



Robert Bruininks, President, University of Minnesota

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

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Present: Verne Johnson (Chair); Janise Clay, Paul Gilje, Jim Hetland (phone), Jan Hively, Ted Kolderie, Dan Loritz, Tim McDonald, Jim Olson (phone), Wayne Popham (phone), Clarence Shallbetter, Jim Thorp, Bob White

A. Context of the meeting - Taken together, in descending order from the largest, health and human services, K-12, transportation, and higher education comprise over 80 percent of Minnesota's budget. The costs of running education have been, are and are projected to continue outpacing the rate of inflation manifold. The costs of health care are rising even faster.

Higher education is feeling the squeeze. Cost pressures are driving it from the inside and affecting its share of revenues from the state. Yet Bruininks believes the University of Minnesota can become one of the top three public research universities in the world. That goal is "aspirational, audacious, and, I believe, achievable," he has said.

Higher education an industry ripe for disruption. Enrollment in online degree programs in the state now surpasses total enrollment at the University of Minnesota. The capacity and appeal of new technologies continues to advance and is following the prescriptive "disruptive" path that researchers have attributed to the upset of many industries previously.

Change is afoot, and public colleges and universities have a strong incentive to redesign with pressure coming from their consumers and sponsors, both public and private. President Bruininks will visit with us on this, today.

B. Welcome and introductions - President Bruininks is the 15th president of the University of Minnesota. He has been in the post for nearly eight years. Bruininks began his career at the University in 1968 as an assistant professor of psychology before moving into the position of professor. He then rose through a series of administrative and leadership positions both on the academic and management sides of the University. He retires at the end of the 2010-2011 academic year.

C. Comments and discussion -During President Bruininks' visit with the Civic Caucus, the following points were raised:

1. The state's higher education system is not sustainable— "I do not think we are on a sustainable path," Bruininks said. Costs are rising and government support is decreasing. Demographic changes are altering the capabilities and needs of students coming to the University of Minnesota. These changes are weighting what he considers a disproportionate share of state funds toward the MnSCU system. Meanwhile, higher education is being squeezed out of the state budget in general.

2. Proposals for changes in structure need to come from the outside— Options for response? "The main pressure for change and reform needs to come from the outside on this one. We're in a long-term structural ditch, but we are not getting out of it on our own—we need to look at the entire collection of state services. We need something like the Greenspan Social Security Commission," which provided cover to politicians on a sensitive topic. "We'll need broad public authority and awareness," in order to change.

3. Elements of the *problem* facing higher education— There is a "new normal" for public universities, Bruininks argued, with new trends. Times have changed for public universities. The concept of a *new normal* "is usually discussed in terms of economics. The *new normal* describes more than just money; there are trends that are difficult to confront, as well—and there are also some positives.

a. Changing state support for higher education. " Higher education used to account for 9 percent of the state's biannual budget; now it is around 4 percent and falling." Meanwhile costs are rising. "Believe me," Bruininks said, "the cost pressures in a global labor market are different than those in a local market" for top faculty and for top researchers.

b. Support shifting from the institution to the individual— Not only is funding decreasing, but it is shifting from the institution to the individual. "The federal approach to funding is turning from an innovation-approach"-say, a partnership between universities and government for R&D-"to student need." This is taking the form of increased allocation to Pell grants and subsidized loans.

The shift to the individual reflects rising concern over the accessibility of higher education. "Tuition is becoming a major factor," a member observed. Bruininks responded: "Don't just keep your eye on the sticker price; keep your eye on the net price. The sticker has gone up 100 percent over the last 10 years, but the net has risen 27 percent (roughly 3 percent annually)"-and some years the net price has actually gone down for many students. The University is working hard to provide tuition aid.

He recalled a visit with Father Dennis Dease of St. Thomas, where he asked how much tuition was at that school. "\$26,000," Dease said. Who's paying it? "Nobody." The point, President Bruininks said, is that "the economy is complex," and there are entrepreneurial ways to deal with the problems it presents.

c. Concern over low graduation rates— A member asked whether President Bruininks believes concerns about graduation rates are affecting the process of awarding individual aid, i.e., is there concern that aid does not result in a completed degree? Yes, the concern is more basically about getting people to graduation. "We are in the back of the Big 10 in our graduation rate," he admitted,

"partly because urban universities have more people coming in and out"-but the University of Minnesota Twin Cities has doubled its four-year graduation in recent years. The best thing a person can do to cut down on cost, he said, is to graduate in four years.

d. Changing, less favorable demographics— Now, it is well documented that the growth of college-aged students will slow, affecting the supply of high school graduates, he said. Increasingly the demographics of the younger generations in Minnesota are trending toward racial, ethnic and socio-economic groups that have not done well—and are not doing well—in school. These groups have been least likely to go to college. The state is growing older, with more retirees contributing less in taxes.

e. Increased competition from for-profit online education— "The fastest growth in higher education is in proprietary, for-profit online education. The reach and advances of technology are changing the accountability" for the University and increasing demands for technology-rich curriculum. Even so, the University continues to see a rise in applicants and better qualified applicants, making admission much more competitive. While enrollment has grown in recent years, demand has grown much more quickly. "I get calls at all hours of the day, and night, from people I never used to, asking why their child or grandchild didn't get in."

