



October 2016

WebEx Consultation Series

Allocation Framework Redesign Recommendations

Allocation framework redesign update

1. Updates to recommendations since September WebEx
2. Project review
3. Board-approved allocation framework redesign principles
4. Impact of recommendations on college/university allocation
5. Proposed recommendations – detail review
6. Other proposed changes to financial model
7. Review and consultation
8. SharePoint comment site
9. Questions and discussion

Modifications of the recommendations since the September WebEx



Updated Recommendation: Incorporate a student success component into the allocation framework

Policy objective:

Improve student success outcomes by raising the visibility of student success and providing incentives for improvement in key measures.

New Recommendation: Adjust the recognition of concurrent enrollment in the allocation framework

Policy objective:

Better align resources with costs by acknowledging the different cost structure of concurrent enrollment programs

Review of the recommended changes to the allocation framework and their impact



Why are changes to the allocation framework being considered?

2016 Workplan Charge

CTF System Incentives and Rewards recommendation:

Redesign the current financial model to incent and reward collaboration, support strategic framework commitments, and incorporate Charting the Future recommendations

2016 Project design

- Allocation Framework Technical Advisory Committee (TAC)
Group responsible for evaluating changes to the framework and making recommendations for changes to MnSCU leadership
- Development and consultation process
Continuing consultation with Leadership Council, CFOs, CAOs, CSAOs, other campus leaders, bargaining units and student associations

Project timetable

- ✓ Board approval of the allocation framework redesign principles (November 2015)
- ✓ Initial Leadership Council and Board of Trustees review and discussion of recommendations (June 2016)
- ✓ Review by Leadership Council (Oct. 2016)
- Consultation with bargaining units and student representatives (July – October 2016)
- Final recommendations presented to Board of Trustees (October 2016)
- Board of Trustee approval of changes (November 2016)
- Implementation targeted for July 1, 2017 – FY 2018

Redesign principles

The allocation framework should support the following:

- Academic and student success goals
- The educational and workforce needs of the state
- Financial and functional sustainability of diverse institutions, programs, and students
- Delegation of authority to colleges and universities
- The success and viability of the system of colleges and universities
- Collaboration and systemic change by leveraging the power of the system

