



**BOARD OF TRUSTEES
STUDY SESSION
WEDNESDAY, NOVEMBER 14, 2012
8:00 AM**

**MINNESOTA STATE COLLEGES & UNIVERSITIES
McCORMICK ROOM, 4TH FLOOR
30 7TH STREET EAST
SAINT PAUL, MN**

Board of Trustees – Study Session
Chair Clarence Hightower

- System Finances (Finance 101) (pp. 1 – 29)

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

Agenda Item Summary Sheet

Committee: Board of Trustees

Date of Meeting: November 14, 2012

Agenda Item: System Finances (Finance 101)

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda:

Board policy 1A.2 part 5, Subpart B. provides guidance on the role and responsibility of the Finance and Facilities Committee.

“...The Finance and Facilities Committee is charged with oversight of all systemwide fiscal, facility and technology matters, matters related to system pension plans, and oversight of system/foundation relations and development. This includes biennial budget development, tuition, allocation formula, capital budget requests, and annual gifts and grants reports.”

The purpose of the report is to provide a high level overview of the system’s financial profile.

Scheduled Presenter(s): Laura M. King, Vice Chancellor of Finance – CFO

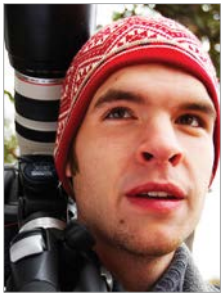
Outline of Key Points/Policy Issues:

This overview will provide context for Board members regarding Minnesota State Colleges and Universities’ current financial condition and information about the system’s financial position. The presentation will illustrate the oversight structure articulated in Board policy and the parameters under which decisions are delegated. Finally, the presentation will increase Board knowledge of key components of the system’s all funds budget.

Background Information:

The Minnesota State Colleges and Universities system has a complex, multi-layered budget that relies on state appropriation, tuition, grants, bonding, auxiliary, enterprise and other kinds of revenues to support its ongoing commitment to providing affordable, high quality education to the learners of today. The Board of Trustees, as the system’s highest oversight authority, holds fiduciary responsibility for this budget and provides leadership to the system’s framework and the Board’s role in promoting and ensuring sound financial practices.

System Finances (Finance 101)



Board of Trustees
November 2012

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

Board Responsibilities

- Finance Committee Charge in Board Policy
 - Provide Oversight
 - Set Policy
 - Approve Certain Decisions

Financial Decisions Requiring Board Approval

- Revenue and Expenditure Annual Operating Budget Plans
- Establishment of Reserve Policy
- Biennial Budget Requests
- Tuition and Fee Rates and Optional Fee Maximums
- Room and Board and Student Union Facilities Rates and Fees
- Contracts of Three Million Dollars or More
- Criteria for Multi-year Capital Budgets and Prioritized Multi-year Capital Budgets
- Sale or Disposition of All Real Property and Certain Acquisitions
- Revenue Fund Bond Sales
- System Information Technology Long Range Strategic Plan
- Approval of Finance and IT Related Policies
- Retirement Program Administration and Oversight

Financial Authorities the Board has Delegated to the Chancellor

- Procurement and Professional/Technical Contracts Over \$100,000
- Construction Contracts Over \$250,000
- Master Facilities and Master Technology Plans for All Colleges/Universities
- Execution and Delivery of All Documents regarding the Acquisition, Disposal, Transfer or Leasing of Real Property after Board Approval
- Systemwide Reserve and Institutional Reserves per Board Policy
- Naming of Buildings, Sites and Common Areas

Financial Authorities the Chancellor has Delegated to the Presidents

- Administrative and Financial Management
- Budget Monitoring
- Purchases and Professional/Technical Contracts up to \$100,000
- Optional Fees up to Board-approved Maximums
- Individual Tuition and Fee Waivers per Policy
- Fundraising for the College/University
- Acceptance of Gifts and Grants, except for Real Property
- Leasing Real Property
- College/University Financial Reporting
- Campus Policy on Computer and Network System Use and Security

Board Risk Management Strategy

- Annual Financial Statement/Audit Discipline
- Operating Budget Reserves Maintenance/Improvement Policy
- Unrestricted Net Asset Improvements
- Composite Financial Index Improvements
- Capital Improvements tied to Facilities Condition Index

Vice Chancellor Assurance Practices

- Annual Financial Reviews with Campus Leadership
- Monthly, Quarterly and Semiannual Monitoring Reports
- Exception Reporting Systems
- Watch List and Work Out Protocols
- Regional Financial and Facilities Quarterly Management Meetings
- Strong Communication Systems

