A special meeting of the Board of Regents of the University of Minnesota was held on Thursday, March 8, 2018 at 3:00 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Abdul Omari, presiding; Thomas Anderson, Richard Beeson, and Darrin Rosha. Linda Cohen, Michael Hsu, Dean Johnson, Kendall Powell, and Steve Sviggum participated by phone.

Staff present: Vice Presidents Bernard Gulachek and Matt Kramer; General Counsel Douglas Peterson; Executive Director Brian Steeves; and Associate Vice Presidents Julie Tonnesson and Michael Volna. President Eric Kaler participated by phone.

**PRESIDENT’S RECOMMENDED SUPPLEMENTAL 2018 STATE BUDGET REQUEST**

Regent Omari invited President Kaler and Vice President Kramer to present for action the President’s recommended supplemental 2018 state budget request (request), as detailed in the docket.

Kaler stated that tuition affordability had been a top priority of his administration. He noted that the University has kept tuition increases to a minimum for Minnesota resident undergraduate students during his tenure. Given that the State of Minnesota anticipates a surplus in the current biennium, he recommends amending the University’s request to seek a $10 million state investment that would allow the University to continue prioritizing affordability across the system.

Kramer outlined the request. He shared that both the legislative and executive branches have signaled openness to modest supplemental budget requests given the budget surplus, and expressed optimism that the request will be viewed favorably. He described the request as a restoration of funding, given that the biennial budget reduced the University’s allocation by $10 million in the second year of the biennium. Kramer indicated that Minnesota State also plans to submit a supplemental request seeking funds not reallocated in the second year of the biennium, but is adding $21 million for new technology funding.

Kramer stated that if the University receives the request, it will seek to use the funding to freeze resident undergraduate tuition across the system. If tuition is frozen, it would mean that since 2012 resident undergraduate tuition on the Twin Cities campus will have increased 0.8 of one percent and 0.36 of one percent for all other campuses, annually.

A motion was made and seconded to approve the resolution related to the supplemental 2018 state budget request, as follows:

WHEREAS, the University of Minnesota (University), the state’s only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public engagement; and
WHEREAS, the FY 2018 state appropriation to the University includes a one-time amount of $10,000,000 thus creating an overall decrease of state appropriation of the same amount for FY 2019; and

WHEREAS, the University allocated the $10,000,000 one-time appropriation in FY 2018 to one-time repair and renovation projects throughout all the campuses; and

WHEREAS, the incremental new appropriation would be used in the FY 2019 budget to hold resident undergraduate tuition rates on all campuses flat – equal to the rates approved by the Board of Regents for FY 2018,

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the University’s Supplemental 2018 State Budget Request to the Minnesota Legislature in the amount of $10,000,000 in recurring funds from the State of Minnesota.

Regent Beeson offered his support, stating that he views the request as reasonable given the projected state surplus. He highlighted the University’s recent record, citing the very modest increases in resident undergraduate tuition. He added that keeping resident tuition increases low is a hallmark of the Kaler administration.

Regent Cohen expressed her support for the request. She highlighted the resident undergraduate trend since 2012 as helping Minnesota students and families, and characterized the request as being of great service to the state.

Regent Hsu offered his support for the goal of freezing resident undergraduate tuition, but suggested that the University should be able to freeze tuition on its own and use any additional investment from the state to reduce tuition.

Hsu moved the following amendment to the resolution:

WHEREAS, the incremental new appropriation would be used in the FY 2019 budget to hold resident undergraduate tuition rates on all campuses flat – equal to below the rates approved by the Board of Regents for FY 2018,

The amendment was seconded.

Regent Anderson explained that while he supports the idea of reducing resident undergraduate tuition, he will vote against the amendment. He suggested that the full Board consider the merits of this approach at a time when all Regents are present.

Cohen expressed her opposition to the amendment.

Regent Johnson noted that this meeting is not the time to discuss reducing tuition, and that he will vote against the amendment.

Regent Powell offered his support for freezing tuition, noting that the administration studied this option and has expressed confidence in obtaining the funding. He suggested that today’s action does not preclude the Board from considering a tuition reduction later.

In response to a question from Regent Rosha, Associate Vice President Tonneson explained that the $10 million from the first year of the biennium was used for one-time repair and renovation projects across the system.
Rosha commented that since the $10 million from the first year of the biennium was not used to supplement tuition revenue, the Board has more flexibility for the request if it is funded. He noted that in his view, the Board is on the same page in seeking to increase affordability for resident undergraduates, and that the debate is focused more on the strategy to achieve that goal.

