

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

June 18, 2014

Finance and Facilities Committee Members Present: Chair Michael Vekich, Trustees Duane Benson, Dawn Erlandson, Philip Krinkie, Thomas Renier, and Elise Ristau

Other Board Members Present: Alexander Cirillo, Cheryl Dickson, Clarence Hightower, Maria Peluso and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Phil Davis

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on June 18, 2014, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 8:07 a.m.

1. Minutes of May 21, 2014

The minutes of the May 21, 2014 Finance and Facilities Committee were approved as published.

2. Finance and Facilities Update

Vice Chancellor King reported that major project delegations have been sent to campus presidents for the 2014 capital projects. There is HEAPR work being done at 36 campuses and the \$42.5 million allocation has been distributed to them. All but one campus received HEAPR funds for at least one project. Fond du Lac Tribal and Community College did not receive any because of scarce resources and it is in good condition as newer campus.

The 2016 capital budget guidelines were approved by the Board in March. The instructions and timeline supplementing the guidelines have been distributed to the campuses. This begins the process for bringing recommendations for capital projects to the Board by May, 2015 for a 2016 capital budget request to the legislature.

Brian Yolitz, Associate Vice Chancellor for Facilities, gave a presentation on system energy conservation tools and programs at the State Governors Association conference. It was a three day conference hosted by the Minnesota Department of Commerce to state energy policy makers from six states. The conference captured best practices in state energy management policies.

The Minnesota Management and Budget (MMB) outstanding loan of \$400 million has now been repaid by MMB and Minnesota State Colleges and Universities (MnSCU) is ready to close the books. There has been no indication if MMB will seek this arrangement for 2015.

- 3. Anoka Ramsey Community and Technical College – Cambridge, Surplus Real Property**
Brian Yolitz, Associate Vice Chancellor for Facilities said that the Board may declare real property surplus and offer it for sale consistent with Minnesota Statutes 16B. The net proceeds can only be used by the campus for capital projects.

Mr. Yolitz displayed a map of the property located at the southwest corner of State Highway 95 and County Road 70 in Cambridge. The parcel is approximately 6.35 acres with an 11,200 square foot metal building that is approximately 25 years old. It has been mothballed since 2010 and the sale would have no impact on academic programs.

Trustee Benson asked, when projecting enrollment, if there could be a need for it in the future. Mr. Yolitz responded that looking at space utilization numbers, there is more than enough space at the Cambridge campus.

Trustee Krinkie inquired about the appraised value of the property. Mr. Yolitz said that it was valued at \$780,000. Trustee Vekich asked where the cash from the sale would be held. Vice Chancellor King answered that it would become part of the campus fund balance as a reserve until it is needed for a capital investment opportunity. There is no limit as to how long it can be held and it cannot be used for operating purposes.

Trustee Erlandson moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Renier seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

The Board of Trustees designates the subject property, an approximate 6.35 acre roughly rectangular shaped parcel located at the southwest corner of State Highway 95 and County Road 70 in Cambridge, as surplus, and delegates authority to the chancellor or the chancellor's designee to execute such documents as may be necessary to complete the sale for no less than the appraised value.

- 4. FY2015 Operating Budget (Second Reading)**

Vice Chancellor Laura King introduced Leadership Council liaison, President Davis, and Deb Bednarz, Director for Financial Planning and Analysis.

Vice Chancellor King said due to the timing of the conclusion of the legislative session, the colleges and universities were not able to prepare their FY2015 operating budgets and incorporate the final state funding decisions in time for the May board meeting. The budgets have now been submitted and the information is incorporated in the systemwide all-funds budget being presented today.

The FY2015 operating budget will again focus on affordability, ensuring that MnSCU remains the most the most affordable higher education option in Minnesota. This will be achieved by freezing undergraduate tuition a second year and limiting fee increases at the campuses. Increases to the state grant program and federal Pell grants along with increases in scholarship funds will help make an already affordable education, more affordable still.