Revenue Drivers

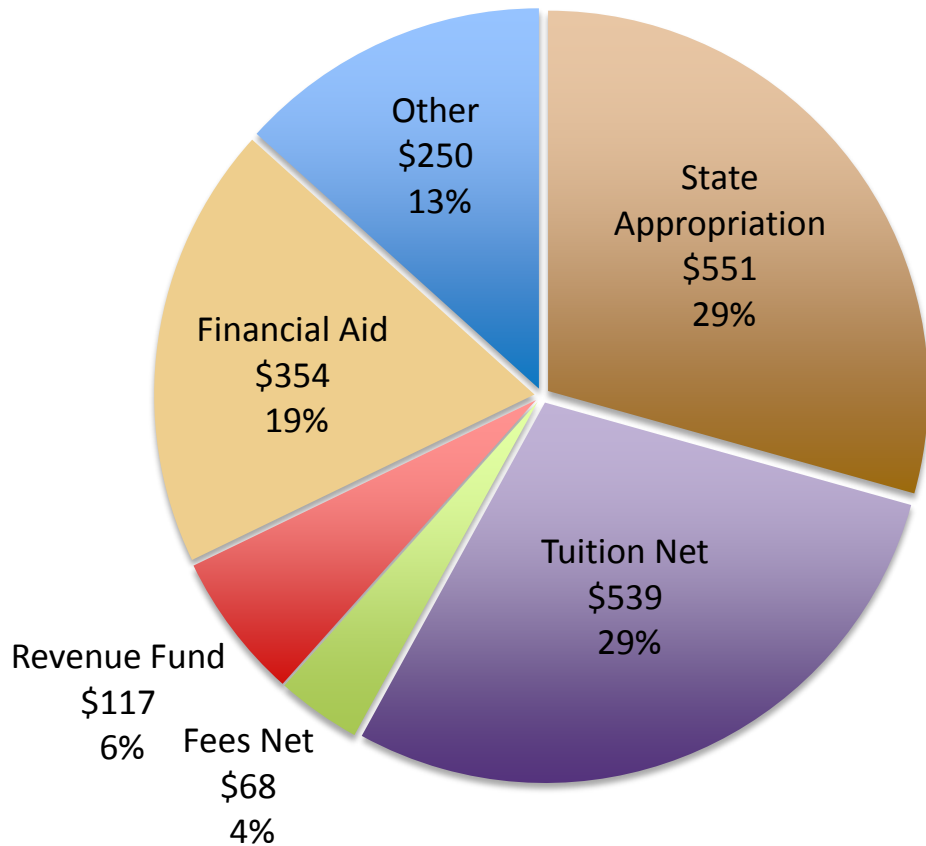
- State Economic Outlook
- Public Support for Public Higher Education Systems
- Tuition Rate Structure and Competitive Environment
- Overall Enrollment
- Federal and State Financial Aid Funding Policy

Cost Drivers

- Negotiated Contracts (Salaries and Benefits)
- Enrollment Changes Up or Down
- Health Care Costs (Employer-paid Insurance Cost)
- Technology (Investments in New Technology and System Maintenance)
- Size of Campus Physical Plant - Building Operations, Maintenance and Preservation

FY2012 All Funds – Revenues

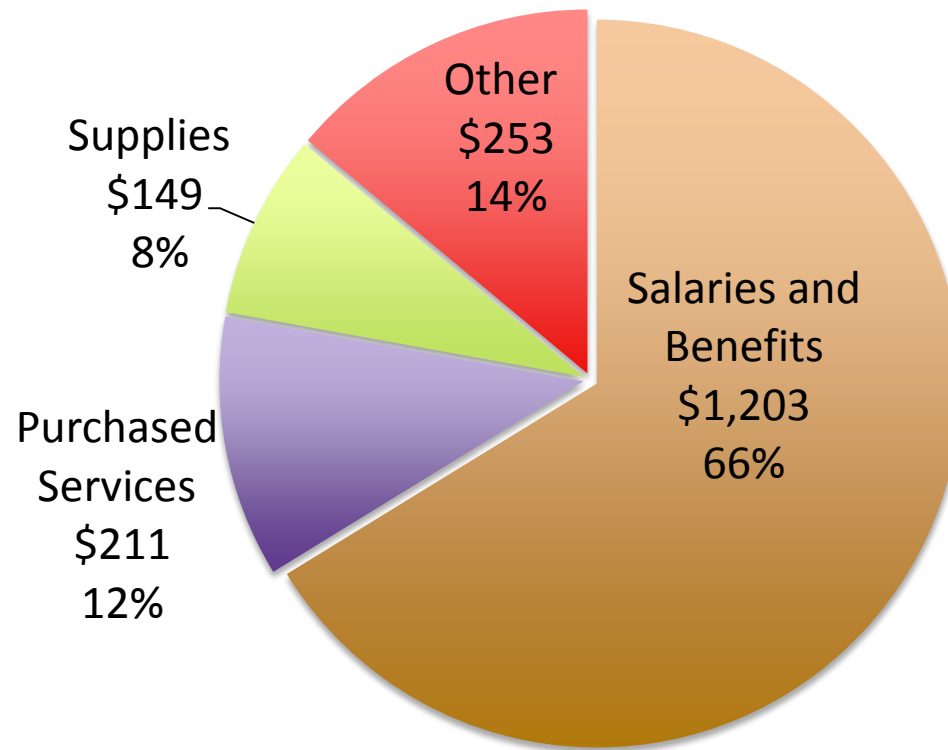
(in millions)



Total = \$1,879 M

FY2012 All Funds – Expenses

(in millions)



