

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES STUDY SESSION  
FY2010-2011 OPERATING BUDGET INCLUDING TUITION AND FEES  
MAY 19, 2009**

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***Board of Trustee Members Present:*** Chair David Olson, Vice Chair Ruth Grendahl; Trustees Duane Benson, Cheryl Dickson, Jacob Englund, Clarence Hightower, Allyson Lueneburg, David Paskach, Thomas Renier, Christine Rice, Louise Sundin, Scott Thiss, Terri Thomas and James Van Houten.

***Board Members Absent:*** Trustee Dan McElroy

***Leadership Council Representatives Present:*** Vice Chancellor Laura King and President Ann Wynia

The Minnesota State Colleges and Universities Board of Trustees held a Study Session on May 19, 2009, at Wells Fargo Place, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Olson called the session to order at 10.15 am. Chair Olson welcomed listeners via live audio streaming.

Vice Chancellor Laura King noted that a new version of the FY2010-2011 Operating Budget board report was handed out at this meeting. The material is the same from a policy standpoint but the numbers have been updated based on current events. Ms. King indicated particular goals for the Board's discussion. The first issue would be to get confirmation on the distribution of state resources (green sheet). Secondly, feedback is sought on the method distribution for federal stimulus funds. Tuition rates are the third topic. The fourth being guidance about prioritizing strategic initiatives and finally, perhaps the most important part of the discussion, will be feedback on the staff's strategy for FY2012 budgets. It is important to give campuses direction about how to plan for FY2012. .

Both the House and Senate passed the conference committee higher education bill for fiscal years 2010 and 2011, and the bill has been signed by the governor. The governor line-item vetoed three items contained in the final conference committee bill. Two vetoed items impact the System: \$1 million each year for the Power of You program and \$40,000 each year for the Cook County Higher Education Board.

Based on the final higher education bill, the System will receive a \$93.7 million general fund reduction and \$79.2 million in federal stimulus funds – a net reduction of \$13.5 million from forecast. The outlook for fiscal years 2012 and 2013 has the System's general fund base at \$654.9 million each year (\$63.0 million reduction from forecast).

Karen Kedrowski, System Budget Director, reviewed the final bill with the committee. She noted that the governor has announced his intention to exercise his "un-allotment" authority if the final conference committee reports are unacceptable to him. By law, the un-allotment is one-time and is expected to impact fiscal year 2011. The un-allotment to

higher education could potentially be somewhere around \$146 million, up to the limits dictated by the federal stimulus act.

Judy Borgen, Associate Vice Chancellor Budget, noted there is language in the higher education bill that limits tuition increases for Minnesota resident undergraduate students to five percent each year, using federal stimulus funds to buy down the tuition increase to no more than three percent in the first year for a net increase of eight percent.

In FY2010, tuition would increase 5 percent with federal stimulus funds paying 2 percent of the increase. The net increase to the student would be 3 percent. In FY2011 legislative language allows a tuition increase 5 percent. The cost for tuition mitigation would be approximately \$26 million over the biennium. The tuition mitigation funds would be distributed on the basis of enrollment.

There has been considerable interest in moving away from a percentage rate change to a dollar per student rate change. This will begin to address the disparity that results in setting a maximum percentage increase. This method will provide each college and university with the same amount of increased tuition on a full-year equivalent student, with a small variance in percent increase, if the college or university chooses to increase tuition at the maximum amount. For colleges, the maximum amount per full-year equivalent undergraduate resident student would be \$210.00 or \$7.00 per credit for FY 2010. For universities, the maximum amount per full-year equivalent undergraduate resident student would be \$285.00 or \$9.50 per credit for FY 2010.

Trustees discussed setting tuition rates for two years. Vice Chancellor King noted that besides the likely un-allotment, the November and February forecasts could have further bad news for the state's economy resulting in perhaps another un-allotment later. Trustee Renier felt that based on the unpredictability of the numbers it would not be wise to set tuition rates beyond one year. There was consensus among the trustees that this would be the best option.

The green sheet shows the distribution of financial resources to specific strategic priorities. Within the discretionary activities, the Chancellor's preliminary recommendation maintains serving the underrepresented at \$11 million, redirects approximately \$3.3 million that is currently available for awards of excellence to campus programs, and pro-rates the remaining activities. Trustee Sundin spoke in support of Power of You funding. Trustee Grendahl suggested that perhaps private funding could be found for the program.

The green sheet also shows FY2012 with total resources of \$660M. Vice Chancellor King will urge the presidents to focus their FY2010-2011 budget efforts on finding one time investments that they could tie to a part of their FY2011 program so if FY2012 does not perform as the bill suggests there won't be a lot of disruption going from FY2011 to FY2012. Members were comfortable with the FY2012 planning scenario.

Trustee Englund commented on the tuition scholarship program for unemployed Minnesota residents. He felt this was a very good idea. Trustee Englund is a student at Normandale Community College which offered a tuition scholarship program this past year. An inquiry was made to how many credits were completed under the various unemployed scholarship programs.

Vice Chancellor King reported that the Chancellor has undertaken budget planning reductions in the system office in the area of 10 to 15 percent. The Chancellor, Cabinet, and Leadership Council have had full and robust discussions over the past several months concerning the services and functions performed in the Office of the Chancellor. The presidents advised avoiding increasing or adding fees for service beyond what is currently being assessed; avoid transferring legally or contractually mandated activities to the institutions for execution; and to attempt to find specific areas for elimination rather than diluting all areas of service. Trustee Sundin asked if the projected cuts are proportional. Gail Olson, General Counsel, noted that state statutes require a balance of layoffs of faculty, other employees and administrators.

Chair Olson summarized the discussion noting that the consensus was to set tuition increases for one year and give presidents the discretion to increase their tuition up to 5 percent or go below it. He thanked the staff for their work during the legislative session.

The meeting adjourned at 11:45 am  
Respectfully submitted,  
Nancy Lamden, Recorder