

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
May 18, 2010**

Finance, Facilities and Technology Committee Members Present: Tom Renier, Chair; Clarence Hightower, Vice Chair; Trustees Duane Benson, Christopher Frederick, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten

Other Board Members Present: Cheryl Dickson and Jacob Englund

Leadership Council Representatives Present: Vice Chancellor Laura King, President Robert Musgrove

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on April 20, 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 8:40 am.

1. MINUTES OF April 20, 2010

Trustee Grendahl moved to accept the minutes from April 20, 2010, as presented. Trustee Benson seconded the motion which passed with no dissent.

2. NOTES OF PUBLIC HEARING: FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

Trustee Benson moved to accept the notes from the April 20, 2010 public hearing on the FY2010 Operating Budget, as presented. Trustee Grendahl seconded the motion which passed with no dissent.

3. FINANCE, FACILITIES AND TECHNOLOGY UPDATE (*Information*)

Vice Chancellor King reported that the Advancement Committee would receive a full briefing of the end of the legislative session outcome. Although the FY2011 appropriation remains the same, the legislature directed that an additional \$2M be moved from the Office of the Chancellor budget to the colleges and universities. This represents a 4% reduction to the Office of the Chancellor budget. The legislature also inserted language prohibiting “charge backs” of the OOC reduction to the colleges and universities into the Higher Education Policy bill. The Office of the Chancellor has had a 10% decrease in allocations since FY2008.

The Chancellor has initiated rapid planning efforts to respond to this FY2011 impact. The Leadership Council and the Board will be a part of the efforts. It is clear that the Office of the Chancellor is facing very difficult choices that will impact support for the Board and the campuses. Vice Chancellor King noted that the Office of the Chancellor would use contingency funds while plans are underway for budget reductions which will occur early in 2011.

The Leadership Council hosted a round table with presidents at the May Leadership Council meeting. The purpose was to present a forum for presidents to talk about FY2011, FY2012 and beyond budget planning. The presidents reported that short and mid-term academic and financial planning is underway at all the institutions. Consultations and work group activity is proceeding. Strategies and topics of shared interest include coordinated/regional program planning; shared services; focus on accountability, student success, outcomes; ways for the system to assist in coordination.

Fiscal year end is approaching and Minnesota Management and Budget has communicated their intention to fully re-pay the outstanding cash loan, currently totally \$300M. Vice Chancellor King noted that two scenarios are possible. MMB could change their mind and not re-pay the loan before the fiscal year end. If that happens the system will book a very large receivable on the financial statements and carry the loan into FY2011. MMB could also repay the loan before June 30th and then take a new loan in July. If the legislative session ends without a balanced budget, their authority to take these loans becomes weaker. It is too early to know what the state's cash position will be. Trustee McElroy commented that MMB is working hard to resolve this issue.

4. FY 2011 Operating Budget (Second Reading)

Associate Vice Chancellor for Budget, Judy Borgen, reviewed the FY2011 Operating Budget. She noted that the packet contained new consultation letters which were received after the deadline for the April materials. A complete summary of the letters was included.

The total state resources did not change as a result of last minute legislative action. However, the basic institutional allocations increased by \$2M which was directed to be taken from the Office of the Chancellor budget.

Ms. Borgen noted that two colleges had changed their proposed tuition rates since the first reading (Minneapolis Community and Technical College and Northwest Technical College-Bemidji) resulting in an average tuition increase of 4.7% for the system. In response to a question asked at the April meeting about the increase of program and course tuition. Ms. Borgen noted that proposed program and course fees increased by an average of 4.3%. Trustee Frederick expressed concern over some program and course tuition rates which had larger increases. Currently the Board has a policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning, and contract postsecondary enrollment option programs.

Proposed general fees for athletics, health services, parking, statewide student association, student activity/life, and technology fees would result in an average annual increase of \$1.89 or \$0.07 per credit. Proposed Revenue Fund fees, which include room and board, wellness and recreation centers, and parking will increase from 4-7%.