Total = \$1,816 M

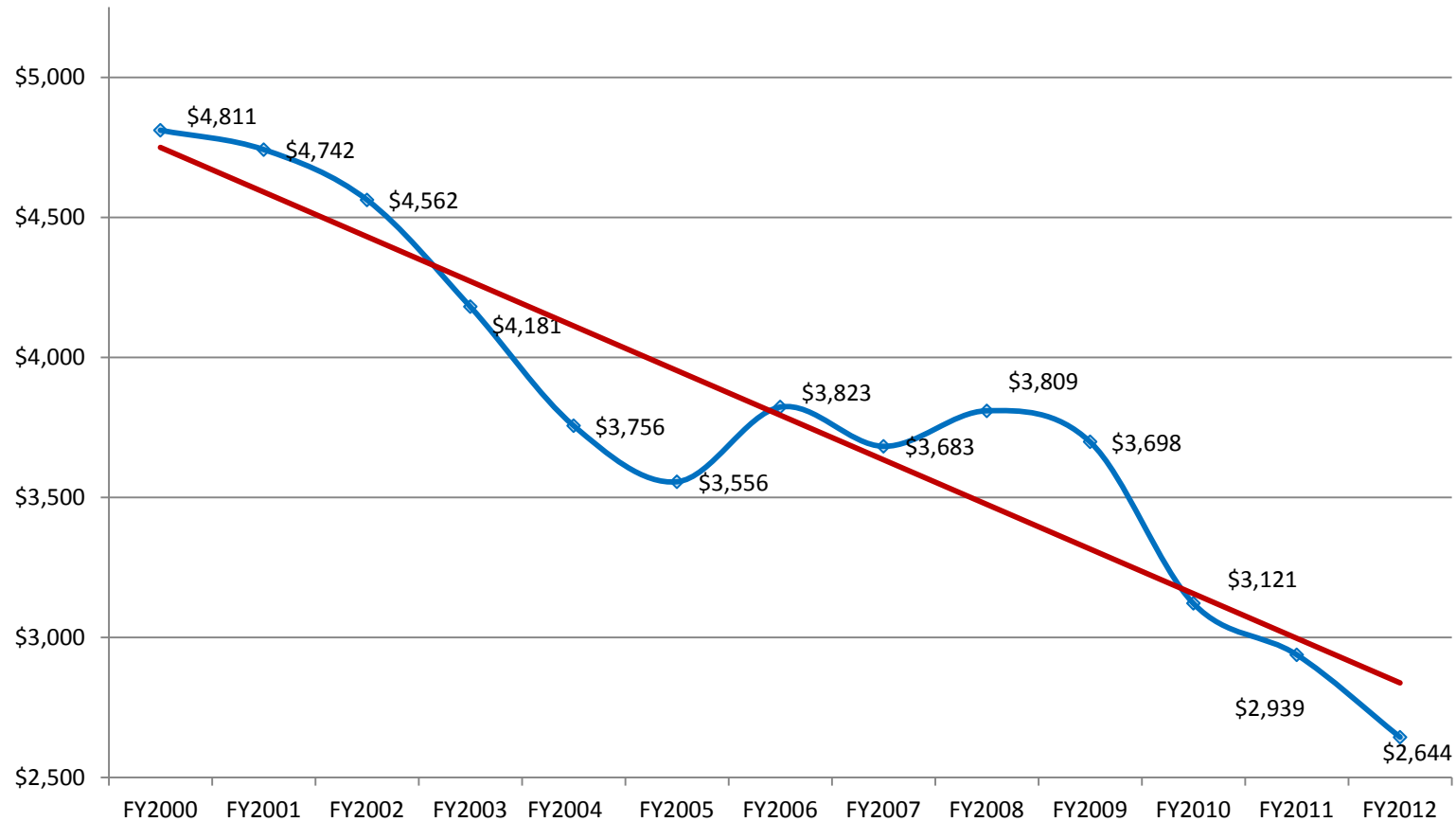
Revenues and Expenses

FY2010-2012

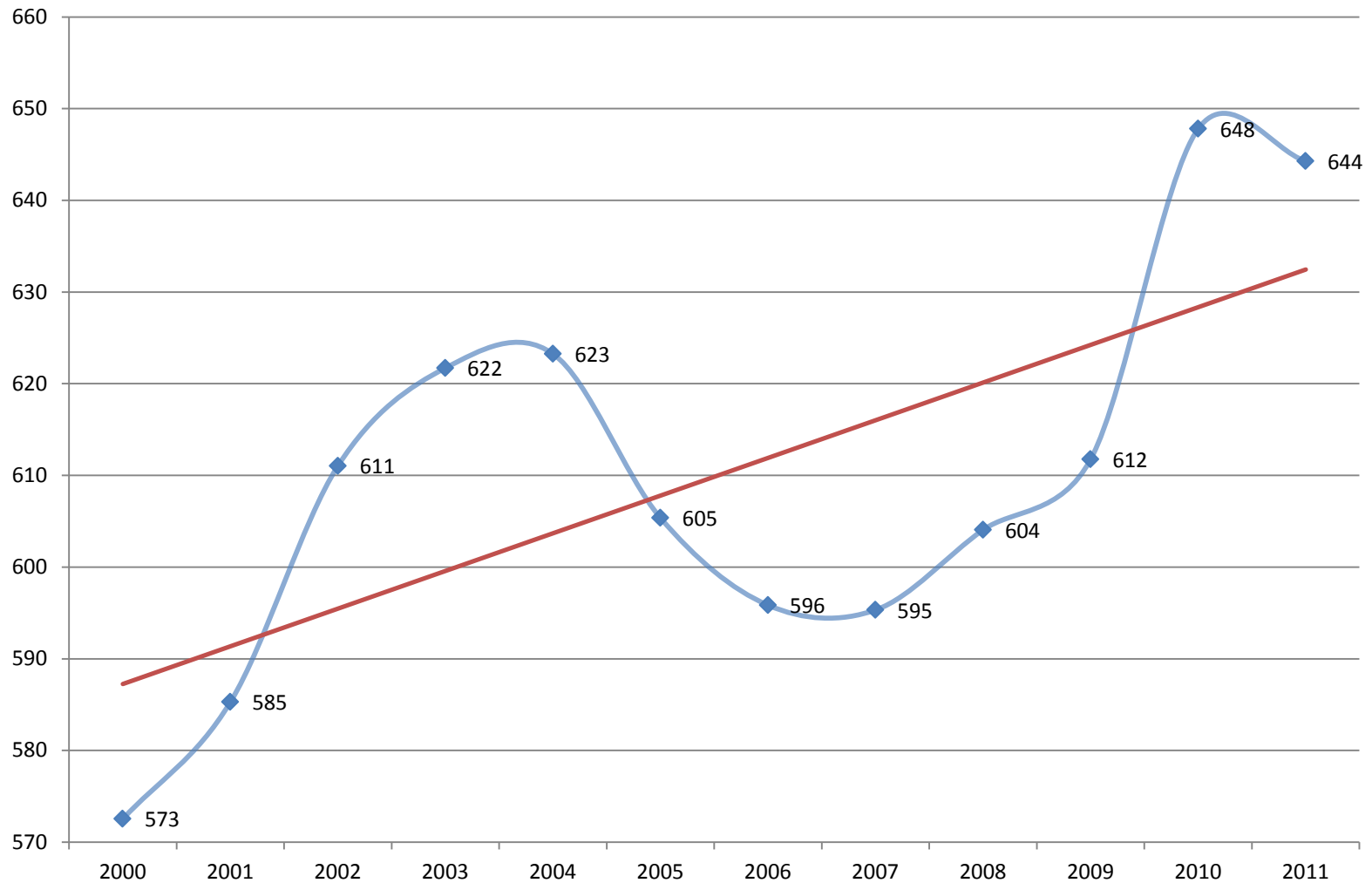
(in millions)

