

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

<b>ACTION ITEM</b>
<b>Fiscal Year 2014 Operating Budget (First Reading)</b>

**BACKGROUND**

Each year the Board of Trustees is asked to approve the annual operating budget for Minnesota State Colleges and Universities, typically at its May and June board meetings. The budget is effective for the fiscal year which runs from the subsequent July 1 through June 30. Material presented in this report reflects the actions of the recently concluded 2013 legislative session.

The information provided in this report includes:

- Legislative Outcome Overview
- All-Funds Budget Overview
- General Fund Budget
- Reallocation Summary
- Revenue Fund Outlook
- Student Consultation Summary

Colleges and universities are updating their preliminary fiscal year 2014 operating budgets to reflect the funding levels and requirements stipulated in the higher education funding bill. These detailed budgets will be presented in the June board materials.

**EXECUTIVE SUMMARY**

- The legislature provided a significant increase in funding for Minnesota State Colleges and Universities (MnSCU) for the 2014-2015 biennium. Total state appropriation for the biennium increased by \$102.3 million, from \$1.091 billion to \$1.193 billion, a 9.4 percent increase. The fiscal year 2014 appropriation increased by \$42.5 million to \$587.9 million, a 7.8 percent increase.
- Most of the new state funding provided by the legislature is dedicated to tuition relief, supporting the strategic framework’s goal of offering the highest value/most affordable higher education option in Minnesota. Tuition rates for undergraduate students enrolled in degree-granting programs will remain at their current levels for both fiscal years 2014 and 2015. The fiscal year 2014 operating budget includes \$25.5 million in tuition relief that will be used to offset tuition revenue that would have been generated from increased tuition rates.

- The legislature also provided \$17 million of *one-time* funding in fiscal year 2014 for the retention of talented faculty and staff. The Chancellor and the Leadership Council will carefully consider how these funds can best be used consistent with the language in the higher education bill that places some special expectations on these funds.
- The legislature also supported the system's request for leveraged equipment funding by appropriating \$7.278 million in fiscal year 2015. This funding will advance the competitiveness of Minnesota's workforce by enabling students to be trained on the state-of-the art equipment they will encounter in the workplace.
- The all-funds and general fund budgets are the consequence of many months of planning by colleges and universities. The \$1.9 billion all-funds budget and \$1.5 billion general fund budget is the result of individual college and university budgets compiled in early May and modifications made to best represent recent and final legislative impacts to the system's operating budget. Revised system level all-funds and general fund budgets will be presented to the Board of Trustees in June.
- Revenue fund fees support auxiliary facilities, such as residence halls, student unions, parking, and other revenue generating facilities. Other than a slight increase in room and board fees, most revenue fund programs are not recommending fee increases in fiscal year 2014.

## **LEGISLATIVE ACTIONS: FISCAL YEAR 2014 OPERATING BUDGET IMPACTS**

Minnesota State Colleges and Universities received a significant increase in state funding for the 2014-15 biennium. Total state appropriation increased by \$102.3 million from \$1.091 billion to \$1.193 billion, a 9.4 percent increase for the biennium. The fiscal year 2014 appropriation increased to \$587.9 million, an increase of \$42.5 million or 7.8 percent.

### **Tuition Buy-Down**

The priority for the legislature was affordability and new state funding was used to keep undergraduate tuition rates at their current level for the next two years. \$25.5 million was appropriated in fiscal year 2014 and \$52.5 million was appropriated in fiscal year 2015 to enable colleges and universities to hold undergraduate tuition rates at 2013 levels. All this funding will be distributed to colleges and universities and used to offset revenues that would have been generated from a tuition increase.

- In fiscal year 2014, full-time undergraduates attending a college will save an average of \$145 and full-time undergraduates attending a university will save an average of \$205 per year.
- In fiscal year 2015, annual savings will increase to \$290 for a full-time college student and \$410 for a full-time university student. Over the two years, a continually enrolled student will save \$435 and \$615.

