



MINNESOTA STATE

Board of Trustees Meeting Schedule
Tuesday and Wednesday, November 15-16, 2016
Minnesota State
30 7th Street East, St. Paul, Minnesota

Unless noticed otherwise, all meetings are in the McCormick Room on the fourth floor. Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Tuesday, November 15, 2016

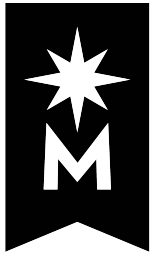
- 10:00 AM Finance and Facilities Committee, Jay Cowles, chair
1. **Minutes of the Study Session, Facilities Design, Construction, and Operation Practices, October 18, 2016**
 2. **Minutes of October 18, 2016**
 3. Proposed Amendment to Policy 5.22 Acceptable Use of Computers and Information Technology Resources
(First Reading)
 4. Proposed New Policy 6.9 Capital Planning
(First Reading)
 5. Proposed New Policy 6.10 Design and Construction
(First Reading)
 6. FY2017 Revenue Fund Bond Sale
(First Reading)
 7. College and University Operating Budget Update
 8. **Report of Internal Financial Model and Allocation Framework Redesign (Second Reading)**
 9. **FY2018-FY2019 Legislative Operating Budget and 2017 Capital Bonding Proposal (Second Reading)**
- 12:30 PM Luncheon, Rooms 3304/3306
- 1:00 PM Audit Committee, Bob Hoffman, Chair
1. **Minutes of October 18, 2016**
 2. **Annual Audit Plan for FY2017**
 3. **FY2016 and FY2015 Audited Financials**



- 2:15 PM Closed Session: Joint Meeting, Audit and Finance and Facilities Committees, Bob Hoffman and Jay Cowles, Co-chairs
Pursuant to Minnesota Statutes § 13D.05, Meetings Having Data Classified as Not Public, Subd. 3(d) (Minnesota Open Meeting Law) (2016)
- Systemwide Information Technology Security Briefing
- 3:15 PM Study Session: Board of Trustees, Michael Vekich, Chair
- Long-Term Financial Sustainability
- 4:15 PM Meeting ends
- 5:00 PM Dinner (social event, not a meeting)

Wednesday, November 16, 2016

- 8:00 AM Diversity, Equity, and Inclusion Committee, Ann Anaya, Chair
- 1. Minutes of June 22, 2016**
 - 2. Minutes of Joint Meeting with Human Resources Committee, June 22, 2016**
 3. Advancing Equity and Inclusion Within Minnesota State
- 9:00 AM Academic and Student Affairs Committee, Alex Cirillo, Chair
- 1. Minutes of October 18, 2016**
 2. Student Demographics
 3. Concurrent Enrollment
- 10:30 AM Board of Trustees Meeting
- 12:00 PM Meeting ends

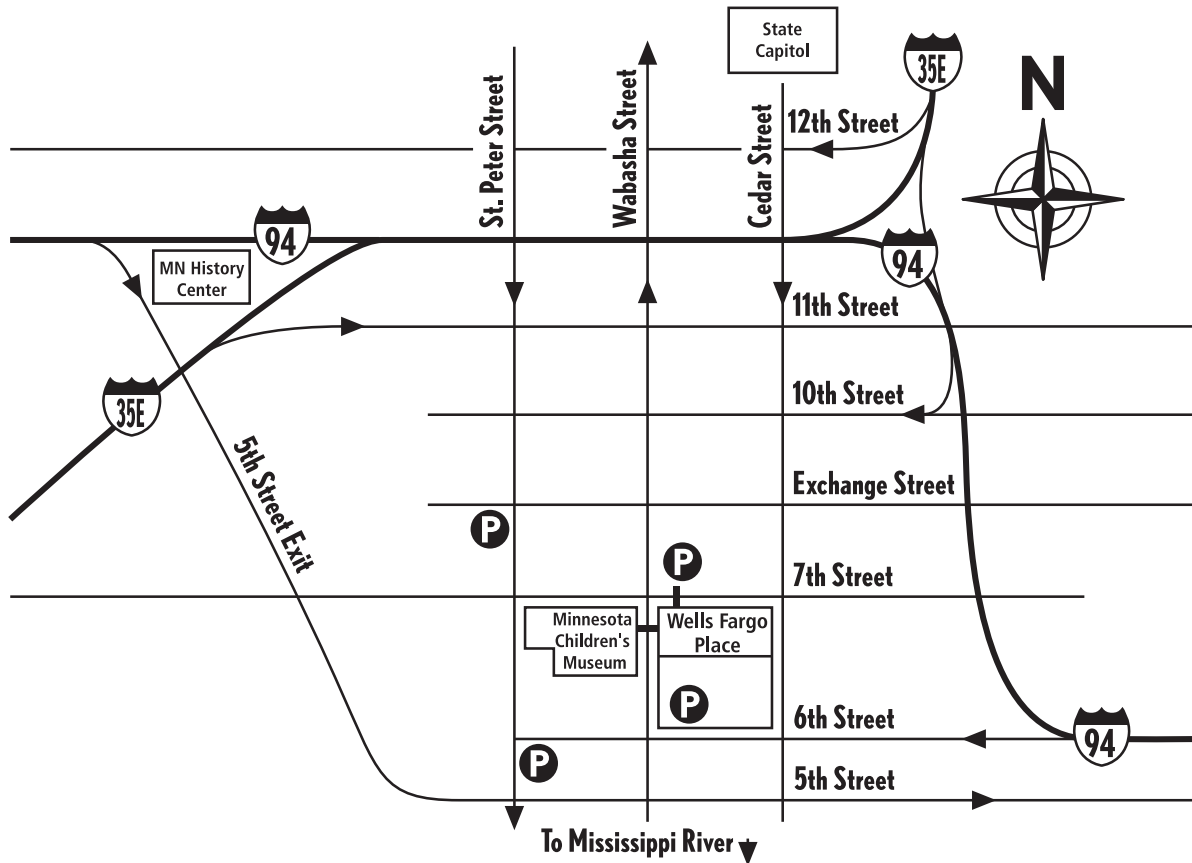


MINNESOTA STATE

Minnesota State System office directions and parking

Located inside Wells Fargo Place
30 7th St. E., Suite 350
St. Paul, MN 55101-7804

651.201.1800
www.mnscu.edu



Directions:

I-94 Eastbound (from Minneapolis)

Exit at 10th Street, follow for three blocks. Turn right onto Cedar Street.

I-94 Westbound (from the eastern suburbs, etc.)

Exit at 6th Street / Highway 52, follow 6th Street for five blocks. Turn right on Minnesota Street and then left onto 7th Street East. Wells Fargo Place is located on the corner of 7th Street East and Cedar Street (one block SW of Minnesota Street).

I-35 E Southbound (from the northern Suburbs)

Exit at 10th Street / Wacouta, follow 10th Street for three blocks. Turn left on Cedar Street.

I-35 E Northbound (from the southern suburbs)

Take the 11th street exit and follow for three blocks. Turn right on Cedar Street.

Parking Options:

Metered parking may be available. Meters are enforced 8:00 AM to 5:00 PM Monday through Saturday, except certain holidays. Average meter cost is \$2.00 for a 2 hour time limit. Meters accept cash or credit. Several parking ramps with hourly rates are also located in the area.

Maps:

Use "30 East 7th Street, St. Paul, MN 55101" at www.mapquest.com if you need another map of the area.

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

INFORMATION

Approved FY2017 AND 2018 Meeting Calendar

BACKGROUND

The Board of Trustees approved the FY2017 and 2018 Meeting Calendar on June 22, 2016. Dates for the Executive Committee meetings in FY18 will be added later. The calendar is subject to change with the approval of the board chair.

Approved FY2017 Meeting Dates

Meeting	Date	If agendas require less time, these dates will be cancelled.
Added: Special Audit Committee and Board Meeting	July 8, 2016	
Added: Executive Committee	July 14, 2016	
Added: Executive Committee	August 11, 2016	
Cancelled: Executive Committee	September 7, 2016	
Board Retreat and Meeting	September 20-21, 2016	
Cancelled: Executive Committee	October 5, 2016	
Committee / Board Meetings	October 18-19, 2016	October 18, 2016
Cancelled: Executive Committee	November 2, 2016	
Committee / Board Meetings	November 15-16, 2016	November 15, 2016
Added: Executive Committee	December 2, 2016	
Executive Committee	January 11, 2017	
Committee / Board Meetings	January 24-25, 2017	January 24, 2017
Executive Committee	March 8, 2017	
Committee / Board Meetings	March 21-22, 2017	March 21, 2017
Executive Committee	April 5, 2017	
Committee / Board Meetings Awards for Excellence in Teaching	April 18-19, 2017	
Executive Committee	May 3, 2017	
Committee / Board Meetings	May 16-17, 2017	May 16, 2017
Executive Committee	June 7, 2017	
Committee / Annual Board Meetings	June 20-21, 2017	June 20, 2017

Approved FY2018 Meeting Dates

Meeting	Date	If agendas require less time, these dates will be cancelled.
Orientation and Board Retreat	September 19-20, 2017	
Executive Committee	October 4, 2017	
Committee / Board Meetings	October 17-18, 2017	October 17, 2017
Executive Committee	November 1, 2017	
Committee / Board Meetings	November 14-15, 2017	November 14, 2017
Executive Committee	January 10, 2018	
Committee / Board Meetings	January 23-24, 2018	January 23, 2018
Executive Committee	March 7, 2018	
Committee / Board Meetings	March 20-21, 2018	March 20, 2018
Executive Committee	April 4, 2018	

Committee / Board Meetings Awards for Excellence in Teaching	April 17-18, 2018	
Executive Committee	May 2, 2018	
Committee / Board Meetings	May 15-16, 2018	May 15, 2018
Executive Committee	June 6, 2018	
Committee / Annual Board Meetings	June 19-20, 2018	June 19, 2018

National Higher Education Conferences for Trustees

Association of Community College Trustees

Leadership Congress:

- Oct. 5-9, 2016, New Orleans, LA
- Sept. 10-13, 2017, Leadership Congress, Las Vegas, NV
- Oct. 24-27, 2018, Leadership Congress, New York, NY
- Oct. 16-19, 2019, Leadership Congress, San Francisco, CA

National Legislative Summit:

- Feb. 6-9, 2017, Washington, D.C.
- Feb. 11-14, 2018, Washington, D.C.
- Feb. 10-13, 2019, Washington, D.C.

Association of Governing Boards of Universities and Colleges

- #### National Conference on Trusteeship:
- April 2-4, 2017, Dallas, TX
 - April 22-24, 2018, San Francisco, CA
 - April 14-16, 2019, Orlando, FL



Board of Trustees Policy Committees
September 15, 2016

Executive Committee

Michael Vekich, Chair
Margaret Anderson Kelliher, Vice Chair
Jay Cowles, Treasurer
Elise Bourdeau
Alexander Cirillo
Dawn Erlandson
Robert Hoffman

Diversity, Equity and Inclusion Committee

Ann Anaya, Chair
Rudy Rodriguez, Vice Chair
Basil Ajuo
Louise Sundin
Cheryl Tefer

Academic and Student Affairs Committee

Alexander Cirillo, Chair
Louise Sundin, Vice Chair
Dawn Erlandson
Amanda Fredlund
Jerry Janezich
Cheryl Tefer

Finance and Facilities Committee

Jay Cowles, Chair
Elise Bourdeau, Vice Chair
Basil Ajuo
Ann Anaya
Robert Hoffman
Jerry Janezich

Audit Committee

Robert Hoffman, Chair
Ann Anaya, Vice Chair
Jay Cowles
Amanda Fredlund

Human Resources Committee

Dawn Erlandson, Chair
Margaret Anderson Kelliher, Vice Chair
Elise Bourdeau
Alexander Cirillo
Robert Hoffman
Rudy Rodriguez





MINNESOTA STATE

Finance and Facilities

November 15, 2016

10:00 AM

McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

1. **Minutes of the Study Session, Facilities Design, Construction, and Operation Practices, October 18, 2016 (pp. 1-7)**
2. **Minutes of October 18, 2016 (pp. 8-23)**
3. Proposed Amendment to Policy 5.22 Acceptable Use of Computers and Information Technology Resources
(First Reading) (pp. 24--32)
4. Proposed New Policy 6.9 Capital Planning
(First Reading) (pp. 33-38)
5. Proposed New Policy 6.10 Design and Construction
(First Reading) (39-43)
6. FY2017 Revenue Fund Bond Sale
(First Reading) (pp. 44-86)
7. College and University Operating Budget Update (pp.87-94)
8. **Report of Internal Financial Model and Allocation Framework Redesign (Second Reading) (pp. 95-128)**
9. **FY2018-FY2019 Legislative Operating Budget and 2017 Capital Bonding Proposal (Second Reading) (129-144)**

Committee Members:

Jay Cowles, Chair

Elise Bourdeau, Vice Chair

Basil Ajuo

Ann Anaya

Robert Hoffman

Jerry Janezich



Bolded items indicate action is required.

**MINNESOTA STATE
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
STUDY SESSION**

OCTOBER 18, 2016
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN

Present: *Chair Jay Cowles, Trustees Basil Ajuo , Elise Bourdeau, Kelly Charpentier-Berg, Alex Cirillo, Dawn Erlandson, Robert Hoffman, Jerry Janezich, Louise Sundin, Cheryl Tefer, Michael Vekich , and Chancellor Steven Rosenstone*

Presenters:

*Laura M. King, Vice Chancellor for Finance
Brian Yolitz, Associate Vice Chancellor for Facilities*

Convene and Introduction

Chair Cowles convened the study session on the Minnesota State Facilities at 10:25 a.m. He welcomed new members, Trustees Ajuo, Bourdeau, Hoffman and Janezich to the Finance Committee.

Chair Cowles outlined that he had worked with the staff to plan the committee's annual calendar with the goal of completing regulatory and compliance oversight duties and bringing policy and longer term strategic issues to the forefront. He explained the planning and decision making process for most major policy issues is months long and the challenge is to look 12 to 18 months into the future and identify the areas of interest for the committee.

This forward looking approach was used last year during discussions on the ISRS (Integrated Statewide Record System) replacement project and redesigns of the Internal Financial Model and Allocation Framework. Both are on the agenda this month. Similarly, next spring the committee will be consider the FY2018 capital budget request. So, the facilities study session is to inform the committee and offer advice for staff work in the months ahead.

The session is to include some opening remarks by staff and then chair led discussion around the strategic questions in the front section of the study session materials. At the conclusion of the committee's discussion, staff will follow up with any additional information requested. Depending on the outcome of this meeting, the committee may want to schedule additional time for particular areas not addressed today.

Vice Chancellor King and Brian Yolitz were invited to begin the presentation. Vice Chancellor King welcomed new members and shared that the Facilities Unit is part of the Finance Division and

manages a large portfolio of responsibilities ranging from capital planning, building design and construction, plant operations, campus security and compliance. She noted that detailed policy and procedure aspects of the material is in the background documents and recommended that this material be kept close at hand for future reference.

Vice Chancellor King introduced Brian Yolitz, Associate Vice Chancellor for Facilities and added that he has strong credibility with state government, has worked hard to establish relationships with other facilities managers across the state and has built a strong leadership, management and coaching culture with college and university facilities directors.

Mr. Yolitz thanked everyone for taking time to review the study session material and thanked system office staff at and the college and university facilities staffs who played a crucial role in preparing the study session materials and who create the great environment to educate and train students as they are prepared for the workforce and other endeavors in life.

Mr. Yolitz shared that his comments would provide an overview of Minnesota State's built environment and then review the planning, design and management practices of this space.

He started by noting there is diversity in Minnesota States facilities and campuses. Campuses are large and small and are in both rural and urban settings. There are traditional classrooms, technical training facilities, shops and labs. There is also variety in the size and expertise of the staff at each campus.

Minnesota State's facilities are assets. There is a total of 28 million square feet of facility space and this represents one third of the state of Minnesota's building space. The facilities are a community resource and play host to soccer and baseball games, theater, and art events.. The most important asset is the graduates who occupy every part of main street Minnesota..

Another important aspect of the facilities is the related liabilities. Two-thirds of the system's physical plants were built before 1980. In looking at facility life-cycle costs, there needs to be \$2 billion dollars invested to keep the plants operating appropriately. It costs around \$150 million every year to operate the plants between debt service, energy, and general operating repair and replacement spending. There are a host of compliance and regulatory standards to keep students safe and secure all while making sure campuses offer education that is affordable.

The Strategic Framework guides Minnesota State's capital planning process. Each college and university has a comprehensive facilities plan that is updated on a five-year cycle and approved by the vice chancellor for finance. Academic facility related capital investments are advanced to the state of Minnesota for consideration in the capital bonding process and the sale of general obligation (GO) bonds. Capital investments for revenue generating facilities, such as parking facilities, dormitories, dining facilities and student unions, are financed through the sale of revenue bonds under the sole authority of the board.

Trustee Janezich asked Mr. Yolitz to expound on the debt. Mr. Yolitz responded that on the GO side, the system's total current outstanding debt is around \$239 million. The debt service paid on an annual basis is \$31.6 million. Vice Chancellor King added that in terms of the GO program the board's policy has been to measure capacity and express debt service as a percentage of annual revenue. The board's goal has been to keep debt service under 3% of annual revenue. The size of the GO bond request is shaped every two years to maintain the target. The current debt service is running at around 2% of revenues. The authority of the revenue fund is established in statute.

Mr. Yolitz described how design and construction is done through a delegated execution strategy with the majority of authority and responsibility residing at the campus. Program management is done through the system office. A series of tools and resources have been built to help institutions be successful in meeting the state statutes and contract construction standards. Facility design standards are established which include performance specifications and best practice standards. Feedback is solicited from the colleges and universities, consultants and contractors. The design standards produce a LEED (Leadership in Energy & Environmental Design) certified silver building which is a measurement of energy efficiency and sustainability. The Facilities Unit has created an e-Manual of guidelines and procedures for design and construction practices and processes. The enterprise project management system is e-Builder.

Building management focuses on how the space is being used with the current focus on space utilization measured by room utilization as opposed to seat utilization. There are no national standards for space utilization. The system established a goal of 32 hours a week, which is characterized as 100% utilization.

Chair Cowles asked whether utilization is tracked by season so that summer utilization is accounted for. Mr. Yolitz responded that it can be done but the current practice is on utilization during the fall or spring terms. It is recognized that there is a drop off in the summer.

Trustee Hoffman asked if utilization dropped off on Friday and if Saturday is not listed due to low utilization. Mr. Yolitz responded that utilization drops off on Friday and utilization on Saturday utilization is minimal.

Mr. Yolitz continued on to the operations of the plant which covers preventative maintenance, customer service, and sustainability activities. A lot of time is spent on energy cost and consumption tracking. Since 2009, energy consumption has been reduced on a square foot basis by around 16%. The impact of carbon is down by around 8%. As less efficient space is replaced or recommissioned, the facility gets better energy management outcomes. There has been a lot of staff exploration and examination of renewable energy options including solar gardens. Those are advanced on a campus-by-campus, case-by-case basis.

In the area of compliance environment, the OSHA Alliance has a very good partnership with MnOSHA (Minnesota Occupational Safety and Health Administration) in serving college and university campuses. Through the Alliance, MnOSHA experts tour campus spaces and highlight potential safety concerns. Other campuses are invited to these walk-throughs and take notes back to their campus. The information is shared across the system and safety issues have been alleviated.

Mr Yolitz noted there has been a 5% reduction in facilities staff at campuses since 2010 while facility space has grown by 5%. This has led to a 10% increase in workload when measured as facility square foot per employee.

In summarizing, Mr. Yolitz stated the system has enough space although the location and alignment may not be perfect. There needs to be better work done on space utilization and management. Facilities are aging and investments through HEAPR (Higher Education Asset Preservation and Replacement) funds are not keeping up. This is why it is important to have a robust, preventative maintenance program. There are opportunities to do regional or multi-campus planning.

Mr. Yolitz noted managing Minnesota State facilities is challenged by a complex regulatory environment. He also noted the system operates with a healthy tension between centralized control and decentralized operations. As the system matures, we have seen that there is great value in having system standards, processes, and shared best practices.

Mr. Yolitz noted staff was in the process of aligning board policies and system procedures around the themes for capital planning, design and construction and facilities management and operations, much like the study session format. The first of the recommended policies will be presented to the board in November.

Mr. Yolitz asked the committee whether there was anything they would like to learn more about and whether there were particular issues or concerns around stewardship at the top of mind for the committee.

Chair Cowles asked Mr. Yolitz to refer back to the recommendations for each item in the presentation. Trustee Hoffman asked about how deferred maintenance was calculated and how the system continued to operate given the magnitude of the backlog. Mr. Yolitz responded that they don't let things fail at the campuses. The campus facility staff is good at keeping things running. The backlog of maintenance is a measure of what has exceeded its useful life.

Chair Cowles followed up referencing page 13, slide 24 noting that the graph entitled "Middle Aged Buildings" shows a significant portion of the system's buildings coming toward the end of their useful life. Chair Cowles underscored Trustee Hoffman's point and the case that HEAPR is going to become even more important in size and urgency.

Mr. Yolitz noted that it was forecasted earlier in the 2018 Capital Program Guidelines that HEAPR may push toward \$125 million given the backlog trends. The specific recommendation will be brought to the board in May and June of 2017.

Chancellor Rosenstone asked over the last couple of sessions, what is the average HEAPR allocation appropriation from the State of Minnesota. Mr. Yolitz responded that for the last 6 biennia, \$110 million has been requested and that on average the system has received around \$52 million.

Chancellor Rosenstone asked how much every two years do colleges and universities spend out of their operating budgets to maintain their facilities. Mr. Yolitz responded that institutions invest around \$32 million of their operating budget taking care of their plants. It is \$64 million over a two-year period. The campuses are doing their part but it was never intended for major capital investing to happen through operating budget.

Trustee Sundin asked Mr. Yolitz whether the energy opportunities are being pursued so that they are not missed. Mr. Yolitz responded that the staff is in the process of establishing a request for information for those who may be interested in providing developer services to campuses and then to do an RFP for campuses to engage in the solar gardens. Capacity is available through the Xcel network. The contracts are multi-year, multi-million dollar contracts. The board will get an opportunity to review them as they are developed.

Trustee Erlandson suggested taking photos of the deferred maintenance and sharing on social media for HEAPR and asked whether we have tried to solicit support from agencies like Fresh Energy and others who are working on the State's efforts on the Clean Power Plan and he offered some contacts. Mr. Yolitz responded that the social media suggestion is an idea that will be pursued and welcomed any advocacy connections.

Trustee Sundin asked Mr. Yolitz whether there is an analysis on the safety of the water at colleges and universities given buildings were built such a long time ago. Mr. Yolitz responded that there isn't a structure or data management system that rolls up water or air quality testing across the system. That is a decentralized responsibility that resides at the campus and we want to pursue and put assurances in place that testing is being done.

Trustee Tefer followed with a question on Trustee Sundin's comment about facilities and asked who is overseeing the shrinking facilities staff. Mr. Yolitz responded that there hasn't been a staffing guideline established for facilities staffs and that presidents are empowered to oversee their operations to make decisions on balancing budgets.

Trustee Bourdeau referenced page 17, slide 31 and asked for more information on the Facilities Condition Index or FCI. Mr. Yolitz explained that the FCI is the ratio of the facility backlog

maintenance as compared to the facility replacement value. The FCI is a nationally recognized assessment of facility of facility conditions. The State of Minnesota would consider the listed ratios as “good.” APPA, a professional higher education facilities organization would characterize Minnesota State FCIs as borderline between “good” and “fair.” Vice Chancellor King added that campus FCIs will be used in part in the making of the FY2018 capital bonding recommendation to the board in May and June of 2017. The FCI is used at the campus and facility level as part of the candidate project evaluation process.

Trustee Cirillo followed up on Trustee Tefer’s question and inquired about the health of our organization in terms of demographics and whether we are able to replace what is needed from our own programs. Mr. Yolitz responded that the workforce has shrunk slightly and has aged. There are several colleges that have facility maintenance as a certificate or degree program. Internships need to be explored to place those students at system facilities. The need for facilities managers is growing across the state.

Trustee Hoffman complimented campus staff and leadership for the job they do with the appearance of the campuses and noted trustees hear compliments about the campuses. Trustee Hoffman thanked Mr. Yolitz for his leadership and the leadership at every campus. Chair Cowles commented that all the trustees share the sentiment.

Chair Cowles asked Mr. Yolitz how the freeze on the square footage across the system will change the decision making or recommendation process if it becomes a strategic goal of the organization and to give an example on how his recommendation relates to horizontal planning.

Mr. Yolitz responded that freezing the square footage is a discussion item for an element within the Allocation Framework and the distribution of state appropriations. This will no longer reward institutions for building more space but will provide a benefit or reward if space is reduced over time. He noted a long standing policy objective to not build new square footage but to replace obsolete assets. Vice Chancellor King commented on capital planning stating that it has been the chancellor’s goal and the board’s endorsement of a no-net, new square footage program for the last three bonding proposals.

Mr. Yolitz responded to Chair Cowles question of horizontal planning to elaborate that the term refers to deliberate, coordinated academic and facilities regional planning to address regional issues. The one example is how to grow baccalaureate programs in the metropolitan area. There will be an initiative to look at predesigns at metropolitan area colleges that could host baccalaureate programs within their existing space. This work may drive small capital projects to enhance the space to support the anticipated 4-year program and student support services.

Chair Cowles thanked trustees for their comments, Mr. Yolitz for the great background information provided, Vice Chancellor King for her participation, and the staff both at the system office and at the campuses. He explained he would be working with Vice Chancellor King on how

to address the broader issues that may come up in future conversations and asked trustees to forward any questions to Chair Cowles or Vice Chancellor King.

Adjourn at 11:25 a.m.

Respectfully submitted by

Maureen Braswell

**MINNESOTA STATE
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE**

OCTOBER 18, 2016
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN

Finance and Facilities Committee Members Present: Chair Jay Cowles, Vice Chair Elise Bourdeau, Trustees Basil Ajuo, Robert Hoffman and Jerry Janezich

Committee Members Absent: Ann Anaya

Other Board Members Present: Trustees Dawn Erlandson, Robert Hoffman, Louise Sundin, Cheryl Tefer and Michael Vekich

Leadership Council Members Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, Vice Chancellor Ron Anderson, Vice Chancellor Ramòn Padilla, Presidents Barb McDonald, North Hennepin Community College and Connie Gores Southwest Minnesota State University

The Minnesota State Finance and Facilities Committee held its meeting on October 18, 2016 in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul, MN.

Chair Cowles called the meeting to order at 10:35 AM with a quorum present and provided an overview of the committee's agenda. Vice Chancellor Ramon Padilla will present on the ISRS NextGen project and provide some additional details on the project cost estimates. There will be a discussion about the Internal Financial Model and Allocation Framework Redesign effort which was first introduced as part of the Charting the Future recommendation. If committee members are interested in additional discussion and information on the recommendations, staff will set-up a WebEx on this topic for members before the November meeting. There will also be a first reading on the FY2018-FY2019 legislative operating budget proposal which includes the 2017 Capital Bonding Strategy and recommendation. The legislative operating budget request is prepared every two years. The board will be asked to approve the request in November.

Time on the agenda has been allocated for public comment. The audience should inform the Board Secretary if they wish to speak. Those interested are encouraged to complete a form that is located on the sideboard in the boardroom.

- 1. Minutes of the Study Session on Long-Term Financial Sustainability and Minutes of the meeting on June 21, 2016.**

There was a motion to accept both sets of minutes as written. The motion to approve was offered by Trustee Bourdeau, seconded by Trustee Janezich. The motion carried.

Vice Chancellor King was introduced and invited to provide updates. New committee members were welcomed and offered any assistance needed to help orientate them to the work of the committee.

Fiscal year 2016 audit results will be presented to the Audit Committee in November. There have been no issues to date. The fall process of the heightened cash management administration was well executed. The Higher Learning Commission has released new policy guidelines adding their own financial monitoring protocol. Staff has communicated with campuses and will keep the committee apprised of any adverse impacts on our system.

Fiscal year 2017 operating budgets are continually being monitored and those not making their enrollment targets are now under budget review. There will be a full report provided to the committee next month. The 2018 capital budget planning process is launched. Colleges and universities are preparing predesigns and will come into the scoring process in early January. The capital project review process aids the chancellor in developing his recommendation which will be brought before the board in May and June.

Chair Cowles thanked Vice Chancellor King for the update.

2. Proposed Amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers (Second Reading)

Chair Cowles pointed out the second reading of the policy. The proposed changes include rewritten passages to include clarity and consistency with the terminology used. The refund section is removed from the policy in order to add procedure 5.12.4 Refund of Tuition and Fees. Also included are formatting, heading and style changes. The proposed changes are found on attachment B the board material. There have been no comments or changes since the first reading. Chair Cowles called for approval of the policy. Trustee Bourdeau moved to accept, Trustee Hoffman seconded. The motion carried.

3. ISRS Next Gen

Chair Cowles invited Associate Vice Chancellor Ramon Padilla to present on the project which has been reviewed periodically. Chair Cowles stressed that approval and enactment of this project will require steadfast system wide commitment. This is a comprehensive and multi-year project. Vice Chancellor Padilla presented and commented that replacement of ISRS is critical to student and organizational success. It is the data system for colleges and universities, students, faculty and staff and affects everyone; from application to registration, course scheduling, housing, financial aid, transcripts, the system's accounting activities, human resources software as well as the student system. It is the cornerstone data system for the enterprise.

In referencing the handout that was provided, the system is very comprehensive with so many modules that are part of ISRS. The scale of the system at Minnesota State is unparalleled compared to other higher education organizations.

At peak during the startup of the school year, there were 1 million logins to the enterprise systems. A typical research institution might see 200,000 logins at peak. In FY16, there were approximately 430,000 distinct students enrolled into 1,300,000 courses in ISRS. During the same time approximately 100,000 financial transactions were handled per day.

Over the last few years, there has been a comprehensive review of ISRS including two Gartner studies. We have reviewed existing documentation, performed financial analysis, engaged in two cycles of campus listening sessions including Charting the Future Gallery Walks, and hired third party consultants who conducted listening sessions at campuses and provided market research to provide initial cost estimates. Survey feedback was provided in September and October 2015.

Cost estimates were first provided to the Board in March 2016 during the presentation of the NextGen business case. Staff has done an exemplary job of creating and operating a massive and complicated software system that has served this organization well for over 20 years. However, there are now unmet student needs in (for example) the mobile experience, concurrent enrollment, degree planning, student success analytics, recruiting, admissions and retention processes. There are also unmet business needs in budgeting and analytics. ISRS cannot meet the needs of 21st century students, colleges and universities. The 2014 Gartner study found that there is a backlog for functionality work which represents in excess of a 200 person workload. The core of ISRS is based on old program language – COBOL and Uniface. System office staff cannot keep ISRS current for the needs of the students, colleges and universities.

Students, faculty and staff strongly support the ISRS NextGen project.

Chancellor Rosenstone asked for clarification on what the risk is of doing nothing at this point in time; as well as what the opportunities are of embarking on this project. Vice Chancellor Padilla responded that putting a new ERP in place takes a long time; approximately 5 to 7 years. We do not want to start a project like this one when we are in a state of emergency. System staff have had great longevity but are approaching the end of their careers. This places a risk of losing those who are skilled at the language that ISRS is built in and the subject matter expertise that built the complicated system in 1995.

Chancellor Rosenstone followed up asking several more questions; assuming this gets done in 5 years, is a quarter century a long time to go on a single system like ISRS? Is there a risk that extending life beyond functionality could result in the system no longer working at some point? Vice Chancellor Padilla replied that replacement of ISRS is overdue and that ISRS is at end of life. There could be a point where the system will not be able to be maintained. If something breaks, there will not be the subject expertise in house to understand the problem and repair it.

Chancellor Rosenstone asked whether there are architectural aspects of the system which causes concerns regarding the ability to secure and protect the confidentiality of data. Vice Chancellor Padilla responded that an upgrade would increase security.

Chancellor Rosenstone inquired whether other options were explored during the assessment; whether consideration was given to modernizing or fixing the system. Vice Chancellor Padilla responded that other options were considered. Commercial industries have hundreds of programmers, higher education has dozens. Even attempting to fix it would not be beneficial in the long-run.

Chair Vekich asked what the estimate of end-of-life is and what level of enterprise risk there is during the changeover that may need to be looked at. Vice Chancellor Padilla responded that end of life for the current system reflects the duration where it can be maintained during the course of the implementation of the new system. The current system can make it through the next 5 to 7 years but there are no guarantees after that point.

Chair Vekich followed up asking what does end of life look like for the employees who have the capacity to work on the system, and whether outside backup has been looked into. Vice Chancellor Padilla responded in terms of employment, as the system office embark on new software platform, it gives an opportunity for change in terms of jobs. At the end of the project, the jobs that people are currently in now will not mirror what they are doing right now. Jobs will change to accommodate the changing environment. The risk of having a lack of talent has been reviewed to assure that things can keep going until the end of the project.

Vice Chancellor King responded that another of the risk assessments for launching the work is having the talent across operating units to carry the implementation. This change will involve finance, human resources and student staff to design a new relationship and maintain the existing relationship. That is an organizational risk but there are discussions on how much can be ensured against the risk. The talent of the current workforce will have to be captured before they retire. Strategies are being worked on to manage the risk. Chair Vekich asked whether outsourcing options have been considered as a backup. Vice Chancellor Padilla assured the board that staff augmentation is currently being used to fill gaps during new projects.

Trustee Hoffman commented that end of life seems arbitrary as the new system is being reviewed. It is hoped that there is a Plan B. The timeframe appears to be too comfortable as the old system and new system crosses. Vice Chancellor Padilla responded that the old system can remain running throughout the life of the new project.

Trustee Hoffman asked Chair Cowles whether the current system has been around for 20 years. Vice Chancellor King responded that at the time of the merger the state universities had an HR program that was modified to support community and technical colleges. The universities also had an in-house accounting system that was likewise modified. . At the time of the merger, there were 47 accounting systems that were transitioned to one system which interfaces with the state's accounting system. Trustee Vekich also responded to Trustee Hoffman's question, adding

that at the time, there were negotiations with the University of Minnesota around creating a joint system which the system decided against.

Trustee Sundin asked whether the committee and board will decide when it is end of life for the current system. Chair Cowles responded that the board responsibility is to approve the Legislative Budget Request which includes funding for the project.

Trustee Sundin followed up asking whether it will be decided if the new system will be prepackaged. Chancellor Rosenstone responded that the contract will certainly be more than \$1 million and will be before this committee for approval.

For a system of this nature to go a quarter of a century speaks to the remarkable talent of IT colleagues who have built, maintained and protected the functionality of the system. Vice Chancellor Padilla has been to other major universities around the country and can testify to the half-life of their major systems.

Trustee Sundin asked whether extensive research has been done. Vice Chancellor Padilla responded yes and stated that the system is unique and beneficial. Most systems do not provide centralized services like the system's shared enterprise technology platform. The industry is changing right now from PeopleSoft to software as a service.

Chair Cowles announced a request to speak from Jerry Jeffries, Chair of MAPE Meet and Confer. Mr. Jeffries introduced himself and stated that a team from MAPE and system developers recently met and had a heated discussion about whether ISRS should be replaced. Mr. Jeffries was not at the meeting and the MAPE team members who attended were not necessarily IT savvy. Mr. Jeffries stated that he would like to meet with Vice Chancellor Padilla to discuss their concerns. It is understood that a decision needs to be made but it's best to have everyone on board. Chair Cowles stated that this is a first reading and the next 30 days would be a good time for the Vice Chancellor to meet and discuss the concerns with the team from MAPE.

Chair Cowles drew the committee's attention to the last slide of the presentation, which is a Gantt chart showing the estimated costs and timeline. He asked whether there are any comments. Chair Cowles stressed that the project requires very strong board support and expressed appreciation for questions and comments.

Trustee Cirillo asked how the project will be designed to add a personal touch to it aside from the suppliers and industry performance, and assure that students, faculty and staff are receiving the type of performance needed. Vice Chancellor Padilla responded there is an opportunity for excellence in regards to delivery of certain kinds of services (particularly back office). Right now in ISRS, there is a great deal of customization. There will be an opportunity to streamline business practices to make them consistent across the system. Moving to industry software is an upgrade for the system.

Chair Cowles thanked everyone for their participation and stated that there will be continued committee support and a vote around the budget. Vice Chancellor Padilla commented that there will be a RFP for software. No software has been chosen at this time. The decision is to buy and not build. Significant effort and commitment will be required in order to be successful in this endeavor. Change management will be part of the process as it goes forward.

Trustee Janezich asked whether all of the IT staff are MAPE employees. Vice Chancellor Padilla responded that IT staff is primarily MAPE (80percent), with some AFSCME and MMA.

4. Internal Financial Model and Allocation Framework Redesign (First Reading)

Chair Cowles stated that this agenda item has deep system-wide implications. The allocation framework distributes state appropriation to our colleges and universities and changes to the allocation methodology will impact every college and university in the system. Extensive board material has been provided and staff was asked to walk through a summary of the presentation in order to leave time for committee discussion.

Vice Chancellor King will present the results of the last 10 months of work by a group of college and university CFOs and CAOs. Also presenting will be Ron Anderson, Vice Chancellor for Academic and Student Affairs; Deb Bednarz, System Director for Financial Planning and Analysis; Barb McDonald, President of North Hennepin Community College; and Connie Gores, President of Southwest Minnesota State University.

The internal financial model refers to the method of allocating state appropriation to colleges and universities, systemwide activities and the system office. Elements of the internal financial model include the allocation framework, instructional cost study, institutional priority allocations, systemwide set-asides and the system office appropriation.

The work to review the allocation framework and propose modifications was led by a technical advisory committee consisting of college and university chief academic and financial officers from across the system. It has been strongly influenced by consultation with the board, Leadership Council, CFOs, CAOs, CSOs, bargaining units, student associations and other campus leaders. There has been robust involvement with constituent groups, including WebEx updates with bargaining units and statewide student associations. There has been consultation with Leadership Council and our campus communities. All of the information has been posted to a SharePoint site dedicated to the project.

Trustee Janizech asked whether access and affordability could be added to the allocation framework design principles. Vice Chancellor King responded that it should be recognized as a core underlying principle since the design is built on the board's strategic framework which includes access and accessibility. The goals of the redesign are to promote and support student success, make the model more responsive to changing conditions, better align the cost of programming and instruction with resources, encourage collaboration and fully aligned debt service cost with the benefitting college or university.

The recommendations include adding outcome-based student success components, creating collaboration and cooperation incentives, improving responsiveness by moving from use of a three year average to a two year average, recognizing student services costs based on student headcount rather than FYE, giving additional weight to underrepresented students in the student service component of the framework (which recognizes that there are cost consequences depending on student type), and simplifying the facilities component.

Trustee Hoffman asked what the top two concerns of the CFOs are. Vice Chancellor King responded that CFOs are interested to see how the analytical work plays out. There is work pending around concurrent enrollment and CFOs are on both sides of the issue. Key elements that will not change are that colleges and universities will continue to receive a block grant, and presidents will continue to have authority to manage that lump sum in a way that benefits their college or university. Additionally, it remains a data-driven model that recognizes differences in program costs. Finally, we continue our practice of any income generated on campus stays on campus.

In terms of the current allocation framework versus the recommendations, the student success measures are outcome/performance based and are being added along with a recommendation to fund that portion of the model with one to two percent of the base allocation funding; changing student services to headcount rather than FYE and giving added weight for underrepresented students to better align resources with the actual cost of providing students the services they need; and, increasing the percentage of the funds distributed through the instructional and academic support module.

Another recommended element is to continue having the results be based on 50 percent from last year's allocation and 50 percent on the current year's allocation. Presidents may not know until June what their resources will be for upcoming the fiscal year and this has been a challenge for presidents and CFOs. The "smoothing" that is inherent in the 50/50 approach will allow presidents the comfort of being able to predict part of their allocation for the year ahead.

Trustee Cirillo asked regarding "smoothing" how is it dealt with if there is a dramatic change in the status of the university or school and whether this has happened in the past. Vice Chancellor King responded that it generally doesn't happen because the recommendations were based on a three year average that shaved the rate of gain and loss over three years.

Trustee Erlandson asked whether there is anything that rewards a college that gets students to enroll at a Minnesota State university. Vice Chancellor King explained that the dynamic is easier to register a student who is already with Minnesota State. It is not clear why the community thought the model would reward this because the state appropriation is not tied to enrollment.

Vice Chancellor Ron Anderson reminded the board that completion and persistence are part of the modified student success measures. Another area where we could see improvement with that is related to incenting collaboration across institutions. Trustee Erlandson asked for clarification on obtaining students from other colleges/universities within the system—whether

the funding is provided in the allocation changes. Vice Chancellor King responded that there would be more tuition revenue but since the state funding is not tied to enrollment, state funding does not increase.

Chancellor Rosenstone added to Trustee Erlandson's question that Vice Chancellor Anderson is still working on what we might do within the model to incent collaboration. It is important to continue to ask the questions about intentional or unintentional consequences. This is not the only incentive system that exists within the management of the system. The other incentive system directly impacting presidents is their performance evaluations where attention is paid to collaboration and the transferability of their students. There will be a deeper dive taken on the incentives for the facilities component. There are many other mechanisms for incentives.

Vice Chancellor King stated that the revenue buy-down deals with how tuition revenue is taken out of costs. There is a recommendation to change the approach. Vice Chancellor King invited questions about this particular element of the design, consequences and objectives.

Vice Chancellor Anderson informed the board that the ASA division has been working with the Finance division to recommend a new priority set aside within the overall financial model with one percent of the available state funds to support and encourage collaborative-based initiatives. Over the course of the fall semester, ASA will be developing a recommended approach for distributing the funds.

One of the key questions being asked is about the types of collaboration and cooperation being incented and how to drive forward the strategic priorities of the system and the dependencies of institutions on one another to effectively bring these to life. The discussion has centered on developing a mechanism to fund and drive specific collaborative behaviors that will further institutional partnerships and development, as well as incent collaboration that stems from priorities articulated in the Charting the Future work and the system's strategic framework. Additionally, there is interest in creating a mechanism for distributing funds based on demonstrated outcomes from institutional collaborations.

Vice Chancellor King stated that there are two other recommendations that are part of the internal financial model. One concerns a recommendation to change the assignment of debt service. Under the current practice, as a capital project is approved by the legislature and gets underway on the campus, the state finance department assesses the system one-third of the debt associated with that capital project. This has been the practice since the late 1990s. At that time, it was determined that the one-third system assessment would be split equally between the system and the individual college or university receiving the project. The allocation method was reviewed to see if incentives were being created by cross-subsidizing capital investments between campuses. The recommendation is to change the approach so that the full one-third capital debt service cost is allocated to the campus receiving the capital improvement and eliminate the contribution from all other campuses. If this was done on the basis of the 2017 capital program priority list, 20 campuses would have received more money and 11 would have received less.

The recommendation is to migrate the full one-third cost to campuses, which will (over time) free up the state appropriation resources currently held to fund this obligation. These funds would be gradually added back to the total which is distributed to all colleges and universities through the allocation model.

Trustee Janezich expressed concern for the rural campuses and how they will generate the funds to cover the full one-third debt service cost. Vice Chancellor King responded that the recommendation concerns capital improvement not HEAPR. Trustee Hoffman followed up by asking what the reaction of the presidents has been. President Barbara McDonald, North Hennepin Community College, responded that the problem is recognized on a case-by-case basis. The presidents are thinking about space utilization: how current academic space is used, if new space is needed and whether the current space is not being used to capacity. President Connie Gores, Southwest Minnesota State University, expressed interest in HEAPR because it's needed at her institution. In looking at the facilities planning, the additional cost would be factored into the projects. Trustee Hoffman followed up asking whether all the presidents agree with this approach. President McDonald responded that the same conversation occurred at the Leadership Council. Presidents do believe and support the design principle around the allocation framework and are willing to move forward and see how it plays out.

Chancellor Rosenstone said he was pleased that board was having this conversation about the potential consequences of this change. He commented that this has to be talked through and fully understood. At the moment, all campuses together pay \$17 million annually for the system share of the debt service cost. Many will never see a capital project but are providing a subsidy to campuses that are receiving capital projects. What if the \$17 million is added the allocation framework and distributed to all the campuses? If a campus wants a new facility, a budget would have to be done to see if they can afford the full cost of the debt service. The policy question for the board to consider is where to drive the decision. The cost of the project has to be managed by the campuses.

Another facilities related change being proposed to the allocation framework is to freeze square footage in the model. The problem with how it's done now is that there is too little accountability at the decision-maker level. This is the policy question that the board should be reviewing.

Trustee Janezich noted that over the years, classroom renovation has been put on bonding lists and that's the only way it would get done. Would classroom renovation now be done through HEAPR?

Chancellor Rosenstone responded that it can still be done through the bonding bill. Right now half of the debt service is coming from everyone but half will be returned to the campuses. Trustee Janezich expressed not being comfortable doing this and stated that this should be thought through a little more.

Chair Cowles thanked everyone for comments and reiterated that there will be opportunity for a follow-up webinar or discussions on the points of concern before the next meeting. Vice Chancellor King will think about Trustee Janezich's concern.

When considering the various proposed changes to the model, the next step the committee considered was to model what the FY2017 allocation model would look like with these changes and compare the results to the actual FY2017 allocation. The modeling shows that there is not significant movement in percent share or in real dollars across the system. The result brought less variability than seen in previous years of running the allocation framework without these proposed changes.

Several of the recommendations will create a one-time shift in the results that will happen over two years due to the 50-50 smoothing mechanism. Facilities, library, research and public service are all one time changes. The board materials included the school-by-school impact. Trustee Hoffman asked whether the results have been looked at comparatively over five years. Vice Chancellor King responded that it hasn't been done and that it would be the right approach.

Presidents McDonald and Gores were invited to comment on behalf of Leadership Council. President Gores shared that the Leadership Council was involved in the process along the way, CFOs were on the Technical Advisory Committee, and presidents endorsed the design principles and the goals. The consultation efforts have been strong. President McDonald commented that the focus on the design principles, student success outcomes, recognizing that all students need to be served, academic and student outcome are important. North Hennepin has the highest number of part-time students and all have be reached to ensure their success. The recommendation to provide more weighting within student services is an example of being beneficial to student success. There are variations among institutions, some may see slight increases in dollars and some may see slight decreases.

President Gores commented that it is understood what goes into the simulation and the outcome even though the actual numbers in 2018 might be different. There may be some points that presidents may take issue with but overall the Leadership Council is comfortable with the process and path for engagement. There are still some unknowns within the model, for example what the collaboration incentive looks like. Presidents are willing to move forward since it will impact student success.

Trustee Janezich asked if a no-loss way could be figured out in order to avoid institutions taking a financial hit, specifically the Northeast Higher Education District (NHED). Vice Chancellor King responded, when the board last approved this, there was a hold harmless provision that provided NHED with a five year step down built into their allocation. There could be a hold harmless provision introduced again to slow the rate of gain for some in order to slow the rate of loss for others.

Chair Cowles commented that there will be an implementation strategy created for when the changes to the allocation framework moves forward. Chancellor Rosenstone commented that

the board could suggest a slower implementation and take a couple more years to fully phase it in. There is a set of principles we have agreed on that we are trying to make good on, and this set of proposed changes is intended to make the model more consistent with those principles. The presidents should be cautious about reacting to these proposed changes based on a particular outcome—focus on the principles to ensure we are moving in the right direction. Trustee Janezich stated that the principles or process can be great but produce a negative outcome.

5. FY2018-2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy (First Reading)

Chair Cowles introduced the topic as a first reading that will be coming back for approval in November. There were several people who indicated that they would like to make comments. Vice Chancellor King was asked to provide an overview.

Vice Chancellor King presented the FY2018-FY2019 Legislative Operating Budget proposal and the 2017 capital bonding strategy. Vice Chancellor Ron Anderson, Deb Bednarz and Brian Yolitz were introduced as well as Presidents Barbara McDonald and Connie Gores.

The proposal was shaped by the discussion that the board and leadership council had at their retreats last month. This is a straightforward proposal about serving students, supporting campuses and serving the community.

Vice Chancellor Anderson noted that Minnesota State is Minnesota's largest higher education provider and one of the largest higher education systems in the country. The diversity of our student body is one of our greatest strengths. Campuses are critical to the economic success of Minnesota's regional and local economies in addressing and eliminating the economic and racial disparities. That is why this request is focused on students, campuses and communities.

Vice Chancellor King stated that in the development of the proposal, goals were set to address Minnesota's economic and racial disparities, helping to meet Minnesota's critical need for talent, improving student success, providing access and affordability, ensuring the viability of the system's technology platform and supporting campuses.

One objective is the strength of the coalition of support for the proposal from all the internal constituent groups, staff, faculty, students and community. There was time spent over the spring and summer consulting with the bargaining units, student associations and Leadership Council. There is support from the Leadership Council and the board on the goals. Vice Chancellor King asked the presidents to speak about the discussion at that level.

President McDonald commented that Leadership Council has heard the proposal and the presidents are in support of moving forward. There is more value and strength in the coalition approach, the commitment to affordability and student success. There is excitement about the student success grants. It is important that the tuition promise is tied to the entire request of \$178M. President Gores commented that it won't be good enough to get some part of the

inflation funds if we still have to cover the technology costs. Colleges and universities are struggling to balance budgets and serve students. Leadership Council talked about the need for the technology project request. There is no question on the need for a new enterprise technology system. Presidents support the funding approach and will commit to figuring out how to make it work in campus budget planning.

Vice Chancellor King stated that other ideas were considered that came through the consultation process. The president of the Minnesota State College Faculty Association suggested that the "15/15" proposal be pursued. This was suggested to the board during the retreat. The idea is that every other semester tuition for students would be free as a persistence and completion strategy. This would be an extremely costly program estimated at \$300 million a year, and would be complicated to administer. This is not being included in the recommendation.

Another suggestion is to approach the legislature with a funding proposal that is tied to per capita or enrollment. This idea would fund Minnesota State like K-12 in the state budget process with automatic increases as enrollment increases. It is intended to recognize that costs increase as enrollment increases. This funding would also automatically reduce support if enrollment declined and it would establish a new base funding level substantially lower than the historical level. From 2012-2017 this approach would have resulted in a \$93 million reduction instead of the \$68 million that was received.

The third idea proposed is categorical aid. This is similar to the enrollment funding level approach but instead of having funding level based on enrollment, it would be awarded based on category of aid. This would be a strategy shift for the board. The funding and categorical aid approaches would reframe the relationship with the State and staff is not comfortable going forward with either at this time without more work. They are not in the recommendation.

Trustee Hoffman asked the presidents how we might go about changing our strategy from being reactive to being proactive, or somehow change the model to put Minnesota State in a position of strength, particularly as it relates to the \$178 million in this request and holding tuition at the current level.

President Gores responded that conversations were brought up at Leadership Council and this proposal is what was decided on because it made the most sense. President McDonald replied that this was based on what was needed to operate, what could be incentivized, and the important task of the ISRS replacement and going beyond that justifying additional funding may become a deterrent to what is being asked for in the long run.

Trustee Hoffman commented that the value that is brought forth will play a huge economic role in the State of Minnesota. Chair Cowles asked for clarification and information (referencing the chart on page 101 on state appropriation funding versus tuition) asking how percentages move between tuition as a percentage of revenue if the appropriation request is approved in full by the legislature, and tuition is held flat, with expected enrollment being relatively flat.

Vice Chancellor King responded that the full legislative support of the request and the board following through without a tuition increase in FY2018 and FY2019 would move the lines from 47 percent to 51 percent in state support and from 53 percent to 49 percent in system support (tuition, fees and other income).

Vice Chancellor King referenced a change in the board material (slide 9), that \$178 million was quoted. The change since the board retreat is reflected in financing the ISRS proposal. During the retreat, the discussion was to ask the state for \$60 million and ask internal partners to contribute \$90 million. This has been changed to 50/50 or \$75 million for the state and \$75 million from internal partners. If this approach is successful, the system would not have to ask the state for additional support again in the next biennium because it would be base money. There were conversations with the presidents about this approach.

Vice Chancellor Anderson was asked to expand on the strategic investments that support students. Vice Chancellor Anderson commented that during the conversations with leadership, there has been robust discussions about strategic investments and focusing on eliminating disparity while meeting Minnesota's critical challenges. The proposal is shaped to underscore and reinforce several initiatives currently underway.

The proposal asks for \$10 million in ongoing state support that would be used to provide incentive grants for students to move them to completion and reduce the outcome disparities. The request would support two incentive grants for students—one which would include a one-time \$500 incentive to students who are making academic progress but are at risk of dropping out and another to provide a one-time \$500 incentive grant to students who complete a transfer pathway degree and enroll in a bachelors degree at one the state universities.

Generally, these types of grant programs focus on the students that are near the end of their academic programs. In looking at data for students, we see that the greatest loss comes early in the process. The proposal we wish to fund focuses on students who may drop out during the first year.

Regarding incentivized collaboration across institutions, one of the most successful things seen emerging in the last few years is faculty doing transfer pathways. This is a great opportunity to help students understand and see the pathways that exist within the system and get students to focus on talent needs for occupations that require bachelor degree preparation. This will help increase student mobility, help strengthen partnerships and increase the completion of baccalaureate degrees in Minnesota State institutions.

Vice Chancellor King commented that the proposal has been evaluated and early estimates expect it to benefit 20,000 students in the first year, half of which would be students of color, first generation or Pell eligible. It has a very high impact on students that we are most interested in helping progress.

Trustee Sundin asked whether the K-12 budget is asked to fix the PSEO program or will the system pick up part of the fix. Vice Chancellor King responded that in past cycles, there has been

discussion with the Department of Education about legislation that would improve the funding formula in K12 so that the PSEO students had enough resources to buy their own books. As it stands right now campuses take the book cost. There are conversations about the cost to K12 for concurrent enrollment credentialing. The school districts are pursuing their own financing of the cost to credential their high school faculty to teach college classes in the high school with mentorship from our faculty. Trustee Sundin followed up asking whether the committee could include it so that we are a part of the solution.

Vice Chancellor King referenced page 16 which illustrates the proposed revenue sources. The proposal would seek legislative support for students with a request to provide sufficient support to make a tuition increase unnecessary. It would save college students \$143 per year and university students \$210 per year.

There hasn't been much conversation about the capital program yet today, but it seems that board members are supportive of efforts to gain capital funding during the upcoming session. The second reading is in November for endorsement. The recommendation is to ask for what is needed to serve students and preserve the commitment to access, lead with a powerful commitment to affordability, protect the services to students in communities, address economic and racial disparities, and work to meet Minnesota's talent needs and protect enterprise technology requirement. The proposal would continue to move the state back towards its historic investment levels and position colleges and universities for the next two years.

Chair Cowles noted the presented material which covers the board motion. The second page of the motion should remind the legislature that the trustees will make final budget decisions including setting tuition rates. If the legislature request is fully funded, the board would hold tuition rates at current levels. There is an attachment in the board material detailing the capital program proposal.

Chair Cowles invited comments from the public.

- IFO President Jim Grabowska was scheduled to speak but was not available.
- MSCF President Kevin Lindstrom distributed a handout but will comment at the board meeting.
- Jenny Stratton, MSU Mankato and ASFCME commented that they are supportive of the proposal offered. There are some concerns on the ISRS NextGen, Finance, and HR model. It is understood overall that the best interest is for students and the state. It is hoped that there is a partnership to continue working on a common goal.
- Dylan Kelly with MSCSA was invited to make remarks on the association's behalf. Dylan Kelly thanked the board for the opportunity to speak and shared the perspective of the students regarding the proposed biennial budget request. Since consultation on the request began during the summer, it has been made clear that the request for support is contingent on one important matter; college affordability must be a top priority in the request. There is great concern on the language that the board is only committed to continue a tuition freeze if the legislative allocates the dollar request. This is a clear indication that affordability is far down the board's priorities. An increase in tuition for

students is a near certainty. After three years of legislatively mandated freezes, and a 1 percent tuition reduction, students still pay the third highest tuition and fees in the nation.

According to the US Department of Education net cost calculator, even figuring in financial aid, 14 of the 15 most expensive colleges in the country are in the system. If Minnesota is going to meet its workforce needs, affordable community and technical colleges will be crucial. We are heartened to see funding requests for innovations and how students are funded and retained—those dollars paired with many of the reforms called for in the long-term financial sustainability report will bring positive change to students. And we are supportive of efforts to implement a new ISRS and believe the request is worthy of legislative conversation; however the current recommendation seems to indicate that protecting students from tuition increases is only a priority once the rest of the status quo is funded. This makes us hard-pressed to support the recommendation.

Chair Cowles thanked Mr. Kelly for the comments and invited Joseph Wolf, State Chair, Students United to speak.

- Mr. Wolf stated that he represents all students who attend a state university and thanked the board for allowing comments on behalf of the students regarding the Minnesota State Biennial Budget Request. As the critical decision is made about the current legislative request, major issues that students face is student loan debt. It is asked that this is kept in mind as decisions are made about the future of the universities. Students and alumni stated that this debt is incurred despite every effort to avoid borrowing to pay for school. The debt levels have occurred because for years the legislature reduced funding for higher education. Since the economic downturn and the increase in the cost of higher education fewer parents and families are contributing to students higher education cost. Students United believes that low tuition is the best source of financial aid for students. It is asked that as decisions are made about the future of the universities, it is kept in mind that students are struggling.

Chair Cowles thanked the speakers and stated that he and the Vice Chancellor are open to further discussion after the meeting if necessary. Trustee Janezich asked the speakers to come back to the panel and suggested that the student association and constituent representatives have further conversation with the committee to develop a better understanding in order stand on one accord.

Chair Cowles asked Vice Chancellor King for clarification in the board material as it relates to fees for ISRS and how is this communicated when speaking to student representatives. Vice Chancellor King responded that the conversations with the presidents concludes that they are supportive of the financing proposal asking the state for \$25 million and the committee would look internally for the other \$75 million. There has been no advancement beyond that.

Chair Cowles invited more comments and stated that the second reading will be in November. Everyone was thanked for their constructive comments.

There was no further discussion. The meeting adjourned at 4:30 PM.

Respectfully submitted,
Maureen Braswell, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 15, 2016

Title: Proposed Amendment to Policy 5.22 Acceptable Use of Computers and Information Technology Resources (First Reading)

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 5.22 Acceptable Use of Computers and Information Technology Resources was adopted by the Board of Trustees effective July 3, 2003. The policy was last before the board in March 17 2010 at which time language was added to include "mobile computing devices and multimedia materials" to the list of technical information resources. The policy went through the full review process in the spring 2016. This review has resulted in no substantive proposed amendments and all comments received through consultation were considered.

Scheduled Presenter(s):

Ramon Padilla, Vice Chancellor – Chief Information Officer

Laura M. King, Vice Chancellor – Chief Financial Officer

**BOARD OF TRUSTEES
MINNESOTA STATE**

First Reading

BOARD ACTION

**PROPOSED AMENDMENT TO POLICY 5.22 ACCEPTABLE USE OF COMPUTERS AND
INFORMATION TECHNOLOGY RESOURCES (FIRST READING)**

BACKGROUND

Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies and procedures to “determine whether it is needed, that it is current and complete, not duplicative of other policies, does not contain unnecessary reporting requirements or approval processes, and is consistent with style and format requirements”.

Board Policy 5.22 Acceptable Use of Computers and IT Resources was adopted by the Board of Trustees effective July 3, 2003. The policy was last before the board in March 17 2010 at which time language was added to include "mobile computing devices and multimedia materials" to the list of technical information resources. The policy went through the full review process in the spring 2016.

PROPOSED AMENDMENTS

Board Policy 5.22 Acceptable Use of Computers and IT Resources has undergone a scheduled review including consultation. This review has resulted in no substantive proposed amendments and all comments received through consultation were considered.

The amendments offered at this time are technical in nature – formatting, heading, and style changes. In lines 31 – 33, added language to clarify that Minnesota State is not responsible for any personal or unauthorized use of system information technology, or the security of personal data or devices. This is in keeping with similar policies at the state and the University of Minnesota.

RECOMMENDED COMMITTEE ACTION

The Facilities/Finance Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the changes to Board policy 5.22 Acceptable Use of Computers and Information Technology Resources.