	FY2010	FY2011	FY2012
Revenue	\$ 1,936	\$ 1,980	\$ 1,879
Expenses	\$ 1,867	\$ 1,904	\$ 1,816
Difference	\$ 69	\$ 76	\$ 63
Difference as % of Revenues	3.6%	3.8%	3.4%

Total State Support per MnSCU Student is Down Over 45%



Faculty Productivity is Up 12.4%

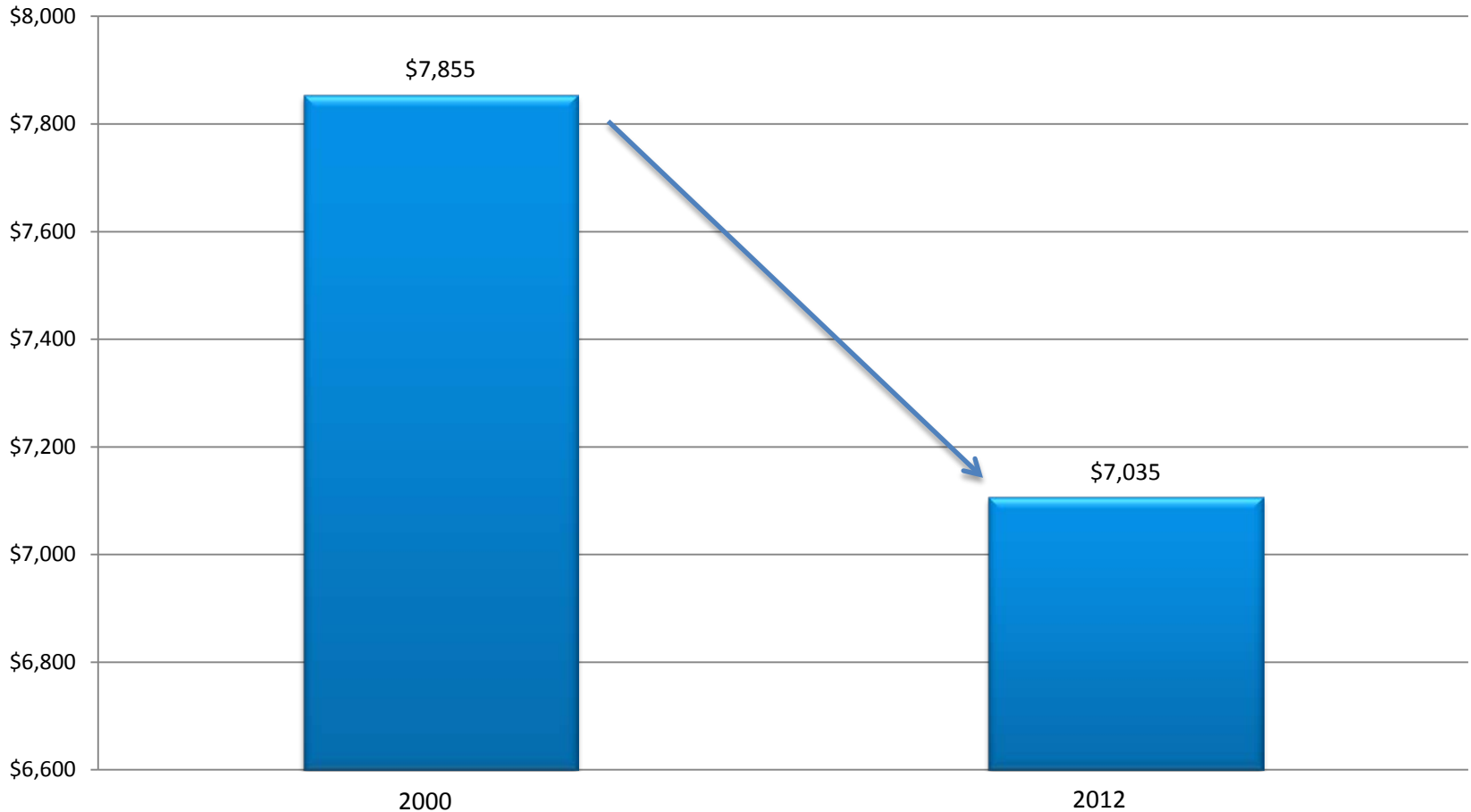


MnSCU Credit Hours Per Instructional Faculty



