

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Minutes of the Board of Regents Meetings
and Committee Meetings

October 7-8, 2010

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UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

October 7, 2010

A meeting of the Audit Committee of the Board of Regents was held on Thursday, October 7, 2010 at 8:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Steven Hunter, presiding; Richard Beeson, Linda Cohen, John Frobenius, and Maureen Ramirez.

Staff present: Chancellors Charles Casey, Jacqueline Johnson, and Stephen Lehmkuhle; Vice Presidents Steve Cawley, R. Timothy Mulcahy, and Richard Pfutzenreuter; Executive Director Ann Cieslak, and Associate Vice Presidents Gail Klatt, Sharon Reich Paulsen, and Michael Volna.

Student Representatives present: Matt McGeachy and Matt Privratsky.

COMMITTEE 2010-11 WORK PLAN

Regent Hunter referred committee members to the 2010-11 committee work plan, as detailed in the docket and on file in the Board Office. Topics relate to the committee's continuing theme of calibrating the University's risk tolerance in the 'new normal' financial environment. The committee members indicated their support of the work plan.

EXTERNAL AUDIT UPDATE

Associate Vice President Mike Volna introduced Kirsten Vosen and Katie Knudtson from Deloitte & Touche LLP to discuss progress on the June 30, 2010 annual external audits.

Vosen outlined the audits that are underway and noted that this is the first year that funds received under the American Recovery and Reinvestment Act (ARRA) will be audited. She noted that there are no findings to report at this point in time and that the audits are progressing on schedule.

Volna presented a timeline for Audit Committee review of the draft June 30, 2010 Annual Financial Report, as detailed in the docket and on file in the Board Office. This review process emanates from the Sarbanes-Oxley Act of 2002 (SOX). Although SOX does not apply to the University of Minnesota as a matter of law, the Audit Committee adopted a number of SOX provisions as best practices, including this review process.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket and on file in the Board Office. Since the last update to the Audit Committee in June 2010, 34 percent of outstanding recommendations rated as "essential" were implemented by University departments, a percentage that is close to the expected implementation rate of 40 percent. Eight audit reports containing 29 recommendations rated as "essential" were issued in the last four months.

In response to questions from Regent Beeson, Klatt reported that the University maintains Board of Regents policies and other administrative policies in an online policy library. These materials help guide units as they develop procedures for their staff. Klatt also stated that her office is continuing to work on qualitative audits and is currently engaged in reviewing potential obstacles to timely completion of undergraduate degrees.

INFORMATION ITEMS

Regent Hunter informed the committee that the Association of College and University Auditors recently recognized Associate Vice President Gail Klatt with its Outstanding Professional Contributions Award.

Associate Vice President Klatt referred the committee to the information items contained in the docket materials, which included:

- Report of engagements with external auditing firms that do not require prior approval of the Board.

The meeting adjourned at 9:25 a.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

October 7, 2010

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, October 7, 2010 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Richard Beeson, Venora Hung, Steven Hunter, and Patricia Simmons.

Staff present: Chancellors Charles Casey and Jacqueline Johnson; Vice Presidents Steven Cawley, Timothy Mulcahy, and Richard Pfutzenreuter; Executive Director Ann Cieslak; and Associate Vice Presidents Stuart Mason, Donna Peterson, and Michael Volna.

Student Representatives present: Martin Chorzempa and Matt Privratsky.

ISSUES RELATED TO: STATE BIENNIAL BUDGET REQUEST FY2012-13

Vice President Pfutzenreuter presented the State Biennial Budget Request for FY2012-13, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter described the state's financial outlook and its impact on University funding. He confirmed the adjusted state appropriation in FY2011 will be \$115 million less than in 1997. Adjusted tuition revenue growth has increased \$167.1 million from 1997 to 2011, with an additional \$104.7 from increased enrollment during the same time. The biennial base funding adopted by the legislature for FY2012 and FY2013 has been set at \$642.2 million for each year, an increase of \$51.1 each year over FY2011 funding. It is not known at this time if these amounts will decrease due to state budget shortfalls.

