clear statement: "Only regular faculty members at the ranks of associate professor and professor may hold indefinite tenure." The Interpretation attached to that language deals with the few tenured assistant professors still at the University, who will retain their positions until they retire.

The change in section 7.12 provides that the goals and expectations to be used in evaluating faculty performance in cases of post-tenure review must be included in the 7.12 statement. Departments are required to have such a document; this requirement helps ensure it will not get lost. (There have been occasions when departments have called the Provost's office to ask for their goals and expectations, because they lost them.)

Professor Chomsky reported that there will also be changes to the Procedures document. That document has been only for the promotion-and-tenure process up to now, but will become a Procedures document for the entire code (except for Senate Judicial Committee procedures).

The amended code will include references to Interpretations and Footnotes (which are actually endnotes), something that it does not have now and which means people often ignore them because they do not know about them.

Professor Elliott said that when the Committee invited AF&T to make changes in the code for consistency and clarity, the Interpretations were included in the changes and there were only a few small substantive changes. Consistency and clarity have remained the focus of AF&T as it considers amendments.

Professor Chomsky said they also recommend deleting a paragraph in Interpretation 6, which includes "unbelievable language" that essentially says "no matter what our 7.12 statement has in it, we can add criteria at the end." [It read: "Consideration of Factors Other than Primary Tenure Criteria: The use of any factor other than teaching, research, and service in making the decision about a probationary faculty member must be specifically stated and justified at the time of the decision. This rule applies both when that factor is a criterion for judging the candidate's progress and when it is an element in establishing or modifying the standard which the faculty member should achieve."]

Professor Ehlke suggested that when the amendments are distributed, there be a one-page summary. Professor Chomsky agreed and said she would bring the suggestion to AF&T.

Professor Curley suggested dropping the three-year limit in section 5.5. That is a change in substance to solve a problem that does not exist. To say it is just a matter of clarity stretches the definition of the word clarity. Professor Cramer said that in the absence of a limit, a faculty member could have a child every year, have a big family, and move the tenure goalpost indefinitely; while unlikely in practice, an open-ended policy creates potential issues. Professor Chomsky said she would bring the point back to AF&T.

The Committee agreed that it was comfortable with the proposals from AF&T and endorsed distributing them to all faculty in advance of the comment and question-and-answer session scheduled for February 3 at 2:30 in Room 25 Mondale Hall.

3. Discussion with President Bruininks

Professor VandenBosch welcomed the President to the meeting. President Bruininks said he had two major items he wished to discuss with the Committee, budget issues and Northrop Auditorium.

The President distributed copies of slides he has used to talk with the Minnesota House and Senate higher-education committees, many of whose members are new to the legislature, to introduce the committees to the University of Minnesota system. The next hearings will be on the actual budget, and then there will be separate hearings on the 2011 capital request. The President recalled that it has been the practice to deal only with programmatic budgets in odd-numbered years and capital items in the even-numbered years, but that may change; there may be a significant capital bill this session as well, and if so, the University will be ready to respond. Committee members discussed with the President the politics of the session, given 60 new House members and a new governor of the opposite party of the legislative majorities.

President Bruininks reviewed for the Committee the projected annual budget needs (increases), which recur annually and include meeting safety and contractual obligations, technology costs, student financial aid, facility operations, strategic investments, and compensation. Some of the items are more discretionary than others and some may have to be reduced or not allowed to grow because the University is aware that the legislature and governor must deal with a \$6.2-billion budget deficit. Virtually no agency funded by the state is looking forward to increased support and most expect significant decreases, including the University.

It is virtually inevitable that there will have to be a wage and salary freeze, the President told the Committee. He said, however, that he does not plan to ask the academic community to again take a temporary reduction in compensation (unless the state makes draconian reductions beyond even their most conservative estimates, in which case everything will have to be back on the table). The President said he has also asked the Benefits Advisory Committee to look at the University's increases in fringe-benefit costs vis-à-vis its peer institutions and vis-à-vis the external economy. Fringe-costs are now about 37% of salary, compared to 32% ten years ago. That trend is not sustainable, he said, nor will the public support it, so he has asked for ways to save money in fringe benefits. There will be alternative strategies that will be subject of much discussion between now and the end of the legislative session, and he has asked for models of a restructured health plan that will also be linked to the requirements of the new

federal health-care law. One objective in the law is to keep health-care affordable for lower-paid employees, an objective he agrees with, the President said. Other proposals for changes in benefits will be brought to the Senate Committee on Faculty Affairs and to this Committee, the President said.

Professor VandenBosch emphasized the need to get information out to the academic community as soon as possible in order to have a thoughtful discussion. She said she expects the conversations will take place during the semester and that there will be more data and projections as they become available. The President said he believed the budget planning will need largely to be done by the end of April; the University has always had a balanced budget and will not use smoke and mirrors to achieve it; unfortunately, there will have to be substantial reductions in University's costs and programs in recurring funds.

