

Minutes*

Senate Committee on Finance and Planning
Tuesday, May 15, 2012
2:00 – 4:00
238A Morrill Hall

- Present: Russell Luepker (chair), Sarah Chambers, Catherine Fitch, Susan Hupp, Lincoln Kallsen, Kara Kersteter, Ruth Lane, Cody Mikl, Fred Morrison, Kathleen O'Brien, Michael Rollefson, Ann Sather
- Absent: Martin Caride, Will Durfee, Richard Pfutzenreuter, Terry Roe, Gwen Rudney, Karen Seashore, Arturo Schultz, S. Charles Schulz, Thomas Stinson, Michael Volna, Aks Zaheer
- Guests: Dan Feeney (incoming 2012-13 Committee member); Alon McCormick (incoming 2012 Chair, Senate Committee on Educational Policy); Paul Olin (AHC Finance and Planning Committee); Dean Carlson, Ryan Terwilliger (University Services); Vice Provost Robert McMaster (Office of Undergraduate Education)

[In these minutes: (1) capital budget (process, FY13 projects); (2) course poaching and the financial implications of the Scope, Size, and Mission (SSM) report]

1. Capital Budget

Professor Luepker convened the meeting at 2:00 and turned to Vice President O'Brien to begin a discussion of the capital budget.

Vice President O'Brien distributed a handout and explained the capital planning and budget process. She noted that the Regents direct the administration to develop a capital plan with a six-year horizon, to be updated annually. One part is the capital improvement budget for the following year (on which the Board of Regents typically acts at its June meeting, for projects approved for following fiscal year); the other is the capital plan for the five years following. The capital planning framework is aligned with University goals and guided by the academic plans and the University's financial responsibilities.

In order for a project to be included in the capital budget, Year 1 of the Six-Year Capital Plan, Vice President O'Brien explained, it must cost more than \$500,000, must have a completed predesign, and must be fully funded or have a financing plan in place that Vice President Pfutzenreuter has signed off on. Approved projects move into design and/or construction after the Board of Regents approves the capital budget in June.

The original capital improvement budget for FY13 was prepared for the Regents before the legislature had taken final action on the bonding bill, so the budget will be amended for the Board's June meeting, Vice President O'Brien told the Committee. The University's capital request to the State was \$209 million (\$169 million in State funds); the final amount approved was \$71 million (\$64 million in State funds). She noted that each \$1 million in the capital budget creates about 23 jobs in design,

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engineering, and construction. The projects now underway at the University have created about 12,500 jobs.

Vice President O'Brien reviewed the categories of the FY13 capital budget in which funds will be spent. They include repair and replacement (University funds), HEAPR (Higher Education Asset Preservation and Renewal—State funds), initial funding for a combined heat and power plant on the Twin Cities campus, a utility building on the Duluth campus, and facility improvements at Itasca Biological Station and Laboratory. HEAPR funds are used for a variety of projects, governed by State statute, and include accessibility, building systems, energy efficiency, and health and safety improvements. The funds are distributed throughout the system; Facilities Management has a formula based on square footage and facility condition that can be adjusted as needed to deal with compelling needs (e.g., a wind storm tears off a building roof). Vice President O'Brien provided a list of examples of how the \$50 million in HEAPR funds will be used and the rationale for the combined heat and power plant (cost control, reliability, and sustainability).

Committee members discussed several points related to the capital budget with Vice Presidents O'Brien and Pfitzenreuter.

Professor Luepker thanked Vice President O'Brien for the report.

2 Course Poaching and the Financial Implications of the Scope, Size, and Mission (SSM) Report

Professor Luepker began the next item by reporting on his discussions with several of the deans and Dr. McMaster about course "poaching." The issue arises because of state cutbacks in funding and colleges becoming more reliant on tuition revenues; the colleges try to retain their students in their courses and get other students to take their courses. Offering liberal-education courses is also involved because they tend to draw more students and thus generate more tuition revenue. But the college decisions are not entirely mercenary, he said, because they are also concerned about the quality of education. The broader issue is how colleges finance themselves and the role that large undergraduate courses play in that financing.

In his view, Professor Luepker said, addressing the problem requires a firm hand from the top in setting rules because people are spending a great deal of time on increasing enrollments and revenue. The result is distractions from both research and teaching and creation of tensions between units that should not exist.

This is the finance committee, Professor Hupp observed, and the discussions should focus first on what is best for the students. The finances should follow after that.

Mr. Rollefson inquired whether this is duplication and inefficiency in the system now. Professor Luepker said that there are empty seats in some courses. Given the cost of attending the University, Mr. Rollefson said, duplication and inefficiency should be eliminated. Professor Luepker observed that if a course has a capacity of 100 students and only 50 enroll, the course still works and students might prefer the lower enrollment. Professor Hupp agreed that one can ask whether a course, if good with 50 students, should enroll 100 students—or perhaps it is best with 100 students. The deployment of resources should follow the needs.

Professor Shultz inquired how other institutions deal with the problem (information is not available and may not be helpful because other institutions do not have the same budget model); Professor

Chambers commented on the Scope, Size, and Mission report and the need to think about the way that graduate and undergraduate education can work together.

At this point Professor Luepker welcomed Vice Provost McMaster to the meeting. Dr. McMaster provided a matrix indicating the number of courses and seats per semester, by college, in each of the required core and theme courses (and for all courses where a core also includes a theme). For example, in the physical sciences core (but courses that do not also include a theme), there are a total of 19 courses with 5969 seats (1 course in CEHD, 1 course in CFANS, 1 course in CLA, and 16 courses in CSE). Also for example, there are 37 "historical perspective" core courses with 2402 seats that also meet the global perspectives theme (in Design, CLA, and CSE). Dr. McMaster said that in the last few months there have been additions to the liberal-education curriculum, e.g., the HHH Institute has added two courses and Pharmacy has added one. In both cases, these are not undergraduate colleges, and while they want the liberal-education courses spread across the campus, they do not want graduate colleges teaching a lot of undergraduates, so this is a development they will need to watch.