RECOMMENDED BOARD MOTION

The Board of Trustees approves the changes to Board Policy 5.22 Acceptable Use of Computers and Information Technology Resources.

Date Presented to the Board of Trustees:

11/15/16

Date of Implementation:

XX/XX/XX

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

BOARD POLICY	
Chapter 5	Administration
Section 5.22	Acceptable Use of Computers and Information Technology Resources

1 **5.22 Acceptable Use of Computers and Information Technology Resources**

2 **Policy Statement**

3 ~~Computer and information technology resources are essential tools in accomplishing~~
 4 ~~the mission of Minnesota State Colleges and Universities and its individual~~
 5 ~~institutionscolleges and universities.~~ These resources must be used and managed
 6 responsibly in order to ensure their availability. ~~for the competing demands of teaching,~~
 7 ~~scholarship, administration, and other mission-related uses.~~ This policy establishes
 8 responsibilities for acceptable use of Minnesota State Colleges and Universities
 9 information technology resources.

10 **Part 1. - Purpose.**

11 **Subpart A. Acceptable use**

12 ~~System information technology resources are provided for use by currently enrolled~~
 13 ~~system students, administrators, faculty, other employees, and other authorized~~
 14 ~~users. System information technology resources are the property of Minnesota State~~
 15 ~~Colleges and Universities, and are provided for the direct and indirect support of the~~
 16 ~~system's educational, research, service, student and campus life activities,~~
 17 ~~administrative and business purposes, within the limitation of available system~~
 18 ~~technology, financial, and human resources. The use of Minnesota State Colleges and~~
 19 ~~Universities information technology is a privilege conditioned on adherence to this~~
 20 ~~policy and any procedures or guidelines adopted pursuant to this policy.~~

21 **Subpart B. Academic freedom**

22 ~~Nothing in this policy shall be interpreted to expand, diminish, or alter academic~~
 23 ~~freedom, articulated under board policy and system collective bargaining~~
 24 ~~agreements, or the terms of any charter establishing a system library as a community~~
 25 ~~or public library.~~

26 **Part 2. Applicability.**

27 This policy applies to all users of system information technology, whether or not the
28 user is affiliated with Minnesota State Colleges and Universities, and to all uses of
29 ~~system information technology~~those resources, wherever located.

30 Minnesota State Colleges and Universities is not responsible for any personal or
31 unauthorized use of its ~~system information technology or the resources~~. Security of
32 ~~personal data or devices on or using transmitted on its system~~ information
33 technology resources ~~cannot be fully guaranteed~~.

34 **Part 3. Definitions.**

35 **~~Subpart A. System~~**

36 ~~System means~~ tThe Board of Trustees, the system office, the ~~state~~ colleges and
37 universities, and any part or combination thereof.

38 **~~Subpart B. System information technology~~**

39 ~~System information technology means~~ aAll system facilities, technologies, and
40 information resources used for information processing, transfer, storage, and
41 communications. This includes, but is not limited to, computer hardware and
42 software, computer labs, classroom technologies such as computer-based
43 instructional management systems, and computing and electronic communications
44 devices and services, such as modems, e-mail, networks ~~or use of a network via a~~
45 ~~physical or wireless connection~~, telephones, voicemail, facsimile transmissions,
46 video, mobile computing devices, and multimedia materials.

47 **~~Subpart C. Transmit~~**

48 ~~Transmit means~~ tTo send, store, collect, transfer, or otherwise alter or affect
49 information technology resources or data contained therein.

50 **~~Subpart D. User~~**

51 ~~User means~~ aAny individual, including, but not limited to, students, administrators,
52 faculty, ~~other employees,~~ and volunteers, ~~and other authorized individuals~~ using
53 system information technology in any manner, whether or not the user is affiliated
54 with Minnesota State Colleges and Universities.

55 **Part 4. Scope**

56 **Subpart A. Procedures**

57 ~~The chancellor shall adopt procedures under this policy, including, but not limited~~
58 ~~to: security; employee use, consistent with Minn-esota Stat.utes § section~~ 43A.38 and
59 other applicable law; monitoring; unauthorized uses; and other limitations on use.

60 **Subpart B. Sanctions**

61 ~~–~~Users who violate this policy or related system, college, or university procedures
62 shall be subject to disciplinary action through appropriate channels. Violations may
63 be referred to appropriate law enforcement authorities consistent with applicable
64 law and procedures.

65 *Date of Adoption:* 7/16/03

66 *Date of Implementation:* 7/16/03

67 *Date & Subject of Revisions:*

68 11/16/11 - Effective 1/1/12, the Board of Trustees amends all board policies to
69 change the term "Office of the Chancellor" to "system office," and to make
70 necessary related grammatical changes.

71 03/17/10 – amends Part 3, Subpart B to include “mobile computing devices and
72 multimedia materials” to the list of technical information resources.

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

BOARD POLICY	
Chapter 5	Administration
Section 5.22	Acceptable Use of Computers and Information Technology Resources

1 **5.22 Acceptable Use of Computers and Information Technology Resources**

2 **Policy Statement**

3 Computer and information technology resources are essential tools in accomplishing the
4 mission of Minnesota State Colleges and Universities and its individual colleges and
5 universities. These resources must be used and managed responsibly in order to ensure
6 their availability. This policy establishes responsibilities for acceptable use of Minnesota
7 State Colleges and Universities information technology resources.

8 **Part 1. Purpose**

9 **Subpart A. Acceptable use**

10 System information technology resources are provided for use by currently enrolled
11 system students, administrators, faculty, employees, and other authorized users.
12 System information technology resources are the property of Minnesota State
13 Colleges and Universities, and are provided for the direct and indirect support of the
14 system’s educational, research, service, student and campus life activities,
15 administrative and business purposes, within the limitation of available system
16 technology, financial, and human resources. The use of Minnesota State Colleges and
17 Universities information technology is conditioned on adherence to this policy and
18 any procedures or guidelines adopted pursuant to this policy.

19 **Subpart B. Academic freedom**

20 Nothing in this policy shall be interpreted to expand, diminish, or alter academic
21 freedom articulated under board policy and system collective bargaining
22 agreements, or the terms of any charter establishing a system library as a community
23 or public library.

24 **Part 2. Applicability**

25 This policy applies to all users of system information technology, whether or not the
26 user is affiliated with Minnesota State Colleges and Universities, and to all uses of
27 system information technology, wherever located.

28 Minnesota State Colleges and Universities is not responsible for any personal or
29 unauthorized use of its system information technology or the security of personal
30 data or devices on or using system information technology resources.

31 **Part 3. Definitions**

32 **System**

33 The Board of Trustees, the system office, the colleges and universities, and any part
34 or combination thereof.

35 **System information technology**

36 All system facilities, technologies, and information resources used for information
37 processing, transfer, storage, and communications. This includes, but is not limited
38 to, computer hardware and software, computer labs, classroom technologies such as
39 computer-based instructional management systems, and computing and electronic
40 communications devices and services, such as modems, e-mail, networks or use of a
41 network via a physical or wireless connection, telephones, voicemail, facsimile
42 transmissions, video, mobile computing devices, and multimedia materials.

43 **Transmit**

44 To send, store, collect, transfer, or otherwise alter or affect information technology
45 resources or data contained therein.

46 **User**

47 Any individual, including, but not limited to, students, administrators, faculty,
48 employees, and volunteers using system information technology in any manner,
49 whether or not the user is affiliated with Minnesota State Colleges and Universities.

50 **Part 4. Scope**

51 **Subpart A. Procedures**

52 The chancellor shall adopt procedures under this policy, including, but not limited to:
53 security; employee use consistent with Minn. Stat. § 43A.38 and other applicable law;
54 monitoring; unauthorized uses; and other limitations on use.

55 **Subpart B. Sanctions**

56 Users who violate this policy or related system, college, or university procedures shall
57 be subject to disciplinary action through appropriate channels. Violations may be
58 referred to appropriate law enforcement authorities consistent with applicable law
59 and procedures.

60 *Date of Adoption: 7/16/03*

61 *Date of Implementation: 7/16/03*

62 *Date & Subject of Revisions:*

63 *11/16/11 - Effective 1/1/12, the Board of Trustees amends all board policies to*
64 *change the term "Office of the Chancellor" to "system office," and to make*
65 *necessary related grammatical changes.*

66 *03/17/10 – amends Part 3, Subpart B to include “mobile computing devices and*
67 *multimedia materials” to the list of technical information resources.*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 15, 2016

Title: Proposed New Policy 6.09 Capital Planning (First Reading)

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

An overhaul of Chapter 6 was initiated as part of the FY2016 Finance Division workplan and continues into FY2017. The proposed policy and procedure structure will align with the lifecycle of a facility as outlined in the October Study Session on Facilities Management. (Attachment A). New Board Policy 6.09 *Capital Planning* (Attachment B) is a first step in this effort.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – Chief Financial Officer

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
PROPOSED NEW POLICY 6.09 CAPITAL PLANNING (FIRST READING)

BACKGROUND

Board policy 6.4 *Facilities Planning*, policy 6.5 *Capital Program Planning*, and policy 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities* were adopted by the Board of Trustees on June 21, 2010 and implemented the same day. They have had only minor amendments since that time.

Through day-to-day work and as part of periodic reviews of Board Policies and System Procedures called for in Board Policy 1A.1, Part 6, opportunities to clarify and streamline guidance and direction while reducing overlaps and redundancies were identified within Chapter 6, Facilities Management.

An overhaul of Chapter 6 was initiated as part of the FY2016 Finance Division workplan and continues into FY2017. The proposed policy and procedure structure will align with the lifecycle of a facility as outlined in the October Study Session on Facilities Management. (Attachment A). New Board Policies 6.09 *Capital Planning* (Attachment B) is a first step in this effort. It has been reviewed by the Office of General Counsel, cabinet, and sent out for formal consultation and received support from the presidents, employee representative groups, student associations, and campus leadership groups. All comments received from the consultation process were taken into consideration.

Once the new Board policy instruments are recommended to the board and approved, including a new policy concerning facilities management and operations and revisions to policy 6.7 concerning real estate, policies 6.4 *Facilities Planning*, 6.5 *Capital Program Planning*, 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities* and 6.8 *Naming Buildings, Sites and Common Areas* will be recommend for repeal. These policy revisions are expected to reach the committee next spring, 2017.

RECOMMENDED COMMITTEE MOTION

The Board of Trustees approves Board Policy 6.09 *Capital Planning*

RECOMMENDED BOARD MOTION

The Board of Trustees approves Board Policy 6.09 *Capital Planning*

Date of Adoption: *XX/XX/XX*

Date of Implementation: *XX/XX/XX*

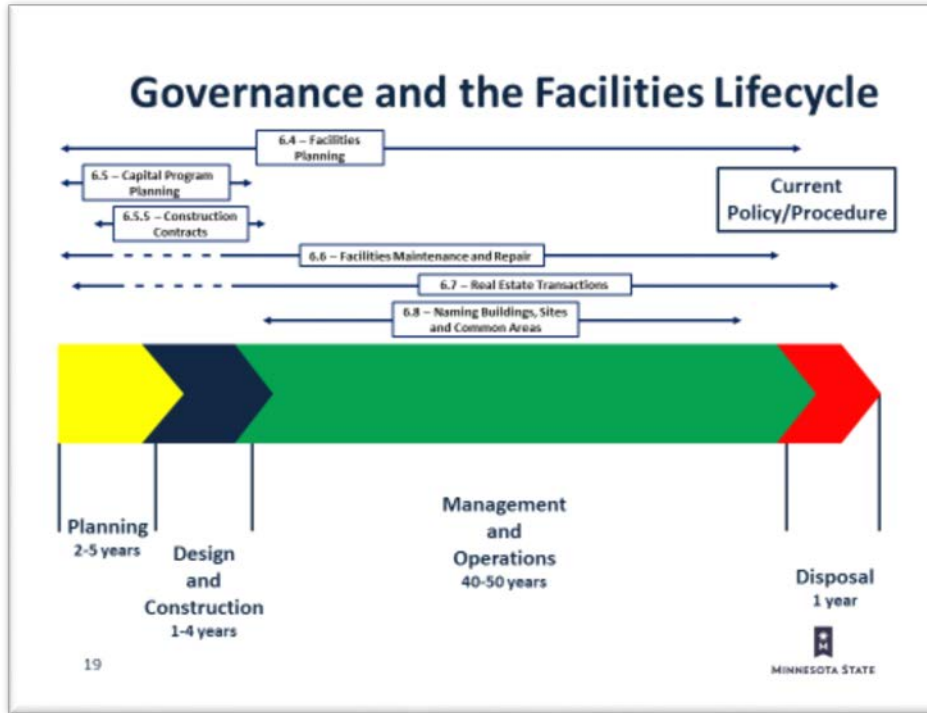


Figure 1 – Current Board Policy Alignment

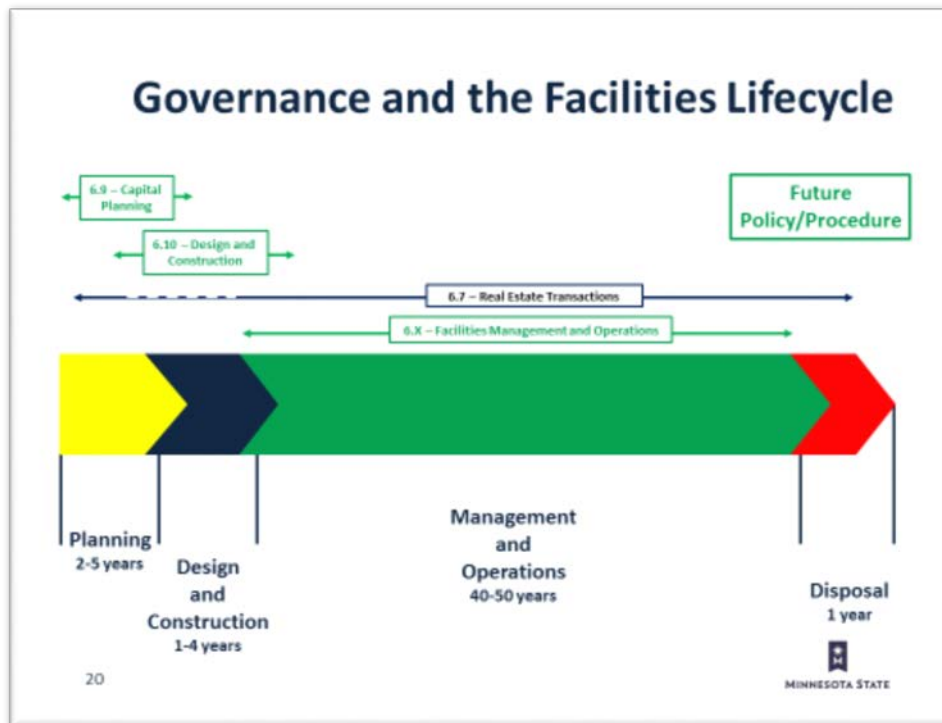


Figure 2 – Future Board Policy Alignment

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

Chapter 6. Facilities

Section 9. Capital Planning

6.9 Capital Planning

Part 1. Policy Statement

In order to make effective strategic capital investments in academic, student life, housing, athletic, and other facilities and related real estate and infrastructure, Minnesota State shall engage in comprehensive planning that integrates academic plans and forecasts, financial stewardship, and student needs.

Part 2. Responsibilities

Subpart A. The chancellor shall:

1. Establish procedures for developing college and university comprehensive facilities plans;
2. Develop and recommend for board approval capital funding guidelines for system facilities and real property; and
3. Make recommendations to the board for approval of capital investments for:
 - a. Academic facility projects and asset preservation by the State of Minnesota;
 - b. Residential life and auxiliary facility projects funded through revenue fund bond sales; and
 - c. Projects funded with college or university funds or projects funded with other public or private funds.

Subpart B. College and university presidents shall:

1. Develop and maintain comprehensive facilities plans and provide for student involvement in the planning process;
2. Advance for approval candidate capital projects consistent with board-approved guidelines; and
3. Advocate for the board-approved capital funding priorities as the priorities of the entire system.

Part 3. Accountability/Reporting

Periodic reports will be presented to the board on the status of capital planning and management of the system facilities and real property.

39 **Policy History:** *New policy to replace policy 6.4 Facilities Planning and policy 6.5 Capital*
40 *Program Planning.*

41

42 *Date of Adoption:* *xx/xx/xx*

43 *Date of Implementation:* *xx/xx/xx*

44 *Date of Last Review:* *xx/xx/xx*

45 *Date & Subject of Revisions:* *n/a*

46 *No additional HISTORY*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 15, 2016

Title: Proposed New Policy 6.10 Design and Construction (First Reading)

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

An overhaul of Chapter 6 was initiated as part of the FY2016 Finance Division workplan and continues into FY2017. The proposed policy and procedure structure will align with the lifecycle of a facility as outlined in the October Study Session on Facilities Management. (Attachment A). New Board Policy 6.10 *Design and Construction* (Attachment B) is a first step in this effort.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – Chief Financial Officer

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE**

First Reading

BOARD ACTION
PROPOSED NEW POLICY 6.10 DESIGN AND CONSTRUCTION (FIRST READING)

BACKGROUND

Board policy 6.4 *Facilities Planning*, policy 6.5 *Capital Program Planning*, and policy 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities* were adopted by the Board of Trustees on June 21, 2010 and implemented the same day. They have had only minor amendments since that time.

Through day-to-day work and as part of periodic reviews of Board Policies and System Procedures called for in Board Policy 1A.1, Part 6, opportunities to clarify and streamline guidance and direction while reducing overlaps and redundancies were identified within Chapter 6, Facilities Management.

An overhaul of Chapter 6 was initiated as part of the FY2016 Finance Division workplan and continues into FY2017. The proposed policy and procedure structure will align with the lifecycle of a facility as outlined in the October Study Session on Facilities Management. (Attachment A). New Board Policies 6.10 *Design and Construction* (Attachment B) is a first step in this effort. It has been reviewed by the Office of General Counsel, cabinet, and sent out for formal consultation and received support from the presidents, employee representative groups, student associations, and campus leadership groups. All comments received from the consultation process were taken into consideration.

Once the new Board policy instruments are recommended to the board and approved, including a new policy concerning facilities management and operations and revisions to policy 6.7 concerning real estate, policies 6.4 *Facilities Planning*, 6.5 *Capital Program Planning*, 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities* and 6.8 *Naming Buildings, Sites and Common Areas* will be recommend for repeal. These policy revisions are expected to reach the committee next spring, 2017.

RECOMMENDED COMMITTEE MOTION

The Board of Trustees approves Board Policy 6.10 *Design and Construction*.

RECOMMENDED BOARD MOTION

The Board of Trustees approves Board Policy 6.10 *Design and Construction*.

Date of Adoption: XX/XX/XX

Date of Implementation: XX/XX/XX

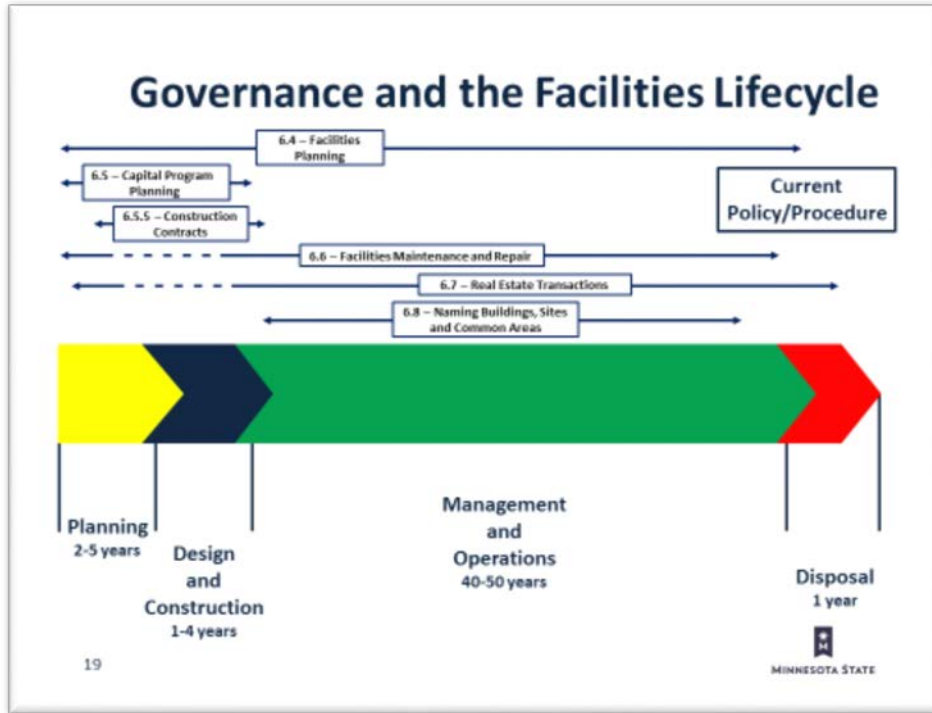


Figure 1 – Current Board Policy Alignment

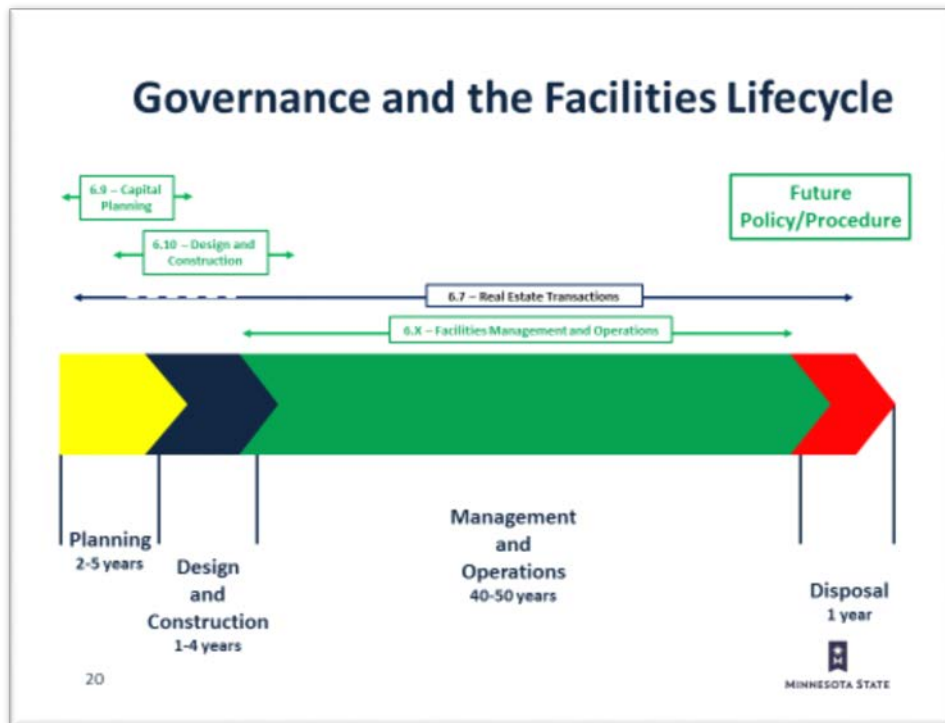


Figure 2 – Future Board Policy Alignment

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

Chapter 6. Facilities

Section 10. Design and Construction

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6.10 Design and Construction

Part 1. Policy Statement.

Minnesota State strives to provide high quality spaces that advance academic programs and are reflective of sound stewardship, sustainably designed, complementary of campus and regional architectural themes, affordably built and efficient to operate.

Part 2. Responsibilities.

Subpart A. The chancellor shall establish design and construction procedures, standards, and oversight practices that ensure delivery of this policy and ensure compliance with applicable federal and state statutes and local rules and policies.

Subpart B. College and university presidents shall adhere to this policy and the supporting procedures and standards, regardless of fund source.

Part 3. Accountability/Reporting.

Periodic reports will be presented to the board on the status of projects within the capital improvement program.

Policy History: *New policy to replace portions of policy 6.5 Capital Program Planning.*

Date of Adoption: xx/xx/xx

Date of Implementation: xx/xx/xx

Date of Last Review: xx/xx/xx

Date & Subject of Revisions: n/a

No additional HISTORY

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 15, 2016

Title: FY2017 Revenue Fund Bond Sale (First Reading)

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

The Minnesota State capital planning process targets revenue fund capital improvement financing proposals every odd-numbered calendar year. The Board of Trustees is being asked to approve a 2017 revenue bond sale for new money to fund (1) a residence hall renovation at Minnesota State University Moorhead (East Snarr) and taxable bonds to advance design of future projects or for use in funding small scale revenue fund projects, and (2) refunding the outstanding principal of Minnesota State's Series 2007A, 2007C, and 2008A Bonds and refunding a portion of the outstanding principal of Minnesota State's Series 2009A Bonds.

A second reading and consideration for action is scheduled for the January, 2017 committee meeting.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor for Facilities

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

BOARD ACTION
FY2017 REVENUE FUND BOND SALE (FIRST READING)

BACKGROUND AND EXECUTIVE SUMMARY

The Minnesota State capital planning process targets revenue fund capital improvement financing proposals every odd-numbered calendar year, and this item is for consideration of a 2017 revenue bond sale. A second reading is scheduled to occur in January 2017. Revenue fund facilities most often include residential halls, student unions, parking and health/wellness centers. Colleges and universities include revenue-fund facilities planning within their regularly-scheduled comprehensive facilities planning process. A grid showing the types of current revenue fund facilities located at various Minnesota State campuses is contained in **Attachment 1** for reference. The Board of Trustees regularly considers and approves revenue fund capital guidelines, most recently at its May and June 2016 meetings, which inform future bond sales.

BOND SALE REQUEST

The Board of Trustees is being asked to approve a 2017 revenue bond sale for new money to fund (1) a residence hall renovation at Minnesota State University Moorhead (East Snarr) and taxable bonds to advance design of future projects or for use in funding small scale revenue fund projects, and (2) refunding the outstanding principal of Minnesota State’s Series 2007A, 2007C, and 2008A Bonds and refunding a portion of the outstanding principal of Minnesota State’s Series 2009A Bonds. Refunding of the 2007A, 2007C, 2008A, and a partial refunding of the 2009A bond series is projected to result in an overall present value savings of approximately \$6.35 million and projected annual cash flow debt service savings totaling just over \$1.2 million per year in reduced interest costs in years where all of the refundings overlap.

BOND STRUCTURE

Minnesota State typically sells tax-exempt and taxable bonds in each revenue fund sale depending on the expected use of the project facilities. The 2017 revenue bond sale has both. In this sale, tax exempt bonds will be structured (1) to fund the new money project with level debt service over 20 years, and (2) to fund the current and advance refundings of the Series 2007A, 2008A, and 2009A tax exempt bonds with debt service matched to the refunded bonds’ maturities to create uniform annual savings for each refunding.

The taxable bonds in this sale will be structured (1) to fund campus planning and small projects with level debt service over 10 years, and (2) to fund the current refunding of the

Series 2007C Bonds with debt service matched to the refunded bonds' maturities to create uniform annual savings. A table showing the campus projects impacted from the refunding is included as **Attachment 2**.

Minnesota State has issued bonds with shorter or longer maturities depending on specific project circumstances. System revenue bonds are typically sold in a competitive process, and are usually purchased by financial institutions and brokers.

2017 REVENUE FUND BONDS: NEW MONEY

1. MINNESOTA STATE UNIVERSITY MOORHEAD, EAST SNARR RESIDENCE HALL

The 2017 revenue bond sale includes new money to fund the renovation of the East Snarr residence hall at Minnesota State University Moorhead totaling approximately \$9.3 million. East Snarr is the last part of a three-phase plan to update the Snarr Hall residential hall complex, which began with the renovation of West Snarr financed from the 2013 revenue bond sale. Campus used operating reserves that it had banked to renovate of South Snarr in 2015/16.

TOTAL ESTIMATED PROJECT COST: \$9,300,000 (revenue bonds, tax exempt)

OTHER DETAILS:

Backlog:	Reduced by \$2.15 million
Capacity increase:	204 beds (no change)
Cost per bed:	\$32,700 (construction) / \$45,700 (total)

2. TAXABLE BONDS: SYSTEMWIDE ADVANCED DESIGN OR SMALL PROJECT TAXABLE AMOUNT: \$1,000,000

Each bond sale also includes a taxable component to offset private use that may impact ordinary tax exempt bond financing, to advance design on future projects or to use toward smaller projects. The system's Revenue Fund operations budget pays the debt service on these planning monies until they can be placed at a campus.

2017 REVENUE FUND BONDS: REFUNDING

AMOUNT: APPROX \$73.375 MILLION

A bond refunding is similar in concept to refinancing a home loan. Most of the 20 year, tax exempt Minnesota State Revenue bonds contain a "call" feature allowing for a bond refunding at year 10. At the call date, the bonds may be refunded and new bonds issued at a lower interest rate cost. Minnesota State routinely evaluates its current bond holdings and interest cost savings that may be achieved with a bond refunding. The system previously refunded revenue bonds in 2012 (2002 series bonds) and 2015 (2005 series), saving the schools approximately \$11 million in net present value savings over the remaining term of the bonds.

The proposed refunding for 2017 involves refunding multiple series: Series 2007A, 2008A, and a portion of Series 2009A tax exempt revenue bonds outstanding in the amount of \$71.235 million, and Series 2007C taxable revenue bonds outstanding in the amount of \$2.14 million.

BOND RATING

A bond rating will be required for the sale and refunding, and rating presentations will be scheduled in January with Moody's Investor Service and to Standard and Poor's on the proposed 2017 revenue bond sale. Moody's and Standard & Poor's previously rated Minnesota State Revenue Fund bonds at Aa3 and AA- respectively. Considering the stable financial condition of the Revenue Fund, similar ratings are anticipated for the new sale.

Although not strictly comparable, other higher education systems and institutions with comparable Moody's ratings of Aa3 include the Pennsylvania State System of Higher Education, West Virginia Higher Education Policy Commission, Arizona State University, Colorado State University, Oklahoma State University, Rutgers, The State University of New Jersey, Temple University, and the University of Cincinnati.

As a comparison, the State of Minnesota's ratings from Moody's is Aa1, Standard & Poor's, AAA, and Fitch, AAA. The General Obligation state bonds carries the full faith and credit of the State of Minnesota, while Minnesota State Revenue Bonds pledge only the revenue generated by the facilities in the fund. Additional revenue fund program details are shown in **Attachment 3**.

BOND SALE RESOLUTION

The Board of Trustees is being asked to approve the sale based on the parameters shown in **Attachment A**. The draft Series Resolution authorizing the bond sale is presented at **Attachment B**. After the second reading, the system's financial advisor, Springsted Incorporated, will prepare a Preliminary Official Statement for distribution to investors. The Series Resolution will also be finalized with assistance of bond counsel. Pending final Board approval, the sale would be scheduled to occur in late February.

The blanks in the Series Resolution will be completed based on the results of either a competitive or negotiated sale of the bonds. The interest rates, redemption features, and other details, as well as whether all or any of the bonds are insured, will be determined on the basis of the best (most favorable on a True Interest Cost ("TIC") basis) bid received from those submitting offers, and will be memorialized in the Series Resolution, the bonds themselves, and in a certificate signed by the Minnesota State Vice-Chancellor - Chief Financial Officer.

STUDENT CONSULTATION

A student consultation letter in support of the Moorhead project has been received in the System Office confirming that student consultation has taken place regarding these projects.

SUMMARY

The Board of Trustees is being asked to authorize (1) a tax exempt revenue bond sale to finance \$9.3 million of construction costs for one project at MSU Moorhead and to refund Series 2007A, 2008A, and a portion of Series 2009A tax exempt revenue bonds outstanding in the amount of \$71.235 million, and (2) a taxable revenue bond sale to finance \$1 million for campus planning and to refund Series 2007C taxable revenue bonds outstanding in the amount of \$2.14 million.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees authorizes a revenue bond sale for the issuance of tax exempt bonds:

1. Sufficient to realize net proceeds of \$9.3 million for project costs for the MSU Moorhead project, and
2. Sufficient to realize net proceeds which, with available debt service reserve funds and debt service funds from bonds to be refunded, will refund \$71.235 million of tax exempt bonds from Series 2007A, 2008A, and 2009A.

The Board of Trustees authorizes a revenue bond sale for the issuance of taxable bonds:

1. Sufficient to realize net proceeds of \$1 million to advance design or small projects, and
2. Sufficient to realize net proceeds which, with available debt service reserve funds and debt service funds from bonds to be refunded, will refund the outstanding \$2.14 million of taxable bonds from Series 2007C.

The sales are subject to the sale parameters as presented on **Attachment A**. The Board of Trustees approves the Series Resolution as described in **Attachment B**. As bond proceeds are made available, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees authorizes a revenue bond sale for the issuance of tax exempt bonds:

3. Sufficient to realize net proceeds of \$9.3 million for project costs for the MSU Moorhead project, and
4. Sufficient to realize net proceeds which, with available debt service reserve funds and debt service funds from bonds to be refunded, will refund \$71.235 million of tax exempt bonds from Series 2007A, 2008A, and 2009A.

The Board of Trustees authorizes a revenue bond sale for the issuance of taxable bonds:

3. Sufficient to realize net proceeds of \$1 million to advance design or small projects, and
4. Sufficient to realize net proceeds which, with available debt service reserve funds and debt service funds from bonds to be refunded, will refund the outstanding \$2.14 million of taxable bonds from Series 2007C.

The sales are subject to the sale parameters as presented on **Attachment A**. The Board of Trustees approves the Series Resolution as described in **Attachment B**. As bond proceeds are made available, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

Date Presented to the Board: November 15, 2016

ATTACHMENT 1
REVENUE FUND CAMPUSES AND FACILITIES (shading = revenue fund facility)

	Campus	Residence Hall	Student Union	Parking	Health Wellness	Rec Field	Hockey
1	Alexandria Technical and Community College						
2	Anoka Ramsey Community College Coon Rapids						
3	Bemidji State University						
4	Century College						
5	Metropolitan State University						
6	Minnesota State Community and Technical College						
7	Minnesota State University, Mankato						
8	Minnesota State University Moorhead						
9	Minneapolis Community & Technical College						
10	Normandale Community College						
11	St. Cloud State University						
12	Saint Paul College						
13	Southwest Minnesota State University						
14	Vermilion Community College						
15	Winona State University						

ATTACHMENT 2 – PROJECTS TO BE REFUNDED FROM PRIOR SERIES

Campus	Bond Year	Project
Bemidji BSU	2007	Linden Hall Renovation
MSU, Moorhead	2007	Wellness Center
Southwest MSU	2007	Residence Hall
Winona SU	2008	Wellness Center
Winona SU	2008	Residence Hall
Century College	2009	Parking Lot (excluded from refunding)
MCTC	2009	Student Center Addition
MSU, Mankato	2009	Athletic Fields
Normandale CC	2009	2009- Student Center

ATTACHMENT 3 – ADDITIONAL REVENUE FUND BACKGROUND

REVENUE BOND AUTHORITY

During the 2012 legislative session, the system successfully obtained an increase in the revenue fund debt authority from \$300 to \$405 million. Revenue bond authority is the maximum amount of outstanding principal the system may incur. The current principal outstanding in the revenue fund is \$295.19 million.

BOND SALE PROCESS

Revenue fund projects follow similar system planning, design, and construction processes as any other system capital project with some variations to accommodate specific revenue bonding requirements. Below are highlights of the revenue fund project process.

- Revenue Fund Sale Cycle. Starting in 2011, the system elected to plan revenue bond sales on a 2 year, odd-numbered year cycle. The 2-year cycle is designed to give campuses ample time to develop the projects and refine the scope, cost, and consult with students. The cycle also provides enough time to increase revenue bond debt authority through the legislative process.
- Comprehensive Facilities Plans. Campuses update their Comprehensive Facilities Plans on a five-year cycle, which include revenue-funded capital projects. Some residential campuses have supplemented their plans with Residential Life Master Plans.
- Debt Capacity Study. Before each revenue bond cycle, the system office commissions a debt capacity study to determine the debt capacity of the revenue fund program as a whole and by individual campuses. This study sets the basic parameters of what a campus can afford in a given bond sale.
- Predesign and Feasibility. Campus leadership and students refine the need for a revenue fund project. The first formal step in the revenue fund project is for campus leadership to initiate a predesign to evaluate the feasibility of the project. The campus also works with system office staff to develop a financial pro forma that meets the financial requirements for a viable project.
- Student Consultation. Since student fees are the primary source of revenue for the repayment of Revenue Fund debt and operating revenues, students are expected to be involved in project planning. At critical stages, student consultation letters are solicited from student leadership.
- Project List. After the predesign process and evaluation of a project's financial viability, a final project list is assembled for Board of Trustees consideration.

Project Terms:

- The Revenue Fund can finance up to 100% of project costs, although many campuses choose to contribute funds to reduce the amount of debt carried on a project.
- The estimated project cost includes all sources of funds used to finance the project.
- The portion of a project financed with revenue bonds will include an additional 11% to account for bond sale costs at closing, known as the cost of issuance. Those issuance costs primarily include a debt service reserve equal to one full year of debt service and the cost of document preparations for regulatory compliance, such as publication of the official statement, professional advisor and legal fees and similar costs. The debt service reserve, the largest part of the 11% costs of issuance allowance, is not a lost cost, but is recovered when the bonds mature or are called, or may be applied to the last annual debt service on the bonds.

ATTACHMENT A

SALE PARAMETERS

Series 2017A (Tax Exempt)

1. Maximum Interest Rate (TIC): up to 4.00%
2. Maximum Principal: \$ 85,000,000
3. Maximum Discount: 1.5 % of par or \$15/\$1,000 Bond. Minimum bid of 98.5% is required per the Official Statement
4. Earliest Redemption date: April 1, 2027

Series 2017B (Taxable)

1. Maximum Interest Rate (TIC): up to 4.00%
2. Maximum Principal: \$4,000,000
3. Maximum Discount: 1.0 % of par or \$10/\$1,000 Bond. Minimum bid of 99.0% is required per the Official Statement
4. Redemption date: The 2017B Bonds will not be optionally callable

In any event, the total principal for Series 2017A and 2017B may not exceed \$89,000,000

Second Draft
Monday, November 7, 2016

SERIES RESOLUTION

OF

THE BOARD OF TRUSTEES

OF THE

MINNESOTA STATE COLLEGES AND UNIVERSITIES

RELATING TO

REVENUE FUND BONDS
SERIES 2017A and TAXABLE SERIES 2017B

FIRST READING: _____
ADOPTED: _____

Kennedy & Graven, Chartered
470 US Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402

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RESOLUTION

BE IT RESOLVED by the Board of Trustees (the “Board”) of the Minnesota State Colleges and Universities (the “Issuer” or “Minnesota State”) as follows:

WITNESSETH

WHEREAS:

1. Minnesota State is a public body and agency of the State of Minnesota duly created and existing under Minnesota Statutes, Chapter 136F, as amended (the “Act”), having the rights, powers, privileges and duties provided in the Act, including those set forth in the Master Indenture (defined herein).

2. In accordance with the terms of an Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, as amended by a First Amendment to the Amended and Restated Indenture, dated as of March 1, 2013 (together, as amended, the “Master Indenture”), Minnesota State and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”), have agreed to the terms and conditions governing the issuance, sale, and delivery of Revenue Fund Bonds (as defined herein).

3. All terms capitalized but not otherwise defined herein have the meanings assigned to those terms in the Master Indenture.

4. The Board has determined that the capital expenditure needs of the Institutions and potential debt service savings with respect to certain outstanding Revenue Fund Bonds of Minnesota State make it necessary and desirable for Minnesota State to issue its Revenue Fund Bonds in an original aggregate principal amount of up to \$89,000,000 (the “Series 2017 Bonds” or the “Bonds”) consisting of its Revenue Fund Bonds, Series 2017A (the “Series 2017A Bonds”) and its Revenue Fund Bonds, Taxable Series 2017B (the “Series 2017B Bonds”), and to use the proceeds of the Series 2017 Bonds to: (i) fund capital costs incurred in connection with Facilities of the Institutions; (ii) fund the current and advance refunding of the outstanding Series 2007A Bonds, the Series 2007C Bonds, the Series 2008A Bonds, and a portion of the Series 2009A Bonds; (iii) fund the Debt Service Reserve Account in the amount of the Reserve Requirement; (iv) pay certain costs of issuing the Series 2017 Bonds; and (v) pay a portion of the interest on the Series 2017 Bonds.

5. The Institutions which anticipate using proceeds of the Bonds for their Facilities have advised Minnesota State that they need to begin work on planning and other activities related to such Facilities prior to the issuance of the Series 2017 Bonds in order to complete the Facilities in a timely manner, and expect to incur expenditures for this purpose prior to the issuance of the Series 2017 Bonds which they will seek to have reimbursed from the proceeds of the Series 2017 Bonds.

6. Minnesota State intends to use a portion of the proceeds of the Series 2017 Bonds to reimburse the Institutions for eligible costs incurred in connection with the financed Facilities.

7. The execution and delivery of this Series Resolution and the issuance of the Series 2017 Bonds have been in all respects duly and validly authorized by the Issuer.

8. All things necessary to make the Series 2017 Bonds, when authenticated by the Trustee and issued and secured as provided in the Master Indenture and this Series Resolution, the valid, binding, and legal limited obligations of the Issuer according to the import thereof have been done and performed;

and the creation, execution, and delivery of this Series Resolution, and the creation, execution, and issuance of the Series 2017 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS SERIES RESOLUTION WITNESSETH:

The Issuer, in consideration of the premises and the purchase and acceptance of the Series 2017 Bonds by the Holders thereof, in order to secure the payment of the principal of, interest on, and premium, if any, on the Series 2017 Bonds according to their tenor and effect, does hereby grant a security interest in and assign to the Holders of the Series 2017 Bonds and all Revenue Fund Bonds (other than Subordinate Bonds) issued pursuant to the Master Indenture and any Series Resolution (including this Series Resolution), and to the beneficiaries of any Senior Guarantees, regardless of when such Senior Bonds or Senior Guarantees were or are issued, on an equal and parity basis, except as expressly stated below, the following:

FIRST

The "Net Revenues" as defined in the Master Indenture as heretofore amended and as amended by this Series Resolution; and

SECOND

All proceeds, earnings, and investment income derived from the foregoing (except Rebate Amounts);

PROVIDED that:

First, the foregoing equal and ratable parity pledge shall not extend to Subordinate Bonds which shall be secured solely by money held in the Surplus Account as provided in the Master Indenture; and

Second, the proceeds of any Credit Enhancement Instrument issued to secure a particular Series of Revenue Fund Bonds shall benefit only that Series of Revenue Fund Bonds and the proceeds of such Credit Enhancement Instrument shall not be applied for the benefit of or payment of any other Series of Revenue Fund Bonds; and

Third, money applied to the payment of Revenue Fund Bonds and Senior Guarantees shall be withdrawn from the funds and accounts created by the Master Indenture strictly in the order of priority set forth therein.

SUCH PLEDGE having been made, upon the terms and trusts herein set forth for the equal and proportionate benefit, security, and protection of all Holders from time to time of the Revenue Fund Bonds, and all Senior Bonds and Senior Guarantees heretofore issued and to be issued under and secured by the Master Indenture and this Series Resolution and other Series Resolutions (but excluding Subordinate Bonds) without privilege, priority, or distinction as to lien or otherwise of any of such bonds or guarantees over any of the others except as otherwise provided therein and herein.

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or provide fully for payment as herein provided of the principal of the Series 2017 Bonds and the interest due or to become due thereon (together with premium, if any), at the time and in the manner set forth in the Series 2017 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform, and observe all the covenants and conditions pursuant to the terms of the

Master Indenture and this Series Resolution to be kept, performed, and observed by it, and shall pay to the Registrar and Paying Agent all sums of money due or to become due in accordance with the terms and provisions of the Master Indenture and this Series Resolution as from time to time supplemented, then this Series Resolution and the rights hereby granted shall cease, terminate, and be void except as otherwise provided herein; otherwise, the Master Indenture and this Series Resolution shall be and remain in full force and effect.

UNDER THE PROVISIONS OF THE ACT and the Series Resolution, the Series 2017 Bonds may not be payable from or be a charge upon any funds of the Issuer or the State other than the revenues pledged to the payment thereof nor shall the Issuer or State be subject to any pecuniary liability thereon except from money expressly pledged, and no Holder or Holders of the Series 2017 Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer or the State to pay any Revenue Fund Bond or the interest and premium, if any, thereon, or to enforce payment thereof against any property of the Issuer or the State, except as above provided; the Series 2017 Bonds shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Issuer, except as above provided; but nothing in the Act impairs the rights of Holders of Series 2017 Bonds issued under the Master Indenture and this Series Resolution and any other Series Resolutions and the beneficiaries of Senior Guarantees to enforce the covenants made for the security thereof, to the extent specifically provided herein, for the equal and proportionate benefit of all Holders of the Series 2017 Bonds, all other Revenue Fund Bonds, and the beneficiaries of Senior Guarantees, as follows:

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ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. All terms capitalized but not otherwise defined in this Series Resolution shall have the meanings assigned to such terms in the Master Indenture. In this Series Resolution the following terms have the following respective meanings unless the context hereof clearly requires otherwise.

Authorized Denomination means \$5,000, or any integral multiple thereof.

Board means the Board of Trustees of Minnesota State.

Closing Certificate means the certificate of the Issuer executed by an Authorized Representative reflecting the final principal amounts, maturity dates, interest rates, and sinking fund redemption dates of the Bonds, as well as the allocation of Bond proceeds among the various funds and accounts, established by the Original Purchaser in the winning bid or bids for the Bonds accepted by the Issuer.

Interest Payment Date means, with regard to the Series 2017 Bonds, each April 1 and October 1, commencing October 1, 2017.

Master Indenture means the Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, as amended from time to time, relating to the Revenue Fund Bonds issued by Minnesota State from time to time.

Maturity Date means any date on which principal or premium of or interest on the Series 2017 Bonds is due, whether at maturity, on a scheduled Interest Payment Date, or upon redemption or acceleration, or otherwise.

Minnesota State or the Issuer means Minnesota State Colleges and Universities, or any successor to its functions.

Original Purchaser means the original purchaser(s) of the Series 2017 Bonds, as determined after the acceptance of the bids in accordance with a competitive sale of the Series 2017 Bonds, as identified in the Closing Certificate.

Prior Bonds means all bonds issued or secured under the Master Indenture prior to the issuance of the Series 2017 Bonds.

Rating Agency means Moody's Investors Service, Standard & Poor's Global Ratings, or Fitch Ratings, or any other nationally-recognized credit rating agency which has been solicited to issue a rating on, and has issued a rating on, the Series 2017 Bonds; and with respect to the credit rating (claims payment ability rating) of an insurance company, A.M. Best & Company or any other nationally-recognized credit rating agency rating the claims payment ability of insurance companies.

Refunded Bonds means the Series 2007A Bonds, the Series 2007C Bonds, the Series 2008A Bonds, and the Series 2009A Bonds.

Registrar and Paying Agent means U.S. Bank National Association, a national banking association.

Revenue Fund Bonds means, collectively, the Prior Bonds and the Series 2017 Bonds.

Series Resolution means this Series Resolution, adopted on January 19, 2017, by the Board.

Series 2007A Bonds means the Revenue Fund Bonds, Series 2007A, issued on February 22, 2007, in the original principal amount of \$33,770,000 and currently outstanding in the principal amount of \$21,595,000.

Series 2007C Bonds means the Revenue Fund Bonds, Taxable Series 2007C, issued on February 22, 2007, in the original principal amount of \$3,320,000 and currently outstanding in the principal amount of \$2,140,000.

Series 2008A Bonds means the Revenue Fund Bonds, Series 2007A, issued on June 27, 2008, in the original principal amount of \$39,885,000 and currently outstanding in the principal amount of \$27,555,000.

Series 2009A Bonds means the Revenue Fund Bonds, Series 2007A, issued on June 18, 2009, in the original principal amount of \$31,770,000 and currently outstanding in the principal amount of \$23,530,000.

Series 2017 Bonds or Bonds means the Revenue Fund Bonds, dated as of the date of delivery, issued by Minnesota State in accordance with the terms and conditions of this Series Resolution in the original aggregate principal amount of up to \$89,000,000, consisting of the Series 2017A Bonds and the Series 2017B Bonds.

Series 2017A Bonds means the Revenue Fund Bonds, Series 2017A, dated as of the date of delivery, to be issued by Minnesota State in an original aggregate principal amount not to exceed \$85,000,000 pursuant to this Series Resolution.

Series 2017B Bonds means the Revenue Fund Bonds, Taxable Series 2017B, dated as of date of delivery, to be issued by Minnesota State in an original aggregate principal amount not to exceed \$4,000,000 pursuant to this Series Resolution.

Term Bonds means the Series 2017A Bonds identified as such pursuant to Section 2.3(A)(2) hereof and the Closing Certificate, if any, and the Series 2017B Bonds identified as such pursuant to Section 2.3(B)(2) hereof and the Closing Certificate, if any.

Trustee means U.S. Bank National Association, a national banking association, its successors and assigns.

Section 1.2 Effect of this Series Resolution.

(a) Except as expressly supplemented or amended by this Series Resolution, all of the terms and provisions of the Master Indenture, as heretofore amended, shall apply to the Series 2017 Bonds.

(b) To the extent of any inconsistency between the terms and provisions of this Series Resolution and the terms and provisions of the Master Indenture, this Series Resolution shall control. Except as provided in the preceding sentence, the terms and provisions of this Series Resolution shall be construed with the terms and provisions of the Master Indenture so as to give the maximum effect to both.

(c) This Series Resolution shall take effect on the date of issue of the Series 2017 Bonds.

(d) The Rules of Interpretation stated in Section 2.02 of the Master Indenture shall apply to this Series Resolution.

Section 1.3 Exhibits. The following Exhibits are attached to and by reference made a part of this Series Resolution:

- (1) EXHIBIT A-1 — Form of Series 2017A Bonds;
- (2) EXHIBIT A-2 — Form of Series 2017B Bonds;
- (3) EXHIBIT B — Annual Report Information;
- (4) EXHIBIT C — Blanket Issuer Letter of Representation.

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ARTICLE 2

THE SERIES 2017 BONDS

PART A — THE SERIES 2017A BONDS

Section 2.1A The Series 2017A Bonds.

- (A) The Series 2017A Bonds shall be issued:
- (1) as Tax-Exempt Revenue Fund Bonds;
 - (2) in Book-Entry Form; and
 - (3) as Revenue Fund Bonds bearing interest at a fixed rate of interest.

The Series 2017A Bonds are to be issued in the aggregate principal amount not to exceed \$85,000,000, with the actual principal amount issued to be identified in the Closing Certificate relating to the Series 2017A Bonds. The total principal amount of Series 2017A Bonds which may be Outstanding hereunder is expressly limited to the amount identified in the Closing Certificate relating to the Series 2017A Bonds unless duplicate Series 2017A Bonds are issued as provided in Section 2.12 of the Master Indenture. The Series 2017A Bonds shall be issued in Authorized Denominations and in substantially the form in EXHIBIT A-1 hereto, with such variations, additions, or deletions as may be appropriate to conform the terms of such Series 2017A Bonds to the terms of this Article 2. The Vice Chancellor-Chief Financial Officer, in her discretion, is hereby authorized to provide for the sale of the Series 2017A Bonds by a competitive sale pursuant to Section 2.18(a) of the Master Indenture. The Vice Chancellor-Chief Financial Officer or her designee is authorized to complete the Closing Certificate for the Series 2017A Bonds to establish their specific terms on the basis of the highest and best bid meeting the criteria established herein and in the Master Indenture. The maximum discount at which the Original Purchaser may purchase the Series 2017A Bonds is one and one-half percent (1.5%) of par.

(B) Upon issuance, the net proceeds of the Series 2017A Bonds (the original principal amount thereof, plus any premium or less any discount allowed to the Original Purchaser) shall be deposited into such accounts as shall be determined by the Issuer in the Closing Certificate. A portion of the amount deposited in the Capital Expenditures Account, in the amount stated in said Closing Certificate, shall be applied to pay the costs of issuing the Series 2017A Bonds.

Section 2.2A The Series 2017A Bonds – Initial Issue. The Series 2017A Bonds shall be initially issued in the aggregate principal amount set forth in the Closing Certificate relating to the Series 2017A Bonds and shall include the following terms.

- (1) The Series 2017A Bonds shall be initially dated as of the date of delivery, and thereafter be dated the date of their registration as provided in Section 2.6(a) of the Master Indenture.
- (2) The Series 2017A Bonds shall be issued in Book-Entry Form and delivered by the Original Purchaser to the Depository as set forth in Section 2.15 of the Master Indenture.
- (3) The Series 2017A Bonds shall mature on October 1 in the years and amounts set forth in the Closing Certificate, subject to prior redemption as provided in the Closing Certificate.

(4) Interest shall accrue on the Series 2017A Bonds from the date of issuance until the principal amount is paid or payment is duly provided for in accordance with this Series Resolution, and shall be payable on each Interest Payment Date. Interest accrued on any Series 2017A Bond or portion thereof redeemed pursuant to Section 2.3A(A) and Section 2.4 hereof shall also be payable on the Redemption Date as to Series 2017A Bonds called for redemption. The Series 2017A Bonds shall mature on October 1 in the years and in the amounts, and bear interest at the rate or rates, set forth in the Closing Certificate. Interest on the Series 2017A Bonds shall be computed at the rates set forth in the Closing Certificate based on a 360-day year of twelve, 30-day months, for the actual number of complete months, and of days less than a complete month, and shall not exceed a true interest cost of five percent (5.00%) per annum.

(5) The Series 2017A Bonds shall be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the principal trust office of the Trustee, or a duly appointed successor Trustee, except that interest on the Series 2017A Bonds shall be payable by check or draft mailed by the Trustee to the Holders of such Series 2017A Bonds on the applicable Regular Record Date (the "Record Date Holders") at the last addresses thereof as shown in the Bond Register on the applicable Regular Record Date, provided that interest shall be paid to a Holder of \$1,000,000 or more of the principal amount of the Series 2017A Bonds outstanding by electronic funds transfer if such Holder so requests in writing in a form acceptable to the Paying Agent and principal of and any premium on any Series 2017A Bonds shall be payable at the principal office of the Trustee.

(6) The Series 2017A Bonds shall be subject to redemption upon the terms and conditions and at the prices specified in Section 2.3A(A) and Section 2.4 hereof.

Notwithstanding the foregoing, if the date for payment of the principal of, premium, if any, or interest on any Series 2017A Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment. The Series 2017A Bonds shall be delivered by the Trustee to the Original Purchaser thereof upon receipt by the Issuer and, if applicable, the Trustee of the items listed in Section 2.13 of the Master Indenture, and satisfaction by the Issuer of the conditions stated in Section 2.5 of the Master Indenture.

Section 2.3A The Series 2017A Bonds – Redemption.

(A) Pursuant to the provisions of Section 3.1 of the Master Indenture and 2.4 hereof, the Series 2017A Bonds are subject to redemption prior to maturity as follows:

(1) *Damage or Destruction or Condemnation.* In the event of damage to or destruction of any Facility, in whole or part, the Series 2017A Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore, or replace the damaged or taken Facility.

(2) *Scheduled Mandatory Redemption.* The Series 2017A Bonds are subject to mandatory redemption prior to maturity by mandatory sinking fund installments in the amounts and on the dates reflected in the Closing Certificate.

(3) *Optional Redemption.* The Series 2017A Bonds maturing on or after October 1, 2027, are subject to optional redemption and prepayment upon direction by the Issuer to the Trustee in whole on any date on or after April 1, 2027, and in part, on any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

(4) *Excess Proceeds Redemption.* If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of the Series 2017A Bonds, or (ii) three years from the date of issuance of the Series 2017A Bonds, proceeds of the Series 2017A Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of the Series 2017A Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause the Series 2017A Bonds to lose their tax-exempt status.

(B) No Other Redemption Prior to Maturity. Except as provided in Section 2.3A(A) herein, the Series 2017A Bonds shall not be subject to redemption prior to their stated maturity date.

PART B — THE SERIES 2017B BONDS

Section 2.1B The Series 2017B Bonds.

- (A) The Series 2017B Bonds shall be issued:
- (1) as Taxable Bonds;
 - (2) in Book-Entry Form; and
 - (3) as Bonds bearing interest at a fixed rate of interest.

The Series 2017B Bonds are to be issued in the aggregate principal amount not to exceed \$4,000,000, with the actual principal amount issued to be identified in the Closing Certificate relating to the Series 2017B Bonds. The total principal amount of Series 2017B Bonds which may be Outstanding hereunder is expressly limited to the amount identified in the Closing Certificate relating to the Series 2017B Bonds unless duplicate Series 2017B Bonds are issued as provided in Section 2.12 of the Master Indenture. The Series 2017B Bonds shall be issued in Authorized Denominations and in substantially the form in EXHIBIT A-2 hereto, with such variations, additions, or deletions as may be appropriate to conform the terms of such Series 2017B Bonds to the terms of this Article 2. The Vice Chancellor-Chief Financial Officer, in her discretion, is hereby authorized to provide for the sale of the Series 2017B Bonds by competitive sale pursuant to Section 2.18(a) of the Master Indenture. The Vice Chancellor-Chief Financial Officer or her designee is authorized to complete the Closing Certificate for the Series 2017B Bonds to establish their specific terms on the basis of the highest and best bid meeting the criteria established herein and in the Master Indenture. The maximum discount at which the Original Purchaser may purchase the Series 2017B Bonds is one percent (1.00%) of par.

(B) Upon issuance, the net proceeds of the Series 2017B Bonds (the original principal amount thereof, plus any premium or less any discount allowed to the Original Purchaser) shall be

deposited into such accounts as shall be determined by the Issuer in the Closing Certificate. A portion of the amount deposited in the Capital Expenditures Account, in the amount stated in the Closing Certificate, shall be applied to pay the costs of issuing the Series 2017B Bonds.

Section 2.2B The Series 2017B Bonds – Initial Issue. The Series 2017B Bonds shall be initially issued in the aggregate principal amount set forth in the Closing Certificate relating to the Series 2017B Bonds and shall include the following terms.

(1) The Series 2017B Bonds shall be initially dated as of the date of delivery, and thereafter be dated the date of their registration as provided in Section 2.6(a) of the Master Indenture.

(2) The Series 2017B Bonds shall be issued in Book-Entry Form and delivered by the Original Purchaser to the Depository as set forth in Section 2.15 of the Master Indenture.

(3) The Series 2017B Bonds shall mature on October 1 in the years and amounts set forth in the Closing Certificate, subject to prior redemption as provided in the Closing Certificate.

(4) Interest shall accrue on the Series 2017B Bonds from the date of issuance until the principal amount is paid or payment is duly provided for in accordance with this Series Resolution, and shall be payable on each Interest Payment Date. Interest accrued on any Series 2017B Bond or portion thereof redeemed pursuant to Sections 2.3B(A) hereof shall also be payable on the Redemption Date as to Series 2017B Bonds called for redemption. The Series 2017B Bonds shall mature on October 1 in the years and in the amounts, and bear interest at the rate or rates, set forth in the Closing Certificate. Interest on the Series 2017A Bonds shall be computed at the rates set forth in the Closing Certificate based on a 360-day year of twelve, 30-day months, for the actual number of complete months, and of days less than a complete month and shall not exceed a true interest cost of five percent (5.00%) per annum.

(5) The Series 2017B Bonds shall be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the principal trust office of the Trustee, or a duly appointed successor Trustee, except that interest on the Series 2017B Bonds shall be payable by check or draft mailed by the Trustee to the Holders of such Series 2017B Bonds on the applicable Regular Record Date at the last addresses thereof as shown in the Bond Register on the applicable Regular Record Date, provided that interest shall be paid to a Holder of \$1,000,000 or more of the principal amount of the Series 2017B Bonds outstanding by electronic funds transfer if such Holder so requests in writing in a form acceptable to the Paying Agent and principal of and any premium on any Revenue Fund Bonds shall be payable at the principal office of the Trustee.

(6) The Series 2017B Bonds shall be subject to redemption upon the terms and conditions and at the prices specified in Section 2.3B(A) and Section 2.4 hereof.

Notwithstanding the foregoing, if the date for payment of the principal of, premium, if any, or interest on any Series 2017B Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment. The Series 2017B Bonds shall be delivered by the Registrar and Paying Agent to the Original Purchaser thereof upon receipt by the Issuer and, if applicable, the Trustee of the items listed in Section 2.13 of the Master Indenture, and satisfaction by the Issuer of the conditions stated in Section 2.5 of the Master Indenture.