Pfutzenreuter explained that, to balance the University's annual budget the level of state support, investment priorities and costs would be weighed against available new revenues and the level of internal reallocations.

ISSUES RELATED TO: ANNUAL ASSET MANAGEMENT REPORT

Vice President Pfutzenreuter invited Associate Vice President Mason, Chief Investment Officer, to present the Annual Asset Management report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mason described issues that added to the financial distress during FY2010, including increased equity volatility due to an uncertain recovery, and financial concerns such as unemployment and housing defaults. The current endowment asset investment strategy began in FY2009-10 and serves to preserve capital balances and increase or maintain high levels of liquidity.

The Consolidated Endowment Fund (CEF) market value of \$862 million includes a \$34.3 million increase over the last twelve months. Mason indicated that half of the increase is attributed to the shift in asset allocations during the year from public equity, and an increase in private capital and real assets. He outlined CEF priorities for 2011, including:

- Remain focused on lower volatility strategies;
- Selectively add to hedge funds as liquidity improves;
- Continue to manage down the over-allocations to private capital and private real estate exposures through calendar 2011; and
- Explore alternative fixed income options in light of historically low yields in core strategies.

Mason reviewed the Temporary Investment Pool (TIP), which is managed internally and of which 99 percent are secure, AAA rated investments. The TIP market value of \$698 million includes an increase of \$101.9 million over the previous year. Mason stated that the increase was driven primarily by strong returns in corporate bonds, market backed securities, and agency bond trading strategies. Future TIP strategies include:

- Continued focus on treasury and agency bonds;
- Selectively extend portfolio duration;
- Continue curve roll trading strategies; and
- Maintain higher cash levels due to the state withholding support payments.

Mason discussed the Group Income Pool investments and the Regents of the University of Minnesota Insurance Company fund performance.

In response to questions from Regent Beeson, Mason stated that approximately 70 percent of Real Asset investments are domestic and in highly diversified private real estate.

ISSUES RELATED TO: UNIVERSITY COST DRIVERS

Vice President Pfutzenreuter presented issues related to university cost drivers, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter outlined the trends in non-sponsored University expenditures since 1997. He observed that salaries and fringe benefits comprise 60 percent of expenditures, or \$2,726 billion in FY 2010. Since 1997 salaries and fringe grew at an average annual rate of 2.5 percent when adjusted for inflation. Pfutzenreuter explained how spending is heavily influenced by activities associated with the University's missions, and that growth in expenditures are directly influenced through:

- An increase in overall costs including utilities, health care, and salary increases;
- Volume changes in the square footage of the campus and the number of employees and students; and
- New program investments (i.e. scholarship programs and academic priorities).

Pfutzenreuter identified the following as key decision elements that affect long range financial planning: faculty and staff salaries; fringe benefits; student financial aid; utilities and building costs; debt service; technology; and new strategic investments.

A lengthy discussion ensued. In response to questions from the committee, Pfutzenreuter clarified the unadjusted 8.2 percent increase in salary and fringe from 1997 to 2010 also reflects the increased volume in the number of employees. He added that the increase in the number of employees is, in part, tied to the increase in sponsored research.

COMMITTEE 2010-11 WORKPLAN

Regent Frobenius and Vice President Pfutzenreuter reviewed the proposed 2010-11 committee workplan, as detailed in the docket materials. The plan is organized around five broad categories that reflect the role of the committee in meeting its fiduciary responsibilities. Pfutzenreuter highlighted several new presentations requested by the committee. The committee expressed support for the workplan.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket materials.

Consent Items include the following:

Purchase of Goods and Services Over \$1,000,000 to:

- Blue Cross Blue Shield of Minnesota for the estimated amount of \$5,012,000 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- HealthPartners for the estimated amount of \$3,200,000 for purchase of Medicare supplemental insurance offered through the University of

Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.

