MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES RETREAT
NOVEMBER 14 AND 15, 2006
WELLS FARGO PLACE
ST. PAUL, MINNESOTA

Trustees Present: David Paskach, Chair, Caleb Anderson, Duane Benson, Michael Boulton, Ruth Grendahl, Clarence Hightower, Dan McElroy, David Olson, David Paskach, Thomas Renier, Christine Rice, Scott Thiss, James Van Houten and Carol Wenner

Trustees Absent: Cheryl Dickson and Ann Curme Shaw

Tuesday, November 14, 2006

1. Welcome and Overview of the Retreat

Chair David Paskach welcomed everyone and commented that he was looking forward to the presentations. The topics that will be covered were selected by trustees who wanted to learn more about collective bargaining, the allocation framework, and planning for the system of the future. He thanked the trustees and staff for their work in preparing the agenda and presentations for the retreat. In addition, there will be an introductory session to the Board's self-study workshop scheduled in February.

2. Collective Bargaining Overview

An overview of the collective bargaining process was presented by Vice Chancellor William Tschida and Associate Vice Chancellor Mary Leary. Vice Chancellor Tschida stated that the goal of this presentation was to provide the framework within which the collective bargaining units operate in Minnesota, and more specifically, in the Minnesota State Colleges and Universities system. The areas covered include: statutory basis and structure for bargaining; collective bargaining agreement features; and timelines. There are 12 bargaining units of employees that are represented by labor organizations throughout the Minnesota State Colleges and Universities.

- Inter Faculty Organization (IFO)
- Minnesota State College Faculty (MSCF)
- Minnesota State University Association of Administrative and Service Faculty (MSUAASF)
- American Federation of State, County and Municipal Employees (AFSCME)
- Craft, maintenance and labor
- Service employees
- Health, non-professional
- Clerical and office
- Technical
- Minnesota Nurses Association (MNA)

- Minnesota Government Engineers Council (MGEC)
- Minnesota Association of Professional Employees (MAPE)
- Middle Management Association (MMA)

Retirement benefits are a prohibited topic of bargaining. Current contracts for all the above named bargaining units expire June 30, 2007. The Labor Relations division negotiates the following contracts: IFO; MSCF; and MSUAASF. The Department of Employee Relations (DOER) negotiates the other bargaining contracts.

In response to questions, Vice Chancellor Tschida will provide the following additional Information:

- Report on Faculty Salary Competitiveness (May 2005)
- Report on Costing Teaching Workload and Other Faculty Assignments (May 2005)
- IFO Failed Faculty Searches FY 2006
- IFO Failed Faculty Searches FY 2005

3. Understanding the Allocation Framework

Vice Chancellor Laura King began the presentation on the allocation framework by reviewing the history of the methods used for appropriating allocated dollars. In the first two years after merger, allocations were based on the three models used prior to the merger. In all the pre-merger models, expenditure budgets were built, expected tuition was taken into account, and appropriation was prorated.

In 1996 the Board approved a single model developed by consultant Dennis Jones. However, in 1997 the legislature directed a temporary base plus allocation model for FY1998 and mandated the system to develop a permanent framework. In 1998 the Board approved an allocation framework design for implementation in FY2002. The base plus allocation approach was continued through FY2001. Development of the framework spanned two years with nine workgroups involving more than 100 campus administrators.

In 2001 the legislature asked Minnesota State Colleges and Universities to delay full implementation until FY 2004. The system continued the base plus allocation approach but also distributed approximately 2 percent of available resources under the approved allocation framework for FY 2002-2003. Large reductions in state appropriations further delayed full implementation until FY 2004-2005. However a portion of available resources was distributed using the allocation framework, 7 percent and 5 percent respectively. A Technical Advisory Committee was established to recommend strategies for full implementation.

In 2004 full implementation was approved by the Board for FY 2006 and beyond with a “hold harmless” provision for FY 2006-2007. The Leadership Council thoroughly discussed and approved the implementation of the framework at that time. The "hold harmless" provision promised that all institutions would minimally retain their FY 2005 level of funding through FY 2007.

The design principles for the framework include the following:
- Academic goals should drive financial planning.
- Delegation of authority to the institution and the resulting program diversification are necessary to create a responsive system
- Decentralized management systems require incentive and accountability mechanisms
- Equitable distribution of funds is needed which recognizes the diversity of institutions, programs and students
- Adequate funding is essential to fulfill institutional missions and response to compelling state needs
- Access is a core element of the system's mission.

