

## BUDGET SUB MEET & CONFER

Tuesday, April 21, 2015

1:30 p.m. – CSU238

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

Attendees: Rick Straka, Co-Chair, Roland Nord, Co-Chair, Steve Smith, Casey Duevel, Lynette Engeswick, Avra Johnson, Marie Pomije, Sara Granberg-Rademacker, John Seymour, Bryan Schneider, Matt Clay, Jerry Jeffries, Joseph Lehman, Deb Norman, Sharon Sandland, Helen Wenner, Deb Schultz, Mike Peters, Kevin Buisman, Kim Greer, Joan Roca, Susan Ward, Tyler Conlon and Vickie Hanson

### 1) Changes/Additions to the Agenda

### 2) Update on Governor/House/Senate Budget Proposals (Rick Straka)

The most recent update that came out was the Senate bill which came out last night. There are some difficult things in this bill for us. The Senate bill gives \$19.5M in 2016 and \$39M in 2017 to minimize any increase in students cost of attendance and it does freeze tuition in the first year. In 2017 appropriation is available, we have to meet 100% and they will withhold 5% of our appropriation in 2017. There are five goals 1) to increase by at least 4% in 2015 compared to FY2008 the number of degrees, diplomas and certificates conferred. 2) Increase by 5% the fiscal year 2015 related employment rate for 2014 grads compared to the 2012 rate. 3) Reallocate \$22M of administrative costs for FY16. (We have local institutional support costs of \$10M, a \$2M reduction would be 20% of our administrative costs. I don't know how that's doable?) 4) Increase by 4% the fall 2015 persistence and completion rate for fall 2014 for students who enter with academic deficiencies or remedial course work compared to the 2012-11 rate. 5) Increase by 5% the 2015 degrees awarded to students who took no more than 128 credits for Baccalaureate Degree and 68 credits for an Associate of Arts. Those are some pretty high performance measures, many of which end in six weeks. We don't have a lot of time to go back and correct.

MnSCU request is \$142M for biennium; Governor \$142M for biennium; House has recommended \$36M and then \$69M = \$105M. This allows the universities a 3% tuition increase in FY16. They are estimating that will be \$22M = \$127M. There is some language in here how that tuition is distributed, about \$4M of the second year of tuition goes to actually reduce the two years so the House measure froze two year tuition in the first year and then actually lowered it by 1%. In the second year it allowed the universities to go up 3% and then freeze tuition the second year; Senate is \$30M and \$30M, but a good chunk of this comes with restrictions. Almost one-third of this has strings attached.

The Senate bill is through the Senate floor; the House bill is going to the House floor probably this week to be voted on by the House. A big change in how they treated the U of M, in the House bill the total target is \$53M. The way we got to \$105M in MnSCU is the basically held the U of M stable and reallocated because enrollment is down what they are calculating to be surplus in the state grant program (OHE) in some of their state financial aid, then they reallocated about \$50M from that to MnSCU. So the House did treat MnSCU very well. The Senate version basically almost fully funds the U of M's tuition freeze. We don't even get two-thirds of our tuition freeze funded and no appropriation beyond that. Not great news, hopeful that they will come to some level of compromise. There are big political battles to be fought in the next month.

MnSCU and the Governor's request would fund 3% inflation both salaries and benefits compensation as well as everything that is not compensation for each year, 3% inflation for each year. The House version comes close to funding the equivalent of a 3% compensation, zero in non-compensation. Some of that depends on how the System is going to spread that money among the institutions whether some will be tuition relief and tuition replacement and spread that on FYE for the tuition that it's replacing or whether they are going to spread it through the percent of allocation in model which will tend to benefit the two-

year institutions more than the universities. I don't see any hope in the three scenarios that is going to eliminate, change or reduce the \$4M that we talked about in February. There's no chance that we are going to get new money to alleviate that. Higher ed is under financial scrutiny national-wide. Don't see that changing for the next few years. Roca-On the bill there is \$33M for the System Office? Straka-With the \$22M in both bills it keeps the \$33M consistent from what it's been. The \$22M in here is under the operations and maintenance part, which one might argue that it would come from the institutions and not the Central Office. Roca-Ultimately, would negotiate between House and Senate it will definitely be lower than the Governor, the Governor cannot do anything. Straka-Correct, whatever comes out of Conference Committee, the Governor can go in wherever there is a line item within the bill he can go in and eliminate that line (veto it). The Governor cannot add any more dollars than what comes from conference committee.

