

BUDGET SUB MEET & CONFER
Tuesday, September 15, 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, Kevin Elliot, Eiji Kawabata, Ellen Mrja, Daardi Sizemore, Mahbubur Syed, Gary McKinley, Mike Menne, Sharon Sandland, Helen Walters, Deb Schulz, Mike Hodapp, John Caven, Kevin Buisman, David Cowan, Rosemary Kinne, John Knox, Kevin Elliott, Warren Sandmann, Walt Wolff, Steve Smith, Margot Zelenz, Yacka Sene and Vickie Hanson.

Guests: None

The minutes from the previous meeting were approved.

- 1) **Discussion Items/Changes to the Agenda and Introductions** - The agenda was reviewed and approved.
- 2) **BESI Policy and MSU (Rick Straka)**
Here's a brief update on the board separation incentive (BESI). The Board of Trustees has adopted an incentive with an end date of 2013. This gives institutions the ability to look at offering some type of board early separation incentive. The policy can be reviewed at www.mnscu.edu/board/policy. BESI is a management tool to help reduce future costs. Salary and fringe make up the bulk of our budget. This is a management tool to effect staffing plans, not an employee benefit.

BESI Preliminary Proposal Drafts:

- ❖ *Eliminate Position(s) and Not Replace:*
Scenario 1: Academic departments where student hour production per FTEF is below the academic standard line (see data book), or where non-replaced retirements have already been a part of the college and department planning, such as to address budget cuts.
Scenario 1: Non-faculty positions
- ❖ *Eliminate Position(s) and Replace:*
Scenario 1: Academic departments that meet or exceed standard measure, per data book, where anticipated market hiring value is less than current incumbent base salary
Scenario 2: Non-faculty positions where there is a budget savings due to reorganization
Scenario 3: Division / department propose savings through reorganization

In the first scenario you must fulfill what your health insurance needs until age 70. In the calculation the first amount that will go into a health savings plan that's administered by MnSCU.

The second scenario is the catch all. It's not as rich of scenario, as you have to prove there will be a long-term salary savings. Every employee has a chance under the bottom scenario.

We are laying out all the information and hope to get feedback from all the Meet & Confers this week. The final plan will be out by September 23 as we have to give 21 day's notice for this to be effective before implementing which would coincide with the October 15 deadline for early incentive for faculty members. Hopefully people can be making decisions in conjunction with the benefit that currently exists within their contracts.

VP Straka will talk with Human Resources on how this will be announced. They will also talk about what happens if there needs to be a tie breaker decision made. Southwest State is implementing the program campus-wide, based on years of service to a maximum of 30-40%. Winona is not implementing. Not aware of St. Cloud implementing. Moorhead is aggressively implementing this, not sure about Bemidji. Not aware of any two-year institution implementing any form of BESL.

3) FY10-11 Budget Update (Rick Straka)

Here's a brief summary of the MSU budget situation and how it relates to the state budget situation. We are in good shape for this year. We have taken an \$8M reduction to our general fund budget out of an approximately \$120M budget. For all of the non-academic areas that is a 10% reduction in general fund funding. The 10% reduction generated about \$10.5M which we added back about \$2M to the Academic Affairs side to minimize the impact on the instruction and availability of classes. We estimate about 75-100 FYE over last year. This should help us with an additional \$500,000 in revenue added to the budget this year. The fall semester looks good. We are estimating 1% growth which seems to be in the ballpark of most 4 year universities in the system of between .5 and 2.5%. Two-year colleges are ranging in 7-10% growth.

FY11 will be a breather year. We project that we will have a one-year surplus. The reason is primarily that we are still in front of the board recommendations of 5% tuition increase, generating \$3.7M. State appropriation is projected to be about equal. We are estimating \$1.7M to \$1.8M in inflationary type expenses. We still have insurance inflation and other things in the institution budget, debt services and utilities (things out of our control).

FY12 there is another financial cliff coming. As we move into FY12-13 with the state's projections we are looking at a \$4B state deficit. With added state appropriation, that's a \$7B deficit which is 20% of state budget.

Unrestricted reserve summary (handout)-projecting an unrestricted reserve of about \$9.3M, 6.81% of the general fund spending for FY09. MnSCU policy requires us to have between 5-7%. We are within the recommended range of Board policy.

