

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

April 12, 2002

A meeting of the Board of Regents of the University of Minnesota was held on Friday, April 12, 2002 at 9:00 a.m. in the Galleria Ballroom of the Radisson Plaza Hotel in Rochester, Minnesota.

Regents present: Maureen Reed, presiding; Anthony Baraga, Robert Bergland, Frank Berman, Dallas Bohnsack, William Hogan, Jean Keffeler, Richard McNamara, David Metzen, H. Bryan Neel, Michael O'Keefe, and Lakeesha Ransom.

Staff present: President Mark Yudof; Chancellors Kathryn Martin, Donald Sargeant, and Samuel Schuman; Executive Vice President and Provost Robert Bruininks; Senior Vice President Frank Cerra; Vice Presidents Tonya Moten Brown, Carol Carrier, Sandra Gardebring, and Robert Jones; Interim Vice President Greg Fox; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; Associate Vice Presidents Gerald Fischer and Richard Pfitzenreuter.

RECOGNITION OF STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Recognition was given to the 2001-02 Student Representatives to the Board of Regents for their contributions:

Kyle Althoff, Twin Cities

Isaac Dallager, Crookston

Christina Frazier, Twin Cities

Venora Hung, Twin Cities

Patrick Peterson, Twin Cities

Nicholas Maxwell, Morris

Allison Rhody, Duluth

APPROVAL OF MINUTES

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

Educational Planning & Policy Committee — March 7, 2002
Facilities Committee — March 7, 2002
Faculty, Staff & Student Affairs Committee — March 7, 2002
Finance & Operations Committee — March 7, 2002
Litigation Review Committee — March 7, 2002
Board of Regents — March 7, 2002
Board of Regents — March 8, 2002
Litigation Review Committee — March 26, 2002

REPORT OF THE PRESIDENT

President Yudof reported briefly on the need to improve graduation rates at the University of Minnesota. A number of changes will be proposed beginning in fall 2002 to encourage students to graduate in four years. Among the changes will be improved registration and financial aid systems, incentives to colleges to offer more classes that students will need to graduate, and improvements to the physical environment on campus. Additionally, he will be proposing that students take a minimum of 13 credits per semester and a tuition banding system. Students will not pay tuition on any credits taken over the required thirteen. Details of the President's plan will be explained in more detail during the presentation of the Conceptual Framework for the FY2002-03 Annual Operating Budget.

REPORT OF THE CHAIR

Chair Reed expressed appreciation to Provost David Carl, the staff at the University Center Rochester, and the community for the warm welcome the Board received during their two days of meetings in Rochester.

She announced the appointment of members to the Fairview University Medical Center Nominating (FUMC) Committee. The committee will consist of Regent Bohnsack as chair and Regents Berman and Neel. The committee will forward recommendations to fill two vacancies on the FUMC Board that will expire in May 2002.

Reed also announced the appointment of the Presidential Review Committee. The committee will be composed of Regent Reed, chair, and Regents Baraga and Bergland.

She congratulated the following athletic teams on their achievements in winning National Collegiate Athletic Association (NCAA) titles in 2002: the University of Minnesota Duluth women's hockey team, the University of Minnesota Twin Cities' wrestling team, and the University of Minnesota Twin Cities' men's hockey team. She noted that these teams will be recognized formally at the May Board of Regents meeting.

RECEIVE AND FILE REPORTS

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

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 February 28, 2002, as

presented 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.

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 Yudof on March 25, 2002.

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 FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

- a. Approval of the promotion and/or tenure recommendations as presented in the docket materials effective with the beginning dates of their terms of appointment in 2002-03.
- b. Approval of continuous appointment status for staff in the academic professional series as presented in the docket materials to be effective with the beginning of the 2002-2003 appointment period.

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

Metzen reported that the committee received a presentation on faculty and staff compensation and also reviewed information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent O'Keefe, Chair of the committee, reported that the committee voted unanimously to recommend:

- (a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the April 11, 2002 committee minutes.

Regent Reed recused herself from the discussion and action on the Consent Report due to a conflict of interest. She called on Vice Chair Bergland to chair this portion of the meeting and left the room. A motion was made and seconded to approve the recommendation of the Finance & Operations Committee.

The Board of Regents voted unanimously to approve the recommendation of the Finance & Operations Committee. Regent Reed rejoined the meeting.

O'Keefe reported that the committee received an update on the legislature's 2002-2003 Supplemental Operating Budget and the 2002 Capital Budget; engaged in discussions on investment strategy and management of financial risk, and on

institutional reserves; and reviewed information items as described in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

- (a) Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the April 11, 2002 committee minutes.