### 3) **Update on Summer Construction Projects:**

We've gone over what we did for one-time or bridge kind of solutions, we talked about putting a moratorium on some locally funded projects. There were two significant projects that we looked at:

#### a) **COB, except the Advising on hold \$175K**

Total cost of the project \$250,000 included architects and soft costs. We've asked that the whole project be put on hold. There was an exception appeal and decided to move forth one piece of the project which is focused on student advising in the southwest corner of the commons in Morris Hall on the first floor. We did go ahead with a \$50,000, part of that is contingent upon the funds will come from Foundation. Won't be university funds used for that. We should see revenue in and expenses, so it shouldn't affect our net operating loss as we move forward on that. We have worked with VP Clark and the Dean to ensure we don't have any stewardship issues when the cash comes in from the Foundation.

#### b) **Library renovation \$180K-We asked that not move forward this fiscal year.**

Yesterday a memo came out from Paul Corcoran talking about all of the other summer projects that are happening. The dining facility is going to break ground, Clinical Sciences has already broken ground and there are a number of other smaller projects that we have going.

### 4) **Sharing Budget Reduction Target Information (Rick Straka)**

To give an update of where we are in the planning process for an idea of what we did. We had asked the Vice Presidents and Divisions to come up with reduction plans and had based the plans on two numbers originally. We had asked as stated in our Budget Principles, that we will cut more than we needed so we could make some investments to make some decisions and priorities of things we didn't cut. We did move forward targets to the divisions at \$3.5M and \$5M. Why the \$3.5M? Because we need at least \$4M and if we are going to look at some enrollment decline which we may see and having some extra may be \$5M. We did the \$3.5M originally because we talked about some other big pieces coming into play. Were we going to talk about a change in summer session allocation, were we going to talk about a change in extended education? Neither of those have received much traction and so I'm guessing we will have to go ahead with the \$5M targets. We did create targets by division. Academic Affairs did some slight changes in theirs in that they fully distributed the GAs as reflected by where the GAs are by college. When we budgeted at the beginning of the year, we budgeted a total to Academic Affairs and then its spread out later. So there are some slight differences to recognize that change. That is what we have going forward right now and those are the decisions that are happening within each Vice Presidential area to come up with a plan to get us to solve the budget deficit. We hope that we will have some better ideas, I don't know if we will be at the May Meet & Confer at the individual position level yet, but we will be able to have some categories of reductions and be able to share some kind of things we are looking at in the divisions moving forward. As you know, if any of these decisions affect someone who is in a position right now, we will want to make sure that they do not find out in a public forum or that they not find out somewhere else. We also want to coordinate with bargaining leaders so they are not surprised by a member who comes to them and says this projected change affects me. There is a lot of things that we need to do and just to remind you where we stand on that. At the March Meet & Confers, at the Classified and at all of them, what we said is that we announced that we will have to consider layoffs. We did not say that we are considering

