

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

March 14, 2003

A meeting of the Board of Regents of the University of Minnesota was held on Friday, March 14, 2003, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Maureen Reed, presiding; Clyde Allen, Anthony Baraga, Peter Bell, Frank Berman, Dallas Bohnsack, John Frobenius, Richard McNamara, David Metzen, Lakeesha Ransom, and Patricia Simmons.

Staff present: President Robert Bruininks; Chancellor Samuel Schuman; Executive Vice President and Provost Christine Maziar; Vice Presidents Kathryn Brown, Carol Carrier, Sandra Gardebring, and Kathleen O'Brien; Interim Vice President David Hamilton; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Terry Bock, Steve Cawley, Gerald Fischer, Gail Klatt, Donna Peterson, and Richard Pfitzenreuter.

RECOGNITION OF McKNIGHT LAND-GRANT PROFESSORS

Recognition was given to the recipients of the 2003-05 McKnight Land-Grant Professors. The goal of this program is to advance the careers of the University's most promising junior faculty at a crucial period in their professional lives. Recipients are honored with the title McKnight Land-Grant professor, an endowed chair which they will hold for two years. The recipients are:

Professor Vinay Gidwani

Geography

Professor William Gray

Plant Biology

Professor Kathryn Kohnert

Communication Disorders

Professor Erika Lee

History

Professor Tian-Jun Li

Mathematics

Professor Krishnan Mahesh

Aerospace Engineering & Mechanics

Professor Paul Mermelstein

Neuroscience

Professor Fernando Porte-Agel

Civil Engineering

Professor Natalia Tretyakova

Medicinal Chemistry

Professor Byeong-Uk Yi

Philosophy

ELECTION OF BOARD OFFICER

Chair Reed stated that due to the vacancy in the office resulting from the end of Robert Bergland's term as a regent the Board would elect a vice chair of the Board of Regents for the term ending June 30, 2003.

Reed asked for nominations. Regent Bohnsack moved to nominate David Metzen to serve as Vice Chair of the University of Minnesota Board of Regents until June 30, 2003. The motion was seconded.

Chair Reed asked for additional nominations. Regent McNamara nominated Frank Berman. Regent Berman withdrew his name from nomination. Chair Reed asked for additional nominations. Being none, the Board of Regents voted unanimously to approve Regent David Metzen as Vice Chair until June 30, 2003.

APPROVAL OF MINUTES

A motion was made and seconded, and the Board of Regents voted unanimously to approve the minutes of the following meetings:

- Litigation Review Committee - February 13, 2003
- Audit Committee - February 13, 2003
- Educational Planning & Policy Committee - February 13, 2003
- Facilities Committee - February 13, 2003
- Faculty, Staff & Student Affairs - February 13, 2003
- Finance & Operations Committee - February 13, 2003
- Board of Regents Work Session - February 13, 2003
- Board of Regents - February 13, 2003
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REPORT OF THE PRESIDENT

President Bruininks noted the departure of Regents Robert Bergland, Jean Keffeler, and H. Bryan Neel from the Board of Regents. He spoke briefly about their contributions to the University during their tenure on the Board.

Bruininks noted the passing of former Governor Orville Freeman, a University alumnus and lifelong supporter of the institution.

The President reported on the upgrade of the PeopleSoft application. The project was successfully completed ahead of schedule and under budget by \$700,000. This upgrade provides improved on-line service to students, faculty, and staff.

He talked briefly about Founders Week and the presidential inaugural. Highlights of the week included a student event "Impress the President"; an academic panel that expounded on the meaning of the land-grant mission and explored the importance of research universities; and a Great Conversations event featuring Bishop Desmond Tutu.

A copy of the Report of the President is on file in the Board Office.

REPORT OF THE CHAIR

Chair Reed congratulated President Bruininks on his inauguration and declared the Board's conviction that he and his administration will successfully lead the University.

Chair Reed reported that the legislature elected new regents on March 3, 2003. New Board members are: Clyde Allen Jr., representing the Seventh District; John Frobenius, representing the Sixth District; and Patricia Simmons, representing the First District. Regent David Metzen was elected for another six-year term and Regent Reed stated that she was elected for a two-year term. Regents Robert Bergland, H. Bryan Neel, and Jean Keffeler departed from the Board.

Chair Reed reported on the new committee and leadership appointments that have been made due to changes in Board membership. She thanked Board members who have agreed to serve.

