

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
Public Hearing: FY2011 Operating Budget
April 20, 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, Jacob Englund, David Paskach and Louise Sundin

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

The public hearing was called to order by Chair Renier at 9:45 am.

1. FY 2011 Operating Budget (First Reading)

Associate Vice Chancellor for Budget, Judy Borgen, reviewed the materials that were provided to the committee. She noted that the remaining student consultation letters would be provided at the second reading of this item at the May Board of Trustees meeting. The Legislative Report of March 15, 2010 also has additional materials that are relevant to this discussion.

Ms. Borgen noted that the FY2011 budget has been reduced from \$686M to \$605.5M which was the system's level of funding in FY2006. Since July 2009, the governor unallotted \$50 million and the supplemental higher education bill from the 2010 legislative session further reduced the system's fiscal year 2011 funding level by \$10.5 million. This makes the overall reduction for this biennium \$153.2M but the federal stimulus funds have been used to offset the reduction to \$74M.

Ms. Borgen reviewed the changes to the state financial aid program covered under the supplemental higher education bill. The state grant is expecting a \$42M shortfall. Rationing of state grants will occur which will have an impact on the system's students. Both the students and their families will be expected to contribute more to the student's cost. About 6,000 fewer college students and 400 state university students who would have otherwise received a state grant will not receive a state grant in FY2011. About 32,000 students will receive a lesser grant amount. Work study programs have also been reduced.

Almost all of the priorities on the distribution of state resources have been pro-rated downward (approximately a 1.6% reduction). There has been an increase in the cost of debt service for capital projects and presidential searches. The system audit program and the attorney general's services have remained unchanged.

Proposed tuition increases parameters should not exceed \$7.15 for college students and \$9.85 for university students. The total tuition increase for fiscal year 2011 will be borne by the students. In fiscal year 2010 ARRA funds were used to mitigate two percent of the tuition increase so that students were charged no more than a three percent increase over the prior year. The ARRA funds will be used again in fiscal year 2011 to pay for the mitigated two percent tuition increase from fiscal year 2010. Universities have the autonomy to set their graduate and doctoral program tuition. The program and course differential rates are also based on cost and are market-driven. Vice Chancellor King will provide the percentage of increase for differential tuition to the committee.

Colleges and universities can only assess fees that are set in Board policy. Tuition and fee rates vary by college and university as a result of local decisions on tuition rate changes and identifying specific fees to assess and the rate for those fees. The fees include athletics, health services, parking (per-credit), technology, statewide student association, and student activity/life as well as the Revenue Fund fees for student union facility, wellness centers, and outdoor recreation centers. Based on information provided in this report, the proposed fiscal year 2011 average annual tuition and fees at the two-year colleges is \$4,990. For colleges with Revenue Fund fees, the average annual tuition and fees is \$5,129. The average annual tuition and fees for state universities is \$6,912 which includes student union facility and wellness center fees.

Public Testimony:

1. *Edna Szymanski, President, Minnesota State University Moorhead*
Jean Hollaar, Interim Vice President for Finance and Administrative Services
 - During FY2009 the University addressed a significant structural deficit and planned for the recession caused appropriation decreases giving them a head start for the challenges of 2012.
 - The community and bargaining unit leaders were engaged to help work to cut costs. A campus wide review of all academic, administrative, and support programs was completed. Consolidation and reorganization is still underway.
 - The University increased revenue through enhanced summer offerings and marketing and recruitment efforts.
 - The University decreased costs through tight spending controls and hiring restrictions (using temporary employees to fill critical gaps until budget projects are more solid), early separation incentives and continued energy refits.
 - The University is guided by two major themes, fiscal sustainability and moving from “good to great”.
2. *Richard Davenport, President, Minnesota State University, Mankato*
Rick Straka, Vice President of Finance and Administration
 - The University’s FY2012-2013 shortfall could be as much as \$6-10 million. As a result the University set up a program to review and evaluate each program. More than 50 academic programs have been cut and retrenchment of faculty and layoffs have been announced. The process was open and transparent.

