

**BUDGET SUB MEET & CONFER**  
**OCTOBER 25, 2005**

Attendees: Michael Bentley, Jean Haar, Nina LeNoir, Victoria Peters, Barry Wilkins, Jerry Anderson, Mike Hodapp, Lynn Akey, Kevin Buisman, David Cowan, Scott Johnson, Rosemary Kinne, Mike Miller, Steve Smith, H. Dean Trauger (Chair), John Winkworth and Margot Zelenz

**Please note: The agenda and supporting documents can be obtained at Web site <http://www.mnsu.edu/finadm/submeetconfer/>.**

1. **Discussion Items** – VP Trauger, President Davenport and Comptroller Steve Smith were in St. Paul last week for the FY05 financial statement exit interview. MSU received an unqualified opinion on the financial statements which is good. There were comments on two or three items, but there were no audit findings and no items were serious enough to report to the Board of Trustees. Steve Smith and the Business Services staff have done a great job.

Out of that meeting there was one item that will impact MSU's FY07 budget. Laura King, Vice Chancellor for Finance, will be sending VP Trauger a memo related to our liability for compensations for accumulated sick leave and annual leave. MSU will probably be given direction to add a line item in the budget to cover more of this amount on an annual basis—maybe \$1 million of the accumulated \$7 million to \$9 million liability. With the MSU reserve at 5% of the operating budget, it would not cover paying out all of the accumulated leave time even though the possibility of everyone leaving MSU at the same time is practically nonexistent. Vice Chancellor King would like to make sure MSU is covering another \$1 million of compensated absence liability in its current budget planning. MSU has had an ongoing compensation amount that fluctuates depending on how many employees retire in a given year. MSU is covering the cash outlay, but if this would change significantly in one year, we would have to use the reserve. Vice Chancellor King is concerned that our reserve is not large enough. The calculation for the compensated absence liability is done in St. Paul. They have still not given MSU a final number, but it will be about \$1.2 million higher than what they initially gave us. The IFO bargaining agreement provides an incentive for faculty to notify us of their retirement plans, so we should know sometime in October of each year which faculty will be retiring the next year. There should be more discussion on this because auditors are not looking at the reality related to our past experience. We will probably have to put something in our expenditures or increase the reserve for potential future payouts. Revenue accounts will also have to do this. Vice Chancellor King knows that everybody has this covered but feels MSU is on the lower end of covering it.

2. **FY07 Budget and Tuition: Budget/Tuition Rate Increase** – The FY07 budget plan is short \$5 million. There is nothing Budget Officer Rosemary Kinne and VP Trauger can see in the preliminary information from MnSCU that MSU's appropriation will be much different than what is estimated on the budget sheet that was included in today's handouts. On November 1 or 2 information should be received that will show how close MSU is to the \$49.238 million base appropriation guesstimate. With the bargaining unit contracts preliminarily settled, we will see what we can do to calculate the projected salary costs for FY06-07. That will take at least two to three weeks.

Last Wednesday Budget Officer Kinne, VP Trauger and VP Swatfager-Haney met with representatives of the Student Senate and started to go through the FY06-07 budget with them. They talked about a number of the items and issues related to the development of the FY07 budget plan and what the tuition increase might be. VP Trauger will not be here tomorrow, but Rosemary Kinne will give information to the student leadership that shows where the money is allocated to each division, the institutional budget, and the strategic initiatives. The discussions with students will continue until November 15 when we will submit our request to MnSCU regarding our FY07 tuition increase. By Friday we have to submit to MnSCU a range for our tuition increase. VP Trauger asked for everyone's thoughts on this. The presidents and the Chancellor will be discussing what has been received regarding tuition range increases in a conference call on November 1. We should then get further direction. Last Thursday there was a MnSCU Chief Financial Officers conference call, and it was clear that no double-digit tuition increase requests should be submitted. An 8% increase would cover the \$5 million FY07 budget shortfall but not the added money to cover the annual and sick leave compensations for people who are retiring. VP Trauger does not believe in building the reserve by cutting other areas of the budget. MSU's tuition range could be between 6% and 9%.