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

Hogan reported that the committee received an update on the current status and future academic, financial, and programmatic directions for the University of Minnesota Rochester. The committee also reviewed information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

- a. Approval of an amendment to the FY2002 Capital Budget by \$5,564,000 to incorporate funding for the Washington Avenue Pedestrian Bridges, Phase II, and Bus Shelters project located on the Twin Cities, Minneapolis, East Bank campus.
- b. Approval of an amendment to the FY2002 Capital Budget by \$1,502,000 to incorporate additional funding for the Centennial Hall Fire Sprinkler Installation and Alarm Upgrade project.

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

Baraga reported that the agenda item relating to a real estate transaction was delayed until a future meeting. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE AUDIT COMMITTEE

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

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Neel, Chair of the committee, reported that the committee met on Thursday, March 26, 2002 to discuss attorney-client privileged matters and no action was taken at the meeting.

ANNUAL REPORT OF THE STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Venora Hung, Chair of the Student Representatives to the Board of Regents, presented the annual report of the Student Representatives to the Board of Regents as contained in the docket materials. The report reflects the student perspective on issues and concerns facing University students and identifies issues explored by the Student Representatives during the past year. Issues highlighted in the report pertained to: diversity, student input, tuition, affordable housing, alcohol use, graduation and retention rates, parking and transportation, and campus safety.

FY2002-03 ANNUAL OPERATING BUDGET: CONCEPTUAL FRAMEWORK

President Yudof presented the conceptual framework for the fiscal year 2002-03 annual operating budget.

Yudof reported that a preliminary fiscal year 2002-03 Operating Budget was presented to the Board in July 2001. The preliminary plan included an additional \$36 million in state appropriations; an additional 11.25 percent increase in tuition; and an increase of the University Fee from \$75/semester to \$150/semester. The plan also included investments to be made in the following categories: compensation; service to students; academic investments; facilities/debt; and other institutional financial requirements.

Since that time, the state economic forecasts have shown a significant decline in state revenue. Instead of receiving a \$36 million increase in state appropriations, the University is targeted to receive only a \$12.4 million increase. In addition, estimated expenditures for FY2002-03 resulting from enhanced security efforts and the restoration of central reserves have risen. He indicated that the conceptual framework being presented is reflective of those budgetary changes. The revised investment plan proposes to meet the following goals:

- Retaining consistency in overall investment strategy;
- Protecting neediest students from the impact of tuition costs;
- Supporting compensation increases for faculty and staff;
- Funding academic investments through the compact pool;
- Responding to new security needs and requirements; and
- Maintaining a commitment to facilities for academic programs.

To achieve these goals, Yudof reported that the budget will include a 16 percent average increase in tuition and the implementation of a 13-credit tuition band to temper the increase. Students taking 12 credits will experience an 18.8 percent increase in tuition; 15 credits, an increase of 14.4 percent; and 16 credits, an increase of 10.4 percent. It is anticipated that the tuition band will also encourage students to graduate on time. The 13-credit minimum will be effective for incoming freshmen and transfer students in Fall 2002 and will be completely implemented in three years.

Board members complimented the President on his proposed budget, indicating that it reflects the University's goals and a resolve to respect the University's strategic investments.

Regent Keffeler stated that many higher education institutions throughout the nation are facing financial challenges. As the University of Minnesota faces some of those challenges, she would urge the President to continue to support the goals and strategic investments he has established.

Regent Hogan expressed concern that the University will face an additional financial burden to ensure that classes are

available for students to meet the 13 credit minimum requirement. Yudof responded that the plan's three-year implementation period should alleviate the demand for additional courses immediately.

Additional details of the proposed budget will be presented at the May 2002 meeting of the Board with final approval scheduled for June 2002. In response to a question, Yudof indicated that he will also provide additional information regarding financial aid analysis in May.

TWIN CITIES ATHLETICS REPORT

Chair Reed introduced the discussion relating to the Twin Cities Athletics Report and called for a motion on the following resolution:

WHEREAS, intercollegiate athletics has played an important role in the University of Minnesota's history by fostering a sense of community, attracting public and alumni support, and providing educational opportunities for student-athletes; and

WHEREAS, the University has been and remains unequivocal in its support of the principles of striving for the highest levels of academic and competitive excellence; and meeting Title IX requirements by providing students of both genders equal opportunity for high quality athletic and academic experiences; and

WHEREAS, the University has previously sought to maintain a full complement of teams for intercollegiate athletic competition and to preserve separate athletic departments for men's and women's athletics; and

WHEREAS, the administration conducted a comprehensive review of financial challenges facing the Intercollegiate Athletics Departments and presented its findings to the Board of Regents on December 14, 2001, and on March 8, 2002.

