

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, December 2, 2008**  
**2:00 – 4:00**  
**238A Morrill Hall**

- Present: Judith Martin (chair), Jon Binks, Joao Boavida, David Chapman, Steen Erikson, Steve Fitzgerald, Zachary Gunderson, Kara Kersteter, Lyndel King, Joseph Konstan, Russell Luepker, Mikael Moseley, Kathleen O'Brien, Paul Olin, Justin Revenaugh, Michael Rollefson, Gwen Rudney, Karen Seashore,
- Absent: V. V. Chari, Adam Faitek, Lincoln Kallsen, Thomas Klein, Richard Pfitzenreuter, Terry Roe, Thomas Stinson, Michael Volna, Warren Warwick, Aks Zaheer
- Guests: Senior Vice President Frank Cerra (Academic Health Center); Associate Vice President Robert Kvavik (Office of the Provost)
- Other: Rick Johnson (Office of the Vice President for University Services)

[In these minutes: (1) new Academic Health Center facilities; (2) supplemental capital request]

**1. New Academic Health Center Facilities**

Professor Martin convened the meeting at 2:00 and turned to Vice President O'Brien to provide an overview of the new Academic Health Center (AHC) facilities (pending the arrival of Senior Vice President Cerra).

Vice President O'Brien recalled that about four years ago the University developed the concept of the Biomedical Sciences Facility Authority (BSFA) in order to seek funding for new AHC facilities outside the normal capital-appropriations process. These new buildings, to support biomedical research, are to be located in the East Gateway area near the new football stadium. The plan was for six buildings, one of which was the renovation of 717 Delaware, which the University ended up funding itself. Two years ago the University received the funding for the Medical Biosciences Building currently under construction and last year the legislature approved the BSFA to fund the remaining four buildings.

All of the buildings are driven by academic programs, Ms. O'Brien said, and Dr. Cerra has academic committees working on the programs for each one, how the activities in the new buildings will build on what the University already has in place, and how to avoid duplication. The AHC is also working with the campus master-planning process because the University is not simply building four new buildings, it is building a campus.

Vice President O'Brien introduced Rick Johnson, hired to oversee the project, who has a background in project management that includes the new Minneapolis Public Library and Hennepin County oversight of the Twins stadium. She said he would be returning to the Committee a number of times in the future to report on progress.

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Professor Martin inquired about a newspaper report that some bonding money already approved may not be available. Vice President O'Brien said that given the state of the economy, it could turn out that there will be more money for state infrastructure projects, not less.

Dr. Cerra joined the meeting. He reiterated Vice President O'Brien's point: programs define structures. He described the origin of the biomedical sciences initiative and the work that led to the approval of the BSFA then identified several elements that describe or govern the project.

-- The health sciences have organized themselves around research corridors, virtual hallways that connect basic science to clinical research to the prevention and treatment of disease. There are four such corridors involved in the new AHC BSFA facilities: imaging, cancer, cardiac disease, and infectious diseases/neuroscience (it is unclear how big the latter will be; it could be very significant). Each corridor has a facility and area of emphasis. For each corridor, they are defining an interdisciplinary faculty team that will set priorities and develop funding.

-- Interdisciplinarity will be central to the activities, so IT, CBS, the Medical School, and other programs will be involved; the program will determine who ends up in the new buildings.

-- The new cancer facility will hold 40 PIs, but they will not necessarily all be new faculty; some could be individuals already on the faculty.

-- The new Medical Biosciences Building is going up now and includes new BSL3 facilities, which are expensive and high maintenance, but they are required for the work the faculty want to do.

-- Infrastructure is a big part of the plans. There are plans evolving with three developers for a private-sector life-science park adjacent to the new AHC buildings that plans to develop new technologies as a result of the work done by the PIs in the new facilities. The BSFA planning also must take into account the light-rail corridor that will run nearby. When it came time to figure out what to do, they saw this as an opportunity to build a new campus.