4. Elements of the *strategy* to deal with the problems facing higher education — "How does the state move," a member asked, "on the response side?" Through "macro design," Bruininks replied. It is the state's job to do the design of public systems-not to run them.

There are clearly two dimensions to this problem, a member observed. One exists within the higher ed. system, involving its design, function and outlook. The other is at the level of the state and involves how it legislates and funds public services.

The member continued, "You have been listing elements of the strategic problem. If you go over to the other side, what are the strategic actions to deal with them? How does the University of Minnesota internally move to address the things it needs to do, to respond?"

"We need to do a good job delivering on our mission," Bruininks began. "Be entrepreneurial. Manage the economy internally. Revisit our organizational character and ask, what is our primary role and what are our responsibilities?" He outlined some ideas:

a. Improve college readiness , so students come to college without needing remedial courses. "I believe the top priority in K-12 needs to be college readiness" he said, citing his experience serving with a group called the Minnesota P-20 Education Partnership. They brought in experts to work on content for elementary and secondary schooling (they issued a 2007 report that may be found here: <http://tinyurl.com/ybj5apm>). "Students must come to college knowing how to do college work and able to succeed."

b. Better align early childhood, K-12, and higher education- "We need to have greater cooperation between K-12 and higher education institutions," Bruininks asserted. This will streamline the transition and find efficiencies (see next). The College Readiness Consortium with Kent Pekel works on the question of how to better bridge K-12 and the University. Further, as a society, "We have got to redesign K-12 schools to get higher results."

c. Invest more in early childhood— He believes firmly that more money should be spent on early childhood, and that there needs to be more attention paid to it. "If I had to choose a dollar over there (in early-childhood) or a dollar for higher ed, I'd choose early childhood." But the way money would be spent is different than the institutional subsidy for colleges and universities. "It is not a system-it is a collection of independent people. It is consumer-driven."

d. Design systems that are highly responsive and sensitive to cost. "Deal with internal design of schools and system design" of both MnSCU and the University of Minnesota. "We cannot keep taking out \$200 million, year after year and sustain a model of so many institutions." He didn't know how to change this, but said that groups outside of the system need to provide the vision and pressure to scale down.

e. Get at the cost for families by enabling students to earn a degree more quickly — "We should get very real about alignment of K-12 and higher ed," Bruininks said, including more use of Post Secondary Enrollment Options (PSEO), college in the schools, and Advance Placement courses. "The average student is already coming to the U with 15 credits," he said. Even so, families are not now using this as a way to save money. "They're not saving the tuition, instead they're maxing out their credits and double majoring or taking on multiple minors."

f. End high school at grade 10?— "You said many years ago," a member observed, "that students should be able to end high school at grade 10. Do you still feel that way?" "If we are going to cope with the new normal," Bruininks replied, "we are going to need to create more interconnections between these systems." But simply shortening high school isn't the answer, since students graduating from high school today are often underprepared. Again, he emphasized the need for college readiness and the opportunity for students to take courses in those latter years of high school that would prepare them for the rigors of postsecondary education, earn them college credit, and apply to their liberal education requirements or directly to their degree.

g. Pare down the number of institutions — "We need to revisit the charter we have for higher education in the state," Bruininks said. "We have many cost centers with marginal results." Over 300 school districts and public post-secondary institutions based on geography; not need.

"In 1972 the legislature decided to place an institution within 35 miles of every homestead in the state. This is not sustainable."

"The University of Minnesota is the research/land-grant institution of the state. We need to protect this to thrive as a state. This is indispensable in the global economy-its centrality and interdependence with the state. I'm concerned we won't stay in this position" nationally/internationally the way resources are eroding now.

Bruininks points to the state's capital projects to make his point. "Historically the university would receive 15 percent of funding in the state's bill for capital projects. The investments are supposed to be for projects of 'significant public importance.' The House bill just drafted gives us 7.5 percent." He mentioned projects that, while legitimate, seemed of less pressing importance compared to the University. "You put a dollar in the University, we'll give you four. We leverage it."

5. Minnesota's edge will be brainpower and a culture of innovation — There are two driving forces in the global economy, Bruininks said, that the state and the university need to keep their eyes on: brainpower and a culture of innovation. "A culture of innovation is necessary breed homegrown successes. The best businesses in Minnesota are started here. Rarely do they locate here from somewhere else.

