

BUDGET SUB MEET & CONFER

Tuesday, September 17, 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, Co-Chair, Marie Pomije, Co-Chair, Casey Duevel, Nancy Fitzsimmons, Howard Miller, Roland Nord, John Seymour, Brian Schneider, Jerry Jeffries, Mike McLaughlin, Sharon Sandland, Sandra Loerts, Doug Hendley, Mike Peters, David Cowan, Kimberly Greer, Steve Smith, Debra Norman, Joan Roca, Walter Zakahi, Ben Shakespear and Vickie Hanson.

1) Changes/Additions to the Agenda

2) Introductions

3) Budget Update (Rick Straka)

We operate on a 2-year budget cycle. Year one is a budget setting year. We are in year two which is a bonding year. Next month we can talk about the timeline and overview of the funds. Generally in Budget SubMeet we deal with the general fund, tuition and appropriation for our sources of revenue and the general operating fund for the university. The majority of our expenses are salaries and benefits at 70%. Last spring we put forward our operating budgets to the State Board of Trustees for approval. Some things we originally planned for included, a 3% tuition increase, slight increase in state appropriation and about 3% in inflation. By the time we left last spring, it was clear we were on our way to a tuition freeze for Minnesota undergrads for this year and next year. We were given an appropriation increase which was roughly the amount of the 3% tuition increase. Without getting any further appropriation increases, the System planned for 2.6% inflation. The negotiations through the classified bargaining units, exceeded the 2.6% with 3% across the board, plus step increases (3.6%-3.9% per year). We had planned last fall for stable enrollment and our numbers are looking up. Some of that enrollment is in PSEO and concurrent which doesn't translate into a lot of tuition. After the first week when we looked year-to-year at how it affected tuition. On an annual basis we are somewhere between \$.5M and \$.75M ahead in tuition from what we had projected in the budget. Overall it's a fairly good budget scenario for us. We are not looking at a lot of new money and the end of September numbers will give us a better picture where we are at. We shouldn't be out there looking for budget reductions.

The higher enrollment numbers should mean positive things for the student activity and revenue funds (student union and the residence halls). There are no fences around the money we received. There is a special allocation for leveraged equipment (\$.5M), if we can get a cash match from equipment donations or get companies to match it's an opportunity for us to get access for new money. One concern for the System is that for the second year of the biennium (FY15) there is a hold-back for performance measures. Last spring, the System Office felt we were in pretty good shape meeting three of the five performance measures. If the System Office as a whole does not meet certain performance measures, the legislators have language that would hold back money. It's important that we consider that the legislature will look at what our graduation rates are, how quickly students are graduating and what our achievement gaps are between our students and our underserved populations. It is possible in the future that our funding will depend on how well we do in these areas. It's probable

that we will see more performance based funding as we move into the future and see the federal government move in and give us more direction as opposed to leaving the Board of Trustees and local leadership to make all of those decisions when it comes to funding. The cost of education is a major topic across the country. The latest buzz is different groups are calculating return on investment in various ways. Trying to say how affordable is an institution and what will the graduates expect for lifetime earnings or immediate earnings and what kind of a ratio can be put in place.

Charting of the Future-All staff received an email from Chancellor Rosenstone on Charting of the Future. The Chancellor is looking for feedback. Check with your bargaining unit on how to respond. Some want their members to respond directly to the Chancellor, others would like that feedback to go through the bargaining leadership who will make a single unified response to the Chancellor.

There is a piece in Charting of the Future that talks about changing the allocation to put performance based measures into our allocation formula. There are 28 performance measures that we are currently measured by the MnSCU Central Office. The President's review each year is based how well the institution does on those 28 performance measures. John Seymour asked what are the things we can do and how will we be measured in keeping legislators and MnSCU happy? The items VP Straka mentioned are key such as quality faculty and enough sections. Lynn Akey will be invited to next month's Budget Meet & Confer meeting to talk about these 28 performance measures. Academic Affairs has already put forward a subset of those measures to concentrate on.

There is language that says if our bargaining settlements are greater than the amount we received in appropriation, we have restrictions on where we can and cannot balance our budgets. Right now that is more of a concern to the vast number of institutions that are seeing enrollment declines. We are unusual in the System since we have increased enrollment and increased revenue. Laura King has asked by the end of September to possibly revise our operating budgets and assumptions that were given to the Board of Trustees in May. The reason is that so many institutions are going to have to look at how they are going to deal with tuition revenue decreases, bargaining settlement expenses and lowering their revenue projections. We are going to be able to say, we will have more revenue which should cover the additional expenses we are projecting. There is talk in leadership of how they might go to the legislature and talk about some one-time funding built into the biennium making that base funding and bargaining has been out of our control. They would like the legislature to respond that they can't harm us for things that were not in our control.

