

**BUDGET SUB MEET & CONFER**  
**Tuesday, September 13, 2011**  
**1:30 p.m. – CSU238**  
**Notes**

**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, Jackie Lewis, Daardi Sizemore, Margaretta Handke, Marie Pomije, Brian Schneider, Sharon Sandland, Alexey Lazar, Helen Wenner, Laurie Woodward, Sandra Loerts, Mike Peters, Kevin Buisman, David Cowan, Marilyn Fox, Brenda Flannery, Carol Stallkamp, David Jones, Walter Zakahi, Steve Smith, Matthew Lexcen, Moriah Miles and Vickie Hanson.

- 1) **Changes/Additions to the Agenda**-Introductions were made for new members.
  
- 2) **Leadership Presentation from Fall Planning Retreat (Rick Straka)** VP Straka gave the Leadership Presentation from the August 9, 2011 Retreat on FY12-13 Budget Pre-Session Projections vs. Actual Legislative Outcomes as follows:
  - ❖ **FY12-13 Planning Data**
    - Estimated State Budget Gap of \$5.8 to \$7B
      - Gap approx. 15%-22% of state general fund budget
    - MSU FY11 Appropriation approx. \$45M
      - 20% reduction equals approx. \$9M
      - \$9M equates to 13% tuition increase
    - Estimate 5% tuition increase to approximately offset inflation costs
  - ❖ **FY12-13 Post Session**
    - Plan: Estimated state budget gap of \$5.8 to \$7B
    - Outcome: \$5B budget gap not structurally solved
      - \$2.1B (40%) of \$5B gap is one-time solution
      - \$1.4B bonds against future tobacco payments
      - \$700M delay in K-12 payments
  - ❖ **State of MN Deficit Solution Permanent vs. One-Time**
    - Permanent Solution-\$3B
    - One-Time Solution-\$2.1B
  - ❖ **FY12-13 Post Session**
    - Plan: MSU FY11 Appropriation Approx. \$44.5M
      - 20% reduction equals approx. \$9M
      - \$9M equates to 13% tuition increase
    - Outcome: MSU FY12 Appropriation \$41.8M
      - 8.2% reduction of \$3.7M
      - \$3.7M equates to a 5% tuition increase
  - ❖ **MSU Change in State Appropriation FY11 to FY12**
    - Plan low \$6M (best case scenario)
    - Plan high \$9M (worst case scenario)
    - Outcome \$3.7M
  - ❖ **FY12-13 Post Session**
    - Plan: Estimate 5% tuition to approximately offset inflation costs

- Outcome: Inflation costs are not yet known (no bargaining contracts settled yet)

❖ **FY12 Plan and Actual**

- Planned Reductions at 15%-22% of appropriation
  - Actual Reduction at 8.2%
- Results in spending reductions of \$6M to \$10M
  - \$8M in reductions identified
- Stable FY11 and FY12 enrollments
  - Enrollment growth in FY11 and projected in FY12

❖ **What Does it Mean?**

- Legislature/Governor “kicked the deficit down the road” to FY14.
- Structural budget stability not yet attained at state level
- FY12-13 less ominous than projected
- We can expect FY14 appropriation reductions

We are in a stable environment and are hopeful we have stability in enrollment.

❖ **How Does Minnesota State, Mankato Respond?**

- Must plan for what level of identified reductions are needed to solve FY14
- Must treat those delayed reductions as temporary budget relief
  - Restoring all the identified reductions into base budget is not prudent
- Positions Minnesota State to react to FY14 deficit without searching for reductions beyond those which have already been identified.

❖ **Other Factors**

- Office of Chancellor Finance Staff is urging campuses to consider “new normal” economic challenges in long-term (10 year) budget plans.
- Look at current national and global economic uncertainties
- Long-term impact of federal spending reductions on higher education

The bottom line is the budget is balanced this year and we are on track to meet the tuition budget. General operating budget is at \$40M state appropriation (2/3 tuition and 1/3 appropriation). We will be much more reliant on tuition and our enrollment moving forward. Tuition depends on where enrollment grows, looking at the overall portfolio. Surplus, structurally moving forward, not going to hold to \$8M of reduction identified, but reinvest back. With the decrease in high school enrollment has discussion taken place to eliminate the out of state tuition? We will continue to see with enrollment management and if we need more students, we could look at that. We are open for discussion about reducing non-resident rates or a partial reduction.