The proposed FY 2011 average annual tuition and fees at the two-year colleges is \$4,984. For colleges with Revenue Fund fees, the average annual tuition and fees is \$5,012. The average annual tuition and fees for state universities is \$6,912 which includes student union facility and wellness center fees.

Vice Chancellor King reviewed how ARRA funds had been used to offset tuition in FY2010 and FY2011. In FY2012 the funds will no longer be available so students will see larger tuition bills. Trustee Benson suggested that it would be good to be able to advertise how much it costs for a student to attend Minnesota State Colleges and Universities. System Director for Financial Aid, Chris Halling, explained that the actual cost for each student is dependent on the type of financial aid they are eligible for. Trustee This recommended packaging the message differently so that potential students are not intimidated by the total tuition number. Trustee Benson proposed referring this idea to the Advancement Committee.

Chris Halling noted that approximately 50,000 MnSCU students will not receive the benefits of the federal Pell Grant increases for the next academic year because any increase to a student's Pell Grant will produce a reciprocal change in the Minnesota State Grant – if the Pell Grant increases, the State Grant decreases, and vice versa. Only about 4,000 MnSCU students are likely to receive the Pell Grant increases. The Minnesota State Grant program is anticipating a shortfall in funds. Vice Chancellor King praised Mr. Halling for the terrific job he has done with the legislature, student groups and institutions.

President Robert Musgrove, co-chair of the Leadership Council's Finance and Administration Committee, reported that the Leadership Council discussed the operating budget during their last two meetings and presidents are aware of the tactical and strategic ramifications of their FY2011 operating budgets. Presidents feel the operating budget presented is a sound approach.

Trustee Van Houten questioned whether the system's reserve policy is within the benchmarks used outside the system. Vice Chancellor King noted that the Board directed campuses to preserve and strengthen their reserves for FY2012-2013. The Board should be concerned about CFI accreditation metric adopted by the Higher Learning Commission.

Trustee Van Houten moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Grendahl seconded the motion which carried with Trustee Frederick dissenting.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

- a. Adopt the annual total operating budget and general fund budget for fiscal year 2011 in Tables 6 and 7. Per Board Policy 5.9, the Board of Trustees will be periodically provided systemwide budget updates for all funding sources on an exception reporting basis.
- b. Approve the proposed tuition structure recommendations for fiscal year 2011 as detailed in attachments 1A through 1D. The percentage impact of residence tuition rates represents the maximum amount that can be applied to other tuition rates charged by the college or university not impacted by reciprocity agreements such as nonresident and off campus rates.

The tuition increase is effective Summer Term or Fall Term 2010 at the discretion of the president. The Chancellor is authorized to approve tuition structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2012 tuition recommendations are presented to the Board of Trustees. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning, and contract postsecondary enrollment option programs.

- c. Approve the Revenue Fund fiscal year 2011 fees for room and board, student union, wellness and outdoor recreation facilities, and parking ramps/surface lots as detailed in attachments 2A and 2C through 2E.
- d. Approve the fiscal year 2011 fees for room and board for colleges who either own or manage student housing as detailed in attachment 2B.

5. MINNESOTA-NORTH DAKOTA INTERSTATE TUITION RECIPROCIY AGREEMENT (Action)

Associate Vice Chancellor Judy Borgen reported that the reciprocity agreement between the state of North Dakota and Minnesota has been in effect since 1975 and is reviewed and negotiated by the Minnesota Office of Higher Education and the North Dakota State University System after consultation with the Minnesota State Colleges & Universities and the University of Minnesota. Under the proposed agreement, there is no change impacting the Minnesota State Colleges and Universities. Only minor modifications were made to adjust years, system names, and language.

Trustee Van Houten moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Frederick seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the North Dakota/Minnesota Reciprocity Agreement (Attachment A) in accordance with Minnesota Statutes section, 136A.08, Subd. 6, effective July 1, 2010, subject to approval by the North Dakota State University System and the Minnesota Office of Higher Education.

