

Senate Committee on Finance and Planning (SCFP)
April 26, 2016
Minutes of the Meeting

These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

[In these minutes: Collegiate Financing of Instruction; Athletes Village; Debrief from Collegiate Financing of Instruction Discussion; Agenda Items for the 2016 – 2017 Academic Year]

PRESENT: Dan Feeney, chair, Tracy Peters, Lincoln Kallsen, Jill Merriam, Paul Olin, Richard Pfitzenreuter, Gary Cohen, Robert Goldstein, Jennifer Gunn, Michael Korth, Fred Morrison, Sandra Potthoff, Karen Seashore, Erik van Kuijk, Emily Meyer, Adam Peterson

REGRETS: David Fisher, Catherine Fitch, Kara Kersteter, Karen Ho

ABSENT: Laura Kalambokidis, Pam Wheelock, Aravind Boddupalli

GUESTS: Robert McMaster, vice provost and dean; Suzanne Bardouche, assistant vice provost; Peter Radcliffe, director of undergraduate analytics - Office of Undergraduate Education; Beth Goetz, interim athletics director, Department of Intercollegiate Athletics; Rick Johnson, director, Special Capital Projects, University Services; Suzanne Smith, assistant vice president, Capital Planning and Project Management

OTHERS ATTENDING: Rachel Flenner, audit manager, Office of Internal Audits

1. **Collegiate financing of instruction:** Professor Dan Feeney welcomed Robert McMaster, vice provost and dean of undergraduate education, Suzanne Bardouche, assistant vice provost for undergraduate education, and Peter Radcliffe, director of undergraduate analytics. Professor Feeney said because undergraduate tuition is a big driver of revenue at the University, the committee wanted to have a discussion with senior leaders from the Office of Undergraduate Education (OUE) about collegiate financing of instruction as it relates the overall financial sustainability of the University. Before beginning this discussion, Professor Feeney called for a round of introductions.

Following introductions, Vice Provost McMaster distributed a matrix containing enrollment data for the Liberal Education courses on the Twin Cities campus and walked members through it. Prior to this meeting, Vice Provost McMaster reported receiving a few questions to facilitate this discussion, including one regarding the cost of liberal education requirements and he said his answer to this question is that there is no added cost. Liberal Education courses are part of the campus-wide academic program requirements for a baccalaureate degree, and every university has general liberal education requirements that they expect students to complete. While it is possible to provide data on where the credit hours are distributed, it is not possible to calculate the cost of the liberal education requirements.

Vice Provost McMaster went on to say that OUE has been working to reduce the total number of credits students need to graduate and this is a good thing. Nearly all of the 150 programs offered on the Twin Cities campus can be completed with 120 credits; only a handful of programs in engineering and health sciences now require over 120 credits. The average number of credits students had at the time of graduation in 2008, for example, was over 129 credits. Professor Fred Morrison asked why reducing the total number of credits a student needs to graduate is a good thing. Vice Professor McMaster explained that fewer credits allow students to be able to graduate in four years rather than five or six years. There is no reason why a student, unless they are doing a double or triple major or minors, would need more than 120 - 130 credits maximum to graduate.

Vice Provost McMaster also noted that as of 2006 – 2007, the liberal education requirements were redesigned so a Liberal Education course could count as both a core and a theme (double dipping). As a result, colleges that have designed such courses have been able to increase enrollments and enhance their revenue. Technically, it is also possible to have a course that would satisfy a core, a theme, and a writing intensive requirement as well as fulfill a major requirement. Departments are being encouraged to make sure the courses they put into the liberal education curriculum also count toward a major.

