BUDGET SUB MEET & CONFER  
Tuesday, March 17, 2015  
1:30 p.m. – CSU238

Please note: Budget Sub Meet & Confer agendas and supporting documents are located on the budget web site http://www.mnsu.edu/finadm/submeetconfer/

Attendees: Rick Straka, Co-Chair, Roland Nord, Co-Chair, Steve Smith, Casey Duevel, Lynette Engeswick, Avra Johnson, Marie Pomije, John Seymour, Bryan Schneider, Mike McLaughlin, Deb Norman, Sharon Sandland, Helen Wenner, Sara Granberg-Rademacker, Deb Schultz, Mike Peters, Lynn Akey, Kevin Buisman, David Cowan, Kim Greer, David Jones, Sandra King, Joan Roca, Susan Ward, Kristel Seth, Tyler Conlon and Vickie Hanson

1) Changes/Additions to the Agenda – #6 Parking Proposal from PAC was added to the agenda.

2) Update on Governor’s Budget Proposal (Rick Straka)

The Governor released a revised budget today. The good news is he is recommending the MnSCU request of $142M to fund the two-year tuition freeze. That request would fund 3% compensation and non-compensation. The $142M is more than just a 3% tuition increase, plus 3% increase in part of our budgets that as a System are funded by state appropriation, overall a 3% increase in funding for each of the two years.

3) Review Various Budget Planning Scenarios (Rick Straka)

Supplemental budget request the Governor is recommending for FY16-17. The below Budget Planning Scenarios spreadsheet was revised to reflect the $4M deficit on March 18, 2015 with suggestions from the Budget SubMeet & Confer group and presented at Meet & Confers on March 19, 2015.

<table>
<thead>
<tr>
<th>Minnesota State University</th>
<th>FY16 Appropriation Budget Planning Scenarios</th>
<th>As of March 18, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governor Recommended/ MnSCU Request $142M</td>
<td>If Similar to Governor U of M $138M</td>
</tr>
<tr>
<td>Structural Base Deficit Heading into FY16</td>
<td>$ (4,200,000)</td>
<td>$ (4,200,000)</td>
</tr>
<tr>
<td>Incremental Changes from FY15 to FY16</td>
<td>$ 4,165,333</td>
<td>$ 958,667</td>
</tr>
<tr>
<td>State Approp. Increase (Regent)</td>
<td>$ 4,165,333</td>
<td>$ 958,667</td>
</tr>
<tr>
<td>Tuition (Rate Change)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total New Revenues</td>
<td>$ 4,165,333</td>
<td>$ 958,667</td>
</tr>
<tr>
<td>Compensation (3% Planning Est.)</td>
<td>$ (1,300,000)</td>
<td>$ (3,300,000)</td>
</tr>
<tr>
<td>Non Compensation (3% Planning @ $1+2%)</td>
<td>$ (2,000,000)</td>
<td>$ (1,300,000)</td>
</tr>
<tr>
<td>Total New Expenses</td>
<td>$ (4,460,000)</td>
<td>$ (4,500,000)</td>
</tr>
<tr>
<td>Incremental Changes from FY15 to FY16</td>
<td>$ (344,667)</td>
<td>$ (451,333)</td>
</tr>
<tr>
<td>Net Incremental Change if no changes to Non Compensation</td>
<td>$ (862,333)</td>
<td>$ (2,361,333)</td>
</tr>
</tbody>
</table>

| Cumulative Base Deficit if 3% Comp and 3% Non-comp | $ (4,335,667) | $ (4,351,333) | $ (4,429,000) |
| Cumulative Base Deficit if 3% Comp Only | $ (4,335,667) | $ (7,351,333) | $ (5,429,000) |

Note: Assumes Enrollment level with FY15. Each 1% gain or loss in enrollment = $100,000.  
General Fund is approximately 20% Tuition Driven.  
Assumes 3% Inflation in Compensation and non-compensation.  
- 1% change in compensation = $5,103,300  
- 1% change in non-compensation = $4,000,000  
Assumes Tuition Freeze.
We will still have to make the $4M adjustment to our budget. If we make that adjustment, we just basically break even as a university if we are at 3% inflation given $142M. That’s pretty good news from where we were at in January.

