Minutes*

Senate Committee on Finance and Planning
Tuesday, September 20, 2005
2:30 – 4:15
238A Morrill Hall

Present: Fred Morrison (chair), Rose Blixt, Charles Campbell, Arthur Erdman, Daniel Feeney, Steve Fitzgerald, Lincoln Kallsen, Thomas Klein, Judith Martin, Ian McMillan, Kathleen O'Brien, Kathryn Olson, Richard Pfutzenreuter, Karen Seashore, Alfred Sullivan, Kate VandenBosch, Susan Van Voorhis

Absent: Calvin Alexander, Kendal Beer, Joseph Konstan, Michael Korth, Justin Revenaugh, Charles Speaks, Thomas Stinson, Michael Volna, Warren Warwick

Guests: none

Other: Meredith Fox (Office of Service and Continuous Improvement)

[In these minutes: (1) financing strategies for realizing the mission; (2) optimizing use of classrooms; (3) administrative strategic positioning task forces; (4) subcommittee on twin cities facilities and support services]

1. Financing Strategies for Realizing the Mission

Professor Morrison convened the meeting at 2:35 and turned to Vice President Pfutzenreuter to begin a discussion of financing the mission.

Mr. Pfutzenreuter explained that the President has scheduled a series of workshops with the Board of Regents on financing the mission of the University. One workshop was held in September (the information from which will be presented at the Committee today), and there will be additional sessions in October, November, December, and next spring. He turned to Mr. Kallsen to walk through the handout distributed to Committee members.

Mr. Kallsen began by noting there are several policy questions the President is asking the Regents to focus on. "What are the primary historic and projected trends in University revenues? What revenue growth is needed to meet essential costs and new strategic investments? What areas of revenue should be realistically increased to meet our goals? What policy changes are needed to create this revenue growth to sustain and invest in the University?" The long-range financial model was brought to this Committee last year, he recalled, and one point was that with increasing costs (even without considering growth), the University needs more funding than what the state has been willing to provide. The presentation to the Board in September was intended to set up future presentations about potential sources for increased revenues.

Mr. Kallsen then reviewed the University's revenue budget for FY2006 (a total of about $2.6 billion):

* 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.

26%	state support (was 33% about 6 years ago)
22	tuition and fees
22	sponsored research
20	other restricted and unrestricted revenues (a wide range of activities, some of which will be the focus of future discussion about long-term financing)
10	auxiliaries (which set rates to cover costs and which will not be a focus in the discussion of long-term financing questions)

Of the state funds ($614 million in FY 2006, 26% of the University's revenue), about 14% is in state specials, the spending of which is restricted by state statute. The University thus has somewhat over $500 million in flexible spending. It is the President's view that (1) "the University will continue to require a long-term, enduring partnership with the state to be successful" and (2) "new and enhanced revenue streams must supplement, not supplant state support." The latter is a worry, because as the University might find ways to generate new revenue, those at the Capitol might see that as justification for diverting state funds from the University to address other state problems.

Professor Martin inquired if the percentage of funds in the state specials has held steady. Mr. Pfutzenreuter said that the number of state specials has been collapsed into a small group, and the University has consciously not asked for increases in the specials in recent years.

Tuition and fees, 22% of the University's revenue, are projected at $523 million for FY 2006. Revenue from this source has increased 55% in the last five years due both to volume and rate increases. Ten years ago tuition revenue equaled about one-half the state appropriation; now is nearly equals the state funding. Mr. Kallsen observed that the University is unlikely to be able to sustain that rate of growth in tuition revenue, even though the University remains a good value and applications and enrollments have continued to grow. In response to a query from Professor Campbell, Mr. Kallsen said that tuition paid by O&M funds or by sponsored projects is not counted twice.

