

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
*INFORMATION ITEM***

Revenue Model Project Update

BACKGROUND

The revenue model project is one of four priority areas to be addressed in the Board's FY2006 workplan. In April, the project proposal for the alternative funding model (attachment 1) was presented to the Board and discussed. The project proposal included establishing a work group and addressing a list of eight study questions. The Board was also updated in May on the preliminary work of the project.

The work group has met three times to address the project questions. The group has developed, assessed and prioritized a set of positive model characteristics and are using them as part of the criteria to evaluate the feasibility of alternative methods.

At the same time, the group has been reviewing funding methods used by other states and higher education organizations and compared them with those used by Minnesota and MnSCU. The group is assessing the strengths and weaknesses of each approach to determine if elements could be used in MnSCU. The group is also in the process of evaluating the impact of the alternatives on students, colleges and universities, the system, and the state. This evaluation will include analysis by staff of potential fiscal impact.

The focus of the group's work is on the revenue side of the operational equation. Items related to the expenditure side, such as efficiency, will be addressed by the productivity work group. Other items such as defining quality and mission will be determined by the strategic planning work group. We will be keeping in contact with these groups to ensure that their output affecting the revenue model will be incorporated into the revenue model analysis.

Over the next two months, the work group will continue to address the study questions and refine viable alternative methods. As requested by Board members at the May meeting, a discussion with the full Board will occur in September and preliminary recommendations will be made to the Board in October.

Date presented to the Board of Trustees: July 20, 2005