BUDGET SUB MEET & CONFER  
Tuesday, February 18, 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, Avra Johnson, Marie Pomije, Bryan Schneider, Matthew Clay, Mike McLaughlin, Deb Norman, Sara Granberg-Rademacker, Deb Schultz, Mike Peters, Lynn Akey, David Cowan, Kim Greer, David Jones, Sandra King, Joan Roca, Tyler Conlon and Vickie Hanson

1) Changes/Additions to the Agenda – None

2) Review FY08-FY13 Budget Planning Principles  
http://www.mnsu.edu/finadm/submeetconfer/fy09/11132008/budgetplanningprinciplesfy0813.pdf

We addressed this last year, but didn’t take any formal action to move forward. It’s important that we look at to see if there is anything we need to look at for FY2016-2021 either to reaffirm the budget planning principles or if we have some changes we would like to make. As we head into the long-term things we are going to have to deal with, given our scenarios it might be good to touch base on this. I will open it up for discussion if you have had time to review these policies.

Joan Roca-Maybe a statement at the beginning recognizing that student services, student support and student center is really what drives what we do, especially now that tuition is the largest part of the budget we should recognize the contribution of students and how hard it is for them. We should look at the impacts on student life and learning. Our mission is promoting student learning. Further discussion was held. VP Straka suggested that we insert the University’s vision, mission and values statement under #1.

When we get to the long-term base it’s hard to find those investments in short-term budget tools, but we can in the long-term tools, discussion we heard at the forum and joint planning, budget, assessment was to ensure we are focused on investments and looking for areas to enhance revenues and goals and not look at this just as a reduction mode process. Joan Roca-#9 could we add the assessment and evaluation of resources? #5 was also discussed.

Budget SubMeet & Confer approves the changes to the budget principles and are reaffirming them for FY16-FY21. It’s important for HLC that we have had this formally reaffirmed through our shared governance process. Joan Roca moves to accept these revisions with Tyler Conlon seconding. It was approved and will be forwarded to the Meet & Confers and as a recommendation for approval at Cabinet that Budget SubMeet & Confer affirms the Budget Principles.

3) Short-Term Bridge and Long-Term Base Possible Budget Actions

Let’s look at some of the short-term things. These are discussions that Cabinet is going to have to make fairly soon on what kinds of things we can do. We are focusing on what we can do for the end of this year but when we look at our long-term budgets there is going to be some things that we recommend that we are not going to be able to put in place July 1 and not fully recognize some of those savings until FY16, so we may have to continue some of these things into FY16 to make up the difference. These are not generally strategic in nature meaning they don’t differentiate between a place where you are looking at reinvesting in the long-term versus short-term, they tend to be blunt instruments. It is just a tool to get you where you need to get.

- Hiring freezes, we may expand that to review all of our current opening searches (classified and unclassified) in addition to any positions that may come open in the future and look at those for what is essential, what do we really have to do and what are we going to do. We may have to look at staffing as part of the long-term solution.
• Equipment freeze—Would we go into this year and maybe next year and say if you haven’t spent the 
equipment money it should not be spent. Something that goes along with that is a discussion about 
next year’s strategic planning fund ($5M set aside in the general fund each year).
• Travel restrictions—In the past that has been out-of-state travel. We would exclude contract 
professional travel that is contractual in nature.
• Supplies freeze or supply budget un-allotment.
• Moratorium on department/division funded facility renovations. There are a couple of renovations 
in the planning stage right now.
• Additional reviews of any purchases or contracts of a certain dollar value.

This is not anything earth shattering when talking about budget policies or tools at government or state 
agencies, even businesses will do in time of financial need. Are there other options or things we haven’t 
talked about. There was really good discussion at the open forums surrounding the implications of the 
long-term things we were looking at and don’t remember as much discussion about the short-term.

Mike McLaughlin—Is there a way to get in touch with other universities to find out what creative things 
they’ve done and review that to see if there is something we didn’t consider. VP Straka—Sure. I’ve reached 
out to some of the CFOs if there are things they would like to share. One thing we don’t have on the short-
term here that a couple of institutions have used, but I don’t like the idea of doing it, is they have gone into 
the general fund area including non-allocated income accounts and where there have been pools of money 
that have been built up, they went in and recaptured those pools of money. That helps on the balance sheet, 
but it doesn’t help on the income statement because it’s not reducing any expenses this year. To ensure that 
the university-wide reserve is somewhat stable, that is there. Both Bemidji and Southwest have done this. 
Back in 2009 we choose not go to back out to individual departments and ask for unallotments back. It’s 
been a core of my own budget philosophy that we give you a budget July 1, that is your budget for the year 
and it’s been a value of mine to not go in and do those things so that we don’t incent a spend it or loss it 
behavior.