To what degree are colleges looking at the Liberal Education courses as a revenue enhancer, asked Professor Seashore? Vice Provost McMaster said he believes colleges do look at Liberal Education courses as a critical tuition driver. A few years ago, said Vice Provost McMaster, the College of Liberal Arts (CLA) had mandated that any new course being proposed had to fulfill a liberal education requirement. OUE pushed back on this because it did not want every CLA course to fulfill a liberal education requirement, and also because, in fact, in many categories of the liberal education requirements there were too many courses already. In addition, he noted that there was a tendency for some of the professional schools to seek to offer undergraduate courses that fulfilled liberal education requirements. There was concern about the growing number of undergraduate enrollments that were migrating from the undergraduate colleges to the professional schools. As a result, at the recommendation of the Campus Curriculum Committee, the provost put a moratorium on professional schools offering any new Liberal Education courses.

Professor Seashore said that increasingly the professional schools are employing social scientists who would very much like to teach undergraduate Liberal Education courses. Vice Provost McMaster said the argument here was not so much around the intellectual or pedagogical background of the instructor, but it was around who should be teaching the undergraduate curriculum and who had the resources in terms of undergraduate advising, peer counseling, etc., which often the professional schools do not have; most professional schools do not have undergraduate support structures in place. He added that OUE was seeing a fairly significant migration of credit hours and tuition dollars from the undergraduate colleges to the professional schools, which was further exacerbating the budget problems in the undergraduate colleges.

There is a fundamental conflict between the calculations that need to be made with respect to budgeting and the historically determined notions about what the curriculum should be for the various degrees, said Professor Cohen. In addition, there is another historically determined

principle that is being violated and that is academic freedom, which is not only the freedom to teach, but also a student's freedom to choose what they want to study. There should be nothing wrong with a student taking extra courses or courses outside of their major just because it will take the student longer to get their degree. Vice Provost McMaster responded by saying the more credits students take, the longer they will be at the University and the more money they will have to borrow, which will cause many of them to be further in debt, and there is plenty of data to verify this. It is in the best interest of a student to finish in four years because of the cost of education; this is not about the University's rating for average time to degree.

In response to a question about the 75%/25% revenue sharing budget model, said Vice Provost McMaster, there are basically two different models:

- Model A – A student takes most of his/her credits within the college, e.g., economics major doing most of his/her coursework in CLA.
- Model B – A student takes most of his/her credits major coursework outside the college, e.g., BA in chemistry – a CLA student who is taking chemistry has coursework in CSE.

While there are both positive and negative effects to each model, it comes down to what is in the best interest of the student. Vice Provost McMaster noted that from his perspective the 75%/25% budget model, for the most part, works.

Regarding a question about factors that go into determining enrollment caps, Vice Provost McMaster explained that these caps are set by the provost for each of the undergraduate admitting colleges. The reason enrollment caps are set for both freshmen and transfer students is because the University cannot have the College of Science and Engineering (CSE), for example, growing by an additional 500 students because this would have curriculum impacts across the institution. In addition, there are constraints on housing, advising, student services, etc. The Board of Regents recently adopted an enrollment management plan for undergraduate students on the Twin Cities campus, which calls for modest growth. Currently, the Twin Cities campus undergraduate student population is 30,511 based on a 10th day of fall semester enrollment census that is conducted annually. The University believes it has some extra capacity in certain colleges. Additionally, the Board of Regents has issued a mandate to maintain an average ACT of 28.0 for the incoming freshman class. In terms of why a 28.0 or higher ACT is desired, noted Vice Provost McMaster, it is because academically prepared students are much more likely to graduate in a timely way and they tend to have a better experience here. Also, as it relates to enrollment, Vice Provost McMaster said that a year ago because some colleges felt they had the capacity to increase their enrollment, both a base and a stretch target were implemented. The stretch target allows enrollment targets to be adjusted each year depending on the quality of the applicant pool. For example, if an applicant pool is particularly deep and rich, the administration is able to allow the college to increase its enrollment to the stretch target. Professor Feeney said because this committee has heard that some schools individually feel they have the capacity to increase enrollments that it was important to ask this question.