This is the Governor’s proposal, if you listen to the House caucus and the Republican caucus, they want the majority of that $1.9M to go into revenue reduction at the state level and tax relief. This is one factor of three and once we get all three, we can get a better idea where we are at, we have a Democratic Governor who wants the $142M, Senate may be more apt to be closer to that and House which would be significantly lower than $142M. We’ll have to see where it all plays out in the end. We have a lot of session ahead of us and the next time we meet in April, we probably won’t have spending targets at Committee yet.

4) Discuss Institutional Equipment for FY15 and FY16 (Steve Smith)
Cabinet recently had discussions on short-term measures to try to improve the university’s financial results for FY15. One of the items they discussed was putting a freeze on purchases of items on the FY2015 institutional equipment list. If an area had already purchased or was in a middle of a project it was funded. Otherwise, the equipment was frozen and we would keep those savings. This effects what we plan for FY16-17 institutional equipment:

1) We have not identified a plan for how to deal with the $4M structural deficit for FY15 and going into FY16. One of the tools we might need to use to give us more time is to allocate no institutional equipment in FY2016 or reduce the amount. That’s a short term option we might still have to use, given that and we froze over half the items that were previously approved for buying in FY15 changes the group we were going to get together to make recommendations for FY16. We could take the items from the FY15 list and put them with the FY16 list and reprioritize.