retrenchment at this point in time of probationary or tenured faculty members, but in the other bargaining units we did as administration say, in order to get to \$5M we may have to consider layoffs. We don't know and don't have specific plans in place now of what those might be. We have to be honest to get to \$4M when we are 70% of our spending is in salary and benefits. There is not a lot we can do to change utilities short-term. We have shared some of these targets with the IFO leadership. One, we want to be transparent and two, on the other hand we don't want to lead to panic. Susan Ward-I don't know how you felt about the article in the Free Press last week. The impression I got out of reading that is that there would be some administrative positions. Could you speak to that accurately? Straka-I wondered when I read the article if I had been in the same meeting. I'm going to be honest, as I think the reporter took some discussion from the Budget Open Forum that reporter came up to me afterwards and told me they sat in one of these (it really wasn't meant to be a public forum), there was an editorial board meeting with the President, that came out in one of the Free Press magazine publicans and there was some discussion there and then I had an interview on Friday. The general overall was pretty close to the things that we talked about. I don't know if we are far enough along to say is it the \$22M definition of administration or is it excluded administrators the definition? There will be some administration in terms of the broader since of the word in non-instructional kinds of things. I don't have knowledge enough to say there's going to be major MnSCU excluded administrator reductions. I would say for the sake of that article it would be the broader definition as opposed to the more narrow definition. We are going to have to within three weeks give some level of definition, I don't have an exact date of when this is going to happen. Some time by the end of May we need to be ready to do this. I would have hoped in my original target that we may have already been at that point in time where we would have made some of these decisions. It's very difficult we're trying to balance input we received from the bargaining units to be both timely, but inclusive and some are saying you cannot do it yet because there has not been enough process and then at the same time say you need to make the decisions as soon as you can. We are trying to balance that along with making sure we coordinate any communication on this. Question-Thinking about summer enrollment upcoming registration does that have any impact on any of this? Straka-Right now, summer stays within summer. There is a model on how we deal with summer session and since we have decided, I haven't seen traction yet of anyone saying in order to help eliminate and make a \$5M or \$3.5M target, let's take some of the summer session and help support the academic year. Since we are not moving on that we are going to have to expand the amount of reductions to the academic year. As of now, they are separate. The good news about summer enrollment is we are only down about 10 FYE from last year, we are actually up 1 in FYE and undergrad and down about 11 in graduate for summer. I don't know where our windows are in the spring to fall as we were significantly behind where we were last year. About 25% in total enrollment for next fall we are significantly behind where we were. It might be early. If we are off two to three days in windows that can easily make up that kind of a difference. Housing applications continue to be ahead and commitments are 6% ahead of where they were last year. Although we are starting to revert back to the five year mean and trend of where we've been. Admits (people who have said they are committed to coming here) are ahead of where we were a year ago and orientations look pretty good. Again all boats are rising or people are making their decisions earlier is yet to be fully determined, that's where we were last year at this time, those two numbers seemed to be way ahead and we were hopeful and didn't make a change in our budget for FY15, because the freshman numbers looked so good for fall and we ended up with a class that was over 100 FYE below the class that was ahead. What happened is that trend, we got into May and it dried up, we didn't have applications come in after June. Question-When you talk about the committed number, what type of financial investment is required by a student to be committed? There is not a financial commitment, nor is a deposit required other than the application fee, that is MnSCU's policy. Anything that is viewed as a barrier to choice and a barrier to the System as opposed to individual institutions is going to be tougher. The days of an institution owning a student are going away. Students are much more likely and a growing percentage are going to be attending multiply institutions. Conlon-The idea of being pinned down as a student, I hate that idea.

David Jones did create a new step in the process confirming "intent to enroll". This was shared at Enrollment Management Steering Committee last week. It's been in place three years so they are trying to get some trends about how many of the students who confirm without any skin in the game, actually turn around and do enrollment, it's in the upper 80%.

Nord-You stated there doesn't seem to be much traction in terms of the Extended Education in the metro. Straka-Clarification is there is not much traction on the summer session we've loaded that more. There is not much ability to do something next year in Extended Learning. We have a lease for two more years, through June 30, 2017. We have looked at what the ability to get out of that lease might be and whether the market might be such in the Twin Cities that the landlord might be able to find someone else interested. I don't believe that is the case at this point in time. Another issue we have is the relationship with Normandale or other institutions about how much they are going to charge us. We went from nothing to \$174,000 in rent at Normandale. I'm trying to working out with Normandale to model what the cost would be if we switched everything to Normandale and then do we have enough space and could we switch everything that is currently at Normandale over to 7700 France. We are having difficulty getting that modeled and getting accurate space usage and utilization out of those two areas. What we have seen is looking at some of the enrollment at 7700 France. For example, where we have a telepresence section where we have the teacher and one student taking up the unit. We are holding an entire semester block for one professor and one student. We have a number of sections with less than five that we are offering classes and sections in the Twin Cities. We have got to take a look at the efficiency of doing that. To be a better handle on the vertical scheduling, which is we want to do something partnership wise with a company, we would like them to have a room for the day, so if we bring them in on a Monday and we want to make sure that room works for a Monday, we no longer than do a horizontal class 14 Mondays in that session. We also are doing a number of hybrid classes in 7700 France that tie up two days of the 14 weeks, but has taken that room offline and has bumped anyone who might want to have a face to face for 14 weeks. We have a number of issues to discuss about how we properly utilize very expensive space in the Twin Cities. We will have to get down to program levels and department expectations about how we utilize and prioritize that space. Roca-The Iron Range does that have any cost at this point? Straka-No, we put whatever tuition we collect against the costs and the IRRRB reimburses us via grant for any other expenses we have.