The framework was developed as a single model to be used for all institutions. Allocations recognize enrollment changes and provide flexibility to drive state priorities, collaboration between institutions, and basic support. The allocation framework should be sustainable and simple, everyone must understand the rules. It was evident that some historical funding inequities cannot be corrected (i.e. the size and quality of the physical plant). Continual improvement is possible and elements of the formula may be refined as the data improves. Transition funding – safety nets and other forms of support and stabilization are needed during transition periods. In other words, the framework must work in all situations – when the system gets new money, when funds are flat, or when the system faces reduced funding.

The allocation framework is a "resource allocation" method not a "resource generator." Only revenue received as state appropriation is allocated, tuition revenues stay on the campuses. The intent of the framework is to have a clear set of rules so presidents can predict the financial consequences of their actions. Presidents are all aware of their institution's percent share of the appropriation and the incentive to manage cost margins. Efficiency and lower cost per full-year equivalent (FYE) are rewarded.

The components of the Allocation Framework include set asides (allocations for which the model does not apply such as office of the chancellor/shared services, debt service, board/chancellor initiatives, and the system audit program); priority funds (competitive salaries, centers of excellence, customized training, PALS, hearing interpreter services, etc); fixed cost allocations (allocations for factors that are unlikely to vary due to enrollment such as library and facilities' costs, research and public service); variable administrative allocations (administrative expenditures that vary considering headcount and FYE enrollment and national spending); and instructional allocations (direct instructional and academic support allocations which recognize the level of instruction and actual cost of programs and national spending).

Beginning in FY 2006 the allocation framework was fully implemented with 50 percent of funds being distributed on the prior year base and 50 percent on the allocation framework formula. By FY 2009, 6.25 percent of funds will be distributed on the historical base and 93.75 percent will be distributed on the allocation framework formula. The Board will have to decide if they want to continue the "hold harmless" (FY 2005 funding level minimum) provision beyond FY 2007. The amount distributed to colleges that did not maintain their FY 2005 funding level was $26K in FY 2006 and is $1.2M in FY 2007. A discussion on this provision will be scheduled with the Board after the legislative session and the biennial budget for Minnesota State Colleges and Universities has been set.

Trustees were appreciative to learn more of the history and background of the allocation framework. They were interested to learn of the methods and policy choices available to them for allocating state appropriation.

4. Planning for the System of the Future

Senior Vice Chancellor Linda Baer gave a presentation entitled Higher Education Vision 2020. The challenge for 2020 was to educate 21st century students using 21st century tools, and providing 21st century competencies with 21st century faculty, staff and administration. The challenges relate to Strategic Direction 4: Innovate to meet current and future education needs efficiently, and its goals. Dr. Baer compared a twentieth century organization's structure to that of a twenty-first century organization's structure noting the culture, structures and processes at the system and institutional levels that are needed to support, reward and take advantage of innovation. She profiled the different learner segments: pre-college learners; college experience learners; degree completion adults; occupational/professional learners and life fulfillment learners to corporate learners. Today's students are: digitally literate; always on; experientially mobile; and community-oriented.

Barriers to innovation include: policy restrictions; lack of capacity or incentives to innovate; limited or misdirected resources; and tensions in the system. Minnesota's population is aging and also becoming more diverse, presenting unique challenges for balancing urban and rural citizens' needs. Senior Vice Chancellor Baer concluded the presentation with visions for 2020 from *Advancing Campus Efficiencies* by Sally Johnstone (2007):

- Advanced learning has become a core requirement in 2020's global society.
- Traditional rural campuses have become multilayered international enterprises for learning and research
- Courses are designed, produced, offered and taken electronically with continuous support of faculty mentors and peers.
- Quality control will include accreditation for the institution, peer review for the course and objective competency measures for the student.

Wednesday, November 15, 2006

5. Reflections on the Previous Day's Sessions on: Collective Bargaining Overview; Understanding the Allocation Framework; and Planning for the System of the Future

Chair David Paskach asked the Trustees for any comments or thoughts on the previous day's sessions. The following questions and thoughts were shared during a wide-ranging conversation facilitated by Chair Paskach.

Questions:

- Have any of the colleges or universities looked at job security issues? Does the Board want to look at them?
- Can the Board develop a timeframe and position itself better so that it can be ahead of the appropriation and capital requests?
- Can capital investment be a way for the Board to drive change?

Comments:

Rural communities with college campuses are in unique positions as education and employment trends change. Minnesota's population is expected to grow to 7 million. The St. Cloud geographic area is expected to grow by two million. The Northwest Area Foundation's mission is to engage small towns in rural America. Residents of these communities will benefit when they realize that they can have jobs without having to move away. Perhaps the system can work with the University of Minnesota and private foundations to look at the future of place in relation to higher education.

Chancellor James McCormick explained that the Itasca Group is pursuing a project with McKinsey and Company on the growing work force needs in the Twin Cities area. The study is on improving the University of Minnesota's connection with business and industry. Minnesota State Colleges and Universities' role is workforce development, adult learners and incumbent workers.

