

**Senate Committee on Finance & Planning
Minutes of the Meeting
September 16, 2014**

[These notes reflect discussion and debate at a retreat of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these notes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

In these minutes: [Proposed FY2016 -2017 Biennial Budget Framework; Six-Year Capital Plan Update]

PRESENT: Gary Cohen (chair), Karen Seashore, Jill Merriam, Dan Feeney, Russell Luepker, Jennifer Gunn, Cathy Fitch, Kara Kersteter, Quinn Jurgens, Richard Pfutzenreuter, Paul Olin, Renee Cheng, Karen Ho, Michael Korth, Samantha Jensen.

REGRETS: Fred Morrison, David Fisher

ABSENT: None

GUESTS: Brian Swanson, assistant vice president, University Services

1. Proposed FY2016 -2017 Biennial Budget Framework

(http://regents.umn.edu/sites/regents.umn.edu/files/docket/SEP%202014%20BOR%20Docket_0.pdf p. 207)

Mr. Pfutzenreuter provided background information on the proposed biennial budget request, which was presented by President Kaler to the Board of Regents on September 16, 2014. He said the process started earlier in the summer, and that the biennial budget would be presented to the Minnesota legislature at approximately the end of October or the beginning of November, and that initiatives outlined in the budget have been discussed with the community and the Board of Regents.

He then went on to outline the budget goals:

- **Tuition Freeze**

The goal is to freeze resident tuition rates for all Minnesota students (undergraduate, graduate and professional) for two more years. The University would be requesting from the Legislature \$21.5M for FY16 and an additional \$22.2M in FY17. With this, the tuition burden would be held down for approximately 53,000 students and families by \$65 million for the biennium. If the Legislature does not fund the request, undergraduate tuition would be raised 3% and tuition for graduate students would be raised 3.5%. Pfutzenreuter gave examples of potential savings for incoming students, graduate students and professional students. He emphasized that if the request is granted, the University will have frozen tuition for four years, a notable accomplishment.

- **Facility Condition Improvement Strategy**

Pfutzenreuter said the average request to the Legislature for facilities improvement for the past ten years was in the range of \$60-65M per annum and noted that this was for Higher Education Asset Preservation Renewal (HEAPR) funds. The average received is \$33M per year, which he noted was not enough to keep pace with the needs for facilities improvement. He pointed out approximately \$3.65 on average is spent per square foot (s.f.) of supported space. If the proposal were implemented, it would raise that to \$4.65/s.f., with the ultimate goal being closer to \$8/s.f. The University would be asking the Legislature to provide an incremental \$5M in recurring Operations and Maintenance funds for repair and replacement of facilities for each of four years. Thus, by the end of the biennial, there would be \$10 million to the base of the Repair & Replacement (R&R) fund. It is a four-year strategy, at the end of which the total new R&R investment would be \$20 million. Pfutzenreuter noted that although this amount would help, it would still be inadequate.

- **Healthy Minnesota**

Pfutzenreuter discussed the statewide initiative *Healthy Minnesota*, the request for which is \$11.5M for each, FY16 and FY17. He stated that the goal of *Healthy Minnesota* is to ensure that Minnesota will remain one of the healthiest states in the nation by:

- Training the next generation of health care professionals to serve an aging and diverse population
- More effectively serving Greater Minnesota and other under-served communities
- Making life-saving discoveries, promoting health and research cures for conditions prevalent in our state

- **Vibrant Economy**

Pfutzenreuter discussed the Vibrant Economy initiative, which ensures Minnesota has strong urban and rural communities by creating economic development opportunities through research. The initiative would address environmental issues associated with mineral extraction (Mining Solutions) and reduce disparities and enhance the vitality of communities statewide (Vital Communities). The requests total \$3.5M for FY16 and \$5.5M for FY17.

Pfutzenreuter reviewed the state appropriations trends over the years 2006-2017, and noted that the current budget request is modest, and only gets the University back to 2008 funding levels, not adjusted for inflation.

A general discussion of the biennial budget followed. Professor Feeney asked about the sustainability of budget requests and wondered if the University eventually would have to make drastic cuts in staff and services. Pfutzenreuter said that there continue to be many demands for services that the University offers and that the University continues to grow.

Professor Seashore asked how the University could increase the number of students from low-income families. Pfutzenreuter noted that the University had many good programs for such students, but that the query might be better addressed by the provost and vice provost.

Quinn Jurgens asked if there were data available about how the last tuition freeze affected the number of applications from low-income families. Pfutzenreuter said that they would get data on that, and asked that Jurgens send him an email with that question and copy Lincoln Kallsen and Robert McMaster to address that question.

Professor Ho suggested that the issue was how to grow the University in a way that makes the most sense, and said that the tuition issue could be framed in terms of a needs model vs. a merit model.

Cohen thanked Pfutzenreuter for the information and said the committee looked forward to further updates throughout the year.