The President said that consideration will also be given to reinstating the Retirement Incentives Option because the situation is better today for people who might want to retire. Last time about 400 people retired, about half of whom were replaced, a path that allows units to be more planful.

They must continue to drive costs out of the University budget, the President said, and the good news, thanks to disciplined cost reductions, is that the cost pools will either be flat or declining.

With the budget cuts last year, Professor Bitterman recalled, the President had said about 1200 positions would be eliminated. Were they? The University would have needed to reduce its workforce about 1200 people due to state reductions, but thankfully the loss of jobs was lower. It was about 650 positions, thanks to federal stimulus dollars and a substantial increase in federal grants. President Bruininks said that the University increased its outside funding by about 30% in one year, and it was not possible to take on that level of effort with the same workforce. But there are fewer people at the University doing more work, he said. The University needs to be able to explain what is happening in ways that the public can understand; if the University's entrepreneurial activities were removed, the number of employees would have declined by 1200. The public may see budget cuts and a relatively stable workforce without realizing there was an additional \$30 million in economic activity.

Professor McCulloch suggested that as people read about possible changes in fringe benefits, it would be helpful for them to know the range of changes being considered and what the University's peer institutions are doing. What choices were considered and what factors drove selection of the alternative selected? That gives people the bigger picture and a better understanding of how the decisions were made.

The President said there will need to be decisions about what short-term and long-term strategies are necessary to protect the University's academic mission. They have examined the University's major cost drivers—people, facilities, technology, and aid for students—and if those costs are not controlled, it will be difficult to retain the flexibility needed to keep the University academically strong and agile enough to respond to opportunities. They have looked at what peer institutions are doing as they model various options, the President said, and the University community will not propose options that will put the University at a competitive disadvantage. The University's compensation levels generally average close to median levels in its peer groups.

The President turned to the subject of Northrop Auditorium. There have been eleven major studies of the building, he said, and it is clear that it will only be a short time before the University will

have to put boards over the windows and close it. He appointed a blue-ribbon committee, co-chaired by Vice Presidents O'Brien and Rosenstone, with significant external representation as well as strong academic representation, to develop an exciting vision of Northrop and to restore it as a cultural and academic center of the University. The plan developed by the committee calls for doubling the amount of student study space and space to house the University Honors Program and major interdisciplinary centers. It will also substantially upgrade essential building systems and greatly enhance the auditorium.

The total cost of the project is about \$90 million, the President said. He was informed that the exterior needed to be stabilized or the building would be damaged, so he committed about \$15 million for detailed planning and essential exterior work. The funding plan for the remaining \$75 million was to come from \$20 million in state HEAPR funds (which carry no University debt obligation), \$20 million in private funds, with the balance from internal financing and cost savings. They have raised \$10 million in private funds (and continue to raise more), found other cost savings, committed available funds for capital projects, and have redone the debt pro forma, so that the University can move forward on the project. The decision cannot wait, the President explained, because if the HEAPR funds are not used for Northrop they must be used for another project, and the private funds will be lost if they do not proceed with the project. He is confident that additional private funds will be raised. About 60% of the costs will be addressed through these revenues. The project will not jeopardize the University's bonding capacity nor will it lead to any assessments against academic units. The maximum debt service for the project will be about \$2.7 million per year for 30 years. He has never raised so much money in a single year for one project during his tenure as president, and major donations may yet be made; there will also be a smaller campaign to raise money (e.g., a \$500 donation to name seats in the renovated auditorium).

The President asked the Committee to let him know its thoughts on the various budget items that were discussed. Professor VandenBosch thanked the President for joining the meeting.

4. Economic Impact Study

Professor VandenBosch now welcomed Vice President Mulcahy, Dr. Radcliffe, and Ms. Parker to the meeting to discuss the economic-impact study that the President has commissioned; today's session will not include the data (because they are not ready).

Vice President Mulcahy introduced Ms. Parker and began by saying that he, Dr. Radcliffe, and Ms. Parker were at the meeting to introduce the topic. The President asked for an economic-impact study because, with the budget issues states are facing across the country, peer institutions are making the case that they provide an economic return on the state's investment. President Bruininks believed the University of Minnesota can demonstrate an economic return to the state; when he raised the question, Dr. Mulcahy and colleagues suggested he engage a notable consulting group that has credentials to conduct such a study. The University retained Tripp Umbach, which has done a number of these kinds of studies with universities, including some of Minnesota's peers (most recently the University of Washington). There is a standard methodology and report format that allows more direct comparisons with peer institutions (and with institutions in the state as well). The goal is to have the data prepared by February and the first tier of data ready for the Board of Regents at their February meeting.