Section 2.3B The Series 2017B Bonds – Redemption.

(A) Pursuant to the provisions of Section 3.1 of the Master Indenture and 2.4 hereof, the Series 2017B Bonds are subject to redemption prior to maturity as follows:

(1) *Damage or Destruction or Condemnation.* In the event of damage to or destruction of any Facility, in whole or part, the Series 2017B Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore, or replace the damaged or taken Facility.

(2) *Scheduled Mandatory Redemption.* The Series 2017B Bonds are subject to mandatory redemption prior to maturity by mandatory sinking fund installments in the amounts and on the dates reflected in the Closing Certificate.

(3) *Optional Redemption.* The Series 2017B Bonds are not subject to optional redemption prior to their stated Maturity Date.

(4) *Excess Proceeds Redemption.* If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of the Series 2017B Bonds, or (ii) three years from the date of issuance of the Series 2017B Bonds, proceeds of the Series 2017B Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of the Series 2017B Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause the Series 2017B Bonds to lose their tax-exempt status.

(B) No Other Redemption Prior to Maturity. Except as provided in Section 2.3B(A) herein, the Series 2017B Bonds shall not be subject to redemption prior to their stated maturity date.

Section 2.4 Method of Redemption for the Series 2017 Bonds.

(1) To effect the redemption of the Series 2017 Bonds under Section 2.3A(A) (1), (3), or (4), or Section 2.3B(A) (1), (3) or (4), the Issuer, at least forty (40) days before the redemption date, shall notify the Trustee of its intention to effect such redemption. The funds required for such redemptions shall be provided to the Trustee at least three (3) business days before the redemption date.

(2) The Trustee, on or before the thirtieth day preceding any specified redemption date, shall select the Series 2017 Bonds of the applicable series to be redeemed. In the event and to the extent the Series 2017 Bonds are redeemed in part, the outstanding amounts shown on the tables in those Sections and the serial maturities of the applicable series of Series 2017 Bonds shall be reduced as the Issuer shall direct in its notice to the Trustee. In the absence of such direction, the Trustee shall make such selection in such manner as the Trustee determines to be fair and appropriate, which may include random selection by lot.

(3) The Trustee shall give notice of redemption of Series 2017 Bonds mailed not less than thirty (30) days prior to the redemption date by mailing a written notice of redemption, first class mail, postage prepaid, to the Holders of the Series 2017 Bonds to be redeemed at the addresses for such Holders shown on the books of the Registrar, and by sending such notice by electronic mail to the Holders of Series 2017 Bonds for whom the Registrar has an electronic mail address, and by sending a notice of such redemption to each Depository in the same manner as an “event notice” under Section 4.5(B)(2) hereof.

(4) To effect the partial redemption of Series 2017 Bonds under Section 2.3A(A) or Section 2.3B(A) after receipt by the Trustee of notice from the Issuer, as provided herein, the Trustee, prior to giving notice of redemption, shall assign to each Series 2017 Bond of the applicable Series then Outstanding a distinctive number for each Authorized Denomination of the principal amount of such Series 2017 Bond. The Trustee shall then, using such method of selection as it shall deem proper in its discretion but consistent with subsection (2), from the numbers so assigned to such Series 2017 Bonds, select as many numbers as, at the Authorized Denomination for each number, shall equal the principal amount of such Series 2017 Bonds to be redeemed. The Series 2017 Bonds to be redeemed shall be the Series 2017 Bonds to which were assigned numbers so selected; provided that if, as a result of partial redemption there is a Series 2017 Bond outstanding in a principal amount less than the Authorized Denomination, such Series 2017 Bond shall be redeemed first at the next succeeding redemption date and the Trustee shall provide a written notice to that effect to the affected Holder and the Original Purchaser.

(5) As soon as Series 2017 Bonds are called for redemption pursuant to this Section 2.4, sums in the Escrow Account in the Revenue Fund sufficient to effect such redemption shall be irrevocably set aside for such purpose and applied for no other purpose under this Series Resolution.

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ARTICLE 3

FUNDS AND ACCOUNTS

Section 3.1 Series 2017 Revenue Receipts Subaccounts. Minnesota State is hereby directed to create a Series 2017A Revenue Receipts Subaccount and a Series 2017B Revenue Receipts Subaccount. All payments derived from the Facilities financed or refinanced by the Series 2017A Bonds shall be deposited to the Series 2017A Revenue Receipts Subaccount. All payments derived from the Facilities financed or refinanced by the Series 2017B Bonds shall be deposited to the Series 2017B Revenue Receipts Subaccount.

Section 3.2 Series 2017 Debt Service Subaccounts. The Trustee is hereby directed to create a Series 2017A Debt Service Subaccount and a Series 2017B Debt Service Subaccount pursuant to the Master Indenture. Net Revenues held in the Series 2017 Revenue Receipts Subaccounts shall be transferred by Minnesota State on each March 1 and September 1 to the Trustee for deposit to the Series 2017 Debt Service Subaccounts, and there applied prior to the use of any other funds, to pay principal of, interest on, and redemption price of Series 2017 Bonds.

Section 3.3 Capital Expenditure Account. The Trustee is hereby directed to create a Capital Expenditure Subaccount for the Series 2017 Bonds (the "Series 2017 Capital Expenditure Subaccount") pursuant to the Master Indenture, with subaccounts therein as set forth in the Closing Certificate relating to the Series 2017 Bonds. The Trustee is directed to deposit proceeds of the Series 2017 Bonds therein as described in Section 2.1 hereof. Proceeds of the Series 2017 Bonds may be used to reimburse the Institutions which are using proceeds of the Bonds for costs incurred in connection with their respective financed Facilities as directed by the Issuer.

Section 3.4 Series 2017 Refunding Fund. There is hereby created a Series 2017 Refunding Fund, to be held by the Trustee and there is created in the Series 2017 Refunding Fund a Series 2017A Refunding Account and a Series 2017B Refunding Account. Certain proceeds of the Series 2017A Bonds, along with the amounts on deposit in the Series 2007A Debt Service Reserve Account and the Series 2007A Debt Service Account, the Series 2008A Debt Service Reserve Account and the Series 2008A Debt Service Account, and the Series 2009A Debt Service Reserve Account and the Series 2009A Debt Service Account, and other available funds of Minnesota State in the amounts to be set forth in the Closing Certificate relating to the Series 2017A Bonds and determined by an independent certified public accountant to be sufficient to redeem the Series 2007A Bonds, the Series 2008A Bonds, and a portion of the Series 2009A Bonds shall be deposited in the Series 2017A Refunding Account of the Refunding Fund and from there transferred by the Trustee to the Escrow Account established pursuant to an Escrow Agreement (the "Escrow Agreement"), between Minnesota State and the Trustee, and used to redeem the Series 2007A Bonds, the Series 2008A Bonds, and a portion of the Series 2009A Bonds in accordance with the terms of the Escrow Agreement.

Certain proceeds of the Series 2017B Bonds, along with the amounts on deposit in the Series 2007C Debt Service Reserve Account and the Series 2007C Debt Service Account, and other available funds of Minnesota State in the amounts to be set forth in the Closing Certificate relating to the Series 2017B Bonds and determined by an independent certified public accountant to be sufficient to redeem the Series 2007C Bonds shall be deposited in the Series 2017B Refunding Account of the Refunding Fund and from there transferred by the Trustee to the Escrow Account established pursuant to an Escrow Agreement and used to redeem the Series 2007C Bonds in accordance with the terms of the Escrow Agreement.

Section 3.5 Establishment of Accounts. Minnesota State and the Trustee may, for ease of administration, establish additional accounts and subaccounts with any of the funds and accounts held and maintained by them hereunder and under the Master Indenture, and shall establish such subaccounts as are necessary to: (a) separate accounts for debt service on Tax Exempt Revenue Fund Bond and Taxable Revenue Fund Bonds; (b) distinguish funds held for the benefit of different Institutions; (c) hold funds to be paid to a Credit Enhancer; (d) hold funds to be paid pursuant to Senior Guarantees; and (e) comply with Section 136F.94(b) of the Act.

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ARTICLE 4**SERIES COVENANTS**

Section 4.1 Payment of Principal, Purchase Price, Premium and Interest. Solely from the Net Revenues and sums held in the Accounts in the Revenue Fund, the Issuer will duly and punctually pay the principal of, premium, if any, and interest on the Series 2017 Bonds in accordance with the terms of the Series 2017 Bonds, the Master Indenture and this Series Resolution. Nothing in the Series 2017 Bonds or in this Series Resolution shall be considered as assigning or pledging funds or assets of the Issuer other than those expressly pledged to secure the Series 2017 Bonds (and other Senior Bonds and Senior Guarantees) set forth in the Master Indenture, as supplemented by this Series Resolution.

Section 4.2 Performance of and Authority for Covenants. The Issuer covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations, and provisions contained in the Master Indenture and this Series Resolution, in any and every Series 2017 Bond executed, authenticated, and delivered hereunder, and in all proceedings of Minnesota State pertaining thereto; that it is duly authorized under the Constitution and laws of the State of Minnesota including, particularly and without limitation, the Act to issue the Series 2017 Bonds authorized hereby, to adopt this Series Resolution, to apply a portion of the proceeds of the Series 2017 Bonds to make capital expenditures for the Facilities, to apply a portion of the proceeds of the Series 2017 Bonds to defease, redeem, and prepay the Refunded Bonds, and to pledge the Net Revenues and money held in the Revenue Fund and its Accounts equally and ratably to secure the Series 2017 Bonds (and other Senior Bonds and any Senior Guarantees), in the manner and to the extent set forth in the Master Indenture and herein; that all action on its part for the issuance of the Series 2017 Bonds and the execution and delivery of this Series Resolution has been duly and effectively taken; and that the Series 2017 Bonds in the hands of the Holders thereof are and shall be valid and enforceable obligations of the Issuer according to the terms thereof.

Section 4.3 Books and Records. The Registrar and Paying Agent will, so long as any Outstanding Series 2017 Bonds issued hereunder shall be unpaid, keep proper books or records and accounts, in which full, true, and correct entries will be made of all its financial dealings or transactions in relation to the Series 2017 Bonds. At reasonable times and under reasonable regulations established by the Registrar and Paying Agent, such books shall be open to the inspection of the Original Purchaser, the Holders, and such accountants or other agencies as the Registrar and Paying Agent may from time to time designate.

Section 4.4 Bondholders' Access to Bond Register. At reasonable times and under reasonable regulations established by the Registrar and Paying Agent, the Bond Register or a copy thereof may be inspected and copied by Holders (or a designated representative thereof) of twenty-five percent (25%) or more in principal amount of the then Outstanding Series 2017 Bonds, such authority of any such designated representative to be evidenced to the satisfaction of the Registrar and Paying Agent. Except as otherwise may be provided by law, the Bond Register shall not be deemed a public record and shall not be made available for inspection by the public, unless and until notice to the contrary is given to the Registrar and Paying Agent by the Issuer.

Section 4.5 Continuing Disclosure.

(A) Purpose; Definitions. Disclosure of information about the Series 2017 Bonds shall be made as provided in this Section. This Section is intended for the benefit of the Holders of the Series 2017 Bonds.

For the purposes of this Section, the following terms shall have the following meanings:

(1) *EMMA* means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule (Website: <http://emma.msrb.org/>)

(2) *MSRB* means the Municipal Securities Rulemaking Board;

(3) *Obligated Person* means:

(a) the Issuer; and

(b) any person who provides ten percent (10%) or more of the Net Revenues securing the Revenue Fund Bonds (but an Institution shall not be deemed a person independent of the Issuer); and

provided that “obligated person” shall not mean a Credit Enhancer;

(4) *Revenue Fund Bonds* means the Prior Bonds and the Series 2017 Bonds;

(5) *Rule* means Securities and Exchange Commission Rule 15c2-12, as from time to time amended; and

(6) *Series 2017 Bonds* means the Revenue Fund Bonds issued pursuant to this Series Resolution.

(B) Periodic and Occurrence Notices. Except to the extent this subsection (B) is modified or otherwise altered in accordance with subsection (F) below, the Registrar and Paying Agent or Financial Advisor on behalf of the Issuer shall make or cause to be made public, as provided in subsection (D) below, the information set forth in subsections (1), (2), and (3) below:

(1) Periodic Reports.

(a) the annual audited financial statements for the Revenue Fund of the Issuer; and

(b) annual financial information as to each Obligated Person (subject to subsection (E)(1) below); and

(c) an Annual Disclosure Report in substantially the form of Exhibit B hereto disclosing financial and operating data of the type disclosed in the Official Statement relating to the Series 2017 Bonds; provided that the form of Annual Disclosure Report shall be amended or changed each year so as to fairly and accurately present financial and operating data required to be disclosed under the Rule.

(2) Occurrence Notices. The Issuer shall give, or shall cause to be given notice of the occurrence of any of the following events within a timely manner, not in excess of ten (10) business days, after the occurrence of the event, and in accordance with the Rule, by filing such notice with the MSRB, in an electronic format prescribed by the MSRB:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Senior Bonds, or other material events affecting the tax-exempt status of the Senior Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Senior Bonds, if Material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of either the Borrower or the Guarantor;
- (m) consummation of a merger, consolidation, or acquisition involving the Borrower or the Guarantor, the or sale of all or substantially all of the assets of the Borrower or the Guarantor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(3) Notice of Failure to Provide Information. In the event the information described in (1) or (2) above is not made public as required by this Section, such failure shall itself be made public by a notice filed with the MSRB.

(C) Information Provided to the Public.

(1) The Registrar and Paying Agent on behalf of the Issuer shall make public every communication which the Registrar and Paying Agent is required to make (or is permitted to make and in fact makes) to Holders, in each case in accordance with subsection (D) and on the same day such communication is transmitted to Holders hereunder.

(2) The Registrar and Paying Agent on behalf of the Issuer shall make public in accordance with subsection (D) and within the time frame set forth in subsection (3) below, the following, but only to the extent information is actually known by the Issuer or Registrar and Paying Agent or is within the possession, custody or control of the Issuer or Registrar and Paying Agent:

(a) all information which the Registrar and Paying Agent on behalf of the Issuer has agreed to make public under subsections (1), (2), and (3) of subsection (B); and

(b) such other information which the Issuer shall in writing request to be made public, so long as such information is permitted by law to be made public.

(3) (a) The Registrar and Paying Agent, on behalf of the Issuer, shall make public the periodic information described in subsection (B)(1), within thirty (30) days after receipt by the Registrar and Paying Agent of each annual audited financial statement of the Issuer.

(b) The Registrar and Paying Agent shall, within three (3) business days of obtaining actual knowledge of the occurrence of any of the events described in subsection (B)(2) contact the Issuer, inform the Issuer of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not the event is required to be reported. If the Registrar and Paying Agent has been instructed by the Issuer to report the occurrence, the Registrar and Paying Agent shall file a notice of such occurrence with the MSRB with a copy to the Issuer. Notwithstanding the foregoing, notice of an event described in subsection (B)(2)(d) and (e) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Master Indenture.

(D) Means of Making Information Public. The SEC has designated the EMMA system operated by the MSRB as the nationally recognized municipal securities information repository and the exclusive portal for complying with continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB or the SEC, the Registrar and Paying Agent and/or Dissemination Agent shall make all filings required under this Section 4.5 solely with EMMA.

(E) Obligated Persons; Financial Information.

(1) In making information about Obligated Persons which file financial information with the SEC or the MSRB public, the Issuer may, for each Obligated Person that has complied or will comply with the next sentence, disclose financial information about such Obligated Person by cross-reference to information on file with, and publicly available from, the SEC or the MSRB. The Issuer shall cause each such Obligated Person to provide an annual notice stating (a) where its annual reports have been filed, and (b) that the annual reports so filed constitute its annual financial information as an Obligated Person hereunder. Annually the Issuer shall provide to each such Obligated Person a form of such notice and shall direct that such notice be executed by the Obligated Person and returned to the Issuer. In the event such Obligated Person fails or refuses to provide the executed notice, the Issuer shall provide to the Registrar and Paying Agent a notice stating (a) the identity of such Obligated Person and the fact that such Obligated Person has failed and refused to provide the annual notice required by this subsection, and (b) if known to the Issuer, the place where annual financial information about such Obligated Person may be

found. The Issuer shall then provide all such notices to the Registrar and Paying Agent concurrently with delivery of the Issuer's annual financial statements and shall direct the Registrar and Paying Agent to forward such notices to the MSRB.

(2) In determining whether a specific person is an "Obligated Person," the Institution shall

(a) aggregate all contracts executed by such person;

(b) aggregate all buildings or structures, or portions thereof, owned, leased, or operated by such person; and

(c) aggregate all entities under common control or ownership.

(3) The Issuer shall determine who are Obligated Persons for each fiscal year and disclose in the Annual Disclosure Report the identity(ies) of each such Obligated Person; the disclosure relating to the identity of Obligated Persons in each Annual Disclosure Report shall be for the same fiscal year as that covered by the audited financial statement of the Issuer made public concurrently with the Annual Disclosure Report.

(4) Financial information about the Issuer, and about each Obligated Person, shall be prepared in accordance with, as applicable, generally accepted accounting principles, accounting principles applicable to state and local governments and agencies, or for persons whose equity or debt securities are registered with the State, the accounting principles then in effect governing filings of financial information with the SEC. Financial information about Obligated Persons who are public entities shall be prepared in accordance with Financial Accounting Standards Board principles as modified by Government Accounting Standards Board principles and by the accounting principles then applied by the Minnesota State Auditor, if applicable.

(F) Amendment of this Section. This Section shall be subject to modification or amendment as provided in Sections 10.2, 10.3, and 10.4 of the Master Indenture. In addition to the requirements and limitations of the Master Indenture, no modification or amendment of this Section shall be made unless:

(1) the amendment or modification is made in connection with a change of circumstance arising from a change of legal requirements, change in law, or change in the identity, nature, or status of the Obligated Person(s); and

(2) this Section, as amended or modified, would have complied with the Rule on the date of issue of the Series 2017 Bonds, taking into account any subsequent amendments or interpretations of the Rule and any change of circumstances.

The Registrar and Paying Agent and the Issuer may rely in good faith upon an opinion of counsel familiar with the law governing disclosure in connection with municipal securities as to compliance with the requirements of this Section and of the Rule.

Section 4.6 Resignation or Removal of Registrar and Paying Agent. Notwithstanding anything to the contrary contained herein or in the Master Indenture, the Registrar and Paying Agent shall not resign or be removed until a successor Registrar and Paying Agent has been appointed. The Issuer shall promptly (within thirty (30) days) appoint a successor Registrar and Paying Agent upon the resignation or removal of the then serving Registrar and Paying Agent. Any successor Registrar and

Paying Agent shall be a financial institution having trust powers and a capital and surplus of not less than \$50,000,000.

Section 4.7 Compliance with DTC Requirements. So long as the Series 2017 Bonds are held in Book-Entry Form at The Depository Trust Company, as Depository, the Registrar and Paying Agent shall comply with the provisions of the Blanket Letter of Representations between the Issuer and The Depository Trust Company, and shall also comply with the letter from the Issuer to The Depository Trust Company dated September 10, 2001, and attached hereto as Exhibit C.

Section 4.8 Notices to Rating Agency. Annually, at or about the time that the Issuer provides its Annual Disclosure Report pursuant to Section 4.5 hereof, the Issuer shall provide the same information to each Rating Agency then maintaining a rating in effect for the Series 2017 Bonds. In addition, the Issuer shall provide to such Rating Agencies such other information relating to the Series 2017 Bonds, all other Revenue Fund Bonds issued under the Master Indenture, and the Revenue Fund, as they may reasonably request.

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EXHIBIT A-1

FORM OF SERIES 2017A BOND

R-_____ \$_____

UNITED STATES OF AMERICA
STATE OF MINNESOTABOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
REVENUE FUND BOND
SERIES 2017A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
_____ %	October 1, 20__	_____, 2017	60414F__

Registered owner: Cede & Co.

Stated Principal Amount: _____ DOLLARS

KNOW ALL MEN BY THESE PRESENTS that Board of Trustees, Minnesota State Colleges and Universities (the "Issuer"), for value received, acknowledges itself to be specially indebted and promises to pay to the registered owner named above, or registered assigns, but only from the sources specified herein, the Stated Principal Amount specified above on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2017, to the person or entity in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) preceding the date on which the interest is payable (all subject to the provisions hereof with respect to the redemption of this Bond prior to the maturity date specified above). The interest hereon and, upon presentation and surrender hereof at maturity or upon earlier redemption, the principal hereof, are payable in lawful money of the United States of America, by check or draft issued on each interest payment date by U.S. Bank National Association, in Saint Paul, Minnesota (the "Trustee"), which has been designated as Registrar and Paying Agent for the Revenue Fund Bonds; or at the office of such successor, if any, to said bank as may be designated by the Issuer in accordance with the Master Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Master Indenture until the Certificate of Authentication hereon shall have been executed by the Registrar and Paying Agent by the manual signature of one of its authorized representatives.

This Bond is one of a Series in the Stated Principal Amount of \$_____, each of like date and tenor except as to registration number, interest, maturity date, redemption privilege, and denomination, issued for the purpose of: (i) financing the construction or improvement of dormitory, residence hall, student union, food service or other revenue producing buildings and related facilities located or to be located on the campuses of the Institutions comprising the Minnesota State University

System (the “System”); and (ii) defeasing and redeeming and prepaying certain outstanding obligations of the Issuer. The Revenue Fund Bonds of this Series are issued under authority of, and in strict conformity with, the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 136F, as amended (the “Act”), and under and pursuant to an Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, as amended (the “Master Indenture”), between the Issuer and the Trustee, and a Series Resolution adopted by the Issuer on _____, 2017 (the “Series Resolution”).

Under the Act and the Master Indenture, the principal of and interest on this Bond are payable solely from and secured by an irrevocable pledge of certain Net Revenues (as defined in the Master Indenture) to be derived by the Issuer from the operation of certain revenue producing Facilities of the System which have been pledged and appropriated to the Debt Service Account in the Issuer’s Revenue Fund, on a parity as to both principal and interest with certain other Senior Bonds heretofore or hereafter issued under and pursuant to the Master Indenture, and are further secured by a Reserve Requirement required to be established and maintained in the Debt Service Reserve Account. All covenants and provisions made for the payment and security of Revenue Fund Bonds payable from the Debt Service Account are set forth in the Master Indenture which is available for inspection by the registered owner of this Bond at the Issuer’s administrative office in St. Paul, Minnesota, and which is incorporated herein by reference.

This Bond is not a general obligation of the Issuer, and the full faith and credit of the Issuer is not pledged for its payment. The Issuer has no taxing authority. This Bond does not constitute a debt or obligation of the State of Minnesota within the meaning or application of any constitutional or statutory limitation or provision.

Revenue Fund Bonds of this Series maturing on or after October 1, 202__, are subject to optional redemption and prepayment upon direction of the Issuer in whole on any date on or after April 1, 202__, or in part on such date or any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

Revenue Fund Bonds of this Series maturing on October 1 in the years ____ and ____ are subject to mandatory redemption prior to maturity by mandatory sinking fund installments, and are to be redeemed by lot, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, on the following dates and in the following principal amounts:

[to be provided]

If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of these Revenue Fund Bonds, or (ii) three years from the date of issuance of these Revenue Fund Bonds, proceeds of these Revenue Fund Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of these Revenue Fund Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause these Revenue Fund Bonds to lose their tax-exempt status.

In the event of partial or complete damage to or destruction or condemnation of any Facility, these Revenue Fund Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which

timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

Notice of redemption shall be given by first class mail, postage prepaid, mailed not less than thirty (30) days prior to the Redemption Date, to each holder of Revenue Fund Bonds to be redeemed at the address of the holder appearing in the Bond Register. No defect in or failure to give notice by mail to any holder shall affect the validity of the proceedings for redemption of any Revenue Fund Bond held by any holder to which proper notice by mail has been given. If notice by publication is required by law, the Paying Agent shall cause publication to be made in the form and at the time provided by law. All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Revenue Fund Bonds to be redeemed and the identification (and, in the case of partial redemption, the respective principal amounts) of the Revenue Fund Bonds to be redeemed, specifying their CUSIP number, their registration number, and Maturity Date; (iv) that on the Redemption Date, the Redemption Price will be due and payable upon each Revenue Fund Bond, and interest will cease to accrue from and after such date (unless, under a redemption conditioned on sufficient funds, such condition is not met); and (v) the place or places where such Revenue Fund Bonds are to be surrendered for payment.

The Revenue Fund Bonds of this Series are issuable only as fully registered Bonds, in Stated Principal Amounts of \$5,000 or any multiple thereof of a single maturity.

As provided in the Master Indenture and subject to certain limitations set forth therein, this Bond is transferable upon the books of the Issuer at the principal corporate trust office of the Trustee, as Registrar and Paying Agent, in Saint Paul, Minnesota, or its successor, by the registered owner hereof, in person or by his attorney, duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar and Paying Agent, duly executed by the registered owner or his duly authorized attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the Issuer will cause to be issued in the name of the transferee or owner a new Bond or Bonds of the same aggregate Stated Principal Amount, Series, type, maturity, interest rate and terms as the surrendered Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Issuer or the Registrar and Paying Agent with respect to such transfer. The Issuer and the Registrar and Paying Agent shall treat the person in whose name this Bond is registered upon the books of the Issuer as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon his order shall be valid and effectual to satisfy and discharge the Issuer's liability upon this Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Registrar and Paying Agent shall be affected by any notice to the contrary.

IT IS CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to exist, to happen, and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding special obligation of the Issuer in accordance with its terms, do exist, have happened, and have been performed in due form, time and manner as so required; that prior to the issuance of this Bond, the Issuer has provided for the payment of the principal of and interest on this Bond as described herein; and that the issuance of this Bond does not cause the indebtedness of the State or the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the manual or printed facsimile signature and countersignature of its Authorized Representative, and by a manual imprint or printed facsimile of its official seal, and has caused this Bond to be dated as of the date set forth below.

Dated: _____

[Authorized Representative]

CERTIFICATE OF AUTHENTICATION

This is one of the Revenue Fund Bonds delivered pursuant to the Authorizing Resolution described within.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite Name and Address of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature

Please Insert Social Security Number or Other Identifying Number of Assignee.

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular without alteration or any change whatever.

EXHIBIT A-2

FORM OF SERIES 2017B BOND

R-____

\$_____

**UNITED STATES OF AMERICA
STATE OF MINNESOTA**

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
REVENUE FUND BOND
TAXABLE SERIES 2017B**

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	October 1, 20__	_____, 2015	60414F__

Registered owner: Cede & Co.

Stated Principal Amount: _____ DOLLARS

KNOW ALL MEN BY THESE PRESENTS that Board of Trustees, Minnesota State Colleges and Universities (the "Issuer"), for value received, acknowledges itself to be specially indebted and promises to pay to the registered owner named above, or registered assigns, but only from the sources specified herein, the Stated Principal Amount specified above on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2017, to the person or entity in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) preceding the date on which the interest is payable (all subject to the provisions hereof with respect to the redemption of this Bond prior to the maturity date specified above). The interest hereon and, upon presentation and surrender hereof at maturity or upon earlier redemption, the principal hereof, are payable in lawful money of the United States of America, by check or draft issued on each interest payment date by the U.S. Bank National Association, in Saint Paul, Minnesota (the "Trustee"), which has been designated as Registrar and Paying Agent for the Revenue Fund Bonds; or at the office of such successor, if any, to said bank as may be designated by the Issuer in accordance with the Master Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Master Indenture until the Certificate of Authentication hereon shall have been executed by the Registrar and Paying Agent by the manual signature of one of its authorized representatives.

This Bond is one of a Series in the Stated Principal Amount of approximately \$_____, each of like date and tenor except as to registration number, interest, maturity date, redemption privilege, and denomination, issued for the purpose of: (i) financing costs related to the construction or improvement of dormitory, residence hall, student union, food service or other revenue producing buildings and related facilities located or to be located on the campuses of the Institutions comprising the Minnesota State

University. System (the “System”); and (ii) defeasing and redeeming and prepaying certain outstanding obligations of the Issuer. The Revenue Fund Bonds of this Series are issued under authority of, and in strict conformity with, the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 136F, as amended (the “Act”), and under and pursuant to an Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, as amended (the “Master Indenture”), between the Issuer and the Trustee, and a Series Resolution adopted by the Issuer on _____, 2017 (the “Series Resolution”).

Under the Act and the Master Indenture, the principal of and interest on this Bond are payable solely from and secured by an irrevocable pledge of certain Net Revenues (as defined in the Master Indenture) to be derived by the Issuer from the operation of certain revenue producing Facilities of the System which have been pledged and appropriated to the Debt Service Account in the Issuer’s Revenue Fund, on a parity as to both principal and interest with certain other Senior Bonds heretofore or hereafter issued under and pursuant to the Master Indenture, and are further secured by a Reserve Requirement required to be established and maintained in the Debt Service Reserve Account. All covenants and provisions made for the payment and security of Revenue Fund Bonds payable from the Debt Service Account are set forth in the Master Indenture which is available for inspection by the registered owner of this Bond at the Issuer’s administrative office in St. Paul, Minnesota, and which is incorporated herein by reference.

This Bond is not a general obligation of the Issuer, and the full faith and credit of the Issuer is not pledged for its payment. The Issuer has no taxing authority. This Bond does not constitute a debt or obligation of the State of Minnesota within the meaning or application of any constitutional or statutory limitation or provision.

Revenue Fund Bonds of this Series are not subject to optional redemption and prepayment.

Revenue Fund Bonds of this Series maturing on October 1 in the years ____ and ____ are subject to mandatory redemption prior to maturity by mandatory sinking fund installments, and are to be redeemed by lot, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, on the following dates and in the following principal amounts:

[to be provided]

In the event of partial or complete damage to or destruction or condemnation of any Facility, these Revenue Fund Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

Notice of redemption shall be given by first class mail, postage prepaid, mailed not less than thirty (30) days prior to the Redemption Date, to each holder of Revenue Fund Bonds to be redeemed at the address of the holder appearing in the Bond Register. No defect in or failure to give notice by mail to any holder shall affect the validity of the proceedings for redemption of any Revenue Fund Bond held by any holder to which proper notice by mail has been given. If notice by publication is required by law, the Paying Agent shall cause publication to be made in the form and at the time provided by law. All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Revenue Fund Bonds to be redeemed and the identification (and, in the case of partial redemption, the respective principal amounts) of the Revenue Fund Bonds to be redeemed, specifying their CUSIP number, their registration number and Maturity Date; (iv) that on the Redemption Date, the Redemption

Price will be due and payable upon each Revenue Fund Bond, and interest will cease to accrue from and after such date (unless, under a redemption conditioned on sufficient funds, such condition is not met); and (v) the place or places where such Revenue Fund Bonds are to be surrendered for payment.

The Revenue Fund Bonds of this Series are issuable only as fully registered Bonds, in Stated Principal Amounts of \$5,000 or any multiple thereof of a single maturity.

As provided in the Master Indenture and subject to certain limitations set forth therein, this Bond is transferable upon the books of the Issuer at the principal corporate trust office of the Trustee, as Registrar and Paying Agent, in Saint Paul, Minnesota, or its successor, by the registered owner hereof, in person or by his attorney, duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar and Paying Agent, duly executed by the registered owner or his duly authorized attorney, and may also be surrendered in exchange for Revenue Fund Bonds of other authorized denominations. Upon such transfer or exchange, the Issuer will cause to be issued in the name of the transferee or owner a new Bond or Bonds of the same aggregate Stated Principal Amount, Series, type, maturity, interest rate and terms as the surrendered Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Issuer or the Registrar and Paying Agent with respect to such transfer. The Issuer and the Registrar and Paying Agent shall treat the person in whose name this Bond is registered upon the books of the Issuer as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon his order shall be valid and effectual to satisfy and discharge the Issuer's liability upon this Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Registrar and Paying Agent shall be affected by any notice to the contrary.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding special obligation of the Issuer in accordance with its terms, do exist, have happened and have been performed in due form, time and manner as so required; that prior to the issuance of this Bond, the Issuer has provided for the payment of the principal of and interest on this Bond as described herein; and that the issuance of this Bond does not cause the indebtedness of the State or the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the manual or printed facsimile signature and countersignature of its Authorized Representative, and by a manual imprint or printed facsimile of its official seal, and has caused this Bond to be dated as of the date set forth below.

Dated: _____

[Authorized Representative]

CERTIFICATE OF AUTHENTICATION

This is one of the Revenue Fund Bonds delivered pursuant to the Authorizing Resolution described within.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite Name and Address of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature

Please Insert Social Security Number or Other Identifying Number of Assignee.

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular without alteration or any change whatever.

EXHIBIT B**ANNUAL REPORT INFORMATION**

The Annual Report Date will be the date that is 210 days after each fiscal year end, commencing with the fiscal year ending June 30, 2016.

1. The audited financial statements for the Revenue Fund most recent complete fiscal year.
2. The following financial and operating data:
 - a. Revenues
 - Gross Revenues
 - Maintenance and Operations Costs
 - Net Revenues
 - b. Facilities
 - Repair and Replacement Expenditures
 - Costs for New Facilities
 - Debt Financed Capital Expenditures (other than for new facilities)
 - c. Revenue Fund Bonds
 - Principal Amount of Bonds Outstanding
 - Senior Bonds
 - Subordinate Bonds
 - Annual Debt Service
 - Senior Bond Principal
 - Senior Bond Interest
 - Subordinate Bond Principal
 - Subordinate Bond Interest
 - Unscheduled Redemptions
 - Senior Bonds
 - Subordinate Bonds
 - d. Debt Service Coverage Ratio [Net Revenues divided by annual debt service]
 - Senior Bonds
 - Last fiscal year
 - Preceding fiscal year
 - Second preceding fiscal year
 - Subordinate Bonds
 - Last fiscal year
 - Preceding fiscal year
 - Second preceding fiscal year
 - e. Guarantees
 - Maximum exposure
 - Amount paid in the last fiscal year

EXHIBIT C

BLANKET ISSUER LETTER OF REPRESENTATIONS

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date November 15, 2016

Title: College and University Operating Budget Update

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The purpose of this agenda item is to update the board on the fiscal year 2017 year-to-date performance of the college and universities operating budgets. The report will focus on enrollment projections versus actual year-to-date summer and fall enrollment and changes to fund balance at the end of fiscal year 2016. The board will be updated on the enrollment and cash-based financial health indicators and the budget oversight and monitoring process.

Presenters:

Laura M. King – Vice Chancellor – Chief Financial Officer

Deb Bednarz – System Director Financial Planning & Analysis

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
COLLEGE AND UNIVERISTY OPERATING BUDGET UPDATE

INTRODUCTION

The Board of Trustees is responsible for overseeing the financial operations of the system (board policy 1A.2 *Board of Trustees* and *Minn. Stat. 136F.06*). Board policy 7.3, *Financial Administration*, requires the board to be periodically updated on the administration and financial management of the system on an exception-based reporting basis and advised of any recommended policy changes. This report updates the board on revisions to the fiscal year 2017 operating budget and notifies the board which colleges and universities have triggered the recently-adopted enrollment and cash-based indicators outlined in system procedure 7.3.16.

EXECUTIVE SUMMARY

- The financial health of our colleges and universities continues to be monitored closely. This year several new financial health indicators have been incorporated into the monitoring process, including two enrollment-based indicators and two cash-based indicators. These new indicators are intended to identify colleges and universities under financial stress earlier in the monitoring process. While the new indicators have provided us with timely information about financial health, they also have confirmed the conclusions of the previous accrual-based indicators.
- Enrollment decline continues to challenge our colleges and universities. Twenty-three colleges and universities triggered the long-term enrollment indicator, reflecting the sharp enrollment decline in recent years, especially at our colleges. Twenty colleges and universities triggered the short-term enrollment indicator, suggesting continued difficulties in accurately projecting enrollment—again, particularly among our colleges. Eleven colleges triggered both the short-term and long-term enrollment indicators.
- Five colleges and universities reported low levels of fund balance, and eight consumed 10 percent or more of their fund balance over the past three years. All colleges and universities that triggered the cash-based indicators are currently operating under financial recovery plans.
- The fiscal year 2017 operating budget was built on enrollment, compensation, state appropriation, and tuition assumptions based on the best information available at the time. Four months into the fiscal year, enrollment is trending lower than projected which has negatively impacted tuition and fee revenue at some colleges and universities. Twenty

colleges and universities have submitted revised fiscal year 2017 operating budgets to the system office due to lower than projected enrollment.

- The FY2016-FY2017 state appropriation was split evenly between each year of the biennium. This funding structure causes pressure in the second year, since compensation cost increases double from the first to the second year of the biennium. In preparation for known tuition and state appropriation revenue constraints in fiscal year 2017, colleges and universities reported strong fund balance growth of \$41.7 million in fiscal year 2016, with 27 colleges and three universities reported improvements to their fund balance.
- Overall, colleges and universities are struggling to manage operating budgets as downward enrollment trends continue. State support is being carefully managed to match inflation patterns. Some colleges and universities are more stressed than others due to low fund balance levels that limit the resources available to transition to a structurally balanced budget.

FISCAL YEAR 2017 OPERATING BUDGET UPDATE

- In June 2016, the board approved FY2017 college and university general operating budgets that included a projected use of fund balance of \$12.5 million. Revised budgets have increased the use of fund balance by \$4.8 million to a new estimated total of \$17.3 million. Restricted revenue growth in fiscal year 2017 combined with lower than projected enrollment remains the biggest challenge for fiscal year 2017.
- Actual fiscal year 2016 FYE enrollment was 135,089, 2.8 percent or 3,884 FYE lower than fiscal year 2015 levels. Colleges were down 3.8 percent and universities down 1.2 percent. Actual enrollment was one percent lower than the forecast that formed the basis of the fiscal year 2016 college and university board-approved operating budgets.
- The fiscal year 2017 system operating budget was based on a 0.8 percent decline in the credit taking full-year equivalent (FYE) enrollment, with colleges projecting a 1.2 percent decline and universities projecting flat enrollment. Based on actual credit taking summer and fall FYE enrollment, the system is now projecting a 2.8 percent enrollment decline of 3,775 FYE, with colleges projecting a 3.9 percent decline and universities a 1.0 percent decline.
- Based on the revised FYE enrollment estimates, tuition and fee revenue is projected to be \$13.8 million lower than originally projected. Tuition and fee revenue is expected to decline by \$10.3 million at our colleges and \$3.5 million at our universities compared to the forecast. Overall, tuition revenue is now forecast to be \$17.7 million lower than in fiscal year 2016.
- Two universities and 18 colleges with projected FYE that was more than 2.0 percent lower than the approved budget baseline submitted revised budgets to the system office for review. The revised general fund budgets include \$4.7 million in compensation reductions, \$5.9 million in non-compensation reductions and \$4.8 million in fund balance use. Twelve colleges

and universities are forecasting the use of fund balance to solve a portion of their updated FY2017 operating budget shortfall.

FY2016 YEAR-END FUND BALANCE ANALYSIS

Colleges and universities made strong contributions to their fund balances in fiscal year 2016. This increase was expected as colleges and universities budgeted strategically to meet projected revenue constraints in fiscal year 2017. The expected decline in fiscal year 2017 revenue is attributed to two factors: 1) the legislatively-mandated tuition freeze for universities and tuition reduction for colleges, and 2) the even funding structure of state appropriations during the 2016-2017 biennium.

In fiscal year 2016, college tuition remained frozen at fiscal year 2013 rates and university tuition was increased 3.4 percent on average. In fiscal year 2017, college tuition was reduced 1.0 percent and university tuition was held at fiscal year 2016 levels, further restricting tuition revenue in the second year of the biennium.

In addition, the legislature appropriated the same dollar amount in fiscal year 2016 and in fiscal year 2017 for Minnesota State, including \$50 million in “new” base funding each year for a total of \$100 million for the biennium. This funding structure does not match our spending patterns, causing a revenue shortfall in fiscal year 2017.

Because compensation increases typically occur annually and build upon prior year increases, compensation related costs incurred in the first year of the biennium generally double in the second year and continue into the future. If funding were to mirror the cost structure, the legislature should have appropriated one-third of the increased funding (\$33 million) in fiscal year 2016 and two-thirds (\$67 million) in fiscal year 2017. Because they did not, colleges and universities had to carry forward funding from fiscal year 2016 into fiscal year 2017 to cover costs.

The changes to fund balance reflect this funding outlook:

- Across our system, a net \$41.7 million was added to the fund balances maintained by our colleges and universities. Colleges contributed a net \$37.8 million and universities a net \$3.9 million.
- Twenty-seven colleges and three universities reported improvements to their fund balances totaling \$48.7 million. Three colleges and four universities reduced their fund balances by a total of \$7 million.

FINANCIAL HEALTH INDICATORS

Nineteen of our colleges and universities are currently operating under a financial recovery plan (FRP) because they triggered one or both of the accrual-based financial health indicators in place at the time: a low composite financial index (CFI) score or two consecutive years of negative operating income.

Beginning in 2015, staff undertook a review of the underlying financial health procedure (7.3.16) which had been in place since 2011. Experience over the past few years had identified several

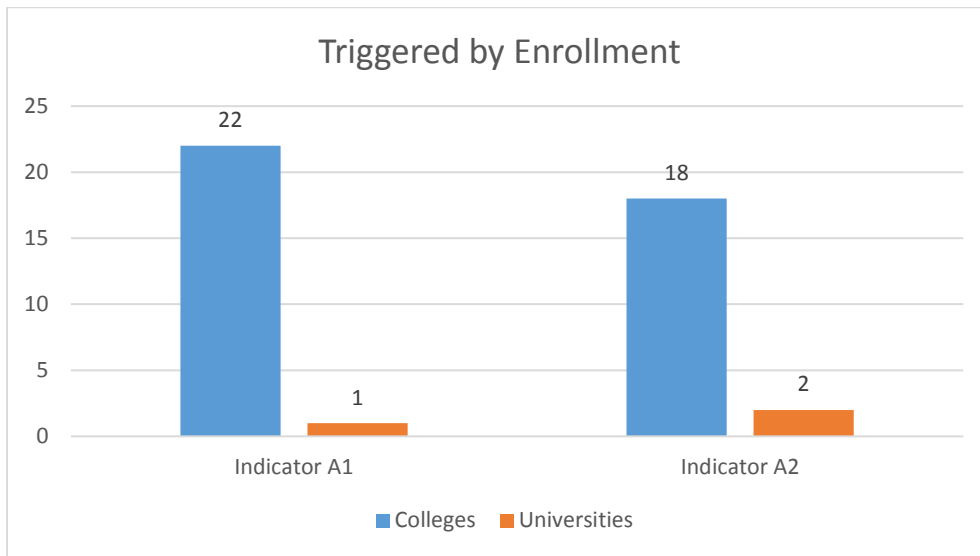
areas of improvement to better support the objectives of the monitoring and remediation program.

The review process included extensive consultation with college and university leadership and was informed by the following design objectives:

- Identify “leading” indicators that provide advanced warning of potential financial problems
- Establish a balance of accrual-based and cash-based measures
- Select enrollment and facilities measures that impact financial health

Based upon the review, procedure 7.3.16 was modified effective with the fiscal year 2016 reporting period to include two new enrollment indicators and two new cash-based indicators. The procedure was further modified to distinguish between financial improvement and enrollment management objectives.

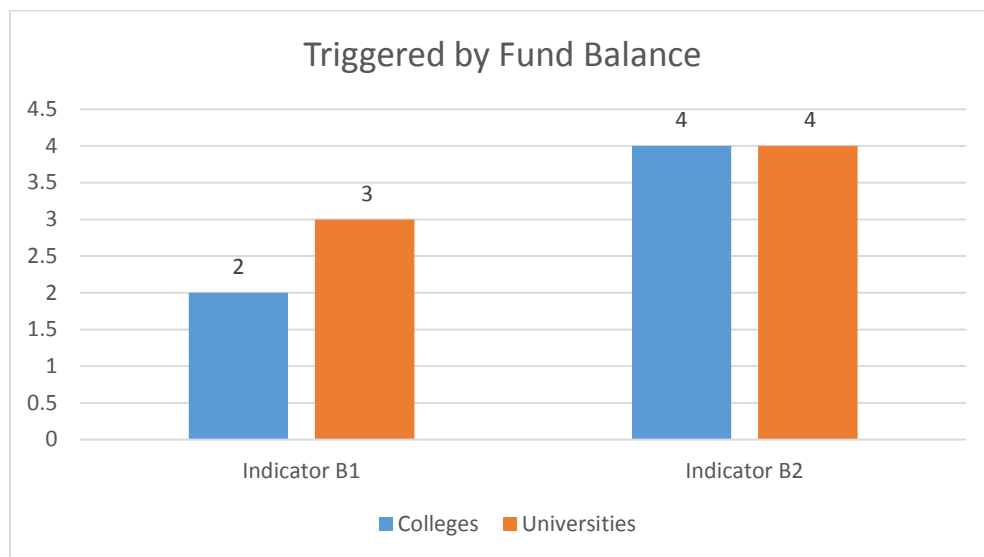
This section of the report describes the new indicators and summarizes their impact by sector and by financial recovery status.



Enrollment-based Indicators Remedies: Enrollment Plan and Revised Current Year Budget

1. *Enrollment-based Indicator (A1): Actual FYE Enrollment has declined more than eight percent over the two most recent years.*
 - Twenty-two colleges and one university triggered this indicator, reflecting enrollment losses were greater at our colleges than at our universities over this time period (FY2014-FY2016).
 - Of the colleges and universities currently operating under a financial recovery plan, ten colleges and one university have triggered this indicator.

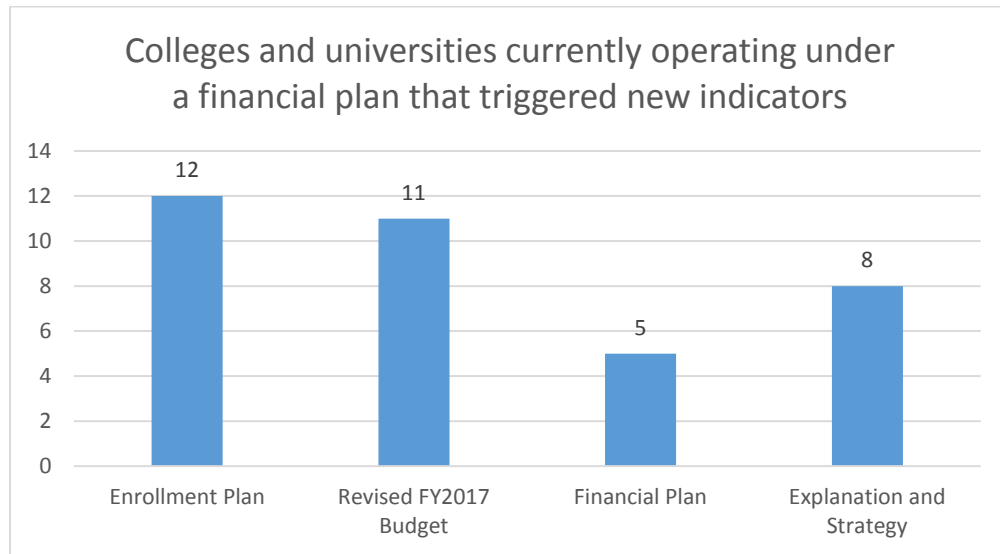
- Colleges and universities that triggered this indicator are required to submit an enrollment plan explaining the changes in enrollment over the past two years.
2. *Enrollment-based Indicator (A2): Actual year-to-date FYE enrollment change from the prior year is more than 2.0 percent lower than the FYE assumption used in approved operating budget, excluding concurrent enrollment.*
- Eighteen colleges and two universities have triggered this indicator.
 - Of the colleges and universities currently operating under a financial recovery plan, ten colleges and one university triggered this indicator.
 - Eleven colleges triggered both the short-term and long-term enrollment indicators.
 - Colleges and universities that triggered this indicator are required to submit a revised fiscal year 2017 operating budget to reflect the enrollment change. These revisions were reported earlier in this report.



Cash-based Indicators Remedies: Financial Plan and Explanation and Strategy

1. *Cash-based Indicator (B1): Fiscal year-end general fund cash balance is less than 20 percent of general fund revenue*
- Two colleges and three universities have triggered this indicator.
 - All five of the colleges and universities that triggered this indicator are currently operating under a financial recovery plan. Of those five, three added to fund balance and two consumed fund balance in fiscal year 2016.
 - Colleges and universities that triggered this indicator are required to submit a financial plan that focuses on fund balance restoration and explains the past use of fund balance and a timeline and strategy to restore the balance.

2. *Cash-based Indicator (B2): Decrease in fund balance more than 10 percent over three years*
- Four colleges and four universities have triggered this indicator.
 - All eight of the colleges and universities that triggered this indicator are currently operating under a financial recovery plan.
 - One college and three universities triggered both the short-term and long-term enrollment indicators.
 - Colleges and universities that triggered this indicator are required to submit a written explanation about the past use of fund balance and a timeline and strategy to restore or maintain the fund balance.



The procedure continues the composite financial index (CFI) accrual based indicator. This indicator is triggered if a college or university's CFI (measured without the GASB 68 impact) is less than 1.5 based on a two-year average or an adjusted CFI under 0.5 for the most recent year.

The financial information and results for each college and university, including updated Composite Financial Index (CFI) calculations for each college and university, will be reported to the committee in January based upon the fiscal year 2016 audited financial statements.

LEADERSHIP MEETINGS

The Vice Chancellor of Finance, the System Director of Financial Reporting, and the System Director of Financial, Planning and Analysis have been meeting with the presidents and chief financial officers of select colleges and universities over the past several weeks to review their progress in implementing their financial recovery plans. These meetings have resulted in a better understanding of the improvements that have been made as well as the challenges that must be overcome to restore financial health and stability to our colleges and universities.

Colleges and universities are focusing on key areas, such as enrollment, enrollment forecasting, academic scheduling, and budget and management controls to successfully implement their plans. The emphasis changes depending on the unique circumstance of the college or university. Some institutions have done an excellent job with reducing their costs but continue to struggle with improving enrollment, while others have stabilized enrollment but struggle with making the needed reductions to achieve a structurally balanced budget.

CONCLUSION

The new enrollment measures are helping us identify enrollment declines and require budget adjustments in a timely manner. Accurately projecting enrollment remains a challenge, particularly for our colleges, which are more sensitive to changes in the overall economy than our universities.

Despite strong performance in fiscal year 2016, structural budget pressures remain. The structure of the state appropriation, limited tuition revenue, and enrollment decline combined with increasing compensation costs contribute to a stressed fiscal environment in fiscal year 2017 and beyond.

The system office will continue to monitor the enrollment activity and cash position of our colleges and universities throughout the year. Achieving structural balance depends on the ability of our system to align ongoing revenues with ongoing costs. The ability to recruit and retain students, accurately predict enrollment, manage costs and secure additional resources is key to our financial success.

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: November 15, 2016

Title: Report of Internal Financial Model and Allocation Framework Redesign (Second Reading)

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

The internal financial model is the method by which state appropriation is allocated to our colleges and universities and systemwide activities. The board is being asked to approve changes to three parts of the model: 1) the methodology used to distribute base allocations to our colleges and universities, commonly referred to as the allocation framework; 2) the assignment of all debt service costs for future capital projects to the benefitting college or university; and 3) the creation of a one percent priority allocation set-aside to incent and support cooperative and collaborative efforts within our system.

This is the second reading of this agenda item.

Scheduled Presenter(s):

Laura M. King – Vice Chancellor - Chief Financial Officer

Deb Bednarz –System Director Financial Planning & Analysis

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
REPORT OF INTERNAL FINANCIAL MODEL AND ALLOCATION FRAMEWORK REDESIGN (SECOND READING)

INTRODUCTION

Under board policy 1A.2 *Board of Trustees*, the Finance and Facilities Committee is charged with governing the short and long term financial strategic conditions and economic health of the system, including allocation decisions:

“The committee recommends the annual operating and capital budget for the system and its colleges and universities including tuition, fees and allocation decisions, the issuance of debt, certain real estate transactions, and other policy oversight according to its charge in support of academic priorities.”

This is the second reading of the internal financial model and allocation framework redesign agenda item. In response to the board’s concern about ensuring a smooth transition to the new model, a two-year implementation plan is proposed that is designed to protect colleges and universities against appropriation loss when the new model is implemented in fiscal year 2018.

BACKGROUND

Proposed revisions to the system’s internal financial model have been under development this past year. The internal financial model is the method by which state appropriation is allocated to our colleges and universities and systemwide activities. The proposed changes to the internal financial model include modifying the allocation framework, changing the assignment of capital project debt service costs, creating a separate set-aside of state appropriation to support and encourage collaborative efforts, and redesigning the funding model for systemwide activities. Implementation would begin with the fiscal year 2018 allocations and for capital projects funded for the first time in the 2018 legislative session.

ALLOCATION FRAMEWORK MODIFICATIONS

Over 75 percent of state operating funds are distributed to our colleges and universities through a set of algorithms commonly referred to as the allocation framework. These funds

provide critical base operating support for our colleges and universities. The allocation framework currently in place was developed in the late 1990s and was fully implemented in 2006.

Over the past year, the Allocation Framework Technical Advisory Committee (TAC), a committee composed of college and university chief financial officers and chief academic officers from across the system, has developed a set of recommendations to update the current allocation framework. These recommendations were based on board-approved principles and built upon the recommendations from the Charting the Future's System Incentives and Rewards group. They are intended to:

- Promote and support student success
- Make the framework more responsive to changing conditions
- Better align the cost of programs and services with resources
- Increase transparency and simplicity

Initial recommendations were presented to the Board of Trustees last June and have undergone an extensive consultation process over the past five months. The board is being asked to review and approve framework recommendations, endorsed by the TAC and modified by the consultation process, which include:

- Adding an outcome-based student success component
- Modifying the student support methodology
- Simplifying the facilities component
- Modifying the revenue buy-down calculation
- Recognizing actual library spending and shifting library recognition into academic support
- Recognizing actual research and public service spending within that component
- Using a two-year rather than a three-year average in two of the components
- Eliminating the enrollment adjustment to mirror repeal of statutory language
- More accurately reflect the actual costs of concurrent enrollment programs in the allocation model

The student success component has been revised to allocate funds based on two approaches. The first approach calculates expected student success rates for colleges and universities that recognize differences in student populations. Colleges and universities with actual rates that exceed expected rates receive a student success allocation. The second method allocates funds to colleges and universities that have improved their student success rates.

In response to the board's request to mitigate the negative impact on colleges and universities that lose percent share in the proposed allocation framework, an implementation plan that offers more safeguards is proposed. The proposed plan would provide for a two year transition

for the college or university from the current to the new framework. The proposed plan would guarantee that every college and university receive at least the same dollar amount in fiscal year 2018 base allocation as they received in fiscal year 2017 (100 percent hold harmless). Colleges and universities that lose funding in fiscal year 2019 compared to fiscal year 2018 would be guaranteed that half of those funding loses would be covered (50 percent hold harmless). By fiscal year 2020, the implementation would be complete, with no hold harmless applied. The proposed plan is contingent on the receipt of additional base state funds in FY2018-FY2019.

CAPITAL BONDING DEBT SERVICE SHIFT

Minnesota State is responsible for one-third of the state issued general obligation debt service associated with individual college and university capital bonding projects. Since the late 1990s, this debt service responsibility has been shared by the benefitting college or university and the system, with the benefitting institution paying one-half of the project's debt (one-sixth of the total project debt assessed to Minnesota State) and the system paying the other half (also one-sixth of the total project debt). The system uses state appropriation for its one-sixth share of the payment. If not used for debt service costs, this dollars would be added to the funds distributed as college and university base allocations.

The proposal to shift the entire one-third debt responsibility for a capital bonding project to the benefitting college or university offers transparency to the debt associated with capital projects, aligns risks and responsibilities with the rewards of new and improved facilities, makes additional resources (approximately \$17M) available over time for base allocations to colleges and universities, and simplifies accounting practices. Implementation is recommended to begin with design and construction related capital bonding projects funded for the first time in the 2018 legislative session.

COOPERATION AND COLLABORATION FUNDING

To support and encourage collaborative efforts throughout the system, the board is being asked to consider setting aside one percent of state appropriation as a priority allocation for cooperation and collaboration. A recommendation on the specific activities that will be recognized and rewarded is under development in the Academic and Student Affairs community and will be presented to the board in May 2017. The one percent set-aside would begin in fiscal year 2018.

ENTERPRISE-WIDE ADMINISTRATIVE SERVICES AND RELATED FINANCING

One of the Charting the Future recommendations calls for redesign of the methods of financing enterprise-wide administrative services. A systemwide work group will review, analyze and recommend alterations to the current multiple methods of financing activities and services in support of systemwide interests. The work will examine key functions performed on campuses

locally and/or by system office sponsorship and identify current and preferred practices for financing this work.

A recommendation on a new funding strategy for systemwide activities is intended to increase accountability to colleges and universities, support collaboration, and align resources for enterprise-wide administrative services with the demand for those services, and will be presented to the board in May 2017.

RECOMMENDED COMMITTEE MOTION

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

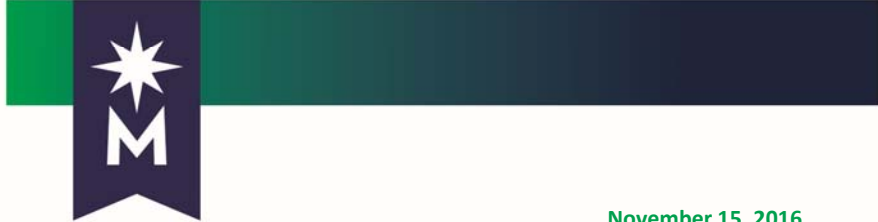
1. Adopt changes to the allocation framework as outlined in Attachment A including the implementation plan and commitment to continuous improvement. The board will be advised annually of implementation results and impacts.
2. Approve reassignment of the debt service costs effective with the capital bonding projects funded in the 2018 legislative session.
3. Approve establishment of a one percent priority allocation set-aside to recognize and support cooperative and collaborative efforts throughout the system.

Attachments:

- A. Minnesota State Allocation Framework 2017 Redesign Recommendations
- B. Minnesota State Allocation Framework Redesign Detail
- C. Minnesota State Internal Financial Model Detail
- D. Allocation Framework Technical Advisory Committee Membership Roster
- E. Financial Analysis of Proposed Allocation Framework Recommendations

Date of Adoption: 11/15/16

Date of Implementation: 07/01/17



November 15, 2016


Internal Financial Model and Allocation Framework Redesign

Board of Trustees
Finance and Facilities Committee

Internal financial model and allocation framework redesign

1. Project background and review
2. Allocation framework recommendations
3. New implementation recommendation
4. Cooperation and collaboration priority allocation
5. Debt service recommendation
6. Commitment to on-going review and analysis
7. Board Motion
8. Questions and discussion

2



MINNESOTA STATE

What is the internal financial model?

- The method by which state appropriation is allocated to our colleges and universities, systemwide activities and the system office.
- Elements of the internal financing model include the allocation framework, the instructional cost study, institutional priority allocations, systemwide set-asides, and the system office appropriation.

3



What are the proposed changes intended to do?

- Promote and support student success.
- Make the model more responsive to changing conditions.
- Better align the cost of programs and services with resources.
- Increase transparency, simplicity and accountability.
- Encourage collaboration and partnerships.
- Fully align capital debt service cost with benefitting college or university.

4

Key elements of the current model that will not change

- Colleges and universities will continue to receive a single allocation (block grant) of state appropriation each year based on the results of the allocation framework.
- Presidents will retain the authority to make budget and spending decisions on behalf of their campuses.
- The allocation framework determines a college or university's allocation; it does not and will not dictate how funds must be spent.

5



Key elements of the current model that will not change (continued)

- The allocation framework remains a data-driven model that recognizes differences in program costs and mission among our colleges and universities.
- Revenue (including tuition and fees) generated at a campus will continue to remain at the college or university where it was generated. It will not be redistributed.

6



The proposed modifications are based on the board-approved principles

- Adds outcome-based student success component.
- Determines student service allocation based on student headcount rather than FYE.
- Gives additional weight to underrepresented students in the student services module.
- Simplifies the facilities component and freezes square footage.