Minnesota
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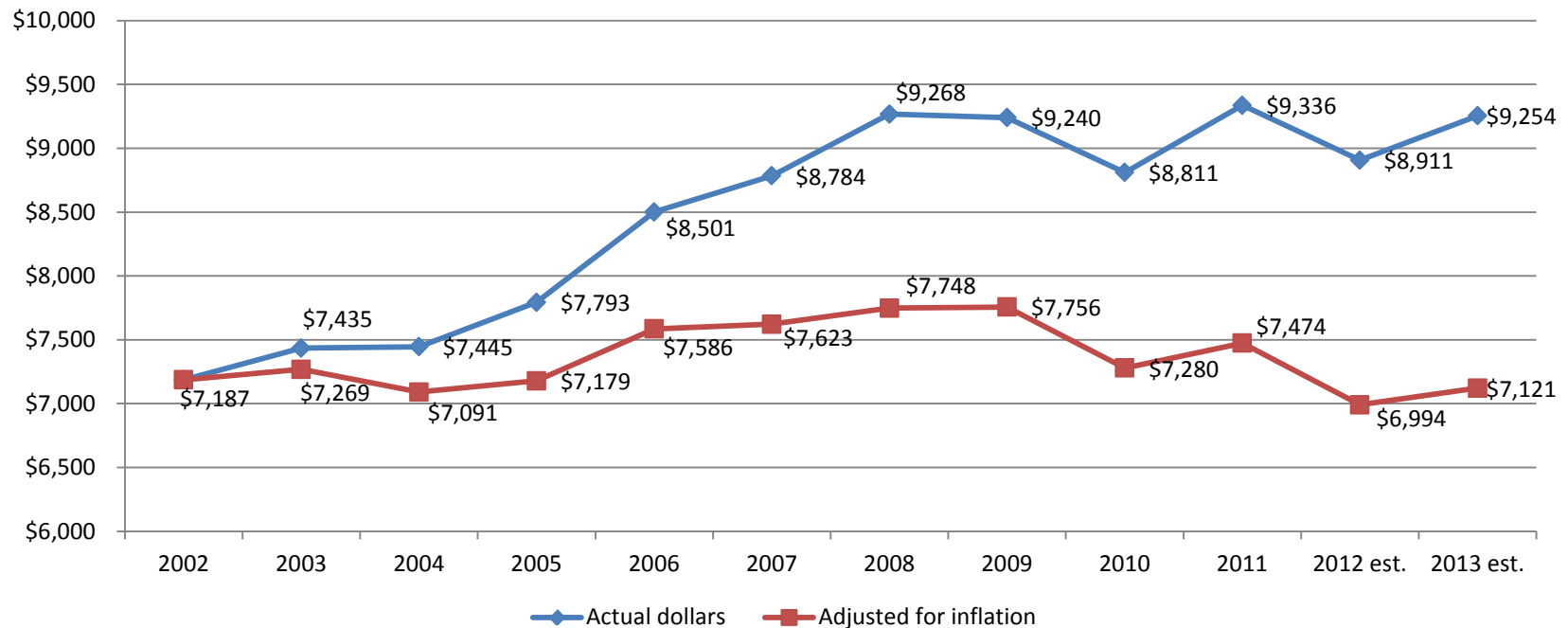
Real Cost of Educating a MnSCU Student Down 10%



MnSCU Total General Fund Expense Per Student (adjusted for inflation)

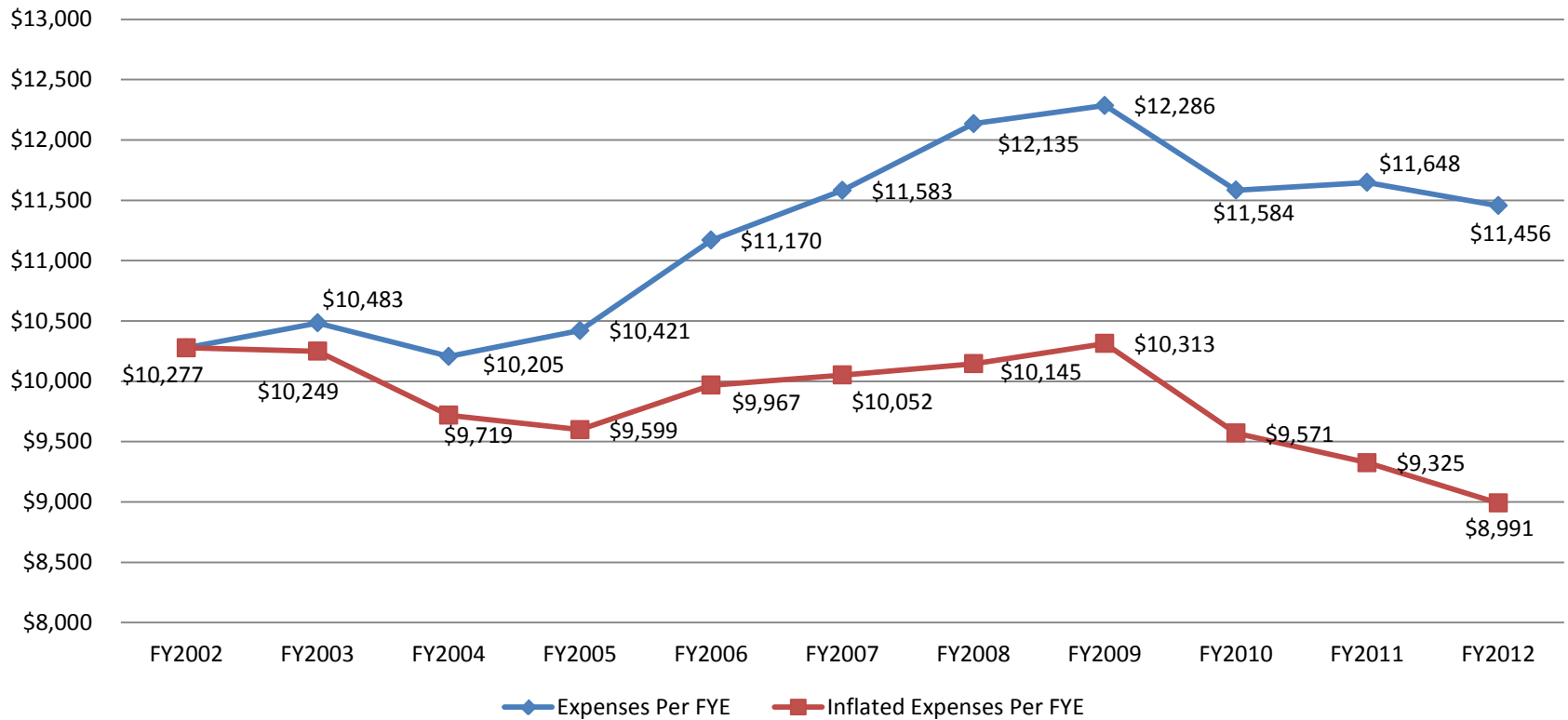
State Appropriation and Tuition Revenue per Full-Year Equivalent Student