Dr. Radcliffe said they are working on two tracks. One is the immediate production of a report at a high level with information about the impact of the University on the economy of the state. There will

be a follow-up report about the campuses and colleges with a lot of disaggregated data, so there will be opportunities for rich analysis in the future.

Ms. Parker reported that she had visited all of the campuses and received a great deal of information. The overall goal is to identify the number by February; it will be impressive, she predicted, and they need not exaggerate it. Their job is to make the number understandable to the public, and they are using a standard methodology (that was actually developed at the University of Minnesota). They do not need to be aggressive so they are using conservative numbers. After the initial study, they will be able to provide data to the coordinate campuses to use with their constituents.

The February report will be at the 30,000-foot level, for the Regents, Ms. Parker said, and will show that every dollar from the state returned X dollars to the state's economy. They will explain the impact of research and will do their best to tell a simple story that people can understand. They will try to wrap up the report in March (Ms. Parker told the Committee that the U of Washington report went through 40 drafts).

What is key is that Tripp Umbach has been asked to provide numbers in three tiers, Dr. Mulcahy said: (1) for every dollar the state provides, what it gets back; (2) data disaggregated by campus; and (3) the behavioral methodology to that the University can update the data annually and allow comparisons with other institutions.

There are several factors that generate the numbers, Ms. Parker said. One is operational expenditures and where they occur (in Minnesota or not, and they wish to capture in the report the dollars that stay in the state), and another is capital expenditures (they use a five-year average). They also include payroll, student spending (which is large), patients in the Academic Health Center (from both in and out of state), taxes paid, and technology commercialization. The last is difficult to quantify but very important. They also look at the number of jobs that result from University activities (not at the University, but from activities spun off from the University).

Dr. Mulcahy said he has asked for an elaboration in the report. His thinking is that those factors are important at arriving at a number that can be used with the legislature, but they do not capture the true value of the impact of the University on the state. The point he is making is that this is a hard-core economic study and it does not cover the full impact because there is much that cannot easily be translated into numbers. His plea is that people also emphasize the elements that do not appear in dollar form; one example is access to faculty members by business, a point that businesses have indicated is important to them. One should not assume this study assesses the value of the University. A number of people may use the study to appeal to the legislature, but the message has to be sharpened to say that the University is much more than its economic impact. Universities in this country have done themselves a disservice: As states look at them, universities justify themselves as cost centers, which creates expectations that all a state needs to do is invest in its universities. The University is part of the economic ecosystem, but if it is not a partner with the state, the ecosystem will be damaged. So there has to be a change in the dialogue about the University's impact.

Professor Hancher agreed that in addition to the dollars, there are other values that need to be captured. He also observed that there is a subset of dollars that flows to the state through taxation because the University exists. How much would it cost the state if there were no University? Ms. Parker said they will identify what the economy loses if the University were to go away. Professor Hancher said he

would like to know specifically what tax dollars would disappear if one erased the University. They will have that number, Ms. Parker said.

Professor Sheets asked if the study would also take into account academic conventions. It will, and the data will be collected from departments. Will they have data that is region-specific, such as by Congressional district? Those data should be provided to the Regents, Professor Sheets suggested. Ms. Parker agreed and said the University has an impressive data set, especially with respect to its alumni.

Professor Anderson asked if they are also looking at higher alumni wages captured over time. How far back can they go? That is a great point, Ms. Parker said, and the answer will depend on the quality of the data they can obtain. It should be possible to impute wages, Professor Anderson said.

Professor McCulloch agreed that the idea of telling Minnesotans what the University is doing in Minnesota is important, but in a global age, there are also stories about the University's participation in global activities. There are powerful stories there about people who make a huge impact. Dr. Mulcahy said that some data are more robust than others; the data on the impact of alumni and the companies they have started nationally is available, but there is less data available about international activities. Being insular is not the future, Professor McCulloch commented. Vice President Mulcahy agreed.

Professor VandenBosch asked Ms. Parker about her experience with other institutions and the impact of these reports on legislatures. Ms. Parker said that Washington was difficult because they had to deal with a Seattle-centric problem. The University of Minnesota is spread more across the state. Washington was finally successful when it pointed to its \$1.5-billion research enterprise and what the state would lose if that disappeared. The research activity also distinguishes these kinds of institutions from others. They can send strategies on what other institutions did well, she said, in getting the message to other groups in the state.

Professor VandenBosch thanked Vice President Mulcahy, Dr. Radcliffe, and Ms. Parker for their report and said the Committee would look forward to seeing them again once the data were prepared.

Following the continuation of the discussion about amendments to the tenure policy, Professor VandenBosch adjourned the meeting at 3:45.

-- Gary Engstrand

University of Minnesota