

**UNIVERSITY 2000**

**MISSION, VISION, STRATEGIC DIRECTIONS,  
AND PERFORMANCE**

**November 5, 1993**

**DRAFT**

*“University 2000 is about creativity, about how the University of Minnesota  
can inspire, support, and share the creativity of people for the  
benefit of the state, the nation, and the world.”*

—Nils Hasselmo, 1993

## MISSION

The University of Minnesota, founded in the belief that all people are enriched by understanding, is dedicated to the creation of knowledge and the advancement of learning and artistic activity; to the sharing of this knowledge through education for a diverse community; and to the application of this knowledge to benefit the people of the state, the nation, and the world.

The University's mission is threefold:

### **Research and Discovery**

Generate and preserve knowledge, understanding, and creativity by conducting high-quality research, scholarship, and artistic activity that benefits students, scholars, and communities across the state, the nation, and the world.

### **Teaching and Learning**

Share that knowledge, understanding, and creativity by providing a broad range of educational programs in a strong and diverse community of learners and teachers, and prepare graduate, professional, and undergraduate students for active roles in a multiracial and multicultural world.

### **Outreach and Public Service**

Extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the state, the nation, and the world.

The University's mission is carried out on four campuses, in one collaborative center, and through statewide outreach. Within the University's land-grant mandate, each has its own unique role.

**Crookston Campus.** The Crookston campus provides career-oriented education, primarily in technical disciplines, at the baccalaureate level, together with lifelong learning and outreach.

**Duluth Campus.** The Duluth campus is a comprehensive regional university providing undergraduate, selected graduate, and professional programs, together with focused research efforts, lifelong learning, and outreach.

**Morris Campus.** The Morris campus provides innovative and high-quality undergraduate liberal arts education together with lifelong learning and outreach.

**Twin Cities Campus.** The Twin Cities campus is the state's research university. Building upon its research endeavors, it provides extensive professional, graduate, and undergraduate educational programs, lifelong learning, and outreach.

Rochester University Center. The University of Minnesota is a partner with Winona State University and Rochester Community College in the Rochester University Center. Through this collaborative effort, the University offers an increasing number of specialized graduate programs and selected undergraduate programs.

Statewide Outreach. Through outreach, the University helps serve Minnesota's needs in economic, social, and cultural development; transmits knowledge and know-how throughout the state; and provides a central information source to help people gain access to the University resources they need.

In all of its activities, the University strives to sustain an open exchange of ideas in an environment that embodies the values of academic freedom, responsibility, integrity, and cooperation; that provides an atmosphere of mutual respect, free from racism, sexism, and other forms of prejudice and intolerance; that assists individuals, institutions, and communities in responding to a continuously changing world; that is conscious of and responsive to the needs of the community it is committed to serving; that creates and supports partnerships within the University, with other educational systems and institutions, and with the community to achieve common goals; and that sets high expectations for and empowers the individuals within its community.

## VISION

University 2000 envisions the University of Minnesota as a **global, land-grant, research University**—a first-rate institution for the 21st century—that, through research, educational, and outreach programs of outstanding quality, is successful in:

- meeting the changing expectations of higher education
- responding to changing demographics and to an increasingly diverse society
- enhancing the social, cultural, and economic health of Minnesota and the Upper Midwest
- responding to the shift of society and the economy from a local to a global scale

University 2000 is premised on the assumption that the University will continue to be one of the **premier research universities of the nation and the world**. Quality will be a hallmark of every activity of the University.

University 2000 anticipates a world that is increasingly interdependent—economically, politically, and culturally—and in which knowledge and know-how are of increasing importance. The University's faculty, students, and staff are **international** citizens, unfettered by geographic boundaries or parochial interests and values. Its students receive an education that provides them with a thorough understanding of the people of the world and of their roles and responsibilities within it. The curriculum, the strongest statement of institutional values and priorities, reflects the complex and changing realities of the world. Educational vitality and institutional integrity are built upon substantially greater **diversity** within the University's academic community. Access to the University is not limited by economic and social background.

University 2000 is premised on **partnerships**—partnerships within the University community and with University alumni; with local communities, the state, and the nation; and with businesses and industries, education and service sectors, individuals and families, and other systems of higher education, regionally and internationally. The University is committed to creating and mobilizing partnerships toward the realization of chosen goals.

University 2000 is premised on the **empowerment** of all members of the University community. Students have the resources and support to pursue a course of study in a timely fashion, one that is enriched by participation in research and by alternative modes of instruction such as learning through service (service learning) and study abroad. Faculty have the support they need to move beyond traditional modes of teaching and to introduce innovative new teaching technologies and the facilities and incentives they need to cross the boundaries of the disciplines into interdisciplinary areas and to pursue basic and applied research. A diverse faculty and student body are free to look at the world as they see it, and are encouraged to express and share what they see in their research, scholarship, and artistic activity. University staff are enabled to design and provide services that are needed and respected by all members of the University community.

Lastly, University 2000 **advocates and lauds quality and high expectations**. Students are encouraged to set the highest expectations for themselves in academic preparation and performance, graduation rates, choice of careers, and service to the community. Similarly, faculty should hold the highest expectation of students and their performance. For faculty, University 2000 sets ambitious goals in research, teaching, and outreach. It asks that faculty and staff aspire to the highest levels of achievement, scholarship, and service.

## STRATEGIC DIRECTIONS

To fulfill the vision of University 2000, the University must choose strategic directions to pursue and must strengthen its activities in those areas. Strategic directions in five major areas have been identified. They are: (1) **research**, (2) **graduate and professional education**, (3) **undergraduate education**, (4) **outreach and access to the University**, and (5) **a user-friendly University community**. The means of and approaches to addressing each direction will vary by campus and by unit. The governance, administrative, and unit organizations have the responsibility to further refine the strategic directions in ways appropriate to their respective campuses and units. The planning process and subsequent allocation of resources will be an ongoing, yearly process guided by these major strategic directions. At this stage of planning, University 2000 assumes that overall University enrollment will remain about the same, with modest increases limited to selected programs.

### Research

A primary mission of the University of Minnesota is research, scholarship, and artistic activity—the discovery of new knowledge and its dissemination to the state, the nation, and the world. Research, scholarship, and artistic activity inform every aspect of the University's activities. The direct connection with research, scholarship, and artistic activity is what distinguishes the University's undergraduate, graduate, professional, continuing education, and outreach programs from those of other higher education systems in the state.

A major goal of the University of Minnesota is to sustain and improve its position as one of the major research universities in the country. The University must demonstrate the value, usefulness, and importance of its basic and applied research and its interdisciplinary programs and initiatives to the community; it must demonstrate clearly how basic research is central to applied research, to teaching at both the undergraduate and graduate levels, and to outreach. Also, the University must maintain an appropriate balance of effort between basic and applied research, within and across the disciplines.

A fundamental strategy for the University is to:

- a. Recruit, nurture, retain, and reward world-class teachers and researchers, scholars and artists—faculty who reflect the diversity of our society. It will aggressively recruit members of traditionally underrepresented populations into academic departments and research programs, and will retain them. The quality and support of the University's faculty is fundamental to the overall success of the University and University 2000.
- b. Promote basic research and maintain and enhance the quality of the academic disciplines that are at the core of a land-grant university. The University, to this end, must:
  - Ensure that highly ranked core/central disciplines maintain or improve their national rankings
  - Improve its quality nationally relative to its competitors in all research and postbaccalaureate activities

- c. Promote and strengthen interdisciplinary activities. With strong disciplinary departments as a base, the University will enhance its position as a national leader in interdisciplinary activities. Within and across clusters of academic disciplines, the University will:
- Where appropriate, maintain and create incentives for groups of scholars to collaborate across disciplines, regionally and internationally, by strengthening and expanding the number of nationally recognized interdisciplinary programs
  - Provide support for scholars to reach broadly into new arenas and avenues of information, nationally and internationally, for example, through multimedia information technology
- d. Respond effectively to the demand for applied research. Strong departments and investment in basic research are fundamental to innovative applied research. At the same time, basic research is informed and strengthened by collaborative work with practitioners and through applied research. Accordingly, within and across academic disciplines the University will:
- Foster convergence between scientific and technical professions, for example, by encouraging graduate study to span both applied and basic science
  - Create incentives for groups of scholars to initiate applied research and teaching programs, including creating new centers for applied research as appropriate
  - Focus research on the condition of, as well as solutions to major problems in, our society; ensure when appropriate that research samples include nontraditional populations and that research instruments, for example, SAT scores, reflect their unique needs and experiences
- e. Upgrade and enhance the physical plant; increase substantially its investment in research infrastructure—that is, libraries, instrumentation, and computational and information technologies

Given the expectation of limited resources, a major implication of this strategic direction is the need to hone the areas of research using the criteria of quality, centrality to the state and academic disciplines, comparative advantage, efficiency and effectiveness, and future demand. The University must make selected and focused strategic investments in research, conceding that the exponential expansion of knowledge does not permit any university to be excellent in *every* field. The University will explore ways to promote cooperation regionally and internationally, for example, by developing joint research centers; initiating regional library collection development strategies; and sharing major research equipment and facilities with other research universities.

## **Graduate and Professional Programs**

A hallmark of graduate and professional education at the University of Minnesota is its integration with research, scholarship, and artistic activity. Faculty at the University of Minnesota are both researchers/scholars/artists *and* teachers. The University presumes that graduate and professional education are grounded in firsthand participation in the discovery of knowledge.

