

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE  
MEETING MINUTES  
July 21, 2009**

*Finance, Facilities and Technology Committee Members Present: Tom Renier, Chair; Trustees Duane Benson, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten*

*Finance, Facilities and Technology Committee Members Absent: Clarence Hightower, Allyson Lueneburg*

*Other Board Members Present: David Olson, Cheryl Dickson, Jacob Englund and Terri Thomas*

*Leadership Council Representatives Present: Vice Chancellor Laura King, President Robert Musgrove*

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on July 21, 2009, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Renier called the meeting to order at 1:04 pm.

**1. MINUTES OF June 17, 2009**

The minutes were approved as submitted.

**2. MINUTES OF PUBLIC HEARING ON FY2010-2011 OPERATING BUDGET INCLUDING TUITION AND FEES**

The minutes were approved as submitted.

**3. FINANCE, FACILITIES AND TECHNOLOGY UPDATE** *(Information)*

Vice Chancellor King introduced President Robert Musgrove, Pine Technical College, who is the new co-chair of the Finance and Administration Committee of the Leadership Council.

Ms. King reported that the inflation related adjustments have occurred and the 2010 Capital Budget numbers have been adjusted downward from \$403.6 million to \$396.8 million. The final numbers will be incorporated into the “bonding book” which is scheduled for distribution on September 1, 2009. There have been no changes in the scope of the program.

A memo was sent last week advising the Board of the Governor’s FY2011 operating budget unallotment action. Leadership Council planning is underway and discussion of the FY2011 operating budget will take place in the months ahead. Ms. King noted that FY2009 audit work is now underway. The OLA is auditing 8 colleges and has nearly completed fieldwork. The financial statement audit work has also begun.

Several significant ITS milestones were reported including the deployment of four new dashboards to support the Board of Trustees Accountability Framework reporting project. The dashboards monitor the performance of the Minnesota State Colleges and Universities system on selected key measures. ITS has converted 57 management reports to provide FY2010 summary system-wide and campus-level reports for student enrollment, employee payroll data, student demographic reports, facilities information, distance learning and student admissions data. The reports are updated nightly. The RFP process for Identity and Access Management tools was concluded and the contract was awarded to Sun Microsystems.

Other achievements include enabling the "authentication services layer" using new "starID" (MnSCU's global ID), a key step towards single sign on; delivery of the first phase of "thin client" model of computing using 100 low cost Sun Ray workstations which have enhanced security, cost savings, and have lighter green footprints; the ISRS web-based Accounting module (J2ee conversion plus new features) went into full production in June; the Information Security Office, in cooperation with the Center for Strategic IT and Security (CSITS), has developed self-paced online courses covering various information security-related areas; and final quality assurance testing of a new web-based Curriculum Module, incorporating new workflow features. The Module will be piloted later this month.

#### **4. FY2010 OPERATING BUDGET REQUEST INCLUDING TUITION AND FEES** *(Second Reading)*

Chancellor McCormick opened the discussion of the FY2010 operating budget by remarking on the extensive consultation that has taken place with Board members, presidents, students and faculty. He thanked faculty and staff for their cost saving contributions in the labor agreements for FY2010-2011. He also thanked students for the support they showed at the legislature. The college and university presidents and staff have shown their commitment to the highest quality services in tough economic times. Finally, he thanked the Board for their steadfast guidance and commitment to the people of Minnesota.

The Chancellor commented that the services of Minnesota State Colleges and Universities are in demand as people struggle with the weakened economy. Many students and their families know that higher education is the key to retraining laid off workers and preparing people to succeed in today's global market place. Strong enrollment performance this summer and early news about this fall indicates increased enrollment. The FY2010 budget received assistance from the federal government which enables a modest tuition increase. In FY2011 it will be harder to balance the budget. There are grave concerns about the system's economic outlook for FY2012-2013.

In recommending approval of the budget, Chancellor McCormick expressed that he believes it represents the best effort to respond to the three goals laid out last winter in seeking to make decisions which best serve students; support of the system's economic development mission in communities across the state; and the positioning of the system financially for long term viability.

Vice Chancellor King reported that today's presentation and additional materials provide the committee with the FY2010 operating budget including tuition and fees. The outlook for FY2011 was prepared before the Governor's unallotment. The FY2011 operating budget will be brought for committee discussion next winter/spring and the unallotment will be incorporated into the planning process.