State appropriation and tuition revenue per FYE has remained fairly constant when adjusted for inflation.



Expenditures per FYE

Expenses per FYE have mostly declined or stayed constant when adjusted for inflation.



Primary Dynamics

- Enrollment – Local Management within System Strategic Framework
- Tuition and Revenue – Board establishes Rates, Colleges/Universities Collect and Spend
- Financial Aid Revenue – State and Federal Program Guidelines
- Gifts and Fundraising – Colleges/Universities Solicit and Spend
- State Support – Established by Legislature, allocated per Board-approved Method
- Wage and Benefit Costs – Based upon State or Board-approved State-wide Contracts

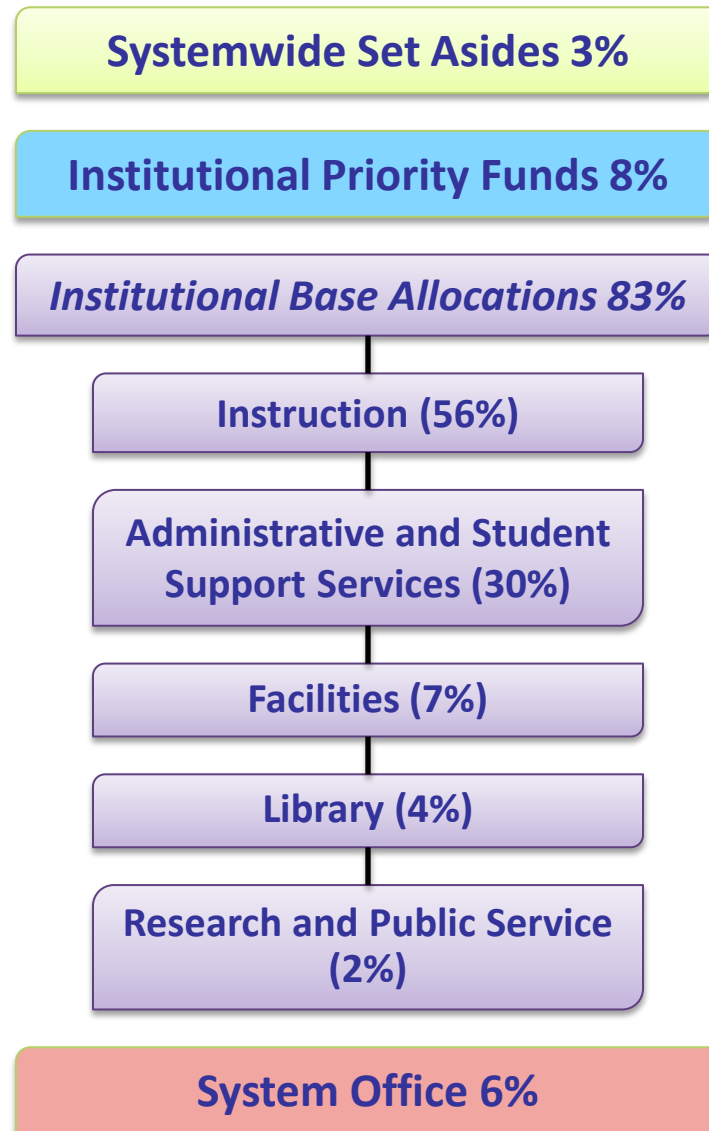
Allocation Framework: Distribution of State Support to Colleges and Universities

- A single model that equitably recognizes the diversity of Minnesota State College and University students' needs and supports the unique educational goals of each institution
- Allocation of funds are based on a number of factors such as enrollment, cost of instruction, national benchmark data, and other institutional data
- Allocation Framework distributed \$441M in FY2013 as base allocations to colleges and universities
- Framework now under study for possible redesign as part of the Strategic Framework

State Support Allocation

- Institutional Allocations: Priority Funds and Institutional Base Allocations
- Systemwide Set Asides: Enterprise Technology, Debt Service (system share), Attorney General, etc.
- System Office Support

Allocation Framework Design



The Allocation Framework takes into Account the Cost of Delivering High Cost and Low Cost Programs

	Low Band	High Band	Difference	Average
Anthropology	\$ 1,035	\$ 1,265	\$ 230	\$ 1,150
Ground Transportation	\$ 3,752	\$ 4,585	\$ 833	\$ 4,169

Current Allocation Framework

- Rewards Cost Efficient Instruction
- State Funds follow Enrollment Changes
- Substantially Formulaic