The University's strength as a world-class research institution makes possible quality graduate and professional education that is unique in the state and among the very best available throughout the nation and the world. Accordingly, the University will:

- a. Aggressively recruit the best students from the state, the nation, and the world into its graduate and professional programs, recognizing that the excellence of these programs is dependent upon the quality of their students. The University will actively recruit, graduate, and place members of traditionally underrepresented populations.
- b. Maintain and enhance the quality of core-discipline graduate and professional programs. The University must:
  - Ensure that its top-ranked graduate and professional programs maintain and improve their level of program quality
  - Educate and prepare a new generation of the highest quality professionals, researchers, and faculty. The University will enhance its teacher training programs for graduate and professional students who aspire to teaching careers
- c. Recognize the great potential of interdisciplinary programs to make breakthroughs in basic and applied research, and actively improve the educational role of and access to interdisciplinary programs. The University will:
  - Develop and promote interdisciplinary degree programs and minors, especially in areas tied to major interdisciplinary research centers and initiatives
  - Increase general interdisciplinary opportunities for students by creating broader student affiliation with interdisciplinary research centers and laboratories
- d. Increase the number and quality of practitioner-oriented/applied professional programs and increase the number and quality of students served by these programs, especially at the master's level, in response to state and national needs. The University will:
  - Provide incentives to offer practitioner-oriented/applied postbaccalaureate professional programs in strong research areas where they can build upon and enhance the University's research mission, while remaining conscious of mission differentiation within and between the state's higher education systems

- Ensure that its professional programs are closely tied to their respective professional communities, for example, the agriculture, business, education, health and social service communities. The University will create and promote special postgraduate programs within industries and public agencies to enhance lifelong learning opportunities for those professional work forces

As with research, a major implication of this strategic direction will be to focus the University's programs using the criteria of quality, centrality to the state and academic disciplines, comparative advantage, efficiency/effectiveness, and future demand. It is essential that the University's graduate and professional programs be of the highest quality. To this end, regional cooperation is especially important. Through distance education, sharing of facilities, and a planned and deliberate division of labor, the University will develop, where appropriate, joint degree programs with other institutions.

### **Undergraduate Education**

*The President's Initiative for Excellence in Undergraduate Education*, under way since 1990 as a long-term commitment to improve the institutional climate and reinvigorate the education of undergraduate students at the University, informs the strategic direction the University needs to take in order to improve its undergraduate student experience.

The President's *Initiative* extols and advocates liberal education, which introduces undergraduate students to the modes of inquiry and the subject matter of the major branches of knowledge. It exposes students to new areas of scholarly endeavor and new perspectives on the world. In-depth study of a discipline or interdisciplinary field, together with an understanding of how knowledge is created, are critical dimensions of liberal education. At a research university, these studies are special because they are grounded in the research, scholarly, and artistic achievements of the faculty. Through liberal education, students are taught how to communicate effectively, frame logical arguments, understand the importance of scientific and humanistic inquiry and artistic expression, understand our past, understand the international context of contemporary life, appreciate the social diversity underlying our democratic order, and respect and care for our physical environment.

The University's four campuses offer unique and varied ways and settings for students to pursue undergraduate education. In every instance, however, undergraduate education occurs within the researcher/scholar/artist and teacher context. On each campus, the University must provide a high-quality undergraduate education in a nurturing environment that fosters student success in an intense intellectual milieu with congenial support systems that help students move through their academic programs, from admissions, to orientation, to registration, to advising, and to graduation.

The University has made major progress in its curriculum and in establishing new and higher preparation standards. In the future, the University will emphasize recruiting of academically prepared and motivated students and developing a better learning and support environment at the undergraduate level. Financial aid, advising, honors programs, and career advising and placement require special attention. Accordingly, the University will:



- a. Recruit a diverse population of students who are academically prepared and motivated to enrich, and to profit from the richness of, the college experience. The University will:
- On the Twin Cities campus, with its research-university environment, recruit a freshman class, 80 percent of whom have graduated in the top 25 percent of their high school graduating class. This goal must in no way compromise the University's goal for an entering class that includes students from groups that have been traditionally underrepresented at the University; students with special talents in the arts, in science and mathematics, or in athletics; and students from a broad socioeconomic and geographical base, including a larger percentage of nonreciprocity-state and international students.
  - Implement the Minnesota Transfer Curriculum to make it easier for students to transfer into and out of the University, and continue to facilitate transfer between University colleges and campuses; recruit appropriately prepared transfer students; promote participation in the postsecondary options program and aggressively recruit these students to the University
- b. Set high expectations for students even before they enter the University through advising that takes each student's circumstances into account while encouraging them to take responsibility for their own learning and degree completion.
- Communicate higher expectations for seriousness of purpose and timely completion of degrees, and help students meet those expectations from the time they enter as freshmen through the time they graduate
  - Graduate in five years at least half of all freshmen entering in 1996 and later, as compared with 39 percent of freshmen systemwide who entered in 1987.
  - Improve the graduation rate of minority students by 50 percent, with the long-term goal of a minority graduation rate equivalent to that of the University student population as a whole
- c. Emphasize and reward excellence and creativity in teaching. Committees have been created on all campuses to examine ways to improve teaching and to serve a diverse student population better. These committees will help prioritize the University's future efforts, including encouraging more effective teaching, rewarding and recognizing teaching, introducing new technologies, fostering student-teacher interactions, and developing a more supportive climate for teaching, especially at the department level. The University will:
- Fully implement the new faculty teaching evaluation policy, monitor its success, and make appropriate improvements
  - Continue to develop and enhance teaching assistant programs, especially at the department level

- d. Enhance the range, quality, and number of students in special programming available to undergraduate students. By the year 2000, the University will:
- Triple the number of students participating in study abroad programs
  - Double the number of students participating in undergraduate research programs
  - Enhance collegiate honors programs and explore the establishment of a campuswide honors program for the Twin Cities campus
  - Explore the establishment of a residential college for entering students on the Twin Cities campus
  - Improve the quality of majors in all fields; explore increasing interdisciplinary majors
  - Continue to ensure access to classes
  - Implement the Liberal Education Curriculum beginning fall 1994
  - Increase opportunities for student internships and learning through service
  - Modernize classrooms and teaching equipment; continue to improve student study space
  - Continue to develop ways for students to build relationships with faculty, peers, and staff, as part of their educational experience
  - Significantly increase on-campus residential housing and programming on the Twin Cities campus
  - Reward and celebrate the achievements of students, faculty, and staff
  - Survey student populations about student satisfaction and ways to improve their total University experience, asking about students' need for community, students' life-styles, the campus environment and how it contributes to the success of students from traditionally underrepresented populations, and academic experiences
  - Improve career counseling and job placement services to help students make the transition from education to employment
- e. Provide better student academic support, improve student development opportunities, and offer quality out-of-classroom experiences. Students must have opportunities to become involved in activities designed to promote leadership and personal development. The University will:
- Increase opportunities for students to participate in activities, join student organizations, gain experience in governance, and develop leadership skills

- Provide an educational climate that fosters wellness, promotes good health, offers recreational activities, and enables students to grow socially and emotionally through student development activities
- f. Establish a strong and viable tuition policy and financial aid program that is well managed and serves the needs of students. The University must demonstrate to the community that its financial aid program makes possible access to and completion of baccalaureate education for all socioeconomic groups. The University will:
- Review and design financial aid programs, tuition policy, and related policies that can enhance academic performance and retention and graduation rates
  - Review and design financial aid programs and tuition policy to ensure the recruitment, retention, and graduation of students of color and other traditionally underrepresented student populations
  - Improve the effectiveness and delivery of financial aid and scholarships for undergraduate students, supported by up-to-date technology and equipment
  - Integrate student employment with financial aid to enhance recruitment packages, improve graduation rates, and offer career-related experience to students

As with research and graduate and professional education, a major implication of this strategic direction will be to focus the University's programs using the criteria of quality, centrality to the state and academic disciplines, comparative advantage, efficiency/effectiveness, and future demand. It is essential that the University's undergraduate programs be of the highest quality. Where appropriate, the University should seek partnerships with other public and private institutions as well as enhancements through distance education.

The goal of significant improvement in undergraduate education implies a redirection of resources, attention, and energy, especially on the Twin Cities campus. It also implies more effective, efficient, and user-friendly ways for students to access the great intellectual resources of the University.

### **Outreach and Access to University Programs**

Access to the University's wealth of programs, lifelong learning, and the exchange of knowledge between the University and society are critically important if Minnesota is to effectively respond to changing life-styles and the demands of a rapidly changing economy, advances in knowledge and technology, and an increasingly connected and multicultural world. The University, as a land-grant institution with its largest campus located in a major urban area, and as the major provider of public four-year baccalaureate education in the area, has a special responsibility to meet the needs of a growing and increasingly diverse population.

It is critical that the University respond by increasing and improving the opportunities for access to its programs and its resources, including:

- Strengthening and focusing outreach activities that draw on the full breadth of academic expertise to address complex social issues
- Offering a range of continuing education opportunities for personal and professional development
- Broadening and facilitating access to traditional degree programs for talented and motivated part-time students
- Creating new collaborative experimental programs that connect advanced education to emerging patterns of employment and that connect the University's research and graduate programs to the teaching resources of other postsecondary institutions, public and private
- Establishing new organizational strategies that more effectively and efficiently support the needs and expectations of people of all ages as they seek degrees and as they engage in lifelong learning

Outreach. Major challenges face Minnesota's businesses and industries, education and service sectors, individuals, families, and communities—challenges whose solutions depend on the application of knowledge and know-how. The University helps meet these challenges through outreach—the exchange of knowledge and know-how between the institution and society. Outreach also serves the University, by providing opportunities for the two-way, University-society exchange that helps to inform the University's teaching and research agenda. Outreach efforts are outside the formal degree-granting process, occur in a variety of forms and places, and are an integral part of the University's mission.

Through its Outreach Council, established in 1992, the University has identified the following desired outcomes of outreach activities: an enlightened citizenry prepared for civic responsibility; lifelong access to liberal education; mentally and physically healthy youths and adults; educated professionals and skilled work forces; informed and orderly public policy development; effective, productive organizations, groups, and communities; globally competitive businesses and industry; and sustainable human-made and natural environments.

Toward these ends, the University will:

- Fully integrate outreach with research and teaching as a basic part of the University of Minnesota's knowledge-based mission
- Focus its outreach activities to address complex societal issues from a comprehensive perspective through cross-disciplinary efforts and partnerships with public and private organizations
- Evaluate and reward outreach efforts based on quality standards, and enlist, encourage, and celebrate participation and excellence in outreach programming
- Promote and develop methods and delivery of outreach to ensure that it is accessible to everyone and addresses diverse challenges

The University of Minnesota must consider appropriate directions and changes to keep its outreach programs relevant and useful to society. The internal challenge for the

University will be to consider its current range of outreach activities and structures and develop priorities and strategies that can optimize the contributions it can make to Minnesota.

