

**DRAFT**  
**Rochester Higher Education Development Committee**  
Meeting Minutes for January 6, 2006

Time: 7 a.m. – 10 a.m.

Location: Edina Realty Rochester, 1301 Salem Road SW, Rochester, MN

**Members Present:**

Al Berning

Al DeBoer

Drew Flaada

Bob Hoffman

Dr. Wendy Shannon

Marilyn Stewart

Dr. Claire Bender

Michael Vekich

Dwight Gourneau

Dr. David Metzen

**Member not present:**

Jayne Rankin

**Others Present:**

Dr. Cheryl Maplethorpe

Don Supalla

Dr. David Carl

Dick Westerlund

Senator Nancy Braatas

Alison Good

Matt Stolle

Stan Cram

Gary Smith

Don Sudor

Jay Hesley

Sandy Keith

Jay Lee

Claudia Knowlton-Chike

Rev. Bruce Buller

Representative Tina Liebling

Gail Sauter

Jim Clausen

Faith Zimmerman

Dr. Lincoln Kallsen

Mary Jacquart

Manuel M. Lopez

Christine Barajas

Leigh J. Johnson

Valerie Pace

Dr. Fred Nobrega

Dr. Joe Gibilisco

8:40 a.m. Chair Stewart called the meeting to order.

The December 16 minutes were approved as amended.

8:45 Consultant Louellen Essex asked the committee members to give her any suggestions for changes to the third draft of the Committee report by noon on Monday, January 9. The consultant will produce a PowerPoint presentation to help explain the Committee's report. She will also produce a Question and Answer document about the report.

Chair Stewart emphasized to the Committee that they should produce a report that is their recommendations and not just the recommendations that they think will be most acceptable politically or the least costly. It is important that the Committee state in the report the ideas that will promote the economic development that will be of benefit to the entire state based on the convergence of resources and assets available in Rochester.

The Chair asked for the work groups to report what they had discussed in their meetings held from 7 to 8:30 a.m. that morning.

## **PROGRAMS**

Referring to the third draft of the report which was distributed and is posted on the Rochester web page, Member Shannon said that the group wanted to remove the reference to agricultural on page 9.

On page 10 the bolded sentence is important. There should be no duplication. Page 11 we will revise the slide picture of the programs. Page 12 we will reword the paragraph on biomolecular. Page 13 we will reword biomedical health. Page 15 we will add some paragraphs. Agriculture research must be linked to human health in order to be handled in Rochester. Page 16 we will rename the dual degree options. Page 17, 18, 19 we will provide a major rework and talk about the student experience, transferring course work, and financial aid. Page 19 we will revise the first paragraph.

## **FACILITIES**

Member Berning said that his work group met with University Center Rochester (UCR) staff to be sure they were doing things correctly. On page 19 they will put the focus on the downtown location. The reason is collaboration with the Mayo hospitals and the Genomics project that are located downtown.

On page 20 the programs are becoming more defined so the work group will fine tune the facility requirements. The Allied Health programs can move downtown into temporary facilities. Over the next three years there will be a plan for more permanent facilities. In the next legislative session they will add a request for \$1 million for planning. The debt service will have no impact on UCR.

Page 22 they are working with the city to plan the permanent facility. They may need up to \$8 million. Michael Denny from the University of Minnesota has given a lot of support to the construction of the master plan. The master plan can begin in three years not four years.

Member Vekich asked if the \$1 million lease expense was over and above the \$3 million that he Committee already has for Fiscal Year 2007.

Member Berning said it was.

## **GOVERNANCE**

Member DeBoer reported the work that his work group had done. He said they were going to suggest something different on page 27. They are going to recommend that the current Joint Powers agreement signed in July 2002 be phased out as soon as possible. They want to move to a free market approach. The second paragraph on that page says that the University of Minnesota will be the governing body of the programs that the Committee will propose.

Member Hoffman said that was a good position.

Member Metzen supports that recommendation. He said that President Bruininks spent more time on the Joint Powers Agreement than anyone else. Member Metzen said that he would talk with President Brunininks about this recommendation. He said if the Committee does this right, the market will take care of itself. He said Rochester needs to erase the past, learn from it but don't preserve it. The governance issue goes away if this is done right. Member Metzen will meet with Regent Simmons as soon as he can. Member Metzen agrees with this change but not everyone at the UM may agree with this right now.