2) Six-Year Capital Plan Update

(http://regents.umn.edu/sites/regents.umn.edu/files/docket/SEP%202014%20BOR%20Docket_0.pdf p. 256)

Mr. Swanson presented the President's Recommended Six Year Capital Improvement Plan update, saying that this information had also been presented to the Board of Regents at its September meeting. Swanson noted that many factors go into the development of the plan, primarily the academic and service unit strategic directions and that there are two parts to the capital improvements plan: one is the annual capital budget for projects that will cost over \$500K and are ready to get underway, for which Regents' give final approval. The second part is the six-year plan, which is aspirational in nature and lays out what the University intends to ask the Legislature for over the upcoming six years.

He outlined the objectives of the plan:

- Advancing strategic plan priorities
- Enhancing the campus-based experience
- Aligning projects with available revenue sources
- Increasing utilization and functionality of physical assets
- Completing capital investment sequence
- Reducing total campus square footage

Swanson noted alignment of the plan with the 2014 strategic plan, and discussed programmatic outcomes, most of which are continuations of previous projects. These include:

- St. Paul Interdisciplinary Laboratory
- Undergraduate teaching laboratory facility (new facilities for chemistry teaching across colleges)
- Academic Health Center (AHC) Interprofessional Education Center

- Chemical Science and Advanced Materials (CSAM) building (Duluth campus)
- Development of a multi-functional campus academic facility to support enrollment trends (Rochester campus)

Swanson also discussed HEAPR and facilities renewal, reiterating that that funding is capital dollars the state gives for renewal projects and is restricted as to how the funds can be used.

The buildings slated for renewal projects include:

- Repurposing/renovating vacated space in the Phillips Wangenstein Building
- Renovation of Pillsbury Hall for humanities teaching and research
- Renovation and re-allocation of 10 Church/McNeal Hall to consolidate two colleges in single locations

Cohen asked if any of the planning was laying the foundation for eventually addressing the issue of the Mayo Building. Swanson said that the underlying current of all AHC points to dealing with Mayo. He cited Mayo's numerous problems, such as the plumbing and roof systems. He said that every step in the proposed sequence of the plan for the Academic Health Center pointed to eventually razing Mayo.

He reviewed the anticipated demolitions resulting from the complete capital development sequences, and said that the goal was to demolish approximately 300,000 sq. ft., including:

- CBS collections greenhouse
- Christensen Hall
- VFW Building
- Masonic Hospital
- Peik Hall
- Institute of Child Development
- Veterinary Isolation Buildings

Swanson gave an overview of other projects under consideration, indicating that the projects on the list were:

- Insufficiently developed in terms of their programmatic needs at this time.
- Are key investments based on collegiate and academic priorities
- May need further definition and/or development before they advance

Cohen said that athletics facilities cannot be considered as a separate issue, noting that athletics are part of the capital plan and should be presented as such. Swanson said the plan going to the Board of Regents does not have, at this point, anything specific for athletics in the "Under Consideration" category. He said there was a "placeholder" in the plan for the athletic village effort, and he believed nothing had been authorized beyond planning studies. Cohen asked if there were land commitments for the project, and Swanson said his understanding was that it would be in the current footprint of Bierman field.

A discussion of the presentation followed.

Professor Korth said it seemed that it had been some time since there had been any projects on the Morris Campus, and asked if any were ever submitted. Swanson said there was an \$18M program in the FY17 request, noted as Programmatic Renewal for the System Campuses. This is an allocation of money, yet to be determined, to improve existing space for which HEAPR dollars cannot be used.

Samantha Jensen spoke about inadequate student housing on the Duluth campus, and cited overcrowding to the extent that students are living in study lounges. If enrollment continues to increase, overcrowding issues need to be addressed. Swanson said facilities needs presented from Duluth did not include student housing, and cited the proliferation of private sector housing around campus. He suggested that once the impact of private sector housing was felt, then campus housing needs would be assessed and brought forward.

The committee discussed some of the points in the presentation.

Professor Luepker said the message has been that the University has more space than it needs, yet new buildings continue to be built. Swanson said classrooms are about 4% of space usage, and the challenge was how to get more space more actively managed by the Office of Classroom Management. He said much of campus space is inefficient, and cited offices in Boynton that were previously hospital rooms, complete with bathrooms.

Cathy Fitch asked about the effort to reduce rental space, and said that her research center is growing and is unable to find usable space in convenient proximity. Swanson said there was not a formal plan in place regarding rental space, but it can be useful for short-term, flexible projects.

Associate Dean Cheng said the emphasis in new construction seems to be on the initial cost of buildings but not their life cycles. Swanson said that Suzanne Smith, assistant vice president, Capital Planning/Project Management, and Mike Berthelsen, associate vice president, Facilities Management, could speak to design standards and how those standards affect building planning. He noted that a continuing conundrum is whether we are constructing buildings for the user of today, or for University needs fifty years down the road.

Hearing no further business, Professor Cohen adjourned the meeting.

Mary Jo Pehl
University Senate Office