

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

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** January 21, 2009

Agenda Item: FY 2009 Unallotment Action

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: A \$426.3 million deficit is projected for the state's general fund during the current fiscal. The Minnesota State Colleges and Universities will receive a reduction of \$20 million in the current fiscal year.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer
Judy Borgen, Associate Vice Chancellor Budget
Karen Kedrowski, System Budget Director

Outline of Key Points/Policy Issues: The Board is being asked to consider a distribution methodology for the \$20 million unallotment.

Background Information: Governor Pawlenty recently announced reductions that would be made to the state's general fund budget for fiscal year 2009 in light of the projected deficit of \$426.3 million. The Minnesota State Colleges and Universities will receive a reduction of \$20 million in the current fiscal year.

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

BOARD ACTION
FY 2009 Unallotment Action

BACKGROUND

The state of Minnesota is projecting a deficit in the current fiscal year of \$426.3 million. Governor Tim Pawlenty recently announced reductions that would be made to the state's general fund budget for fiscal year 2009 in order to comply with the constitutional requirement of a balanced budget. The Minnesota State Colleges and Universities will receive a reduction of \$20 million in the current fiscal year. The Governor's actions are effective immediately. The funds will be withdrawn from the system's account in early January 2009. The purpose of this Board report is to provide the proposed distribution methodology to the Board of Trustees for review and approval.

DISTRIBUTION METHODOLOGY

The \$20 million reduction represents 2.9 percent of this year's state appropriation of \$688.3 million. Since it is all being taken in the last six months, this reduction amounts to a 5.8 percent budget impact. The unallotment represents a 1.5 percent reduction to annual expected revenue (3.0 percent of last six months) when evaluated on the basis of the total state support and tuition revenue available to the colleges and universities and the system. Three principles are recommended to guide the system's academic and financial planning work in the months ahead:

- Decisions will be made in a way that best serves students;
- Decisions will strive to take into account the system's mission to serve the economic development needs of the state and its communities; and
- Planning will take a multi-year approach, positioning the system for long-term financial viability.

The Vice Chancellor – Chief Financial Officer, after consultation with the Chancellor, Chair of the Board of Trustees and the Chair and several members of the Finance, Facilities and Technology Committee of the Board of Trustees as well as consultation with the Finance and Administration Committee of the Leadership Council, recommends the following proposed distribution:

- Colleges and universities: \$16.27 million
- Systemwide debt service savings: \$2.8 million
- Office of the Chancellor/Shared Services: \$.93 million

Several years ago, the Finance and Administration Committee of the Leadership Council approved an overall framework for funding the Office of the Chancellor/Shared Services. The operations of the Office of the Chancellor/Shared Services are fully supported by appropriation compared to both appropriation and tuition support available to colleges and universities. The overall funding framework takes into account both appropriation and tuition. The framework is designed to distribute both increases and decreases in state resources. The framework provides for the funding of the Office of the Chancellor/Shared Services to increase at a lesser rate than what the colleges and universities experience. Conversely, funding of the Office of the Chancellor/Shared Services decreases at a greater rate than the colleges and universities.

In terms of total tuition and appropriation revenue, the unallotment represents a 1.5 percent reduction to the Office of the Chancellor/Shared Services compared to an overall average of 1.4 percent reduction to colleges and universities. Attachment 1 displays the impact of the unallotment for each college and university. The debt service savings is a result of over-estimating the system's share of debt on the general obligation bonds issued by the state of Minnesota. As part of the annual operating budget cycle, the system estimates a funding level needed for the debt payment made to Minnesota Management and Budget considering factors such as the timing and structure of future bond sales, planned construction execution schedule and the estimated impact of new capital projects. It is the responsibility of Minnesota Management and Budget to sell/issue bonds for all of state government and assess the system its appropriate share of the debt obligation.

The Chancellor has informed the colleges and university presidents that there should be very limited use of reserves to absorb the \$20 million reduction. As the system approaches the 2010-2011 biennium and the state is faced with a projected shortfall of \$4.8 billion, reserves will be a more critical part of budget planning and transition.

The Chancellor will regularly report to the Board of Trustees during the next six months on the status of the 2009-2011 budget planning. An expectation of that reporting will be identification of the specific steps taken at each of the colleges and universities and in the Office of the Chancellor/Shared Services to absorb the fiscal year 2009 reduction.

RECOMMENDED COMMITTEE ACTION:

The Finance, Facilities and Technology Policy Committee recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

The Board of Trustees approves the recommended distribution methodology for the \$20 million unallotment during the current fiscal year.