The federal stimulus money we received has been restricted. We have not used that money for our basic operations. We have about \$2.4M. \$2M of that was bridge money for Academic Affairs because we have identified some cuts which will take time to come in. We believe the BESI is the right incentive to lower our staffing plan. We have to report to the State who reports to the federal government exactly how we are using those funds. We have identified individual positions within colleges that the bridge funding will be supporting. The Deans in those areas understand that the funding is short lived and they have to balance their budget by FY12. We are very clear and targeted with the use of our federal funds.

Enrollment is up .5% this year. We projected 50-100 FYE this spring to the Board. The enrollment management strategy to increase enrollment will be to look at international students, graduate students, extended campus, transfers, and returning people who have been laid off and increasing our retention rate. Tuition pays for 58% of general fund budget. In 1987, 33% was tuition with 67% state appropriation (we've almost flipped that in 20 years).

4) Budget Process (+/- Budget Requests) Discussed in FY10-11 budget earlier.

5) Extended Learning Differential Tuition (Rick Straka)

After reorganizing last year, Extended Learning now comes under VP Bob Hoffman including reviewing 7700 France Avenue and their financial performance. The decision was made to apply a \$50 tuition differential for Extended Learning students. St. Cloud's differential tuition for undergraduate students is \$57. We are a banded tuition institution and St. Cloud is not. Our goal was to become competitive with other programs in the Twin Cities. The \$50 is to help fund Extended Learning and turn them into a profit center for the university. That was also the recommendation of Gary Pier, the independent consultant brought to MSU to review our Extended Campus program. In his opinion a this fee is a common and normal practice within higher education and off-campus there are additional incremental costs to deliver so there should be additional costs to cover them. However, we talked about this as administration but did not bring it through the shared governance process. This was an oversight and it should have gone through the April Meet & Confer sessions at the same time differential tuition for online learning went through. We are open for discussion and opinions and will be bringing it through the Meet & Confer process this week as well as Student Senate.

One program we heard a lot of feedback from in the Twin Cities was our long running 2+2 education programs on the Normandale campus. With the final tuition numbers coming out in late July we hit them with a significant increase in fees without much notice. Cabinet decided yesterday that for those specific 2 + 2 programs for full-time students at Normandale, we will be rescinding that Extended Learning fee for this year only.

This fee is necessary for us to pay for Extended Learning and make it be breakeven. We would like to make extended campus a profit financial model similar to what we have for summer session now. We want to make extended learning a revenue stream back to the campus that will supplement the general fund at the campus as opposed to being a subsidy. Prior to last year, we had an annual subsidy to Extended Campus of \$250,000. We are hoping that we will eliminate the \$250,000 and turn it around and that there will be cost sharing with extended campus.

6) Subcommittee for Indirects (Rosemary Kinne)

The process for distribution of indirects was revised a few years ago. Indirects are the percentage received on grants and contracts that come back to the university for administrative costs. The first process started in 1998-99 where indirects would go back to the Research Office, the college, department, or principal investigator of the contract or grant. Over the years we saw a huge carry forward of money (\$500,000). The goal of the group was to find ways for faculty to do research. With the new process, it was developed and decided that any indirects from carry forwards that weren't spent in FY09 would go back to a central fund and be redistributed back to faculty based on an application process. A subgroup of Budget Meet & Confer will develop that proposal and be the one that will guide faculty through the process and award the funds.

Asking for volunteers to develop a proposal system consisting of one or two meetings and then meet again once the proposals come in. Volunteers include: Ellen Mrja, John Knox, Daardi Sizemore, Warren Sandmann, Deb Schulz and Gary McKinley. Rosemary will set up a meeting for next week.

7) Other:

Cabinet will review the annual timeline developed last year and bring it to the next Budget M&C for FY11 planning.

VP Straka, thanked everyone for the good dialogue and great questions.

David Cowan reported that with the elimination of the delivery van driver position who also handled the mail delivery there will be changes coming in the next couple of weeks. There will no longer be late afternoon mail pickups. If you need something to go out for the day after 2 p.m. it will have to be hand delivered to Postal Services in Wiecking.

Comments were made to send out important messages via email instead of posting them on the MSU home page.

The meeting was adjourned.

**Next Budget SubMeet & Confer
October 13, 2009 1:30 p.m. in CSU238**