University College. University College is a working term for an evolving mechanism to better deliver courses and degree programs to a diverse population of part-time students and to provide more and better opportunities for continuing education and lifelong learning. It calls for increased integration and planning between what is now Continuing Education and Extension (CEE) and colleges, *or* for the creation of a new entity that can provide these services.

Like the Graduate School, CEE, and the current University College, the proposed University College is not a college in the traditional sense. It will not have a faculty of its own; its programs will be subject to the review, standards, and approval of the University's faculty. Except for new, experimental partnership programs, it will not offer its own degrees. It will help the University's colleges deliver some of their current degree programs to students who must seek those degrees at a pace appropriate to their individual needs. University College also will establish and foster appropriate partnerships with other institutions in ways that will capitalize on the resources and specializations of each institution. University College's emphasis on student and employer needs will enable it to provide information to the University's other colleges and schools and to identify opportunities to apply the University's unique resources to pressing local, regional, or even national or international needs. In addition, University College will explore the merits and potential of innovative teaching methods and technology. Finally, it will extend some of the University's exemplary program offerings throughout the state and beyond state and national borders through distance-learning technologies.

Accordingly, University College will:

- a. Identify and meet the needs of a population of part-time, degree-seeking students. University College will:
  - Become a national leader in providing access to new and current degree programs of the highest quality for part-time, degree-seeking students, building upon the collaboration of CEE and other University colleges and schools
  - Provide University colleges and schools with the information they need to become more responsive to special needs of part-time students; for example, by offering better coordination of day and evening course scheduling, or by delivering programs 12 months per year, 6 or 7 days per week
  - Identify and address unique needs of part-time students for library and computer access, registration, career counseling, and safety
  - Enrich the learning environment by creating more opportunities for interaction among the University's various student populations

- b. Respond appropriately to demand for new degree programs, continuing education, and lifelong learning; use its strong connections with the community to enhance program planning and delivery across the University. University College will:
- Lead in identifying high-demand educational areas in which the University could make a unique contribution, either alone or in partnership with other institutions; assess degree and educational programs in relation to student and employer needs and pursue the opportunity to address important niches through its expertise and programs
  - Lead in the delivery of life-enriching courses for non-degree-seeking students
  - Market and deliver some of the University's unique and best programs via distance-education technology to students throughout the state and beyond state and national borders

Through University College, the University will enhance its educational delivery capabilities, improve its capacity to satisfy the evolving needs of its various student populations, and better leverage its resources. The major implication of this strategic direction is a rethinking of how colleges serve the part-time, degree-seeking student who has special needs for access and support.

#### **A User-friendly University Community**

Building a research/discovery, teaching/learning, outreach/service environment that is inclusive, supportive, and participatory is fundamental to the success of the first four strategic directions. Educational excellence depends on the creation and maintenance of a humane and physically appropriate environment in which all members of the academic community can thrive and work to their fullest potential. Within the University, its culture must change; bureaucracy and indifference must give way to a user-friendly and customer-oriented approach to program and service delivery. The University will:

- a. Enhance the learning and working environment. To do so, the University will:
- Reward and recognize the highest standards of personal and professional conduct
  - Promote and facilitate broad-scale participation in the University's governance and planning
  - Foster and promote common traditions and celebrations
  - Create an environment that values diversity. Men and women students, faculty, and staff from varying racial, religious, and ethnic backgrounds, and of varying sexual orientations, as well as people with disabilities, must find the University's environment humane, hospitable, and conducive to learning. The University must create an intellectual community enriched by the presence and perspectives of people from other cultures and nations and characterized by mutual respect.

- b. Enhance the physical environment. As a means of achieving this goal, the University's Master Plan and Capital Improvement Program must:
- Build and renovate campuses to be physically accessible, environmentally sound, attractive, safe, and secure—campuses that include modern classrooms and quality study space, that encourage students to remain on campus, that facilitate interaction among students, faculty, and staff, and that are responsive to the needs of a changing student population
  - Preserve and protect historic buildings, areas, and cultural resources such as artwork
  - Cooperate with local municipalities to strengthen University-community neighborhoods and relationships
- c. Establish a customer-oriented approach to program and service delivery, introducing measures of productivity and customer service standards. The University will require appropriate accountability for the quality, value, and cost of the services its units provide. The University will:
- Provide state-of-the-art technology to upgrade registration, admissions, information processing, financial aid processing, academic advising, and review of graduation status
  - Review structures, policies, and procedures that needlessly drive up operating costs, waste time, or disrupt and upset faculty, students, and staff; eliminate low-value-added activities and redirect that effort and savings toward education; decrease functional fragmentation and redundancy when appropriate; streamline procedures; and simplify forms

## PERFORMANCE

Central to the success of University 2000 is a capacity to demonstrate how and where the University is and is not improving and to make sure it is achieving what it set out to do. For each strategic direction, *there is a need for every University unit to develop benchmarks that can be used to measure its performance.* In addition, the University must establish benchmarks to assess overall *institutional* performance in realizing the goals of University 2000. The following measures and benchmarks are under consideration, and will be refined:

1. Research. No single external measure can fully serve as a benchmark for the University's research effort, especially at the collegiate and departmental levels. The National Academy of Sciences' ranking of research institutions, for example, excludes many programs, such as all of the humanities and the University's professional programs. As another example, the number and value of research grants and patents are appropriate to certain disciplines and interdisciplinary centers, but not to others. Thus, it is necessary to employ a variety of measures for different disciplines and groups of disciplines. Indicators to assess quality of research on the Twin Cities campus include but are not limited to: (1) national rankings of units, (2) research productivity (indexed by research expenditures where appropriate), (3) honors awarded to faculty and students, (4) scholarly utility (indexed by how often University scholars' research is used and cited by other researchers), (5) patents obtained, products in use, or technologies adopted, and (6) changes effected to public policy.

One measure is proposed for all campuses: the quality of annual faculty additions and losses, because the quality and reputation of the University's research, teaching, and outreach is dependent upon the quality of its faculty.

2. Graduate and Professional Programs. Graduate and professional programs are regularly ranked by national organizations, public and private. These rankings, combined with the ongoing review process of the Graduate School and external accreditation processes, afford the University a measure of the standing and performance of its graduate and professional programs. Another measure is the quality of placement and overall employment of the University's graduate and professional students.
3. Undergraduate Education. The University will measure improvements in: the attraction of students to its campuses, graduation and retention rates, time to completion of degrees, and placement of graduates. Further, the University will emphasize improving the recruitment, graduation and retention rates, and time to degree completion of students from traditionally underrepresented populations.

The University's Enrollment Management Committee will monitor the characteristics of the student body, size of each year's class, and distribution of the student body by college, field, and type of degree (level of education) sought. Through enrollment management, the University can adjust its enrollments to reach but not exceed institutional capacity (faculty and staff, funding, and facilities), thereby improving the quality of education it provides, attaining its affirmative action and diversity objectives, monitoring expected tuition revenue, and operating in a cost-effective manner.



4. Outreach and Access to University programs. Measures of good outreach include quality, relevance, and impact on the desired outcomes listed above. The University Outreach Council will monitor the progress made toward organizational goals, such as: improved planning and coordination of outreach, creation of incentives and rewards for quality outreach efforts, and improved internal and external communication about outreach effort and impact.
5. User-friendliness. For several years, the Twin Cities campus has surveyed undergraduate satisfaction with campus programs and services. This instrument will serve as a benchmark to determine improvement in student satisfaction. A similar survey will be distributed to University faculty, students, and staff on all campuses.

# INSTITUTIONAL STRATEGIC FINANCIAL ISSUES

## Introduction

A key factor in any successful strategic effort is a plan to acquire the necessary resources to achieve plan goals. The purpose of this paper is to outline the sources and recent history of the University's revenue sources and to pose strategic questions that have a potential effect on future revenues and expenditures.

## Strategic Financial Plan—A Beginning

In developing a strategic financial plan, we must be conscious of the following observations:

1. Financially, the University is a large economy with many sources of revenue, a strong entrepreneurial spirit, numerous internal business enterprises, and well established but sometimes inefficient business practices.
2. Because of limited resources, rising demand for health and social services, concern for property taxes, and a traditional commitment to K-12 education and human services, the state of Minnesota is unlikely to pay the entire cost of the strategic plan; reallocation of resources will be required, but the state must be relied upon to provide basic investments.
3. The University has demonstrated and will continue to demonstrate that it is a responsible steward of its existing resources, that it has improved, and will continue to improve, its effectiveness and efficiency, and that it will take a leadership role in defining, explaining, and justifying a new educational investment partnership with the citizens of the state.
4. Different outcomes cannot be achieved without a change in incentives. Internal incentives must be altered to encourage support of the strategic plan's priorities.

These four realities will provide the framework for development of the University's strategic financial plan. They point to the need for a balanced strategy incorporating new sources of revenue, some increase in state support, more efficient use of existing resources, and the development of appropriate incentives.

## Financial Benchmarks—The University of Minnesota and the State.

The Attachment 1 on page 16 displays the sources of the approximately \$1.6 billion of current funds revenues with which the University operated in 1992-93.