Nord-At the last Meet & Confer we were given some information about the faculty positions on hold and also some positions from other areas. If those positions remain on hold or are not replaced, do you have any sense of how close that gets us to our target number? Straka-For faculty positions that is for FY16, for other positions, we are accruing salary savings for FY15 to try to get where we are going. Greer-What's happening in each of the colleges as we look over that, the positions that are placed on hold is a determination based on scheduling for FY16, can they cover those courses with adjunct or does it need to be a fixed term? But the bottom line as Deans are now figuring out the budget target for FY16 and FY17 should that specific position stay on hold or does the reduction cause another vacancy? I'm guessing the Deans are looking at the positions on hold because those are the ones that are vacant or in most cases a line that was available as opposed to brand new. All of those fund were created with salary dollars, they weren't new dollars coming from somewhere but within the college. Everyone is looking at their budgets for both FY16 and FY17. Straka-At a higher level one of the reasons we talked about putting some positions on hold were as we go through this planning process, what we hope not to do is hire someone and then turn around in September and tell them their position was part of the plan. As plans are finalized you will be able to say is that part of the plan or not. That is happening in order to move forward with some positions outside of Academic Affairs. We have that very basic discussion at Cabinet, is this part of your plan? There is a little bit of difference in the faculty positions and timing because most of those aren't garnering us any short-term savings and some of the other positions on hold in other areas we are doing to create salary savings right now. Question-The positions on hold how long can that be maintained on hold? Straka-We are hoping fairly soon when the final plan is identified as to what our base cut is going to be to get us to the \$5M and the final decisions we make about reinvestments as that point hopefully we will be able to do it. We have \$4M and \$5M plans and if we can't get to some of the savings for a year due to a phased retirement, or if BESI's were announced and it will take a year to get there, we still will have to do some one-time stuff so I can't give you an exact date, hopefully there will be much more clarity when all of the reductions plans are finalized and identified.

## 5) Discussion on Budget Input Comments from Website

We've received a fair amount of comments about what we've done. Some of the comments need to be cleaned up a little bit. There is some consistent themes:

- Reduce administration.
- Be concerned about our front-time staff.
- Cut back on brochures, invitations and color postcards.
- One that we get a lot is the phone books that we have, those really make money. We have a company that sells the advertising in them, so they are actually a net revenue.
- Raise the heat in the summer, that doesn't work with a chilled water system.
- Extended Education in Twin Cities.
- Having food at meetings-The question was asked about foundation funds being used for food. Straka-There is an ISR ruling that affected scholarships that you can't make a scholarship so specific so you in essence are giving it to an individual and getting a tax break. There are concerns that people who give money to their department just so they could get food paid for, not real appropriate use of a charitable donation. When we look at stewardship and people who are giving money to support the program, do you really think most donors are saying I'm giving money to support staff having bagels, when you get a unrestricted donation, it that a good use of stewardship to put it toward food.
- Services that we currently outsource and should we and also the reverse.
- Shape of organizational structure.
- Can we cut back on the number of copyshops.
- Voluntary reduction in hours.

Are there other ideas from this group?

The Guaranteed Energy Savings Plan (GESp), we are hoping to do \$9M in investment that we don't have to come up with the capital for, but the goal is that we would reduce our energy use by 20%. Relighting campus is the biggest piece of that and looking at retrofitting with LED bulbs. Making the \$9M investments we should be able to pay for all of those costs starting in year one.

Occasionally, the shutting down of the university during breaks comes up (December break). There are union concerns as well as areas of campus that would need access and HVAC.

## 6) Update on Pouring Rights Contract

We do finally have a final executed agreement with Pepsi. A 10+ year agreement, you will see an upgrade in equipment, an increase in our loyalties, and we should see they have committed to some donut advertising on cable TV where they may have a 30 second spot and they will give us the last 5 seconds. We can have two a month, \$60,000/year at \$20 a spot so it's a lot of spots on cable TV where we can highlight special events and dates.