## **FUNDING**

Member Vekich discussed the last page of the report which was a spreadsheet showing the fund needed over the next several years. He has reviewed the number with the Department of Finance. The spreadsheet started with the current number of students four hundred and sixteen. These core students will decrease as the new programs are added and different students enroll in those programs. By 2016 it is anticipated that 1400 students will be enrolled in university of Minnesota courses in Rochester. The spreadsheet shows an aggressive building of cost to support the new programs.

There is a meeting on Tuesday to discuss the Allied Health programs. The growth projections are a guess. It was less expensive than Member Vekich anticipated because the project was able to leverage past investments. In 2008 Rochester would recruit the super star professors. They would arrive in 2010. There would be a new facility in 2011 and 2012. The numbers look reasonable. The bonds currently committed will be paid off in 2012. Member Vekich recommended that the Rochester Committee ask the legislature for \$5 million for this project for each fiscal year for the last year of this biennium and for the two years of the next biennium.

There is a gap of more than \$140 million over the time period of the spreadsheet from now until 2015 when the funds needed are compared to the funds currently expected.

The planned programs are the most expensive kinds of programs to offer. The technology, labs and equipment will be expensive and must be cutting edge. Further work must be done to more exactly match the programs to the costs. The spreadsheet presented is a very aggressive approach. Academic dollars will need to be shifted between years as these programs develop. If the project can get past the first three or four years, we will have "proven" the concept and the state may take a different approach in Rochester.

If we can get the Rochester City Council to dedicate the city sales tax to this project we will break even. There will be more investment needed past 2010.

If we compare this to liberal arts, this looks expensive but this isn't liberal arts. Other states are making this investment. Minnesota needs to make this investment, too. Right now all we have is the \$3 million that was given to the Office of Higher Education for next year.

Member Hoffman wanted clarification on the statement that with an additional \$5 million in Fiscal Year 07, 08, and 09 and with the city sales tax investment the project would break even.

Member Vekich said that was what his spreadsheet showed.

Member Berning asked how potential grants were reflected in the spreadsheet.

Member Vekich said that grants won generally have a 49% add on for administration but that administration cost is closer to 55 % so there is no net gain from the grant. Although there will be more grants received when the super star professors are hired, those additional grants will not bring excess funds to this project.

Metzen asked if this could be highlighted in the executive summary. We need to highlight that we need new resources from the state.

Member Vekich said the resources gained would depend on the state budget.

Member Hoffman asked if the spreadsheet reflected a 6% annual tuition increase.

Member Vekich said that it did. The state budget process does not use inflation to project future costs but the spreadsheet does use inflation.

Chair Stewart pointed out that many other states have invested hundreds of millions of dollars in projects like this to enhance the state's future economic position. Minnesota needs to make an investment now also or it will be left behind.

Consultant Essex asked that additional changes be given to her by noon on Monday January 9 so that she can incorporate them and distribute the next draft of this report.

Chair Stewart reminded the Committee that the Committee will meet January 20 to approve the final report because the Committee wanted to forward it to the Board of Regents to meet the deadline for their next meeting. The report must be submitted shortly after January 20.

Chair Stewart also stated that the deadline for the rfp for proposals to conduct an economic income study was January 11. The members who will help evaluate the proposals received will be Member Bender, Member Vekich, Member Gourneau, Member DeBoer, and Chair Stewart. When received by the Office of Higher Education, The proposals will be sent overnight to the members who will evaluate the proposals.

Chair Stewart reminded the Committee that the legislature must be made aware of the risks of not making the investment. All the benefits shown in this report will not be gained. The report should be sure to list the investments of other states like Georgia, Florida, Pennsylvania, Wisconsin and other states.

Member Vekich agreed that the idea had to be emphasized.

Member Flaada agreed the report should open with the potential loss if there is no investment.

Chair Stewart said she wanted letters of support for the report from several people and groups. She stated the IBM and Mayo are not required to increase their investments in the Minnesota sites. They can increase their investments in their sites in other states. If that happens, Minnesota loses.

Consultant Essex pointed out that page 28 of draft 3 emphasizes the mobility of future investment.

Member Vekich suggested that the report should emphasize that 3M has a lack of investment in Minnesota compared to its investment in other states.

9:40 a.m. PUBLIC COMMENTS

Allison Good from the audience stated that the investment in Scripps was from economic development not from higher education.

9:45 a.m. Adjourned.

**FUTURE MEETINGS** will be 7 a.m. to 10 a.m. Friday, January 20.

**POSSIBLE ADDITIONAL MEETINGS** will be 7 a.m. to 10 a.m. Friday, February 3; Friday, February 24; Friday, March 17; Friday, March 31 **at Edina Realty Rochester, 1301 Salem Road SW, Rochester, MN.**