

BUDGET SUB MEET & CONFER

Tuesday, January 22, 2013

1:30 p.m. – CSU238

Please note: Budget Sub Meet & Confer agendas and supporting documents are located on web site <http://www.mnsu.edu/finadm/submeetconfer/>.

Attendees: Rick Straka, Chair, Ellen Mrja, Co-Chair, Marilyn Fox, Nancy Fitzsimmons, Daardi Sizemore, Johnson Afolayan (Proxy for Andrew Johnson), Brian Schneider, Norleen Turensky, Sharon Sandland, Laurie Woodward, Sandra Loerts, Helen Wenner, Mike Peters, Kevin Buisman, Brenda Flannery, Warren Sandmann, Steve Smith, Joan Roca, Walter Zakahi, David Schieler and Vickie Hanson.

1) Changes/Additions to the Agenda

The following items were added to the agenda:

- 7) Governor Dayton's Recommended Budget
- 8) Brief Discussion on Moody's Outlook on US Higher Education
- 9) Review of Indirect Cost Policy (Steve Smith)

2) FY2014 Institutional Equipment Process Reminder (Steve Smith)

As a reminder, the university's overall process for equipment allocation has two parts. There is core block equipment allocation and an institutional equipment allocation process. The core block allocation process just allocates a certain dollar amount to each division and each division allocates to each department or college and they decide what equipment items would be purchased. That amount is around \$450,000. The institutional equipment dollar amount is up to \$1M set aside for equipment purchases that are prioritized or ranked by a subgroup of volunteers that review each division's request. The items are intended to be used for purchases that are over \$5,000 that have a useful life of at least three years. In the past we have had members of this committee and others review and prioritize the list of equipment requests that will be brought back to Budget SubMeet and then to Cabinet for final recommendations and approval. Steve Smith is looking for volunteers for serving on the review committee. You can email him if interested. The proposals are due on February 10. Last year the committee talked about changing the ratio of how much money was allocated for institutional review and how much was in core block. The feeling was support for having more money go to the core block process and less money for the institutional process. Is that something we would want to make recommendations for this year? This could be open for discussion for next year's process. The academic division deadline is January 29.

3) FY2014 Budget Process (Rick Straka)

It's time we start looking at what will happen in 2014 and some things are coming into focus now, both the MnSCU and Governor's request have some strings attached and fences attached to the money. Cabinet met to discuss a process to ask divisions for their priorities, if we were going to add up to 2% of a request, what would their priorities be by division, i.e. personnel or non-personnel. Academic Affairs has a process in place for how to determine staffing requests and in their divisions they are really thinking ahead to 2015 for staffing requests. We would like to do a process similar to what we did in the past using a similar request form by Vice President. Here's what they are requesting, the dollar amount and how it ties to the Strategic Plan and the three priorities of the Chancellor. At this point, we don't know what we will have, but it might be a good idea to go through the planning process and to look at what we might ask for, so we can be ready when April comes and there is some decision made at the legislature. Steve Smith clarified that these are not one-time requests, but base budget requests. There are a couple of things that have been discussed that may come forward as university-wide. One is a 2-3% adjustment to non-salary institutional-wide and another thing in the Student Affairs area is freshmen student scholarships. We think it is more high-end merit based scholarships, but we are seeing both

St. Cloud and Winona do some more renewable scholarships for freshmen coming in and we may need to look at this to stay more competitive. Along with this might be ways divisions would reallocate within their division.

It's too early to tell if there will be big ideas money this year. We will still want to see exactly what the bargaining results will be.

4) Institutional Scholarship (Rick Straka)

St. Cloud is going after some high-end students. Their website says you can expect to receive a scholarship if you are in the top 30, scored at least 23% and have at least a 3.0. They are saying that some of these will be renewable and give examples. If you were a student who got a 21 ACT and had a GPA of 3.9 and in the top 10% of your class, they are talking about a \$10,000 award. Our awards are \$1,000 and \$2,500 for institutional awards. If you had a 25 ACT, 3.5, top 20% you could expect \$4,000, 25 ACT, 3.9, \$8,000. We are trying to determine what we will need to be competitive. For the next four years while the high school graduate population is declining you can expect that the competition for the top students is going to heat up.

The question was raised regarding institutional scholarships for graduate students. At this time there are no scholarships for graduate student, as that would be part of the GA stipend. The only federal financial aid available for graduate students would be unsubsidized loans. We have not done university funds for these in the past, but this can be open for discussion. The concentration has been primarily on undergraduate students.

Another question was raised on offering something to the Extended Learning communities in Edina? There hasn't been at an institutional level, not sure what is out there at the Foundation or divisional level. That's where we are at a disadvantage from other schools because our departmental scholarships are so decentralized compared to most institutions. This could be a challenge on how we will fundraise for the university without taking away what might have gone to a department. Steve Smith-Longer term the next campaign is supposed to have a primary focus on raising money for scholarships programs.

5) SCUP Planning Institute Update (Rick Straka)

We have tentatively agreed for the SCUP Planning Institute to be on campus May 13-15, beginning with Step 1 on May 13 with Step 2 on May 14-15. There will be discussion at the Meet & Confers regarding the make-up of people attending as they will help us look at integrated planning processes.