-- The new facilities will be characterized by green technology.

How do they plan all of this? It is like planning a big chunk of a city, Dr. Cerra related. They must take into account the light-rail hub, the new stadium, the biomedical facilities, how people get around, utilities, and so on. That work has led to conclusions about where buildings should be sited, how they should be designed and with what amenities (e.g., conference space, common services, meeting space, and so on). They are coordinating the work with faculty hiring, looking at a brand for the area (that builds on the University's brand), and they are thinking about public art. The project is moving along well, Dr. Cerra concluded, and it is not clear how the state of the economy might affect it.

Professor Martin inquired about Dr. Cerra's comment that "it is what the faculty want to do, so we do it." Did she wish to argue about that proposition, Dr. Cerra asked with amusement. She did not, Professor Martin said, but given what is known about the costs of research, and that the full costs are not covered by indirect-cost funding, who decides which (expensive) research will be done? In his opinion, Dr. Cerra said, there is only one group of people who can lead a university, and that is the faculty. That is not discussable. The job of the administration is to identify faculty interests and obtain funding to support the work and build the necessary facilities. If that is not possible, the administrators need to have a conversation with the faculty about what is available and what can be done. These buildings represent the endpoint of a state investment in the biomedical sciences, and the work that is done in them must be what

the faculty are interested in doing. Neuroscience is a huge area, and the job of the administration, if the faculty want to work in area, is to hire the faculty and provide facilities to the extent that is possible.

Professor Konstan noted that some of the new buildings will be restricted-access. What does that mean for the faculty? That they will have offices near their disciplinary homes that will be near their teaching, or is it expected that students and others will meet them in the restricted-access facilities? Both, Dr. Cerra said. Some will have permanent space in the new facilities and others will have "hotel space." These new buildings are a small piece of what potentially could develop over the next 30-40 years.

Professor Konstan also asked if the approach to these new facilities is an exception or if it could be a model for the rest of the University. Normally faculty think of an idea, the deans and departments support it, and the University obtains funds for a building. This went the other way: the University believed it could identify good ideas and could start investing institutional funds in the hope that federal and industry funds would follow. Is this a direction the University should move?

Dr. Cerra said it was a great question and that several considerations come into play. One, there was major interest outside the University in this project and a conviction that there must be investment in the University for these purposes or Minnesota would be a fly-by state. There was an argument made to the state by the private sector, stimulated in part by the "Long Gone Lake Wobegon" report from Professors Pardey and colleagues about the lack of investment in research.

Two, they have done an analysis of faculty productivity and space utilization vis-à-vis research, Dr. Cerra said, to try to answer the question whether the decline in research investment was a productivity or a capacity issue. They concluded it was primarily capacity: the University needs to recruit more faculty if its research enterprise is to grow. The general approach has been to recruit the best and the brightest and assume they will have NIH funding in three or four years; that approach has worked well and the University is doing well compared to its peers. It is unclear whether or not it will continue to be a wise approach for the next ten years. While taking this approach, it is also necessary that current faculty are appropriately supported.

Three, if the University is to build these buildings and attract faculty to do the work in these areas, Dr. Cerra said, the new facilities require rather generic wet labs. They will be of similar design with a lot of flexibility in who can work in them—unlike, for example, the design of magnetic research facilities, which are highly specialized around the equipment they contain.

Dr. Cerra also noted that, four, the AHC was landlocked, and since there was no sentiment to move the residence halls on the superblock, they decided to go to the East Gateway area for new construction.

So is it a different paradigm? It is, Dr. Cerra said, and for those four reasons, the state is investing in a grand experiment. But if it did not make the investment, nothing would happen to assure the future of the State's device, biomedical, and health sector. Investment in the future is a necessary part of getting to that future. There is a risk, he agreed, but the administration and the Board of Regents believe they can make the project work.