## **Retaining High Quality Faculty and Staff**

The legislature appropriated \$17 million in *one-time* funding for the retention of talented faculty and staff. The appropriation requires the Board of Trustees to report to the legislature on the use of these funds, including:

- 1) the number of positions retained.
- 2) the criteria used to determine positions qualified for the use of these funds.
- 3) the allocation of the funding by employment category.
- 4) an itemized listing by individual employment positions of persons receiving this assistance, including the percent increase in compensation and peer data comparisons.
- 5) the number of talented faculty and staff positions targeted for retention that were not able to be retained and the reasons those faculty were not retained.

The Chancellor and the Leadership Council will carefully consider how these one-time funds can best be used to ensure access to extraordinary education for our students through the retention of quality faculty and staff consistent with the legislative language.

The structure of the new funds provided by the adoption of the 2013 higher education bill alters the approach the Board of Trustees took in its 2014 - 2015 biennial budget request. The following table identifies the required approach given legislative action.

Table A

### **Minnesota State Colleges and Universities**

#### **2014-2015 Sources and Uses**

*\$s in millions*

<i>Sources</i>		FY2014-15
Tuition Buy-Down	Ongoing	78.0
Reallocations	Ongoing	44.0
<hr/>		
Retain Quality Staff	One-time	17.0
<hr/>		
<b>Total Sources</b>		<b>139.0</b>
<hr/>		
<i>Uses</i>		
Compensation (2.6% per year)	Ongoing	87.0
Compensation (0.77% each year)	One-time	17.0
<hr/>		
Total Compensation		104.0
<hr/>		
Other Operating (3.0% per year)	Ongoing	35.0
<hr/>		
<b>Total Uses</b>		<b>139.0</b>
<hr/>		

### **Leveraged Equipment Funding**

The system's request for leveraged equipment was funded in fiscal year 2015 at \$7.278 million. This appropriation will enable colleges and universities to purchase state-of-the-art instructional equipment so that students can be trained on the equipment they are likely to encounter in the workplace. This initiative will not only increase the skills and employability of our students but also advance the competitiveness of Minnesota's workforce.

The state funds must be matched by cash or in-kind non-state resources, with the details on the source of the matching funds reported to the legislature. Although this funding will not be available until fiscal year 2015, campuses can begin planning for the equipment purchases and start fundraising efforts now.

### **State Grant Program Pilot for Part-time MnSCU Students**

The legislature funded a pilot program that increases the state grant award for many part-time students attending MnSCU colleges and universities. The bill prorates the percent of assigned family responsibility to reflect the percent of time the student is enrolled. This initiative will help make education more affordable for about 7,800 part-time students every year.

### **DREAM Act**

A provision in the bill changes resident eligibility for students who meet the following criteria: 1) high school attendance within the state for three or more years; 2) graduation from a state high school or GED attainment within the state; and 3) for students without lawful immigration status, the filing of an affidavit with the higher education institution that the student has filed or pledges to file an application to legalize the student's immigration status. These students will also be eligible to apply for state financial aid and participate in scholarship programs managed by foundations affiliated with our colleges and universities.

Based on experiences of other states and the system's current tuition structure, this provision is not expected to have a significant near term enrollment or financial impact on MnSCU colleges and universities.

- The Minnesota Office of Higher Education estimates that approximately 300 eligible students will attend one of MnSCU's colleges, and 120 students will attend one of our universities.
- Twenty-three of the system's colleges and two of the universities currently charge the same rate for resident and non-resident tuition.

This provision will provide greater access to higher education and enhance its affordability for eligible students. It also sends a powerful message that college is accessible to all. An estimated 750 students state-wide are affected by this provision.

## **Funding Provisions in Other Bills**

As noted in the legislative update, provisions in several other bills support MnSCU colleges, universities and students. Highlights of these provisions include:

- An increase in the per pupil rate for K-12 education by \$3 per credit will generate approximately \$300,000 in fiscal year 2014 and \$600,000 in fiscal year 2015 in additional PSEO revenue.
- \$1.5 million each year of the 2014-2015 biennium from the workforce development fund for a grant to FastTRAC, a Minnesota Adult Careers Pathway Program.
- One-time funds of \$987,000 in fiscal year 2014 to develop a pilot customized training program for skilled manufacturing industries that integrates academic instruction and job-related learning in the workplace and MnSCU institutions.
- \$94,000 each year of the biennium for statewide mental health counseling support to farm families and business operators through farm business management programs at Central Lakes College and Ridgewater College.