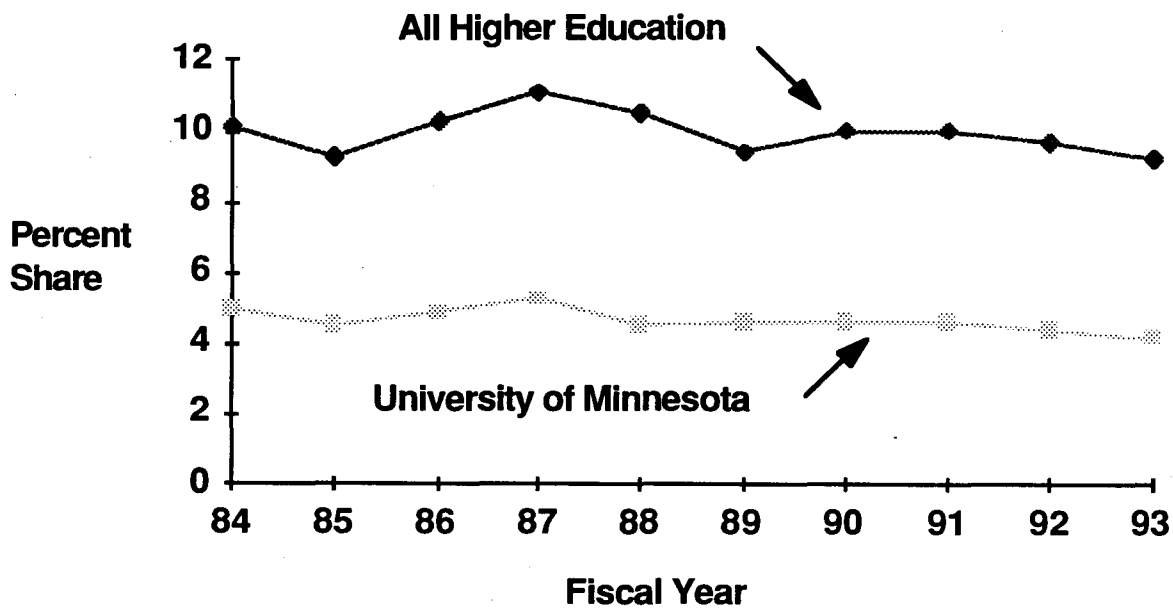
State appropriations were 27.6 percent of all resources. Tuition and fee income was 11.5 percent. Federal support contributed 14.8 percent and private gifts and grants 9.5 percent. Endowment earnings and other investment sources represented 3.8 percent of the total. Hospital and clinic income was 19.1 percent and auxiliary enterprise income 7.3 percent. It should be noted that, as a percentage of educational and general revenues, which excludes hospital and auxiliary, state appropriations are 37.5 percent and tuition is 15.6 percent.

The table and graph that follow display the relationship between Minnesota state and local tax revenues, appropriations for higher education purposes, and appropriations to the University of Minnesota for the past 10 years.

**Minnesota State and Local Tax Revenues  
Higher Education's Percent Share and  
University of Minnesota Percent Share  
FY 1984-94**

<u>Fiscal Year</u>	<u>State/Local Revenue</u>	<u>Percent Higher Ed.</u>	<u>Percent U of M</u>
1984	\$ 5,877,800,000	10.2%	5.0%
1985	\$ 6,818,000,000	9.3%	4.5%
1986	\$ 7,113,000,000	10.3%	4.9%
1987	\$ 6,901,200,000	11.1%	5.3%
1988	\$ 7,720,000,000	10.5%	5.0%
1989	\$ 8,943,200,000	9.4%	4.5%
1990	\$ 9,408,000,000	10.0%	4.6%
1991	\$10,032,000,000	10.0%	4.6%
1992	\$10,200,000,000(e)	9.7%	4.4%
1993	\$10,500,000,000(e)	9.2%	4.2%

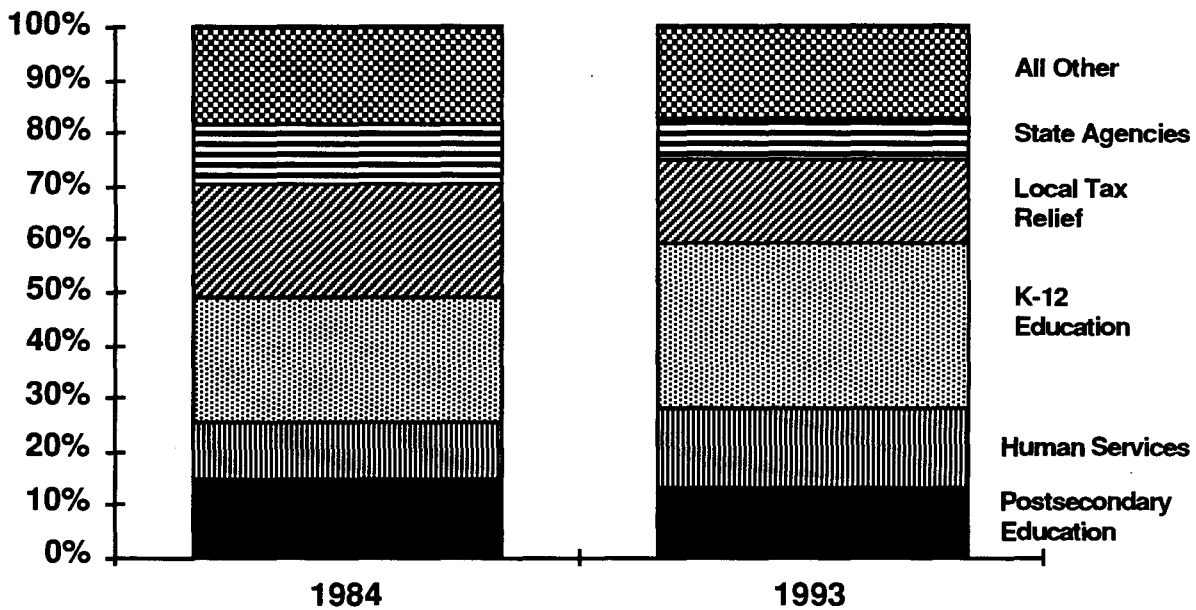
**Higher Education/U of M Percent Share  
of Minnesota State & Local Tax Revenue  
F.Y. 1984 - 1993**



State appropriation support to the University of Minnesota has declined both as a percentage of tax revenues and as a percentage of higher education appropriations. Some of the latter change is because appropriation support has shifted from institutional appropriations to the state student aid program.

State spending has been shifting to functions other than higher education. The graph shows the shift since 1984 for major state spending items.

**State of Minnesota  
General Fund Expenditures  
Major Spending Categories-Percent Share  
F.Y. 1984 vs. 1993**

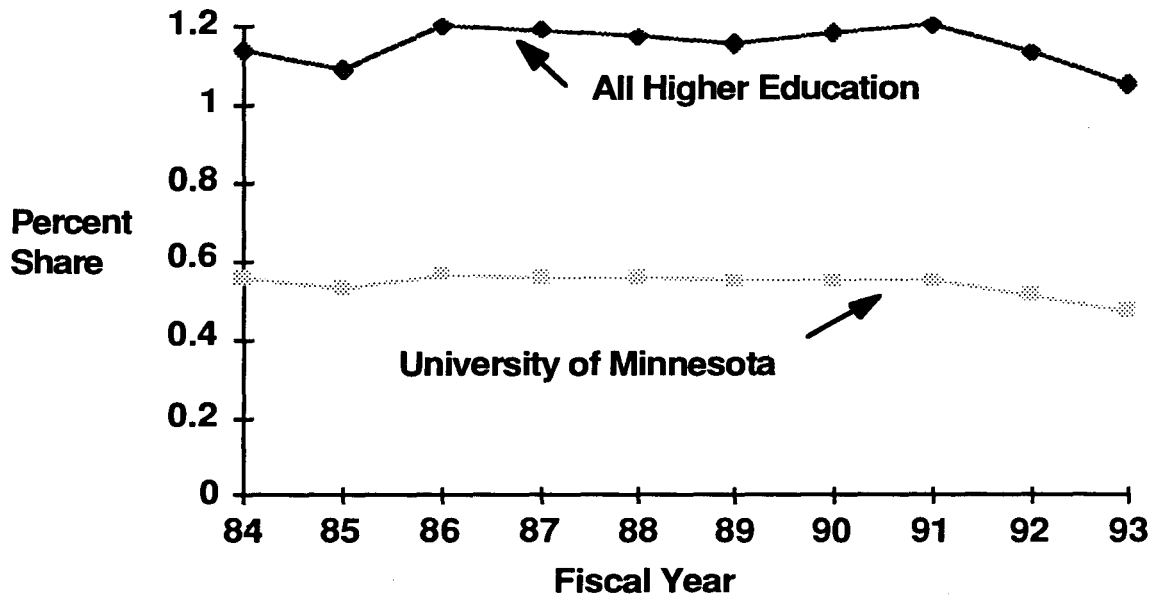


Also of interest is a comparison of higher education and University of Minnesota appropriations and Minnesota personal income. The following table and graph display those relationships for the past 10 years. Once again it is obvious that Minnesota's investment in higher education has been declining and the University of Minnesota's share of that investment has also declined.

**Higher Education/U of M Percent Share  
of Minnesota Personal Income  
FY 1984-93**

<u>Fiscal Year</u>	<u>MN Personal Income</u>	<u>Higher Education</u>	<u>U of M</u>
1984	\$52,889,000,000	1.14%	.56%
1985	\$57,829,000,000	1.09%	.53%
1986	\$60,939,000,000	1.20%	.57%
1987	\$64,378,000,000	1.19%	.56%
1988	\$69,193,000,000	1.17%	.56%
1989	\$73,578,000,000	1.15%	.55%
1990	\$79,688,000,000	1.18%	.55%
1991	\$83,013,000,000	1.20%	.55%
1992	\$88,013,000,000	1.13%	.51%
1993	\$92,180,000,000	1.05%	.47%

**Higher Education/U of M Percent Share  
of Minnesota Personal Income  
F.Y. 1984 - 1993**



While it is generally recognized that the University of Minnesota is a tremendous value to the state, the University's contributions through its teaching, research, and outreach to Minnesota's economy and quality of life are not quantifiable. Impacts on economic vitality have been assessed in the past and are impressive. Studies have repeatedly shown large multipliers in terms of spending and employment. Such studies should be repeated periodically, and two or three easily understood measures should be chosen to help explain our financial strategy and resource needs to the public and their elected officials.

## **Key Elements in the Financial Plan**

The University of Minnesota is like a highly diversified business with income from many sources; taken together they add up to a \$1.6 billion current funds enterprise. Attention must be focused on the following areas:

### **REVENUES**

- State support
- Tuition and fee rates
- Number of students and other clients
- Federal support
- Gifts, grants, endowment and other investment income
- Auxiliary activities

### **EXPENDITURES**

- Enhanced productivity and efficiency gains
- Sharing gains and building financial incentives
- Realignment to mission, right sizing, and growth strategies
- Compensation
- Appropriate staffing

### **OTHER AREAS**

- One-time resources, operating balances
- Mixed public/private partnership strategies
- Facilities and capital improvements

Many of the variables above affect each other. As our strategy evolves, it will be important to consider the effects of each on the others and to be sure that financial strategy is linked closely to the University's overall goals. A workable strategy will surely rely on a combination of specific revenue and expenditure initiatives.

