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

Attendees: Rick Straka, Co-Chair, Roland Nord, Co-Chair, John Seymour, Casey Duevel, Lynnette Engeswick, Avra Johnson, Marie Pomije, Bryan Schneider, Sharon Sandland, Helen Wenner, Mike Peters, Sara Granberg-Rademacker, Deb Schultz, Kevin Buisman, Kim Greer, David Cowan, David Jones, Joan Roca, Steve Smith, Sandra King, Mariah Haffield and Vickie Hanson

1) Changes/Additions to the Agenda - #5 Future Agenda Items was added to the agenda.

2) Introductions

3) Budget Update (Rick Straka)

   a. Enrollment Update

Our budget is made up of tuition rate and what our enrollment is. In our enrollment summary the headcount shows that we are slightly ahead in undergrad and grad this year at 15,357 versus last year 14,298, up 1/2% in headcount. In undergraduate we are looking at 10 increase in headcount. Some of the main areas with increases have to do with high school students where we are up 100 (PSEO and concurrent). Also we have an increase in our undergrad non-degree seeking students and continuing students we were down 15, down 60 in NEFs and transfers down 35. Graduates are up 50 students (2 1/2% increase).

The report that relates more to budget and money is what our credit hour and FYE productions are. We are actually down 1.2% in our undergraduate credit hours, up 2.6% in graduate credit hours and overall credit hours are down .8% (55 FYE for fall). We usually had a little bit of a drop between fall and spring. For the academic year we are down somewhere around 100 FYE at $7,000 for tuition which is a $700,000 impact. We should have a better idea by the end of the month. Concurrent enrollment doesn’t have an impact on tuition budget since we treat as separate contracts. For PSEO we get a tuition payment or transfer from the Department of Education. PSEO are high school students who take classes on our campus. Concurrent students are contracts that we have with high schools, there is a mentor who works with the high school teacher, who assures that the teacher is appropriately qualified to teach it, reviews the curriculum and ensures the curriculum has the correct learning outcomes and academic rigor to be able to get college credit for. Those are done on a contract basis at $2,500 a class.

MnSCU as a whole is down an average in credit hours of 4.5%. Moorhead has some significant decreases in credit hours and FYE (down 400 undergrad) and St. Cloud is down 600 which will take them under 12,000 FYE this year. That’s a $20M tuition swing.

VP Straka distributed the FY14 and FY15 Base Budget Projection Report: https://link.mnsu.edu/fy14fy15basebudgetprojection

The variables in our budget have been a tuition rate increase each of the two last years. Going into the session a year and a half ago we were hoping for a 3% tuition increase, in the session the legislation funded us and gave us appropriation in lieu of a tuition increase (tuition buy down). They did allow us to raise 3% in graduate tuition, but froze all of our undergraduate tuition for two years. We did get $2.7M (appropriation increase) where going into that session we had hoped for a 3% tuition increase and an increase in appropriation. When compounded this year we actually got a $2.9M increase in the allocation formula. We did get $17M for retaining high quality faculty and staff and at the end of the session they did annualize that into base. Between FY14 and FY15
when we ran the allocation model we lost a percentage share. Going from 9.32% in 2013 to 9.17% in 2014 shares in allocation model down to 9.02% shares. We lost $670,000 in percent share in reallocation of the MnSCU model. FY15 we have level enrollment with no impact. Projecting closer to 100 decline in FYE, guessing that’s $700,000. Expenditures, we haven’t changed what we think our insurance inflation would be, our non-health care inflation is 3.25 with settlements. With the recent settlements, not sure 3.25 will be enough. If you go back to the FY14 column, remember we settled contracts really late and those came in higher than we had been projecting so that had an impact in our base budget as we moved forward. Later on this fall we will have to be talking about an institutional approach on how we would bring the budget into balance heading into FY16. During the current year (FY15) we have enough reserve to deal with this. Planning forward we will have to do something as we balance FY16 and beyond and guessing what the legislature will do and what our Board of Trustees might do as we move forward. The one thing I can continue to tell you is there will be significant pressure to limit increases in tuition or to freeze tuition again.