**3) Institutional Equipment FY12 (Steve Smith)**

The FY12 Institutional Equipment Prioritization Work Group Recommendation forms were distributed. The group consisted of 11 members reviewing the 91 proposals presented totaling \$2.8M with the group recommended slightly over \$1M (45 different items). Last year only 60% of the money was released. This year the group has recommended and approved \$1M in equipment to President Davenport for his approval. Once the President has made the approval, people should move forward with ordering the products and spending the money allocated.

The process will start again in January with the work group meeting for FY12 requests.

#### 4) **Non-Base Investment Draft (Rick Straka)**

A proposed Non-Base Investments 2011-12 “draft” was distributed. The document was presented at Meet & Confer meetings the first week in September. President Davenport and Provost Olson have meet with the Deans regarding Big Ideas and this “draft” is for discussion and to help clarify some questions and confusion that came out of those meetings. There are three areas: 1) *Strategic Priority Funding* 2) *Big Ideas Funding* 3) *Reinvestment Funding*:

##### 1) *Strategic Priority Funding*

- \$.5M in the budget for these kinds of things.
- Last year President Davenport used some of this for enrollment management.

##### 2) *Big Ideas Funding*

- President Davenport convocation address on enrollment and the twelve challenges.

##### 3) *Reinvestment Funding* (one-time projects; short-term funding)

- Use a process similar to last spring

Discussion was held on how we will deal with the funding for demo of Gage Towers in FY12. We had a 6-10 year plan with the Office of the Chancellor and the determination was made that we were going to replace Gage. We’ve generated 600 beds with Sears Hall and 300 beds in Preska Hall. Part of that proposal is to sell revenue bonds for Sears and for another addition of rooms and for a renovation of food services because we have a lot more beds on that side of campus than Carkoski was originally designed to serve. The final part is to ask the legislature for \$6M in demo for Gage and go to the general fund. Now that it’s time, we have a different Board of Trustees in place and they are reticent to ask the legislature for that money. We are in a situation of how we are going to fund the money to bring down Gage.

Are we going to:

- a) Press the issue to ask for general fund bonding for demolition?
- b) Find money in the general fund?
- c) How much would we have to raise student res hall fees if we looked at another \$6M revenue bond sale to fund demolition and we would have to pay for that only through what we raise in residence hall rates. It would require us to raise res hall rates or scale back what we need to do in the dining hall facility. We are at a crossroads as our plan is longer approved at the Central Office and we will need \$4-\$5M to bring down

no  
Gage.

The question was asked if Rick is suggesting using the reinvestment money to go to Gage as an option. Rick-if we have to come up with money out of the general fund, yes, that would be one of the options. We would need \$4-\$5M from the general fund to help bring Gage down.

Rick-we may have \$4-\$5M in carry forward and will have to look at this year’s budget as well. There may not be a lot of money for reinvestment. Then the President would still like us to carve out some money to do something with big ideas even if we are not able to do reinvestment funding.

To clarify questions, this document came out of what’s a big idea, what am I being asked to do, when do I have to submit it, is it the same as reinvestment funding, is it the same as strategic funding. We are saying, if we have the money these are what we view these separate processes to

be: 1) Strategic Priority (we have money) 2) Big Ideas (Pres. Davenport will want us to carve out some money) 3) Reinvestment Funding (can't guarantee that we will have money). We are trying to put this document out to answer the questions of what the processes are. This is the process if we have enough money for all of these sources.

Steve Smith-With the institutional equipment process, we have it in our base, but not to a specific unit or department which is similar to Strategic Priority Funding, is it helpful if we added that process to this document? Part of what we did when going through the equipment review last year, was people would submit proposals for strategic priority funding, institutional equipment and the one-time funding. Anything we could do to clarify would be helpful.