RECEIVE AND FILE REPORTS

Chair Reed reported that there were no receive and file reports this month.

BOARD CALENDAR ANNUAL REVIEW

Regent Reed presented the Board of Regents calendar for annual review. The calendar lists required actions, reports, and other items routinely presented for consideration by the Board and its committees. It is reviewed annually as required by Board of Regents Policy: Board Operations and Agenda Guidelines.

It was noted in the docket material that the calendar was revised since it was last reviewed by the Board of Regents in March 2002. The revisions were made to bring the calendar into compliance with amended or new Board policies; to reflect existing practice; and to correct inaccuracies.

GIFTS

Associate Vice President Gerald Fischer presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through January 31, 2003, as listed in the docket material and on file in the Board Office.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the receipt of gifts as presented.

QUARTERLY SUMMARY OF EXPENDITURES

Regent Reed presented the Quarterly Summary of Expenditures for the Office of the Board of Regents, the President's Office, and Eastcliff Operations, for six months ending December 31, 2002 as contained in the docket materials.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Summary of Expenditures for the period ending December 31, 2002.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Regent Reed stated that the Report of the All-University Honors Committee was forwarded to the Board from President Bruininks on February 21, 2003.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Report of the All-University Honors Committee. A copy of the report is on file in the Board Office.

REPORT OF THE AUDIT COMMITTEE

Regent Bohnsack, Chair of the committee, reported that the committee did not meet this month.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

Regent Metzen, Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of the Consent Report for the Faculty, Staff, & Student Affairs Committee as presented to the committee and described in the March 13, 2003 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Faculty, Staff, & Student Affairs Committee.

Metzen reported that the committee received presentations on human resources policies and strategies related to budget issues; service and productivity enhancements; and the first-year experience. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Baraga, Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of the revised Consent Report for the Finance & Operations Committee as presented to the committee and described in the March 13, 2003 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Finance & Operations Committee.

Baraga reported that the committee reviewed proposed changes to the Board of Regents Policy: Investment of Reserves; reviewed a report on University Budget Reserves; and received a presentation from Cambridge Associates, one of the University's external investment consultants. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

Regent Ransom, Chair of the committee, reported that the committee voted unanimously to recommend:

1. Approval of the Consent Report for the Facilities Committee as presented to the committee and described in the March 13, 2003 committee minutes.
2. Approval of an amendment to the FY2003 Capital Budget by \$1,422,000 to incorporate additional funding for the Molecular & Cellular Biology Building project located on the Twin Cities campus.
3. Approval of an amendment to the FY2003 Capital Budget by \$14,338,000 to incorporate additional funding for the Visitor Center, Phase II project located at the Minnesota Landscape Arboretum, Chanhassen, Minnesota.
4. Approval that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the following real estate transactions:
 - Sale of 43.80 acres of land in Sawyer Township, Carlton County
 - Sale of Fritz Trust Property, 40 acres of land in Lake of the Woods County

The Board of Regents voted unanimously to approve the recommendations of the Facilities Committee.

Ransom reported that the committee reviewed a proposed real estate transaction for a three-year lease of Phillips-Wangensteen Building and Masonic Cancer Center space to the University of Minnesota Physicians for clinical activities; and reviewed proposed design guidelines for the Visitor Center, Phase II at the Minnesota Landscape Arboretum. The committee also reviewed a number of information items as described in the docket materials. Ransom reported that the agenda item relating to the review and action of schematic plans for the St. Paul Chilled Water Facility was delayed until the May meeting.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent McNamara, Vice Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the March 13, 2003 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Educational Planning & Policy Committee.

McNamara reported that the committee received presentations on: Enrollment Management, Part II; Update on the University of Minnesota Extension Service; and Graduate Education: Future Directions & Strategies. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Berman, Chair of the committee, reported that the committee did not meet this month.

UNIVERSITY 2002-03 BUDGET

President Bruininks presented the following resolution related to the unallotment of \$25 million from the University's 2002-2003 state appropriation:

WHEREAS, the University of Minnesota is charged with the responsibility to pursue knowledge and to help apply that knowledge through research and discovery, teaching and learning, and outreach and public service; and

WHEREAS, the University is committed to achieving standards of national and international excellence; and

WHEREAS, the University is committed to supporting its key activities that command a leadership position, are core to the University's mission, serve students well and provide education and service that are necessary for the state's welfare; and

WHEREAS, the Governor of Minnesota has announced a \$25 million unallotment of the University's 2002-03 state appropriation - a reduction in the general fund appropriation from \$641 million to \$616 million.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the President's recommended plan to implement the fiscal year 2002-03 \$25 million unallotment.

