

**BUDGET SUB MEET & CONFER
NOVEMBER 22, 2005**

Attendees: Michael Bentley, Jean Haar, Nina LeNoir, Phillip Miller, Victoria Peters, Linda Wenkel, Mark Parsley, Jerry Anderson, Mike Hodapp, Lynn Akey, Kevin Buisman, David Cowan, Scott Johnson, Rosemary Kinne, Michael Miller, Steve Smith, Pat Swatfager-Haney, 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

The Governor issued an executive order about conserving energy, but MnSCU agencies are exempt from this order. Energy conservation is necessary with the shortage of natural gas and the price increases. In changing temperatures to conserve energy we have the potential to have certain groups dissatisfied with building temperatures not at the temperature they prefer. Saving money impacts our operating budget this year but next year, the averages used by MnSCU in the allocation would not benefit us. If we conserve energy and nobody else does, we lose funding since there are no incentives in the allocation model to conserve energy. We have to work with MnSCU to change this. VP Trauger asked for everyone's thoughts on whether or not to conserve energy by lowering building temperatures.

2. FY07 Tuition Report to MnSCU

- **FY07 Academic Priorities and Work Plan Submitted to MnSCU**
- **FY06-07 Budget**
- **FY06 Tuition & Fees Comparison: FY07 Tuition Impact**
- **FY05-06 Undergraduate Tuition Comparison**

We have completed FY07 budget planning and tuition consultations with students. The required information on this was sent to MnSCU yesterday. The Board of Trustees is holding public hearings in St. Paul on December 7 from 1:00 to 4:00. If there is any interest in seeing how the Trustees work through and get public testimonies, Nancy can give you additional information if you would like to attend. The Trustees will take the input received at that meeting, review the submittals, and make a decision on what the tuition for FY07 will be. VP Trauger, VP Swatfager-Haney and Budget Officer Kinne had five meetings with the students to discuss the FY07 budget and tuition implications in trying to achieve a balanced budget with a 9% increase in tuition—a dollar increase of \$422.

Budget Officer Kinne explained the documents that were distributed at today's meeting. The first document summarizes some of the things we are working on based on our Strategic Initiatives: institutional wellness plan; continuing distance learning plan including funding approval for two distance learning fellows; continuing support of the diversity plan; increasing services provided to faculty from our Center for Excellence in Teaching and Learning; enhancing undergraduate curriculum; and strengthening the University's role as a major provider of graduate education. The Student Senate meetings focused on the FY06 and FY07 budget and why the strategic initiatives went

from \$500,000 to \$1 million. The students did not target any particular initiatives of which they were not in favor. The students had been provided with the list of \$5 million of unmet needs. VP Trauger mentioned that the students are concerned about holding down tuition cost increases. They do not want to go after existing things or cut positions. It is easier to go after something that is new and not undo something that exists. The students were given a list of initiative items but no decisions regarding the extra \$500,000, so it was easy for them to say to hold it to \$500,000. They see \$500,000 as a 1% tuition reduction. It is important that students become part of the planning process and give us input into changes that need to be made if they want to see a reallocation of resources. VP Olson and VP Trauger were at a Senate meeting where a number of Interior Design students voiced their displeasure at the suspension of that program. That example was used to let students know there is a place for those discussions. We can make changes and reallocate resource, but students need to become part of the process—not after a decision is made. Certain groups will always say changes are not good, but then no changes or reallocations are made because it is too difficult. We need to come together to come to a decision.

A tentative FY06-FY07 M&E budget plan was included with today's agenda. The FY07 projected budget assumed a 9% tuition increase. The projections are assuming no enrollment increase. The average cost of fringe per person is 30.71%. This is not the increase. Health insurance is going up 6% in FY07, but there is no increase in FY06. More bargaining units will be getting health care savings accounts. The average benefits vary. Classified averages are over the average, and unclassified averages are under the average. People have different plans, so this percent is just an average. The additional \$500,000 for compensated absences requested by MnSCU is included in the budget plans. MnSCU wanted the reserve to be larger for those absences. If there is not enough money for those payments in any one year, we would have to go to the reserve to cover the cost. Money for compensated absences is in the reserve. In FY04 the amount was \$10 million if everyone would have retired at the same time. In FY05 it was \$11 million. The liability went up by \$1 million in one year. We do not pay that expense out, but the liability is there

Another report included in today's handouts shows that the FY06 tuition and fees for a full-time undergraduate student at public 4-year colleges and universities is \$5,491. At MSU it is \$5,402. With a 9% tuition increase, the tuition impact for FY07 would be \$5,104 which is a difference of \$422 from FY06. Fees will not be decided until spring 2006. In talking with students, this puts into perspective where our tuition is in comparison with other four-year institutions. There were about 350 colleges and universities in the calculation on the report.

Another handout shows how MSU measures up to other MnSCU institutions regarding tuition and fees based on 15 credit hours. MSU is now in the middle in the comparison with other MnSCU institutions. We were below St. Cloud State in FY05 by \$88, but their tuition went up 4% in FY06 while MSU's went up by 7%. Bemidji is still the highest cost. One of its competitors is Crookston, so it has not been concerned about being the highest in the system. Smaller colleges have higher fees. Bemidji, Southwest, Winona and MSU all have banded tuition now. If we would figure 16, 17, and 18 credits for tuition, St. Cloud State would be way above MSU in costs. This is not an apples to apples comparison. The President said he wants 9% to be put forward for MSU's FY07 tuition increase. The Trustees will give the final number. There have been arguments about institutions with lower tuition not being able to raise their tuition as much as others

when all have to use a certain percent. This time we were not instructed to put forth tuition increase percentages, but to use a dollar amount. The Trustees may not cap tuition on a percentage basis but with a dollar cap.