6. FY2012-2017 CAPITAL BUDGET GUIDELINES (*Second Reading*)

Associate Vice Chancellor Allan Johnson reviewed the capital budget guidelines timeline and noted that campus final project submissions are due November 2010. Project development is underway at the campuses. Scoring and prioritizing of projects will begin in January 2012. The Board is scheduled to act on the capital budget request in late spring 2011.

Mr. Johnson noted two recommended changes from the first reading of the guidelines in April. Projects that were previously approved by the Board in 2010 or earlier will receive a preferential ten percent (10%) bonus of their subtotal score. Projects that were approved by the Board and also in the 2010 bonding bill will receive an additional five percent (5%) for a maximum of fifteen percent (15%) bonus of their subtotal score. The second change would require colleges and universities to indicate their institution's priority if they are submitting more than one capital project. Ten additional points will be awarded to the institution's number one (#1) priority project. Additional points will not be awarded for an institution's priorities other than its #1 priority project.

Trustee McElroy expressed concern that giving an additional 5% bonus to projects that the governor had vetoed would be insulting to the governor. He noted that the state budget is likely to be tight for a long time and the guidelines should emphasize future commitments not what was relevant 2 or 3 years ago. Trustee Hightower felt the bonus was a good way to acknowledge the prior investment that institutions have made to capital projects. Mr. Johnson noted the guidelines encourage the presidents to be supportive of the final budget request by knowing their projects will continue to rise in priority on the list.

Several trustees expressed dissatisfaction with the size of the current capital budget request. Vice Chancellor King noted that the size of the request would be discussed thoroughly in the fall and that the current discussion before the committee was to determine the guidelines for scoring projects.

Trustee McElroy moved to remove the 5% veto bonus from Attachment A. Trustee Grendahl seconded the motion which passed with Trustee Hightower dissenting.

Chancellor McCormick commented that he gets excellent feedback from legislators about our capital budget process. The presidents support each other and play a big role

with legislators. Trustee McElroy recommended promoting HEAPR projects better with legislators who do not have capital projects on the list. Mr. Johnson responded that the list of specific HEAPR projects is given to legislators and also promoted by the presidents with their local legislators.

Trustee Frederick moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Grendahl seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the FY2012-2017 Capital Budget Guidelines as presented and amended.

7. PROPOSED AMENDMENTS TO BOARD POLICIES (*Second Reading*)

Vice Chancellor King noted that the following policies were being presented for their second reading. The changes were characterized as housekeeping in nature.

Policy 5.14, Procurement and Contracts

The proposed amendment to Policy 5.14 requires approval by the Board of Trustees for inter-agency and intra-agency agreements, joint powers agreements that do not create a joint powers board, Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State Colleges and Universities master contracts with a value greater than \$3,000,000. Trustee Van Houten requested that the policy be further amended to clarify that although annual reports on all procurement contracts with values greater than \$100,000 are available on the system's Web site they are also available upon request in other formats.

Policy 5.17 Resources Recovery and Environmentally Responsible Practices

The proposed amendment to Policy 5.17 Resources Recovery and Environmentally Responsible Practices clarifies responsibilities of the chancellor and college and university presidents. New language states that the chancellor, in concert with college and university presidents, shall develop system-wide procedures and initiatives that reflect long-term stewardship of the campus physical environment.

Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities

The proposed amendment to Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities states that the chancellor shall develop and implement processes by which the physical condition of system facilities can be assessed and gauged, and shall determine targets for annual operating budgets for campus-funded repair and replacement (R&R).

Trustee Grendahl moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Thiss seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts, Policy 5.17 Resources Recovery and Environmentally Responsible Practices and Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities as shown in Attachments A-C as amended.

**8. FOLLOW-UP TO OLA EVALUATION OF THE SYSTEM OFFICE
(Information)**

Vice Chancellor King reported that progress on the OLA recommendations is on schedule.

Chair Renier recessed the meeting at 11:05 am.

Respectfully submitted,
Nancy Lamden, Recorder