

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: December 7, 2005

Agenda Item: 2006 Supplemental Operating Budget Request

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 5.9 requires the Board of Trustees to approve budget requests and systemwide allocations. This item is on the agenda in response to communication from the Department of Finance regarding submission of a supplemental budget request during the 2006 session.

Scheduled Presenter(s): Laura King, Vice Chancellor/Chief Financial Officer

Outline of Key Points/Policy Issues: Three priorities emerged from discussion concerning a supplemental budget request: 1) significant fuel increases - \$10 million, 2) critical infrastructure and security technologies - \$15 million and 3) Centers of Excellence - \$3 million.

Background Information: Minnesota State Colleges and Universities received a memo from the Department of Finance outlining the process for developing supplemental budget requests for the 2006 session. The memo notes that requests should be kept to a minimum, focusing on necessary fixes to the recently passed budget or addressing emergency situations that have arisen since the legislative session.

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

BOARD ACTION
2006 SUPPLEMENTAL OPERATING BUDGET REQUEST

BACKGROUND

Discussion with the Board of Trustees concerning the 2006 supplement operating budget request began during the October board meeting. Based upon direction from the Board and Leadership Council input, the following request is recommended for board action. Student and faculty groups have indicated support for the recommendations. They also suggested that tuition relief and support to expand capacity in high demand programs be included in the supplemental request. The Chancellor has indicated that he will request a review of these suggestions for possible inclusion in the FY2008-FY2009 biennial budget request.

The Minnesota State Colleges and Universities 2006 supplement operating budget request will be submitted to the Department of Finance following Board approval. The Department of Finance is developing a supplemental budget which they expect to be small, “focusing on necessary fixes to the recently passed budget or addressing emergency situations that have arisen since the legislative session.” The Governor’s office will present the 2006 supplement operating budget request to the legislature in March 2006.

SUPPLEMENTAL BUDGET PRIORITIES

Three priorities emerged from the discussions. These three priorities seek additional funds for:

Significant Fuel Increases- \$10 million: Colleges and universities are experiencing higher than budgeted costs for utilities and fuels due to recent national and global conditions. Local utility companies, fuel vendors, and energy consultants are predicting cost increases that exceed the inflation cost index. Actual costs for FY2005 were \$28.5 million. Campus data indicates that total costs for utilities and fuel are likely to be \$37.4 million in FY2006 and \$40.8 million in FY2007, which is \$6.66 million over the budgeted amount for FY2006 and \$10.06 million for FY2007. The supplemental budget request is to cover the anticipated shortfall in FY2007.

Critical Infrastructure and Security Technologies - \$15 million: The Minnesota State Colleges and Universities experienced significant demand by students for online academic and administrative services. This demand has put a strain on the network, hardware, and software infrastructure and requires significant updates to ensure the continuation of core information technology services to students, faculty, and staff. Provision of a secure technology environment for students, faculty, and staff is an increasingly difficult task. Ongoing developments and new standards in technology software and hardware require continuing attention to remain up-to-date in our ability to provide a secure information technology environment.

Centers of Excellence - \$3 million: The Centers of Excellence initiative proposed by the Governor and funded by the Legislature in 2005 has generated much attention from business and industry. Panelists from industry and higher education recommended four proposals to the Board of Trustees in October.

On October 19, the Board of Trustees approved the following Centers of Excellence awardees:

The Center for Strategic Information Systems and Security

Lead University: Metropolitan State University

The Center for Engineering and Manufacturing Excellence

Lead University: Minnesota State University, Mankato

The Consortium for Manufacturing and Applied Engineering

Lead University: Bemidji State University

The Center for Integrated Health Science Education and Practice

Lead University: Winona State University

Following the completion of the competitive selection process, no bioscience Center of Excellence was established, despite agreement by proposal reviewers that improved workforce development is critical to the future of the state's growing bioscience industry. Under this proposal, funds will be requested to build and improve bioscience program capacity to meet the stated needs of industry and the objectives of state policymakers to use biosciences as an economic engine for the state.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Policy Committee recommends that the Board of Trustees adopt the following motion.

RECOMMENDED MOTION:

The Board of Trustees approves the 2006 Minnesota State Colleges and Universities supplemental operating budget request for transmittal to the Department of Finance and strongly urges the State of Minnesota to support the request. The Chancellor is requested to provide periodic updates on the progress of the budget through the executive and legislative branch review and approval process.

Date presented to the Board of Trustees: December 7, 2005