Rochester Higher Education Development Committee

Report to

Governor Tim Pawlenty

and the

Minnesota Legislature

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Executive Summary

Minnesota is uniquely poised today to capture an extraordinary opportunity for economic growth. Converging in southeast Minnesota, particularly in the Rochester area, is a combination of high-powered business, academia, health care, and technology enterprises. Partnerships between IBM, Mayo Clinic, and the University of Minnesota position the State of Minnesota to become one of the fastest growing and dynamic biomedical economies of the 21st century.[1] Yet, Minnesota is faced with fierce competition from other states and regions that are quickly developing their resources and investing millions, even billions, of dollars in research partnerships.

The Rochester Higher Education Development Committee was established by the 2005 session of the Minnesota Legislature to recommend the form of higher education that would best meet the unique opportunities presented in southeast Minnesota (See Appendix A for complete legislation.). Building on an existing base of collaboration in Minnesota's third largest city, the Committee recommends that Minnesota:

Establish a world-class higher education institution that leverages the University of Minnesota's research capability, in partnership with IBM, Mayo Clinic, and other industry leaders, to build signature academic and research programs that complement southeast Minnesota's existing leadership roles in health sciences, biosciences, engineering and technology. Educational programs will provide application to economic activities via innovation, translational research, and clinical experiences. This institution will have a distinct identity and one governing entity. This institution will be the University of Minnesota Rochester.

The Rochester Higher Education Development Committee concludes that the University of Minnesota is uniquely and exclusively qualified to effectively capitalize on the opportunities in Rochester, Minnesota. It recommends that the University of Minnesota expand its existing work in Rochester to garner the benefits of this rapidly growing economic sector for our state. The intent is not to duplicate what exists on the University of Minnesota Twin Cities campus, but to draw more extensively on its resources and combine them with the unique knowledge and skills inherent in the region. The University of Minnesota Rochester is encouraged to:

- Implement baccalaureate and graduate programs in areas of high demand, which might include:
    - *Engineering/Technology* - Biomedical Informatics, Computational Biology, Biomolecular Engineering, Computer Gaming/Simulation, and Nanotechnology.

[1] Milken Institute, America's High-Tech Economy, 1999

- *Health Sciences*- Biomedical Informatics, Allied Health, Nursing, Pharmacogenomics, Pharmacotherapeutics, Genomics, and Molecular Biology.
- *Business* - Entrepreneurship, Innovation, and Leadership focused on the translation of research into practical application and new business creation.

- Deliver instruction through innovative use of technology, clinical and internship experiences, research and development, and adjunct faculty in partnership with the University of Minnesota Twin Cities, other University of Minnesota campuses, and southeast Minnesota partners.

- Expand research in these disciplines through collaborations with Mayo Clinic, IBM, and other high-tech employers.

The Rochester Higher Education Development Committee recommends that the University of Minnesota Rochester be located in downtown Rochester, adjacent to Mayo Clinic. This will facilitate the achievement of both the near term and long term vision and will provide students and faculty access to Mayo Clinic facilities and its laboratories some of which are currently shared with the University of Minnesota through the Minnesota Partnership for Biotechnology and Medical Genomics. The transition plan proposed by the Committee honors current lease arrangements on the University Center Rochester campus, which can no longer accommodate the growth needs of the University of Minnesota Rochester.

The Rochester Higher Education Development Committee recommends that initial funding to grow the University of Minnesota Rochester be made through the immediate release of $3 million allocated to the Office of Higher Education for Rochester higher education development, and an additional allocation of $16.3 million spread over the next three years. Once operational, the University of Minnesota's current funding for the University of Minnesota Rochester, tuition, and other public and private funds, as proposed in the financial model, would support ongoing operations. Funding will be generated with new resources, not by supplanting or shifting current levels of state monies from the University's existing budget.

The University of Minnesota Board of Regents will be the governing body for the University of Minnesota Rochester programs and activities as proposed by the Rochester Higher Education Development Committee. The Rochester Higher Education Development Committee recommends that the existing Joint Powers Agreement between the University of Minnesota and the Minnesota State Colleges and Universities should be phased out as soon as practical, with the University of Minnesota honoring existing financial commitments. The Rochester Higher Education Development Committee further recommends that a University of Minnesota Rochester advisory group composed of key partners in this effort be established to consult on the growth and development of this unique institution.

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I. The Opportunity

Rochester's confluence of world-class medicine, advanced technology and bioscience industry makes it uniquely poised to be a major player in the 21st century bio-economy. This potential cannot be fully realized without further investments, most notably in the area of human capital generated through a research university and associated academic programs. Partnerships between the University of Minnesota, IBM, Mayo Clinic, and related businesses position the State of Minnesota to become one of the fastest growing and dynamic biomedical economies in the world.

To ensure a competitive advantage, Minnesota must invest now in developing the missing ingredient to fuel economic growth: a prominent higher education research institution in Rochester.

Sustaining Minnesota's Economic Growth

Minnesota has enjoyed longstanding economic success. Its economic growth rate exceeds the national average and its population growth leads the Frost Belt. Minnesota proudly ranks with leading states across the nation on many social and economic indicators. Our state's strong commitment to education at all levels has been a key contributor to this success.

Minnesota has the opportunity to leverage the capabilities of three great institutions - a strength that would be hard to find in any other geographic region.

Walt Ling
IBM Senior State Executive

While Minnesota enjoys a track record of performance, there is an increasing risk it may not be sustained. The U.S. economy is facing great challenges as globalization forces and the increasing performance of overseas competitors cuts into its economic leadership. It is clear that in today's highly competitive, knowledge-driven economy, an underperforming state will not be able to sustain quality-of-life and standard-of-living increases for its population. In the United States, where states have the freedom to chart their own courses through the free market economy, the challenge of global competition is likely to produce winners and losers as some make the correct decisions and investments while others choose poorly or fail to react at all. Minnesota faces a choice.

The keys to performance in the modern global economy may be simplified into three core elements:

1) *Technology* – Producing and using technological innovations to generate income and enhance productivity.
2) *Capital* – Having the equity and loan capital required to start and grow business enterprise.
3) *Talent* – Having skilled and creative human capital to drive innovation, develop businesses, and staff key positions.

Each of these three elements must be in place in a modern economy in order for economic progress to be sustained. It is also important to note that within a state these three resources must come together at specific locations. Thus, the regions within Minnesota - indeed anywhere - that will be growth magnets will be those that are able to combine the three elements of technology, talent, and capital.

Minnesota also faces domestic competition and is not alone in efforts to generate innovation-driven economic development. Technology-based development and the requisite talent and capital, are frequently the key differentiator in a region's economic performance. A study by the Milken Institute, evaluating economic growth across 315 regions in the U.S. between 1975 and 1998 found that 65 percent of the difference in economic success for regions is accounted for by the growth and presence of high technology industries. Moreover, the Milken Institute found that research centers and institutes are "indisputably the most important factors in incubating high tech industries." [2]

It should also be noted that states and regions with the greatest health care resources could be big economic winners in the decades ahead. As people are living longer, the elderly population is growing and the demands for better health care are pushing new innovations in medicine. Health care consumption in the U.S. has doubled since 1970, from seven percent of GDP to 14 percent. It is expected to reach 17 percent by 2011 as this country's senior population grows. Globally, the over-65 population is expected to expand from 600 million to more than one billion by 2020.

Minnesota's strengths are clear. The Milken Institute[3] ranked the top 20 metro areas on its "health pole" index, which ranks metropolitan regions based on the concentration of health care employment in their economy and as a share of U.S. health care employment. (The word "poles" is used, since these regions act as magnets, drawing other health industries and related companies, and the employment and incomes associated with them.) Minneapolis-St. Paul ranked 10th and Rochester ranked 18th. The study noted that biotechnology and biomedicine are important drivers to creating employment opportunities.

The BioBusiness Alliance of Minnesota, an organization developed in 2004 to encourage and foster investment in biobusiness in Minnesota, illustrates the strong commitment already in place for Minnesota to grow as a leader in the biosciences and in the medical device industry in particular. As home to nationally recognized health care institutions and medical industrial giants, Minnesota provides fertile ground for cross-

[2] Milken Institue, *America's High-Tech Economy*, 1999

[3] Milken Institute, *American's Health Care Economy*, 2003

pollination between private and public partnerships in the biosciences. To be competitive, Minnesota must continue to develop creative partnerships between industry, academia, and the government and address barriers to making the increased investment to develop these partnerships.

The Competition

Many regions across the nation are focusing on how to leverage their base of academic research facilities to create an intellectual environment that can be supportive of, and a magnet for, technology-based economic development. In particular, a new wave of strategically planned "mixed use" campus expansions are taking place across major research universities in urban settings. Communities such as Raleigh, Seattle, Portland, New York City, Denver, Chicago, Austin, Phoenix, and San Francisco are engaged in significant new mixed use, campus expansions for their leading research universities – expansions focused on generating economic growth from university and private sector interactions.

Fueled by the historic convergence of health sciences and technology, closer alignment to the University of Minnesota is in the best interest of the State's economy.

Jim Clausen,
IBM, (retired)
Greater Rochester Area University Center
Board Chair, 2005

Currently, 40 states specifically target the biosciences for development and all 50 states have economic development initiatives available to assist bioscience companies. Other states are investing aggressively in a comprehensive range of bioscience programs to promote research and commercialization. Many are pursuing bioscience development strategies, including strengthening research, increasing university-industry collaborations, and enhancing their business development support. Examples of bioscience investments over the last few years include the following:

- California is investing $100 million in a bioengineering and biotechnology institute, and $500 million in pension funds toward the California Biotechnology Program.
- Pennsylvania has committed to invest $2 billion over a 20-year period in the biosciences including $100 million specifically for the Life Sciences Greenhouses initiative.
- Michigan, through its Life Sciences Corridor initiative, planned to invest $1 billion in the biosciences over a 20-year period. However, this investment level may be scaled back due to programmatic modifications and budgetary concerns.
- Georgia has invested more than $300 million over a 10-year period to build core research facilities and to attract eminent scholars, the majority of whom are in the biosciences and has created a $1 billion Georgia Cancer Coalition.
- Texas appropriated $800 million for seven new or expanded health science research centers.

- North Carolina has allocated half of the state's tobacco settlement to an endowment that has dispersed many of the funds to applied research projects in the biosciences, including a $60 million grant for biomanufacturing and pharmaceutical workforce development.
- New Jersey's university-based bioscience research and development centers accounted for a major share of $125 million in capital funding through two bond issues over the last 15 years.
- Ohio Governor Taft proposed the $1.1 billion "Third Frontier Project" in an effort to make Ohio a leader in new, high paying jobs. This 2002 initiative includes a $500 million allocation to build the "Wright Centers of Innovation," world-class research facilities designed to accelerate the pace of science commercialization. The Centers are collaborations among Ohio higher education institutions, nonprofit research organizations and commercial companies in the biosciences and other technologies.
- Florida used $310 million in one-time federal economic stimulus funds and nearly $200 million in county and local resources to establish a Scripps Institute in West Palm Beach as well as a $30 million Technology Development Fund to create university-based centers of excellence at $10 million each. Florida will expand on this 2003 initiative with $20 million in funding for two additional Centers of Excellence and $25 million to match private donations to state universities.

By comparison, Minnesota is lagging far behind in its investment, yet comparable growth opportunities clearly exist here only if the right strategic investments are made.

Rochester's Unique Advantage

The economic profile of Rochester includes a strong emphasis on research and knowledge-based industries. Its resources are extraordinary:

- Rochester is the state's third largest city with a diverse population approaching 100,000 and a metropolitan statistical area of 172,476.
- It is home to the world-renowned Mayo Clinic, Minnesota's largest private employer with 47,000 workers of which 28,100 work in Rochester. Mayo is a major player in American bioscience research, receiving and investing approximately $372 million dollars in research funds in 2004 and investing $5 million in tuition reimbursement for employee education.

- Rochester's nearly 500 acres, designated for a Bioscience Tax-free Zone, stimulated Mayo Medical Laboratories to move into a vacant building there and complete a $7 million renovation. In the last two years, it has increased its staff by more than 200 FTEs to meet the increased testing workload generated by worldwide customers.
- IBM is Minnesota's largest high-tech employer with 4,400 employees in Rochester. IBM has created a Center of Advanced Studies in Life Sciences and Bioinformatics in Rochester to focus on applied research leading to new products and technology. Notably, IBM Rochester is the development laboratory and production center for BlueGene, the world's fastest supercomputer. IBM invests about $500 million annually in research and development in Rochester, and commits $7 million annually to employee education of which $2 million is for tuition reimbursement.
- In the last ten years, Rochester has grown as a research and development hotbed, attracting more than 30 companies working at the cutting edge of technological, medical, and biological advances. In 1999, a Milken Institute study noted Rochester as having the highest concentration of high tech businesses in the United States.