Design Questions Present in Current Allocation Framework

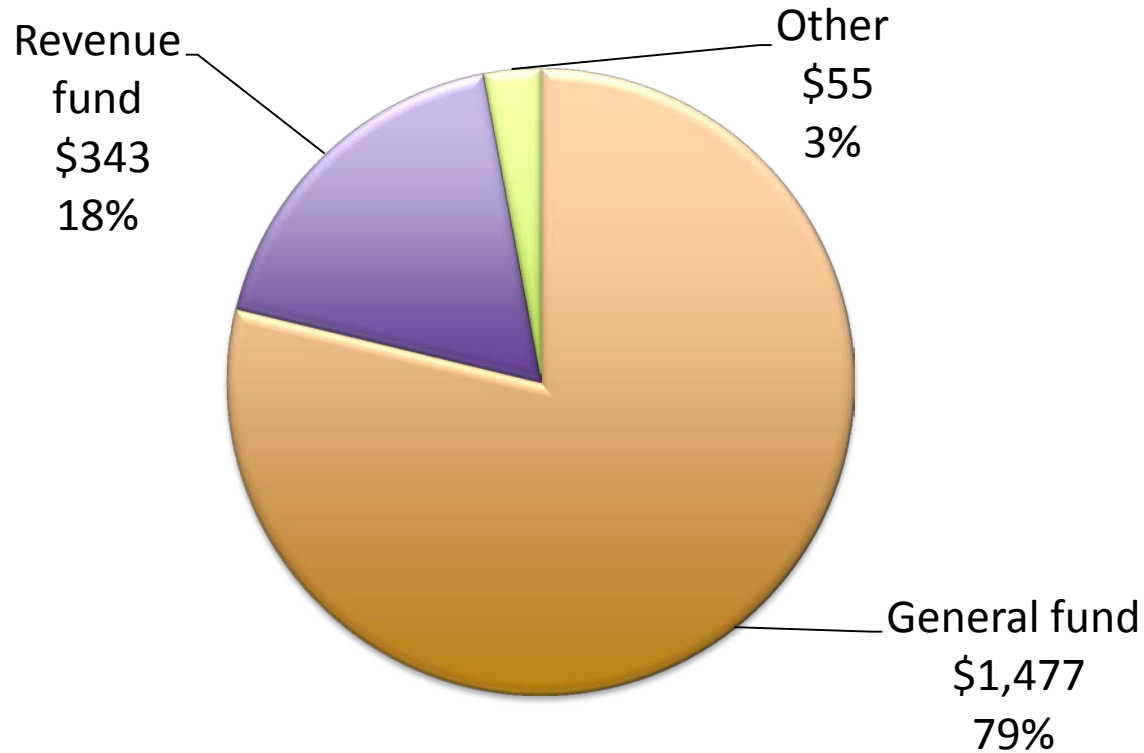
- How well does the current Allocation Framework advance the Strategic Framework?
- How well does it incent and reward outcomes?
- How well does it incent and reward collaboration?
- How well does it properly balance the need for stability with responsiveness?

Capital Financing

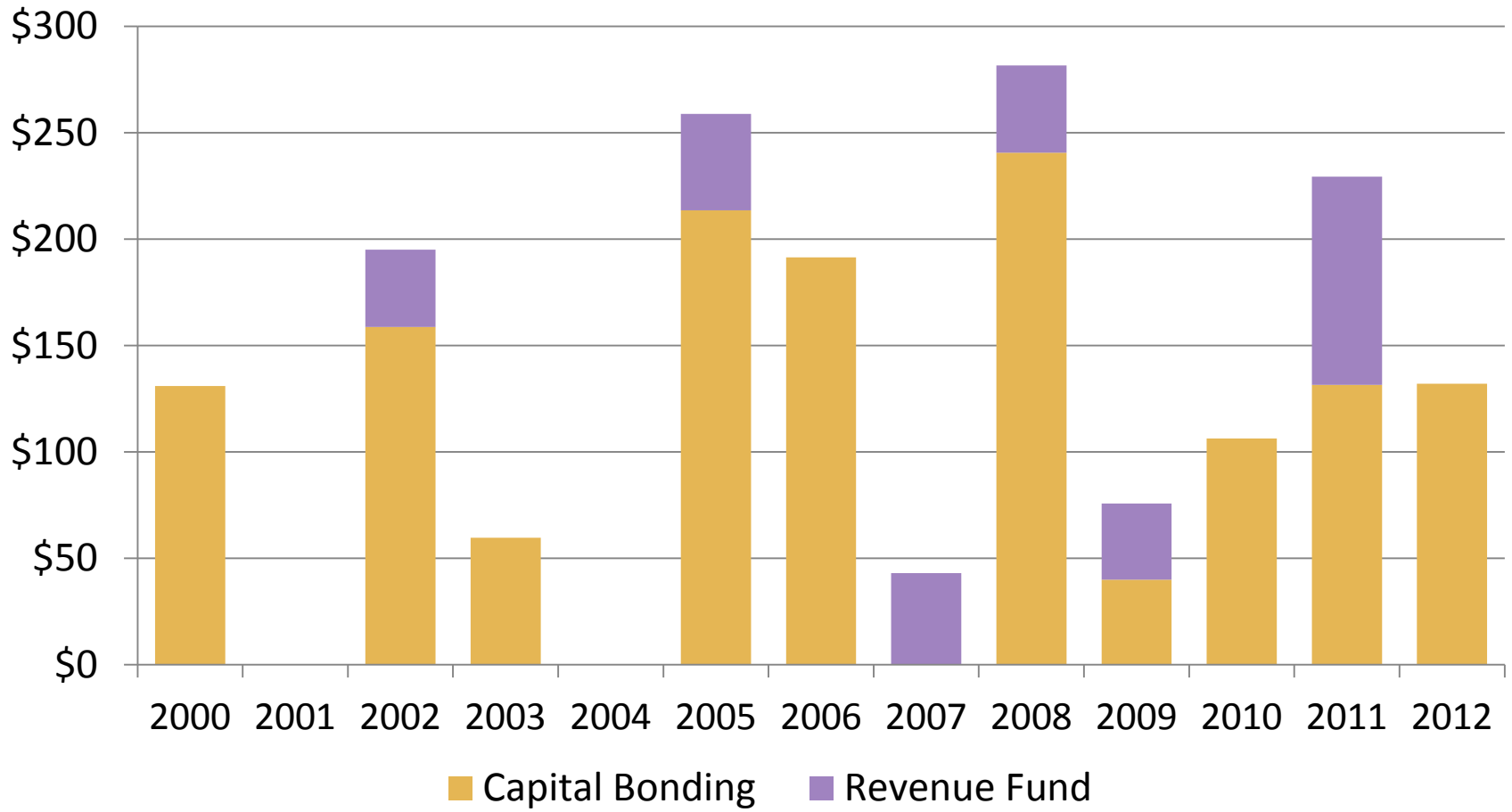
- General Obligation bonds sold through the state to finance new construction, renovation or demolition of academic and program space to improve learning
- Revenue bonds sold through the system to finance revenue producing facilities such as dormitories, dining halls, student unions, parking, etc.