**a) Initial IFO Feedback (Ellen Mrja)**

We are grateful there is non-base money to be working with. I have problems with definition of categories, purposes and the processes involved. Biggest problem is it seems so in-cohesive from what President Davenport laid out during his 12 challenges during Convocation. Example: Enrollment management. The number one way to get a student here is to offer his program of study. The number one way to keep him here is if he can take those classes when he needs to and also if he has a faculty mentor. You can't do that with adjunct faculty and it's difficult to do with fixed term faculty. You need a long-term investment in probationary faculty. I understand we don't want to hire someone to only fire them in two years, but let us use them for two years, we need them and maybe in two years something else will come along. Hate to see us spend money on things over people. If we don't have money now to spend on staff, when we will have more money?

Dean Zakahi-If we are unsure we can keep people it is unethical to bring them here. We don't know what the opportunity cost is to the person we hire, i.e. what about the other job they might have gotten where there wasn't the risk to them and their career of not being continued. This is a discussion I've had several times over the last 5-6 years. If you are not confident that you have the funding to go forward with probationary people, we do a disservice. One of the best ways to keep students is by having probationary employees here. I worry about crossing an ethical line by denying that person to find a job somewhere else.

Marie Pomije gives campus tours to honor students during the summer. She has a real issue telling these kids this is a great place to come, if she doesn't think they will get their classes because there are not enough people to teach them.

Matt Lexcen-If I build a relationship with a teacher for two years and they leave my junior year, there is a chance that I'm leaving too. That is the risk that you take. Coming from a student's perspective, I'd stay because of a teacher. That was one of the big things when we bring somebody in and I build that relationship (my mentor is on sabbatical now). I don't agree that hiring fixed term or adjunct is the best approach. The students are not on that boat. We can recruit rockstars from across the nation, bring them here and keep them here. That is what we want, that is the line that we walk. We wanted to use student activity fees for the climbing wall to bring what we can here with the money that is generated by us. We can't generate the additional money to hire on the full-term staff.

Ellen Mjra-Another goal President Davenport specified in his Convocation address is he wants to help students graduate in fewer than five years. We go contrary to that when we cut faculty, cut positions down in half and we cancel courses. Many times we have students who want to get into courses and they are full, now that student stays another semester and it's very frustrating for them.

Moriah-Students have a different attitude. If you are communicating this negative message that we are not getting enough money, we can't help you with this reflects on the students. One of the worst impacts to a student is when their faculty member is annoyed because they say the university is doing this to me. Negativity reflects on the students. Matt-This is some of the things we hear from advising meetings and the rest is heard in the hallway and behind the scenes. We are in a poor spot because of the state appropriation on who we can bring on here as a full-time staff and we try to alleviate some of the concern based on conversations like this. People are all working toward the same goal, but if a student's mad we try to alleviate that and not play it into other issues.

Jackie Lewis-It sounds like you have two concerns about how faculty are discussing these issues so maybe we could talk with Jim Grabowski about it. (The students already meet monthly with Jim.) The other issue is we want to retain and help students and provide good service and there is definitely a need.

Rick-Thank you for the discussion. Go back to your leadership and bring back a unified approach from your executive committee about concerns to us. I've heard what you have to say, Ellen, and I understand where you are coming from. I'm hopeful that where we are heading we will be able to make some of those investments back into the university. In the spectrum of if we will be able to make some investments to the base budget of the university and we are not going to have to go out and cut more, I'm a lot more hopeful that we will be able to make some investments.

Give us whatever kinds of input you want on the "draft," it is a discussion based place to start and nothing is set in stone.

**Here is a summary of the major points discussed:**

- 1) Can we look at full-time faculty positions somehow in the processes to move forward and get some help even if it would be temporary.***
- 2) Can we look at melding #1 and #2 since they are so integrated in strategic planning and where we are going with the challenges.***
  - a) The strategic priority funding, that category works really well as it has defined metrics and it goes through all of those steps.***
- 3) Scale and flexibility and not be absolutely concrete on the money.***
- 4) Use check-offs in this process, aligning dates and identifying people who are applying for multiple types of funds.***

**\*Homework for the next meeting-Think about what you think might be an appropriate topic for Planning Assessment and Budget to get together for a joint meeting again this year.**

The meeting was adjourned.