Professor Seashore asked Vice Provost McMaster to talk about the cost of upper-division students versus those being admitted as freshmen students and how this relates to the State's preference, which is leaning towards students starting at a two-year college and later transferring to the University. According to Vice Provost McMaster, this question raises interesting financial issues both for the University and the students. For the University, upper division coursework is

more expensive because class sizes are smaller, classes are more specialized, etc. Compared to its peers, the University has a large number of transfer students; about 35% of undergraduate students are admitted as transfer students. The cost incurred by students who transfer in is cheaper because they are starting at a two-year college where tuition is less expensive. CLA and CSE bring in the lion's share of transfer students at the University. There is also a third form of transfer student, said Vice Provost McMaster, and that is the inter-college transfer (ICT) student, which there are a fair number of.

What has been the impact of tuition free credits above 13, asked Professor Gunn? Vice Provost McMaster said this change was an early game-changer in terms of student behavior. On average, the University's undergraduate students are taking 15 credits, however; if a student wants to take fewer than 13 credits, in addition to the price banding that occurs, they need to get permission.

Hearing no further questions, Professor Feeney thanked Vice Provost McMaster, Assistant Vice Provost Bardouche and Director of Undergraduate Analytics Radcliffe for their time.

2. **Athletes Village:** Professor Feeney welcomed Beth Goetz, interim director, Department of Intercollegiate Athletics; Rick Johnson, director, Special Capital Projects, University Services and Suzanne Smith, assistant vice president, Capital Planning and Project Management, who were invited to provide information on the Athletes Village. Before beginning this discussion, Professor Feeney called for a round of introductions.

Following introductions, Ms. Smith displayed a schematic design and capital budget amendment PowerPoint presentation that had been given to the Board of Regents on the Athletes Village and quickly walked members through it. Highlights from her presentation included:

- Rationale for the project:
 - Existing facility deficiencies.
 - Limited options available for scheduling practices in existing venues.
 - Critical for recruitment.
 - Provides state-of-the-art tools to student athletes, administrators, and coaches.
 - Creates a hub for the entire Athletics Department and its 725 student athletes.
- Project description: a 320,000 square foot facility that includes a Center for Excellence, a basketball practice facility for men and women, an indoor football practice facility, a performance center, and associated site work.
- Project cost estimate: \$1.66 million.
- Capital funding to date: \$79.2 million in fundraising and \$86.8 million in University issued (long-term) debt.
- Anticipated completion date: January 2018.
- Estimated annual operating costs: \$8.10 per square foot.
- Project architect: BWBR Architects.
- Construction manager at risk: M.A. Mortenson.

Next, Ms. Smith turned members' attention to the site plan as well as the architectural plan for the facility.

What is the plan for amortizing the University debt, asked Professor Morrison? Where is the money going to come from? The response to this question was off the record given negotiations

that were underway. Vice President Pfutzenreuter concluded, however, by saying he is fairly confident that by the time the debt is issued it will be less than the current \$86 million because of new money that is coming to the table to service the debt and pay the operating costs.

Will this be a green building, asked Professor Seashore? Mr. Johnson said a separate energy plant is being built for this facility. Therefore, instead of having each building heated and cooled by a standalone set of boilers and chillers, it will have a centralized heating and cooling system. Chilled water and steam will be used to cool and heat the building like most buildings on campus, but there will be the ability to add solar power if desired. In addition, the usual energy efficiency measures used most University buildings such as daylight controls, efficient wall systems, storm water management, etc. will be built into the facility.

Does the University have a sufficiently robust financial model for Intercollegiate Athletics to really know whether it will be able to pay off the debt it issues for this facility, asked Professor Cohen? Ms. Goetz said she believes there is the appropriate amount of evidence to support the belief that Intercollegiate Athletics will be able to pay off the debt. While the department's fundraising and development efforts have slowed a bit over the last nine months, relationships continue to be cultivated, and once new leadership is identified it is likely that these commitments will be able to be solidified. In fact, Ms. Goetz said, she also believes fundraising and development efforts will increase significantly. Vice President Pfutzenreuter added that there is another significant financial gain that will occur in 2023 when the Athletics Department pays off \$1.3 million in its operating budget for existing athletic facilities, which will significantly help the financial model of the department.