David Cowan—Right now we have a budget policy that there is no carryforward on salary. VP Straka— 
Correct, all salary savings do revert back to the central reserve. That has allowed us in the past if we’ve 
had a slight shortage in revenue or other expenses that came up to cover that has been one of the ways we 
have covered them. Cowan—The non-salary piece allows 2% carryforward. Based on what we are hearing, 
that should go away as another option. VP Straka—Some of my colleagues have done that carryforward 
change in their policies. Again, both Bemidji and Southwest no longer let people carryforward things in 
the general fun. Cowan—Travel restrictions, would we say administrative travel restricted as there are some 
academic programs that travel for instructional reasons. VP Straka—that is fair, instructional related would 
be exempt, including athletic events and advancement travel to continue fundraising.

Marie Pomije—How much do you think we could save if we do a reasonable array of some of these things? 
VP Straka—We have $2M that is out there in salary and fringe savings, but any open positions that we might 
fill between now and then would drop that down so realistically $1.5M in salary and fringe; $.5M in 
equipment and $.25M in supplies, totaling $2.5M in savings.

Cowan—Would we touch R&R (Repair & Maintenance) money? VP Straka—There is another assessment 
and every year we are judged on whether we have spent a dollar per square foot in that area. Generally we 
do, but it is a possibility to go in and look at that pool of money.

Cowan—Part of the campus doesn’t have any general fund money, they live and breathe on their own, res 
life, parking and others. Now they might be going forward and spending or hiring, but then the other part 
of campus is faced with this. VP Straka—The other parts in the past may not have been subject to as much 
stress as the general fund, what you will find is that the student activities fund area and res life, for those 
areas that are funded by fees, we have a decline in enrollment over the last couple of years close to 3%. If 
we are going to have from the Board of Trustees pressure we are not going to have an increase in fees 
that will be more than 3%. For those areas that having staffing, we know that their inflation is much
greater than 3%. The message coming from the Finance area and from the Board of Trustees is that those areas funded by student fees should not expect to be able to pass on those inflationary increases through higher student fees. That those areas should expect that they will look at the expenditure side of their budgets more than they have in the past to balance those budgets.

The short-term measures will go into place right away. We will need them to help get us through this year using the least amount of reserve we can.

In undergraduate enrollment, the System is down 2,400 FYE in the spring. That is not fully annualized, so double that to 4,800 FYE. This is major to our state.

Long-Term – Base budget balancing options:

- Investments to increase enrollment and/or revenues.
- BESI/Phased or AEP retirements. We may not have an across the board approach to any of those three. We probably will look at what is best for the division and department in those areas. Where we do those things it’s because the goal is we are going to save money. We are not going to offer a BESI if we are going to replace a position completely at about the same cost. We don’t have federal stimulus money like 2010 this time to pay for those one-time costs of BESIs so we can get the recognition of those savings in the day after someone retires. We wouldn’t recognize any savings until FY2017. We are in a different environment. We still will want to look at though.
- Position/Workload reductions.
- Review summer surplus model to potentially help support academic year budget. This one is the most controversial one we have talked about so far. We currently are generating about $3M in surplus in summer. When we started that model back in the 1990s, it was still when tuition was only 33% of our budget, not 70%. Since we started that model, tuition has risen dramatically faster than our salaries have. The colleges use this money differently. Some have built in using that money into positions that they consider their base staffing positions for the college. Others may have used a portion of their money to do other kinds of things for the benefit of the college. When we are looking at making decisions, is it reasonable to discuss that model to see how much goes out to colleges and departments, versus could some of that come back and help stabilize the academic year staffing budget? It’s a difficult decision and discussion but it’s a big piece of how we operate. 90% of the money is put in December as we have no ideas what two years of salary increases will be. In years when we know what the salaries are, we will often have that in by September or October, within a couple of months after the summer session. This has been good planning, some deans with the tools they had would say I want to earn it in this summer session and then I am committed for next year, but I don’t want to commit a full year position this year on summer monies I think I might have. Another one that came back in feedback from the budget open forums, was looking at how we distribute on-line dollars, which is $1.6M.
- Non-salary reductions.
- Possible changes in carryforward policies.

Discussion was held on the $.5M that each year Planning SubMeet & Confer deals with on Strategic Planning. Could we have some type of moratorium on all or part of it for a year or so? VP Straka-This maybe should have been included on the short-term list. Kim Greer-It’s only about $250,000 that has gone to those projects. VP Straka-In the past 3-4 years we have made investments in enrollment management for about half. The question is should we look at that as a short term option or as a long-term option? Discussion is up for both and open for feedback. Lynn Akey-One of the following conversations is also going back to our budget principles where we say even during times of reductions that we make investments in university initiatives. That’s one of things we pointed to that is how we continue to invest in university initiatives. It’s worthy discussion topic. VP Straka-We have been very clear in the proposal stage not to put long-term staffing into those proposals. We started with $1M and the first year had $200,000 of long-term staffing so the pool went down to $750,000, then another year with staffing we were down to $.5M. We then took out the long-term staffing.
The pressures we have with supplies, there seems to have been a new interpretation of old policy when it comes to 5.1.1 Student Fees and an absolute tightening down on what we can charge for course fees, now has to be labeled very directly into a personal property or service charge fee or others. The definition of those and how we can use those is definitely been tightened down.