Although the specific institutional financial strategy cannot be fully described at this time, a description of some of the major issues is presented below. Discussion of them may permit us to be clearer about what strategies can be pursued as acceptable possibilities.

### **State Support**

Currently, the Minnesota legislature subsidizes about 58 percent of the instructional costs of University of Minnesota students. That percentage has been decreasing for a dozen years. The statutory rate is 67 percent. The current rate of state support is projected to decline further after fiscal year 1995. Current budget planning assumptions prepared by the Minnesota Department of Finance indicate that annual state support for the University will decline by \$15 million from 1995 to 1996 and recover by about \$14 million from 1996 to 1997. These figures take inflation into account.

If University 2000 finds favor, can we expect that the legislative subsidy will be stable or will increase? Probably the least optimistic assumption for modeling would be a continuing decrease at the rate of the past decade. That would mean funding loss of about \$5.4 million per year for the immediate future. The most optimistic assumption is that the legislative subsidy will return to the statutory rate of 67 percent. That implies an addition to the annual legislative net appropriations of about \$31.5 million over some period of time.

Beyond the overall level of state support, one must consider who or what will be supported. Ten years ago state support was based on all students. Since then, the state has reduced or removed

support for nonresident, nonreciprocity students and students taught off-campus, and has discussed removing support for students not pursuing a degree, students carrying a credit load below some specified minimum, and students in certain named programs.

Examples of critical questions in framing a state support financial strategy include:

- What level of state support is appropriate?
- How should state support be determined?
- Should state support be linked to specific accomplishments rather than to a level of subsidy for a particular type or mix of students?
- What should the state support?

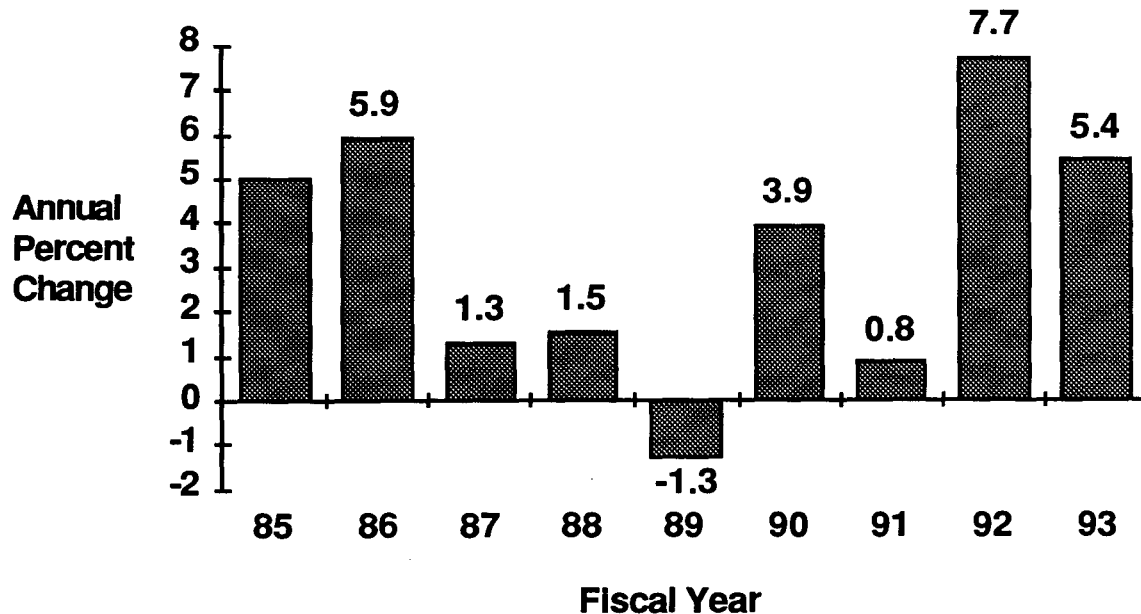
**Tuition and Student Aid Policy**

Tuition is an important element in the University’s financial strategy. In the past decade, University of Minnesota tuition has increased about 29 percent above the general inflation rate. The following table and graph indicate tuition revenue history in constant 1992 dollar terms over the past 10 years.

**University of Minnesota Tuition Revenue  
Dollar and Percent Change  
FY 1984-93  
In Constant 1992 Dollars**

<u>Fiscal Year</u>	<u>Tuition Revenue</u>	<u>Dollar Change</u>	<u>Percent Change</u>
1984	\$130,294,638	n/a	n/a
1985	\$136,790,752	\$ 6,496,114	5.0%
1986	\$144,856,095	\$ 8,065,343	5.9%
1987	\$146,758,651	\$ 1,902,556	1.3%
1988	\$148,926,104	\$ 2,167,453	1.5%
1989	\$147,051,858	-\$ 1,874,246	-1.3%
1990	\$152,784,597	\$ 5,732,739	3.9%
1991	\$154,063,721	\$ 1,279,124	0.8%
1992	\$165,995,000	\$11,931,279	7.7%
1993	\$174,992,832	\$ 8,997,832	5.4%

## University of Minnesota Percent Change Tuition Revenue Constant 1992 \$ F.Y. 1985 - 1993



Declining state support is the most significant contributor to tuition increases beyond inflation. A recent analysis prepared by Management Planning and Information Services found that from 1982 to 1992 nearly 75 percent of the increase beyond inflation in the past decade is attributable to lower state support per student.

Examples of critical questions in framing a tuition and fees financial strategy include:

- What are the social implications of tuition increases?
- Is there a limit to the tuition rate the University is willing to charge?
- Should tuition growth be tied to the inflation rate, even if state support continues to decline?
- What is the relationship of state support and student aid if the state follows a high tuition policy?
- Should increases in tuition beyond the rate of inflation be tied to specific quality improvements?
- What are the marketplace constraints in competing for students?
- What is a reasonable goal for additional tuition revenue?
- What should be the relationship of tuition to the costs of specific instructional programs?

### Number and Source of Students

Demand for Minnesota postsecondary education is increasing. It is likely that undergraduate student demand will increase 15 to 20 percent between 1995 and 2001. The strategic plan as outlined so far does not contemplate any substantial expansion in enrollment, at least in the Twin Cities. Additional student demand raises issues of both mission and finances. Certain programs within the University of Minnesota system could expand at a marginal cost that approximates the increased tuition revenue. If legislative funding does not increase and the ability to raise tuition



rates is severely limited, increasing the number of students in selected areas may be our only opportunity to increase non-gift revenue to improve quality. Such possibilities should be emphasized as the planning effort proceeds. All of our programs should be structured to operate at the most efficient scale compatible with the expected quality.

Currently, about 5 percent of University of Minnesota undergraduates are nonresident, nonreciprocity students. These students pay tuition rates about three times higher than resident and reciprocity students. However, the University receives no state appropriation support for them. Thus any plan to increase the proportion of such students within a fixed enrollment total must offset the loss of state support against the gain in tuition revenue. This has been simulated. A shift from the present 5 percent to 10 percent nonresident, nonreciprocity students produces about \$2 million of net new revenue annually. Of course, addition of such students would produce substantial additional revenue.

Examples of critical questions in framing a financial strategy that could include a change in the numbers, mix, and source of students include:

- What is the relationship between educational quality and enrollment in each case?
- Is it possible to assume expansion in the current numbers of students?
- What is the appropriate mix of undergraduate, graduate, and professional students?
- What assumptions should be made about enrollment expansion at Duluth and Morris?  
(Crookston plans are clear.)
- What programs can and cannot accommodate additional enrollments without significant additional costs?
- What is the relationship among tuition, student aid, and recruitment?
- To what extent should additional revenue be sought by adding nonresident, nonreciprocity students?

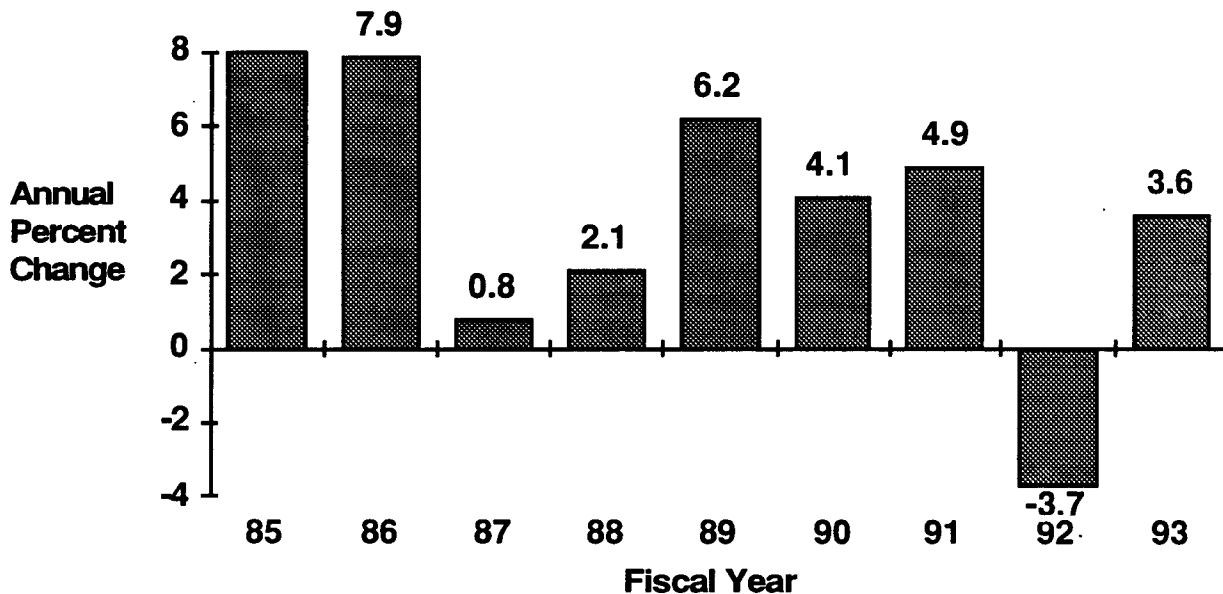
### **Federal Support**

Federal funds, principally for sponsored research, are a significant part of the University's revenue. Our faculty has been remarkably successful in competing for federal support. The following table and graph show total federal support for the University of Minnesota in constant 1992 dollars for the past 10 years and highlight the real growth that has occurred.