From 1994 to 2004 undergraduate headcount enrollment increased 19.9%; graduate and professional student enrollment increased by 31.2%. Those increases accounted for about 25% of the increased tuition revenue over the last ten years. But the University cannot sustain that level of growth, Mr. Kallsen pointed out; if it were to do so on the Twin Cities campus for example, there would be 13,000 more students. Professor Seashore suggested that increases in graduate student enrollment might not generate the additional revenue one would expect because many students are supported; Mr. Kallsen said that only about one-third of graduate students are on some kind of assistantship.

The trend line in the traditional college-age population is heading down, Mr. Kallsen said. The 18-24-year-old cohort is predicted to increase by about 4.5% in Minnesota in the period 2005-2010, but to decrease by small percentages in the following two half-decades. It will become more difficult to increase enrollment from traditional college-age students. The state went through a similar decline in the 1980s but there was no effect on University enrollment, Mr. Kallsen said, but to the extent the University relies on traditional college-age students, the trend line is worrisome.

Sponsored research, 22% of the University's revenue, was estimated to be $510 million in FY 2005; that number includes the indirect cost funds. Sponsored research is increasingly competitive due to static or declining rates of federal investment. The number of NIH and NSF grants is down, which is a cause for worry because over half of the sponsored research income comes from those two agencies.

One implication of these trends is, as the President has maintained, "the University will continue to require a long-term, enduring partnership with the state." Tuition revenue is not likely to increase in the future at the same rate it has in the last five to ten years and sponsored research will remain extremely competitive. Another implication of those trends is that the University will need to focus on entrepreneurial activity to generate additional capital for investment. The administration will put an initial focus on three areas: intellectual property commercialization, better use of University assets, and private giving.

(1) With respect to commercialization of intellectual property, "gross income derived from tech transfer at US universities has more than tripled from $300 million to $1 billion from 1995 through 2003." The University earned about $48 million in 2005, but 90% of that income was from Ziagen, the anti-AIDS drug. The University's intellectual property pipeline, however, was ranked fourth-best in the country according to The Scientist. Commercialization of intellectual property, however, is not just a source of revenue; it also leads to an improved quality of life, "business development and economic growth, supports the University's mission of research and innovation," and is "needed to nurture the creativity of talented faculty and staff." Optimizing the revenue from intellectual property will require a new approach; Mr. Kallsen outlined a few of the elements of such an approach. He suggested that the Committee talk with Vice President Mulcahy about this subject in greater depth.

(2) With respect to University assets, the question is whether they are being used to their fullest value and in support of strategic goals. There are three assets that will be considered: land, investments, and buildings. How should the University use the land it owns, only about one-seventh of which is needed for its campuses, to support the mission? Can the University optimize investment strategies? Can it increase efficiency in the use of 811 buildings and over 28 million square feet?

(3) With respect to private giving, revenue has increased about 9% per year over the last decade—the highest growth rate in all the University's revenue streams. Among public institutions, the University's $1.73 billion endowment in FY 2004 ranked sixth in the country (U of Texas is $10.3 billion, U of California system is $4.67 billion, Texas A&M is $4.37 billion, Michigan is $4.16 billion, and Virginia is $2.79 billion). But the University will need to rely increasingly on private giving, and the goal is to achieve a higher level of "spendable gifts." There is also preliminary discussion of the next capital campaign.

The Regents' work sessions over the next several months will focus on (1) to (3). The first will be led by Vice President Mulcahy, the second by Vice President Muscoplat, and the third by Associate Vice President Fischer.

Professor Morrison thanked Mr. Kallsen for the presentation.

2. Optimizing Use of Classrooms

Professor Morrison turned next to Executive Associate Vice President Sullivan to begin a discussion of a report on space utilization and optimization.

Dr. Sullivan said he would like the advice of the Committee on the report, copies of the executive summary from which he distributed. He explained that the report came from the President's Emerging Leaders team last year, a group that chose to focus on utilization of classrooms, both central and departmental. The charge was to improve classroom utilization and the group engaged in a number of activities to develop recommendations. He received the report in June and decided that rather than just implement it, he would first consult about it because of the implications. He has spoken with the Council of Undergraduate Deans and with the Twin Cities deans; this Committee was the one other place he wished to bring the report for review and comment.

