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

Attendees: Rick Straka, Co-Chair, Roland Nord, Co-Chair, Steve Smith, John Seymour, Casey Duevel, Avra Johnson, Marie Pomije, Lynette Engeswick, Bryan Schneider, Matthew Clay, Joe Lehman, Jerry Jeffries, Sharon Sandland, Deb Norman, Deb Schultz, Mike Peters, Lynn Akey, David Cowan, Kim Greer, Joan Roca, Susan Ward, Mariah Haffield and Vickie Hanson

1) Changes/Additions to the Agenda – None

2) Spring Enrollment (Rick Straka)

Last week at meet & confer we discussed what was happening with the first week enrollments. When we talked in the fall, our FYE number was down 67 FYE, annualized that’s 120. The spring enrollment numbers came out last week (Jan. 9) and we are down 118 FYE which is 235 annualized. In undergraduate we are down 2.8%=153 FYE. From last year we were down almost 300 FYE annualized in spring. That is a bigger drop than we were expecting. Other institutions are seeing it as well. Last week Mankato was down 2%, Bemidji down .9% (part of that has to do with an increase in their accounting program in the Twin Cities, they have a metro model similar to ours, so even though it’s an increase to FYE it doesn’t drive a lot of tuition to the general fund; they also had an increase in concurrent), all other schools were down Moorhead 7.8%, St. Cloud 4.6%, Winona 2.2%, Southwest 2.2% and Metro 1.4%. The System is down an average of 4% in enrollment. This week (Jan.17) we are at 2.7%=167 FYE and 190 undergraduate from a year ago. We still need to go in and gather some data. We will need to look at how much of this is permanent with our full-time existing students on campus and how much of this is late metro enrollment, late concurrent enrollment registration, or is there some other factor. At an average of $7,000 per FYE 3% = $2.7M tuition. We will need to make some adjustments. At the Faculty Meet & Confer, Roland and I were directed to talk to this group about how we should lay out a budget process where we can start communicating this to the university community and how do we start talking about a budget process in which we deal with this? There are two issues, how do we get through this year, very short-term budget tools and how do we get through it long-term. It’s not where we were in 2009, but it is significant. We will have to get a better handle and some better projections on what enrollment will be next year. Part of the reality as discussed in the fall, our budget is based 70% on our tuition income, we are heavily reliant on current year enrollments as opposed to the state appropriation and allocation model. The numbers don’t address any 2016 issues or assumptions yet. They are not addressing what’s happening at the legislature this year and new contract year starting July 1. State appropriation is only 30% of our budget.

Lynn Akey walked through share point. Comparing fall 2013 to fall 2014. Overall rough headcount, undergraduate and graduate. We have different types of undergraduate students, continuing population, those who have been with us previously, how many of them are coming back whether they are a high school student, an undergraduate first time student, undergraduate non-degree seeking student or an undergraduate transfer student and unknown zone. We have our new students with the same kind of breakout. Then we have our graduate students, continuing whether their first time or non-degree first time. For the fall term, we were down .6% overall undergraduate enrollment, but if you dig down a layer, you can see our continuing student population was down and our new student population was also down. Within that we had some populations that were growing fairly rapidly, our high school population coming from the concurrent and PSEO has grown significantly for us in the fall term. Traditional incoming undergraduate first year student is continuing to decrease. We had a 1% decrease in the fall term. That’s important because when we think about continuing students, these undergraduate first year students and undergraduate transfer students is your pipeline. Those are your students who are coming to earn a credential, an award, spend a significant four years with us and you can see those are going down. In our
new student population, we see that undergraduate first time students drop off, we had a 5.2% decrease. We didn’t feel the impact as we had other things softening the blow. We had high school students coming in and increasing as well as our undergraduate non-degree students. It’s very reflective on the work we’ve been doing around our international student and programs.

When we look at spring, we have something happening with our high school enrollment both continuing, last year we have 206, this spring we have 133. VP Straka, hopefully that could be a timing difference. Last year for new incoming high school students we had 98, this year 19. Continuing students, undergraduate first time, our non-degree students is very high (our international populations are pulling us up) and our undergraduate transfer. You will see undergraduate transfer and first time are down just a little bit. When looking at new students, undergraduate first time, held steady at 81 and undergraduate transfer students down 5 students. Overall we brought in about the same number but we are seeing some of that continued downturn that we saw in the fall and that continuing student and something going on with our high school population. VP Straka-In headcount undergraduate combined we are only down about 80 students. Spring we are down 280. That is a significant change in headcount. Hopefully there is 100 of the high school, which would be helpful, but it is concerning that we need to dig into these numbers and ask the questions when looking at these numbers. Is this something I need to build into a tuition loss for the spring? And planning for what we have for tuition moving forward into the fall and future years. We need to get a better handle on what this means. There are some things for next year that are positive. Our confirmed admits are ahead of last year, and we are about 13-14% in housing reservations. Is that a permanent increase or it is more like we so last year, a timing increases? To project how much of this is due to a process change or a change in demographic makes it tricky for us. Lynn Akey-When looking at the graduate enrollment we had an increase of 1.8% headcount in the fall, spring overall of 3.1%. The big number is graduate first-time students down 133 to 104. This spring we are almost 1,000 students in our graduate student enrollment versus last year 971.