7



The proposed modifications are based on the board-approved principles (continued)

- Uses actual library, research and public service costs rather than a calculated value.
- More accurately reflects the actual costs of concurrent enrollment programs in the allocation model.
- Commits to a smooth transition, ongoing evaluation, and continuous improvement of the allocation framework.

8



Observations on the proposed allocation framework recommendations

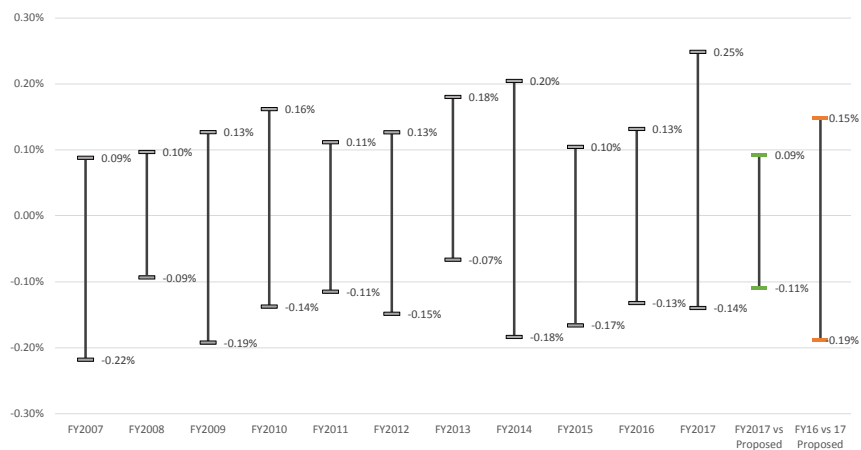
When comparing the actual FY2017 allocation framework results to a simulation using the proposed changes for FY2017, we found:

- The range of shifts in the base allocation percent share was no greater than the range in annual shifts experienced under the current framework.
- Slight redistribution (0.3% or less) from universities to colleges and from greater Minnesota to metro area.
- Several recommendations are structural changes with the impact felt over two years (facilities, library, research/public service, enrollment adjustment, revenue buydown). Once these recommendations are implemented and the adjustments made, the component should stabilize.
- The greatest loss of percent share is -0.11% and the greatest gain is 0.09%.
- Overall, the simulation redistributes \$1.8 million or 0.4% of total (\$508 million).

9



The range of shift in percent share under the proposed framework is similar to annual shifts in percent share under the current framework



10



Proposed transition plan will help provide a smooth transition to the new framework

- Implementation of the new framework will begin with FY2018 allocations and be completed by FY2020.
- The two-year plan will soften the impact on colleges and universities that lose share in the new model.
- All colleges and universities will receive at least the same *dollar amount* in FY2018 base allocation as they received in FY2017 (100 percent hold harmless).
- Those that lose funding in FY2019 compared to FY2018 would be guaranteed half those dollar losses would be covered (50 percent hold harmless).
- The plan requires an increase in state funding for best results.

11



Two other recommended changes to the internal financial model

- Assign full one-third debt service costs to the benefitting college or university beginning with 2018 projects that have not received prior year design or construction funding.
- Support cooperation and collaboration across the system through a one-percent set-aside priority allocation.

12



Commitment to review, analysis, and improvement will continue

- The technical advisory committee (TAC) will continue as the analytical oversight group for the allocation framework.
- Implementation results will be monitored and examined continuously for expected and unexpected consequences.
- The board will be fully updated annually on the results and impacts of the allocation framework changes.

13



Recommended board motion

- Adopt changes to the allocation framework as outlined in Attachment A including the implementation plan and commitment to continuous improvement. The board will be advised annually of implementation results and impacts.
- Approve reassignment of the debt service costs effective with the capital bonding projects funded in the 2018 legislative session.
- Approve establishment of a one percent priority allocation set-aside to recognize and support cooperative and collaborative efforts throughout the system.

14

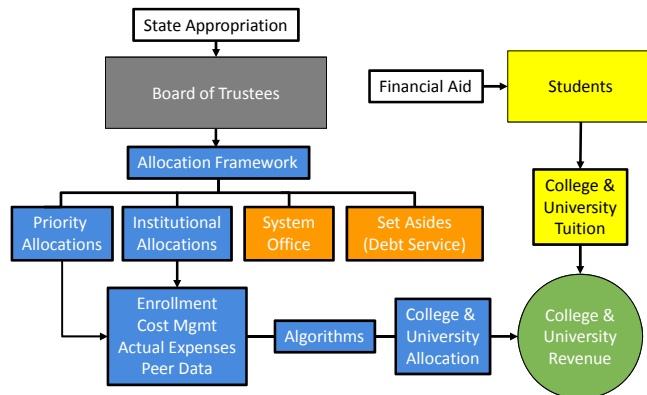


Background Information

15



The flow of system operating funds



16

Why are changes to the internal financial model and allocation framework being considered?

Charting the Future's System Incentives and Rewards recommendation:

Redesign the current financial model to incent and reward collaboration, support strategic framework commitments, and incorporate Charting the Future recommendations

17



How were the allocation framework recommendations developed?

- Allocation Framework Technical Advisory Committee (TAC)
 - Group responsible for evaluating changes to the framework and making recommendations to Minnesota State leadership
- Development and consultation process
 - Continuing consultation with Leadership Council, CFOs, CAOs, CSAOs, bargaining units, statewide student associations and other campus leaders

18



Allocation framework project timetable

- ✓ Board approval of the allocation framework redesign principles (November 2015)
- ✓ Initial Leadership Council and Board of Trustees review and discussion of recommendations (June 2016)
- ✓ Consultation with bargaining units and student representatives (July – October 2016)
- ✓ Review by Leadership Council (Oct. 2016)
- ✓ Final recommendations presented to Board of Trustees (October 2016)
- Board of Trustee considers approval of changes (November 2016)
- Implementation targeted for July 1, 2017 (FY2018)

19



Allocation framework redesign principles

The allocation framework should support the following:

- Academic and student success goals
- The educational and workforce needs of the state
- Financial and functional sustainability of diverse institutions, programs, and students
- Delegation of authority to colleges and universities
- The success and viability of the system of colleges and universities
- Collaboration and systemic change by leveraging the power of the system

20

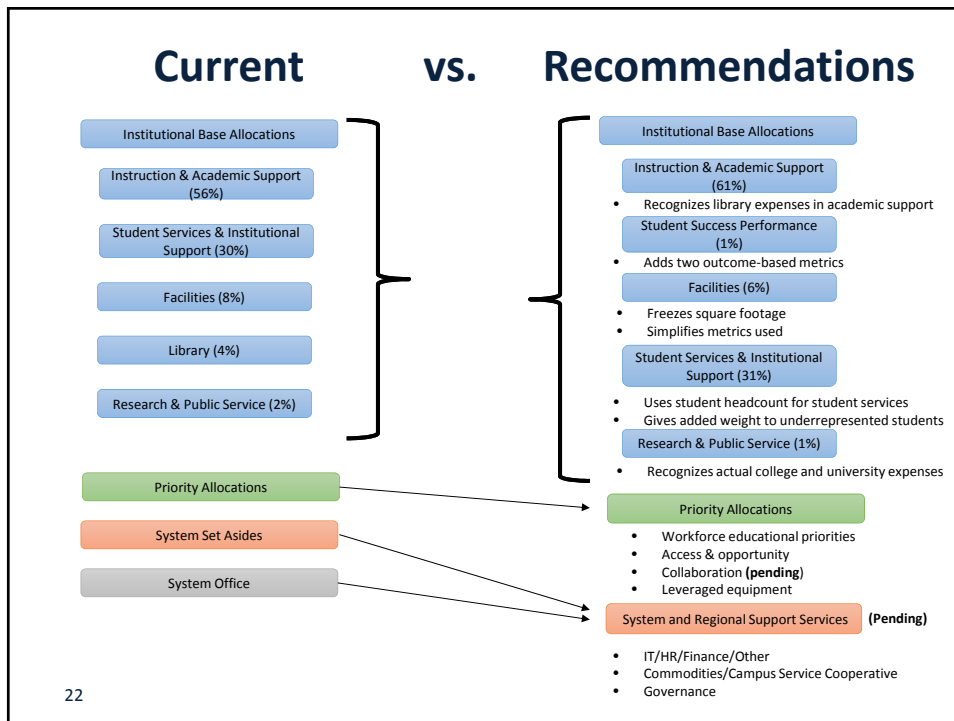


Allocation framework design objectives

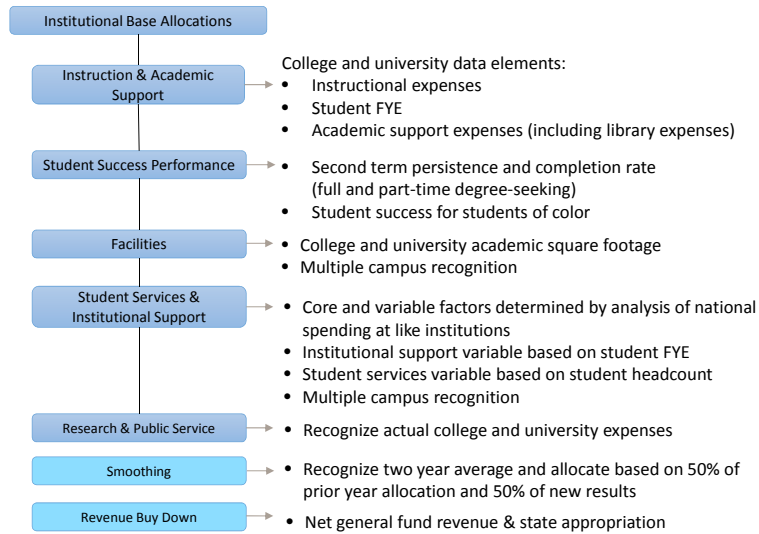
The design of the allocation framework should:

- Be flexible, simple and transparent
- Incorporate measurable outcomes that recognize the diversity of institutions and their missions
- Incent and/or reward:
 - Student success e.g. retention, graduation, transfer, employability, elimination of the opportunity gap
 - Collaboration around academic planning, student success efforts, administration, resource development, and achievement of collective goals
 - Administrative best practices and efficiencies
- Reach an appropriate balance between stability and responsiveness to changing conditions
- Recognize that costs of serving students varies by academic program and student requirements

Implementation of the new design should provide for a smooth transition

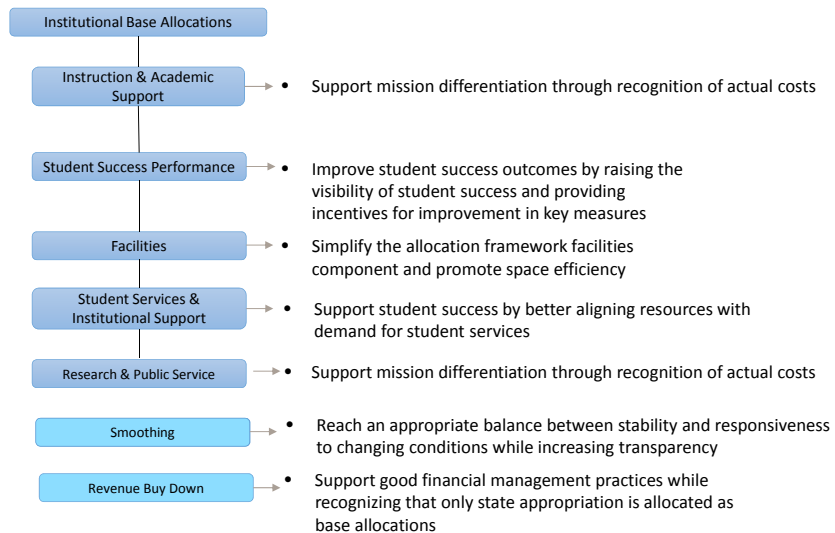


Recommendations – Data Elements



23

Recommendations – Policy Objectives



24

Transition recommendation: Implement all elements of the new allocation in FY2018, giving half the weight to the FY2017 results (current framework) and half to the FY2018 results (proposed framework)

Policy objective:

- Implementation of the new design should provide for a smooth transition

25



Allocation Framework Redesign: Review and Consultation Process

26



Robust and open consultation process on redesign recommendations

- Minnesota State union and student leadership presentations and updates
- System leadership presentations and updates
- Allocation framework consultation series open to all
- Information posted on Finance's public website: <http://www.finance.mnscu.edu/budget/allocations/framework.html>
- SharePoint site created to accept comments on recommendations

27



Minnesota State partner WebEx updates

- Purpose: Provide updates, review preliminary recommendations, answer questions, obtain feedback
- Bargaining unit leadership and statewide student association leadership invited to participate
- Three sessions held: February, May and June 2016

28



Minnesota State leadership updates

- Purpose: Provide updates, review preliminary recommendations, answer questions, obtain feedback
- Updates provided at Leadership Council, CAO/CSAO conference, CFO conference calls, and other venues

29



Consultation WebEx series

- Purpose: Review recommendations, answer questions, obtain feedback, provide information on SharePoint comment site
- Eight WebEx sessions held June-September, 2016, with over 230 participants logging in
- Three additional sessions scheduled for October 2016
- Open to all students, faculty, staff, and administrators
- Invitations sent to bargaining units, statewide student associations, CFOs, CAOs, institutional research directors, and CHROs

30



Changes in initial recommendations resulting from consultation

1. Recognize actual research and public service expenditures in model
2. Revise student success component
3. Allocate 1-2% of funding on student success outcomes initially, continually analyze measures, impact and unintended consequences
4. Modify treatment of concurrent enrollment in allocation model to better reflect costs
5. Incorporate two year implementation transition plan

31



Other related recommendations

- Change the assignment of debt service costs beginning with 2018 projects
- Recognize and support cooperative and collaborative efforts across the system – Spring 2017 completion
- Redesign the financing model for systemwide activities – May completion

32



Assign full one-third debt service costs to the benefitting college or university beginning with 2018 projects that have not received prior year design or construction funding

Objective:

Place costs at the college or university that benefits from the new or renovated facility while freeing up additional resources (approximately \$17M over time) to increase overall base allocations to colleges and universities

33



Support cooperation and collaboration across the system through a one-percent set-aside priority allocation

Objective:

Provide financial incentives to encourage and support priority collaborative initiatives

34



Redesign internal financing model for systemwide services to increase transparency, predictability, and consistency

Objective:

Align resources for enterprise-wide administrative services with demand for those services and streamline the method of covering shared costs while increasing transparency and predictability

Minnesota State Allocation Framework 2017 Redesign Recommendations

IMPLEMENTATION

Single Allocation – Colleges and universities will continue to receive a single annual allocation based on the results of the allocation framework. The framework allocates state appropriation but does not dictate how funds must be spent. Presidents will continue to retain the authority to make budget and spending decisions on behalf of their campuses.

Continuous Improvement – The Allocation Framework Technical Advisory Committee will continue as a standing advisory committee to evaluate and examine unintended consequences and recommend adjustments to the framework as needed. The Board of Trustees will be periodically advised of any material findings.

Transition Plan – Implementation of the new framework will begin with fiscal year 2018 allocations. To mitigate the negative impact on colleges and universities that lose percent share in the new framework, an implementation plan that guarantees every college and university receive at least the same dollar amount in fiscal year 2018 base allocation as they received in fiscal year 2017 (100 percent hold harmless) will be implemented contingent on the receipt of additional base state funding. Colleges and universities that lose funding in fiscal year 2019 compared to fiscal year 2018 would be guaranteed that half of those dollar losses would be covered (50 percent hold harmless). By fiscal year 2020, the implementation would be complete, with no hold harmless applied.

RECOMMENDED CHANGES TO ALLOCATION FRAMEWORK COMPONENTS

Student Success Outcomes – Establish a new allocation framework component to reward performance on key student success metrics. Calculate an expected rate for each college and university based on the students they serve. Reward colleges and universities whose actual performance exceeds expected performance and those who demonstrate improvement on key student success metrics.

Instruction and Academic Support – Eliminate a separate category for libraries and recognize actual library expenses (rather than a calculated amount) within academic support. To increase transparency and responsiveness to changing conditions, use a two-year rather than a three-year average in calculating the allocation for this component. Create a new level of instruction and compare the cost of similarly classified concurrent enrollment courses to other concurrent courses beginning with the fiscal year 2020 allocation framework.

Student Services and Institutional Support – To better align resources with demand for student services, use headcount rather than full year equivalent (FYE), give additional weight to

underrepresented students and less weight to concurrent enrollment students when calculating the student services allocation. To increase transparency and responsiveness to changing conditions, use a two-year rather than a three-year average to determine allocation in both the student services and institutional support calculations. The component retains the multi-campus adjustment.

Facilities – Simplify the component by eliminating several components that drive small dollar amounts (headcount, residential beds, and central steam plants). Freeze square footage and eliminate recognition of utility costs to add incentive for efficiency. Retain multi-campus recognition.

Research and Public Services – Recognize actual research and public service expenses rather than a calculated amount.

Enrollment Adjustment – Eliminate the enrollment adjustment for non-resident/non-reciprocity students, recognizing the repeal of statutory language this language was originally intended to address.

Revenue Buydown – Eliminate the impact of spending decisions, including the use of fund balance, from the revenue buydown calculation by modifying the calculation to include only revenues.

Smoothing mechanism – Annually, effective with fiscal year 2018 allocations, allocate results based on 50 percent on the prior year's percent share and 50 percent on the results of the current year's allocation framework.

November 2016

Proposed Revisions to Minnesota State's Allocation Framework

Allocation Framework Redesign

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Instruction and Academic Support	<ul style="list-style-type: none"> • Compares direct instructional and academic support spending by program and by level of instruction to allow for mission differentiation and to recognize differences in program costs • Calculates a 20% band around the system average by program and rewards those below the band and penalizes those above the band • Calculates a three-year average of results to determine allocation • Does not recognize library expenses in the academic support category (see libraries below) 	<ul style="list-style-type: none"> • Calculates a two-year rather than three-year average • Recognizes actual library spending rather than calculating a value based on a set percentage • Eliminates the separate library component and incorporates library spending in academic support, its correct IPEDS classification • Retains the current practice of comparing instructional and academic support costs 	<ul style="list-style-type: none"> • Increases responsiveness to changing conditions by using a two-year average • Acknowledges mission differentiation by recognizing actual library expenses • Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support)
Student Services and Institutional Support	<ul style="list-style-type: none"> • Provides a base amount and a variable amount based on FYE enrollment for both colleges and universities, using a national regression analysis • Provides additional funding for institutions with more than one campus • Calculates a three year average of results to determine allocation 	<ul style="list-style-type: none"> • Uses headcount, not FYE, to calculate the student services variables • Gives additional weight to underrepresented students • Uses a two-year rather than three-year average • Retains national regression analysis, multi-campus recognition, and FYE use in the institutional support calculation 	<ul style="list-style-type: none"> • Acknowledges that headcount is a better measure of demand for student services than FYE • Recognizes that underrepresented students need more support than more traditional students • Increases responsiveness to changing conditions by using a two-year average

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Facilities	<ul style="list-style-type: none"> • Recognizes operation and maintenance cost on a square footage basis using most recent square footage data • Recognizes repair and replacement costs on a square footage basis using square footage data from the prior year • Recognizes utility spending using a three year average • Recognizes student headcount, residential beds, central steam plants, and multiple campuses in the calculation 	<ul style="list-style-type: none"> • Freezes square footage used in the calculation of the facilities component, using only one year of square footage data, not two • Calculates a combined amount for operations, maintenance, repair and replacement • Eliminates recognition of utility spending, headcount, residential beds, and central steam plants in the calculation of the facilities allocation • Retains multi-campus recognition 	<ul style="list-style-type: none"> • Allows the campus to keep savings from reducing square footage • Simplifies the allocation framework by eliminating several components that drive small dollar amounts
Libraries	<ul style="list-style-type: none"> • Recognizes library activity based on established percentages (3.5% for colleges and 6% for universities) 	<ul style="list-style-type: none"> • Recognizes actual library expenses in academic support 	<ul style="list-style-type: none"> • Acknowledges mission differentiation by recognizing actual library expenses • Simplifies the framework by eliminating a separate component for libraries and recognizing these expenses in the correct IPEDS category (academic support) • Does not over-allocate resources based on percentages not supported by actual costs
Research and Public Service	<ul style="list-style-type: none"> • Recognizes research and public service activity based on established percentages (1.17% for colleges and 2.62% for universities) 	<ul style="list-style-type: none"> • Recognizes actual research and public service expenses • Retains a separate research and public service component 	<ul style="list-style-type: none"> • Supports mission differentiation through recognition of actual costs • Does not over-allocate resources based on percentages not supported by actual costs

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
<p>Revenue Buydown The allocation framework allocates <i>only</i> state appropriation, not tuition or other general fund revenues. For this reason, a revenue buydown calculation is used to recognize <i>only</i> state appropriation expenditures in the instructional cost comparison and in other framework components.</p>	<ul style="list-style-type: none"> • Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund expenses • Uses the calculated percentage in all components to recognize only state appropriation expenses • The lower the percentage of the revenue buydown, the more expenses are recognized and, all else being equal, the larger the allocation of state appropriation 	<ul style="list-style-type: none"> • Calculates a percentage by dividing general fund revenue (excluding state appropriation) by total general fund revenue • Continues the use of the revenue buydown calculation in the framework 	<ul style="list-style-type: none"> • Eliminates the impact of spending decisions, including the use of fund balance, from the revenue buydown calculation
<p>Enrollment adjustment</p>	<ul style="list-style-type: none"> • Reallocates dollars away from colleges and universities with higher non-resident/non-reciprocity (NR/NR) enrollment to those with lower NR/NR enrollment to reflect statutory language that has since been repealed 	<ul style="list-style-type: none"> • Eliminates the enrollment adjustment for non-resident/non-reciprocity students 	<ul style="list-style-type: none"> • Recognizes the repeal of statutory language that this component was originally intended to address • Simplifies the allocation framework by eliminating this outdated component
<p>50/50 (smoothing)</p>	<ul style="list-style-type: none"> • Allocates state appropriation based on 50% of the prior year's percent share allocation and 50% based on the results of the current year in order to provide some level of stability and predictability 	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • Aids in providing a smooth transition to the new model by allocating half of allocation on the current model and half on the new model

Allocation Component	Current Practice	Proposed Practice	Rationale for Change
Student Success (Outcome)	<ul style="list-style-type: none"> • No recognition of student success outcomes 	<ul style="list-style-type: none"> • Calculates expected persistence and completion rates for colleges and universities based on the student population they serve • Expected rates recognize differences in student characteristics at our colleges and universities that impact student success and are adjusted as the characteristics change • Colleges and universities with actual rates that exceed a band around their expected rates (margin of error) receive a student success allocation • Colleges and universities that report improvement in their actual rates receive a student success allocation • Approximately 1-2% of appropriation to be allocated through this component initially 	<ul style="list-style-type: none"> • Rewards student success rates that exceed expectations • Rewards improvement in student success rates • Focuses attention on the strategic goal of improving student success

Concurrent Enrollment Recognition in the Allocation Framework

Component	Current Practice	Proposed Practice	Rationale for Change
Student Services and Institutional Support	<ul style="list-style-type: none"> Treats concurrent enrollment FYE like any other FYE in the calculation for both student services and institutional support 	<ul style="list-style-type: none"> Weighs concurrently enrolled student headcount at 0.75 in FY2018 in the student service calculation Conducts analysis to determine additional adjustments to weighting for concurrent enrollment students in future years Does not change the treatment of concurrent FYE in the calculation for institutional support 	<ul style="list-style-type: none"> Recognizes the cost of student services for concurrently enrolled students is lower than other students Acknowledges that additional research and analysis of actual costs is needed and additional adjustments may be made in the future
Instruction and Academic Support	<ul style="list-style-type: none"> Compares concurrent courses to other courses in the same Classification of Instructional Programs (CIP) code taught by Minnesota State faculty (lower division level) 	<ul style="list-style-type: none"> Compares concurrent courses to other concurrent courses in the same CIP (new level of instruction recognized) Requires coding changes that will be implemented in FY2018 and will impact the FY2020 allocation framework May require an additional implementation strategy for certain colleges and universities 	<ul style="list-style-type: none"> Recognizes the cost to our colleges and universities of delivering instruction to concurrently enrolled students is lower than other students who are taught by Minnesota State faculty
Facilities	<ul style="list-style-type: none"> Treats concurrent headcount like any other student in the module 	<ul style="list-style-type: none"> Headcount will no longer be used in the facilities module; there will be no recognition of concurrent or any other student in the module 	<ul style="list-style-type: none"> Eliminates the recognition of students who are not on campus

Other Proposed Revisions to Minnesota State's Internal Financial Model

Topic	Current Practice	Proposed Practice	Rationale for Change
<p>Capital Program Debt: Minnesota State is responsible for 1/3 of the debt incurred by capital projects associated with academic facilities</p>	<ul style="list-style-type: none"> Withholds 50% or 1/6 of the capital project debt from state funds appropriated to Minnesota State at the system level Assigns the remaining 50% or 1/6 of the capital project debt to the benefitting college or university 	<ul style="list-style-type: none"> Moves 100% of the debt service (1/3 of the project cost) to the benefitting college or university starting with 2018 projects with no prior year design or construction funding 	<ul style="list-style-type: none"> Drives costs to the college or university that benefits from the new or renovated facility Frees up an estimated \$17 million in resources over the next 20 years to increase base allocations to colleges and universities
<p>Cooperation and Collaboration</p>	<ul style="list-style-type: none"> No specific funding for cooperative or collaborative efforts in the current funding model 	<ul style="list-style-type: none"> Sets aside 1% of state appropriation as a priority allocation to reward cooperation and collaboration Criteria for funded activities is being developed (project plan has a target completion date of Spring 2017) 	<ul style="list-style-type: none"> Encourages cooperation and collaboration among our colleges and universities
<p>Enterprise-wide Administrative Services & Related Financing</p>	<ul style="list-style-type: none"> Allocates the legislatively designated annual appropriation of \$33.1 million for system office support Designates a portion of state appropriation for services that directly benefit campuses: 44% of these funds are disbursed to colleges and universities for specific purposes (debt service, PALS) while 56% covers costs of enterprise-level services (e.g., Attorney General, audit, technology, campus service cooperative) 	<ul style="list-style-type: none"> Under development (project plan has a target completion date of May 2017) 	<ul style="list-style-type: none"> Streamlines the method of covering shared costs and provides more transparency and predictability Aligns resources for enterprise-wide administrative services with demand for those services

Allocation Framework Technical Advisory Committee Membership

Current Members:

- **Michael Berndt**, Vice President of Academic Affairs, Century College
- **Karen Kedrowski**, Vice President of Finance and Administration, Northeast Higher Education District
- **Deb Kerkaert**, Vice President for Finance & Administration, Southwest Minnesota State University
- **Lori Kloos**, Vice President for Administration, St. Cloud Technical & Community College
- **Mike Kroening**, Vice President of Finance & Administration, Minnesota State Southeast Technical & Community College
- **Don Lewis**, Vice President of Finance & Administration, Anoka Technical College and Anoka Ramsey Community College
- **Tammy McGee**, Vice President for Finance & Administration, St. Cloud State University
- **Gail O’Kane**, Vice President and Chief Academic Officer, Minneapolis Community and Technical College
- **Patricia Rogers**, Provost & Vice President for Academic Affairs, Winona State University
- **Christina Royal**, Provost & Vice President of Academic Affairs, Inver Hills Community College
- **Steve Schmall**, Vice President of Finance and Facilities, Rochester Community and Technical College
- **Michael Seymour**, Vice President - Academic & Student Affairs, Lake Superior College
- **Betty Strehlow**, Vice President of Academic Affairs & Student Services, Ridgewater College
- **Marilyn Wells**, Provost & Senior Vice President for Academic Affairs, Minnesota State University, Mankato
- **Lisa Wheeler**, Vice President - Finance & Operations, Normandale Community College
- **Jeff Williamson**, Provost & Vice President of Academic Affairs, Minnesota West Community & Technical College

Past Members FY2016:

- **Ginny Arthur**, Executive Vice President and Provost, Metropolitan State University
- **Dan Hall**, Vice President of Finance & Facilities, North Hennepin Community College
- **Rick Straka**, Vice President for Finance & Administration, Minnesota State University, Mankato

Staff:

- **Laura King**, Vice Chancellor of Finance and Chief Financial Officer, System Office
- **Craig Schoenecker**, Senior System Director, System Office
- **Deb Bednarz**, System Director, System Office
- **Brent Glass**, System Director, System Office
- **Susan Anderson**, Associate System Director, System Office
- **Kathy Hanon**, State Program Administrator Coordinator, System Office
- **Matt MacInnes**, Management Analyst, System Office

**Minnesota State
Impact on FY2017 Allocation Framework Percent Share**

	Recommendations							All Recommendations before 50/50	All Recommendations After 50/50
	Student Services	Facilities	Library	Research/Public Service	Revenue Buydown	Student Success (TBD)	Enrollment Adjustment		
Alexandria TCC									
Anoka Ramsey CC - Anoka TC									
Bemidji SU & Northwest TC-Bemidji									
Central Lakes College									
Century College									
Dakota County TC									
Fond du Lac Tribal & CC									
Hennepin Technical College									
Inver Hills Community College									
Lake Superior College									
Metropolitan State University									
Minneapolis CTC									
Minnesota State College Southeast									
Minnesota State CTC									
Minnesota SU Moorhead									
Minnesota SU, Mankato									
Minnesota West CTC									
Normandale Community College									
North Hennepin Community College									
Northeast Higher Education District									
Northland CTC									
Pine TCC									
Ridgewater College									
Riverland Community College									
Rochester CTC									
Saint Paul College									
South Central College									
Southwest Minnesota SU									
St. Cloud SU									
St. Cloud TCC									
Winona SU									

1. Includes concurrent recommendation in the student services results.
2. Pending student success recommendation results.
3. All recommendations measured before the 50/50 smoothing applied. Overall results measured before 50/50 and after 50/50.

Change in Overall Allocation % Share:

Greater than 0.03%
 Between -0.03% and 0.03%
 Less than -0.03%



Minnesota State

Allocation comparisons between FY2016 Actual Results, FY2017 Actual Results, and FY2017 Allocation Simulation (of all proposed recommendations excluding a student success outcome component [1-2%])

	Actual FY2016 Base Allocation (50/50)		Actual FY2017 Base Allocation (50/50)		Differences FY2016 Allocation vs. FY2017 Allocation		Simulation FY2017 Allocation Framework (50/50)		Differences FY2016 Base vs. FY2017 Base Simulation		Differences FY2017 Base vs. FY2017 Base Simulation	
	FY2016 Allocation (Actual)	% Share of FY2016 Allocation	FY2017 Allocation (Actual)	% Share of FY2017 Allocation	Allocation \$ Difference	Allocation % Share Difference	FY2017 Allocation (Simulation)	% Share of FY2017 Allocation	Allocation \$ Difference	Allocation % Share Difference	Allocation \$ Difference	Allocation % Share Difference
	a	b	c	d	c-a	d-b	e	f	e-a	f-b	e-c	f-d
Alexandria TCC	8,833,499	1.76%	8,801,666	1.73%	(31,833)	-0.03%	8,762,689	1.72%	(70,810)	-0.03%	(38,977)	-0.01%
Anoka Ramsey CC - Anoka TC	21,454,109	4.27%	21,406,446	4.21%	(47,663)	-0.06%	21,627,890	4.25%	173,781	-0.02%	221,443	0.04%
Bemidji SU & Northwest TC-Bemidji	18,431,322	3.67%	18,904,050	3.72%	472,728	0.05%	18,780,522	3.69%	349,200	0.03%	(123,527)	-0.02%
Central Lakes College	11,723,884	2.33%	11,677,658	2.30%	(46,226)	-0.04%	11,674,170	2.29%	(49,714)	-0.04%	(3,488)	0.00%
Century College	19,284,446	3.83%	19,251,191	3.78%	(33,254)	-0.05%	19,583,738	3.85%	299,292	0.01%	332,547	0.07%
Dakota County TC	9,199,571	1.83%	9,064,196	1.78%	(135,375)	-0.05%	9,059,138	1.78%	(140,432)	-0.05%	(5,057)	0.00%
Fond du Lac Tribal & CC	4,125,207	0.82%	4,219,142	0.83%	93,935	0.01%	4,360,639	0.86%	235,432	0.04%	141,497	0.03%
Hennepin Technical College	17,815,243	3.54%	17,316,930	3.40%	(498,313)	-0.14%	17,269,159	3.39%	(546,084)	-0.15%	(47,770)	-0.01%
Inver Hills Community College	10,791,505	2.15%	11,175,373	2.20%	383,868	0.05%	11,155,947	2.19%	364,443	0.05%	(19,425)	0.00%
Lake Superior College	11,688,346	2.32%	11,952,742	2.35%	264,396	0.02%	11,968,199	2.35%	279,853	0.03%	15,457	0.00%
Metropolitan State University	20,667,773	4.11%	22,178,180	4.36%	1,510,407	0.25%	21,730,261	4.27%	1,062,488	0.16%	(447,919)	-0.09%
Minneapolis CTC	19,282,482	3.83%	19,019,729	3.74%	(262,754)	-0.10%	19,492,598	3.83%	210,115	0.00%	472,869	0.09%
Minnesota State College Southeast	7,232,126	1.44%	7,174,897	1.41%	(57,229)	-0.03%	7,180,774	1.41%	(51,352)	-0.03%	5,877	0.00%
Minnesota State CTC	17,385,359	3.46%	17,441,774	3.43%	56,415	-0.03%	17,285,305	3.40%	(100,054)	-0.06%	(156,469)	-0.03%
Minnesota SU Moorhead	25,123,873	5.00%	25,178,172	4.95%	54,299	-0.05%	24,790,458	4.87%	(333,415)	-0.12%	(387,714)	-0.08%
Minnesota SU, Mankato	45,313,799	9.01%	46,438,330	9.13%	1,124,530	0.12%	46,809,113	9.20%	1,495,314	0.19%	370,783	0.07%
Minnesota West CTC	9,952,848	1.98%	9,790,768	1.92%	(162,079)	-0.06%	9,868,316	1.94%	(84,532)	-0.04%	77,548	0.02%
Normandale Community College	16,712,617	3.32%	17,371,638	3.41%	659,022	0.09%	17,593,748	3.46%	881,131	0.13%	222,109	0.04%
North Hennepin Community College	11,970,609	2.38%	12,769,659	2.51%	799,050	0.13%	12,805,734	2.52%	835,124	0.14%	36,075	0.01%
Northeast Higher Education District	17,036,608	3.39%	16,938,222	3.33%	(98,385)	-0.06%	16,603,287	3.26%	(433,321)	-0.12%	(334,936)	-0.07%
Northland CTC	10,477,614	2.08%	10,388,083	2.04%	(89,532)	-0.04%	10,331,762	2.03%	(145,853)	-0.05%	(56,321)	-0.01%
Pine TCC	3,197,523	0.64%	3,270,941	0.64%	73,418	0.01%	3,350,662	0.66%	153,139	0.02%	79,721	0.02%
Ridgewater College	12,917,394	2.57%	12,803,916	2.52%	(113,478)	-0.05%	12,667,672	2.49%	(249,722)	-0.08%	(136,244)	-0.03%
Riverland Community College	9,982,139	1.99%	9,798,487	1.93%	(183,652)	-0.06%	9,779,413	1.92%	(202,726)	-0.06%	(19,074)	0.00%
Rochester CTC	13,443,442	2.67%	13,397,027	2.63%	(46,415)	-0.04%	13,670,200	2.69%	226,758	0.01%	273,173	0.05%
Saint Paul College	12,653,856	2.52%	12,943,526	2.54%	289,670	0.03%	13,334,450	2.62%	680,594	0.10%	390,924	0.08%
South Central College	10,780,804	2.14%	10,677,554	2.10%	(103,250)	-0.05%	10,650,598	2.09%	(130,206)	-0.05%	(26,956)	-0.01%
Southwest Minnesota SU	14,890,061	2.96%	15,239,969	3.00%	349,908	0.03%	15,201,188	2.99%	311,127	0.03%	(38,780)	-0.01%
St. Cloud SU	51,330,000	10.21%	51,815,949	10.18%	485,949	-0.02%	51,258,580	10.07%	(71,419)	-0.13%	(557,368)	-0.11%
St. Cloud TCC	10,906,372	2.17%	11,021,327	2.17%	114,955	0.00%	11,122,987	2.19%	216,615	0.02%	101,661	0.02%
Winona SU	28,263,336	5.62%	29,399,313	5.78%	1,135,977	0.16%	29,057,656	5.71%	794,320	0.09%	(341,657)	-0.07%

502,867,767

508,826,854

5,959,087

508,826,854

5,959,087

0

FY17 Actual vs. FY17 Simulation

Sector:	\$ change	% of total
Colleges	1,526,182	0.3%
Universities	(1,526,182)	-0.3%
Metro Area	1,155,796	0.2%
Greater MN	(1,155,796)	-0.2%

Min	(498,313)	-0.14%
Max	1,510,407	0.25%
Range	2,008,720	0.39%

Min	(546,084)	-0.15%	(557,368)	-0.11%
Max	1,495,314	0.19%	472,869	0.09%
Range	2,041,398	\$ 0.00	1,030,238	\$ 0.00

		% of total
Total value	7,868,525	1.5%
New dollars	5,959,087	1.2%
Redistribution	1,909,438	0.4%

		% of total		% of total
Total value	8,568,727	1.7%	1,868,684	0.4%
New dollars	5,959,087	1.2%	0	0.0%
Redistribution	2,609,640	0.5%	1,868,684	0.4%

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date November 15, 2016

Title: FY2018-FY2019 Legislative Operating Budget and 2017 Capital Bonding Proposal (Second Reading)

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Every two years the board submits its biennial operating budget request to the governor and the state legislature for their review and consideration. The FY2018-FY2019 budget proposal requests \$178 million in new money to hold tuition rates at current rates, fund inflationary cost increases, support the ISRS Next Generation ERP replacement project, and invest in reducing outcome disparities and improve student success.

In addition, none of the Board's capital bonding priorities were funded during the 2016 legislative bonding session. In past years, the board has sought funding for those unfunded projects remaining from the prior year. For the 2017 legislative session, the board is asked to support a request to fund all validated and unfunded 2016 projects for a total program request of \$270.8 million for 18 major capital projects and HEAPR.

This is the second reading of this agenda item.

Scheduled Presenters:

Laura M. King – Vice Chancellor - Chief Financial Officer

Ron Anderson, Vice Chancellor of Academic and Student Affairs

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
<p>FY2018-2019 LEGISLATIVE OPERATING BUDGET AND 2017 CAPITAL BONDING PROPOSAL (SECOND READING)</p>

INTRODUCTION

Board Policy 5.9, *Biennial and Annual Operating Budget Planning and Approval*, requires the Board of Trustees to approve the system’s legislative biennial operating budget request. Board Policy 6.5, *Capital Program Planning*, requires board approval of a prioritized capital project list. This is the second reading of the FY2018-FY2019 legislative operating request and 2017 capital bonding strategy.

LEGISLATIVE BIENNIAL OPERATING BUDGET REQUEST

Every two years the Board of Trustees submits its biennial operating budget request to the governor and the state legislature for their review and consideration. The proposed FY2018-FY2019 legislative operating budget proposal is designed to serve our students, our communities and our state. It aims to reduce economic and racial disparities, help meet our state’s need for talent, improve student success, protect access and affordability, ensure essential enterprise technology infrastructure is in place, and fund inflationary costs.

In developing the proposal, both statewide student associations, all statewide bargaining units, the Leadership Council, and the Board of Trustees provided input and guidance. Many of the themes and suggestions identified by these groups have been incorporated into the legislative operating budget proposal.

The proposal requests \$178 million in “new” funding over the biennium (\$60.1 million in FY2018 and \$117.9 million in FY2019):

- \$143 million to support our campuses by funding inflationary costs at three percent each year of the biennium
- \$25 million to support ISRS Next Generation, a mission-critical, multi-year technology infrastructure project to replace our out-of-date enterprise technology system
- \$10 million in targeted financial support to reduce outcome disparities and improve student success

The biennial budget proposal recognizes the statutory authority of the Board of Trustees to govern and operate Minnesota State, including setting tuition rates. If the proposed legislative request is approved by the board and is fully funded by the legislature, the board would hold undergraduate tuition rates at their current levels.

CAPITAL BONDING STRATEGY

In June 2015, the Board approved a prioritized capital bonding project list totaling \$254.5 million for consideration and funding during the 2016 legislative session. While several bonding bills were introduced, no FY2016 bonding bill was ultimately approved and signed into law.

While considered a “non-bonding year,” Governor Dayton has said he will introduce a bonding bill early in the 2017 legislative session which starts on January 3, 2017. In approaching “non-bonding years,” board past practice has been to seek funding for those priorities remaining from the prior bonding year, in this case the 2016 capital bonding priorities.

In keeping with past practice, the board’s 2016 capital bonding list was reviewed and validated with presidents and their staffs. This resulted in two projects being removed from the list based on local priorities and project scheduling. These projects were at the Brooklyn Park campus of Hennepin Technical College and at St. Cloud Community and Technical College, 2016 priorities 14 and 19 respectively. No projects were added to the list and the relative priorities remained the same. The costs for the remaining projects were adjusted for inflation based on Minnesota Management and Budget’s (MMB) inflation schedule. With these inflation adjustments, the total program cost grew by \$16.3 million from \$254.5 million in 2016 to \$270.8 million recommended in 2017.

For 2018, the next official bonding year, candidate projects including those on the recommended 2017 list, are being reviewed and scored against the board’s 2018 Capital Budget Guidelines. Recommendations on projects and priorities for 2018 will be presented to the board in May and June of 2017. Any projects that are fully funded during the 2017 legislative session will be removed from consideration in the 2018 capital budget request.

RECOMMENDATION

The recommended FY2018- FY2019 legislative operating budget request totals \$1,524.6 million, \$733.4 million in fiscal year 2018 and \$791.2 million in fiscal year 2019. Of this amount, \$178 million is “new” funding which will be used to hold tuition at its current, affordable rates; invest in reducing disparities and improving student success; support the replacement of our aging enterprise technology infrastructure; and cover inflationary costs.

The recommended capital bonding project list for 2017 shown in attachment A contains a total request of \$270.8 million with \$116.6 million for asset preservation through HEAPR (Higher Education Asset Preservation and Replacement) and \$154.2 million for 18 major capital

projects. If fully funded, state support would be \$219.4 million and Minnesota's State's financing would be \$51.4 million.

RECOMMENDED BOARD AND COMMITTEE ACTION

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

The FY2018-FY2019 legislative request strengthens the state's commitment to access and affordability, invests in critical technology infrastructure, and supports student success. The Board of Trustees approves the FY2018-FY2019 biennial budget request in the amount of \$733,416,000 in FY2018 and \$791,216,000 in FY2019 for a total of \$1,524,632,000. The Board strongly urges the state of Minnesota to support Minnesota State's biennial budget request.

The Board of Trustees has been granted the authority in state statute to govern and operate Minnesota State. The board, after full consultation with Minnesota State constituencies, will make final budget decisions, including setting tuition rates, at the conclusion of the legislative session. If the legislative request is fully funded, the board intends to hold undergraduate tuition rates at current levels.

The Board of Trustees approves the 2017 capital bonding request as presented in attachment A, specifically the projects and priorities for 2017. The chancellor is authorized to make cost and related adjustments to the request as required, and to forward the request through Minnesota Management and Budget to the governor for consideration in the state's 2017 capital budget. The chancellor shall advise the board of any subsequent changes in the capital bonding request prior to the 2017 legislative session. In addition, as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or his designee are authorized to execute those contracting actions necessary to deliver on the project scope and intent.

Date Presented to the Board of Trustees: 11/16/16

Date of Implementation: 11/16/16



November 15-16, 2016

FY2018-FY2019 Legislative Operating Budget
and 2017 Capital Bonding Proposal

Board of Trustees
Finance and Facilities Committee

Minnesota State

The board is being ask to consider two requests

- FY2018-FY2019 legislative operating budget proposal
- 2017 legislative capital program proposal

Consideration for full board approval is scheduled for the November meeting

What is the legislative operating budget request?

The Board of Trustees' formal request to the governor and legislature for two years of state operating funds for Minnesota State – funds available July 1, 2017 – June 30, 2019

3



Minnesota State's legislative operating budget request is simply about three things:

- Our students
- Our campuses
- Our communities

4



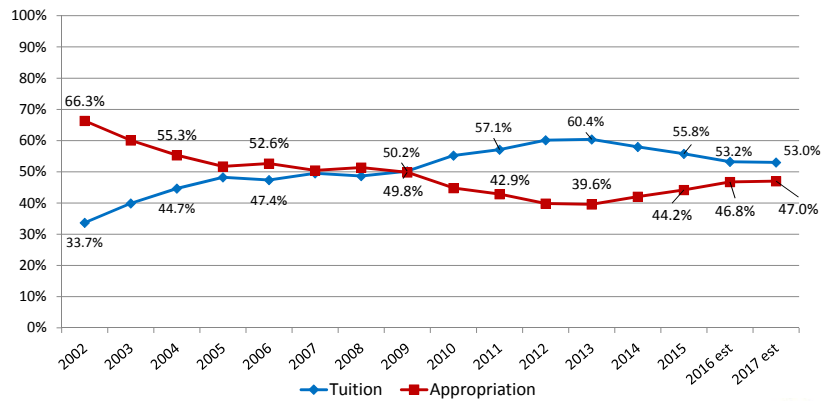
How important is state support?

- State appropriation and student tuition are the two primary sources of funding for our colleges and universities
- The legislature may also have a say in tuition rates
- State appropriation sets constraints on available resources for:
 - Compensation
 - Program support and growth
 - Student support services
 - Technology and equipment
 - Solutions to challenges campuses are trying to address
 - New initiatives and investments
 - New partnerships
 - Innovations

5

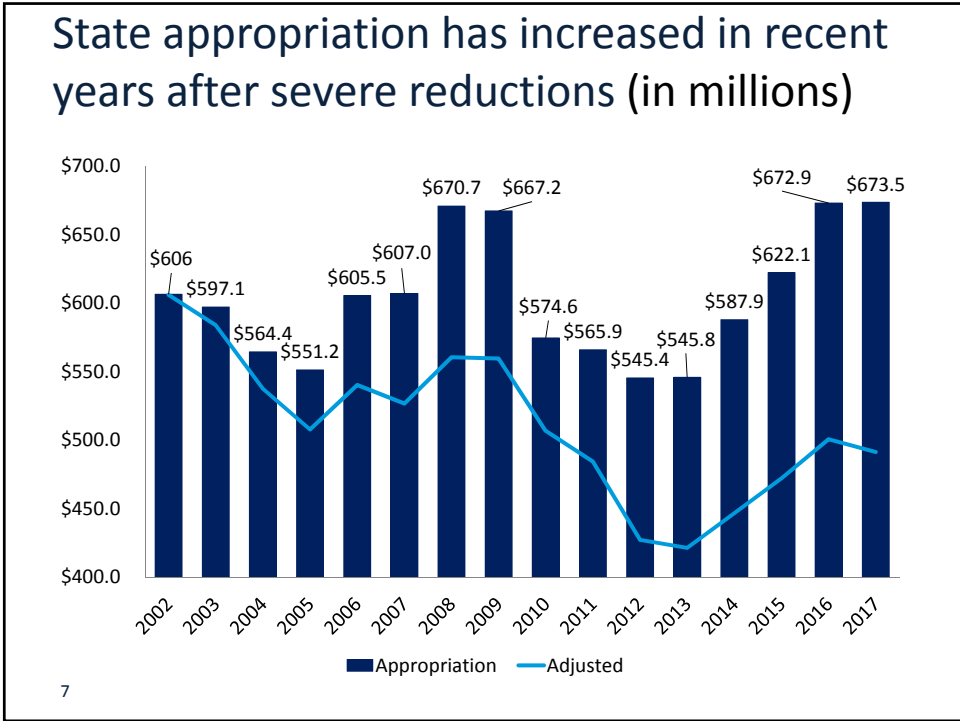


State appropriation has always been a primary source of funding for Minnesota State—but not always a stable source



6





7

How was the request developed?

All statewide bargaining units, both student associations and the Leadership Council have provided initial input

The following themes emerged:

- Meet Minnesota’s talent needs
- Help address Minnesota’s economic and racial disparities
- Ensure affordability
- Improve student success and advance academic excellence
- Replace an out-of-date, unreliable enterprise technology system with one that better serves students
- Fund inflationary costs to protect students, programs, and campuses and that funds compensation
- Propose legislative changes that provide a mandatory, permanent mechanism for State funding
- Make the case that education is an important public good

8



What are the goals of the legislative request?

- Develop a proposal that serves our students, communities, and the state of Minnesota
 - Reduce Minnesota’s economic and racial disparities
 - Help meet Minnesota’s critical need for talent
 - Improve student success (particularly for underserved students)
 - Protect access and affordability
 - Ensure essential enterprise-wide technology infrastructure is in place
 - Fund inflationary costs
- Forge a proposal and build a strong coalition of support among students, faculty, staff and community partners

9



Recommended approach: Ask for what we need

With a commitment from the board to hold tuition in FY2018 and FY2019 at FY2017 rates if the request is fully funded

- Ask for what we need
- Lead with a powerful commitment to affordability
 - Protect our service to students and communities;
 - enable us to help reduce economic and racial disparities;
 - enable us to meet Minnesota’s talent needs;
 - enable ISRS Next Gen and modest investments in innovation
- Continue to move the state back towards its historic level of investment

10



Leadership Council voiced support for:

- Proposed legislative goals
- Strong coalition objective
- Proposal that offers to hold tuition at current levels if request fully funded
- Shared financing approach for ISRS Next Gen

11



Total FY2018-FY2019 incremental needs



12



The proposal requests \$178 million in new funding over the biennium

A. \$143 million to keep our tuition affordable by funding inflationary costs at three percent each year of the biennium to protect campuses

B. \$25 million to support ISRS Next Gen, a mission-critical, multi-year technology infrastructure project to replace our out-of-date enterprise technology system and substantially improve the student experience

C. \$10 million in targeted financial support to help our students advance and succeed, especially diverse student groups

Full funding will enable the Board to hold undergraduate tuition flat in FY2018 and FY2019

13



\$143 million is needed to cover the incremental inflationary costs over the biennium

Increase in resources needed for FY18-FY19

3% compensation increases (salary, steps and fringe) =	\$107 million
3% inflationary increases in operating costs =	<u>\$ 36 million</u>
Total required =	\$143 million

14



ISRS Next Gen is a critical system investment that must be made

- Replaces the system's outdated 20-year old ISRS data system that is reaching its technological end of life
- Plays a critical role in the success of our students – from applicant to graduate and nearly every process in between
- Serves as the cornerstone data system for our enterprise and requires high security
- Touches everyone and nearly every activity: application, registration, course schedule, housing, financial aid, transcripts, system finance, accounting, and HR

15



Proposed funding strategy for ISRS Next Gen: Minnesota State/State of Minnesota Partnership

- 50/50 cost sharing between state and Minnesota State
- State funding to support base cost increases and small portion of one time costs (\$12.5M/year starting in FY2018)
- Minnesota State would commit to support the balance of the one time costs of the project (estimated at \$12.5M/year for six years starting in FY2019)

16



Proposed student grant initiative aimed at reducing disparities

\$10 million in ongoing state support beginning in FY2019 to reduce outcome disparities and improve student success

- Provide one-time \$500 incentive grant to students making satisfactory academic progress but identified as at-risk for dropping out
- Provide one-time \$500 scholarship incentives for college students who complete a two-year transfer pathway degree and enroll in the related bachelor’s degree program at one of our universities

17



FY2018-FY2019 legislative operating budget request totals \$178 million in new money

\$s in millions

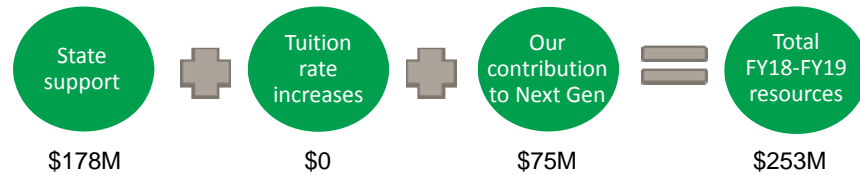
Change Item	FY2018	FY2019	FY2018-19
Campus Support	\$ 47.6	\$ 95.4	\$ 143.0
ISRS Next Generation	\$ 12.5	\$ 12.5	\$ 25.0
Student Grants to Reduce Disparities		\$ 10.0	\$ 10.0
Total Request	\$ 60.1	\$ 117.9	\$ 178.0

FY2019 appropriation continues as base funding into the future

18



Proposed sources of incremental funds for FY2018-FY2019



19



Request has three important goals

- Protect programs and campuses so we can meet the workforce needs in communities across Minnesota
- Reduce economic and racial disparities by protecting affordability, access and advancing student success
- Provide the faculty, staff, and IT infrastructure needed to deliver these programs

20



2017 proposed capital bonding strategy

- No bonding bill approved in 2016 legislative session
 - System’s 2016 request of \$254.5 million remains unfunded
- Governor has indicated support for 2017 bonding
- Board’s past practice for odd-year sessions:
 - Seek funding for unmet requirements of prior year
- Capital bonding strategy for 2017:
 - Validate 2016 requirements
 - Adjust for inflation
- Recommended request: \$270.8 million total program
 - \$219.4 million state / \$51.4M system financing

21



Recommended board motion

The FY2018-FY2019 legislative request strengthens the state’s commitment to access and affordability, reduces disparities, invests in critical technology infrastructure and supports student success.

The Board of Trustees approves the FY2018-FY2019 biennial budget request in the amount of \$733,416,000 in FY2018 and \$791,216,000 in FY2019 for a total of \$1,524,632,000.

The Board strongly urges the state of Minnesota to support Minnesota State’s biennial budget request.

22



Recommended board motion (continued)

The Board of Trustees has been granted the authority in state statute to govern and operate Minnesota State. The board, after full consultation with Minnesota State constituencies, will make final budget decisions, including setting tuition rates, at the conclusion of the legislative session. If the legislative request is fully funded, the board intends to hold undergraduate tuition rates at current levels.

23



Recommended board motion (continued)

The Board of Trustees approves the 2017 capital bonding request as presented in attachment A, specifically the projects and priorities for 2017.

The chancellor is authorized to make cost and related adjustments to the request as required, and to forward the request through Minnesota Management and Budget to the governor for consideration in the state's 2017 capital budget. The chancellor shall advise the board of any subsequent changes in the capital bonding request prior to the 2017 legislative session.

In addition, as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or his designee are authorized to execute those contracting actions necessary to deliver on the project scope and intent.

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Minnesota State
2017 Capital Budget Request

Attachment A

Priority	Institutions	Title	Campus Location	2017 Project Amount
1	Systemwide	Higher Education Asset Preservation and Replacement (HEAPR)	Statewide	116,600,000
2	South Central College	Stem and Healthcare, renovation	North Mankato	10,493,000
3	Minnesota State Community and Technical College	Center for Student and Workforce Success	Fergus Falls	1,120,000
4	Minnesota State Community and Technical College	Library and Student Development Renovation	Wadena	918,000
5	Northland Community and Technical College	Laboratory Renovations	East Grand Forks	1,120,000
6	Bemidji State University	Academic Learning Center & campus renovation and Hagg-Sauer demolition	Bemidji	20,842,000
7	Rochester Community and Technical College	Memorial and Plaza Halls Demolition Design and Renovation	Rochester	21,713,000
8	Hibbing Community College	Campus Rightsizing	Hibbing	11,665,000
9	Winona State University	Education Village Phase II Renovation	Winona	28,019,000
10	St. Cloud State University	Student Health & Academic renovation	St. Cloud	20,568,000
11	Minnesota State University, Mankato	Clinical Sciences Phase 2	Mankato	7,442,000
12	Anoka Ramsey Community College	Nursing & Active Learning Center Design and Humanities Renovation	Coon Rapids	5,623,000
13	Century College	Applied Technology Center, East Campus	Mahtomedi	6,530,000
14	Normandale Community College	Classroom & Student Services Renovation Project	Bloomington	1,166,000
15	Minnesota State University Moorhead	Weld Hall Renovation	Moorhead	822,000
16	Inver Hills Community College	Technology and Business Center	Inver Grove Heights	1,060,000
17	Riverland Community College	Transportation, Trade and Industrial Education Center	Albert Lea	9,681,000
18	Minneapolis Community and Technical College	Hennepin Skyway Renovation	Minneapolis	5,062,000
19	z - Charting the Future Initiative	Twin Cities Baccalaureate Solution	TBD	318,000
Total Program				\$ 270,762,000
Capital Projects Only				\$ 154,162,000
State Support (GO)				\$ 219,374,667
User Financing				\$ 51,387,333



MINNESOTA STATE

Audit Committee
November 15, 2016
1:00 p.m.
McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

1. **Minutes of October 18, 2016 (pages 1-3)**
2. **Annual Audit Plan for Fiscal Year 2017 (pages 4-14)**
3. **FY2016 and FY2017 Audited Financial Statements (pages 15-29)**

Committee Members:

Robert Hoffman, Chair
Ann Anaya, Vice Chair
Jay Cowles
Amanda Fredlund

Bolded items indicate action is required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
October 18, 2016**

Audit Committee Members Present: Trustees Robert Hoffman and Jay Cowles.

Audit Committee Members Absent: Trustees Ann Anaya and Amanda Fredlund.

Others Present: Trustee Basil Ajuo, Alex Cirillo, Jerry Janezich, Rudy Rodriguez, Cheryl Tefer, and Michael Vekich.

The Minnesota State Colleges and Universities Audit Committee held its meeting on October 18, 2016, in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Hoffman called the meeting to order at 9:29 a.m.

1. Minutes of June 21, 2016 and July 8, 2016

Chair Hoffman confirmed that the Audit Committee did not have a quorum present. He stated that he would bring both sets of minutes to the full Board meeting on Wednesday for approval.

2. Internal Audit Update

Mr. Dave Pyland, Executive Director for Internal Auditing, introduced Mr. Eric Wion, Deputy Director. Mr. Wion stated that the external auditor for the system, CliftonLarsonAllen, entered into a consulting engagement with Metropolitan State University to conduct a required Perkins Loan closeout audit. He explained that the protocol to ensure the board of CliftonLarsonAllen's independence on financial statement engagements includes consultation between the audit team and CliftonLarsonAllen's quality assurance group. The results were communicated in a letter to Board Chair Vekich and Audit Committee Chair Hoffman, and were reviewed by Vice Chancellor Laura King and Deputy Director Eric Wion. State law also requires review of the draft contract by the Minnesota Office of the Legislative Auditor. This review has been completed. The final step in the protocol is to inform the Audit Committee so that the committee's awareness of the engagement can be incorporated into the meeting minutes. Trustee Hoffman confirmed that he and the Board Chair had received these communications.

3. Internal Audit Department Planning

Mr. Pyland stated that six months prior to his arrival, CliftonLarsonAllen had completed an external quality assessment of the Office of Internal Auditing. He explained that he has used that assessment as a baseline as he began development of a strategic plan for the Office of Internal Auditing.

Mr. Pyland reviewed the risk assessment approach for the Office of Internal Auditing. He continued by outlining audit planning and coordination. He stated that his vision for an ongoing audit plan would be a rolling twelve month plan that would allow the office of internal auditing

to be flexible and focused on what is most important at all times.

Trustee Cirillo asked if there would still be certain topics that would be audited on a regular basis, in addition to the priority topics, or if the plan would look only for topics that were identified as having the highest importance. Mr. Pyland explained that there may be activities that would require audits on some kind of regular basis, and he gave the example of presidential transitions and the periodic review of board expenses. He stated that others might be event triggered. Mr. Pyland stated that the primary pieces of the plan would be focused on the strategic objectives of Minnesota State.

Mr. Pyland discussed the resource needs and the Office of Internal Auditing organizational structure. He stated that there is currently a regional structure in place but they were evaluating that structure and number of personnel in place. Mr. Pyland stated that he hoped to provide a more definitive plan at the Audit Committee in November.

Mr. Pyland discussed the possibility of co-sourcing for additional auditing services. He explained that they hoped to engage at least two professional services firms who could provide specialized skillsets. He stated that he was working with Finance and General Counsel on a request for proposal.

Finally Mr. Pyland discussed supporting technology and tools. He stated that there were tools that assist with plan development, project management, and evaluate results and performance. He further explained that there other tools that assist with data analytics, making use of the information already available. These tools would allow us to put audit scripts in place that could provide continuous auditing in areas like payables and receivables. There are tools that could also assist with benchmarking, to understand the best practices and do predictive auditing. He stated they were analyzing different tools, and that there would be some additional costs.

Trustee Cowles asked if Mr. Pyland has had a chance to engage with the ISRS NextGen project planning, to assess and define a role for internal audit. He wondered if NextGen might be helpful to the internal audit function. Mr. Pyland stated that internal audit has great anticipation around the kinds of tools that will be available with NextGen and he stated that internal audit plans to be a business partner in the design and implementation side. Mr. Pyland stated that in the meantime, internal audit will still need to have access to data, so they will be looking in the short run, at what is available, and how it can be used.

4. Role and Responsibilities of Audit Committee Members

Mr. Wion stated that Board policy 1A.2 requires the audit committee to have annual training of their roles and responsibilities. Executive Director Pyland has developed a packet of reference materials for the committee members and has already met individually with two Audit Committee members.

Mr. Wion outlined the three primary roles of the Audit Committee members. The first role is to hire the executive director of internal auditing who reports directly to the committee and the board. The second role is to provide oversight of internal audits.

The final role is to provide oversight of independent external auditors who conduct the financial statement audits of Minnesota State. As part of this oversight, the Audit Committee will be asked to review and discuss the results of each audit with the independent auditor and management prior to recommending the board release the audited financial statements to be incorporated into the State of Minnesota's statements.

The 2016 financial statements will be discussed at the November Audit Committee meeting. Approximately one week prior to that meeting, committee members will receive three-ring binders with draft financial statements and one page summaries highlighting notable information. Vice Chancellor King and Executive Director Pyland will be available to meet with members and review the financial statements.

Trustee Hoffman stated that one of the critical areas will be IT security. He asked if internal auditing would provide oversight in this area so that the board have assurance. Mr. Pyland stated that they were involved in conversations with CliftonLarsonAllen on scoping out those priorities. He added that one of the first tasks for our next external auditor, will likely be to help assess IT Security risks so that internal audit can put the right projects in place. Chancellor Rosenstone added that there would also be a closed joint Audit / Finance and Facilities Committee in November to discuss IT Security issues, which would be an opportunity to take a deeper dive into these important issues.

The meeting adjourned at 9:52 a.m.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: November 15, 2016

Title: Annual Audit Plan for Fiscal Year 2017

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

Board Policy 1D.1, part 6, requires the Executive Director of Internal Auditing to present and seek approval of an audit plan for each fiscal year. Internal auditing standards require that the board approve the annual plan.

The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources in fiscal year 2017.

Internal audit plans to maintain flexibility in the audit plan. Plan updates will be brought to the Audit Committee throughout fiscal year 2017.

Scheduled Presenter(s):

David Pyland, Executive Director of Internal Auditing

Eric Wion, Deputy Director of Internal Auditing

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

INFORMATION ITEM
Annual Audit Plan for Fiscal Year 2017

BACKGROUND

According to Board Policy 1.D., Part 6, the Office Internal Auditing must submit an annual audit plan to the Audit Committee. Internal auditing standards require that the Board approve the annual plan. The fiscal year 2017 audit plan will be reviewed at the meeting.

RECOMMENDED COMMITTEE ACTION:

The Audit Committee reviewed the Fiscal Year 2016 Office of Internal Auditing annual audit plan and recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2017.

Date Presented to the Board of Trustees: November 15, 2016



November 15, 2016
Office of Internal Auditing

Audit Committee

November Update

- Two reports issued by the Minnesota Office of the Legislative Auditor (OLA) in October 2016.
 - Supplemental Payments to Employees: Overtime and Expense Reimbursements (included multiple state agencies)
 - Conclusion: Minnesota State had adequate internal controls and compliance = NO Audit Findings
 - Minnesota State: Employee Separation Payments
 - Conclusion: Generally had adequate controls and generally complied with finance-related legal requirements
 - Three (3) findings

2017 AUDIT PLAN

Board Policy 1.D., Part 6

- The Office Internal Auditing must submit an annual audit plan to the Audit Committee.
- Internal auditing standards require that the Board approve the annual plan.
- 2017 plan delayed to allow transition

3



2017 AUDIT PLAN

Planning Assumptions

- Continuous risk assessment provides audit focus
- Dynamic audit plan provides prioritization
- Audit resources that provide flexibility and needed skills
- Audit tools provide effective & efficient operations
- Data analytics provide benchmarking & innovation
- External audit services support financial reporting

4



2017 AUDIT PLAN

Continuous Risk Assessment

- Risk Assessment will be continuous
- Enterprise Risk Assessment is lead by the Chancellor
- Engage stakeholders on potential audit activities
- Audit will conduct more detailed assessments during the year
 - Information Technology
 - Finance
 - Operations
 - Compliance
 - Fraud
- Conduct process risk assessments on individual audits

5



2017 AUDIT PLAN

Stakeholder Conversation Themes

- Passion for the organization, the work we do, and the impact on students and the State of Minnesota
- Budget concerns
- Enrollment trends and student demographics
- Cyber security
- Resource constraints on staff: retirement or loss of key employees, turnover, and additional demands on time make it challenging to maintain basic functions.
- Need for change
- Thirst for data analytics

6



2017 AUDIT PLAN

Dynamic Audit Plan

- A rolling 12 month plan
- Identifies work in process, planned, and targeted
- Allows flexibility to adjust for changing risks and special requests
- Ensures we are focused on the most important issues

7



2017 AUDIT PLAN

Dynamic Audit Plan – Work in Process

- Two Investigations – fieldwork
- Bookstore audit across multiple locations (9) – fieldwork
- North Hennepin Community College - special request process review - fieldwork
- Minnesota State Community and Technical College – Financial process audit – reporting

8



2017 AUDIT PLAN

Dynamic Audit Plan – Work Planned

- IT security risk assessment
- Work with HR to ensure the success of the new transactional processing locations
- Explore control self-assessments at the campus level

9



2017 AUDIT PLAN

Dynamic Audit Plan – Work Targeted

- Next Gen IT system
- Charting the Future strategic projects
- Financial sustainability projects
- New e-procurement system
- Review & update internal audit board policies
- Perform detailed risk assessments

10



2017 AUDIT PLAN

Other Ongoing Internal Audit Activities

- Assurance Services
 - Monitoring progress on outstanding audit findings
 - Fraud inquiry and investigation services
 - Review board expenditures
- Advisory Services
 - Minnesota State Information Security Committee
 - Finance Users Workgroup and Financial Aid
 - Future workgroups for Next Gen & process normalization

11



2017 AUDIT PLAN

Internal Audit Staffing

- We are working with HR on a new organizational structure and positions
- We are updating position descriptions to provide
 - Flexibility and agility
 - Career paths
 - Development of future leaders
 - New skills (data analytics)

12



2017 AUDIT PLAN

Supporting Technology and Tools

- Automation for efficiency
- Practice management for effectiveness
- Data analytics for innovation
- Tools will be reviewed and selected after we start rebuilding audit staff

13



2017 AUDIT PLAN

External Audit – In Progress

- Financial Statement Audits
 - System-wide, Revenue Fund, Four Universities
- Federal Student Financial Aid Compliance Audit
- Other Required Audits
 - SCSU Radio Station, Itasca Community College Housing, Perkins closeout audits (2)
- Last year under current contract with CliftonLarsonAllen

14



2017 AUDIT PLAN

Other External Audits

- State Student Financial Aid Compliance – Minnesota Office of Higher Education
- U.S. Department of Education Program Reviews
- OLA Audits – Mentioned in the November Update

15



2017 AUDIT PLAN

Are there any additional areas of high risk that should be considered by internal audit at this time?

16



2017 AUDIT PLAN

Recommended Committee Action

On November 15, 2016, the Audit Committee reviewed the Fiscal Year 2017 internal audit plan and recommends that the Board of Trustees adopt the following motion:

Recommended Committee Motion

The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2017.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: November 15, 2016

Title: FY2016 and FY2017 Audited Financial Statements

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

The System, its revenue fund, the four state universities, and one student housing fund had financial statement audits conducted by CliftonLarsonAllen. The opinion letters provide the Board and other users of the audits with reasonable assurance that the information is materially accurate and reliable. Auditing standards also require the audit firm to convey certain required communications, including any significant deficiencies or material weaknesses in internal controls, to the Audit Committee.

Scheduled Presenter(s):

David Pyland, Executive Director of Internal Auditing
Eric Wion, Deputy Director of Internal Auditing
Laura King, Vice Chancellor - Chief Financial Officer
Don Loberg, CliftonLarsonAllen, LLP
Chris Knopik, CliftonLarsonAllen, LLP
Brenda Scherer, CliftonLarsonAllen, LLP

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

INFORMATION ITEM
FY2016 and FY2017 Audited Financial Statements

BACKGROUND

Board Policy 1A.2, part 5, subpart E requires the audit committee to “review and discuss the results of each audit engagement with the independent auditor and management prior to recommending that the board release the audited financial statements.”

The audited financial statements for fiscal year 2016 activity will be presented at this meeting as follows:

Financial Statements audited by CliftonLarsonAllen, LLP –

- Systemwide
- Revenue Fund

- Bemidji State University
- Metropolitan State University
- St. Cloud State University
- Winona State University
- Itasca Community College Student Housing Funds, Itasca Hall and Wenger Hall (ICCSH)

AUDIT RESULTS

Copies of the audited financial statements were provided to members of the Audit Committee for review prior to the November committee meeting. Public copies of reports will be available on the financial Reporting website.

RECOMMENDED COMMITTEE ACTION:

The Audit Committee has reviewed the fiscal year 2016 audited financial statements and discussed them with representatives of management and the system external auditing firm. The committee recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the release of the fiscal year 2016 audited financial statements as submitted.

Date Presented to the Board of Trustees: November 15, 2016



**Minnesota State Colleges & Universities
Audit Presentation
Board of Trustees/Audit Committee
Year Ending June 30, 2016**

November 15, 2016

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Overview

Overview of the Audit Process

Audit Results

Governance Communication Letter

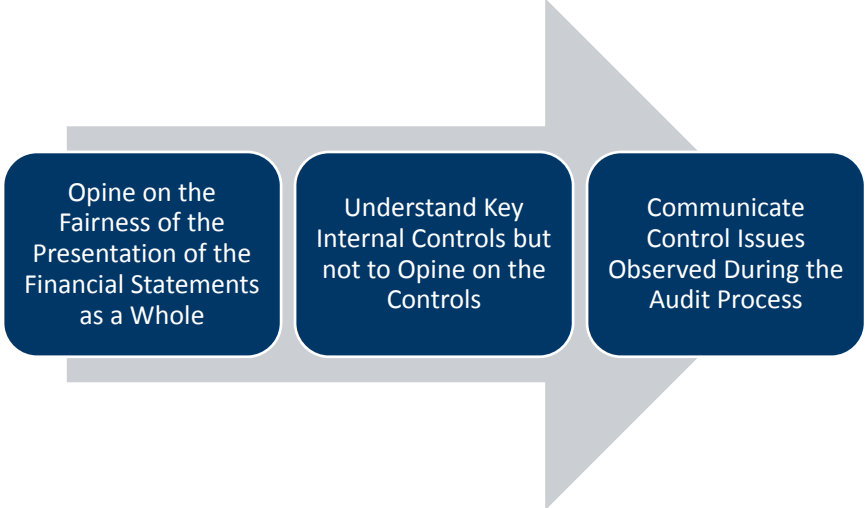
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 WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



Auditors' Responsibilities

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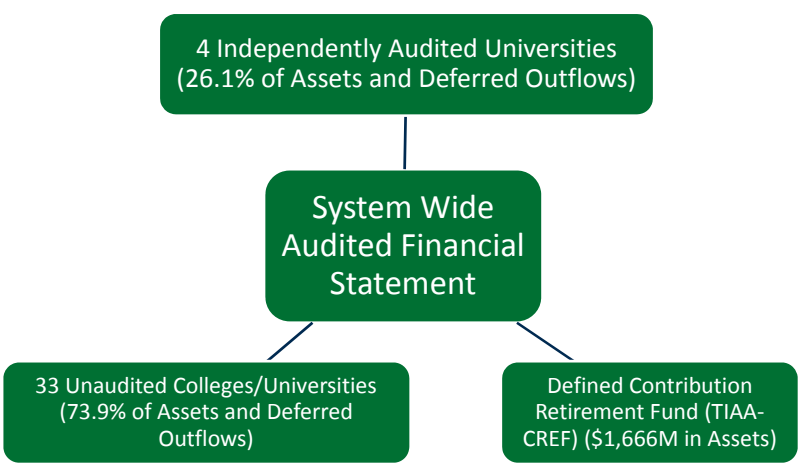


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Scope of Audit

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Audit Approach

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- Rotation of procedures so all campuses are included over a three year basis as well as rotating audit areas so each campus is included in some form each year
- IT Procedures – testing of the SCUPPS, ISRS Accrual Module, E-Time
- Internal Controls – Understanding design and walkthrough of effectiveness as well as expanded tests of certain controls
- Reliance on other independent auditors (foundations, OLA, TIAA-CREF)



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



New accounting standards applied in FY2016

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- Fair Value Measurement and Application
 - Governmental Accounting Standards Board Statement No. 72
 - Defines the valuation of investments
 - New disclosure related to the type of input used to value investments and categorized as Level 1, 2, or 3.



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



Audit Results – System Wide

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Adjustments and Results

- No material audit adjustments
- No material weakness
- No significant deficiencies

Opinion

- Unmodified Opinion – financial statements



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Audit Results – Individual Audits

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Bemidji State University

Unmodified opinion
No material weaknesses
No significant deficiencies

St. Cloud State University

Unmodified opinion
No material weaknesses
No significant deficiencies

Metro State University

Unmodified opinion
No material weaknesses
No significant deficiencies

Winona State University

Unmodified opinion
No material weaknesses
No significant deficiencies



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Audit Results – Individual Audits

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<p>Revenue Fund Unmodified opinion No material weaknesses No significant deficiencies</p>	<p>Itasca CC – Student Housing Unmodified opinion No material weaknesses No significant deficiencies</p>
<p>IT Procedures No opinion issued Supports Individual Audits</p>	<p>Student Financial Aid Testing Approximately 85% completed</p>



Governance Communication Letter

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Overall	Estimates	Difficulties	Other
<ul style="list-style-type: none"> • Purpose is to provide an update on the audit since the planning meeting • No changes in scope of audit • Change in accounting policy – GASB 72, <i>Fair Value Measurement and Application – current year.</i> • Future year – GASBs 74 and 75 	<ul style="list-style-type: none"> • Depreciable lives • Allowance for doubtful accounts • Compensated absences • Unearned revenue • Scholarship allowance • Other postemployment benefits liability • Net pension items • Fair value of Investments • We are comfortable with management's estimate 	<ul style="list-style-type: none"> • No difficulties encountered • No disagreements encountered • No other findings to report 	<ul style="list-style-type: none"> • No material adjustments recorded • One passed adjustment relating to capitalized interest expensed rather than capitalized • Management representation letter will be signed at conclusion of engagement



Questions and Feedback

- We welcome any questions pertaining to the audit, governance communication letter, management letter or other matters related to the engagement.
- We appreciate the opportunity to serve as the auditors for the Minnesota State Colleges and Universities system and welcome any feedback relative to our performance.

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NOVEMBER 15-16, 2016

Financial Report Summary

For the years ended June 30, 2016 and 2015

Board of Trustees
Audit Committee Meeting

PRESENTATION OVERVIEW

- Minnesota State FY2016 and FY2015 results
- Summarized Revenue Fund and four universities audit and financial results for FY2016 and FY2015
- GASB Statement No. 68 impact on financial reporting – included in both fiscal years

SOUND FINANCIAL MANAGEMENT

- Some colleges and universities report operating gains before and after the GASB adjustment.
- Campus budget reserves preserved – critical risk management strategy.
- Continued investments in building improvements and infrastructure - which help retain current and attract new students .

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KEY PERFORMANCE METRICS FISCAL YEAR 2016

Student Enrollment

- FYE 135,089 students (FY2016) vs. 138,973 (FY2015)
- Headcount 254,206 students (FY2016) vs. 259,549 (FY2015)

\$2.03 billion revenue + 2.8% compared to FY2015
\$1.73 billion net position - 7.3% compared to FY2015
\$118.0 million change in net position +74.6% compared to FY2015

College and university operating reserve

- \$108.0 million + \$8.4 million compared to FY2015
- 7.0 % of revenue; Board requirement = 5 – 7 %

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FY2016 AND FY2015 ADJUSTED FOR NEW LONG TERM PENSION REPORTING REQUIREMENT

- FY2016 and FY2015 operating results marginally different as a result.
- FY2016 and FY2015 balance sheet substantially different.
- Impact will continue with all future statements, introducing slightly more volatility to the accrual based results.

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GASB STATEMENT NO. 68 EFFECT

- GASB 68 has 3 components on the statement of net position
 - Net pension liability of \$364.8 million
 - Deferred inflow of resources of \$225.6 million with an offset to
 - Deferred outflows of resources (\$116.0 million)
 - Total impact on net position \$474.4 million
- Compares to \$519.1 million in FY15

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STATEMENTS OF NET POSITION

Assets, Liabilities and Net Position (\$ in Thousands)			
Fiscal Year	FY2016	FY2015	FY2014
Total Assets	\$3,246,411	\$3,217,062	\$3,142,907
Deferred Outflows of Resources	116,254	51,001	-
Total Assets and Deferred Outflows of Resources	3,362,665	3,268,063	3,142,907
Total Liabilities	1,407,473	1,419,424	1,044,196
Deferred Inflows of Resources	227,855	239,274	-
Total Liabilities and Deferred Inflows of Resources	1,635,328	1,658,698	1,044,196
Total Net Position	\$1,727,337	\$1,609,365	\$2,098,711

- Total assets increased each year
- Total liabilities decreased slightly in FY16 (\$12M) after a \$375M increase in FY15 – Primarily from \$331M of Net Pension Liability added in FY2015 due to GASB 68, plus \$28M in new revenue bond debt

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Revenues, Expenses and Net Position (\$ in Thousands)			
Fiscal Year	FY2016	FY2015	FY2014
Total Revenues	\$2,028,407	\$1,972,321	\$1,952,094
Total Expenses	1,910,435	1,904,767	1,936,061
Change in Net Position	\$117,972	\$67,554	\$16,033

- Total revenue increased by \$56.1M primarily due to a \$51.9M increase in state appropriation in FY16; this follows a \$33.7M increase in state appropriation in 2015
- Operating expenses were relatively flat between fiscal years 2016 and 2015, following a decrease of \$31.6 million primarily due to GASB 68. This reduced salaries & benefits by \$44.7 million (FY16) and 37.7 million (FY15)
- Ignoring the GASB 68 effect, the result is a \$73.3 million increase in the “Change in Net Position” in FY2016 compared to \$29.8 million increase in FY2015

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CHANGES IN NET OPERATING REVENUE FY 2016 VS. FY 2015

Revenues/(Expense) (in Thousands)	FY2016	Change	FY2015
Components and changes			
Revenue from students, net of financial aid	\$ 823,822	\$ 22,915	\$ 800,907
State appropriation revenue	676,850	51,862	624,988
Federal and state grant revenue	410,408	(28,603)	439,011
Compensation Expense	(1,276,821)	(8,295)	(1,268,526)
All other revenues/(expenses), net	(585,901)	5,622	(591,523)
Net operating gain/(loss)	\$ 48,358	\$ 43,501	\$ 4,857

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STUDENT DATA PER FULL YEAR EQUIVALENT

	FY2016	FY2015	FY2014
Student FYE	135,089	138,973	144,524
% Change in Student FYE	(2.8)%	(3.8)%	(3.6)%
* Total Operating Expenses per Student FYE	\$ 13,879	\$ 13,461	\$ 13,163
* Direct Student Expense per Student FYE	\$ 10,167	\$ 9,760	\$ 9,547
% Direct Student Expense	73.3%	72.5%	72.5%
Student-based - Direct Revenue per Student FYE	\$ 6,098	\$ 5,763	\$ 5,605
Student-based - Financial Aid Revenue per Student FYE	\$ 2,322	\$ 2,453	\$ 2,436
Total Student-based Revenue per Student FYE	\$ 8,420	\$ 8,216	\$ 8,041
% of Total Operating & Nonoperating Revenue	58.1%	59.8%	61.4%
Appropriation Revenue per Student FYE	\$ 5,010	\$ 4,497	\$ 4,091
% of Total Operating and Nonoperating Revenue	34.6%	32.7%	31.2%
Non-Financial Aid Grants, Interest Income and Other Income per Student FYE	\$ 1,069	\$ 1,027	\$ 962
% of Total Operating and Nonoperating Revenue	7.4%	7.5%	7.3%
Operating Margin per Student FYE	\$ 358	\$ 35	\$ (302)
% of Total Operating and Nonoperating Revenue	2.5%	0.3%	(2.3)%

* The GASB 68 effect is included but has small impact

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FY2016 FINANCIAL SUMMARY

Most colleges and universities reported operating gain due to GASB adjustment. Underlying loss due to an enrollment decline

Campus budget reserves preserved – critical risk management strategy

Continued investments in building improvements and infrastructure - which help retain current and attract new students

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COMPOSITE FINANCIAL INDEX - CFI

- FY2016 CFI = 2.22 (without GASB 68)
- FY2015 CFI = 1.74 (without GASB 68)

- FY2016 CFI = 1.50 (with GASB 68)
- FY2015 CFI = 0.79 (with GASB 68)

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RECOMMENDED MOTION

- **Committee Motion:** *The audit committee has reviewed the fiscal year 2016 audited financial statements and discussed them with representatives of management and the systems external auditing firm. The committee recommends that the Board of Trustees adopt the following motion:*
- **Recommended Motion:** *Based on the review and recommendation of the audit committee, the Board of Trustees approves the release of the fiscal year 2016 audited financial statements as submitted.*



MINNESOTA STATE

Audit Committee
November 15, 2016
2:15 p.m.
McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

Committee Co-Chairs Robert Hoffman and Jay Cowles call the meeting to order.

Pursuant to Minnesota Statutes § 13D.05, subd.3(d), the Board of Trustees will meet in Closed Session to receive a systemwide information technology security briefing.

1. Call to Order (Co-Chairs Robert Hoffman and Jay Cowles)
2. Motion to close the meeting
3. Receive systemwide information technology security briefing
4. Motion to end the closed session and return to open session
5. Adjournment

Audit Committee Members:

Robert Hoffman, Chair
Ann Anaya, Vice Chair
Jay Cowles
Amanda Fredlund

Finance and Facilities Committee

Jay Cowles, Chair
Elise Bourdeau, Vice Chair
Basil Ajuo
Ann Anaya
Robert Hoffman
Jerry Janezich

Bolded items indicate action is required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

**Name: Closed Session: Joint Audit and
Finance and Facilities Committees**

Date: November 15, 2016

Title: Systemwide Information Technology Security Briefing

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

In closed session, the Vice Chancellor for Information Technology and the Executive Director of the Office of Internal Auditing will provide a systemwide information technology security briefing.

Scheduled Presenter(s):

Ramon Padilla, Vice Chancellor for Information Technology and Chief Information Officer
David Pyland, Executive Director of Internal Auditing

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

INFORMATION ITEM
<p>Closed Session: Joint Audit and Finance and Facilities Committees Systemwide Information Technology Security Briefing</p>

BACKGROUND

In closed session, the Vice Chancellor for Information Technology and the Executive Director of the Office of Internal Auditing will provide a systemwide information technology security briefing.

Date Presented to the Board of Trustees: November 15, 2016



MINNESOTA STATE

Board of Trustees Study Session
Tuesday, November 15, 2016
3:15 PM
McCormick Room
30 7th Street East, St. Paul, Minnesota

Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

- Long-Term Financial Sustainability

MINNESOTA STATE COLLEGES AND UNIVERSITIES
Agenda Item Summary Sheet

Name: Board of Trustees Study Session

Date: November 15, 2016

Title: Long-Term Financial Sustainability

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

In fall 2015, Chancellor Rosenstone appointed, with the board's endorsement, the Long-Term Financial Sustainability Workgroup to assess the financial challenges facing Minnesota State colleges and universities and offer recommendations on how best to address those challenges. The chancellor and the board received the workgroup's report and recommendations in June 2016. Over the ensuing four months, the chancellor consulted with each bargaining unit, the two student associations, and the Leadership Council. All faculty and staff systemwide were invited to provide their assessment of the workgroup's recommendations as well as any additional ideas that would ensure our colleges and universities have the resources needed to protect the quality of education we provide students and our service to communities across Minnesota.

At its September 2016 retreat, the board discussed the strengths and weaknesses of the workgroup's five recommendations as well as additional strategies that would materially raise recurring revenue or reduce recurring costs. The state-level leaders of the bargaining units and student associations, the chancellor's cabinet, and the four presidents who serve on the Leadership Council executive committee joined the board in this discussion.

Chancellor Rosenstone will share with the board a "strategic roadmap" outlining the most promising steps that should be taken to address the long-term financial challenges facing our colleges and universities. The ideas represent the best thinking that has surfaced from across the state, some of which were recommended by the workgroup, some of which were recommended by students, faculty, and staff through the consultative process. The strategic roadmap focuses on steps that will have both a *material* and *recurring* impact on campus finances and are steps that would honor our core values and the commitments we have made to the people of Minnesota.

Scheduled Presenter: Chancellor Steven Rosenstone



November 15, 2016

Long Term Financial Sustainability Strategy Roadmap

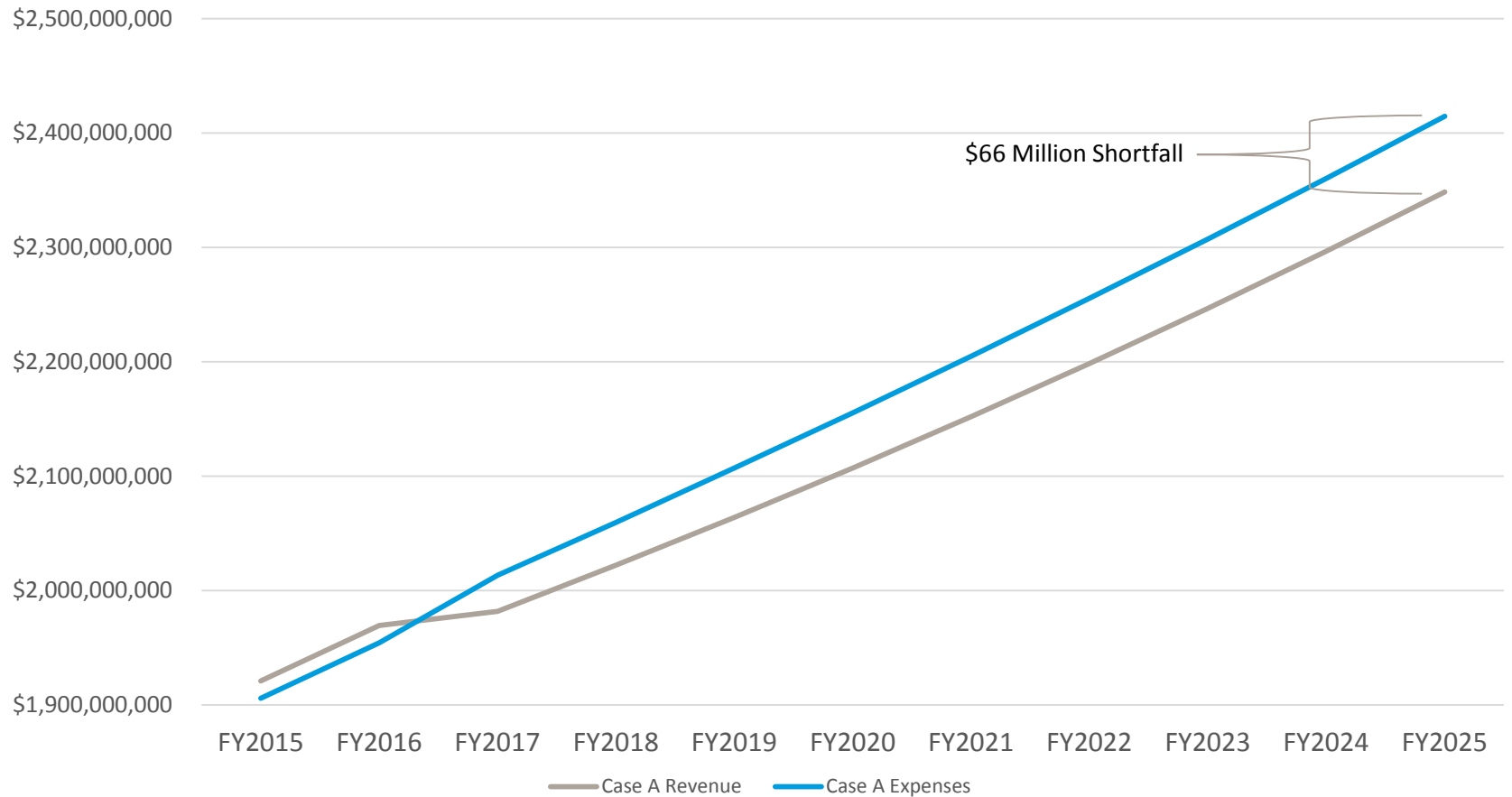
Board of Trustees
Study Session

Incremental costs have been
outpacing incremental revenue

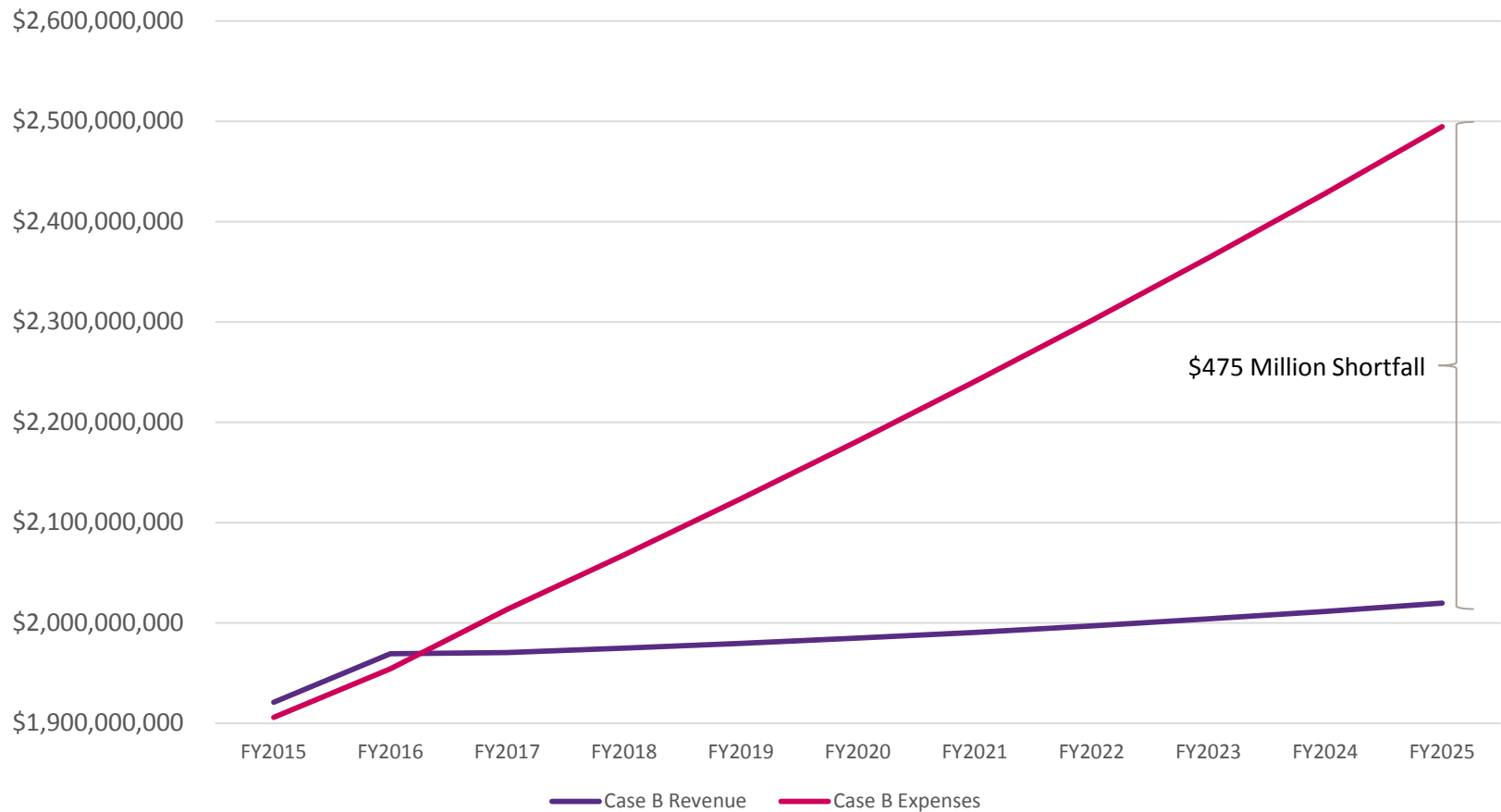


Incremental costs will continue to outpace incremental revenue unless there are substantial increases in revenues *and* substantial reductions in costs

Significant shortfalls are expected in the future (the optimistic scenario)



Significant shortfalls are expected in the future (the pessimistic scenario)



“Without changes to the system’s operating model, its future is financially unsustainable.”

– Report of the Workgroup on Long Term Financial Sustainability, June 2016



Our financial strategies should:

- ensure access to an extraordinary education for all Minnesotans
- be the partner of choice to meet Minnesota's workforce and community needs
- deliver to students, employers, communities and taxpayers the highest value/most affordable higher education option



Our financial strategies should also:

- improve student success
- reduce the educational outcome disparities
- improve educational quality
- increase access and affordability
- deepen collaboration
- respect academic freedom and the faculty's role in curriculum development and teaching
- strengthen campus – community partnerships
- honor the unique contributions and approaches of our colleges and universities

Revenue strategies

1. Increase student persistence and completion
2. Increase the likelihood that students with associate degrees will transfer to baccalaureate programs in our state universities
3. Increase the number of high school graduates prepared for and on track to postsecondary education
4. Increase undergraduate and graduate enrollments
5. Increase customized training and continuing education enrollments
6. Increase private giving

Estimated net annual new revenue after full implementation

<u>Revenue strategies</u>	<u>\$ millions</u>
1. Increase student persistence and completion	\$18.2
2. Increase associate degree to baccalaureate program transfer	\$ 2.9
3. Increase the number of high school graduates on track to higher education	\$ 1.2 – \$ 2.0
4. Increase undergraduate and graduate enrollments	\$ 9.5
5. Increase customized training and continuing education enrollments	\$.9
6. Increase private giving	\$32.2 – \$38.1

Summary of revenue strategies

1. Increase student persistence and completion		Work currently underway?	
a. Developmental education	✓	Ongoing campus work	
b. Curriculum			
c. Retention efforts	✓	Ongoing campus work	
d. Diversity plans	✓	Charting the Future	
e. Financial incentives	✓	Legislative Request	
f. Wrap-around partnerships	✓	Ongoing campus work	
g. Scholarships	✓	Scholarship Campaign	
2. Increase associate degree to baccalaureate program transfer			
a. Seamless transfer pathways	✓	Charting the Future	
b. Navigation tools	✓	ISRS Next Gen	
c. Access to baccalaureate programs	✓	Metro Baccalaureate	
d. Dual admission			
e. Marketing			
f. Guaranteed university	✓	University presidents	
g. AAS to baccalaureate			
3. Increase the number of high school graduates on track to higher education			
a. Partner with eliminate achievement and opportunity gaps			
b. Deepen K-12 partnerships			
4. Increase undergraduate and graduate enrollments			
a. Collaborative marketing	✓	Branding	
b. Business and industry partnerships	✓	Ongoing campus work	
c. Seamless transition from high school			
d. Recruitment of PSEO and concurrent enrollment students			
e. Scholarships	✓	Scholarship campaign	
f. Redirect students declined admission			
g. High demand fields	✓	Ongoing campus work	
h. Create competency-based credentials and degrees programs	✓	Charting the Future	
i. Online strategy	✓	Charting the Future	
5. Increase customized training and continuing education enrollments		✓	Charting the Future
6. Increase private giving		✓	Scholarship campaign



Cost savings strategies

1. Improve the efficiency by which we manage the curriculum and academic programs while protecting an appropriate range of student choice and program specialization
2. Reduce facilities costs
3. Reduce administrative costs
4. Hold compensation increases to the increases in new recurring revenue

Estimated net cost savings after full implementation

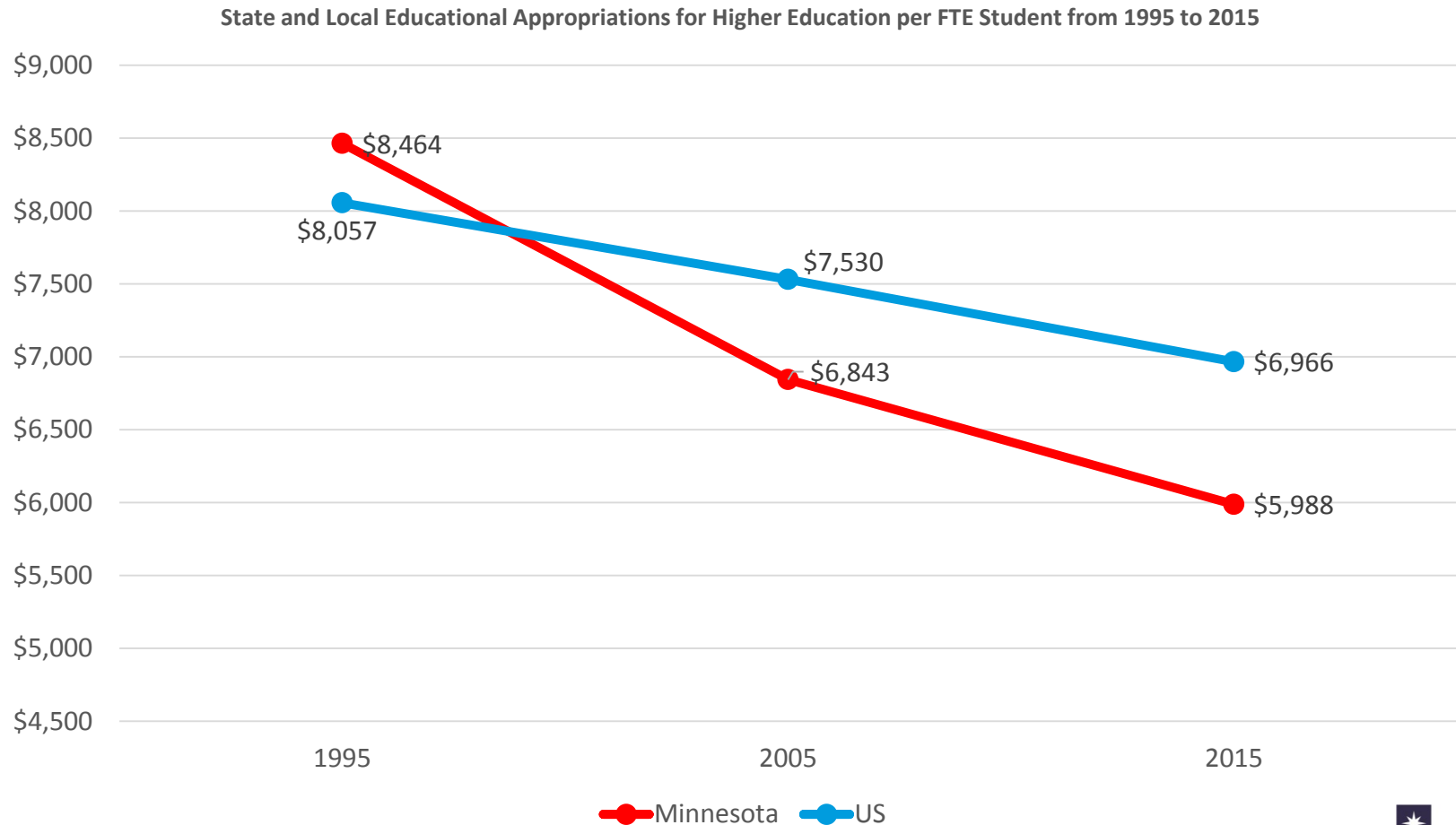
<u>Cost savings strategies</u>	<u>\$ millions</u>
1. Improve curricular efficiency	\$21.2
2. Reduce facilities costs	\$ 7.5
3. Reduce administrative costs	\$11.0
4. Hold compensation increases to the increases in new recurring revenue	\$12.0 – \$24.0

Summary of cost savings strategies

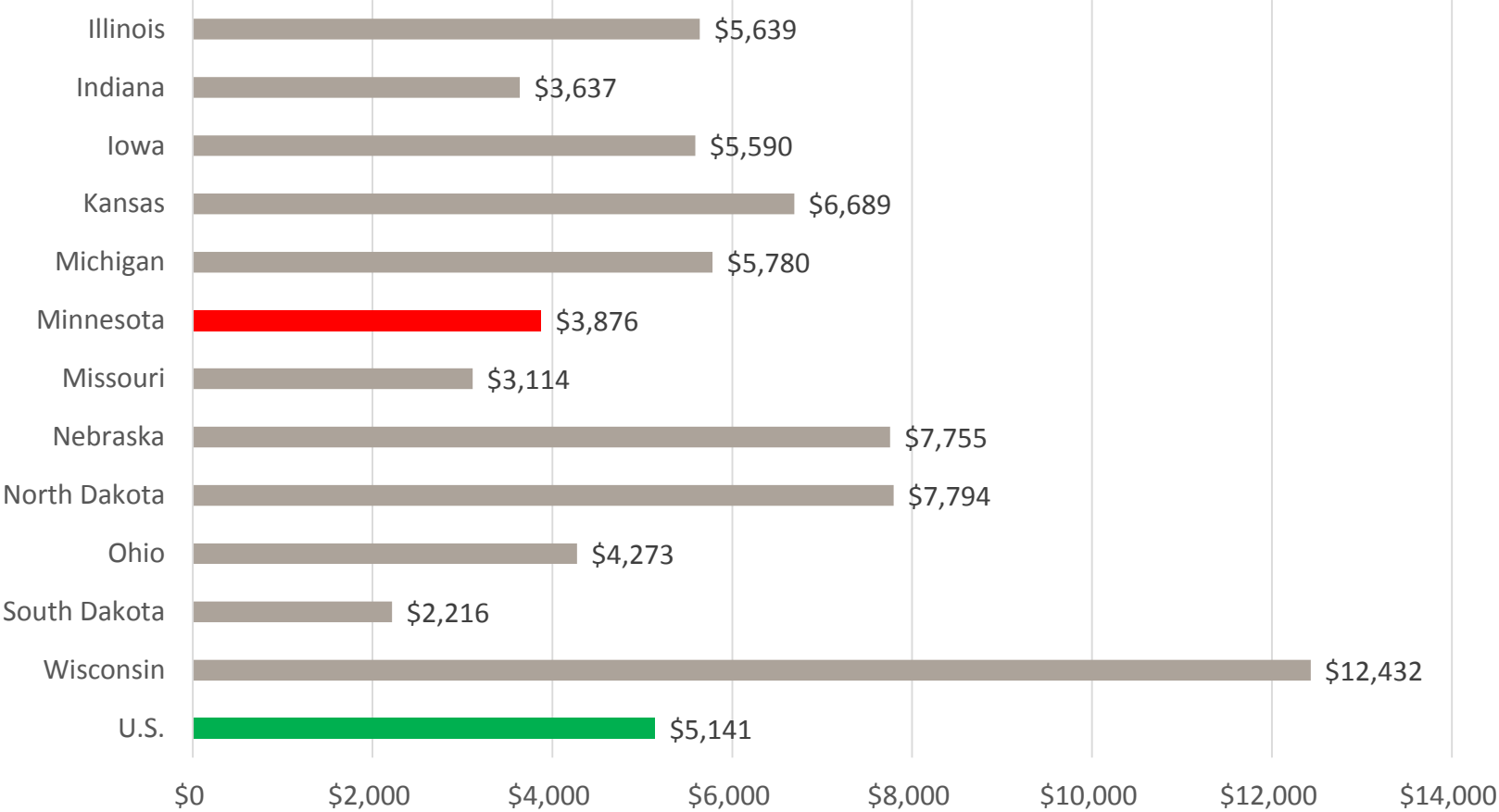
Work currently underway?		
1. Improve curricular efficiency		
a. Streamline degree pathways	✓	Charting the Future
b. Course and program collaboration		
c. Online alignment		
d. Regional academic plans	✓	Charting the Future
e. Faculty and staff serving students at multiple colleges and universities.		
2. Reduce facilities costs		
a. Temper the appetite for new buildings and focus on deferred maintenance	✓	New allocation frame work
b. Increase facilities utilization		
3. Reduce administrative costs		
a. Consolidate the delivery of core functions		
b. Establish criteria for campuses to have full, dedicated administrative structures		
c. Create regional planning, leadership, and administrative structures		
d. Create regional and statewide call and processing centers	✓	Charting the Future
4. Hold compensation increases to the increases in new recurring revenue		

State of Minnesota responsibilities

Minnesota's funding of higher education has plummeted and significantly trails the U.S. average

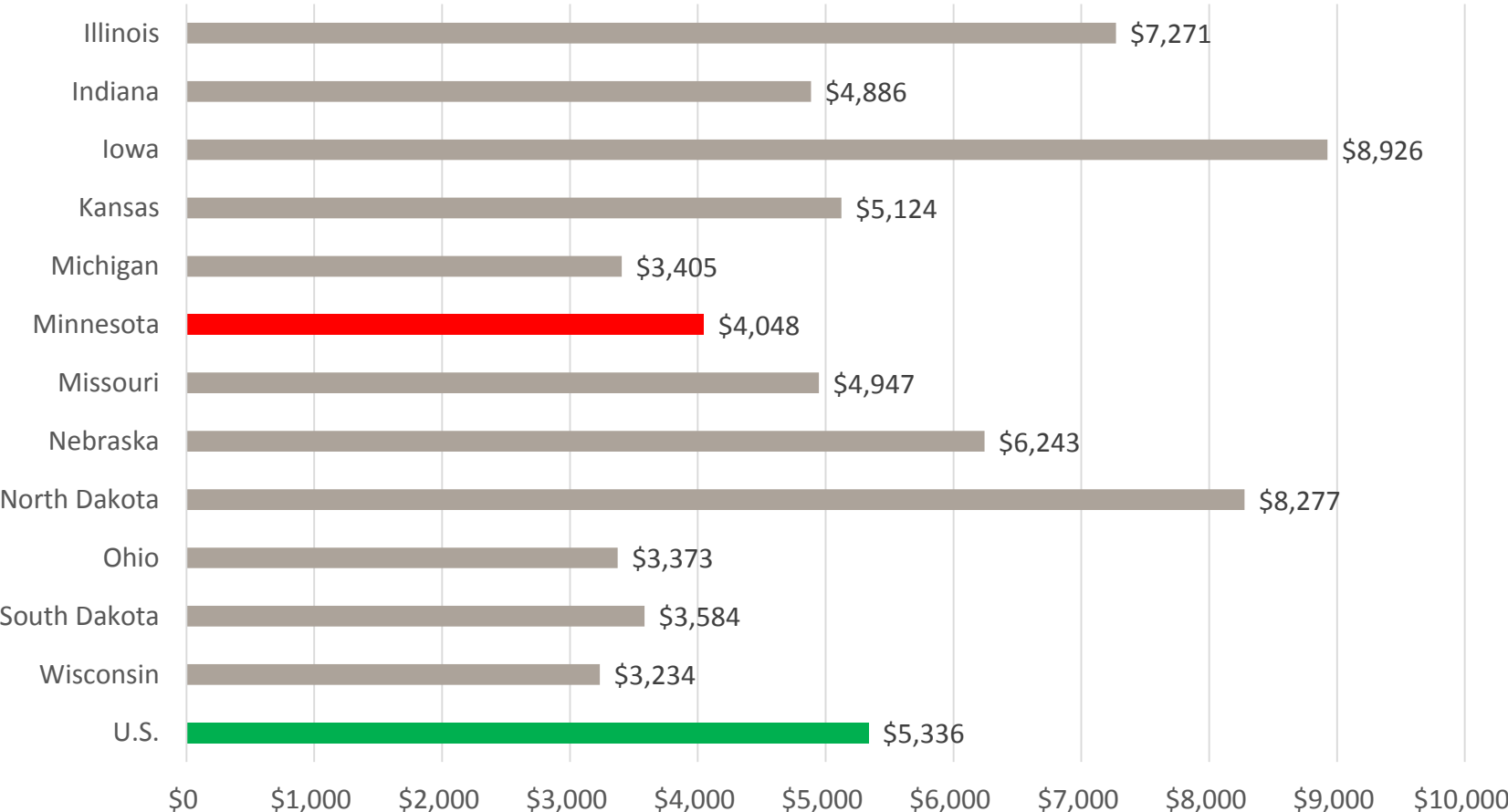


Public associate's colleges - state and local appropriations per FTE student during 2013-14



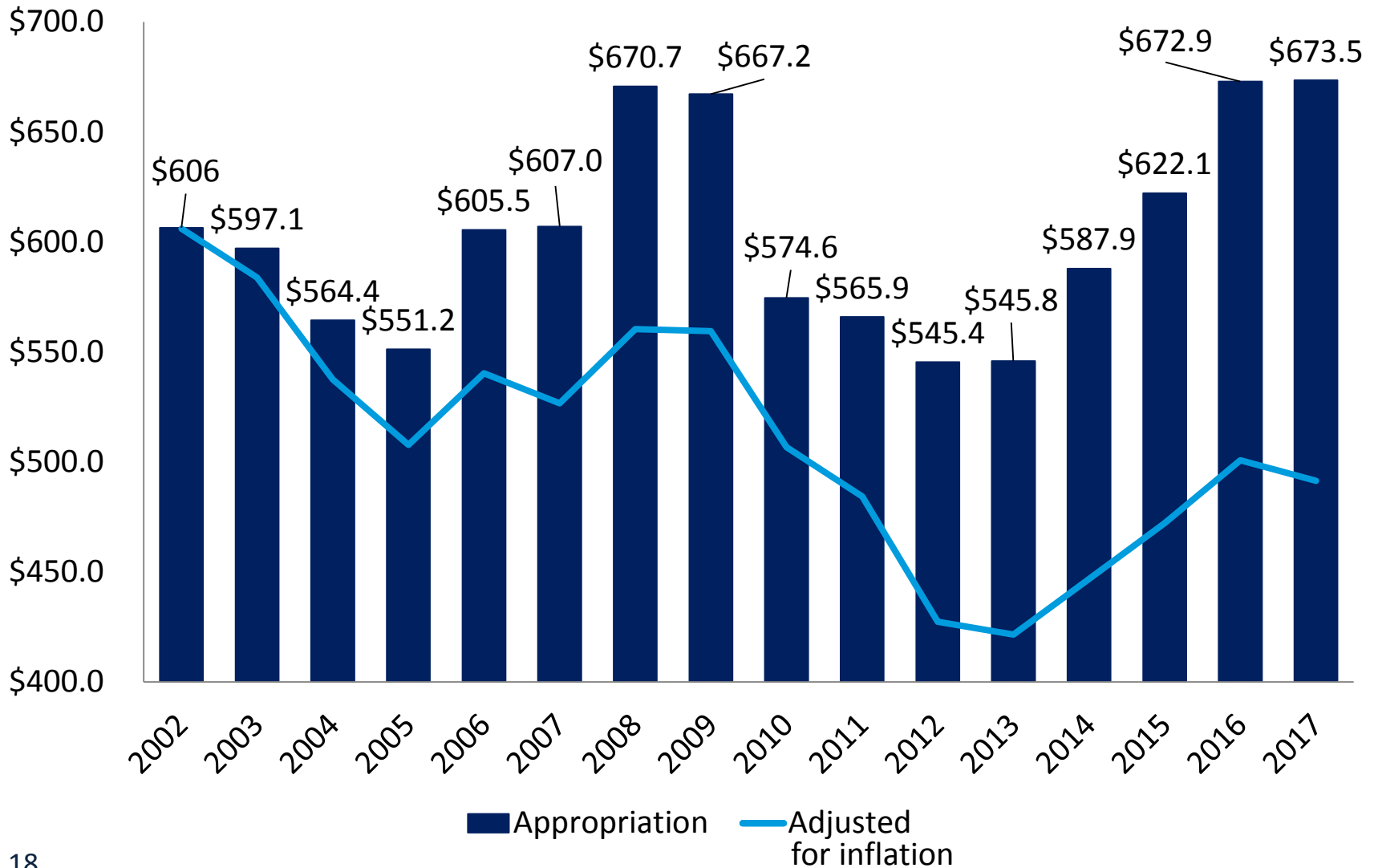
Source: NCES IPEDS. (2014). Finance Files ; f1314_f1a, f1314_f2. As reprinted in *Higher Education In Focus, Selected Performance Indicators for Minnesota*. (2014-2015), Midwestern Higher Education Compact, p. 27.

Public master's universities - state and local appropriations per FTE student during 2013-14



Source: NCES IPEDS. (2014). Finance Files ; f1314_f1a, f1314_f2. As reprinted in *Higher Education In Focus, Selected Performance Indicators for Minnesota*. (2014-2015), Midwestern Higher Education Compact, p. 26.

State appropriation revenue (in \$millions)



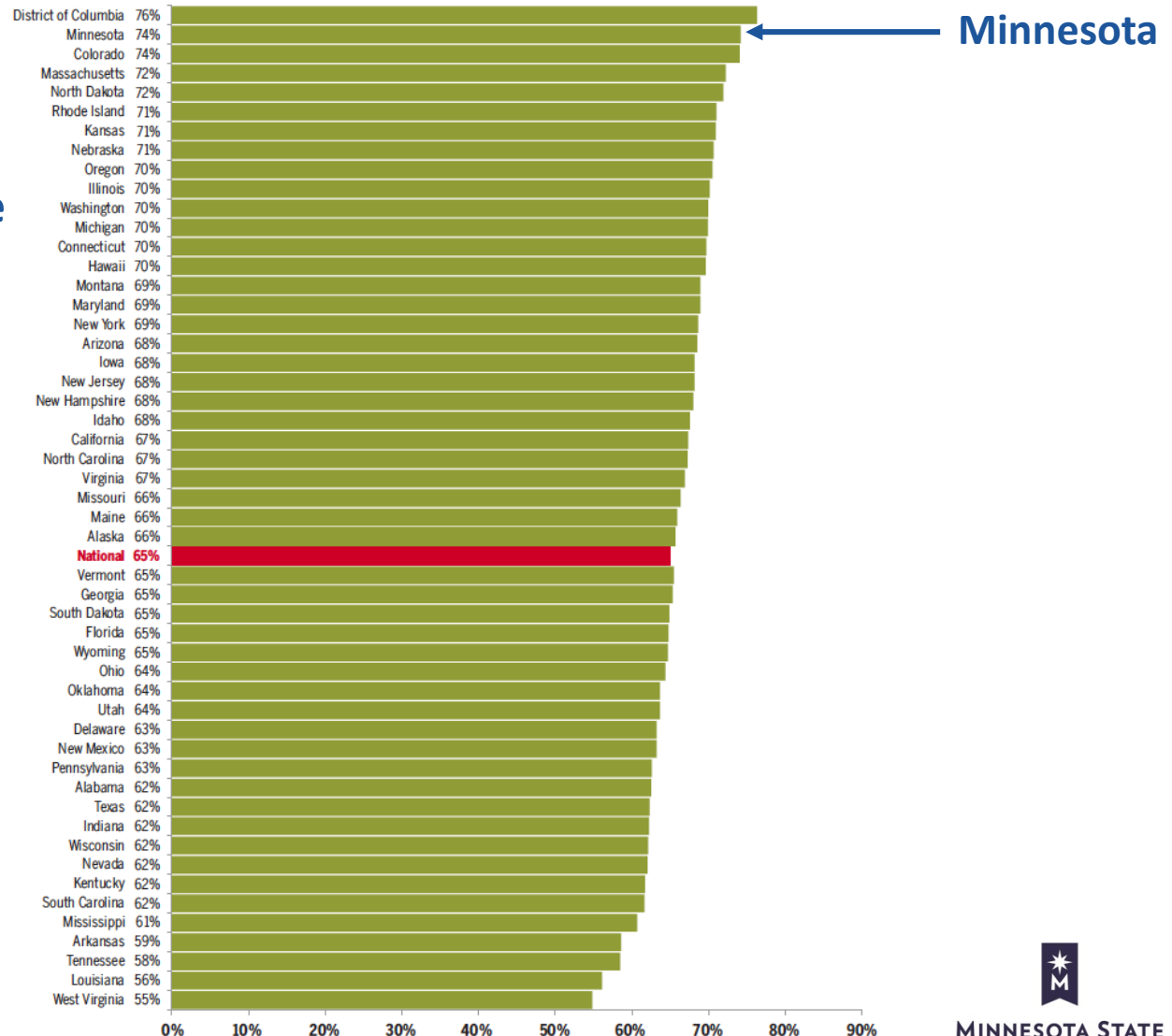
State of Minnesota responsibilities

1. Restore state investment in higher education to the national average, at least
2. Fully fund the recurring cost of compensation increases negotiated by the state
3. Provide the HEAPR resources needed to maintain our college and university academic facilities
4. Provide the funds and leadership needed to decommission and demolish facilities that are obsolete, no longer needed to meet academic program needs, that cannot be effectively repurposed, and that community organizations do not want to use
5. Fully fund the direct costs of the Postsecondary Enrollment Options (PSEO) program
6. Partner with Minnesota State colleges and universities to identify additional sources of public revenue beyond the general fund

What's at stake for the State of Minnesota?

What's at stake? Our ability to deliver the talent Minnesota needs

By the year 2020,
74% of the jobs in
Minnesota will require
some post-secondary
education



Source: A. P. Carnevale, et. al.,
*Recovery: Job Growth and
Educational Requirements Through
2020*. Georgetown University
Center on Education and the
Workforce, 2013.



“It appears that Minnesota is at or near its full employment potential, where job growth is becoming increasingly constrained by the impact of an aging population on the market supply of labor. . . . It is critical that we increase the educational attainment levels of our citizens if we are to have a fighting chance of maintaining our state’s economic health and competitiveness.”

– *Budget and Economic Forecast*, Minnesota Management and Budget, February 2016

We deliver the talent Minnesota needs

Each year, Minnesota State colleges and universities produce more than **40,000** graduates:

- **9 out of 10** of Minnesota's mechanics
- **9 out of 10** in manufacturing
- **8 out of 10** in law enforcement
- **7 out of 10** in trades
- **7 out of 10** in agriculture
- **4 out of 10** business graduates
- **3 out of 4** nurses
- **1/2** of all teachers
- **1/2** of those in information technology

What's at stake? Minnesota's ability to reduce disparities

Our colleges and universities serve:

- 63,400 students of color
- 48,500 first-generation college students
- 84,000 low-income students
- 10,000 veterans

In each of these categories, our colleges and universities serve more students than all of Minnesota's other higher education options *combined*

What's needed to succeed?

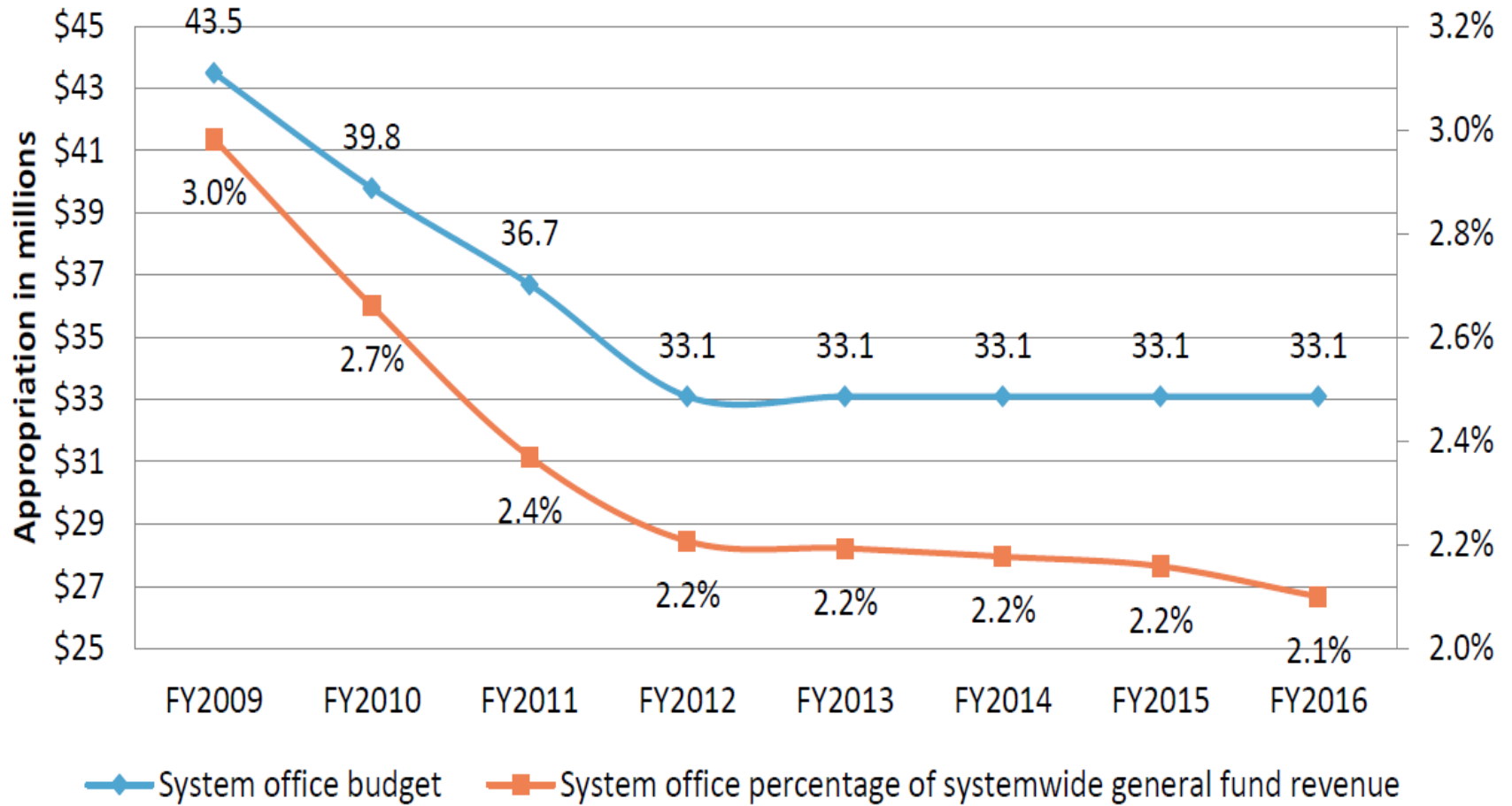
1. Honor our core values and the commitments we have made to the people of Minnesota
2. Keep the focus on strategies that have both a *material* and *recurring* impact on campus finances
3. Intentional, disciplined action by presidents, their leadership teams, the chancellor, cabinet, and board
4. Honor campus variations in approaches to implementation – one size does not fit all
5. Welcome and celebrate additional creative ideas
6. The State of Minnesota must be a full partner – restoring its historical funding of our colleges and universities

Strategic questions for discussion

1. What is the board's assessment of the strategy roadmap?
2. What are the barriers to success?
3. What are the two or three top priorities for action?
4. Beyond the work that is currently underway, what additional steps should be taken at this time?

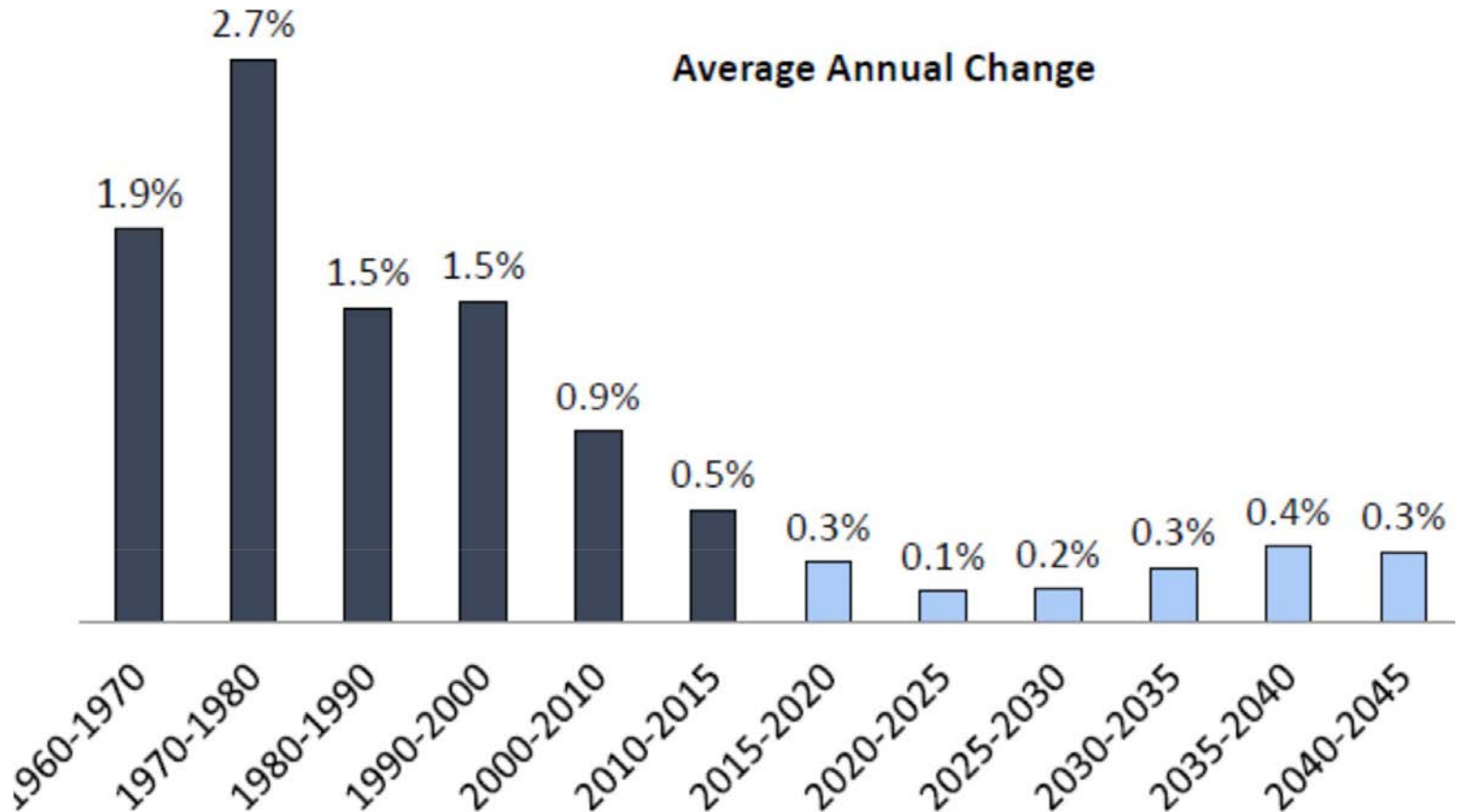
End of deck; extra slides follow

System office as % of total system general fund revenue



What's at stake? Minnesota's future and our ability to deliver needed talent

Minnesota's labor force growth is projected to slow



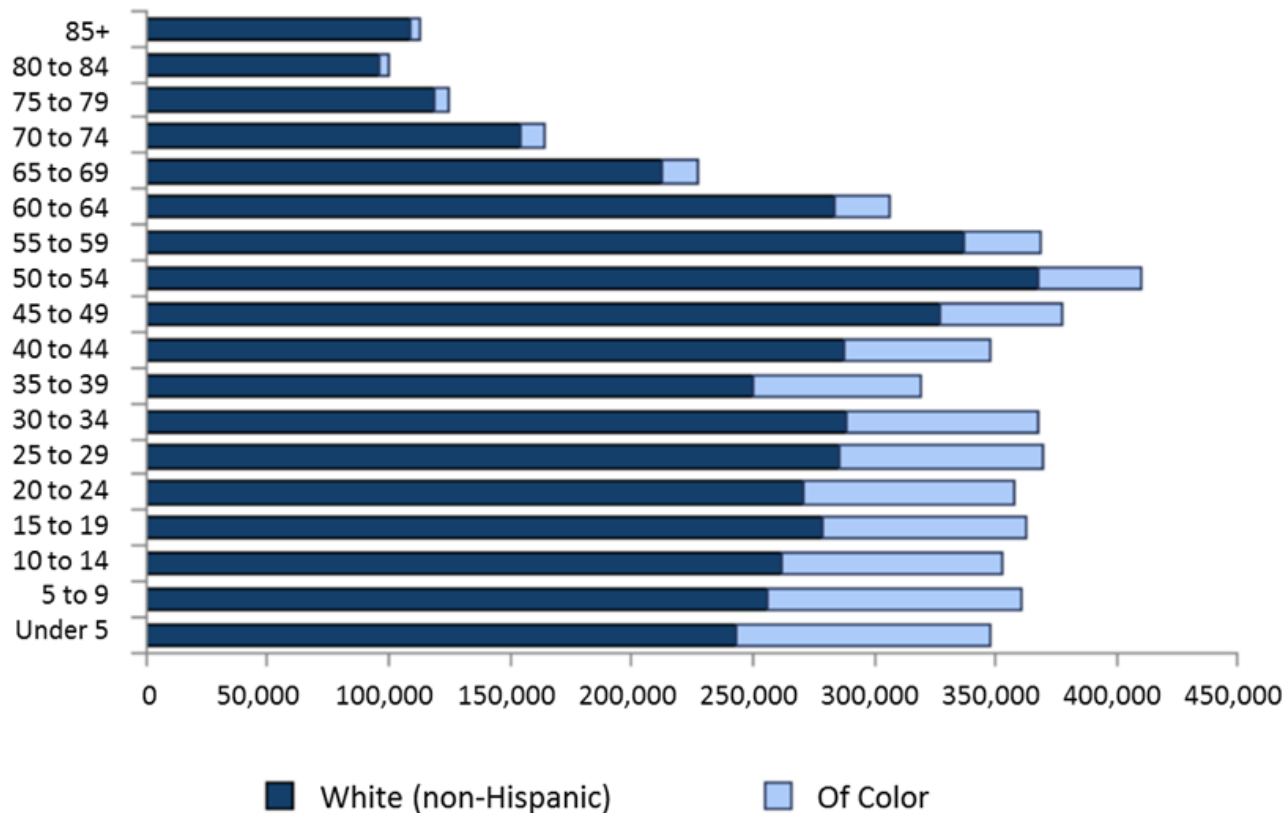
Source: Minnesota State Demographic Center

Presentation to Association of Minnesota Counties by Susan Brower, Minnesota State Demographer, January 2015



What's at stake? Minnesota's future and our ability to deliver needed talent

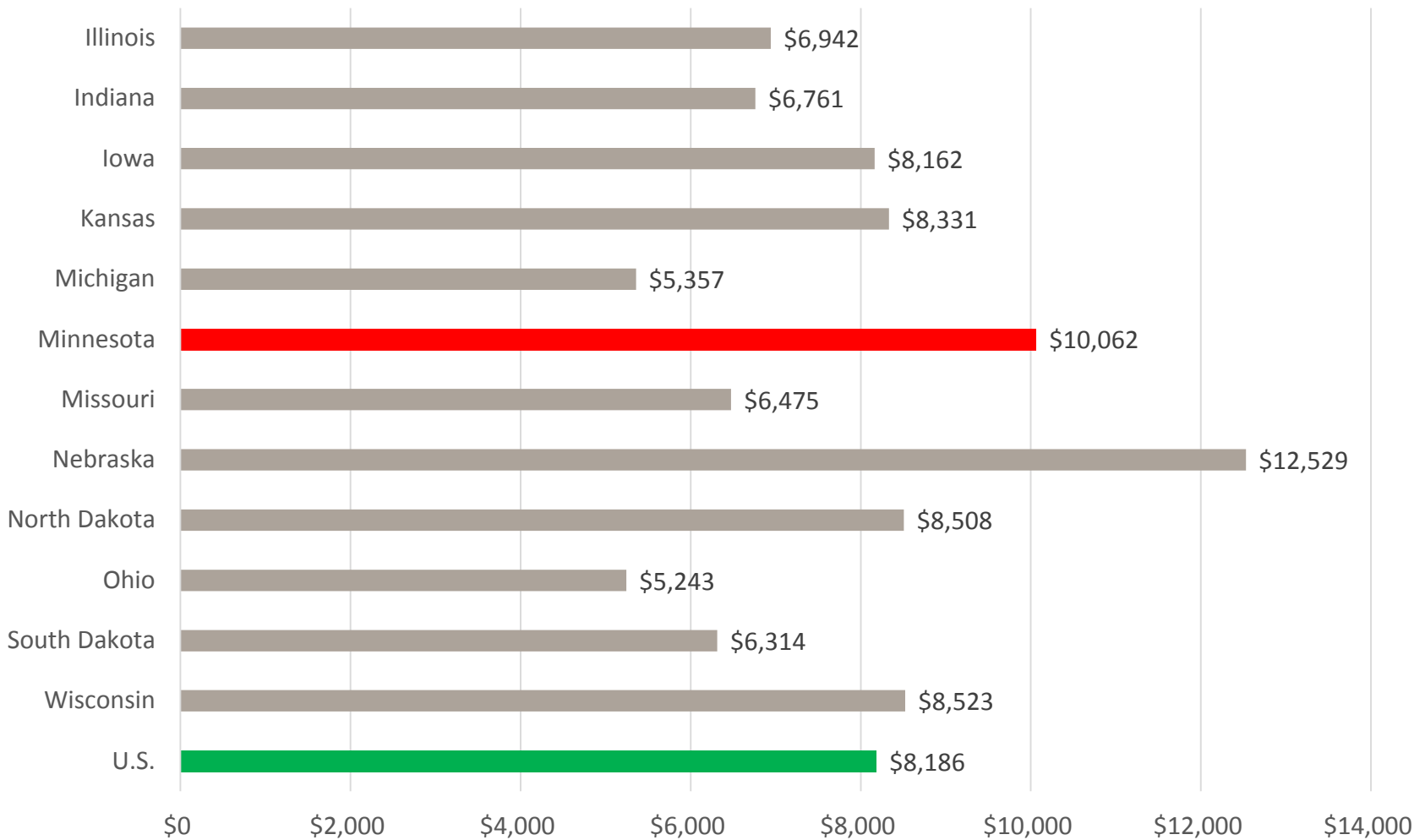
Minnesota by race, ethnicity, and age
White (non-Hispanic) and Of Color Population
Minnesota, 2012



Source: 2012 Population Estimates, U.S. Census Bureau.

Presentation to Emerging Workforce Coalition by Susan Brower, Minnesota State Demographer, February 2015.

Public Research Universities: State and Local Appropriations per FTE Student during 2013-14



Source: NCES IPEDS. (2014). Finance Files ; f1314_f1a, f1314_f2. As reprinted in *Higher Education In Focus, Selected Performance Indicators for Minnesota*. (2014-2015), Midwestern Higher Education Compact, p. 25.

“The situation is urgent and demands development of strategies that will enable improved service to students, the state, its citizens and its communities.”



MINNESOTA STATE

Diversity, Equity and Inclusion Committee
November 16, 2016
8:00am
McCormick

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

- 1. Minutes of Diversity, Equity and Inclusion Committee 06/22/16 (pp. 1-3)**
- 2. Minutes of Joint Diversity, Equity and Inclusion and Human Resources Committees 06/22/16 (pp. 4-7)**
3. Advancing Equity and Inclusion within Minnesota State (pp. 8-23)

Committee Members:

Ann Anaya
Rudy Rodriguez
Basil Aujo
Louise Sundin
Cheryl Tefer

Bolded items indicate action is required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
DIVERSITY, EQUITY, AND INCLUSION COMMITTEE
MEETING MINUTES
JUNE 22, 2016**

Diversity, Equity and Inclusion Committee Members Present: Duane Benson Chair; Louise Sundin Vice Chair; Trustees Kelly Charpentier-Berg and Ann Anaya.

Diversity, Equity and Inclusion Committee Members Absent: Trustee Erma Vizenor.

Other Board Members Present: Trustees Tom Renier, Alex Cirillo, Maleah Otterson, Jay Cowles, Bob Hoffman, Michael Vekich, Elise Bordeau, and Chancellor Rosenstone.

The Minnesota State Colleges and Universities Diversity, Equity and Inclusion Committee held its meeting on June 22, 2016, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Benson called the meeting to order at 8:01 AM.

Approval of the May 17, 2016 Committee Meeting Minutes

Chair Benson called for a motion to approve the May, 17 2016, Joint Academic and Student Affairs and Diversity, Equity, and Inclusion Committee Meeting Minutes. They were moved, seconded, and there was no dissent.

1. Consultation on Chief Diversity Officer Position.

Presenters:

Dr. Toyia Younger, Associate Vice Chancellor for Student Affairs and Interim Chief Diversity Officer

Dr. Josey Landrieu, Director of Diversity Programs and Evaluation .

Dr. Younger and Dr. Landrieu gave an update on the consultation process for the position of Chief Diversity Officer and the feedback that has been received, the next steps in the process and the request for feedback of the Board before the process moves forward in the search for a permanent Chief Diversity Officer.

MnSCU Strategic Diversity Goals

The system's focus has been on six strategic goals: 1) eliminate the achievement gap, 2) increase the diversity of the student body, 3) increase the diversity of staff and faculty, 4) deepen partnerships with diverse communities, 5) increase diversity of our vendors and contractors, and 6) ensure a welcoming and supportive campus climate. The next CDO needs to understand these goals, have the ability to drive change and on changing outcomes to advance the system's equity efforts throughout the system.

Consultation Process

Time has been spent examining other systems' model for an Office of Diversity and Equity and the role of a system CDO. Discussions with our own CDO's, CDO's from across the country about the importance of the role, duties and responsibilities and how a CDO can support diversity efforts on campus. Questions asked were: 1) how has the Office of Diversity and Equity been effective in the past, 2) in what areas is assistance needed to help campuses achieve their diversity goals, and 3) in what areas could support to campuses be strengthened? All bargaining units have been consulted on how they view the role of the CDO and the Office of Diversity and Equity, along with reaching out to national experts, attending national conferences and engaging in discussions with external groups such as MMB, St. Paul Chamber of Commerce and gaining feedback from members of the BOT Diversity Committee.

Consultation Findings

The CDO role and responsibility must be clarified. They will need to work with Academic and Student Affairs to eliminate educational disparities, partner with campuses to address campus climate issues, work with HR to address the recruitment and retention of diverse faculty, staff and students, provide technical assistance to campuses, assess and monitor progress, and keep the focus on advancing equity. This person cannot just collect data, this person must be able to get results especially with the campuses implementing campus diversity plans this fall. Other recommendations include: more intentional collaboration among system office divisions, changing the name of the office to the Office of Equity and Inclusion, changing the title of Chief Diversity Officer to the Chief Officer of Equity and Inclusion, the office should remain a stand-alone entity, and that the CDO continues to report directly to the Chancellor.

Next Steps

Chancellor Rosenstone has asked that Dr. Younger continue on as the Interim Chief Diversity Officer for the next year. It was also discussed to bring a campus Chief Diversity Officer to the System Office as an interim Assistant Chief Diversity Officer to provide assistance to Dr. Younger as she continues working two jobs, to help in the search process for a permanent CDO, determining the scope of the work of the office, and what the roles and responsibilities will be for the new CDO. Also the Assistant CDO will help with the implementation of the diversity plans, continue collaborative work with HR on recruitment and retention, strengthen professional development efforts, work with ASA on advancing efforts to close the achievement gap, partner with finance to increase diversity of our vendors and most importantly develop a position description for the CDO and help with the launch of the search process either late fall or early winter. It is the hope to appoint a new CDO by summer 2017 so that the new Chancellor will have input in the selection of the new CDO. This work must be a priority for all of us, not just one office or one person and is why we are not rushing into the search process.

Trustee Benson asked if the Campuses were using a standard Diversity Plan form? Dr. Landrieu said there was a template and a toolkit for campuses to use if they wanted to. Many campuses used it and others adjusted it to their own needs, but there was consistency in regards that the plans had to address the six strategic goals. Dr. Younger and Dr. Landrieu would be providing feedback to the campus presidents regarding their plans.

Trustee Renier asked if the frustration with the process was stemmed from it being a moving target and the rapid change and mix of diverse populations? Dr. Younger explained that part of it is the changing demographics of the state and also cultural competency. Minnesota struggles also due to varying geographical location ie: Metro vs greater MN. The System Office is educating campuses around these issues and how to address the issues as well.

Chancellor Rosenstone informed the Board that many of the demographic information will be presented in the next part of the meeting. There is a sense of urgency regarding outcomes not just to keep talking about it. There are two main characteristics of the next CDO: 1) He or she will need to be a chief partner in building a web relationship with campuses, system office divisions and other agencies of MN to move the entire organization. 2) They will also need to be able to effect change and move others, rally the organization and build teams.

Trustee Benson asked the Board if they are comfortable with the time line for the CDO position?

Trustee Cirillo, indicated yes we all have the sense of urgency to get the right person, but we have to be aware that the next CDO will want to know who their next boss is going to be and it makes sense to make sure the next Chancellor is in place. Trustee Cirilio also suggested we determine who is already doing this well and “steal” from them on how they succeeded, such as Target, General Mills, and 3M.

Chancellor Rosenstone said that our two best people are right here, Dr. Younger and Dr. Landrieu.

Dr. Younger informed the Board about the research that she has done in regards to the CDO offices and CDO officer of other systems including: Cal State, State University of New York, and the City of University of New York.

The meeting adjourned at 8:30 AM.
Respectfully submitted,
Kelli Lyng, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
JOINT DIVERSITY, EQUITY, AND INCLUSION COMMITTEE AND HUMAN
RESOURCES COMMITTEE STUDY SESSION
MEETING MINUTES
JUNE 22, 2016**

Diversity, Equity and Inclusion Committee Members Present: Duane Benson Chair; Louise Sundin Vice Chair; Trustees Kelly Charpentier-Berg and Ann Anaya.

Human Resource Committee Members Present: Duane Benson Co-Chair; Trustees Ann Anaya, Elise Bordeau, Alex Cirillo, and Bob Hoffman

Diversity, Equity and Inclusion Committee Members Absent: Trustees Dawn Erlandson and Margaret Anderson Kelliher.

Other Board Members Present: Tom Renier, Maleah Otterson, Jay Cowles, Michael Vekich, and Chancellor Rosenstone.

The Minnesota State Colleges and Universities Diversity, Equity and Inclusion Committee held its meeting on June 22, 2016, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Benson called the meeting to order at 8:31 AM.

1. Minnesota State Colleges and Universities Faculty and Staff Diversity: Current Demographics and Strategies

Presenters:

Mark Carlson, Vice Chancellor of Human Resources
Toyia Younger, Associate Vice Chancellor for Student Affairs and Chief Diversity Officer

This study session will provide an update on progress made towards the system's employee diversity goals.

Update

Vice Chancellor Carlson stated the purpose of the study session and how he believes that the majority of hiring supervisors and managers understand the Board's goals and are doing a great job to recruit and support a more diverse workforce. Faculty unions were invited to attend the Keeping our Faculty Diversity Symposium at the University of Minnesota and also invited to attend a system sponsored Diversity Forum held in May. The Human Resources division has developed another tool called the Intentional Recruitment Retention model that provides CHROs and others the ability to proactively manage vacancies to provide more diverse and competitive pools. Along with The Office of Equity and Inclusion helping all of Minnesota State campuses develop Diversity plans that address recruitment and retention of students and staff.

Vice Chancellor Younger shared data that shows our systemwide goal of increasing diversity of our workforce by 2% within 5 years. In 2012, we had 9.6% employees of color, with a goal to reach 11.6% by 2017, as of March 2016 we are at 11.3%. The overall employee headcount has dropped during the last 10 years, our number of employees of color and American Indian has not decreased since 2011. As of March 2016, our employees are a diverse group. There are approximately 16,500 employees systemwide. 57% of these employees work at the colleges, 41% at the universities and 2% in the system office. The largest groups are faculty at the colleges and universities. 55% are women and 11.3% are employees of color.

VC Carlson gave a break down of the employees by role. The largest group is our faculty with over 9,000 employees or 55% of the total. The second group is service and support employees at 22%. Professional employees is 17% of the total and the two smallest group with 3%, are managers, supervisors and administrators. Employees of color and American Indian comprise an increasingly larger percentage of the systemwide workforce. Since 2007, the total number of employees decreased by 7% while the percentage of the employees of color and American Indian increased by 27%. VC Carlson also reported that as the economy improved after the recession, turnover increased for all permanent employees. In 2015, we had a slightly higher turnover rate for employees of color and we are striving to understand why with better exit interviews and data.

VC Younger discussed how our student population is more diverse than our faculty and staff. Only the Asian and Pacific Islander category of employees closely mirrors the student population. All other race-ethnicity categories are a greater percentage of the student population than the employee population. Our pipeline of instructional faculty is more diverse than those in the more senior ranks. Gender composition within three of the five employee roles; service and support, professionals, and administrators have a majority of women. Instructional faculty are evenly split between men and women and for managers and supervisors men have a slight majority.

VC Carlson also shared the percentages of how women comprise an increasing number university professors. Women comprised 41% of professors in 2016, up from 34% in 2007. The data shows that going forward women will increasingly comprise the number of tenured faculty. Women comprise higher percentages of assistant, associate and full professors at Minnesota State universities that at similar national universities.

VC Younger shared that as our employees are aging, 19.6% of college faculty can retire in the next five years. Along with 23.9% of university faculty and 17.5% of administrators. With this prospective turnover presents both the opportunity and the challenge of shaping our workforce. The percentage of new hires who are employees of color and American Indian employees is greater than the current workforce composition. This pipeline of more diverse employees is encouraging and shows that our efforts to

attract more employees of color are truly paying off. Our executive searches over the past few years have been successful in hiring of women and individuals from underrepresented groups. These successful efforts can serve as a model in hiring practices for other positions. Overall our recruitment results are showing our new hires are diverse. We also have increased employees of color and American Indian at the president and system office leadership positions from 13.5% to 23.0%.

A workgroup of Chief Diversity Officers, Chief Human Resource Officers, and Faculty Development professions to work on retention strategies within the system has focused on cultural competence and culturally relevant pedagogy practices to better understand current professional development opportunities for faculty and staff, identify gaps, and make recommendations to fulfill needs across the system. Next steps include adopting common language around definitions and best practices for cultural competence, determining the scope and frequency of cultural competence assessments and working with HR to implement cohort-like models to intercultural development and culturally relevant pedagogy while also closely examining the cultural climate on campuses.

Chair Benson and other Trustees agreed that great progress has been made. Trustee Otterson asked where are we getting our diverse employees? VC Carlson and Younger both indicated for executive searches we look nationally and from our neighboring states as well as from Minnesota. Minnesota States mission is compelling to many and one of the reasons people want to come ad work for Minnesota State.

Trustee Anaya would like to focus on the Hispanic population so that we can do even better with hiring diverse faculty and creating a better representation of our students. We need to make sure we crow about our results.

Chair Benson, questions whether or not we picked the lower fruit and this will get harder? VC Carlson said no, we are gaining momentum and our current employees are our best recruiters.

Chancellor Rosenstone indicated that the system office will be hosting the Lakin Institute, a national meeting of higher education professionals for people of color that helps develop leadership development and provides us a networking opportunity and will help in our recruitment.

Trustee Hoffman asked about if we are international recruiting. VC Carlson indicated this is a complex issue and we don't do a lot of international recruiting due to legal and visa issues.

Chancellor Rosenstone gave closing remarks reiterating the great work that has been done this year, the hard work that still needs to be done, and that we need to up keep working on retaining our faculty and staff, because it's critical to Minnesota State's future.

The meeting adjourned at 9:07 AM.
Respectfully submitted,
Kelli Lyng, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Diversity, Equity, and Inclusion Committee

Date: 11/16/16

Title: Advancing Equity and Inclusion within Minnesota State

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

This presentation will provide information for trustees and an update on equity efforts within the system. The background material will provide an overview of the role, vision, and priorities of the Office of Equity and Inclusion. Additionally, the presentation will cover the implementation of campus diversity and equity plans and a discussion of areas of opportunities and strategic direction.

Scheduled Presenter(s): Toyia Younger, Associate Vice Chancellor for Student Affairs and Interim Chief Diversity Officer
Nickyia Cogshell, Interim Assistant Chief Diversity Officer
Josey Landrieu, Director of Diversity Programs and Evaluation

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

INFORMATION ITEM
Advancing Equity and Inclusion within Minnesota State

BACKGROUND

This presentation will provide information for trustees and an update on equity efforts within the system. The background material will provide an overview of the role, vision, and priorities of the Office of Equity and Inclusion. Additionally, the presentation will cover the implementation of campus diversity and equity plans and a discussion of areas of opportunities and strategic direction.



November 16, 2016

Office of Equity and Inclusion

Advancing Equity within Minnesota State

Board of Trustees

Diversity, Equity, and Inclusion Committee

Objectives

- Review the system's strategic equity and diversity priorities, planning, and implementation
- Share the role, vision, and priorities of the Office of Equity and Inclusion
- Discuss the Office of Equity and Inclusion's strategic direction



System equity and diversity goals

- Reduce and eliminate the student success gap
- Increase the diversity of the student body
- Ensure a welcoming and supportive campus environment
- Recruit and retain diverse faculty and staff
- Build partnerships with diverse communities
- Increase the diversity of our vendors and suppliers



Role and vision of the Office of Equity and Inclusion

- Leadership
- Program and professional development
- Policy and compliance
- Student success
- Evaluation, assessment, and accountability
- Community engagement



Who the Office of Equity and Inclusion serves



2016-17 System-wide equity and diversity priorities

- Implement campus strategic equity and diversity plans
- Build system-level collaborations
 - Recruitment and retention in partnership with Human Resources
 - Student Diversity Task Force in partnership with Academic and Student Affairs
 - Institutional effectiveness (data-informed decision making)
 - Disparity study with state agencies (procurement)
- Advance professional development
 - System office
 - Faculty and staff development across the system
 - Chief Diversity Officers' professional development
- Develop bias response team



Office of Equity and Inclusion programs and services

- Institutional equity and diversity plans
- Educational disparities data briefs
- Human resource search advisory committee handbook
- Student Diversity Task Force and Equity Council
- Intercultural passport program



Campus strategic equity and diversity plans

- All Minnesota State colleges and universities have a strategic equity and diversity plan
- Planning year: 2015-2016
- Implementation: 2016 and beyond

“If diversity is to become a core institutional value, it is because leaders are committed to high caliber diversity planning and implementation techniques.”

Williams (2013), p.309.



Educational disparities data briefs

- Institutional data-scans:
 - Provide faculty and staff with data related to the educational disparities that results in achievement **AND** opportunity gaps among student groups
 - Literature reviews on educational disparities and pertinent concepts
 - Overview of variables that impact educational disparities
 - Community and institutional level data
 - Recommendations



Search advisory committee training

- Actively implement equal employment practices during all phases of the search process
- Maximize the selection and retention of protected group employees by continuing to:
 - Aggressively recruit protected group applicants
 - Provide affirmative action training for selection committees
- Support proactive measures to retain protected group employees



Faculty and staff professional development

- Cultural competence and culturally relevant pedagogy
 - Common definitions and ongoing cultural competence assessment
 - Expectations for diversity and equity professional development
 - Competencies outlined in position descriptions and performance evaluations
 - Models for cultural competence and culturally relevant pedagogy development



Strategic questions for discussion

- What additional strategies should we consider to advance this work and reach our goal of creating inclusive environments throughout our system?
- How might we best move this work forward across the system?





MINNESOTA STATE

THANK YOU





MINNESOTA STATE

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

NOVEMBER 16, 2016

9:00 A.M.

McCORMICK ROOM

30 7TH STREET EAST

SAINT PAUL, MN

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

- 1. Minutes of October 18, 2016 (pp. 1-4)**
2. Student Demographics (pp. 5-45)
3. Concurrent Enrollment (pp. 46-95)

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Alexander Cirillo, Chair

Louise Sundin, Vice Chair

Dawn Erlandson

Amanda Fredlund

Jerry Janezich

Cheryl Tefer

Bolded items indicate action required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
ACADEMIC AND STUDENT AFFAIRS COMMITTEE
OCTOBER 18, 2016**

Academic and Student Affairs Committee Members Present: Chair Alex Cirillo; Trustees Dawn Erlandson, Jerry Janezich, Louise Sundin and Cheryl Tefer.

Academic and Student Affairs Committee Members Absent: Amanda Fredlund

Other Board Members Present: Trustees Basil Ajuo, Jay Cowles, Robert Hoffman, Rudy Rodriguez and Michael Vekich.

The Minnesota State Colleges and Universities Academic and Student Affairs Committee held a meeting on October 18, 2016, at Wells Fargo Place, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Alex Cirillo called the meeting to order at 10:06 am.

1. Minutes of June 22, 2016 Academic and Student Affairs Committee meeting

Trustee Janezich moved and Trustee Tefer seconded that the minutes from the June 22, 2016 meeting be approved as written. Motion carried.

2. Proposed Amendment to Policy 2.10 Student Housing (Second Reading)

Presenter:

Ron Anderson, Vice Chancellor for Academic and Student Affairs

This proposed amendment consists of replacing obsolete language with more current terminology and technical edits resulting from new formatting and writing standards.

Trustee Erlandson moved and Trustee Janezich seconded that the Board of Trustees approve the recommended amendment to Board Policy 2.10 Student Housing.

3. Overview of Academic and Student Affairs

Presenter:

Ron Anderson, Vice Chancellor for Academic and Student Affairs

Vice Chancellor Anderson briefly shared work and priorities for the Academic and Student Affairs division.

In 2017, the ASA division will focus on the following three strategic priorities:

- Improving student success and eliminating the opportunity gap:
The division will be leading and supporting implementation of Charting the Future initiatives and projects aimed at improving student success and eliminating the opportunity gap, Vice Chancellor Anderson said. For

example, there will be continued support of campus efforts to innovate and redesign developmental education, as well as share best practices.

- Strengthening and improving transfer:
There will be continued efforts to strengthen and improve transfer. Campuses will be supported in the development and implementation of transfer pathways and efforts will be aimed at improving access to transfer information and advising.
- Strengthening academic planning and collaboration:
To strengthen academic planning and collaboration, the division will focus on implementing the Metropolitan Baccalaureate Plan, which was endorsed by the Board of Trustees in June. Work will be done with the Leadership Council and campuses to develop a systemwide strategy for online education and to support campus collaboration in a number of areas including academic planning, service delivery and external partnerships. In addition, the division will be deepening its engagement with the Equity and Inclusion Office.

Academic and Student Affairs also will continue its efforts in concurrent enrollment, institutional accreditation, career and technical education and student support services, such as financial aid, wellness, campus safety and anti-violence initiatives throughout the year.

4. Developmental Education Redesign

Presenters:

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Pakou Yang, System Director of P-20 and College Readiness

An update on the progress colleges and universities have made in the area of developmental education was offered.

Developmental education closes academic preparation gaps and is critical to the success of college and university students, Vice Chancellor Anderson said. It addresses the gap between a student's prior academic preparation and the preparation needed to succeed in college-level coursework.

Developmental education is more than a series of pre-college-level courses aimed at closing gaps in academic preparedness. It also includes personal development, academic development and support services and interventions. It is key to addressing educational disparities, as students from underrepresented communities are much more likely to be enrolled in developmental education courses.

System Director Yang said campuses have been embracing innovative developmental education based on proven practices. Strategies that are proving successful include:

- Using multiple measures in addition to test scores to place students;
- Redesigning curriculum to provide accelerated options and speed student completion;
- Emphasizing the improvement of readings skills first;

- Aligning college mathematics courses with specific program requirements;
- Implementing early alert systems;
- Promoting intensive advising, focused academic support and peer and professional tutoring;

Best practices and emerging work in these areas are shared among colleges and universities in the system during the two academic and student affairs leadership conferences and when faculty in disciplines have an opportunity to meet.

Vice Chancellor Anderson said adult learners must not be forgotten in these efforts. Partnerships with adult basic education, the Minnesota Department of Employment and Economic Development and other state and community agencies are critical in helping adult learners be ready for college work.

Data shows developmental education courses are primarily in mathematics. At colleges, 46.3 percent of developmental coursework is in mathematics, and at universities the figure is 91.3 percent.

Trustee Erlandson noted K-12 students may be moved “up the ladder” without mastery in mathematics. If a student’s foundation in mathematics isn’t 100 percent solid, then it is not surprising that college students will need additional help with college math, she said.

Vice Chancellor Anderson said working closing with K-12 partners to better prepare high school students for post-secondary education also is important in addressing college readiness. Work is focusing on:

- Creating pathways for students to complete their developmental coursework, as well as the first college-level course within the areas of reading, writing and mathematics, within a single academic year or less;
- Improving alignment between K-12 assessments and college readiness assessments;
- Improving alignment between K-12 curriculum and college-level curriculum.

The work done on redesigning development education is showing success and the percentage of students in these courses has decreased substantially, Vice Chancellor Anderson said. In 2012, 23.5 percent of college students were taking developmental courses; by 2016, the number was down to 15.4 percent. Student enrollment in developmental courses at state universities went from 5.3 percent in 2012 to 4.5 percent in 2016.

Chancellor Rosenstone said these reductions have been dramatic and campus faculty, working in collaboration with academic and student affairs leaders and staff, have been instrumental in the success. The end result is that students are moving toward successful completion of their degrees more quickly and at a lower cost, he said.

Trustee Janezich said developmental education redesign efforts have shown great results and this should be highlighted during upcoming presentations to the Legislature.

The meeting adjourned at 11:08 am
Respectfully submitted,
Margie Takash, Recorder

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

Agenda Item Summary Sheet

Name: Academic and Student Affairs Committee

Date: November 16, 2016

Title: Student Demographics

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The Academic and Student Affairs Committee will discuss trends in college and university enrollment and student characteristics. The session will include a presentation and opportunities for discussion and questions. This item will provide background and serve as context for board deliberations throughout the year.

Scheduled Presenter(s):

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Joyce Helens, President, St. Cloud Technical and Community College
Ashish Vaidya, President, St. Cloud State University
Craig Schoenecker, Senior System Director for Research

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

INFORMATION ITEM
STUDENT DEMOGRAPHICS

BACKGROUND

The Academic and Student Affairs Committee will have a discussion about trends in college and university enrollment and student characteristics. The session will include a presentation and opportunities for discussion and questions.

The presentation will address the following topics:

- Enrollment trends
- Predictors of enrollment
- Student demographic characteristics
- Student enrollment and academic characteristics
- Student financial aid patterns

This session presents an opportunity for trustees to discuss student characteristics and enrollment trends. This item will provide background and serve as context for Board deliberations throughout the year.



November 16, 2016
Academic and Student Affairs

Student Demographics

Board of Trustees
Academic and Student Affairs Committee

EXECUTIVE SUMMARY

The diversity of Minnesota State students continues to increase.

- In 2016 our colleges and universities served 376,176 students in credit and non-credit courses.
- Students of color and American Indian students accounted for 25% of credit students in 2016, up from 16% in 2007.
- Pell-eligible students accounted for 33% of credit students in 2016, up from 23% in 2007.
- Over one-third of credit students are aged 25 and over.
- First-time undergraduate students only account for 34% of credit students.
- Part-time students accounted for 51% of credit students in 2015, up from 44% in 2007.



MINNESOTA STATE

EXECUTIVE SUMMARY

Minnesota State students continue to rely heavily on financial aid to fund their education.

- 59% of our students received financial aid (including loans) in 2016, up from 54% in 2007.
- 36% of students took out loans in 2016, down from 43% in 2013.
- Financial aid awards totaled \$1.1 billion in 2016.
- The average award was \$7,666 in 2016, up from \$5,855 in 2007.
- 26% of bachelor's graduates, 34% of associate graduates and 46% of certificate graduates **complete their credential with no student loan debt.**



EXECUTIVE SUMMARY

Fewer students are enrolling in developmental education than in prior years, due to curricular innovation and increased preparedness

- The percent of new, first-time undergraduate students taking developmental courses decreased 33% between 2012 and 2016.
- The system wide percent of first time students taking developmental courses in their first year decreased from 49.3% in 2012 to 40.1% in 2016.



Over the past five years, enrollment in developmental education courses has significantly declined:

- In 2012, enrollment in developmental education courses accounted for 6.2% of all FYE enrollment across our colleges and universities.
- By 2016, this proportion dropped to 4.2%, **a reduction of nearly a third. This reduction in developmental course taking saved our students a total of \$15.6 million in tuition and fees.**

We have also seen a significant decline in the percentage of students enrolling in developmental education courses during this time period.

- In 2012, nearly a quarter of our students, 23.5%, enrolled in one or more developmental education courses.
- This past year, this proportion dropped to 15.4%.

This reduction is driven by a combination of factors, primary among which are the improved preparation of new entering students and curricular redesign.

- In 2012, 59% of new, first-time undergraduate students at our colleges enrolled in developmental education courses, **as compared to 47% in 2016.**

- Curricular changes are moving students through developmental education course sequences and into college-level courses more effectively and quickly.

EXECUTIVE SUMMARY

College readiness and financial need continue to be significant factors in student retention, transfer, and program completion.

- The gaps between students with the highest financial need and the lowest academic preparation and students with the lowest financial need and the highest academic preparation are significant:
 - The completion gap between these two groups at our colleges is 24%
 - The completion gap between these two groups at our universities is 19%

PROFILE OF TOMORROW'S STUDENT

- More likely to be a student of color or American Indian student
- Average age of 26 years
- Low income (as determined by eligibility for a federal Pell grant)
- Enrolled part-time
- Parents did not earn a bachelor's degree



Questions on Background Materials?



WHAT THIS MEANS FOR OUR CAMPUSES

- St. Cloud State University
- St. Cloud Technical and Community College



Strategic questions for consideration and discussion

- What are the implications that the changing demographics of our students have for the work of academic and student affairs?
- In light of these changing demographics how can we insure the success of our efforts to reduce the gaps in student success between students of color and American Indian students on the one hand and white non-Hispanic students on the other?
- Given the changing demographics of our students are there policies that need to be reexamined to effectively serve our students?

Background Materials



Outline

- Who are our students?
 - Demographic diversity
 - Academic diversity
- Predictors of headcount
- How do our students finance their education?
- How do our students use technology?

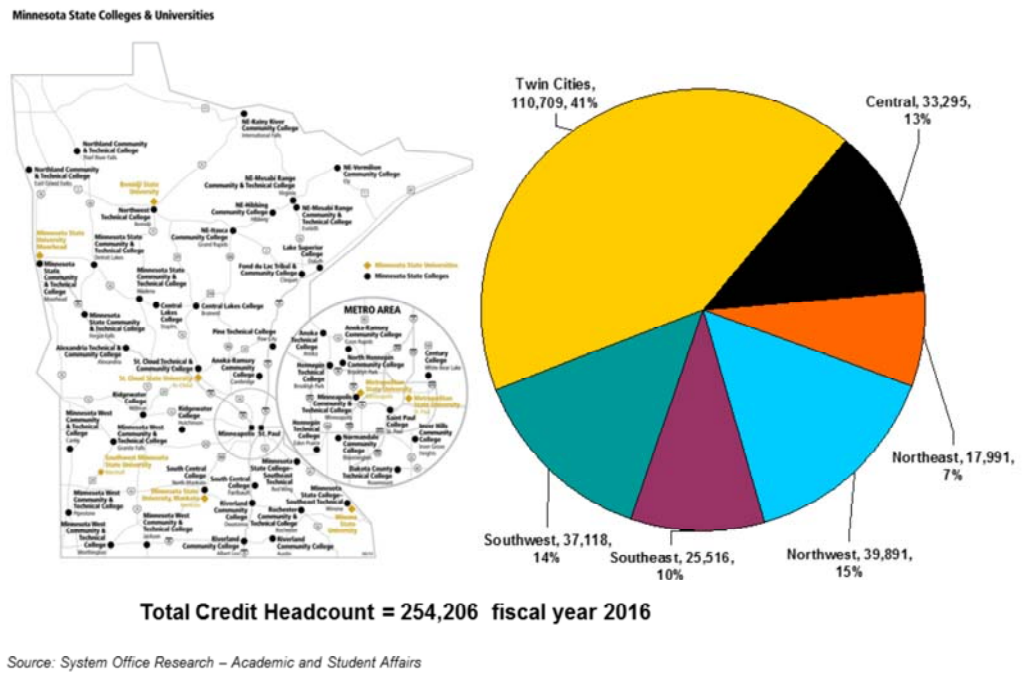
Snapshot of 2016 student demographic diversity

- Total credit students served: 254,206
- 59% of students are in Greater Minnesota
- 25% are American Indian or students of color (63,400)
- 35% are 25 or older (average age is 25)
- 55% are female
- 33% are Pell-eligible (84,000)
- 19% are first generation (48,500) (53% by the federal definition)
- 50% are from underrepresented groups (127,000)
- 10,000 are veterans

Our students are more diverse than ever, and diverse in many ways.

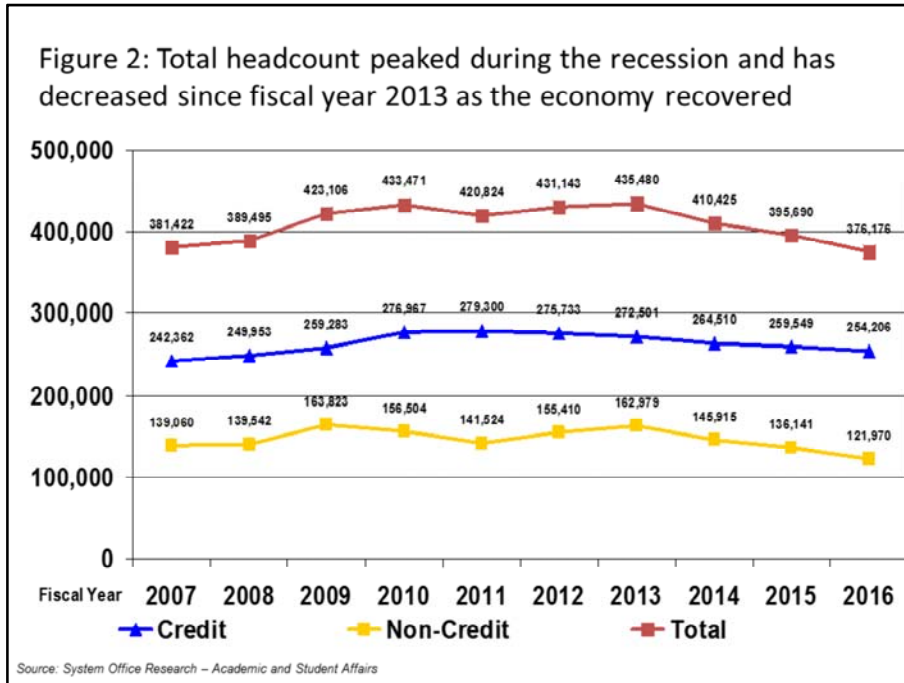
- We serve more students of color and American Indian students than any other higher education institution or sector in Minnesota.
- 35% of our students are older than the traditional college age population of 18 to 24.
- Pell-Eligibility is a proxy for “low income,” and our colleges and universities serve more federal Pell grant eligible students than all other Minnesota higher education institutions combined.
- 19% of our students are first generation based on the state definition: Neither parent attended college.
- 53% of our students are first generation based on the federal definition: Neither parent earned a bachelor’s degree.
- We served 127,000 underrepresented students (50% of our credit headcount in 2016).
 - “Under-represented in higher education”: a student of color or American Indian student, a first generation student, or a low income student)
- Our colleges and universities proudly served over 10,000 veterans in 2014, up by 60 percent from 2008.

Figure 1: Educating Minnesota



Our colleges and universities serve large numbers of students in all six regions of the state. This slide reveals the depth and breadth and diversity--the power of our system.

Figure 2: Total headcount peaked during the recession and has decreased since fiscal year 2013 as the economy recovered



Total credit and non-credit headcount continued to grow through fiscal year 2013. Total headcount has gradually decreased since peaking during the Great Recession in 2011.

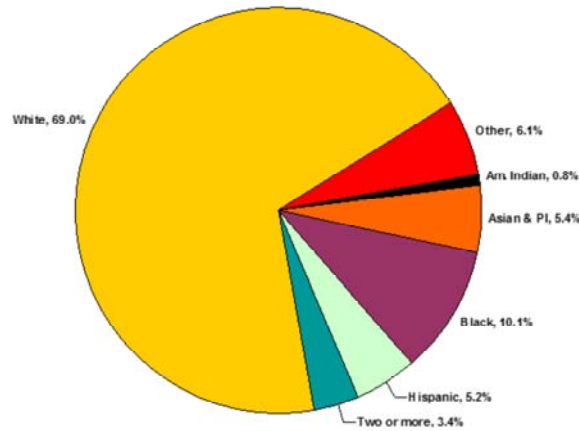
Predictors of student headcount

- The number of high school graduates
- Adult population aged 24 to 34
- Minnesota's unemployment rate
- Minnesota per capita income
- Three of these predictors are declining
 - *Minnesota's unemployment rate has remained low and was at 4.0 percent in September 2016, eleventh lowest among the states.*
 - *The Twin Cities unemployment rate at 3.3 percent was the fourth lowest in the U.S. for the 51 largest metro areas.*
 - *The number of public high school graduates was expected to decline by 7.0% between 2014 and 2016.*
 - *The population aged 25 to 34 was projected to decline by 0.7 percent between 2014 and 2015.*

Trends in enrollment are not solely linked to the rise and fall of the economy. There are four primary predictors of change in student headcount. These four predictors explain most of the variance in our system's headcount during the last 20 years (high school graduates, adults aged 25 to 34, the state unemployment rate and state per capita income). We attribute recent changes in our enrollment to changes in three of the predictors:

- Minnesota's unemployment rate has remained one of the lowest in the nation at 4.0% and the rate in the Twin Cities (3.3%) is the fourth lowest in the US for metropolitan areas with a population of 1 million or more.
- The number of public high school graduates has been declining for several years and is expected to decrease by 7.0% between 2014 and 2016.
- The adult population aged 25 to 34, a group from which we draw many students, declined by 0.7% this year.

Figure 3: Racial and Ethnic diversity



Total American Indian and Students of Color = 63,423
Total Credit Headcount = 254,206
fiscal year 2016

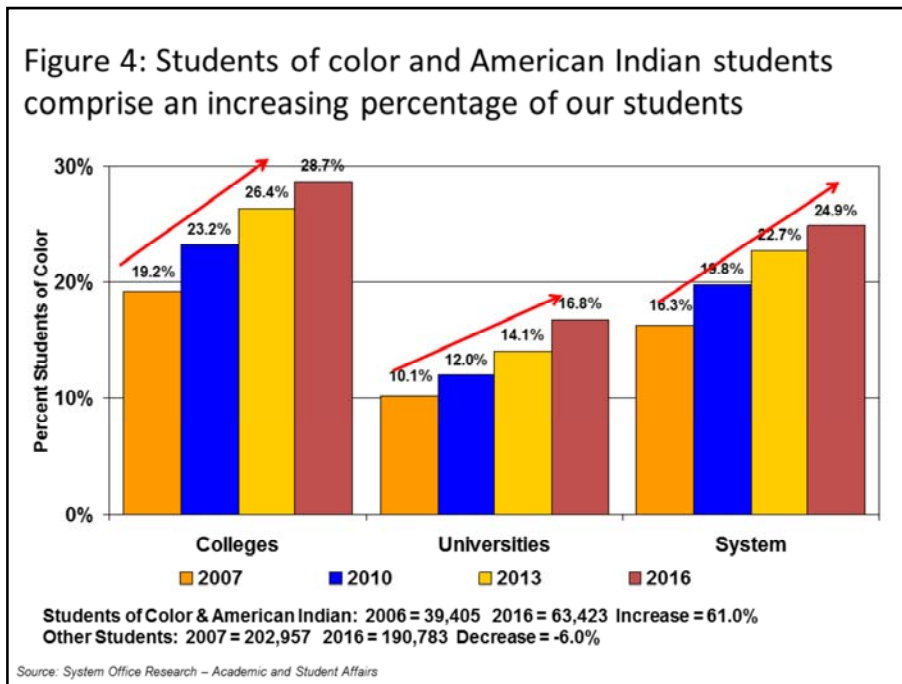
Source: System Office Research – Academic and Student Affairs

The racial ethnic diversity of our students brings significant assets to campus life and creates a dynamic community for learning together from one another. The racial-ethnic categories reported here are those used for reporting to the U.S. Department of Education and the Minnesota Office of Higher Education. Students who report more than one racial group are included in the two or more category and students who report that they are Hispanic are included in that category regardless of their race or races.

If we dig deeper into these categories, we find even more racial-ethnic diversity. American Indian students are the best example since almost three-quarters of them also reported another race or ethnicity:

- Over 2,000 students indicated that they were American Indian and reported no other race or ethnicity are represented by the black slice of the pie.
- Almost 3,700 additional students reported that they were American Indian and one or more other races and are included in the green “two or more” slice.
- Over 2,000 American Indian students also reported that they were Hispanic and are included in the light green Hispanic slice of the pie.
- So in total, there were more than 7,800 American Indian students enrolled in 2016.
- About one-sixth of Asian students and one-sixth of Black students also reported another race or ethnicity and are included in the “two or more” slice.

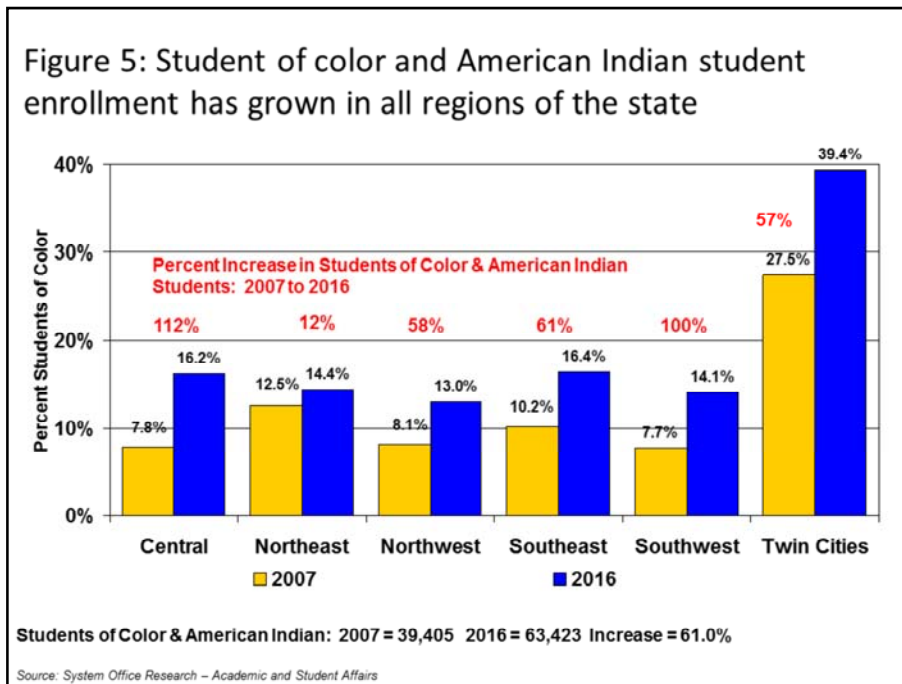
Figure 4: Students of color and American Indian students comprise an increasing percentage of our students



This slide illustrates the substantial growth in the number and percent of students of color and American Indian students during the last nine fiscal years, an increase of 61%.

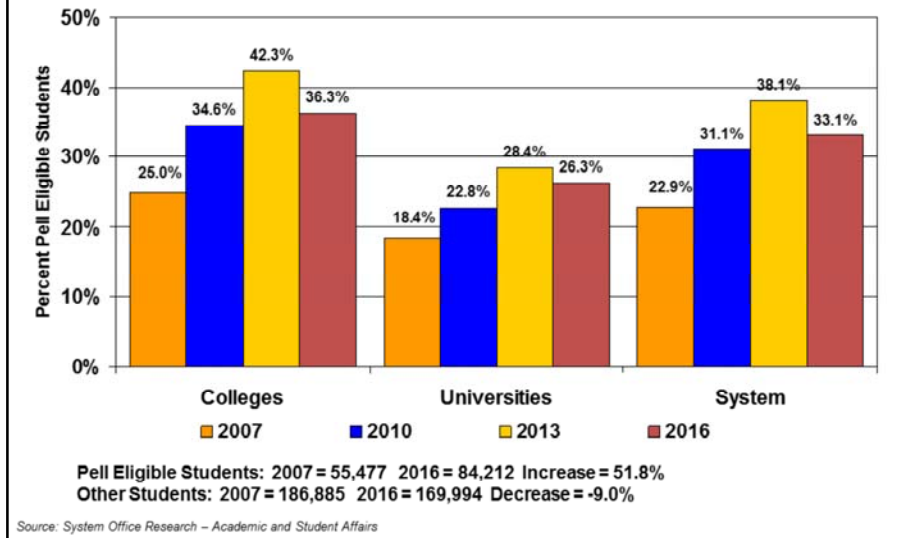
- The colleges and universities have increased from 16% to 25% students of color and American Indian students.
- It is estimated that people of color and American Indian people comprise 17.6% of the state’s population.
- All of our credit enrollment growth between 2007 and 2016 could be attributed to the increase in students of color and American Indian students.

Figure 5: Student of color and American Indian student enrollment has grown in all regions of the state



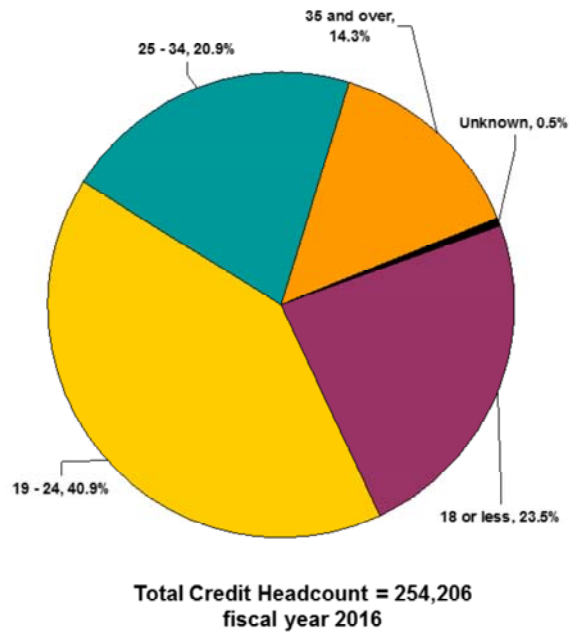
- The growth in students of color and American Indian students at our colleges and universities has occurred in all regions of Minnesota.
- Student of color and American Indian student credit headcount enrollment has increased by 50% or more in five of the six regions.

Figure 6: The percent of low income (eligible for Pell grants) students peaked during the recession



- Growth in the number of Pell grant eligible students during the last ten years has been substantial, a 52% increase.
- The colleges and universities have increased from 22.9% to 38.1% Pell eligible students in 2013 and not are at 33.1%.
- The recent decrease in the percent of Pell eligible students is likely due to the improving economy.
- All credit enrollment growth between 2007 and 2016 could be attributed to the increase in Pell eligible students.

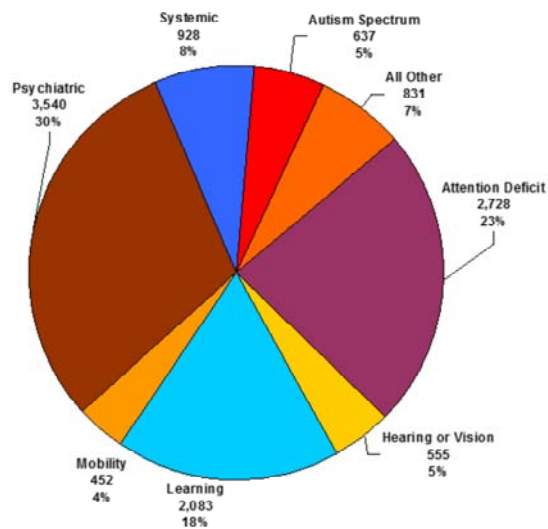
Figure 7: Age diversity



Source: System Office Research – Academic and Student Affairs

- Age diversity is significant and our colleges and universities serve a wide range of ages, from 14 year old high school students to students in their 80's.

Figure 8: Students with reported disabilities



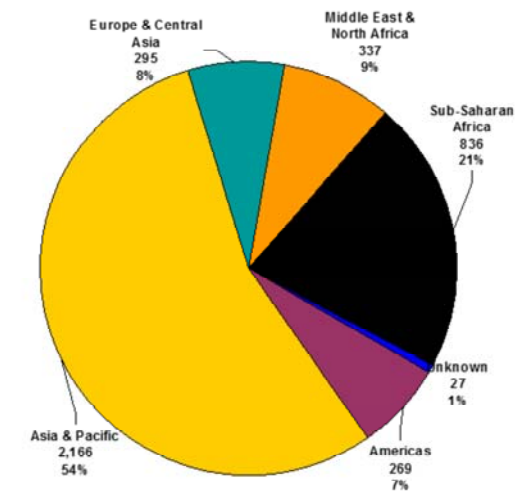
**Student with Disabilities: 9,215 or 3.6% of
Total Credit Headcount = 254,206 fiscal year 2016**

Source: System Office Research – Academic and Student Affairs

This slide illustrates another aspect of our students' diversity, their disabilities.

- The colleges and universities enrolled 9,215 students in 2016 with a variety of disabilities.
- These figures represent the number of students who have reported their disabilities to campus staff who arrange for support services and accommodations.
- They do not include students with disabilities who do not seek assistance or accommodations from campus staff.

Figure 9: International students come from around the world



**International Students = 3,930 or 1.5% of
Total Credit Headcount = 254,206 fiscal year 2016**

Source: System Office Research – Academic and Student Affairs

The colleges and universities serve international students from around the world. They bring a diversity of language, culture and perspective to our campuses.

- The 3,900 international students enrolled in 2016 came from 145 different countries ranging from Afghanistan to Zimbabwe.

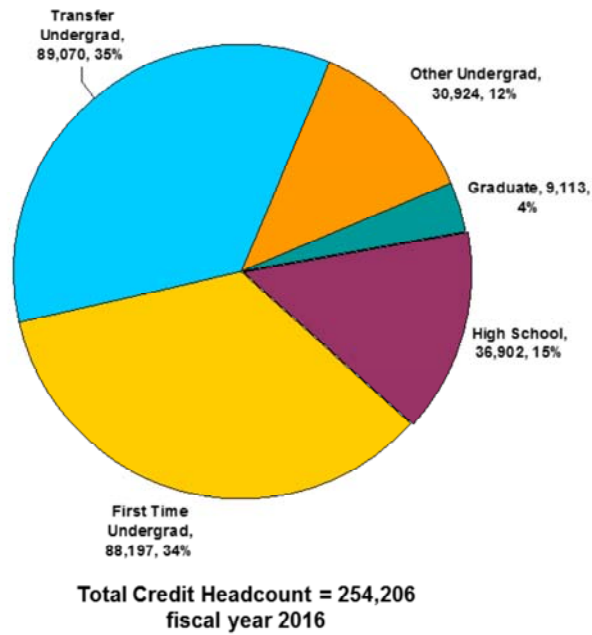
Our students are academically diverse

- High school students, high school graduates, graduate students, adult learners, workers and professionals
- 59% of college and 37% of university students enroll part-time
- 46% take one or more online courses and 15% are entirely online
- 7% enroll at more than one college or university in a year
- 47% of college and 21% of university first-time students take developmental courses

Our students pursue their education at the colleges and universities in a variety of ways, ranging from high school students to graduate students and adult learners.

- Many enroll on a part-time basis in order to balance employment and/or family responsibilities.
- Many of the students who come to our “open door” community and technical colleges are not prepared for college courses and need to complete developmental courses first.

Figure 10: Diversity of enrollment status

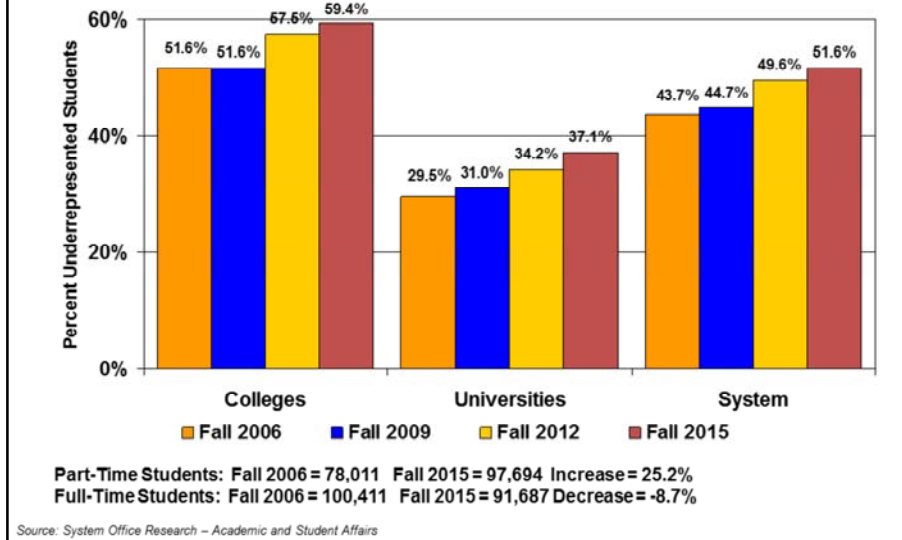


Source: System Office Research – Academic and Student Affairs

Students enrolling as a first-time undergraduate student, represent a minority of our students (34%). Another 35% enrolled in our colleges and universities as transfer students.

- Fifteen percent of our students are still in high school and are taking advantage of the PSEO program to earn college credits.
- Four percent of our students are enrolled at our universities at the graduate level.
- Finally 12% of our students come to us to take credit courses but aren't seeking a certificate or degree.

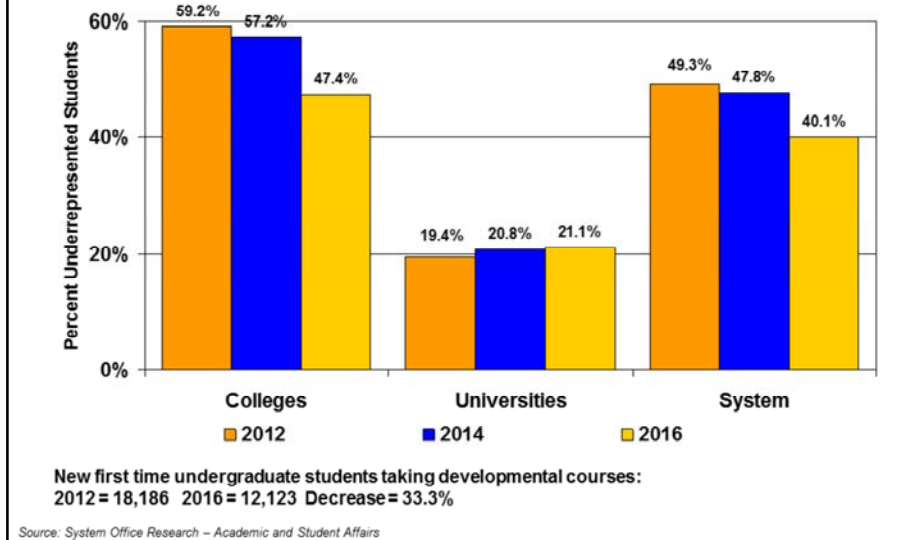
Figure 11: An increasing percentage of our students are enrolled on a part-time basis



As our students juggle jobs, finances, children, and other responsibilities, an increasing percentage are enrolled on a part-time basis.

- Since Fall 2006 the number of part-time students increased by 25% across the system, which accounts for all enrollment growth during the last ten years.

Figure 12: The percent of new first time students taking developmental courses at the colleges has decreased



The percent of new first time undergraduate students that take developmental courses in their first year is a measure of college readiness and of how developmental education delivery is being redesigned. These figures do not include transfer students or high school students enrolled in Postsecondary Options courses.

- The systemwide percent of first time students taking developmental courses in their first year decreased from 49.3% in 2012 to 40.1% in 2016.

Figure 13: Completion rates vary by academic preparation and financial need

Minnesota State Colleges Students Entering in Fall 2005 through Fall 2012			
Completion Rates at Third Spring After Entry	Less Prepared	Moderately Prepared	Highly Prepared
Low Financial Need	49%	57%	57%
Moderate Financial Need	44%	52%	53%
High Financial Need	33%	42%	38%

Minnesota State Universities Students Entering in Fall 2003 through Fall 2009			
Completion Rates at Sixth Spring After Entry	Less Prepared	Moderately Prepared	Highly Prepared
Low Financial Need	50%	53%	58%
Moderate Financial Need	46%	49%	56%
High Financial Need	39%	44%	51%

27

Source: System Office Research – Academic and Student Affairs

Financial need and academic preparation are important predictors of student success.

- This chart illustrates how academic preparation and the availability of financial resources affects our students' completion rates.
- College completion rates are measured three years after entry and include both graduation and transfer.
- University completion rates are measured six years after entry and include graduation.
- The overall completion rate for both college and university students is 49%.

As academic preparedness declines and financial need increases, completion rates decrease. Most of our students are not in the upper right-hand corner of these tables. Most do not have high ACT or Accuplacer scores nor do they come from families that can easily afford the cost of a post-secondary education. However, to meet the state's pressing need for more graduates with post-secondary credentials we must address the college readiness and financial needs of these students. Hence, we pursue strategies to address both affordability and completion.

Academic preparation and financial need are predictors of student success.

This chart illustrates how our students' completion rates vary based on preparation and financial resources.

- Completion rates are measured three years after entry at the colleges and include both graduation and transfer.
- Completion rates are measured six years after entry at the universities and include graduation.
- The overall completion rate for both college and university students is 49%.

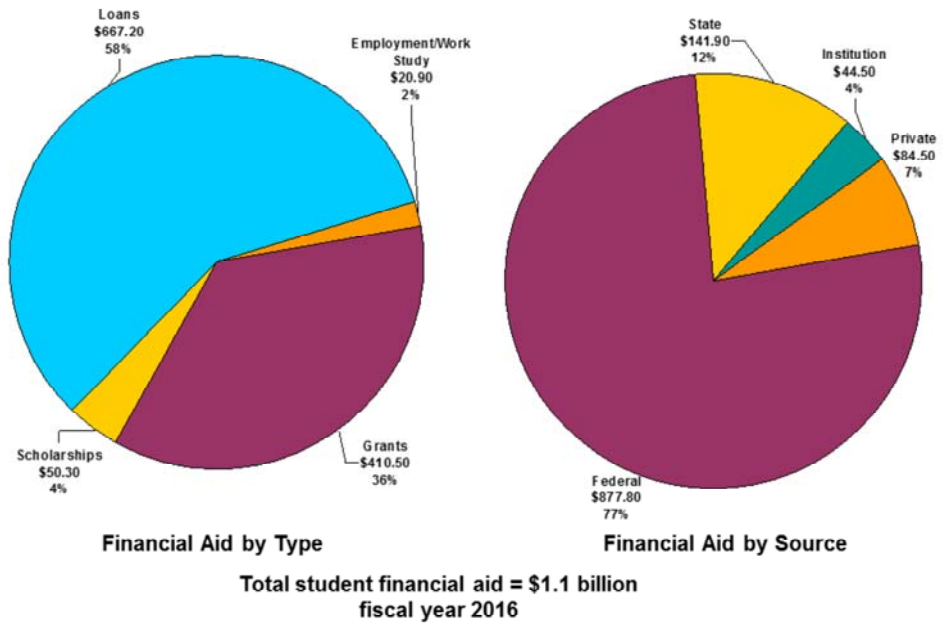
How our students finance their education

- 59% of all students received some form of financial aid in 2016
- 43% received grants
- 10% received scholarships
- 36% took out loans, down from 43% in 2013
- 3% received work-study awards or student employment
- 52% of our students who apply for financial aid are considered to be independent of their parents

How students finance their education has changed – an increasing percent of our student receive some form of financial aid.

- 59% of all students received some form of financial aid in 2016.
- 36% took out loans, down from 43% in 2013.
- 52% of those who apply for financial aid are independent of their parents.

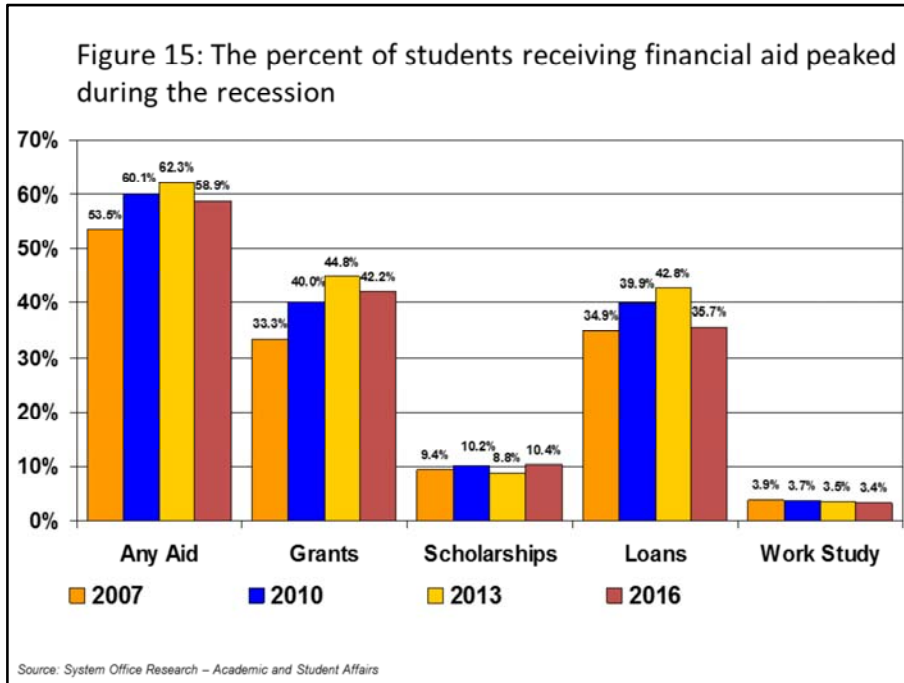
Figure 14: Student financial aid by type and source



Source: System Office Research – Academic and Student Affairs

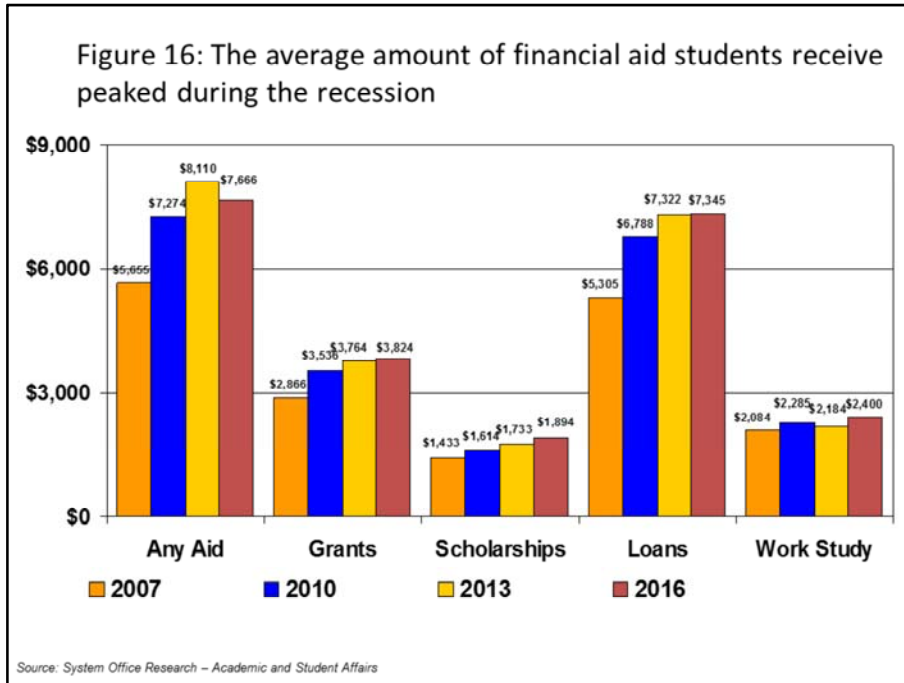
Our students received \$1.1 billion dollars in financial aid in fiscal year 2016.

- Student loans accounted for 58% of the aid, and grants for another 36%.
- 77% of all student aid is federally funded and another 12% is state funded.



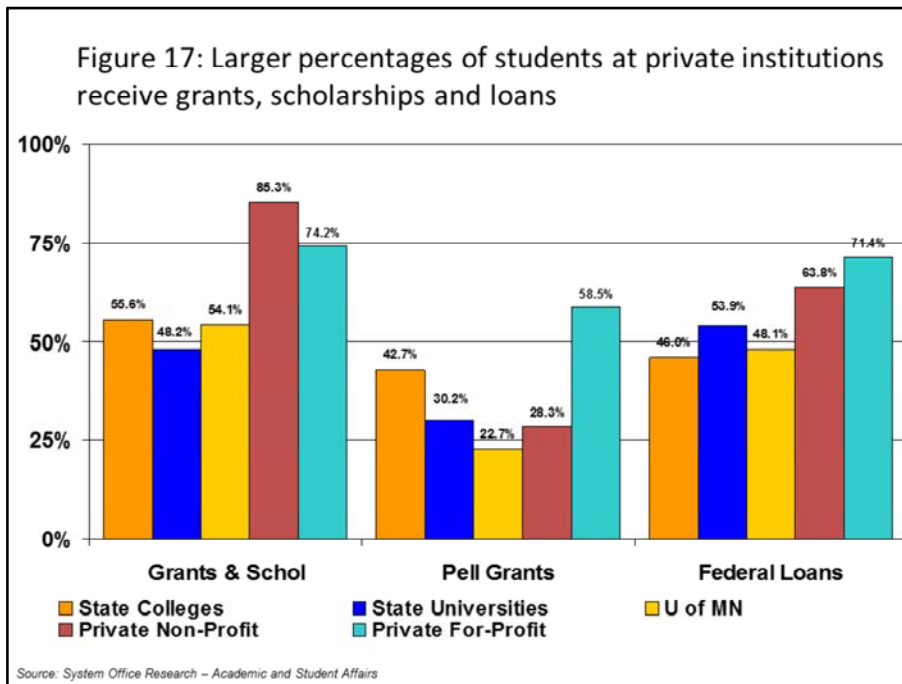
This percent of student receiving financial aid increased from 53.5% in 2007 to 62.3% 2013 and decreased to 58.9 percent in 2016.

- The decline is likely the result of the improving economy and reduced student loan borrowing, which decreased from 42.8 percent in 2013 to 35.7 percent in 2016.



Similarly, there was an increase in the average dollar amounts students receive in financial aid between 2007 and 2013 and a decrease between 2013 and 2016.

- The average total financial aid award increased by 43% from \$5,655 in 2007 to \$8,110 in 2013 and decreased by 5% to \$7,666 in 2016.
- The average increase in tuition and fees between 2007 and 2017 was 29%.



This chart shows how financial aid for our students compares to that offered by the University of Minnesota and private colleges/universities.

- Much larger percentages of students at the private non-profit (purple) and for-profit colleges and universities (light blue) receive grants and scholarships and take out federal student loans.
- Students at the private for-profit institutions also have the highest percentage of receipt of Pell grants.
- The most notable differences in average awards are in grants and scholarships for students at the University of Minnesota and the private non-profit colleges and universities.
 - Our students had average grants and scholarships of \$4,000 while students at the privates had an average of \$18,000 and students at the U of MN averaged almost \$7,000.

Figure 18: Debt of Minnesota State Graduates

	MN State % With No Debt	Median Debt for All Graduates	Median Debt for Graduates Who Borrowed
Certificates/ Diplomas	46.4%	\$2,055	\$11,030
Associate Degrees	34.3%	\$8,390	\$16,000
Baccalaureate Degrees	26.3%	\$18,616	\$25,560

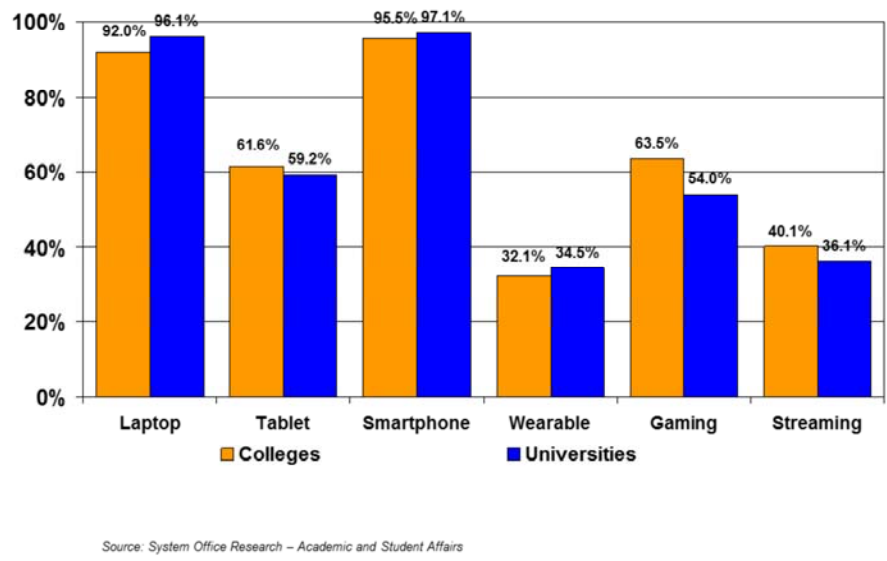
Cumulative student loan debt for 2015 graduates.

Source: System Office Research – Academic and Student Affairs

It's important to recognize the unique advantage of our system:

- Significantly lower debt loads for graduates at the colleges.
- A large percentage of Minnesota State students graduate with no debt at all: 26% to 46%, depending on the academic award received.

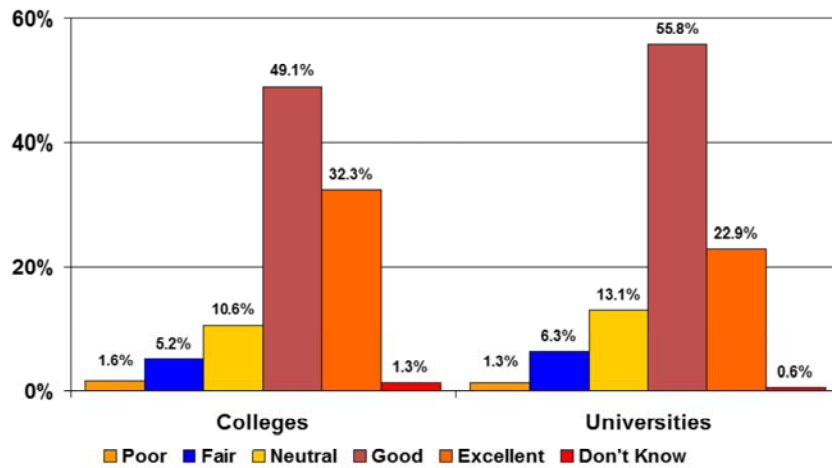
Figure 19: Two-thirds of student respondents reported owning three or more internet devices



The colleges and universities conducted a student survey on the use of technology during spring semester 2016. Educause, a higher education technology association, developed and administered the survey. Students were asked about their use of technology in their education, their assessment of campus technology infrastructure and their desired technology uses.

- Over 11,000 students completed the survey and the response rate was 13 percent.
- Campus and system staff are reviewing the survey results in more detail to assess student responses and identify next steps.
- The vast majority of respondents reported owning a laptop and a smartphone.
- Almost two-thirds reported owning a tablet and over half reported owning a gaming device.

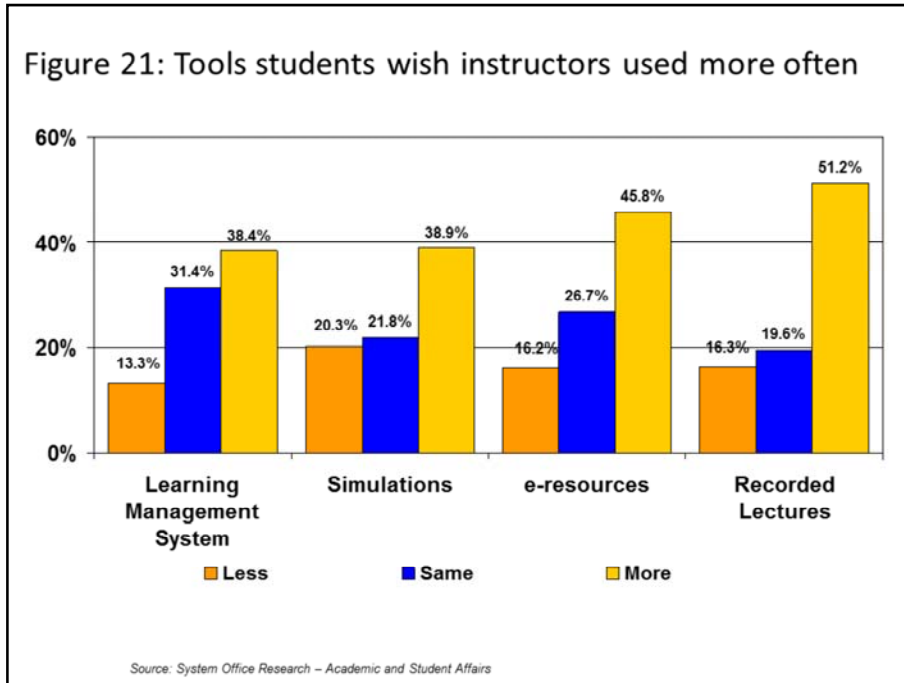
Figure 20: Four of five student respondents reported that their overall technology experience was good or excellent



Source: System Office Research – Academic and Student Affairs

Almost 80% of college and university respondents rated their overall technology experience as good or excellent.

Figure 21: Tools students wish instructors used more often



Substantial percentages of students responded that they wished instructors used the following tools more in their courses:

- Learning management system (Desire 2 Learn)
- Simulations
- E-resources
- Recorded lectures



MINNESOTA STATE

THANK YOU



MINNESOTA STATE IS AN EQUAL OPPORTUNITY EMPLOYER AND EDUCATOR

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

Agenda Item Summary Sheet

Name: Academic and Student Affairs

Date: November 16, 2016

Title: Concurrent Enrollment

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

This presentation will focus on concurrent enrollment programming across the colleges and universities of Minnesota State. The first segment of the presentation will provide an executive summary of concurrent enrollment programs, including the history of these programs, relevant legislation and policy, student demographics and enrollment trends, and student persistence and completion rates. The first segment will also describe the current challenges and opportunities impacting concurrent enrollment by summarizing changes necessary to meet the Higher Learning Commission’s minimum faculty qualification requirements and changes to current pricing structures to sustain high-quality programs that are accredited by the National Alliance of Concurrent Enrollment Programs. The second segment of the presentation will present a comprehensive plan to address concurrent enrollment, proposed and supported jointly by Education Minnesota, the Minnesota State College Faculty (MSCF), the Inter-Organization Faculty (IFO), and Minnesota State.

Scheduled Presenter(s):

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Pakou Yang, System Director of P-20 and College Readiness
Connie Gores, President, Southwest Minnesota State University
Laura Urban, President, Alexandria Technical and Community College
Kevin Lindstrom, President, Minnesota State College Faculty
Jim Grabowska, President, Inter-Organization Faculty
Denise Specht, President, Education Minnesota

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

INFORMATION ITEM
CONCURRENT ENROLLMENT

BACKGROUND

This presentation will focus on concurrent enrollment programming across the colleges and universities of Minnesota State. The first segment of the presentation will provide an executive summary of concurrent enrollment programs, including the history of these programs, relevant legislation and policy, student demographics and enrollment trends, and student persistence and completion rates. The first segment will also describe the current challenges and opportunities impacting concurrent enrollment by summarizing changes necessary to meet the Higher Learning Commission’s minimum faculty qualification requirements and changes to current pricing structures to sustain high-quality programs that are accredited by the National Alliance of Concurrent Enrollment Programs. The second segment of the presentation will present a comprehensive plan to address concurrent enrollment, proposed and supported jointly by Education Minnesota, the Minnesota State College Faculty (MSCF), the Inter-Organization Faculty (IFO), and Minnesota State.

Minnesota State Colleges and Universities offer dual credit opportunities to high school students through Post-Secondary Enrollment Options (PSEO) and concurrent enrollment. Minnesota State Colleges and Universities Board Policy 3.5 defines PSEO as the program established by Minnesota State Statutes 124D.09 to "promote rigorous educational pursuits and provide a wider variety of options for students." Through PSEO, high school students may earn both secondary and postsecondary credit for college or university courses completed on a college or university campus, at a high school, or at another location. Concurrent enrollment courses are defined as a college or university course made available through the PSEO program, offered through a secondary school, and taught by a secondary teacher. Board policy articulates PSEO expectations, including enrollment on campus, compliance with standards, and developmental courses. System Procedure 3.5.1 sets the purpose; admission requirements for PSEO students; PSEO student support, enrollment, and performance; and PSEO offered through concurrent enrollment courses.



November 16, 2016
Academic and Student Affairs

Concurrent Enrollment

Board of Trustees
Academic and Student Affairs Committee

EXECUTIVE SUMMARY

- Concurrent enrollment programs provide an important pathway from high school to postsecondary education.
 - Increases access to postsecondary education
 - Increases affordability of postsecondary education
 - Serves an increasingly diverse student population
 - Improves postsecondary success and completion

2



Across the nation, high schools and higher education institutions have been partnering to offer what are known as dual credit opportunities, where a high school student earns both college credit and high school credit simultaneously. In Minnesota, these dual credit options include Advanced Placement, International Baccalaureate, PSEO, and concurrent enrollment.

Concurrent enrollment, sometimes referred to as dual enrollment or college in the schools, is a pathway that provides opportunities for students to earn dual credit by taking college courses on their high school campus taught by qualified and mentored high school teachers. Under concurrent enrollment models, school districts enter into contractual agreements with colleges and universities to offer this opportunity in their high schools.

Minnesota has been offering concurrent enrollment for 30 years. Currently, 33 of our 37 colleges and universities have concurrent enrollment programs in place. In the last 10 years alone concurrent enrollment has increased by 111%, from approximately 12,100 in 2007 to 25,600 in 2016 students. Minnesota State currently provides 84% of all concurrent enrollment credits offered across the state of Minnesota.

Not only do concurrent enrollment programs strengthen the partnership between secondary and postsecondary, they also provide significant benefits for students, families, and Minnesota communities. Earning college credits while they are in high school, students enter college better prepared and familiar with college expectations. In addition, because students and families do not pay tuition and fees for the college courses, concurrent enrollment makes college more affordable.

Although dual credit opportunities have been traditionally offered for academically high-achieving students, more and more concurrent enrollment programs are open to students in the academic middle who benefit from the challenge and rigor of these courses alongside high-performing peers.

Concurrent enrollment also plays a critical role in addressing educational disparities. As more students of color and American Indian students, low-income students, and first-generation students (populations that have been traditionally underrepresented in higher education) participate in concurrent enrollment programs, preparation gaps are narrowed and these underrepresented students enter college better poised for success.

Research on concurrent enrollment programs have shown their positive impacts on students, both short-term and long-term. Students who participate in dual credit opportunities are more likely to enroll and attend college, persist in college, and complete their college degree programs. Students who complete concurrent enrollment courses while in high school also shorten their time to degree completion.

Within Minnesota State:

- Three-fourths of concurrent enrollment students enroll in postsecondary institutions within 2 years after high school.
- 47 percent of the concurrent enrollment students that enroll in higher education after high school attend a Minnesota State college or university.
- In addition, concurrent enrollment students who have enrolled at our colleges and universities after high school have substantially higher persistence rates and completion rates than students who did not take concurrent enrollment courses.

It is also important to acknowledge the benefits of concurrent enrollment to participating high schools, colleges, and universities.

- For the high schools, students have access to dual credit opportunities within the setting of the local high schools. High schools retain these mostly high-achieving and highly motivated students that contribute to the high school culture. In addition, high school teachers are delivering college-level course content, setting college-level expectations, and contributing to the college-going environment. They also develop relationships with the college faculty, strengthening the collaboration between secondary and postsecondary systems.
- For our colleges and universities, more students arrive college-ready and with a greater propensity for persistence and complete their program of study. College and university

faculty members develop relationships with high school teachers, contributing to the collaboration between secondary and postsecondary, and engaging in professional development that is often mutually beneficial to faculty as well as concurrent enrollment instructors.

EXECUTIVE SUMMARY (CONT'D)

- Program quality is central to student success and program sustainability.
 - Curricular rigor and high standards for student achievement are critical to appropriately prepare high school students for postsecondary education
 - To ensure financial sustainability and the continued growth and strengthening of high-quality concurrent programs, pricing structures must reflect the cost of ongoing program development and delivery

3



High quality, sustainable concurrent enrollment programs are essential to ensuring that future generations of high school students have access to this important education pathway.

First and foremost, we must ensure that all concurrent enrollment courses offered in high schools meet college-level standards and expectations, course and student outcomes, and are delivered with rigor and quality. The Higher Learning Commission expects this of all of our college courses as well as of concurrent enrollment courses, as assured in our accreditation processes. The National Alliance of Concurrent Enrollment Partnerships, a nonprofit organization comprised of concurrent enrollment programs across the nation, also has program-level accreditation standards that supports and ensures high quality courses and programs.

To ensure that our colleges and universities are able to sustain high quality programs, it is important that we are able to offer specific concurrent enrollment programming features, such as:

- Annual orientation to all new and current high school teachers
- Professional development opportunities for high school teachers to engage in discipline-specific learning with our college faculty

- Collaboration between high school teachers and college faculty to ensure that the concurrent enrollment course taught at the high school meets the same level of course outcomes as the college course taught at the postsecondary institution
- Individual course evaluations
- Comprehensive program evaluations, and
- Appropriate program oversight and accountability.

The Minnesota State system recently adopted new pricing structures to ensure that all direct program costs are covered, enabling campuses to provide high-quality programs and NACEP-accredited courses, processes, services, evaluation, and oversight. We must ensure that our programs are financially sustainable if we are to continue to grow and strengthen them.

EXECUTIVE SUMMARY (CONT'D)

- Faculty academic preparation and depth of content knowledge is central to program quality.
 - Concurrent enrollment instructors provide education for which Minnesota State awards academic credit
 - Like college and university faculty, their value to students lies in their advanced subject expertise
 - Focused graduate education in the subject area is a necessity
 - Mentorships with college and university faculty allow for exchange of creative ideas and best teaching practices

4



Appropriate academic preparation and deep content knowledge is central to ensure the academic quality of college courses. The quality of college courses is upheld through the quality of the instructors, the content and outcomes of the courses, and the capabilities of students who complete the courses.

The credits that students earn in concurrent enrollment courses is exactly the same academic credit that students earn in our college and university classrooms. It's key that it hold the same meaning in terms of learning outcomes, skills acquired, ability to perform in college and eventually in the workplace.

As with our college and university faculty, minimum qualifications include graduate education in a focused discipline or concentration to ensure that teachers have a mastery of the major theories, methods, and approaches in a subject area. Advanced subject expertise also means that teachers are well prepared to help students to apply knowledge beyond typical high school level to important questions and problems.

One of the most exciting elements of our faculty's work with concurrent enrollment instructors is the mentor-mentee relationships, in which both groups have an opportunity to learn from one another about how their students are alike and how they differ. High

school teachers get to consider different methods of teaching or new kinds of assignments, while college instructors get to learn more about the changing world of high-school graduates they'll soon be seeing, and how prepared they are to do college work.

EXECUTIVE SUMMARY (CONT'D)

- Minnesota State is working collaboratively with faculty and administrative leadership across K-12 and higher education, and with local Concurrent Enrollment Advisory Committees to address important concurrent enrollment issues.
 - Ensuring that all concurrent enrollment instructors meet the Higher Learning Commission's standards for minimum faculty qualifications
 - Sustaining high quality programs through appropriate pricing structures



Minnesota State is working collaboratively with faculty and administrative leadership across K-12 and higher education, and with local Concurrent Enrollment Advisory Committees to address important concurrent enrollment issues.

Faculty Credentials

In June 2015, the Higher Learning Commission (a regional accrediting body that accredits all colleges and universities in Minnesota and 18 additional states) approved clarifications to its *Assumed Practices* designed to ensure academic quality by requiring common minimum qualifications for faculty teaching college level courses.

These qualifications focus on graduate academic coursework and establish minimum standards for faculty credentials.

- For faculty members teaching undergraduate-level courses in general education disciplines, the faculty member must hold a master's degree or higher in the discipline or subfield in which he or she is teaching. If a faculty member holds a master's degree or higher in a discipline or subfield other than that in which he or she is teaching, that faculty member must have completed a minimum of 18 graduate credit hours in the discipline or subfield in which they teach.
- A faculty member teaching courses in career technical education programs should hold a bachelor's degree in the field and/or a combination of education, training, and

tested experience.

- In addition, the HLC expects that postsecondary institutions assure that “the faculty members teaching dual credit courses hold the same minimal qualifications as the faculty teaching on its own campus”.

The deadline for ensuring that all faculty meet these expectations was originally set at September 1, 2017. However, the Higher Learning Commission later created a process for institutions to seek an extension of that deadline for concurrent enrollment instructors, given the significant gaps between existing faculty credentials and expected faculty credentials among high school teachers delivering concurrent enrollment. If approved, extensions could defer the implementation date as far out as the year 2022. The extension application materials were made available in March 2016 to all 19 HLC states and postsecondary institutions, or systems of institutions, have until December 15, 2016 to submit an application. Minnesota State will be submitting an application on behalf of all of our colleges and universities this fall.

A Minnesota State systemwide review in Spring 2016 found that 76% of the nearly 1,400 concurrent enrollment instructors do not currently meet the minimum faculty qualifications required by the HLC. Gaps in meeting the HLC minimum faculty qualifications range from 1 to 18 credits of graduate level, discipline-specific coursework.

Pricing Structures and Program Costs

A recent systemwide review of concurrent enrollment program pricing structures revealed that colleges and universities were using widely varied pricing structures, resulting in confusion among secondary partners and competition between institutions. In addition, the review indicated that most programs were not covering their direct costs, jeopardizing the long-term sustainability of the programs. The outcome of the review led to the development of a new pricing structure recommendation: one structure for colleges, and a second structure for universities. Both pricing structures are built to ensure that direct program costs are covered by the contracting high schools. The pricing structures will be phased in over 5 years at the colleges, and 3 years at the universities, beginning in fiscal year 2018.

Collaboration

Internally, Minnesota State colleges and universities have been working collaboratively among and across our campuses to address these challenges. Among external partners, we are working with school districts, high schools and our concurrent enrollment advisory boards at the local level.

In 2015, legislation passed that required all postsecondary institutions with concurrent enrollment programs to establish local advisory boards to provide advice and input, review course offerings, and serve as a coordinating entity and facilitator of communication among concurrent enrollment partners, stakeholders, the legislature, and the public.

- All Minnesota State programs now have local advisory boards in place. Currently there are

243 secondary members and 158 postsecondary members on these advisory boards.

- Throughout the fall, these local advisory boards have been discussing the Higher Learning Commission's faculty qualifications requirements, tested experience, and the Minnesota State roll-out of the new pricing structure.
- Advisory board discussions and feedback will help ensure that all high school faculty will meet the minimum qualifications defined by the Higher Learning Commission's, and will provide input into our tested experience approach and the implementation of the new pricing structures.

Because both secondary and postsecondary partners are deeply invested in ensuring that concurrent enrollment programs are sustained in the upcoming years, we will continue to collaborate closely with one another in the upcoming years.

The second part of this presentation will share a comprehensive plan to address concurrent enrollment that stems from the collaboration between secondary and postsecondary and, within Minnesota State, our faculty and administration.

Questions on Background Materials?



Draft comprehensive plan to sustain high-quality concurrent enrollment

1. Create **processes** that support concurrent enrollment instructors to meet the credentialing standards by 2022, the anticipated HLC extension timeline.
2. Create **pathways** to support concurrent enrollment instructors to meet the minimum credentialing requirement.
3. Provide opportunities to **award graduate-level credit** to high school teachers who elect to **demonstrate graduate-level learning and experience** through a portfolio evaluation process.

7



Education Minnesota, the Minnesota State College Faculty (MSCF), the Inter-Organization Faculty (IFO), and Minnesota State have joined together to move forward a comprehensive plan to support the vitality of high quality concurrent enrollment programs and to assist concurrent enrollment instructors in meeting minimum faculty qualification requirements.

Our collaborative work contains six key focal points:

1. Create processes that support concurrent enrollment instructors in meeting the credentialing standards by 2022 (assuming approval of our extension request). These include a credentialing review process, professional development plans, and processes for recognizing master of education degrees that include discipline-specific content.
2. Create pathways to support concurrent enrollment instructors to meet the minimum faculty requirement standards, including pathways that offer graduate-level, discipline-specific courses; offer graduate-level credit for prior learning opportunities where it is appropriate and possible; and offer master of education degree programs that allow for 18 credits of discipline-specific content.
3. Provide opportunities and processes to award graduate-level credit to high school

teachers who elect to demonstrate graduate-level learning and experience through a portfolio evaluation process in order to meet some or all of the graduate-level, discipline-specific credentialing requirements in this manner.

Draft comprehensive plan to sustain high-quality concurrent enrollment (cont'd.)

4. Offer the option for concurrent enrollment instructors and college or university faculty members to **team-teach concurrent enrollment courses**.
5. Work collaboratively to address concurrent enrollment credentialing on an **ongoing and sustainable basis**.
6. Seek **options and resources** to support the long-term sustainability of concurrent enrollment programs and to support concurrent enrollment instructors in meeting the minimum faculty qualification standards.

8



4. Offer the option for concurrent enrollment instructors and college or university faculty members to team-teach concurrent enrollment courses. This team-teaching approach could be used as a bridge or transition for concurrent enrollment instructors working on meeting credentials or as a viable long-term option that is used in unique circumstances.
5. Work collaboratively with other stakeholders and organizations to create processes and approaches to support concurrent enrollment instructors in meeting the minimum faculty qualification on an ongoing and sustainable basis.
6. Work with the State of Minnesota to seek options and resources to support the long-term sustainability of concurrent enrollment programs and to support concurrent enrollment instructors in meeting the minimum faculty qualification standards.

This action plan is intended to address the needs of both current and future concurrent enrollment instructors, up to the anticipated extension deadline of 2022. As of September 2022, all new concurrent enrollment instructors in the high schools will be required to possess the appropriate academic credentials prior to teaching in a Minnesota State

concurrent enrollment program.

Education Minnesota, MSCF, IFO and Minnesota State are partnered to move forward this comprehensive plan. Our collaboration illustrates that secondary and postsecondary are both invested in concurrent enrollment and we will continue to work collaboratively to support high quality, sustainable concurrent enrollment programs across Minnesota.

STRATEGIC QUESTIONS FOR DISCUSSION

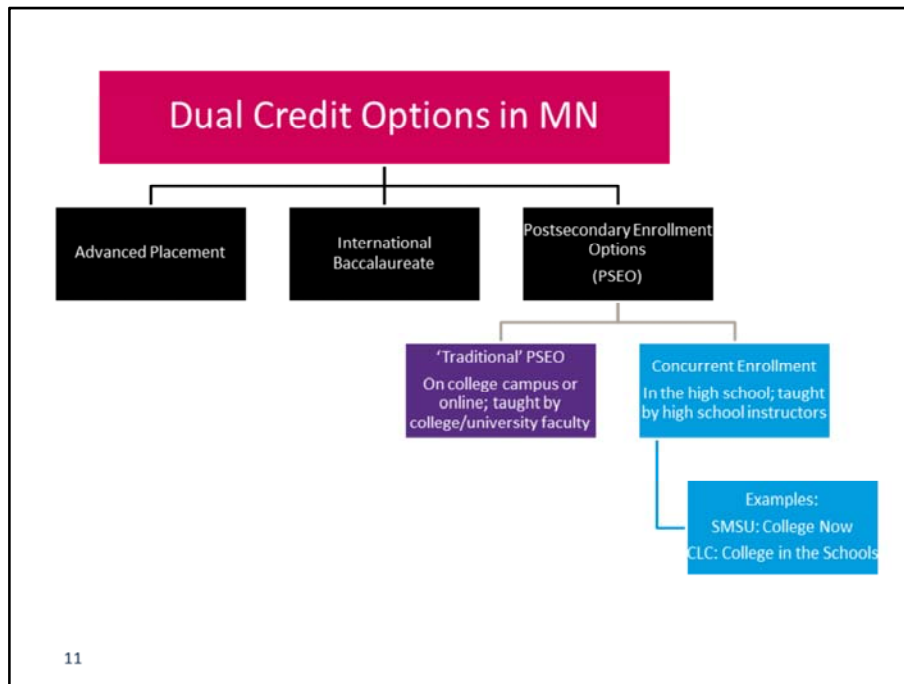
1. What additional strategic considerations would you suggest the colleges and universities consider relative to concurrent enrollment?
2. What specific policy questions would you suggest the colleges and universities consider relative to concurrent enrollment?
3. Are there additional ways you would suggest that concurrent enrollment be employed to help eliminate educational outcome disparities?



MINNESOTA STATE

Background Materials



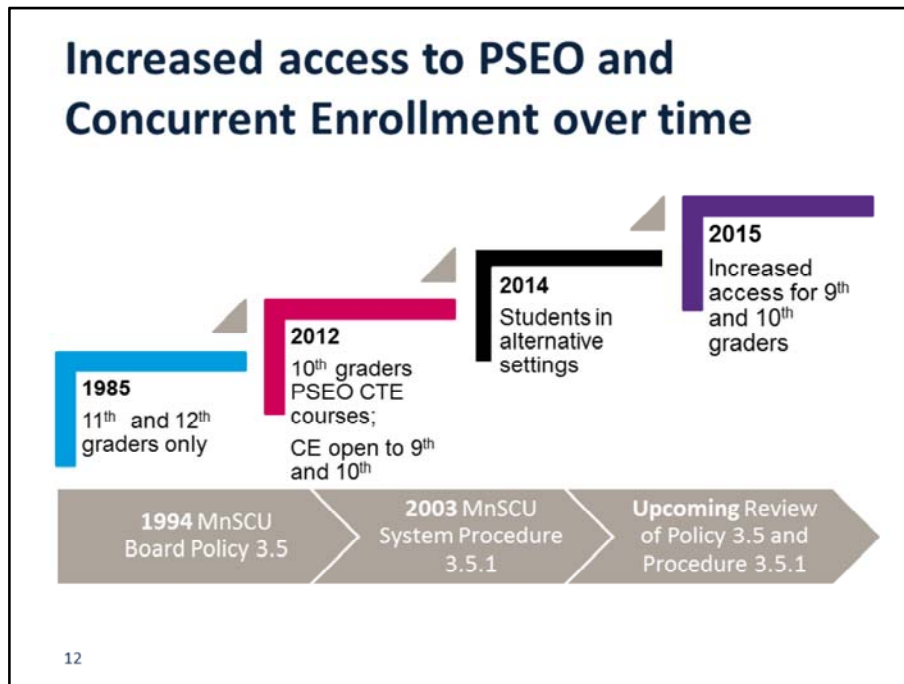


Definitions of Dual Credit Options in MN

Across the nation, high schools and higher education institutions have been offering what are known as dual credit opportunities, which include any situation where a high school student earns both college credit and high school credit simultaneously. In Minnesota, these dual credit options include Advanced Placement, International Baccalaureate, Post Secondary Enrollment Option (PSEO), and concurrent enrollment.

In Minnesota, PSEO has provided the opportunity for individual students to earn dual credit by taking college courses taught by a college or university faculty on the college or university campus or taught online. This is generally referred to as “traditional PSEO”.

Concurrent enrollment, sometimes referred to as dual enrollment or college in the schools, is a pathway that provides opportunities for students to earn dual credit by taking college courses on their high school campus taught by qualified and mentored high school teachers. Under concurrent enrollment models, school districts enter into contractual agreements with colleges and universities to offer this opportunity in their high schools.



History of PSEO and Concurrent Enrollment

In 1985, Minnesota was the first state to create a statewide opportunity for high school students to access college courses through the Post-Secondary Enrollment Options Act. The original intent of the law was to allow individual students, who were excelling academically in their high schools, access to more rigorous courses by taking college courses on a college or university campus. The first few concurrent enrollment programs were also created in the late 1980s. These options were initially open to juniors and seniors across the state enrolled in public, private, and home school settings.

In 1994, the Board adopted Policy 3.5 that provided guidance on PSEO within our system. In 2003, the Board Policy was updated to include concurrent enrollment and MnSCU System Procedure 3.5.1 was created. This procedure specifies admission requirements for PSEO students, expectations for student support, enrollment, and performance, and guidance on concurrent enrollment courses.

More specifically, MnSCU procedure 3.5.1. articulates eligibility criteria for participation in

PSEO and concurrent enrollment. 11th graders must rank in the upper 1/3 of their class or score at or above the 70th percentile on a nationally-normed test (such as the ACT). Seniors who are in the top 50% of their class or score at or above the 50th percentile on a nationally normed test are eligible to participate. Colleges and universities may also admit students based on other documentation of readiness, and may set higher standards than those articulated in system procedure 3.5.1. if doing so is deemed appropriate.

In recent years, the PSEO law has been legislation has modified to increase access to both traditional PSEO and concurrent enrollment programs.

- In 2012, legislation allowed for 10th graders to access PSEO courses in career technical education courses. Students can initially enroll in a singular CTE course and upon successful completion of the course (C or higher), students can enroll in additional CTE courses. Legislation was also passed in 2012 that allowed 9th and 10th graders to access concurrent enrollment courses if a high school could not generate sufficient enrollment in a concurrent enrollment course for 11th and 12th graders.
- In 2013, aligned with the World's Best Workforce legislation for K12, legislation directed school districts to actively encourage college-ready high school students to enroll in dual credit offerings.
- In 2014, language was added to provide access to PSEO for students in Alternative programs who are enrolled in early or middle college programs. The language also allowed for this particular group of students to take developmental education coursework via PSEO if needed.
- In 2015, the language permitting 9th and 10th graders was expanded to more allow any 9th and 10th graders to enroll in concurrent enrollment if the school district and postsecondary institution agree to do so.

2015 Legislative requirements for concurrent enrollment

- All postsecondary institutions offering concurrent enrollment programs to meet accreditation standards of the National Alliance of Concurrent Enrollment Partnerships (NACEP) by 2020-2021
- All postsecondary institutions offering concurrent enrollment programs to establish local advisory boards
- Concurrent enrollment programs must submit evaluative surveys annually

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2015 Legislation on Concurrent Enrollment

2015 legislation requires all postsecondary concurrent enrollment programs:

- to be accredited by the National Alliance of Concurrent Enrollment Partnerships (NACEP) by 2020-2021,
- to establish local concurrent enrollment advisory boards, and
- to submit program evaluation survey data for inclusion in an annual legislative report.

According to statutory requirements, postsecondary institutions must adopt and implement the National Alliance of Concurrent Enrollment Partnership's program standards and required evidence for accreditation by the 2020-2021 school year and later. Currently, one-third of Minnesota State concurrent enrollment programs have program accreditation from NACEP. In the upcoming years before 2020-2021, the other two-third of campuses will be seeking NACEP accreditation.

Last year (2015-2016), all Minnesota State concurrent enrollment programs established local concurrent enrollment advisory boards that included secondary and postsecondary members. The duties of the local advisory boards include the following:

- provide strategic advice and input relating to contemporary concurrent enrollment

issues,

- recommend and review proposals for concurrent enrollment course offerings
- serve as a coordinating entity between secondary education and postsecondary institution, and
- increase the understanding and collaboration among concurrent enrollment partners, stakeholders, the legislature, and the public.

The advisory board at each institution must consist of 16 members (or less if the institution determines the extent of its program warrants a smaller board), with a faculty coordinator as the chair. Advisory board members, appointed by the postsecondary institution, must be balanced based on geography, school size, and include, if practical, representatives from the following:

- (1) postsecondary faculty members;
- (2) school superintendents;
- (3) high school principals;
- (4) concurrent enrollment teachers;
- (5) high school counselors;
- (6) charter school administrators;
- (7) school board members;
- (8) secondary academic administrators;
- (9) parents; and
- (10) other local organizations.

Colleges and universities shall provide administrative services and meeting space for the board to do its work. Members of the board serve without compensation and shall meet periodically as requested by the college or university to provide advice and proposals.

In addition, all concurrent enrollment programs must submit program survey data to the Office of Higher Education and Department of Education for an annual legislative report on concurrent enrollment. NACEP-accredited postsecondary concurrent enrollment programs must report all required NACEP evaluative survey results. Postsecondary institutions that are not NACEP accredited are required to conduct an annual survey of students one year out of high school, beginning with the high school graduating class of 2016. The survey must include, at a minimum, the following student information:

- (1) the participant's future education plans, including the highest degree or certification planned;
- (2) whether the participant is enrolled or plans to enroll in a Minnesota postsecondary institution, either public or private;
- (3) the number of credits accepted or denied by postsecondary institutions;
- (4) the college or university attended;
- (5) the participant's satisfaction level with the concurrent enrollment program;
- (6) the participant's demographics, such as gender, parent education level, qualification for free or reduced-price lunch in high school, Pell grant qualification and ethnicity; and
- (7) a place for participants to provide comments.

Minnesota State Concurrent Enrollment Programs

- Alexandria Technical and Community College
- Anoka-Ramsey Community College
- Bemidji State University
- Central Lakes College*
- Century College
- Fond du Lac Tribal and Community College
- Hibbing Community College
- Inver Hills Community College
- Lake Superior College
- Mesabi Range College*
- Minneapolis Community and Technical College
- Minnesota State Community and Technical College*
- Minnesota State College- Southeast*
- Minnesota State University- Mankato*
- Minnesota West Community and Technical College*
- Normandale Community College
- North Hennepin Community College
- Northland Community and Technical College*
- Northwest Technical College
- Rainy River Community College
- Ridgewater College*
- Riverland Community College*
- Rochester Community and Technical College
- Saint Paul College
- Southwest Minnesota State University*
- South Central College
- St. Cloud State University*
- St. Cloud Technical and Community College
- Vermillion Community College

**Accredited by the National Alliance of Concurrent Enrollment Partnership (NACEP)*

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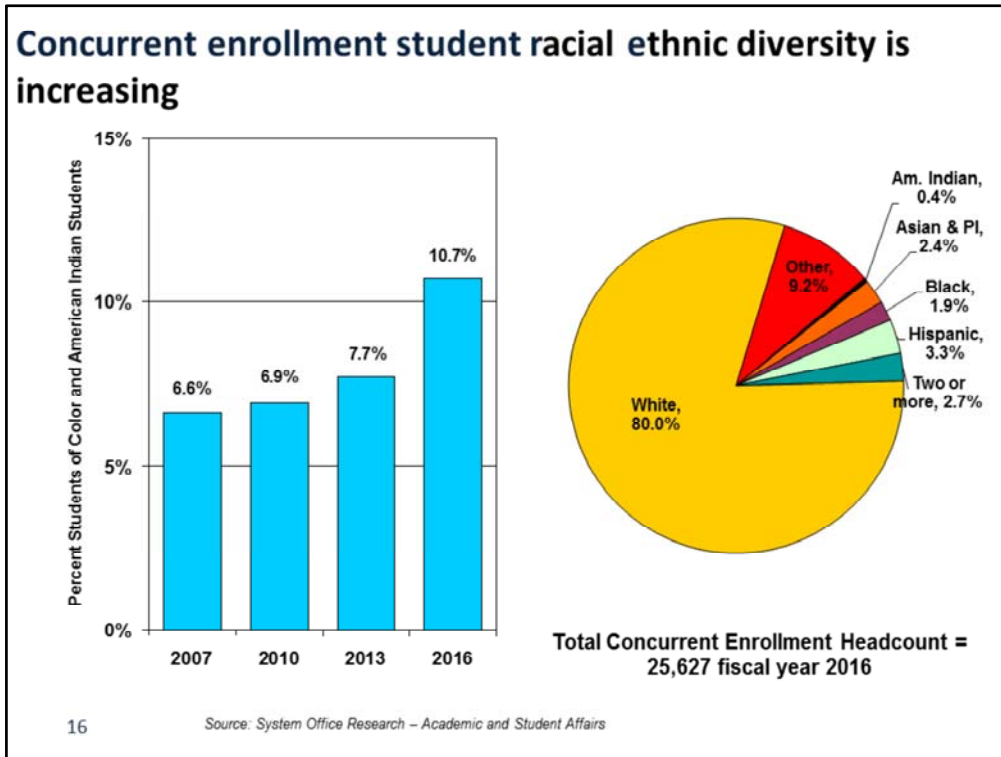
Minnesota State Concurrent Enrollment Programs

Thirty-three Minnesota State institutions offer concurrent enrollment courses, providing 84 percent of the concurrent enrollment student enrollments in the state of Minnesota. The University of Minnesota system also provides concurrent enrollment programming through its Twin Cities, Duluth, and Crookston campuses. A number of private postsecondary institutions also offer concurrent enrollment.

Of the 33 Minnesota State institutions offering concurrent enrollment, eleven have program-level accreditation from the National Alliance of Concurrent Enrollment Partnerships (NACEP), a national non-profit organization of concurrent enrollment programs that has developed national standards for quality concurrent enrollment programs.

**DEMOGRAPHIC PROFILE OF
STUDENTS ENROLLED IN
CONCURRENT ENROLLMENT**

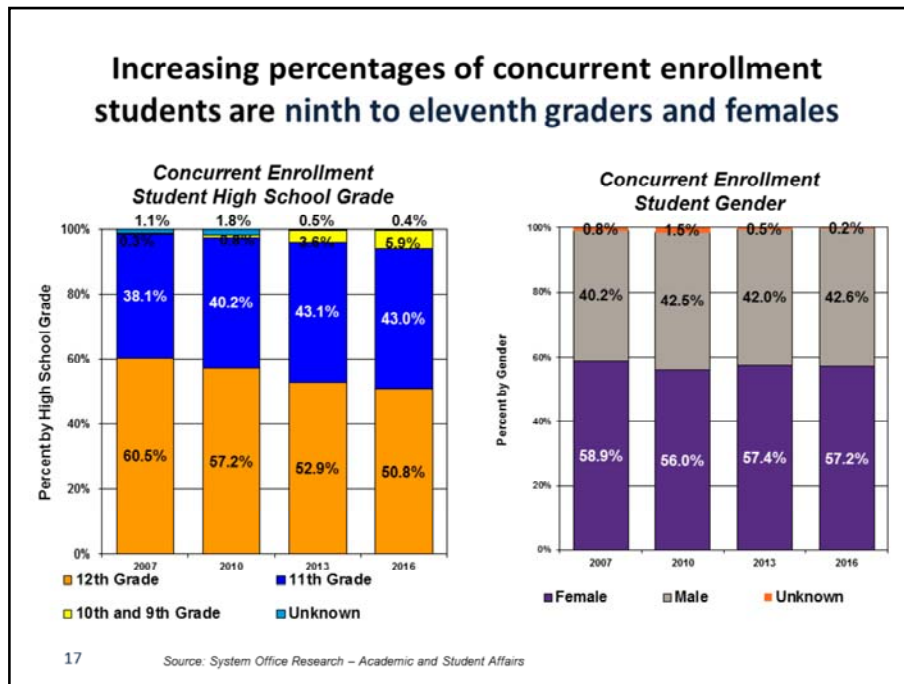




Racial Ethnic Diversity of Concurrent Enrollment Students

The racial-ethnic diversity of concurrent enrollment students increased from 6.6% in 2007 to 10.7% in 2016.

- Despite this increase, the percent of concurrent enrollment students of color and American Indian students is well below 24.9% for our credit students and the 22% for Minnesota public high school graduates.
- This differences is likely related to the racial-ethnic composition of the high schools being served by our college and university concurrent enrollment programs.



Concurrent Enrollment Students by Grade and Gender

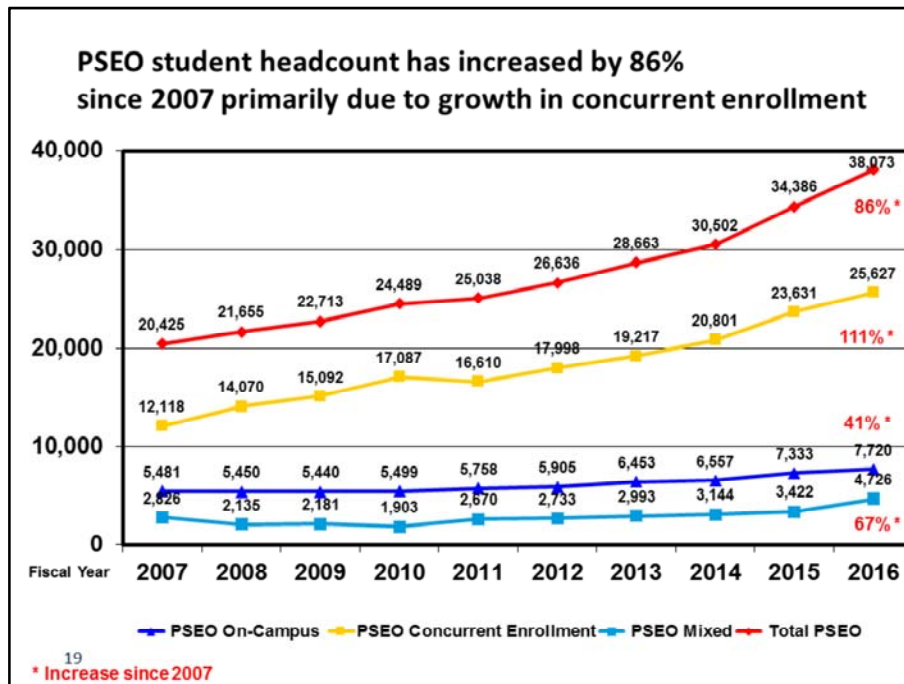
The graphic on the left presents the trend in concurrent enrollment headcount by high school grade.

- Enrollment of 12 grade students decreased from 60% in 2007 to 50% in 2016.
- Eleventh graders comprised almost 43% of all concurrent enrollment students in 2016, up from 38% in 2007.
- Ninth and tenth graders comprised almost 6% of concurrent enrollment students in 2016.

Although males have increased from 40% to 43% of concurrent enrollment students, as shown in the graphic on the right, females still comprise a substantial majority at 57%. The percent of females in concurrent enrollment courses is two percentage points higher than their percent in all other undergraduate courses.

**ENROLLMENT TRENDS IN
CONCURRENT ENROLLMENT**





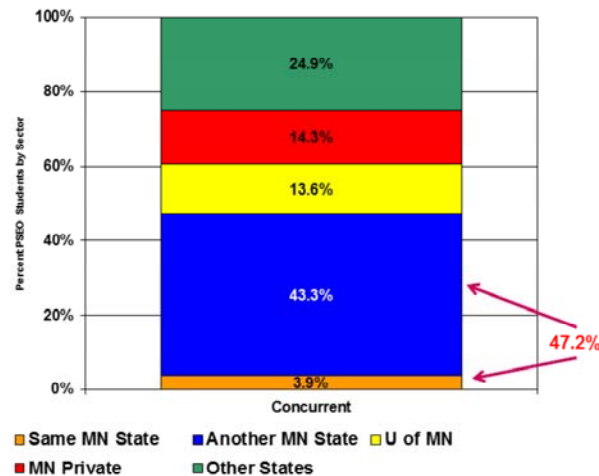
PSEO and Concurrent Enrollment Headcount Growth

Headcount enrollment of all PSEO students (PSEO, concurrent enrollment, and mixed), shown by the red line, has increased by 86% between 2007 and 2016.

- Concurrent enrollment headcount, shown by the yellow line, drove most of this growth, increasing from 12,118 in 2007 to 25,627 in 2016 students.
- PSEO on-campus headcount, shown by the blue line, increased by 41% to 7,720 students in 2016.
- PSEO mixed is a third type of PSEO that includes other delivery models. Headcount in this category, shown by the light blue line, grew by 67%.
- The Minnesota colleges and universities enroll 90% of all the PSEO high school students who enroll at colleges or universities in Minnesota.

These trends illustrate how the colleges and universities are expanding access to and the affordability of higher education for Minnesota’s high school students.

Almost one-half of concurrent enrollment students enroll in Minnesota State within 2 years after HS graduation



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Source: System Office Research – Academic and Student Affairs

Subsequent Enrollment of Concurrent Enrollment Students

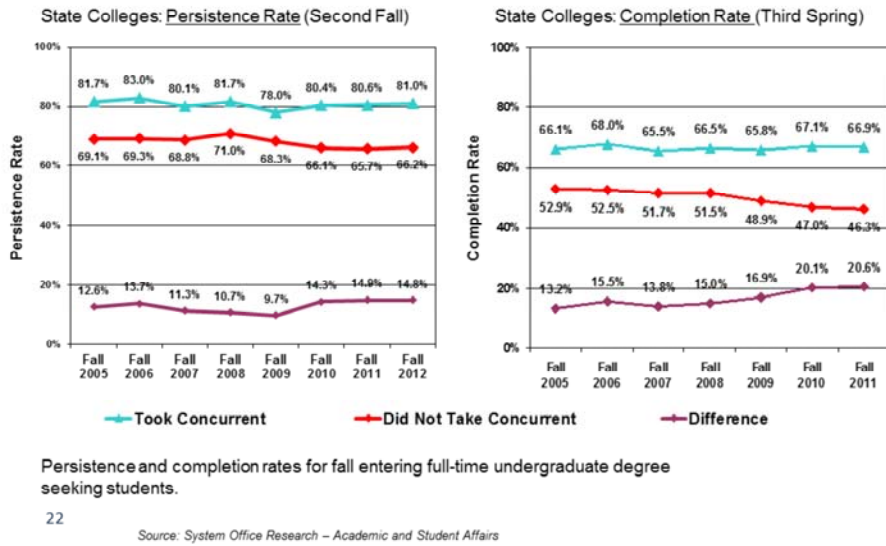
Our share of the concurrent enrollment students that enroll at any Minnesota State college and university after high school graduation is 47%. The University of Minnesota and the Minnesota private colleges and universities enroll 39% of concurrent enrollment students, as shown by the yellow and red sections.

- Although only 4% of the concurrent enrollment students who enroll do so at the college or university where they took their concurrent enrollment courses, an additional 43% enroll at another state college or university, for a total share of 47%.
- These shares are based on an analysis of concurrent enrollment students who attended a state college or university and have a social security number on record in ISRS. Although an SSN is not necessary to track students who enroll within the system, tracking of subsequent enrollment outside of the system is problematic without an SSN.

**PERSISTENCE AND COMPLETION
OF CONCURRENT ENROLLMENT
STUDENTS**



Colleges: Concurrent enrollment students who subsequently enroll at our colleges have substantially higher persistence rates and completion rates than other college students



Persistence and Completion at our Colleges

The term “persistence” is used to measure the extent to which a student persists in higher education.

- The persistence rates reported on the left are for the second fall semester after the students first enrolled and include students who are retained, who have transferred, or who have graduated, all of which are considered to be success.
- Entering college students who took concurrent enrollment courses in high school have second fall persistence rates that are nine to 14 points higher than entering students who did not take concurrent enrollment courses.

College completion rates (on the right) are reported for the third spring after entry and include students who have graduated or transferred.

- Entering college students who took concurrent enrollment courses in high school have completion rates that are 15 to 20 points higher than entering students who did not take concurrent enrollment courses.

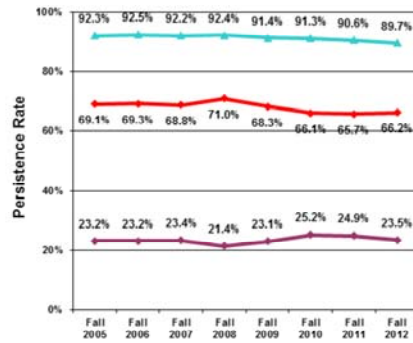
The higher persistence rates for students who took concurrent enrollment courses in high

school are not surprising since these students had high school ranks in the top half or top third of their class and they came to our colleges and universities with higher education experience.

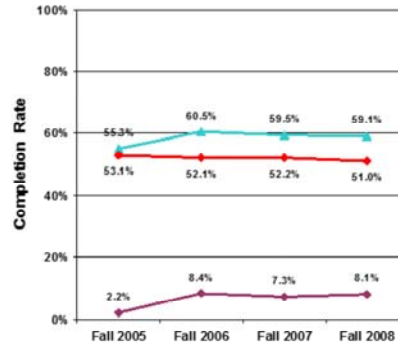
The higher completion rates are the result of the same factors plus the college credits that concurrent enrollment students bring to our colleges and universities, which shorten time to degree.

Universities: Concurrent enrollment students who subsequently enroll at our universities have higher persistence rates and completion rates than other university students

State Universities: Persistence Rate (Second Fall)



State Universities: Completion Rate (Sixth Spring)



◆ Took Concurrent
 ◆ Did Not Take Concurrent
 ◆ Difference

Persistence and completion rates for fall entering full-time undergraduate degree seeking students.

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Source: System Office Research – Academic and Student Affairs

Persistence and Completion at our Universities

This slide shows university persistence rates and completion rates for the cohort of students who enrolled in fall 2005 through 2012.

- University completion rates are reported for the sixth spring after entry and include students who have graduated.
- The pattern of higher persistence and completion rates for students who took concurrent enrollment courses in high school are similar to those at the colleges, but the differences are smaller.
- Students who took concurrent enrollment courses have persistence rates that are four to five points higher and completion rates that are one to eight points higher.

The smaller differences between the two groups are likely due to the fact that universities have selective admissions while the colleges have open door admissions. University entering students have higher class ranks and ACT scores, on average, than college entering students.

CURRENT CHALLENGES IMPACTING CONCURRENT ENROLLMENT



Background on Higher Learning Commission faculty qualifications

- The Higher Learning Commission (HLC) establishes Criteria for Accreditation quality standards and articulates Assumed Practices for those criteria.
- In 2012-2013, HLC conducted a national study on dual enrollment practices, including a focus specifically on concurrent enrollment.
- In 2015, HLC approved clarifications to Assumed Practices, including language on faculty qualifications.

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Background on HLC Faculty Qualifications

The Higher Learning Commission (HLC) Criteria for Accreditation and the Assumed Practices define the quality standards that all member postsecondary institutions must satisfy to achieve and maintain HLC accreditation in 19 states, including Minnesota. After a multi-year review process, the HLC approved new Criteria for Accreditation and Assumed Practices in 2013, reinforcing criteria on faculty qualifications — expectations that have been in existence for over a decade. These criteria strengthened the expectation that the institution provides high quality education and clarified that all instructors must be appropriately qualified, including those in dual credit, contractual, and consortial programs. In 2012-2013, the HLC also conducted a national study on dual enrollment programs and state policy practices, including a focus specifically on concurrent enrollment.

In June 2015, the Higher Learning Commission approved clarifications to its Assumed Practices designed to ensure academic quality by requiring common minimum qualifications for faculty teaching college courses.

These qualifications focus on graduate academic coursework and establish minimum standards for faculty credentials.

- For faculty members teaching undergraduate-level courses in general education disciplines, the faculty member must hold a master's degree or higher in the discipline or subfield in which he or she is teaching. If a faculty member holds a master's degree or higher in a discipline or subfield other than that in which he or she is teaching, that faculty member must have completed a minimum of 18 graduate credit hours in the discipline or subfield in which they teach.
- A faculty member teaching courses in career technical education programs should hold a bachelor's degree in the field and/or a combination of education, training, and tested experience.
- In addition, the HLC expects that postsecondary institutions assure that "the faculty members teaching dual credit courses hold the same minimal qualifications as the faculty teaching on its own campus".

Background on Higher Learning Commission faculty qualifications (cont'd)

- In November 2015, HLC allowed for postsecondary institutions with concurrent enrollment programs to apply for an extension that, if approved, could defer the implementation date up to 2022.
- In spring 2016, Minnesota State completed a systemwide review of all concurrent enrollment instructor credentials.
 - Of approximately 1,400 concurrent enrollment instructors, 24 percent currently meet the HLC faculty qualifications requirements.

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Background on HLC Faculty Qualifications and HLC Extension Application

The deadline for ensuring that all faculty meet these expectations was originally set at September 1, 2017. However, the Higher Learning Commission later created a process for institutions to seek an extension of that deadline for concurrent enrollment programs instructors, given the significant gaps between existing faculty credentials and expected faculty credentials among high school teachers delivering concurrent enrollment. If approved, extensions could defer the implementation date as far out as the year 2022 for concurrent enrollment instructors. The extension application materials were made available in March 2016 to all 19 HLC states and postsecondary institutions, or systems of institutions, have until December 15, 2016 to submit the application.

A Minnesota State systemwide review in Spring 2016 found that 76% of the nearly 1,400 concurrent enrollment instructors do not currently meet the minimum faculty qualifications required by the HLC. Gaps in academic preparation range from 1 to 18 credits of graduate level, discipline-specific coursework.

Higher Learning Commission allowance for use of tested experience to meet faculty qualifications

- The Higher Learning Commission allows for the use of experiences outside the classroom in real world situations, known as tested experience, to qualify faculty members to meet qualifications requirements.
- In spring 2016, a Minnesota State workgroup developed a draft framework for tested experience.

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HLC Faculty Qualifications and Tested Experience

The HLC Determining Qualified Faculty March 2016 guideline includes a section on tested experience, stating: “Tested experience may substitute for an earned credential or portions thereof. Assumed Practice B.2. allows an institution to determine that a faculty member is qualified based on experience that the institution determines is equivalent to the degree it would otherwise require for a faculty position. This experience should be *tested experience* in that it includes a breadth and depth of experience outside of the classroom in real-world situations relevant to the discipline in which the faculty member would be teaching.”

In spring 2016, a Minnesota State systemwide workgroup was charged with developing recommendations for a framework for the application of tested experience to faculty credentialing requirements. The workgroup developed a draft that was shared with secondary and postsecondary stakeholders for feedback in late spring 2016 and has been discussed with local concurrent advisory boards throughout the fall. Minnesota State will continue to clarify the tested experience approach this academic year and seek additional review and comment from Minnesota State campuses and campus concurrent enrollment advisory boards.

Current steps for addressing faculty qualifications

- Minnesota State will submit an application on behalf of all Minnesota State colleges and universities to request a five year extension of the September 1, 2017 compliance timeline.
- Minnesota State universities are designing graduate coursework and graduate programs that will provide for discipline-specific content offered in formats that meet the needs of working professionals across the state (online, cohorts, summer, etc.).

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Current Steps for Addressing HLC Faculty Qualifications

Minnesota State will submit a single application on behalf of all Minnesota State colleges and universities to request a five year extension of the September 1, 2017 compliance timeline. This application will request one extension timeline for all Minnesota State campuses. If extensions are granted, colleges and universities will be notified of the extended timelines by which concurrent enrollment instructors must meet the minimum faculty qualifications standards.

Minnesota State universities are designing graduate coursework and graduate programs that will provide for discipline-specific content that current and new or potential concurrent enrollment instructors need to meet the HLC's requirements and will offer them in formats that meet the needs of working professionals across the state (online, cohorts, summer, etc.).

Background on Minnesota State pricing structure

- In response to concerns expressed by colleges and universities about a variety of pricing structures and to ensure that concurrent enrollment programs are financially sustainable, Minnesota State agreed to resolve inconsistencies in concurrent enrollment pricing and pursue a common pricing structure or structures to meet the direct costs of concurrent enrollment.

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Background on Minnesota State Pricing Structure

In 2015, amidst ongoing discussions on providing high quality concurrent enrollment programs, colleges and universities were also talking about the current pricing structures and the impact that they had on concurrent enrollment partnerships with school districts and high schools. The pricing structure was identified as an issue that needed to be addressed because the system had a variety of pricing structures in place. This variation was causing confusion with our partners and competition between institutions. Also, given the financial conditions of our colleges and universities, we wanted to ensure that we were covering the direct costs of these programs so that colleges and universities could sustain high quality programs in the years to come.

- In February 2015, the Minnesota State Leadership Council agreed that its institutions would resolve inconsistencies in concurrent enrollment pricing and pursue a common pricing structure.
- In spring 2015, a workgroup was charged with developing recommendations for a common pricing structure and a multi-year phase-in plan.
- The group met from June through September 2015.
- In fall 2015, the workgroup presented its recommendations to the Leadership Council.

- In spring 2016, the Leadership Council re-reviewed the workgroup recommendations and adopted the recommendations on sector-specific uniform pricing structures.
- Phase-in of the uniform pricing structures is set to begin in fiscal year 2018.

Background on Minnesota State pricing structure (cont'd.)

- Systemwide workgroup was formed to develop recommendations:
 - The workgroup gathered and analyzed data from concurrent enrollment programs.
 - The workgroup recommended separate pricing structures for colleges and universities.

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Background on Minnesota State Pricing Structure and Workgroup

The workgroup gathered and analyzed data from concurrent enrollment programs. Campuses were surveyed about their program enrollment, program costs, and pricing structures.

Program costs and structures were analyzed for all programs.

- Campuses reported a wide range of pricing structures for concurrent enrollment courses.
 - Two-year colleges ranged from \$1500 - \$2500; four-year universities ranged from \$1800 - \$3276.
 - Some programs charged a flat fee, while others charged a different cost for the first time the course was offered versus subsequent times.
 - Some programs charged per course, while other charged per section.
 - Some programs charged an additional per student charge.
- Program costs varied from campus to campus depending on how programs were structured and how costs were assigned.

Under the existing pricing structures, most of our colleges and universities are not covering

the direct costs of their concurrent enrollment programs.

- The data analysis showed that the college programs charging the lowest prices were generally not covering their direct costs and were subsidizing their concurrent enrollment program with the institution's general funds.

The pricing structure models were developed based on survey data, faculty contract requirements, and compensation data. The cost data analysis informed the pricing structure recommendations.

The workgroup recommended separate pricing structures for colleges and universities:

- One uniform price for courses offered through colleges.
- One uniform price for courses offered through universities with the option of a per student charge for courses of 30 students or more.
- Phase-in period that allows for concurrent enrollment partners to adjust and plan for the new pricing structure over time.
- Beginning in fiscal year 2023, Minnesota State will review and adjust pricing as appropriate to reflect future contract settlement compensation increases.

Pricing structures for colleges and for universities

- Beginning in fiscal year 2018, all colleges will begin a five-year phase-in period with the outcome of reaching a uniform charge of \$3,000 per mentor-mentee relationship per course per term by fiscal year 2022.
- Beginning in fiscal year 2018, all universities will begin a three-year phase-in period with the outcome of reaching a uniform price of \$3,300 per mentor-mentee relationship per course per term, with the option to charge \$110 per additional student if more than 30 students are enrolled in the course and/or students are enrolled in additional sections of the same course, by fiscal year 2020.

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Concurrent Enrollment Pricing Structures for Colleges and for Universities

Both the college and university pricing structure consist of a single rate charged per mentor-mentee relationship per course, irrespective of whether or not it is the first time the high school instructor teaches the concurrent enrollment course.

- Beginning in fiscal year 2018, all colleges will begin a five-year phase-in period with the outcome of reaching a uniform charge of \$3,000 per mentor-mentee relationship per course per term by fiscal year 2022.
- Beginning in fiscal year 2018, all universities will begin a three-year phase-in period with the outcome of reaching the uniform price of \$3,300 by fiscal year 2020, with the option to charge \$110 per additional student if more than 30 students are enrolled in the course and/or students are enrolled in additional sections of the same course.
- The multi-year phase-in period provides time for school districts and local high schools to plan for and absorb any increased costs.

The university pricing structure model mirrors the college pricing structure with two exceptions:

- Universities have the option to charge \$110 per additional student if there are more than 30 students enrolled in the course and/or students are enrolled in additional sections.
- The university implementation period of three years (as compared to 5 years for the colleges) because the new structure is relatively close to existing pricing structures and will require less adaptation.

Current steps for addressing the pricing structure changes

- Minnesota State campuses will compile questions and comments and the Leadership Council will review and consider feedback.
- If there are any changes to the pricing structures as a result of that feedback, Minnesota State will communicate these changes with campuses to share with their programs, advisory boards, and secondary partners.

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Current Steps for Addressing the Pricing Structure Changes

This slide provides a summary of the next steps for this academic year. All Minnesota State institutions with concurrent enrollment programs were requested to share the pricing structure changes at their fall concurrent enrollment advisory board meetings. Campuses are encouraged to collect questions and feedback from their campus and concurrent enrollment advisory board and to send the compiled responses to the Academic and Student Affairs division. The Academic and Student Affairs division will summarize all feedback from campuses and report to the Leadership Council.

The Leadership Council will review and consider feedback. If any changes to the pricing structures are recommended, campuses will communicate these changes with advisory boards and secondary partners.

Current steps for addressing faculty qualifications, tested experience, and pricing structures changes

- Advisory board discussions will help shape how Minnesota State and our K-12 partners will work together to ensure faculty qualifications meet the Higher Learning Commission's requirements, and how tested experience and the pricing structures will be approached.

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Current Steps for Addressing Faculty Qualifications, Tested Experience, and Pricing Structures Changes

Concurrent enrollment advisory boards are meeting this fall and throughout the year and will discuss the Higher Learning Commission's faculty qualifications requirements, tested experience, and the Minnesota State roll-out of the pricing structure needed to cover direct costs of the program. Advisory board discussions will help shape how Minnesota State and our K-12 partners will work together to ensure faculty qualifications meet the Higher Learning Commission's requirements, and how tested experience and the pricing structures will be approached. These topic items will be finalized this academic year.



MINNESOTA STATE

Board of Trustees Meeting

Wednesday, November 16, 2016

10:30 AM

Minnesota State

30 7th Street East, St. Paul, Minnesota

Unless noticed otherwise, all meetings are in the McCormick Room on the fourth floor. Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Call to Order

Chair's Report, Michael Vekich

Chancellor's Report, Steven Rosenstone

Consent Agenda

- a. **Board of Trustees Retreat Notes of September 20-21, 2016**
- b. **Board of Trustees Meeting Minutes of October 19, 2016**
- c. **Report of Internal Financial Model and Allocation Framework Redesign (Second Reading)**
- d. **Annual Audit Plan for FY2017**
- e. **FY2016 and FY2015 Audited Financials**

Student Associations

- a. Minnesota State College Student Association
- b. Students United

Bargaining Units

Minnesota State Colleges and Universities' Bargaining Units

- a. American Federation of State, County, and Municipal Employees
- b. Inter Faculty Organization
- c. Middle Management Association
- d. Minnesota Association of Professional Employees
- e. Minnesota State College Faculty
- f. Minnesota State University Association of Administrative and Service Faculty



Board Standing Committee Reports

- a. Finance and Facilities Committee, Chair Jay Cowles
 - 1. FY2018-FY2019 Legislative Operating Budget and 2017 Capital Bonding Proposal (Second Reading)**
 - 2. Proposed Amendment to Policy 5.22 Acceptable Use of Computers and Information Technology Resources (First Reading)
 - 3. Proposed New Policy 6.9 Capital Planning (First Reading)
 - 4. Proposed New Policy 6.10 Design and Construction (First Reading)
 - 5. FY2017 Revenue Fund Bond Sale (First Reading)
 - 6. College and University Operating Budget Update
- b. Audit Committee, Chair Bob Hoffman
- c. Diversity, Equity, and Inclusion Committee, Chair Ann Anaya
 - Advancing Equity and Inclusion Within Minnesota State
- d. Academic and Student Affairs Committee, Chair Alex Cirillo
 - 1. Student Demographics
 - 2. Concurrent Enrollment

Trustee Reports

Other Business

Adjournment



MINNESOTA STATE

Board of Trustees Meeting
Wednesday, November 16, 2016
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Consent Agenda

- a. **Board of Trustees Retreat Notes of September 20-21, 2016 (pp. 1-10)**
- b. **Board of Trustees Meeting Minutes of October 19, 2016 (pp. 11-17)**
- c. **Report of Internal Financial Model and Allocation Framework Redesign (Second Reading) (pp. 95-128 of the Finance and Facilities Committee)**
- d. **Annual Audit Plan for FY2017 (pp. 4-14 of the Audit Committee)**
- e. **FY2016 and FY2015 Audited Financial Statements (pp. 15-29 of the Audit Committee)**



Board of Trustees
Retreat Notes
September 20-21, 2016

Tuesday, September 20

Welcome, introductions, opening remarks

Chair Michael Vekich convened the retreat at Fitger's Inn in Duluth at 12:30 pm. He welcomed everyone and introduced the new trustees: Basil Ajuo, Amanda Fredlund, Jerry Janezich, Rodolfo Rodriguez, and Cheryl Tefer.

Chair Vekich welcomed the invited guests: the Executive Committee of the Leadership Council Presidents Anne Blackhurst, Joyce Ester, Connie Gore, and Barbara McDonald; bargaining unit leads: Jim Grabowska, Inter Faculty Organization; Jerry Jeffries, Minnesota Association of Professional Employees; Gary Kloos, Middle Management Association; Kevin Lindstrom, Minnesota State College Faculty; Tracy Rahim, Minnesota State University Association of Administrative and Service Faculty; and Valerie Roberts, American Federation of State, County and Municipal Employees; and student association leads: Dylan Kelly, Minnesota State College Student Association; and Joe Wolf, Students United.

Chair Vekich introduced the facilitator, Mike Felmlee. He invited Chancellor Rosenstone to make some comments. The comments are attached to these notes, and are also posted at: <http://www.mnscu.edu/board/materials/2016/chancellor-retreatremarks.pdf>.

Following the chancellor's comments, Mr. Felmlee invited the trustees to discuss the following two questions at their tables:

- Question 1: How can you as a trustee make a difference?
- Question 2: What additional information do we need to become better?

Enterprise Risk Management

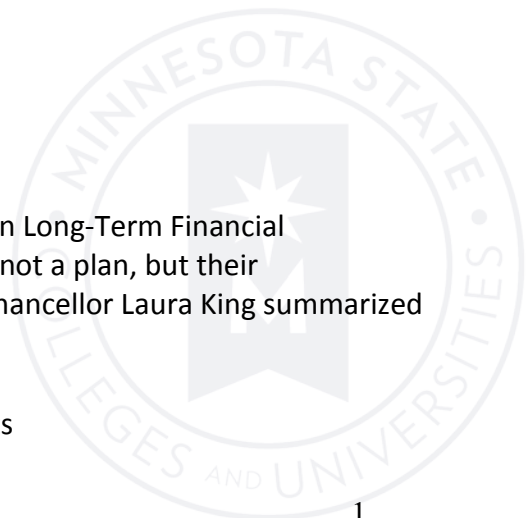
Associate Vice Chancellor Phil Davis and Executive Director of Internal Audit David Pyland reviewed the materials. They concluded the presentation with the following questions for discussion:

- Are the risks clear?
- Is the board's oversight on risk working?
- What are we doing with regard to looking at the future?
- What are potential disruptors?

Long-term Financial Sustainability

Chancellor Rosenstone introduced the report of the Work Group on Long-Term Financial Sustainability. He emphasized that the report of the work group is not a plan, but their recommendations. Associate Vice Chancellor Phil Davis and Vice Chancellor Laura King summarized the report findings:

- Tuition has increased as state appropriation has decreased
- 75% of our budget is for salary and benefits, employee costs



- 40% of those costs are negotiated out of our control
- 90% of our revenue is either state appropriation or tuition
- Incremental costs will continue to outpace incremental revenues

The report presents two scenarios. One, based on pessimistic assumptions, predicts a budget shortfall of \$475M by 2075; the other, based on “optimistic” assumptions, predicts of budget shortfall of \$66M by 2025. The report has five recommendations:

- Act as an enterprise
- Consolidate the delivery of core functions
- Build partnerships to prepare students for successful college or university experience
- Adopt more creative and flexible labor practices
- Recalibrate physical plant and space capacity

The trustees, presidents, cabinet members, and student association and bargaining unit leads were asked to consider the strengths and weaknesses of the recommendations in discussion groups. The groups were also asked to offer any new ideas.

Wednesday, September 21

Chair Vekich re-convened the retreat starting at 8:10 am.

FY2018-FY2019 Biennial Legislative Request

Vice Chancellor Laura King, Vice Chancellor Ron Anderson, and Presidents Anne Blackhurst and Barbara McDonald presented the draft FY2018-FY2019 biennial legislative request. The recommended approach was a request of \$173 million with a commitment from the board to hold tuition rates at FY2017 levels if the request is fully funded. Three alternative strategies were also discussed.

Student association and bargaining unit leads were invited to comment on the FY2018-FY2019 biennial legislative request. After hearing from the representatives, the trustees met in groups to discuss the six questions on page 48 of the presentation.

Issues on campuses around the nation

Associate Vice Chancellor/Interim Chief Diversity Officer Toyia Younger and President Barbara McDonald gave their perspectives on how national and local news stories of black men being shot by police officers has affected them and students.

Strategic Priorities for the board and board committees

Board members met in small groups with their respective cabinet members to discuss priorities for the year.

Chancellor Search Update

Vice Chancellor Carlson provided an update on the chancellor search. The position profile, qualities, characteristics, and experiences, and a draft committee roster were distributed.

The retreat concluded at 3:00 pm.



Introductory Remarks, Board of Trustees Retreat

Steven Rosenstone, Chancellor

September 20, 2016

The kickoff of a new academic year is a moment to take stock and set priorities. It's a moment to reaffirm our shared values, harness our collective energy, and build the camaraderie and teamwork needed to lead. The retreat is designed to do just that, and I want to offer some initial observations to help frame our discussions and our work together over the next ten months.

"The Why"

I want to begin where we began exactly five years ago today when I sat with the board for the first time as a new chancellor. We began a conversation about the future by reminding ourselves of "the why" – not "what" we do or "how" we do it, but "the why" of Minnesota State colleges and universities.

Everything we do, everything we believe in, is focused on providing an opportunity for *all* Minnesotans to create a better future for themselves, for their families, and for their communities.

This core belief is what binds us together. We live this core value every day because we know that outstanding, accessible, affordable, and relevant education is the best path to success for people and communities across Minnesota. A great education has never been more important. For everyone. All ages. All communities. All over our state. There is no greater vehicle for driving individual accomplishment than higher education. No better path to a fulfilling life. No better way to move out of poverty. No better way to stimulate community health and prosperity. And that's why we're all here.

Minnesota Counts on Us

Minnesota counts on us to educate nearly 400,000 students from every part of the state: 19-year olds right out of high school, but just as importantly, working adults, people displaced from jobs, or who want to prepare for new careers. Businesses, large and small, turn to us to help solve problems and help their employees stay at the leading edge of their professions.

Minnesota counts on us to help address the state's two biggest challenges: Minnesota's tragic economic and racial disparities and its critical need for talent. Businesses and communities across Minnesota are being hammered because they don't have the talent they need. Whether it's in manufacturing or agriculture or the health professions, whether it's because of baby boomer retirements or slowing population growth, Minnesota is facing a talent challenge that's growing into a talent crisis. And, Minnesota will never have the talent it needs unless we address the state's economic and racial disparities. With 70% of the state's population growth over the next 25 years coming from communities of color, this is our workforce of the future, and Minnesota cannot afford to leave anyone behind. And if we do leave anyone behind, businesses and communities will be crippled, and thousands of Minnesotans will be condemned to a life of poverty.

We are the solution. We are educating the workforce of the future, preparing people to be the talent Minnesota needs. Last year we served 62,800 students of color and American Indian students, 50,000 first-generation college students, 92,000 low-income students, and 10,500 veterans and service members. Although we should be proud that in every one of these categories our colleges and universities serve more students than all of Minnesota's other higher education options *combined*, it is also a tremendous responsibility. Every single one of these students must succeed. An education that prepares people for high-demand, well-paying jobs will do more to reduce disparities and meet Minnesota's talent needs than anything else our state can do. Minnesota counts on us.

July 18, 1995

At 9:10 a.m. on July 18, 1995, in Room 123 of the State Capitol, Gary Mohrenweiser convened the first meeting of the newly formed Minnesota State Colleges and Universities Board of Trustees. It was a different era.

That summer, Larry Page and Sergey Brian had begun developing a search engine called Backrub (we know it today as Google); the Internet was still in its infancy; mobile phones were thick as a brick; and Amazon.com sold its first book. On-line meant someone was on the phone. Distance education meant correspondence courses. And *public* higher education meant that the state of Minnesota covered two-thirds of the cost.

At that July 18 meeting, your predecessors set fall tuition rates: \$40.00 per credit at the technical colleges; \$42.25 at the community colleges; \$49.50 at the universities (except for the Winona Rochester campus which was set 95 cents higher at \$50.45 per credit.).

The initial years were spent understanding how 37 universities, technical and community colleges, four faculty unions, three student associations, three payroll, HR, and accounting systems, and three boards with separate policies and procedures would come together under a single umbrella. It was several years before the system could produce verifiable financial statements, let alone a financial model.

Everything (Well, Almost Everything) Changed

So much had changed since 1995. For example,

- Back in 1995, 8% were students of color or American Indian students; it is 24% today. The students we now serve are also much more likely to be new Americans, the first in their family to attend college, and be from families of very modest financial means, yet we had not developed the strategies to ensure their educational success.
- As Minnesota's population grew dramatically more urban, we saw an increasing mismatch between where facilities had been built and where our students were enrolled, yet we had no regional or statewide academic or facility plans.
- As revolutions in technology dramatically changed how and where students could learn, how faculty could teach, and how we could work together across the state, we remained locked into a 20-year old technology platform and century-old ways of thinking.
- As we saw wave after wave of cuts in state funding, and increases in tuition and student debt, we had no state-wide effort to reduce administrative costs. Textbooks that once totaled a few hundred bucks now cost over \$1,000, yet we had not figured out how to protect our students.
- As for-profit higher education providers surged and more and more high school graduates left Minnesota to attend college elsewhere, our colleges and universities spent millions of dollars luring students from each other, rather than working together to keep students from going to the for-profits, the Dakotas, Wisconsin, or Iowa.
- As public higher education was disrupted by new vendors certifying the competencies sought by employers, we had no systemwide effort to award credit for prior learning or certify the capabilities of our graduates.
- As modern procurement practices and lean, technology-rich HR processes became commonplace in industry, 54 independent teams across the state continued to do their own purchasing and payrolls rather than leverage the resources of a \$2 billion organization.

Despite tectonic changes since 1995 in nearly everything – in our students and their needs, in technology, demographics and much more – the basic architecture of the Minnesota State system had remained untouched by the passage of time.

The hallmark of this architecture is both our greatest strength and our greatest weakness. Our colleges and universities are deeply connected to their communities which is a great strength. Yet ours was a culture of decentralization without collaboration, campus independence without inter-dependence, and this mentality affected everything from academic and facilities planning to backroom operations, technology, e-education, marketing, and most importantly, our ability to serve students.

This legacy architecture was not working for our students and that was a serious problem.

With over a third of our students who complete an associate's degree and nearly a half who complete a baccalaureate degree attending more than one of our colleges or universities, credits earned at one school needed to seamlessly transfer to another, yet they did not. Students who completed their associate's degrees were leaving our system in droves to pursue a baccalaureate degree elsewhere because the barriers to credit transfer were simply too high.

Students increasingly wanted to attend multiple schools in the *same* semester, yet this kind of student was not imagined two decades ago in the design of our technology systems, in how we schedule classes, administer financial aid, or provide academic advising. Students now want to wed together courses from multiple schools to create a certificate or degree, but our architecture wasn't built with these kinds of students in mind.

Our students knew we had a problem and they felt the consequences every day. They valued the creativity and unique cultures of our individual colleges and universities, but expected that the pieces would work together for them. They didn't accept that minor variations from one school to another should produce costly barriers to their success simply because a school wanted to maintain a unique practice. They wanted to be able to move smoothly through the entire system and they expected that we would organize ourselves to meet their needs, not the other way around.

To paraphrase Avelino Mills-Novoa, former interim president of MCTC, we needed to change the paradigm from preparing students for our colleges and universities to preparing our colleges and universities for our students. We needed to redesign how we work together to meet the needs of today's students, not only because it's the right thing to do for students, but because it's key to meeting Minnesota's needs.

The Strategic Framework and Charting the Future

We started in September 2011 by making three commitments: 1) ensure access to an extraordinary education for all Minnesotans; 2) be the partner of choice to meet Minnesota's workforce and community needs; and 3) deliver to students, employers, communities and taxpayers the highest value, most affordable option. This "strategic framework," as we called it, became the foundation for all the work that would lie ahead.

It soon became clear that a host of challenges threatened our ability to deliver on these three commitments. The September 2012 board retreat focused on the challenges and the potential strategies. The board recognized that we needed to work together in fundamentally more powerful ways. The board understood that we needed to put aside old prejudices and outdated approaches. The catch phrase that we embraced was "the greatest risk we face is the risk of business as usual."

To develop strategies to address the challenges, we chartered three workgroups to envision the education of the future (including the role of e-education, proficiency-based degrees, and credit for prior learning); to articulate how we should meet Minnesota's future workforce needs; and

to imagine what the Minnesota State system of the future should look like. Forty-six students, faculty, presidents, trustees, and staff from across the state worked over the course of the 2012-13 academic year to consider these big questions and draft an initial report that was circulated in June 2013. Following extensive consultation with the board, presidents, students, faculty and staff in retreats, meetings, and 108 listening sessions across the state, the workgroups reconvened the next fall to revise their initial draft. Their final report, *Charting the Future for a Prosperous Minnesota*, was submitted in November 2013 and the Board of Trustees unanimously adopted the six recommendations – recommendations to increase access, affordability, excellence, and service by forging deeper collaborations among our colleges and universities to maximize our collective strengths, resources, and the talents of our faculty and staff.

The great insight of Charting the Future was “the power of collaboration:”

“The time has come to plan and act more like a team, regularly bringing together the best thinking across our colleges and universities to solve problems and create opportunities for students and also to increase revenue and reduce costs.”

“It’s time to recognize that our colleges and universities are interdependent higher education institutions, and that interconnectedness is a strength. Collaboration doesn’t mean giving something up. Rather, it is a way to advance institutional interests and, at the same time, serve students and partners more effectively. It is a way to be more, not less, successful.”

Eight implementation teams, comprised of 173 students, faculty, and staff from 30 campuses got to work in the summer of 2014 to turn the recommendations into action plans through greater collaboration, not greater centralization. The teams shared their preliminary ideas at campus “gallery walks” where 8,794 students, faculty, and staff offered feedback and suggestions. Execution of the work plan devised by Leadership Council began in fall 2015 and will be completed in spring 2017.

What Difference Will All This Make?

What difference will all this make and what hurdles and challenges still lie ahead?

The changes for our students will be profound because we are now planning together, solving problems together, leveraging our collective resources, and aligning our practices. For example, we are:

- establishing guided transfer pathways so students can easily navigate their way across schools to degree completion without the loss of credits
- strengthening academic planning and collaboration among our colleges and universities
- providing students with the wraparound support services needed to stay in school and graduate

- expanding the use of innovative technologies for teaching and advising
- keeping college affordable by holding down tuition, by consolidating and sharing administrative functions to make them more effective and more efficient, and by completing our first ever state-wide scholarship campaign and launching a second one
- implementing campus strategic diversity and inclusion plans to improve student success
- identifying online education resources to save students hundreds of dollars a year on textbooks
- rethinking our e-education model to improve course quality and student support
- revising our internal financial model to make it more responsive to change, reward student success, and incent efficiency and collaboration
- replacing our legacy technology system with a twenty-first century platform that meets the needs of our students and faculty, enables streamlined modern business practices, and increases data security.

We are working together in new ways – to “plan and act more like a team . . . bringing together the best thinking across our colleges and universities” to better serve students.

Priorities and Risks Ahead

So how does all this drive our priorities for the year ahead?

First, we must complete the priorities the board has set – most notably implementation of Charting the Future. The milestones laid out in the Leadership Council’s work plan will be met. This includes, for example, completing 20 additional transfer pathways; implementing the campus diversity and inclusion plans to further improve student retention and success, the diversity of our faculty and staff, and campus climate; expanding adoption of online educational resources; opening the new HR transactional hubs; developing a more powerful e-education strategy; and launching a state-wide \$50 million scholarship campaign. Beyond Charting the Future, the metro baccalaureate plan will be implemented as will the branding initiative and a state-wide marketing effort to grow enrollments.

Second, we need to come to grips with the reality that our costs are outpacing revenue, and that our financial model is not sustainable. Our focus this year needs to be on two important projects: 1) revising the internal financial model (the “allocation framework”) and 2) creating a plan that will bring costs in line with resources. We will discuss the recommendations of the Long Term Financial Sustainability Workgroup as well as additional ideas that I hope will surface. I look forward to the consultation I began over the summer continuing over the next two months. My goal is to bring to the board in November the results of that consultation and my best judgement about the plan we should employ going forward – a plan that is critical to the survival of our colleges and universities and the students and communities we serve.

A **third priority** is the biennial legislative request. Consultation began last spring and will continue over the next two months as we craft the board’s request to the legislature. We all

know how critical the request is to the education we provide our students, to affordability, to our ability to meet Minnesota's talent need, and reduce economic and racial disparities. Beyond our work together in crafting this proposal, we will need an "all hands on deck" approach to the legislative session. Students, faculty, staff, trustees, presidents, and system leadership must work together with our Government Relations team and grass roots efforts across the state to tell our story and advocate for the request. This request is critical – absolutely critical – not only to our students and the communities we serve, but to the entire state of Minnesota.

A **fourth** priority is facilitating a smooth transition in system leadership. Chair Vekich will update you tomorrow on the search for the new chancellor. There is important work here for everyone – students, faculty, staff, trustees, and community members – not only those who will be serving on the search advisory committee, but everyone who will interact with candidates along the way. I can tell you from my own experience both as a candidate and as someone who has been engaged in 35 executive searches over the past five years, that we all need to be in recruitment mode singing the praises of this remarkable system. And it is remarkable, in its power to transform lives and serve Minnesota. The presidents, cabinet and I are committed to the successful onboarding of the new chancellor and a seamless handoff next summer.

As important as these four priorities are, I want to conclude my remarks with **the most critical priority** – the priority that is a necessary condition for meeting the other priorities I have identified.

Our presidents and cabinet, our board of trustees, our students, faculty and staff, each group individually, and all of us together, must be a high performing, collaborative team of leaders who are working together on behalf of the entire enterprise's ability to effectively serve students and communities across Minnesota. Whether it's around the legislative request, the search, strategies to ensure our long-term financial sustainability, or implementation of Charting the Future – we need to play as a team on behalf of the core values we all share.

Although we will discuss enterprise risk management, I want to suggest that there is a meta-risk that has the potential to derail us; a meta-risk that threatens our ability to serve students and Minnesota. That meta-risk is our culture – the customs, habits, and ways of thinking that have accumulated over the past two decades.

There are two aspects of our culture that get in the way. The first is the culture of higher education, which has a well-earned reputation of being adverse to change, let alone self-disruption. In this respect, we are no different than any other college, university, or system I know. Higher education is slow to innovate.

The second aspect of our culture that jeopardizes our success is that too few players look out for the enterprise as a whole, focusing, instead, exclusively on their campus or their members. We need to move from asking "is it good for my campus or my members?" to asking "is it good

for the students and communities we collectively serve? Does it serve the common good? Does it serve Minnesota?”

The common good does not emerge from the equilibrium produced from groups of individuals advocating for their own self-interest. Not playing for the common good gets in the way of doing what’s best for students and their success. It gets in the way of our long-term financial sustainability. It gets in the way of legislative success. Playing on behalf of “me” rather than playing on behalf of “we” is the meta-risk we must mitigate.

We can mitigate this meta-risk by moving from a battle among self-interests to a culture where we put our students, Minnesota, and the common good first. There is work here for all of us. For trustees, this means serving as fiduciaries protecting the collective interests of Minnesota State. For presidents, members of the cabinet, bargaining unit and student association leaders, it means acting as enterprise leaders – leaders who advance the common good – the needs of our students and all of our colleges and universities, not just the needs of a particular interest. This is not to suggest that systemwide interests take priority over campus interests. The success of our students and our campuses hinge on our ability to deploy enterprise-wide, integrated solutions. Enterprise leadership advances campuses, students, and communities. It advances Minnesota. We, individually and collectively, have the ability to create a healthier culture by modeling enterprise thinking, behavior, and leadership. Board leadership of this healthier culture is critical.

Much of the past five years has been all about building a stronger and healthier culture focused on students and the common good. As the colleagues who drafted Charting the Future noted: “Collaboration doesn’t mean giving something up. Rather, it is a way to advance institutional interests and, at the same time, serve students and partners more effectively. It is a way to be more, not less, successful.”

This is my last board retreat and I want to conclude my remarks with the same words I spoke five years ago:

Advancing the strategic framework will require enormous energy and creativity. The biggest risk we face is the risk of business as usual.

Making this strategy pay off for Minnesota will require leadership and action, patience, commitment, and tenacity. It will require detailed plans and thoughtful consultation. But most of all, it will require us to work smart and work together.

Minnesota is counting on us. Now is the time to act.

I look forward to our work together this coming year.

**Minnesota State Colleges and Universities
Board of Trustees Meeting Minutes
October 19, 2016**

Present: Chair Michael Vekich, Trustees Basil Ajuo, Ann Anaya, Elise Bourdeau, Alex Cirillo, Jay Cowles, Dawn Erlandson, Bob Hoffman, Jerry Janezich, Margaret Anderson Kelliher, Rudy Rodriguez, Louise Sundin, Cheryl Tefer, and Chancellor Steven Rosenstone

Absent: Trustee Amanda Fredlund

Call to Order

Chair Vekich called the meeting to order at 11:35 AM.

Chair Vekich recognized and thanked everyone involved in the upgrades made to the McCormick Room. He expressed special thanks to Dale Johnson, office manager, Ross Berndt, associate vice chancellor of information technology, Matthew Netland, director of end user services, and the entire desktop support services LAN team.

Chair's Report

Report of the Closed Session on the Chancellor's Performance Review

Chair Vekich reported that the board met in a closed session on the chancellor's performance review.

Chair Vekich made the following statement:

The Chancellor Performance Review Committee meets with the chancellor at a minimum quarterly to review the progress on his goals. The committee met in August and wrote a report that was shared with the full board and discussed in detail this morning.

Last fall, the board identified eight priorities that would be the focus of the chancellor's FY2015-16 work plan. Over the past year, Chancellor Rosenstone made outstanding progress on each of these priorities. He was able to effectively move forward the priorities we set for our students, colleges and universities, and the system as whole.

A recap of the eight priorities are:

1. Successfully met the FY2015-2016 milestones identified in Charting the Future.
2. Collaborated with the Board of Trustees to build a stronger board/management culture.
3. Completed the workgroup on Long-Term Financial Sustainability.
4. Completed the second phase of the branding work.
5. Provided leadership and direction in the past legislative session.
6. Moved the diversity and inclusion agenda forward.
7. Completed the development of a comprehensive metro baccalaureate plan.

8. Strengthened coaching and development of the presidents and the cabinet to create a higher performing and collaborative team of leaders.

In summary, this has been a successful year. Chancellor Rosenstone and his leadership team made significant progress against all the agreed-upon goals we set a year ago.

The board is pleased with Chancellor Rosenstone's overall performance this past year, and we look forward to the chancellor's continued leadership over the year ahead.

Chair Vekich commented that he has thoroughly enjoyed working with the chancellor this past year. They have had a collaborative working relationship and have addressed a lot of major issues. Chair Vekich added that he appreciated the chancellor's leadership and the passion which he has had since the beginning. He thanked Chancellor Rosenstone on behalf of the Board of Trustees. Chancellor Rosenstone thanked Chair Vekich and the board.

President Emeriti Recognition

Chancellor Rosenstone recommended that the board confer presidential emeritus status upon presidents Richard Hanson, president at Bemidji State University/ Northwest Technical College from 2010-2016; Larry Lundblad, president at Central Lakes College from 2006-2016 and Earl Potter, president at St. Cloud State University from 2007-2016.

Trustee Erlandson moved that upon the recommendation of Chancellor Rosenstone, and in recognition that they have served with great distinction, the Board of Trustees hereby confers the honorary title of President Emeritus upon Richard Hanson, Bemidji State University/ Northwest Technical College; Larry Lundblad, Central Lakes College; and Earl Potter, St. Cloud State University. The motion was seconded and carried unanimously.

Chancellor's Report

Chancellor Rosenstone reported that Minnesota State hosted a 28-member delegation of higher education, business, and government leaders from Mexico – a delegation that was in response to Governor Dayton's visit to Mexico in August of 2015, in which Chancellor Rosenstone participated.

The objective of the delegation was to strengthen the collaboration, partnership, and exchange between Mexico and Minnesota business and higher educational institutions. The delegation was led by Mexico's Undersecretary of State for North America, José Paulo Carreño King.

Conversations between members of the Mexican delegation and their Minnesota counterparts took place in St. Paul and on 13 of our campuses across the state, including a plenary session of nearly 70 participants. Saint Paul College and Metropolitan State University hosted two dinners.

A number of Minnesota's government and business sectors participated in the week's discussions and planning, including Agriculture Commissioner Dave Fredrickson; Luann Bartley from the Minnesota Precision Manufacturing Association; Greater MSP's Cecile Bedor; Bill Blazer from the Minnesota Chamber of Commerce; Kathleen Motzenbecker and Barbara Mattson from the Minnesota Trade Office, and colleagues from the law firm Fredrikson & Byron.

The week would not have been possible without the tremendous help we received from – and the partnership we enjoy with – the Mexican Consulate and Consul General Gerardo Guerrero. The Minnesota Chamber of Commerce hosted a breakfast for Undersecretary Carreño King with many of Minnesota's top business leaders. Governor Dayton spent time with the Undersecretary of State.

A number of Minnesota State leaders made presentations or led parts of the plenary discussions, including Presidents Ashish Vaidya, Connie Gores, Adenuga Atewologun, Annette Parker, Richard Davenport, and Ginny Arthur; as well as Provosts Watson from Southwest Minnesota State University, and Gregory from St. Cloud State University.

Chair Vekich spoke at the opening session and laid out the challenges and opportunities for both Mexico and Minnesota. He remarked that we had come together “to explore more powerful ways to work together to serve our communities, to create more powerful opportunities for people to realize their full human potential, and to do so through collaboration and partnership.”

U.S. Representative Tom Emmer offered closing remarks on Thursday. Undersecretary of State Carreño King and the other delegates left Minnesota impressed by the quality of our colleges and universities, our deep collaboration with business and industry, and our state's commitment to developing deeper partnerships with Mexico.

Moving forward, there are a number of opportunities for collective next steps that we will pursue including exploring opportunities for funding, agreements, and partnerships with the Mexican Consulate, the Mexican Foreign Ministry, Greater MSP, the Minnesota Chamber of Commerce, and the Minnesota Trade Office.

Chancellor Rosenstone encouraged everyone involved in the visit to keep the lines of communication open with the delegates, and to consider reciprocating this coming spring by sending a delegation to meet with those universities, businesses, and governments where partnerships look most promising. It is important that we build upon the energy, momentum, and trust that we garnered this week.

Chancellor Rosenstone reported that Minnesota State is hosting the Thomas Lakin Institute for Mentored Leadership. The Lakin Institute is a national professional development program sponsored by the Presidents' Round Table of African American Community College CEOs.

The Presidents' Round Table is working to create a pipeline of African American leaders ready to be community college presidents; and to address barriers that prevent minority men in their institutions from achieving these leadership positions.

The institute is a personal and professional development experience for individuals who have demonstrated a potential for expanded leadership roles in their current, or future, responsibilities within community colleges. More African Americans academic leaders have gone on to CEO positions after attending the Institute than from any other leadership institute in the nation. Presidents Merrill Irving, Jr, and Annette Parker are Lakin graduates. President Parker also serves as membership chair and presidents' round table director coordinator. We proactively sought out the opportunity to host the Institute because it aligns with our strategic goal of attracting to our searches a diverse pool of candidates who better reflect our student body.

Chancellor Rosenstone thanked all of the staff who responded to the call to support Minnesota State's responsibilities in hosting the Institute.

Consent Agenda

(1) Meeting Minutes

- a. **Study Session: Report of the Long-Term Financial Sustainability Workgroup, June 21, 2016**
- b. **Study Session: Charting the Future Update, June 22, 2016**
- c. **Board Meeting, June 21-22, 2016**
- d. **Board Meeting, July 8, 2016**
- e. **Executive Committee, August 11, 2016**
- f. **Board Meeting, September 21, 2016**

Chair Vekich removed the Authorization to Enter Negotiations item from the Consent Agenda to be heard with the Board Policy Decisions.

Chair Vekich called the question on the remaining Consent Agenda. The motion carried.

Board Policy Decisions

(1) Authorization to Enter Negotiations

Committee Chair Erlandson moved that the Board of Trustees authorizes the Vice Chancellor for Human Resources to enter into negotiations for a paid parental leave benefit with Minnesota State College Faculty, Minnesota State University Association of Administrative and Service Faculty, and System Administrators; and this benefit will be part of the Minnesota Management and Budget package to be submitted to the sub-committee on employee relations. The motion was seconded and carried.

(2) Proposed Amendments (Second Readings)

a. Policy 2.10 Student Housing

Committee Chair Cowles moved that the Board of Trustees approve the amendments to Policy 2.10 Student Housing. The motion was seconded and carried.

b. Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers

Committee Chair Cowles moved that the Board of Trustees approve the amendments to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers. The motion was seconded and carried.

Student Associations

a. Minnesota State College Student Association

Dylan Kelly, president, addressed the board.

b. Students United

Joe Wolf, state chair, addressed the board.

Bargaining Units

a. Inter Faculty Organization

Jim Grabowska, president, addressed the board.

b. Minnesota Association of Professional Employees

Jerry Jeffries, statewide chair, meet and confer, addressed the board.

c. Minnesota State College Faculty

Darci Stanford, vice president, addressed the board.

d. Minnesota State University Association of Administrative and Service Faculty

Tracy Rahim, president, addressed the board.

Board Standing Committee Reports

a. Audit Committee, Chair Bob Hoffman

1. Internal Audit Division Planning

Committee Chair Hoffman reported that the committee heard a presentation on the Internal Audit Division planning.

2. Roles and Responsibilities of Audit Committee Members

Committee Chair Hoffman reported that the committee discussed the roles and responsibilities of the Audit Committee members.

b. Academic and Student Affairs Committee, Chair Alex Cirillo

1. Overview of Academic and Student Affairs
Committee Chair Cirillo reported that the committee heard an overview of Academic and Student Affairs.
2. Developmental Education Redesign
Committee Chair Cirillo reported that the committee heard a report on the developmental education redesign.

c. Finance and Facilities Committee, Chair Jay Cowles

1. ISRS NextGen Update
Committee Chair Cowles reported that the committee heard a presentation on the ISRS NextGen Update.
2. Internal Financial Model and Allocation Framework Redesign (First Reading)
Committee Chair Cowles reported that the committee heard a first reading on the internal financial model and allocation framework redesign.
3. FY2018-FY2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy (First Reading)
Committee Chair Cowles reported that the committee heard a first reading on the FY2018-FY2019 Legislative Operating Budget Proposal including 2017 Capital Bonding Strategy.

d. Human Resources Committee, Chair Dawn Erlandson

- Report of the Closed Session on Labor Negotiations
Committee Chair Erlandson reported that the committee met in closed session for a report on labor negotiations.

Trustees Reports

Chair Vekich reported that Trustee Cowles, Erlandson, and Sundin attended the Association of Community College Trustees (ACCT) Annual Leadership Congress earlier this month. Shannon Peake Fiene, a mathematics instructor at Minnesota West Community and Technical College was awarded the Central Region faculty award. Dr. Fiene was also the recipient of the Board of Trustees outstanding educator award in 2014. Chair Vekich congratulated Trustee Erlandson who was elected secretary-treasurer of the ACCT board.

Trustee Anderson Kelliher reported that she was a keynote speaker at the Association of Governing Board's professional board staff conference.

Other Business

- **Chancellor Search, Chair Vekich**

Chair Vekich reported on the Chancellor Search Committee. The search committee is comprised of 19 members. Chair Vekich named Trustees Cirillo, Cowles and Erlandson to the committee. Community members appointed to the committee are Search Committee Chair George Soule, CEO of Soule & Stull LLC; Mark Addicks, retired Chief Marketing Officer and Senior VP of General Mills; MayKao Hang, President and CEO of Amherst H. Wilder Foundation; and Scott Peterson, Executive Vice President and Chief Human Resources Officer of Schwan Food Company. The committee will have its first meeting on November 3.

Adjournment

Chair Vekich adjourned the meeting at 12:55 PM.

Acronyms

AACC	American Association of Community Colleges
AASCU	American Association of State Colleges and Universities
ACCT	Association of Community College Trustees
AFSCME	American Federation of State/County/Municipal Employees
AGB	Association of Governing Boards of Universities and Colleges
AQIP	Academic Quality Improvement Program
ASA	Academic and Student Affairs
CAS	Course Applicability System
CASE	Council for the Advancement and Support of Education
CCSSE	Community College Survey of Student Engagement
CFI	Composite Financial Index
CIP	Classification of Instructional Programs – or - Capital Improvement Program
COE	Centers of Excellence <ul style="list-style-type: none">• 360° Manufacturing and Applied Engineering Center of Excellence• Center for Strategic Information Technology and Security• Health Force Minnesota• Minnesota Center for Engineering and Manufacturing Excellence
CSC	Campus Service Cooperative
CTF	“Charting the Future” strategic planning document,workgroups
CTL	Center for Teaching and Learning
CUPA	College and University Personnel Association
D2L	Desire2Learn
DARS	Degree Audit Reporting System
DEED	Department of Employment and Economic Development
DOA	Department of Administration

EEOC	Equal Employment Opportunity Commission
FCI	Facilities Condition Index
FERPA	Family and Educational Rights and Privacy Act
FIN	Finance
FTE	Full Time Equivalent
FY	Fiscal Year (July 1 – June 30)
FYE	Full Year Equivalent
HEAC	Higher Education Advisory Council
HEAPR	Higher Education Asset Preservation
HLC	Higher Learning Commission
HR	Human Resources
IAM	Identity and Access Management
IDM	Identity Management (Old term)
IFO	Inter Faculty Organization
IPEDS	Integrated Postsecondary Education Data System
ISEEK	Minnesota's Career, Education and Job Resource
ISRS	Integrated Statewide Records System
IT	Information Technology
ITS	Information Technology Services
LSER	Legislative Subcommittee on Employee Relations
MAPE	Minnesota Association of Professional Employees
MDOE	Minnesota Department of Education
MHEC	Midwestern Higher Education Compact
MMA	Middle Management Association
MMB	Minnesota Management and Budget
MnCCECT	Minnesota Council for Continuing Education and Customized Training
MMEP	Minnesota Minority Education Partnership

MNA	Minnesota Nurses Association
MOU	Memorandum of Understanding
MSCF	Minnesota State College Faculty
MSCSA	Minnesota State College Student Association
MSUAASF	Minnesota State University Association of Administrative and Service Faculty
MSUSA	Minnesota State University Student Association
NASH	National Association of System Heads
NCAA	National Collegiate Athletic Association
NCHEMS	National Center for Higher Education Management Systems
NSSE	National Survey of Student Engagement
OCR	Office for Civil Rights
OET	Office of Enterprise Technology
OHE	Minnesota Office of Higher Education
OLA	Office of the Legislative Auditor
PEAQ	Program to Evaluate and Advance Quality
PM	Project Manager
PSEO	Post-Secondary Enrollment Options
RFP	Request for Proposal
SARA	State Authorization Reciprocity Agreement
SEMA4	Statewide Employee Management System
SHEEO	State Higher Education Executive Officers
SWIFT	State accounting and payroll information system
USDOE	United States Department of Education