Professor Hupp commended the addition of HHH courses making available public affairs expertise to undergraduates; what is critically important is that the courses are vetted by the Council on Liberal Education, which is important for ensuring that courses meet student needs. Dr. McMaster agreed and said he believes the process works well. Mr. Kallsen added that the proposals are vetted by a faculty committee that does not look through a financial lens when making judgments.

As for the poaching issue, Dr. McMaster noted that one of the intercollegiate disputes that has arisen has been partially addressed by caps on the number of students in one college that will be permitted to take certain courses in another college. In addition, he has now set up a campus curriculum committee and asked the deans for the names of faculty members to serve on it; that body will begin work this fall and will look at both meta-issues as well as every new course proposal from the colleges. There are a few pockets of potential redundancy, he said, but he does not see them as pervasive, and the curriculum committee will develop controls.

Committee members discussed with Dr. McMaster various aspects of college competition, potential overlap and redundancy, and the extent of course poaching. In some cases, it was noted by several, what appears to be overlap and redundancy disappears on closer examination (e.g., different kinds of statistics courses, different offerings in constitutional law). Professor Luepker observed that the Council on Liberal Education focuses on course content; the curriculum committee will decide (recommend to the provost) whether there should be X courses in general biology or statistics or whatever—but some group needs to make that decision. He recalled that he served as chair of the Policy and Review Council, in the old Graduate School structure, that reviewed new course proposals in the Academic Health Center, and the Council hammered on the point that if a course was taught elsewhere in the AHC or on the campus, they would not approve it.

Professor Luepker said he would bring the poaching issue back for further discussion.

Dr. McMaster first brought up one of the implications of the Scope, Size, and Mission (SSM, <http://www.academic.umn.edu/provost/reports/documents/FullSSMReportSept23.pdf>) report, an increase in undergraduate enrollment in STEM fields, primarily in two colleges, Biological Sciences (CBS) and Science and Engineering (CSE). He provided data and information on the planned increases in the two colleges. CSE has seen an increase in applications (from about 2500 to over 9000 between 2003 and 2011) and approximately a 1-point increase in the average ACT score every two years for its incoming freshman. The proposal is to increase undergraduate enrollment by 500 students (new high-school and transfer) over four years. In order to provide a quality education to the additional students, the tuition

model developed by CSE plans for 27 new assistant professors, 27 graduate TAs, and 3 professional staff in CSE student services.

Similar projections were made in the proposal to increase the new high-school undergraduate enrollment in CBS from 400 to 500 and also to increase the number of transfer students.

Dr. McMaster turned next to one of the concerns that has arisen from the SSM report, the impact on the number of transfer students who will be admitted to the University. Although there will be a slight decrease in the number of transfer students, the major goal is to stabilize the number each year, Dr. McMaster told the Committee.

Dr. McMaster provided Committee members copies of a bar graph indicating the number and percentage of new freshmen and transfer students at the University's peer institutions. With the exception of UCLA and Berkeley (where the system is set up so that large numbers of students transfer from community colleges to UC), Minnesota has in percentage terms the largest proportion of transfer students. Minnesota and its peers (fall, 2009; percent of undergraduates who are transfer students; number of undergraduates):

Ohio State	24%	40,128
Penn State	6	37,855
Texas	25	37,464
Michigan State	17	36,224
Florida	17	33,038
Indiana	12	32,000
Purdue	14	30,932
Illinois	15	30,283
Wisconsin	17	28,690
Washington	32	27,432
Michigan	13	26,033
Iowa	22	19,899
Minnesota	32	29,921
UCLA	41	26,687
Berkeley	34	25,529

Dr. McMaster noted that the University of Minnesota is not that large at the undergraduate level, compared to many of its peers; it is large because of its graduate and professional programs. It is as large as it is at the undergraduate level because of the large number of transfer students—most of the University's peers have far fewer transfer students. This is not necessarily positive or negative, but they are asking questions about the difference. The percent of undergraduate students who are transfers varies from year to year on the Twin Cities campus; it has ranged from 31% to 41% within a few years. That range of variation puts a stress on student services and course access, so the report recommended stabilizing the ratio of new high-school students to transfer students at 2:1. That would mean about 2800 per year, versus a slightly higher number, depending on the year.

Professor Morrison inquired why it is thought that transfer students are bad. They are not saying that, Dr. McMaster responded. But the University is saying it does not want more of them, Professor Morrison pointed out. Dr. McMaster said that as the University continues to improve retention and

graduation rates and an increasing number of freshman applications, it must deal with the fact that it has a finite capacity to deliver quality undergraduate education, so it must look carefully at the number of transfers—unless it adds instructional capacity and student support.

Professor Luepker recalled hearing that transfer students are less likely to graduate and take longer to do so than if they were new high-school freshmen. Transfer students do well, Dr. McMaster said; the modal graduation time is three years, and because they typically come with two years of credit, many take five years to get through college.

Professor Feeney asked if there is differential tuition for resident and non-resident transfer students. There is if a student is not from a reciprocity state, Dr. McMaster said. Professor Feeney said the University should not be turning away students who are willing to pay. Nor should it turn away international students, Professor McCormick said, who enrich University programs—and for whom the University is a good bargain. Dr. McMaster observed that non-resident undergraduates pay only \$5000 more per year to attend the University (at most peer institutions the non-resident tuition is about twice the resident rate).

Professor Luepker thanked Dr. McMaster for joining the Committee and adjourned the meeting at 4:35.

-- Gary Engstrand

University of Minnesota