- HealthPartners Administrators, Inc. for the estimated annual amount of \$3,211,831 for administering a self-funded UPlan medical plan option offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- Healthways for the estimated amount of \$1,241,561 to provide health improvement services offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- John Hancock for an estimated \$1,700,000 for providing Long Term Care Insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- Medica for the estimated annual amount of \$2,937,964 for administering five self-funded UPlan medical plan options offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- Medica for the estimated amount of \$1,500,000 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- Minnesota Life/ING for the estimated annual amount of \$4,585,000 for the purchase of life insurance coverage offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.
- UCare for the estimated amount of \$1,134,000 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2011, through December 31, 2011.

Approval of New Investment Manager

The Office of Investments and Banking (OIB) proposes engaging a new investment manager to invest target allocations in the Consolidated Endowment Fund (CEF). The proposed manager has been reviewed and is recommended by the Investment Advisory Committee. This manager has been recommended following a thorough due diligence process and review by OIB of the respective asset class, existing exposure in CEF and the current market conditions.

- Fixed Income Portfolio: Absolute Return

Mariner Silvermine Offshore Fund

- \$5 million investment
- Addition to the Absolute Return Hedge Fund Portfolio
- Fixed income relative arbitrage strategy
- G7 sovereign debt

The committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Pfutzenreuter invited Craig Taylor, Director of Business and Community Economic Development, to present information on the Annual Economic Development Report. Taylor noted the total expenditures with Women, Minority, and Disabled owned Businesses (WMDB)) for FY2010 are \$68,987,504, or 6.08 percent of the University's spending. He highlighted the awards and incentive program funded by the University to provide annual incentives to departments who strategically use WMDB. Taylor noted that increased utilization of WMDB enhances the larger community by helping to create job opportunities for protected class persons in the workforce.

Pfutzenreuter referred committee members to the Information Items contained in the docket materials, including:

- Quarterly Purchasing Report;
- Annual Economic Development Report; and
- Debt Management Advisory Committee Update.

The meeting adjourned at 3:19 p.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Faculty, Staff & Student Affairs Committee

October 7, 2010

A meeting of the Faculty, Staff & Student Affairs Committee of the Board of Regents was held on Thursday, October 7, 2010 at 1:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Anthony Baraga, Dallas Bohnsack, Linda Cohen, David Larson, and Maureen Ramirez.

Staff present: President Robert Bruininks, Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Vice Presidents Kathryn Brown and Carol Carrier; Executive Director Ann Cieslak, and Associate Vice President Sharon Reich Paulsen.

Student Representatives present: Chelsey Doepner and Abdul Omari.

POST-TENURE REVIEW: UPDATE

Arlene Carney, Vice Provost for Faculty & Academic Affairs, presented an update on post-tenure review procedures and outcomes, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Carney reviewed the process and procedures for post-tenure review, noting that during the 2008-09 academic year 92 percent of tenured faculty were reviewed, and more than 99 percent of those reviewed met or exceeded the goals and expectations established by their academic unit. She also provided examples of how departments implement improvement plans for faculty who do not meet expectations.

In response to questions from the committee, Carney explained that post-tenure review applies to tenured faculty on all campuses and is carried out by peers and administrators. Reviews are confidential, but students are sometimes aware that they are occurring. The reviews are tailored by the department so that appropriate weight is given to activities that advance the goals of a particular academic unit. In response to a question from Regent Baraga, Carney reported that the number of faculty reviewed this cycle was temporarily lower because one of the colleges is revising its process.

**MAXIMIZING OPPORTUNITIES FOR STUDENT SERVICES IN THE NEW
SCIENCE TEACHING & STUDENT SERVICES (STSS) BUILDING**

Jerry Rinehart, Vice Provost for Student Affairs, and Laura Coffin Koch, Associate Vice Provost for Undergraduate Education, explained how student services fit into University goals and metrics. They noted that the Science Teaching & Student

Services (STSS) building now anchors a student services corridor along Pleasant Street on the East Bank. This is the result of a concerted effort to co-locate services and enhance accessibility for students.