Would like the pros and cons from this group with going ahead with that planning process. We would probably have to go back to the divisions and ask for updated lists. On the core block equipment only about 1/3 of the money allocated has been spent, but not sure we have all the information yet. Working with Academic Affairs to finalize that list. Nord-The $.5M you suggested that we might save on equipment does seem like a reasonable target? Straka-Given the information we can see in the accounting system it does seem like a target that could be reasonable for FY15. Part of this gets into the difficulty of trying to understand exactly what the impacts of all of these things are. We’ve been talking about a $4M problem, FY15 we are looking at bridge strategies. Then we are talking about base strategies for FY17. For FY15 we haven’t started permanent reductions to base, it’s all going to be bridge. I doubt we will have a plan by July 1. We go out to the long-term to get to our base, in FY17, maybe FY18, when we can first get to those bases. Between now where we just had to do short-terms to get to the end of the year and we are going to see how much of that $4M we can generate through those strategies, there’s going to be a transition year or years where we may have to do a combination of both, because some of the plans we come up with on how to balance the budget and the unknown of what happens legislatively. Unknowns are enrollment, appropriation and inflation. If we get the $142M what I’ve showed is with a 3% inflation, it doesn’t change the $4M. It’s hard to say what’s the bridge strategy for next year without knowing what the plan is to deal with the base. Seymour-I would suggest that you go back to what you did really well 5-6 years ago and have those discussions about here is the challenge and here are the pluses and minuses. We are going to address the budget by cutting expense, those all well and good, but much of our expense drives enrollment, whether you are talking about the total number of people on campus or how many courses, getting folks graduated, going full-time, whether courses are offered, all of those things and what I haven’t heard yet is the same thing I said at the Joint Meet & Confer, I haven’t seen anything proposed on how we will increase the revenue. I’m not hearing many things about cutting costs that are not going to immediately impact enrollment, so as we cut our cost we are cutting our revenue. There is a terrible cycle here that is going to happen unless we can go back to how you put it six years ago and start talking about where the pluses are going to be and where we will have deeper minuses to keep pluses going, otherwise you are going to cut the revenue producing. No matter who is in the legislature and what they decide between now and June the percentage of how much money will come from tuition is
probably not going to change a great deal. Straka-Our budget principles say that if we want to add $1M we will have to cut $5M. Seymour-Although enrollment is one of the more predictable things because the better we can know the market place, the better we can know ourselves and know how we are going to position our university to get the people here and serve them. Those are the things we can impact far quicker than changing a legislative tone or waiting for a change in culture and we are not having those conversations here. Straka-Demographically can we look at Minnesota residents or nearby states as being new entering freshmen significantly change our enrollment, no. We have two more years of high school enrollment declines in our region and then it will plateau. Realistically you have to either get people that are not participating in higher education to participate, perhaps go internationally go to markets to say that is a market that is increasing and that might bring in more. There is graduate enrollment that we can look at and see what the possibility is there and are there online niches for growth. On the other hand we are still at 85% of our online students are still our existing residential students. I agree that we need to talk about all of those things as we go into the future. The last time we met we tried to reaffirm in our budget strategies that even in time when we had declining resources, we will try to make investments in the university. Seymour-What’s different this time than 5 or 6 years ago I could name you by college things that were known to me, just as a faculty member, exact things that were happening. Where are those conversations happening? Not hearing how we are addressing keeping the enrollment up and keeping the revenue up. I’m only hearing how we are going to cut and the cuts sound like they are going to impact revenue as much as they will impact expense. Jones-There are conversations, some are in more pockets than widespread at this point. One of things we are working hard on know is to recruit as many students as possible with the declining high school graduate numbers until 2017. We can’t recruit our way out of this problem right now. Where we can make an impact is on the retention side. We’ll lose 25% of our first year class after the first year and another 17%-18% after the sophomore year. That’s collectively where we need to have conversation. I am enthused under the direction of the Provost and Kim with the integrated academic planning as it will start to get at some of those core issues we need. To give you one snapshot of the conversation we are having right now, particularly talking about extended education, 85% of our online students are traditional residential students here on campus. We are looking at making a change to the application to help more clearly identify are you an extended ed student? We are missing some revenue opportunities based on how we could charge a student on a metro differential if they are not going to be here as opposed to a residential student here on our core campus doing the online. There’s a rich opportunity for us to figure that out, we’ve not been as clear in helping trying to identify groups of students and how to better serve them and charge them for the services they want. Seymour-These ideas are not bubbling on the surface as they were 5-6 years ago. It’s crucial that they do. Greer-Thinking back to the previous time, one of the things that’s a little different in some ways rather than the last time, we have been talking about how to improve retention for a couple of years, trying to put something in place with the MAPS, AgileGrad and sophomore learning communities. Integrated Academic Planning really started much before a recognition of a budget. Programs have had this last year to have lots of conversations where they see their programs going, where they see the need for resources and staffing and changes they see, these important conversations are happening, but they started happening even before the deficit came up. That’s why it’s maybe not that sense of now we have to get into a crisis mode. Conlon-Where are we at with the integrated academic planning? With the academic advisory taskforce will we be doing any of those recommendations? Greer-We are in the open comments phase. The extraordinary task force completed their reports and made their recommendations and submitted that and it’s all available on sharepoint. As we move through the process, the programs plans will become available so that you will have some idea across the university what people are planning. The Deans are working on executive summaries right now, so that will be posted and available. We don’t end and have a celebration until summer time. In terms of completing the process and making sure there is plenty of time for everyone to see that and read that and provide feedback. We are in phase 4 of 5 in terms of completing the planning process. Straka-Budget growth in five years, we were hoping that planning would drive this round of budget constraints. We knew we were talking about $1-$2M problem since last September. The bigger drop off of enrollment in the spring hurt as well as the bigger issue in the budget once we costed out what all our inflation was it was significantly higher than what we had
planned for. Those things drove the immediacy. When the fiscal crisis hit in 2008, we had some lead time with looking at what was going to happen in FY09-10 and state budget. We were farther out ahead we started in October to get to decisions that were made in March. Because of the timing of things happening here, we are starting in February and needing answers by April. We still have to figure out where are the opportunities for investment and where we are looking and what we are doing. I can show you some fairly big swings in FYE and FTE that doesn’t show that there is a one-to-one relationship of more faculty positions means more faculty FTE and fewer faculty FTE means there are fewer faculty FTE. We have seen a significant increase since we’ve done the change in FY10 we’ve seen a significant change in staffing across the university while we’ve seen a significant decline in enrollment. It’s a tough market and the economy was on our side in 2009 to help drive the enrollment. The economy now is going down. Give us some ideas how we can make those discussions happen. The open forums were just a start, we need to figure out how to get that word across. I’m open on how we continue to communicate. I don’t think our values have changed and certainly has not been our intent to not look at things as based on the budget principles saying we need to reinvest.