**University of Minnesota  
Federal Support  
FY 1984-93  
Constant 1992 Dollars**

<u>Fiscal Year</u>	<u>Federal Support</u>	<u>Dollar Change</u>	<u>Percent Change</u>
1984	\$161,895,642	n/a	n/a
1985	\$174,822,739	\$12,927,097	8.0%
1986	\$188,559,548	\$13,736,809	7.9%
1987	\$190,148,723	\$ 1,589,175	0.8%
1988	\$194,220,563	\$ 4,071,840	2.1%
1989	\$206,331,464	\$12,110,901	6.2%
1990	\$214,851,576	\$ 8,520,112	4.1%
1991	\$225,382,827	\$10,531,251	4.9%
1992	\$216,977,000	-\$ 8,405,827	-3.7%
1993	\$224,702,226	\$ 7,725,226	3.6%

**University of Minnesota  
Federal Support  
Annual Percent Change  
Constant 1992 \$  
F.Y. 1985 - 1993**



Although the University has done well in competing for these resources, risks are associated with becoming ever more dependent on federal support. Efforts to contain the federal deficit will have an impact on the availability of funds. Recent efforts to modify indirect cost reimbursement policies have the effect of shifting more research costs from the federal government to the universities. Already, some programs can be accepted only if the University is willing to divert

scarce resources from other activities or postpone dealing with very real indirect costs. Finally, while federal dollars and programs can often be supportive of the University's nonsponsored activities, they cannot be *substituted* for instructional or outreach resources.

Examples of critical questions in framing a federal funds financial strategy include:

What is the prognosis for federal sponsored program expenditures?

What is the impact of recent changes in federal indirect cost recovery policies on University programs? In what programs is the impact most critical?

What constraints should we put on the acceptance of federal funds that increase costs but do not fully fund them?

What are the implications for the number of graduate students who can be supported through appointment as research assistants?

How does the acquisition of federal funds fit with other institutional priorities?

In what ways do federal funds affect the character of the University?

### **Private, Endowment, and Investment Income**

Another important source of revenue is private support, an area in which the University has been highly successful. There are three components. Annual revenue from private gifts, grants, and contracts is currently about \$149 million. University of Minnesota annual financial statements combine private gifts, grants, and contracts for purposes of financial reporting. This includes gifts originating in earnings on restricted endowments. Unrestricted and restricted private gifts totaled roughly \$112 million of the \$149 million classified as private gifts, grants, and contracts. Interest income generated on existing endowments is classified separately from private gifts, grants, and contracts, and is reported in the annual financial statements as endowment income. The University of Minnesota's endowment is currently producing some \$16 million per year at a 5.5 percent payout rate, and other investment activities are contributing about \$42 million.

Examples of critical questions in framing a financial strategy for these sources of funds are:

What is the appropriate goal through the year 2000 for increasing the existing endowment?

What is an appropriate annual giving goal?

What strategies should be employed to expand annual giving?

Should the University undertake a targeted private giving campaign for a particular program such as scholarships?

What are the capacities for achieving private giving goals for each of the academic units?

To what extent will we have to raise private funds for new and remodeled facilities?

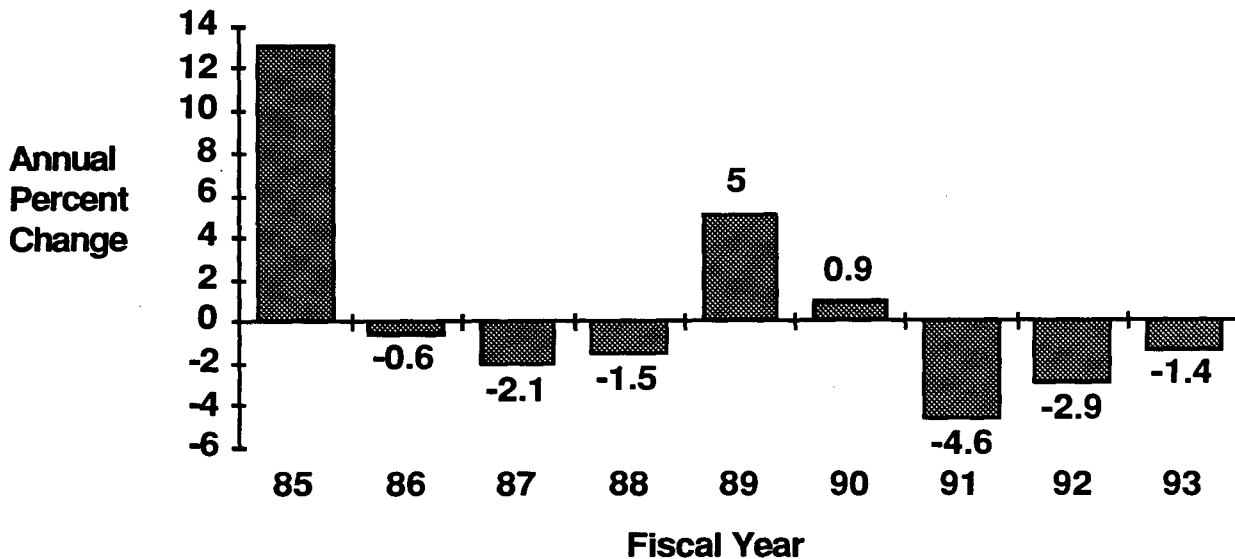
### **Auxiliaries (Bookstores, Dormitories, Dining Facilities, Parking, Etc.)**

The auxiliary units of the University (e.g. parking, housing, food services, men's intercollegiate athletics) have generally followed the policy of recovering full cost including depreciation on plant. They have not been priced to generate long-term surpluses or funds transferable to other University activities. In recent years, auxiliary revenues have leveled off. The table and graph below display 10 years of revenue data in 1992 dollars and the real change in that revenue.

**University of Minnesota  
Auxiliary Income  
FY 1984-93  
In Constant 1992 Dollars**

<u>Fiscal Year</u>	<u>Auxiliary Income</u>	<u>Dollar Change</u>	<u>Percent Change</u>
1984	\$105,468,244	n/a	n/a
1985	\$119,262,133	\$13,793,889	13.1%
1986	\$118,578,649	-\$ 683,484	-0.6%
1987	\$116,050,191	-\$ 2,528,458	-2.1%
1988	\$114,357,701	-\$ 1,692,490	-1.5%
1989	\$120,033,051	\$ 5,765,350	5.0%
1990	\$121,082,061	\$ 1,049,010	0.9%
1991	\$115,468,017	-\$ 5,614,044	-4.6%
1992	\$112,174,000	-\$ 3,294,017	-2.9%
1993	\$110,549,040	-\$ 1,624,960	-1.4%

**University of Minnesota  
Annual Percent Change Auxiliary Income  
Constant 1992 \$  
F.Y. 1985 - 1993**



While some auxiliary units barely generate revenues sufficient to cover their full costs, others could contribute resources to academic programs if they followed a higher pricing policy. Historically, the regents have discouraged that practice.

Examples of critical questions in framing a financial strategy for auxiliary enterprise income include:

What is the extent of market opportunities in auxiliary enterprises?

Are auxiliaries in fact covering their full costs? Are there places where a fair accounting of costs would dictate higher rates and payment for costs now absorbed by educational and general funds?

Can resource gains be made by contracting for some current auxiliary activities?

Should auxiliary enterprises be tapped as a source of general purpose income?

If so, what principles should guide the use of such income?

## **Hospital and Clinic**

The University of Minnesota Hospital and Clinic currently generates nearly \$300 million annually, some 19 percent of the University's current funds revenues. Given the present climate in the health care industry, it is unlikely that this can be regarded as a possible source of increased support for academic goals. Rather, it is necessary to consider carefully whether the maintenance of an academic health center will not, in the future, require additional state and University support to offset possibly declining patient revenue. That probably constitutes the single most important question in framing an institutional financial strategy associated with the University Hospital and Clinic.

## **Enhanced Productivity and Efficiency Gains**

While achieving more efficient use of resources is clearly a priority, the University should not underestimate the difficulty in taking the necessary steps within a large, complex, and decentralized organization with a strongly entrenched management culture. We must be careful not to overestimate the impact that greater efficiency can have on the basic funding challenges facing us. Some efficiency gains will probably be offset by the costs of increased oversight and by cost increases mandated but not funded by state and federal laws and regulations.

Nevertheless, the financial strategy must include serious attention and effort toward enhancing quality, innovation, and productivity. Present "total quality management" efforts should be continued and extended.

Faculty instructional productivity and the proper balance between instruction and other faculty functions are a continuing issue both nationally and locally. There are likely to be opportunities to increase efficiency and change priorities in ways that will increase support for the University. Present internal efforts to state expectations for faculty workloads on a unit-by-unit basis may well yield efficiency gains.

## **Sharing Gains and Building Incentives**

The broad mission of the University, along with its complex and interwoven array of programs, suggests that we need to think very carefully about how we manage the resource allocation process. While our budgeting has for many years avoided a process of simply increasing or decreasing budgets from year to year, it has often not been linked as closely to the institution's strategic plans as is desirable. The current resource-allocation reform effort is a step toward tightening that link.

The resource-allocation reform effort moves the University toward a budget model built on two specific principles. The first is clear assignment of responsibility and the second is reaching agreement on the kinds of outcomes or values to be achieved. A third feature not directly outlined in the resource-allocation reform effort is the incorporation of price estimation and of price regulation in allocating resources, thus introducing the concept of adjustments to marginal revenues and costs.