6) Bargaining Update (Rick Straka)

It has been reported that there is a tentative settlement for the IFO. Hopefully this will be accepted and get through the legislature. We will have to cost it all out. It looks to be slightly more than we set aside. 2+2, plus a step, plus miscellaneous changes would be about 4.04-4.06%, we are expecting it to come in a little higher than that. Ellen Mrja, this has been unanimously recommended by the IFO Board of Directors and on the 30th of January there will be faculty explanations of the contract questions sessions and the vote will be taken on February 6 -7. We should know whether or not if the contract has been accepted by 8 p.m. on February 7. The only disappointment was the failure to get domestic partners insurance, but both MnSCU and IFO say they are determined that when they begin negotiating their new contract in March for 2013-2015, the very first item will be this.

ASF is meeting on January 29-30 and are hopeful to get to resolution there. At that point in time, we would have a majority of contracts at a tentative level. AFSCME and MAPE have tentative agreements. All of these agreements must then be approved by the legislature. The good news is that we will get our employees some well-deserved compensation.

IFO insurance is supposed to be per AFSCME/MAPE settlement, which is whatever MMB comes up with. MMB has not totally settled that.

7) Governor Dayton's Recommended Budget (Rick Straka)

Interesting recommendations today. Go out to either the Governor's website or www.mmb.state.mn.us. It's a mix of revenue increases and some spending investments and spending reductions. The important thing is Governor Dayton is looking at doing an \$80M increase over the biennium to MnSCU. That can be broken down into two primary areas. The first is to advance competitiveness of Minnesota's workforce. Within that is an internship/apprenticeship program investment of \$12M. A leveraged equipment program of \$26M. Both will require us as an institution to come up with a non-state private match on those dollars. We will have to get out to do a serious amount of fundraising and work to come up with how we will match those programs. Finally, a faculty driven innovation's program with an \$8M state investment, that will enable the faculty to enhance the quality of instruction and accelerate the progress through technology driven learning. Performance measure by 2017, Governor Dayton would like to see employment rates of graduates to increase by 3.5%, from 80.9% to 84.4%. \$3M in non-state matching funds will be secured for internships/apprenticeships before 2015 funds the second year of the biennium are released and \$7.5M of matching funds must be secured for leveraged equipment before 2015 funds are released. Those three are \$20.5M in FY2014, \$25.5M in FY15, \$46M in state appropriation, the second is \$34M over the biennium, \$11M in the first year, \$23M in the second year to retain quality faculty and staff, part of that in the performance measures is the increase to student tuition will be limited to 3%, so the \$80M does come in addition to the 3%, which is good news for us. Governor Dayton has asked us to not freeze our tuition, but to keep increases to \$145 for full-time college students and \$205 for full-time university students. Also in performance measures, MnSCU will identify and implement \$44M in administrative efficiencies. Our share would be \$4M. The Governor has put forward another \$80M increase in state grants in state financial aid for students.

8) Brief Discussion on Moody's Outlook in Higher Education

<http://www.marquette.edu/budget/documents/USHigherEducationOutlookNegativein2013.pdf>

On January 16, 2013 Moody's came out with an industry outlook for United States higher education. They have changed the entire higher education sector to negative. They see real issues on the horizon for United States Higher Education. Some of the critical factors they are looking at include:

- 1) Price sensitivity continues to suppress net tuition revenue growth. There is significant pressure in the argument about student debt.
- 2) All non-tuition revenue sources are also strained.
- 3) Rising student loan burden and defaults taint the perception of the value of a college degree.
- 4) Increased public scrutiny drives escalated risk of more regulation and accreditation sanctions.
- 5) Prospects for long-term sustainability depend upon strong leadership through better governance and management.

On Page 13, there's a disclosure about potentially the President's plans to link financial aid eligibility back to universities and colleges that are limiting or showing moderate tuition increases, so the thought is if you do think you are going to raise your tuition prices significantly, that may affect the federal financial aid resources made available to your college.

Also noted, that they continue to watch the impact of several emerging trends in higher education which have already shown some destabilizing effects on colleges and universities, including the growth of on-line learning technology initiatives such as Massive Online Open Courses (MOOC); rising student debt burdens and defaults; greater government focus on cost and value of college education degrees and increased activity by accrediting agencies.

9) Review of Indirect Cost Policy (Steve Smith)

The University has a facilities administrative cost, known as indirect costs policy. When the University takes in overhead dollars from federal grants and private state grants and contracts, the money is allocated out to various units. It's time to review and update the policy. One of the topics that has come up the last few years has to do with how certain liabilities that come up that might fund numerous grants and it ends, but you may have payout (severance and unfunded liabilities) how that would be funded in the future. The University has taken a stance that you don't want to take away from the cost of running the regular operations of the University of instruction administration to fund grant related activities and liabilities. This will be one of the topics up for

discussion. Steve Smith is looking for volunteers to sit on the committee, review the policy and give comments.

Email him if you are interested. A link will be sent out with the current policies for you to review.

Other:

- Clark Johnson, faculty member here did receive the DFL endorsement for the open seat in the House.
- We are up 100 students for spring from last year. We are ahead in application and admits from where we were a year ago, 2%.
- In good financial shape moving forward.

The meeting was adjourned.