

Minutes\*

**Senate Committee on Finance and Planning  
December 1, 1992**

- Present: Irwin Rubenstein (chair), David Berg, Karen Geronime, Virginia Gray, Michael Hoey, Thomas Hoffmann, Craig Kissock, Roger Paschke, Doris Rubenstein, Jason Schmidt, Thomas Scott, Mary Sue Simmons
- Guests: Senior Vice President Robert Erickson, Gerald Fisher (University of Minnesota Foundation), Patricia Kovel-Jarboe (Academic Affairs)

**1. Report on the University Foundation**

Professor Rubenstein convened the meeting at 3:15 and welcomed Mr. Gerald Fischer, President of the University of Minnesota Foundation, to discuss the fund-raising activities of the Foundation.

Mr. Fischer began by informing the Committee that the University only got seriously into the business of private fund-raising 30 years ago--1992 marks the 30th anniversary of the Foundation. He provided a series of pieces of information about the Foundation:

- In 1962 there were about 5000 donors to the University; in 1992 there are about 59,000. Gift income has increased from \$500,000 to over \$60 million in 1992. Foundation assets have increased from less than \$1 million to over \$321 million. Total voluntary support (gifts plus non-contractual research grants) has gone from about \$1 million to \$109 million in 1992. (All nominal dollars)
- Money raised by the Foundation is used for such things as the Regents Professorship stipends (20 @ \$10,000 annually), endowment of PUF chairs (from 17 in 1984 to over 230 now), funding for facilities construction (concert hall, art museum, athletic facilities), and student scholarships (\$9.8 million in 1992, compared to \$4.4 million in 1990) and scholarship endowments providing about \$5 million in student aid.

In response to a question, Mr. Fischer said that about 99% of the scholarship money is restricted--mostly merit-based and administered by deans or chancellors. There is a great need for unrestricted funds for central use in recruitment of capable freshmen. The funds may be "restricted," observed one Committee member, but the restriction may be that the recipient college or campus must use them for Minnesotans, or for Native Americans, or some other group; they are not otherwise restricted. Deans also have other discretionary funds, Mr. Fischer observed, that can be used for scholarships or research or teaching--and those funds are not counted in the totals presented here.

- 1992 was an excellent year in fund-raising: "Gift production" (new gifts and new pledges, but not payment on earlier pledges) went from \$49.8 million in 1991 to \$60.3 million, up over 21%. Minnesota is the only Big Ten school that saw any major increase; most were flat or down. There

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were increases in every category of donor (>\$10,000, <\$10,000, and deferred gifts). In terms of gifts received, the amount increased from \$46.9 million to \$51.4 million, up about 10%.

- The Minnesota Campaign, in the mid-1980s, laid the groundwork for a sustained increase in giving: from 1985 to 1992, the number of donors has increased from 43,000 to 59,000+, annual gift dollars have increased from \$23 million to \$51 million, and the number of gifts from 53,000 to 85,000. This legacy may in some ways more worthwhile than the endowed chairs the campaign funded. President Keller and his colleagues in the Minnesota Campaign, observed one Committee member, did a good job.
- 81% of the gifts come from 1% of the donors. The strategy of the Foundation is to manage those funds well, demonstrating superb stewardship, but also to build the base of giving among those who now give less than \$500 (about 54,000 donors) and to increase the amounts given by those donors.
- Of the 59,000+ donors, 35,000 are alumni, 20,000 are non-alumni friends of the University, and 4400 are institutional donors. The University is at the top of the Big Ten in the number of non-alumni donors. The 4400 institutional donors are far more than any other Big Ten school--corporate support in the state and Twin Cities is amazing, and it may be the most philanthropic community in the world. Alumni donors, on the other hand, represent only 10% of living University alumni, which is below average for the Big Ten (at some schools, 20 - 30% of alumni donate). This is an area for improvement, Mr. Fischer said, a strategic imperative for the Foundation. Alumni giving starts with the student experience he suggested, and while a difficult proposition, alumni giving should be able to be increased.
- Of the \$51 million in gifts, 60% comes from institutional donors, 23% from non-alumni donors, and only about 16% from alumni. This is a very different picture than for most universities, which typically receive about half their private funds from alumni and about a quarter from each of the other two sources (non-alumni and institutions). Alumni, however, play a large role in the size of institutional donations, Mr. Fischer added--many are executives who influence private support.
- The uses of the money raised by the Foundation fall into several categories: research (\$9 million), capital improvements (\$3 million), program support (\$7 million), scholarships (\$8 million), faculty support, professorships, chairs (\$6 million), uses determined by colleges/campuses (\$18 million), and "other" (unrestricted funds; about \$500,000).