The first recommendation from the group is to "mandate use of Resource 25 by all departments." (Resource 25 is the central scheduling program for classrooms.) Dr. Sullivan said that some say this is impossible and some believe departments will lose control of their classrooms, which is not true; they still have the right of first refusal; getting them on the system, however, lets the University understand utilization rates.

Professor Morrison pointed out that the very first paragraph under Recommendation 1 provided the reason why departments often hold classrooms out of the Resource 25 (computerized scheduling) program: there is a 10-month lead time for scheduling fall semester courses. For fall, 2006, scheduling needs to be done by November 2005. Mr. Fitzgerald agreed that it was a long time but said that is because it is a complex matter across the University. He noted that the lead time is shorter than it was, and if the goal is to standardize business practices, it could be shortened somewhat more, although not a great deal. That is why departments do not use the system, Professor Morrison reiterated. They have that lead time so that students can register early and so that the class schedule can be set, Mr. Fitzgerald said, and so that the classroom schedule can be integrated with other student services and systems. Professor Morrison said that in his case, the Law faculty is small and because of the way the curriculum is structured they may not know until May or June what courses will be taught, or at what hours. They have several choices: stay out of the system, enter a lot of courses in the system to block out the classrooms and then cancel them in June, or change their academic program to accommodate the schedule timeline—in other words, to compromise their academic program so the computers can work. He said he will resist that.

Mr. Klein said this is an example of conflicting components of the decision-making process, each with a valid point. Might there be a committee to look at this? And perhaps set a timeline to work toward perhaps a 90-day turnaround, rather than 10 months? Dr. Sullivan said they would like to move in that direction, although it may be outside what can be accomplished. He suggested it would be helpful to obtain data because right now units vary widely in their practices in scheduling.

Ms. Olson wondered if the Committee was not misinterpreting the recommendation. It calls for mandating use of Resource 25 by all departments; it does not require that all the classrooms be subject to the control of central scheduling. Mr. Fitzgerald reiterated that the adoption of the Resource 25 application does NOT alter the fact that the department schedules, funds, manages, and other controls the departmental classroom. Resource 25 is simply a common, enterprise-level software application that allows the campus to take advantage of economies of scale in operations and management of classroom resources.

Dr. Sullivan reviewed the other recommendations from the report: (2) continue enhancement of the Office of Classroom Management reporting tools and data-collection practices; (3) create awareness of utilization issues through an educational marketing campaign; (4) enforce current policies related to utilization. Number (2) is a good idea, he commented, because it can connect to the metrics-and-measurement strategic-planning task force and help measure progress to the goal. (3) is needed. (4) he also agreed with; policies should be enforced; there must be a reason why the utilization policies have not been enforced and those reasons need to be identified. His view is that classrooms should be put on the system so there is better reporting, training provided so people can use the system, and follow-up.

Mr. Fitzgerald said that right now there is no common system for scheduling departmental classrooms, no standards for quantifying and monitoring departmental classroom use, and no training available for people who need to schedule them. There needs to be a common system with common values; with Resource 25, departments can obtain the expertise of the scheduling office in the Office of Classroom Management, the system is easy to use and train on, and it improves the University's business practice. The idea is not to mandate central scheduling but to standardize practices.

Professor Seashore said there is a classroom utilization problem at the University and there are problematic departmental practices. But Resource 25 also offers advantages for units that schedule classes later in the semester: it allows searching the system for a classroom. The system can enhance the ability to match classrooms to classes. Several Committee members described ways in which the Resource 25 program had helped in scheduling and administering their departmental classrooms. Mr. Fitzgerald noted that, so far, 28 departments/programs in 11 colleges had voluntarily adopted the Resource 25 program, covering 94 departmental classrooms.