Is there a payment plan for TCF Bank Stadium, or is the University still looking for revenue, asked Professor Morrison? Vice President Pfutzenreuter said the stadium plan is intact.

Professor Morrison commented that he is concerned about the publicity around contact sports, e.g., concussions, and wondered if any thought has been given to the possibility that universities will not play football in the future. Ms. Goetz said changes to the game in the decades to come is a definite consideration.

Are the minor sports included in the training tables and academic advisers, asked Professor Olin? Yes, said Ms. Goetz. Professor Olin also asked about whether the minor sports facilities would be upgraded as part of this project as well. Ms. Goetz said there have been discussions about the track, but in terms of practice space, there will not be practice or competition facilities for sports other than football and basketball that will directly impact minor sports. Academic space, leadership space, and the training table will impact all 25 sports, however. There will also be vacated space, which will allow the University to address Title IX inequity issues. Mr. Johnson added that while there will be no physical investment improvements to the existing facilities, when football moves into the football performance center and the indoor football practice facility, current facilities will be freed up for other sports for practice times. The same thing will be true for the existing weight room in Bierman; once football moves out, the space can be used by the other sports. Ms. Goetz also noted that even though the new space is called the football indoor facility, it is not owned by football and will be operated as a department facility.

Professor Feeney asked Vice President Pfutzenreuter to talk about the University's debt capacity. Vice President Pfutzenreuter said the University does not have a shortage of debt capacity. He added that he always thinks about the source of payment for any debt the University takes on. The University retires approximately \$80 million of debt each year.

Regarding the fan experience, has any consideration been given to trying to increase student participation in football and basketball and to stabilize ticket prices, asked Professor Olin? Ms. Goetz said student participation and ticket purchases have actually increased in the past few years, particularly for football, which is bucking the national trend. This, in part, can be attributed to the TCF Bank Stadium experience. In terms of ticket prices, from an overall revenue standpoint and how it should be managed, this should be looked at regularly.

What has changed in the procedures and culture of the Athletics Department so that the department will conform to University policies regarding travel expenses and reimbursements, etc., asked Professor Cohen? Ms. Goetz said the department took the feedback from the external and internal audits that were conducted very seriously, and, as a result, has made a commitment to operate in alignment with the University's policies and values. One of the first things the department did was to create a financial oversight group, which is reviewing the department's financial processes, policies and procedures, and significant progress is being made. For example, a number of the travel policies have been revised, etc. Vice President Pfutzenreuter said this will be an ongoing effort, which will focus on education, training, elevating the approval process, etc. Professor Cohen noted that some of the systemic problems that were uncovered by the external and internal audits were shocking. Ms. Goetz apologized on behalf of the Athletics Department, and said the department recognizes that the mistakes it made reflect on the institution. While this apology cannot change what has happened in the past, she said there is a sincere commitment on the part the department to operate in a way that aligns with the University's policies and procedures, and represents the values of the institution.

What is the projected useful life of the new Athletes Village facility in terms of technology, asked Professor Potthoff? Ms. Smith said usually University buildings are built for a 50-year life that usually ends up lasting for well over a 100-years old. Assuming a 40-year life cycle building, generally the first cost is about 20% of the total cost, which would include renovations, operations, and maintenance. Mr. Johnson noted that while the facility will have a sizeable technology package, it is not overly sophisticated or pricey.

Professor Olin asked whether intermural activities would take place in the new facility, e.g., flag football in the practice facility. It varies, said Ms. Goetz, and this will provide an opportunity for the Athletics Department to collaborate with the Rec Center.

In response to a question from Mr. Peterson about the fundraising efforts and naming rights for the facility, Vice President Pfutzenreuter said this project is doing well in terms of fundraising and there will be some naming rights.

Professor Feeney thanked the guests for coming, and said the committee will invite them back next year for a progress update.

3. **Other business:** Professor Feeney said while this concludes the formal agenda, he opened up the meeting to solicit member input on other items the committee should be working on.