More money is needed for capital purposes, Mr. Fischer told the Committee, to help the University deal with its deferred maintenance problem. It is, however, the tradition of Minnesotans to give money to PEOPLE; he often hears donors say they are not interested in bricks and mortar. We need to educate the public on facility needs.

The amount of unrestricted funds raised is much below the norm for institutions such as Minnesota; asked why, Mr. Fischer said it may be because of the long tradition and culture of the University to operate in a decentralized fashion. There are 23 college development efforts in place, which comprise 90% of the fund-raising activity. Some universities have moved to fund-raising for units half

the year and for central purposes the other half; the latter funds are used by the president or for other institutional priorities. Minnesota has not traditionally raised money for institutional purposes.

Of the \$51 million raised in 1992, about \$12 million went into the endowment.

Asked about the ratio of expenses to money raised, Mr. Fischer said he has demanded that the information be assembled. The University spent about \$7.2 million to raise the \$51 million, or about 12%. That expense includes the cost of raising the money as well as administering the endowment--- investment management and legal bills for trust administration, etc. The average percentage in higher education is about 16%, so the University is doing a responsible job.

-- Nationally, in terms of voluntary support (fund-raising, non-contractual research grants, and other private funds not funneled through the development offices--the \$109 million), the University ranked 2nd in 1990 and 3rd 1991 among public institutions; it ranked 12th and 11th, respectively, among all institutions. In the last ten years, the University has consistently ranked in the top five among public institutions--and the University has the "youngest" development effort in the Big Ten. This growth reflects the value Minnesotans place on the University.

Other institutions are beginning or in the middle of major capital campaigns; Michigan has announced a \$1 billion drive, which is the largest ever attempted by a public institution. They already have \$300 million and want to raise the \$1 billion over the next seven years.

Mr. Fischer then reviewed the key issues in stewardship. Prior donors are the best prospects, and donors expect the funds to be spent as they direct, so much time is spent controlling costs. Sound management and reporting is important as is communicating the difference that the gifts make to the University. The University, in some ways, needs to be more sensitive to its stewardship responsibilities; the University needs the support of its donors, and good stewardship (responsible management, reporting, and use of the funds) is a sound investment.

-- The Foundation, in comparison with other institutions, has maintained levels of return on investments that ranks significantly above average.

One important facet of fund-raising is that the money is used to SUPPLEMENT state and other funds, not substitute for them. If the core state funds are lost or reduced, the Foundation's ability to raise private funds will be hurt. There is, in addition, much more than money involved in fundraising; donors have emotions and values tied up in their decision, and fund-raising is more an art than a science. As these dollars increase, however, it was said, they become a larger percentage of the budget. Mr. Fischer pointed out that even a \$1 million-endowed chair only provides \$55,000 per year, not enough to fund a major research position; the money can supplement an appointment. Many of the letters he receives, he told the Committee, make it clear that donors want to SUPPLEMENT other money so the University can recruit better students or faculty or do extra things it could not otherwise do. If the University tampers with that expectation, it would be bad stewardship and would harm fund-raising.

The donors need to communicate those sentiments to the Governor and legislature, it was suggested by one Committee member. Mr. Fischer assured the Committee he advises the Foundation Board of Trustees to do so. This Committee also needs to do that, he added.

It was recalled that the faculty were solicited during the capital campaign, and could have payroll deductions for pledges. Those pledges are now expiring; could the program be renewed? Mr. Fischer noted that one-third of the President's Club members are faculty, and that when projected to donate \$3.5 million in the capital campaign, they donated \$11.5 million. He agreed the issue should be raised, and said the University should celebrate the extraordinary support the faculty provided. In terms of the ability of the Foundation to provide matching funds, however, the unrestricted money it has is so limited that matching would not be possible. If a significant outside donor could be found, however, perhaps matching would be an option.