The question was asked about the percent share difference decrease we have been experiencing, if there is any hope that the model may be changed? VP Straka-I am on the Performance and Rewards Charting the Future Task Force and there has been a lot of discussion about significant changes to the allocation model and committing a significant share of the new model will be based to performance and outcomes as opposed to inputs. How much did you spend and how many FYE did you have? How many students are reaching 30, 60 or 90 credits, how many are graduating and what is your persistence retention academic success? That may still not result in a huge change where the money will go. It’s a lot easier to implement changes in allocation models when you have an influx of new money. When you have no new money or people are in tough budget deficits it’s really hard politically to implement. A lot of the work done this summer by the Performance and Rewards Task Force focused on the current model either incent or disincent. There was fair consensus around the group that the incentives are not matching up with the strategic plan, mission or goals of the System.

Question-What will we structurally change to balance the base budget? VP Straka-There is no specific target, but there are some things we can talk about. We’ve had significant salary savings every year and could go back to where we were 5-6 years ago and build in salary savings so that we don’t have to do it all through expenditure reduction. Should we look at non-salary, equipment or staffing or leave it up to individual departments, colleges and divisions to discuss? In the past, we created a target that was more than the amount. In our budget principles it says even in times of reduced resources we will want some money to invest. Another area to look at is the summer model and its help to support the base budget for the academic year.

4) Student Employment Issues:

a. Affordable Care Act (ACA) - Steve Smith

We are working with the MnSCU System Office to do some research to see what the potential impact would be for us and our students by having to comply with the federal Affordable Care Act beginning January 1, 2015. As a general rule, if you have employees that work 30 hours or more a week, you have to provide them health insurance. For our student employees that would be a big change for us. Initially the way the System Office is looking at implementing, they are looking at averaging hours over a certain period. They will take those averages sometime in October and look back the previous 10-12 months and students that were over 30 hours will be put on a list for health insurance. We are still researching some of the exceptions that might apply. Some of the situations when we know students are working over 40 hours may include contractually arranged situations fellowship programs in the COE. There is an exception that says if it is a required part of your academic program to get a
degree you are exempt. We are trying to gauge what the impact will be financially which will lead to discussions of changing our student employee payroll policies, not letting students work more than 29 hours a week regardless of the time of year. It will affect all budgets. There is a webex coming up soon where we will learn more about it. The cost would be $7,000-$8,000 per student. It would be the exact same insurance we as employees get. VP Straka-There are a couple of other areas we are concerned about under the internship level where we are actually paying the student workers and there is a contract with a third-party that reimburses us for that student help. Who will be responsible for insurance? We have some grants in place where we hire students as long-term student help working significant hours. It could have an impact on our international students who cannot work off campus and it will limit their earning potential.

b. Minimum Wage Increase – Steve Smith
The State of Minnesota passed a minimum wage increase that goes into effect in August 2015 when the minimum wage will go from $8.00/hour to $8.50/hour and in August 2016 to $9.50/hour. Over the biennium that’s an 18% increase to student wages. That’s great for student employees but will be a significant budget impact to all funds. VP Straka-Sandra Loerts is working with federal and state work study on whether there would be any changes in our allocations to increase the amount of money we have. As we look at FY16-17 and beyond as we look at the minimum wage and how reliant we are on student workers at this institution, that will have a big impact on us and how we will deal with it. We wanted to get the word out now for people that start budgeting for next year in the student activity fees and the revenue funds to start planning for this since it takes effect next fiscal year. They will have to determine whether its hour limitation or an increase to the budget for student help and how they will deal with that. Steve Smith-Over the biennium it would be between $700,000 and $800,000 increase in expenditure to the budget.

5) Future Agenda Items
   ❖ Review Indirects

6) Other
   VP Straka, it’s a good time to reiterate the President’s commitment to enrollment management and both recruitment and retention of students and the things we can do on a day-to-day basis to help with the enrollment. Tuition is the one area of the budget that we have an opportunity to see some growth. 100 change in FYE = $700,000 impact; 150 student decline = $1M impact in tuition. If we can somehow turn that around and retain 100 more students that is $1M more in money to use.

   All bargaining contracts will be done June 30, 2015 so the entire cycle begins again on July 1, 2015. All new appropriation and biennial operating base to be discussed January-May and a whole new set of bargaining contracts.

   Institutional research charts-Info Place (IRPA) http://www.mnsu.edu/ipra/. 

The meeting was adjourned.