3. **FY06-FY07 New Funding Requests** – A list of the Strategic Initiatives funding requests by division was included in today's handouts. Most of the divisions were looking at what would benefit the institution if they had additional funding. There are over \$5 million of "Wish List" requests. Some of them are for positions. The President indicated he wanted \$1 million for one-time initiatives, but some of the initiatives would go on longer. BSM&C members were asked to give their thoughts on the initiatives to Rosemary Kinne, individually or by bargaining unit, by Monday morning, October 31.
4. **FY06 Printing Allocation** – A report on the printing allocation was included in today's handouts. For the last six years \$286,000 has been set aside for divisions whose printing work was done by Printing Services. This allocation is for M&E accounts only. Column E on the report shows the allocations that will be distributed. The allocations will be added to the cost centers by the end of this week. A detailed sheet will be sent to each division showing the allocations that will be given out. This allocation is done each fall. The allocation money can be used for printing that is done by Printing Services or by an off-campus vendor if that price is lower. If printing work is sent somewhere else, the unit's allocation could be smaller the next year because of its reduced on-campus printing expenses. Doug Fenske, Printing Services Director, has a standing offer to match any lower off-campus price. It was asked why a six-year average of printing costs was used to calculate the allocations. There is no specific reason other than this allocation was started six years ago. If there is interest in looking at a different number, a couple of people could volunteer to work with Rosemary Kinne to figure out what the calculation could be; however, less than three years would be problematic. A recommendation would then be given to BSM&C.
5. **FY2005 Financial Statement Information** – At the last Budget Sub Meet & Confer it was mentioned that there is a rumor about MSU having a budget deficit. A draft copy of a page from MSU's FY05 financial statement was included in today's handouts. The financial statements show an operating loss for fiscal year 2005 of approximately \$50 million. Steve Smith, Comptroller, explained that this is somewhat misleading because State Appropriations of \$50 million are not considered operating revenue.

Consequently, when the \$50 million of non-operating revenue from State Appropriations is taken into account, University revenues were nearly equal to expenditures (excluding compensated absences). Overall, revenues were greater than expenses when excluding depreciation expenses and expenses related to accrued vacation and sick leave, also known as Compensated Absences. Although somewhat hard to understand for non-accountants, this presentation of the financial statements is required by GASB (Governmental Accounting Standards Board) rules. Over \$1 million of unused Contract travel funds are included in Net Assets, and these funds carry forward from year to year. An increase in overall assets was driven mostly by capital project construction—the Student Union addition and the Student Athletic Facility. The financial statements include all University funds; not just M&E. We are in solid shape in all areas, but we need to look at the Student Union's and Residential Life's reserves. The Student Union has three months of operating expenses in its reserve. It is difficult to determine if this format for the financial statements is really helpful to understand our finances.

6. **Other Items** – More meetings will be held with students to discuss tuition before the MnSCU November 15 tuition submission deadline. We need to make the consultations with the students as thorough as possible. VP Trauger asked BSM&C members to send their thoughts on tuition to Rosemary Kinne by Friday, October 28.
7. **Next Meeting – Joint Meeting with Planning & Budget  
November 8, 2005 – 3:00 PM - 4:30 PM in North Ballroom**

The Strategic Initiatives will be discussed and how they can be best addressed. If reallocations are involved, feedback and suggestions on how they can be shared will be requested. We are considering having four to five joint meetings this year depending on how things move along and the type of conversations there are.

**Next BSMC Meeting on November 22, 2005 – 3:00 PM**

**Agenda Item**

**Revenue Model Project – Patricia Swatfager-Haney**

At the next Budget Sub Meet & Confer on November 22, VP Swatfager-Haney will talk about the revenue model project and all types of ideas for generating additional revenues for the system. If there are other presentations anyone would like to have in addition to our regular discussion items, contact Rosemary Kinne. In the early part of December we will have the computer store presentation that was requested. It was suggested that VP Williams talk about the capital campaign at a BSM&C meeting. We could have this presentation sometime in December. Preliminary discussions on the capital campaign have been done with the Foundation Board.