A motion was made and seconded to approve the resolution.

Executive Vice President & Provost Maziar provided background information and the factors that were considered in making the decisions for unallotment. The \$25 million in cuts were distributed proportionately to units with budgeted operations and maintenance, state special, and tuition allocations. Adjustments were made for student aid, debt, utilities, and leases. Units were instructed to regard the reduction as recurring and were informed that departmental reserves could be used for one-time expenses. Units were also instructed to make their decisions with the goals of preserving the University's core academic mission; maintaining alignment with University and unit strategic objectives; protecting student-related activities; and protecting strategic agreements made through the compact process. Reducing administrative expenses and operating costs were encouraged.

Maziar reviewed a summary of the impact that the reallocation will have on various units.

Regent Ransom asked about the impact of the cuts on the academic culture. Maziar replied that it is too early to assess the impact. Most public institutions are also facing similar financial challenges.

In response to a question, Maziar indicated that she had outlined the strategies used for the unallotment, but that different strategies will be used to address future reductions. Bruininks added that some base adjustments will have to be made in every unit of the University.

Regent Berman asked if the steps proposed in this resolution will result in a balanced budget for FY03. Maziar replied that it would.

The Board of Regents voted unanimously to approve the resolution related to the University's 2002-03 Budget.

UPDATE: UNIVERSITY OF MINNESOTA BUDGET ISSUES

President Bruininks presented a financial update on the budget issues facing the University of Minnesota as a result of the Governor's FY2004-05 budget recommendations. He reviewed the current timeline for discussions; outlined recent major actions in response to changed state economic shortfalls and budget issues; and presented detailed background information on the Governor's budget recommendations for the University of Minnesota. He presented preliminary estimates on the budget challenges facing the University during the upcoming 2004-05 biennium and provided information on additional financial obligations and requirements that, when added to the budget reduction recommendations of the Governor, could represent a total budget financial challenge of between \$237 million and \$258 million. He reiterated that the goals for the 2004-2005 biennium will be to balance the budget and provide for investment in the future. Strategies for balancing the budget will be shared throughout the institution by the reduction of administrative and operating costs; targeted eliminations, reductions and consolidations; enhanced institutional revenues; and increased student tuition and fee revenues. He also stated that he expects 70 percent of the impact of the reductions will be felt in the first year of the biennium.

Alison Rhody, Chair of the Student Representatives, stressed the need to be mindful of the unique position that the coordinate campuses hold and the effect that tuition increases may have on the competitiveness of each campus. The students believe if the University can find a way to increase tuition at lower rates on the coordinate campuses than their peer and neighboring institutions, the University can solidify its position as being accessible.

Board members expressed support for the President's approach in addressing the financial issues facing the University's budget, indicating that it is a well thought out plan. They applauded the wisdom in looking to the future and investing in it. Bruininks responded that the plan will not work without enlisting employees, students, faculty, and staff to be part of the decisions for change. He stated that a website has been designated for employees and others to provide suggestions for cost saving measures.

Regent Reed asked about the consequences of a one-year salary freeze. Bruininks responded that the impact of a one-year freeze is not clear, however, he believes that a freeze longer than one year would cause the University to lose valuable faculty.

In response to a question, Bruininks indicated that there will be other aspects of the state's budget cuts that will have an indirect effect on the University. Most substantially, the University would be affected by cuts in the state's funded programs and local governments' support of the Extension Service. Additionally, there is some concern about the ebb and flow of federal dollars.

With regard to revenues, Bruininks responded to a question that there may be a potential margin for growth in some colleges but not all.

In conclusion, the President indicated that the proposed budget will be modeled based on the terms of the Governor's recommendations. Contingency plans are being developed in case the allocation is less than projected. There may also be consequences if the legislature does not conclude its business in May and a special session needs to be held. He noted that budget discussions will be a major focus at all Board meetings over the next months.

NEW BUSINESS

Recognition was given to Carol Kraus, Senior Administrative Director, for her twenty-five years of service in the Office of the Board of Regents.

The meeting adjourned at 12:15 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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