Seymour-I must say, but I can’t speak on behalf of the IFO, the IFO has done extensive look at the numbers Rick mentioned about the increase and there are substantial differences in interruptions as to when you look at those, what year you look at and IFO has a substantially different view for the larger picture. We could have someone come in from IFO to make a full response. Straka-Data is a place to ask further questions. There is an absolute linear approach between the number of sections offered and the number of faculty we have will automatically generate a linear response in the number of students served. How we can reframe the issue we welcome your input on how and where we reframe that issue, whether it happens at department chair’s meetings, department meetings, budget or planning, assessment submeet were are open. Seymour-I’m asking Academic Affairs where did we become the institution of choice for our students and Student Affairs how do we continue to be the number one. Thankfully a lot of good things have happened and frankly to both divisions we are not in as much of a hole because of the efforts that both divisions have made to keep us beating the odds. We have been beating the odds because of a lot of the things you are talking about. If we don’t keep those efforts going, and just now start talking about where do we cut $4M, we will not succeed. Straka-Your point is well taken. The question for us is how do we ensure that academic planning is taking place at the departmental level there is a lot of data coming in. How do we start to make that more important and where do we have those discussions I’m open for that input. It is not that we are not as an administration concentrating on those things, however, if we are not being successful in having those conversations more publicly understood, then let’s figure out how we can get there.

Smith-Back to institutional equipment, what should we do with planning for FY16? Should we plan for taking into account the items that were frozen and not released in FY15, adding those to the list of FY16 asking the divisions to reprioritize and then come back with a new prioritized list for FY16 and if we do that should we start out with $.5M or $1M? Straka-The difficult piece I’m having without knowing where we are at in the base, I cannot really give you a suggestion in how we deal with the interim. We really have to get to the heart of what’s the net we do, I’ll call the $4M a net. I do not want to go down the road that St. Cloud State did in five years over $23M less in tuition revenue annually that they did five years ago. We have a $2M revenue problem, St. Cloud State is earning over $20M a year less in tuition than they did in FY12. We have to be careful on what we do and understand the impacts. Smith-Is there value in going through the exercise even though we don’t know what the dollar might be or is it not worth going through the exercise? Jones-It would be worthwhile doing the exercise, but maybe it’s a limit exercise, I would love to look at what I submitted from Student Affairs again to see if it’s still relevant a year later. Some of the requests were technology and that changes so fast. I would hate to see this group approve something that doesn’t make sense a year later. Straka-The chance given this that we ask the divisions to resubmit given the freeze something for next year and we can look at priorities and say much like the strategic planning group did in planning, pending availability funds. Smith-Given that I think that is what we will do, ask for a revised list and continue with that group and put together a proposal for prioritized funded, but maybe it might only be $.5M. Nord-You could use that as a target number, but you will want to hope at some point that
number might be larger than that. Seymour-This give us the chance to have that conversation looking out a year ahead and where will we do the plus and minus. Those are the things that will make us survive. Straka—Something that we will have to talk about, maybe it’s unrealistic to think that we are going to get anything significant here, maybe it’s more realistic to think that we really need to look at more bridge funding and concentrate more plus minus discussion and more time for discussion saying FY17 is really the year we need to be targeting what are our plans moving forward. That is something the Cabinet can discuss is it realistic to think that we have to get a net of $4M. Maybe it’s a continuation of the one-time kind of things until we can have more and have a longer planning process.

5) **Review Indirect Cost Procedure Proposal (Steve Smith)**

As a general overview the way this program works at the University, when the University works with Research and Sponsored Programs Office to solicit external grants or contracts from federal, state or private sources, often times those agreements will have a component that will allow the university to bill a grantor or contractor for some administrative costs and those costs come back to the University and the percent of those costs might vary depending on the grant or rules or what our policy says, so these funds come back to the University and we have a process for how we distribute those funds back out to help support an ongoing pre-award or post-award processes, but also funds going back to the colleges that will help stimulate additional support for new grant opportunities or ongoing. That is what this policy is designed to address how we deal with that process. The group came up with two different versions to consider. These are some of the major changes:

First we have a section that describes what indirect cost rate we will charge for state, local, Foundation or corporate grants and contracts. Our old policy indicated a rate of 8% of total cost. Our new policy we are splitting it, on campus 12% from 8%, off-campus proposed to leave at 8%. Rationale for that we are undercharging for some of the cost for administering and supporting these grants. We don’t think having a higher rate will significantly affect our ability to still receive the grants. We also added a revised section about the waiver process and the way we charge indirect costs. There are cases whereby a PI or other person soliciting the grant may want to submit the proposal and they want to not have any indirect cost in their proposal to the grantor. What we are saying with this policy change is that there would be a waiver process that would have to be approved by the Dean of the college while they might waive the cost to the grantor, we would still charge it internally and the dean/college/director would have to come up with the money that would flow through the distribution model. It’s to try to make it fair across the different type of grant proposals.