If one looks back 20 years, no one would have predicted how big neuroscience would become, Professor Seashore commented, and it is not possible to tell what will be big 20 years in the future. It is soothing to learn that there will be dedicated thematic arenas, but how will they nurture people to take on the next big ideas? Are they planning too much around what they know now? Dr. Cerra said he shared the view and they need to keep their eyes on new developments. The intent with the faculty groups

around each corridor is to be sure they can move ahead while be cognizant of new ideas that need support. A related issue is bridge funding. Continuous support is ideal but that is not going to be the case for most PIs in this funding environment. Bridge funding needs to be provided, along with the faculty development program that they currently have.

Professor Chapman asked what the University's relationship would be to the privately-funded research parks adjacent to the new facilities and how those parks would benefit the University. They are not built yet, Dr. Cerra observed, so he has to talk about what is expected. Those who own and operate the parks will want relationships with the faculty and access to intellectual property (and Vice President Mulcahy has laid down the rules about intellectual property). It could be that the University would have a stake in venture funds, faculty would have an opportunity to work in the research-park labs (with appropriate adjustment to their appointments), so there would be short-term benefits for both. There would also be long-term benefits in terms of business and residential development. Professor Martin noted that there are models for these kinds of arrangements at other universities.

Professor Seashore commented that this is quite different from the technology parks that were developed 20-25 years ago, where the universities were co-owners. Dr. Cerra agreed. There are certain things the University is good at and other things it is not, and they recognize the University should not own or operate the research parks. But the University is a source for technology and intellectual property and there can be considerable synergy if the right model is developed. After the Governor signed the bill creating the BSFA, two major developers said they would come to the area, based on this commitment of the state to its future in the biomedical sciences.

Professor Luepker said he was pleased to learn that infrastructure costs will be covered as the project develops, but observed that often faculty discover that their state-of-the-art machine isn't state-of-the-art any longer. Are they thinking about the funding that will be needed to obtain new equipment, equipment that often cannot be funded by grants? One example is in microscopy, Dr. Cerra agreed. With the equipment the University had, the programs could not compete, so he and Vice President Mulcahy are looking at the research infrastructure to see what is needed to compete; the report should be out soon. What originally supported the work of one faculty member (e.g., a machine) often becomes something needed by several, so it must be reorganized as an interdisciplinary center with access for all faculty who need to use the technology.

There is a replacement cost issue, Professor Luepker said. Dr. Cerra seems to be saying that the state will invest in bricks and mortar; is it willing to go further and support the research enterprise? Dr. Cerra said he could not presume to speak for the state but said there are provisions in the BSFA legislation that a percentage of the funds can be used to provide equipment. That, however, does not help with facilities upgrading, so as they move forward with a new economic model, they will have to build renewal funds into the system or they will not get where they want to go in technology-based disciplines.

Professor Martin noted that the University seems to receive only about half of what it requests in HEAPR funds. Dr. Cerra said they cannot rely on state funds; they have to identify how to leverage the funds they have and must fund some things themselves.

Vice President O'Brien distributed copies of a map of the East Gateway district (as it is expected to look after the streets have been rerouted and constructed) and pointed out where the new buildings would be located (north of the stadium).

Professor Konstan commented that allocating money to build new buildings without the funds for their operation and upkeep is just part of our larger problem of ignoring real operating and overhead

costs—no different from allocating new money to faculty lines without paying for support staff and other overhead. He also asked about the relationship between the academic programs and having more industries nearby. Industry usually locates by universities because they are a great place from which to hire people and for their employees to obtain additional training. Are they looking at who might be hiring and the educational programs that could make the area a magnet for industry? Not enough, Dr. Cerra replied, although some of that thinking is going on. The number of graduates from the various health sciences programs is largely historical. There is no workforce plan in Minnesota for health-care providers—they don't know the number of people who should be trained in each area. Until there is agreement on a care-delivery model, it is difficult to identify the number of people needed in each area. The same thing is true about the number of Ph.D.s in the humanities and social sciences, Professor Martin pointed out. Dr. Cerra agreed and observed that the University does not plan that way. They need to do a better job but there would be tradeoffs that would need debate. How much planning should be done at the institutional level versus leaving planning to the units? There is a need for understandings that will guide the institution in the next few years. Institutional planning is a challenge to the University's decentralized financial model, Professor Martin said.