VP Straka has received some feedback on expenses that are happening centrally that are out of our control. College of Education a \$270 per student teacher assessment fee. We are not able to pass that on to the students.

There is proposed new project management software to replace Unifier. Our share of that software is \$57,000 a year. Adobe is proposing raising software pricing from \$200,000 to \$500,000 per year. We may be looking at a new way to manage PDF files and other solutions for creative production.

4) Budget Principles & General Fund Budget Policy Review (Rick Straka)

Time to review and update some of the policies linked below:

➤ General Fund Allocation Budget Policies (FKA M&E Budget Policies):
http://www.mnsu.edu/finadm/budget_info/policies/msu_budget_policies_2005.pdf

- Tuition is 70% of general fund budget.

- Salary is given in the beginning of the year. Not much flexibility on non-instructional side.
- Non-salary allocation-can keep up to 2% to carry forward.
- Equipment allocation-
 - Core equipment is 60% of budget
 - Institutional equipment is 40% of budget (a subgroup of Budget SubMeet & Confer group looks at these requests and prioritizes them)
- Strategic Priority runs through the strategic planning process.
- University Reserve-MnSCU policy requires 5-7% of general fund set aside for reserve.
- Carry Forward Appeals Process
 - Would like more discussion on this. Possible Cabinet responsible instead of Budget Office.
 - More institutional priority based.

➤ Budget Planning Principles:

<http://www.mnsu.edu/finadm/submeetconfer/fy09/11132008/budgetplanningprinciplesfy0813.pdf>

- Set up timeline to update, possibly with Joint Planning & Assessment group
- 1b. Need to talk about status quo budget
- 6. Very important-enrollment management and challenging retentions
- 8. Key in restructuring (with BESI's offered)

Good discussion on the policies and procedures and the implications of what is in place, why and the impact of what we are doing.

Future agenda items for discussion:

- Institutional equipment allocation
- Revised parking budget
- Review impact of vehicle fleets

5) Metro Expansion Plan (Rick Straka)

Over the last twelve months, the Chancellor has talked about how there is an unmet need of baccalaureate completions in the Twin Cities area and based on the workforce demand and population in the metro area, we should be playing a bigger role.

What can we do this year with the financial plan? The metro model has not generated results or proper incentives, not the results we wanted.

- 1) Know the demand in the Twin Cities
- 2) How do we meet that demand
- 3) What faculty needs will be

Moving forward would like open discussion on expanding role in the Twin Cities and what is facility and financial model we use to meet the Chancellor's expectations in a feasible/sustainable way.

Discussion regarding this should also happen at Budget Planning & Assessment. A good resource is the SCUP Institute which we have an institutional membership to. The link is www.scup.org. SCUP talks about academic planning being the primary planner for universities.

6) Collaborative Sourcing – Office Max / Purchasing Card

The shared services area of MnSCU has recently come out with several new contracts. We continue to review those contracts to make sure they make sense for our institution, but it's clear that because of the size of our institution and since many of these are rebate and volume driven we are a major player

in what kind of rebates MnSCU as a whole will get and what our sister institutions will get. There is a fair amount of pressure on us. We have to be careful and balance that with what it will mean for us. We are doing an analysis between Innovative Office and Office Max and looking what the implications might be going with Office Max and finding it might cost at least 10% more to go with the system-wide contract. We continue to review maintenance operations, supply contracts including Sherwin Williams. The other big one is the purchasing card. There is going to be a big push that the System goes to one supplier of purchasing cards. In that case, we are close to 30% of the system volume, both in the number of transactions and total dollar value and we are the driver for what kind of rebates the System will get. That RFP is out right now. VP Straka would expect US Bank to put in a competitive bid. Wells Fargo has had a change in policy and will probably be making a bid also. It's possible within the next year we might be re-carding the entire institution for a new purchasing card. It does sound like it would be a significant savings to the institution so we could use some of the additional rebate savings to put that into training and re-carding expenses.

Collaborative purchasing is coming. It's fair to say that the President would like us to be good players in the collaborative sourcing. We want to take advantage of where it makes sense for us. At a system-wide macro level the Chancellor has used the number of \$44M in savings over a biennium for the System.

Other:

University financial statements are complete and the auditors will be on campus next week.

The meeting was adjourned.