Responsibility-center budgeting is a special form of price regulation. In this system, revenues and costs are passed through to units. Central administration delegates budgetary authority to major academic programs ("responsibility centers"). Centers receive credit for income they generate and they are responsible for the full cost of their operations. Central administration retains responsibility to provide support services centrally, paying for these costs with overhead recovery from the centers, and may tax the centers' income and develop pools of nonassigned income to augment or provide special investment funds for critical needs or to influence the way centers operate.

Full implementation of responsibility-center budgeting would be an enormous task at the University of Minnesota. It would probably require changes in financial and cost accounting systems. However, many features of responsibility-center budgeting make good sense and should be pursued where appropriate. Pilot projects are possible.

Examples of critical questions in framing a financial strategy that includes sharing gains and building incentives include:

Should the University develop a reinvestment fund with specific incentives to share efficiency gains and program savings and to provide capital for growth strategies?

How should such a fund be developed?

What should the source of financing be?

Should the University move in the direction of responsibility-center budgeting? If so, in what areas?

What incentives can be developed to reward performance in relation to the values and desired outcomes of the institution?

### **Realigning to Mission, Rightsizing, Selective Growth Strategies**

An institutional financial plan is, in fact, a series of financial plans prepared by academic and administrative units and coordinated with each other. These will vary in scope and specificity depending on the intended purpose. The financial strategy will need to reflect the results of the academic cluster and unit planning efforts.

The working hypothesis presented to the regents at the September retreat outlined criteria to be used in deciding which areas to maintain, which areas to downsize/streamline, and which areas to eliminate. Collegiate units will be responsible for conducting relevant analyses.

We must also think about selective growth strategies. The University is well positioned to take advantage of growth opportunities that are within our mission.

## Compensation

Compensation of University faculty has been slipping seriously relative to the national market. The following table shows 1992-93 salary and compensation averages relative to the highly ranked research universities that represent our competitive market. Minnesota ranks 20th of 30 in total compensation and is tied for 24th and 25th of 30 in cash salaries. Such measures are imprecise and do not imply that all faculty are underpaid relative to their competition, but more exact measurements also indicate that, on balance, faculty compensation will need to be enhanced.

### 1992-1993 Salaries and Compensation at 30 of the Top 31 Research Universities

<u>Research University</u>	<u>Cash Salary</u>	<u>Total Compensation</u>
Cal Tech	\$84,100	\$104,500
Stanford	\$79,200	\$ 96,100
Pennsylvania	\$77,100	\$ 95,800
Harvard	\$74,800	\$ 93,300
MIT	\$72,700	\$ 91,300
Chicago	\$72,500	\$ 88,900
Princeton	\$71,100	\$ 85,500
Duke	\$68,200	\$ 83,800
Northwestern	\$68,000	\$ 82,300
Berkeley	\$67,900	\$ 83,300
Yale	\$67,900	\$ 82,700
Columbia	\$67,700	\$ 89,400
NYU	\$66,200	\$ 86,800
Carnegie Mellon	\$64,800	\$ 79,000
UCLA	\$62,100	\$ 76,200
U Cal-San Diego	\$61,500	\$ 75,400
Cornell	\$60,800	\$ 77,500
Brown	\$59,800	\$ 76,100
Michigan	\$57,500	\$ 71,900
John Hopkins	\$57,300	\$ 71,100
Virginia	\$56,500	\$ 70,300
Illinois	\$56,100	\$ 64,800*
Wisconsin	\$56,000	\$ 70,500
<b>MINNESOTA</b>	<b>\$55,900</b>	<b>\$ 71,600</b>
North Carolina	\$55,900	\$ 66,800
Texas	\$55,600	\$ 68,500
Washington-Seattle	\$54,100	\$ 67,000
Purdue	\$53,700	\$ 68,700
Indiana	\$52,200	\$ 65,700
Rockefeller	\$42,300	\$ 54,600

Note: One institution did not report.

\* State pays employer's share of Social Security; number is noncomparable.

While it is less clear what the competitive situation is for most nonfaculty staff, it is important to be able to recruit and maintain the best available talent in those positions as well. Much of our ability to improve user friendliness will depend on a capable and motivated support staff.

Examples of critical questions in framing a financial strategy relative to compensation issues are:

- What are appropriate benchmarks for faculty compensation?
- What are appropriate benchmarks for staff compensation?
- What should be the overall institutional strategy with respect to compensation?
- What are the appropriate compensation incentives to promote higher productivity, performance, and efficiency?
- Are there unique marketplace constraints?

### **Staffing Requirements**

Studies have repeatedly shown that many University of Minnesota departments, particularly in the liberal arts, are understaffed relative to similar departments at other leading universities. Changes envisioned in the present planning effort will certainly require that staffing be increased. It is also true that retrenchments in recent years have fallen heavily on nonfaculty support positions. In many areas of the University, faculty are of necessity engaged in activities that could be done more efficiently, and often more cost-effectively, by support staff.

Examples of critical questions in framing a financial strategy relative to staffing issues are:

- To what extent can and should part-time and practitioner faculty be used throughout the University?
- What incentives can be introduced to use existing faculty more efficiently and flexibly?
- To what extent and where will it be necessary to augment staffing from additional or reallocated resources?
- Should the University establish an ongoing faculty and staff development fund?

### **One-Time Resources**

The regents have adopted a resolution requiring review of all operating balances for all units. There are sound reasons for building and maintaining reserves, but it is important to understand why there are significant disparities in departmental reserve levels across the University.

Operating balances are a one-time revenue source and must be used only for one-time expenditures. Their use for ongoing annual expenditures creates a structural budget imbalance—expenditures exceed revenues. They are a possible source of funds to support institutional strategic plans but their use must be carefully monitored. Indiscriminate cancellation of year-end operating balances of funds creates serious disincentives to planning and efficient use of resources.

Examples of critical questions in framing a financial strategy that includes use of operating reserves are:

- Should the University develop a specific set of financial guidelines to control the use of operating reserves?
- What is an acceptable level of reserves?
- Given the diverse nature of the University, is a single policy regarding level and use of reserves possible or desirable?
- What level of oversight should be given to reserves?

### **Revenue and Expenditure Parameters**

We have no way of knowing with certainty what revenues will be available in future years or of estimating accurately what the costs of implementing change will be. Even our best guesses



about the likely ranges may prove incorrect. Nevertheless, realistic planning requires attention to the probable limits of future resources and to best estimates of additional resources required.

Modeling of possible scenarios for both revenues and expenditures is proceeding along with programmatic planning. We expect to make available at the December meeting of the Board of Regents a description of the financial parameters of the initiatives so far discussed. At this stage, there will be large variations in the assumptions; as planning proceeds it should be possible to focus the financial model more closely.

We must be careful not to regard all revenue sources as if they were interchangeable; that is not the case. Some revenues are restricted in use and cannot be used for purposes outside the restriction. Others, while not legally restricted, are available only to pay for the costs incurred in generating them. As we continue to plan, these restrictions will be incorporated into the model.

Obviously, there will be many possible combinations of assumptions. The assumptions chosen should not necessarily reflect best estimates of the most likely outcome; rather, they should represent what we believe to be a reasonable aspiration given what we now know. As planning proceeds, the financial model will be fleshed out in far more detail. Comparing and revising the revenue and expenditure sides of the model should help in decision making about planning proposals as they come forward.

### **Strategic Financial Planning—The University of Minnesota Tomorrow**

The foregoing discussion represents a brief overview of the many financial issues confronting the University of Minnesota. From both the revenue and expenditure perspectives, many key questions need resolution. More will flow from the planning process. In addition to the topics discussed above, we need to deal with issues of public/private partnerships, the maintenance and improvement of physical assets, and the protection and development of our human resources, all of which have major implications for financial strategy. To these concerns should be added the recognition that the University of Minnesota is entering one of the most competitive periods of its history—for students, for faculty, and for the financial resources to meet its strategic institutional goals.

## PLANNING PROCESS

In the University 2000 planning process, planning is carried out under the leadership of the president by the regular central, collegiate, and departmental planning structures, in consultation with the regular faculty, student, and staff governance systems. The University 2000 planning process envisions that planning efforts at all levels of the institution will include meaningful involvement by a broad and diverse group of faculty, students, and staff.

The University 2000 planning process is fundamentally different in that it sets up a process whereby planning about the University's future will become part of a continuous, ongoing process that will be fully integrated with the annual budget process, rather than occurring only at long time intervals or in response to problems or crises.

The planning process builds on previous planning efforts, most notably:

- The President's Initiative for Excellence in Undergraduate Education
- Report of the Liberal Education Task Force
- *Outreach at the University of Minnesota—A Strategic Plan*
- Report of the University Task Force on Strengthening Excellence Through Diversity

The Board of Regents will act on the University's broad strategic direction, articulated in a *University 2000 Mission, Vision, Strategic Directions, and Performance* statement in January, 1994. The Board will also determine fundamental policy decisions on financing and resource allocation issues, through approval of the yearly University budget and the biennial request for state appropriations. Plans that will be developed at the academic cluster level and college/support unit level will be refined and updated on an annual basis.

### **Mission, Vision, Strategic Directions, and Performance and Institutional Strategic Financial Issues (November-January 1993)**

Drafts of statements on *University 2000: Mission, Vision, Strategic Directions, and Performance* and *Institutional Strategic Financial Issues*, based on the president's September 1993 "working hypothesis," will be reviewed by the governance committees and others within and outside of the University community during November and December. University 2000 meetings are being held with constituents throughout the state over this same time period; the Board of Regents is conducting an open forum on November 8. The purpose of these discussions is to bring about a broad dialogue about the strategic issues and directions that the University should undertake.

The statements on *University 2000: Mission, Vision, Strategic Directions, and Performance* and *Institutional Strategic Financial Issues* for the University 2000 plan will be refined in light of the November discussions, and the Board of Regents will receive a revised draft for information and discussion in December. Based on further discussions that will continue through December, final versions of these documents will be prepared and considered by the Board of Regents for action in January, after which they will be incorporated into and guide the process of academic cluster and collegiate and support unit planning.

### **Cluster Planning (next 1-2 years)**

The purpose of the academic clusters is to provide a framework for determining long-term intellectual directions for related groups of disciplines and programs. Clusters are meant to permit the University to think about the future, with minimal historical or organizational restrictions. University vice presidents and chancellors are leading the cluster planning efforts, and directions for beginning this part of the planning process were issued to them in late October.