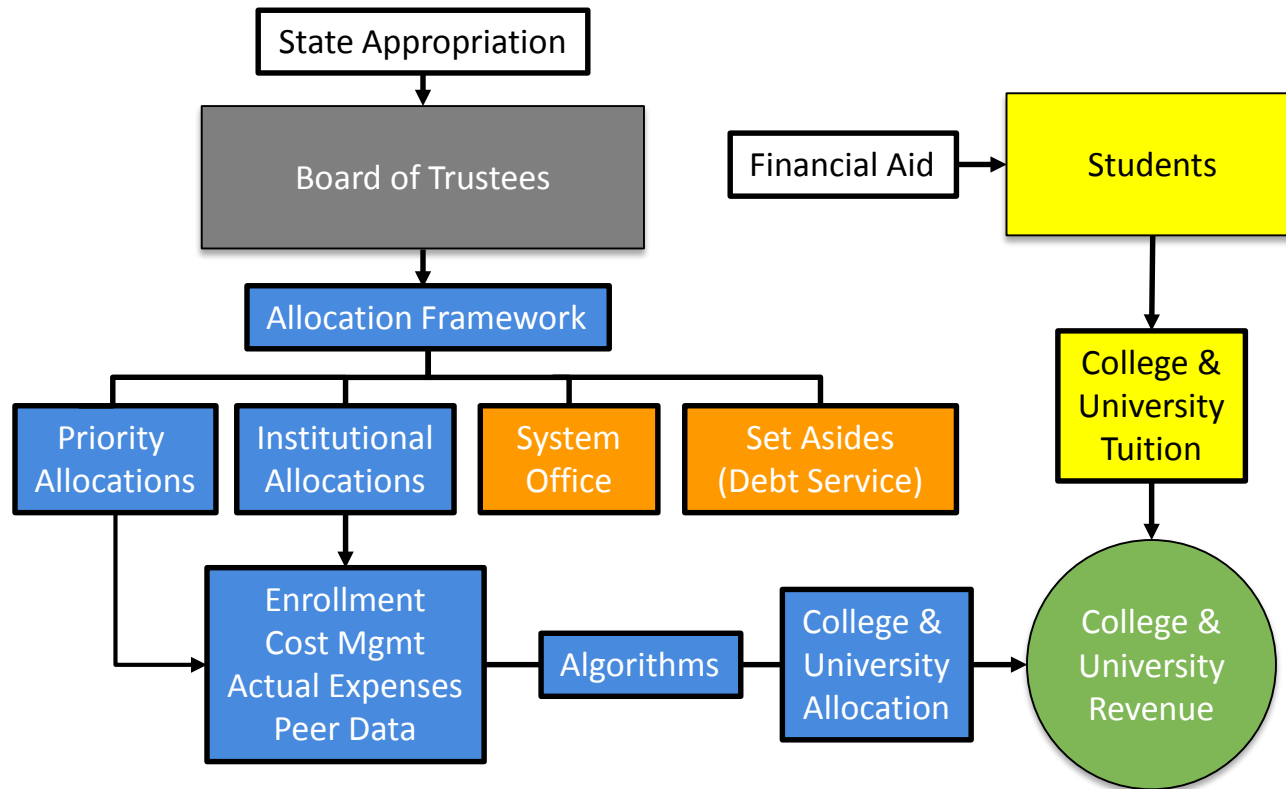
Design objectives

The design of the allocation framework should:

- Be flexible, simple and transparent
- Incorporate measurable outcomes that recognize the diversity of institutions and their missions
- Incent and/or reward:
 - Student success e.g. retention, graduation, transfer, employability, elimination of the opportunity gap
 - Collaboration around academic planning, student success efforts, administration, resource development, and achievement of collective goals
 - Administrative best practices and efficiencies
- Reach an appropriate balance between stability and responsiveness to changing conditions
- Recognize that costs of serving students varies by academic program and student requirements

Implementation of the new design should provide for a smooth transition

The flow of system operating funds



Allocation framework redesign focus areas

- Student success
- Cooperation, collaboration and partnerships
- Libraries and research modifications
- Facilities modifications
- Student services and institutional support modifications
- Revenue buydown review
- “Smoothing” mechanisms review

What are the proposed changes intended to do?

- Promote and support student success
- Make the model more responsive to changing conditions
- Better align the cost of programs and services with resources
- Increase transparency, simplicity and accountability

Preliminary recommendations

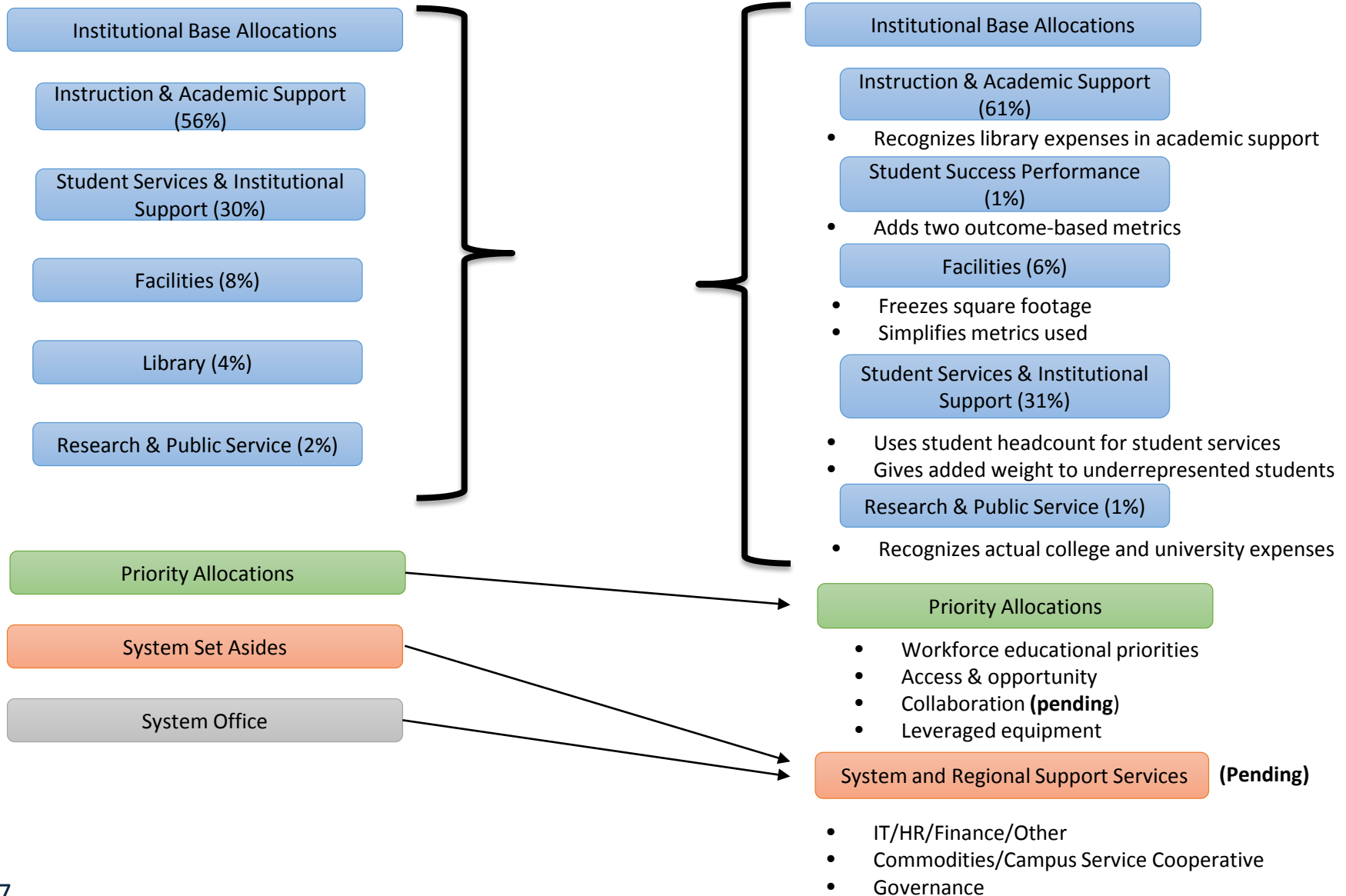
- Improve student success outcomes by raising the visibility of student success and providing incentives for improvement in key measures.
- Support student success by acknowledging changing student demographics and better aligning resources with demand for student services.
- Simplify the allocation framework facilities component and promote space efficiency.

Preliminary recommendations (continued)

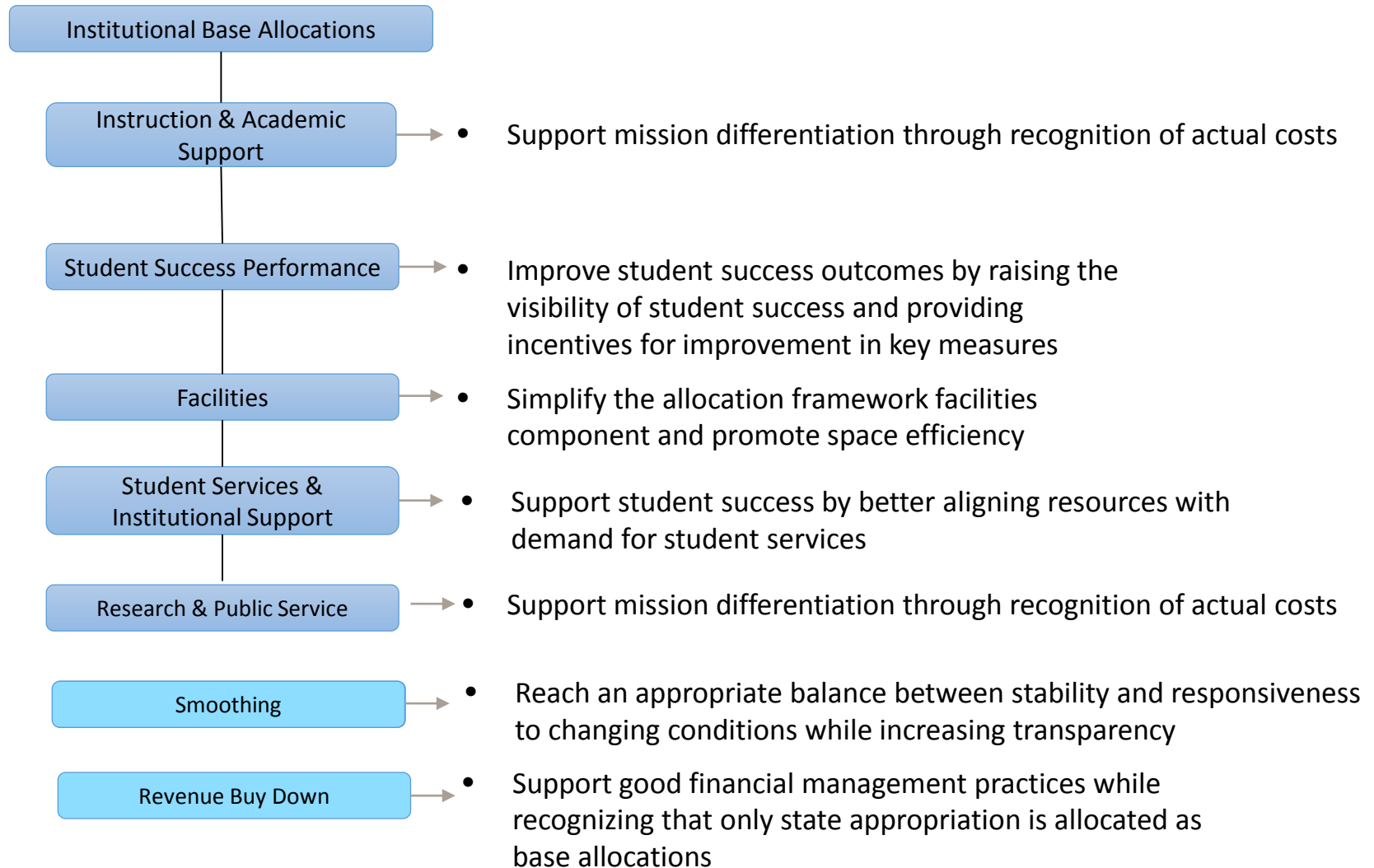
- Simplify the allocation framework while continuing to support mission differentiation through recognition of actual costs.
- Support and promote administrative best practices and efficiencies throughout the system.
- Simplify the allocation framework by eliminating the enrollment adjustment.
- Reach an appropriate balance between stability and responsiveness to changing conditions while increasing transparency.

Current

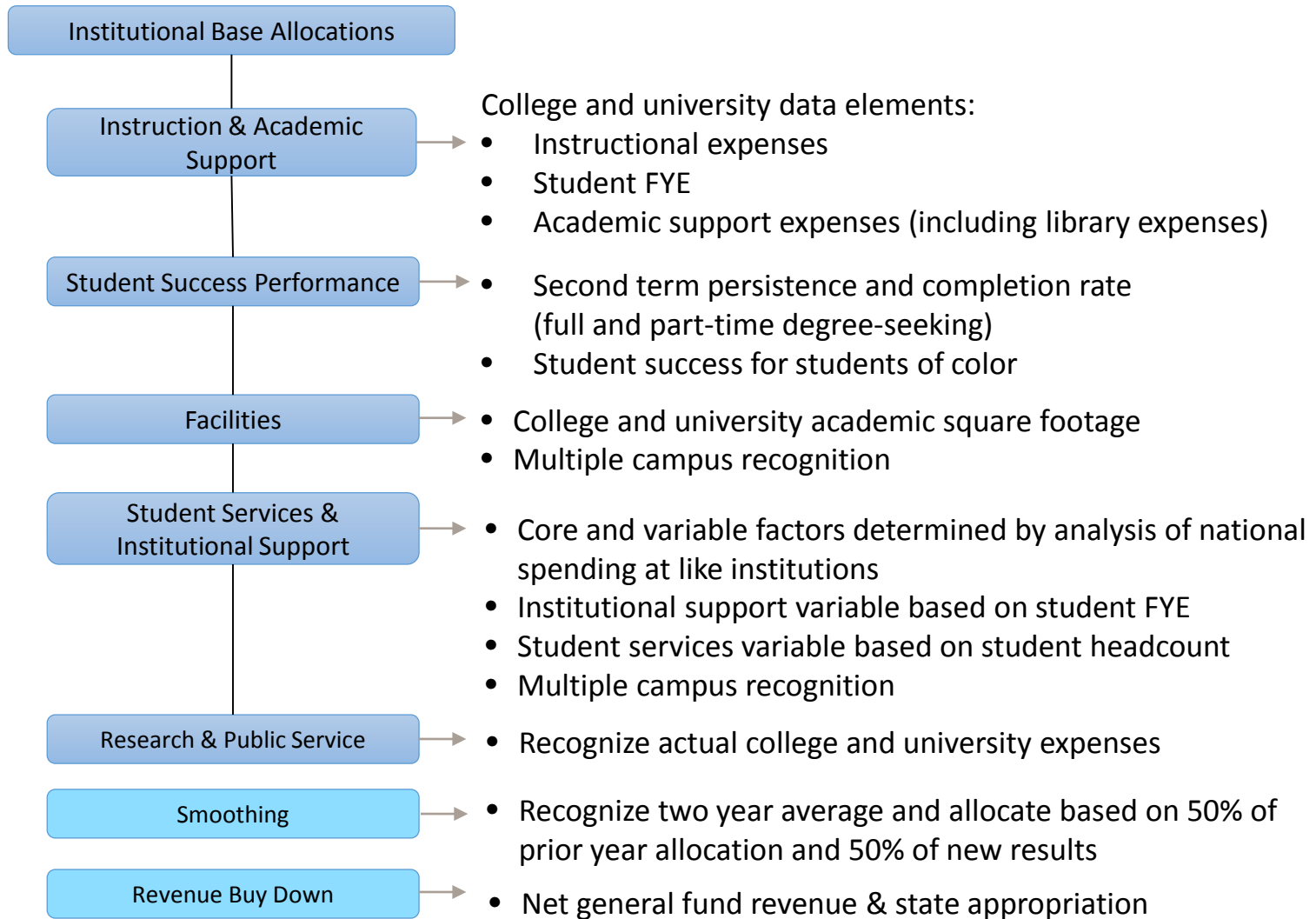
vs. Recommendations



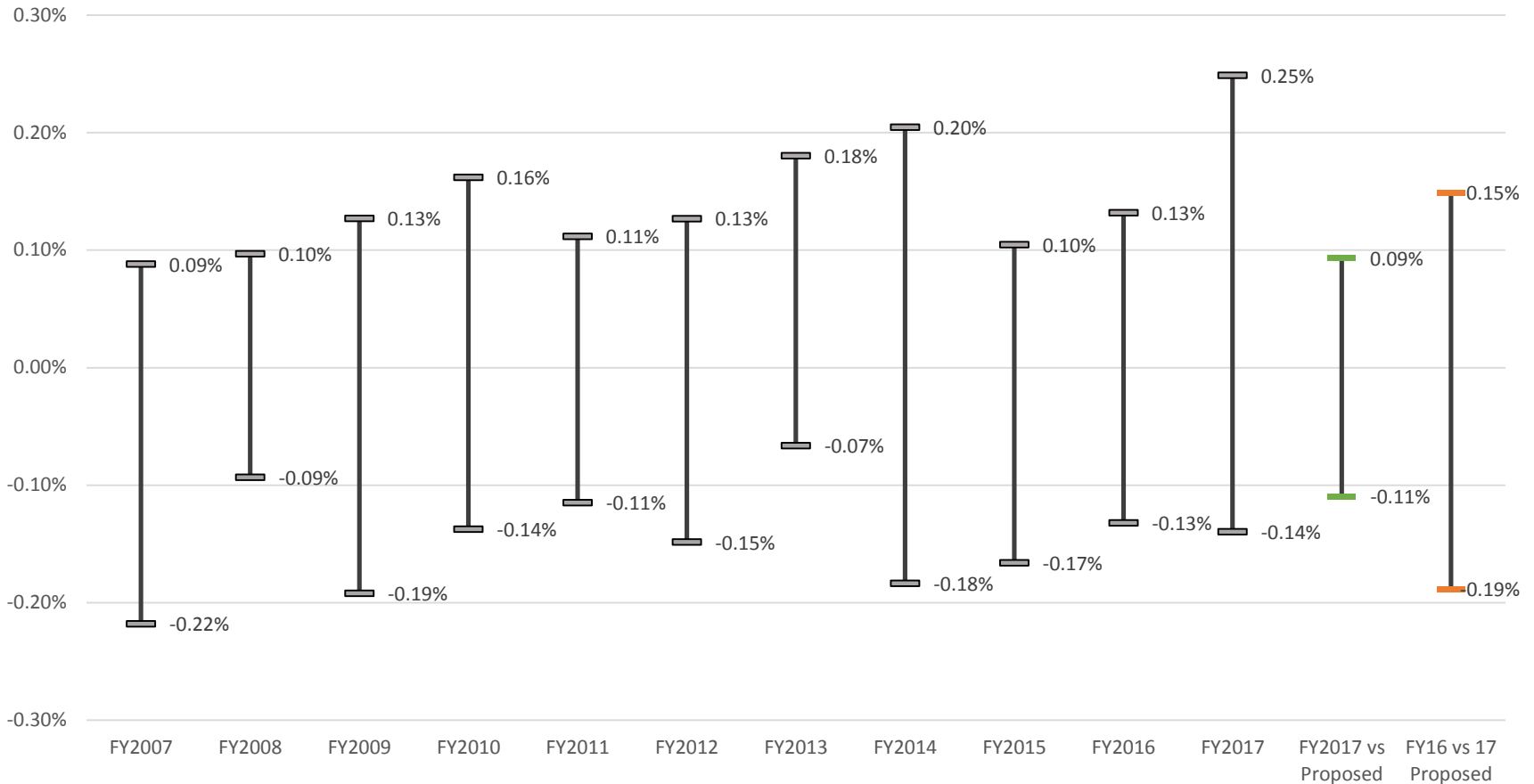
Recommendations – Policy Objectives



Recommendations – Data Elements



The range of shift in percent share under the proposed framework is similar to annual shifts in percent share under the current framework



Observations on the proposed allocation framework recommendations

When comparing the actual FY2017 allocation framework results to a simulation using the proposed changes for FY2017, we found:

- The range of shifts in the base allocation percent share was no greater than the range in annual shifts experienced under the current framework.
- Slight redistribution (0.3% or less) from universities to colleges and from greater Minnesota to metro area.
- Several recommendations are structural changes with the impact felt over two years (facilities, library, research/public service, enrollment adjustment, revenue buydown). Once these recommendations are implemented and the adjustments made, the component should stabilize.
- The greatest loss of percent share is -0.11% and the greatest gain is 0.09%.
- Overall, the simulation redistributes \$1.8 million or 0.4% of total (\$508 million).

Recommendation: Modify the student support component to better reflect the demand for student services

Policy objective:

Support student success by acknowledging changing student demographics and better aligning resources with demand for student services.

Recommendation: Simplify the facilities component of the allocation framework and freeze square footage

Policy objective:

Simplify the allocation framework and enable colleges and universities to retain benefits/savings of energy conservation measures

Recommendation: Recognize actual library spending in the academic support/instruction module; remove separate library component

Policy objective:

Simplify the allocation framework while continuing to support mission differentiation through recognition of actual costs.

Recommendation: Recognize actual research/public service spending

Policy objective:

Continue to support mission differentiation through recognition of actual costs.

Recommendation: Modify the revenue buydown calculation in the allocation framework

Policy objective:

The allocation framework only allocates state appropriation. Other revenues (such as tuition) are retained by the college or university where they were generated. The revenue buydown isolates state appropriation from other general fund revenues as a means to recognize only state appropriation expenditures throughout the model.

Recommendation: Use a two-year average rather than a three-year average for the instruction & academic support and student services & institutional support components

Policy objective:

- Reach an appropriate balance between stability and responsiveness to changing conditions while increasing transparency of the allocation framework.

Recommendation: Eliminate the non-resident enrollment adjustment in the current framework

Policy objective:

Simplify the allocation framework and allocate funds based on relevant factors.

Recommendation: Implement all elements of the new allocation in FY2018, giving half the weight to the FY2017 results (current framework) and half to the FY2018 results (proposed framework)

Policy objective:

- Implementation of the new design should provide for a smooth transition

Recommendation: Modify the funding methods for system office and systemwide activities based on the recommendations of the Long-term Financial Sustainability Workgroup

Policy objective:

Support and promote administrative best practices and efficiencies throughout the system.

Next steps

Board approval of proposed changes

- Finalize recommended changes to the allocation framework based on feedback and additional analysis
- Update board and leadership council in October
- Board approval of final changes in October (1st reading)/November (2nd reading)

Next Steps

Commitment to continuous improvement

- The TAC will continue as the policy and analytical oversight group for the allocation framework.
- Implementation results will be monitored and examined continuously for expected and unexpected consequences.
- The board will be fully updated annually on the results and impacts of the allocation framework changes.

Next steps

Other changes under consideration

- Recognition and support of cooperation and collaboration efforts across the system – May completion
- Systemwide/system office/shared services finance design – May completion
- Change the assignment of debt service costs beginning with 2018 projects

Consultation and feedback

- Information on WebEx sessions explaining the recommendations and obtaining feedback:
<http://www.finance.mnscu.edu/budget/allocations/framework.html>
- SharePoint site created for comment and feedback on proposed changes to the allocation framework
- *Comments encouraged!*

SharePoint access and comments

- Click on this [link](#) and you will be prompted to log into the SharePoint site through Microsoft Office 365 using your StarId@mnsu.edu
- From the home page you can click on documents on the right to open them up and read them
- If you want to comment on a specific document there is a “+ new item” under the comment section
- From here you can give your comment a title, choose the document to review from the drop down and then put your comments in the “Body” section. Click “save” at the bottom to post your comment
- You create multiple comments if you would like to comment on specific policies or you can chose the “Proposed Recommendations Summary” to make a general comment

SharePoint access and comments

The screenshot shows a SharePoint site with the following elements:

- Navigation Bar:** Office 365, SharePoint, and user profile icons.
- Page Header:** Home, Search Center, Help, and a search box.
- Collaboration Sidebar:** Calendar, Comments, Documents, Resource Links, Manage Access, Manage Pages, Recycle Bin.
- Main Content:**
 - Section:** Allocation Framework Redesign Recommendations
 - Description:** This site is for reading and commenting on Minnesota State's proposed recommendations on the allocation framework.
 - Comments Section:** "new item" button, "new item" or "edit this list" link, and a message: "There are no items to show in this view of the 'Comments' list."
 - Documents for review Section:** "New", "Upload", "Share" buttons and a table of documents.

Name	Modified	Modified By
1 Student Success	5 days ago	MacInnes, Matt M
2 Student Services and Institutional Support	18 minutes ago	MacInnes, Matt M
3 Facilities	18 minutes ago	MacInnes, Matt M
4 Library and Research-Public Service	18 minutes ago	MacInnes, Matt M
5 System Office and Systemwide Services	18 minutes ago	MacInnes, Matt M
6 Enrollment Adjustment	18 minutes ago	MacInnes, Matt M
Proposed Recommendations - WebEx email and notice	18 minutes ago	MacInnes, Matt M
Proposed recommendations summary 07-05-16	18 minutes ago	MacInnes, Matt M

Questions and Discussion