

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities

**Date of Meeting:** June 21, 2011

**Agenda Item:** 2011 Office of the Chancellor Performance Report – Finance and Facilities Division

Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring

Information

**Cite policy requirement, or explain why item is on the Board agenda:** The Board of Trustees requested that this report be developed and presented annually in each of the Board's committees.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor - Chief Financial Officer

**Outline of Key Points/Policy Issues:** The performance report includes four sections that provide information about the current and projected budget of the division; the functions performed by the division and how they differ or complement those of the institutions; a listing of major goals and accomplishments for FY2011 and preliminary division goals for FY2012.

**Background Information:**

This report is part of a larger report on the performance of the Office of the Chancellor for FY2011. It was developed in response to the Office of Legislative Audit recommendation in the 2010 Office of the Chancellor Evaluation that suggested greater Board oversight of the office.

Office of the Chancellor Performance Report  
Finance and Facilities Division

**I. Multi-year Financial and Personnel Data**

Cost Category / Financing	2010-2011 Biennium		2012-2013 Biennium	
	2010 Actual	2011 Estimate	2012 projection	2013 projection
Salaries & Benefits	\$5,799,941	\$5,239,014	\$5,967,242	\$5,967,242
Consulting Contracts	1,736,802	1,885,149	0	0
Other Administrative Costs	5,122,894	3,884,453	5,576,907	5,576,907
Total Administrative Costs	\$12,659,637	\$11,008,616	\$11,544,149	\$11,544,149
Less: External Funding (1)	1,716,831	1,372,915	2,780,420	2,780,420
General Fund Financed Costs	\$10,942,806	\$9,635,701	\$8,763,729	\$8,763,729
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	\$5,280,762	\$5,431,461	\$5,082,963	\$5,082,963
Systemwide Services	5,662,045	4,222,140	3,680,766	3,680,766
Division Employee FTE (2)	59.75	63.20	64.30	64.30

(1) Includes construction management fees, risk management, workers comp and Revenue Fund

(2) 2011 FTE increase due to reorganization functions between divisions.

**II. Explain the structural distribution between the functional duties performed by this division and similar activities performed by the colleges and universities.**

**Policy Leadership**

Board policies and procedures are prepared for adoption by the board. Implementation occurs at either/both the system level and the college and university level. Colleges and universities as well as the Office of the Chancellor develop local policies within the authority granted by the board to affect activity on their local campus

**Budget**

The Budget Unit: Operating budget functions occurs at the system level – requests for state appropriation are made on behalf of the system and once received are allocated to each college and university. Colleges and universities prepare budgets adding tuition and other revenue to available resources and then allocating to the departments and functions with the college or university.

Provides financial planning parameters and tuition guidance for budget development. Colleges and universities develop finance plans and recommend tuition and fee rates.

Requests state appropriation for the system, allocates available appropriation to the colleges and universities, and monitors various aspects of college and university budgets throughout

## Office of the Chancellor Performance Report Finance and Facilities Division

---

the year. Colleges and universities develop budgets at the local level (which includes appropriation, tuition and other revenue), allocate resources to departments and functions with their individual institution, and monitor/adjust budgets throughout the year.

Prepares Board policies and procedures for adoption by the Board. Colleges and universities develop local policies within the authority granted by the Board to affect activity on their local campus.

Distributes state appropriation to colleges and universities for base support via an allocation framework. Data is obtained, numerous formulas are run, and a state appropriation allocation is calculated for each college and university. Colleges and universities determine how to spend the appropriation received through the allocation framework.

Extracts the student enrollment and finance data and distributes to each college and university for their review and completion of cost study. The unit compiles the individual college and university instructional cost studies into a systemwide report. The system cost study as well as individual cost studies are made available to each college and university for use in academic program management.

Each college and university completes an annual instructional cost study using the data generated from the Budget unit. The instructional cost study displays a cost per student for each academic program by level of instruction. Many colleges and universities use the instructional cost data in their program review processes and for academic program management.

Has responsibility for overseeing improvements made to the allocation framework; staffing a Technical Advisory Committee (composed of academic, student and finance officers) which is charged with on-going analysis and review of the operation and design of the allocation framework and its components.