## **Performance Goals**

As part of the enacted appropriation bill, performance language was included to tie five percent (or \$28.4 million) of the system's 2015 operations and maintenance funding to meeting three of five performance goals. Those goals are:

- 1) increase by at least four percent in fiscal year 2013, compared to fiscal year 2010, graduates or degrees, diplomas, and certificates conferred.
- 2) increase by at least one percent the fall 2013 persistence and completion rate for fall 2012 entering students compared to the fall 2010 rate for fall 2009 entering students.
- 3) increase by at least four percent the fiscal year 2013 related employment rate for 2012 graduates compared to the 2011 rate for 2010 graduates.
- 4) by 2014, collect data on the number of Open Educational Resources (OER) tools and services offered and formulate a plan to actualize a one percent reduction in expenses directly related to the cost of instruction incurred by students.
- 5) reallocate \$22 million that became available through expense realignment in fiscal year 2014.

By April 1, 2014 the Board of Trustees must report to the legislative committees with primary jurisdiction over higher education finance and policy, the progress toward attaining

the goals. Failure to meet three of the five performance goals will result in a \$28.4 million reduction from the \$605.1 million appropriation for fiscal year 2015.

Table B summarizes the enacted legislation (within the higher education bill and in other bills) according to how these provisions support the system’s 2014-2015 biennial budget request. Together these provisions will help advance the system’s strategic framework.

**Table B**

**Minnesota State Colleges and Universities  
2014 – 2015 Biennial Funding**

<b>Advance the Competitiveness of Minnesota’s Workforce</b>	<b>\$11.4 million</b>
Leveraged equipment (FY2015 only)	\$7.278 million
Internships & apprenticeships (benefitting students)	
FastTRAC (\$1.5 M each year)	\$3 million
Manufacturing training pilot (FY2014 only, one-time funding)	\$0.987 million
Mental health counseling to farm business owners	\$0.188 million
<b>Increase Access and Affordability</b>	<b>\$78 million</b>
Tuition freeze	\$78 million
DREAM Act (eligible for in-state tuition and state grants)	
Part-time state grant pilot program (\$23M benefit to students)	
State grant program – increase LME (benefitting students)	
<b>Accelerate Completion of an Extraordinary Education</b>	<b>\$18 million</b>
Retain quality staff & faculty (FY2014 only, one-time funds)	\$17 million
Mental health summit (FY2014 only, one-time funds)	\$0.05 million
PSEO – Increase in per-credit payment	\$0.910 million

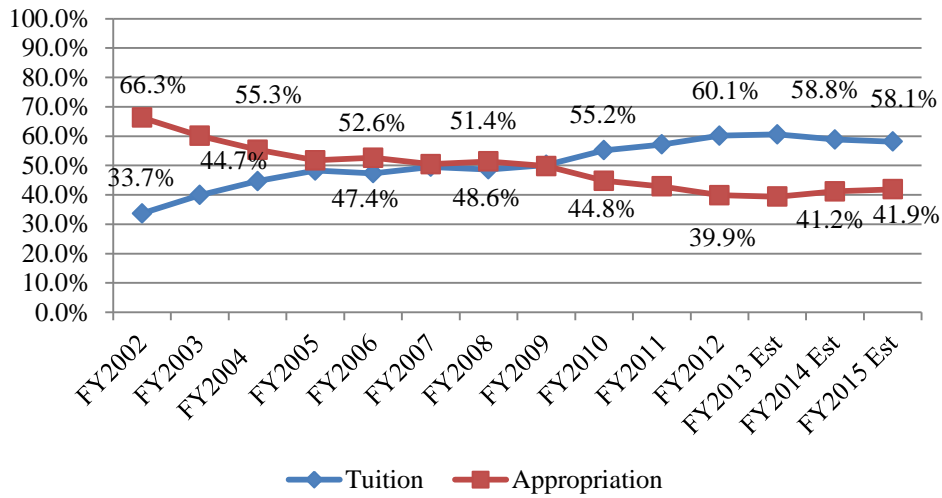
\*Allocations shown in biennial amounts

**State Support Increases; Tuition Frozen**

Following a five year trend of declining state appropriation, state support will increase during the 2014-2015 biennium. State appropriation is now expected to represent 41.2 percent of tuition and state appropriation revenue in 2014, compared with 39.4 percent in fiscal year 2013. See Graph 1.