One Committee member remembered seeing information that the members of the Alumni Association are aging and that recent graduates tend to be more negative about the University; if true, what impact will recent student experiences have on increased alumni giving? Mr. Fischer agreed that this issue needs to be addressed, and said he intends to work with the Alumni Association to develop a long-term strategy to increase a sense of allegiance and support for the University among students. He noted that there are a large number of alumni around the world who have deep emotional attachments to the University; they have never had the budget to invest in cultivating those alumni, but it is likely there would be significant returns if it could be accomplished.

A question was raised about recent discussions about privatizing higher education, and concern was expressed about having 23 separate fund-raising efforts. Is that what the University wants to have in the next 5 - 10 years, and will those dollars remain supplementary or be part of a substantial change in the funding of higher education and the University? Mr. Fischer cautioned that fund-raising only accounts for \$50 million out of a budget of \$1.8 billion.

Mr. Erickson asserted that there is NO way the University could use private gifts as a substitute for the \$435 million from the state. A critical related matter will be the University's public-private partnerships; the University must figure out how better to leverage its funds in this way.

Professor Rubenstein thanked Mr. Fischer for joining the meeting.

## **2. Development of a Vision Statement to Drive the Planning Process**

Professor Rubenstein then turned to the several statements that Committee members had drafted as their "homework" assignment from the last meeting. There was discussion about the edited mission statement that Mr. Robb is working on, but it was understood that the existing statement would NOT guide planning.

Professor Scott suggested that a vision statement should get the planning process underway, the statement drafted by Professor Morrison for this meeting was, he said, a "short pithy" statement that provides direction in thinking about planning. The Faculty Consultative Committee accepts the proposition that a new MISSION statement will evolve from the planning process. Professor Rubenstein read one statement from the minutes of the previous meeting ("The University will be among the top 20 research universities so it can continue to provide high quality undergraduate and graduate education and service to the state and international community") and argued that it, or the short statement drafted by Professor Morrison, said everything needed. That statement read as follows:

The University must remain one of the principal centers of research in the United States, if it is also to fulfill its specially designated responsibilities to provide the highest quality of instruction and service to the people of Minnesota and properly to utilize the investment which the state has made in the institution. University planning must be directed toward this goal and must also reflect the increasing diversity and complexity of the world and national environment in which we live, addressing the increasing diversity of our own nation and state and the increasingly international dimensions of the problems which we face.

Whatever statement is adopted, Professor Scott urged, it should have sufficient meaning and clarity to permit the process to go forward.

Committee members discussed the content of the statement. One point noted was the omission of the land-grant mission. One Committee member said that it need not be dwelled upon; it is a given that the University is a land-grant institution--it cannot NOT be. One CAN argue about what land-grant means, however. Committee members then did so. It means many things to many people it was said, and can generate semantic arguments that can stall the process. If the term is ambiguous, it is useless; if it can be defined, then it can be used. All the term technically means, Professor Scott noted, is that the federal government provided land (it had no money), the income from which would go to these institutions. If so being land-grant does NOT distinguish the University from other institutions in the state; now, instead of giving land, the state and federal governments provide money--and they do so for many institutions. Perhaps, he concluded, it would be more sensible to stress mission differentiation--the land-grant designation may not differentiate the institutions ENOUGH. There appeared to be no sentiment to insert the term "land grant" in the statement.

An element common to the draft statements, said one Committee member, is the tie between research and instruction and the goals of research and instruction. If the goal is to remain among the top research institutions much follows automatically. The goals, however, must recognize that the University serves more than the state so they must also recognize the ties between the state, the nation, and the world. In Minnesota the evolution of higher education means that the State Universities, the community colleges, and the vocational-technical institutes are serving the state some of the ways the University used to; the University's service now should take a different focus and clearly recognize our research role and the training of Ph.D.s.

Another Committee member contended that in many ways, by serving the international community, the University serves the state. The University is the state's window on the world, other governments and institutions know of Minnesota because of the University. If a company wants to invest in Minnesota, they know of Minnesota because of the University. It is not appropriate to separate the notions of service to the state and to the world. Moreover, the University is ONLY teaching, although differently from other systems: it teaches undergraduates plus future scholars and researchers. To do the latter requires apprenticeships, which can only be performed with research occurring, so the faculty must do research. Undergraduates have the OPPORTUNITY to participate in research, but the University does not play a fundamentally different role in undergraduate education from other institutions. International needs should serve domestic needs, it was later clarified; they need not be the dominant focus of the University.