Professor Morrison related that the Law School bookstore went from being independent to being part of University bookstores, and after making the change it took 4 months longer to get books. This is a concern about centralizing things, when they take 10 months to do. He said he understood the factors but the result is an impaired academic product. This is true of a lot of institutional processes, not just classroom scheduling, he added. If it is true that the department retains control of the classroom even while participating in Resource 25, that must be made very clear. The recommendation becomes an easy sell if departments understand that it is a matter of record keeping and not space assignment, departments will use it. Dr. Sullivan confirmed that the Law School, for example, could block out its classrooms until it has its own schedule set, and only then release its classrooms for use by other departments. They do not lose control, Mr. Fitzgerald confirmed, but when rooms do come free, associate deans can look across the college and campus to solve problems. Resource 25 is helping to solve the unplaced classes problem. The Council of Undergraduate Deans is enthusiastic about the program, Dr. Sullivan also reported.

Everything has to be incentive-driven, Professor Feeney said; if it is just an administrative idea it will not work. With the new budget model, will there not be incentives to have classrooms centrally-scheduled, he asked? A department will have to pay for departmentally-controlled classrooms, so might be willing to make them available for central scheduling if they do not have to pay for them as a result. Is that part of this set of recommendations? There is a program like that already in place, Mr. Fitzgerald said: as part of the technology upgrade plan, a department makes a classroom available for central scheduling; his office installs a new technology package, the room can be centrally-scheduled, but the department retains first access under "priority scheduling.". The question is how long the department can retain priority, Professor Morrison said. The priority in central classrooms places the designated department's courses in the designated room at the time of initial assignment (i.e., before all others), Mr. Fitzgerald responded.

Professor Martin reflected, after the discussion, that the document the Committee had been looking at was WAY too complicated. There are important points that none seem to disagree about but the report causes angst because of the way it is written. Professor Erdman suggested putting the point about policy enforcement as #1; if the University can't enforce its own policies in this area, the Committee should go on to the next topic on the agenda because this is not worth talking about. The question of adherence to policy will come up a lot in the strategic planning discussions, and if the University can't ensure its policies are followed, there will be trouble. Dr. Sullivan said this proposal was the canary in the coal mine. He agreed with Professor Erdman that if this policy, relatively trivial but with tentacles, requires such extensive consultation, the University runs the risk of looking like FEMA responding to Hurricane Katrina.

Professor Morrison suggested the proposal should put more emphasis on curriculum than on physical facility use. And this will have far-reaching implications under the new budget model, Ms. Blixt repeated: departments will have to decide whether they want to keep control of the classroom square footage, and pay for it, of it they are willing to give up control and receive a classroom subsidy.

Mr. Klein said there is a bigger problem looming: when there is a lack of data, decisions will be made using other criteria, and those other criteria will trump the issues the Committee is discussing. Unless all parties can see the facts on classroom utilization and policy, it will be very difficult to implement a better classroom scheduling process that balances the issues of local control and the efficiencies of centralization. If the University does not have data and information that can be used to inform the discussion, each group will hold to its own beliefs and there will not be consultation, which will in turn jeopardize curricula and everyone's interests. Professor Morrison agreed; the University is constantly asked for data. It must have this information.

Professor VandenBosch asked what the outcome of this discussion would be. Dr. Sullivan said it would be feedback. He said he believed the recommendations should be implemented, even if better explanations are needed. If the University is serious about reform, it must make the best use of what it has and make data-driven decisions. Consultation will be important in order to identify issues that need to be addressed.

Professor Morrison summarized the discussion: the report should be implemented, department classrooms should be part of the central scheduling program but with control retained by the department, and there should be an in-between option whereby a classroom is centrally-scheduled but departments retain preference. He suggested the recommendations be implemented one semester later than recommended because it would likely not be possible to have them effective this November. The November date was driven by the 2006 fall semester schedule, Mr. Fitzgerald said, and they have completed some of the training, but the decision is up to the University to decide whether to adopt the recommendations. After that one can wrestle with timing and how the program will work best for departments. Professor Morrison pointed out that even in November there will be people without training, which means those departments will be way behind; he suggested the Committee ENCOURAGE November, 2005, and require adopting by spring, 2006. Professor Martin also suggested that as the recommendations are circulated and training offered, links to existing policies should be made available as well.

