

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities

**Date of Meeting:** October 18, 2005

**Agenda Item:** Minnesota State University, Mankato Capital Project

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

**Cite policy requirement, or explain why item is on the Board agenda:** Minnesota State University, Mankato is seeking the Board of Trustees approval to construct a new building on the campus of Minnesota State University, Mankato for the College of Business (COB).

**Scheduled Presenter(s):** Allan Johnson, Associate Vice Chancellor Facilities

**Outline of Key Points/Policy Issues:** Design and construction of the new building will be funded exclusively by funds raised by the MSU, Mankato Foundation through a capital campaign to be launched later this fall. Current statutes do not provide authority for MnSCU to construct an academic facility on a college or university campus. Accordingly, authorizing legislation will be required this coming legislative session.

**Background Information:** The goal of the capital campaign is \$57.0 million and includes \$24.0 million for design and construction of the COB; \$8.0 million for a facility endowment; and \$25.0 million for faculty costs and student scholarships. The campaign consulting firm of Bentz, Whaley and Flessner conducted a campaign audit and determined a single facility campaign was the most appropriate strategy. A follow-on feasibility study to determine the prospect base for a campaign is scheduled from October 2005 through April 2006.

The number of students served by the College of Business has seen steady increases. Beginning in 2000, credit hour production and first majors increased 22.7% and 30.5%, respectively. A new MBA program is expected to grow to approximately 120 students within the next three years. While a Doctorate in Business Administration program is a distant option, recent approval for state universities to offer an applied doctorate in business is something that could become a reality.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

*Second Reading*

**BOARD ACTION**

**MINNESOTA STATE UNIVERSITY, MANKATO  
CAPITAL PROJECT**

**BACKGROUND**

The purpose of this report is to seek Board of Trustees approval to construct a new building on the campus of Minnesota State University, Mankato for the College of Business (COB). Design and construction of the building will be funded exclusively by funds raised by the MSU, Mankato Foundation through a capital campaign to be launched later this fall. The campaign will also raise sufficient funding for an endowment to operate and maintain the facility, as well as faculty costs and student scholarships.

A new COB would have the largest immediate impact on the university, provide space for fast growing and high quality undergraduate degree programs, demonstrate support for emerging graduate programs, and offer the greatest likelihood for financial support in the larger community.

Current statutes do not provide authority for MnSCU to construct an academic facility on a college or university campus. Accordingly, authorizing legislation will be required this coming legislative session.

The goal of the capital campaign is \$57.0 million and includes \$24.0 million for design and construction of the COB; \$8.0 million for a facility endowment; and \$25.0 million for faculty costs and student scholarships. The campaign consulting firm of Bentz, Whaley and Flessner conducted a campaign audit and determined a single facility campaign was the most appropriate strategy. A follow-on feasibility study to determine the prospect base for a campaign is scheduled from October 2005 through April 2006.

The proposed COB is a 95,200 square foot (SF) facility housing 70 faculty and 10 graduate assistants. It will be sited adjacent the southwest corner of the existing Centennial Student Union. See Attachment A. The COB will be a concrete and masonry multi-story structure of approximately 80,200 SF. A separate, single story 15,000 SF entrepreneurial/conference center is also included of similar construction. Design of the facility is scheduled to begin in January 2007; construction is scheduled from April 2008 through December 2009. After completion of the facility, approximately 16,000 SF of vacated space consisting of 62 faculty and 10 administrative offices/suites, and 13 classrooms will be renovated within Morris and Armstrong Halls. This renovation of existing space, estimated at approximately \$400,000, is planned to be funded through a future MnSCU capital budget request. This renovation would help resolve University's shortfall of 208,000 SF of general academic space as outlined in the 2002 Campus Master Plan.

The capital project, including design, construction, testing, inspection, furnishing and equipping will be executed by the University in accordance with MnSCU design and construction standards. The Foundation will raise funds and pass them to the University to allow design, construction, and related contract awards to meet the schedule noted above.

The number of students served by the College of Business has seen steady increases. Beginning in 2000, credit hour production and first majors increased 22.7% and 30.5%, respectively. A new MBA program is expected to grow to approximately 120 students within the next three years. While a Doctorate in Business Administration program is a distant option, recent approval for state universities to offer an applied doctorate in business is something that could become a reality.

Student credit hours, COB (Source: Institutional Research, MSU, Mankato, June 2005):

<i>Student Credit Hours</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>
Total Credit Hours	27,747	29,645	30,496	32,130	34,057
Annual % Change		+ 6.8%	+ 2.9%	+5.4%	+6.0%

First majors, COB (Source: Institutional Research, MSU, Mankato, June 2005):

<i>First Majors</i>	<i>Fall 2000</i>	<i>Fall 2001</i>	<i>Fall 2002</i>	<i>Fall 2003</i>	<i>Fall 2004</i>
Students	1,607	1,696	1,974	2,056	2,097
Annual % Change		+5.5	+ 16.4%	+4.2%	+2.0%

The COB currently utilizes 16,000 square feet (SF) of offices and classrooms in Morris and Armstrong Halls. Morris Hall is the primary facility. The College must share space with departments from sister colleges including Dental Hygiene, Women’s Studies, Urban Affairs, Economics, and Ethnic Studies; Office for Institutional Diversity, Faculty Association offices, and the Office of Research and Sponsored Programs. As a result, there are three full-time faculty, twelve adjunct faculty, four graduate assistants, and many student clubs without office space.