It should not be unexpected, observed one Committee member, that the state portion of the \$1.8 billion budget is declining, in light of this conversation. If the University is to remain a top research

institution, it follows that much of the funding should also come from the nation and the world. One can rationalize that by serving the nation and the world, the University thereby serves Minnesota, but if other institutions are taking over traditional University roles, we should not be surprised at a declining contribution from the state.

Another Committee member responded that the University should justify an increased proportion of state funds, even with the State Universities performing some of its previous roles, because of the different education undergraduates receive here and our role in professional and Ph.D. training. This should be, to use the word no one likes, an "elite" institution that needs funds because of its qualitative difference.

The University is also a more comprehensive institution, Mr. Erickson pointed out, that offers the more expensive programs. One must also put the numbers in context: at the turn of the century, it was unusual for someone to go to college; now it's unusual--in Minnesota--for someone not to have some college. One can argue that the University is not at all elitist; it must provide the proper level of education to meet the citizen's needs (e.g., Ph.D. scholars must be trained in research), and it takes more money to offer technical and comprehensive programs.

Planning, Mr. Erickson continued, must look to the FUTURE, not the past. There will be a greater revolution in higher education in the next 20 years than in the past 300 or 400 years. Much teaching may be done by machines, although they will not replace human guidance, and will permit the most highly qualified and trained to expand their research. If the University does not think nationally and internationally, he said, it is not thinking at all--the world IS the international community, and the community in which the University will compete. The state, by contrast, is less central than it used to be.

One Committee member observed that the University may get into even more expensive programs in the future. Another element is distance education, which right now is very expensive on a per-student basis; the central issue, however, is not cost but quality and improvement of the educational experience.

Discussion returned to endorsement of Professor Morrison's statement. Professor Scott cautioned that one must differentiate between vision and mission statements. The vision statement must have sufficient clarity to permit planning to proceed WITHOUT being comprehensive and touching all the bases. If it gets too far into some of the issues, as some of the drafts proposed may do, one never gets the planning process started. Rather than talk about a vision statement, he suggested, it would be more helpful to talk about a general perspective for planning.

Mission, said another Committee member, is not something from which all else is derived; one looks instead at actions to see if they are CONSISTENT with the mission. One can say Minnesota will be a research university--not how or who does it. If it is to be a teaching institution, one will NOT say that all faculty should be involved in research.

Professor Rubenstein, exercising the prerogative of the chair, said that Professor Morrison's statement would be considered adopted for now. It was noted that action by the Committee was not the final word; ultimately, the statement must come from the President. It can be used as the basis for future discussions, it was said, and to judge future statements. It will also guide where funds should be directed, contended another Committee member; it creates a way to react to the assertion, for instance, that faculty

should spend 15 hours a week in the classroom. The legislature, of course, may not agree with the statement.

The statement does not address what will be done in undergraduate education, one Committee member protested. This statement is only trying to start the process, Mr. Erickson responded (and one never finishes, because the process renews itself all the time). There needs to be a statement that can be used, a reference point, and this one will be helpful to the President and the central officers, he told the Committee. The benefit of the discussion is that it also helps make clear the difficulty and complexity of developing a statement. It will mean a lot to have a statement to guide the institution and direct resource allocation. If meaningful, it should be engraved somewhere and affect actions.

Professor Scott returned briefly to the question of process. A full-blown planning process will not take place, he pointed out; it will flow from the efforts made during Commitment to Focus and Access to Excellence rather than start from scratch. One dilemma of saying there will be a planning process is treatment of activities already underway; they will not be stopped, and some things have been accomplished. It will be an iterative process, and the units may be asked to reconsider certain things they had already done, or to look at other things.

One proposition that the Committee may disagree with, one Committee member said, is that if this is a research university, and research universities are based on graduate programs, should the planning process examine graduate programs to identify those which have had a lot of students or are more important and which should have fewer faculty or are less important? One could look at graduate programs as a way to determine whether or not they support the research mission. Doing so, said another, would verify the Committee's endorsement of Professor Morrison's statement.

The Committee adjourned at 5:00.

-- Gary Engstrand

University of Minnesota