Dr. Cerra said they will need a new economic model for the Medical School in the next five years or it will not retain its current stature or move into the Top 20. The question is how to leverage relationships to ensure there is a healthy health-sciences center at the University.

Ms. King asked if there a disconnect between the idea that the University should provide for what the faculty want to do and the notion that there should be more central planning. Dr. Cerra said there is not. There is a lot of talent in the University and the University must figure out how to capture that talent so the institution can be where it wants to be in the next 10-15 years. What is core to the University? To the health sciences? For most people, the core is "what I need," but that's not a good-enough definition for decision-making. There needs to be a dialogue that leads to principles. And there is also a need for more analysis, Vice President O'Brien added, and discussions more informed by analysis, so that people know the costs of their views and opinions.

When all the new facilities are built and working well, the AHC will still have Phillips-Wangensteen and Moos Tower and so on, Professor Martin said. Those facilities do not work so well. Dr. Cerra said that in his view, the Mayo Building needs to come down. When the new buildings are completed, they will plan for the next set, but some will need to come down and perhaps there can be grass and places to congregate where they now stand. Space utilization needs to be the subject of analysis and cost-saving strategies, Ms. O'Brien agreed, because it is a major cost driver.

There is a good state demographer and good state economist but there is not a good mechanism to open these discussions, Professor Seashore said. This project would be a good wedge to start them and they should move into broader policy discussions—beyond just asking the legislature for more money for more buildings. The biomedical-facilities discussion engaged almost the whole state in a discussion of its future, Dr. Cerra said. The question is how to keep that conversation going, Professor Seashore responded. The President is thinking about this, Professor Martin commented.

Professor Martin thanked Dr. Cerra for joining the meeting and providing his report.

## **2. Supplemental Capital Request**

Vice President O'Brien next reported that the University is submitting a supplemental capital request to the legislature this year, even though last year was the bonding session. Both the legislature and Governor have indicated there will be a small bonding bill.

The University's request will have two items: the Bell Museum, the state's natural history museum, which was approved in the last session but then vetoed by the Governor; and \$35 million in HEAPR funds to deal with building elements and life/safety issues. The HEAPR list is a snapshot, she explained, and can change weekly (e.g., an ice storm can change priorities). They have a formula to distribute money across the system, although it is not hard and fast; both UMC and UMD have received renovation funds recently that exceeded the formulaic amount. They try to allocate the funds fairly.

This request has a unique tilt to it, Vice President O'Brien explained, because \$30 million of the \$35 is to be directed to three energy-related projects that will help the University fulfill the principles of reliability, environmental management, and cost control. One is the third and final part of the St. Paul chiller upgrade, the second is increasing the steam-distribution system on the Minneapolis campus (to serve new facilities), and third is an energy-conservation projects—these are ready to begin construction and will save funds.

Professor Konstan asked why not seek funding for Physics or Folwell this session. Because three presidents have committed to the Bell Museum and because Folwell and Physics are not ready to begin construction in summer, 2009, Ms. O'Brien responded. The Committee discussed further the capital request items, and Associate Vice President Kvavik pointed out that the University intends to keep the Folwell request high on the list because it has such an impact on undergraduate programs. Dr. Kvavik added that if one way to stimulate the economy is through construction, this capital request is a great opportunity.

Professor Martin thanked Vice President O'Brien and Dr. Kvavik and adjourned the meeting at 3:25.

-- Gary Engstrand

University of Minnesota