## 7) Enrollment Update (Rick Straka) Discussed above in notes.

## 8) Indirect Cost Procedure Proposal Follow-Up (Steve Smith for Kristel Seth– 1:40 p.m. time certain)

At our last meeting we presented a modified version of Facilities and Administration Costs Procedure also known as Indirect Costs. We went through some of the highlights and changes. One of the big changes was an increase to the indirect cost rate from 8% to 12% for on-campus types of arrangements. Another big change was how the funds were distributed, the key change was changing from the existing model towards increasing the amount that goes towards the RASP Office so that they could have another coordinator position. They wanted to have a base flat level amount that was covered and the rest of the units would receive a percentage of the remaining. The idea with the additional position was that they could serve faculty and staff better and create more overall grants coming back to the university. We didn't receive feedback from this group, so we wanted one more opportunity for feedback before it was moved forward to Cabinet for discussion and decisions on which option.

The question was asked about staffing and previously two coordinators? Smith- I don't know the exact number of staffing, but what I have from Barry Ries, Kristel is spending more of her time helping with grants rather than guiding the unit and seeing other opportunities where we could get more grants, so he's trying to create a mechanism to free up some of her time.

Deb Schulz-I've always seen that department being very important to the university, yet having very little staffing to be able to do what they are supposed to do. They did have the one person that was laid off this last year and I think that really put a burden onto the staff members that they had. To me it seems like they should have more solid dollars instead of not knowing where they are at. My recommendation would be to go to the new proposal to fund it so we are able to help people so we can get more funding in on the back side.

Marie Pomije-I do think we have to be very cognizant of the upcoming cuts and whether or not it's wise to reallocate less money into colleges and support a position when we know that other positions are going to be laid off and all the units are going to have to find places to cut, so we are cutting revenue into the units but we are also talking that we have to cut, and we are saying, but in spite of all of that, we want this position. That is a little scary if there isn't clear evidence that you can get more grants. It's not RASP that gets the grants alone, it's the professors and other folks who have the time. I think it's a little too optimistic to say you just put a person in there and things will get better. It's never happened that way for us before. Smith-That highlights the key issue, do you believe more will create more and be positive for everybody? Pomije-It's not even just that, it's do you believe this one position can do that.

Seymour-It's both important, we really need strong coordination of the professors to find the opportunities they need to support and a strong office to be able to implement and that office will only be successful if faculty are able to be freed up to do that. It's a very hard judgement because you can't do without one or the other. It does worry me because in my college, one of the cost savings things that has already been identified is less assigned time for research. If that is one of the ways that we are going to cut our gap at the college level, there's so many ways this begins to affect dominos throughout both revenue and expense.

Roca-I think it would be helpful to have this discussion at the Council of Deans.

Engeswick-As a faculty we have to be a little careful as we bring in junior faculty, we are asking them to do more, that will be at the expense of the tenure process. I'm out in the community 15 hours a week working on a grant and that's not much of my PDP, it's a whole lot of leg work until you get ready to publish it. If you are not a full professor, you can't afford to be out doing a whole lot of heavy labor hours working on a grant and meet all your five criteria. I'm going to speak for the new faculty coming in that finding a grant and putting in on the back of a new faculty that doesn't have the maturity to lead it through and no support to lead it through in a small department is a bad deal.

Straka-You bring on a pretty interesting, broad topic and it is a topic all over in higher ed right now and that is the public and student's perception, as to what is important for their professor versus how a professor is ranked for tenure and promotion don't always coincide. We have this mission to provide extraordinary education and all of our performance measures are based on student output, and yet there is very little in that process that relates to tenure and promotion. The legislature is telling us to do one thing and they are concentrating on issues that are primarily student performance based and student outcome based and yet our professional development plans and our tenure and promotion track really don't place as much emphasis on that, so how do you reconcile those two things. That is something that higher ed may struggle with the next decade or so.

Duevel-The change in rate from 8% to 12%, there doesn't seem like there is strong opposition to that. Smith-Even if we get the same volume and number of grants getting a higher rate of indirect cost on some of them will drive more dollars, but it might take a few years before we see it because we have current grants in place grandfathered under the old rates.

Nord-Part of our concern when we looked at this was since the position that is requested really isn't described here. Smith-I will have Kristel put something together to share with this group on what the staffing levels have been and what they are looking at changing.

Feel free to email Kristel or Rick your thoughts and comments.

**9) Possible Special Summer Meeting (Rick Straka)**

We are going to have things happen after the academic year is over. Roland if you could talk with the executive committee about whether it's a full meet and confer, or meetings with leadership exec or whether we want to come back to the submeets. I'm interested in your view on how is the best way to communicate some of the things that are going to happen. There will be a lot of stuff happening over a very short period of time. Forward any thoughts you have on that.

The meeting was adjourned.