FY 2012 Capital Assets, Net

(in millions)

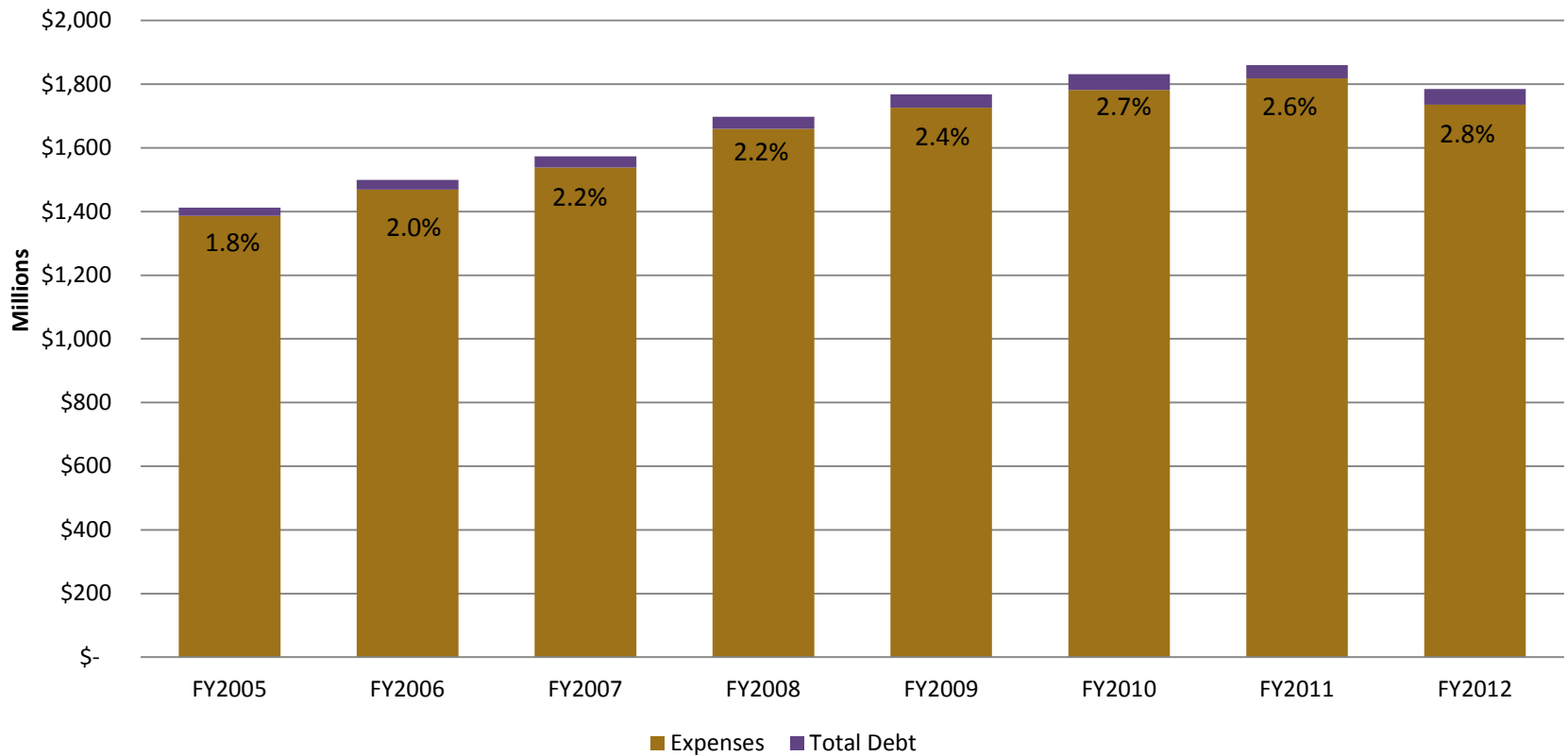


Capital Investment FY2000 - 2012



Debt Service as Percent of Total Expenses

While continuing to invest in infrastructure, debt service has remained a fraction of overall MnSCU expenses.



FY 2014-2015 Financial Outlook

- Improving (but uncertain) State Funding Environment
- Continued Commitment to Affordable Tuition
- Stable Enrollment Projections
- Pending Contract Settlements
- Looming Federal Fiscal Cliff