

DRAFT - UNAPPROVED
Rochester Higher Education Development Committee
Meeting Minutes for February 3, 2006

Time: 7 a.m. – 10:30 a.m.

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

Members Present:

Al DeBoer

Drew Flaada

Dr. Wendy Shannon

Marilyn Stewart

Jayne Rankin

Dwight Gourneau

Dr. David Metzen

Bob Hoffman

Member not present:

Al Berning

Michael Vekich

Dr. Claire Bender

Others Present:

Ardell Brede

Dr. Cheryl Maplethorpe

Don Supalla

Dr. David Carl

Dick Westerlund

Alison Good

Matt Stolle

Rev. Bruce Buller

Gail Sauter

Jim Clausen

Faith Zimmerman

Don Sudor

Dr. Christine Barajas

Joe Marchesani

Representative Randy Demmer

Representative Tina Liebling

Representative Sheila Kiscaden

Mike Lopez

7:09 a.m. Chair Stewart called the meeting to order.

Member DeBoer will lead the task force in charge of supporting the report with the legislature.

Member Gourneau mentioned a report called Broadening the work Force in computing that said the United States did not have enough students majoring in computing.

Chair Stewart said future meeting dates would be March 17, March 31, April 28. March 31 will be a progress report for Simon Tripp. The final report will be submitted at the April 28 meeting.

Member Metzen said the University Board of Regents would meet on February 10. The Committee will present their report to the Regents.

The Committee approved the January 25 minutes.

Chair Stewart will meet with the I-90 group of politicians later today. All of them were invited to hear Simon Tripp present information at this meeting.

Chair Stewart asked for permission to spend funds to print reports and brochures to support the Committees efforts. Member DeBoer moved authorization. Member Metzen seconded. The motion passed unanimously.

Consultant Louellen walked through the PowerPoint presentation explaining the Committee report. She said there could be video inserts into the PowerPoint but that would make it a very big file that would take a long time to download or to email.

Member Hoffman asked why Rochester CTC and Winona State University were not mentioned in the PowerPoint.

Member Metzen said the Committee was not trying to grow all the institutions that served Rochester, The Committee was trying to create something different.

Member Rankin said that Rochester CTC and Winona State University fed into the new educational creation.

Rochester Feb 3 minutes continued

Member DeBoer said the presentation should emphasize the workforce development.

Member Flaada said the Presentation should emphasize that RESEARCH is what is missing.

Consultant Essex said that the University of Minnesota-Twin Cities is the RESEARCH UNIVERSITY so the presentation should not use the phrase RESEARCH UNIVERSITY to describe what is needed in Rochester.

Member Metzen said the discussion will sort itself out. The Committee needs to be sure the legislature knows that the Committee is not talking about a "football team."

Member DeBoer said the UM- Morris and UM-Crookston, and UM-Duluth are full campuses. Rochester doesn't need a full campus. That is why the label "South Bank" was used. What the RHED Committee wants is a part of the UM-Twin Cities campus, not a separate campus.

Member Metzen said the Committee should say it does not want to expand to a full university. We should focus more on the "South Bank" idea.

Chair Stewart said the concept would be the UM-Rochester campus with the degrees coming from the University of Minnesota -Twin Cities.

Member Hoffman said the slide on education should include the MnSCU campuses.

Member Metzen agreed it should have all the educational providers in the SE Minnesota area.

The next slide showed the "Competition" with a map of the United States. The states showed the dollar amount invested by the state. Member Rankin wanted to be sure that all the funds that Minnesota had invested was recorded on this slide.

Member DeBoer wanted to be sure the presentation included why the UM needed to move to a downtown location. Don't focus on independent identity. Focus on needing to be adjacent to MAYO. When the presentation has the PROGRAM slide, the UM being near to MAYO should become more obvious. The presentation should also talk about joint appointments and people from each organization having access to one another.

Member Flaada agreed and said that doctors want to spend time seeing patients not driving to different locations. The UM has to be close to MAYO.

Member Flaada said the slide on the money needed to cover the allocation from the legislature and the sales tax dollars in Rochester.

Member Rankin suggested that the presentation emphasize the priority programs.

Member DeBoer asked if Rochester is being asked to contribute more or less than other communities that have higher Education institutions in their communities.

Member Hoffman said that the new Minnesota State University, Mankato School of Business building will be built and operationally funded totally from private funds.

Member DeBoer said that Rochester was making a significant contribution and that should influence legislators to support the project.

Member Metzen said that Rochester had significant "skin in the game".

Member Rankin reminded the Committee that when it comes to funding new buildings, in higher education there is an expectation that the state pays no more than 2/3 of the cost and the higher education system (either the U or MnSCU) is expected to contribute 1/3 of the building cost. The UM and MnSCU are handled differently. For the UM the state sells bonds to cover only 2/3 of the cost -- the U comes up with the other funding to complete the project. For MnSCU the state sells bonds for the whole amount, and then bills MnSCU for the amount needed to pay 1/3 of the debt service on the bonds. When bonding projects are requested by a local government, there is a different guideline -- one of the criteria for local requests is that the local governments contribute at least half of the cost. Using Rochester city sales tax as the non-state contribution to a building project is not unique, but it appears that it would be above and beyond the 1/3 higher education standard used for other building requests.

Member Hoffman commented that when the MnSCU campuses cover the one-third cost of a bonding proposal, the funds come out of the campuses operating budget.

Chair Stewart wanted the Powerpoint presentation to include the fact that there are already 10 scholarships ready to help students attend the new campus.