Vice Chancellor King reported that all undergraduate college and university students will save money as a result of the tuition freeze. For those college students who receive federal or state grant assistance, the economic benefit is even greater. On average, a full-time college student will save \$145 in FY2014 and \$290 in FY2015 in tuition costs. On average, a full-time university student will save \$210 in FY2014 and \$410 in FY2015 in tuition costs.

After state and Pell grants are taken into account, the annual cost of tuition for a full-time student is \$1,247 at a state college and \$2,022 at a state university. These costs are lower than they were in FY2014. Even for students receiving no financial grant aid, the average annual cost of tuition at a state college is \$4,816 and at a state university is \$6,782. With the tuition freeze, these costs will not change in FY2015, meaning students will pay the same tuition rate that the Board approved for the 2012-2013 academic year. Additionally, the chancellor asked presidents to limit student fee increases to no more than 3 percent in aggregate, and graduate tuition increases to no more than three percent. When student fee increases are added to the flat tuition rates for undergraduates, there is only a .3 percent increase at the colleges and .7 percent at the universities – an overall system impact of .4 percent tuition and fee increase 9 (an average of \$21 annually).

Trustee Krinkie asked what the presidents have decided to do in regards to increasing fees. Vice Chancellor King replied that the presidents are very committed to affordability and are concerned about the cost of attendance. There are instances where there are activities tied to student clubs, which have fees tied to enrollment. With declining enrollments, revenue from fees has also declined, which in turn, impacts programs. Vice Chancellor King said, overall, there were fee increases of less than 1 percent. There were a couple of fee increases right at 3 percent, but good decisions were made between the trade-off between fees and programs tied to them. President Davis noted that the Student Senates have been asked to refrain from increasing fees and to keep the cost of attendance increase as close to zero as possible.

Trustee Benson asked if MnSCU should be promoting its value instead of affordability. MnSCU is being efficient as possible, yet putting out a strong product. Vice Chancellor King replied that MnSCU promotes being the highest value, most affordable option, however, there could be more focus on the highest value message.

Trustee Dickson commended the work on keeping tuition affordable and said that this information should become part of marketing, especially at the high schools and at the MnSCU Minnesota State Fair booth. President Davis replied that high schools are provided with this information on affordability along with information on salary and placement for programs, demonstrating the value of a MnSCU education.

In 2015, \$52.5 million is allocated for tuition relief and will be used to offset funds that would have been generated with a modest tuition increase. This new state funding essentially replaces one form of revenue (tuition) with another (state appropriation).

An additional \$17 million was appropriated in FY2015 for MnSCU to support anticipated compensation increases for faculty and staff over the 2014-2015 biennium. The appropriation is considered base funding and will continue into the 2016-2017 biennium.

Also, \$7.278 million was appropriated for equipment to be used by students. The funds must be matched dollar-for-dollar with non-state funds. These are also base funds and will be available in the next biennium. All of the new state funding will be allocated directly to the schools and none of it will remain in the system office.

State support for the system has increased significantly during the 2014-2015 biennium. State funding for the 2014-2015 biennium now totals \$1.21 billion, almost \$119 million or 10.9 percent greater than the 2012-2013 biennium. State funding will increase from \$587.9 million in FY2014 to \$622.1 million in FY2015, an increase of \$34.2 million or 5.8 percent.

The system will see improvement in state support per MnSCU student (FYE) when adjusted for inflation. Between FY2002 and FY2012, student support per student FYE decreased by over 40 percent (in constant \$) to \$2,787 per student. During the 2014-2015 biennium, student support per student FYE (in constant \$) is anticipated to improve to \$3,247, a 5.4 percent increase over FY2014. Even after the strong increase this biennium, per FYE funding remains 32 percent below 2002 funding levels in inflation adjusted dollars.

While state support per FYE student has increased in recent years, revenue per FYE student has remained relatively constant in inflation-adjusted dollars. Between 2002 and 2015, revenue per FYE student increased from \$7,187 to \$7,388 in inflation-adjusted dollars, an increase of 2.8 percent.

The stability of this measure reflects the historical relationship between the system's two primary revenue sources: Tuition was raised in response to state funding cuts during the recession, and state funding was increased in the current biennium to support the tuition freeze. Overall, the revenue per FYE student (adjusted for inflation) has remained essentially unchanged since 2002.

Enrollment at Minnesota State Colleges and Universities has fallen in recent years. FY2014 enrollment is now projected to decline 3.5 percent over 2013 levels. Throughout MnSCU, college enrollment declines (4.4 percent) have been more significant than enrollment drops at the universities (2.0 percent). Current enrollment projections for FY2015 show a continued decline of 1.6 percent, with colleges expecting larger declines (1.8 percent) than universities (1.2 percent).

An improving economy and underlying demographics are believed to be the primary factors influencing enrollment. Minnesota's relatively low unemployment rate and declines in the high school aged population are contributing to the drop in enrollment. Even with the recent enrollment declines, FYE enrollment is projected to be 7.4 percent higher in FY2015 than in FY2003.

Enrollment will be closely watched in FY2015 and any needed revisions to campus budgets will be addressed. Trustee Vekich asked what measures are in place to ensure viability at the campuses. Vice Chancellor King replied that presidents are closely watching enrollments, campuses are working on recruitment, and a watch list is in place. Charting the Future work will help expand MnSCU's market. Strong fund balances are also in place. Trustee Vekich

asked that the Board receive updates on the watch list schools. Vice Chancellor King said she would have a conversation with the chancellor on how to be responsive in getting this information to the Board without giving 31 separate reports.

Vice Chancellor King gave an enterprise level overview of the system's operating budget, which is composed of the individual operating budgets of the universities, colleges and system office. The all-funds budget encompasses all aspects of the educational enterprise: instruction, student life, technology, research, community service, administration, physical plant and residential life programs.

Tuition and state appropriation are the system's two primary sources of revenue. Other revenue sources include fees, auxiliary/enterprise income and grants. The largest expense category is compensation, which accounts for approximately two-thirds of the all-funds expenditure budget.

The proposed fiscal year 2015 all-funds budget includes \$1.9 billion in projected revenues and expenditures. A very slight increase of \$4.8 million to the budgetary fund balance is projected. Expenses in fiscal year 2015 are projected to increase by \$12.6 million (0.7 percent) over prior year expenditures due to increased compensation costs.

Colleges and universities plan to use \$17.5 million of fund balance in fiscal year 2015, equivalent to less than 1.0 percent of total revenue and consistent with the use of \$20.4 million in fund balance in fiscal year 2014.

The general fund budget accounts for approximately 80 percent of the all-funds budgets. The proposed fiscal year 2015 general fund budget includes \$1.5 billion in projected revenues and expenditures. General fund revenues are projected to grow by \$7.4 million or 0.5 percent. The tuition freeze, combined with anticipated enrollment declines, accounts for the loss of tuition revenue.

General fund expenses are projected to grow by \$13.9 million or 0.9 percent in fiscal year 2015. Compensation is expected to increase by \$16.8 million or 1.5 percent. This change reflects anticipated compensation increases resulting from collective bargaining contracts and reductions due to the change in enrollment. Other operating expenses are expected to decrease slightly by 0.8 percent in fiscal year 2015.

The changes in the forecasted general fund revenues compared to expenses results in a slight budgetary balance of \$2.2 million after the use of \$15.0 million in programmed fund balance. Vice Chancellor King pointed out that this is the third year that undergraduate tuition rates are frozen, keeping them at 2012-2013 rates. The average annual fee increase systemwide is .4 percent.

Reallocations are being used to respond to declining enrollment and to address strategic priorities. \$44 million has been committed as part of the 2014-2015 biennial budget request. In 2014, \$29 million in reallocations were reported and over \$33 million are planned for FY2015.

Board policy requires colleges and universities to maintain general fund reserves of 5 – 7 percent of operating budgets. The systemwide reserve level is at 6.8 percent and all institutions are meeting the 5 percent minimum requirement.

Vice Chancellor King asked the Board to approve the FY2015 all-funds operating budget, the tuition structure, the revenue fund and related fees, and the waiver to the maximum fee charges requested by St. Cloud State University for health service fees and student life fees. The budget will be effective July 1, 2014. The limited tuition increases for graduate programs will be effective the summer or fall term 2014 at the discretion of the president. Vice Chancellor concluded her presentation and opened up the floor for questions.

Trustee Krinkie asked for an explanation on the waiver to the maximum fee charges at St. Cloud State University (SCSU). Vice Chancellor King replied that SCSCU, in an effort to realign its student fees, is asking to increase the health services fee and student life fee, which would exceed the 3 percent maximum, but in turn hold back other fees, resulting in a net 3 percent increase. A student support letter is included in the packet.

Trustee Krinkie referred to page 63 of the Board packet and asked about the SCSU Revenue Fund Guarantee Project – an increase of 14.43 percent increase. Vice Chancellor King said the legislative auditor called out SCSU for not having explicit Board authority for a finance plan that was approved by the Board and implemented. This is not a new fee – it is approximately 10 years old and it involves the refinancing of Atwood Memorial Hall. This item is not part of the 3 percent waiver included in the motion. It is listed here to satisfy the legislative auditor.

Regarding student health fees at SCSU, Trustee Sundin recalled a foreign exchange student that was required to pay \$1,000 upfront for health care and inquired if this had been remedied. Vice Chancellor King replied that health care system has gone through turmoil with the adoption of the Affordable Care Act. MnSCU has discontinued domestic coverage for students, but continues to offer and require international student insurance. Vice Chancellor King said she recalled the issue, but did not recall the outcome and will report back with an answer.

Trustee Erlandson asked about the 6.5 percent fee increase at the Wadena campus. Ms. Bednarz responded that the institution as a whole is below the 3 percent in aggregate. Because Wadena is so small, a couple of cents can alter the percentage.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Ristau seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

- a. Adopt the annual total operating budget for fiscal year 2015 in Table 3. 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 2015 as detailed in Attachments 1A through 1E.

- c. All tuition increases are effective Summer Term or Fall Term 2014 at the discretion of the president. The chancellor or his designee 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 2016 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 2015 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 2015 fees structure for room and board for colleges who either own or manage student housing as detailed in Attachment 2E. The chancellor or his designee 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 2016 recommendations are presented to the Board of Trustees.
- f. Approve an exception to the maximum amounts set by board policy 5.11 for the Student Life/Activity (\$117.36 per term) and Health Services (\$70.20 per term) fees for St. Cloud State University.

Note: Motion subsequently amended at the full Board meeting to read as follows:

Approve Student Life/Activity (\$117.36 per term) and Health Services (\$70.20 per term) fees for St. Cloud State University.

Trustee Sundin asked how often students are asked to give input regarding the fee structure. Vice Chancellor King asked Ms. Bednarz, who manages the student consultation process, to respond. Ms. Bednarz said that an extensive consultation is done at the campuses and the campuses do a great job communicating with the students. It is a requirement of Board policy to consult with students over budgets and fees. The summary of the results are included in the Board packet and all of the student letters are posted online. The letters are very positive, especially in terms of the student life fees. Chancellor Rosenstone noted that there is also consultation with the students at the state level (MSUSA, and MSCSA). Input from the student associations was taken into consideration in crafting the capital guidelines. The expectation for student consultation is discussed at Leadership Council and is included in the new president's orientation packet. President Davis added that students are consulted regularly of fees, even when they are not increasing.

The meeting was adjourned at 9:16 a.m.

Respectfully submitted,

Laury Anderson, Recorder