Has responsibility for conducting research and preparing systemwide studies and reports such as tuition and fees, cost of attendance, and various legislative reports. The tuition and fee study addressed current tuition and fees policy, tuition comparison at national level, tuition revenue dependency, the role of financial aid in the cost of attendance, and total spending per student comparison at national level. System studies are designed to assist the Board of Trustees in the areas of program design and policy setting.

### **Facilities**

Facilities planning: Policy guidance and technical oversight for the preparation of campus master facilities plans happens at the system level and a single, systemwide capital budget

## Office of the Chancellor Performance Report Finance and Facilities Division

---

request is developed. Per Board policy, staff tracks five-year update milestones and works with campuses and their architectural consultant in developing the master plan update. Staff makes recommendations for plan development, critiques technical substance and progress, and recommends approval action to the Vice Chancellor - CFO. Colleges and universities engage the consultant and manage the master plan update with campus constituencies based on the OOC guidelines and timetable for review and approval.

Provides technical oversight for the preparation of capital project predesigns, a necessary and required component of planning prior to capital project funding. Colleges and universities engage the architectural consultant and develop the predesign document based on board and OOC guidelines. Staff review the document at various stages of development, make recommendations to the campuses, and make final recommendation for approval to the Vice Chancellor - CFO.

Develops biennial capital budget guidelines to frame the development of capital projects for state funding. After board approval of the budget guidelines, staff manages development of the capital budget with input from each college and university. After approval of the capital budget by the board, staff manages the submission of the capital budget to the governor and Legislature, and advocates for legislative approval of the board-approved project list. Staff assists campuses with legislative visits during which legislators learn more details about capital project needs. Staff acts as primary source of project information for MMB, governor's office and the Legislature.

Develops policies, procedures and guidelines to assist campuses with their efforts towards building and maintaining a sustainable campus. Included are guidelines and standards for facilities planning, design and construction; reporting accomplishments to the board; and researching various methods of contracting with consultants to achieve positive results on campus. Staff develops a systemwide method to measure, compare and report on energy consumption and conservation. Campuses are responsible for taking the necessary actions to conserve energy, engage faculty and students, and generally promote on-site sustainable actions and initiatives.

Develops policy and procedures for all contract actions for capital and other projects' design and construction. Staff oversees contracting at colleges and universities and provides assistance, training, monitoring, reporting of progress, and resolving problems with project delivery. Staff ensures compliance with state procurement requirements for design and construction, including design and construction standards, prevailing wage requirements, a number and variety of statutory requirements, quality assurance, and fiscal integrity. Colleges and universities manage the day-to-day design and construction work activity with oversight and assistance provided by Office of the Chancellor staff.

## Office of the Chancellor Performance Report Finance and Facilities Division

---

Manages and oversees the entire portfolio of over 26 million square feet of space located on over 6,000 acres; provide assistance to campuses for real estate transactions, including easements, licenses, property sales and dispositions; reviews documents for conformance to state and system requirements. Staff creates and maintains systemwide data bases of real estate holdings, leases, campus boundaries and related information.

Manages the Revenue Fund from a central perspective, as the fund is legally and financially a single financial enterprise. Based on campus input, staff develops long and short ranges capital requirements and plans, and executes revenue bond sales in support of campus capital requirements. Staff provides oversight to annual Revenue Fund operating budgets and reporting to the Board. Operation of site-specific Revenue Fund activities, including residence halls, student unions, wellness centers, some parking and dining services is accomplished on campus.

Provides systemwide perspective and oversight of many risk management activities principally centered on casualty, property and liability insurance; coordinates with the state Admin in the management of a property and casualty program, and other insurance products as needed by campuses.

Colleges and universities prepare local emergency plans, and coordinate their development with the Fire Center which provides oversight, guidance and assistance as needed.

Assists campuses with local compliance activities in the area of employee and student safety, hazardous waste disposal, and a variety of environmental compliance activities. Campuses are responsible for effective day-to-day management of safety and environmental compliance.