Member Hoffman commented that citizens from other cities in Minnesota donate money for scholarships even if they don't have a campus in their city.

From the audience Senator Kiscaden wanted to speak as a member of the target audience. She pointed out that it was not clear that the Committee did not want this enterprise to be a separate campus. Perhaps it should be like the Carlson School of Business. Rochester asked for money in 1999 and now there is more time and focus. The funds are to accelerate the growth. In 1994 Rochester wanted a Polytech and it was turned down. Now the UM and MnSCU are supportive. You are supporting what is already authorized. We need to be clear that we are not asking for money for a whole new campus. Rochester just needs more money so the current structure can grow.

Member Metzen suggested that there should be a history slide. He said the legislature needed to be contacted several times because there are new legislators who will not know the history.

There was a motion to thank Louellen Essex for her work writing the report for the Committee. The motion passed unanimously.

Member Metzen suggested that the Committee might the Committee to give permission to Chair Stewart to hire Dr. Essex in the near future if needed. Passed unanimously.

8:15 A.M. BREAK

9:20 A.M. Consultant Simon Tripp began his PowerPoint presentation about his Economic Impact Study work. His PowerPoint is posted on the Rochester web page <http://www.ohe.state.mn.us/rochester/>.

The Economic Impact Study shows that education pays and it is a social good. It is important to the Committee to have education available for career development. It will also show the reduced negative cost of having business move somewhere else.

Mr. Tripp said he would write the report as “here’s what you have to get the economic impact.” Most economic Impact studies show not only a campus but a system for knowledge transfer and value-added capture. The project will show the generation of jobs on many levels. “Knowledge spills over” and spillover tends to be quite local. You must build for tacit or “sticky” knowledge.

Faculty must be rewarded for invention disclosure not just publishing. Now they are just rewarded for publishing and they will keep inventions secret until they can publish a paper. They are rewarded for publishing with tenure. They must be rewarded for disclosing inventions.

Statistics show that 82% of business created will stay local. 35% of firms that start will do well and survive. Computations biology is more applied and so there are more business products. 40 – 60% of biotech companies are initially formed by academic scientists.

Member Flaada asked if the statistic included graduate students.

Mr. Tripp said the generally the professor forms the company and the graduate student works for the professor.

Mr. Tripp continued by saying that the return on investment for an undergraduate is a good 12%. The return of investment for graduate students is less because the cost is more and the lost opportunity is more. 25 to 40% of the National Income Growth is from Research and Development and Knowledge Application.

It is best to build a capital fund from private investment. Having a medical school and being a land grant institution is important. The most valuable inventions will be biomedical. Rochester will want “local licensing”. You need state of the art equipment. Mayo has state of the art equipment. For China and India, only 10% of the graduate students used to go back to their home country after being educated in the USA. Now it is 80%. Rochester needs to attract domestic students if they want the students to stay in this country.

There is a greater risk of loss by not making the investment. An Innovation Economy needs an Innovation Engine. Technology, Talent, and Capital are mobile. You anchor them by “sticky” knowledge. Spin-off enterprises locate near the source of knowledge. Mayo and IBM are multi-location organizations. Minnesota is 20th in population and 15th in higher education spending but you are not growing. You can’t do what you want to do on a shoestring budget. In order to attract domestic students you will need subsidies. This is a GRAND EXPERIMENT for Minnesota. Rochester has 30 companies. You should be able to get lots of mentors for the students.

For people in biosciences, Mayo is the gold standard. Scripts is trying to build that reputation but Minnesota already has that with Mayo.

The Economic Impact Report will make projections. Even conservative projections will show a good return of investment. The report will be delivered as soon as possible but it is more important to deliver a good report that a quick report. The report will be done by April 28th and the Committee will be informed as the study moves along. Mr. Tripp said he wanted advice on key contact in local industry, investors, venture capital, local school districts and institutions. He understands that the Rochester Committee doesn’t want to duplicate programs.

Chair Stewart said she would give Mr. Tripp a list of people to talk to. Other Committee members also offered help.

Mr. Tripp asked the Committee if they thought he was missing anything.

Member Shannon said nothing was missing but wanted to remind Mr. Tripp that this would be important for the legislature. This report will help build the case.

Mr. Tripp said that although the report would not be ready at the beginning of session, the PowerPoint presentation he had might help explain some important points. He would be sure to give the presentation to the Committee. (It is posted on the Rochester web page)

The legislators in the audience said the Powerpoint presentation would be useful.

Chair Stewart reminded the Committee that Minnesota is already behind Arizona and Florida and California in creating this biomedical business producing “machine”.

Member Rankin wanted to be sure that all of the money that Minnesota was spending on biomedical education was being counted.

Mr. Tripp pointed out that just spending money was not as important as targeting the spending to activities that would produce additional wealth for the state. Spending must be strategic.

For the audience Valerie Pace reminded the Committee that the UM will say that they have never been fully funded so this money may be seen as just fulfilling the base.

Member DeBoer said the funding must be targeted.

Members commented on how much the businesses in Rochester contribute to the support higher education.

Mr. Tripp said the focus should be on what this project will do for the businesses like IBM and Mayo, not how much the businesses can contribute to this project.

Member Flaada said IBM will ask why this is the right place to make an investment.

Chair Stewart said that the University of Arizona is already making huge investments.

9:55 PUBLIC COMMENTS

NONE

Meeting adjourned 10:00

FUTURE MEETINGS will be 7 a.m. to 10 a.m. Friday, March 17, 2006; Friday, March 31, 2006; April 28, 2006 **at Edina Realty Rochester, 1301 Salem Road SW, Rochester, MN.**