UNIVERSITY OF MINNESOTA

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Office of the Senior Vice President for Finance and Operations

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March 26, 2020

MEMORANDUM

TO: President Joan T.A. Gabel

FROM: Brian Burnett, Senior Vice President for Finance and Operations

RE: Housing and Residential Life and Dining credit across University of Minnesota campuses during spring, 2020 term due to COVID-19 Pandemic Response and Request for the Board of Regents to consider urgent approval

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This correspondence is prepared in response to board inquiries about the methodology, analysis, and management decisions regarding crediting fees paid by students who are residents in our residential life and dining facilities. This action was due to the State of Minnesota encouraging social distancing as one important mitigation response to the COVID-19 pandemic.

University senior leadership have factored into all decisions advice and guidance from the Centers for Disease Control and Prevention (CDC), the Minnesota Department of Health (MDH) and the Office of the Minnesota Governor. All have emphasized the powerful effect of social distancing in flattening the curve of those affected by COVID-19 and the resulting significant impact on our state's limited intensive care healthcare resources.

In accordance with that guidance, and taking advantage that students on the Twin Cities, Duluth, and Rochester campuses were to go on Spring Break when the Governor announced his initial Peacetime Emergency, we strongly encouraged all students to remain at home or away from campus as they continued their education in alternate formats. We actively discouraged students from returning to campus knowing that such actions were at odds with the guidance of public health officials to limit social distancing.

While some of our Big Ten peers (including Wisconsin, Michigan State and others) responded to the COVID-19 pandemic by completely closing their on-campus residential and dining facilities on a date certain, senior leaders of the University decided that such a measure would be problematic for our many students who cannot easily relocate to another location. In addition, we understood from the State of Minnesota their desire for us to keep residential facilities open and available for possible emergency use, particularly facilities (as with Centennial and Pioneer) that are adjacent to the University of Minnesota Medical Center.

We knew that we had a combination of international students with no ability to return to their home country, students who believe that living in a university facility is the safest place for them even during this public health emergency, and students who returned from study abroad programs with no way to return to a home location. As such, we determined that we maintain residential and dining support for students who, for the remainder of this academic term, must be cared for and protected in an evolving public health crisis.

Given that many residential students were now remaining at home for the balance of the semester, and no longer in residential housing, we considered credits for the time remaining using core guiding principles.

- Be as consistent as possible across the five campuses;
- Make the credit mechanism simple to explain and administer due in part to demands on staff time in response to the pandemic;
- Be in the general range of what peer institutions* have accomplished;
- Account for some amount of fixed and all variable costs;
- Reflect the continuing costs of supporting the students who remained in our facilities;
- Importantly, reflect potential future insolvency issues.

The administration reviewed the balances or available funds in each of the auxiliary accounts for housing and dining on each of the five campuses. These self-supporting units, which receive no state of Minnesota or tuition funding, are operated as auxiliary businesses in support of the academic mission. The balances of each of these auxiliaries vary widely and are detailed in the information that follows. It should be noted that UM-Rochester is unique in that the housing provided for students is all privately owned and does not include any dining functions. Despite this, the administration worked to achieve a consistent and balanced approach to a credit policy for students on all five campuses.

Financial Analysis

Staff across the system and on each campus assessed the impact of a number of possible scenarios ranging from a 100% credit to no credit. Fundamentally, we were balancing a student (and their parents) belief that they should receive a 100% credit for days remaining after the Governor's declaration of peacetime emergency and our desire to continue to balance fairness to our students with our ongoing fixed asset and personnel costs associated with residential and dining services. We know that students are not likely to understand that our fixed costs, such as debt service, utilities, maintenance, and staff salaries, continue year around, whether students are in residence or not. We also noted that many students left their possessions in their room, creating an ongoing obligation on our part to protect their belongings.

We established that a 100% credit would not only do substantial harm to our ongoing financial viability, but that it would not reflect fairness to the institution and our obligation to continue to maintain the facilities for both future students and current students who remain on campus. Similarly, a zero credit created the strong impression that the University would be benefiting from the pandemic crisis, a situation that is clearly unacceptable.

By applying a weighted analysis to the range of scenarios between zero and 100% credit, we considered fairness to all parties and ultimately established that a 100% credit would, as Table 1 indicates, place several residential and dining auxiliaries in negative balances or in situations that would forgo their ability to advance current housing initiatives, as in the case of UMD. We do note that the calculated revenue lost is offset by the students remaining, who continue to pay as per normal, although we have seen the number of students remaining on campus continue to decline and suspect that the Governor's most recent executive order on shelter in place may accelerate departures.

Table 1.

A	B	C	D
Campus	**6/30/19 Housing & Dining Balances Combined***	**Estimated Revenue Loss – 100% Refund from Spring Break to End of Semester**	**Estimated Revenue Loss – President's Announced Credit - $1,200 (TC) and $1,000 (system campuses)**
UMC	$1,497,351	$616,000	$417,000
UMD	$14,524,100	$4,710,000	$2,695,000
UMM	$643,657	$1,134,000	$592,000
UMR	($47,216)	$406,000	$220,000
UMTC	$25,266,100	$20,517,000	$8,747,000
Total	**$41,883,992**	**$27,383,000**	**$12,671,000**

**Note: in all cases, auxiliary units purposely set aside funds when possible to address future capital needs/projects, so year-end balances are largely not dedicated to operating needs. For example, $12.8M of UMD's balance in Column B represents funding held to support the approved housing expansion and a new dining facility in FY20.*

Option Selected

Ultimately, the President and Chancellors decided that offering a $1,200 refund to Twin Cities students and $1,000 refund to system campus students struck the right balance between crediting individual students for a service not fully rendered while maintaining a financially responsible housing and dining auxiliary enterprise on each campus. Importantly, the $1,200 Twin Cities credit and $1,000 all other campuses represents an approximate 60% credit for housing during the time period credited and 75% of dining expenses.

Other Considerations

If the Board of Regents would wish to consider a different approach or a more generous refund structure than the mechanism announced by the administration, this is certainly possible. It should be noted that such a change would come with significant financial consequences for these auxiliary enterprises. Solutions to this dilemma include deferring capital improvements or any planned expansions, increasing housing and dining rates, reducing existing services currently funded from existing rates, or some combination of these.