As outlined in the allocation framework presentation, the Board has some latitude and flexibility to reward or provide an incentive for collaborations in some areas.

The presentation on the system of the future lacked employers' input, such as what programs and courses will be of the quality to meet their needs. The system needs to work more with employers.

Questions:

- Anecdotal information exists, but does the system have data from employers on who they are hiring and whether or not they are satisfied with the pool?
- What can the system do to replace the declining number of traditional age college

students?
- Do capital budgets restrict the system's ability to innovate; should the system lease instead of build?
- Can the system become more nimble by becoming more centralized, decentralized? The system needs to have a quicker turn-around time to respond to changing needs.

Comments:
Post-Secondary Enrollment Options (PSEO) could be offered in a way so that the local school districts are not harmed financially.

The system's graduation rates will not change until the pipeline is changed so that students are academically prepared for college.

Underprepared students increase the system's remediation rates and use money that could be better spent on improving their readiness before they go to college.

There was a concern about the system's 32 institutions competing on their own. The system needs to direct some of its resources so the institutions can have a competitive focus and take some risks.

Chancellor McCormick was asked whether the system is in a position to address the K-12 pipeline and preparedness issues expressed earlier. The Chancellor responded that the system supplies the teachers for K-12; it is already collaborating; and the efforts need to become more aggressive. Private and public initiatives include adding counseling centers to high schools and the Secondary Technical Education Program (STEP) between Anoka Technical College and the Anoka Public School District. Chancellor McCormick continued that he and Senior Vice Chancellor Linda Baer met with the interim superintendent of the Minneapolis Public Schools. Senior Vice Chancellor Baer explained that the system's colleges and universities all have feeder schools and work is underway on developing school to college bridges and partnerships. Chancellor McCormick noted that the two-year colleges will be in demand. In discussions about P-16 with other educators, the realization is that higher education needs to be sensitive to K-12 and work with the superintendents on a district by district basis. The STEP program could be a model for replication in other districts. The system also can improve its teacher preparation.

The system can directly improve the pipeline by improving the quality of its teacher education. Another way is through relationship building. The system's future planning assumes that all students will have access to technology yet the technology gap is growing.

Has the system ever had a public statement or position on the quality and preparedness of its students? The University of Minnesota raised its admissions standards. The ACT score for students on the Twin Cities campus were raised, but the scores were not raised for its other campuses, such as the Crookston campus.

There was a discussion on the editorial in the Minnesota State College Faculty *Green Sheet* written by its president, Larry Oveson. Some Trustees thought that the article indicated a misperception by the bargaining group, and that it unfairly characterized the system's planning processes. Chancellor McCormick explained that the planning processes have been collaborative and included all of the system's constituent groups, and that he would meet with Mr. Oveson to address the communication gap. Mr. Oveson was given an opportunity to comment. He explained that the article was not intended to be a criticism of system planning, rather it was an attempt to point out some disconnects in the planning processes.

6. Introduction to the Board Self-Study Workshop

Chair Paskach introduced Dr. Robert Woodbury, the former president of the University of Southern Maine and the former chancellor of the University of Maine System. Dr. Woodbury is a facilitator with the Association of Governing Boards of Universities and Colleges who has worked with about 20 or so systems across the country over the past several years.

Dr. Woodbury commented that the workshop is a way for the Board to reflect on its work and assess its performance. The instrument used is an anonymous survey that will be sent to each trustee about a month before the workshop. It is important that all members participate. The questions in the survey are designed to help the board think about its priorities and characteristics. Dr. Woodbury asked the Board to name some characteristics that would describe the best college and university system in the country. Responses included: nimble; serve as many people as possible; collaborate internally and externally; be measurable; transparent; employers are clamoring to hire its graduates; balance between role of higher education in preparing a workforce and a role model citizen; a satisfaction rating by students that said it was the best; transparent in terms of data and accessibility and affordable.

As they prepare for the self-study, Dr. Woodbury asked the Board members to think about how the Board is organized and uses its time to encourage the best system possible. The survey is online and anonymous and covers areas including: system and institutional missions; academic planning and evaluating; financial management; board organization and performance; relations with key constituents; and accountability. The results are collated into one document that is used for the substance of the workshop's agenda.

Responding to a question about public data requirements, Dr. Woodbury said that many public universities around the country have taken AGB's Self-Study Workshop. General Counsel Gail Olson commented that the collated document and any individual documents, if they are available and used in the workshop, would become public documents. Chair Paskach asked General Counsel Olson to review the matter. Dr. Woodbury also explained that the Self-Study Workshop is designed to work best when there is no other business before the Board.

The retreat concluded at 9:45 a.m.

Ingeborg K. Chapin
Secretary to the Board