Rinehart and Coffin Koch described the services that are now housed within STSS, including Helping U, One Stop Student Services, Veterans Services, Student Accounts Assistance, the Center for Academic Planning and Exploration, the Office of Student Engagement, and the Career Services Center. The building also includes classrooms and student study space. Technology has been used throughout the building to assist in teaching and learning, as well as enhance the student experience.

Regent Larson commented on the importance of keeping students engaged and assisting them with career exploration and planning.

COMMITTEE 2010-11 WORK PLAN

Regent Johnson and Vice President Carrier led a discussion of the committee's work plan for 2010-11. Carrier stated that the work plan is focused on long-term issues such as compensation and benefits. Suggestions were made to add discussions on student behavior and the impact of health reform legislation on the University's health insurance plan. The committee expressed support for the work plan.

CONSENT REPORT

President Bruininks and Vice President Carrier presented for action the Consent Report, which included the following action items:

- Conferral of tenure to four faculty who were hired at the University of Minnesota.
- Appointment of Dr. Aaron L. Friedman as Vice President for Health Sciences and Dean of the Medical School effective January 3, 2011.

The committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Carrier referred the committee to the information items contained in the docket materials, which included:

- Personnel highlights;
- University highlights;
- Faculty and staff activities and awards; and
- Student activities and awards.

The meeting adjourned at 3:25 p.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Work Session

October 8, 2010

A work session of the Board of Regents was held on Friday, October 8, 2010 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Anthony Baraga, Richard Beeson, Dallas Bohnsack, Linda Cohen, John Frobenius, Venora Hung, Steven Hunter, Dean Johnson, David Larson, Maureen Ramirez, and Patricia Simmons.

Staff present: President Robert Bruininks and Executive Director Ann Cieslak.

Regent Allen introduced President Bruininks to present information on the financial challenges facing the University and the institution's responses to the current economic climate, as detailed in the docket and associated materials distributed at the meeting. Bruininks explained that the new economic reality of public higher education presents both challenges and numerous opportunities for improvement. He emphasized that many of the responses to the financial challenges are internal to the institution.

Bruininks commented on the essential roles played by universities and noted the responsibility of institutions to advance the public good through educating new leaders and solving critical societal problems. He provided background on financial trends facing the University and other higher education institutions, including statistics related to state funding and tuition, federal support, private giving, internal cost allocations, and demographics. Bruininks highlighted the following:

- Tuition is the largest and most predictable revenue source and recently outpaced state support for the first time.
- Although tuition rates have increased dramatically in recent years, the average net price has only increased by an average of three percent per year, primarily due to the University's focus on private giving for scholarships.
- Although private support will continue to be important in future years, the University cannot raise private support fast enough to permanently replace state funding.
- Due to demographic shifts, increased levels of state support will be devoted to health care and entitlement programs, thereby reducing the amount of funding for higher education.

Bruininks observed that the University annually faces \$70 to \$80 million in increased essential expenditures and that questions must continually be raised regarding what programs should be strengthened, maintained, reduced, or eliminated. He cited such examples as the closing of colleges and the restructuring of University Extension as examples of challenging decisions that are critical to the institution's future.

Bruininks concluded the presentation with the following ten-point strategy for meeting the current economic challenges:

- Assert the essential role of the University to the state of Minnesota;
- Push for a national strategy to emphasize the importance of research and land grant universities;
- Maintain and strengthen state support;
- Address demographic trends to increase college readiness;
- Focus on learning outcomes to develop human capital;
- Modestly grow tuition revenue through rate increases and enrollment enhancements;
- Pursue targeted private support to meet priorities;
- Explore opportunities for cost control;
- Expand technology-enhanced education; and
- Set the highest standards of integrity, stewardship, and accountability.

In response to questions from Regents, Bruininks reported that the work of the Financing the Future Task Force identified the long-term cost drivers of the University, particularly in such areas as compensation and building maintenance and renewal. He emphasized that the current environment makes it very challenging to grow revenues, thereby amplifying the importance of setting priorities and controlling costs in such areas as procurement and space management.