### **Financial Reporting (includes Campus Assistance)**

Financial Reporting group: At the system level the OOC provides leadership, guidance, training and tools aimed at college and university management and improvement of campus financial health and financial operations through the Financial Reporting group. Financial health is measured on an accrual basis with a focus on a composite financial index measurement basis, which is also used by the Higher Learning Commission of the North Central Association to assess members' financial health in relation to accreditation.

Provides professional accounting and audit pronouncement interpretation and implementation guidance. The group is responsible for Fundware, the supplemental accrual accounting and reporting package used to produce GAAP financial statements, systemwide financial reports and related audits including the systemwide consolidated annual report and the Revenue Fund annual report, and directly supports the external GAAP audits of thirteen

## Office of the Chancellor Performance Report Finance and Facilities Division

---

universities and colleges and unaudited financial statements and related annual internal of twenty-three unaudited colleges.

Establishes and maintains appropriate accounting policies and procedures ranging from those with a day-to-day focus to those required for year-end financial statements. The Campus Assistance group is responsible for resolving accounting and procedure issues, monitoring systemwide financial data to ensure data integrity, training of college staff in areas such as local and state treasury bank reconciliations, and providing a wide range of additional accounting, business process, payroll, ISRS finance modules' support and other support to campuses as requested.

Supports other college/university and systemwide reporting to varying degrees and includes items such as quarterly Interim Financial reporting, IPEDS reporting, Higher Learning Commission CFI reporting, meeting state and federal government requirements, and ad hoc reporting as needed to support campus management needs.

The colleges and universities are responsible for campus use of ISRS finance modules including the accounting module and all student services uses, preparation and analysis of campus financial statements and supporting footnotes, calculation of required financial performance measures, preparation of other financial reports, responding to auditors' questions and documentation requirements, compliance with board accounting and reporting policies and procedures, and internal controls documentation and maintenance.

The Financial Reporting group also includes a tax services group and a student loans processing center, providing centralized services to colleges and universities.

The tax services group ensures accurate and timely payment of Minnesota State Colleges and Universities federal and state tax obligations as well as compliance with federal and state reporting requirements. As a single legal entity, the system has a single federal taxpayer ID that in turn drives federal consolidated compliance and reporting combining all system colleges and universities. Primary tax compliance and reporting areas.

The Student Loan group manages collection and repayment of \$33 million in Federal Perkins' loans for over 13,000 of the systems' highest need students at 20 colleges and universities. The unit also plays a lead compliance and reporting role assuring compliance with complex federal student loan regulations. Laxity in loan collection efforts can result in higher loan default rates, which in turn can result in overall Perkins Loan program ineligibility.

The Student Loan group provides a centralized student loan collection unit for all Minnesota State Colleges and Universities that participate in the Federal Perkins Loan program. (20

## Office of the Chancellor Performance Report Finance and Facilities Division

---

colleges and universities) currently \$33M; 13,743 loans. *Colleges and universities* award and disburse the funds and completes the annual Fiscal Operation Report filed with the federal government.

The Student Loan group also administers the online e-payment process (web payments) where student tuition and fee payments can be made via the web using a credit card or e-check. Processing is through a single vendor processing contract. FY2010 volume was \$177.4 million representing 259,124 individual payment transactions. Centralization of this e-payment process has resulted in significant cost savings through elimination of multiple set-up and maintenance costs and volume-based fee reductions.

Finally, the Business office/financial operations unit ensures the accurate and timely handling of system office transactions through appropriate application of board policy and state laws. The Business Office group provides a range of accounting and payroll services for operations of the Office of the Chancellor and related staff.

### **III. Cite performance metrics and major accomplishments from the past year (tie to prior year division/committee work plan, if possible).**

#### **2011 Work Plan Accomplishments**

Development and systemwide training for long range financial forecasting tools- this two year project was completed and all new procedures are now in place. Campuses are working with the new guidelines as a part of their 2011-2012 management reviews. Implementation is rolling with the availability of financial and management related data.

FY2012-2013 Biennial Operating Budget Request - The biennial budget request was adopted in November and forwarded to the legislative and executive branches. Board members, Chancellor' office staff and campus leadership and staff devoted significant effort to communicating with campus communities, legislative members and staff and the media concerning the adverse impacts to our mission of educating Minnesotans. Final action is still pending but the emerging outcome is a significant reduction to MNSCU and tuition increase limitations.