Bryan Schneider-Are undergraduate high school students more local students? VP Straka, it’s a combination of two things, for those students coming to our campus we do get tuition and fees for PSEO. The other group is where we go out and mentor high school teachers and they get dual concurrent enrollment. Those are a contract fee of $2,500 to provide the service so it’s a break even deal. It does help with our FYE. The concurrent enrollments don’t drive a ton of tuition, it’s difficult to say what impact they have on the allocation model. Lynn Akey-You can see the high school population enrollment drops from 304 to 152. Deb Schultz asked about registration cancellation for non-payment that will be happening. VP Straka-We are on track to be very similar as last year. Last year we cancelled 66 students, as of noon today we were down about 80 students and are continuing to contact people to get them off that list. Lynn Akey-Registrars looked at the warning, suspension and probation and all the numbers there look very consistent with previous cycles.

Joan Roca asked about saving to utilities with gas, VP Straka-Hopefully, we hedged last year when some of prices were pretty good. There might be $200,000 is savings. We also have an increase in water and sewer rates.

VP Straka-Where do we go from here? We need to get a better handle on what it means for this and next year. Clearly where we had the two year bubble in enrollment when we were going up back in 2011, 12 and 13 and moved that into the base. We’ve done two years of a steep decline and we are going to have to move that into the base.

The reserve is o.k. if you are bridging from a known area to a known area. If there is a timing difference as to how long it takes to implement those, then the reserve can help cushion that. But to use the reserve and ignore it for a year or two you will have to make the same cuts you would have to make and you have less flexibility on how you can deal with it. St. Cloud has burned through almost half of their reserve in three years, so their cash balance went from $40M down to $20M in cash, using $10M a year in cash. If they don’t make a significant adjustment in the next year, they will run out of cash. Our cash flow in the general reserve last year was pretty good and the revenue fund wasn’t bad, we showed a $3M operating
loss. Our CFI did go from 2 three years ago to 1.2 last year, primarily because the operating budget. Last year we had no capital / HEAPR funds and no capital bonding. As we spend on our clinical sciences building that will help us as we will see two-thirds of whatever we add to our balance sheet, flow through our income statement as capital revenue. It’s different when we borrow for the dining facilities, we bring on the whole assets and the debt so it doesn’t have the impact on our operating expense. That should cushion the FY15 results. We are planning to use some reserve right now, we have to be able to have reserve to react to whatever will happen with the legislature this year and how far will we be into the next 24 month operating cycle before we know what our costs are? What we had originally planned in FY2013 to move forward in our base budget was a 2.6% total compensation. We ended up more than 2.6% for each of the two years. That was a $670,000 loss in the allocation model. Steve Smith-A few years ago we had the one-time bubble of more tuition revenue than we planned for, but we know it was a one-time spike. VP Straka-We probably wouldn’t have re-released everything we had cut in 2010, we re-released all of that money back into the base budgets. Had I known we were going to see this enrollment decline, I would not have made that recommendation to the President. We have a lot of positions that are in process right now because we released a lot of money back into the base budget a year ago. We made other investments over the two year period and reallocated about $1M of non-instructional expenses in fall of 2013 to spring 2014.

Ideas, where do we go from here? Are there things not in terms of creating priorities and values, but things in the process as far as communication and timing the last time we went through a major adjustment in our budget that worked well? Were there things that we could improve upon? Maybe a couple of open forums, start with the communication and then start communicating where we need to be and then how do we get there. This is what every university in the system is going through some level of this process right now. We will make sure that any consultation or proper notification through the bargaining units if we have to go those routes we’ll make sure that that consultation is followed. Do I think that we might end up in retrenchment? That was a $6M academic cut that resulted in retrenchment that time. We have other options to look at before we look at that.