**Graph 1**

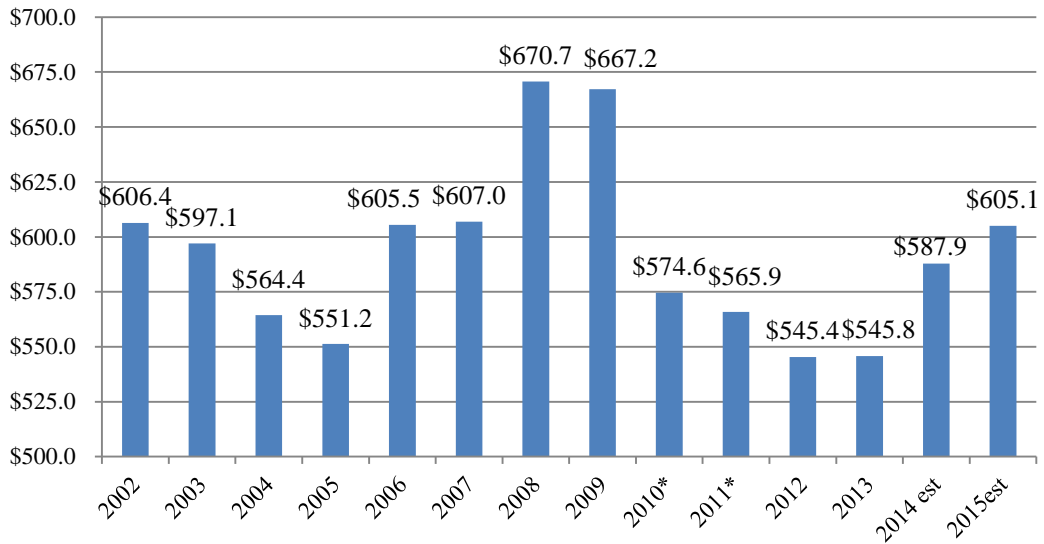
**Minnesota State Colleges and Universities  
State Appropriation vs. Tuition Relationship  
Fiscal Years 2002-2015**



The system has experienced great fluctuation in state appropriation over the past decade. As shown below in Graph 2, the \$587.9 million in state resources for fiscal year 2014 and \$605.1 million for fiscal year 2015 represents the first increase in state appropriation since fiscal year 2008. Despite the significant increase in state appropriation, the system’s appropriation for the 2014-2015 biennium remains 10.8 percent below the nominal levels appropriated in the 2008-2009 biennium.

