

BUDGET SUB MEET & CONFER
Thursday, February 12, 2009
1:30 P.M. – CSU 238

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

Attendees: Rick Straka, Chair, Mary Bliesmer, Co-Chair, Michael Bentley, Ellen Mrja, Diane Richards, Gary McKinley, Sharon Sandland, Mike Hodapp, John Caven, Lynn Akey, Kevin Buisman, Avra Johnson, Scott Johnson, Rosemary Kinne, John Knox, Mike Miller, Steve Smith, Pat Swatfager-Haney, Harshdeep Bhasin and Vickie Hanson.

The minutes from the previous meeting were approved.

1) Discussion Items/Changes to the Agenda - The agenda was reviewed and approved.

2) Budget Faculty Update – Mary Bliesmer

There will be a meeting on February 26 from 9-11 a.m. in AH209 for the Faculty budget, Planning and Assessment committee members. Want to meet before the next budget prediction comes out. These three committees are important committees for the future of the university.

VP Straka-In the Star Tribune today, the Governor came out with a prediction of a \$6-7 billion deficit for FY10-11, which equates to 20% of the state's budget. This follows an article predicting that the current recession may be a 3 year recession. Not referring to it as the great depression but the great recession. Good economic news, retail sales were up in January from a year ago. Foreclosures are down and new job claims were down. Hopefully there is some light at the end of the tunnel.

3) Subcommittee for FY10 Institutional Equipment Prioritization

VP Straka-We are putting together a committee. It's important as we move forward to keep the base equipment. I've been through times when we've done equipment freezes and it takes 5-6 years to make up for a one year equipment freeze and a decade to make up for a 2 year equipment freeze. We will move forward with the approach that we will have at least one level of equipment investment next year.

Rosemary needs volunteers for the committee from all divisions and bargaining units.

4) FY09 Budget

a) Revised Budget-VP Straka

Discussion was held on the FY09 General Fund Budget handout. We asked the divisions for the 1 1/2 % reductions or the \$1.5M we needed to change our budget so the revisions that have been done are based on what we got from the divisions and how they will give back funding to the general fund. In unclassified salary including all divisions, the salary budget was reduced by \$1,081,476 (most came from Academic Affairs). When there is a reduction in salaries we can also reduce fringe to cover some of those costs. We projected 100 new FTE for FY09 and we're a little over 100 right now. We held back from the FY08 carry forward to help cover the salary part in FY09. We have \$1.29M to help us balance the budget. We got our money from MnSCU in chunks over the biennium especially the faculty agreement which was back loaded so we created some salary savings in the one year to move

into the next. We revised the FYE in spring from 300 to 100 in fall which predicated making a move on a 1.5% reduction in the fall. In addition, the long outstanding IFO salary equity study was settled. The cost to us is \$300,000 which was taken out of one-time money this year. We will have to cover this in the base budget in FY10 as a built-in adjustment. On the spreadsheet you will see some salary tails and the IFO adjustment. We are still in good shape for the year. Another thing that is important to review as we move forward going into the unallotment, is how we are going to deal with the first unallotment. Our share was \$1,544,000. In the general fund budget look in the projected expenditure budget under salaries, there are two line items in there. One is \$500,000 for compensated absences and \$250,000 for the reserve to maintain 5%. Given where we are at on compensated absences we were building an additional reserve. We know in the next 5-7 years based on the demographics of our population, we are going to see a lot more people starting to retire. While we are close to 7% in our reserve right now, I don't know that we need to recognize another \$250,000. There's \$750,000 there, that half of the unallotment that we can use without having to go back and hit people's current budgets. Additionally, one of the things we are looking at is we have built into the budget prior about \$400,000 that we keep for secondary allocations of equipment from March and April. Right now we are at \$1,150,000 of the \$1.5M we can take care of without having to do anything else. I've asked the rest of the divisions to look at based on positions that we are holding vacant, as part of the hiring pause, and also with some restricted travel and what kinds of savings we are going to get there. I think we're going to be able to get the additional \$400,000 of savings for the \$1,544,000 of this unallotment. What I really don't want to do is to go back and deallocate individual department budgets.

Here's some history in Athletics. The football, volleyball and basketball teams never take those cuts in April it's always the baseball, softball and tracks teams because their spending cycle comes at the end of the year. I think we all have those areas within Academic and Administrative areas where certain spending is much more reasonable than even throughout the year. It's not fair to penalize those whose spending pattern is at the end of the year. This should be considered the first unallotment. Fully expect an additional unallotment for FY09 when the forecast comes out projecting 2010 and 2011 to be worse. The 2009 tax collections for Nov. and Dec. were \$130M behind the Nov. forecast. So we know the state is going to have an additional deficit that was forecasted at the end of Nov.

Our budget reserve is at 7% unrestricted general fund which is around \$8M. A reserve 5-7% is the Board policy. Given these times, there are already colleges and universities who are under 5%. The Board will allow some schools to get down there, but they will then have to have a plan back to the Board of Trustees as how they expect to build back up to the 5% expected reserve level. The 5-7% compared to most states is very low. 10-15% is much more normal.

Reduction of athletic scholarships to the general fund was discussed. We were able to take a reduction with the transition from the NCC (120 scholarships) to the Northern Sun (90+ scholarships) plus more reliance on self-funding and asking them to go out and raise more money. One of the possibilities we are looking at is restructuring some emphasis in our development position in Athletics and still keeping some emphasis on gift and endowments but creating a focus of an annual fund drive again that has more personal involvement, not just the phone-a-thon.