The first concentration we look at, is where we are at now given the data we know from the spring enrollments and the significant change in drop of spring enrollments and then what are some initial variables we can think about for the following year. Are there some short-term things we should consider for the current year? Some things we have done in the past, soft and hard hiring freezes, equipment freeze and out-of-state travel freeze with the exception of people using contractual professional development funds. Those are one-time things we could do, then we can look at some structural things.

The question was asked about extended type campus holdings and that they are on a different model. Does that imply that they don’t drain the universities resources? VP Straka-We need to look at what our model is and the results and I think everything is on the table for discussion. We have one year left on the lease at 7700 France, now would be a really good time to discuss what the alternatives are as we are ending that lease. Can we reduce our fixed costs so that we get to a point where it is not a drain on the main campus, but it is a supplement? What about the conversation of phased retirements and maintaining phased retirements as opposed to eliminating and what does that do? VP Straka-Those are all things we should be discussing with the $3M structural deficit.

John Seymour-After living through the last round and being part of the meet & confer process a couple of things are really important: 1) By definition, this part of the Submeet & Confer process is required to focus on what we are not going to do, what we are not going to spend, but that is only a small part of the conversation that we need to have. The way we survived last time is we had both conversations. Right now with the data we have we are only able to talk about what we are not going to do. For people that haven’t been through this we have to have a balance what are we going to do to balance what we are not going to do. If we don’t match those two we will be in much bigger trouble. This group is only one-third of the data. We have the assessment people, who need to be looking at this from faculty and the other shared governance around the table, what does this information mean? Planning has to be reading ahead on what are the trends? The way we survived it was two things, what are we going to do and what are we not going to do and it involved all three of those parts and most of the heavy lifting occurred through the Joint
Meet & Confer process. It wasn’t any fun, but the feedback I kept getting was that for such an awful thing we did it as well as we could. VP Straka-Well said. From my viewpoint, I was disappointed last time when we got to a certain point where we did fairly well on what we would do or not do, we stopped at a critical point where I thought we would have discussions about moving forward, how to identify priorities and how do we use data. Where planning comes in the future, we shouldn’t use data just to cut. The approach needs to be balanced. I don’t see a lot of years coming up where we will have a lot of new money and our planning moving forward and having a plan of where we make investments is going to be crucial. It’s too bad the timing is as such that people might believe that academic planning is only going to be used for reductions. The timing couldn’t be worse. I’m an integrated planning person, very involved in SCUP and true believer that the academic plan should drive the allocation resources and the master facility plan. I shouldn’t be building a building and then asking the academic folks how to fill it. You should be telling me, here’s our programs and our needs and here’s the facilities we need to successfully provide the academic programs at which point I can work with you to develop how we get there. Administration should be looking for your input in both of these avenues: investments and reductions.

One of the things we can do is open forum suggestion comments or cost containment on our budget website. Looking at places we spend money as a university, are there places we aren’t spending enough or are we spending too much. The next piece is how quickly we put things together in this process. In order to get feedback from meet & confers, I don’t know that we can make the March meet & confers with a primary list, what we would put out are some plans and ideas, at April we might be able to discuss, and administration makes a decision and then we allow the meet & confers and shared governance at May meet & confer. The process is going to have some plans where we can present those plans by the March meet & confers so that we can seek some consultation in March so that administration can put forward a preliminary plan in April and we can listen again and see if we make adjustments before we leave in May.

Any changes to tuition won’t happen until April. If you look at what we planned and put into the MnSCU system in April 2013 and what our 2014 budget ended up like, they are not very close. At a minimum we have to deal with the known deficit. This is going to be a wildcard biennium with a Republican controlled House and Democrat controlled Senate. My opinion is that we will get a tuition freeze or there will be a lot of discussion about a tuition freeze. The Board of Trustees will want to maintain their statutory right to set tuition policy, that’s a battle that will happen throughout April. It’s not unusual for split legislative sessions to seek an extra session.

Matt Clay-I feel like there is a piece of the picture missing, we are talking about planning and assessment. We have not heard what student affairs and enrollment management people might be doing to adjust or fix this? VP Straka-That is one of the reasons we didn’t address the $2M issue this fall, we were hoping this spring we would see the number of things that were done to help with retention would have rebounded our enrollment. It didn’t and went significantly down. It would take a record class by 10-15% (2,900-3,000) to fix the budget problem. This is the third year our enrollment has been declining. With unemployment projected to dive there is not as many people who are out of work, coming back and looking for school and those high school seniors who are wondering if they want to go to college or work, they have a choice now. In 2009 and 2010 those students didn’t have a choice. If you looked at unemployment at age 18-24 we were talking 25-30% unemployment. Looking at those things it’s harder to project that kind of significant growth. We start getting more high school seniors in 2017. That’s two more years of a smaller pool to work with.