**Graph 2**

**Minnesota State Colleges and Universities  
State Appropriation Increasing  
(\$ in millions)**

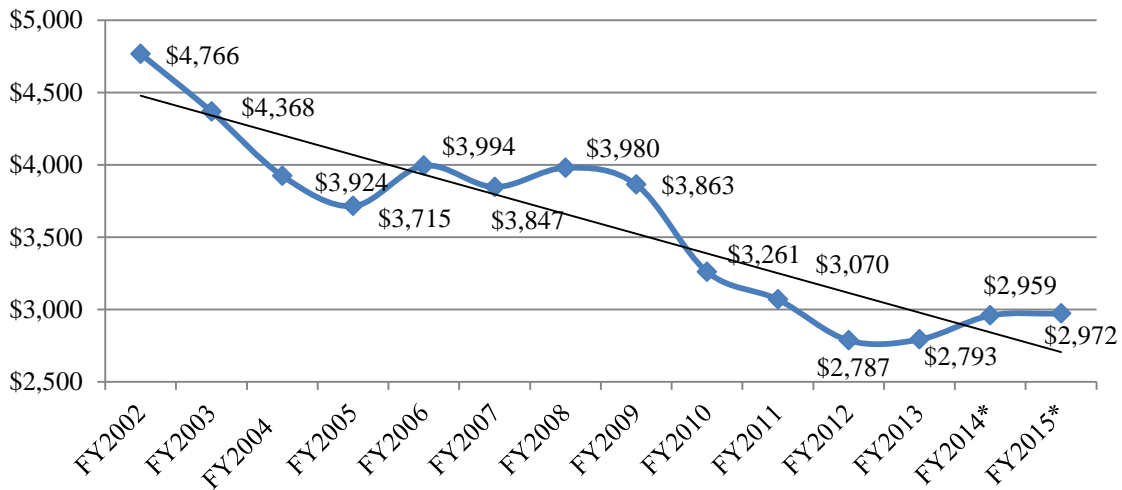


Note: For comparability, fiscal years 2000-2009 have been adjusted for the allocation to the Learning Network of Minnesota of \$4.8 million.

State support per full year equivalent (FYE) in constant dollars is expected to improve during the 2014-2015 biennium as a direct result of legislative actions to increase state funding and freeze undergraduate tuition rates at current levels for both fiscal year 2014 and 2015. In fiscal year 2012, state support reached a low of \$2,787 per FYE, a 40 percent reduction compared to fiscal year 2002. By fiscal year 2015, state support per FYE is expected to increase to \$2,972, 38 percent below fiscal year 2002 levels. See Graph 3 below.

**Graph 3**

**Minnesota State Colleges and Universities  
State Support per MnSCU Student  
(in constant dollars)**



\*FY2014 – FY2015 estimates

**ALL-FUNDS BUDGET OVERVIEW**

Colleges and universities have three principal sources of revenue: state appropriation, tuition and fees, and auxiliary/enterprise income. These revenues support all aspects of the educational enterprise – instruction, student life, administration, physical plant, and residential life programs.

In preparation for the fiscal year 2014 operating budget, colleges and universities assumed a flat or a slight increase to state appropriation, a tuition increase of no more than 3 percent, a slight decline in enrollment, and approximately 3 percent for general operating cost inflation. Annual operating budgets are created from the college and university level, and the budgets received for the May Board report were based on the planning assumptions outlined above. These assumptions have now changed with the conclusion of the legislative session.

For the purposes of this report, high level adjustments and assumptions were made to estimate the fiscal year 2014 operating budget. Work is currently underway at the colleges and universities to provide revised budgets which reflect legislative outcomes. These revisions will be incorporated into the system level operating budget for the June Board



report. Material adjustments to the enterprise level conclusions are not expected in the June materials.

At the June meeting, the Board will be asked to approve the fiscal year 2014 all-funds operating budget outlined in Table C. Highlights of the all-funds budget include:

- The system’s proposed fiscal year 2014 all-funds revenue budget will grow by \$53.8 million (2.9 percent) to \$1.8 billion.
- The increase excludes the one-time funding of \$17 million for retaining quality staff and faculty. Distribution of these funds to colleges and universities will be forthcoming and is not included in the guidance provided to the college and universities for 2014 operating budget preparation. The \$17 million allocation is one-time; it cannot and will not be used to cover on-going compensation costs.
- Expenses in FY2014 are projected to increase by \$62.9 million (3.4 percent) over the prior year level.

**Table C**

**Minnesota State Colleges and Universities  
Fiscal Year 2014 All-Funds Proposed Budget  
(Net of Scholarship Allowance)  
(\$ in millions)**

(\$ in millions)	Fiscal Year 2013 Current Budget	Fiscal Year 2014 Proposed Budget	\$ Change	% Change
Revenues	\$1,826.7	\$1,880.5*	\$53.8	2.9%
Expenses	\$1,827.1	\$1,889.0	\$62.9	3.4%
<b>Budget balance</b>	<b>(\$0.4)</b>	<b>(\$8.5)</b>		

\*\$17 million in one-time funds of additional state appropriation is excluded from FY14 revenue at this time.

The all-funds budget is net of the scholarship allowance. Approximately 91 percent (\$382.3 million) of an estimated \$420.1 million of financial aid revenue is recognized as revenue used to pay student obligations (tuition, fees, room and board, and sales and services) with the balance (\$37.8 million) reflecting the net financial aid payments to students for living expenses. The financial aid assumptions are based on an average tuition increase of 3 percent and it is expected these amounts will change as enrollment changes.

A very slight decrease to the budgetary fund balance for fiscal year 2014 is projected. Work is already underway with the colleges and universities to provide updated budget numbers reflecting the outcome of the legislative session. It is expected that the use of fund balance and some modifications to revenues and expenses will occur. An updated all-funds budget

incorporating college and university level revised budgets will be provided in the June operating budget report.

**State Support Increases Significantly Between 2013 and 2014**

There is a \$42.5 million increase in the system’s state appropriation for fiscal year 2014 compared to fiscal year 2013. In addition, the system is budgeting \$2.0 million of interest earnings for total estimated resources of \$589.9 million. These resources are being allocated within the following categories: institutional allocations, priority allocations, systemwide set asides, and system office. For fiscal year 2014, 86.4 percent of state resources received by the system are allocated to colleges and universities either as basic allocations or through priority allocations as shown in Table D.

**Table D**

**Minnesota State Colleges and Universities  
Distribution of Fiscal Year 2014 State Resources  
(\$ in millions)**

	<b>Fiscal Year 2013</b>	<b>% of Total</b>	<b>Fiscal Year 2014</b>	<b>% of Total</b>
Institution allocations	\$467.7	85.4%	\$509.9	86.4%
-Basic allocations	\$452.1		\$451.0	
-Tuition buy-down			\$25.5	
-Priority allocations	\$15.6		\$16.4	
-Retain staff/faculty (one-time)*			\$17.0	
Systemwide set asides	\$42.9	7.8%	\$42.8	7.3%
Learning Network of Minnesota	\$4.1	0.8%	\$4.1	0.7%
System Office	\$33.1	6.0%	\$33.1	5.6%
<b>Total state resources</b>	<b>\$547.8</b>		<b>\$589.9</b>	

\*Strategies for allocating these one-time funds, consistent with statute, will be developed with Leadership Council.

Of the \$451 million for institution basic allocations, it is recommended that \$449 million be distributed through the allocation framework and an additional \$2 million be allocated as a result of general fund attributed in interest earnings. The allocation framework distributes 50 percent of the allocation based on the institution’s prior year base allocation and 50 percent on the results of the fiscal year 2014 allocation framework. An additional \$25.5 million is being allocated to cover the loss of anticipated tuition revenue as a result of freezing undergraduate tuition in fiscal year 2014. These funds are being distributed based on 2012

undergraduate enrollment multiplied by the initial tuition planning assumption of \$145 and \$205 annual increase for colleges and universities.

It is recommended that \$16.4 million be allocated for priority allocations that are used to drive compelling educational interests. Fiscal year 2014 priority allocations include \$9.8 million for access and opportunity activities and \$5.1 million for workforce education priorities including the centers of excellence. Legislative priorities totaling \$1.5 million are directed to Range vocational education, economic development E-Folio, community energy pilots, Cook County higher education and a legislative mandated mental health summit.

State funds support systemwide activities, the Learning Network of Minnesota and the system office. The systemwide set asides are supported by \$42.8 million and include Attorney General services, Debt Service, Enterprise Technology, Leadership Transition, Repair and Replacement, System Audit program, and PALS. The Learning Network of Minnesota has been appropriated \$4.1 million. The budget of the system office receives \$33.1 million in state support – no increase over the fiscal year 2013 level.

**Fiscal Year 2014 Proposed General Fund Budget**

Table E details the proposed general fund budget. System office staff are currently working with colleges and universities to provide revised budgets now that the legislative session has concluded and the system’s biennial appropriation has been enacted.

**Table E**

**Minnesota State Colleges and Universities  
Fiscal Year 2014 General Fund Proposed Budget  
(\$ in millions)**

	<b>Fiscal Year 2013 Current Budget</b>	<b>Fiscal Year 2014 Proposed Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues</b>				
State appropriation	\$545.4	\$570.9*	\$25.5	4.7%
Tuition	\$839.8	\$839.8	\$0	0%
Other revenues	\$104.6	\$104.8	\$0.2	0.2%
Programmed fund balance	\$15.1	NA	NA	NA
<b>Total budgeted revenues</b>	<b>\$1,504.9</b>	<b>\$1,515.5</b>	<b>\$10.6</b>	<b>1.7%</b>
<b>Expenses</b>				
Compensation	\$1,107.7	\$1,139.8		2.9%
Other operating costs	\$384.7	\$396.3		3.0%
<b>Total budgeted expenses</b>	<b>\$1,492.4</b>	<b>\$1,536.1</b>	<b>\$43.7</b>	<b>2.9%</b>
<b>Budget balance</b>	<b>\$12.5</b>	<b>(\$20.6)</b>		

\*\$17 million in one-time funds to retain staff and faculty is not yet included pending further discussions. Total appropriation in fiscal year 2014 is \$587.9

Prior to the conclusion of the legislative session, colleges and universities were showing modest increases in total tuition revenue of just over 2 percent. The 2 percent increase in tuition revenue is reflective of rates changes of no more than 3 percent and anticipated enrollment declines. For the purpose of this report, total tuition revenue is assumed to be flat between fiscal years 2013 and 2014. Detailed revised tuition revenues estimates will be available for the June Board report and may reflect a slight decline as a result of the undergraduate tuition freeze combined with declining enrollment.

Currently, the \$17 million in one-time funds for retaining quality staff and faculty is not programmed into the fiscal year 2014 general fund budget. These funds will be distributed to the colleges and universities at a future date.

Finally, the current fiscal year 2014 general fund budget shows a \$20.6 million budget deficit. This deficit does not take into account the use of fund balance which is typically illustrated. Again, because the legislative results were not known at the time the initial operating budgets were developed, colleges and universities are now revising their budgets. It is expected the use of fund balance will change when the final general fund budget is presented at the June board meeting.

#### **FISCAL YEAR 2014 REALLOCATION**

The fiscal year 2014 operating budget will once again reflect on-going efforts to optimize the use of every dollar through the reallocation of resources. Optimized reallocation of resources has been an effective management strategy used by Minnesota State Colleges and Universities to advance the system's priorities and respond to changes in instructional programs and services called for by industries and communities across the state.

The system's biennial budget proposal pledged \$44 million in reallocations for the upcoming biennium and the legislature has identified the reallocation of \$22 million in fiscal year 2014 as a performance goal. The system is committed to achieving that goal in its fiscal year 2014 operating budget. Savings are also expected through the work of the Campus Service Cooperative.

#### **REVENUE FUND OVERVIEW**

Revenue fund fees support auxiliary facilities, such as residence halls, student unions, parking, and other revenue generating facilities. Other than a slight increase in room and board fees of 2.79 percent, most revenue fund programs have held the line on fee increases. The FY2014 fee outlook reflects an effort to manage costs while still maintaining quality facilities. Thirteen (13) campuses currently participate in the revenue fund. Table F identifies the campuses with revenue fund facilities.

**Table F**

**Minnesota State Colleges and Universities  
Campuses and Types of Revenue Fund Facilities**

<b>CAMPUSES</b>	<b>Housing</b>	<b>Student Union</b>	<b>Parking</b>	<b>Wellness</b>	<b>Other</b>
<b><i>Universities</i></b>					
Bemidji State University	X	X			
Minnesota State University, Mankato <sup>1</sup>	X	X			X
Minnesota State University Moorhead	X	X		X	
St. Cloud State University <sup>2</sup>	X	X	X		X
Southwest Minnesota State University	X	X			
Winona State University	X	X		X	
<b><i>Colleges</i></b>					
Alexandria Technical and Community College			X		
Anoka Ramsey Community College (Coon Rapids)				X	
Century College			X		
Minneapolis Community and Technical College <sup>3</sup>		X	X		
Minnesota State Community and Technical College, Moorhead				X	
Normandale Community College		X	X		

<sup>1</sup> "Other" - recreational athletic fields (2009)

<sup>2</sup> "Other" - revenue fund guarantee project being refinanced (March 2012 Board action); Phase I of National Hockey and Event Center

<sup>3</sup> Minneapolis Community and Technical College took over the parking ramp (for purposes of the revenue fund) from Metropolitan State University effective July 1, 2011.

The average room and board fee for a double room with a meal plan among the six state universities is \$7,245, a slight increase of 2.79 percent from last year. Student union facility fees remain steady, averaging \$242, down 0.34 percent from last year. This year's student union fee calculation excludes the new facility fee for the student center at Metropolitan State University, a project approved by the board earlier this year as part of a revenue bond sale. Health/wellness facility fees average \$123 per year and are proposed to remain the same as last year.

The St. Cloud State University Facilities Assessment fee is a stand-alone fee guaranteed to the revenue fund and used to pay the debt service on several projects specific to the St. Cloud campus. The projects involved the St. Cloud State University Foundation as ground lessee and were financed with the help of the local Housing and Redevelopment Authority issuance of bonds in 2002. The bonds were refinanced in 2012. The bonds were used to construct a 15,000 sq. ft. addition to Atwood Student Union, a free-standing student recreation center near Halenbeck Hall, and a new stadium east of Halenbeck. The facility assessment fee proposed for FY2014 is \$96.48, an increase of 13.56% over last year and required to support the debt finance plan.

## **STUDENT CONSULTATION PROCESS**

Colleges and universities have been discussing the fiscal year 2014 budget with campus constituents for several months. Pursuant to Board Policy 2.3, student leaders from the colleges and universities have provided letters describing the consultation process on their local campuses. In addition, the Chancellor has consulted regularly with state-wide student leaders to monitor the campus-level consultation process.

Overall, students are satisfied that the consultation process went well and that their presidents and cabinets are working hard to include them in the budget review process. Letters indicate that the students were given sufficient information along with sufficient time to discuss the issues thoroughly and ask questions. Many campuses provide multiple opportunities for consultation and inclusion in the process.

The student consultation process occurred assuming different budget assumptions compared to the final legislative actions impacting the fiscal year 2014 operating budget. The academic year has concluded at all our colleges and universities. Since the legislative session resulted in an undergraduate tuition freeze, and fee and graduate tuition rate changes will remain the same as presented in the consultation process, we do not believe it is necessary to return to students for further consultation.

## **CONCLUSION**

The fiscal year 2014 operating budget provides the system with an increase in state support for the first time since fiscal year 2008. The enacted appropriation bill supports the legislative priority and the system's goal of keeping higher education affordable by freezing undergraduate tuition in both fiscal years 2014 and 2015. Over \$7 million is being allocated to the system in fiscal year 2015 for leveraged equipment which supports another of the system's strategic goals of advancing the competitiveness of Minnesota's workforce. The \$17 million of one-time funds in fiscal year 2014 will go towards accelerating competition by retaining quality faculty and staff. Finally, other provisions in the enacted higher education bill, including changes to the state program and DREAM Act, along with provisions enacted in other bills will help to advance the system's strategic goals.

## **RECOMMENDED COMMITTEE MOTION:**

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

- a. Adopt the annual total operating budget for fiscal year 2014 in Table C. Pursuant to 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 2014 as detailed in Attachments 1A through 1E.

- c. Graduate tuition increases are effective Summer term or Fall term 2013 at the discretion of the president. The Chancellor is authorized to approve any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2015 tuition recommendations are presented to the Board of Trustees.
- d. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.
- e. Approve the Revenue Fund and related fiscal year 2014 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2D, including any housing fees that the campuses may charge for occupancy outside the academic year. Approve the fiscal year 2014 fees structure for room and board for colleges who either own or manage student housing as detailed in Attachment 2E. The Chancellor is authorized to approve fee structures for any new revenue fund programs as well as any technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2015 recommendations are presented to the Board of Trustees.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

- a. Adopt the annual total operating budget for fiscal year 2014 in Table C. Pursuant to 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 2014 as detailed in Attachments 1A through 1E.
- c. Graduate tuition increases are effective Summer term or Fall term 2013 at the discretion of the president. The Chancellor is authorized to approve any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2015 tuition recommendations are presented to the Board of Trustees.
- d. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.
- e. Approve the Revenue Fund and related fiscal year 2014 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2D, including any housing fees that the campuses may charge for occupancy outside the academic year. Approve the fiscal year 2014 fees structure for room and board for colleges who either own or manage student housing as detailed in Attachment 2E. The Chancellor is authorized to approve fee structures for any new revenue fund programs as well as any technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2015 recommendations are presented to the Board of Trustees.

*Date Presented to the Board of Trustees: May 22, 2013*