When we asked the Vice Presidents for 3%, 6% and 10%, the philosophy behind that was if we have a 3% reduction we are not just going to take everyone's 3% plans and say that's what we are going to do. If we have a 3% reduction we are going to take the 6% plans because we need a pool of reductions that's large enough so that we are strategic enough on what we chose to do. If we are looking at a 5% cut we will be looking at 10% plans to create a pool of reductions that is large enough so that we can be strategic. One division may take 6%, another 3% and another 8%. The 6% and 10% plans due the end of the month into the first week in March should be on the budget website soon after that. Cabinet will meet in March to make some difficult decisions. They will be looking at two or three possible reduction scenarios and come up with plans on how to deal with the different scenarios and what our cuts would be.

Discussion was held on the loading of salary money to department budgets. Academic Affairs has been asked that they have salaries loaded by March 1 so VP Straka can discuss the budget status with the President.

The original push was to have all the reduction plans by the end of January. Cabinet members decided that to have an inclusive bottoms-up approach within divisions, they needed 6-8 weeks instead of 4 weeks. The 3-7% change in tuition is very likely. That's a \$3M change in what our budget plan might be. Add a 2% compensation change that's another \$2M. That's a \$5M swing to what the bottom line university budget could be which doesn't include what the appropriation change adjustment will be. We just don't have a clue and it's going to be late April before we start to narrow in on what the bottom line impact is going to be.

The question was asked if you bring a candidate to campus to hire, can they be extended an offer. VP Straka, the Deans are in different places in those decisions. I think there are some Deans who could tell you yes even in my 10% plan that position is still planned and we are going to move forward with it. The exception has been in some classified positions knowing that if we have certain reductions that are going to be made we're trying to hold a pool of those positions open so that we don't hire someone now and have them bumped four months from now and not have any position left at the university. The Chancellor has made it clear that this is a scenario he does not want to see happen.

VP Straka talked with the Student Senate about how we added \$300,000 of new sections last fall with new enrollment money that we anticipated. That did not result in significant new enrollment. As you look over a period of time, Provost Olson has some really interesting faculty/staff ratio, even if we did a 10% cut we're going to be at the same faculty/staff ratio we were 4 years ago. We've seen a significant climb in our faculty/staff ratio. I told the students you will recognize that it will be more difficult to get certain courses. You will see that you won't have the same level of service from the non-academic side that you now have.

People have already been creative and there have been a lot of creative things happening at departmental levels and college levels. Recently Pat Swatfager-Haney and her staff gave the option to open Ostrander before 2 p.m. in the afternoon as another place to hold sections. We have one dean and others who are looking at working a deal over at the Stadium.

The main topic for the next Town Hall Meeting will be enrollment management and budget and what tools and approaches we have that can help minimize some of those issues.

b) Unallotment-\$1,544,652

VP Straka-A report on how we came to our unallotment will be sent to the Office of the Chancellor next week.

c) FY09 Tuition Summary Report

The bottom line is that we are projecting \$155,000 ahead in tuition budget. Positive news, spring enrollments are ahead. For fall we were behind where we had projected to be. We are looking at 25 new FYE, \$150,000 ahead.

FY09 tuition was at 3% with FY08 at 4%. The Board moved forward to the legislature increases of 3% for universities and 2% for colleges this year. Probably won't see a double digit increase, more likely 6-7%. Depends on where the appropriation ends. In other states increases are significant. Nevada and Florida have seen 25% increases in tuition. Arizona looking at a \$40-\$50M appropriation cut next year. University of Florida took at a \$30-\$40M reduction in current year. MnSCU gives a target for the biennium. They will need to know because we negotiate two-year employment contracts. When MnSCU started about 14 years ago tuition was a decentralized decision. The Board has the final say and sets the tuition.

5) FY10-11 Governor's Budget Recommendation

Received from the Central Office \$146M less from MnSCU over the biennium, that's \$73M each year. The impact is 9.7% of the MnSCU budget. The board did take some of the money out of the initiatives at the Central Office. Our share is 10.7% reduction (\$5.5M at MSU). The Governor is holding K-12 harmless, Health and Human Services is still getting some increase and we are only taking a 13-14% decrease. That's 70% of the budget. The Governor's proposal uses some accounting shifts, assumes some federal bailout money and has still left a \$2.5B problem in the following biennium. It hasn't solved the budget situation in the state. Have concerns that there is a huge gap and two years from now we will still be dealing with a huge chunk of the budget issue. In two weeks we will get the revenue forecast. We are looking at mid-April until we get an idea of what the impact might be after the House and Senate set a spending target for higher ed.

6) Information

a. Budget Website: <http://www.mnsu.edu/finadmn/budgetoffice/>

b. Town Hall Meetings

- i. February 18, 2009 11:30-1:00 in CSU Lower Level**
- ii. March 26, 2009 11:30-1:00 in CSU Lower Level**
- iii. April 22, 2009 11:30-1:00 in CSU Lower Level**
- iv. May 4, 2009 11:30-1:00 in CSU Lower Level**

The meeting was adjourned.

The next meeting will be March 5, 2009 at 1:30 p.m. in CSU238