- The community raised \$750,000 to keep the aviation program which would otherwise have been cut.
 - The University has tried to offset the budget shortfall by fundraising (\$39 million raised so far), the addition of a new doctoral program, and increased sponsored research and grants (\$25 million). Federal earmarks and state grants could surpass \$10 million.
 - Administrative downsizing will save \$1 million while still meeting the needs and functions of the University. Some services are being shared with South Central College.
 - The University will maintain a reserve balance of 7%.
3. *Andrew Spaeth, State Chair-Elect, Minnesota State University Student Association (MSUSA)*
- Students are concerned about ensuring high-quality academics and students services when funding continues to decline.
 - The cost of public higher education is a significant concern for students and the students appreciate the efforts the Board has made recently to keep tuition increases as low as possible.
 - Students are continuing to work with the administrations on their campuses to discuss cuts that will be made to balance budgets.
 - The consultation process at Bemidji State University is working well and Mr. Spaeth gave commendation to President Quistgaard and Vice President Bill Maki. The BSU administration has been working with the student government to educate students about the proposed fee increases to health services, student union, parking and resident life rates.
 - It will be especially important to involve students in discussions about the FY12-13 budget proposal and find ways to educate Minnesota's citizens at an affordable cost in a time of declining state resources.
4. *Travis Johnson, President, Minnesota State College Student Association (MSCSA)*
- MSCSA appreciated the efforts of the system to hold tuition increases to a minimum even in difficult economic times.
 - The association is concerned about the apparent breakdown in consultation that occurred this year. For several years student consultation has gone exceedingly well on campuses. This year it appears that communication broke down resulting in rushed and abbreviated consultations throughout the system.
 - Many campus senates were not given the opportunity to consult on tuition until late-March, or some even in April. Only 24 campuses have a student consultation letter included in the packet because consultation had not been finished.
 - Students must not only feel informed but that they are equal partners in the decision-making process. Some senates will send second letters because they still do not have a complete picture of the FY11 budget.
 - MSCSA is concerned about the system having the second-highest college tuition and fee rates in the country. Budget solutions like decreased student services, significant tuition increases, or enrollment caps will hurt not only college-bound Minnesotans, but the long-term viability of the state.

5. *Rod Henry, President, Inter Faculty Organization*

- Thanked the university presidents who worked with the IFO to find ways to transition and bridge the budget gap that are faced by the universities.
- The recent ruling on the Comcast case concerning net neutrality could put the system's online learning at a disadvantage. The Higher Learning Commission also may require accreditation for online learning.
- Table 3 shows that allocations to institution are decreasing \$11.3M more than the \$10.5M cut by the legislature. He felt that the Office of the Chancellor is not taking their fair share of the cuts.
- Mr. Henry expressed concern about good people and good programs being cut at campuses.
- Cautioned Board not to protect the Office of the Chancellor while direct services to students are cut.

6. *Joyce Helens, President, St Cloud Technical and Community College*

Lori Kloos Senior Vice President of Administration,

Peg Shroyer, Vice President of Academic Affairs

Alfredo Oliverira, Student Body President

- President Helens reported that historic enrollments and unprecedented funding reductions required them to focus on their prime directive of student success.
- Over two years ago the college formed a strategy to inform their constituents and college community about budget planning. The college instituted efficiencies over the past two years.
- The college has invested in new programs and has also invested in building their reserves.
- Mr. Oliverira reported on consultation process with St Cloud Technical and Community College students. He noted the process was very good with the CFO meeting with diverse students to help them to understand the big picture and get their feedback.
- Vice President Kloos reported that budget decisions were guided by student success. The College has done everything they can to reduce administrative costs. Vice President Shroyer commented that faculty overloads are being reduced and class sizes are increasing. Programs are being reviewed and customized training is being reorganized.

Because the hearing ran late President Lundblad was unable to be present to testify. Chair Renier apologized for having to rush the presenters and thanked them for taking the time to address the committee. The FY2011 Operating Budget will have a second reading at the May Committee meeting.

The hearing adjourned at 12:00 noon.

Respectfully submitted,
Nancy Lamden, Recorder