Distribution formula: The current formula we use for distributing indirect costs to proceeds is that 50% goes back to the division of the college that generated activity in the prior year. 30% goes to the Research and Sponsored Programs Office, 10% goes to Library Services and 10% goes to Finance and Administration for post award support. One of the versions of the proposal is to keep the distributions the same. Version two of the proposal is different in that we are trying to see if guaranteeing a flat amount that would go to Research and Sponsored Programs off the top $160,000, would allow them to have some additional staffing which they believe will help their office support these proposals better and led to significant increases in the number of grants that we can receive. Which in total we are hoping will drive more dollars for each area. That guarantee of $160,000 off the top means that less would go to the other areas, but we have a breakeven point at $540,000 if we reach that amount. This was one of the areas that we didn’t have 100% consensus. We would like additional comments from this group before going to Cabinet. Jones-Where did the $540,000 figure come from? Seth-That is where the RASP would start receiving the $160,000 or above if they went back to the 30%. Roca-Putting a fixed number there locks you in as the cost goes up of the staffing labor, would we have to change the policy again to change the number? Norman-Can you change the static 162 to a moving amount that will increase for the inflation? Seth-We could but that would be a number that could go up then. Obviously that would be a best case scenario for RASP, but again knowing that if the money goes to us it’s because it’s not going somewhere else. That would be an effective way; otherwise the college, the GSR, will have to come up with the money to cover compensation increases. Norman-With a five year review would that potentially make grad studies cover within that time frame given that inflation usually adds to it? Seth-It could, but the other
aspect of it is saying that it’s our goal to have the University increase and really looking at $40,000 to $140,000 more it’s not unachievable. Especially within a five year time frame. Smith-Now it varies, but we range from $385,000 last year, the year before $420,000. We do think we will bring in more with the higher indirect cost rate. As new grants comes in we are going to start driving additional revenue even if we don’t reach the number.

In the other sections, we added some language to discuss how carryforward dollars might be used and what the process could be. Have a subgroup of this committee help in deciding how the funds that might not have carried forward for a division from one year to the next how those funds would be used. Whether it would be used as a reserve to deal with potential unexpected cost that come or decline in allocation. There is a grant contract incentive fund that also allows a source of funds for people to make proposals to seek funds to help them with submitting grant proposals or supporting an existing grant or research projects. Smith-We did talk about doing another review after five years. Look at it closer and give us your thoughts, questions can go to Kristel or Steve.

Nord-Was there any discussion about how the colleges or library would make up that loss among funding that they currently have? Smith-That was one of the concerns and reasons for the two different proposals. There is a little bit of a reserve fund.

6) Parking Proposal from PAC (David Cowan)
   We had a public hearing on March 4 and 13 people were present. The PAC met a couple days after that and went over the proposals. The big piece of this is the revenue piece, do we want to continue as an institution to charge for permits and charge 3% increases from year to year? It has allowed us to get out of a hole with $913,000 in the fund. We have some big ticket expenses in the future, the back of Gage Towers (Lot 1). The PAC went with $225,000 each year for three years. We are also talked about what that would mean with the new rates, Gold = $300, purple=$192, orange=$136 at 3% increases. Parking fines recommendation from Security was to find a way to provide more of a disincentive for people to parking illegally so the PAC is recommending a change. Visitor’s paylot is $3/first hour, $2/hour after, we are suggesting $4/first hour, $3/hour after. The green transportation fee is something the students pushed for with a 17% increase from 200,000 rides to 400,000 rides. We are recommending to the student allocation committee a penny increase. Lot 23 will remain as is. There was a recommendation for recognition in the gold drawing for employee with over 30 years of service would be a separate pool drawn first. The recommendation would be for next year, not this April. The gold permit drawing opens April 1 and closed at midnight April 17.

The meeting was adjourned.