Here’s another thing, student help. We have a smaller minimum wage increase coming this August and a big one the next August. Are we going to give everyone the same allocation so you can keep the same amount of student hours you are buying now? Or will we say you have to reduce the number of hours of your students by 10%? Regarding the ACA (Affordable Care Act), Cabinet will have to make a decision on the number of hours the students are able to work in the summer. If you expect a student to work more than 30 hours per week on average for 12 weeks in a row, by law we have to offer them health insurance. They cannot decline that health insurance, even if they are covered by their parents, unless someone is the dependent, either spouse or dependent of someone currently on the State of Minnesota SEGIP’s health plan, they can opt out. Otherwise, they may have their own plan. International students we require them to have some insurance, regardless we have to offer it. It appears that most institutions are moving toward a capping of student hours in the summer. If we were to get to a point of looking at staffing reductions, we cannot in any of our bargaining agreements, reduce our staffing and increase our student help to backfill.

We need to take a look at what we are doing in the Twin Cities with our extended learning and what are our overhead costs and can we afford the fixed overhead costs we have now in those operations or can we find a different way to operate? We have a lease with two years left on it at 7700 France. We definitely need to renegotiate a better way of how we are paying rent at Normandale. It has always been the President’s intent with Extended Learning, to create a revenue stream back to the campus and not create a subsidiary from the campus to there. That’s not where we are at right now.

We have put up a link on the budget website for various ideas and input. We implemented more than a couple of ideas that came forward from that anonymous website last time.

One of the things that will be coming up for discussion is the Cultural Contribution Scholarship. Currently all international students are eligible for an in-state scholarship/waiver equal to the difference between nonresident tuition and resident tuition. Several sponsored organizations like the Saudi and Brazil government have chosen that they would prefer their students not to have to fulfill the requirements of that cultural sponsorship and they are just fine paying non-resident rates. Without saying we are eliminating that completely, is there a way that we could look at that we reduce that scholarship somewhat? We have to be very careful in the analysis will any additional revenue that we might generate by reducing that scholarship or waiver will we lose it because we lose students that come in based on price? We have some cultures in the international community that are much more price sensitive than others. In some cultures actually our affordable tuition is actually considered a sign of terrible quality. Quality is recognized as being the higher the price the better the quality, the cheaper the price the poorer the quality. You are going to hear some proposals come forward about how we might do that. One piece of that is to understand that moving forward our domestic regional high school populations are going to shrink a little bit more and then be stable. If we are going to look for growth, the market that is most reasonable for us to look at is going to be the international market. Part of that is how we serve them and are we serving them correctly. Do we have the infrastructure to serve them so if we took part of that and helped pay some of that infrastructure does that become an investment? There is no good regression tool to tell us what this is going to be.

We are ticking up in our retention and persistence and 6-year graduation rate. The amount of retention we would have to increase to offset the lower inputs isn’t that realistic. We still need to look at retention.

In the past we did look at some level of academic prioritization, we had some metrics we used to look at. Non-academics is a little harder as there is no single metric that compares a financial aid staff person to a GMW. How are we going to move forward and make decisions with some level of transparency with how we compared different areas and here is what we are recommending when we make adjustments.
The question was asked how graduate assistantships might change during this time. Dean Ries is leading a study on Graduate Assistants. Also understand that if we get into an area where we get into academic restructuring there is a very definite series in which we look at reductions and it does require that we look at graduate assistants, teaching assistants, fixed terms and adjuncts before we look at probationary and tenured faculty within a department. It’s something that is there, but I’m not sure what the impacts will be.

These will all be difficult decisions. I appreciate everyone’s willingness to discuss what we are looking at here. Again, this is not unique to Mankato and our System, to MnSCU and Minnesota. We have to adjust to the environmental factors and it’s fair to say that in the next few years I do not foresee a great increase of support of state legislature, and the ability to raise tuition in the same year. It’s hard when we don’t locally control our price and costs and our demographics are down, everybody else is looking for students as well.

We made it through five years ago as a community that wasn’t torn apart it was obviously not easy and there were incredibly difficult decisions made, but as a whole we made it through pretty well as an institution. We still do great things and are educating 14,000 students and are still giving them the greatest value of education and best education that you get versus what they pay for. Let’s not forget all the great things we do as an institution. The hard part is yet to come, when we turn a very abstract number like $4M into impacts of departments and divisions and our colleagues it will be difficult.

The meeting was adjourned.