Ms. King reported that enrollment at Minnesota's State Colleges and Universities has increased by 17,212 FYE or 13.6 percent grown from FY2002 to a projected 143,427 in FY 2009. The enrollment is projected to increase this biennium at a rate of 1 percent (1,600 FYE) in fiscal year 2010 and another 1 percent (1,400 FYE) in fiscal year 2011. Updated enrollment will be reported later this fall.

The System has a balanced FY2010 all funds budget, with an overall increase in new revenues of 1 percent, while expenditures are forecast to increase 1.1 percent. In solving budgetary gaps, colleges and universities are using a combination of strategies to position themselves for future years. These solutions vary among the colleges and universities, but include program closures or reductions; administrative reductions; reduction of service hours; instructional efficiencies; delaying of repair and replacement projects or equipment purchases; enrollment management; developing new programs in high demand areas or slowing down new program implementation.

Vice Chancellor King noted that reductions in personnel expenses have also aided in solving budget gaps. Employee contracts for the system have been approved with limited increases. In addition, colleges and universities began reducing their workforce starting in FY2009 in response to the FY2009 unallotment and in preparation for reduced resources in FY2010-FY2011. Colleges and universities reduced positions by slightly less than 200 FTE in FY2009 and plan to reduce positions by another 350 FTE in FY2010. Campus administrators are committed to providing resources in support of the goals of the Board and the Chancellor. Overall, the results indicate that the system is maintaining progress. Over 80% of colleges and universities are maintaining or increasing progress under each priority.

Technology investments of the past several years are also assisting college and university cost saving efforts. A merged student data base is easier for student services and administrative staff to support. Staff are also aided by electronic transcripts, employee tuition waiver tools, timesheets, online staff training tools, financial aid direct deposit tools, security improvements, efolio and ISEEK improvements and system wide deployment of GPS lifespan for all students.

The ARRA funds can be used for education and general expenditures, in such a way as to mitigate the need to raise tuition and fees for in-state residents or for modernization, renovation, or repair of facilities that are primarily used for instruction, research, or student housing. There is language in the higher education bill that limits tuition increases for Minnesota resident undergraduate students to five percent each year. The law further directs that ARRA funds be used to buy down the

tuition increase to no more than three percent in the first year. In this manner, students would experience a net increase of eight percent for the biennium.

Trustee Thiss asked if the system is having any difficulty getting the ARRA funds. Vice Chancellor King responded that no problem is anticipated as the Department of Education will submit weekly draw requests based on our rate of spending. However, she noted there are many reporting requirements that are being deciphered. Staff is working to make sure the money is used appropriately and the system complies with the certification process correctly.

Trustee Benson questioned if setting the tuition rates no more than \$7 per credit at the colleges and \$9.50 per credit at the universities will affect the gap in tuition between the institutions. Vice Chancellor King responded that this strategy should narrow the gap slightly. The ARRA contribution for tuition will not affect the gap.

Trustees emphasized that the press release about the tuition increase clearly informs students about the federal funds buying down tuition. Concern was expressed about the negative implication of what would then look like large tuition increases in FY2012. Trustee Van Houten also stated that the program offering free tuition to the unemployed should be revisited. Vice Chancellor King will inform the committee of the current status of the programs.

In response to Trustee McElroy's inquiry about student union facility fees, Sieglinde Bier (Director of Facilities Business Support) noted that the fees on Attachment 2C were an aggregate annual charge. The fees will be more clearly labeled in future presentations. Trustee Englund asked Vice Chancellor King for a more extensive study for FY2011 of the Student Union Fees for those students taking online courses. Trustee Van Houten asked to include technology fees in the study as well.

Trustee Van Houten moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Benson seconded the motion which carried with no dissent.

**RECOMMENDED MOTION:**

- a. Adopt the annual total operating budget and general fund budget for fiscal year 2010 in Tables 6 and 7. Per Board Policy 5.9, the Board will be periodically provided system wide budget updates for all funding sources on an exception reporting basis.
- b. Approve the proposed tuition structure recommendations for fiscal year 2010 as detailed in attachments 1A through 1D. The percentage impact of residence tuition rates represents the maximum amount that can be applied to other tuition rates charged by the college or university not impacted by reciprocity agreements such as nonresident and off campus rates.
  1. The tuition increase is effective Summer Term or Fall Term 2009 at the discretion of the president. The Chancellor is authorized to approve tuition

structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2011 tuition recommendations are presented to the Board. The Board continues the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning, and contract postsecondary enrollment option programs.