"We can't cut our way to a more creative future. Reform and redesign of systems must be our top priority. That is a hard thing for public systems-it's hard enough for the private sector, which must do it every day."

The political environment is a challenge, he argued. "If we could turn back to the age of Elmer Andersen, when it was less polarized, with groups that came up with ideas," it would aid the process.

6. Higher education is resistant to change— He acknowledged that higher education is one of those systems that does not want to change. He paraphrased James O'Toole: "Academia is the one place on Earth where change is resisted as a matter of great principle."

7. Federal earmarking makes for unwise spending— "Look at the capital expenditure bill that was passed recently only to be pulled back-there was one project (for higher ed. institutions) in every congressional district. That is not a strategic way to go about funding higher ed. Each one of these projects has a 25-year debt tail. The demographics driving these projects today will be decreasing during these years."

8. Public systems should assess themselves against what they value with great discipline— The University pegs itself to the top schools in the country and pursues goals. "We benchmark with discipline to top public research universities," Bruininks said, "and private universities, too. Great institutions measure what they value."

9. Advantages of contracting services?— The university can contract with service providers, a member suggested, for remedial work or online work. It already contracts at the faculty level with adjuncts. They have done it with their partnership with Fairview hospitals.

"The Fairview contracting model has worked well, and is becoming a national model. But the issue of how you deal with cost isn't to do-it-yourself or outsource," it is in what is done and how it is done. Contracting creates competition, which is itself a redesign in strategy-and results in redesigns of how things are done. Bruininks leveraged that to make the case for stronger state support. "Large amounts of revenue go out through competitive grants and processes, creating private jobs. We need to protect that (funding)."

10. The University of Minnesota has decisions to make about how it will incorporate online learning— "Talk a bit about the new business model of online learning," a member asked, "and for-profit hybrids, and what that means for the university."

Bruininks expressed skepticism that online learning alone will lower the cost-curve of higher education. "Technology is not a panacea," he said. "Beware of the people who try to sell it as that." But "it will change the way people teach and learn, including more differentiated staffing."

The university's focus is on what Bruininks called "blended learning,,," working to enrich the classroom experience through interactive technologies. Faculty, developing online components independently for their own courses, drives the online side of the university.

Asked about their uptake of new electronics and information technologies, Bruininks said, "We spend a lot of money on technology," and while they could be doing more, they have "really leveraged technology in niches-in dentistry and through a research partnership with IBM," For example.

11. Is the "U" competing with online institutions?— A member asked if they are trying to compete with Capella, an online university with its physical headquarters downtown Minneapolis, that enrolls 28,000 students worldwide.

Bruininks responded that they are not competing directly, and again emphasized the University's blended approach. "People don't come to the University of Minnesota for online courses." The university provides student services with a technological component, and their primary pedagogy is still lecture. "We have a new science building that has highly interactive learning in and out of the classroom." They are looking to add-on more: "We are bringing in national consultants to strategically grow the technology of the school."

12. The university could set up the e-component of its operations, independently—

Continuing the discussion of the evolving and growing realm of e-learning, a member asked Bruininks if he could envision setting up a separate component to the University. This separate component would be for new models of teaching/learning, as Dayton Hudson did with the development of Target stores. If the board of regents wanted to, could they set up a separate operation?

"Yes," they could, he replied, and, "it would most likely report to the executive office." A member cut in that in the case of Dayton Hudson/Target, the board did it differently. They had two executives—one for the department store side of the corporation, and the other for the upstart retail. "Well, it could." Bruininks said to this. "We did it with a the UMore Park project," the effort near Rosemount. That effort involved setting up a separate corporation for the new project (see: <http://tinyurl.com/yzu5pkx>).

What is different about the Dayton-Hudson example, a member noted, was that they had two different executives each accountable for one side of the corporation's strategy. One did department stores, the other discount retail; two different business models. Both reported to the board, which understood both may not make it, but one probably would. What they did was set up a new structure, with quasi-independence (see a model of this here: <http://tinyurl.com/yjj6gas>).

A member asked Bruininks if he could see the university contracting with existing online providers should they decide to enter that market aggressively—instead of building out their own program. Would the University of Minnesota ever set up an e-education component of its operations by following this strategy? "It might," he replied.

D. Closing

"Getting back to 'big-system' redesign issues in the state" is important, he concluded. "We need to do it again. We need to be a state that works." When asked what he proposes to be done, he said, "I would focus strategy on college readiness and early childhood, via redesign of the systems."

When Mr. Bruininks retires in June 2011 year he plans to do "what we're doing here," at the Civic Caucus session, and "work on issues of big public concern." Particularly, "institutions of governance."

The chair thanked the speaker for taking time to visit with the Civic Caucus, and for his candid thoughts today.