Several research and academic partnerships exist in Rochester. In 2003, Governor Pawlenty recognized bioscience as a key driver of Minnesota's economic growth. He encouraged the University of Minnesota and Mayo Clinic to form the Minnesota Partnership for Biotechnology and Medical Genomics with $2 million of state funding. This successful partnership fuels the synergy between Minnesota's leading research institutions – Mayo Clinic and the University of Minnesota. It provides Minnesota with the potential to emerge as a leader in the rapidly growing field of biotechnology and medical genomics by leveraging the scientific leadership of its renowned institutions in a powerful research collaboration. In 2005, the Legislature approved a $21.7 million medical genomics research addition atop Mayo's Stabile Building and earmarked $15 million in state research funding for the Partnership. This will attract more research scientists and provide more opportunity for new treatments and technology to fight disease. The Hormel Institute, a unit of the office of the Vice President of Research of the University of Minnesota, housed in Austin, MN, employs some of the world's leading scientists on the cutting edge of cancer research. The Hormel Institute has created collaborative research partnerships with the University of Minnesota Cancer Center, Mayo Clinic, Rutgers University, and the University of Arizona. It is supported by the Hormel Foundation which is one of the

world's largest foundations supporting medical research in the coming decades.

The upside economic potential of these partnerships and research engines for Rochester and the state are substantial. In 2004 an economic impact study[4] was released that examined the potential impacts of the Minnesota Partnership for Biotechnology and Medical Genomics. Mid-range projections from this study showed that economic activity generated by the Partnership could conservatively result in 4,000 Minnesota jobs and $290 million in annual Minnesota economic activity by 2010. By 2020, the study projected that impacts for the Partnership could reach 12,400 jobs and over $900 million in annual economic impacts. Yet, Rochester is projected to be 27,000 workers short by 2020 and will need to grow and attract more talent. Having already exhausted its local labor supply, Mayo Clinic Rochester now relies heavily on buses to carry employees from 36 southeastern Minnesota communities.

While Minnesota has a number of strengths in the biosciences area, what exists in Rochester is different from what is in the Twin Cities corridor. Rochester's strength is currently based on the combination of two principal elements – the Mayo Clinic and IBM. Mayo is the powerhouse when it comes to the clinical application of new technologies in patient care and in the translational research that brings innovation in clinical practice and new procedures. Clearly Mayo also engages in basic science research, but the primary institutional emphasis is on research that transfers results into clinical practice benefiting patients. IBM's focus is in the application of information technology to solve complex problems. The intersection of these two areas is where partnering occurs, and it is happening on a variety of fronts.

In his presentation before the Rochester Higher Education Development Committee in December 2005, Simon Tripp, Principal of Impact Economics, LP, who has conducted several economic impact studies in Minnesota, noted that economic indicators for Minnesota clearly show that our state is well positioned to be a leader in the biosciences given the unique convergence of business, research, and technology, particularly in the Rochester area. This potential growth is highly likely to increase established business retention and expansion, new business formation, and attract more business to the region. However, a critical ingredient is missing to stimulate the economy for Minnesota: the presence of a research university, complementing the research and development focus of IBM and Mayo**.** Studies have emphasized that fast-growing, technology-oriented economies are typically anchored by major research universities interacting with a robust technology-oriented private sector. A study

[4] Tripp, S. and Umbach, P. *Economic Impact Study, Minnesota Partnership for Biotechnology and Medical Genomics*, February 2004.

prepared for the U.S. Small Business Administration found that "Research universities and investment in research universities are major factors contributing to economic growth in the labor market areas in which the universities are situated."[5] Studies by the Office of Technology Policy and others have found that all areas of technology-based economic development in the U.S. have strong concentrations of both university and private research.[6] (The Rochester Higher Education Committee has contracted with Simon Tripp to conduct a complete economic impact study to be finalized in April 2006.)

While the Rochester region has made progress in building a private-sector research and development base, its success at linking this to a university research and education base has only begun to be leveraged. While higher education institutions have a footprint in Rochester, their presence is not yet as visible and impactful as that enjoyed in many other parts of the nation. Rochester has many institutions offering programs, but no four-year or graduate university has established a major identity which is strongly and strategically linked to the technology industry and health care with a research focus.

Current Providers of Higher Education

Several higher education institutions provide programming in Rochester. The University Center Rochester, established through a series of agreements between the Minnesota State Colleges and Universities and the University of Minnesota, was designed to serve Rochester's higher education needs through the public institutions. The Center houses the three public institutions: Rochester Community and Technical College, Winona State University – Rochester Center, and the University of Minnesota Rochester.

The academic scope of most local institutions is focused on business, management, management information systems, education, nursing and other technical and lower division programs. The University of Minnesota and Mayo Clinic are the only institutions that support and conduct advanced research in biosciences and offer doctoral degrees in those areas. Table 1[7] shows approximate degree offerings for higher education programs[8] that now operate in Rochester.

[5] Kirchhoff, Bruce. *The Influence of R&D Expenditures on New Firm Formation and Economic Growth*. Maplewood, N.J.: BJK Associates, 2002.
[6] U.S. Department of Commerce, Office of Technology Policy. Washington, D.C. *The Dynamics of Technology-based Economic Development: State Science and Technology Indicat*ors, 2000.
[7] Greater Rochester Area University Center, 2006.
[8] Additional higher education providers may serve the Rochester area with satellite services.

Table 1
Higher Education Institutions in Rochester

Institution	Approximate Degree Offerings
• Rochester Community and Technical College	70 career, trade Associate
• University of Minnesota Rochester	6 Baccalaureate, 14 Masters, 4 Doctorates, 6 certificates, 5 licensures
• Winona State University – Rochester Center	11 Baccalaureate, 6 Masters with 13 programs
• Mayo Graduate School	Extensive Ph.D./M.S. in Science and Health
• Mayo Medical School	M.D.
• Mayo Graduate School of Medicine	Residencies and Fellowships
• Mayo School of Health Sciences	31 (No Baccalaureate), 1 Masters, 1 Doctorate
• Augsburg College	4 Baccalaureate, 1 graduate
• Cardinal Stritch University	1 Associate, 3 Baccalaureate, 2 Masters, 3 certificate
• Concordia University of Accelerated Learning	5 Baccalaureate; 2 Masters
• Crossroads College (Minnesota Bible College)	Associate, 2 Baccalaureate, 12 majors
• Minnesota School of Business Globe College (opened in 2005)	Associate, diplomas, Baccalaureate, and MBA
• Rochester School of Cosmetology	Specialty careers
• St. Francis University	Unknown
• St. Mary's University of Minnesota – Rochester Center	6 graduate, 1 post Masters, 1 Doctorate
• University of St. Thomas	1 graduate

Many of Rochester's higher education needs have been well served by Minnesota State College and University programs. Rochester Community and Technical College, anchored in Rochester, has grown extensively over

the years. Many private higher education providers have entered the Rochester market, as seen above, providing limited degree offerings and meeting niche needs, but not fulfilling the workforce demands in specialized areas.

The University of Minnesota Rochester has not grown quickly enough to meet the needs of the region. The University of Minnesota established the University of Minnesota Rochester in 1999, although it has offered programs in Rochester since 1966. With a focus on upper division and graduate coursework, it provides four doctoral, fourteen masters, six baccalaureate degrees, six certificates, and five licensure programs. The University of Minnesota Regional Extension Service Office in Rochester is the state's largest regional extension center. In addition to the Minnesota Partnership for Biotechnology and Medical Genomics and the Hormel Institute collaboration, the University of Minnesota has established a Digital Technology Center Industrial Liaison position located jointly at the University of Minnesota Twin Cities and University of Minnesota Rochester. President Bruininks has also recommended the immediate establishment of the University Technology Commercialization Office at the University of Minnesota Rochester.

When Governor Pawlenty asked what he could do to help IBM, I said 'grow research and academic programs that can be provided uniquely by the U of M and do so in Rochester.'

Walt Ling
IBM Senior State Executive

While the University of Minnesota has established a presence in Rochester, what exists now is simply not enough. Despite the investments and incremental steps to advance higher education, funding for expanding upper division, professional, and graduate programs has not come close to meeting the need created by the region's economic and demographic changes and does not have the capacity to serve the research-based needs of Rochester's global industries, particularly health care and technology. For over 30 years, consulting firms and community groups have studied the higher education needs for Rochester and all have concluded that the lack of a research institution is a major impediment to economic growth. Rochester businesses and residents repeatedly call for expanded baccalaureate and graduate programs to meet the region's economic requirements, particularly in specialized areas of health sciences and engineering.

While attempts have been made to collaborate on academic programming at the University Center Rochester, the University of Minnesota has had difficulty transferring courses into its more specialized upper division programs. While highly valued for its open access and workforce development, the academic scope of the Rochester Community and Technical College does not entirely support the academic requirements for the lower division prerequisites of the highly specialized programs proposed by the Rochester Higher Education Development Committee.

Obtaining adequate and appropriate space for the University of Minnesota Rochester, particularly for faculty and staff offices, is become increasingly difficult at the University Center Rochester. Increasingly, large ITV classrooms cannot be scheduled at times that meet University of Minnesota Rochester academic needs. As the University of Minnesota Rochester launches new degree programs, many of which will be taught via hybrid technology methods, enrollments are increasing beyond the current capability of the University Center Rochester to provide classrooms and advanced health sciences facilities such as chemistry and biology laboratories. Even at its current enrollment, the University of Minnesota Rochester and the University of Minnesota Regional Extension Office have outgrown the availability of acceptable facilities.

Minnesota must strategically align its higher education resources to keep our industries globally competitive so our state continues to create new medical and technology opportunities that benefit all of Minnesota, our nation, our world.

A.M. (Sandy) Keith
Chief Justice, Minnesota Supreme Court (retired)
Executive Director, Rochester Downtown Alliance

Because of the lack of a university research, development, and education engine to support parallel progress in the private sector, Rochester has so far failed to reach its full potential in producing a critical mass of new technologies, new enterprises, and resulting employment and economic gains. **Currently, Rochester is unable to compete with other states in fully developing a technology-driven economic base, despite having powerhouse institutions like Mayo and IBM, because it does not have the research university driver – a key, proven catalyst for modern technology-driven economic development.**

The Opportunity Lost in Not Making the Investment

By not growing the University of Minnesota in Rochester, the state will be choosing to significantly limit its participation in the "knowledge economy" – the central driver of economic growth, quality of life gains and economic success. Rochester has key private-sector research and development engines, but national studies prove that the presence of a major research university is also required to really power the knowledge economy and to provide the skilled human capital required to populate and grow innovation-driven enterprises.

Technology, talent, and capital are geographically mobile and without the presence of a research-based knowledge-generating university, it is unlikely that southeast Minnesota can attract and retain the talent that it needs to grow and staff technology-based and biosciences industry. Both the Mayo Clinic and IBM are multi-location organizations and may choose to grow somewhere other than Rochester if better partnerships, talent, and other resources are available in competing locations outside of Minnesota. As a high technology economy, many of Rochester's enterprises recruit the top twenty-five percent of college graduates, most of whom come from other parts of the county, because the specialized talent they need is not grown in Rochester.

Spin-off research enterprises tend to locate close to the institutional source of knowledge that created them, most often that being a university. So Minnesota stands to lose significant potential growth without a research university in Rochester.

II. The Vision

The Rochester Higher Education Development Committee recommends the establishment of a world class higher education institution that leverages the University of Minnesota's research capability, in partnership with IBM, Mayo Clinic, and other industry leaders to build signature academic and research programs that complement southeast Minnesota's existing leadership roles in health sciences, biosciences, engineering, and technology. Educational programs will provide application to economic activities via innovation, translational research and clinical experiences. This institution will have a distinct identity and one governing entity. This institution will be the University of Minnesota Rochester.

The University of Minnesota is best positioned to fulfill the vision, given its international prominence in academic programs and research in health care and technology as well as its existing presence and commitment to partnerships with IBM, Mayo Clinic, and the University of Minnesota Hormel Institute. As stated by Dr. Hugh Smith, chairman of the Mayo Clinic Board of Governors, who voiced his support for a research-oriented University of Minnesota in Rochester before the Rochester Higher Education Development Committee in October 2005, "You can draw only one conclusion. It's going to need the muscle of the University of Minnesota." President Robert Bruininks in his October presentation to the Rochester Higher Education Development Committee stated, "The University of Minnesota is ready to take the lead in public higher education in Rochester."

> *You can draw only one conclusion. It's going to need the muscle of the University of Minnesota.*
>
> Dr. Hugh Smith
> Chair
> Board of Governors
> Mayo Clinic

The growth of the University of Minnesota in Rochester, and the associated biosciences business expansion that would result, will create opportunities for other institutions of post-secondary education through stimulation of the need for an appropriately educated workforce at multiple educational levels. While four-year and advanced degreed professionals are crucial to new knowledge development and innovation, it is also the case that increased skills and knowledge are required across the total workforce. Lester C. Thurow, author of Building Wealth: The New Rules for Individuals, Companies and Nations in a Knowledge-Based Economy[9] notes that:

[9]Lester C. Thurow. *Building Wealth: The New Rules for Individuals, Companies, and Nations in a Knowledge-Based Economy*. New York: Harper Collins, 1999.

A knowledge economy requires two interlocking but very different skills sets. Knowledge creation requires highly educated creative skills at the very top of the skill distribution. Knowledge deployment requires high-quality skills and education in the middle and bottom of the skills distribution.

I would classify this as an absolute must-do investment for the state.

Simon Tripp
Economic Analyst
Impact Economics

The public investment in a research university in Rochester will serve as an innovation engine, a technology incubator, and a catalyst for partnerships and new enterprise formation. It will provide a breeding ground for new ideas and a route to market for the intellectual property created. It will provide critical human capital in the form of entrepreneurs, managerial leadership, and uniquely skilled science and technology workers to staff high paying jobs.