- c. Approve the use of ARRA funds to mitigate tuition increases in fiscal year 2010.
- d. Approve the increase in the student union facility fee from a maximum of \$280.00 per year to \$300.00 per year.
- e. Approve the Revenue Fund fiscal year 2010 fees for room and board, student union, wellness centers/outdoor recreation facilities, and parking ramps/surface lots as detailed in attachments 2A and 2C through 2E.
- f. Approve the fiscal year 2010 fees for room and board for colleges who either own or manage student housing as detailed in attachment 2B.

**5. MINNEOSTA STATE UNIVERSITY, MANKATO REVENUE FUND  
PROJECT APPROVAL (Action)**

Associate Vice Chancellor Allan Johnson requested approval for the use of Revenue Fund bond proceeds remaining from the 2005 bond sale to begin architectural design work for an additional new residence hall at Minnesota State University, Mankato.

The 2005 revenue bond sale included funding for the construction of Julia Sears Residence Hall. The project's original construction cost was estimated at \$27.5 million. The final construction cost was \$25.7 million. According to the Master Indenture governing the sale and use of revenue bonds, proceeds may be used for other purposes with Board of Trustees approval. As of June 1, 2009 the funds remaining and available in the Julia Sears project are approximately \$1,014,225.

These funds would be used to fund the architectural design of the next phase of the University's housing master plan. It is anticipated that construction funding for the 302 bed residence hall will be included in the next revenue bond sale schedule for early 2011. The project is estimated to cost approximately \$30 million. Occupancy is scheduled for the fall of FY2012.

Trustee McElroy questioned whether the use of the same architect or plans could result in design savings for the project. Mr. Johnson noted that the system owns the design and it can be used by any selected architect. The design firm will be chosen through an internal Request for Proposal (RFP) process rather than the State Designer Selection Board.

Trustee Grendahl moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Benson seconded the motion which carried with no dissent.

**RECOMMENDED MOTION:**

The Board of Trustees approves the use of approximately \$1,014,225 in proceeds from the FY 2005 revenue bond sale for architectural design of a new residence hall at MSU, Mankato.

**6. UPDATE ON LEGISLATIVE AND POLICY BARRIERS** (*Information*)

Vice Chancellor King noted that the purpose of this report is to provide the committee with an update on the barriers discussions that have occurred over the past few months. She noted that each Leadership Council committee participated in a series of focused discussions to identify specific law, policy or contractual barriers that should be changed or eliminated. Many of the barriers were addressed through the 2010-2011 operating budget process. The Board provided guidance on reserves and the allocation of state resources (“green sheet”). Guidelines were developed to provide basic requirements for course/program differential tuition rates. The maximum dollar per student tuition rate change begins to address the disparity that results in setting a maximum percentage increase.

The 2009 legislature enacted the Higher Education Omnibus Bill which temporarily exempted an associate of applied science degree from the 60-semester credit length limit. Legislation also was enacted that allowed the Board to develop and implement an early separation incentive program.

The Chancellor’s Cabinet is also having discussions about streamlining reporting and information requirements; using alternative meeting venues (i.e. conference calls, ITV); leveraging system purchasing, security, libraries, etc.; establishing regional service centers to produce cost savings; accelerating new program approval and hiring processes; and assessing the credentialing activity (centralization versus decentralization).

A number of the identified barriers are tied to the collective bargaining process. Vice Chancellor King commented that the discussions about the collective bargaining process will occur in the Human Resources Committee of the Board.

**7. FY2010 FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE**

**WORK PLAN** (*Information*)

Vice Chancellor King reported that it has been her practice to solicit input on the committee’s work plan each year. She asked committee members to review and let her know if there are items that they wish to discuss that aren’t scheduled. Vice Chancellor King noted that there is an extensive finance division work plan behind the calendar shown in the report. The division’s plans have been reviewed with the Leadership Council and will be reviewed with college and university CFOs.

Vice Chancellor King commented that the discussion on strategies/cost/desirability of narrowing per credit rate differentials scheduled for November, 2009 would include a discussion of differential tuition. Trustee Van Houten had expressed interest in further discussion of differential course and program tuition rates during the update on legislative and policy barriers.

The meeting adjourned at 2:10 pm.

Respectfully submitted,  
Nancy Lamden, Recorder