We had good consultations with students this year. There were more questions and interest this time than the two years when we were dealing with 15% increases. We need to get students involved in the budget planning process rather than after decisions have been made.

3. Revenue Model Project – Pat Swatfager-Haney

In the 2006 work plan for MnSCU there is a Revenue Model Project to look for other sources of income to fund the System. VP Swatfager-Haney is a member of the committee looking into this and distributed copies of the presentation made to the Trustees in September 2005. The group's objective was "to develop a sustainable funding model that meets the system's strategic directions and is consistent with the state's higher education objectives". There were three assumptions: (1) maintain access; (2) consider all forms of revenue and financial aid; and (3) state support will continue with limited increases. The group researched and reviewed all prominent forms of funding in higher education as well as a discussion with Dennis Jones. The characteristics needed for revenue were (1) to maintain affordability to increase access; (2) it must be sustainable; and (3) have a predictable revenue stream and a positive revenue stream. It was found that there is not one approach to funding higher education to the extent that we need the funding. New strategies need to be designed for existing revenue sources. The major existing sources are tuition and state appropriation. They looked at many approaches and came down to four: (1) need-based tuition grants (discounting); (2) fund raising; (3) alternative approaches to state appropriation; and (4) differential tuition. Four-year institutions have more likely sources of income than two-year institutions, and MSU has the highest potential for fund-raising. There are advantages and disadvantages to fund raising. Alternative approaches to state appropriation were (1) base biennial budget request on promoting affordability; (2) link to K-12; and (3) others (developed during biennial budget process). Differential tuition could be done by program or major or by level. It was also suggested that it could be done by time of class by making tuition lower for classes that are held when students would rather not be in class. Another suggestion was different tuition for on-line classes. Right now we charge about the same. There is a surcharge fee which is the same for extended campus plus a \$5.00 fee for Minnesota OnLine.

Nothing the group came up with for additional revenue sources was very positive. The only ones that made sense were differential tuition, needs discounting, and fund raising. There are not many consistent over time sources of revenue. Two-year institutions were in the 80th percentile because of faculty salaries, and four-year institutions were average. It was suggested that four-year institutions could charge more for upper division classes. Some institutions have guaranteed tuition. However, since MnSCU has so many different types of institutions, this was not included.

The timeline for completion of this project is September 2006. The Revenue group has not been asked to meet again. The options the group came up with will be discussed at various places. There will be an opportunity for employee groups to give input in January. Dean Scott Johnson said that the state has made it clear that they want state universities to be privatized in the next 30 years. Our tuition is affordable. Dean

Johnson would like tuition to go to \$7,000. It will be a value institution. We should apologize for not being the most expensive because we are the star institution in the system.

Constituents will be informed of the Revenue Committee findings using campus sources. It should also be at the statewide bargaining unit meet and confers. It will probably go to the January meet and confers since they are asking for final comments in February. If we look at state priorities, we are competing with health care and social services. The thought is that parents and students can pay or borrow for higher education. If taxes are not raised and costs increase, it tends to come out of higher education unless the state sees it as an investment in its future. The U of M is upgrading its mission to do more research. If doctoral programs with higher tuition are brought in at MSU, who will pay for that? If differential tuition is approved, a suggestion was to make the highest tuition for the least needed courses. Every campus should maximize the options that are best for that campus, but not all campuses are doing that. The system has a fund-raising office and is looking at system fund raising. Another suggestion was to charge more for customized training. If a program costs more to produce, should a student pay more?

**4. Discussion on Joint Planning & Budget Meeting –
December 8, 2005 – 3:00 p.m. in CSU255**

Another Joint Planning & Budget Sub Meet & Confer will be held on Thursday, December 8, 2005 at 3:00 p.m. in CSU255. Jean Haar, Rosemary Kinne and VP Trauger discussed the specific assignment Budget SM&C received at the previous joint Planning & Budget Sub Meet & Confer met yesterday and briefly discussed their part of the structure of the planning process. They decided to have sub groups work on different structure models. Some research has been done on planning positions at other institutions, and a couple of suggested models will be brought forward at the Joint Planning & Budget Sub Meet & Confer. There was some discussion about the management of the planning office. A sub group will bring forth ideas for a mission statement. They are meeting again before the joint meeting.

Jean Haar and Rosemary Kinne said they would like to have a sub group to look at budget criteria and resources and how to go about it. VP Trauger and Rosemary Kinne have identified some, and Rosemary is going to a workshop tomorrow that is focusing on this. The sub group would prepare a draft to share at the December 6 BSM&C and then present it at the Planning and Budget Sub Meet & Confer on December 8. The sub group needs to meet next week and on December 5. They would like representatives from each bargaining unit and group represented at BSM&C. Models will be given to BSM&C members by Tuesday. Information will be delivered to everyone. Criteria are needed for both new programs and the maintenance of programs that align with MSU's vision and mission. Scott Johnson, Lynn Akey Jerry Anderson, Mark Parsley and David Cowan will join Rosemary Kinne and Jean Haar in this sub group. In planning there is a need to articulate what is intended to be done and how it will be achieved with the requested money. We may be getting some results, but are we getting all we can? The NACUBO *Business Officer* magazine has a strategy used at another university, and Jean Haar found another item to review. In the budget process we have not looked at the planning process. Each division has probably done something internally, but nothing has been done institutionally. This will be the only item on the December 6 BSM&C agenda.

5. **Other Items** – No items.
6. **Next Budget Sub Meet & Confer Meeting –
December 6, 2005 – 3:00 p.m. in CSU 204**

After a short discussion on whether the meeting on December 6 should be cancelled, it was decided to hold it in order to present the criteria the sub committee prepares for the Joint Planning and Budget Sub Meet & Confer on December 8.