Professor Seashore asked Professor Feeney if he was satisfied with the answers the committee got today about the cost of undergraduate education. Yes, said Professor Feeney. After this discussion, he feels assured that there are people watching what is going on, and it was good to hear from the administration about what they are doing to manage the cost of undergraduate education. Professor Seashore said she still has more questions as it relates to how the University accommodates State policy/preferences in terms of social justice and admitting more transfer students from the two-year colleges. There are financial implications for the University when it comes to admitting more transfer students because they take more upper-division courses, which are more expensive.

Another question that did not get a satisfactory answer, said Professor Cohen, was about the cost of the liberal education requirements. While Vice Provost McMaster said there is no cost, this simply cannot be true; there has to be a cost.

Regarding transfer students, said Professor Morrison, the assumption should not be made that transfer students cost more. While the average cost of an upper-division student is more than the cost of a lower-division student, adding another upper-division student to a course that has open seats does not necessarily translate into upper-division students costing more. Professor Korth added that faculty on the Morris campus have been told for years that because upper-division courses are smaller, there is additional enrollment capacity, and increasing enrollments in these courses, which are already offered, would lead to greater efficiency.

Professor Gunn said often the focus on undergraduate education is centered on efficiency and the financial component, but what is harder to get at are the qualitative implications. As revenue concerns about tuition increase, there is more pressure to do large format courses. For some courses this might be fine, but for others the qualitative impact needs to be taken into consideration. Regarding the issue of tuition free credits above 13, added Professor Gunn, while she is in favor of a four-year graduation rate, it is important not to forget that a lot of students at the University work several hours per week. As student course loads have increased, the question is what kind of changes have been made in terms of course expectations to recognize that students are working more. More should be done to look at qualitative efficiencies, and not just quantitative efficiencies.

Professor Potthoff noted that a lot of the cost that students incur is not just tuition and books, but living expenses. The University should be looking at doing more to minimize the overall cost of getting a college education. Additionally, given the decrease in enrollment at Duluth and a number of other schools in the Midwest, has there been any contingency planning about what this would mean for the Twin Cities if the same thing happens here?

Professor Gunn said she is hearing from units on campus and advisers that the new online catalogue does not allow students to browse available courses and this is impacting enrollments. The issue of how technological changes are affecting student awareness of what is being offered is problematic. Other issues raised by Professor Gunn included 1) transfer students and the

potential effect on liberal education course enrollments if students are coming in having already satisfied the liberal education requirements and 2) the fact that because the liberal education designation makes a huge difference in enrollments, what does this mean for new faculty whose courses are not being considered for a liberal education designation.

Professor Morrison suggested talking next year about the size of the faculty. When looking at the University's revenues and expenditures, it is clear the expenditures are driven by the number of instructional employees. The committee should look at what level of faculty is sustainable. Should there be target sizes for units?

Professor Cohen also proposed that next year the committee invite Sue Van Voorhis, associate vice provost, Academic Support Resources, back to talk about the student and academic support services components of the upgrade and what fixes have been made to improve registration, class schedules, the catalogue, etc.

Professor Gunn wondered whether the issue of the current budget model would be revisited with the reconfiguration of the chief financial officer position. The current model does not foster interdisciplinary collaboration across colleges.

Professor Olin reported having a few encounters with Purchasing Services about the requirements to get bids on purchases over \$10,000. Other members experienced similar problems, and the committee agreed it would be interested in looking into this matter further next year.

Professor van Kuijk requested that the Fairview/UMP integration be on next year's agenda.

Professor Gunn requested a discussion next year on the University's space charges, particularly as it relates to temporary use of space. Charges can be expensive, inhibitory for some departments, and they can have an impact on community-engaged programming because it makes the community think that the University is not a welcoming place, which damages the University's relationships with its community partners. She said she would like to see an examination of space rental.

Professor Feeney asked members to let him know if they think of other agenda items for next year.

4. **Adjournment:** Hearing no further business, Professor Feeney adjourned the meeting.

Renee Dempsey
University Senate Office