Kim Greer-Some of the work done the last 18 months, you mentioned planning, mapping, getting things into AgileGrad hoping to create clear pathways for students are all good things, but don’t know that we will see all of that having an impact until later.

3) Revised Budget Projections (Rick Straka) Discussed previously.

4) Discussion on Budget Planning Process (Rick Straka) Discussed previously.
Updates:

- **The Governor’s 2016-17 budget or bonding recommendations (Rick Straka)**
  The Governor will make a recommended budget the first or second week in February. He hasn’t released his full proposed budget yet. That’s going to be based on the November forecast, we’ll get another forecast the first week of March (February forecast). That is where the legislature sets their checkbook for the next time. MnSCU asked for $142M basically for 3% inflation each year for both compensation and non-compensation, saying they would seriously consider a tuition freeze. The Board did add a caveat to the final request saying that they respectfully request that they keep their statutory authority to set tuition. The Governor has talked about the $850M bonding bill. HEAPR might play a little part of that, we have more HEAPR projects in place. MnSCU won’t be ready to make their recommendations until April or May, then it goes to the Department of Finance for tours this summer and talked about next session. I don’t see us having a major project in FY15, in FY16-17 the project we have is the trailing piece of Clinical Sciences and renovating the spaces that people move out of. The Governor has made comments publicly about HEAPR dollars.

  Steve Smith-The House had indicated and forwarded a proposal to possibly do both the operating and bonding bill this year and not meet next year. The probability of that is very low.

- **Institutional Equipment Requests (Steve Smith)**
  We are still waiting for some of the requests to come in to prioritize and Steve will be sending out an email to confirm the membership and make one last call for interest in joining the group.

  VP Straka-Anything we decide about institutional equipment now is going to be contingent on the ability to fund. That will be my recommendation to President Davenport. We can still do our planning and prioritizing and have our plan ready to go.

  Strategic funding-we continue to move through our process, seven full proposals were submitted last week, presentations will be done at Planning SubMeet towards the end of January and we are scheduled February 10 to review and then submit recommendations to Cabinet.

- **Student Employee Rates/Pay Codes (Steve Smith)**
  There are a couple of members here that will be joining this group, but most of the committee will be made up of members that are currently hiring and supervising student employees in some larger areas of campus that will be affected. We are still trying to get that committee put together and meeting scheduled.

  The question was asked about the Affordable Care Act. We will get information out as soon as we can. This has been a very fluid FAQ from our System Office. If any student worker works twelve weeks and averages over 30 hours, we need to give them state insurance. A student employee or employee may not decline that coverage, it is not optional. Even if someone has their own coverage or covered under their parent’s plan. The only exception is if your spouse or parents, where you are still claimed as a dependent, have the State of Minnesota SEGIP Plan.

  We also have a look back, which means we look back and may retroactively put the insurance in place. It’s insurance coverage for a year and we pay for it for a year, whether you fall below the 30 hours or not the commitment is that the insurance is for a year. We already have some employee groups where we are going to have more temporary employees in the past didn’t qualify for benefits, temporary employees who work more than twelve weeks at 30 hours or more will be eligible for insurance immediately.

  We talked about many institutions moving forward with positive timekeeping for grad students because right now we have an appointment for a grad assist, we don’t have any records if the grad assist comes back and averages 30 hours a week, we have nothing as an institution to argue that claim. We have to prove that we are in compliance with ACA and the penalty for that is $2,000
per employee (add up our headcount of employees), plus student employees (with includes grad
students), that is the fine to the university which could be in around $5M. There are some policy
issues to be discussed with students such as we allow during summer break working up to 40
hours, do we continue to allow that? Some institutions are setting in the summer a maximum of 29
hours a week. Fellowships at the graduate level, where they are working 40 hours for partners. We
have some student workers doing things through grants. There are a number of things we have to
look at that would have a significant impact, hopefully HR is spearheading that approach now and
they will be getting out some FAQ.

- **HLC (Joan Roca/Lynn Akey)**
  
  Joan Roca-We are starting the meetings next week with the full committee to gather information
  and look at criteria. For HLC it’s important the work we are doing and the discussions we are
  having, what we are going to have is what is expected to see as a transfer in process we use to
  make decisions. We will keep you updated as the process continues. We have a whole year ahead,
  by the end of spring we should have a draft and spend next fall reviewing the document and be
done by the end of fall semester.

- **MnSCU FY2016-17 Legislative Request (Rick Straka)**
  
  (http://www.mnsu.edu/board/materials/2014/nov19/fin-02-leg.pdf)

The meeting was adjourned.