Date Presented to the Board of Trustees: January 21, 2009

Minnesota State Colleges and Universities
College/University FY2009 Unallotment (pending Board of Trustees review and approval in January)

Inst ID	Institution Name	FY2009 Base Allocation	% Share	FY2009 Unallotment	Unallotment as % of Base Allocation	Estimated FY2009 Tuition Revenue (May 2008 Board materials)	Total Base Allocation and Tuition Revenue	Unallotment as % of Base Allocation and Tuition Revenue
0203	Alexandria TC	\$10,449,830	1.90%	(\$309,898)	-3%	\$8,719,870	\$19,169,700	-1.6%
0152	Anoka Ramsey CC	\$14,694,709	2.68%	(\$435,783)	-3%	\$16,650,100	\$31,344,809	-1.4%
0202	Anoka TC	\$7,513,780	1.37%	(\$222,827)	-3%	\$7,447,925	\$14,961,705	-1.5%
0070	Bemidji SU	\$19,843,209	3.62%	(\$588,466)	-3%	\$25,105,000	\$44,948,209	-1.3%
0301	Central Lakes College	\$11,952,140	2.18%	(\$354,450)	-3%	\$9,841,743	\$21,793,883	-1.6%
0304	Century College	\$19,206,800	3.50%	(\$569,593)	-3%	\$24,983,794	\$44,190,594	-1.3%
0211	Dakota County TC	\$10,412,989	1.90%	(\$308,805)	-3%	\$9,006,600	\$19,419,589	-1.6%
0163	Fond du Lac Tribal & CC	\$3,616,133	0.66%	(\$107,239)	-3%	\$3,625,565	\$7,241,698	-1.5%
0204	Hennepin TC	\$19,099,955	3.48%	(\$566,424)	-3%	\$14,127,497	\$33,227,452	-1.7%
0157	Inver Hills CC	\$9,720,623	1.77%	(\$288,273)	-3%	\$14,761,861	\$24,482,484	-1.2%
0302	Lake Superior College	\$12,903,753	2.35%	(\$382,671)	-3%	\$13,801,338	\$26,705,091	-1.4%
0076	Metropolitan SU	\$20,103,742	3.66%	(\$596,192)	-3%	\$26,701,000	\$46,804,742	-1.3%
0305	Minneapolis College	\$19,784,835	3.61%	(\$86,735)	-3%	\$29,148,695	\$48,933,530	-1.2%
0213	Minnesota SC-Southeast Technical	\$7,318,916	1.33%	(\$217,048)	-3%	\$6,820,400	\$14,139,316	-1.5%
0442	Minnesota State C & TC	\$17,766,783	3.24%	(\$526,888)	-3%	\$18,892,285	\$36,659,068	-1.4%
0072	Minnesota SU Moorhead	\$30,091,312	5.48%	(\$892,382)	-3%	\$33,463,504	\$63,554,816	-1.4%
0071	Minnesota SU, Mankato	\$52,086,026	9.49%	(\$1,544,652)	-3%	\$74,980,982	\$127,067,008	-1.2%
0209	Minnesota West College	\$11,713,710	2.14%	(\$347,379)	-3%	\$10,420,496	\$22,134,206	-1.6%
0156	Normandale CC	\$16,987,023	3.10%	(\$503,764)	-3%	\$26,439,559	\$43,426,582	-1.2%
0153	North Hennepin CC	\$12,278,943	2.24%	(\$364,142)	-3%	\$19,066,000	\$31,344,943	-1.2%
	Northeast Higher Education District							
0310	Hibbing College	\$6,753,831	1.23%	(\$200,290)	-3%	\$4,929,050	\$11,682,881	-1.7%
0144	Itasca CC	\$4,221,509	0.77%	(\$125,192)	-3%	\$3,981,940	\$8,203,449	-1.5%
0411	Mesabi Range College	\$5,134,922	0.94%	(\$152,280)	-3%	\$4,296,243	\$9,431,165	-1.6%
0155	Rainy River CC	\$1,881,751	0.34%	(\$55,805)	-3%	\$1,200,197	\$3,081,948	-1.8%
0147	Vermilion CC	\$2,722,252	0.50%	(\$80,731)	-3%	\$2,611,972	\$5,334,224	-1.5%
0403	Northland College	\$12,876,215	2.35%	(\$381,854)	-3%	\$12,245,709	\$25,121,924	-1.5%
0263	Northwest TC - Bemidji	\$3,135,388	0.57%	(\$92,982)	-3%	\$3,978,000	\$7,113,388	-1.3%
0205	Pine TC	\$2,878,108	0.52%	(\$85,353)	-3%	\$1,784,610	\$4,662,718	-1.8%
0308	Ridgewater College	\$14,960,277	2.73%	(\$443,659)	-3%	\$13,321,183	\$28,281,460	-1.6%
0307	Riverland College	\$11,726,195	2.14%	(\$347,750)	-3%	\$10,638,778	\$22,364,973	-1.6%
0306	Rochester College	\$14,338,909	2.61%	(\$425,232)	-3%	\$19,016,987	\$33,355,896	-1.3%
0206	Saint Paul College	\$13,654,048	2.49%	(\$404,922)	-3%	\$14,636,725	\$28,290,773	-1.4%
0309	South Central College	\$13,032,592	2.38%	(\$386,492)	-3%	\$10,342,800	\$23,375,392	-1.7%
0075	Southwest Minnesota SU	\$15,820,762	2.88%	(\$469,177)	-3%	\$16,673,023	\$32,493,785	-1.4%
0073	St. Cloud SU	\$55,757,153	10.16%	(\$1,653,522)	-3%	\$76,882,558	\$132,639,711	-1.2%
0208	St. Cloud TC	\$11,099,491	2.02%	(\$329,164)	-3%	\$11,594,482	\$22,693,973	-1.5%
0074	Winona SU	\$31,089,559	5.67%	(\$921,985)	-3%	\$45,114,000	\$76,203,559	-1.2%
	Total Colleges and Universities	\$548,628,173	100%	(\$16,270,000)	-3%	\$647,252,471	\$1,195,880,644	-1.4%