For the Twin Cities campus, vice presidents are expected to organize work teams for each

cluster, including a diverse group of deans, faculty, students, and staff from the relevant units; internal and external advisory groups are to be involved as appropriate. Cluster teams will address a set of questions that are common to all clusters and are expected to identify other questions related to the unique aspects of the disciplines within the cluster as appropriate. Chancellors have been asked to address the same kinds of questions for the Duluth, Morris, and Crookston campuses.

The 12 Twin Cities campus clusters are: Humanities; Social Sciences; Arts; Mathematics and Physical Sciences; Biological Sciences; Engineering and Computer Science; Professional Schools (Law, Public Affairs, Management); Agriculture, Natural Resources, and Environment; Health Sciences; Design, Arts, Architecture, and Planning; Education and Human Services; and Developmental Education. The need for and desirability of new or different cluster groupings may become apparent as the planning process proceeds.

The first phase of cluster planning will occur during the period November 1993 through February 1994 and will focus on the viability and meaningfulness of the particular clusters. Issues to be addressed during the first phase include identifying substantive, intellectual commonalities and areas for potential future interaction and collaboration within the clusters. A brief report of the preliminary findings and any conclusions reached is due to be completed by February 28, 1994. First phase discussions will continue beyond February, as needed, until completion.

A second phase of cluster planning will focus on the future intellectual directions and related opportunities for disciplines and programs in the clusters, assuming that the clusters are deemed as desirable groupings as a result of the first phase discussions. Although it is possible that changes in structure may result from the work of some of the cluster teams, there are no decisions or even assumptions about restructuring at this point. The second phase of cluster planning will begin when phase one work has been completed and will continue over the next one-to-two years.

### **Collegiate Strategic Planning (winter/spring of 1994 and ongoing)**

The president's "working hypothesis," presented to the regents in September 1993, outlined criteria to be used in reviewing all academic programs: quality, centrality to the state and academic disciplines, comparative advantage, efficiency and effectiveness, and future demand. The *University 2000: Mission, Vision, Strategic Directions, and Performance* statement proposes five broad strategic directions for emphasis in the immediate future.

The purpose of this collegiate planning is to arrive, on the basis of the above mentioned criteria and strategic directions, at four key decisions: which areas to strengthen, which areas to maintain, which areas to downsize or streamline, and which areas to discontinue. This review of programs and areas is at the core of the strategic planning process and will occur within colleges (and departments) during this phase of the University's strategic planning process. Chancellors will be asked to address the same issues for the Duluth, Morris, and Crookston campuses.

This first round of collegiate planning comes at a time when some colleges have recently completed or are in the process of carrying out major planning efforts. In those cases, collegiate strategic planning is not intended to replace planning already done or in progress, but to build on it. Campuses and colleges have considerable discretion in determining the process they wish to use in carrying out this phase of planning. It is expected that there will be meaningful involvement of a diverse group of faculty, students, and staff within each of the units. More specific instructions will be provided to chancellors and deans before the end of November 1993. The collegiate strategic planning process is expected to continue through much of the spring of 1994, and thereafter to become part of the University's ongoing process of strategic planning and budgeting that will be repeated annually, beginning in the fall of each year.

The planning process expected of collegiate units will be informed, in the future, by the thinking about future intellectual directions undertaken by the academic cluster teams. However, since cluster discussions are only now beginning and may not be completed for another year or two, it may not be possible to incorporate this longer-term perspective into collegiate planning during this first year.

### **Support Unit Strategic Planning (winter/spring of 1994 and ongoing)**

Nonacademic support units will also review their activities against the criteria listed above. As collegiate planning crystallizes, support units will be asked to indicate how they plan to address the identified needs of campus and collegiate units. The provosts and chancellors will be responsible for seeing that these questions are addressed by support units on every campus. Because of the need for support units to address issues identified at the collegiate level, the timing of support unit planning will lag slightly behind collegiate planning. At this time, instructions to support units are expected to be issued to vice presidents and directors before the end of December 1993.

### **Collegiate/Support Unit Budget Planning (January-May 1994)**

Instructions for preparation of 1994-95 budgets will be distributed in early January, for response in February 1994. To the maximal extent, budget planning should be informed by the strategic planning that is occurring in the colleges and support units. Budget allocations are an important part of the implementation of planning. Critical investment initiatives derived from the strategic planning process will be identified and reflected in the budgeting process. Budget allocation proposals will be made at the collegiate level after budget hearings in March with vice presidents and deans and after appropriate consultation with the governance system. The 1994-95 budget will be finalized in May, for approval by the Board of Regents in June. The resource allocation process for 1994-95 and 1995-96 is outlined in the attached chart; this type of process will be refined as University 2000 planning moves forward.

### **Institutional Financial Strategy**

Since most operational details of the University 2000 plan are not yet identified, a fully articulated financial strategy cannot be put forth at this time, but will be developed as the cluster and unit planning progresses. However, a broad financial framework with financial "framing questions" has been developed for discussion in November and December and for action by the Board of Regents in January 1994.

### **Institutional Planning: A Status and Progress Report, 1994**

The preparation of an annual status and progress report on institutional planning will serve as the basis for comprehensive reviews of planning activities and planning decisions with the Board of Regents and faculty, staff, and student governance groups, beginning in the spring of 1994. The 1994 status and progress report will be finished and shared with the Board of Regents, the University community, and a variety of constituencies by fall 1994.

The report will summarize the campus, cluster, college, and support unit planning results within the framework of University 2000, including any changes in the framework that may result from the unit planning. The report will also include refinements of the overall financial strategy and information on the achievement of benchmarks.

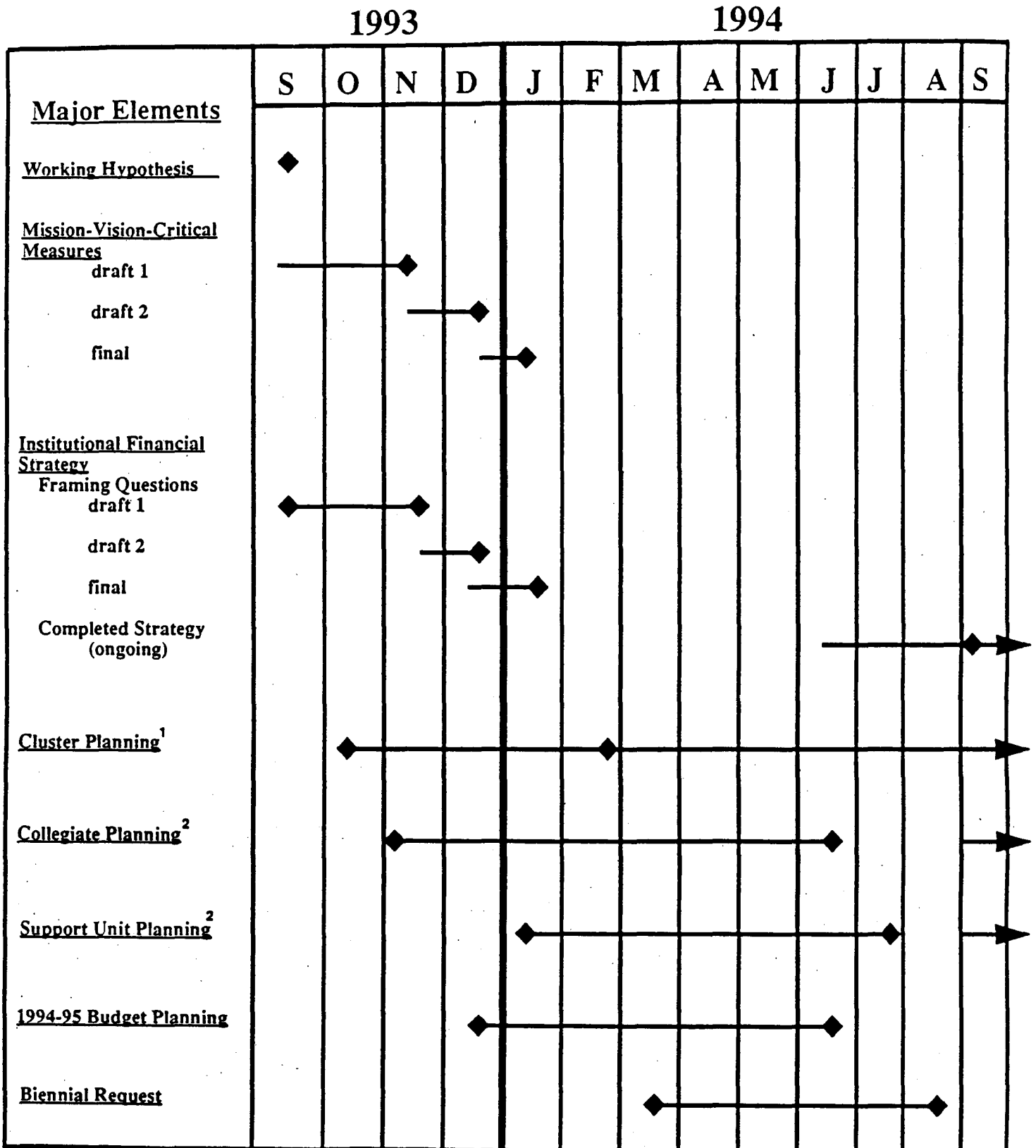
Similar reports are planned on an annual basis into the future.

**Biennial Request**

The current round of cluster and collegiate and support unit planning and the 1994 status and progress report are intended to contribute to and inform the preparation and presentation of the University's 1995 biennial request for state appropriations.

Implementation of the collegiate and support unit plans that are ultimately established in support of the University 2000 goals will occur over an extended period of time, and over many budgetary cycles.

# Strategic Planning Process/Timeline



<sup>1</sup> Preliminary report from clusters is scheduled for February 28, 1994. Cluster planning will be ongoing thereafter.

<sup>2</sup> Timeline is for 1993-94 initial period. Planning related to the colleges and support units will enter the next cycle in September, 1994.

# Institutional Strategic Financing Issues

## Sequence of Events for 1994 - 1995 and 1995 - 1996 Resource Allocation Process