NOW, THEREFORE, BE IT RESOLVED, that notwithstanding any previous actin by the Board of Regents, the Board hereby accepts "*The President's Athletics Financial Plan*" presented to the Board of Regents on April 12, 2002, to address the financial problems within the Intercollegiate Athletics Departments; and

BE IT FURTHER RESOLVED, that the Board reaffirms its support for intercollegiate athletics and seeks to ensure that it is financially sound, committed to the well-being of all student-athletes, and managed consistent with the values and principles of the University.

A motion was made and seconded to approve the resolution.

President Yudof spoke briefly indicating that intercollegiate athletics is a valuable part of the college experience for participants and fans. It is an emotional issue that has required difficult choices to be made. Declining state support has forced many public universities nationwide to examine the costs of their sports teams. This financial plan is part of the University of Minnesota's overall plan to improve its financial management. The President thanked Vice President Brown for her leadership on this issue and expressed appreciation to Athletic Directors Chris Voelz and Tom Moe.

Chair Reed called on Vice President Brown to present details of "*The President's Athletics Financial Plan*" as outlined in the docket materials and on file in the Board Office. Brown reported that the intent of the plan is to create a structure and environment for intercollegiate athletics that will allow it to achieve and maintain financial stability, maintain and build upon current levels of academic and competitive success, and continue its strong commitment to principles of gender equity.

She reported that the financial plan consists of three phases. Phase I focuses on reducing expenses in intercollegiate athletics, including the combining (restructuring) of the men's and women's departments, implementing a moratorium on athletics

facilities, and investing in the financial management and development areas of intercollegiate athletics. Phase II proposes a policy discussion with the Board of Regents to determine the appropriate level of institutional support for intercollegiate athletics and recommends the elimination of three athletic teams: men's gymnastics and men's and women's golf. Phase III focuses on future steps to be taken after a new athletics director is hired which includes the exploration of other opportunities to strengthen the financial foundation of the department and the development of a performance compact agreement between intercollegiate athletics and the University.

Board members spoke in support of the resolution, with a number of concerns expressed.

Regent O'Keefe stated that a positive environment has been created in the Women's Intercollegiate Athletic Department and he believes there are strategies in place to ensure continuation of that environment in a combined department. However, with regard to financial management of intercollegiate athletics, he would urge the involvement of the University Auditor to ensure the Board that appropriate financial controls are in place.

Several Board members voiced concerns regarding the elimination of three sports, especially low profile sports. They expressed empathy for the athletes and asked that the University do whatever is necessary to assist the student athletes affected by elimination of the programs.

Regent Baraga indicated that he believes there needs to be more national control over expenditures for athletics. O'Keefe concurred with Baraga's remarks adding that the nature of revenue sports in intercollegiate athletics is out of control across the country. If this is not corrected, the budgets of the three revenue sports, football, basketball, and hockey, could take away from all of the other sports. He questioned whether there is anything one institution can do to change the counter productive spiral that he believes athletics is experiencing.

Regent Metzen stated that the University of Minnesota will be leading the nation in facing the financial challenges for intercollegiate athletics. Athletic programs are great marketing tools for universities and their images. While that image is not the most important for a university, it plays a significant role. He is troubled about the loss of any sports teams and would hope that private funding might be raised to save the teams designated for elimination.

Chair Reed called for a vote on the motion. The Board of Regents voted unanimously to approve the resolution on intercollegiate athletics. Reed thanked the administration for their hard work on this issue. She stated that the Board empathizes with the students, staff, coaches, and athletic directors whose lives are changed because of this plan. The Board also appreciates the public sentiment that has been communicated on this issue.

The Board engaged in a discussion relating to the policy issues surrounding intercollegiate athletics. Issues raised during the discussion related to:

- intercollegiate athletics becoming self-supporting;
- if not self-supporting, the level of subsidy that would be appropriate;
- external factors over which the University has no control, i.e. facilities issues;
- the vision for athletics at the University of Minnesota, i.e. how competitive should it be;
- fiscal discipline and efficiency in the athletic department; and
- cultural preservation of the genders.

Regent Keffeler requested that the administration explore a classic business restructuring and present a financial plan to the Board for discussion. Regent Hogan added that he would like the Board to determine the type of athletic program the University desires and then develop a financial plan for the program. Regent Metzen added that he would request that the athletic coaches be given the opportunity to engage in the discussions on budget matters.

The policy discussion on athletics will be continued during the May meetings of the Board.

The meeting adjourned at 12:05 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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