A. Signature Academic Partnerships and Programs

Signature academic and research partnerships, primarily with Mayo Clinic, IBM, and the University of Minnesota Hormel Institute and others would provide the focal point of an expanded University of Minnesota in Rochester which would be a unique and complementary institution for the region, state, nation and international communities, dedicated to technology, engineering, biosciences, health care, and leadership education. The Rochester Higher Education Development Committee recommends that these signature academic partnerships be:

- Research-based
- Innovative
- Distinctive

The Twin Cities campus and other University of Minnesota resources would be leveraged to provide top quality academic programs and economic development activities in Rochester. This higher education institution would capitalize on the unique technical capabilities and synergies of the activities in the Rochester area and be recognized as a renowned international higher education institution. The intent is not to duplicate what exists on the University of Minnesota Twin Cities campus, but to draw more extensively on its resources and combine them with the unique knowledge and skills inherent in the region.

Rochester programs would be high quality, research-based programs that draw upon the expertise of world-class University faculty. Research would focus on technology transfer, intellectual property development, and the incubation of new ideas and products. Endowed chairs, joint professorships with IBM and Mayo Clinic, support faculty, post-doctoral

and graduate students would contribute to the powerhouse of research and academic talent. External accelerators would include the National Science Foundation (NSF), National Institute of Health (NIH), and other benefactors to fund research projects.

Program development could expand upon existing business and industry partnerships to maximize efficiency and effective use of resources (e.g., faculty, facilities, research capability) and provide unparalleled internship experiences for students. Existing University outreach and technology transfer mechanisms would maximize the benefit to the state and national economy and quality of life.

This expansion of higher learning represents an integral piece of Rochester's contribution to the state and nation.

John Wade
President
Rochester Area Chamber of Commerce

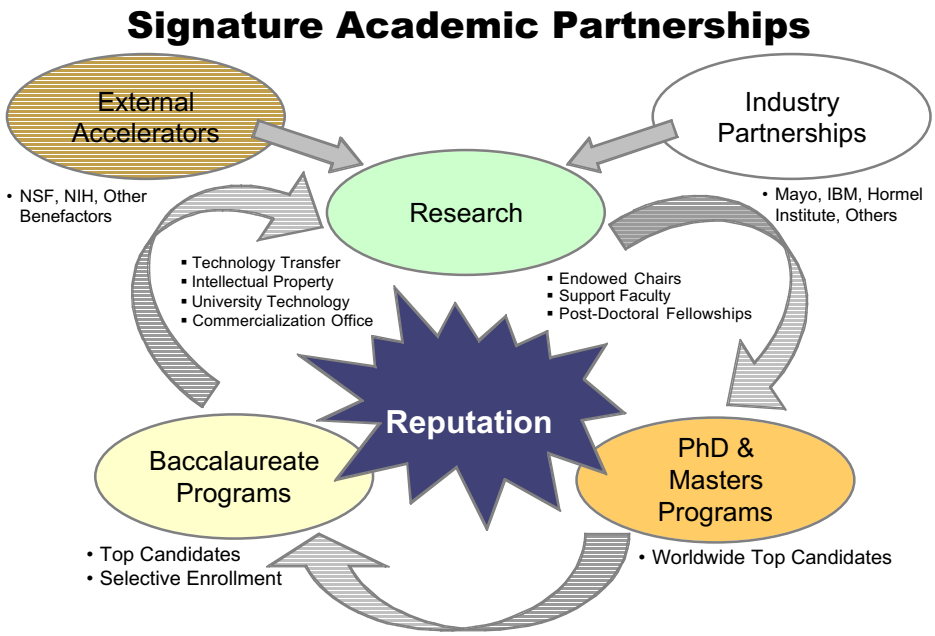
A new innovative, hybrid learning platform would be created that employs the University's most up-to-date learning technologies and delivery mechanisms and embeds leadership and entrepreneurship processes in its design. Expansion of public higher education offerings would avoid unnecessary duplication of existing programs in the greater Rochester region and with the Twin Cities campus.

These academic programs should result in three outcomes that will contribute to Minnesota's economic growth:

1) *Technology transfer into the marketplace,* i.e. turning the applied research into new innovations leading to new companies, including the development of intellectual property and a mechanism to license/release.
2) *Development of management skills* for graduate students and professors who can then take the ideas and turn them into viable products and companies.
3) W*ork force development*, with the starting point being the unique and enhanced skills and programs Mayo has defined in the allied health sciences area.

Academic programs would focus on the baccalaureate, masters, and Ph.D. level, attracting worldwide top candidates and employing selective enrollment. The University of Minnesota would be responsible for expanded undergraduate programs in specialized areas, i.e. Engineering/Technology and Allied Health as proposed below. Figure 1 below depicts the Signature Academic Partnerships.

Figure 1



The University of Minnesota Rochester would continue to collaborate with other higher education providers seeking partnerships to develop, market, and deliver baccalaureate and graduate degree programs in a creative, timely and efficient manner, benefiting students.

Signature Program Areas

The following signature programs are recommended for development and are in priority order. The Rochester Higher Education Development Committee believes that these are the subjects that most closely align with Rochester's economic needs and are not now addressed in a major way by other higher education institutions. These align to current work underway in Rochester between IBM, Mayo, and the University of Minnesota. By leveraging these specialized fields of study, Minnesota will benefit by attracting talent to these critical higher education opportunities and from the resulting technology transfer.

Engineering/Technology

1. Biomedical Informatics

   Bioinformatics explores and seeks to understand biological data from complex experiments, such as genome sequencing and gene expression chips. The proposed program builds on the research and

academic strengths of cross-disciplinary faculty in Computer Science, Biomolecular Engineering, and Health Sciences.

Powerful data management tools and computational techniques are required now more than ever to store, share, study and compare the burgeoning library of biological information. Bioinformatics combines the tools of mathematics, computer science, and biology with the aim of uncovering patterns and associations within and between sets of biological data. The primary focus of the collaboration between Mayo Clinic and IBM is in this area, and, as a result, Rochester is an international leader in this field.

2. Computational Biology

Computational biology entails the discovery and implementation of algorithms that facilitate the understanding of biological processes through the application of statistical and machine learning (i.e. "self learning" whereby the computer can adapt to the unique problems being solved) techniques as well as computer simulation capabilities, all enabled through the application of super computing technologies. The combination of Mayo's expertise in the areas of biological system modeling with IBM's leadership in supercomputing in Rochester make this a natural fit. Projects are already underway in this area as a part of the collaboration between Mayo and IBM.

3. Biomolecular Engineering

The immense growth of biological information stored in computerized databases has led to a critical need for people who can understand the languages, tools, and techniques of mathematics, science, and engineering. A classically trained scientist may be unfamiliar with the statistical and algorithmic knowledge required in this field. A classically trained engineer may be unfamiliar with the chemistry and biology required in the field. This type of program strives for a balance of the two: an engineer focused on the problems of the underlying science, or, conversely, a scientist focused on the use of engineering tools for analysis and discovery.

Biomolecular engineering will develop professionals that deliver innovative solutions while conducting pioneering high-impact research spanning basic science to clinical and technological applications, and serve to stimulate the growth and development of economies focused on this scientific arena. Biomolecular engineers solve medically relevant problems. The areas of interest may include medical device design, fabrication and testing; biomedical informatics; functional imaging and tomography; biomaterial

development and biocompatibility; artificial tissue and organ fabrication; cell- and biomodule-based sensors and therapeutics; gene therapy development; and biomedical microsystems. These skills are needed to provide essential expertise for the Rochester-based bioscience and biotechnology partnerships.

4. Computer Gaming/Simulation

   Computer gaming technology today is setting the agenda for the overall future of computer design. Computer gaming hardware and software technologies, especially in the areas of visualization and simulation capabilities, directly align with emerging needs in the biosciences. IBM's global leadership in the computer gaming space, combined with Mayo's increasing focus on visualization and simulation technology applications in medicine make this a natural fit.

5. Nanotechnology

   Nanotechnology is just emerging in biomedical applications, as well as in information technology products and services. Nanotechnology is the science of the ultra-small. (One nanometer equals one billionth of a meter; it would take 100,000 nanometers lined up side-by-side to equal the diameter of a human hair). This area of science and engineering might create manmade molecules that can deliver drugs directly to sick cells; tiny sensors that monitor oxygen levels in the bloodstream; or molecular surgery to remove defective genes. It is particularly important to the Rochester higher education initiative because of its application of cross-disciplinary engineering and health sciences knowledge. The goal would be to develop professionals that can create and market applications for nanotechnology in medicine, the biological sciences, and the environment.

   The base technologies behind nanotechnology are firmly rooted in the same studies as those required for semiconductor and integrated circuit production. The confluence between these areas, especially as nanotechechnology is applied to biomedical issues, is a natural build upon the skills inherent in the region. **This is an emerging area where the University of Minnesota Rochester and the State of Minnesota could provide leadership to the world.**

Health Sciences

1. Biomedical Informatics

Biomedical Informatics is the science underlying the acquisition, maintenance, retrieval and application of biomedical knowledge and information to improve patient care, medical education, and health sciences research. It is an interdisciplinary and interprofessional field of scholarship that applies to computer, information and cognitive sciences to promote the effective and efficient use and analysis of information to improve the health of society. Establishing a biomedical informatics program in Rochester would foster partnerships that bring together the expertise and resources of the University of Minnesota, IBM, and Mayo Clinic into a unique and distinctive collaborative research and education model. (This program is also listed under the Engineering/Technology section of this report.)

2. Allied Health

Allied Health education programs include a wide variety of health care professions requiring different levels of educational attainment. Regional, state, and national workforce needs in many of these allied health professions have not been met by current education programs. Today there is a shortage of qualified health care workers and many of these professions are expected to have personnel with increased academic preparation at the baccalaureate, masters, and doctorate levels. Recently, the University partnered with Mayo to provide baccalaureate degrees in radiation therapy and respiratory care. The need for additional degrees in many specialty areas must also be considered along with increasing accreditation standards. There is a need for baccalaureate and masters level programs to include a research component. A masters degree program in Health care Administration is one example, to be offered through the School of Public Health.

The University of Minnesota Academic Health Center (AHC) is developing the "The University of Minnesota Center for Allied Health Programs." The goal of this initiative is to address the increasingly serious workforce shortages of allied health professionals throughout Minnesota. The development of the Center will initially focus on Rochester and the Twin Cities and will include two University of Minnesota Allied Health Center health programs in clinical laboratory science and occupational therapy. The programming is being designed as a hybrid educational model that will use classroom and online instruction, simulations, and integrated experiential education.

I cannot say enough good things about the University of Minnesota's Executive Masters in Public Health program. I hope that the University of Minnesota continues to grow and offer more opportunities to students in Rochester.

Dr. Ericka Tung
Student
University of Minnesota
Rochester

3. Nursing

Currently there are over 6,000 nurses employed in the Rochester region. Nurses provide direct patient care and also serve as educators and researchers. Issues of workforce shortages, advancing median age of nursing professionals, increased educational requirements by employers and accrediting agencies, and expansion of mid-level providers, contribute to the health care community needs which are not currently being met and are not expected to be met in the future.

The School of Nursing at the University of Minnesota is a leader in developing distance education and expedited professional degree models. In 2000, the University of Minnesota Rochester established a baccalaureate degree nursing program in Rochester. Its faculty is committed to strengthening programs in Rochester through public/private partnerships to increase the nurse leadership capacity to positively affect the care of Minnesota citizens. The University of Minnesota Rochester connection with the School of Nursing will continue to strengthen clinical research innovation through knowledge creation and the clinical translation from the laboratory bench and classroom to the bedside.

To achieve this vision in Rochester, the School of Nursing faculty is committed to offering a professional masters degree for second degree students. This degree is designed for students with a variety of academic foundations to enter the expedited professional masters degree in nursing programs. The School is also committed to developing the Doctor of Nursing Practice in Rochester. Through the synergy of these programs and academic partnerships, the School of Nursing seeks to increase research capacity by identifying the most capable nurses to seek the Ph.D. degree.

4. Pharmacogenomics

Pharmacogenomics is the study of how drugs and genes interact. This is the application of genomics information and technologies in drug discovery and development to identify, on the basis of genetic make-up, those individuals who will respond more favorably to a drug or those who are at risk of side effects from the drugs. It also is the genetic approach to identifying drug targets linked to a critical disease pathway and to understand the genetic variation of those targets. Expansion of this program in Rochester would provide the opportunity to build on the University of Minnesota – Mayo partnership in Biotechnology and Genomics. **This collaboration, with the computer technology infrastructure supported by IBM, will propel Rochester and Minnesota into a leadership role in this arena.**

5. Pharmacotherapeutics

Pharmacotherapeutics is the study of how specific drugs treat different disease states. The program has a pharmacology foundation. It also builds on pharmacogenomics and its focus is the targeting of specific drugs to specific sites or locations in the body for a desired result. This research-based program is directed toward ultimately meeting the health care needs of the citizens of Minnesota. Establishing this program, in partnership with the Hormel Institute, would include a focus on agricultural influences relating to human health care and disease.

6. Genomics

Genomics is the field of study that seeks to understand the structure and function of all genes in an organism, based on knowledge of the organism's entire DNA sequence and extensive reliance on powerful computer technologies. Genomics is the comprehensive study of the interactions and functional dynamics of whole sets of genes and their products. The partnership in genomics is now entering its third year of successful collaborative research. Initial funding supported four projects and recent allocated funding will support an additional seven to eight projects. This new program will educate a new talent pool to help this research partnership flourish.

7. Molecular Biology

Molecular Biology chiefly concerns itself with understanding the interactions between the various systems of a cell, including the interrelationships of DNA, RNA, and protein synthesis, and the mechanisms by which these interactions are regulated. This study of biology at the molecular level overlaps with other areas of biology, particularly genetics and biochemistry. Research-focused education in this program would prepare graduates to enter the competitive laboratory environment in the Rochester area. Unique partnering opportunities with inclusion of state-of-the-art computer technology would distinguish this program.

Business

Business and management skills are critical in developing the management talent necessary to drive the economic development from the proposed programs. These processes and skill sets would be imbedded in the signature academic programs:

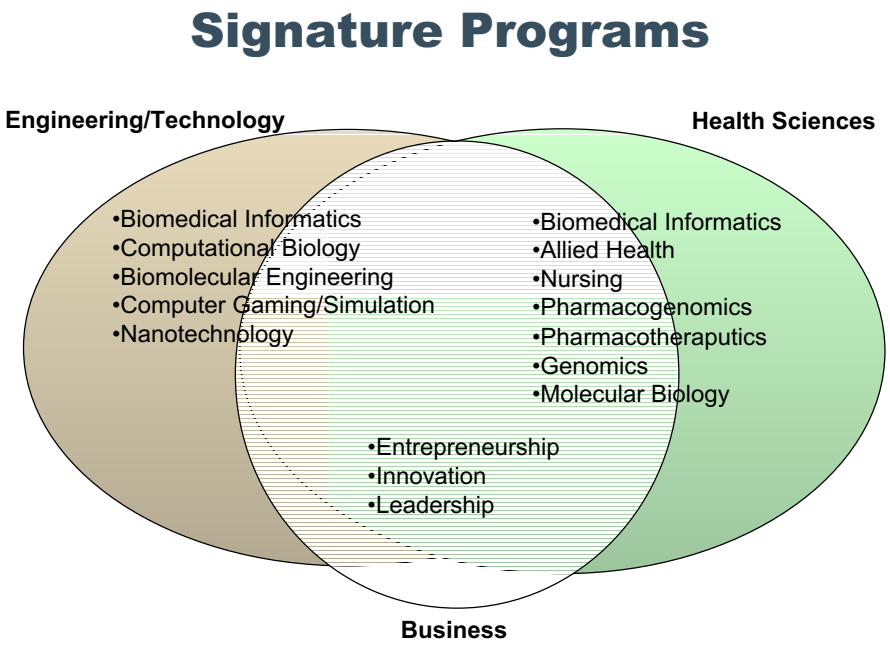
- Entrepreneurship
- Innovation
- Leadership

Business education allows students to develop opportunity, marshal resources, and understand how to develop a team to accomplish the building of a new venture. These skills are essential to the transfer of technology to the marketplace leading to significant economic development for the area, state, and nation.

The planned Technology Commercialization Office at the University of Minnesota Rochester is an industrial liaison function that will be the essential link in moving from ideas to the marketplace. The Rochester Higher Education Development Committee recommends this initiative have a high priority and sufficient resources. The Technology Commercialization Office will serve as the catalyst to foster the development of public and private biosciences partnerships and spur economic development in parallel with the simultaneous development of the academic programming at the University of Minnesota Rochester. Public and private partnerships are envisioned between and among bioscience and biotechnology companies, Mayo/University of Minnesota Genomics research partnership, Mayo/IBM informatics initiatives, new start-up ventures, move-in companies, and the University of Minnesota Rochester.

Figure 2 summarizes the proposed Signature Programs at the University of Minnesota Rochester, and their relationship to one another.

Figure 2



B. Recommended Institutional Roles for Public Higher Education Providers in Rochester

Public and private colleges and universities, career schools and post-secondary education institutions will continue to have a very important and complementary role to play in Rochester and southeast Minnesota. The Minnesota State Colleges and Universities will remain an important player. Increased technology and innovation-driven economic development will drive demand for skilled workers across multiple educational levels and all regional education and training institutions have an opportunity to contribute and benefit from this.

The expansion of the University of Minnesota in Rochester will undoubtedly benefit MnSCU programs as the economy grows and new workers are needed at all levels of health science and technology fields. It's a win-win for both systems.

Senator Nancy Braatas (retired)
Minnesota State Colleges and Universities Trustee (retired)

C. Attracting and Retaining Top Students

Signature programs require signature students – recent high school graduates and transfers from other higher education institutions that have the necessary prerequisites. The students will be highly sought by other top colleges and universities before and during their college career, therefore, the University of Minnesota Rochester must be competitive in recruiting, teaching, academics, student services, facilities, and student life. Other universities will offer complete four-year baccalaureate programs with all of the advantages that come from attending one institution for the full four years. It is important that the University of Minnesota Rochester, in order to be successful, provide the following academic support commonly associated with a four-year institution:

- A single recruitment and admission process for students starting as freshman, including those who may transfer from other institutions.

- Advisors and faculty who are knowledgeable about each degree program from freshman through senior years and can advise students about the best choice of courses.

- Courses available to meet the requirements of the degree in the shortest possible time.

- General education elective courses that may be taken throughout the four years to add balance to the required professional courses thus allowing some of the major courses to be taken in the first two years. It should be possible for some of these courses to be taken at a partner institution under the direction of the University of Minnesota Rochester.

- A single course catalog, academic schedule, and student record keeping (transcripts and financial) system.

- Maximum financial aid benefits available to students taking courses from a single institution.

- More consistent and enhanced focus on student life activities to increase students' sense of the University of Minnesota Rochester community over the full four years, promoting retention and graduation rates.

- Transfer options in cooperation with public and private colleges and universities to attract highly competitive students into the new institution's signature baccalaureate/graduate degree programs.

D. Governance

There is an existing Joint Powers Agreement between the University of Minnesota and the Minnesota State Colleges and Universities dated November 24, 1997, as amended by Statements of Principle dated May 1999 and July 2002. The Rochester Higher Education Development Committee recommends that the existing Joint Powers Agreement between the University of Minnesota and the Minnesota State Colleges and Universities should be phased out as soon as practical, with the University of Minnesota honoring existing financial commitments.

The University of Minnesota Board of Regents will be the governing body for the University of Minnesota programs and activities in Rochester as proposed by the Rochester Higher Education Development Committee.

The current University of Minnesota Rochester Advisory Committee established pursuant to c. 703 of the Laws of Minnesota 1988 should be replaced by a high level "Board of Advisors" appointed by and reporting to the Chief Academic Officer of the University of Minnesota Rochester. This group should include leaders of major collaborative partners with the University of Minnesota in Rochester and other leaders of business and industry in the Rochester area.

E. Site and Facility Needs of Programs

Location of future facilities should take into account the close public and private partnerships that are the hallmark of this enterprise. New and existing University programs in Rochester will be most effective and efficient if operated in close proximity to Mayo Clinic to facilitate sharing of classroom, laboratory, and administrative space. The most viable concept is to establish a downtown presence for current and future programming. Such a site would serve well to support the University of Minnesota programs including the proposed University of Minnesota Center for Allied Health Programs. With a downtown location in close proximity to the Mayo Clinic, health sciences students will have the advantage and convenience of classroom lectures, practice labs, and clinical experiences within walking distance.

As the City of Rochester continues to focus on revitalizing its downtown area, the presence of the University of Minnesota Rochester will likely spawn private-sector research and development companies that are eager to harvest the pool of intellectual capital for sharing information, generating knowledge and employing team-based research in order to bring their products to market. As the University of Minnesota Rochester continues to increase its programming at the graduate level, many of the enrollees will be non-traditional students that work at Mayo or in downtown businesses. Close access to University graduate programs facilitates their continuing education. Graduate students and faculty would also be in close proximity to the Mayo/University of Minnesota biosciences partnership research initiatives and the Mayo/IBM bioinformatics project.

In order to be considered a world-class institution and attract equivalent faculty, it is imperative that the University of Minnesota Rochester itself achieve such a tenet by establishing its own identity independent of the University Center Rochester campus which the community associates primarily with the Rochester Community and Technical College.

Therefore, both interim and permanent facilities for the University of Minnesota Rochester must be built in a manner that:

1) Establishes the University of Minnesota Rochester as a premier student oriented instructional and research center;
2) Dovetails with the existing creative intellectual and economic vitality of the community; and
3) Helps create a physical sense of place that is recognized worldwide as an expression of excellence in collaboration with Mayo Clinic and IBM.

Together with the City of Rochester and private sector, it is envisioned that a University of Minnesota Rochester campus integrated into the central city will become an institution of choice for both outstanding students and world-class researchers.

Facilities Principles and Assumptions

Several broad principles and assumptions guide the facilities/campus planning. These include, but are not limited to:

1. Facilities and campus development must primarily be designed and located to support the academic programs, research initiatives, and outreach of the University of Minnesota Rochester and the Minnesota Regional Extension Office.

2. Short-term, the University of Minnesota Rochester may be required to lease space to support existing academic programs, including administrative space for Extension services, due to constraints at University Center Rochester.

3. Mid- to long-term, the University of Minnesota Rochester would most likely benefit from being located in downtown Rochester, adjacent to and integrated with the Mayo Clinic campus in order to leverage the knowledge, expertise, and unique research facilities each organization will bring.

4. The University of Minnesota Rochester will require a variety of partnerships with the City of Rochester, the State of Minnesota, and other public and private entities to share the various costs of facility projects (e.g., land acquisition, infrastructure improvements, debt service, etc.).

5. State-of-the art, technology-rich instructional space and research space will be constructed in a manner that fully supports programmatic

offerings in a financially responsible way, taking into account the amount of space needed and construction time.

6. Funding of new facilities must supplement - not supplant - and be in addition to the University of Minnesota's current six-year capital plan as approved by the Board of Regents.

Interim Campus Assumptions

The University of Minnesota Rochester currently has approximately 416 students, 30 staff/faculty, and 12 separate academic programs occupying roughly 26,000 gross square feet. This space is shared between the University of Minnesota Rochester and the University of Minnesota Regional Extension Office. The assumption is that both will relocate to downtown Rochester in phases over a five-year period.

Initially, approximately 50 percent of current University of Minnesota Rochester programs will relocate the first year, with the remainder relocating in year two. To accommodate an interim relocation, the University of Minnesota Rochester anticipates leasing up to 30,000 square feet in downtown Rochester for a period of five years – or to the point at which programmatic offerings, space requirements, and utilization give reason for construction of the first permanent campus facility. At such time, Rochester Higher Education Development Committee projections show a facility is merited. The Rochester Higher Education Development Committee proposes that the University of Minnesota Rochester establish a permanent campus in downtown Rochester adjacent to and integrated with the Mayo Clinic campus. To begin with, the University of Minnesota Rochester campus may require land area equal to two city blocks near Mayo Clinic, and eventually as many as six city blocks in total. Master planning is proposed to begin in year three and will lead to improved definition of the University of Minnesota Rochester's mid- and long-term requirements.

Additional interim assumptions include:

1. Years one through five assume leasing approximately 30,000 square feet in downtown Rochester. Leasehold improvements, incurred in year one and inclusive of furniture, fixtures and equipment, are estimated to cost roughly $1.4 million based on the projected instructional space-type needed.

2. An interior design allowance of 15 percent is anticipated for a consultant to design leasehold improvements.

3. Fifty percent of current University of Minnesota Rochester programs located at University Center Rochester will relocate in the first year, and the balance in years two through five together with the University of Minnesota Regional Extension Office. A facilities agreement dated September 2001 between the University of Minnesota Rochester and Minnesota State Colleges and Universities, with Rochester Community and Technical College as landlord, requires a six-month notice to vacate.

4. It is assumed the University of Minnesota Rochester will exercise notice provisions as outlined in current lease agreements. However, it is unlikely that sufficient notice can be given to Minnesota State Colleges and Universities/Rochester Community and Technical College in time to vacate without penalty in the first year and the entire $160,000 estimated annual obligation will be due. Year two assumes adequate notice is given for the remaining University of Minnesota Rochester space; hence, an obligation of $80,000. Years three through five assume that the Minnesota Regional Extension Office will remain in the Heinz Center until a permanent campus is developed.

5. Given project relocation costs, all lease and debt agreements will be reviewed, revised, and renegotiated in a manner that does not substantially disadvantage any current partner of the University Center Rochester. Impact to the current University Center Rochester campus will be addressed.

Permanent Campus Assumptions

1. Master planning of a permanent campus will be performed in union with the City of Rochester and private partnerships and is expected to commence in year three, utilizing a world-class land-planning firm.

2. Land acquisition assumes an initial purchase of approximately 90,000 square feet, or 2.1 acres, near the Central Development Core – Medical Area, at $50 per square foot. Construction of a new 60,000 square foot building would begin in year four for occupancy in year six. Ultimately, as many as six contiguous city blocks may be needed depending on the results of the master plan.

3. The initial 60,000 square foot building assumes three-stories with 20,000 square foot floor plates and designed with flexibility to accommodate other uses in the future.

4. Soft costs typically include fees for items such as architectural, engineering, geotechnical, environmental, and legal services; surveying;

permits; project management; financing; furniture; fixtures; equipment, and contingences.

5. Operating costs are the annual costs required to operate and maintain the building (e.g., electricity, heat, water, maintenance, reserves, etc.).

6. Use of sales tax revenue assumes the City of Rochester will assign the $11.49 million balance to the University of Minnesota Rochester for debt reduction of qualifying capital expenditures such as land acquisition and construction of permanent facilities.

7. Debt service assumes bond financing at 5 percent interest, 20-year term, comprised of the following capital expenditures: master planning, land acquisition, construction and build-out of 60,000 square feet, and soft costs.

F. Funding Requirements and Sources

Budget Principles and Assumptions

Given the programmatic and facilities plan cited above, several broad principles and assumptions have been developed to guide budget planning. These include:

1. Resources for new and additional efforts in Rochester must supplement, not supplant current University resources. This plan will require dedicated additional state and local funding augmented with strategic private investments, in order to be realized.

2. Current University resource commitments to the University of Minnesota Rochester will continue in support of current programming.

3. Tuition dollars generated through the University of Minnesota Rochester activities will continue to be invested in support of instructional programming offered to the citizens of southeast Minnesota.

4. Supporting the wide variety of programs proposed will continue to require investments both at the University of Minnesota Rochester and on the Twin Cities and/or coordinate campuses.

5. Many of the proposed programs are at the graduate and professional level, or are advanced undergraduate programs requiring specialized faculty and facilities. These will be relatively high cost programs compared to a standard undergraduate instructional model.

6. Enrollments will continue to grow as programs are developed and implemented, and it is assumed that growth will be sustained in health care and technology related employment in southeast Minnesota.

7. Because many of these programs are in the planning stage, standard revenue and cost estimation methodologies have been employed to estimate program budgets. Cost and revenue assumptions may change as program planning evolves.

Current Program Expenditures and Revenues

The University of Minnesota Rochester had 416 students (headcount) enrolled in Fall 2005. The student enrollment profile is shown below:

Fall 2005 Enrollment
University of Minnesota Rochester

Undergraduate	167	Areas of Study	
Graduate	249	Education	134
	416	Nursing	90
		MBA	33
		Health Sciences	33
		IT	32
		Social Work	17
		Liberal Arts	13
		Public Health	11
		BFA	7
		Rhetoric	6
		Continuing Ed	13
		Non-degree	27
			416

The University of Minnesota expends approximately $5.7 million annually on activities related to Rochester programming. Current expenditures can be broken into four large categories:

1. Expenditures attributed to the University of Minnesota Rochester, expended primarily for student services, technology support, library expenditures, ITV and other direct instructional costs, and administration: Approximately $1.7 million annually.

2. Expenditures on the Twin Cities and coordinate campuses, primarily related to delivery of instruction (e.g., faculty salaries and fringe, travel, library resources, ITV expenditures on the Twin Cities and Duluth campuses, etc.): Approximately $2.3 million annually.

3. Resources committed to delivering the University of Minnesota Extension Service programming: Approximately $1.4 million annually.

4. Lease and debt costs related to facilities and space at the University Center Rochester campus: Approximately $300,000 annually.

Revenues supporting these activities come from two primary sources: tuition (approximately $1.8 million), and state support. As noted above, it is assumed that these programs will continue approximately "as is" for the foreseeable future. The financial model appears in Appendix C – University of Minnesota Rochester Statement of Investment.

Proposed New Expenditures

Investing in and expanding the University of Minnesota Rochester will prove to be one of the wisest choices our community and state leaders have ever made. The risk of doing nothing is far greater.

Claudia Knowlton-Chike
Chair
Greater Rochester Area University Center

New expenditures can be put into five broad categories:

1. Strengthen current programming
2. Allied Health Center technology infrastructure and academic leadership funding
3. New and expanded instructional programs
4. Research and liaison programs
5. Facilities

In all of the expenditure estimates, an annual cost growth of 5 percent per year is assumed, in line with the national standard Higher Education Price Index (HEPI), which serves as the best standard inflator for higher education costs. It is further assumed that a 10 percent enrollment growth in Fall 2007 and 15 percent enrollment growth thereafter will occur, resulting in an instructional cohort of approximately 1400 students.

Strengthening Current Programming – Higher education costs continue to grow beyond the rate of general inflation primarily due to three factors. First, as a people-intensive business, compensation increases – especially health care costs -- have had a disproportionate impact on higher education. Second, more recently facilities costs, and especially utilities, have caused cost increases at a faster than anticipated rate. Third, higher education has some unique costs not found in other industries such as libraries and high-end technologies. Maintaining current programming will require more than an additional $200,000 annually.

New Allied Health Center Technology Infrastructure and Academic Leadership will include 4 components:

1. A customer-oriented student services and educational support technology platform, which will include expansion of the Minnesota Course Applicability System with the Minnesota State Colleges and Universities, a new transcript analysis tool, a statewide catalogue and schedule, and tools such as e-portfolio for continuous professional development.

2. A robust learning technology platform that includes extensive use of Web CT, Breeze technology, portals, and technology-enhanced learning toolkits.

3. A curriculum development technology platform that includes an instructional design unit, learning object library capacity, common web-based educational templates, and web-based tools for clinical rotations.

4. Academic leadership that includes an Allied Health Center director and administrative staff.

New and Expanded Instructional Programs – Costs for new programs have been estimated based on fully loaded instructional costs of similar University of Minnesota programs in the Institute of Technology and the Academic Health Center. It is further assumed that students in these new programs will attend on average about three-quarters time, a bit higher than the current average student at the University of Minnesota Rochester. Though it is anticipated that most of these programs will be able to accommodate full-time students, it is assumed that working professionals in southeast Minnesota will continue to be a significant portion of the student body. Finally, knowing that some of the proposed programs are truly cutting-edge with high delivery costs, it is assumed that half of the new students end up in higher cost programs, and the other half enroll in more moderate cost programs.

Research and Liaison Programs – The goal of the liaison program is to foster the development of public and private bioscience and technology partnerships to spur economic development in Rochester with simultaneous development of related academic programming at the University of Minnesota Rochester. Public and private partnerships are envisioned between and among bioscience and biotechnology companies, Mayo/University of Minnesota Genomics research partnerships, Mayo/IBM informatics initiatives, and University of Minnesota Rochester.

Facilities – As noted above, the Rochester Higher Education Development Committee recommends the University move from its current space at

University Center Rochester to leased space near the Mayo Clinic, with the assumption that University of Minnesota Extension Service operations might remain at the Heinz Center for a longer period of time. Annual lease costs are based on current Rochester downtown lease rates, and facility improvement estimates are based on recent facility conversion costs for Academic Health Center programs on the Twin Cities campus. Year six of this plan models building a 60,000 square foot facility costing $37.8 million, with a 20-year bond payback rate.

Potential Funding Sources

Funding for expansion of higher education efforts in Rochester is expected to come from a number of sources. The next three years are critical to the success of the venture. To ensure that the expansion of the University of Minnesota Rochester gets off to a strong start, the financial model included as Appendix C makes several resource assumptions, and presents a balanced budget scenario through FY09.

Office of Higher Education (OHE) Planning Allocation – In the model it is assumed that the $3 million of resources allocated to the Office of Higher Education is available to help fund this plan. It is further assumed that these resources will be released immediately so that some planning and start-up expenditures can begin in FY06.

State Support – As noted above, the state's share of expanding the University's commitment in the Rochester area must be funded by providing new resources from the state, not by supplanting or shifting current levels of state funding from the University's existing budget. In the financial model, which balances the budget through FY09, a $5 million allocation in each of the next two fiscal years is assumed, with $6.3 million required in FY09. Continued program growth will require additional investment in FY10 and beyond. However, it is important that the University have a sufficient infusion of start-up funding and a balanced program for the first three years, in order to get the planned expansion off to a strong start.

It is further assumed that the state will fund two-thirds of a new permanent facility for the University through a state capital allocation, and that the state pays for resultant debt service on the state capital allocation. The remaining one-third of construction costs is assumed to come through Rochester city sales tax revenues (see below). As with operating allocations, it is assumed that capital appropriations will supplement and not supplant the University's current six-year capital plan as approved by the Board of Regents.

Tuition and Fees – A 6% annual tuition increase has been modeled and as well as an increase in student credit hour load. The assumption in the model is that students in current programs will continue to average the same number of credit hours as they do currently. A portion of students in new programs, however, is assumed to have a profile more like full-time students. An attempt was made to provide a realistic tuition revenue projection, but note that the projection includes several growth assumptions.

City of Rochester - The financial model relies on using $11.49 million of city sales tax to fund facility planning, land acquisition, and construction of a new permanent University of Minnesota facility. This use would need approval by the City of Rochester. Appendix D acknowledges the contributions of the City of Rochester and Olmsted County to higher education initiatives since 1984, the majority of which have been to fund higher education programs other than the University of Minnesota Rochester.

Public-Private Partnerships – Though no resources of this type are included in the model, it is assumed that public-private partnerships can be expanded to help close future funding gaps and fund new opportunities.

External Grants and Contracts – It is assumed that once in a permanent facility, faculty at the University of Minnesota Rochester will apply for competitive external grants and contracts. These awards cannot generally be used to fund ongoing operational costs of a campus, but rather are to fund specific areas of research. Thus, while this should be seen as another potential benefit to investing in higher education in Rochester, external grants and contracts should not be seen as a way to pay for operating the unit. Indirect cost recovery, to the extent available, can be used to defray some operational costs such as administration and facilities.

Private Fundraising – It is expected that fundraising will be a part of the long-term future of the University of Minnesota Rochester. It is recognized that it typically takes a number of years to build an endowment of sufficient size to be useful in supporting endowed chairs, student scholarships and research. Ten endowed scholarships already exist for the University of Minnesota Rochester and would be used to attract top students.

The City of Rochester has long been among the strongest supporters of the efforts to expand higher education facilities and programs in Rochester, having championed $28 million in local sales tax funding to improve facilities at University Center Rochester. We fully support the plan to establish a world-class signature University of Minnesota Rochester higher education institution that will not only meet the educational needs of the Rochester area but will also spur economic development for the entire state of Minnesota.

Ardell Brede
Mayor
City of Rochester

Appendices

Appendix A
Laws 2005, Chapter 107 – the Omnibus Higher Education Appropriations Act

Two parts of this law relate to the Rochester Higher Education Development Committee.

Article 1, section 2, subdivision 16 of this law appropriates $3,200,000 for this project for fiscal year 2006:

Subd. 16. Rochester University 3,200,000

(a) $200,000 is for the Rochester Higher Education Development Committee to carry out its planning activities. This is a onetime appropriation.
(b) $3,000,000 is for a onetime appropriation that must be deposited into the Rochester higher education development account under article 4. With the approval of the Higher Education Services Office, money in this account may be used to:

(1) provide additional planning and development funds, if needed;
(2) provide initial funding for academic program development; and
(3) provide funding related to academic facilities, if needed.

The appropriation under this paragraph is available until June 30, 2009.

Article 4 of this law establishes the Rochester Higher Education Development Committee:

ARTICLE 4 ROCHESTER

Section 1. [ROCHESTER HIGHER EDUCATION DEVELOPMENT COMMITTEE.]

Subdivision 1. [ESTABLISHMENT.] The Rochester Higher Education Development Committee is established to research and make recommendations to the governor and legislature on the creation of mission-driven postsecondary educational programs or institutions in the Rochester area that meet the educational needs of the region and the state and that capitalize on the unique opportunities for educational partnerships presented in the Rochester area.

Subd. 2. [MEMBERSHIP.] The committee is composed of 11 members, to be appointed by the governor, as follows:
(1) a trustee of the Minnesota State Colleges and Universities, or the trustee's designee;
(2) a regent of the University of Minnesota, or the regent's designee;
(3) six persons from the Rochester area representing business, health and medical sciences, and technology;
(4) the commissioner of finance, as a nonvoting member, or the commissioner's designee;
(5) one person who by training or experience has special expertise in postsecondary finance and planning; and

(6) one person who by training or experience has special expertise in postsecondary academic planning and programming.
Before the first meeting of the committee, the governor shall select one person from the committee who shall serve as chair.

Subd. 3. [COMPENSATION AND REMOVAL.] Appointments to the committee are not subject to Minnesota Statutes, section 15.0597. Members of the committee are not entitled to reimbursement under Minnesota Statutes, section 15.059, subdivision 6. Members may be removed and vacancies filled pursuant to Minnesota Statutes, section 15.059, subdivision 4. The director of the Higher Education Services Office may provide administrative support to the committee.

Subd. 4. [DUTIES.]
(a) The committee shall develop a proposal for establishment and implementation of expanded higher education programs or institutions in Rochester. The committee's report must include recommendations on:

(1) the mission and focus of the programs or institutions;
(2) the nature of undergraduate and graduate programs to be offered;
(3) site and facility needs;
(4) funding sources and opportunities;
(5) operational needs;
(6) alliances or other types of cooperative arrangements with public and private institutions;
(7) governance structures; and
(8) mechanisms to ensure that the expanded programs are aligned with the unique needs and opportunities of the Rochester area and that programs take advantage of opportunities presented by regional business and industry.

(b) If the committee recommends any programmatic changes that result in institutional realignments, the committee must consult with the representatives of affected employees and address the continuation of collective bargaining and contractual rights and benefits, including accumulated sick leave, vacation time, seniority, time to tenure, separation or retirement benefits, and pension plan coverage.

(c) The committee must consider specifically whether expansion of the University of Minnesota in Rochester is the most appropriate method of meeting the region's needs.

(d) The committee may also research and provide recommendations on sites for the facilities and programs. The committee shall recommend any changes to Minnesota law required to implement recommendations of the committee.

Subd. 5. [REPORT.] The committee must issue a report with recommendations to the governor and the legislature by January 15, 006.

Subd. 6. [SUNSET.] The committee expires on December 31, 2007.
Sec. 2. [ROCHESTER HIGHER EDUCATION DEVELOPMENT ACCOUNT.]
A Rochester higher education development account is created in the state treasury in the special revenue fund. Money in this account is appropriated to the Higher Education Services Office for allocation to the committee established in section 1, subdivision 1, and the implementation activities outlined in article 1, section 2, subdivision 16, paragraph (b). The office shall serve as fiscal agent for the committee established in section 1.

Sec. 3. [EFFECTIVE DATE.]
This article is effective the day following final enactment.

Appendix B

University of Minnesota Rochester
Interim and Permanent Facilities Cost Projection

Table 1

University of Minnesota - Rochester

Rochester Higher Education Development Initiative

Ver. 5 1/17/2006

	Description	Variables		Current	Interim Downtown Campus					Permanent Downtown Campus				
					Year 1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Enrollment	Gross SF			25,822	30,000	30,000	30,000	30,000	30,000	60,000	60,000	60,000	60,000	60,000
	Students			416	458	503	554	637	732	842	968	1,162	1,395	1,673
	Annual Growth Rate				10%	10%	10%	15%	15%	15%	15%	20%	20%	20%
Interim DT Campus Assumptions	Net Lease Rate	Fixed		$ 13.00	$ 390,000	$ 390,000	$ 390,000	$ 390,000	$ 390,000					
	Operating Costs	CPI	3%	$ 11.75	$ 350,000	$ 360,000	$ 370,000	$ 390,000	$ 400,000					
	Total Annual Lease Cost				$ 740,000	$ 750,000	$ 760,000	$ 780,000	$ 790,000					
	Leasehold Improvement Costs:	% of Area	$ / PSF											
	General Classroom	17.5%	$ 50		$ 263,000									
	Lab	8.0%	$ 120		$ 288,000									
	Research	10.5%	$ 50		$ 158,000									
	Office	56.5%	$ 25		$ 424,000									
	Common Area	7.5%	$ 40		$ 90,000									
	Consultants (Architect & Engineer)		15%		$ 187,000									
	Total Leasehold Improvement Cost				$ 1,410,000									
	Relocation Expense		$ 4.00		$ 60,000	$ 60,000								
	RCTC Operating Lease Obligation			$ 160,000	$ 160,000	$ 80,000	$ 40,000	$ 40,000	$ 40,000					
	RCTC Debt Service Obligation			$ 150,000	$ 140,000	$ 130,000	$ 120,000	$ 110,000	$ 100,000	$ 90,000				
	Total Annual Interim Cost				***$ 2,510,000***	***$ 1,020,000***	***$ 920,000***	***$ 930,000***	***$ 930,000***	***$ 90,000***				
Permanent DT Campus	Master Planning						$ 250,000							
		SF	$ / PSF											
	Land Purchase	90,000	$ 50.00					$ 4,500,000						
	Building - Phase 1	60,000	$ 375.00					$ 11,250,000	$ 11,250,000					
	Construction Soft Costs		40%					$ 5,400,000	$ 5,400,000					
	City of Rochester Sales Tax Revenue						$ (250,000)	($7,050,000)	($4,190,000)					
	Debt Service I = 5%, N = 20	$ 26,560,000								$2,130,000	$2,130,000	$2,130,000	$2,130,000	$2,130,000
	Annual Operating Costs	$ 7.50	5%							$ 450,000	$ 470,000	$ 490,000	$ 500,000	$ 520,000
	Total Annual Permanent Cost				***$ -***	***$ -***	***$ -***	***$ 14,100,000***	***$ 12,460,000***	***$ 2,580,000***	***$ 2,600,000***	***$ 2,620,000***	***$ 2,630,000***	***$ 2,650,000***
	Subtotal - proposed new state support				**$ 2,510,000**	**$ 1,020,000**	**$ 920,000**	**$ 15,030,000**	**$ 13,390,000**	**$ 2,670,000**	**$ 2,600,000**	**$ 2,620,000**	**$ 2,630,000**	**$ 2,650,000**
	Combined				$32,870,000					$13,170,000				

Appendix C

University of Minnesota Rochester
Projected Statement of Investment

Table 2

University of Minnesota - Rochester
Projected statement of investment - Higher education development initiative
For the periods ended June 30, 2006 through 2015
The assumptions below are an integral part of this proforma

	Fiscal Year		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Students		416	458	503	554	637	732	842	968	1162	1395
2	Student growth			10%	10%	10%	15%	15%	15%	15%	20%	20%
3	Cost growth			5%	5%	5%	5%	5%	5%	5%	5%	5%
4	Tuition and fee rate growth			6%	6%	6%	6%	6%	6%	6%	6%	6%
5												
6	**Current programming**											
7	Maintain current academic programs		$3,910,000	$4,110,000	$4,310,000	$4,530,000	$4,760,000	$5,000,000	$5,240,000	$5,510,000	$5,780,000	$6,070,000
8	Maintain current extension programs		$1,370,000	$1,440,000	$1,510,000	$1,590,000	$1,670,000	$1,750,000	$1,840,000	$1,930,000	$2,030,000	$2,130,000
9	**Allied Health Center academic leadership**											
10	Planning and start-up	(a)	$220,000	$600,000	$450,000	$350,000						
11	Student services platform			$180,000	$300,000	$310,000	$330,000	$340,000	$360,000	$380,000	$400,000	$420,000
12	Technology platform			$140,000	$280,000	$290,000	$300,000	$320,000	$330,000	$350,000	$370,000	$390,000
13	Curriculum development platform			$280,000	$560,000	$590,000	$610,000	$650,000	$680,000	$710,000	$750,000	$780,000
14	Administrative platform			$170,000	$330,000	$350,000	$370,000	$380,000	$400,000	$420,000	$450,000	$470,000
15	**New/expanded instructional programs**											
16	Planning and start-up	(a)	$350,000	$1,020,000	$1,120,000	$1,680,000	$2,540,000	$1,740,000	$910,000	$290,000		
17	Operating (direct and indirect costs)	(b)		$700,000	$2,440,000	$4,120,000	$7,010,000	$10,610,000	$15,060,000	$20,540,000	$29,190,000	$40,250,000
18	**Research and liaison programs**											
19	Industrial liaison office			$350,000	$370,000	$390,000	$410,000	$430,000	$450,000	$470,000	$490,000	$520,000
20	Expenditures from external grants	(c)							$2,500,000	$5,000,000	$7,500,000	$10,000,000
21	**Facilities**											
22	Current UM lease for UCR space		$160,000	$160,000	$80,000	$40,000	$40,000	$40,000				
23	Current debt service UCR ('91 & '93 bonds)		$150,000	$140,000	$130,000	$120,000	$110,000	$100,000	$90,000			
24	New leased facility improvement costs & relocation	(a)		$1,470,000	$60,000							
25	New leased facilities annual lease costs	(d)		$740,000	$750,000	$760,000	$780,000	$790,000				
26	New facility planning and land acquisition	(e)				$250,000	$4,500,000					
27	New facility construction and soft costs	(e)					$16,650,000	$16,650,000				
28	New facility debt service	(e)							$2,130,000	$2,130,000	$2,130,000	$2,130,000
29	New permanent facilities operating								$450,000	$470,000	$490,000	$500,000
30	**Total**		$6,160,000	$11,500,000	$12,690,000	$15,370,000	$40,080,000	$38,800,000	$30,440,000	$38,200,000	$49,580,000	$63,660,000
31												
32	**Currently available resources -- operating**											
33	Current U of M recurring state support		$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000	$3,880,000
34	Tuition and fees from current U of M - Roch programs		$1,860,000	$1,980,000	$2,090,000	$2,220,000	$2,350,000	$2,490,000	$2,640,000	$2,800,000	$2,970,000	$3,150,000
35	Office of Higher Education planning allocation		$420,000	$2,580,000								
36	*Subtotal - currently available operating resources*		*$6,160,000*	*$8,440,000*	*$5,970,000*	*$6,100,000*	*$6,230,000*	*$6,370,000*	*$6,520,000*	*$6,680,000*	*$6,850,000*	*$7,030,000*
37												
38	**Proposed new state resources - operating**											
39	Proposed new recurring state support	(f)		$1,910,000	$3,370,000	$4,300,000	$4,300,000	$4,300,000	$4,300,000	$4,300,000	$4,300,000	$4,300,000
40	Proposed new non-recurring state support			$3,090,000	$1,630,000	$2,030,000						
41	*Subtotal - proposed new state support*			*$5,000,000*	*$5,000,000*	*$6,330,000*	*$4,300,000*	*$4,300,000*	*$4,300,000*	*$4,300,000*	*$4,300,000*	*$4,300,000*
42												
43	**Projected new U of M resources - operating**											
44	Tuition and fees from new offerings		$0	$450,000	$800,000	$1,220,000	$1,950,000	$2,860,000	$4,010,000	$5,440,000	$7,690,000	$10,610,000
45	Public-private partnerships											
46	External grants and contracts	(c)							$2,500,000	$5,000,000	$7,500,000	$10,000,000
47	F&A rate recovery (ICR)	(c)							$650,000	$1,300,000	$1,950,000	$2,600,000
48	Revenue from private fundraising											
49	*Subtotal - projected new operating resources*			*$450,000*	*$800,000*	*$1,220,000*	*$1,950,000*	*$2,860,000*	*$7,160,000*	*$11,740,000*	*$17,140,000*	*$23,210,000*
50												
51	**Proposed and projected new resources - capital**											
52	New state capital appropriation	(g)					$14,100,000	$11,100,000				
53	City of Rochester - dedicated sales tax revenue	(h)				$250,000	$7,050,000	$4,190,000				
54	New debt service								$2,130,000	$2,130,000	$2,130,000	$2,130,000
55	*Subtotal - proposed and projected capital resources*			*$0*	*$0*	*$250,000*	*$21,150,000*	*$15,290,000*	*$2,130,000*	*$2,130,000*	*$2,130,000*	*$2,130,000*
56	**Grand total**		$6,160,000	$13,890,000	$11,770,000	$13,900,000	$33,630,000	$28,820,000	$20,110,000	$24,850,000	$30,420,000	$36,670,000
57												
58	Investment provided/(required)			$2,390,000	($920,000)	($1,470,000)	($6,450,000)	($9,980,000)	($10,330,000)	($13,350,000)	($19,160,000)	($26,990,000)
59	Net accumulated investment provided/(required)			$2,390,000	$1,470,000	$0	($6,450,000)	($16,430,000)	($26,760,000)	($40,110,000)	($59,270,000)	($86,260,000)
60												

61 Notes

62 (a) Resources could begin to be expended in FY06. Assumes $420,000 of Office of Higher Education planning resources released in FY06.

63 (b) Assumes fully loaded direct and indirect instructional costs and tuition revenue for a current "typical" Rochester student attending approximately 50% time currently and 75% time for new students.

64 (c) External grants and contracts must be self-supporting. Assumes ramping to $10 million in external grants and contracts by FY15. F&A rate recovery could be used to defray other operational costs.

65 (d) Assumes lease in FY07 with classes beginning in new leased facility in Fall 2007

66 (e) Assumes 60,000 GSF facility with planning, land, and construction costs of $37.8 million and 20 year debt service.

67 (f) Assumes the State of Minnesota continues to fund ongoing recurring expenditures committed to as part of FY07-FY09 investments.

68 (g) Assumes $25.2 million in state capital appropriation, representing 2/3 of the cost of the capital project

69 (h) Assumes $11.49 million of Rochester city sales tax revenue -- $8 million from current legislation and $3.49 million from prior allocated and unspent amounts for higher education -- to be used to cover facility planning, land acquisition and construction costs.

Appendix D
City of Rochester and Olmsted County
Contributions to Expand Higher Education

- In 1984, Olmsted County donated $ 5,785,396 to the Minnesota Community College System to build East Hall to bring Winona State University to the Rochester Community College campus (1986). These funds came from the $14 million sale of the Rochester State Hospital to the Federal Bureau of Prisons.

- Since 1987, GRAUC has successfully advocated for over $70 million to advance higher education facilities and programs located on the 481 acre Minnesota State Colleges and Universities campus where Rochester Community and Technical College serves as landlord.

Science and Technology Wing (1991)	$17,825,000
Technology Infrastructure Upgrade (1998)	$ 9,320,000
UCR Regional Sports Center (1998)	$16,510,579*
Horticulture Technology Center (2000)	$ 4,500,000
Intercampus Roadways (2000)	$ 1,200,000
23rd Ave connects Hwy 14 & Cty 9 (2000)	$ 2,000,000
Soccer / Football / Baseball Fields (2001)	$ 1,450,000
UCR Health Science Renovation (2005)	$12,759,000
Community Health and Dental Clinic Renovation	$ 1,500,000*
Rochester Higher Ed Development (2005)	$ 3,200,000
Stadium Feasibility Study	$ 50,000*
TOTAL	**$70,314,579**
* City Sales Tax Contribution	$13,060,579
City Contribution (roads)	$ 2,000,000
City & Youth Sports Contribution	$ 1,450,000
State's Investment	$53,804,000

- In 1999, GRAUC advocated for a branch of the University of Minnesota in Rochester. The Legislature approved enabling language.

- Annually, Mayo invests approximately $5 million in tuition reimbursement for their employees and IBM Rochester contributes $7 million to employee education, including tuition reimbursement.

Appendix E
Rochester Higher Education Development Committee Members

Marilyn D. Stewart, Chair
Branch Manager, Edina Realty

C. E. Bender, M.D.
Dean, Mayo School of Health Sciences

Al Berning, CEO
Pemstar

Al DeBoer, J.D.

Drew Flaada
Director, IBM/Mayo Clinic Collaboration and Life Sciences Development
IBM Corporation

Dwight A. Gourneau
President, NAMTech, Inc.

Jayne Sprinthall Rankin
Executive Budget Officer, MN Department of Finance

Robert H. Hoffman, Ed.D.
Vice President, Taylor Corporation
Chair, Minnesota State Colleges and Universities
Board of Trustees

David Metzen, Ph.D.
Regent, University of Minnesota

Wendy Shannon, Ph.D.
Superintendent, Byron Public Schools

Michael Vekich, C.P.A.
Vekich and Associates

Staffed by:
Cheryl Maplethorpe, Ph.D.
Minnesota Office of Higher Education

Appendix F

Resources Used for Report Preparation

Presentations made before the Rochester Higher Education Development Committee:

July 22, 2005

Jim Clausen, Greater Rochester Area University Center
Randy Johnson, Executive Director, Rochester Workforce Development
Gary Smith, CEO, Rochester Area Economic Development
Philip Wheeler, Director, Rochester/Olmsted Department of Planning
Kevin Molloy, President, Marquis Hospitality Group
Kathy Meyerly, Attorney, Mayo Clinic Rochester
Dr. Valerie Pace, IBM Community Relations

August 19

Mayo Ardell Brede, City of Rochester
Dr. Roger Nelson, Mayo Clinic
Rick Thoni, Director, Augsburg College
Janet Lestock, University of St. Thomas
Mike Benson, Crossroads College
Dr. John Pyle, St. Mary's University
Dr. David Carl, Provost, University of Minnesota Rochester
Dr. Judith A. Ramaley, President, Winona State University
Don Supalla, President, Rochester Community and Technical College
Julie Nigon, Adult Family Literacy Program
Jeanne Herrmann, Globe/Minneapolis College of Business

September 8

Dr. Louellen Essex, Louellen Essex & Associates

October 14

Dr. Hugh Smith, Chair, Board of Governors, Mayo Clinic Rochester

October 28

Dr. Robert Bruininks, President, University of Minnesota
Walt Ling, IBM, Senior State Executive
Dr. Zigang Dong, University of Minnesota Hormel Institute

December 8

Simon Tripp, Principal, Impact Economics

Site Visits by Members of the Rochester Higher Education Development Committee:

University of Texas – Dallas and Chancellor Mark Yudolf

Other Resources:

Essex, L. *Follow-up Report on the University Center Rochester*, September 8, 2005.

Keith, A. M. *Minnesota Should Develop a Four-year University in Rochester,* Minnesota Journal, October 2005, p. 11.

Key Performance Indicators 2004 – University Center Rochester

Stolle, M. *Mayo Chair Speaks in Support of U of M Here.* Post Bulletin, Rochester, October 15, 2005.

University of Minnesota strategic planning documents, 2005

2002 Minnesota State Colleges and Universities/University of Minnesota Management Agreement

Appendix G

Letters of Support

UNIVERSITY OF MINNESOTA

Twin Cities Campus *Office of the President*

202 Morrill Hall
100 Church Street S.E.
Minneapolis, MN 55455-0110
612-626-1616
Fax: 612-625-3875

January 24, 2006

Marilyn Stewart
Rochester Higher Education Development Committee
1301 Salem Road S.W.
Rochester, MN 55902

Dear Marilyn:

I am writing to thank you and all the members of the Rochester Higher Education Development Committee (RHEDC) for your extraordinary commitment to addressing the future of higher education in the greater Rochester area. The background information, data analyses, and recommendations help frame educational, workforce, economic development and quality of life issues facing southeastern Minnesota and the entire state in the twenty-first century. You have produced a thorough and thoughtful report that governing bodies, elected officials, business leaders, and citizens can use to form reasoned judgments about the future direction of higher education in Rochester. I appreciate the valuable perspectives contributed by committee members from leading public and private sector organizations. This process has exemplified the power of public engagement in addressing community needs and interests.

I will ask the University of Minnesota Board of Regents to review and discuss your report in the coming weeks. In my conversations with Board members they have been enthusiastic about the process and optimistic that, with the required state support, the University of Minnesota can play a leading role in developing and expanding innovative research, educational and outreach programs to serve the region's people and industries.

We look forward to working together with you and with city and state officials, Minnesota State Colleges and Universities leaders, our public and private partners, and members of the community about these exciting proposals. Together I am confident we can make significant strides toward meeting the higher education aspirations and needs of the Rochester area.

Sincerely,

Bob

Robert H. Bruininks
President

RHB/so

OFFICE OF THE CHANCELLOR
JAMES H. McCORMICK
Chancellor

WELLS FARGO PLACE
30 7TH ST. E., SUITE 350
ST. PAUL, MN 55101-7804

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Minnesota
STATE COLLEGES
& UNIVERSITIES

January 20, 2006

Ms. Marilyn D. Stewart, Chair
Rochester Higher Education Development Committee
1301 Salem Road Southwest
Rochester, Minnesota 55902

Dear Chair Stewart:

Thank you for sending me a copy of the Rochester Higher Education Development Committee's Report to Governor Tim Pawlenty and the Minnesota Legislature. I congratulate you and the committee members on the hard work you have undertaken to gather data and information regarding delivery of higher education opportunities in Rochester and recommend new directions for consideration by Governor Pawlenty and the legislature.

I have had the opportunity to discuss the draft recommendations with our Board of Trustees. Since the Board met prior to the issuance of the final report, the Board has not yet reviewed the report in its final form and, thus, has not taken any formal position on the report. However, in our discussion earlier this week, Board members expressed their agreement with the general direction of the report's recommendations. In particular, highlighted below are several key concepts in the report that assure us that it captures an understanding of how the State and its higher education systems would move forward together to best serve the interests of our citizens:

- Recognition of the need for continued assessment for the development and expansion of proposed programs in Rochester and the region;

- Affirmation of the commitment of the University of Minnesota to engage in partnerships and collaborations in establishing programs and program pathways that serve the needs of Minnesota citizens and students;

- Recommendation of a phased expansion of University of Minnesota facilities that affirms its pre-existing financial commitments to the shared facilities of the University of Minnesota and the Minnesota State Colleges and Universities' Rochester Community and Technical College and Winona State University;

- Recommendation that the State of Minnesota provide new funding resources that do not supplant or shift current levels of funding from the University of Minnesota or Minnesota State Colleges and Universities; and

- Proposal for a governance structure that affirms the autonomy of the respective governing bodies to establish and manage the enterprises under their authority.

Finally, we are confident that Minnesota State Colleges and Universities is positioned well to support the University of Minnesota in achieving its program goals. I look forward to my continued work with President Bruininks and the University of Minnesota to better serve the citizens of the State of Minnesota.

Sincerely,

James H. McCormick

c: Robert H. Hoffman, Chair
Robert G. Bruininks, President

MAYO CLINIC

200 First Street SW
Rochester, Minnesota 55905
507-284-2511

Administration

January 23, 2006

Marilyn Stewart, Chair
Rochester Higher Education Development Committee
1301 Salem Road Southwest
Rochester, Minnesota 55902

Dear Ms. Stewart:

Mayo Clinic appreciates the efforts of the Rochester Higher Education Development Committee (RHEDC) in defining the vision and next steps to meet the higher education needs of southeast Minnesota and Rochester in particular. Mayo pledges to continue to work with the RHEDC in implementing the recommendations.

Through the presentations to the RHEDC by Doctors Hugh Smith and Roger Nelson and Ms. Kathleen Meyerle and the participation on the RHEDC by Dr. Claire Bender, Mayo has provided its perspective on the needs facing our organization and our community. Dr. Smith emphasized that the future of medicine is in procedures and information, and success for the United States and Minnesota means a focus on a knowledge-based economy. Minnesota will succeed if its lead institutions such as the University of Minnesota, Mayo and IBM remain at the cutting edge in knowledge development and dissemination. In addition, Mayo will continue to need a highly trained allied health workforce, especially nurses and clinical laboratory scientists. The RHEDC work will enable the development of these talented people and resources.

As Dr. Smith stated in his remarks to the Committee last fall Mayo is prepared to be a significant partner in advancing the growth of the University of Minnesota in Rochester. Mayo would support joint appointments and visiting professorships. Mayo can provide faculty and students as well as offering summer scholarships, internships and clinical placements. Mayo attracts world-renowned scientists and physicians who could serve as role models and mentors for students. Mayo currently spends over $5 million per year in tuition support for our employees in addition to an extensive internal program for staff training and advancement. Mayo could review its program to more directly encourage and support credits from programs implementing the RHEDC vision.

Mayo Clinic's participation in collaborations with IBM, the University of Minnesota in the Minnesota Partnership for Biotechnology and Medical Genomics and the Hormel Institute provide a solid basis from which the RHEDC vision can be realized. Mayo Clinic commits to working with the RHEDC and our community in advancing these recommendations and furthering the growth of the University of Minnesota in Rochester as a world-class signature research and teaching institution.

Sincerely,

Glenn Forbes, Chair
Chief Executive Officer

Jeffrey O. Korsmo,
Chief Administrative Officer

cc: Members of the University of Minnesota Board of Regents
James H. McCormick, Chancellor, Minnesota State Colleges and Universities
Robert J. Jones, Senior Vice President for System Administration
E. Thomas Sullivan, Senior Vice President for Academic Affairs and Provost
Frank Cerra, Senior Vice President for Health Sciences
David Carl, Provost, University of Minnesota Rochester

3605 Highway 52 N
Rochester, MN 55901

January 18, 2006

To: Rochester Higher Education Development Committee
Marilyn D. Stewart, Chair

From: Walt Ling, IBM VP and Minnesota Senior State Executive

Subject: Advancing Higher Education to Benefit Minnesota

IBM applauds the recommendations of the Rochester Higher Education Development Committee, and I offer the thanks of IBM for the diligent work you are doing on behalf of higher education for our region and our State.

IBM has worked long to advance higher education in our region, and our commitment has never been stronger. Technology, globalization and demographic changes require not just more education, but higher achievement by all, including our incumbent workforce.

When I testified before the RHEDC, I emphasized the unique work underway among IBM, Mayo and the University of Minnesota. The unique confluence of these partners in southeast Minnesota presents a tremendous opportunity for Minnesota. The RHEDC recommendations clearly recognize that an expanded University of Minnesota Rochester (UMR) will be the catalyst necessary to bring research and academic programs to our region to support the tremendous innovation occurring here. UMR will take full advantage of our current talent and investments and bring new value to higher education in Minnesota.

IBM stands ready to support your recommendations through our Center for Advanced Studies in the Life Sciences and our Blue Gene supercomputing capacity. We have IBMers prepared to serve as adjunct faculty, opportunities for cooperative education internships and space available for faculty and students to work side-by-side in exciting new areas of technology where IBM Rochester leads the world. Our annual investment of $7M in employee education will also help support our employees as they continue their education at UMR.

The recommendations of the RHEDC will expand higher education in Minnesota. IBM has enjoyed long and successful partnerships with Rochester Community and Technical College and Winona State University, and their missions are important to our region. What is important for Minnesota and for the unique convergence of technology, biology and medicine in southeast Minnesota, is that the University be given the authority and resources necessary to advance the unique programs and research that can thrive in this innovative technology center.

R.L. Knowlton
Chairman

301 N Main Street
Austin MN 55912
Phone 507 437 5357
Fax 507 437 7392

January 18, 2006

Ms. Marilyn Stewart
Edina Realty Inc.
1301 Salem Rd. SW
Rochester, MN 55902

Attn: Rochester Higher Education Development Committee

Dear Marilyn,

The Hormel Foundation was designed to control and assure Hormel Foods Corporation's presence in Austin, Minnesota. With the growth of the Company, the Foundation and the Hormel Institute, the need for development of higher education in southern Minnesota becomes ever more important.

The extraordinary growth of institutions like Mayo Clinic, Hormel Foods (which now has revenues of $5.5 billion/year) and IBM, along with numerous other endeavors, provides a strong case for a four-year higher education campus in this section of the state.

The Hormel Foundation strongly supports the placement of a new campus that would be located in Rochester. The work being accomplished at Mayo, IBM and Hormel is strong evidence of the need and the opportunity for the advancement of technology, research and industry.

The Hormel Institute has grown dramatically in recent years and has been highly successful in its grants from the National Institutes of Health and The Hormel Foundation. A new endeavor is in place that will bring Mayo research to the Hormel Institute along with continued involvement of the University of Minnesota. In the near future, a major addition will double the size of the Hormel Institute and allow greater expansion of our already established cancer research.

All of these impressive developments with the growth of Mayo, IBM and Hormel bring focus to the need for a new four-year extension of the University of Minnesota in Rochester. I would like to thank you in advance for your support to bring a much-needed higher education facility in southern Minnesota. We would like to strongly support the undertaking of a new four-year University of Minnesota at Rochester.

If I can be of further assistance, I would be pleased to act in a supporting role.

Regards,

R. L. KNOWLTON
Chairman of The Hormel Foundation and
former Chairman, President & CEO of Hormel Foods Corporation

kb

Mayor Ardell F. Brede
201 4th Street SE – Room 281
Rochester, MN 55904-3782
Phone: (507) 285-8080 Fax: (507) 287-7979

January 23, 2006

The Honorable Tim Pawlenty
Governor of Minnesota
130 State Capital
75 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Dear Governor Pawlenty:

The City of Rochester enthusiastically endorses the plan being presented by the Rochester Higher Education Committee, that is, to establish a world-class higher education institution that leverages the unique capabilities of the University of Minnesota in partnership with IBM and Mayo Clinic. This institution will be the University of Minnesota Rochester.

The City has long been among the strongest supporters of efforts to expand higher education facilities and programs in Rochester. We have provided funding to Greater Rochester Area University Center (GRAUC) and championed $28 million in sales tax funding to improve facilities at the University Center. We wholeheartedly support the plan to build signature academic and research programs that complement southeast Minnesota's existing leadership roles in health sciences, biosciences, engineering and technology.

Rochester is committed to the revitalization of downtown and the plan to locate the University of Minnesota Rochester downtown adjacent to Mayo Clinic facilities not only makes sense for shared faculty and facilities but also fits well in our plans.

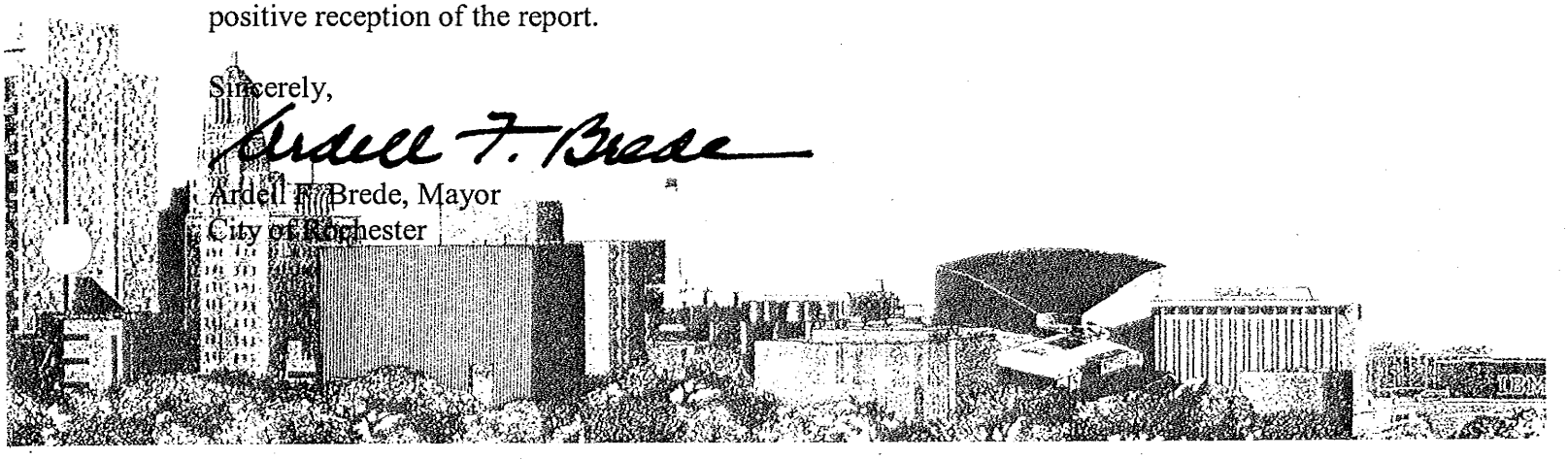
While this proposal for a new University of Minnesota Rochester will directly benefit Rochester, perhaps even more importantly, this will benefit the entire state of Minnesota, not only economically but for its citizens as well.

The City of Rochester stands ready to facilitate this plan becoming a reality. We thank the Rochester Higher Education Committee for their diligence and look forward to a positive reception of the report.

Sincerely,

Ardell F. Brede

Ardell F. Brede, Mayor
City of Rochester



RDA
Rochester Downtown Alliance

January 23, 2006

Governor Tim Pawlenty
130 State Capitol
75 Rev. Martin Luther King Jr. Blvd.
St. Paul, MN 55115

Dear Governor Pawlenty:

I write this letter both as a private citizen who has lived in southeastern Minnesota my entire life and as Executive Director of the Rochester Downtown Alliance (RDA), a non-profit corporation devoted to the continued economic development of one of the most unique cities in America.

Thanks to your efforts, the Rochester Higher Education Development Committee has studied and arrived at a report for you and the Minnesota legislature which I believe, if carried out, will have an enormous impact on the economic, technological, and scientific future of our state. The committee report will become one of the most significant reports of its kind if properly implemented.

Clearly, due to the partnerships between the Mayo Clinic, IBM, and the University of Minnesota, this state is in a position to develop one of the most dynamic biomedical economies in this country. I was deeply impressed by the fact that this new institution, governed by the University of Minnesota, will bring together the immense medical history and knowledge of the Mayo Clinic with the extraordinary research capacities of the University of Minnesota in the dynamic areas of health sciences.

I also agreed with the recommendation that the facility be located in downtown Rochester near the Mayo Clinic/University of Minnesota research facilities. Obviously, we will need your help along with the legislature in funding this start-up. I can assure you we will see to it that there is a substantial local contribution to this effort.

In conclusion, I want to thank you for appointing this remarkable group of men and women who have worked so hard to develop this report. We cannot let it sit on the shelf but must see to it that it is implemented. There is no question in my mind, if properly implemented, this partnership will develop one of most successful biomedical economies in the history of this state and nation.

Warmest personal regards,

ROCHESTER DOWNTOWN ALLIANCE

A.M. Sandy Keith
Executive Director
amkeith@rdowntownalliance.com

AMK:tmb

220 South Broadway • Suite 100 • Rochester, Minnesota 55904
Telephone: (507) 424-4744 • Fax: (507) 282-8960

January 13, 2006

Ms. Marilyn Stewart, Chair
Rochester Higher Education Committee
1301 Salem Road SW
Rochester, MN 55902

Dear Ms. Stewart:

We are writing to thank you and the entire Rochester Higher Education Committee for the work you are doing to plan the future of higher education in the Rochester area. We are extremely pleased you are looking at higher education and how it should be shaped to maximize its contribution to sustaining and growing our area economy.

Your vision is sharp and clear. The signature partnerships and programs you have identified set the right direction for realizing the vision. We are in complete agreement that the University of Minnesota is the institution to carry the ball forward. The development of a downtown campus will assure future investments made in implementing your recommendations are fully leveraged. This location is where the majority of current research, development, and knowledge creation activities take place in Rochester. The Minnesota Partnership for Biotechnology and Medical Genomics, the Mayo Clinic, and the soon-to-be developed Minnesota Bioscience Development Center are all located downtown. This location maximizes the opportunity for human and organizational interaction.

The recommendations contained in your report clearly indicate you understand the importance of doing more than just creating a relevant curriculum. Thank you again for your hard work and vision.

Respectfully,

ROCHESTER AREA ECONOMIC DEVELOPMENT, INC.

Bruce Gudlin
President

ROCHESTER AREA ECONOMIC DEVELOPMENT, INC.

Gary W. Smith, CEcD
Executive Vice President

GWS:tmb

ROCHESTER AREA
CHAMBER OF COMMERCE

January 16, 2005

Marilyn Stewart, Chair
Rochester Higher Education Development Committee
1301 Salem Road SW
Rochester, MN 55902

Dear Chair Stewart:

On behalf of the Membership and Board of the Rochester Area Chamber of Commerce, we would like to first commend you and your committee for your leadership and dedication. Your proposed expansion of higher learning represents an integral piece of Rochester's ongoing contribution to our state and indeed our nation.

Rochester is poised to contribute even more and your proposal, when realized, will help ensure that very objective becomes reality. Rochester's resources are extraordinary and include: the Minnesota Partnership for Biotechnology and Medical Genomics, the realization of the Minnesota Bioscience Development Center in Rochester, and of course the presence of world renowned businesses including Mayo Clinic and IBM.

Clearly, our future contribution to society will require a highly motivated and integrated intellectual partnership. In addition to Rochester Community and Technical College, the growth and expansion of the University of Minnesota in Rochester is vitally important. It is imperative that a university, the University of Minnesota, with a world-class academic reputation be further developed to attract the brightest minds and build world-class relationships that will benefit our region, our state and our nation.

Thank you for your hard work, dedication and your leadership.

Respectfully,

John Wade
President

Paul Grinde
Chair

220 South Broadway • Suite 100 • Rochester, MN 55904 • 507-288-1122 • Fax 507-282-8960
Website: www.rochestermnchamber.com • email: chamber@rochestermnchamber.com
Accredited Chamber of Commerce since 1965

GRAUC

Date: January 19, 2006

To: Marilyn Stewart, Chair
Rochester Higher Education Development Committee

From: Claudia Knowlton-Chike - Chair, GRAUC Board

Subject: Letter of Support to Advance Higher Education in Minnesota

The Greater Rochester Area University Center (GRAUC) Board celebrates its 20th anniversary this year. How fitting it is to see, after twenty years of advocacy for higher education in Southeast Minnesota, the Rochester Higher Education Development Committee advance this effort on behalf of our region and our State.

GRAUC anxiously awaits the formal publication of your recommendations and is fully prepared to advocate on behalf of a world-class research and academic institution. Expanding higher education in Southeast Minnesota with a distinctive, focused baccalaureate and graduate institution will require people to use their imaginations and to work collaboratively. GRAUC is prepared to act as a catalyst to support the recommendations with communications, community awareness, working with lobbyists, legislators and state influencers, along with our Higher Education Systems.

The vision of a research institution with signature programs offered at University of Minnesota Rochester such as Health Sciences, Engineering and Technology and has been a journey. There will be a fundamental shift in the design of the business model, governance and financial model for higher education. We are fortunate to have your leadership on the Rochester Higher Education Development Committee and we applaud the strategic view you have taken with the recommendations.

We are in a fast-moving, competitive and volatile environment. We are ready to build on the previous decade of growth and experimentation and do the tough work to make the changes required to establish a local research institution. We have a window of opportunity. We will preserve the base of Rochester Community and Technical College and Winona State University and grow the University of Minnesota in Rochester. We will excite our leaders and our communities as we advocate for this new model of higher education. You can count on the GRAUC Board to unite with a common voice in supporting the development of a university for the advancement of the biosciences, the future of our region and the State of Minnesota.

Claudia Knowlton-Chike

PEMSTAR

January 23, 2006

To: Rochester Higher Education Development Committee
Marilyn D. Stewart, Chair

From: Greg S. Lea
EVP & CFO
Pemstar Inc.

Subject: Support to Advance Higher Education in Minnesota

Pemstar strongly supports the recommendations of the Rochester Higher Education Development Committee to expand higher education. On behalf of the entire Pemstar family, accept our thanks for all the efforts by the committee.

Pemstar believes these recommendations, when implemented, will effectively advance higher education in our region and state. This advancement is important for the continued vitality of our current and future workforce and will permit companies like ours to stay competitive in this volatile, shifting business environment. We believe these actions will create a more vibrant competitive economy for our community and region.

Pemstar remains committed to supporting the ongoing partnership we have with the Rochester Community and Technical College and Winona State University. We feel that this proposed expansion will enhance this relationship and strengthen their mission in the overall higher education process in our region.

3535 Technology Drive N.W. • Rochester, MN 55901 • Telephone (507)292-6800 • Fax (507) 280-0838

SOUTHERN MINNESOTA INITIATIVE FOUNDATION

Leadership Circle

Charting a course for Southern Minnesota.

525 Florence Avenue PO Box 695 Owatonna, MN 55060 • 507-455-3215 • www.smifoundation.org

January 24, 2006

Marilyn Stewart
Chair
Rochester Higher Education
Development Committee
1301 Salem Rd SW
Rochester, MN 55902

Dear Ms. Stewart:

The Southern Minnesota Leadership Circle supports the report recommendations of the Rochester Higher Education Development Committee to *"establish a world-class higher education institution that leverages the University of Minnesota's research capability, in partnership with IBM, Mayo Clinic, and other industry leaders, to build signature academic and research programs that complement southeast Minnesota's existing leadership roles in health sciences, biosciences, engineering and technology. Educational programs will provide application to economic activities via innovation, translational research, and clinical experiences. This institution will have a distinct identity and one governing entity. This institution will be the University of Minnesota Rochester."*

We believe this plan has been designed to leverage the existing base of collaboration between IBM Rochester, Mayo Clinic and the University of Minnesota; and will enhance regional productivity and innovation. It draws upon the unique knowledge and skills in our region, provides a dynamic synergy to enhance our growing medical industry cluster and more fully integrates the research, education and outreach capacity of the University of Minnesota into regional economic development efforts. We view this as a critical next step in growing southern Minnesota's knowledge economy.

The **Southern Minnesota Leadership Circle,** hosted by the Southern Minnesota Initiative Foundation, is a roundtable of selected CEO's from the area's largest for-profit employers and meets two to three times per year with select public policy and system decision makers to provide high level analysis of regional and state trends, opportunities and challenges.

Sincerely,

Tim Penny
Co-Chair

Tim Lidstrom
Co-Chair

Enclosure: Leadership Circle member roster