Complete restructuring and budget reductions for the Office of the Chancellor- The chancellor directed a full study with re-organization and reduction targets. The work was completed and announced in December 2010 with the elimination of several areas of activity, the reduction of 40 FTE and a budget reduction of \$4.2 million for FY2012.

Launch of the Campus Service Cooperative – The goal was to have this group in place and operational by June 30<sup>th</sup>. Actual start date is May 23<sup>rd</sup>. There are start up customers in place,

## Office of the Chancellor Performance Report Finance and Facilities Division

---

service level documentation methodology has been established and a service rate methodology in place.

Design of the Resources for Results model – The Resources for Results model was presented to the Board in April 2011. The Board indicated comfort with the design and urged adoption targeted for Fall 2013 at the earliest. The Board acknowledged that pending legislative direction could accommodate the design and the implementation timetable.

Launch College and University Financial Health Indicator/Measurement Project – Final procedures have been signed and posted. Training has been provided to CFOS and application has begun.

Complete FY2012-2017 Capital Budget Request – Scoring teams executed their work in January 2011. Certain projects presented to the Board at a special meeting in February 2011. Legislative action in 2011 still pending. The Board will be asked to approve the FY2012-2017 capital program at its June meeting.

Provide Collaborative Sourcing Team leadership – Steady progress this year with completion of a new strategic plan, several contract partnerships with the state of Minnesota and collaboration with the UM on a shared software tool.

Complete College and University FY2012 Operating Budget- presentation to the Board is scheduled for June 2011 notwithstanding the absence of a 2012-2013 state omnibus higher education bill. Tuition and fees along with operating budget, strategic plan supported investment areas and reduction efforts will be presented by each college and university.

Achieve Student First milestones for single bill/single pay – target goals completed with substantial milestone accomplishments this year. Several interfaces are in service, the core merge and pilots are done and required policies and procedures adopted by the Board and the chancellor.

Complete FY2010 Financial Statements -All financial statements completed on time with audits completed and no material weaknesses or significant deficiencies identified, Campus talent is in place and effort goes more smoothly every year. Presidents have invested time and resources in this area and the results are very positive.

Complete planned Revenue Fund Bond Sale – Project planning and sale support completed on schedule. Rating agency relations are good and the system is well regarded in the bond market. Achieved interest rates continue to perform slightly better than the face rating on the bonds indicating that the buyers have strong confidence in our program and discipline.



## Office of the Chancellor Performance Report Finance and Facilities Division

---

### **IV. Identify major division/committee work plan activities planned for upcoming year.**

Systemwide Long Term Financial Planning – Centerpiece of Fiscal Sustainability work plan goal in 2012 - envision a ten year framework for operating outlook developed in consultation with CFOS and Leadership Council. Framework would include both revenue and expense cash and accrual modeling for all funds and anticipates new program development/innovation and capital investment requirements.

Office of the Chancellor re-structuring – a new conceptual model for the role and financing of the Office of the Chancellor is warranted. The project would examine new financing methodologies, changes to services and relationships to campuses and articulate a long term policy and financial foundation for the office.

Campus Service Cooperative phase 2 - FY2012 will see the rapid deployment of the co-op with new customers and a filling out of the services menu. The phase 2 plan will establish the definition of success for 2012 efforts and outline the strategies and action steps necessary.

Systemwide administrative master plan – some Board members have expressed interest in a conversation concerning opportunities for regionalizing administrative leadership. The project would examine the opportunities, challenges and risks of such a structure.

Capital finance long term master plan – As a part of #1 above, the project would articulate the system wide capital investment requirement over the next 10-20 years and examine alternative methods for financing the requirement. A central part of the plan would analyze the cost burden associated with fixed assets and offer recommendations for right-sizing the capital plant.

Promote FY2012-2017 Capital Budget.

Collaborative Sourcing Team leadership – Aggressively develop a strategic purchasing/contract negotiation program with top 5- 10 spend areas redesigned in 2012. Campus participation will be encouraged and rewarded.

Grow the Enterprise Risk Management approach to risk management within the system.