Compounding the shortage of office space is the lack of conferencing and meeting space. The COB has only one dedicated conference room and there is no meeting space where groups of students, faculty, and community leaders can meet without having to make prior reservations at alternate campus facilities. This lack of meeting, break-out and study space often results in students sitting on the floor in hallways as they confer in teams or wait for class to begin. Modern business education is centered on teams of students conferring on business problems and discussing possible solutions. There is a great need to offer space for students and faculty to interact outside of the classroom in an environment that would mirror a modern workplace. Such space is a key consideration in the construction of new business schools across the nation.

The College of Business recently created the College of Business Center for Innovation and Entrepreneurship (COBIE) in response to the large growth and interest from the business community in entrepreneurship over the past 10-15 years. COBIE's mission is to engage the energy of students, faculty, and leaders in the business community to encourage and support new venture creation that can result in economic expansion and higher living standards in the region and beyond. It also provides the basis for creative problem solving in the context of social entrepreneurship to attack seemingly intractable societal problems. The 15,000 SF dedicated entrepreneurial space will facilitate outreach and interaction between students, faculty and the community, and as an added benefit, will supplement the growing need for conference space that is being generated by customers of the recently renovated Centennial Student Union.

The College of Business worked for many years to achieve accreditation by the Association to Advance Collegiate Schools of Business International (AACSB) in 1997. Approximately 30% of business schools are accredited by AACSB. Minnesota State University, Mankato and St. Cloud State University are the only two MnSCU business schools accredited by AACSB International. This accreditation is focused on student achievement, measured learning outcomes, and continuous improvement. There are high expectations for faculty and students. New academic space would provide additional momentum for the College of Business to further enhance its mission of educating students in the region and beyond to be successful and responsible business professionals.

In summary, the need for a new College of Business building is demonstrated based on the dearth of office space, lack of conference and meeting space, growth of recognized programs, addition of new programs, and the desire to continue a record of excellence.

***ADDITIONAL INFORMATION:***

*MSU, Mankato's presentation to the Board at the First Reading in September 2005 is contained in Attachment B. The following additional information is provided in response to several questions raised during that presentation:*

- A. *Project rationale and justification relative to the capital budget process: Construction of a building for the COB is a valid capital project stemming from the university's campus master plan. It is appropriately sized to address space requirements at the university, and its estimated costs are reasonable. The proposed siting is consistent with the campus master plan, with access to campus utility systems. Planning for the follow-on remodeling of Morris Hall, using state bond proceeds, is reasonable and appropriate. Further, the COB would compete very favorably in the MnSCU capital budget process based on recent Capital Budget Guidelines. However, the costly MSU projects currently budgeted for the addition to and remodeling of Trafton Hall in 2006 and 2008 would impact unfavorably on moving the COB forward in the capital budget process in the near term and on other valid capital needs at the university.*
  
- B. *Building design and construction: The project would be designed and constructed in the same manner as current capital projects in accordance with MnSCU design and construction standards. Funds raised through the Foundation would be passed to the university for project execution, and must be sufficient to award all contracts at the full*

contemplated amounts. Unlike several projects at MSU, Mankato in the past, the MSU Foundation would not design and construct the building in this case.

- C. *Precedent: This is the largest, privately funded capital project in the history of MnSCU and MSU, Mankato. It is understandable that such robust fundraising for a capital project might be seen by some as an indication that similar capital fundraising could take place at other MnSCU institutions. This is not believed to be the case however. MSU, Mankato itself has a rich history of funding capital projects through private funds including Pennington Hall (\$284,700 gift, Foundation constructed in 1986); the Alumni and Foundation building (\$1,272,906 gift, Foundation constructed in 1989); Andreas Observatory (\$240,239 gift, Foundation constructed in 1990); Andreas Theater (\$3,434,224 gift, Foundation constructed in 2000); and new and renovated student athletic facilities (\$17.8 million gift for the Taylor Center, Foundation constructed in 2001, matched by \$29.4 state GO bond proceeds, 1998-2003). Other MnSCU colleges and universities have used non-state funds for construction of bookstores, student residence halls, recreation facilities, and, to a very minor degree, academic facilities.*

*The University of Minnesota received authorization in recent years for a number of academic facilities funded in part by non-state sources. In the 2005 bonding bill, the University received \$66.6 million in state GO bond appropriations with the proviso that the “remaining costs”(approximately one-third the total project cost) were to come from “university sources,” i.e. non-state funds. The University was not required to pay the usual one-third debt service to the state, having provided the one-third user financing from its own sources. The University’s ability to raise capital funds from private donations, endowments and/or selling its own bonds clearly has not detracted from its ability to gain state funding support through the bonding bill.*

**RECOMMENDED COMMITTEE ACTION:**

The Facilities/Finance Policy Committee recommends that the Board of Trustees adopt the following motion.

**RECOMMENDED MOTION:**

The Board of Trustees approves the capital project to construct a College of Business facility on the campus of Minnesota State University, Mankato as described herein. This approval is contingent upon the MSU, Mankato Foundation’s pledge to perfect the monetary pledges as noted herein. The Board directs the Chancellor to prepare the necessary documents to seek legislative approval for construction of the COB on state property.