In response to a question from Regent Beeson, Bruininks maintained that the future of the University cannot simply be about cutting costs, rather he endorsed efforts to strategically invest in academic priorities. Regent Hunter encouraged cooperation with the State and the Minnesota State Colleges and Universities System to enhance the ability to do more with less.

Regent Allen concluded the work session by commending President Bruininks for maintaining balanced budgets and enhancing the quality of the University during an extremely challenging period of time.

The work session adjourned at 10:20 a.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

October 8, 2010

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 8, 2010 at 10:20 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Anthony Baraga, Richard Beeson, Dallas Bohnsack, Linda Cohen, John Frobenius, Venora Hung, Steven Hunter, Dean Johnson, David Larson, Maureen Ramirez, and Patricia Simmons.

Staff present: President Robert Bruininks; Chancellors Charles Casey and Stephen Lehmkuhle; Vice Presidents Kathryn Brown, Steve Cawley, Kathleen O'Brien, and Richard Pfutzenreuter; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; and Associate Vice Presidents Gail Klatt, Sharon Reich Paulsen, Donna Peterson, and Michael Volna.

Chair Allen requested a moment of silence for three student members of the University of Minnesota community who died as a result of a car crash in Wisconsin earlier in the week.

APPROVAL OF MINUTES

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

Litigation Review Committee – September 1, 2010
Facilities Committee – September 8, 2010
Educational Planning & Policy Committee – September 8, 2010
Board of Regents Work Session – September 8, 2010
Board of Regents – September 8, 2010
Board of Regents – September 27, 2010

REPORT OF THE PRESIDENT

President Bruininks reported on a number of initiatives and collaborative efforts that illustrate that the contributions of the University have a statewide, national, and international impact. He highlighted several recent research grants to the institution in a number of areas, noting a MacArthur genius grant received by a faculty member for the study of the declining honeybees population.

Bruininks also reported on a recent visit with several University leaders and Regents Bohnsack and Simmons to Morocco to strengthen more than 30 years of

research and education bonds with leaders of that nation with a focus on higher education and agriculture and natural resources. He noted that this international partnership provides an opportunity to foster future funding to developing countries around the world, with University linkages in research and educational partnerships going forward.

President Bruininks reported that the Morris campus recently celebrated 50 years of public liberal arts and excellence and the 100th anniversary of the founding of its predecessor the West Central School of Agriculture.

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

REPORT OF THE CHAIR

Chair Allen reported that Regents have recently been well represented on University campuses, attending the Morris anniversary celebration, participating in the University of Minnesota Alumni Association awards celebration, attending a recent "Great Conversations" featuring President Bruininks and others, and participating in the Homecoming parade. He announced that a number of Regents would travel to Madison, Wisconsin for the Gopher football game on October 9, 2010.

Chair Allen noted that the previous day the Board of Regents visited the Science Teaching and Student Services Building and the new Amplatz Children's Hospital currently under construction, and received a presentation from three pediatric researchers. He noted that all events demonstrated the unique educational opportunities and groundbreaking research occurring at the University.

Chair Allen reported that the next Board of Regents meetings would be held November 11-12, 2010 on the Twin Cities campus. He also noted that President Bruininks' workplan for the current year is being distributed to boardmembers.

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

RECEIVE AND FILE REPORTS

Chair Allen noted the receipt and filing of the Annual Asset Management Report.

CONSENT REPORT

Chair Allen presented the Consent Report, as described in the docket materials, including:

- Approval of University of Minnesota Rochester Mascot;
- Report of the All-University Honors Committee; and
- Summary of Gifts through August 31, 2010

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Consent Report.

UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Chair Allen recalled that the University of Minnesota *Plan, Performance & Accountability Report* was reviewed at the September 2010 Board of Regents meeting.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Resolution Related to the *University Plan, Performance, and Accountability Report*, as follows:

WHEREAS, the president of the University and the Board of Regents (Board) are entrusted with the responsibility in their oversight of the University to be good stewards of the public interest, resources, and facilities; and

WHEREAS, it is the responsibility of the Board, in cooperation with the president, to articulate the directions and priorities of the institution; identify and analyze the critical issues and challenges confronting the University; assess its operations; and evaluate the performance and success of its colleges and campuses; and

WHEREAS, it was resolved that the *University Plan, Performance, and Accountability Report* (Report) shall include the priorities of the institution; statistical profiles of the University at the campus level; selected statistics related to system trends; University-wide strategies to achieve goals; summaries of accomplishments and investments; progress in institutional performance measures; and summaries of special institutional studies and reports; and

WHEREAS, on the recommendation of the senior vice president for academic affairs and provost, the president of the University requests the Board accept the 2010 Report; and

NOW, THEREFORE, BE IT RESOLVED that the Board accepts the 2010 Report as submitted by the administration.

STATE BIENNIAL BUDGET REQUEST FOR FY2012-13

President Bruininks presented for review the 2012-13 Biennial Budget Request (Request) as contained in the docket and associated materials distributed at the meeting and on file in the Board Office. He noted that the preliminary request will be submitted to the state in November 2010 at a time when there is extraordinary uncertainty facing this institution, and continued pressure on the state as long-term budget issues are addressed. He reported that the request is developed and aligned with the goals and priorities of the University's long-range strategic plan and is framed around the following set of principles:

- The University is a key component in advancing the economic viability, health and wellness of Minnesota citizens;

- The institution's ability to recruit talented and promising students, regardless of income level, and to provide them with the highest quality educational experience must be preserved; and
- The University must have sufficient resources to address its ongoing core costs.

Bruininks summarized the two-year \$1.38 billion Request, detailing investments in restoring faculty positions, student financial support, and meeting core costs of the institution. He stressed the importance of continuing to invest in programs and initiatives during times of budget reductions to sustain the high levels of excellence and productivity, and noted that balancing the institution's budget will rely on a combination of state support, modest improvement in revenues, and prudent decisions regarding long-term program investments.

Chair Allen invited Paul Strain, Vice Chair of the Student Representatives to the Board of Regents, to comment on the Budget. Strain spoke about increasing tuition levels used to balance the budget disproportionately places the cost burden on students and negatively impacts the teaching quality of the institution. He urged the Board of Regents and the administration to continue discussing major cost drivers at the University and to evaluate whether these costs advance the academic mission.

In response to a comment from Regent Ramirez, Bruininks indicated that the temporary pay reduction, mandatory furlough by some employees, and voluntary furloughs are one-time occurrences to address current budget stringencies. These measures are not a good compensation strategy and long-term would harm competitive sections of the workforce. He does not consider this a viable compensation strategy long term.

In response to comments from Boardmembers, Bruininks indicated that instruction costs are funded by a combination of state support and tuition revenue, and when the state withdraws substantial amounts of support it is appropriate that increased tuition is part of the solutions. He cautioned, however, that continual double-digit increases in tuition costs are not sustainable. He stressed the continuing need to ensure access and affordability for low- and middle-income students and families by finding ways to decrease operating costs and raise scholarship dollars.

The State Biennial Budget Request for FY2012-13 will return for action at the November 2010 Board of Regents meeting.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Frobenius, 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 October 7, 2010 committee minutes.

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

Frobenius reported that the committee also discussed the committee 2010-11 workplan; issues related to the Annual Asset Management Report; University cost drivers; the state Biennial Budget Request for FY2012-13; and reviewed a number of information items included in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Hunter, Chair of the committee, reported that the committee discussed the committee 2010-11 workplan; received an external audit update and an internal audit update; and discussed a number of information items contained in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

REPORT OF THE FACILITIES COMMITTEE

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

REPORT OF THE FACULTY, STAFF & STUDENT AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Faculty, Staff & Student Affairs Committee as presented to the committee and described in the October 7, 2010 committee minutes.

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

Johnson reported that the committee received a post-tenure review update; discussed maximizing opportunities for student services in the new Science Teaching and Student Services Building; reviewed the committee 2010-11 workplan; and discussed a number of information items included in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

The meeting adjourned at 11:18 a.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary