

Allocation Framework Redesign Update



Update for MnSCU Partners
WebEx
June 8, 2016



Allocation framework redesign update

1. Project overview
2. Review board-approved allocation framework redesign principles
3. Preliminary recommendations
4. Proposals under consideration
5. Questions and discussion



Why are changes to the current allocation framework being considered?

2016 Workplan Charge

System Incentives and Rewards recommendation:

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



3

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, other campus leaders, bargaining units and student associations



4

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)
- Consultation with bargaining units and student representatives (July – October 2016)
- Review by Leadership Council and Board of Trustees (Oct. 2016)
- Final recommendations presented to Board of Trustees (November 2016)
- Board of Trustee approval of changes (December 2016)
- Implementation targeted for July 1, 2017 – FY 2018



5

Board-approved allocation framework 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



6

Allocation redesign principles (continued)

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



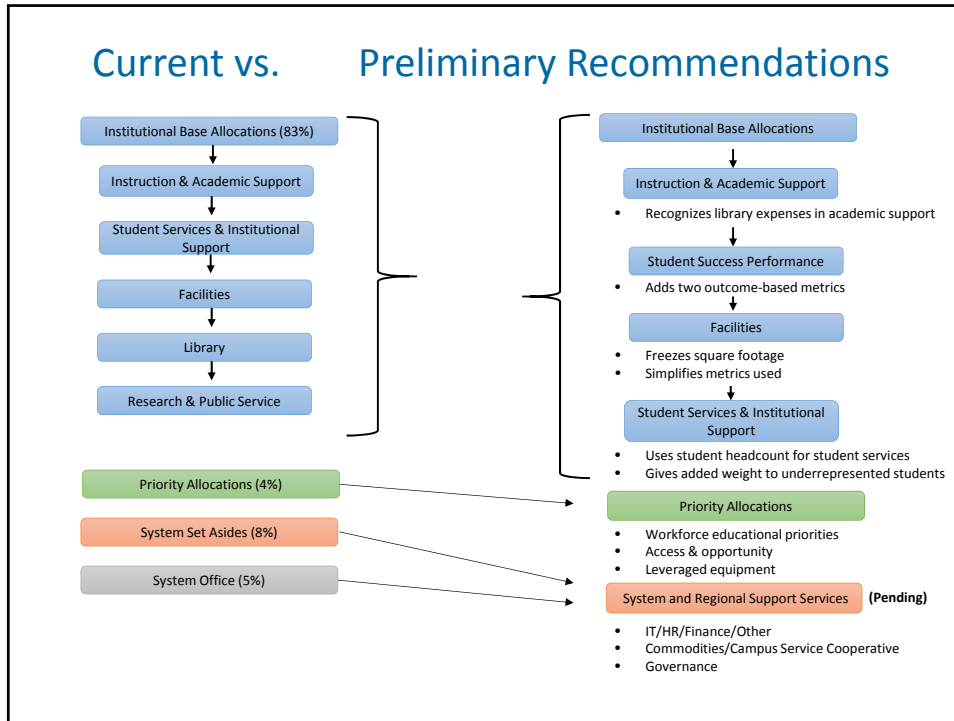
7

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



8



Preliminary Recommendation #1: Eliminate the enrollment adjustment in the current framework

Policy construct: The enrollment adjustment in the system’s allocation framework was intended to mirror the state level enrollment adjustment in statute. In the 2005 session, the legislature repealed the statutory enrollment adjustment used to recognize Minnesota resident enrollment as a way to fund the system.

Preliminary Recommendation #2: Incorporate a student success component into the allocation framework

Policy construct: The purpose of this allocation component is to reward progress toward or achievement of improvement goals on key student success measures. The allocation will serve to raise the visibility of student success and provide incentives for improvements.

11



Preliminary Recommendation #2: Incorporate a student success component into the framework (continued)

How it would work: Performance on two measures would be used initially to determine the student success allocation. The measures are easy to understand.

- Second Term Persistence and Completion Rate
- Student Success Ratio

Colleges and universities that demonstrate improvement in these measures would receive a student success allocation.

12



Preliminary Recommendation #3: Shift library expenses to instruction/academic support; remove the research/public service component in the allocation framework

Policy construct: The purpose of the library and research/public service components was to allow for recognition of mission differences between colleges and universities. Currently, these two components are entirely formulaic based on national spending benchmarks that have not been updated since the allocation framework was implemented and is not reflective of actual spending in these areas.

13



Preliminary Recommendation #4: Systemwide activities and system office

Decision Statement: Funding methods for system office and systemwide activities should be modified based on the recommendations of the Long-Term Fiscal Sustainability Workgroup. The redesign effort should include campus input from key functional areas such as finance, human resources, information technology, academic and student affairs and legal/general counsel. The funding model that supports these activities should be based upon campus service levels and campus needs, support regional collaboration, increase accountability of activities, and be transparent, consistent and predictable.

14



Preliminary Recommendation #5: Simplify the facilities component and freeze square footage

Policy construct: Freezing square footage will create an incentive to rightsize the system's physical footprint by not penalizing colleges and universities from taking square footage offline, while at the same time discouraging the build out of new space. Removing the utilities cost recognition from the component will provide an additional incentive to reduce energy consumption.

15



Preliminary Recommendation #6: Modify the student support component to better reflect the demand for student services

Policy construct: Modifying the student services methodology to use student headcount rather than FYE data and providing additional weight for underrepresented students better aligns the allocation of state appropriation with demand for student services.

16



Next steps: Continued analysis of implementation, smoothing and other changes under consideration

- Responsiveness versus stability (smoothing)
- Revenue buydown
- Recognition and support of cooperation and collaboration efforts across the system
- Implementation and smooth transition

17



Next steps: Consultation

- Host multiple WebEx sessions explaining the recommendations and obtaining feedback
- Set-up SharePoint site for comment and feedback
- Finalize recommended changes to the allocation framework based on feedback and additional analysis
- Update board in October and obtain additional feedback
- Approval of final changes in November/December

18



Questions and discussion



19



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