Rosha offered his support for the amendment, stating that it better positions the request for success with the legislature. He noted that many legislators feel that the University should be able to freeze resident undergraduate tuition on its own. He cautioned that legislators might view the request as removing the pressure on the University to create new efficiencies and control costs to freeze tuition on its own. He proposed reframing the request with that message.

Rosha referenced previous disagreement with Regent Sviggum on the size of legislative requests. He reiterated his concern that the University's request may put it at a disadvantage when compared with Minnesota State's request for $31 million.

Kramer responded that the legislature’s practice with capital requests is to apply an across-the-board percentage decrease. He suggested that based on conversations with legislative leadership, the University’s request is being viewed as reasonable in that it seeks to restore lost funding. He offered that Minnesota State’s strategy could backfire.

Rosha stressed that if the University does not receive the $10 million, it does not mean that resident undergraduate tuition must be increased. Instead, he suggested the University continue to work toward affordability for Minnesotans regardless of the outcome of the request.

Regent Sviggum expressed his support of the President for bringing the request to the Board. He offered that he views it as new funding since the legislature did not allocate the additional $10 million when it passed the biennial budget. He suggested that the University could and must do better to control costs, and will may have to do something dramatic to do so. He added that the content of the amendment is more appropriate for the budget discussion in May, but is a step in the right direction.

Hsu stated that he does not view the request as the best strategy to obtain the additional funding. He agreed with Rosha that the legislature could view the request as the University not taking responsibility to control costs. He shared his view that he has not observed much progress in cost control since last summer. Hsu suggested the legislature is waiting for the University to cut costs before providing new funding.

Omari called for a roll call vote on the Hsu amendment. The vote was as follows:

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<thead>
<tr>
<th>Regent</th>
<th>Vote</th>
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<tbody>
<tr>
<td>Anderson</td>
<td>No</td>
</tr>
<tr>
<td>Beeson</td>
<td>No</td>
</tr>
<tr>
<td>Cohen</td>
<td>No</td>
</tr>
<tr>
<td>Hsu</td>
<td>Yes</td>
</tr>
<tr>
<td>Johnson</td>
<td>No</td>
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<tr>
<td>Lucas</td>
<td>Absent</td>
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<tr>
<td>McMillan</td>
<td>Absent</td>
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<tr>
<td>Powell</td>
<td>No</td>
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<tr>
<td>Rosha</td>
<td>Yes</td>
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<tr>
<td>Simmons</td>
<td>Absent</td>
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<tr>
<td>Sviggum</td>
<td>Yes</td>
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<td>Omari</td>
<td>Yes</td>
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Four votes were cast in favor of the motion and five votes were cast against the motion. The Hsu amendment failed.
Sviggum stated his concern with asking for the $10 million as recurring funding. He offered his preference not to create a tail in an out biennium, noting that the state budget forecast showed only a modest structural balance going forward. He wondered if not requesting it as a recurring appropriation increases the possibility of success.

Kramer responded that requesting the $10 million to be recurring strengthens the University’s position going forward. He noted that the University’s base funding will be set by the previous biennium. He suggested that having the $10 million as recurring means that any cuts will start from a higher total appropriation. Sviggum reiterated his view that recurring language puts the request in a weaker position with the legislature. Kaler explained that it is worth asking for the $10 million to be recurring as a starting point. He noted that the University can always adjust its position.

Beeson emphasized that the lack of consistent increases by the State of Minnesota over the past 12 years is the main issue. He noted the University’s patience in seeking additional funding and that it is reasonable to ask for recurring money. Sviggum responded that the University received an increase in the first year of the biennium.

Anderson noted that just because the University asks for the funds to be recurring does not mean it will happen. He suggested that the University could still secure the funds as a one-time appropriation. Kramer agreed, adding that he prefers to ask for the funding as recurring given that consistently securing funding as one-time appropriations is more difficult.

Hsu stated that the Board and administration need to take a serious look at forming the FY 2019 operating budget, regardless of any supplemental funding. He urged the Board not to automatically consider increasing tuition if the state does not provide the additional funding.

Omari called for a roll call vote on the resolution as presented. The vote was as follows:

- Regent Anderson: Yes
- Regent Beeson: Yes
- Regent Cohen: Yes
- Regent Hsu: No
- Regent Johnson: Yes
- Regent Lucas: Absent
- Regent McMillan: Absent
- Regent Powell: Yes
- Regent Rosha: Yes
- Regent Simmons: Absent
- Regent Sviggum: Yes
- Regent Omari: Yes

Eight votes were cast in favor of the resolution and one vote was cast against the resolution. The resolution related to the supplemental 2018 state budget was approved.

The meeting adjourned at 3:36 p.m.

_BRIAN R. STEEVES_
Executive Director
and Corporate Secretary