Professor Morrison thanked Dr. Sullivan for his report and Mr. Fitzgerald for his added comments.

3. Administrative Strategic Positioning Task Forces

Professor Morrison turned next to Vice President O'Brien to discuss the administrative strategic planning task forces.

Vice President O'Brien distributed copies of the charge to prospective task force chairs. She recalled President Bruininks' inaugural statement that he wanted the University to be "known as much for its service and business innovation as for its high quality research, education, and public service." The administrative recommendations will be important to the achievement of the goal of being one of the top three public research universities in the world. The commitment, she said, is to build an administration to provide to faculty and staff the support they need to do their jobs, so they can focus on building academic programs and not spend their energy and creativity on administrative tasks. If they do the job right, Ms. O'Brien commented, "You will not know we are here."

Vice President O'Brien reviewed the seven recommendations that came out of the administrative strategic planning task force; she considers them action items and each will have a task force to identify ways to implement them. The process will take 2-5 years, she said. The administrative task forces need to be distinguished from the academic task forces because the goal and strategies for the administrative task forces have already been established and they are moving toward implementation, whereas the academic task forces are still considering strategies. They are perhaps one-half step ahead on the administrative side. The seven recommendations came from a task force of 18 people, two of whom were members of this Committee (Professors Roe and VandenBosch), Ms. O'Brien recalled. Perhaps the most important step the task force took was a "blank slate activity": what would one want the administrative side of the University to look like if one were starting anew?

Professor Morrison will be a member of the steering committee, the group that will oversee the activities of the seven task forces, Ms. O'Brien reported. The task forces have almost been constituted, and all will have faculty on them. They have tried to select people with experience and expertise and specific skill sets as well as to achieve representation from across the University. Thanks to an invitation from Professor Morrison, she will report to this Committee in November and January on the work of the task forces.

Professor Morrison asked Committee members to look, before the next meeting, at the total of 49 bullets appearing under the seven task forces and identify any they believe the Committee should express views about. Some it may not be interested in; others it might have more interest in. Vice President O'Brien pointed out that these bullets represent suggested projects; the task forces will develop a revised portfolio of projects that are necessary to achieve the recommendations. And they may generate more suggestions, Professor Morrison added.

Professor Morrison thanked Vice President O'Brien for her report.

<u>4. Subcommittee on Twin Cities Facilities and Support Services</u>

Professor Morrison now drew the attention of Committee members to a memo concerning the Subcommittee on Twin Cities Facilities and Support Services (STCFSS): The Subcommittee is seeking guidance on what its foci should be during 2005-06 and suggested topics.

Professor Morrison suggested it should focus on the proposed football stadium (in particular, storm water mitigation), the proposed Coffman Union light-rail station, and the University's public art program master plan. Vice President O'Brien, however, wondered if the last two should not be on the agenda for Professor Erdman's subcommittee, on Capital Projects and Campus Master Planning. The campus master planning effort will be launched soon and it should be reviewed by Professor Erdman's subcommittee, she said.

Professor Morrison agreed and said that Committee members should also suggest appropriate topics for STCFSS. Vice President O'Brien suggested that some of the strategic planning bullets could be delegated to STCFSS and to the capital projects subcommittee. Professor Morrison concurred but with the reservation that he did not want administrators to be required to consult with multiple groups on the same topic.

With respect to the Coffman Union light-rail station, Vice President O'Brien reported that the Metropolitan Council is in the process of reviewing a draft Environmental Impact Statement for the alternatives. One proposal envisions a tunnel for the light rail on the East Bank (beginning at the point the light rail gets across the river and emerging near University and Washington Avenues) and one envisions a surface track; neither envisions a tunnel on the West Bank. All of this, she observed, is for a light-rail line that is not yet funded. But the routing is set, Professor Morrison said. It must come through the campus to attain the necessary ridership, Vice President O'Brien agreed. Construction is projected for the 2010 to 2014 period.

Professor Morrison adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota